

# Health Care and Payment Reform: Effects on Transactions – The Good, The Bad and The Ugly

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# Key Trends Impacting Health Care and Aging Services

1. A volatile political climate will **impact economic recovery**.
2. Payment reform will focus on **increasing value and lowering total costs**.
3. Referral sources are instituting changes in **preparation for different payment models**.
4. Hospitals and other referral sources will experience **significant financial strains** over the next 5 – 7 years.
5. Future customer buying practices will likely **not reflect historical patterns**.
6. **Health Care Reform legislation** is creating opportunities for aging services providers.

# The Future Under Health Care Reform

## Health care reform is designed to significantly alter:

### How we Pay for Care

- Payment reductions
- Bundled payments
- Shared Savings
- Value-based payment
- Independent Payment Advisory Board

### How Care is Organized

- Accountable care organizations
- Medical homes
- Episodes of care
- Health information exchange

### How Care is Delivered

- Center for Medicare and Medicaid Innovation
- Comparative effectiveness (evidence-based best practices)
- Multidisciplinary care teams across sites of service
- Electronic Health Records
- Care Transitions
- Improved coordination of care for dual eligibles



# WHAT CAN WE EXPECT?

# Critical Issues to Address

1. **Conducting business** under a reformed health care model
  - *New relationships, accountability and focus on value; rural vs. metro; payment streams*
2. **Changing perceptions of referral sources and buying habits of consumers**
  - *Adaptability and flexibility; Blending the need for hospitality (short stay) with a desire for a residential feel (long term)*
3. **Implications and applications of technology**
  - *Treatment technologies; Information exchange*
4. **Accessing Capital** in a post-recessionary environment
  - *Planning and positioning in advance of need*

# “Strawman” Strategic Priorities for Health Care Providers

1. In each market in which you operate, position your organization to be #1 or 2 for key referral sources
2. Develop / coordinate / collaborate to create a full continuum of capabilities in all communities
3. Continue to update physical plants to meet contemporary requirements
4. Improve performance and build balance sheet

*Overall focus: assemble basic performance data – tighten post-acute network – focus on developing relationships with Systems that will ultimately control or influence flow of funds*

# Effects on Transactions

The uncertainty is very difficult to price in and is driving a difference between buyers and sellers. Smaller transactions are more attractive because of the limited resource commitments.

Providers are exploring different structures to combat the uncertainty as well, both within business segments and across other complimentary lines.

With increased pricing pressure, many providers are focusing on their core competency but exploring partnerships with complimentary businesses.



# Effects on Transactions (Con't)

Due diligence on the target or partner is critical. Companies are focusing on quality outcomes and making sure the partner or seller has the same commitment.

Parties are being more transparent than in the past as there appears to more of an effort to be a partner in outcomes in conjunction with sound financial decisions.



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