

PAY FOR PERFORMANCE - THE CMS WAY AND BEYOND



reporting period.

In late February, the Centers for Medicare and Medicaid Services (CMS) published preliminary results of the 2007 Physician Quality Reporting Initiative (PQRI). While CMS has not yet completed all of the 2007 claims processing to determine the final participation rates and bonus eligibility, the preliminary data does shed some light on this evolving program.

The program began on July 1, 2007 and required participating physicians to complete specialty-specific information related to 74 quality measure statements, descriptions, and specifications. The potential maximum bonus was 1.5% of the total allowed charges for professional services during the

With those requirements attached to the PQRI program, it appears that many physicians were reluctant to participate. CMS indicates the following:

- 15.74% of physicians eligible to participate in PQRI did so in 2007.
- Although CMS has not reported participation by specialty, they indicate that ophthalmology, anesthesiology, and emergency medicine had above average participation rates.

As with Pay for Performance programs that have been developed by private carriers, it will be interesting to see if CMS actually ups the ante for 2009 and beyond in terms of bonus availability, or if it stays stagnant. Nationally many programs that have initially offered bonuses for meeting pay for performance criteria have either decreased the bonuses or reneged entirely in subsequent years.

The development of pay for performance programs has been slow but steady. Med-Vantage, Inc. estimates that in November 2007 there were 148 sponsors of pay for performance programs around the country. The largest sponsor at that time was the California-based Integrated Healthcare Association (IHA). Clearly CMS has surpassed the 40,000 physicians that were involved in the IHA program with 99,319 participating in the PQRI program during the last six months of 2007.

A New Approach by AMA

Meanwhile, the American Medical Association (AMA) is experimenting with its “Ethics Quality” program which is intended to call for a broader based measure of quality across the entire spectrum of care. The focus of this program is on effective communication addressing the specifics of health literacy, language, and culture. The rationales behind this program support that:

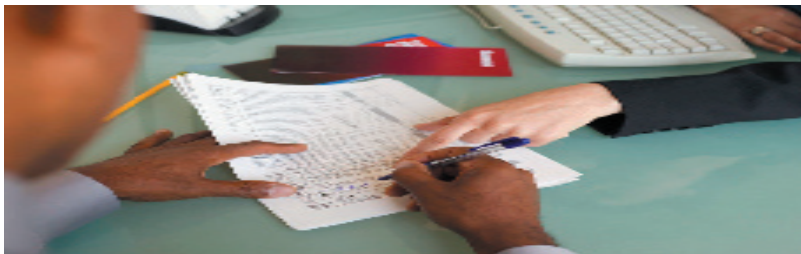
- Effective communication is fundamental to respectful, ethical healthcare.
- Good communication is also linked to patient satisfaction, healthcare quality, and patient safety.
- Communicating across cultures, languages, and health literacy levels is challenging for organizations.

Based on information that we have learned recently, it appears that the AMA is aggressively moving to this broader based measure of quality. They have never been fully supportive of the pay for performance concept as it presently exists. Stay tuned for further developments as the industry continues to debate about what quality is and how it should be measured.

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BUSINESS TAX BREAKS - PART OF THE *ECONOMIC STIMULUS ACT OF 2008*



On February 13th President Bush signed into law the Economic Stimulus Act of 2008. This law covers a variety of areas for individual taxpayers that the news media has covered so thoroughly such as tax rebates. However, that Act also offers other significant tax breaks for businesses in the form of larger deductions.

1. For qualifying assets placed into service in tax years beginning in 2008, there will be larger Section 179 depreciation deductions allowed. This means that many medical practices can instantly expense most or all qualifying assets placed in service in 2008.

The Act virtually doubles, for 2008 only, the maximum write-off for Section 179 deductions to \$250,000. (Prior to this it had been \$128,000.) For 2009 and 2010, the plan is that the maximum deduction will revert to \$125,000 plus inflation adjustments.

2. First year bonus depreciation of an extra 50% is allowed for certain assets. This is basically a revision of a law that expired several years ago. However, this new law only applies to certain assets.

Under this first year bonus depreciation, your practice can immediately deduct half the cost of a new asset if it is purchased and placed into service during calendar year 2008. You can also write off the remaining costs using the Section 179 deduction (if available), and continue writing off regular depreciation deductions over the asset's designated recovery period.

However, there are specific requirements that apply to these assets. These are: a) the asset must be "qualified property"; b) it must be purchased during calendar year 2008; and c) it must be placed into service by December 31, 2008 (with few exceptions).

These changes brought about by the Economic Stimulus Act of 2008 may assist you in making the decision to purchase certain equipment or software during this year. For additional information on how these two tax breaks might impact your practice, contact one of our accountants.

MORE CHEERFUL NEWS FROM THE OIG



During fiscal year 2006, the Federal government won or negotiated approximately \$2.2 billion in judgements and settlements, and attained additional administrative impositions in healthcare fraud cases and proceedings. According to the Healthcare Fraud & Abuse Control Programs (HCFAC) Annual Report, the following occurred during fiscal year 2006:

- The U.S. Attorney's offices opened 836 new criminal healthcare fraud investigations.
- Federal prosecutors had 1,677 healthcare fraud criminal investigations pending.
- Criminal charges were filed in 355 cases.
- A total of 547 defendants were convicted of healthcare fraud.

The OIG has indicated that physicians will be part of the focus of its work plan again in 2008. It's easy to understand why, given that approximately \$1.5 billion was transferred to the Medicare trust fund as a result of the OIG's efforts in 2006.

PROMPT PAY DISCOUNTS



We often receive inquiries as to whether or not it is appropriate to offer a prompt pay discount to Federal healthcare program beneficiaries or other insured patients for covered and non-covered services.

Recently the Office of the Inspector General (OIG) of the Department of Health and Human Services issued Advisory Opinion Number 08-03. This was in response to an inquiry from a health system seeking to offer the discounts described above. In addition to the basic description, the health system indicated that it would offer the discounts regardless of the patient's financial status, and that the purpose of the discount program was to reduce their accounts receivable and encourage prompt payment.

In the past, the OIG has expressed concern that such arrangements might disguise payment for referrals. However, based on this certain set of facts, the OIG advised the requestor that there would be no imposition of sanctions under the anti-kickback statute or the civil monetary penalties provisions of the Social Security Act.

The elements of the requestor's program were as follows:

- There would be no advertisement of the opportunity for a discount. Patients would only be advised of the availability of the discount during the billing process.
- The requestor was to notify other third party payors of its prompt payment policies.
- The requestor has to bear all of the costs of the arrangement.
- The prompt payment discounts had to bear a reasonable relationship to the amount of avoided collection costs.

Before basing your time of service discount policy on this opinion, understand that this situation was presented by a health system (versus a private practice), the size and location of which is not published. Also, keep in mind that OIG Advisory Opinions explicitly protect only the party who requested the opinion and are limited to the specific arrangements described in the request. There may be anti-kickback statutes or other laws that impact this type of arrangement in your state. Finally, as a practical matter, consider whether you really want to have to notify third party payors, as is required in this opinion, of your prompt payment policies. Doing so would effectively dilute your reimbursement schedule.

We acknowledge that the deductible amount for which patients are responsible is increasing significantly and causing accounts receivable to grow. However, we encourage you to consult with an experienced healthcare attorney before devising any type of prompt payment discount program so as to avoid having it potentially being construed as a kickback arrangement.

MAKE SURE YOUR MEDICARE CARRIER KNOWS IF YOU ARE MOVING



Over the course of the past year we have encountered a number of clients who physically relocated their practices. In all these situations, the relocation was actually within the same county in which they had been practicing. However, they learned the hard way that Medicare has specific notification requirements which they did not follow. The result was significant delays, in some situations four to five months, in receiving Medicare payments.

If you are planning to move, please make certain that you provide adequate time for notification to all carriers, particularly Medicare, prior to completing your move.

Company News



GATES, MOORE & COMPANY NAMED ONE OF THE “10 MOST DEPENDABLE” ACCOUNTING FIRMS IN SOUTHEAST”

Gates, Moore & Company has been selected by Goldline Research as one of the 10 Most Dependable Accounting Professionals in the Southeast. The list was published in the February 18, 2008 issue of Fortune magazine.

The designation involved an extensive research process of nearly 3,800 accounting firms. Goldline’s proprietary process included individual company interviews, quantitative analyses of key company data, and client reference checks to confirm high levels of client service. Those companies that ultimately earn Goldline Research’s Most Dependable award demonstrate traits that are essential for continued success within their industry.

Please join us in our celebration of this achievement and accept our gratitude for having allowed us the opportunity to continue to serve you as our client and colleague.



GORDON RECEIVES CERTIFICATE OF ACHIEVEMENT

We are proud to announce that Briana Gordon has been presented a Certificate of Achievement from the American Society of Appraisers for successfully completing the course and the exam entitled “An Introduction to Business Valuation”.

Since joining Gates, Moore & Company, Briana has quickly developed a skill set in the basics of practice valuation. We are confident that this is just Briana’s first step to becoming a Certified Appraiser.

Update: Practice Management is published quarterly for clients by Gates, Moore & Company. Your questions and comments may be directed to:

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