

THE QUESTION OF THE HOUR

Over the course of past few weeks, we have received an increasing number of calls from clients wanting to explore the possibility of cutting back on, or quitting participation entirely in Medicare. Likewise, the number of calls have increased related to quitting or cutting back on the number of Medicaid patients enrolled in practices.

Certainly, a lot of this had been prompted by the 21% Medicare payment cut that is once again on the table. Obviously, the passage of the “reform” has intensified the concern. As most know by now, the crux of the issue is the Medicare Sustainable Growth Rate (SGR) and the impact that it has on the annual formularies that are used to determine the “allowed expenditures” to be paid from year to year under the Medicare program. Until the SGR formula is changed, this is a dilemma that will continue.



Nonetheless, there is still a growing concern among physicians as to how to approach Medicare. This calls for a review of your options with Medicare. These are:

1. Participation – You sign up for the program and participate, agreeing to file claims for Medicare patients and receive the payment directly from the Medicare carrier for the services that you render. You also bill the patient (or their secondary, Medigap carrier or Medicaid carrier) for their deductible and copay.
2. Non-par – You can only declare non-participation between November 1st and December 31st of each year for the subsequent year. Non-par physicians see and treat Medicare patients but receive 95% of the Medicare approved amount from Medicare that par physicians receive. However, non-par physicians may charge more than the Medicare approved amount. This limiting charge for non-par physicians is set at 115% of the Medicare approved amount for non-par physicians. However, and here comes the fun part, because Medicare approved amounts for non-par physicians are 95% of the rates for par physicians, the 15% limiting charge is in effect only 9.25% above the par approved amounts for the same services. The difference between the non-par allowable and limiting charge is due from the patient.

3. Opting out, also known as private contracting – In the provisions of the Balanced Budget Act of 1997, Medicare gave physicians and Medicare patients the freedom to privately contract for the provision of healthcare services outside of the Medicare system. However, these private contracting decisions cannot be made on a case by case or patient by patient basis. Once a physician has opted out of Medicare they cannot submit claims to Medicare for any other patients for a two-year period.

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In order to privately contract with a Medicare beneficiary, the physician must enter into a private contract that meets specific requirements. The physician must also follow an affidavit that meets certain requirements, including agreeing to forego receiving any payments from Medicare for items or services provided to any Medicare beneficiary for the following two-year period. In addition, the patient must acknowledge through the contract that they give up all of their Medicare payment for services furnished by the opt out physician, they agree not to bill Medicare or ask the physician to bill Medicare, they agree that they are liable for the physician charges without any Medicare balance billing limits, they acknowledge that Medigap or any other supplemental insurance (including Medicaid) will not pay toward the services, and they acknowledge that they have the right to receive services from physicians with whom Medicare coverage and payment would be available.

To opt out, a physician must file the affidavit that meets the necessary criteria and must be certain that it is received by the carrier at least 30 days before the first day of the next calendar quarter. Accordingly, you may begin the opt out process at virtually any time.

In considering these options with Medicare, particularly the opt out option, you should take into account certain questions:

- What percentage of Medicare is your current practice? Can you fill the void if a high percentage of your Medicare patients would choose not to continue to see you and contract with you?
- Are your patients capable of paying your full fee?
- Are you willing to discount your fees for patients with whom you privately contract?
- Considering all of the above, what will be the effect on your practice's bottom line?

In consideration of Medicaid, this situation varies from state to state. However, from our review of several state situations, it appears that totally opting out of Medicaid is simply a question of sending notification to the state Medicaid carriers. In those states where there are several Medicaid carriers (through the CMOs), you obviously have to notify all with which you participate with.

Understand that this then prohibits you from billing Medicaid for any services rendered to those patients, including services rendered in the emergency department. For this reason and this reason alone, many physicians continue to participate in Medicaid; however, they often begin to limit the number of patients that they see in their practice who are covered by Medicaid.

Certainly, the trend for non-participation in Medicaid is catching on around the country. In January the Mayo Clinic announced that it discontinued participation with Nebraska and Montana Medicaid "due to a combination of factors: very low reimbursement rates, the volume of administrative requirements, ...".

This is just one example of many around the country of which we are aware.

Aside from the financial and administrative hassle considerations, there are certainly the ethical and moral considerations that impact many physician's decision as to whether or not to participate in these programs. Based on our experience, we are familiar with a number of our physician practices that provide what could be termed as "indigent care" on a fairly routine basis. This is the spirit of medicine that flies in the face of those that would say that "people are being denied care in this country"!



THE HIRE ACT - WHAT IT MEANS

On March 18, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act, which provides companies with incentives to hire and retain workers who are currently unemployed. The HIRE Act includes a Social Security Tax exemption and an income tax credit for qualified employers; household employers do not qualify for the benefits. Neither the Employer Social Security Tax exemption nor the retention tax credit is permitted if a person is hired to replace another employee “unless such other employee is separated from employment voluntarily or for cause.” Also, the benefit is not available for hiring family members.



Social Security Tax Exemption

The 6.2 percent Employer Social Security Tax exemption applies to 2010 Social Security wages paid commencing on March 19, 2010 and before January 1, 2011, to individuals hired after February 3, 2010, who were previously unemployed for at least 60 days.

- Employers can save the 6.2% Employer Social Security Tax, whether they hire a \$40,000 worker, or a \$150,000 worker. Employers, including nonprofit organizations, would not have to wait until 2011 to benefit from this tax relief because savings would accrue with each payroll processed.
- The HIRE Act also encourages businesses to hire workers earlier in the year because the tax benefit will be greater. For example, a \$60,000 worker hired on April 1, 2010 saves an employer about \$2,800 in taxes. Delaying the hiring until June 1, 2010 would reduce savings to about \$2,200.
- This exemption has no cap or limit as to the total amount of tax benefits that can be claimed by an employer. Employers can save up to \$6,622 per qualifying worker, whether they hire one worker or hundreds of new workers.
- Any newly hired worksite employee must certify “by signed affidavit,” under penalties of perjury, that he/she has “not been employed for more than 40 hours during the 60-day period ending on the date such individual begins such employment.” The Internal Revenue Service is currently developing a form employees can use to make the required eligibility statement.
- The reduced payroll tax benefit has no effect on the employee’s future social security benefits AND the employer still needs to withhold the employee’s share of social security taxes.
- A revised quarterly employment tax return will be available for the second quarter 2010 filing to report the employer social security tax exemption.

Tax Credit

Employers will receive a business income tax credit, which is either \$1,000 for each qualifying worksite employee hired after February 3, 2010, and employed for at least 52 consecutive weeks, or 6.2 percent of wages paid to the qualifying worker over the 52-week period, whichever is less (“Tax Credit”). Wages during the last 26 weeks must be at least 80 percent of wages paid for the first 26 weeks. The credit will be reported on the taxpayer’s 2011 business income tax return.

If you have any questions, please contact your Gates, Moore & Company representative.

HEALTHCARE REFORM: WHAT'S ON THE HORIZON IN TERMS OF DELIVERY?

Four key points were raised by Robert Kolodgy, Senior Vice President & CFO of the Blue Cross and Blue Shield Association at the Midyear Meeting of the American Association of Healthcare Consultants.

1. Patient Safety – It will be important for all hospitals and physicians to collaborate on programs raising the bar on patient safety.
2. Medical Homes – Patient centered medical homes and accountable care organizations will become a key driver in managing patient care.
3. Consumer Engagement – There will be the development of numerous consumer engagement initiatives, particularly combating childhood obesity.
4. Payment Reform – This will be a key as we will move back to the era of capitation and case management. Physicians will be compensated based on quality outcomes.

While we know that the final chapter has not been written in this reform story, there are a few things that appear to be more certain on the horizon than others. Now is the time to prepare.

Company News

GATES, MOORE & COMPANY WELCOMES ROSE GRIFFITH!

We are pleased to announce that Rose Griffith has joined our company as Staff Accountant. Rose has worked extensively for other public accounting firms over her career, as well as for privately held companies. She brings a great deal of experience in internal controls, accounts payable, accounts receivable, payroll, and management status reports. Please join us in welcoming Rose to our staff!

CHEERS TO OUR DEDICATED STAFF!

Please join us in thanking Hina Thobhani, Senior Accountant, for five years of outstanding support and service to our Gates, Moore & Company Tax and Accounting Clients and staff.

Thanks to Faith Hynes, Senior Administrative Assistant, who for ten years has provided outstanding, cheerful support to our consultants!

PUTTING EFFECTIVE MANAGEMENT INTO PRACTICE

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