



EXCERPTS OF RECENT MEDIA COVERAGE

THE BDO CENTER FOR HEALTHCARE EXCELLENCE AND INNOVATION

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q3 2014

► TMA'S JOURNAL OF CORPORATE RENEWAL

CHANGES IN LONG-TERM CARE ARE CRITICAL TO TREATING U.S. HEALTHCARE ILLS

By Timothy Walsh and Jeremy R. Johnson, partners, McDermott Will & Emery, and **David Friend**



A new paradigm for long-term care that is emerging is radically altering the future of skilled nursing, transitional care, and assisted living facilities.

It is being driven by changes in medical care, demographics, technology, and economics, including reimbursement changes and regulations. As a result, the mix of long-term care facilities will need to change with the increasing demand for more modern advanced skilled nursing facilities (MASNFs) and long-term services and support...

The Future of Long-Term Care

A combination of economics and technology drives this change, as technology allows treatment in lower cost settings. MASNFs can be built and operated for less than one-third the cost of a traditional hospital...

Attracting the necessary investment in MASNFs and clinical programs is challenging given the uncertainty surrounding reimbursement and regulation...The barriers to significant MASNF construction will include how quickly ACOs, CMS, and managed care can exert economic influence over providers...

In the coming years, a combination of regulatory changes, including potential new forms of licensing and revised/relaxed certificate of need requirements, will be hotly debated by state legislatures...

Prescription for Change

Three forces—the dramatic reduction in demand for older SNFs, the significant increase in demand for MASNFs providing transitional care, and the increased demand for care for growing numbers of elderly, frail, and sick individuals—are beginning to radically alter...and will continue to impact the long-term care industry significantly for the next decade.

To cope with decreased demand and increased competition, current SNFs must restructure their existing debt obligations and obtain access to additional capital to upgrade their facilities to compete with MASNFs. Some SNFs may be forced to conclude that their most valuable asset is their certificate of need and to consider radical solutions to comply with applicable fiduciary duties.



BDO's national team of professionals offers the hands-on experience and technical skill to address the distinctive business needs of our healthcare clients. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful healthcare organization.

The key to successfully dealing with these challenges facing the long-term care industry is a proactive, multidisciplinary approach, including retaining professionals with financial acumen, clinical expertise, technical skills, and legal/regulatory/policy knowledge.

► **MORNING CONSULT**

THE URGE TO MERGE IN HEALTHCARE: THIS TIME, WILL IT BE DIFFERENT?

By Scott Gottlieb and **Patrick Pilch**



There's a flurry of takeover transactions sweeping across the healthcare space...

Hospitals are merging and buying out providers. Doctors are consolidating into multi-specialty groups. Insurers are looking to link up and also acquire physicians.

Everywhere you turn, there's an urge to merge in healthcare...

The 1990s is the last time we saw this level of merger and acquisition activity...

But a lot of those mergers also broke apart shortly after they were consummated...

A key factor was that the risk that providers were taking, under these capitated contracts, turned out to be poorly measured and providers lost money as a result.

Growth achieved through consolidation was supposed to enable providers to engage in global contracts. Providers took on the risk of caring for large patient populations, expecting to profit off of some of the savings realized once providers had an economic imperative to focus on cost and efficiency...

But in the end...numerous hospital mergers were eventually unwound.

Will this time around be different?

Data on patient risk is now far more accessible, making it easier for providers to price capitated contracts. The tools for crunching these data sets are also readily available. And the actuarial skills required to conduct these analytics are more widely distributed across industry constituents...

Today, if a local hospital sees a lot of patients from a few of the community's large employers, the hospital can compute the costs of approaching those employers directly, and signing global agreements with these self-insured businesses. Under Medicare, the data is generally even more readily available for conducting similar analyses.

But consolidating hospitals and provider groups must make the investments necessary to engage in these crucial analyses. In fact, this requirement should be a requisite factor of today's M&A deals. And to address these requirements, we must have a vibrant market for entrepreneurial start-ups that cater to these needs.

► **BECKER'S HOSPITAL CFO**

DOES MORE VALUE MEAN LESS PROFIT? HOW TO KEEP PAY-FOR-PERFORMANCE FROM HURTING HOSPITAL INCOME

By Helen Adamopoulos

Recent surveys and studies suggest a notable number of healthcare providers expect the road from volume-driven reimbursement to value-based contracts to be a rocky one...

A focus on value and a possible revenue reduction

Many providers have already taken a fiscal hit as Medicare shifts from fee-for-service to value-based reimbursement...

The Hospital Readmissions Reduction Program cuts might not seem like a lot,



but for hospitals with high percentages of Medicare revenue and a low to negative operating margin, it can be a sizable amount, potentially the hospital's entire



margin. "People are certainly threatened by that," says **Bill Bithoney, MD, managing director with BDO Consulting and chief physician executive for BDO's**

Healthcare Advisory practice, where he co-leads clinical strategy for the firm's Center for Healthcare Excellence & Innovation...

How to make the switch without sinking

At this point, many providers exist in a state of limbo between the two payment models, trying to figure out how to proceed successfully...

Hospitals that want to "dip their toe in" the value-based payment pool can start with bundled payment programs, according to Dr. Bithoney. However, he warns against being too timid and only implementing bundled payments for one diagnosis...

He says it's better to "jump in" and apply bundled payments to 20 or 25 different diagnoses, albeit not without careful thought and analysis first...

Technology can also play a part in clinician engagement and education about new care delivery methods — another key aspect of a smooth switch to outcomes-based reimbursement, according to Dr. Bithoney.

► MCKNIGHT'S LONG-TERM LIVING

EVOLVING RISK IN THE SENIORS HOUSING SECTOR

By **Karen Stone, Mike Musick and Ben Hendren**

The face of today's seniors housing and healthcare industry is rapidly changing. Population demographics, shifting resident demands and attractive assets abroad are just a few of the factors coming together

to provide new opportunity...However, this opportunity is not without its challenges and risks. **BDO recently published its 2014 RiskFactor Report for REITs...**

One of the major insights...is that competition remains a serious concern among REITs. With 94% of surveyed REITs noting it as a top risk...This trend may also be surfacing in the seniors housing industry...it is clear that demand for care is increasing and that seniors housing and healthcare operators will have to compete to attract residents from this growing population seeking care.

Closely linked...is the pressure to renovate and make property upgrades...82% of REITs cite operating costs and capital expenditures as a serious concern...Many seniors housing and healthcare properties are likely feeling pressure to undergo such facelifts as a way to differentiate themselves from the competition and make themselves more attractive to new residents...

Another compelling trend in the seniors housing and healthcare industry is the rise in investing in assets outside of the U.S... But this international activity brings its own set of obstacles...30% of REITs list risks that come along with international operations as a threat to business, up from 19% in 2012. Navigating the seas of foreign regulations and tax laws as well as business and cultural norms can prove challenging for many that choose to pursue opportunities abroad.

► POPULATION HEALTH NEWS

CLINICAL PRACTICE GUIDELINES HOLD UNTAPPED POTENTIAL FOR ACHIEVING QUALITY CARE

By **William Bithoney**

With healthcare expenditures consuming nearly 18% of the U.S. gross domestic product (GDP) many clinicians believe the key to improving poor health outcomes and high cost lies in clinicians following standardized clinical practice guidelines (CPGs)...

CPGs are evidence-based algorithms that doctors can precisely follow to ensure patients receive the best possible care... Because of their potential power to improve care, hundreds of clinical guidelines presently exist...

Revision identifies gaps

A recent study published in *The Journal of the American Medical Association* determined that of the 619 cardiac guideline recommendations promulgated between 1998 and 2007, only 495 remained unaltered in 2013...

The reasons for these changes largely have to do with the quality of the evidence on which the guidelines depend...

Numerous efforts have been made to classify the quality of evidence based on standard research methodology...some of the research on which CPGs are founded can be classified as so-called "samples of convenience." CPGs, which are partly based on such evidence, are often generated from research (typically conducted by tertiary hospitals) sourced from patients who suffered a particular diagnosis. These patients are often dissimilar to those seen in a primary care setting. Additionally, some CPGs exist on the basis of patient observation studies, retrospective analyses of data or even simple expert or consensus opinion when the evidence is not clear...

Another issue that must be addressed concerns seriously ill patients...with several comorbidities...Current CPGs do not routinely allow for clinical guidance when comorbidities exist. Often, treatment for one disease can worsen another...

CPGs Need Evidence, Technology Support

As the movement for evidence-based medicine becomes more prominent, guidelines will need to become more data-driven...

A strategy to combat the current variation is to enhance CPGs with the use of technology...guidelines will need to be designed with interactive "blue buttons" (URLs) to easily direct clinicians to the latest medical information...

CPGs should be integrated into the electronic health record (EHR) and computerized physician order entry (CPOE) software. If a physician is not ordering the most effective guideline-based care and consequently not following the best practice, the systems could prevent the treatment and prompt clinicians to either adopt recommendations or indicate why they chose an alternative plan.

This process would not only allow physicians to circumvent CPGs that could cause potentially greater harm, but also inform senior clinicians monitoring the guideline of the potential need for a revision. On the other hand, clinicians have an opportunity to explain why they prefer an alternative method of care. Once a physician, the ultimate arbiter of what is best for a patient, feeds an explanation into the system, the treatment selected by the provider may proceed. The result

is a win-win situation for patients and the development of appropriate guidelines.

CPGs also should be integrated into patient portals of EHRs...which could be used by an individual to access and follow an outpatient care plan that providers enter into the system...portals could generate reminders for patients to follow up on appropriate and timely CPG-recommended care...

CPGs require annual revision...and should be modified more frequently when major new studies make them obsolete...The right care, the right drugs and the right screening tests at the right

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The BDO Center for Healthcare Excellence & Innovation unites recognized industry thought leaders to provide sustainable solutions across the full spectrum of healthcare challenges facing organizations, stakeholders and communities. Leveraging deep healthcare experience in financial, clinical, data analytics and regulatory disciplines, we deliver research-based insights, innovative approaches and value-driven services to help guide efficient healthcare transformation to improve the quality and lower the cost of care.

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