RHC Change of Ownership/ Status

Indiana Rural Health Association

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Overview

Changes in ownership of rural health clinics occur frequently, and for many different reasons.

Maintaining the current Medicare/Medicaid rural health clinic status is often preferred to avoid recertification as a new RHC provider.

A change in ownership is often accompanied by a change in status – from independent to provider-based rural health clinic. The change in status of a RHC has separate requirements but can be obtained in conjunction with a change in ownership.

Discussion Topics

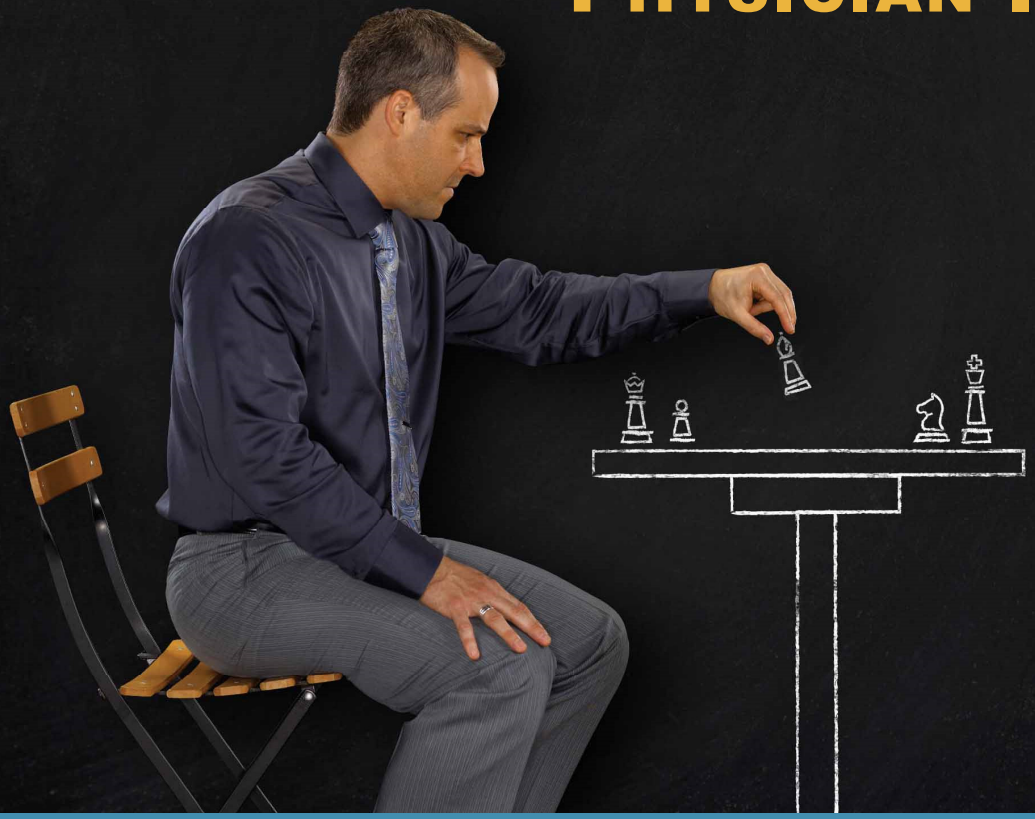
I. Key business reasons for hospital/physician integration

II. RHC reimbursement implications

III. Conversion of RHC provider number

IV. Helpful hints

Reasons for Hospital/ Physician Integration



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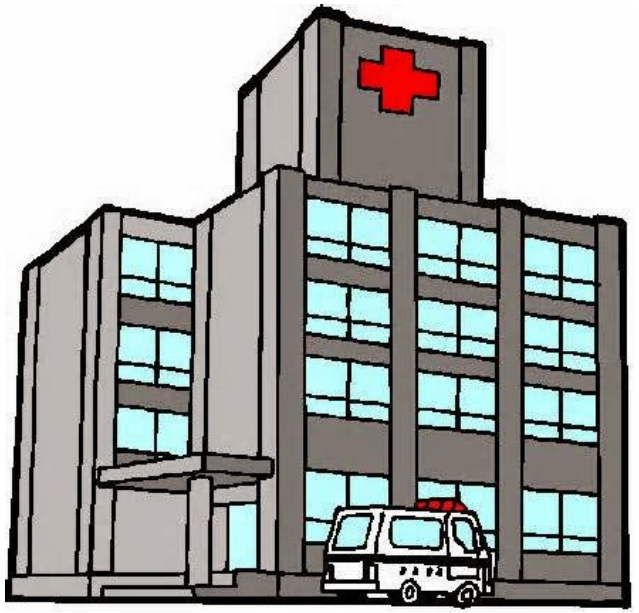
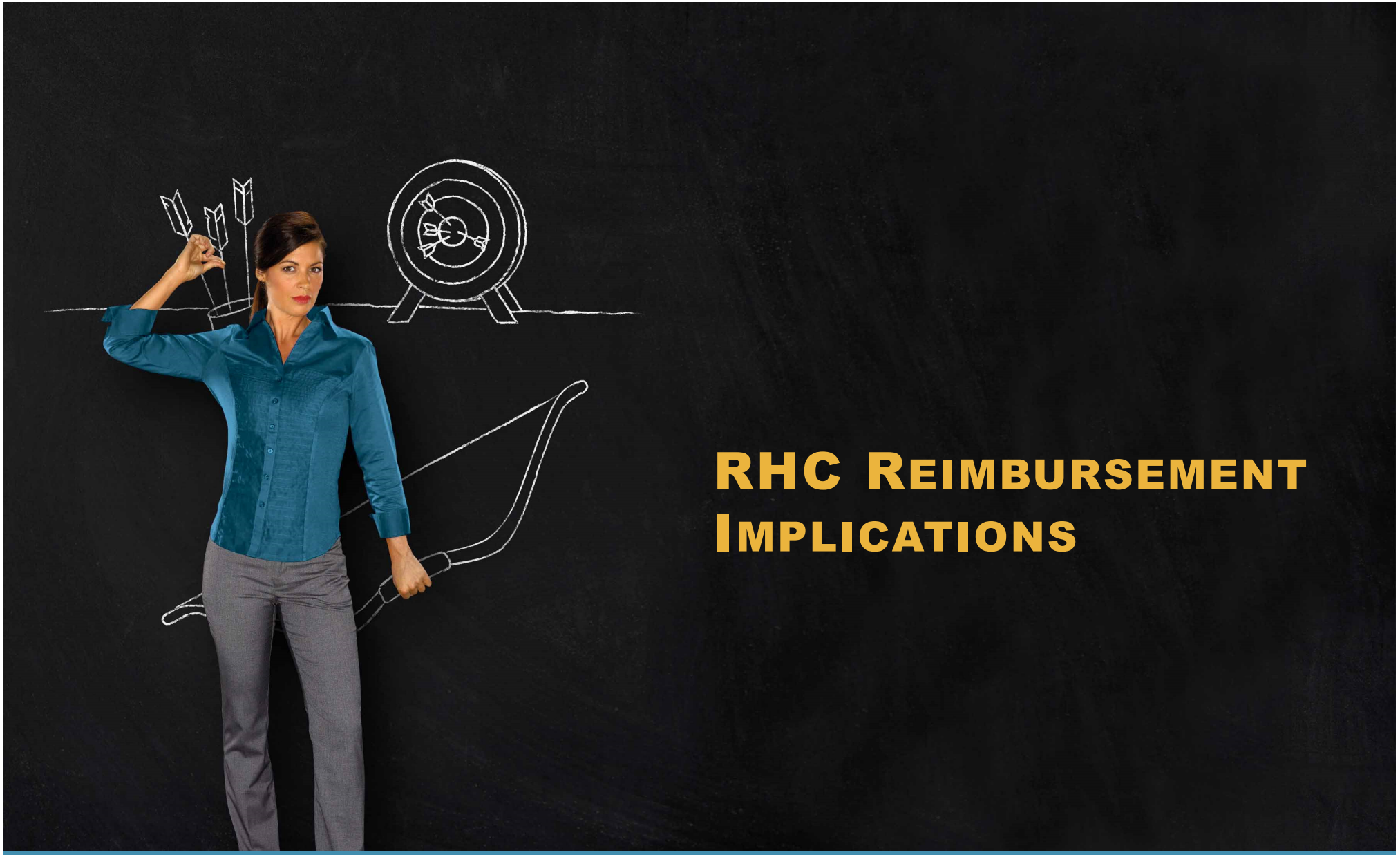
Business Reasons for Integration

- Enhance the patient experience
  - Reduce cost and variation
  - Improve quality and value
- Improve competitive position of hospital and its physicians.
- Consolidate resources.
- Leverage physician involvement and leadership.



Business Reasons for Integration

- Bolster physician recruitment and succession; stabilize physician income.
- Access to capital for needed improvements.
- Alleviate management burdens on physicians.
- Allow increased focus on clinical efforts.



RHC Reimbursement Implications

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RHC Reimbursement

Medicare Reimbursement Options for Physician Services

Provider Type: \ Clinic Type	Freestanding Clinic	**Freestanding RHC**	Provider-Based Clinic	**Provider-Based RHC**
Rural Hospital < 50 beds	A	B	C	E
Critical Access Hospital	A	**B**	D	**E**
Hospital > 50 beds	A	B	C	B

A: Global clinic reimbursement on Medicare physician fee schedule.

B: Cost-based reimbursement for all RHC services, professional and facility combined; subject to Medicare maximum limit per encounter.

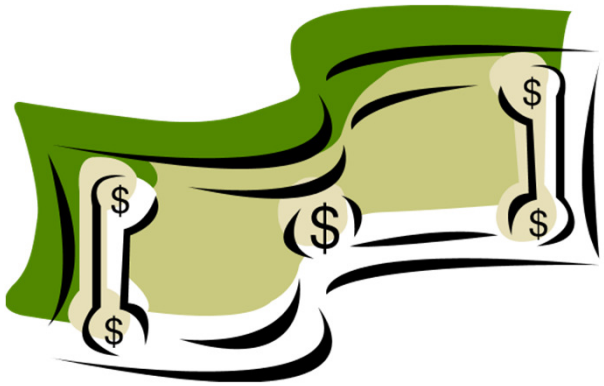
C: Medicare physician fee schedule payment for professional services, reduced for hospital

D: Medicare physician fee schedule payment for professional services increased by 15% for Option II billing, reduced for hospital site-of-service; cost-based CAH payment for facility component.

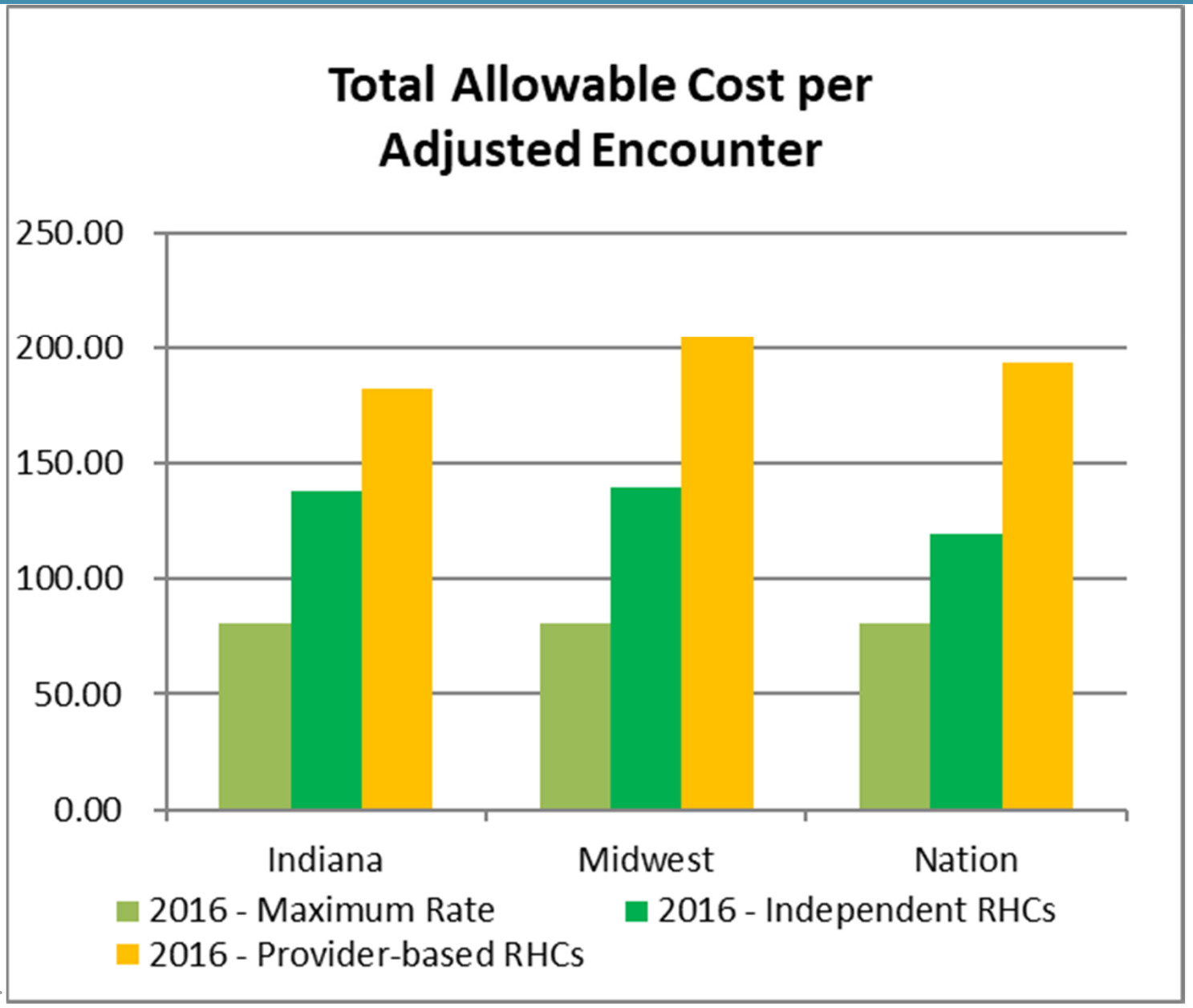
E: Cost-based reimbursement for all RHC services, professional and facility combined; not subject to Medicare maximum limit per encounter, i.e., full cost reimbursement.

RHC Reimbursement

- There is a distinct reimbursement advantage for provider-based RHCs that are part of a small (under 50 bed) hospital.
  - Not uncommon to see Medicare reimbursement increases of 80% to over 100% of independent RHC payments.
  - Average provider-based allowable cost per encounter is approximately $190 vs. the $83 Medicare maximum allowed amount for independent RHCs.



RHC Reimbursement



RHC Reimbursement – Example

RHC Projected Payment Rates

	Current Independent RHC	Projected PB-RHC
Medicare Encounter Rate	$ 80	$ 190
Medicare Encounters	7,800	7,800

RHC Reimbursement – Example

Summary

- RHC encounter rate for Medicare could increase by $110 resulting in a significant reimbursement increase of $858,000 (7,800 encounters x $110).
- Critical Access Hospital reimbursement would decline by $200,000 due to changes in hospital cost allocations as a result of adding a new clinic department.
- The net annual increase in Medicare reimbursement projected as $658,000 (105% increase).

Converting the RHC Provider Certification

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Conversion of RHC Provider Number

Change of Ownership (CHOW), CMS -855A Instructions:

> "A CHOW typically occurs when a Medicare provider has been purchased (or leased) by another organization. The CHOW results in the transfer of the old owner's Medicare Identification Number and provider agreement (including any outstanding Medicare debt of the old owner) to the new owner.
>
> The regulatory citation for CHOWs can be found at 42 C.F.R. 489.18. If the purchaser (or lessee) elects not to accept a transfer of the provider agreement, then the old agreement should be terminated and the purchaser or lessee is considered a new applicant."

Conversion of RHC Provider Number

What constitutes change of ownership-

Partnership. In the case of a partnership, the removal, addition, or substitution of a partner, unless the partners expressly agree otherwise, as permitted by applicable State law, constitutes change of ownership.

Unincorporated sole proprietorship. Transfer of title and property to another party constitutes change of ownership.

Corporation. The merger of the provider corporation into another corporation, or the consolidation of two or more corporations, resulting in the creation of a new corporation constitutes change of ownership. Transfer of corporate stock or the merger of another corporation into the provider corporation does not constitute change of ownership.

Conversion of RHC Provider Number

What constitutes change of ownership-

An ***acquisition/merger*** occurs when a currently enrolled Medicare provider is purchasing or has been purchased by another enrolled provider. Only the purchaser's CMS Certification Number (CCN) and tax identification number remain.

Acquisitions/mergers are different from CHOWs. In the case of an acquisition/merger, the seller/former owner's CCN dissolves. In a CHOW, the seller/former owner's CCN typically remains intact and is transferred to the new owner.

A ***consolidation*** occurs when two or more enrolled Medicare providers consolidate to form a new business entity.

Conversion of RHC Provider Number

Goal is to avoid re-certification of RHC:

- Change of RHC ownership (physician to Hospital).
  - ✓CHOW requirements described in 855A instructions.
  - ✓Must include actual sale of RHC assets.
  - ✓Cost report settlement/liability transfers with provider number.
  - ✓Final RHC cost report must be filed by seller within 150 days of sale; may impact hospital.
  - ✓Coordinate with State survey/certification as well as MAC.
  - ✓Do not overlook Medicaid impact/filing requirements.

Conversion of RHC Provider Number

Goal is to avoid re-certification of RHC:

- Change of RHC ownership (physician to Hospital).
  - ✓CHOW requirements described in 855A instructions.
  - ✓Both buyer and seller must file 855A with MAC to report change. CMS 29 must be revised.
  - ✓Transaction must include actual sale of RHC assets; purchase agreements required to be submitted.
  - ✓Medicare policy memo on September 6, 2013 (Survey and Certification Letter 13-60).

Conversion of RHC Provider Number

Goal is to avoid re-certification of RHC (cont.):

- Change of RHC ownership (physician to Hospital).
  - ✓Expect delays in claims processing.
  - ✓Suspend claims submission as of effective date of sale to avoid refiling.

Conversion of RHC Provider Number

Goal is to avoid re-certification of RHC (continued):

- ✓ Change RHC status (independent to provider-based).
  - Filing of provider-based attestation statement not required but highly recommended; obtain sample from MAC web site.
  - Likely result in issuance of new provider number without recertification.
  - Do not overlook Medicaid impact/filing requirements.

Conversion of RHC Provider Number

Challenges

- Change of Ownership Forms
- New NPI Number
- CLIA Certificates
- Medicare Provider Numbers
- Select Go Live Date
  - Fiscal Year End
  - 340B
- Bill of Sale
- Bank Account
- Office of Civil Rights
- Provider Based Attestation
- Annual RHC Evaluation
- Claim Form Changes
- Flow Chart of Patients
- New PTAN Numbers
- Change Business Name
- Apply for new RHC Rate
- Release Held Claims

Helpful Hints

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Helpful Hints

- ✓ Assemble a work team and develop a work plan.
- ✓ Plan ahead to reduce delay in claims processing.
  - Prepare/file the paperwork 60 days in advance of effective date.
  - Expect cash flow delays; secure financing.
- ✓ Shepherd the paperwork; continuous follow-up.
  - Identify key individuals with the MAC and your state.
- ✓ Verify continued RHC eligibility (rural location and/or current shortage area designation); be careful if relocating.
- ✓ Be prepared for RHC survey; update policy and procedures.

Helpful Hints

- ✓ Review differences in billing and reimbursement for non-RHC services (lab, xray, etc.) performed in a provider-based RHC setting.
- ✓ Recognize that a change in ownership (tax ID) will impact commercial insurance billing/reimbursement.
- ✓ Verify continued RHC eligibility (rural location and/or current shortage area designation); be careful if relocating.
- ✓ Be prepared for RHC survey.

Questions?

For More Information

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