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PULSE

AGENCY OF CREDIT CONTROL

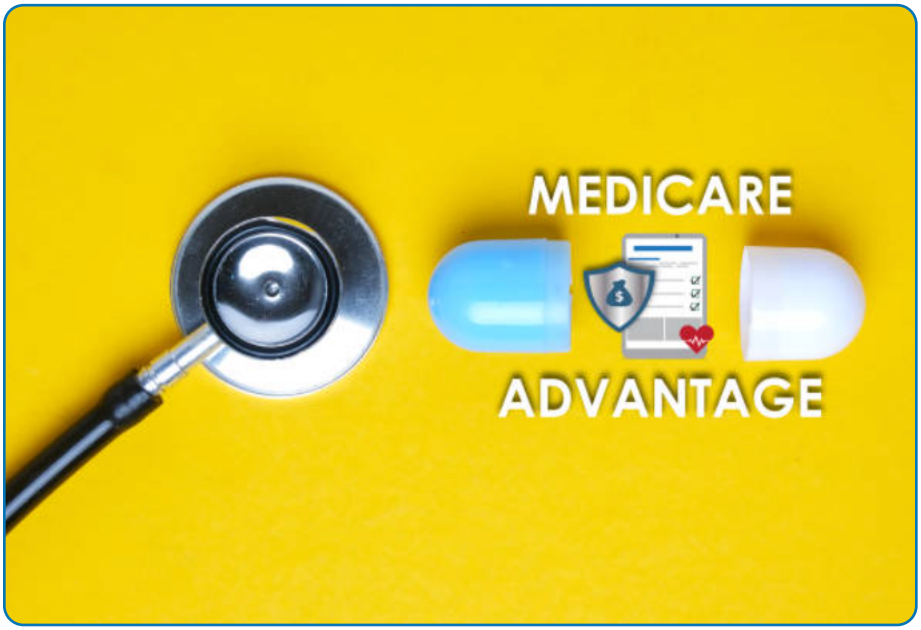
Researchers Raise Red Flags About Government Overpayments to MA Plans

Medicare Advantage plans, a popular choice among eligible seniors, are facing scrutiny as reports of overpayments to private insurers raise concerns about the program's fairness.

Over the past decade, Medicare Advantage (MA) plans have gained significant popularity among eligible seniors. These plans, which are administered by private insurers and funded by the federal government, offer additional benefits such as dental coverage, vision and hearing care. With more than half of eligible seniors now enrolled in MA plans, it's evident that they provide an attractive alternative to traditional Medicare.

Under the MA program, the Centers for Medicare & Medicaid Services (CMS) makes monthly payments to insurance plans using a risk adjustment system. This system increases payments when enrollees are sicker and may require additional health care resources. However, recent research and regulatory actions have raised concerns about overpayments to MA plans, putting the entire Medicare program at risk.

A report from the USC Schaeffer Center for Health Policy and Economics in June highlighted the possibility of overpayments exceeding $75 billion in a single year due to factors like favorable selection of healthier beneficiaries, coding intensity and quality bonuses. To address this issue, federal regulators announced plans to draw back billions and implement changes to the risk adjustment system over three years.



Notably, some insurance providers have challenged the audit process initiated by federal regulators. Humana, one of the largest MA insurers, filed a lawsuit against the Department of Health and Human Services (HHS) over its plans to audit payments, arguing that the finalized rule was "arbitrary and capricious."

One specific case illustrates the concerns surrounding overpayments. The audit report for CVS Health-owned Aetna found that a majority of the diagnosis codes submitted to CMS for its risk adjustment program did not comply with federal standards. Consequently, it recommended that Aetna refund a substantial $632,070 in overpayments. Additionally, the Office of Inspector General (OIG) suggested that Aetna should identify similar noncompliance instances outside the report's time frame and enhance its compliance procedures.

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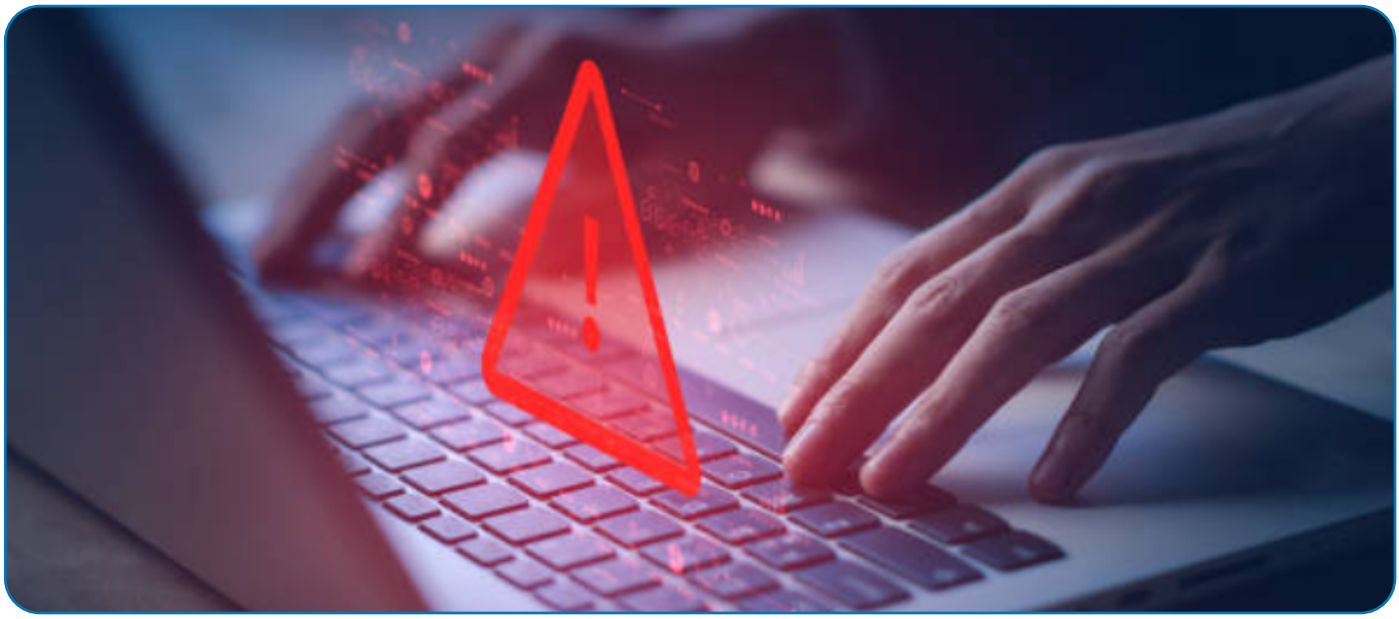
Aetna, however, disagreed with the audit approach and its recommendations. CVS argued that the OIG's methodology was flawed, primarily because it expected perfect coding within the MA program. CVS maintained that the risk adjustment system inherently accounts for overreporting of some diagnosis codes to balance out underreporting, ensuring overall payment accuracy. They also emphasized that the OIG's approach relied on subsequent providers' decisions and enrollees' conclusions, even though initial diagnoses were made based on available information at the time.

Patient Data Breaches Double in 2023

In a year marked by an exponential rise in health care data breaches, a staggering 87 million patients have fallen victim to cyberattacks.



In 2022, the U.S. witnessed a health care data breach crisis that affected over 37 million patients, sending shockwaves through the health care sector. However, the situation escalated dramatically in 2023, according to new findings from Atlas VPN, with hackers brazenly targeting sensitive patient information.

In just the first half of this year, over 41 million people saw their personal data compromised, and the third quarter brought an even more alarming figure: 45 million additional patients fell victim to these breaches.

What's most concerning is the exponential increase in the number of incidents. The health care industry has already reported a shocking 480 data breaches within the first three quarters of 2023. To put this into perspective, this surpasses the total breaches for the entire year of 2022, which stood at 373. Each breach not only jeopardizes personal information but also erodes the trust patients have in health care organizations, according to Atlas VPN.

Among these breaches, the largest incident struck HCA Healthcare, affecting 11 million individuals. The second most significant breach occurred at Managed Care of North America, where an unauthorized third party gained access to certain systems, compromising the data of 8.9 million people.

The surge in breaches highlights the ease with which hackers can access this sensitive data. Medical records are a treasure trove of personal information, making them a prime target. Unfortunately, health care organizations have not yet matched the sophistication of criminal efforts with modern cybersecurity defenses.

While health care data breaches affect patients across the nation, Atlas VPN found that certain states are more susceptible. For example, California leads the list with 43 health care organizations experiencing breaches this year, likely due to its vast population and numerous health care providers. New York follows with 42 breaches, and Texas ranks third with 38 breaches. States like

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NEWS & NOTES

Widespread Supply Chain Shortages Compromise Patient Care

A recent survey conducted in July by ECRI and the Institute for Safe Medication Practices has revealed a concerning state of supply chain shortages in the health care sector.

The survey indicated that over 60% of respondents experienced shortages involving more than 20 essential drugs, single-use supplies, or durable medical equipment in the six months leading up to the survey. These shortages significantly impacted patient care, with 49% of health care workers reporting treatment delays, while 24% were aware of medical errors linked to these shortages.

The repercussions of these shortages extended across various medical disciplines, from surgery to cardiology, impeded emergency care, pain management and more. Health care workers have resorted to stockpiling, rationing and adapting their practices to mitigate these challenges, but the administrative burden remains a growing concern, with a call for improved supply chain solutions to enhance patient care and streamline workflows.

Read more here.

MGMA Urges Congress to Address Unsustainable Reimbursement Impacting Rural Health Care Access

The Medical Group Management Association (MGMA) sent a letter last month to Congress highlighting the critical issue of unsustainable reimbursement for rural health care providers.

MGMA, representing over 60,000 medical practice administrators and 15,000 group medical practices, emphasized that rural medical facilities are struggling to keep their doors open due to inadequate financing. Over the past two decades, operational costs for medical practices have doubled, while Medicare physician reimbursement rates have increased by just 9%. Despite rising operating costs, physicians are facing a decrease in revenue due to limited reimbursement rate increases and impending cuts of 3.36 percent in 2024. As a result, practices may be forced to limit new Medicare patients, reduce charity care, downsize clinical staff, or close satellite locations.

MGMA called on Congress to avert these reimbursement cuts and suggested implementing an annual inflation-based physician reimbursement update. They also advocated for extending the exceptional performance bonus under the Merit-Based Incentive Payment System (MIPS) to support small, rural and medically underserved practices disproportionately affected by MIPS requirements.

Read the letter here.

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Patient Data Breaches cont. from page 3

Massachusetts and Pennsylvania, with 31 and 30 breaches respectively, are also at risk, thanks to their concentration of top hospitals and research centers.

Surprisingly, Vermont is the only state with no reported health care breaches in 2023, according to the report. This could be attributed to its small population and lack of major cities, allowing it to remain under the radar of sophisticated hackers seeking maximum reward.

"The sensitive nature of medical records makes them highly desirable targets for criminals, thus demanding the strongest security standards," according to the article. "Patients deserve to know their most personal information is safe, and providers must ensure that confidence. Healthcare has to view data protection as being just as critical as patient care."

Read more from Atlas VPN here.

DATAWATCH

Health Care M&A Activity Rebounds in Q3 2023

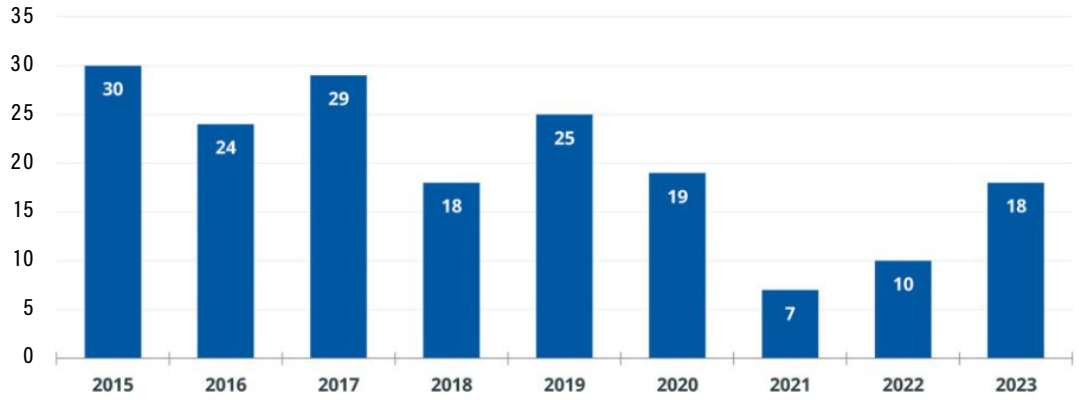
In the third quarter of 2023, health care merger and acquisition (M&A) activity continued its resurgence, nearing pre-pandemic levels, according to the latest edition of Kaufman Hall's M&A Quarterly Activity Report.

Q3 2023 saw a total of 18 transactions, up from seven in Q3 2021 and 10 in Q3 2022. Notably, financial challenges drove many of these transactions, and there was a decline from the 20 transactions seen in the previous quarter.

The average annual revenue of the selling or smaller party exceeded pre-pandemic levels at $453 million. For-profit systems acquired financially distressed organizations, while not-for-profit health systems were the acquirers in 14 out of 18 deals.

Total revenue generated by these M&As reached $8.2 billion, with one mega-merger featuring a smaller party with annual revenues above $1 billion, although this was a decrease from the previous quarter due to fewer mega-mergers.

Number of Q3 Announced Transactions, By Year



Source: Kaufman Hall & Associates M&A Quarterly Activity Report: Q3 2023. https://tinyurl.com/5x32zawc

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