

Ten Ways CFOs Can Get Ahead of the Health Care Reform Curve

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Certain portions of the recently passed health care reform law are in the headlines—and in the courts—as opponents of the legislation seek to roll back or repeal what they view as governmental overreach. The specific and most vociferous complaint is that the government's mandate that everyone have health insurance is unconstitutional.

As of this writing, it's unclear what

future verdicts will be handed down by federal judges or whether the Supreme Court will eventually weigh in on the issue. It's also uncertain what action—if any—state legislatures may take in terms of scaling back health care reform's scope and power.

And lastly, with the Republicans taking official control of the House of Representatives, many components of the legislation may come under fire, resulting in modifications and unpredictable outcomes.

All these unknowns are causing doubts and concerns in the health care industry, and a wide spectrum of individuals and institutions are trying to figure out how—or whether—to proceed given the challenges being posed to the new reform measure.

Regardless, one thing seems clear: Even though health care is in flux, organizations must proactively move ahead with planning, analysis, and collaborative discussion, operating under the assumption that any changes to health care reform won't significantly alter the direction in

which they must head. In other words, regardless of which specific provisions of the health care reform legislation take effect, organizations across the continuum are likely to face unprecedented changes in the way they conduct business.

So what can health care CFOs do to prepare? Plenty. Here are 10 things to focus on to help you and your organization prepare for an uncertain future:

1. Run a model for your organization that assumes payment at 100 percent Medicare rates. This is a stress test that will indicate your ability to survive the coming changes and highlight areas where you can make improvements or cost reductions.
2. Commit to a renewed focus on cost containment and efficiency. Decreases in revenue are surely coming and, regardless of quality improvements, will require a reduction in costs. This is important not only to improve the bottom line but also to make your organization an attractive partner to others.

3. Analyze opportunities for collaboration or integration with other partners. The concepts of bundled charges and accountable care are real, and planning needs to begin now.
4. Consider approaching insurers and proactively renewing contracts to prevent tough negotiations in the next year or two. You might also consider offering price reductions now to preempt larger cuts in the future. This could in turn result in more volume directed to your organization.
5. If your entity is tax-exempt, establish a methodology to meet the new reporting requirements that begin in 2010 and 2012, including a community health needs assessment. Plan also for much tougher justification of tax-exempt status.
6. Be very frugal with spending and make sure your leadership team is clear regarding any revenue return for new capital investments.
7. If you work for a hospital, assume your facility is overbedded and that services will continue to be pushed to an outpatient setting. Plan for greater acuity in existing beds but possibly lower census.
8. Create or maintain an image that draws others to your organization for integration opportunities. This necessitates public recognition of cost efficiency and quality care.
9. Plan for short-term increases in your own employee health care costs and put incentives in your health care plan to promote wellness and prevention.
10. Plan for more government enforcement and intervention, whether from Recovery Audit Contractors, Medicaid integrity auditors, or others.

In sum, the worst thing a health care CFO can do is become complacent. Although the timing of many aspects of health care reform is still uncertain, you must continue to move your organization toward quantifying and demonstrating value to purchasers, partners, and patients. Tomorrow's successful health care entity is one recognized for flexibility, cost efficiency, and quality of care.

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