

# MedCity News

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## How Covid Created a Pathway to Permanently Transform Healthcare

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*By Robert Annas, Senior Managing Director at SOLIC Capital Advisors, a leading financial advisory firm providing restructuring, investment banking and distressed asset support services*

The ongoing battle the world faces with the Covid-19 pandemic continues. While progress is being made, different variants are causing the return to normal to continue to be put in check. In the U.S., where now at least 70% of adults have been vaccinated against the virus, Covid-19 is putting the pathway to true healthcare reform in sight. The needed reform is built with three elements in mind:

- Current waivers and flexibilities from the public health emergency. Which ones will last?
- Healthcare consolidation on the rise in a post-Covid world
- Long term changes in reimbursement



### **Current waivers and flexibilities from the public health emergency. Which ones will last?**

The current public health emergency for Covid-19 was extended through October 17, 2021 and likely through the remainder of the year. With this, the Secretary of Health and Human Services is empowered to allow for certain waivers and flexibilities under the Social Security Act (called 1135 waivers). While state law still applies, many states have worked these into their individual rules as well.

Some of the key waivers and what they mean include:

1. Expansion of TeleHealth Services. Medicare will cover telemedicine visits including the ED and your residence at a similar payment rate as an in-person encounter. FQHC's (Federally Qualified Health Centers) and RHC's (Rural Health Clinics) can benefit from specifically designed reimbursement.
2. Immediate Skilled Nursing Facility (SNF) Coverage in hospitals. Previously, Medicare Part A would not cover a SNF unless you had a prior 3-day stay in an acute care hospital.
3. Expanding Critical Access Hospitals (CAH). Previously, CAH's had an initial 25 bed limit and stays under 96 hours and had restrictions allowing them to be in "non rural" areas. This has been relaxed.
4. Easier Home Health Access. This provides for more clinicians to expedite access to home health care. In addition, home health agencies don't have to see a new patient face-to-face before accepting them.

5. Professional State Licensing Expansion Opportunities. Provides flexibility for providers to practice in different state without going through laborious state licensing process, which is similar to Interstate Medical Licensure Compact (IMLC) on high speed. This will be critical long term to ensure the availability of physicians in an ever-pressing supply shortage.
6. Faster Medicare Enrollment. Allows for less administrative burden and begins to address Palliative Care Physicians which enables them to become a Part B billable clinician more easily.
7. Various paperwork deadlines, particularly for SNFs and home health agencies. Relief to file assessment paperwork, reorder durable medical equipment (DME) more easily without meeting face-to-face or requiring physician orders.

These are all very important frameworks of healthcare reform. But will these last?

Based on deep experience in this sector, it is likely that parts of 1,4,5 and 6 surely have the strongest chance of staying. Technology-enabled care, however, is here forever. As prior CMS Administrator Seema Verma said regarding Telemedicine, "The genie's out of the bottle on this one.....there's absolutely no going back."

### **Healthcare consolidation on the rise in a post-Covid world**

Welcome to boom town. Why now?

A recent Bain & Company study said the following:

- 50% of hospital administrators say their organizations are highly likely to make one or more acquisitions in the next two years.
- Nearly 70% of independent physician practices are amenable to a merger or acquisition.
- Physicians favor acquisition by organizations that would provide financial stability and but still offer physician autonomy.

What does this mean for the future? In short:

- Larger systems acquire and consolidate smaller hospitals to expand their "hub and spoke" models to minimize revenue leakage outside of the system, and maintain better continuity of patient care, particularly if transfers from smaller to larger hospitals are needed.
- Physician practices that don't want the burden to weather another storm like Covid-19 will want to cash out but still have the flexibility offered in their own physician practice.
- The reality of having the small primary care practitioner competing prolifically in the market is likely over....is that good? Less competition could mean higher healthcare costs.

### **Reimbursement changes**

This pandemic will also serve as a catalyst to speed the transition from fee-for-service reimbursement to value-based reimbursement, most likely through a capitated model, and to "sever" the link between volume and payment. By the end of last summer, over six million Americans had no insurance because they lost their jobs. We should expect to see a push to expand the ACA to some extent and push the concept of a single payer farther along.

The final challenge for medicine – and it is one that the country has always faced – is to finally move away from treating the symptoms and focusing on wellness and underlying causes. This certainly has many societal and political undertones to it, but you will see a continued movement to value-based reimbursement.

As a result of the pandemic, important elements of healthcare reform are moving forward and resulting in significant progress. As the pandemic continues, we can expect more changes to be on their way.

**About The Author**

Robert E. Annas serves as Senior Managing Director in Restructuring Services and Co-Head of Direct Investing at SOLIC Capital Advisors. Mr. Annas has over 25 years of experience in both operating and restructuring roles, including 15 years of working and advising in turnaround situations, distressed and special situation portfolio management, and distressed control private equity investing. In addition, he specializes in providing critical positioning, investment analysis, diligence, and execution support, facilitating acquisitions and divestitures through multiple transaction vehicles including Chapter 11 §363 sales, UCC Article 9 foreclosures, secondary market distressed debt purchases and leveraged buyouts. Mr. Annas received his Master in Accountancy, as well as Bachelor of Science in Business Administration, from the University of North Carolina. He holds an AIRA certification as a Certified Insolvency & Restructuring Advisor and is FINRA Series 79 and Series 63 licensed.



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