



New Medicare Enrollment Rules Complicate Acquisitions Involving Home Health Agencies

CLIENT ADVISORY

In the wake of healthcare reform, healthcare companies are examining acquisition and divestiture strategies to enhance operational efficiencies and sustain a competitive edge in an ever-changing market. If the acquisition of a home health agency (“HHA”) is a part of your company’s corporate alignment strategy, you need to be aware of a new Medicare regulation that will complicate changes of ownership involving HHAs.

In most acquisitions involving Medicare providers, the buyer elects to assume the seller’s provider agreement and provider number to avoid lengthy gaps in Medicare reimbursement following the acquisition. This Medicare enrollment process is called a change of ownership (“CHOW”).

As of January 1, 2010, Medicare will not allow a HHA to undergo a CHOW if the effective date of the ownership change occurs within 36 months after:

- (1) the effective date of the HHA’s initial enrollment in Medicare; or
- (2) the effective date of the last ownership change for the HHA.

In the above instances, Medicare will require the newly acquired HHA to enroll in the Medicare program as a new provider. This means that the newly acquired HHA will have to file an initial Medicare enrollment application, undergo an initial

certification survey or obtain accreditation and sign a new provider agreement. Medicare will not reimburse the HHA for services rendered to Medicare beneficiaries between the acquisition effective date and the HHA’s successful completion of the initial Medicare certification process, a process involving lengthy delays. Such a gap in Medicare reimbursement may be cost prohibitive to some organizations, causing them to rethink an acquisition, or at least time the acquisition to avoid or minimize the lost Medicare revenue.

If you have any questions about this new Medicare enrollment rule for HHAs, please contact Emily Towey by phone at 804.967.9604 or by email at etowey@hdjn.com. You may also contact HDJN’s Acquisition and Divestiture Team Members: Jim Daniel at jdaniel@hdjn.com or Mary Malone at mmalone@hdjn.com for assistance with an HHA acquisition or divestiture. Additional information about Hancock, Daniel, Johnson & Nagle, P.C. is available on the firm’s website at www.hdjn.com.



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