

Marketing Hospice Service to ALF: Preferred Provider Agreements

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New research published in *Health Affairs* shows that utilization of hospice services among Medicare beneficiaries is greater in assisted living facilities (ALFs) than in other settings, including private homes. Hospices should, therefore, market their services intensively to ALFs.

This finding is not surprising because management at assisted living facilities (ALFs) are often committed to keeping residents in their facilities for as long as possible. There are, of course, costs associated with filling vacancies. In addition, if residences remain empty for any length of time, profitability can be severely adversely affected. Consequently, to the extent that hospices can assist residents to remain in their apartments, ALFs may be extremely interested in establishing ongoing relationships with them.

In addition, management at ALFs may wish to make referrals to a single hospice or to limit referrals to a few hospices. The perception among managers of ALFs, whether true or not, seems to be that providers are more likely to help them to meet the goal of limited resident turnover if they have preferred provider relationships with them.

Providers may wish to approach ALFs to see if they are interested in preferred provider relationships. If they are, then management of ALFs may want to sign Preferred Provider Agreements in order to cement



PREFERRED PROVIDER AGREEMENTS



ANTI-KICKBACK STATUTE



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REFERRALS

these relationships with hospices.

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kickback statute certainly applies to most hospices since they are often certified by the Medicare Program.

The anti-kickback statute generally says that anyone who either offers to give or actually gives anyone anything in order to induce referrals has engaged in criminal conduct. There are, however, a number of exceptions to this statute that may be applicable.

Hospices should ask two crucial questions about the application of the anti-kickback statute to referral arrangements:

1. Is there a kickback or rebate?
2. If so, is there an exception or “safe harbor” that permits the arrangement even though it would otherwise violate the statute?

A kickback or rebate occurs when a provider receives referrals from another provider and something flows back to the referral source from the provider who received referrals. If there is a kickback or rebate, providers must automatically ask the second question listed above. If they fail to utilize applicable exceptions, they may miss out on useful marketing strategies that are likely to result in numerous referrals.

With regard to Preferred Provider Agreements, however, it is important to note that no money or anything of value changes hands between providers and the other party involved. Consequently, there is no kickback or rebate. Hospices can, therefore, enter into Preferred Provider Agreements and avoid violations of the anti-kickback and rebate statute so long as no money or anything else of value is given to ALFs in exchange for referrals.

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1. A federal statute that guarantees all Medicaid patients the right to freedom of choice of providers. This statute may be applicable if either party receives reimbursement from the Medicaid Program.
2. Unless state statutes or regulations require otherwise, there is no requirement that ALFs must present lists of providers from which residents may choose in order to comply with the above. When patients express preferences for certain providers, however, their choices must be honored despite the existence of Preferred Provider Agreements. The agreement of the parties to a Preferred Provider Agreement to honor patients' choices should be included in such Agreements.

The market for hospice services is expanding, but the competition for referrals among providers seems to be extremely fierce. Providers would be well advised to utilize Preferred Provider Agreements to assist them with increasing and/or maintaining referrals in order to help ensure profitability. ■