

Eli's Rehab Report

Industry Outlook: Get the Dish on Rehab Trends Experts Predict From Healthcare Reform

Tip: Buyers are hungry if you're looking to sell your practice.

If consultants, counsel, and healthcare experts all agree on one thing, it's that the healthcare reform bill is long and complicated -- yet also very general. There's lots of room for even more change once the Department of Health and Human Services and the Centers for Medicare & Medicaid Services start publishing more detailed guidance in the Federal Register and Transmittals.

See what rehab experts are bracing for around the corner so you can better prepare your practice for the aftershock of the Patient Protection and Affordable Care Act (PPACA).

Inpatient Rehab: Think Ahead to Continuum of Care

Get ready for multiple levels of post-acute care. "Under the reform bill, patients will move through multiple levels of post-acute care so that a good outcome can be achieved but the cost of care can be lowered or at least held constant," says **Fran Fowler, FAAHC**, principal of Fowler Healthcare Affiliates in Marietta, Ga. She believes one of two scenarios may occur:

1) Patients may stay longer in inpatient rehab,

particularly if bed designation is not an issue. "Rehab providers could then provide two levels of rehab in the rehab bed," Fowler says. "These would include inpatient rehab as we know it and then sub-acute rehab."

The good news for inpatient rehab facilities (and the not-so-good-news for home health and skilled nursing therapy) is the IRF outcomes would improve, and patients "likely could avoid using either skilled care or home health," she says.

2) More rehab admission may occur (either as the initial or the second level of care), especially if the inpatient rehab provider is part of an integrated continuum of post-acute care. "These continuums can be part of a larger health care system or stand-alone, post-acute continuums of care," Fowler says, also noting that this scenario is more likely to occur than the first.

Downside: "In the second scenario, the length of stay would be shorter, resulting in no net gain in occupancy for rehab providers," Fowler says.

Whatever the tides may be, you can start preparing now to stay afloat when change hits. "Focus on producing functional outcomes that are of value to the patient and the family," Fowler says. In addition, "rehab managers must begin to determine what other post-acute care providers would be the best partners and consider how an integrated continuum of post-acute care should/could function."

Healthcare Reform Fuels the Acquisitions Fire

On the business side of things, it's been a calm before the acquisition storm for the past couple years, with a recent spark in the rehab acquisition market. And healthcare reform will only drive consolidators and buyers forward faster, experts say.

"We surveyed all the buyers in the industry, and there's a significant increase in the number of interested buyers in the rehab industry, including strategic buyers and private equity groups," confirms **Paul Martin, MPT, CBI, M&AMI**, with

Martin Healthcare Advisors LLC in Mt. Laurel, N.J. In fact, "we had 20-plus companies respond that they want to do one or more acquisitions in the rehab industry in 2010."

Healthcare reform is pushing buyers along for three major reasons, according to Martin:

- PPACA didn't include a Medicare Physician Fee Schedule Fix or a permanent fix to the therapy caps, which may continue to put rehab providers in a tight financial situation that a larger and better capitalized rehab provider would be in a better position to tackle.
- PPACA will result in more insured people (who will require rehab services) in the next 10 years.
- The majority of PPACA is focused on controlling health insurance companies. And the likely result is that insurance companies will respond by shrinking their provider reimbursement to save money.

Bottom line: "We're going to have more patients and we're going to have to be more efficient with those patients to make money, and acquirers thrive on those market conditions because they think they can do better than the little guy when it comes to efficiency and costcutting," Martin explains.

What to do: Be ready for buyers to come knocking at your door. The credit market has started to "loosen up," making buying conditions even more favorable, Martin says. Plus, the rehab industry still remains "highly fragmented" even after the heavy merger and acquisition activity in 2006 and 2007, he adds. The best thing you can do is decide if being fully or partially acquired is in your best interest. "If you want to embark on the selling process, take a step back, develop a formal profile of your business, and confidentially work through a process that brings all acquirers to the table -- [that's] the only way to sell for the best price," Martin says.