

Eli's Hospice Insider

Hospice News: Nail Down Hospice Cap Liability

Whether you're on the buying or selling end of a hospice acquisition, you can stave off a potentially big headache with clear contract language around cap liability.

The problem: "As more hospices exceed hospice aggregate payment limitations and hospice acquisitions continue at a rapid pace, we are constantly becoming involved in disputes between the buyer and the seller regarding the calculation of a cap liability and responsibility for the liability," reports consulting firm The Health Group in Morgantown, West Virginia. "Unfortunately, the final cap liability for any respective cap year is not determinable until such time as all patients served in the respective cap year are deceased or the Medicare Administrative Contractor ceased updating the cap liability calculation for the respective year," the firm cautions.



The solution: "Both the buyer and seller are encouraged to seek resolution of a pending cap liability at the time of acquisition or ensure language in the purchase agreement leaves no doubt regarding the ultimate calculation of the cap liability and associated responsibility," The Health Group urges. "Clarity in addressing this issue at the date of the acquisition can avoid a subsequent dispute regarding this issue as well as incurring costs that could have been avoided," the firm advises