



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# Quick Hits: Four Health Care Topics You Must Know



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Learning Objectives

1. Understand the 2024 legislative, political landscape and what that could mean for 2025
2. Discover details on health care consolidation – the who, what, why, how of dealmaking
3. Discuss the increasing role and rise of Medicare Advantage, including its capitation and risk adjustment methodology
4. List the main types of artificial intelligence along with examples of health care use cases



# Quick Hit Topics

Elections  
Capitol Hill

AI

Medicare  
Advantage

Health Care  
Consolidation



# Capitol Hill/Regulatory/Election Year

It is an election year on Capitol Hill, which means all issues are viewed through that lens.

Small majorities in either chamber which always makes passing bills more difficult, compounded by competing issues.

The number one issue to address is funding government which is magnified by a growing annual deficit and national debt.

Regulatory activities will be robust, especially in first half of 2024.



## A few things we're watching:

- FFY 2025 funding
- End-of-year lame duck bill
- Reducing physician fee cuts
- Site neutral cuts to hospitals
- Election year politics impacts



# Where Will Presidential, Capitol Hill Be on the Issues?

Physician Payments

Deficit Spending

Site Neutral

Oversight

PBMs

Drug Prices

Medicaid Entitlement Reform

Medicare Benefits

Telehealth

Price Transparency

Medicare Part A Solvency

Value Based Care

ACA Subsidies

Tax Cuts vs Tax Increases

Medicare Advantage



# November 5 Impacts Everything

Control of Congress—both Senate and House—  
and Presidential race are all in play and too  
close to call



# Health Care Consolidation, Deals

For any number of reasons, there is ongoing consolidation and dealmaking in health care and life sciences.

Labor expenses skyrocketed during the pandemic and then reset at higher rates. These higher labor rates and a tight labor market plus ongoing inflationary pressures are wreaking havoc on some operating margins.

A ripple effect has resulted in closures or mergers and acquisitions. Private equity interest has been piqued. Due to M&A, there is more regulatory scrutiny.



A few things we're watching:

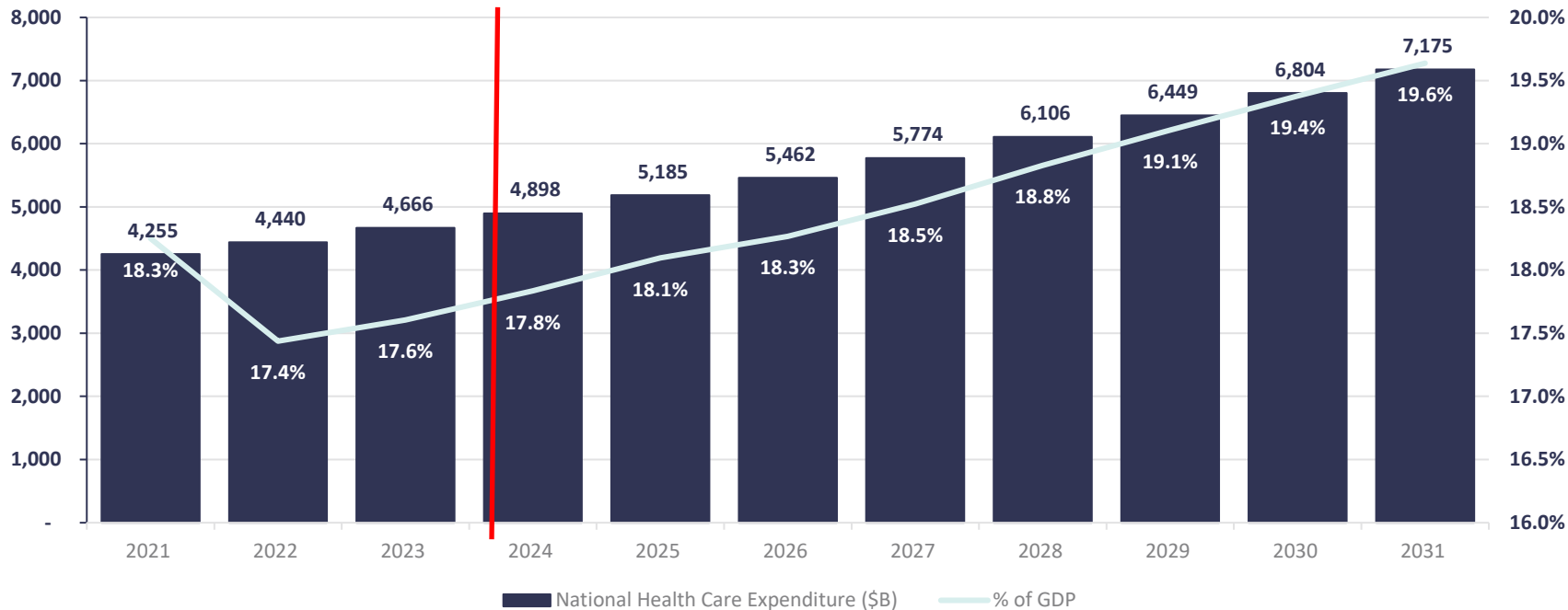
- Private equity moves
- Hospital/health and SNF deals/consolidation
- Impact of insurer market moves
- Regulatory anti-trust focus





# Health Spending Growth = Investor Interest

## Health Care Expenditures



<https://www.claconnect.com/en/resources/articles/24/health-care-transaction-trends-deals-expected-to-rebound-in-2024>



# Ongoing M&A: Assorted Hospital Transactions

## Completed

- Aspirus & St. Luke's merger (MN/WI)
- Jefferson Health (PA) & Lehigh Valley (PA) merger
- BJC HealthCare (St. Louis) & St. Lukes Health System (Kansas City) merger
- Tenet sells many hospitals (5 in AL to Orlando Health; 8 in CA to multiple)
- HCA purchasing hospitals
- Ascension selling many hospitals in IL, MI
- CHRISTUS Health & Gerald Champion (NM)

## Fell Apart

- Sanford (SD) & Fairview Health (MN)
- Essentia (MN) & Marshfield Clinic (WI)
- UnityPoint (IA) & Presbyterian Health System (AZ)
- Novant Health & Community Health Systems (NC)

### **A Few Reasons for M&A?**

1. Struggling financials
2. Growth
3. Economies of scale
4. Strategic advantage
5. Access to knowledge, technology
6. Vertical integration



# Novel Approaches

- Cross-market mergers
  - Ex: Advocate-Aurora Health (IL/WI) & Atrium Health (NC)
- Unique Structures
  - Ex: CA for-profit Kaiser Permanente purchases Geisinger Health (PA) and Cone Health (NC) systems and creates non-profit, Riant Health
- Private Equity, Venture capital
  - Ex: PE backed Ardent Health has been acquiring for years, it just had an Initial Public Offering
  - Ex: Venture capital General Catalyst creates HATCo, which purchases nonprofit Summa Health (OH)



# Rising Role of Medicare Advantage

Medicare Advantage's (MA) rise continues. It now comprises half of all Medicare eligibles. As growth increases so, too, does scrutiny. This has led to more regulatory and legislative attention.

There are growing contract fights between providers-insurers over inadequate reimbursements and administrative burden.

Due to its popularity, size and demographic trends, providers must pay attention to MA long-term. The program is where many patients will consume health care dollars.

Also, various Medicare value-based models look to or use MA's risk adjustment and financing methodologies as a basis.



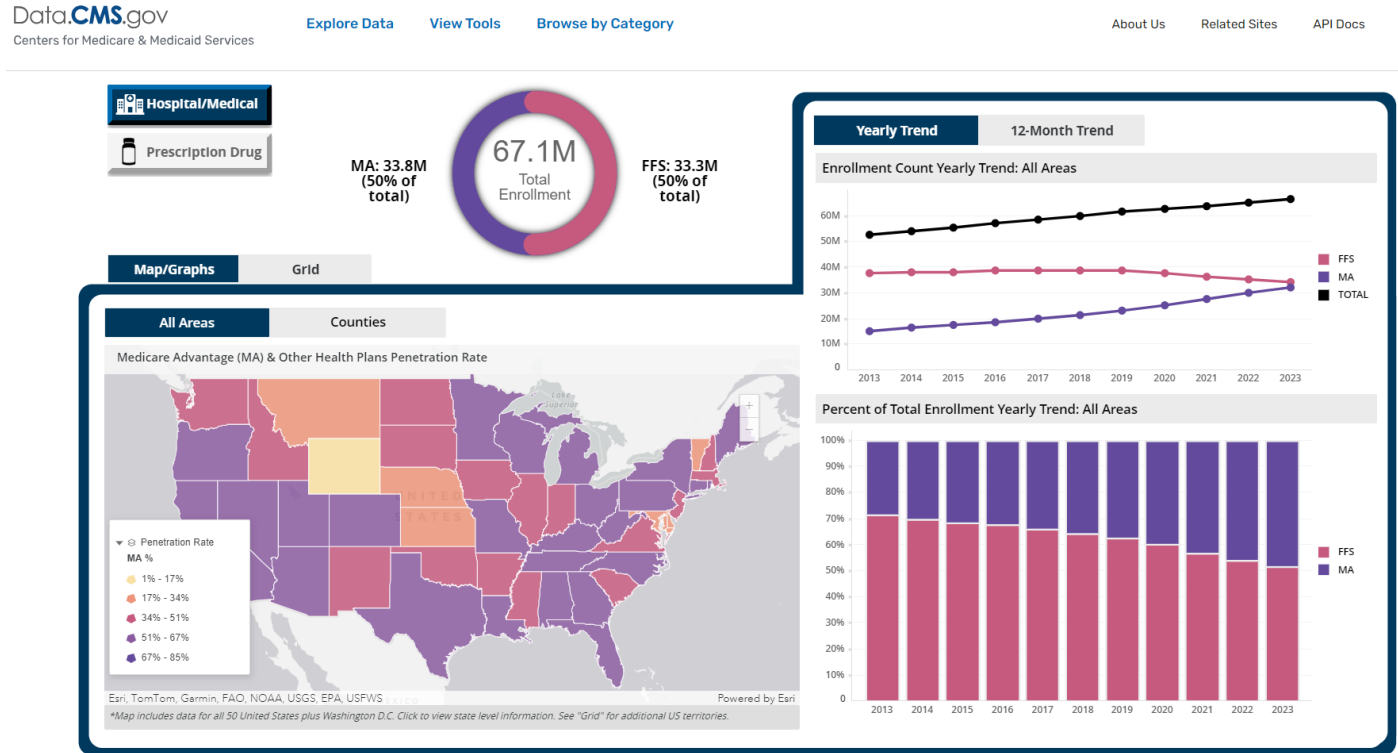
## A few things we're watching:

- Impact of vertical integration by insurers
- Regulatory, legislative scrutiny, and lawsuits
- Tougher negotiations



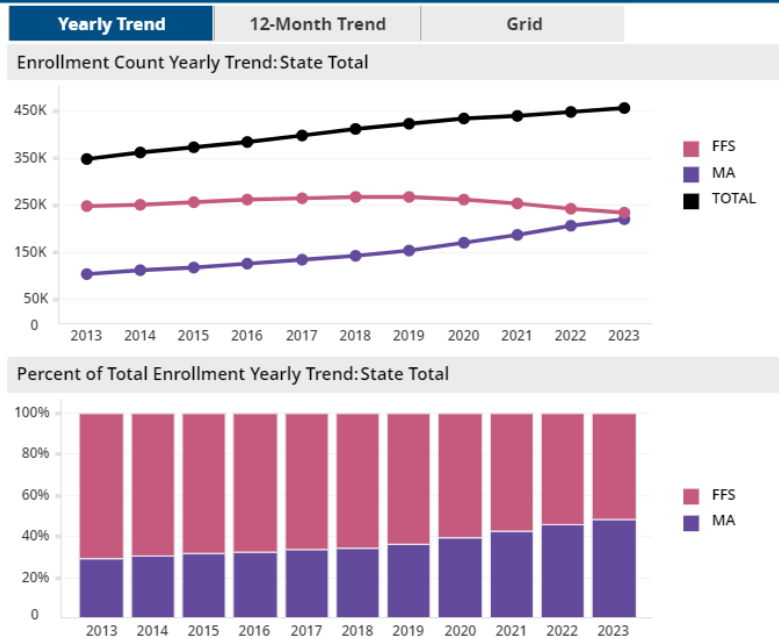
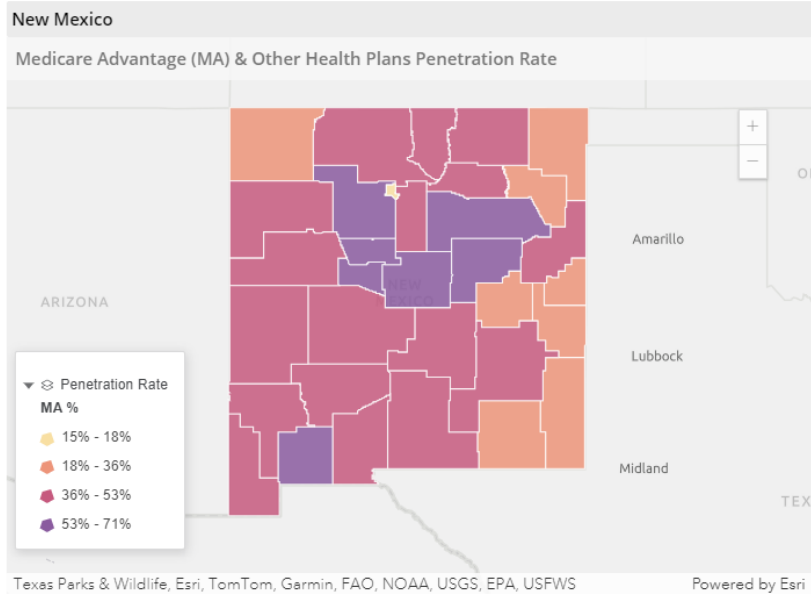
# 3 Things To Know About Medicare Advantage

1. Over 50% of all eligible beneficiaries select MA over for fee-for-service
2. It has been continuously growing
3. It has very real revenue impacts for providers compared to traditional FFS revenues



# County Level Importance

NEW MEXICO (33 counties) | TOTAL: 459,784 | FFS: 229,979 (50% of total) | MA: 229,805 (50% of total)



# MA Areas of Concern for Congress, Regulators, Hospitals

- Growing vertical integration (Uniteds)
- Prior authorization problems
- Administrative expenses
- Reduced reimbursements

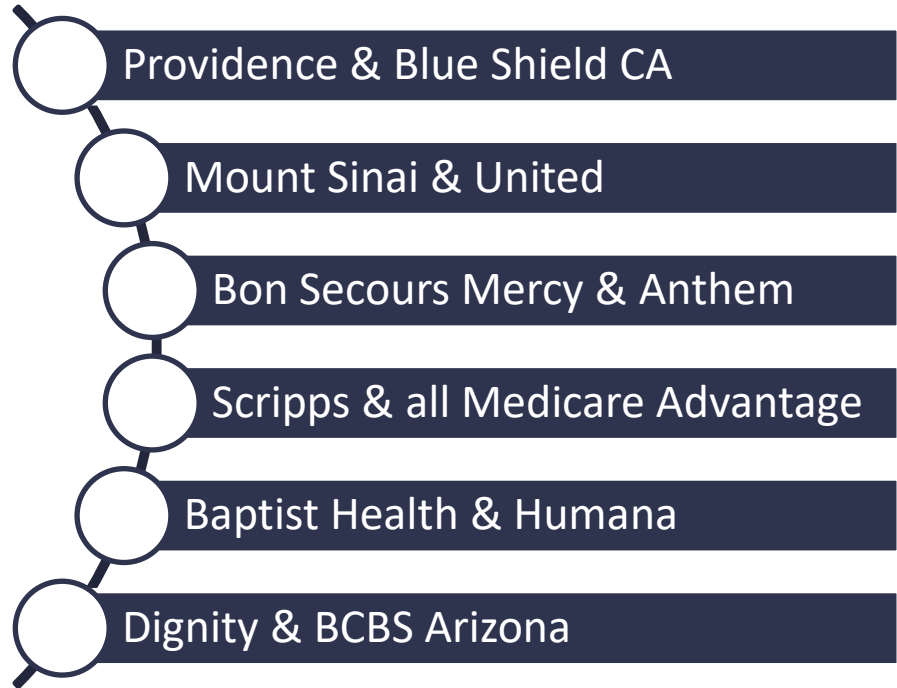


**But**, half of all Medicare beneficiaries are in these plans. Many may not have ability to walk away from Med. Adv contracts (like some have).



# Insurance Contract Fights

- Hospitals want plans (including Medicare Advantage) to reflect higher costs (inflation) in reimbursement rates, prompt payments, less prior authorization/adm expense
- Medicare Advantage plans say higher rates are bad for consumers
- Some disputes (at right) have since been settled





# Digital and Artificial Intelligence

Throughout the industry, AI is rapidly being deployed. Whether that's for medical scribes, revenue cycle applications, patient information, data analytics/predictive analytics, and much more.

Because there isn't a statutory or legal construct specific to AI, the landscape is wide open for a host of lawsuits (copyright infringement, patient rights, privacy violations and more).

With all of it, those creating and adopting AI must also work to protect against inherent bias of its outputs and address cybersecurity.



## A few things we're watching:

- Increased use of AI
- Lawsuits
- Legislative/regulatory focus
- Cybersecurity



# Artificial Intelligence (AI)

## What

- Where a computer models or emulates human behavior or intelligence
- Many types of AI, such as machine learning, deep learning, natural language processing, intelligent user interfaces, robotics, computer vision....

## Use Case Examples

- Medical imaging/diagnosis
- Patient monitoring
- Medical coding, Chart review
- Research, data analytics
- Virtual assistant/chatbots
- Automating revenue cycle/other processes

## Higher Health Care Use

- Revenue cycle
- Repeatable tasks
- Chatbots
- Predictive analytics

## Future Trends

- Generative AI (ChatGPT) applications
- Pharmaceutical development
- Clinical applications and diagnosis
- Use in virtual and augmented reality for clinical applications

# AI: A Few HCLS Use Cases

## Machine Learning/Generative AI

- Think Chat GPT. These are Large Language Models trained on massive amounts of data to respond to prompts
- A few simple examples: could be used to draft physician prior authorization letters, respond to patient health care or disease questions (via chatbots, patient portal)

## Machine Learning

- Revenue cycle automations
- Predictive analytics—to search for patterns/trends in your data and make recommendations. For example, which patients are more likely to readmit
- Surfacing trends/insights from disparate data sets
- Reviewing medical images (MRIs, X-rays) to detect diseases (like cancers)

## Natural Language Processing

- An approach to AI focused on understanding language and conversation
- Major use case now relates to clinical documentation
- NLP is being used with ambient listening to craft the clinical note during that patient visit, note then reviewed by provider before it goes into the medical record.
- Electronic health record (EHR) companies are already working to embed these capabilities into their systems

## Computer Vision

- A way for computers to decipher or “see” visual data around them
- Self-driving cars are most recognizable example of computer vision AI today.
- In health care, autonomous drones could deliver prescription drugs to a patient’s home
- Clinical example is use of smart glasses to help diagnose retinal diseases or dermatological conditions



# Technology & Cybersecurity

## Technology Spending Increases

- Hardware
- Software
- Replacements
- Cybersecurity

## Statistics

- FBI's Internet Crime Complaint Center (IC3) **2023 report**, found health care had the highest rate of ransomware for all 16 critical infrastructure sectors
- Ransomware one of the top five crime types, most common was through phishing emails, Remote Desktop Protocol (RDP) exploitation, and exploitation of software vulnerabilities.

## Common Cybersecurity Risks

- Ransomware
- Phishing/smishing/vishing
- IoT, legacy systems
- Data breaches
- Getting more and more sophisticated

## Future

- AI use (devices, third parties) creates additional vectors for attack
- Increased cyber risk
- Increased focus on technology that integrates with existing systems (like EHRs) and provides efficiencies, higher productivity
- Increased technology budgets



*Thank you!*

**Jennifer Boese, MS**

*Director, Health Care Policy & Innovation*

*[Jennifer.Boese@CLAconnect.com](mailto:Jennifer.Boese@CLAconnect.com)*



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

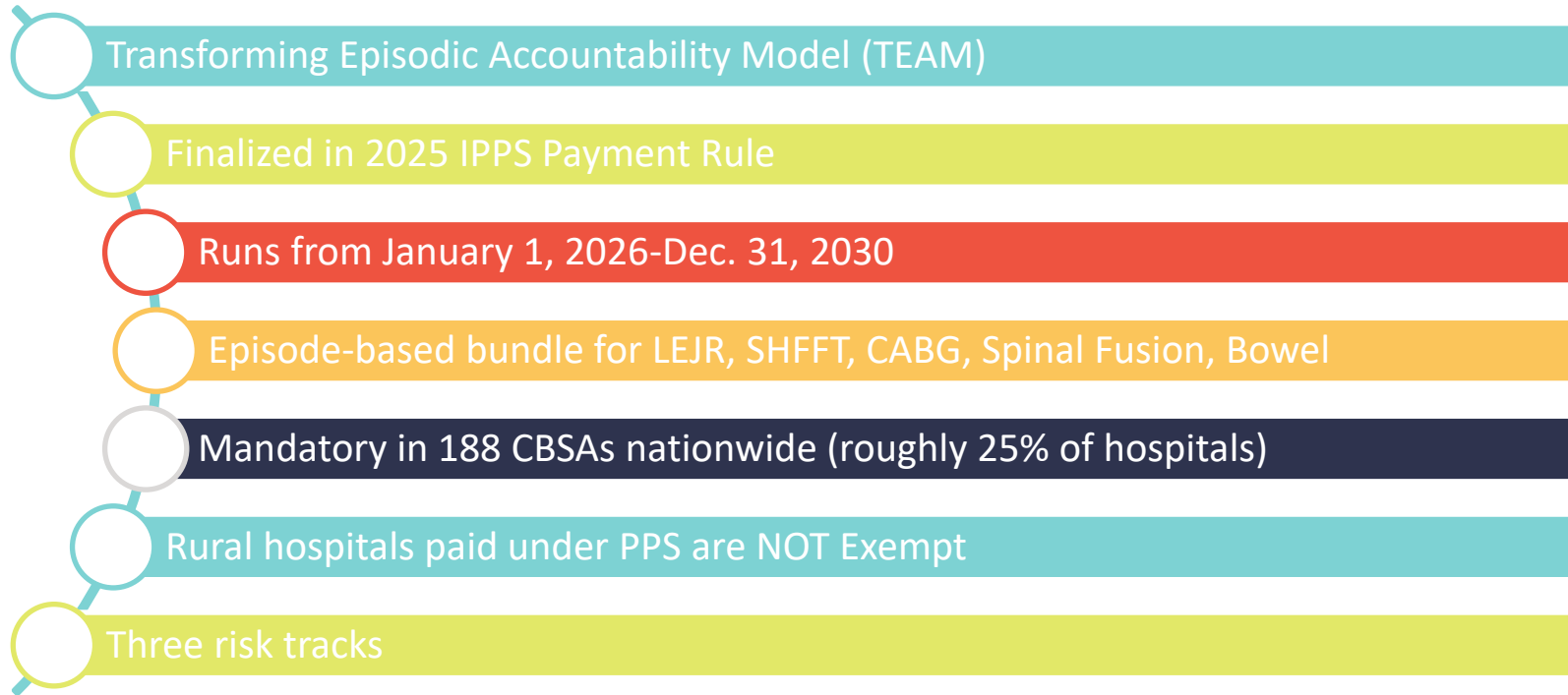
©2024 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# Bonus Content!



# Newest Model (TEAM)...and it's mandatory



# Transforming Episodic Accountability Model



- Begins January 2026
- Includes: LEJR, SHFFT, CABG, Spinal Fusion, Major Bowel
- Mandatory in 188 geographies



**Is New Mexico  
included?**





# YES

<b>Hospital Name</b>	<b>CBSA Name</b>	<b>CBSA City</b>	<b>CBSA State</b>
Lovelace Medical Center	Albuquerque, NM	Albuquerque	NM
Lovelace Women's Hospital	Albuquerque, NM	Albuquerque	NM
Presbyterian Hospital	Albuquerque, NM	Albuquerque	NM
Lovelace Westside Hospital	Albuquerque, NM	Albuquerque	NM
UNM Sandoval Regional Medical Center	Albuquerque, NM	Albuquerque	NM
Plains Regional Medical Center	Clovis, NM	Clovis	NM
Roosevelt General Hospital	Clovis, NM	Clovis	NM
San Juan Regional Medical Center Inc	Farmington, NM	Farmington	NM
Northern Navajo Medical Center	Farmington, NM	Farmington	NM
Christus St Vincent Regional Medical Center	Santa Fe, NM	Santa Fe	NM
Presbyterian Santa Fe Medical Center	Santa Fe, NM	Santa Fe	NM

## NM CBSAs Required in TEAM Model

