

Use of Preferred Provider Agreements by Discharge Planners/Case Managers

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Many hospitals refer patients on a regular basis to post-acute providers; such as home health agencies, private duty home care agencies, hospices, and home medical equipment (HME) companies. Relationships with post-acute providers assist hospitals with controlling their length of stay (LOS), an essential component of financial viability. Consequently, positive relationships with post-acute providers are essential to the success of discharge planners/case managers.

Discharge planners/case managers may wish to use Preferred Provider Agreements in order to enhance their relationships with post-acute providers. That is, hospitals may agree verbally or in writing to make referrals exclusively or on a preferential basis to specified post-acute providers in order to help ensure quality of care.

Reasons Why Hospitals May Sign Preferred Provider Agreements

Hospitals may be willing to sign Preferred Provider Agreements for a number of reasons.

Hospitals may decide to limit the number of post-acute providers to which they are willing to refer on the basis that dealing with many post-acute providers may compromise their ability to implement appropriate discharge plans effectively. Working with a number of post-acute providers may complicate communications between hospital discharge planners/case managers, which may have the potential to compromise implementation of appropriate discharge plans.

Unless patients or physicians choose post-acute providers, it is permissible, however, for discharge planners/case managers to suggest that patients may choose post-acute providers with which discharge planners/case managers are familiar or are able to vouch for the quality of care. Discharge planners/case managers are not required to survey post-acute providers in their geographic area to find every entity that provides care of a quality that is satisfactory to them.

Key Provisions of Preferred Provider Agreements

Preferred Provider Agreements may be verbal or written. They should obligate hospitals to refer patients to specified post-acute providers. These Agreements should not, however, include a specific number of patients that hospitals are expected or required to refer. In fact, they should explicitly indicate that hospitals make no promises about the number or types of patients who will be referred.

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Patients' Right to Freedom of Choice of Providers and Preferred Provider Agreements

Both the Balanced Budget Act of 1997 and Conditions of Participation (COP's) for hospitals guarantee patients the right to freedom of choice. Many patients, however, do not yet know enough about post-acute services and providers to be able to make choices. When attending physicians indicate that they prefer certain post-acute providers and patients do not choose other providers instead, physicians' preferences/orders must be honored.

When patients cannot choose and their attending physicians have not indicated preferences for particular post-acute providers, discharge planners/case managers may wish to encourage patients to choose preferred providers. Sound relationships with post-acute providers are crucial to the operation of hospitals. The use of Preferred Provider Agreements may foster such relationships.