ROLE OF VALUE IN PROVIDER-PATIENT-PAYER RELATIONSHIPS

HFMA JOINT CONFERENCE
1. Current landscape
2. Knowing Your Market
3. Case Studies
4. Keys to Success
Current Landscape

• ACA disruption and innovation
  • **Access** to care vs **delivery** of care
  • ACOs, NextGen ACO (VT APM) bundles, CPC+, chronic care management, MACRA

• New Administration

• Repeal, replace, rename?
  • Key Issues

• The future of Medicare
  • Tom Price MD Secretary of HHS
  • Seema Verma CMS Administrator

• Medicaid

• Commercial/MA plans
Current Landscape

MEDICARE ADVANTAGE

Share of Medicare Beneficiaries Enrolled in Medicare Advantage Plans, by State, 2015

NOTE: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans.
SOURCE: Authors’ analysis of CMS State/County Market Penetration Files, 2015.

Distribution of Enrollment in Medicare Advantage Plans, by Plan Type, 2015

NOTE: PFS is Private Fee-for-Service plans, PPOs are preferred provider organizations, and HMOs are Health Maintenance Organizations. Other includes MSAs, cost plans, and demonstration plans. Includes enrollees in Special Needs Plans as well as other Medicare Advantage plans.

Total Medicare Advantage Enrollment, 2015 = 16.8 Million
ACOs are being used widely by commercial payers

- Commercial ACOs cover some 17.2 million beneficiaries, more than twice as many as Medicare ACOs.¹
- The total number of ACOs in the US is estimated at 200-300
- Seven of the ten largest ACOs in the US are commercial ACOs.²

¹ Muhlstein D and McClellan M; “Accountable Care Organizations in 2016. Health Affairs blog April 21, 2016
• Commercial health plans and private payers are accelerating the path toward value-based reimbursement and have developed hundreds of accountable care organizations.

• In 2014, two dozen insurers and health care providers announced their commitment to move 75% of their business to value-based contracts by 2020.

• Private payers are actively implementing the medical home model
  • Over 90 private sector health plans are leading patient-centered medical homes (PCMH).
  • Highmark operates a PCMH in PA and West VA with 100 physician practices covering +170,000 beneficiaries with good results
  • Carefirst PCMS reported $345 M in savings in 2014 by lowering IP admissions, LOS and readmissions.
**Current Landscape: PCMH**

**Characteristics**
- Super utilizers
- Multiple chronic conditions, frail, elderly
- Frequent hospitalizations, ER visits
- Behavioral health, socioeconomic barriers
- 40% - 50% of total cost
- Limited and stable chronic conditions
- At risk for procedures
- 30% - 40% of total cost
- Healthy
- Minor health issues
- 10% - 20% of total costs

**High-Impact Care Priorities**
- Care coordinators
- Address behavioral and socioeconomic barriers
- Community resources
- Intense transition planning
- Frequent one-on-one planning
- Reduce practice variation
- Systematic care and evidence-based medicine
- Team-based, coordinated care
- Top of license mentality
- Focused coordination and prevention
- Movement toward virtual, mobile, anytime access
- Convenience
- Healthy
- Minor health issues
- 10% - 20% of total costs
## Current Landscape: Tennessee

### Source of Value

<table>
<thead>
<tr>
<th>Primary Care</th>
<th>Acute Care</th>
<th>Post-Acute Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maintain or improve patient’s health over time</td>
<td>• Achieve a specific member objective including associates upstream and downstream cost and quality</td>
<td>• Provide LTC services and support that are high quality in the areas that matter most</td>
</tr>
<tr>
<td>• Coordinate care with specialists</td>
<td>• Retrospective bundles</td>
<td>• Quality and acuity adjusted payments for LTC services</td>
</tr>
<tr>
<td>• Avoid acute/episode events when appropriate</td>
<td></td>
<td>• Workforce development</td>
</tr>
</tbody>
</table>

### Strategy Elements

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<th>Acute Care</th>
<th>Post-Acute Care</th>
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</thead>
<tbody>
<tr>
<td>• PCMH</td>
<td>• Implement increasingly complex bundles of care</td>
<td>• Align payment with value and quality for SNF and HHA</td>
</tr>
<tr>
<td>• Chronic care management</td>
<td>• Perinatal and ortho</td>
<td>• Training for providers</td>
</tr>
<tr>
<td>• Behavioral health</td>
<td>• COPD, Colonoscopy, Appendectomy, PCI</td>
<td></td>
</tr>
<tr>
<td>• Care coordination with hospital and ED</td>
<td>• Cardiac, Sepsis, Pneumonia</td>
<td></td>
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### Examples

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<th>Primary Care</th>
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</table>
Centers of Excellence programs for self-funded employers

“Our goal is to be the number one healthcare provider in the industry.”

Labeed Diab
President of Health & Wellness, Walmart

Today’s Model

Current Landscape
Current Landscape

• Today’s double standard for health care financial managers
  • Operating a FFS business model and financing it under an increasingly value-based reimbursement model
    • The delivery of care does **not** match the payment
    • To bend the cost curve, payment must be tied to the WAY care is delivered in order to produce true value
      • PCPs
      • Specialists
      • Acute Care
      • Post-Acute Care (IRF, SNF, HHA, Hospice)
    • American College of Surgeons proposal to CMS
Current Landscape: Hybrid payments

- Medicare
  - BCBS
  - Anthem
  - Medicaid
  - Self Pay
  - Employer

- FFS
- CJR Bundle
- % of Charge
  - FFS HMO Bundle P4P
- % of Charge
  - FFS Bundle Capitation
1 Current Landscape

2 Knowing Your Market

3 Case Studies

4 Keys to Success
Knowing Your Market

Where is your market at in the transition?

- Medicare ACOs and bundles
- Commercial
- Medicaid
- Large employers
- Narrow networks forming
- Do you have the level of scale required to be relevant or drive the market?
Knowing Your Market
The local battle for market share

- Leveraging TPAs
- Pricing analysis
- Physician affiliation and loyalty (referrals)
Knowing Your Market: Timing Your Transition

**Fee-for-service**
- No risk

**Incentive-based FFS**
- Cost and quality targets
- PCMH

**P4P**
- VBP
- MSSP ACO Track 1
- MU/Penalties

**Capitation**
- Global payment/PMPM
- Percent of premium

**Partial Risk**
- ACO Track II & III

**Informed Case Rates**
- Bundles

**Health Plan**
- Integrated delivery system
1. Current Landscape
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4. Keys to Success
Voluntarily participated in CMS BPCI program
• Used their own health plan as a testbed for innovation
• Leveraged data analytics to identify risk
• Rewarded physicians based on outcomes
• Negotiated MA contracts and assumed risk for managing outcomes
• Participated in Medicaid Primary Care Health Home initiative and received PMPM for case managing high risk patients
• Communicated with post-acute providers to coordinate care
• Hired nurse navigators

Hugged the FFS tree trunk and focused on volume, LOS and ancillaries
• Lost out on commercial volume because unwilling to take on risk
• No visibility into true cost of care or data to support strategic value-based decisions
• Teaching hospital created difficult balancing act between value-based care and educational experiences which led to excessive variation in care and excessive costs.
Proactively addressed physician affiliation by partnering with larger, well-known health system to employ physicians and lease back.

Leveraged resources, best practices, benchmarks, protocols etc.

Located in market which overlapped a larger health system.

Expanded beyond means to stay competitive.

Hired expensive specialists
  - Cardiothoracic surgeon
  - Extra neuro surgeon
  - Nephrologist

Lacked the volume to sustain service lines while locked into physician contracts.
• Right sized service lines and physician base
• Worked with larger health system nearby and entered into friendly relationship to have specialists come on scheduled days
  • Specialists expanded market and drew surgeries back to larger hospital
  • Smaller hospital expanded scope of care and retained patients at the primary care level
• Hired a cardiologist and split FTE 50/50 with nearby competitor hospital

• Critical Access Hospital
• Expanded beyond normal scope of surgical care for small rural hospital
• Physician volume and referrals dwindled
• Lived by the swing bed gospel
• Isolated themselves in the market
• Lost discharge referrals from larger hospitals due to excessive costs which came to light under bundled payments and ACO growth
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4 Keys to Success
Keys to Success

- Establish governance and oversight
- Engage physicians
- Develop a post-acute strategy
- Invest in data analytics
- Explore options to partner with payers
Establish Governance and Oversight

- **Steering Committee**
  - C-suite, physician champion, finance, IT, service line leader, project manager
  - Avoiding “Death by meeting”
- **Work groups**
  - Acute, transitions, post-acute, data/IT/finance
- **Research local market trends**
  - Meet with payers and employers
- **Developing organizational competencies around value-based reimbursement has been challenging**
  - No single repository for applicable regulations
  - Final regulations can only be found by reviewing thousands of pages of complex CMS rules and policy statements in the Federal Register. Rules sometimes change without explanation.
  - Workloads continue to increase with little time to research the new regulations
  - There are over 1,100 quality metrics that may determine reimbursement levels
Engage Physicians

- Clinical decision making becomes key financial driver - new business model
- Standardize care, lower unwarranted variations, focus on complications and readmissions, drive down cost (Medicare and internal)
- Must have management systems in place to gather, analyze and share data with physicians
- Physician salary constitutes 20% of health care spending but the decisions they make influence an additional 60% of spending
- What about small, rural hospitals with only one specialist? Incenting n=1

¹ Kaiser 2012
Engage Physicians

Why collaborate with physicians?

- Incentivize behaviors to control hospital financial risks
- Foster physician-hospital alignment strategy
- Secure buy-in through shared decision making and responsibility
- Gateway to long-term alignment with physicians
- Incentivizes physicians to implement and coordinate improvements in efficiency, cost and quality
Engage Physicians

• Developing a physician collaborator strategy
  • Analyzing data for variation and impact
  • Identify high-level systemic care redesign needs
  • Identify collaborator quality guidelines
  • Involve legal counsel to draft shell agreements
  • Integrate leadership physicians in strategy process
  • Gauge current level of interest
  • Consider how their practice will be affected
  • Understand their economic needs via practice administration
  • Evaluate potential internal cost savings
  • Compliance (FMV, Stark, IRS excess benefit)

• Challenges you may face
  • Development challenges (Multi-group, employed and independent)
  • Consensus on protocols and standardization
  • Trust in data and measurement
  • Concern with clinical decision making
  • Perception of profit-sharing
  • Lack of interest
Develop a post-acute strategy

SNF Dashboard

Select any chart measure to filter the dashboard. Click on blank chart area to deselect.

Filters
- DRG/Status:
  - 46F
  - 46NF
  - 470F
  - 470NF

Readmitted?
- (All)
- No
- Yes

SNF Provider
- 1730136250
- 1366529406
- 1144299702
- 1698124155
- 1619124165
- 1586232224
- 139641527
- 1649269335
- 1467421024
- 1750703276
- 1664255401
- 1370532378
- 1826214269
- 1770582663
- 1811984925
- 1881170544
- 1427010310
- 12553385720

Highlights:
- Avg. SNF Payment
- ALOS

Avg. SNF Payment vs ALOS
- ALOS: 30.0
- Avg. SNF Payment: $10,432
- Avg Episode Total: $30,248
- Episodes: < 11
- Readmitted: < 11

Avg SNF Payment Trending
- November 2014 to January 2016

Month of Start Date
Invest in Data Analytics
Why Partner

• Win-win strategy for health care system, plan, providers, employers and patients
• Address market pressure to increase quality and reduce costs
• Sustainable value-based model
• Leverages strengths and capabilities of both health care system and health plan

Advantages

• Speed to market
• Allows shared risk to be spread across two organizations
• Reduces redundancies, inefficiencies and improves affordability
• Breaks down traditional barriers between providers and payers
• Aligns financial incentives
Explore Options to Partner with Payers

Provider
- Clinical care through integrated delivery system
- Savings through improved efficiencies
- Focus on care coordination, decision support and nurse navigators

Payer
- Provides plan administration support data analytics, and care management services to help identify and manage member population

Case Studies

Texas Health and Aetna will deliver affordable and high-quality fully-insured and self-insured commercial health care products to consumers and employers in the Dallas-Fort Worth Metroplex

Innovation Health serves 1,700 employers and 210,000 members in Northern Virginia, across five hospitals. With a joint venture in place since 2012, they have achieved significant results.
Explore Options to Partner with Payers

- 8% decrease in medical costs during year one
- 21% decrease in 30-day readmissions
- 17% decrease in impactable bed days
- 15% decrease in costs for unnecessary high-tech radiology
- 15% increase in generic prescribing
- 31% decrease in C-sections admissions over the past two years
- C-sections per thousand have reduced from 7.1% to 4.9%

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