Transitioning to Value-Based Models

Terry Hill
Executive Director, Rural Health Innovations
March 2015
Rural Health Innovations (RHI), LLC is a subsidiary of the National Rural Health Resource Center (The Center), a non-profit organization. Together, RHI and The Center are the nation’s leading technical assistance and knowledge centers in rural health. In partnership with The Center, RHI enhances the health of rural communities by providing products and services with a focus on excellence and innovation.
Main Points

• US health system is changing from volume to value
• The road ahead for rural health providers will be challenging but could be rewarding
• Rural health providers can be successful in the new health system
• We must take action now to create value
Based on volume, the more you do, the more money you make.
Results of Current Business Model

- High cost
- Low quality
- High chronic illness
- Low access
It’s Changing!

Triple Aim
• Better health
• Better care
• Better cost
Basic Assumptions about the Future

- Payment rates: decline
- Quality and efficiency: rewarded
- Readmissions and low quality: penalized
- Population health: important
Market Overview

• Medicaid expansion
• State budget deficits
• Recovery Audit Contract (RAC) audits
• High deductible plans
• Medicare reduced payment
• Accountable Care Organizations (ACOs)
ACOs

- Rapid growth
  - August 2012: 154
  - July 2014: 606
- Both hospital and physician led
- Medicare and private insurance models
- A growing number based in rural
Accountable Care = a mechanism to monetize value by increasing quality and reducing cost
Reasons for Optimism

- Revenue stream of the future tied to primary care providers
- Lower beneficiary costs in rural
- Critical access hospitals, rural health clinics, and federally qualified health centers have reimbursement advantages
- Rural can change more quickly
- Rural is more community-based
The Challenge: Crossing the Shaky Bridge

Source: flickr
The Premise

Finance
- Government
- Private payers

Function
- Cost & population management
- Risk management

Form
- Aligned organizations managing populations
- High quality & value
- Care coordination
## Changing Payment System Incentives

### Macro-economic Environment – Payment System

<table>
<thead>
<tr>
<th>Perspective: Government</th>
<th></th>
</tr>
</thead>
</table>
| **Current State**       | - Cost based reimbursement for CAHs  
                          | - Fee-for-Service (FFS) to PPS acute care hospitals |
| **Phase 1**             | - ACO pilot projects  
                          | - FFS increasingly tied to patient value  
                          | - Cost-based reimbursement for CAHs with potential impacts from sequestration and RAC audits |
| **Phase 2**             | - Population-based payments (PBP) for ACOs  
                          | - ACOs with budget based payment predominates  
                          | - Interim payment models similar to Phase 1 |
| **Phase 3**             | - Transition from ACOs to Medicare Advantage Plans (budget to full capitation) |
| **Future State**        | - PBP with quality performance criteria  
                          | - Medicare Advantage plans with providers at full risk |
### Changing Payment System Incentives

<table>
<thead>
<tr>
<th>Macro-economic Environment – Payment System</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perspective: Private</strong></td>
</tr>
<tr>
<td><strong>Current State</strong></td>
</tr>
<tr>
<td>• FFS</td>
</tr>
<tr>
<td>• Insurance provided to patients through employers</td>
</tr>
<tr>
<td>• Primary employer relationships with insurers</td>
</tr>
<tr>
<td><strong>Phase 1</strong></td>
</tr>
<tr>
<td>• FFS with steerage based on network penalties and patient incentives</td>
</tr>
<tr>
<td>• FFS with quality scores</td>
</tr>
<tr>
<td>• High deductible health plans negatively impacting patient volume</td>
</tr>
<tr>
<td><strong>Phase 2</strong></td>
</tr>
<tr>
<td>• Pilot projects for risk sharing with providers</td>
</tr>
<tr>
<td>• Insurance exchanges become an option for individuals and small groups to obtain insurance</td>
</tr>
<tr>
<td><strong>Phase 3</strong></td>
</tr>
<tr>
<td>• Providers and insurers functionally merging through acquisition or development of provider based health plans</td>
</tr>
<tr>
<td><strong>Future State</strong></td>
</tr>
<tr>
<td>• PBP with quality performance criteria</td>
</tr>
<tr>
<td>• Provider-based health plans</td>
</tr>
</tbody>
</table>
Implementation Framework

Implementation phases linked to evolution of payment system incentives over time

Current State

Initiative I
- Operating Efficiencies Implementation

Initiative II
- Align Primary Care Network Implementation Planning
- Align Primary Care Network Implementation

Initiative III
- Rationalize Service Network Strategy
- Rationalize Service Network Implementation Planning
- Rationalize Service Network Implementation

Initiative IV
- Population Based Payment System Conceptual Plan
- Population Based Payment System Strategy
- Population Based Payment System Implementation Planning
- Population Based Payment System Implementation

What Rural Providers Can Do Now

• Improve/document efficiency and quality
• Partner with local primary care providers
• Improve care coordination
• Prepare for population health management
• Consider participation in an ACO, Community Care Organization, medical home or other value-based models
“Even small health care institutions are complex, barely manageable places. Large health care organizations may be the most complex organizations in human history.”

- Peter Drucker
Blueprint for Value

• Leadership Alignment
• Vision and Strategy
• Partnerships, Care Coordination and Community
• Use of data and information
• Change-ready adaptable workforce
• Highly efficient, business-oriented processes

All leading to excellent performance, and success in a value-based system
Blueprint for Value

• Leadership
• Strategic planning
• Customers, partners and community
• Staff and culture
• Efficient processes and operations
• Information and knowledge
• Documentation of outcomes and value
Blueprint for Value: Critical Success Factors
Leadership

• Educate and engage hospital trustees and boards about the critical role of value-based purchasing and population health

• Form meaningful partnerships with local physicians and health care providers

• Align hospital leaders and managers behind value and population health
Leadership is critical in helping organizations understand the “WHY” of needed change.

Attention is the currency of leadership.

Resilience among rural providers is critical. Leadership is the foundation of resilience.
Strategic Planning

- Create a compelling population health vision and engage multiple stakeholders and staff
- Use a strategic framework to organize value-based strategies
Strategic Planning

Fast and roughly right needs to replace precise and slow.

Your strategy map needs to be clear and easy to understand with a balance between long and short term goals.

There is a disconnect—how do we focus on sustaining the health system we are familiar with, and recognize the need for fundamental change?
Customers, Partners & Communities

• Partner and collaborate with all types of community health providers to coordinate care and address needs
• Engage and educate the community and population health and local services
• Join or form rural health networks or partner with integrated health systems
It is easy to get feedback from our patients, we need input from our community.

We need to engage the community in a way that they truly feel they add value.

Start small – focus on hospital employee health improvement, or address a single primary care problem in your community.

We need to turn stakeholders into partners.
A Collaborative Effort
Staff & Culture

- Develop a change-ready, customer-focused staff culture
- Identify and develop staff skills needed in value-based models
Staff & Culture

We are currently focused on personal accountability as a first step.

Until we have supportive personnel systems that allow us to embrace and support change, it is not going to happen.

Don’t create panic, but you must create a sense of urgency.

Storytelling and mythologies cause people to become more engaged with the organization, and it becomes the glue.
Processes & Operations

• Maximize the efficiency of clinical, financial and operation processes
• Develop effective care coordination teams and processes and ensure safe and timely transitions of care
• Maximize the effectiveness of health information, social media and telehealth technology
Processes & Operations

Unless we refine and execute our internal processes, our survival is in jeopardy.

Pick one process improvement strategy and do it well. Don’t dabble and keep changing.

If it was easy, all organizations would be lean and trim.
Develop mechanisms to store, analyze and act on health record information and community health data
Many CAHs are overwhelmed with reporting requirements, it is hard to address *internal* data gathering that supports your goals and operations.

Measurement takes the politics out of management and drives performance.

If you don’t have data, mythology wins.
Outcomes & Value

• Document and communicate value to third party payers, health systems and the local community
If we don’t highlight our strengths, no one else will.

The only way to remain relevant is to define excellence and then achieve it and document it.

Every patient encounter has to be the best it can be – EVERY one, not 95% of them.
Summary

• The health care market is undergoing transformational change

• Leadership awareness/support is critical in helping rural health providers stay relevant during the market transformation

• The Performance Excellence Blueprint is a tool to help rural leaders manage system wide improvement and navigate change
Summary

• The framework is flexible and can be used in multiple ways – a starting point is just reviewing the key success factors and taking a critical look at your organization.

• Tools to support use of the framework, and individual focus areas are being developed and many are now available at ruralcenter.org.
We are in this Together!
“Even if you’re on the right track, you’ll get run over if you just sit there.”
-Will Rogers
Terry Hill
Executive Director
(218) 727-9390 ext. 232
thill@ruralcenter.org

Get to know us better:
http://www.ruralhealthinnovations.com
The Center: http://www.ruralcenter.org

@RHRC