Critical Access Hospital Pro Forma for Shared Savings

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Rural Health Value
UNDERSTANDING AND FACILITATING RURAL HEALTH TRANSFORMATION.

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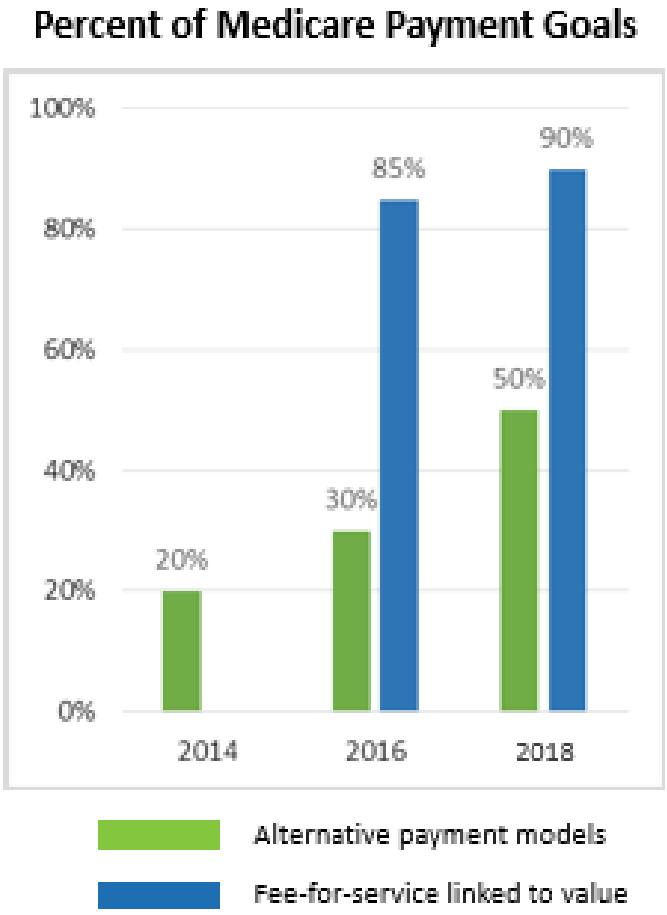
ACO Pro Forma

- A financial analysis to assess the impact of joining an accountable care organization
- An Excel-based tool designed by Premier, Inc. with consultation from Rural Health Value, Wipfli, Seim Johnson, and Stroudwater Associates
- First, some background
  - CMS policy
  - ACO fundamentals
  - ACO expansion
  - ACO rationale

CMS Payment Goals

- Alternative Payment Models
  - Shared savings program (ACOs)
  - Patient-centered medical homes
  - Bundled payments
- Remaining fee-for-service payment linked to quality/value
- Aggressive timeline – favors:
  - large systems,
  - population health mgmt. experience,
  - and deep pockets
- *Accelerates provider affiliations*



Accountable Care Organizations

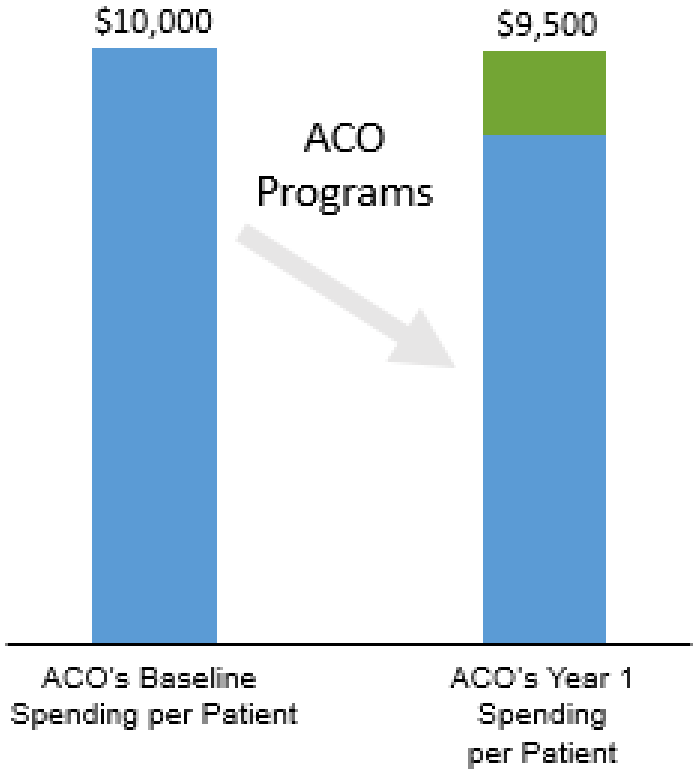
*Groups of providers (generally physicians and/or hospitals) that receive financial rewards to maintain or improve care quality for a group of patients while reducing the cost of care for those patients.**

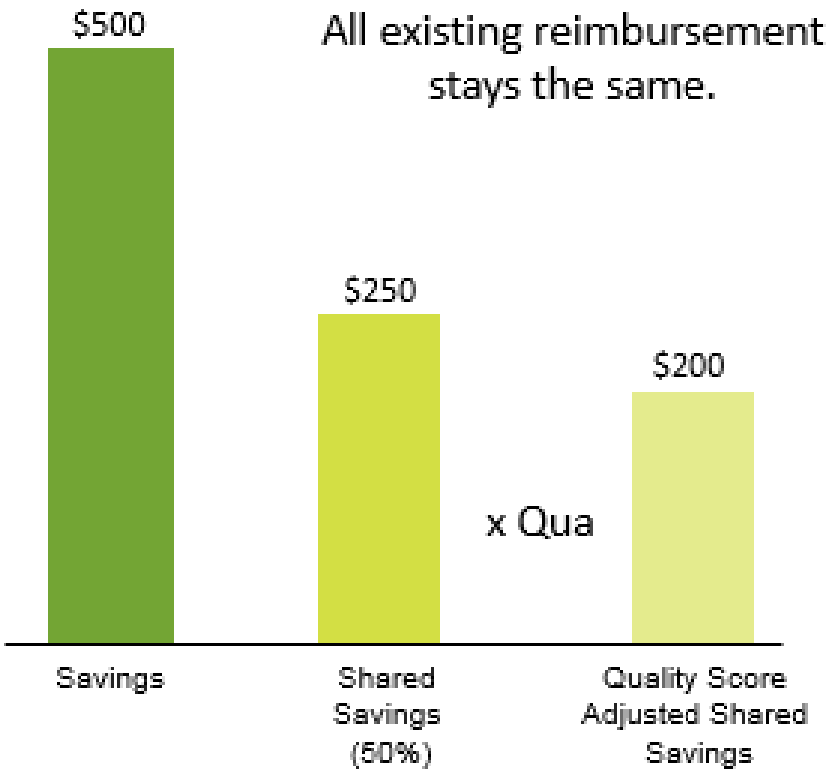
ACOs are one, among several, iterative steps in the shift from fee-for-service (including cost-based reimbursement) to value-based payment.

$$\text{Value} = \frac{\text{Quality + Experience}}{\text{Cost}}$$

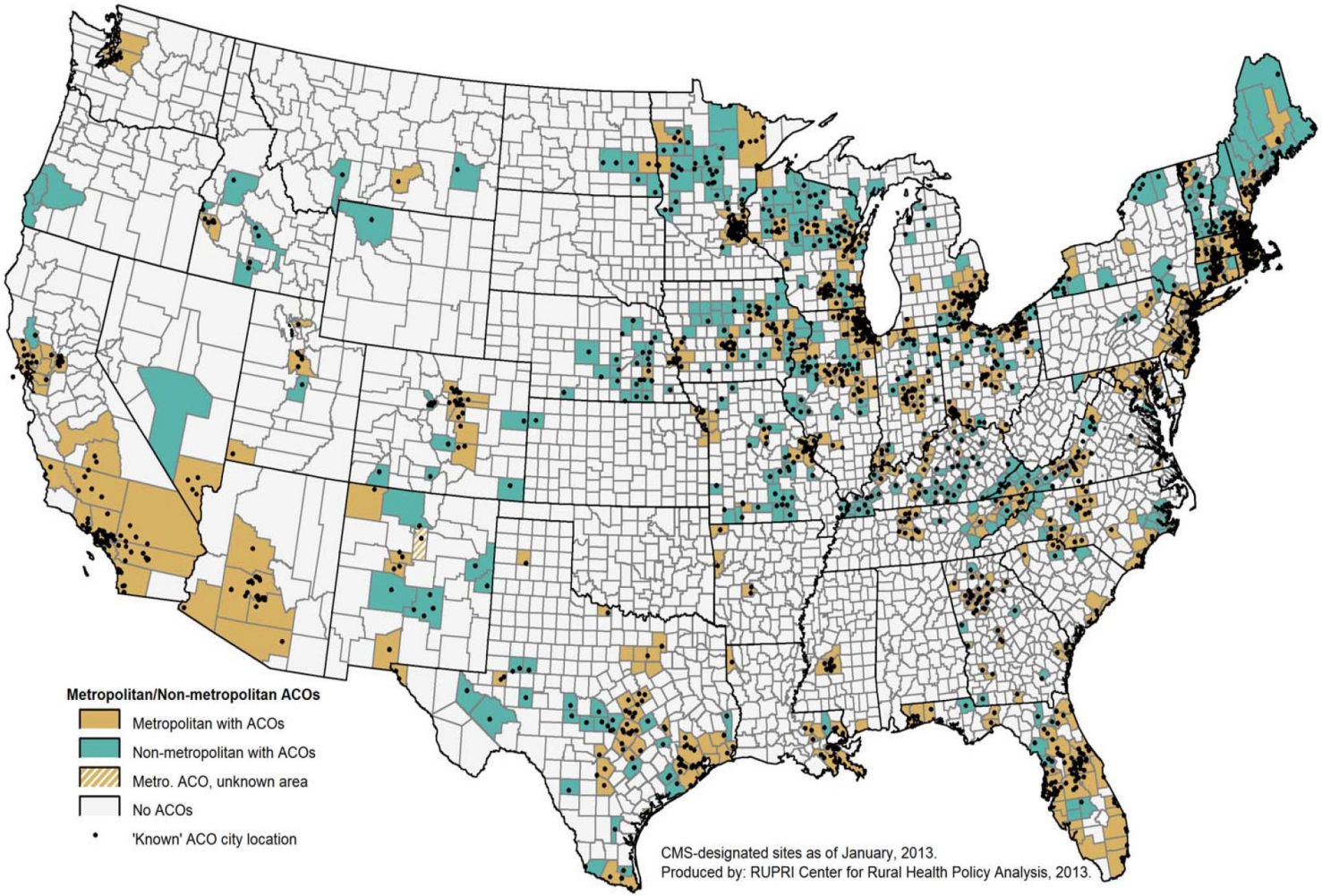
*Source: David I. Auerbach, et al, Accountable Care Organization Formation Is Associated With Integrated Systems But Not High Medical Spending, *Health Affairs*, 32, no. 10 (2013):1781-1788.

ACO Financing





2013 Medicare ACOs by County



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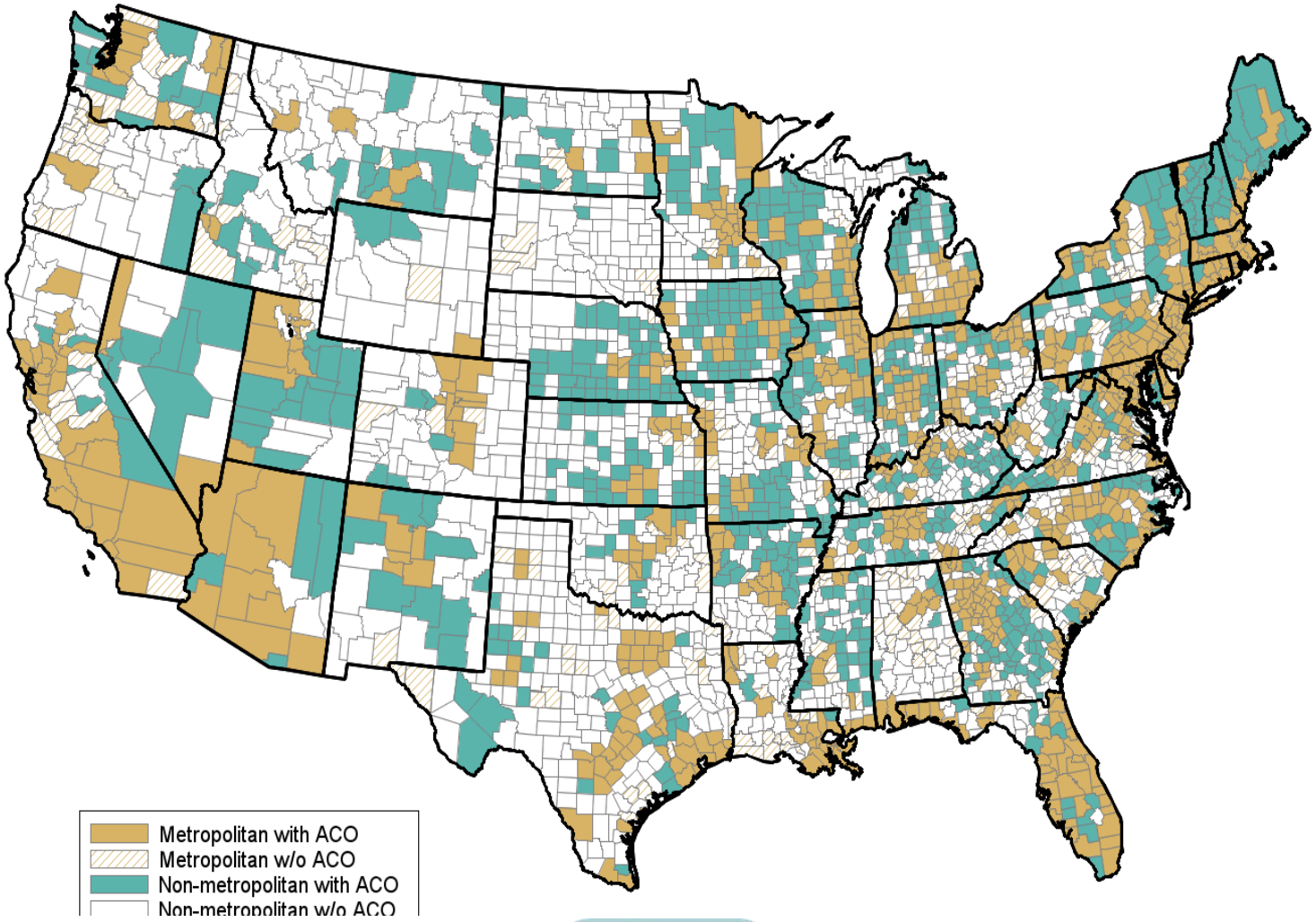
2015 Medicare ACOs by County



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Early Performance of ACOs

- Greater 1st year spending reductions in independent primary care groups
- 31% received shared savings for 2015 performance (27% in 2014)
- Quality scores improved year 1 to 2, but no direct relationship to savings
- Physician-led and smaller ACOs seem to perform better (national)

Sources: S. Lawrence Kocot and Ross White (2016) "Medicare ACOs: Incremental Progress, But Performance Varies." *Health Affairs Blog* September 21.

J Michael McWilliams et al (2016) Early Performance of Accountable Care Organizations in Medicare. *New England Journal of Medicine* April 13.

Rural ACO Performance Summary

- Financial
  - Savings associated with physician-based ACOs and advanced Payment Program
  - No savings associated with ACO size or experience
- Quality
  - Rural ACOs performed better than urban (2014):
    - Care Coordination/Patient Safety
    - Preventive Health
    - At-Risk Population Domain scores
  - Urban ACOs performed better than rural (2014):
    - Patient/Caregiver Experience score
  - All improved quality from 2014 to 2015

Current RUPRI ACO Research

- Rural ACOs' quality performance is lower than urban, but with larger variation.
- Better quality performance correlations:
  - Sponsored by hospital system
  - Participate in the program > 1 year
  - Receive advance payment
  - Larger beneficiary panels
  - Greater percentages of primary care provided by advanced practice providers or in health centers

Summary of Key Success Variables

- Physician engagement and leadership, including prior activity
- Collaboration across key providers, especially physicians and hospitals
- Sophisticated information systems
- Scale for investment or an initial outside source of capital
- Effective feedback loops to care providers

Source: D'Aunno, T., Broffman, L., Sparer, M. and Kumar, S. R. (2016), Factors That Distinguish High-Performing Accountable Care Organizations in the Medicare Shared Savings Program. Health Serv Res. doi:10.1111/1475-6773.12642

Why Join an ACO

- Develop *experience* (while starting small)
  - Population health management
  - Financial risk management
- Access *data*
  - All patient claims, regardless of where care is received
  - Cost per member
- Develop competitive *advantage*
  - Working with providers
  - MACRA alternative payment model payment (at-risk ACOs)
- Understand your organization's *value*
  - How you can influence cost/quality of care
  - How you can optimize your value in the future

Value Model for Population Health

- Value-based care equation
  - Fee-for-service volume/revenue **loss** (or possible increases in certain services such as physician visits)
  - Direct program **costs**
  - Incremental cost **reduction** (or **increase**) from lower (or higher) fee-for-service volumes
  - Shared savings **revenue** potential
- Longer term equation
  - The value of increasing capacity and the ability to manage more patients
  - A critical organizational capacity in global payment system (capitation)
  - The real **WIN**!

ACO Pro Forma

- Design
  - A tension between completion ease and results defensibility
  - Approximately one to two-hour completion time
- Tool
  - Excel-based
  - Publicly-available, free of charge
  - Requires inputs from the CAH cost report
- Goals
  - Forecasts revenue/expenses if a CAH joins a parent ACO versus the status quo of not joining an ACO
  - The pro forma is directional; more analysis is required prior to pursuing an ACO strategy.

Open the ACO Pro Forma Tool

1. Go to the Rural Health Value web page.
2. Under "Newest Resources," Click on the link. Critical Access Hospital Financial Pro Forma for Shared Savings

3. Open the Excel file on your desktop

ACO Pro Forma Tool Excel Tabs

1. Cover page
2. Instructions & Inventory
3. Example – Scenarios
4. Example – Population Health Exp
5. Scenarios
6. Charts & Graphs
7. Required Inputs
8. Hospital Inputs
9. Physician Inputs
10. ACO Population Expense
11. ACO Operating Expenses
12. Regional Rates

A Brief Walk Through the Tool

- Required Inputs sheet
  - Data from your CAH Cost Report
- Hospital and Physician Input sheets
  - Penetration rate – The amount of services provided by CAH per 1,000 population in the service area, a mixing of market share and use rate.
  - For example – If within the CAH service area, 310 Medicare beneficiaries per 1,000 Medicare population are admitted to a hospital and the CAH receives 30% of those admissions, then the penetration rate would be 310 * 0.3 = 93/1,000 population.
- ACO Operating Expenses sheet
  - No input necessary, but a catalog of typical ACO expenses

Next Steps

- Note: This ACO pro forma is only one input in a CAH's value-based care and payment strategic planning.
- The Rural Health Value team is interested in your feedback. Please email:
  - Clint MacKinney at clint-mackinney@uiowa.edu
  - Jane Jerzak at JJerzak@WIPFLI.com
- Check out www.ruralhealthvalue.org for tools and resources to assist rural providers and communities successfully navigate the transformation from volume to value.