Flex Reverse Site Meeting
July 10, 2019

Presented by the Pennsylvania Office of Rural Health
The Pennsylvania (PA) Rural Health Model (the “Model”)

- Partnership between CMMI and the Commonwealth of Pennsylvania to test a new payment model for rural hospitals
- Federally funded through CMMI to provide technical assistance to participant hospitals who join the Model
  - Grant funds for technical assistance to participant hospitals to help ensure success
  - Health insurers remain the source for hospitals’ net patient revenue streams
  - Model will be assessed based on rural hospitals financial performance and population health outcome measures
- Several key differences between Maryland and the PA Rural Health Model:
  - Impetus: retaining access to care and jobs vs. cost containment
  - No global rate setting function in PA - the underlying negotiated rates between payers and providers remain intact after the calculation of the baseline budget.
  - No “all-claims” database in PA – we are identifying alternative means of getting data to calculate global budgets for all payers and to monitor quality outcomes

The goal of PA Rural Health Model is to prevent rural hospitals, which ensure access to high-quality care and economic vitality in local communities, from closing.
Current state

- The Model formally launched in January 2019
- Public announcement made March 5, 2019
- Current Model participants:
  - Five hospitals
  - Five payers
    - Medicare FFS
    - 4 Pennsylvania based commercial insurers
      - Commercial, Medicare and Medicaid
- Planned expansion
  - Grow hospital participation to 30 over the course of the next two years
  - Increase payer participation to grow global budget revenue
A key design component of the Model is the creation of an independent authority to administrate the Model. This entity will be created by the PA legislature.

- The Model Administrator is currently the PA Department of Health

- Planned future Model Administrator is the Rural Health Redesign Center (RHRC):
  - An independent authority established through legislative action with a governing board
  - Legislation introduced in both the House and Senate

- Vision for the RHRC is oversight of PA Rural Health Model, and potential resource to other states interested in implementing global budgets.
The Model provides protection from some of the most challenging issues facing rural healthcare leaders by minimizing several of the risks hospitals experience under FFS.

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<thead>
<tr>
<th>FFS Risk</th>
<th>Model Benefit</th>
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<tr>
<td>Volume fluctuations</td>
<td>Predictable revenue stream</td>
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<td>Provider resignations / recruitment challenges</td>
<td>Protects hospital revenue from the immediate impact of providers departure and provides stability until recruitment efforts are successful</td>
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<td>Competition with tertiary centers for volume</td>
<td>Competition is no longer the driver of revenue</td>
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<td>Investments in population health (right thing for the community, wrong thing for the bottom line)</td>
<td>Eliminates the concern as you are paid to keep people well</td>
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<td>Regulatory barriers that prohibit innovation</td>
<td>Within the Model, opportunities exist to apply for waivers of regulations that may stifle innovation</td>
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The PA Rural Health Model:
SORH Engagement and Support

Jennifer Edwards
Rural Health Systems
Manager and Deputy Director
Pennsylvania Office of Rural Health
Background on the Model in Pennsylvania

- The former Pennsylvania Secretary of Health (PA DOH) included focus on rural in the department’s strategic plan for the first time ever.
- She noted that the “...Big guys can take care of themselves and weather changes in reimbursement. It’s the rural hospitals that need support.”
- She served as the director at CMMI prior to returning to Pennsylvania to assume the role of Secretary of Health and had been the lead federal staff person on the global budget expansion in Maryland.
- Authored the proposal to CMMI to establish the PA Rural Health Model.
Pennsylvania Office of Rural Health

- Early involvement of Model development and advancement
  - Served as an advisor on rural health to the PA DOH and to the Secretary and Deputy Secretaries of Health
  - Provided forums at quarterly CAH Consortium meetings and at conferences for presentations on global budgeting and the development of the PA Rural Health Model
  - Linked PA DOH leadership to CAH and other rural hospital leadership
  - Connected PA DOH leadership to leadership at NRHA and FORHP
  - Co-chaired or served on committees associated with the State Innovation Model (SIM) which served as a framework for the application to CMMI
• Current involvement:
  • Assistance with recruitment, given existing relationships with rural hospitals
  • Aligning Flex and SHIP activities with hospital transformation goals
  • Serving on a Department of Human Services (Medicaid agency) task force on Social Determinants of Health with the director of transformation at the Pennsylvania Office of Rural Health Redesign to provide the rural perspective
  • Participation in Rural Health Model formal announcements and in Summits with current and future participating hospitals
Key observations and insights

- The Model was developed over several years with many thought partners.
- The Office of Rural Health Redesign’s focus on transparency with the hospitals and collaboration with partners has been paramount to the successful implementation of the Model.
- This was a substantial and difficult decision for the first-year hospitals.
- First-year hospital serve as valuable resource for hospitals considering participation.
- Participation decisions may be impacted by health care mergers across the state.
A Positive Reflection:

“For the first time in all my years as a rural hospital CFO and CEO, this is the first time that I’ve not had to worry about cash flow in January-March.”

First-year participating hospital (CAH) CEO