NATIONAL RURAL HEALTH RESOURCE CENTER

Options for Rural Healthcare

Clint MacKinney, MD, MS
Rural Health Value

May 6, 2021

This project is supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) as part of a financial assistance award totaling $10,000,000 with 100% funded by HRSA/HHS and $0 amount and 0% funded by non-government sources. The contents are those of the authors(s) and do not necessarily represent the official views of, nor an endorsement by HRSA/HHS, or the U.S. Government.

Delta Region Community Health Systems Development (DRCHSD) Program

Delta Regional Authority

U.S. Department of Health & Human Services

HRSA

Federal Office of Rural Health Policy

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Delta Region Community Health System Development (DRCHSD) Program – Upcoming VBC Webinars

May 13

Financial Risk in Value-Based Care Models, Eric Rogers, BKD

May 20

Optimizing Ambulatory Healthcare for the 21st Century, Dr. Jon Burroughs, Burroughs Healthcare Consulting Network

May 27

Successful Models to Engage Providers in Value-Based Care, Eric Shell, Stroudwater Associates

June 3

Best Practices to Work With Community Partners on Population Health Initiatives, Toniann Richard, Health Care Collaborative of Rural Missouri

https://www.ruralcenter.org/drchsd/events

Pre-Polling Questions

I am ___ in my understanding of current and emerging value-based payment arrangements such as global budgets.

I am ___ in my understanding of financial risk associated with value-based payment arrangements.

Should My Healthcare Organization Accept a Value-Based Payment Opportunity?

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May 2021

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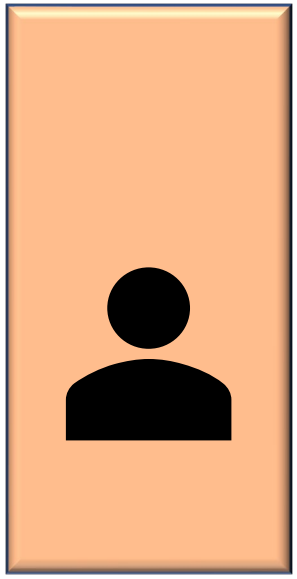
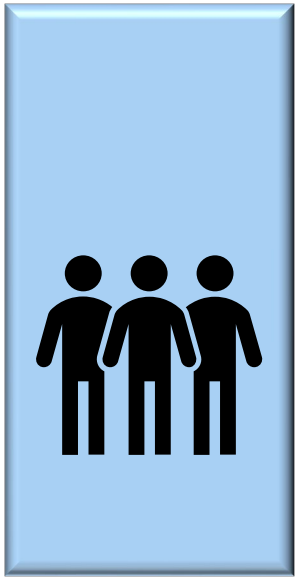
Considerations for Today

- "If I'm offered a value-based payment contract, should I sign it?"
- Corollary – "If a value-based payment system is forced upon me, what should I have done to prepare for it?"

Triple Aim



Better patient care



Improved community health

Smarter spending

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Triple Aim Leads to *Value*

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

But we have a problem…

The Value Conundrum

You can always count on Americans to do the right thing – after they've tried everything else.

- Fee-for-service
- Capitation
- Market
- Single payer

- **What about paying for healthcare value?**

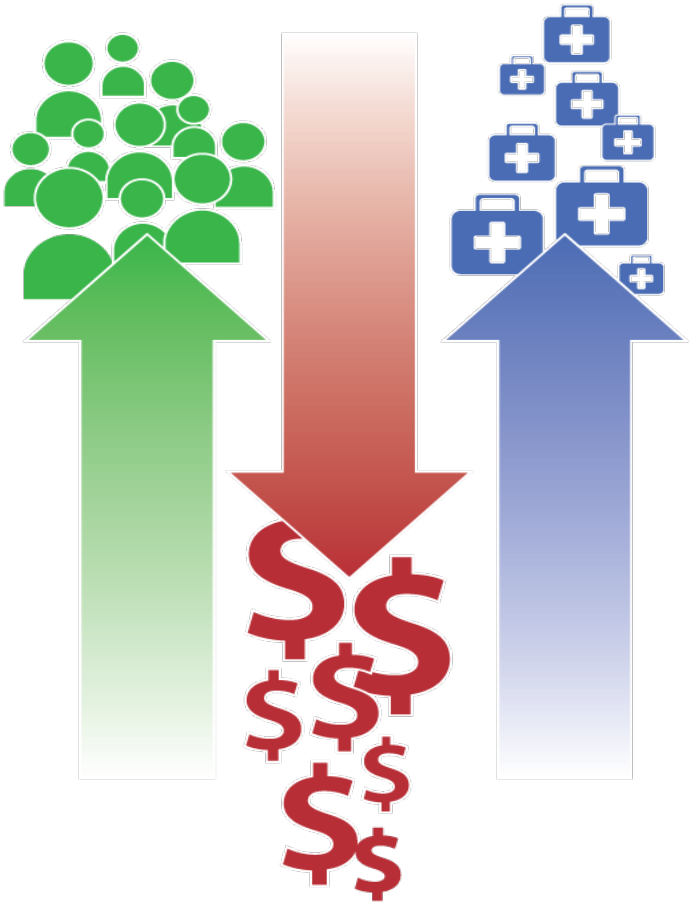
(If Churchill didn't say it, he should have!)

The Nuances of *Value*

- More than the Triple Aim
- More than a quick equation
- A nuanced concept
  - What is value?
  - Whose perspective?
  - How to prioritize?
- Perfect is the enemy of good.
- The *volume-to-value* transition should continue.

Value-Based *Payment*

- **Payment** for one or more parts of the Triple Aim
- Not payment for a *service;* that is, not fee-for-service
- Historic emphasis on cost reduction (with hopes that better care and improved health tag along)
- Emphasis unlikely to change with new administration



Form Follows Finance

- How we deliver care depends on how we are paid for care.
- Payment reform involves **transfer of financial risk** from payers to providers.
- Decisions require cost/benefit analysis, or **RISK assessment.**
- Consider a financial risk continuum.

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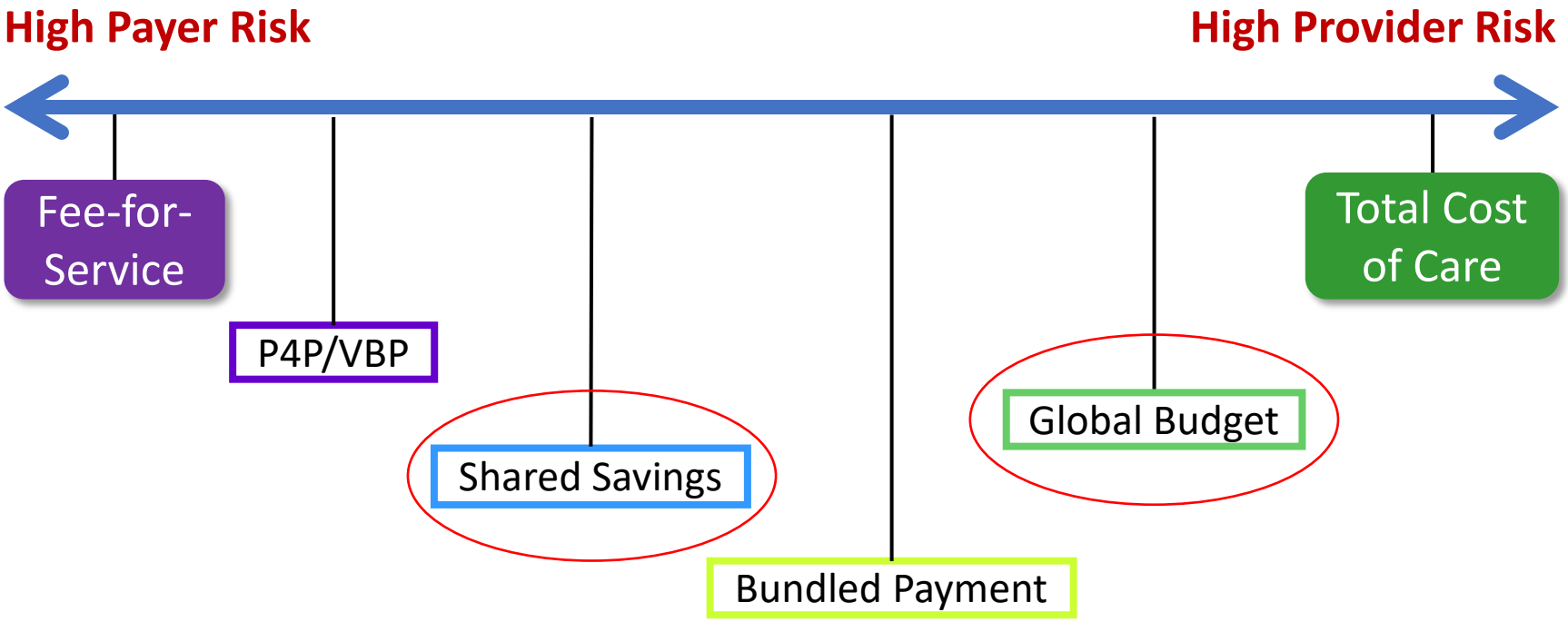
Financial Risk Continuum



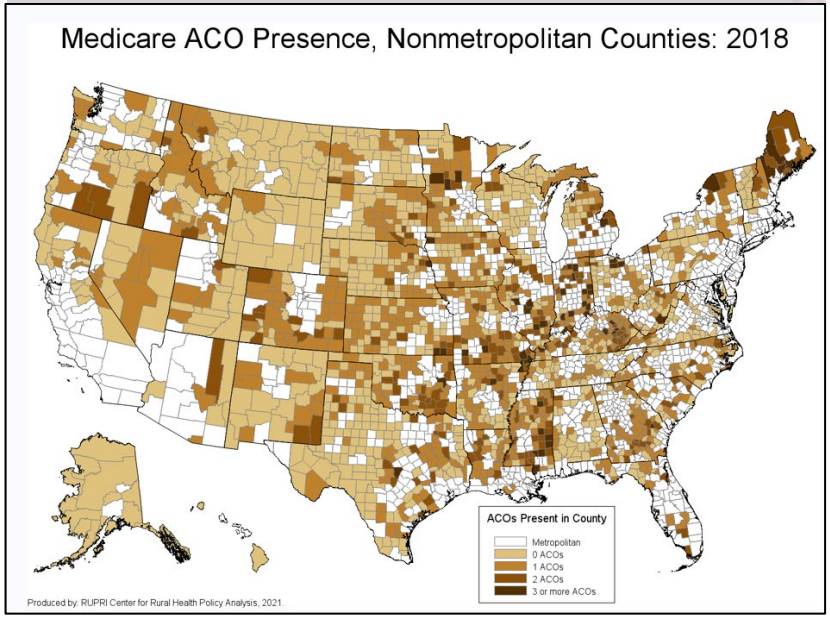
Accountable Care Organizations

- Groups of providers (generally physicians and/or hospitals) that receive financial rewards to maintain or improve quality of care for a group of patients while reducing the cost of care for those patients.
- CMS's largest value-based payment program
- Accountable Care Organizations
  - > 1,000 public and private ACOs
  - ~ 33 million patient enrollees
  - 477 Medicare ACOs (January 2021)
  - Nearly 30% of Medicare FFS beneficiaries are served by an ACO.

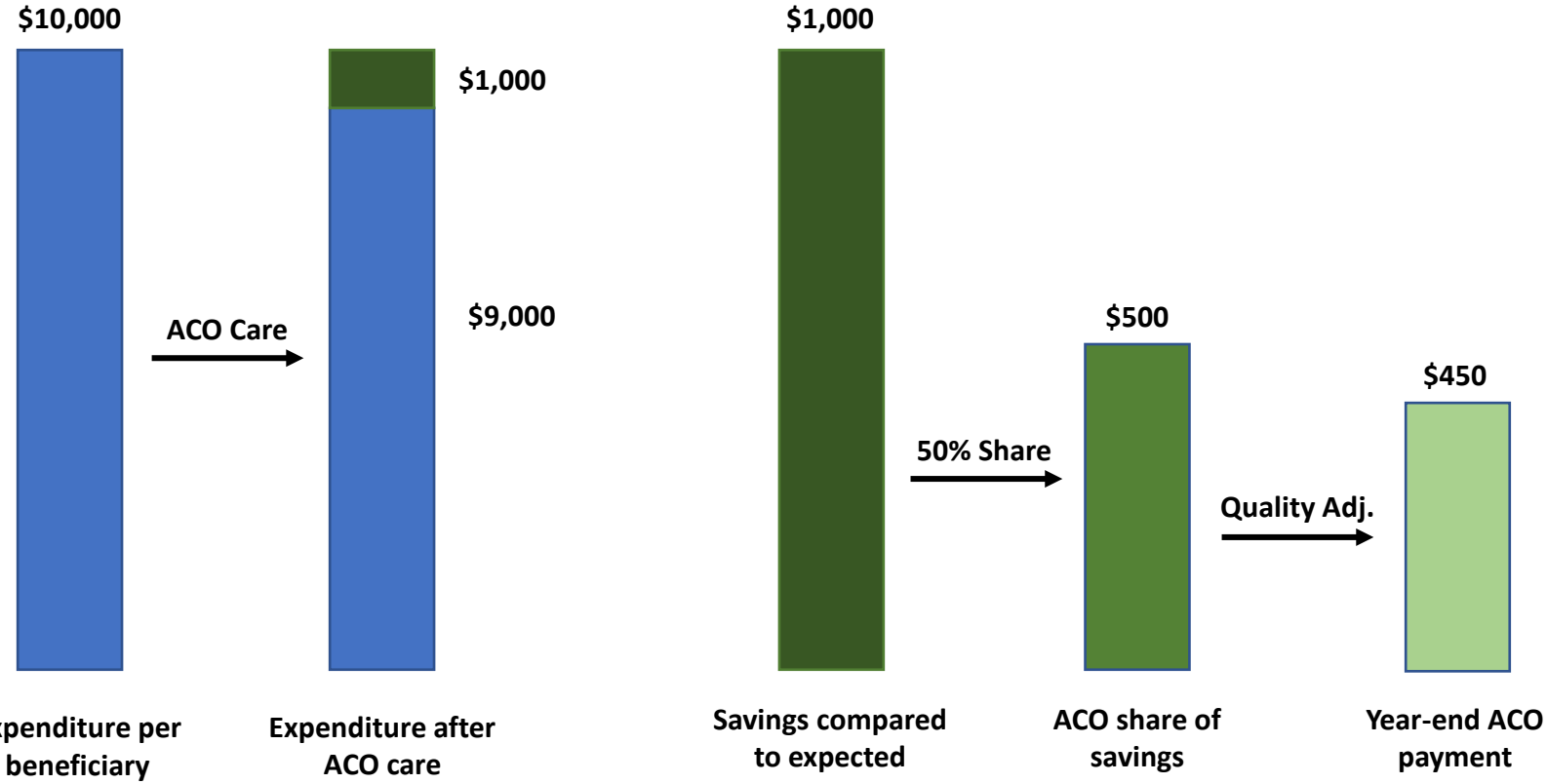
https://www.healthaffairs.org/do/10.1377/hblog20200110.9101/full/

Shared Savings Plans (ACOs)

- Cost-savings and quality performance required
- CMS **shares savings** (if any) with the ACO.
- Quality measures assess outpatient care (not hospital care!).
- Patients are attributed to ACO through primary care visits.



Shared Savings Methodology



ACO Benefits

- A toe in the value-based payment water
- A learning opportunity
- *Relatively* low financial risk
- Do it for the data!
- Still a fee-for-service platform
  - Volume-driven
  - Shifts care to less expensive providers

ACO Risks

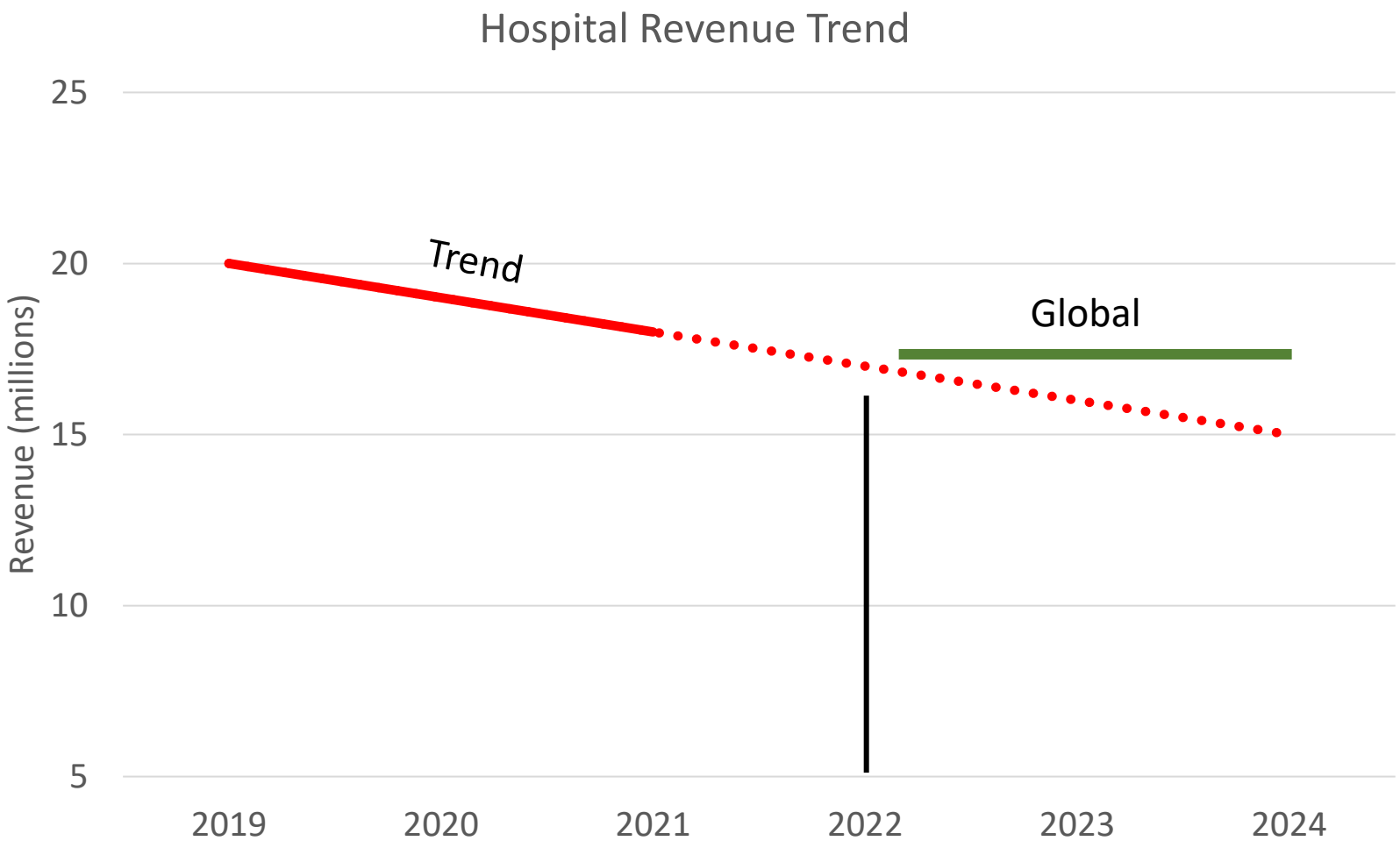
- Some upfront investment – consider this an R+D cost.
- Down-side shared risk is increasingly prevalent.
- Value-based care requires:
  - Financial risk management
  - Population health management
  - Data analytic capacity

- Primary care engagement is critical for success.
  - Outpatient quality measures
  - Patient attribution via primary care visits
  - Physicians determine site of care (AKA cost of care!).

Hospital Global Budget

- A fixed amount is paid to hospital per time period.
- Amount does not vary by the number of services provided.
- Allows health maintenance focus instead of illness treatment focus.
- Current CMMI models
  - Maryland TCOC Model
  - Pennsylvania Rural Health Model
  - Community Health Access and Rural Transformation (CHART) Model – pending

Revenue Trend vs. Global Budget



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Global Budget Benefits

- Financial “breathing room”
- Appropriate if:
  - Downward revenue trend
  - Declining population
  - Financially distressed hospital
- Likely *not* appropriate for organizations with upward revenue trend
- Requires candid pro forma regarding price trends and volume predictions

Global Budget Risks

- Risk of *increased* volume/costs
- Global budget locks in historic revenue, but risks remain:
  - Reducing costs remains difficult
  - Future budget adjustments unknown
- Still requires coded claims for risk-adjustment, co-pays, and quality assessment
- Note: Many hospitals are *already at financial risk*.
- **The status quo is <u>not</u> risk-free.**

Back to Today's Considerations

- "If I'm offered a value-based payment contract, should I sign it?"
- Corollary – "If a value-based payment system is forced upon me, what should I have done to prepare for it?"

Your Value-Based Payment To-Do List

- *Start here*: Assess your capacity to deliver value-based care.
- Resource: Value-Based Care Assessment Tool

Five Tasks

1. Assess financial risk.
2. Engage physicians.
3. Expand community care coordination.
4. Embrace interdependence.
5. Understand culture change.

1. Assess Financial Risk

- The concept of *risk* – upside and downside
- Loss aversion concept – an irrational human bias
- Fixed/variable cost ratio impact on value-based payment profit
- Pro formas and sensitivity analyses
- Informed and honest assessment

- Resource: Critical Access Hospital Financial Pro Forma for Cost Reimbursement

2. Engage Physicians

Proactive physician involvement and meaningful physician influence that lead the organization toward a shared vision and a successful future.

- Physician employment does not necessarily ensure physician engagement!
- A *cultural* phenomenon
- **Trust**

- Resource: Physician Engagement – A Primer for Healthcare Leaders

3. Expand Community Care Coordination

- More than discharge planning or utilization review
- Right care, right time, right place – and no duplication
- Community-based organizations
- Person-centered medical home
- Data analytics

- Resource: [Community-Based Care Coordination: A Comprehensive Development Toolkit]

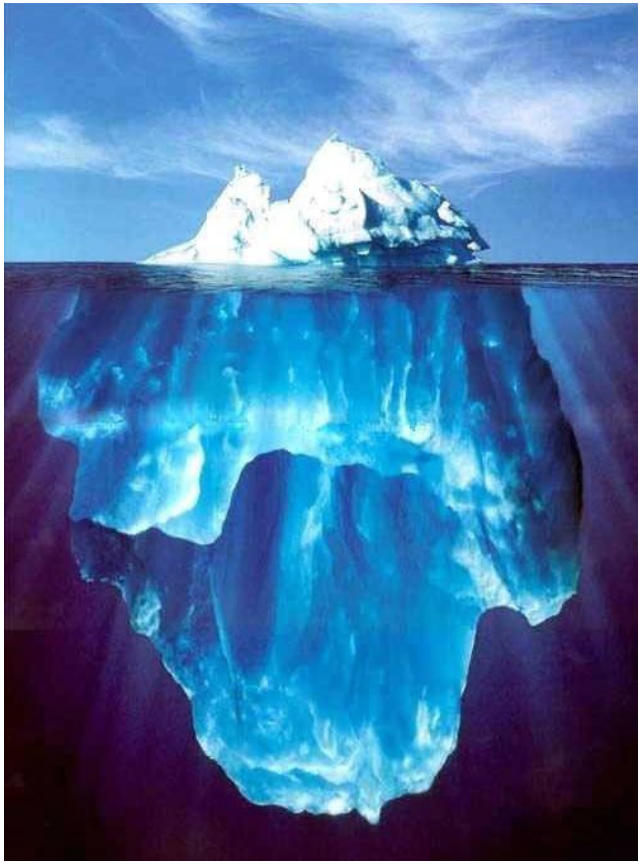
4. Embrace Interdependence

- Small size and fewer resources is a barrier to participation
- Economies of scale
- Analytic and managerial infrastructure
- Global budgets change competition focus
- However, M&A is not the only way to interdependence

- Resource: Enlightened Interdependence

5. Understand Culture Change

- A new healthcare culture
  - From volume to value
  - From sickness to health
- **What we *do* becomes what we *believe.***
  - Personal behavior
  - Governance behavior
  - Organizational behavior
- The *volume-to-value* transition
  - Exciting managerial challenge
  - Aligns incentives
  - Best for what matters



Healthy Communities

Rural Health Value
UNDERSTANDING AND FACILITATING RURAL HEALTH TRANSFORMATION.

Clint MacKinney, MD, MS

The University of Iowa

Collaborations to Spread Innovation

- ✓ Rural Health Value Project
  https://ruralhealthvalue.org
- ✓ Rural Policy Research Institute
  https://www.rupri.org
- ✓ The National Rural Health Resource Center
  https://www.ruralcenter.org/
- ✓ The Rural Health Information Hub
  https://www.ruralhealthinfo.org/
- ✓ The National Rural Health Association
  https://www.ruralhealthweb.org/
- ✓ The American Hospital Association
  https://www.aha.org/front

Post-Polling Questions

I am ____ in my understanding of current and emerging value-based payment arrangements such as global budgets.

I am ____ in my understanding of financial risk associated with value-based payment arrangements.

I am ____ that I will apply the knowledge gained from this educational training to assume risk and participate (or continue to participate) in value-based payment models to prepare for population health.

NATIONAL RURAL HEALTH RESOURCE CENTER

DRCHSD Value Based Care Series

Sessions:

- May 13, 2021- Financial Risk in VBC Models
- May 20, 2021- Optimizing Ambulatory Care
- May 27, 2021- Provider Buy-in
- June 3, 2021- Population Health Initiatives

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