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# Financial Risk in Value-Based Care (VBC) Models

Eric Rogers, Director  
BKD

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# 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 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 mechanisms to deal with financial risk attributed to value-based care models.

I am \_\_\_\_ in my understanding of key information needed to calculate financial risk attributed to value-based care models.



# Introduction



Eric Rogers, Director



# Today's Agenda

- Value-Based Care Overview
- Financial Considerations
  - Case Study 1
  - Case Study 2
- Physician Implications
- Strategy Discussion + Q&A



# Value-Based Care Overview

Is VBC here to stay?

## Types of VBC

- ACO
- CIN
- DCE
- Bundles
- Managed Care

## Payer Considerations

- Profit pools
- Medicare, Commercial and MA
- Premiums and medical expenses



# Financial Considerations

- Projecting Performance
  - Historic trends in ACO/Bundles
  - Sensitivity analyses
  - Benchmarks
  - Pathways to Success shared savings and losses once MSR/MLR met
  - ACO Financial Reconciliation
- Expenses
  - Care management staffing
  - IT
  - Provider performance incentives
  - Participant fees
- Impact of Decreased FFS Volume
  - Inpatient stays
  - ED Utilization
  - Swing Bed days
  - Imaging





# Case Study 1

<b>Total Savings/Losses Calculation</b>	
[A] Assigned Beneficiaries	32,922
[B] Person Years	32,158
[C] Per Capita Expenditures by Enrollment Type (\$)	
ESRD	76,388
Disabled	10,149
Aged/dual	16,941
Aged/non-dual	10,414
[D] Assigned Beneficiary Proportions	
ESRD	0.011
Disabled	0.168
Aged/dual	0.071
Aged/non-dual	0.751
[E] Per Capita Expenditures (\$)	11,540
[F] Per Capita Expenditures Benchmark (\$)	11,589
[G] Total Expenditures (\$)	371,115,388
[H] Total Benchmark Expenditures (\$)	372,686,627
[I] Total Benchmark Expenditures Minus Total Expenditures (\$)	1,571,239
[J] Total Savings (\$)	1,571,239
[K] Total Losses (\$)	0
[L] Minimum Savings Rate (%)	1.0%
[M] Minimum Loss Rate (%)	-1.0%
[N] Minimum Savings Rate (\$)	3,726,866
[O] Minimum Loss Rate (\$)	-3,726,866
[P] Savings or Losses Realized	N/A
<b>Sharing and Losses Rate Calculations</b>	
[Q] Maximum Sharing Rate (%)	50%
[R] Quality Score (%)	94.25%
[S] Eligible to Share in Savings (Y/N)	Yes
[T] Final Sharing Rate (%)	47.1%
[U] Final Loss Rate (%)	30.0%
<b>Shared Savings Calculation</b>	
[V] Shared Savings (\$)	0
[W] Shared Savings Cap (\$)	37,268,663
[X] Sequestration Adjustment (\$)	0
[Y] Earned Performance Payment (\$)	0.00
<b>Shared Losses Calculation</b>	
[EE] Shared Losses (\$)	0
[FF] Total Medicare Parts A and B FFS Revenue for ACO Participants (\$)	549,181,930
[GG] Shared Losses Cap (\$)	-14,907,465
[HH] Shared Losses After Applying Cap (\$)	0
[II] Share of Beneficiaries in Counties Affected by an Extreme and Uncontrollable Circumstance (%)	0.1%
[JJ] Share of Year Affected by an Extreme and Uncontrollable Circumstance (%)	30.0%
[KK] Extreme and Uncontrollable Circumstance Adjustment (\$)	0
[LL] Payment Due to CMS (\$)	0.00



# MSSP Expenditure and Utilization Report Q3 2020

	ACO-Specific[1]	All MSSP ACOs[2]	National Assignable FFS 12-Month[3]	National Assignable FFS Year to Date[4]
<b>Number of ACOs</b>	1	172	-	-
<b>Total Assigned Beneficiaries</b>	38,613	13,709	27,519,933	23,922,200
<b>Total Expenditures by Assigned Beneficiary Medicare Enrollment Type[6]</b>				
Total	10,740	10,452	11,849	11,492
End Stage Renal Disease	72,375	83,421	86,227	87,539
Disabled	9,625	10,028	11,571	10,715
Aged/Dual	17,288	16,457	18,808	18,356
Aged/Non-Dual	9,521	9,419	10,087	9,878
<b>Assigned Beneficiaries with Non-Claims Based Payments[8]</b>				
Person Years	15,701	9	2,296,683	1,574,195
Total Non-Claims Based Payments per Assigned Beneficiary	346	256	301	332
<b>Component Expenditures per Assigned Beneficiary[9]</b>				
Hospital Inpatient Facility, Total	3,272	3,157	3,623	3,526
Short-Term Stay Hospital	2,531	2,733	3,186	3,071
Long-Term Stay Hospital	163	68	100	108
Rehabilitation Hospital or Unit	490	209	277	258
Psychiatric Hospital or Unit	82	51	95	86
Skilled Nursing Facility or Unit	595	678	949	899
Outpatient Facility	2,555	2,225	2,703	2,459
Hospital Outpatient Department (including CAH)	2,096	1,801	2,133	1,934
Outpatient Dialysis Facility	292	201	330	310
Part B Physician/Supplier (Carrier)	2,884	3,147	3,581	3,282
Evaluation and Management	819	993	1,188	1,070
Procedures	721	821	935	842
Imaging	203	210	273	243
Laboratory and Other Tests	283	272	325	292
Part B Drugs	663	589	609	615
Ambulance	136	113	150	143
Home Health Agency	489	471	595	585
Durable Medical Equipment	371	275	308	299
Hospice	384	314	315	413
Substance Abuse Treatment Services	176	172	290	251
<b>Transition of Care/Care Coordination Utilization[10]</b>				
30-Day Post-Discharge Provider Visits Per 1,000 Discharges	702	768	768	754
Chronic Obstructive Pulmonary Disease or Asthma	4.25	4.26	5.65	4.85
Congestive Heart Failure	13.88	13.10	14.74	13.70
<b>Additional Utilization Rates (Per 1,000 Person Years)[11]</b>				
Hospital Discharges, Total	281	247	285	263
Emergency Department Visits	617	522	634	577
Emergency Department Visits that Lead to Hospitalizations	180	178	201	189
Computed Tomography (CT) Events[12]	636	592	653	601
Magnetic Resonance Imaging (MRI) Events[12]	237	187	222	197
Primary Care Services	7,845	8,798	9,975	9,299
With a Primary Care Physician	2,381	3,148	3,490	3,177
With a Specialist Physician	3,116	3,863	4,127	3,873
With a Nurse Practitioner/Physician Assistant/Clinical Nurse Specialist	1,464	1,437	1,769	1,724
With a FQHC/RHC	883	61	589	524

# Case Study 1

2020 RECONCILIATION with CCLF files YTD OCTOBER 2020	2020 Base Benchmark	Calculated as of OCTOBER 2020 CCLF data Run 12/17/2020	2ND QTR ACO Report as of SEPTEMBER 30, 2020 ACTUAL
HCC Impact		1.0%	0.0%
Run Out rate		1.0%	
Lives	38,857	38,857	38,857
Adjusted Lives	38,857	38,857	38,857
Benchmark	11,589	11,705	11,589
Benchmark \$\$	450,313,773	454,816,911	450,313,773
Annualized spend		406,927,703	414,702,461
Non-claims data		7,253,150	n/a
Substance abuse treatment		6,784,596	n/a
Truncation		(5,119,531)	n/a
No data Sharing		642,060	
Run Out		4,069,277	
Total spend		420,557,255	414,702,461
Savings/(Loss)		34,259,656	35,611,312
MSR/LSR 1%		4,548,169	4,503,138
10.0% (Savings) or 4.0% (Loss)		45,481,691	45,031,377
Saving / Loss rate		50%	50%
Quality Score		100%	100%
Shared savings/Loss Calc		17,129,828	17,805,656
Final Shared saving /loss		17,129,828	17,805,656
Sequestration Adjustment 2.0%		342,597	356,113
Net earned / repayment		16,787,231	17,449,543



# Case Study 2

	Performance Year
<b>Total Savings/Losses Calculation</b>	
[A] Assigned Beneficiaries	15,370
[B] Person Years	14,782
[C] Per Capita Expenditures by Enrollment Type (\$)	
ESRD	78,741
Disabled	9,239
Aged/dual	10,993
Aged/non-dual	8,644
[D] Assigned Beneficiary Proportions	
ESRD	0.027
Disabled	0.408
Aged/dual	0.260
Aged/non-dual	0.305
[E] Per Capita Expenditures (\$)	11,370
[F] Per Capita Expenditures Benchmark (\$)	11,733
[G] Total Expenditures (\$)	168,075,618
[H] Total Benchmark Expenditures (\$)	173,438,947
[I] Total Benchmark Expenditures Minus Total Expenditures (\$)	5,363,330
[J] Total Savings (\$)	5,363,330
[K] Total Losses (\$)	0
[L] Minimum Savings Rate (%)	2.7%
[M] Minimum Loss Rate (%)	—
[N] Minimum Savings Rate (\$)	4,657,177
[O] Minimum Loss Rate (\$)	—
[P] Savings or Losses Realized	Savings
<b>Sharing and Losses Rate Calculations</b>	
[Q] Maximum Sharing Rate (%)	50%
[R] Quality Score (%)	92.17%
[S] Eligible to Share in Savings (Y/N)	Yes
[T] Final Sharing Rate (%)	46.1%
[U] Final Loss Rate (%)	—
<b>Shared Savings Calculation</b>	
[V] Shared Savings (\$)	2,471,641
[W] Shared Savings Cap (\$)	17,343,895
[Y] Earned Performance Payment (\$)	2,471,640.67
[DD] Net Earned Performance Payment (\$)	2,471,640.67



# Physician Implications

- Stark Law changes
- Increased flexibility in compensating physicians
- Physician-led performance improvement
- Coding and documentation
  - HCCs
  - RAF
- Pairing patient panels properly
- How much of the total cost of care should be allocated to primary care?



# Strategy Discussion + Q&A

- “Checking the box” vs commitment to transformation
- Going it alone vs picking a partner
- Am I too small?
- Quality implications



# Post-Polling Questions

I am \_\_\_\_ in my understanding of mechanisms to deal with financial risk attributed to value-based care models.

I am \_\_\_\_ in my understanding of key information needed to calculate financial risk attributed to value-based care models.

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.



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## Questions? Comments?

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