Rural Health Strategies for a Value-Based Future

ASHNHA Conference
Anchorage, Alaska
April 22, 2014

Agenda

- Rural Health Context
- Transfer of Financial Risk
- Redefine and Redesign
- Toolbox for Value
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- **Rural Health Context**
  - Transfer of Financial Risk
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**Converging Forces**

- Price reduction threats and volume reduction pressures
- Expanding insurance coverage and changing products
- Continually evolving quality measures and expectations
- Alternative models of care (e.g., telehealth, new providers)
- Local health care collaborations and regional affiliations
Affordable Care Act (and More)

- New ACA emphases
  - Insurance coverage
  - Primary care
  - Financing innovation (incremental)
- Major ACA themes
  - Demand for health care value
  - Transfer of financial risk
  - Collaboration and competition
- Not just the ACA!
  - Macro economic forces will continue to drive health care reform

Quality Linked to Payment

Sustainable Growth Rate Fix (proposed)

- Minimal fee-for-service payment increase next 10 years (0.5%, then 0%)
  - Actually payment decrease (inflation)
- Merit-Based Incentive Payment System (-9% to +27%)
  - Likely to include quality, satisfaction, and efficiency measures
  - Eventually replaces PQRS, Meaningful Use, and Value-Based Modifier
- Alternative Payment Models (5%)
Value Equation

Value = **Quality** + Experience + Cost

*But does our current volume-based payment system impede delivering health care of value?*

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Tyranny of Fee-for-Service

- “Successful” physicians and hospitals seek to maximize:
  - Office visits per day
  - Average daily inpatient census
  - Admission percent from the ER
  - Profitability
- Is this how to identify and reward a great physician or a world-class hospital?
- **No, but what to do?**
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 health care value?

Form Follows Finance

- How we deliver care is predicated on how we are paid for care
- Health care reform is changing both
- Fundamentally, reform involves a transfer of financial risk from payers to providers
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Risk Assessment is Ubiquitous

- Risk is present when an outcome is uncertain or unpredictable
- Types of health care risk
  - Random
  - Insurance
  - Political
  - Medical Care
- Where/how can hospitals/clinics:
  - Influence or control risk
  - Reduce risk of harm
  - Optimize risk of benefit
The Risk of Inertia

Because we’ve ALWAYS done it that way!

Source: Institute for HealthCare Improvement and Sharon Vitousek, MD

Random

- Normal variation
- Rolling the dice
- Roulette v. poker
- No significant control, but important to recognize
Insurance Risk

- Insurance risks
  - Demographic change
  - Technological innovations
  - Prior health status
  - Cost inflation
- Cost is the actuarial metric
- Minimal control, but predictable

Rules, regulations, and legislation
- Profound impact on health care delivery and finance
- Modest control, often via advocacy avenues
Medical Care Risk

- Medical care variation
  - Diagnostic accuracy
  - Care plan implementation
  - Guideline use compliance
  - Pharmaceutical choice
  - Procedural skill
  - Efficient resource use
- Our clinical choices influence health care value
- Greatest control, how we deliver care

Rural Risk?

- BRANXTON LIONS CLUB
- DRIVE CAREFULLY 60
- We have TWO CEMETERIES NO HOSPITAL
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The Volume to Value Gap

Volume-based
- Pay-for-service (volumes)
- Cost-based reimbursement
- Hospital/physician independence
- Inpatient focus
- Stand alone care systems
- Illness care

Value-based
- Pay-for-results (quality/efficiency)
- Shared risk
- Partnerships and collaborations
- Continuum of care consideration
- Community health improvement (HIT)
- Wellness care
Volume to Value Transition

- Bath water
  - Fee-for-service and CBR
  - Necessary providers (OIG)
  - Few quality demands
  - Inefficiency tolerated
- Turning up the heat
  - Decreased per unit price
  - Pressure to reduce volumes
  - Quality demands
  - Competitive market
- How to avoid getting cooked?

Redefine Our Future

- Understand the current rural health care milieu
- Acknowledge the paradox of quality, experience, and cost
- Envision and articulate a value-based future
- Lead with focus and clarity, but be willing to listen and learn
- Plan for transition challenges
Redesign our Operations

- Organization chart
- Capital budgets
- Job descriptions
- Compensation
- Clinical care sites/modes
- Care coordination
- Provide or partner

Transition Requires New Foci

- Inpatient Beds → Clinics (and more)
  - Expanded/robust primary care
  - Workplace nursing and SNF/ALF clinics
  - Mobile clinics and telehealth
- Illness → Wellness
  - Health Risk Assessments
  - Community Health Assessments
  - Health coaching and care coordination
- Charges → Costs
  - Revenue becomes covered lives
  - Charge master becomes cost master
  - Re-purpose inpatient space
### Holy Family Hosp. Transformation

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Physicians &amp; NP/PA</th>
<th>Senior Leaders</th>
<th>Mission Focus</th>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012: 35-bed hospital</td>
<td>2012: 90 employed providers</td>
<td>2012: 5 senior leaders</td>
<td>2012: Focus on wellness &amp; prevention</td>
<td>2012: Nationally recognized for safety, innovation and thought leadership</td>
</tr>
</tbody>
</table>

Source: Graphic provided by Mark Herzog, CEO. Holy Family Memorial Hospital, Manitowoc, Wisconsin. 2013.

### Health Care Transformation

- How do we move toward delivering value when our revenue is primarily volume-driven?
- How do we not get “soaked” during the transition?
- We can “test the waters” with a new set of tools.
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### Provider Toolbox

1. Fee-for-Service Attention
2. Operations Efficiency
3. Physician Engagement
   - Patient-Centered Medical Homes
   - New Skill Development
   - Measure, Report, and Act
   - Performance Improvement
   - Payment for Quality
   - Care Coordination
   - Referral Patterns
   - Regionalization
   - Community Engagement
1. Get Your FFS House in Order

Attention to
- Market share
- Expense management
- Revenue cycle
- PQRS/meaningful Use
- Payer/Purchasing contracts
- Appropriate volumes

2. Improve Operations Efficiency

<table>
<thead>
<tr>
<th>Lean</th>
<th>Six Sigma</th>
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<tbody>
<tr>
<td>Removes waste</td>
<td>Reduces variation</td>
</tr>
<tr>
<td>Increases speed</td>
<td>Improves Quality</td>
</tr>
<tr>
<td>Removes non-value added process steps</td>
<td>Reduces variation at each remaining step</td>
</tr>
<tr>
<td>Fixes connections between process steps</td>
<td>Optimizes remaining process steps</td>
</tr>
<tr>
<td>Focuses on the customer</td>
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</tr>
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</table>

Better + Better = Satisfied
Delivery Quality Employees Satisfied Customers

The hospital CEO’s most important job is developing and nurturing good medical staff relationships.

Source: Personal conversation with John Sheehan, CPA, MBA

Physicians

- Physicians see themselves as independent autonomous, and in control!
  - The antithesis of team work?
- Yet, hospital-physician alignment is essential to delivering value
- Need physician leaders to devise new care models and create sustainability
- Primary care could potentially control large amounts of dollars, so...
  - ($5,000/pt/yr x 2,000 pts/phys x 10 phys = $100 million/yr)
3. Engage Medical Staff Deeply

Physician* Engagement means

Active physician involvement and meaningful physician influence that moves the organization toward a shared vision and a successful future.

- Governance
- Compensation
- Education
- Data

* or Provider

Shifting Health Care Payments

Here’s how your health plan dollar is spent
Patient-centered medical homes are primary care practices that offer around-the-clock access to coordinated care and a team of providers that values patients' needs.

- Access and communication
- Coordination of care
- Patient and family involvement
- Clinical information systems
- Revised payment systems

See [www.TransforMed.com](http://www.TransforMed.com)

Sources: Commonwealth Fund and 2007 Joint Principles of Patient-Centered Medical Homes.

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Medical Home Quotes

- All team members practice at the top (optimum) of their license and experience
- Best evidence is the best and only way we deliver care
- Care is the same, regardless of the provider
- Continuous performance improvement of our care is rigorously driven by data
- There are no non-compliant patients, only those we have not reached
- An electronic health record is critical to managing patient and population health
- Let care protocols do (at least some of) the work (e.g., lab orders, med refills, vaccines)
√ Cultivate New Skills

- New skills required
  - We are comprehensivists
  - Data analytics
  - Quality improvement
  - Cost management
  - Team management – “leader” need not be a physician
- But I don’t want to change!
  - Static fee-for-service prices – working harder for less
  - No bonuses – less pay for subpar quality
  - Volume at risk – from poor economy, high deductibles, and skilled competitors

√ Measure, Report, and Act

- Measure and report performance
  - We attend to what we measure
  - Attention is the currency of leadership
- Tell the performance story
  - Data → information → insight
  - We are all “above average,” right?
  - Let the data set you free
- When possible, control the data
  - Market share – who’s leaving and why
  - Our costs to payers, and our competitor’s costs
The goal is move the curve to the right

Source: Greg Wolf, Stroudwater Associates
√ Get Paid for Quality

- Aggressively apply for value-based demonstrations and grants
- Negotiate with third party insurers to pay for quality
- Consider self-pay and employees first for care management
  - Direct care to lower cost areas with equal (or better) quality
  - Reduces Medicare cost dilution

Cost by Patient

<table>
<thead>
<tr>
<th>Type of Care</th>
<th>Percent of Resources</th>
<th>Percent of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophic</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Chronic</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>Episodic</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>Well</td>
<td>27</td>
<td>85</td>
</tr>
</tbody>
</table>

Coordinate Care

- Supports provider care plans
- Supports patients with frequent contact
- Helps patients prepare for office visits
- Identifies high-risk patients
- Develops disease registries
- Monitors reminder systems
- Provides patient education
- Coordinates care and transitions

Think About Your Referrals

- Develop a Value Referral Network
  - Who provides the best care for your patients?
  - Who provides the best value for your patients?
  - What quality of care do you want your mom to have?
- Tertiary care facilities and specialists should earn our trust and referrals
  - Our community and patients deserve it
√ Consider Regionalization

- Act locally; think regionally
- Economies of scale may demand a contracted cottage industry
  - Yet, future payment linked to local covered lives
- Goal: to care for populations expertly, efficiently, equitably
  - Independence is not a mission statement
  - Affiliation is not an end in itself
  - But... options are optional!
  - Success measured by clinical integration


Clinical Integration

- Clinical data sharing in real-time
- Standardized clinical care protocols
- Consistent clinical performance measures and reporting
- Clear team member responsibilities across multiple facilities
- Sense of professional camaraderie among disparate organizations
- Aligned incentives for regional population health improvement
√ Engage Your Community

- What is available locally to improve health care value?
  - Public Health
  - Social Service
  - Agency on Aging
  - Community health workers
  - Care transition programs
  - Churches and foundations

- Do not duplicate!
  - Collaborations are less expensive than new clinic/hospital services – and build good will

- Do what’s right

RuralHealthValue.org

- Rural Health Value Project
  - Assess the rural implications of policies and demonstrations
  - Develop tools and resources to assist rural providers and communities
  - Inform and disseminate rural health care innovations

- Share an innovation with us that has moved your organization (or another) toward delivering value.

- Continue to be a leadership voice for rural health care value.
  - Our glass is at least half full. A positive attitude is infectious!
The Risk of Something New

Healthy People and Places