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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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?

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?
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?

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
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

Political Risk

- 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
- 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
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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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- **Toolbox for Value**

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

Lean
- Removes Waste
- Increases Speed
- Removes non-value added process steps
- Fixes connections between process steps
- Focuses on the customer

Six Sigma
- Reduces Variation
- Improves Quality
- Reduces variation at each remaining step
- Optimizes remaining process steps
- Focuses on the customer

\[ \text{Speed} + \text{Accuracy} = \text{Better Delivery Quality Employees Satisfied Customers} \]

Medical Staff Relationships

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 × 2,000 pts/phys × 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

![Diagram illustrating the distribution of healthcare costs](image)

- 40% Hospital
- 28% Physicians
- 13% Pharmaceutical
- 12% Other Medical Services
- 8% Other
- 85% Cost of Health Care
- 10% Admin Costs
- 16% Other

*Here's how your health plan dollar is spent*
Develop Medical Homes

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.TransformMed.com

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

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)

Crete Physicians Clinic
Crete, Nebraska
√ 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>4%</td>
</tr>
<tr>
<td>Chronic</td>
<td>27</td>
<td>10%</td>
</tr>
<tr>
<td>Episodic</td>
<td>25</td>
<td>85%</td>
</tr>
<tr>
<td>Well</td>
<td>27</td>
<td>5%</td>
</tr>
</tbody>
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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
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

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