

Policy Brief - November 2014

## **Advancing the Transition to a High Performance Rural Health System**

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There are growing concerns about the current and future state of rural health. Despite decades of policy efforts to stabilize rural health systems through a range of policies and loan and grant programs, accelerating rural hospital closures combined with rapid changes in private and public payment strategies have created widespread concern that these solutions are inadequate for addressing current rural health challenges. The rural health system of today is the product of legacy policies and programs that often do not “fit” current local needs. Misaligned incentives undermine high-value and efficient care delivery. While there are limitations related to scalability in rural health system development, rural communities do have enormous potential to achieve the objectives of a high performance rural health system. This brief (and a companion paper at <http://www.rupri.org/areas-of-work/health-policy/>) discusses strategies and options for creating a pathway to a transformed, high performing rural health system.

*The RUPRI Health Panel envisions rural health care that is affordable and accessible for rural residents through a sustainable health system that delivers high quality, high value services. A high performance rural health care system informed by the needs of each unique rural community will lead to greater community health and well-being.<sup>1</sup>*

The RUPRI Health Panel recommends a range of alternative approaches to achieve a high performance rural health care system, categorized in the following way:

1. Community-appropriate health system development and workforce design
2. Governance and integration approaches
3. Flexibility in facility or program designation to care for patients in new ways
4. Financing models that promote investment in delivery system reform

What follows is a further description of these approaches, with a brief discussion of policy considerations and comments about possible demonstration ideas that can further these approaches.

### **APPROACH: Community-appropriate health system development and workforce design**

Health systems whose delivery structure is community-determined and driven, where the term “community” is defined in geographical terms (e.g., state, region, town/village), use a community-appropriate health system development and workforce design approach. The ultimate delivery organization is informed by an identification of and coordinated response to local community health needs and priorities.

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## **Public policy considerations**

- Characterize new roles for local health care providers, such as Rural Health Clinics and Federally Qualified Health Centers, in system delivery redesign.
- Promote flexible use of public dollars, such as through the Federal Office of Rural Health Policy's Network and Outreach grant programs or through the Center for Medicare and Medicaid Innovation's State Innovation Models Initiative that encourages use of funds to break away from traditional project-specific uses to implement systemic changes in rural communities and regions.
- Pay for services developed in new system configurations, such as new payment to primary care providers for care management.
- Encourage optimal use of health care professionals by designing and funding programs training a new and rural-specific health care workforce.

**Demonstration Idea:** "Local Primary Care Redesign" projects that combine local primary care and other health care providers (including the local hospital) in organizational configurations that expand and sustain access to comprehensive primary care focused on individual and community health improvement.

## **APPROACH: Governance and integration approaches**

The Panel believes integrated governance is the most critical and necessary condition for a successful and sustained transition to a high performance rural health system. Systems that manage and deliver integrated health services within either a global budget or a constrained reimbursement environment use governance and integration approaches to align service delivery across the care spectrum. The ideal model of governance depends on local context; a rural community of 1,000 needs a different system structure and set of services than a rural community of 10,000. One option for rural communities is the use of community health system boards that bring stakeholders together under one umbrella. The structure results in a single, common board for multiple organizations or a system-level board with representatives from multiple community organizations.

## **Public policy considerations**

- Target capital through programs such as the U.S. Department of Agriculture's Community Facilities Program to rural providers and places engaged in service integration and redesign. Additional means of aggregating capital for local investment should also be explored.
- Continue support through renewable grant funding to specific entities directed to collaborations between local provider and service organizations. Require evidence of collaboration focused on the health of local populations.
- Review governing requirements for all types of health care and human service entities receiving federal support through grants and specific payment policies. Identify inconsistencies in required composition and recommend policy changes that align those requirements, including consideration of state requirements. Create locally based "megaboards" that could unify decision making among local entities.
- The White House Rural Council should discuss new approaches to designing programs across agencies such that funding streams are easily merged to support innovative system design.

**Demonstration Idea:** “Integrated Governance” projects align various organizations in a community or region in a new model of governance. New models include using affiliation agreements and memoranda of understanding, requiring new governing entities such as community foundations, or establishing new designs that merge financing and funding streams and direct new programs.

**APPROACH: Flexibility in facility or program designation to care for patients in new ways**

Systems that meet specific programmatic objectives through facility use or program designation are caring for patients in new ways. Objectives may be met by adhering to designation or certification standards set by policy makers or accreditation organizations, or by incorporating business model approaches that designate facility use and purposes.

**Public policy considerations**

- Frontier Extended Stay Clinics and the Frontier Community Health Integration Project should evolve into a federally supported designation of a facility type(s) that provides essential clinical services in frontier settings.
- Some rural facilities currently configured to provide inpatient hospital services should be reconfigured as medical hubs in their communities to provide essential local services that do not include inpatient hospitalization. Changes in regulatory and payment policies will need to accommodate that evolution.
- The recent growth in patient-centered medical homes provides opportunities for new means of delivering care in rural areas. Two sections of the Affordable Care Act should be implemented in ways to encourage rural innovation in medical homes, Section 2703, “State Option to Provide Health Homes for (Medicaid) Enrollees with Chronic Conditions,” and Section 3502, “Establishing Community Health Teams to Support the Patient-Centered Medical Home.”

**Demonstration Idea:** “Frontier Health Systems.” While the term “frontier” may be defined by formulae incorporating population concentration and distance criteria, “frontier” also characterizes places lacking arrays of health care services that may include acute inpatient capacity and other services found in larger population centers. Innovative models should secure sustainable essential health care services (comprehensive primary care, emergency care, public health, and social services) integrated with services across the horizontal and vertical care continua. Models should be tailored to unique community circumstances (including health needs, available resources, linkages to distant health care delivery systems), but key elements can be replicated across locations.

## **APPROACH: Financing models that promote investment in delivery system reform**

Systems that invest in health care services reconfiguration through the use of financial incentives, including shared savings arrangements, Medicaid waivers to experiment with new modes of care delivery, and capitated payments, leverage financing models to promote health care delivery change.

### **Public policy considerations**

- Value-based purchasing methods should use achievement and improvement in tandem, so that rural health providers making significant progress toward achieving high quality outcomes are rewarded.
- As changes occur in payment methods, incentives for investment should also change. This will mean less investment in traditional physical plant infrastructure and increased investment in information systems, personnel, and resources associated with meeting the needs of populations outside of the “four walls” of hospitals and fixed-place clinics. Policies regarding use of public investment programs and revenues generated by incentives to manage patient care more cost effectively (e.g., shared savings, global payment, payment for care management) should allow new investment strategies.

**Demonstration Idea:** “Finance tools to repurpose existing local health care delivery assets”. Create new financing options for projects that leverage existing assets (which may include inpatient hospital facilities) to serve as health hubs in rural places. Reconfiguring physical plants and using financing capacity of a central organization(s) (e.g., the community hospital, clinic, and skilled nursing facility) will help transform the local delivery system.

### **Conclusion**

Transformation underway in health care delivery, organization, and finance creates unprecedented opportunities to develop sustainable rural health care systems designed to meet the health needs of local populations. A high performance rural health care delivery system is achievable. There is a sense of urgency, however, to transform the rural and frontier health system as rural hospitals continue to close, and remaining hospitals (including Critical Access Hospitals) and other rural service providers are under increasing pressure to compete in larger, more sophisticated payment systems. However, if rapid change occurs without preserving access to essential health care services during the transition, rural communities may suffer. Specific success stories, detailed policy considerations, and new demonstration ideas will positively and aggressively engage rural communities (including existing health care providers) in local health care system redesign. The RUPRI Health Panel will continue to assess policies and activities using its template for a high performance rural health system.

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<sup>1</sup> The High Performance Rural Health Care System of the Future. RUPRI Health Panel, September 2, 2011. [http://www.rupri.org/Forms/HealthPanel\\_FutureSystem\\_October2011.pdf](http://www.rupri.org/Forms/HealthPanel_FutureSystem_October2011.pdf).