Forces Shaping the Future of Critical Access Hospitals: A Journey to OZ

Medicare Rural Hospital Flexibility Program
Missouri Statewide Meeting
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Where the Journey Ends: Oz

- A rural place that is vibrant, with high quality of life
- A rural-focused health care system that serves that place
- Local services that are sustainable
- Including the pillars of a high performing rural healthcare system
The Pillars

- Affordable: to patients, payers, community
- Accessible: local access to essential services, connected to all services across the continuum
- High quality: do what we do at top of ability to perform, and measure
- Community based: focus on needs of the community, which vary based on community characteristics
- Patient-centered: meeting needs, and engaging consumers in their care
1997: The Balanced Budget Act creates the Medicare Rural Hospital Flexibility Program

1997 – 2003: The “build out” of Critical Access Hospitals as a financially viable approach

2003: The Medicare Modernization Act enhances affordability for Medicare beneficiaries
The Journey So Far

- 2003 – 2010: Improvements in the Flex Program, including resources devoted to quality and community health
- 2010: The Patient Protection and Affordable Care Act (ACA) and a new emphasis on community health, quality outcomes
- 2015: Announcement of goals in the Medicare program to create a value-driven payment system
Years of sequestration hit cost-based reimbursement

Sources of payment change from government administrative price setting (and political decisions) to negotiations with private plans

Consumers change purchasing decisions in private insurance, accepting high deductibles in exchange for lower premiums
Waves of Change

- Medicare and Medicaid provided through private managed care organizations
- Medicare and Medicaid sharing financial risk with providers in shared savings models
Medicare Advantage Grows

- Rural enrollment in 2009: 1.17 million (13.5%)
- Rural enrollment in 2012: 1.5 million (16.5%)
- Rural enrollment in 2016: 2.2 million (21.8%)

Data from CMS reports, calculations by the RUPRI Center for Rural Health Policy Analysis
Percent of Eligible Rural Beneficiaries Enrolled in Medicare Advantage and other Prepaid Plans

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Missouri

Percent Enrolled by County

- Metropolitan County
- Less than 10%
- 10% - 14.9%
- 15% - 19.9%
- 20% - 29.9%
- 30% or more

Source of Data: Centers for Medicare and Medicaid Services (CMS), as of March 2016.
Map produced by RUPRI Center for Rural Health Policy Analysis, 2016.
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Source of Data: Centers for Medicare and Medicaid Services (CMS), as of March 2016.
Map produced by RUPRI Center for Rural Health Policy Analysis, 2016.
Percent of Eligible Rural Beneficiaries Enrolled in Medicare Advantage and other Prepaid Plans – Kansas

Source of Data: Centers for Medicare and Medicaid Services (CMS), as of March 2016.
Map produced by RUPRI Center for Rural Health Policy Analysis, 2016.
Percent of Eligible Rural Beneficiaries Enrolled in Medicare Advantage and other Prepaid Plans – Kansas

Source of Data: Centers for Medicare and Medicaid Services (CMS), as of March 2016.
Map produced by RUPRI Center for Rural Health Policy Analysis, 2016.
Accountable Care Organizations Have Come to Rural America

- Data extracted from Centers for Medicare & Medicaid Services public information for years 2012 – 2015, plus “first look” at 2016
- Non-metropolitan presence (defined as participating provider) in each cycle
- Non-metropolitan presence in three models: Pioneer demonstration, Advanced Payment demonstration/Medicare Shared Savings Program, ACO Investment Model, Next Generation demonstration
- Increased rural presence across time
By the Numbers ...

- ACOs operate in 72.0% of metropolitan counties, 39.7% of non-metropolitan counties
- 7.6 million beneficiaries now receiving care through ACOs
- Rural sites in all four census regions
Approximately half of Medicare ACOs have rural presence, although for 18% (76) that is between 1 and 24 percent of counties included
- 7 (1.7%) are 100% non-metropolitan
- 23 (5.4%) are 75-99% non-metropolitan
- 104 (24.6%) are 25-74% non-metropolitan
- At least 37 of the 101 new ACOs in 2016 have a rural presence, many of those exclusively rural

Data are as of the end of 2015
And Now the Visuals

- 2013 national map
- 2015 national map
- Regional map
County Medicare ACO Presence
Continental United States

CMS-designated sites as of January, 2013.
Produced by: RUPRI Center for Rural Health Policy Analysis, 2013.
Medicaid Enrollment In Managed Care Organizations

- Nationally 59.7%
- Missouri: 47.1%
- Iowa: 9.9% (nearly 100% in 2016)
- Kansas 89.3%
- Illinois 13.5%

Reported as enrollment in Comprehensive Managed Care

Managed care to ACOs to ...  
Managed Care Organizations since 1983  
Accountable Care Collaborative started in 2011; now enrolling 58% of Medicaid clients  
Net savings of $29 to $33 million: reductions in ER use, imaging services, readmissions  
Oregon with Coordinated Care Organizations (2012)  
Minnesota with Integrated Health Partnerships (2013)

Medicaid ACO Activities

- MN: IHPs must demonstrate partnerships with other agencies: social service public health
- MN: total cost of care calculations
- OR: CCOs must have community health needs assessment, encouraged to build partnerships with social service and community entities

Changing World of Private Insurance

- A nagging constant: premium increases
- Result: shift to deductibles and copayments to cover financial risk (by insurers)
- Result: different patterns of use and payment
Changing World of Private Insurance

- Market dynamics: competing plans come and go; markets carved out within rating areas; varying strategies for covering actuarial risk
- Contracting with narrow networks
- Sharing financial risk with providers
Evolution of Medicare Payment Through Four Categories

- Fee-for-service with no link to quality
- Fee-for-service with link to quality
- Alternative payment models built on fee-for-service architecture
- Population-based payment

Source of this and following slides: CMS Fact Sheets available from cms.gov/newsroom
## Illustration of Move to Population-Based Payment

### Payment Taxonomy Framework

<table>
<thead>
<tr>
<th>Category 1:</th>
<th>Category 2:</th>
<th>Category 3:</th>
<th>Category 4:</th>
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<tbody>
<tr>
<td><em>Fee for Service—No Link to Quality</em></td>
<td><em>Fee for Service—Link to Quality</em></td>
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<tr>
<th>Description</th>
<th>Medicare FFS</th>
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<tbody>
<tr>
<td>Payments are based on volume of services and not linked to quality or efficiency</td>
<td>Limited in Medicare fee-for-service</td>
<td>Hospital value-based purchasing</td>
<td>Accountable care organizations</td>
<td>Eligible Pioneer accountable care organizations in years 3-5</td>
<td></td>
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</tr>
<tr>
<td>At least a portion of payments vary based on the quality or efficiency of health care delivery</td>
<td>Majority of Medicare payments now are linked to quality</td>
<td>Physician Value-Based Modifier</td>
<td>Medical homes</td>
<td></td>
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</tr>
<tr>
<td>Some payment is linked to the effective management of a population or an episode of care. Payments still triggered by delivery of services, but opportunities for shared savings or 2-sided risk</td>
<td>Readmissions Hospital Acquired Condition Reduction Program</td>
<td>Bundled payments</td>
<td>Bundled payments</td>
<td></td>
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<tr>
<td>Payment is not directly triggered by service delivery so volume is not linked to payment. Clinicians and organizations are paid and responsible for the care of a beneficiary for a long period (e.g. ≥1 yr)</td>
<td></td>
<td>Comprehensive primary care</td>
<td>Comprehensive primary care</td>
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* | ESRD | Medicare-Medicaid Financial Alignment Initiative Fee-For-Service Model |
CMS Slogan: Better Care, Smarter Spending, Healthier People

- Comprehensive Primary Care Initiative: multi-payer (Medicare, Medicaid, private health care payers) partnership in four states (AR, CO, NJ, OR)
- Multi-payer Advanced Primary Care Initiative: eight advanced primary care initiatives in ME, MI, MN, NY, NC, PA, RI, and VT
- Transforming Clinical Practice Initiative: designed to support 150,000 clinician practices over next 4 years in comprehensive quality improvement strategies
CMS Slogan: Better Care, Smarter Spending, Healthier People

- Pay for Value with Incentives: Hospital-based VBP, readmissions reduction, hospital-acquired condition reduction program
- New payment models: Pioneer Accountable Care Organizations, incentive program for ACOs, Bundled Payments for Care Improvement (105 awardees in Phase 2, risk bearing), Health Care Innovation Awards
CMS Slogan: Better Care, Smarter Spending, Healthier People

- Better coordination of care for beneficiaries with multiple chronic conditions
- Partnership for patients focused on averting hospital acquired conditions
Waves Keep Rolling In

- Medicare Access and CHIP Reauthorization Act (MACRA) – tidal wave coming at physician payment
- Increased activity to measure quality of physician care and pay accordingly
- Increased financial risk sharing, either through Advance Payment Models or through Merit Based Incentive Payment
- Comprehensive Primary Care Plus initiative – up to 20 regions including up to 5,000 practices, more than 20,000 doctors and clinicians
Hospital closure: 75 since 2010; up to 283 “vulnerable” now

Enrollment increasing through Health Insurance Marketplaces and in plans outside of those marketplaces

Development of health systems: 1,299 health care sector mergers and acquisitions in 2014, up 26% from the year before, with value of deals up 137%

Growth in Managed Care Organizations and Accountable Care Organizations

Continued evolution of payment systems
Adopt a strategy of preserve and protect – political battles to continue status quo
Choose to build a road to a different future
And there is the reality of a combination of approaches, but emphasizing the new road
The Road to Oz?

- Turn adversity into motivation to change
- Turn onslaught of program changes and demonstration programs into opportunities to invest in change
- Requires that key stakeholders take the road together: Board of Trustees, C-suite, clinicians, community
- Shared commitment to local services and well being of population and community
Adversity to Positive Change: Hospital Transition

- To urgent care clinic (5 hospitals that had closed)
- To emergency center (5 hospitals)
- To skilled nursing facility (3 hospitals)
- To acute rehabilitation center (1 hospital)
- To Outpatient facility (3 hospitals)
- To primary care clinic (4 hospitals)

Case Examples of Hospital Reconfiguration

- Epic Medical Center in Eufaula, McIntosh County OK closed as a hospital and reopened next day as urgent care clinic; May 23, 2016
- Memorial Hospital and Physician Group in Frederick OK will transition from inpatient to outpatient (no emergency) during 2016
Taking Action: Serving the Community

- Hill Country Memorial Hospital in Fredericksburg, TX
- Used Toyota principles to better management to cut costs
- Used knowledge of community to focus on elderly
- Turned hospital near closure to a thriving community provider
Beyond Crisis Management: Building the Road Starts with Strategic Framing

- What does the community need?
- How is the hospital configured to meet that need?
- What changes would improve the ability to meet the need?
- What resources are available?
- What is the roadmap to sustainable local services?
Finding the Answers

- Importance of community data, role of community health needs assessment, epidemiological grounding
- Understanding the market forces in your region, such as activities of large system (Intermountain Health) and alliances (Western Healthcare Alliance)
Finding the Answers

- Requires creating teams with equitable share in decision making
- Develop a framework for working through issues, e.g., AHA Committee on Research material
- Use all available and applicable demonstration and innovation support resources: Flex program, State Innovation Models, Centers for Medicare and Medicaid Innovation programs, FORHP programs, foundation programs
Results of Reconfiguration

- Post-acute care at Mayo system hospitals in Minnesota
- Replication in Oregon, with state funding support for development
- Anson County, NC hospital rebuilt with new design for patient flow that reduced use of the emergency room; 52 beds to 15, added van service because needs assessment identified transportation needs, and a patient navigator – facilitated because part of Carolinas HealthCare System
Paving the Road with Sound Fiscal and Process Management

- Managing as a “pay-for-performance hospital”: St. Joseph’s Hospital in Highland, IL
- Implementing Lean management: Mercy Network in IA
- Takeaways from sources of technical assistance
Motivation is that the wave of the future is global payment, not payment per encounter, changing currency from encounters/patients to enrolled lives/population.

Requires *some* reframing of traditional strategic questions to apply to managing care and engaging populations in healthy behaviors.
Ways to Get There: Lean Principles

- Bringing a focus to patient populations
- Freeing people to ask why
- Connecting hospitals and systems to communities
- Empowering voice of customers
Ways to Get There: Lean Principles

- Connecting data and metrics to identify better-targeted solutions
- Allowing states and regions to adapt and learn from successes of local health systems
- Moving community clinics and public health toward regular reporting of quality measures

Trinity Health (Catholic health system with 88 hospitals) investing $80 million in 6 communities over five years to improve public health, particular focus on obesity and tobacco use

Senior VP for safety net and community health: “We need to be part of the business of creating health in our communities”

Additional $40 million in low-interest loans to communities

Source: Maria Castelluccu. “Trinity Health to invest $80 million to improve health in six communities.” Becker’s Hospital Review November 19, 2015
North Carolina Hospitals Take Action

- Statewide effort (Rural Health Action Plan) has four strategies addressing healthy activities including investments in local industry
- Southeastern Health in Robeson County: case manages, transportation, assist with Medicaid applications
- Halifax Regional Medical Center: fitness campaign
North Carolina Hospitals Take Action

- Granville Medical Center in Oxford: transitional care team
- Transylvania Regional Hospital: evolve into something different, including what services to offer, (orthopedics and emergency) and not (labor and delivery)

Choices to Make Along The Road

- Commit to change
- Interplay with the move to pay for value
- Major shift to population health calls for two major directions
- Different foci, but need to focus: data to identify patients by chronic condition profiles; population health for community
Summary from Survey of Hospital CEOs

- Engaging physicians in cost and quality improvements
- Redesigning service portfolios for population health
- Establishing sustainable acute care cost structures
- Patient engagement strategies
- Controlling avoidable utilization

Source: Ben Umansky. The five issues every health care CEO cares about. The Advisory Board. March 25, 2015.
Closing Thoughts

- We are on the road
- Pave with transitions, not rural causalities
- Directed to the healthcare system we want
- “Heavy lift” for all involved
- Use all resources that are available
For further information

The RUPRI Center for Rural Health Policy Analysis
http://cph.uiowa.edu/rupri

The RUPRI Health Panel
http://www.rupri.org

Rural Telehealth Research Center
http://ruraltelehealth.org/

The Rural Health Value Program
http://www.ruralhealthvalue.org
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