



# The New Future of Rural Healthcare: Strategies for Success

South Dakota Association of Healthcare Organizations  
2023 Rural Health Leaders Conference  
Fort Pierre, South Dakota

June 27, 2023

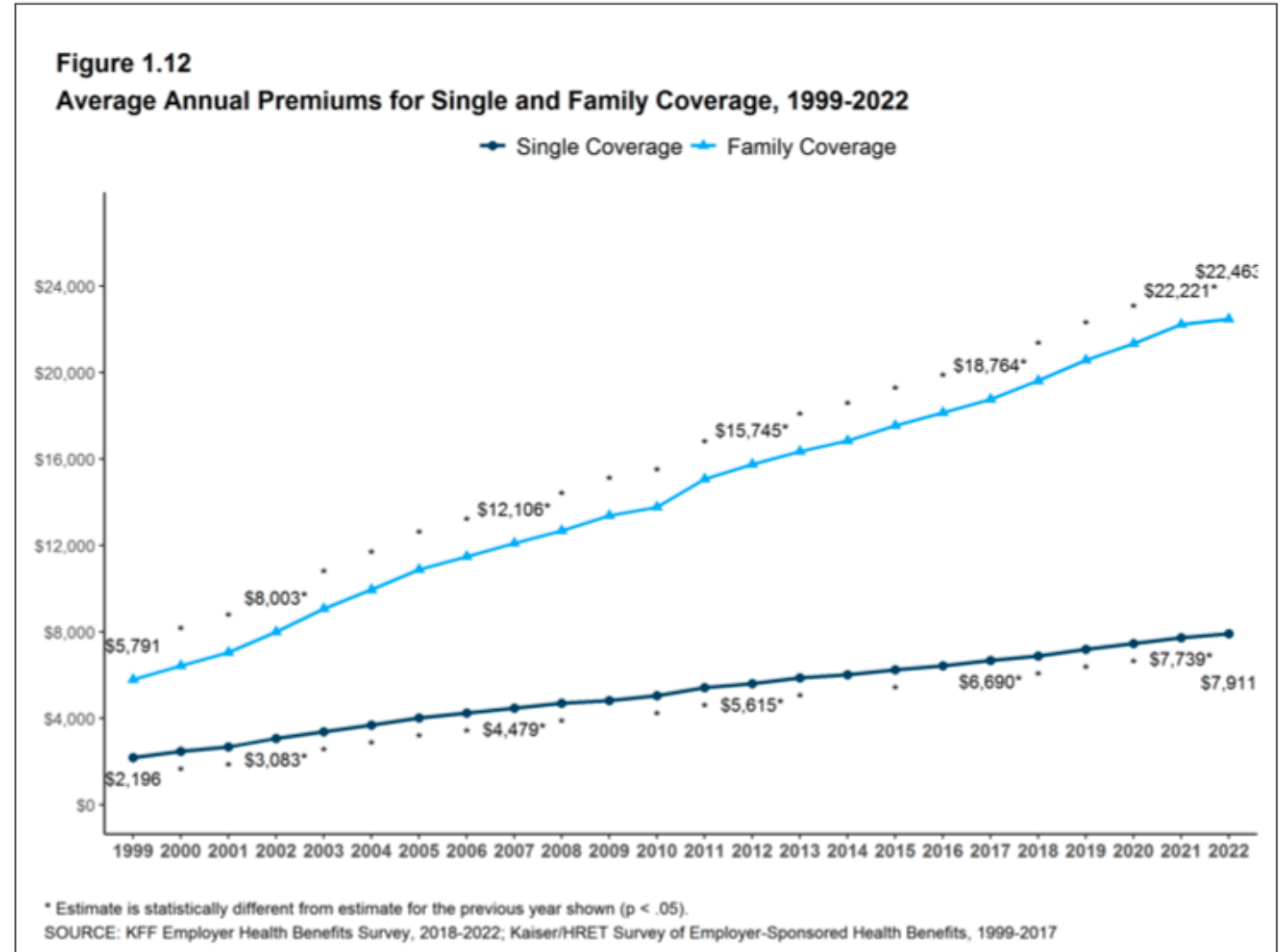
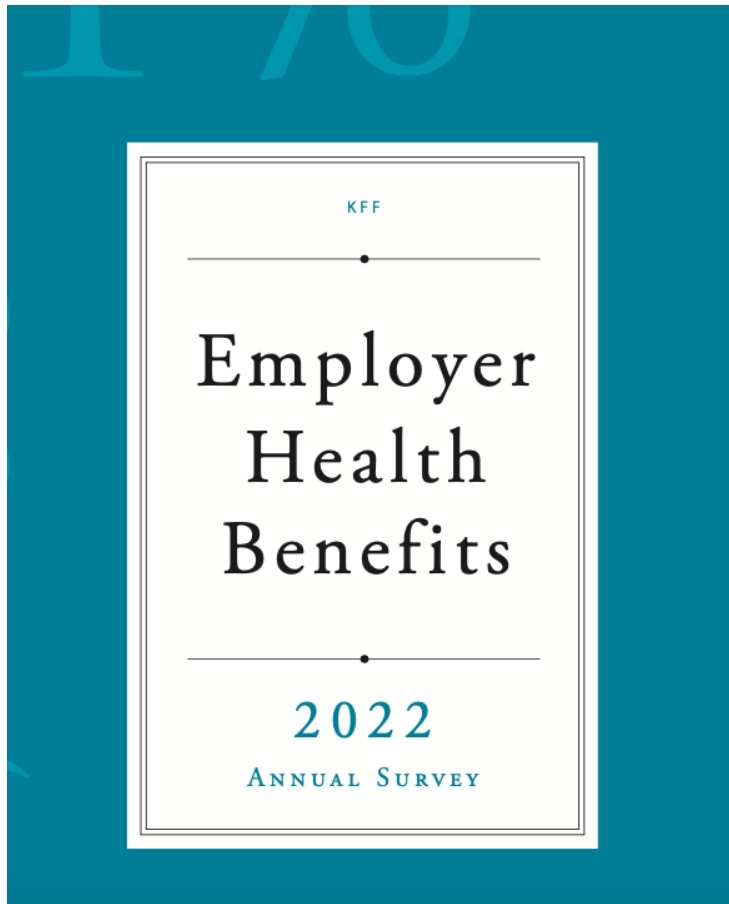
Eric K. Shell, CPA, MBA

# MARKET HAS NOT STOPPED MOVING DURING THE PANDEMIC

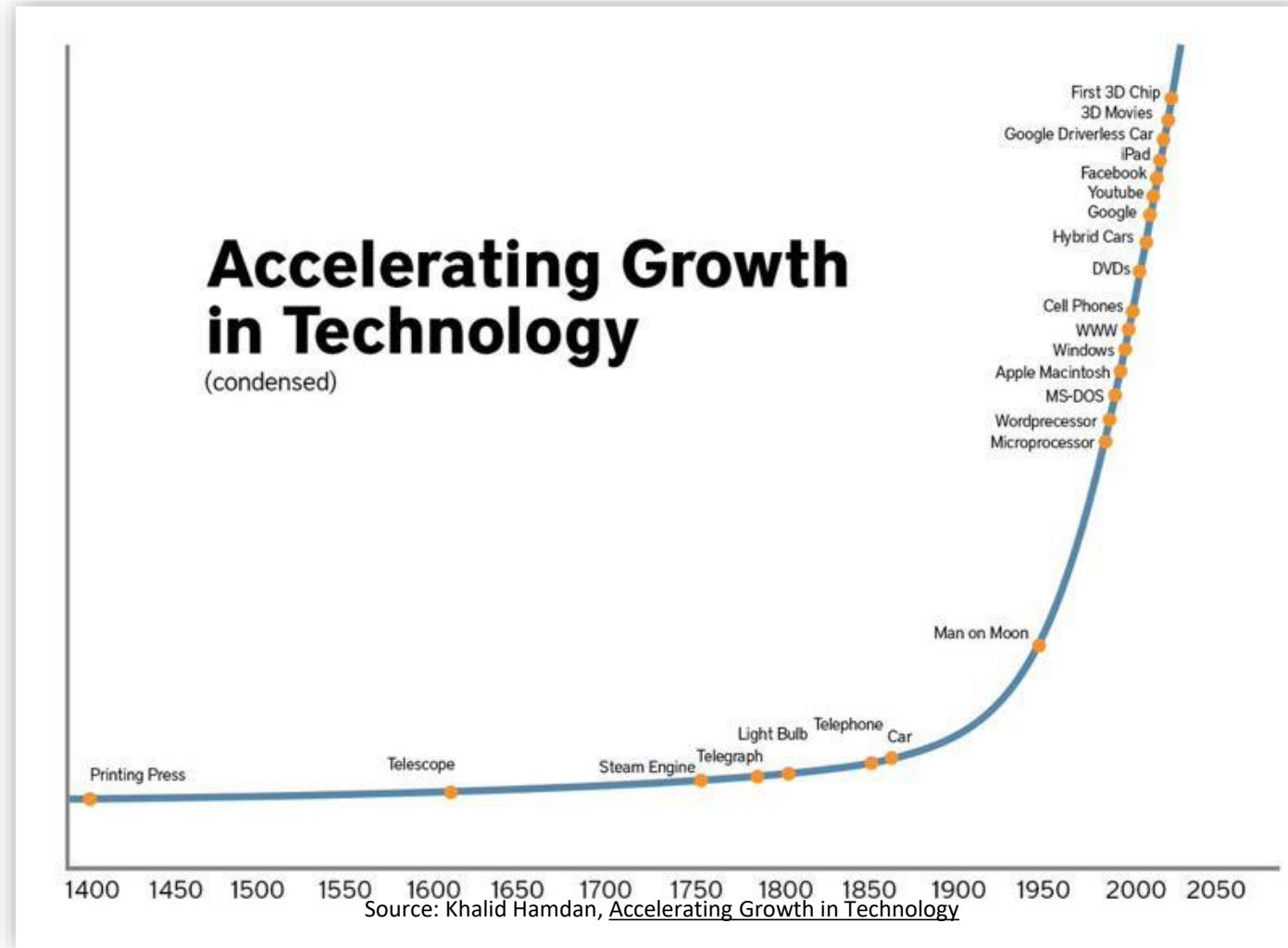
- **Cost of healthcare continuing to rise**
  - Kaiser Family Foundation reports 2022 family health insurance premiums have risen to \$22.5K
- **Advances in technology and new market comfort for telehealth have led to an acceleration of new market competition**
  - Amazon
  - Walmart
  - Walgreens
  - CVS
  - Etc.
- **Hospital IP and OP volume declines**
- **Federal government maintains commitment to transitioning payment system**
  - “WE NEED TO FIND A WAY TO BRING EVERYONE ALONG. WE CAN’T HAVE FEE-FOR-SERVICE REMAIN A COMFORTABLE PLACE TO STAY.” Dr. Liz Fowler, Director CMMI



# CALL TO ACTION: KAISER FAMILY FOUNDATION: 2022 INSURANCE PREMIUMS



# CALL TO ACTION: ADVANCES IN TECHNOLOGY



# CALL TO ACTION: PARTNERSHIPS GIVE INSIGHT INTO AMAZON'S HEALTHCARE STRATEGY

- Amazon has acquired publicly-traded primary care company One Medical for \$3.9 billion, furthering its investment into the primary care market and offering insight into its primary care strategy, and announced plans to partner with behavioral health app Ginger
  - One Medical offers primary care services both virtually and in person to over 750,000 members. The acquisition, which must be approved, would drastically increase Amazon's primary care reach and services to patients.
- In late August 2022, Amazon announced it will shut down Amazon Care, its original primary care offering, at year's end. Industry experts suggest that perhaps they will have more success with established brands such as One Medical or will pull out of the deal entirely and go in a more lucrative direction than primary care.
- In October '22, the company announced that Amazon Pharmacy Home Delivery had gained a new customer, nonprofit insurer Florida Blue, joining BCBS of Alabama, BCBS of Minnesota, BCBS of Nebraska, BCBS of North Carolina, Horizon Blue Cross Blue Shield of New Jersey, and Regence BlueCross BlueShield of Oregon.
- On 11/15/22, Amazon launched [Amazon Clinic](#), venturing into the direct-to-consumer space just as many are moving away from it
  - Amazon Clinic is a virtual storefront where patients pay directly and receive affordable telemedicine treatment for 40 common, non-urgent conditions

**“We think healthcare is high on the list of experiences that need reinvention...We want to be one of the companies that helps dramatically improve the healthcare experience over the next several years.”**

**Neil Lindsay, SVP, Amazon Health Services, Amazon Stores**






# CALL TO ACTION: INTRODUCES AMAZON PHARMACY

- Amazon introduces pharmacy services
  - Consumers can shop for best price with known prices
  - Pharmacists that work with prescriber and insurance
  - Deliver medications



## Shop common medications

Prescription Required	Prescription Required	Prescription Required
		
<b>Insulin Lispro (Pen Injector)</b> <b>\$50<sup>09</sup></b> <del>\$174.24</del> 72% OFF includes Prime savings or view copay price in cart <b>amazon pharmacy</b> Free Delivery FSA or HSA eligible	<b>Atorvastatin (Generic for Lipitor, Oral Tablet)</b> <b>\$13<sup>10</sup></b> <del>\$120.60</del> 90% OFF includes Prime savings or view copay price in cart <b>amazon pharmacy</b> Free Delivery FSA or HSA eligible	<b>Pantoprazole (Generic for Protonix, Delayed Release Oral Tablet)</b> <b>\$14<sup>60</sup></b> <del>\$169.50</del> 92% OFF includes Prime savings or view copay price in cart <b>amazon pharmacy</b> Free Delivery FSA or HSA eligible

## There's more to Amazon Pharmacy

BENEFITS	The average pharmacy	Amazon Pharmacy
Accepts most insurance plans	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Reviewed by pharmacists	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Available to you 24/7	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Show prices upfront	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Delivers to your door	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Meds are as low as \$1/month	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Offers 6-month supply	<input type="checkbox"/>	<input checked="" type="checkbox"/>



# CALL TO ACTION: WALMART'S HEALTHCARE EXPANSION

In early April '22, Walmart opened five clinics in Florida, partnering with tech platform Epic to coordinate its telehealth offerings with its in-person services. The retailer is committed to improving healthcare access for Floridians and providing 24/7 services through its combination of platforms.



# CALL TO ACTION: WALGREENS PUSHES INTO PRIMARY CARE AND BEYOND, AIMING TO KEEP PEOPLE OUT OF HEALTHCARE SYSTEM

- As of October '21, Walgreens Boots Alliance had invested \$5.2 billion in VillageMD to roll out physician-staffed clinics across the country and \$330 million in post-acute and home care company CareCentrix. A year later, it announced plans to purchase the remaining 45% of CareCentrix and own the company outright,
  - As of February '22, the partnership had opened more than 200 co-branded primary care practices
- In September '22, Walgreens spent \$1.37 billion to acquire the remaining 30% of Shields Health Solutions, a specialty pharmacy company that works with 80 health systems across the country and represents over 1 million patients with complex medical conditions
- In November '22, VillageMD finalized its acquisition of Summit Health for \$8.9B.
  - As part of the deal, Cigna's health services arm, Evernorth, will become a minority owner of VillageMD. VillageMD will leverage its experience with value-based care to transition both companies' patients to risk-based payment.
- At a Forbes Healthcare summit, CEO Roz Brewer shared that Walgreens' push into primary ***care aims to keep people healthy enough to avoid returning to the healthcare system.*** The company intends to diversify its healthcare investments into pharmacy, primary care, post-acute care and technology.

"Imagine a day when 45 percent of our Walgreens stores ... where you can walk in and see a primary care physician that's attached to a Walgreens drugstore. And you come into this beautiful lobby and there are eight exam rooms with two physicians and a staff...And they can do the testing that you need that day. ... That's our goal."

Walgreens CEO Roz Brewer

Walgreens' care goal is to keep people away from the healthcare system, CEO says.

Walgreens, VillageMD on track to open 200 co-branded clinics this year

Walgreens to acquire remaining stake in specialty pharmacy company

Walgreens to buy remaining stake in CareCentrix for \$392M.

Walgreens-backed VillageMD in talks to merge with Summit, Bloomberg reports, Rebecca Pifer, 10/31/2022

Healthcare Dive, Walgreens-backed VillageMD buys Summit Health for \$9B, Rebecca Pifer, 11/7/22





# CALL TO ACTION: CVS TARGETS 65B HEALTHCARE INTERACTIONS BY 2030

- In an overall effort to support community health, CVS continues its expansion into retail healthcare, setting a goal to facilitate 65 billion healthcare interactions over the next 10 years and investing \$185M into affordable housing
- Key retail strategies include
  - Continuing to grow HealthHUB stores
  - Rethinking care delivery based on lessons learned during COVID-19
  - Investing in community health
- CVS opened 1500 HealthHUBs by the end of 2021
- *Starting in 2023, the retailer's virtual care platform, CVS Health Virtual Primary Care, will be available to Aetna and Caremark members*
  - *The new platform will provide on-demand care, chronic condition management and mental health services and will leverage an interoperable EHR to facilitate care coordination*
- The CVS housing investments went towards creating over 6,570 housing units in 64 cities across 28 states and Washington DC, with access to CVS healthcare services provided for residents



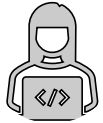
## CALL TO ACTION: CVS AND PRIMARY CARE



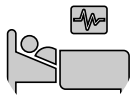
CVS continues efforts to expand its primary care presence as competitors such as Amazon, Walmart and Walgreens take major steps forward including its recent major purchase of home health company Signify Health



After losing concierge medicine group One Medical to Amazon, CVS signaled it may move forward with multiple smaller, regional acquisitions rather than larger ones as competitors have done



CVS is currently working with Amwell to roll out the virtual care platform it announced in May 2022 which provides virtual access to primary care, on-demand care, chronic condition management and mental health services and to eligible Aetna and CVS Caremark members



In early September 2022, CVS and Signify Health announced that CVS will buy the Dallas-based home health company for \$8B. This is the next step as CVS transforms from a retailer to a healthcare giant. ***The Signify Health purchase represents a key milestone in CVS's effort to provide comprehensive healthcare offerings, as it now includes home health and value-based care in addition to its retail clinics. Purchase was finalized in May 2023 for \$8B.***



In January '23, CVS began talks with Oak Street Health, a private-equity-backed company that runs primary care centers across the US for Medicare recipients. Oak Street Health, which serves a 42% dual-eligible population, provides primary care that addresses social determinants of health. ***The deal was finalized in May 2023 for \$10.6B.***



CVS's ACO division and Chicago-based Rush University System for Health are now collaborating to coordinate care at area MinuteClinics as participants in the Medicare ACO REACH program. Through the partnership, Medicare MinuteClinic patients will have access to Rush providers for follow-up care, and Rush patients will have access to customized care at participating MinuteClinic locations.



## CALL TO ACTION: ANTHEM EXPANDS VIRTUAL PRIMARY CARE SERVICES

- On 2/8/22, Anthem announced the expansion of its telehealth primary care services to 11 new states, with plans to offer virtual services to all of its service area and cover 10 million self-insured lives by the end of 2022
- Anthem launched its “virtual-first” program during open enrollment this year. *The plan requires members to see a provider via telehealth before visiting one in person and is available in six states.* Expansion of this type of plan depends on regulatory approval.
- While other insurers expanding into primary care tend to buy up physician practices, Anthem differentiates itself by using technology to connect independent physicians and promote value-based care through facilitating use of new payment models
- The company also invests heavily in value-based care companies including Vera Health, Privia Health, Caremax and K Health
- In 2021, approximately 60% of Anthem's 45.4 million members' medical spend came from value-based relationships

**"Our strategy is being a digital platform for health... That being the case, it's what can we connect and interoperate is the primary driver for us, versus needing to own our care delivery."**

**Rajeev Ronanki, chief digital officer**



# CALL TO ACTION: UNITEDHEALTH BUYS OPTUMCARE AND HOME HEALTH FIRM LHC

“When you begin to pencil out the math, as we move people into value-based arrangements, that will be a major driver of how we'll move to a \$100 billion book of business.”

Wyatt Decker, MD  
OptumHealth CEO

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Managed care company **UnitedHealth Group** has purchased **OptumCare**, which comprises **56,000 physicians and 1600 clinics**, and **plans to grow it to a \$100B business** through value-based arrangements

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It also agreed to purchase home health group **LHC**, which employs about 30,000 people, operates in 37 states and cares for over 500,000 patients annually

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Per OptumHealth (OptumCare parent) CEO Dr. Wyatt Decker, under the new arrangement, physicians will be paid to keep patients healthy instead of for treating them when they are sick

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OptumCare is also launching a virtual care platform called Optum Virtual Care that supports its plan to integrate virtual care, home care, and care clinics across all 50 states

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The acquisition of a home health company may impact hospital patient volumes, as patients will remain at home instead of in the hospital

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# Call to Action: Primary Care Investments & Alignment with Non-Traditional Players (Recent Highlights)

## Q1/2021

CVS targets 65B healthcare interactions by 2030, driven by investments in HealthHub and community health<sup>1</sup>

Digital health companies offering primary care brought in the second most funding in Q1 2021, driven by Ro (\$500M), Dispatch Health (\$200M), and Eden Health (\$60M)<sup>2</sup>

## Q3-Q4/2021

Carbon Health banks another \$350M from PE firm to become 'largest primary care provider in the U.S.'<sup>4</sup>

OneMedical acquires Iora Health, a leading value-based primary care group serving Medicare patients at 47 offices. "Together, we'll deliver exceptional, human-centered, technology-powered primary care to more people in more places — across every stage of life"<sup>5</sup>

UnitedHealthcare buys OptumCare, which comprises 56,000 physicians and 1,600 clinics, and plans to grow it to a \$100B business through value-based arrangements<sup>3</sup>

OptumCare is also launching a virtual care platform called Optum Virtual Care that supports its plan to integrate virtual care, home care, and care clinics across all 50 states

## Q2/2021

Humana plans to expand its health centers for older adults with \$600M investment from PE firm<sup>6</sup>

PE firm invests \$500M in FL-Florida based primary care physician group and managed services organization<sup>7</sup>

Aledade (software company helping physicians and primary care transition to value-based care) launches new health services unit via an acquisition of Iris healthcare<sup>8</sup>

## Q1/2022

### Sources:

1. <https://www.fiercehealthcare.com/payer/cvs-wants-to-facilitate-65b-healthcare-interactions-by-2030-here-s-how>
2. <https://rockhealth.com/insights/q1-2021-funding-report-digital-health-is-all-grown-up/>
3. <https://www.beckershospitalreview.com/finance/how-unitedhealth-plans-to-make-optum-a-100b-business.html?origin=CIOE>
4. <https://www.fiercehealthcare.com/tech/carbon-health-banks-another-350m-to-become-largest-primary-care-provider-u-s>

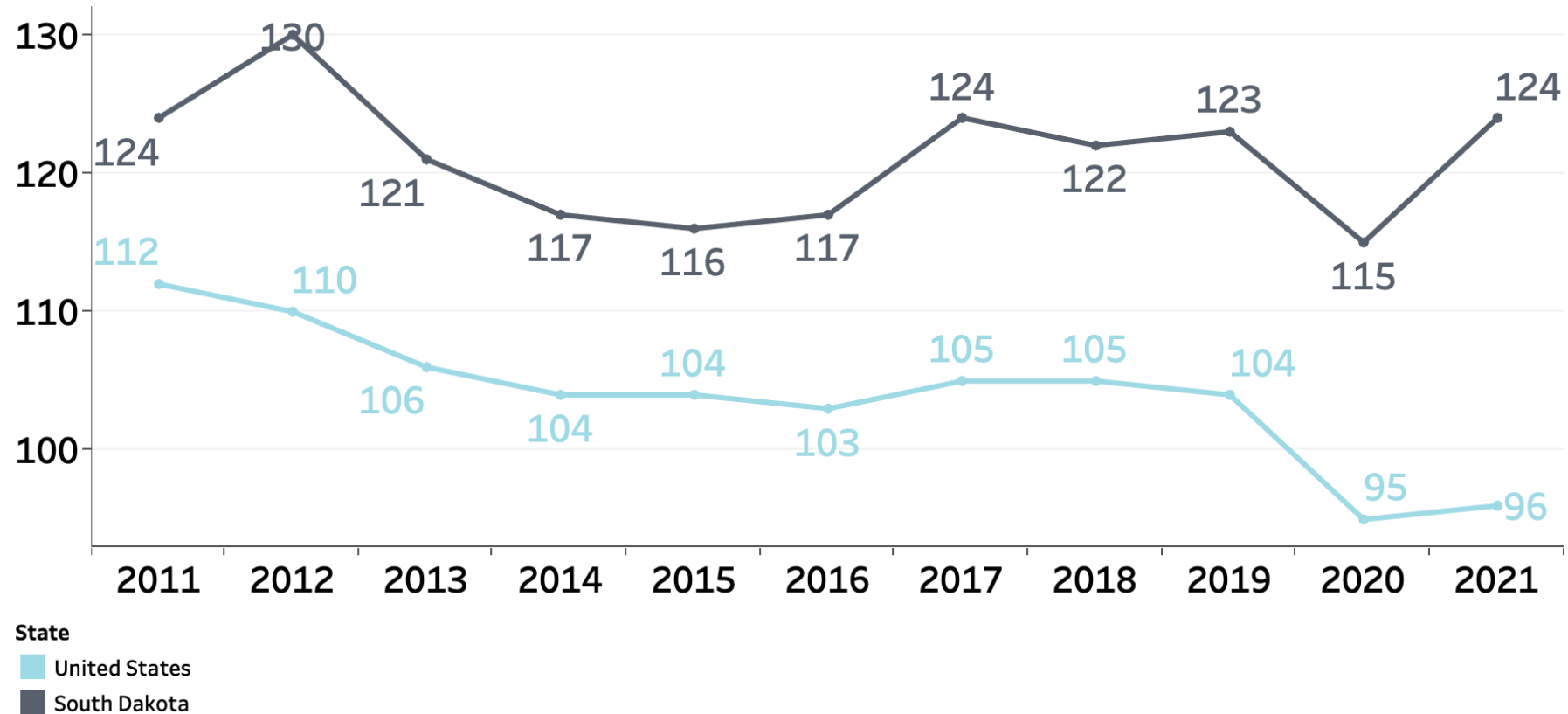
6. [https://www.modernhealthcare.com/insurance/humana-grows-private-equity-backed-primary-care?utm\\_source=modern-healthcare-am-friday](https://www.modernhealthcare.com/insurance/humana-grows-private-equity-backed-primary-care?utm_source=modern-healthcare-am-friday)
7. [https://www.fiercehealthcare.com/finance/physician-partners-kinderhook-500m-investment-value-based-care?utm\\_source=email](https://www.fiercehealthcare.com/finance/physician-partners-kinderhook-500m-investment-value-based-care?utm_source=email)
8. <https://www.fiercehealthcare.com/tech/ipm-2022-aledade-scoops-up-advance-care-planning-startup-iris-healthcare-to-build-out-health>

# Call to Action: Primary Care Investments & Alignment with Non-Traditional Players (Recent Highlights)



# CALL TO ACTION – DECLINING IP VOLUME

United States & South Dakota Admissions per 1000



Source:KFF.org - Updated 3/7/2023

Data are for community hospitals, which represent 85% of all hospitals. Federal hospitals, long term care hospitals, psychiatric hospitals, institutions for the mentally retarded, and alcoholism and other chemical dependency hospitals are not included.



## CALL TO ACTION – DECLINING OP VOLUME



In 2018, US hospital outpatient visits declined for the first time since 1983, specifically in the number of emergency outpatient visits



Per the American Hospital Association's [2020 Hospital Statistics report](#), 6,146 US hospitals delivered 879.6 million outpatient visits in 2018, 0.9% less than in 2017, when they delivered 880.5 million outpatient visits



The report cites that the amount of outpatient care delivered ***has most likely increased***, but that ***care is being delivered in competitive new options*** such as urgent care centers and retail clinics such as those recently launched by CVS Health

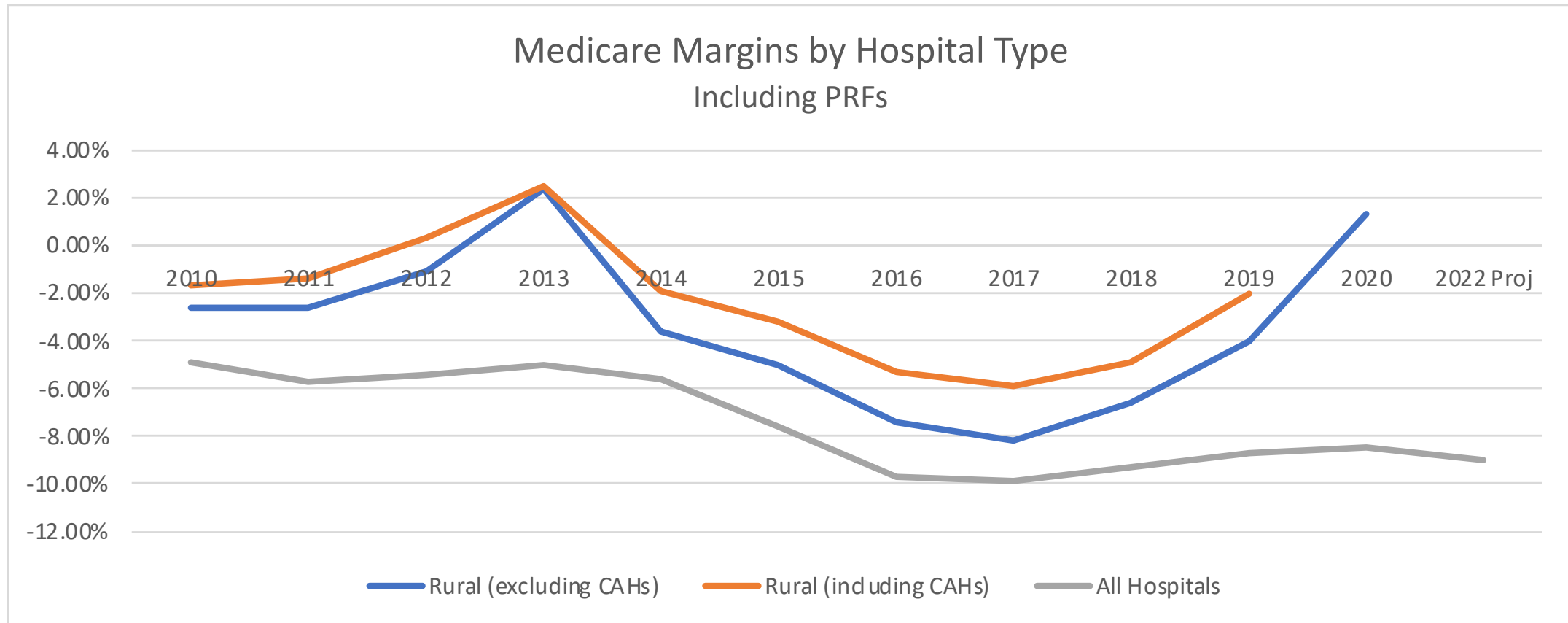


Insurers have contributed to the trend, with UnitedHealthcare recently refusing to pay for certain outpatient surgeries in hospital settings to save money





## CALL TO ACTION: DECLINING MEDICARE MARGINS



## NEW CMMI DIRECTOR DR. LIZ FOWLER ON “STRATEGIC REFRESH”

“WE NEED TO FIND A WAY TO BRING EVERYONE ALONG. WE CAN’T HAVE FEE-FOR-SERVICE REMAIN A COMFORTABLE PLACE TO STAY.”

“We need to have a clear path for the innovators who are ready and willing and able to take on...risk, but I think we also need to push the laggards and then we need to reach those who have challenges participating....It may not be one-size-fits-all.”

*On CMMI innovation models:* “A lot of what we’ve done has been aimed toward certification of models to become a permanent part of Medicare....In trying to get a model certified, it really does suggest a very specific model and a very specific way of thinking about evaluations and the assessment by actuaries. I wonder if we can instead think about the overall goal being transformation of the system instead of certification, or both.”



# CMS 2024 INPATIENT PERSPECTIVE PAYMENT PROPOSED RULE (4/10/23)

## ➤ Payment Rate Update

### PROPOSED FY 2024 APPLICABLE PERCENTAGE INCREASES FOR THE IPPS

<b>FY 2024</b>	<b>Hospital Submitted Quality Data and is a Meaningful EHR User</b>	<b>Hospital Submitted Quality Data and is NOT a Meaningful EHR User</b>	<b>Hospital Did NOT Submit Quality Data and is a Meaningful EHR User</b>	<b>Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User</b>
Proposed Market Basket Rate-of-Increase	3.0	3.0	3.0	3.0
Proposed Adjustment for Failure to Submit Quality Data under Section 1886(b)(3)(B)(viii) of the Act	0.0	0.0	-0.75	-0.75
Proposed Adjustment for Failure to be a Meaningful EHR User under Section 1886(b)(3)(B)(ix) of the Act	0.0	-2.25	0.0	-2.25
Proposed Productivity Adjustment under Section 1886(b)(3)(B)(xi) of the Act	-0.2	-0.2	-0.2	-0.2
<b>Proposed Applicable Percentage Increase Applied to Standardized Amount</b>	<b>2.8</b>	<b>0.55</b>	<b>2.05</b>	<b>-0.2</b>



## CY2023 MEDICARE PFS – MSSP PROPOSED RULE (7/07/2022) AND FINAL RULE (11/1/2022) (CONTINUED)

- CMS issued a proposed rule that announces and solicits public comments on proposed policy changes for Medicare payments under the PFS, and other Part B issues, on or after January 1, 2023 (continued)
  - **Rule was finalized on 11/1/2022**
- Key elements related to MSSP include:
  - Finalized proposal to provide advance investment payments (AIPs) to low revenue ACOs, inexperienced with performance-based risk Medicare initiatives, that are new to the program
    - **One-time fixed payment of \$250K with quarterly payments** for first two years of 5-year agreement period
    - Requirement that advanced payments be used for improving healthcare provider infrastructure, increase staffing, or provide accountable care to underserved beneficiaries
    - Application period during CY23 for 1/1/24 start
    - Advanced payments would increase with higher levels of dual eligible beneficiaries
    - Advance payments would be paid back from future shared savings
  - Expand opportunities for certain low revenue ACOs participating in the BASIC track to share in savings even if they do not meet the minimum savings rate



## CALL TO ACTION: IN SUMMARY



Traditional fee-for-service payment will continue to transition to value-based payment



Pressure for operational efficiencies and human and capital resources will continue to accelerate



Clinical integration will create advantages to systems of accountable care (Value based payment, re-admission rates and preventable re-admissions, bundled payments, accountable care organizations, etc.)



Flexibility must be ingrained into any short to medium term strategies as a direct result of increased regulatory and environmental uncertainty



# FUTURE HOSPITAL FINANCIAL VALUE EQUATION

- Definitions

- Patient Value

$$\text{Patient Value} = \frac{\text{Quality}}{\text{Cost}} \times \text{Population}$$

- Accountable Care:

- A mechanism for *providers to monetize the value derived from increasing quality and reducing costs*

- Accountable care includes many models including bundled payments, value-based payment program, provider self-insured health plans, Medicare defined ACO, capitated provider sponsored healthcare, etc.

- Different “this time”

- Providers monetize value

- Government “All In”

- New information systems to manage costs and quality

- Agreed upon evidence-based protocols

- Going back is not an option



## FUTURE HEALTHCARE PROVIDER FINANCIAL VALUE EQUATION

- ACO Relationship to Small and Rural Healthcare Providers
  - Revenue stream of future tied to Primary Care Physicians (PCP) and their patients
  - Small and rural healthcare providers bring value / negotiating power to affiliation relationships as generally PCP based
    - Smaller community healthcare providers have value through alignment with revenue drivers (PCPs) rather than cost drivers but must position themselves for new market:
      - Alignment with PCPs in local service area
      - Develop a position of strength by becoming highly efficient
      - Demonstrate high quality through monitoring and actively pursuing quality goals



# THE PREMISE

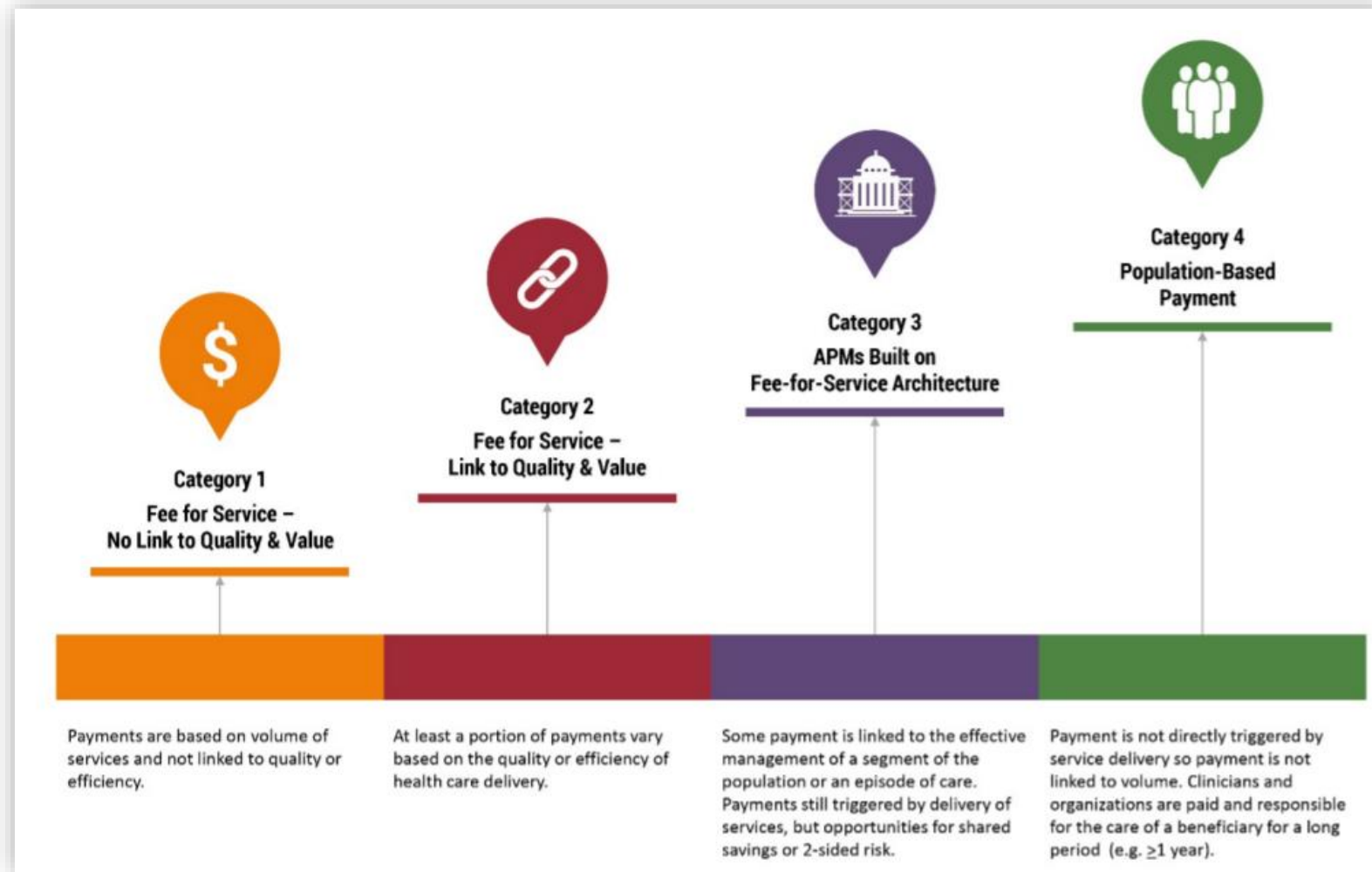


- Macro-economic payment system
  - Government payers changing from fee-for-service (FFS) to population-based payment system (PBPS)
  - CMMI is considering making value-based payment models mandatory
  - Private payers follow government payers
- Provider imperatives
  - Fee-for-service (FFS):
    - Maximization of price and utilization
    - Management of costs
  - Provider Based Payment System (PBPS):
    - Management of care of a defined population
    - Providers assume risk
- Provider organization evolution from:
  - Independent organizations competing with each other for market share →
  - Aligned organizations competing with other aligned organizations for covered lives based on quality and value
- Network and care management organization must develop new competencies:
  - Network development
  - Care management
  - Risk contracting & management

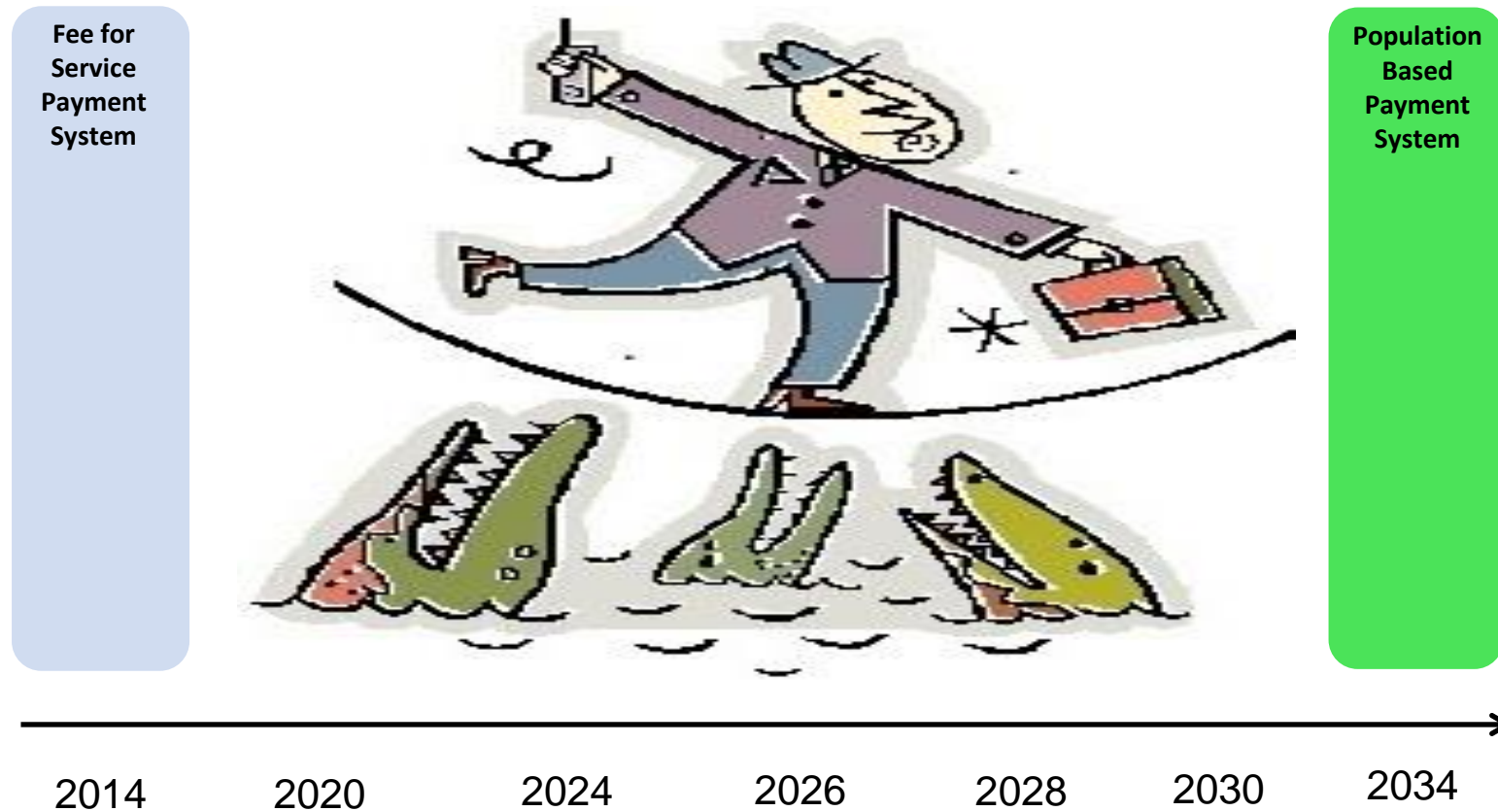




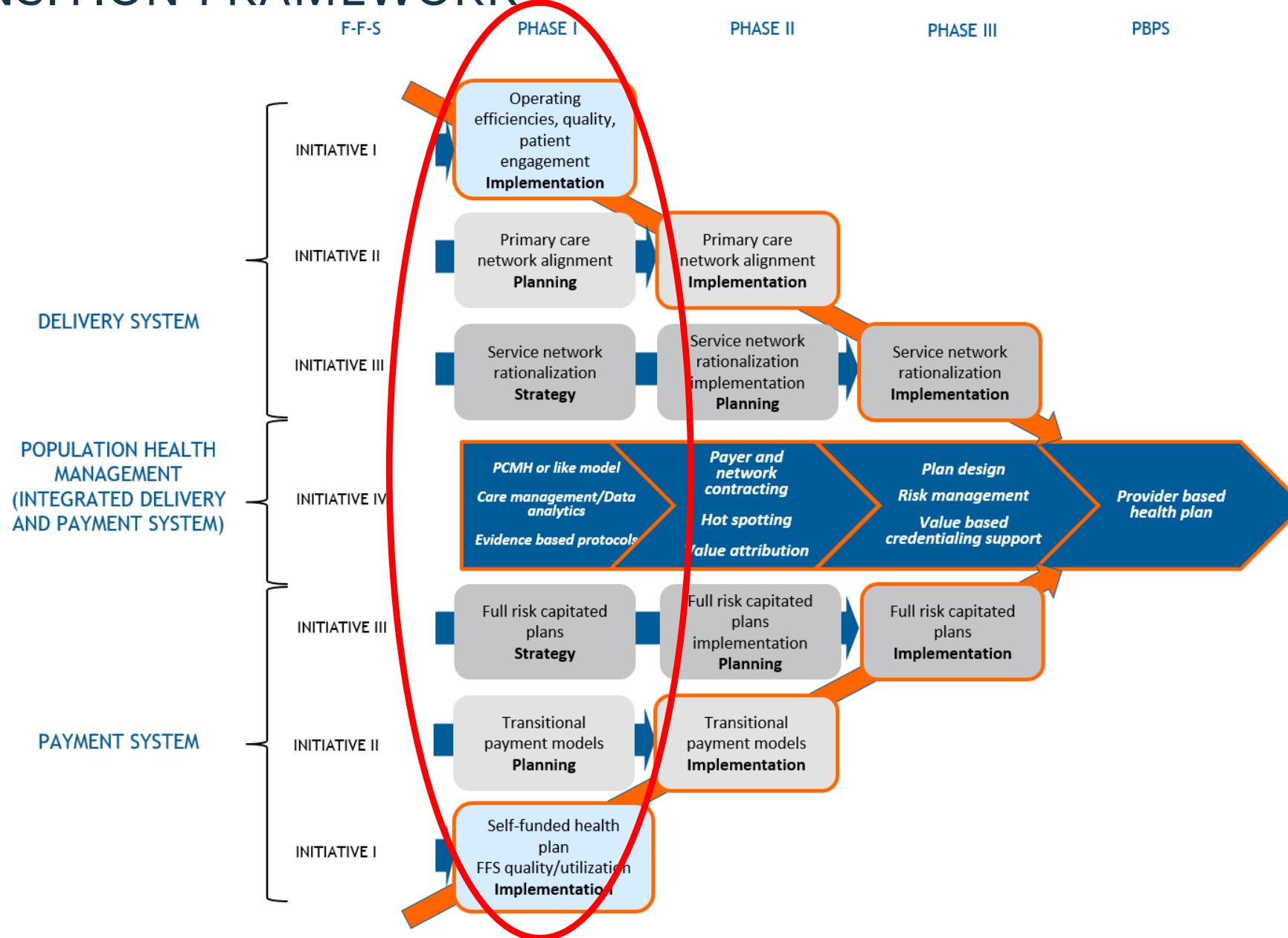
# TRANSITION FRAMEWORK –VALUE-BASED JOURNEY



# CHALLENGE: CROSSING THE SHAKY BRIDGE



# TRANSITION FRAMEWORK



# INITIATIVE I – OPERATING EFFICIENCIES, PATIENT SAFETY AND QUALITY

- Hospitals not operating at efficient levels are currently, or will be, struggling financially
- “Efficient” is defined as
  - Appropriate patient volumes meeting needs of their service area
  - Revenue cycle practices operating with best practice processes
  - Expenses managed aggressively
  - Physician practices managed effectively
  - Effective organizational design



Graphic: National Patient Safety Foundation



# OPERATING EFFICIENCIES, PATIENT SAFETY AND QUALITY

- Focus on Quality and Patient Safety
  - As a strategic imperative
  - As a competitive advantage

U.S. HHS Hospital Compare Measures	National Avg.	MA Average	Fairview Hospital	Berkshire Medical Center	Baystate Medical Center	Columbia Memorial Hospital	Sharon Hospital	Saint Peter's Hospital	Brigham and Women's Hospital	Mass General Hospital	Albany Medical Center	Charlotte Hungerford Hospital
<b>Patient Survey Summary Star Rating:</b>			5	3	3	2	4	3	3	4	2	3
<b>Patient Satisfaction (HCAHPS) Average:</b>	71%	70%	84%	68%	66%	61%	73%	67%	71%	74%	64%	65%
Nurses "Always" communicated well:	80%	80%	92%	81%	75%	73%	84%	77%	80%	83%	75%	77%
Doctors "Always" communicated well:	82%	81%	90%	78%	77%	74%	84%	76%	80%	82%	70%	75%
"Always" received help when wanted:	68%	66%	88%	64%	59%	58%	71%	59%	69%	65%	62%	60%
Pain "Always" well controlled:	71%	71%	83%	73%	68%	70%	72%	70%	69%	72%	65%	69%
Staff "Always" explained med's before administering:	65%	64%	78%	64%	61%	56%	69%	59%	61%	66%	58%	58%
Room and bathroom "Always" clean:	74%	72%	86%	73%	67%	63%	78%	63%	66%	72%	66%	72%
Area around room "Always" quiet at night:	62%	53%	68%	46%	48%	45%	60%	47%	56%	54%	43%	40%
YES, given at home recovery information:	87%	89%	94%	89%	88%	83%	85%	87%	89%	90%	83%	91%
"Strongly Agree" they understood care after discharge:	52%	53%	70%	50%	49%	41%	51%	49%	51%	59%	46%	47%
Gave hospital rating of 9 or 10 (0-10 scale):	72%	70%	88%	65%	65%	53%	73%	69%	80%	82%	65%	60%
YES, definitely recommend the hospital:	71%	74%	91%	65%	73%	50%	72%	76%	84%	90%	70%	61%

Source: [www.hospitalcompare.hhs.gov](http://www.hospitalcompare.hhs.gov)

Highest Score	<div style="width: 20px; height: 10px; background-color: #008000; border: 1px solid black;"></div>
Above State Avg.	<div style="width: 20px; height: 10px; background-color: #90EE90; border: 1px solid black;"></div>
Below State Avg.	<div style="width: 20px; height: 10px; background-color: #FFDAB9; border: 1px solid black;"></div>
Lowest Score	<div style="width: 20px; height: 10px; background-color: #FF4500; border: 1px solid black;"></div>



## INITIATIVE II – PRIMARY CARE ALIGNMENT

- Understand that revenue streams of the future will be tied to primary care physicians, which often comprise a majority of the rural and small hospital healthcare delivery network
  - Thus, small and rural hospitals, through alignment with PCPs, will have extraordinary value relative to costs
- Physician Relationships
  - Hospital align with employed and 30independent providers to enable interdependence with medical staff and support clinical integration efforts
    - Contract (e.g., employ, management agreements)
    - Functional (share medical records, joint development of evidence-based protocols)
    - Governance (Board, executive leadership, planning committees, etc.)
- *Potential Model for Rural:*
  - *New PHO/CIN/IHN*



# INITIATIVE III – RATIONALIZE SERVICE NETWORK

- Develop system integration strategy
  - Evaluate wide range of affiliation options ranging from network relationships, to interdependence models, to full asset ownership models
    - Interdependence models through alignment on contractual, functional, and governance levels, may be option for rural hospitals that want to remain “independent”
  - Explore / Seek to establish interdependent relationships among small and rural hospitals understanding their unique value relative to future revenue streams
- Identify the number of providers needed in the service area based on population and the impact of an integrated regional healthcare system
- Conduct focused analysis of procedures leaving the market
  - Understand real value to hospitals
    - Under F-F-S
    - Under PBPS (Cost of out of network claims)



# PAYMENT SYSTEM STRATEGY – INITIATIVE I





# PAYMENT SYSTEM STRATEGY – INITIATIVE II

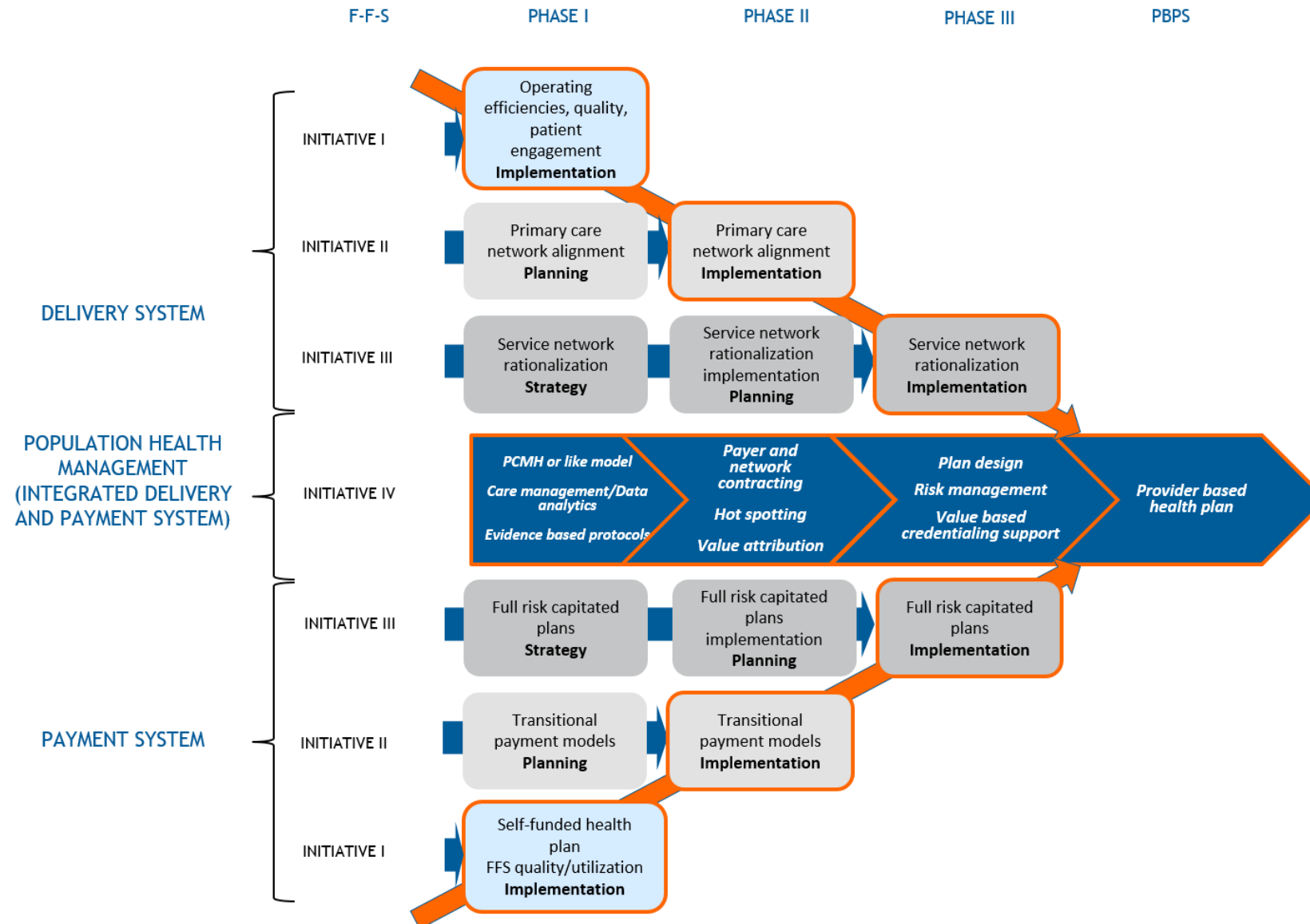


# POPULATION HEALTH STRATEGIES – PHASE I

- Phase I: Develop Population Health building blocks
  - Goal: Infrastructure to manage self-insured lives and maximize FFS Utilization and quality incentives
  - Initiatives:
    - PCMH or like structure
    - Care management
      - Discharge planning across the continuum
        - Transportation, PCP, meds, home support, etc.
      - Transitions of care (checking in on treatment plan)
        - Medication reconciliation
        - Post discharge follow-up calls (instructions, teach back, medication check-in)
        - Identifying community resources
        - Maintain patient contact for 30 days
    - Develop claims analysis capabilities/infrastructure
    - Develop evidenced based protocols



# TRANSITION FRAMEWORK – IN REVIEW



## LESSONS LEARNED

- Transition to population-based payment system will be evolutionary and not revolutionary
- There is no risk-free payment system
  - Fee-For-Service
  - Population Based Payment
- Value-Based Risk = Residual Claim on Health
  - But only to the extent that providers receive full per capita payment
- Benefits provided to one payer are reaped by other payers
- 80-20 Fixed-variable cost understanding is critical
  - Claims costs confuse healthcare economics as they are used for a proxy for the cost of delivering healthcare
  - Variable costs are equal to claims cost only when services are provided out of network
  - There will be short term incentives to increase FFS volume until 80% of payment is Population-Based
- Full transition to population-based payment will take years but when complete, will fundamentally align provider organization incentives with the greater population's interest



## CONCLUSIONS/RECOMMENDATIONS

- For decades, rural hospitals have dealt with many challenges including low volumes, declining populations, difficulties with provider recruitment, limited capital constraining necessary investments, etc.
  - The current environment driven by healthcare reform and market realities now offers a new set of challenges. Many rural healthcare providers have not yet considered either the magnitude of the changes or the required strategies to appropriately address the changes
- Locally delivered healthcare (including rural and small community hospitals) has high value in the emerging delivery system
- “Shaky Bridge” crossing will require planned, proactive approach
  - Critical to maintain alignment between delivery system models and payment systems building flexibility into the delivery system model for the changing payment system



## CONCLUSIONS/RECOMMENDATIONS (CONTINUED)

- Important strategies for providers to consider include:
  - Increase leadership awareness of new environment realities
  - Strategic plan to incorporate new strategic imperatives – “Bridge Strategy”
  - Improve operational efficiency of provider organizations
  - Adapt effective quality measurement and improvement systems as a strategic priority
  - Align/partner with medical staff members contractually, functionally, and through governance where appropriate
  - Seek interdependent relationships with developing regional systems
  - Develop strategies to proactively move towards value-based payment

