Thriving Under Value-Based Care: Are You Ready?

HFMA OK-TX Lone Star Chapter Conference

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Principal

Terri’s expertise in the area of managed care is unmatched in the healthcare industry. The head of ECG’s Contracting and Reimbursement practice, Terri has spent nearly 20 years helping providers develop innovative payment approaches, negotiate contracts, devise reimbursement strategies, and ultimately improve revenues. Clients appreciate Terri’s forward thinking and her keen understanding of evolving payor/provider payment models, and she is highly regarded for her ability to achieve tangible, lasting results. She has provided strategic advisory services and led payor negotiations for numerous health systems, improving their annual bottom-line revenue by millions of dollars. She has worked with health plans and their provider risk partners to structure funds flow models that align the incentives of payors, hospitals, physicians, and other services within the care delivery system.

Recently Terri has worked closely with health systems, hospitals, medical groups, and payors to establish contracting structures that facilitate clinical integration, helping them develop and execute the types of arrangements needed to successfully react to healthcare reform. This work includes national experience developing and implementing ACOs, CINs, and population health management (PHM) organizations for Medicare, Medicaid, commercial, and employee health plan products.
Agenda

» Market Trends
» The Value-Based Enterprise
» Questions
Health plans and providers are looking into new partnerships to achieve the goals of lower cost, improved patient experience, and better population health.

Healthcare Innovation — Public and Private Sectors

» On January 26, 2015, the U.S. Department of Health and Human Services stated its intent to distribute half of Medicare’s payment to providers through alternative models that include total-cost-of-care budgets. This highlights the need for health systems to take the final critical step in transitioning to PHM by incrementally working toward population-based reimbursement.¹

» The Health Care Transformation Task Force, composed of large U.S. health systems, insurance companies (Aetna), and employer groups, convened and announced a goal of shifting 75% of its business to performance-based contracts.²

¹ Modern Healthcare, January 26, 2015.
Insurers and providers have approached these three core competencies from different perspectives. Going forward, there is an increased need to agree on who does what best to avoid duplication and improve performance.
Market Trends
There Is an Increased Emphasis in Care Coordination and Care Management

ECG believes organizations that are able to develop and apply care coordination and care management principles effectively will be the most successful as value-based care and payment delivery models evolve.

TRENDS

» Care coordination can be provided by different roles, including clinical and nonclinical (e.g., care managers, care coordinators, patient navigators, nurses).

» As patient demands change and healthcare becomes more complex, care coordination and care management efforts become increasingly important.

» As patient needs and risk levels are further understood, care teams are appropriately defined and staffing models determined.

» Medicaid, Medicare, and commercial payors are expanding reimbursement models to be inclusive of care coordination and care management services.
The strategy considers how to manage patients, providers, and costs in order to expand market share and mitigate the financial impact of reduced volume.

**Market Share**
- Capitalize on efficiencies to establish relationships and contracts to secure a larger market share.

**Population Health Strategy**
- Manage the health of your patients by ensuring access and identifying the right intervention at the right time.

**Providers**
- Manage providers by monitoring performance and aligning financial incentives.

**Cost**
- Manage internal costs by increasing shared services, reducing variation, and increasing efficiencies.
Market Trends
IT Serves as a Foundation for Value-Based Reimbursement and Population Health

Survival in the value-based world requires functional IT to provide the data, workflow support, and tools needed to execute population health initiatives.

- **PATIENTS**
  - Access and Use
- **PROVIDERS**
  - Alignment and Performance
- **COST**
  - Efficiencies and Variation
- **MARKET SHARE**
  - Targeted Growth

IT provides the data assets and functionalities necessary to connect patients to the care they need and providers to the information they require.

Business intelligence tools and analytics provide the insight needed to improve performance, reduce costs, and target new opportunities.
The current trajectory of healthcare spending (utilization) is unsustainable.

There is a mandate from consumers to fix the current model.

To be successful, the systemic changes must be significant.

The healthcare industry has a choice to either be:

- proactive and reshape the delivery system, or
- reactive and respond to changes brought about by outside forces.
Success will be measured by an organization’s ability to achieve the “triple aim.”
To properly position for the **EVOLVING** HEALTHCARE ENVIRONMENT, hospitals and physician groups need to simultaneously evolve — **OPERATIONALLY, STRATEGICALLY, FINANCIALLY, and TECHNOLOGICALLY**.
The Value-Based Enterprise
These Tenets Form the Basis for the VBE

VALUE-BASED ENTERPRISE

<table>
<thead>
<tr>
<th>Integrated</th>
<th>Scaled</th>
<th>Rationalized</th>
<th>Informed</th>
<th>Responsive</th>
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<tbody>
<tr>
<td>Dismantling silos to better coordinate care, align resources, and rally providers around a shared goal of high-quality care</td>
<td>Maximizing operational efficiency, expansion potential, and economies of scale</td>
<td>Balancing care quality, efficiency, accessibility, and cost in (re)distributing service lines</td>
<td>Managing and utilizing relevant data to make key clinical and organizational decisions</td>
<td>Harnessing change and using it to drive organizations forward</td>
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</tbody>
</table>
Application of the strategic themes discussed today will vary by type of organization.

- **URBAN INTEGRATED**: Part of a regional system
- **URBAN INDEPENDENT**: Urban hospital that is not aligned with others
- **RURAL INDEPENDENT**: Hospital in a rural community with no ties to a larger organization
The Value-Based Enterprise
Value-Based Enterprises are: INTEGRATED

KEY COMPONENTS

» **Clinical Integration:** seamless, standardized, and coordinated care across providers and settings

» **Financial Integration:** shared financial data, resources, risk, and rewards
The Value-Based Enterprise
Best Practices for Achieving an Integrated Enterprise

<table>
<thead>
<tr>
<th>CLINICAL INTEGRATION NEEDS</th>
<th>CLINICAL INTEGRATION OUTCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control over most of the care continuum</td>
<td>Seamless, standardized, and coordinated delivery of care across providers and settings</td>
</tr>
<tr>
<td>Strengthened physician-hospital relationships</td>
<td>Improved alignment with ability to enhance scope and quality of services, and opportunities to drive referrals</td>
</tr>
<tr>
<td>Comprehensive network formation</td>
<td>Expanded geographic reach and market share of covered lives</td>
</tr>
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</table>
The Value-Based Enterprise
Best Practices for Achieving an Integrated Enterprise (continued)

FINANCIAL INTEGRATION

- Align finances and pool assets to achieve economies of scale and cost reductions

- Position well with respect to negotiating contracts, reimbursement structures, payment incentives, and vendor contracts to align financial incentives in the best interest of the system as a whole

- Create the appropriate incentive structure that encourages focusing on doing what is right for patients (and in managing the health of the population)
The Value-Based Enterprise

Value-Based Enterprises are: SCALED

VALUE-BASED ENTERPRISE

- Integrated
- Scaled
- Rationalized
- Informed
- Responsive

KEY COMPONENTS

- Financial scale
- Operating scale
- Covered lives and population health competencies
- Market coverage
The Value-Based Enterprise
Best Practices for Achieving a Scaled Enterprise

ACHIEVE ECONOMIES OF SCALE

» Strategically and efficiently deploying capital
» Properly defining risk taking
» Better contracting through investment in clinical integration
» Reducing costs and purchasing services efficiently

EXPLORE NEW METHODS OF ACHIEVING SCALE

» Looking beyond mergers and acquisitions
» Considering valuable partnerships, affiliations, and network formation
» Participating in contracting networks or other health system collaboratives
The Value-Based Enterprise
Valued-Based Enterprises are: RATIONALIZED

VALUE-BASED ENTERPRISE

- Integrated
- Scaled
- Rationalized
- Informed
- Responsive

KEY COMPONENTS

- Contained costs
- Enhanced efficiency
- Optimized resource utilization
- High-quality care provided in the most accessible, efficient manner
- Reduced redundancies
The Value-Based Enterprise
Best Practices for Achieving a Rationalized Enterprise

- MATCH DEMAND: Matching the demands of patients with the most appropriate care delivery system
- REGIONALIZE: Exploring best-fit regionalization strategies/models (e.g., hub-and-spoke model and others)
- BALANCE CLINICAL AND ACADEMIC COMPONENTS: Ensuring growth or reorganization in one supports (or at least does not hinder) the other
The Value-Based Enterprise
Overcoming Barriers to Rationalization and Regionalization

Build Cultural Readiness
- Use data to create a platform for change
- Link to broader organizational strategies
- Incentivize physicians to help
- Develop a compelling case for why regionalization is better

Establish Clear Ground Rules and Transparent Decision-making Criteria
- Establish the decision-making path and criteria to communicate an unbiased, stakeholder-inclusive, and system-centric approach to service distribution

Organize Efforts By Service Line; Start with Greatest Opportunities
- Build a business case for redistributing a service line; take manageable steps toward implementing regionalization strategies

Include and Engage Stakeholders at All Levels
- Engage stakeholders at all levels to address questions and concerns and create win-win scenarios for those who are directly impacted
The Value-Based Enterprise
Examples of Rationalization Strategies

HUB-AND-SPOKE MODEL
Tertiary hospitals acting as hubs where complex specialty services are provided; smaller community hospitals and provider groups within the system act as the spokes and feed patients to the specialty service centers.

DISTRIBUTED MODEL
Centers of excellence are established for specific service lines across a system and located at designated facilities based on strategic factors.

COORDINATED MODEL
Service lines are coordinated across care settings and performance is measured at the system rather than facility level.
Understanding of potential drastic shifts in payment environment
» A strong grasp on local market dynamics
» Well-leveraged data and information sources
The Value-Based Enterprise
Best Practices for Achieving an Informed Enterprise

» Providing ready access to the data resources necessary to make informed decisions (EHR/EMR-derived data, population health management tools, clinical informatics, utilization data, etc.)

» Building the culture of the organization to become more data-driven

Summary of EHP Members by Number of Chronic Conditions

<table>
<thead>
<tr>
<th>Number of Chronic Conditions</th>
<th>Members</th>
<th>Percentage of Total</th>
<th>Average Annual Spending</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>18,798</td>
<td>36%</td>
<td>$10,811,911</td>
<td>7%</td>
</tr>
<tr>
<td>1</td>
<td>13,155</td>
<td>25%</td>
<td>$16,856,290</td>
<td>11%</td>
</tr>
<tr>
<td>2</td>
<td>7,654</td>
<td>15%</td>
<td>$18,041,366</td>
<td>12%</td>
</tr>
<tr>
<td>3</td>
<td>4,832</td>
<td>9%</td>
<td>$17,265,152</td>
<td>12%</td>
</tr>
<tr>
<td>4</td>
<td>3,061</td>
<td>6%</td>
<td>$16,734,127</td>
<td>11%</td>
</tr>
<tr>
<td>5 or More</td>
<td>5,107</td>
<td>10%</td>
<td>$66,963,913</td>
<td>46%</td>
</tr>
<tr>
<td>Total</td>
<td>52,607</td>
<td>100%</td>
<td>$46,672,759</td>
<td>100%</td>
</tr>
</tbody>
</table>

Percentage of Members With Chronic Conditions

- 64%
- 93%

Average Annual Spending Per Member

- 0
- $5,000
- $10,000
- $15,000
The Value-Based Enterprise

Valued-Based Enterprises are: RESPONSIVE

VALUE-BASED ENTERPRISE

- Integrated
- Scaled
- Rationalized
- Informed
- Responsive

KEY COMPONENTS

» Nimble, proactive decision making
» Well-informed leadership
» Effective, contemporary management structure
The Value-Based Enterprise
Best Practices for Achieving a Responsive Enterprise

- Redesigning of leadership and management structures across the system and among entities or business units (e.g., introduce dyad and matrix reporting models, physician leadership)

- Creating ways to obtain a consistent stream of qualitative insight from stakeholders
- Considering the perspective of patients and providers, as well as multiple organizations

- Creating lean, vertical, and streamlined decision-making frameworks to better position execution on strategic priorities
### The Value-Based Enterprise

**Five Key Transitions in Preparing for Value**

<table>
<thead>
<tr>
<th>Category</th>
<th>Traditional</th>
<th>Value-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CARE DELIVERY</strong></td>
<td>Patient care is siloed and focused on purely clinical issues.</td>
<td>Multidisciplinary teams coordinate patient care and address nonclinical needs.</td>
</tr>
<tr>
<td><strong>PROVIDER NETWORK</strong></td>
<td>Specialist-focused.</td>
<td>Primary care–focused.</td>
</tr>
<tr>
<td><strong>CLINICAL AND BUSINESS INFORMATICS</strong></td>
<td>Decentralized and paper-based systems.</td>
<td>Standardized, centralized, and electronic systems.</td>
</tr>
<tr>
<td><strong>PAYMENT MODELS</strong></td>
<td>Predominantly fee-for-service arrangements encourage volume-based business models.</td>
<td>Addition of P4P, shared savings, and risk-based arrangements creates incentives for PHM.</td>
</tr>
<tr>
<td><strong>ORGANIZATIONAL FOUNDATION</strong></td>
<td>Segmented leadership based on provider type and care setting.</td>
<td>Cross-continuum leadership and consideration.</td>
</tr>
</tbody>
</table>
The establishment of a VBE requires comprehensive evolution over multiple years.

**Care Delivery Transformation**
- Analyze clinical and claims data.
- Develop protocols.
- Outline and prioritize clinical care improvements.
- Oversee clinical teams to address variation and create tools for improvement.
- Evolve framework for physician leadership, management, and accountability for protocol implementation.

**Robust Informatics**
- Develop reports of clinical and financial performance that reflect the priorities of value-based care.
- Incorporate tools that provide clinical decision support.
- Accomplish data exchange across the care continuum.

**Effective Payment Models**
- Align value-based reimbursement philosophy with clinical goals.
- Advance value-based payment models.
- Mitigate reliance on FFS by diversifying the portfolio and getting closer to the premium.
- Collaborate with payors.
- Update physician compensation structures to align with new methods of reimbursement.

**Comprehensive Provider Network**
- Provide and coordinate clinical scope across the care continuum.
- Ensure the network is aligned financially and clinically.
- Ensure the network follows protocols and facilitates in-network referrals.
The Value-Based Enterprise
Key Takeaways

**VALUE-BASED ENTERPRISE**

- **Integrated**: Dismantling silos to better coordinate care, align resources, and rally providers around a shared goal of high-quality care.
- **Scaled**: Maximizing operational efficiency, expansion potential, and economies of scale.
- **Rationalized**: Balancing care quality, efficiency, accessibility, and cost in (re)distributing service lines.
- **Informed**: Managing and utilizing relevant data to make key clinical and organizational decisions.
- **Responsive**: Harnessing change and using it to drive organizations forward.
Questions & Answers

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