The Fork in the Road:
Next Steps for Aging Services Providers and Health Care Reform

LSN – Chicago, IL May 2, 2012

Objectives

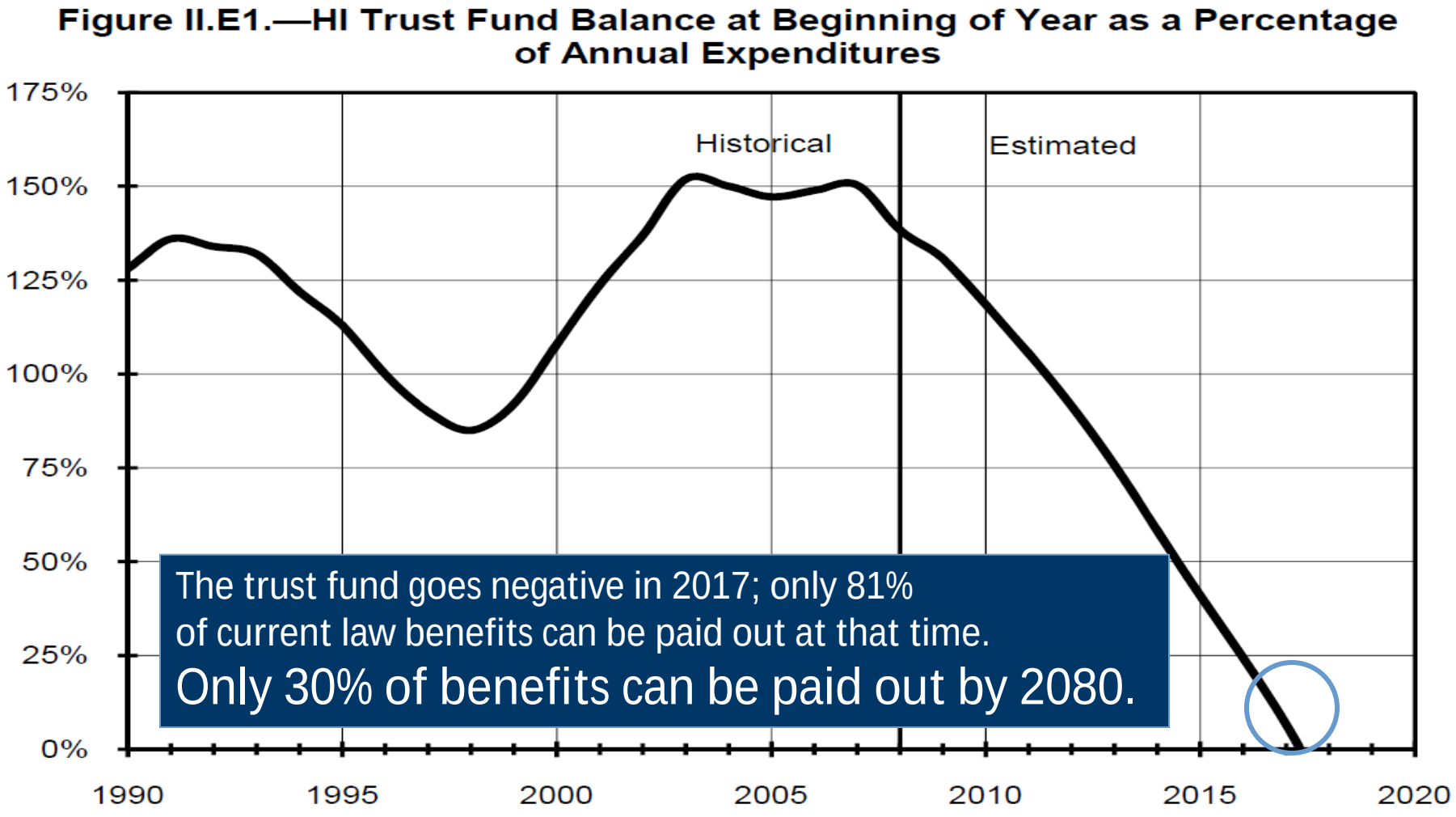
- Explore what hospitals, physicians and community providers are doing relative to Accountable Care Organizations (ACOs), bundled payments and building networks of care.
- Analyze successful strategies that aging service providers might pursue to smooth their transition into these evolving changes.
- Investigate “nuts and bolts” issues that long-term support and service providers must consider in preparing for change.

NIGHTMARE OR REALITY?

The World We Live In…

...we've been looking pretty good on Medicare

Until Medicare Runs Out of Money…



Source: 2009 Trustees Report, CMS, page 17


Reform in Some Form
PPACA or Otherwise…
…Is Unavoidable


…so stop doing this.

And… Get ready to dive into uncertain waters.

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Supreme Court Examines Constitutionality

- March 26-28 hearings
- Ruling: June 2012
- Issues under review
  - Individual mandate
  - Anti-Injunction
  - Medicaid Expansion
  - Constitutionality of the whole law

Possible Rulings

Individual Mandate

Mandate + Some Related Provisions

Throw Out Whole Law

Medicaid Expansion

Reform at the Core will Continue: The Triple Aim Goals

- **Better Care**
  - Improve/maintain quality and patient outcomes
  - Eliminate avoidable re/admissions
  - Eliminate potentially preventable conditions (e.g., never events)
- **Better Health**
  - Primary Care Driven
  - Focus on Prevention & Wellness
- **Reduce Cost**
  - Reduce/eliminate duplication
  - Improved coordination

According to CMS…

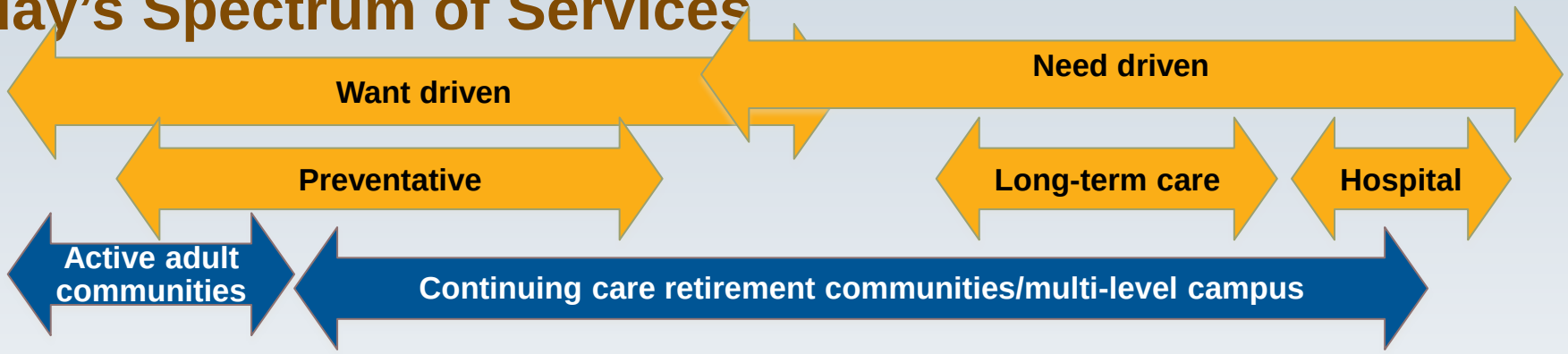
The person-centered post-acute care system of the future will:

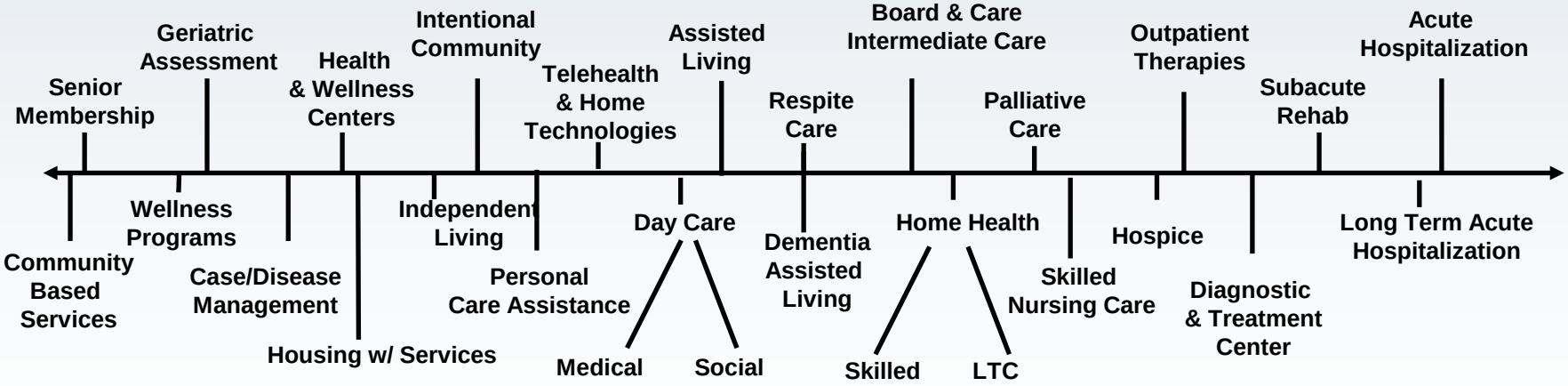
- Optimize choice and control of services;
- Ensure that placement decisions are based on patient needs;
- Provide coordinated, high quality care with seamless transitions between settings;
- Reward excellence by reflecting performance on quality measures in payment;
- Recognize the critical role of family care giving; and
- Utilize health information technology.

Source: CMS Policy Council Document, "Post-Acute Care Reform Plan", **September 2006**

The Field Of Aging Services Is Evolving

Today's Spectrum of Services





Source: Adapted from previous Greystone and LarsonAllen LLP presentations

CONSIDERING REFORM

What's Happening Out There?

Threads of Reform

- Reduce hospital readmissions
- Patient-centered care/experience
- Improved care transitions
- Health information sharing/exchange
- Prevention/wellness
- Chronic care management
- Total cost of care
- Integrated, coordinated, seamless care
- Higher quality, cost effective care
- Value-based payment to replace FFS
- Targeting high-cost, high-risk patients

What's Next?

Of late, a lot of people seem to keep asking the same things:

"What's the next BIG thing in healthcare reform?"

or

"What should we be doing next?"

Focus on Quality

Outcomes and Measurement, My Brothers & Sisters.

<u>Here's why:</u>

Accountable Care Organizations (ACOs)

Bundled payment and CMMI's Initiative

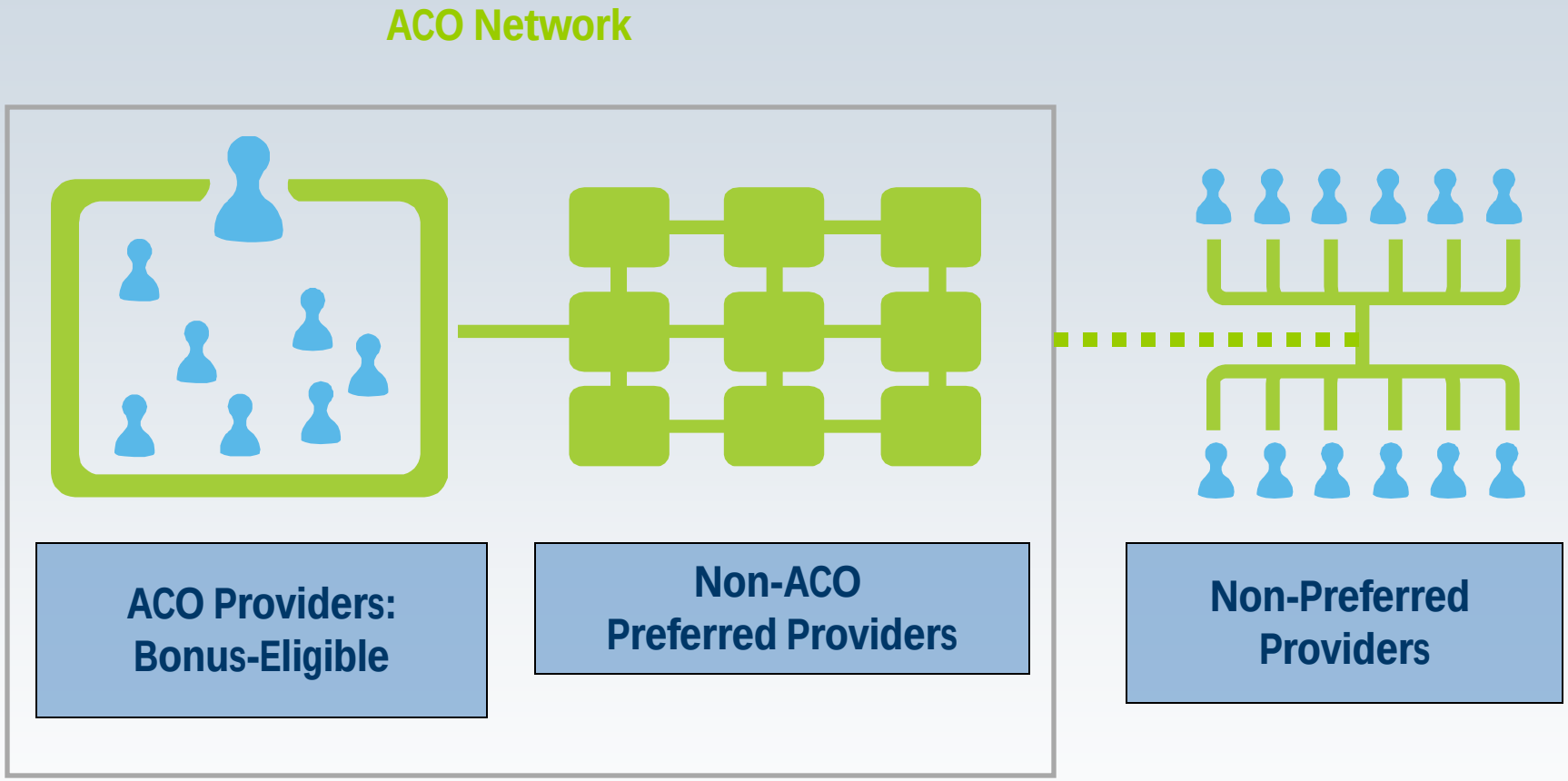
Value-Based Purchasing for SNFs

Preferred or Select Provider Networks

ACOs: General Definition

A group of health care providers working together to manage and coordinate care for a defined population, that share in the risk and reward relative to the total cost of care and patient outcomes.

Health Care Delivery: ACO Network



Primary Care Practitioners

Hospitals

"Value" Providers

Low Quality, High Cost Providers

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Medicare ACOs – Two Programs

Medicare Shared Savings Program

- Original intent – to be established no later than January 1, 2012
- Program requires the participating providers to form an Accountable Care Organization
- Final implementing rules published October 2011
- Two 2012 start dates: 4/1/2012 & 7/1/2012

Pioneer ACO Program

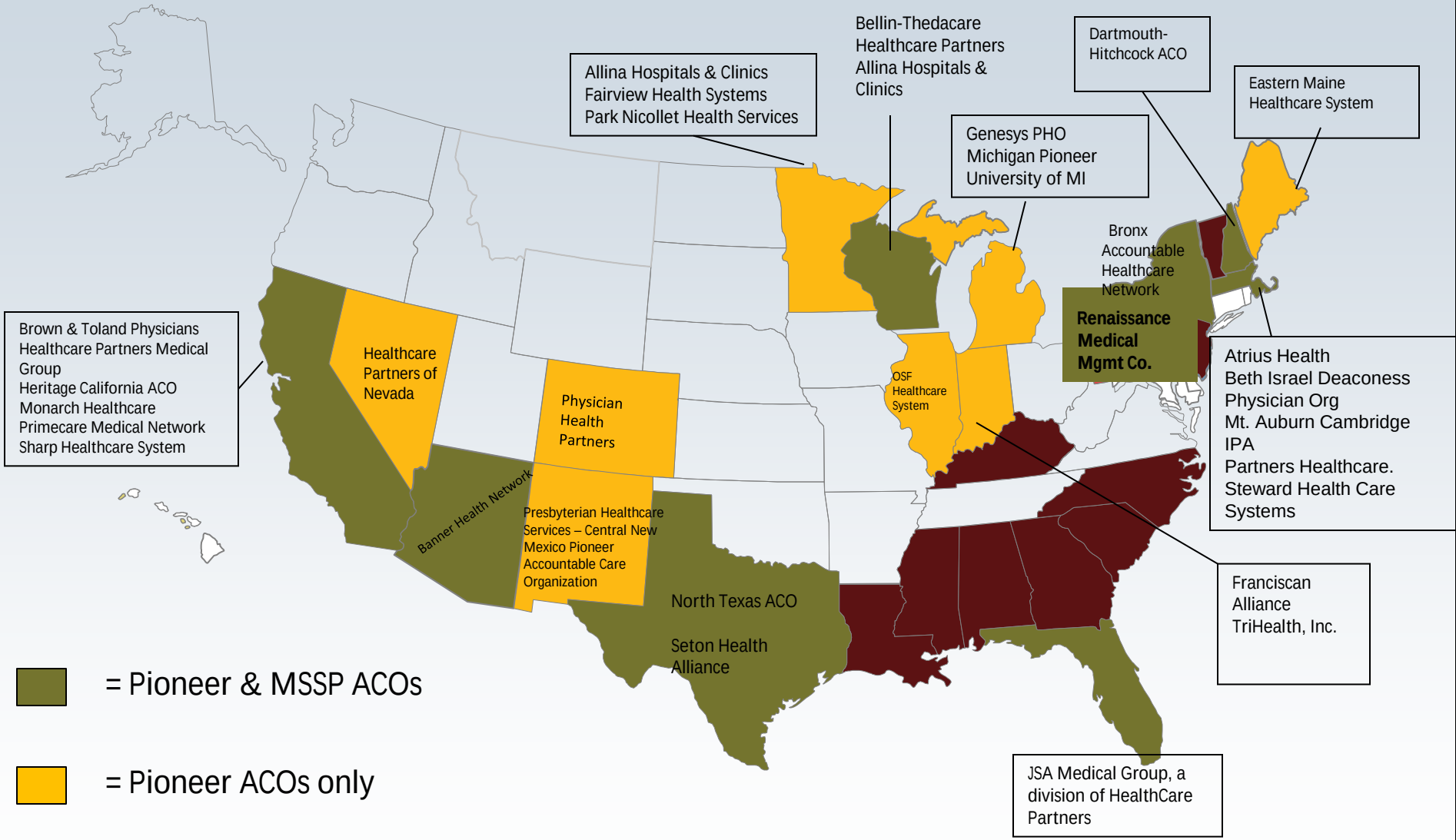
- Designed for organizations with experience in ACO-like delivery and payment arrangements.
- Requires participants to enter into outcomes-based contracts.
- Assignment of minimum of 15,000 Medicare beneficiaries
- Model transitions to greater financial accountability faster.

Medicare ACO: Quality and Reporting

- **Performance assessment is the same for MSSP, Pioneer & Advance Payment models**
- **ACOs Must Meet Minimum Quality for 33 Measures**
- **Year One Quality Metrics Fall Into Four Domains**
  - Patient/caregiver experience (7)
  - Care Coordination/Patient Safety (6)
  - Preventive Health(8)
  - At-Risk Population(12)

- **Must report on quality measures in all 3 years of contract**
  - **Year 1:** Pay for "complete and accurate" reporting of on all 33 measures
  - **Year 2 :** Pay for performance on 25 measures, pay for reporting on 8 measures.
  - **Year 3**: Pay for performance on 32 measures, pay for reporting on functional status measure.
- National ACO quality benchmarks to be released at beginning for 2nd performance year.

2012 Medicare ACOs



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Illinois ACOs

- Illinois was awarded one Pioneer ACO, OSF HealthCare, which includes OSF Healthcare System, with seven hospitals, one long-term care facility and two colleges of nursing. Also included is OSF Medical Group with more than 650 member physicians and advanced care practitioners in 90 locations. OSF owns an extensive network of home health services known as OSF Home Care Services and also owns OSF Saint Francis, Inc., comprised of health care-related businesses, and OSF Healthcare Foundation. The Pioneer ACO includes only those facilities, services and programs available in Central Illinois.

- Illinois, relative to many other states, is in the early stages of industry consolidation and payment reform initiatives.

Commercial ACOs Announced in 2012 in US

- **Westmed Medical Group:** a multi-specialty practice based in Purchase, N.Y., which includes more than 220 physicians
  - Plan partners: UnitedHealthcare and Optum.
  - Received level-3 recognition for its patient-centered medical home from the NCQA.
- **Fairview Health Services** (Minneapolis, MN): April 1, 2012 launched a collaborative ACO with Minneapolis-based Medica health plan and includes 350 clinics and seven hospitals . Fairview is also a Medicare Pioneer ACO.
- **Hoag Memorial Hospital Presbyterian (Newport, CA)**formed an ACO with Blue Shield of California and Greater Newport Physicians Medical Group, operational July 1, 2012. This will be Blue Shield of California's sixth commercial ACO in CA.
- **Weill Cornell Physician Organization(NYC)** launched a patient-centered ACO with Cigna and its roughly 71 primary care physicians. This is the first NYC-based patient-centered ACO between a payor and a physician organization.

Source: "5 New ACOs Announced This Year; What Does the Future Hold for Accountable Care?" – as accessed on 04/13/2012 at : http://www.beckershospitalreview.com/hospital-physician-relationships/5-new-acos-announced-this-year-what-does-the-future-hold-for-accountable-care.html

What are the ACOs Doing?

- **Many of the ACOs are focused right now in two major tasks:**
  1. **Attribution** – sorting out which Medicare beneficiaries may be "IN" or "OUT' of the ACO.
  2. **Physician Participation** – figuring out which primary care physicians are going to participate**.**

<u>Secondarily</u>

Some are still sorting out IT/EMR issues, quality management, communication and so on.

Post-acute care, while recognizably important, is not far up on the priority list for many.

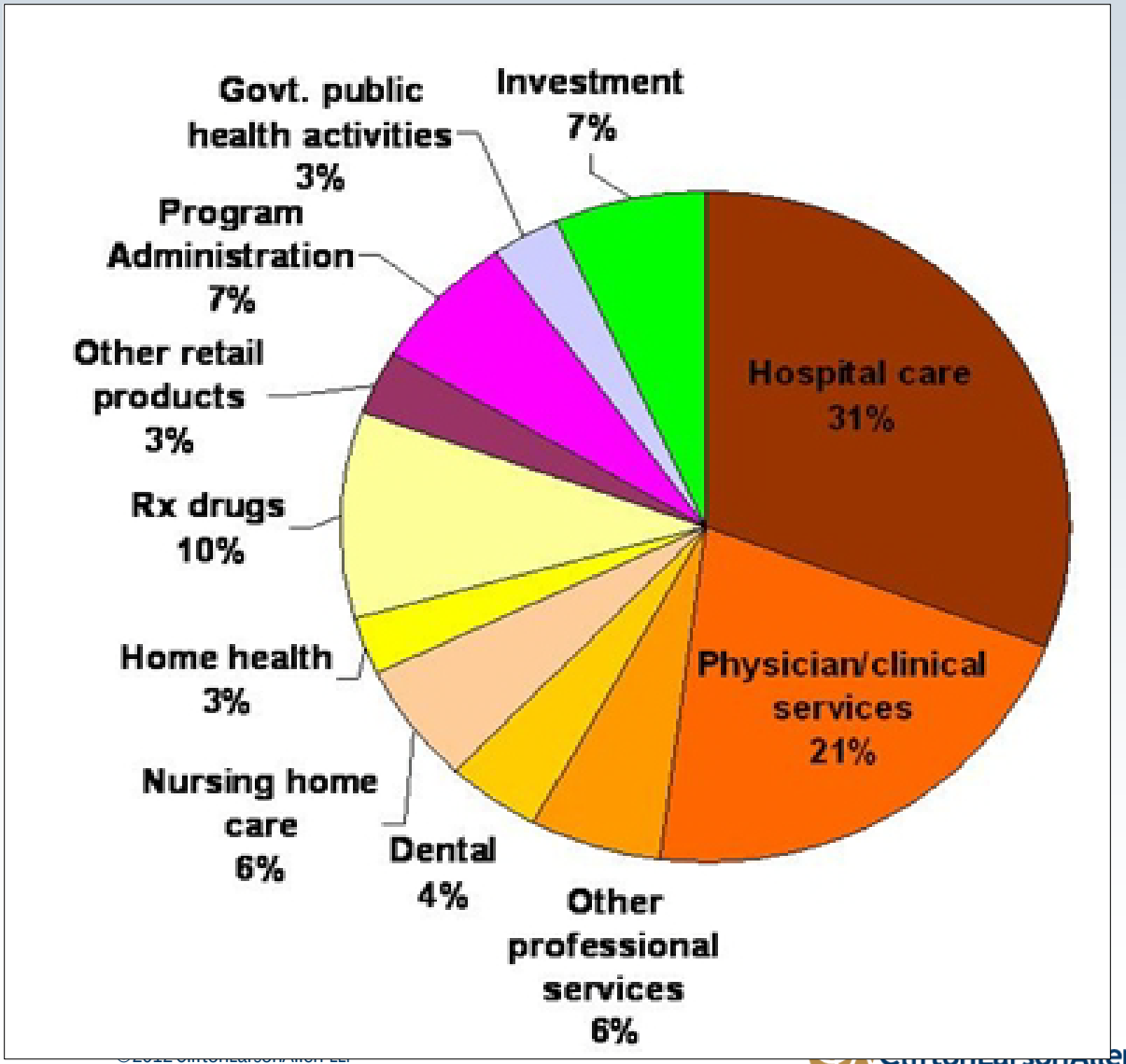
Why Isn't Post-Acute a Burning Issue?

Here's Why:

SNF care (or home health for that matter accounts for very small fraction of the total healthcare dollar in any given market.

They'll get to us.

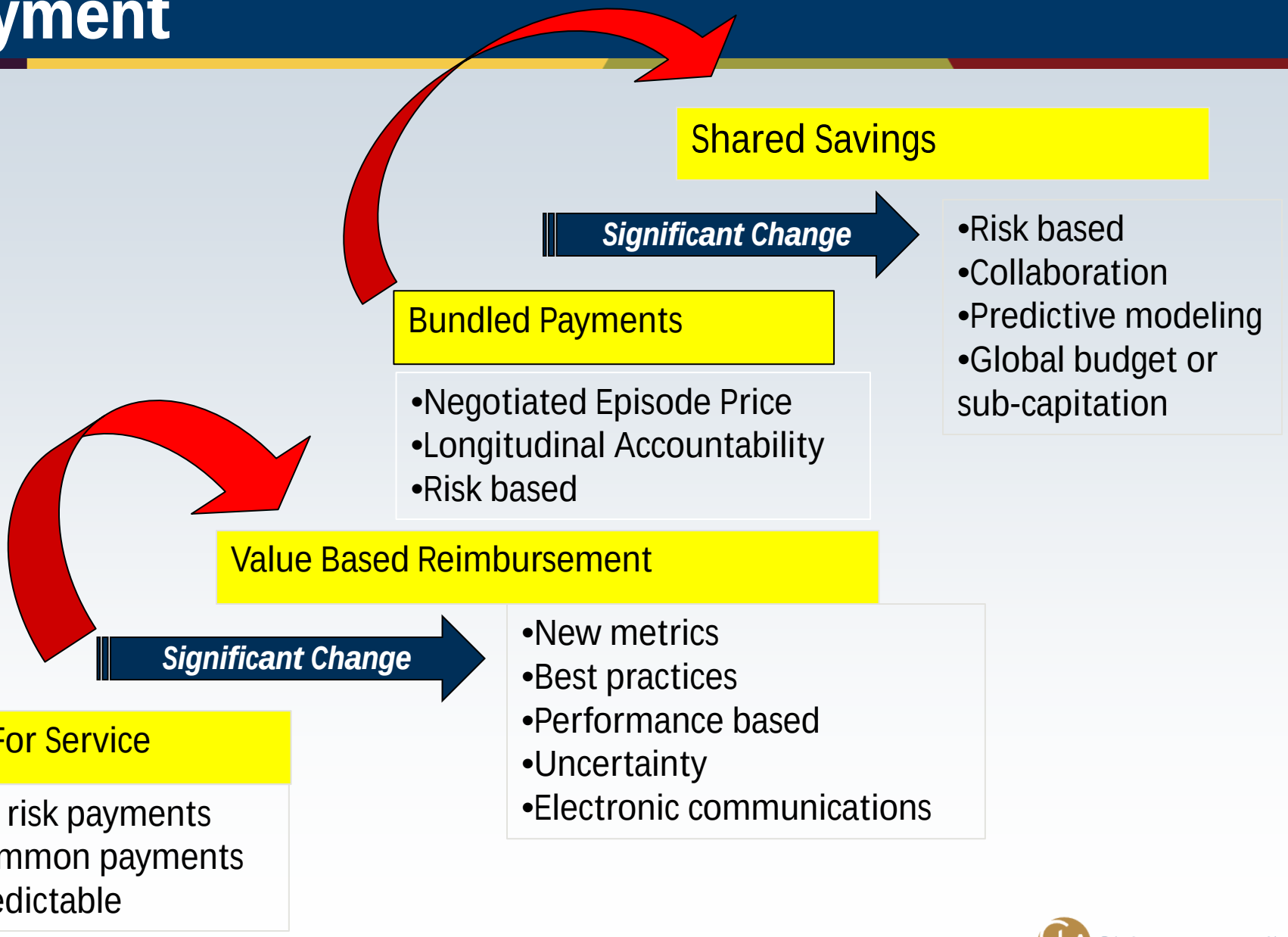
Will you be ready?



Bundled Payment: General Definition

A single, fixed per person payment paid to provider(s) for the provision of all services and expenses for an episode of care or for the management of a chronic condition for an individual.

Making the Transition to Performance Based Payment



Bundled Payments for Care Improvement Initiative

- Announced on August 23, 2011, the Centers for Medicare & Medicaid Services (CMS) announced its first bundled payment framework for testing out of the Center for Innovation
  - **The Bundled Payments for Care Improvement Initiative**
    - ◊ Tests four models of bundled payment related to an inpatient stay
      - Two models look only at the inpatient stay itself
      - Two models look at post-acute services
      - One model is prospective payment vs. the other three which are retrospective
      - Target price must be set based upon individual provider's cost history.
    - ◊ Goal is to redesign care to deliver the Triple Aim
      - Gainsharing to align provider incentives will be permitted
- Applications due ~~April 30, 2012~~ ~~May 16, 2012~~

  June 28, 2012

Desirable Characteristics of Post Acute Providers Considering Bundled Payment

- Patient Volume
- Multi-site presence (unless already part of acute hospital/physician system)
- Current outcome measure system
- Operating EHR platform
- Evidence-based practices
- Established or evolving clinical pathways
- Staff resources to devote to bundled payment project
- Sufficiency of experience with distinct patient types (i.e., CHF, COPD, CVA, etc.)
- Strong physician affiliation or collaboration
- Sufficient reserves to embrace risk
- Willingness to embrace care redesign

The Foundation: Value-Based Payment

Value Based Payment: *"a reform initiative whereby health care providers will receive payment for service based on their performance or the potential outcomes of the service"*

Tying payment to performance is perhaps the most significant aspect of health care reform.

The de facto definition of "value" in health care reform is the intersection of lower cost and improved quality.

Providers who can lower costs and deliver quality will be measured as "value-based providers"

Value-Based Purchasing for SNFs

- **Value-Based Purchasing for SNFs**
  - Payment based on achieving certain thresholds for quality measures; plan to Congress for SNFs and HHAs by FY2011
  - MedPAC 2010 suggestion:
    - ◊ SNFs report on avoidable re-hospitalizations and percentage of Medicare discharged home; assessment at admission and discharge; actual direct nursing costs
  - CMS Value-Based Purchasing Demonstration:
    - ◊ Underway in three states (AZ, NY, & WI); focused on nurse staffing, rates of potentially avoidable hospitalizations, outcomes for selected MDS quality measures and state survey results.

New Pilot: Initiative to Reduce Avoidable Hospitalizations among Nursing Facility Residents

- Four-year pilot to implement evidence-based interventions that reduce avoidable hospitalizations.
  - FFS duals who are long-stay nursing home residents
  - Enhanced care and coordination providers eligible receive to $5M to $30M each
  - Requirements:
    - ◊ Minimum of 15 nursing facilities with average census of 100 or more
    - ◊ Must have an on-site presence at NFs
    - ◊ Must obtain letter of support from state
    - ◊ Interventions must improve health outcomes of residents, smooth care transitions, and coordinate care

Timeline

- Notice of Intent due: 4/30/2012
- Applications due: 6/14/2012
- Awards: Aug. 24, 2012
- More info:
- http://www.innovations.cms.gov/initiatives/rahnfr/index.html

Value-Based Purchasing for SNFs

What's the word on street about VBP for SNFs?

No one really knows for certain.

But scuttlebutt sounds like this:

CMS will lop 1-2% of current Medicare rates

Those providers who meet certain quality thresholds and **outcomes** will get some of it back.

Maybe 1-2% if you're in the 50th or greater percentile.

Maybe more if you're in the 90th.

It is also beginning to look as if the program will be implemented in October of this year will little preparation or warning for SNF operators.

Caveat Emptor

These assumptions are pure speculation.

Preferred or Select Provider Networks

- Hospitals, emerging ACOs and other payors recognize that post-acute care and aging services will play an important in pivotal role in reducing costs and managing population health.

> *"Policymakers and health care providers increasingly recognize that coordination between acute care hospitals and post-acute providers is essential to improving the overall quality of care and reducing health spending."*
>
> *- Rich Umbdenstock, President & CEO, AHA*

But they aren't going to pick us just cuz we're pretty.

Preferred or Select Provider Networks

- The development of “preferred” or “select” provider networks is taking center stage in many markets around the country.
  - Many organizations have stated publicly that they “work with too many nursing homes right now” and expect that they will refer to a “much smaller group of facilities in the future”.
  - Other organizations have already identified groupings of “select” providers and are actively working with them to develop skills, encourage measurement and improve communication.
  - And a very select group of organizations have established networks, developed evaluative criteria, gone through iterations of revision and created models for others to follow.

In all of these scenarios, some degree of measurement plays a key role in determining if you are on the field or on the bench.

The Post-Acute Provider Value Proposition

Hospitals and ACOs need to know what differentiates you from your competitors. How can you be their low cost, high quality value provider of post-acute services?

Mine Your Data

- 30-Day Readmission Rates
  - By MS-DRG
- Average time to place patient
- Average LOS
- Quality Measures
  - Ex., Pressure Ulcers, UTIs, Restrains
- Programmatic foci
- Chronic Disease Management Outcomes
- Resident and Family Satisfaction

Tell Your Story

- Where do your referrals come from?
- What MS-DRGs do your referral sources send you?
- How do your currently admit and discharge patients?
- How many MD or mid-level hours are available to your patients?
- How do you prepare patients for discharge?
- How do you monitor patients after discharge?
- ***Ask about and listen to their needs.***

Evolving Networks

Advocate Health Care – Chicago, IL

Initial Network: *13 SNFs in the Lutheran General PSA in north Chicago.*

Selection Criteria: *Historical volume of referrals*

Montefiore Medical Center – Bronx, NY

Initial Network: 4 SNFs in the greater Bronx area.

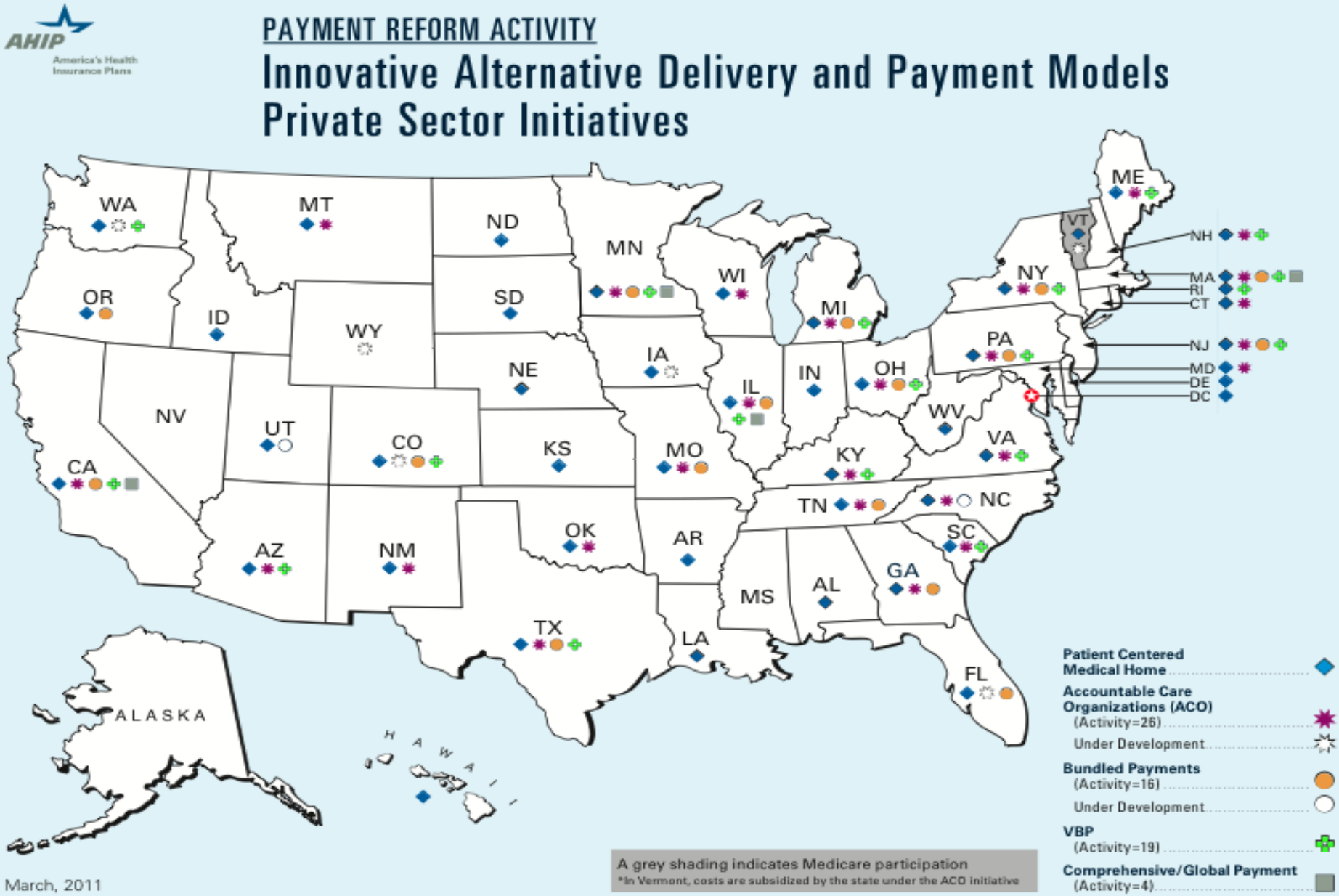
Selection Criteria: Historical relationships; faith affinity; sufficient volume to support Montefiore discharge volume and participation in the Bronx RHIO.

UW Health – Madison, WI

Initial Network: TBD

Selection Criteria: TBD

Private Sector Geographic Payment Reform Activity



Supreme Court Action Irrelevant:
The market is driving reform not PPACA

- According to a Dec. 2011 Payor Market Survey conducted by HealthEdge, of the 100 payors responding :
  - 48% plan on leveraging value-based benefit design plans
  - 51% plan on utilizing pay-for-performance models
  - 55% plan on participating in accountable care organizations

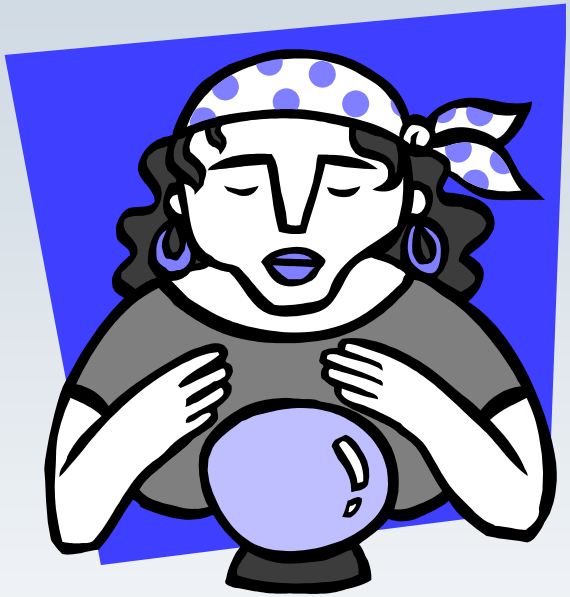
Examples

- Cigna has set a goal of 1.4 million enrolled in ACOs by 2014 (currently have 17 ACO arrangements covering 100,000 lives)
- UnitedHealth Group has new value-based contracts for hospitals and physicians based upon quality and efficient care metrics. Payments are withheld if certain standards aren't met.

Source: Press Release from HealthEdge, as accessed on 04/13/12 at: http://www.healthedge.com/pages/news_events/press_releases/111214-2011_Market_Survey.htm ; and : "5 New ACOs Announced This Year; What Does the Future Hold for Accountable Care?" – as accessed on 04/13/2012 at : http://www.beckershospitalreview.com/hospital-physician-relationships/5-new-acos-announced-this-year-what-does-the-future-hold-for-accountable-care.html

So What Does All of This Mean?

While none of us has a perfect crystal ball, here are some of the expectations for the next few years:



1. We expect a decline in hospitalizations by up to 30% over the next ten years.
2. More care will likely move to home care & SNF; it is likely that remaining post-acute volume will be spread across fewer providers.
3. At present, SSP ACOs will not have the authority to waive restrictive payment rules; Pioneer ACOs, however, have been afforded some greater flexibility
4. Bundled payments will change models of care, reduce length of stay, increase integration before & after services & change relationships w/ physicians
5. Volume of “care” provided in typically “residential” settings (like AL or even IL) will likely increase.

RESPONDING TO REFORM

Strategies for Aging Services Organizations


“In the middle of difficulty lies opportunity”
- Albert Einstein

Responding to Reform

The BIG Picture

Decide: lead, follow, resist

Prepare to assume risk

Use technology better

Align providers interests

Connect quality to value

Build new relationships

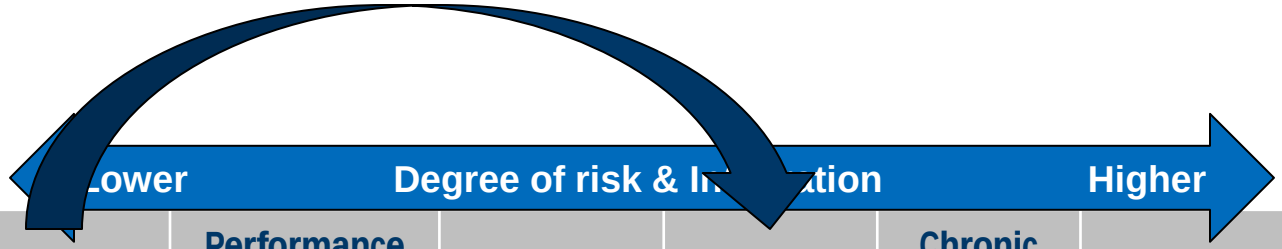
Responding to Reform

What are the acute providers doing?

Health systems are preparing their organizations for reimbursement changes.

Four broad areas have been identified through the HFMA Value Project:

- ***People & Culture***
- ***Business Intelligence***
- ***Performance Improvement***
- ***Contract & Risk Management***



Capabilities	Focus Area	Fee for Service	Performance Based Payment	Payment Penalties	Episode of Care	Chronic Care Mgmt	Population Health
Area #1 People and Culture	***Culture***	Learning Culture	Leading with Quality			Mgmt of Illness	Clients Engaged
	Mgmt & Governance	Informal Dr. Leadership	Formal Acute-Care Dr Leadership		Communities of Practice		
	Operations	Department Structure		Episode Product Lines		Cross Sites of Service	Community Collaboration
	Performance and Pay	Productivity Based		Outcomes Based			

How would we redefine the People & Culture systems, data and processes for Aging Services?

Source: Adapted from HFMA's Value Project: Value in Health Care: Current State and Future Directions; Final Report; accessed via the web; October, 2011; pg 29.

Capabilities	Focus Area	Fee for Service	Performance Based Payment	Payment Penalties	Episode Bundling	Chronic Care Mgmt	Population Health
Business Intelligence	***Financial Reporting & Costing***	Procedure Metrics		Activity Level	Time Specific	Per Member Per Month	
	Quality Reporting	Core Measures	Process Measures	Outcome Measures		Condition Measures	Population Indicators
	Business Case	Supply/Drug & Productivity		Med/Surg Interventions		Lifestyle Interventions	
	Decision Support Systems	Financial Data	Quality Data	Ambulatory Indicators	Claims & Drugs Info	Health Risk, Predictive Modeling, etc.	

How would we redefine the Business Intelligence information and processes for Aging Services?

Source: Adapted from HFMA's Value Project: Value in Health Care: Current State and Future Directions; Final Report; accessed via the web; October, 2011; pg 29.

Capabilities	Focus Area	Fee for Service	Performance Based Payment	Payment Penalties	Episodes of Care	Chronic Care Mgmt	Population Health
Performance Improvement	***Process Design***	Identify Variability	Increase Reliability w/in Clinical Value Bundles		Optimizing Care Pathways across Sites of Services		
	Evidence-Based Medicine	Increasing Patient Safety	Developing Clinical Care Bundles			Manage Conditions	Improve Wellness
	Stakeholder Engagement	Creating Transparency		Informing Patient Alternatives		Developing Accountability	

How would we redefine the Performance Improvement processes and data for Aging Services?

Source: Adapted from HFMA's Value Project: Value in Health Care: Current State and Future Directions; Final Report; accessed via the web; October, 2011; pg 29.

Capabilities	Focus Area	Fee for Service	Performance Based Payment	Payment Penalties	Episodes of Care	Chronic Care Mgmt	Population Health
Contract & Risk Management	***Contract Management***	Negotiating Pricing	Balancing Cost & Quality Aims		Network Development Fund Distribution		
	Risk Modeling & Management	Profit & Loss Analysis	Estimating Exposure			Predicting Outcomes	

How would we redefine the Contract & Risk Management processes and data for Senior Living?

Source: Adapted from HFMA's Value Project: Value in Health Care: Current State and Future Directions; Final Report; accessed via the web; October, 2011; pg 29.

Evolving Tools to Track and Trend Data

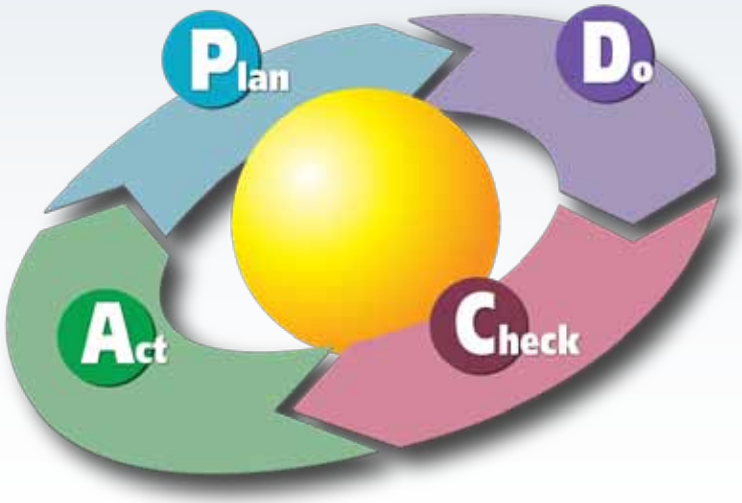
- **To become value-based providers, we must develop platforms for both capturing and trending outcome data.**
  - Surveillance tools to monitor readmission issues, identify high-risk patients and establish protocols for intervention
  - Effective surveys or consumer interfaces to gather real-time (or near-to-real-time) data about patient perceptions of care and quality
  - Systems that can measure and report actual patient improvement from admission to discharge: functional status improvement

Use Dashboards to Articulate Value

Can You Build a Dashboard?

1. Pick the data points and start measuring.
2. At the outset, benchmark against yourself, month-to-month.
3. Identify the problem areas and work to correct them; embrace Deming: Plan-Do-Check-Act

"Cease dependence on inspection to achieve quality. Eliminate the need for massive inspection by building quality into the product in the first place."



Growing Clinical and Patient Management Skill

- **For many of us, growing clinical skill will require new ways of thinking and clinical training.**
  - Developing clinical pathways for common patient types, like CHF, COPD, Pneumonia, Stroke and other diagnoses.
  - Increasing or evolving current physician strategies to support around-the-clock coverage
  - Adopting evidence-based protocols, like INTERACT2, to better manage high-acuity patients
  - Evolving to or partnering for post-discharge management: Care Transitions, Health Coaching or geriatric care management.

Continuum Management of Patients

- **Senior care in the future will be tied less to "locations" and more to "services".**
  - In effect, the providers that can continue to evolve beyond their real estate will likely be best positioned in the future.
  - Evolving community continuums will emphasize home and community-based services to keep people health and independent at home.
  - Organizations can approach continuum management through two general approaches:
    1. "Own" a continuum through internal development of services
    2. "Partner" a continuum through relationships with other, similar community-oriented organizations

Relationships Are Mandatory Going Forward

- **Growing new relationships sometimes poses a challenge for us, and you can't be an island in the future.**
  - What is the role and function of business development in your organization?
  - How well do you really KNOW your major referring organizations? Who really holds the relationships?
  - Are there other providers with whom you can collaborate or partner?
  - With whom are you willing to share risk?

NUTS & BOLTS

Jumping into the Pool

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You want to jump into the pool?

Up to Your Knees, or Up to Your Neck?

Ask Yourself:

How Far Do You Want to Get In?

What is your current business strategy?

How much Medicare do you currently manage?

What is your level of diversification?

Do you have capacity to grow or expand?

Can you partner or affiliate with others?

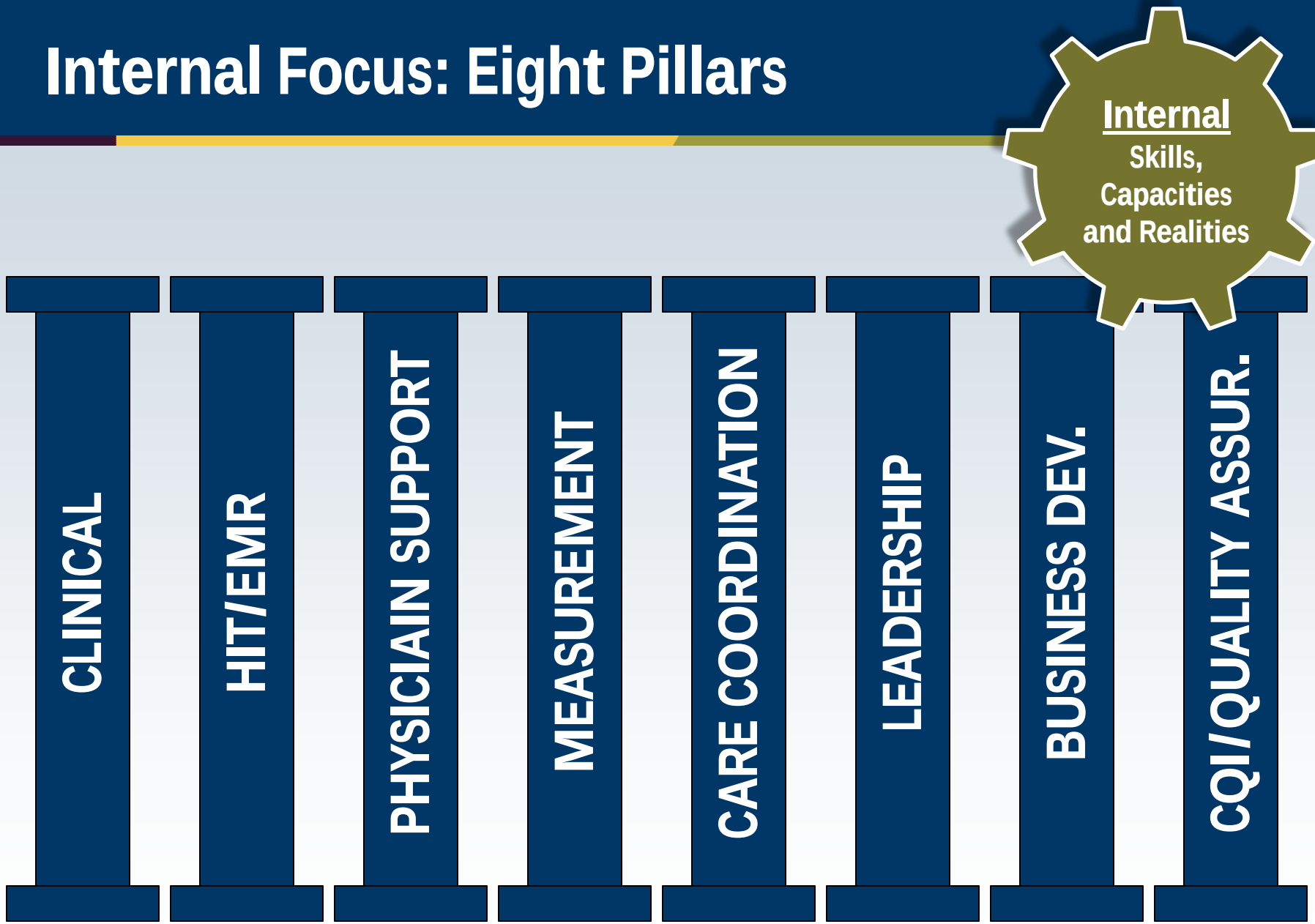
Do you have **energy** to take it all on?

Up to Your Neck…

Let's Assume You're In…

That Means Focused Work in Two Major Areas:

Internal Focus: Eight Pillars



For Instance…

You Must Consider or Evaluate:

- What are the current core skills or in-house expertise
- Patient types that are “In” or “Out”?
- How are you using evidence-based practice?
- Staff training and education practices?
- Existing written clinical pathways or needed clinical pathways?
- What are the clinical decision support tools?
- Communication tools (staff & patient)?
- Structure and scope of clinical department?
- Tools/practices for patient risk assessment or evaluation?
- Process/practices for patient engagement or care management?
- Team processes related to reporting?

External Focus: Four Quadrants

Volume Suppliers
Hospitals & Systems
ACOs
Payors
Bundlers

Potential Partners
Other Aging Services Orgs.
Community Organizations
Physicians
Sole Practitioners

YOU

Distinct Competitors
Other Providers
Emerging Services
Family Caregivers

Change Forces
State & Federal Govt.
Economies
Baby Boomers

Bringing Them Together

There are gears for a reason

The process is not sequential – it's concurrent.

External and internal will inform each other.

How you mesh the gears
becomes the strategic implementation plan.

And they keep turning the whole while.

In The End…

I know.

It’s not a fun set of challenges.

“I'm not telling you it's going to be easy. I'm telling you it's going to be worth it.”

— Art Williams

Questions?

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Thank you!

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