Getting Outside Your Silo: The Global Health Care Environment

Continuing Education

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- Nurse attendees may earn a maximum of 15.5 contact hours
- Accountant attendees can earn up to 18.9 CPEs

Accreditation Statement
NAHC is accredited as a provider of continuing nursing education by the American Nurses Credentialing Center’s Commission on Accreditation.
NAHC is [also] approved by the California Board of Registered Nursing, provider #10810.

Commercial Support provided by Brightree, Excel Health Group, Healthcare Provider Solutions, and Simione Healthcare Consultants.
Learning Objectives

• Identify the importance of understanding the global environment of health care
• Outline the key drivers and incentives of health care providers other than home care and hospice
• Describe the opportunities and strategies in home care and hospice to facilitate collaborative relationships across the continuum.

Overview of Health Care Today

Where We Are and Where We’re Headed
Overview of Health Care Today

- In 2017, health care spending increased to 17.9 percent of the Gross Domestic Product (GDP) from 6.9% in 1970.

- National health expenditures (NHE) grew to $3.5 trillion in 2017, or $10,739 per person.

- NHE is projected to grow 4.8 percent in 2019, up from 4.4 percent growth in 2018, and to reach $3.8 trillion.
Overview of Health Care Today
U.S. Spending vs. Other Wealthy Nations

Health consumption expenditures per capita, U.S. dollars, PPP adjusted, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Expenditure (U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$10,224</td>
</tr>
<tr>
<td>Switzerland</td>
<td>$8,009</td>
</tr>
<tr>
<td>Germany</td>
<td>$5,728</td>
</tr>
<tr>
<td>Sweden</td>
<td>$5,531</td>
</tr>
<tr>
<td>Austria</td>
<td>$5,449</td>
</tr>
<tr>
<td>Netherlands</td>
<td>$5,366</td>
</tr>
<tr>
<td>Comparable Country Average</td>
<td>$5,280</td>
</tr>
<tr>
<td>France</td>
<td>$4,907</td>
</tr>
<tr>
<td>Canada</td>
<td>$4,836</td>
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<tr>
<td>Belgium</td>
<td>$4,774</td>
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<tr>
<td>Japan</td>
<td>$4,217</td>
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<tr>
<td>Australia</td>
<td>$4,549</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$4,246</td>
</tr>
</tbody>
</table>

Source: KFF analysis of OECD and National Health Expenditure Data

Overview of Health Care Today
Unpacking U.S. Health Care Spending

Utilization Levels Comparable, If Not Better in U.S.

#8 U.S. ranking on number of hospital discharges per 1,000 amongst 11 highest-income countries

#9 U.S. ranking on average length of inpatient stay amongst 11 highest-income countries

Prices, Administrative Costs Elevating Spending

- Physician Salaries: Average generalist salary more than double in U.S. than in other high-income countries
- Pharmaceuticals: U.S. drug spending per capita more than triple that of other high-income countries
- Administrative Costs: Percentage of spending on administration upwards of eight times greater in the U.S.

Source: The Advisory Board
Overview of Health Care Today

Growth Projections

• NHE is projected to grow at an average rate of 5.5 percent per year from 2018 to 2027
  • NHE is projected to reach $6.0 trillion by 2027
• Health spending is expected to grow 0.8 percentage faster than GDP per year over the 2018-27 period
• The health share of GDP is expected to rise to 19.4 percent by 2027

Overview of Health Care Today

Pressure on Healthcare Providers

Primary Care Provider Shortage
Mergers & Acquisitions Activity
On-site Clinics in Pharmacies
Reimbursement Initiatives
Digital Fatigue/Burnout
Diminishing Incentives for Primary Care
Retirement Incentives
Specialization Requirement
Patients as Consumers
Overview of Health Care Today
Patients-as-Consumers

High Deductible Health Plans

• Increasing price transparency
• Influencing tracking of patient experience

Consumer Touchpoints Across the Patient Journey

• Tracking and sharing personal health data
• Actively searching for care
• Accessing new channels of care

Overview of Health Care Today
Patients-as-Consumers

When searching for a new doctor or medical professional, consumers are most concerned with convenience, cost, and reputation

Survey question: When you are searching for a new doctor or medical professional, which of the following do you consider most important?

- In network for my health insurance: 50%
- Convenient location: 46%
- Reputation: 39%
- Personality/bedside manner: 34%

Overview of Health Care Today
The Shift from Reactive to Proactive

Influenced by private & public payors, the reactive approach to care is replaced

Value-based Care Models in Pursuit of the Triple Aim
1. Improves patient experience
2. Enhances population health
3. Reduces Costs

Proactive care

Overview of Health Care Today
Example: Government Initiatives – FFS to VBC

Comprehensive Joint Replacement (CJR) Model
- Incentivize hospitals to reduce costs, while improving quality of care and health outcomes
- CJR participant hospitals are financially responsible for the quality and cost of services
- Hospitals can earn a reconciliation payment if episode payments are below their hospital's quality-adjusted target price
- Hospitals with episode payments above their target price repay Medicare

Results
- 77% of CJR participant hospitals earned reconciliation payments in one or both performance years
- Out of the 196 hospital survey respondents:
  - 89% reported implementing same day post-surgery ambulation and physical therapy
  - 81% reported scheduling follow up appointments for all LEJR patients prior to discharge
  - 65% reported implementing repeated telephonic follow-up during the entire 90-day episode

Key Takeaways
- The CJR model demonstrates promising reductions in Medicare payments, while maintaining quality of care
- After two performance years, average episode payments decreased by 3.7% or $146M, predominantly by changing Post Acute Care use (CMS, 2018)
Overview of Health Care Today
Future State of Health Care

Value Driven

Consumer Centric

Convenient

Timely

Proactive

Price Transparent

Location Agnostic

Responsive to Social Determinants of Health

Disruption/Innovation in Health Care
Changing the Competitive Landscape
Disruption/Innovation in Health Care

- New partnerships
- Different standards
- More data and transparency
- Increasing consumer power
- Rapidly evolving technology
- Changing roles and teams
- Different competitors
- Shifting demographics
Types of Disruption/Innovation
Technological Advancements

Types of Disruption/Innovation
Technological Advancements

A majority of adults age 18 and older would be comfortable using telemedicine in lieu of an in-person visit for a variety of health care needs.

Question: If you needed [a medication consultation, a visit for an urgent health concern, ongoing care to manage a chronic condition], would you be comfortable with receiving that care from a health care provider by...? If the person you provide care to needed [a medication consultation, a visit for an urgent health concern, ongoing care to manage a chronic condition], would you be comfortable with them receiving that care from a health care provider by...

Source: AP-NORC Long Term Care Poll conducted March 13-April 5, 2018, with 1,545 adults age 18 and older nationwide.
Types of Disruption/Innovation
Mergers & Acquisitions - Hospitals

Types of Disruption/Innovation
Payment and Organizational Innovations

MACRA  ACOs  CINs
VBP  HRRP  PHOs
IPAs
Types of Disruption/Innovation
Government Regulations

**Health Information Technology for Economic and Clinical Health Act (HITECH)**
- Promotes the adoption and meaningful use of health information technology

**Patient Safety and Quality Improvement Act (PSQIA)**
- Encourages providers to work voluntarily with PSOs to improve patient safety, reduce adverse incidents, and increase data collection

**Patient Protection and Affordable Care Act (ACA)**
- Focused on expanding health care accessibility and affordability

**Medicare Access and CHIP Reauthorization Act (MACRA)**
- Revised Medicare incentive-based reimbursement system for physicians to improve patient health

Disruption/Innovation in Health Care
Pharmacies Expanding their Role

**CVS – Aetna**
- CVS acquired Aetna
- MinuteClinic Services in over 1,100 stores nation-wide
- Chronic disease management
- PHI Data share

**Walgreens - Humana**
- Walgreens – Humana partnered to provide primary care and pharmacy services provided on-site
- Audience focus = Medicare Advantage Beneficiaries
Disruption/Innovation in Health Care
Silicon Valley Entering Health Care

Apple

- “Health Records” allows iPhone users to manage their own medical records
- Launching employee onsite clinics focused on population health

Uber and Lyft

- Offering non-emergency medical transportation
- Providers can book and reimburse rides

Disruption/Innovation in Health Care
The Amazon Effect on Health Care

Source: The Advisory Board
U.S. Government’s Response to Disruption

Alex Azar and Seema Verma Lay Out Four-Pronged Regulatory Agenda

- Reduce burdensome regulations
- Promote patient control of health data
- Encourage greater transparency
- Advance value-based models

The Push for Medicare Advantage

The Godfather of Value-Based Models
Medicare Advantage:
The Godfather of Value-Based Models

“The lesson here is a basic law of economics: choice increases competition, and competition drives value...This administration has taken critical steps to modernize Medicare Advantage by providing additional flexibility to plan sponsors to offer innovative benefits and services that respond to the needs of their customers.”

- Seema Verma

Medicare Advantage:
The Godfather of Value-Based Models

Figure 3
Medicare Advantage Penetration, by State, 2018

National Average, 2018 = 34%

NOTE: Includes cost plans, which comprise the majority of enrollment in MN, ND, and SD, as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county of residence.
Medicare Advantage: The Godfather of Value-Based Models

Medicare Advantage Enrollment*
Growth in Total Enrollment 1999 - 2018


Medicare Advantage: The Godfather of Value-Based Models

Figure 10
Total Medicare Advantage Plan Bonuses, 2015-2018
(in billions)

Medicare Advantage: 
The Godfather of Value-Based Models

CMS perspective
• Fixed health care costs
• Shifts risk of performance

Consumer perspective
• Lower costs, in some instances
• Greater flexibility

Provider perspective
• Less than enthusiastic

Medicare Advantage: 
The Godfather of Value-Based Models

Reinterpreting “primarily health related”
• Preventative services paid for by Medicare Advantage

Recognition of Social Determinants of Health
• Air conditioner for individual with asthma
• Transportation services

Special needs plans

Additional use of telehealth
Physician Practices
An Evolution of the Physician’s Role in Health Care Delivery

- Spending on physician and clinical services increased 4.2 percent to $694.3 billion in 2017
- Although slowing, growth in clinical services continued to outpace the growth in physician services in 2017
- Growth for physician and clinical services slowed in 2017 and was driven by growth in non-price factors such as use and intensity of services
Physician Practices
MACRA – Medicare Payment for Physicians

The Quadruple Aim
Better Quality
Control of Costs
Patient Engagement
AND
Physician Satisfaction

Physician Practices
MACRA Influences the Physician Payment

Composite Performance Score

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>Quality</td>
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<tr>
<td>25%</td>
<td>Advancing Care Information</td>
</tr>
<tr>
<td>15%</td>
<td>Practice Improvement</td>
</tr>
<tr>
<td>10%</td>
<td>Cost</td>
</tr>
</tbody>
</table>
Physician Practices
Quality and Resource Use Report (QRUR)

QRUR Data
1. Attribution
2. Cost of Chronic Conditions
3. Cost of Acute Conditions
4. Cost of Specialist Care
5. Cost of Post Acute Care
6. Patient Leakage
7. Patient Risk Profile

Physician Practices
Advanced APMs of Interest

Pathways to Success ACO
Bundled Payment for Care Improvement (BPCI) Advanced
Primary Care First
Direct Contracting
CMS’ Response
Physician-based Payment Models

Primary Care First Goals

1. To reduce Medicare spending by preventing avoidable inpatient hospital admissions
2. To improve quality of care and access to care for all beneficiaries, particularly those with complex chronic conditions and serious illness

Primary Care First Overview

- 5-year alternative payment model
- Offers greater flexibility, increased transparency, and performance-based payments to participants
- Payment options for practices that specialize in patients with complex chronic conditions and high need, seriously ill populations
- Fosters multi-payer alignment to provide practices with resources and incentives to enhance care for all patients, regardless of insurer


CMS’ Response
Physician-based Payment Models

Total Medicare payments

Total primary care payment + Performance-based adjustment

Opportunity for practices to increase revenue by up to 50% of their total primary care payment based on key performance measures, including acute hospital utilization (AHU).

Professional Population-Based Payment

Flat Primary Care Visit Fee

National adjustment

Cohort adjustment

Continuous improvement adjustment

CMS’ Response
Physician-based Payment Models

Primary Care First Initiatives start in January 2020
1. Primary Care First
2. Primary Care First – High-Need Populations
3. Direct Contracting – Global
4. Direct Contracting – Professional
5. Direct Contracting – Geographic

In 2020, Primary Care First will include 26 diverse regions:


Physician Practices
Physician’s Response

Physician Alignment Models

Source: (HIMSS, 2018)
Physician Practices
Primary Care Deliverer Trends

Primary Care Residency Match vs. U.S. Nurse Practitioner Primary Care Graduates 2014-2018

NP Salary
Scale = $98.3k - $139k

PCP Salary
Scale = $156k - $264k

Source: (NONPF, 2018)

Physician Practices

CMS perspective
- Elevating population health
- Reimbursement incentives for virtual visits
- Addressing rural health disparities

Consumer perspective
- Convenience
- Pricing and quality metric transparency

Provider perspective
- Increased costs, paperwork and reporting
- Less time for patient engagement
- Changing reimbursement
Hospitals and Health Systems

Major Changes in the Largest Segment of Health Care

Overview of Hospital Spend

- Hospital expenditures grew 4.6% to $1.1 trillion in 2017, slower than the 5.6% growth in 2016.
  - The slower growth in 2017 was driven by less growth in utilization and intensity of services.
- Hospital spending will grow about 5.5% each year, from $1.3 trillion in 2018 to $1.8 trillion in 2026.
Hospitals and Health Systems
Overview of Hospital Spend

Source: https://depts.washington.edu/uwmedptn/tools-resources/tcpi/

Three Major Trends Challenging the Health System Business Model

<table>
<thead>
<tr>
<th>The Rise of the Hospital-less Delivery Networks</th>
<th>The Resurgence of the Activist Employer</th>
<th>The New Performance Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vertical mega-mergers combining insurance assets with low-cost delivery sites</td>
<td>• Recognizing the limits of cost-shifting, employers are actively seeking ways to reduce health care prices</td>
<td>• Federal government implementing significant new payment reform efforts</td>
</tr>
</tbody>
</table>

Source: The Advisory Board
The Evolving Hospital Delivery Models

Key Elements of New Delivery Models

- Robust Primary Care Capabilities
- Control Over Specialty Referral Chain
- Propensity to Refer to Non-Hospital Settings
- Ability to Refer to High-Value Hospitals

Health Systems Most at Risk:
- Own extensive primary care network
- No investments or partnerships with convenient care entities
- Own comprehensive multispecialty network
- No existing relationships with competitive entities
- High-cost acute care provider
- Haven’t invested heavily in alternative sites of care
- High-cost acute care provider
- Limited differentiation on basis of quality, unique offerings

Source: The Advisory Board

Hospitals & Health System’s Engagement
Hospital Payment Models

Hospital Value-Based Purchasing

Goals
- Stimulate organizational agility
- Promote strategic innovation
- Enhance the integration of EHRs
- Establish interoperability across the continuum

Source: GAO analysis of Centers for Medicare & Medicaid Services data | GAO-17-551
Patient-Centered Medical Homes

- Designed to facilitate communication and shared decision-making between the patient, primary care provider, specialists, and the patient's family
- Community-based care focused on improving population health

Hospitals & Health System’s Engagement
Profit Centers Moving Toward Outpatient

Several Profitable, High-Volume Services Moving to Ambulatory Setting

Inpatient Service Volume, Contribution Margin and Risk of Outpatient Shift
Larger Bubble Indicates Greater Risk of Shift\(^1,2,3,4\)

<table>
<thead>
<tr>
<th>Service</th>
<th>Contribution Margin</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiac Surgery</td>
<td>$14,000</td>
<td>High</td>
</tr>
<tr>
<td>Lower GI</td>
<td>$12,000</td>
<td>Medium</td>
</tr>
<tr>
<td>Upper GI</td>
<td>$10,000</td>
<td>Low</td>
</tr>
<tr>
<td>Cardiac Cath</td>
<td>$8,000</td>
<td>Low</td>
</tr>
<tr>
<td>Arterial Disease</td>
<td>$6,000</td>
<td>Medium</td>
</tr>
<tr>
<td>Colorectal/Lower GI</td>
<td>$4,000</td>
<td>Low</td>
</tr>
<tr>
<td>Joint Replacement</td>
<td>$2,000</td>
<td>Low</td>
</tr>
<tr>
<td>Transplant</td>
<td>$2,000</td>
<td>Low</td>
</tr>
</tbody>
</table>

Hospitals and Health Systems
Hospital’s Engagement

- Mergers & Acquisitions
- Blending Back Offices
- Outpatient Centers

Who is leading best-practices?

Risk Based Payment Adoption
Hospitals and Health Care Systems

CMS perspective
- Growth driven largely by the aging demographic and price increases
- Shares risk of performance
- Increased outpatient and ambulatory services

Consumer perspective
- Lower costs, in some instances
- Redefining acute care as the exception

Provider perspective
- Mergers & Acquisitions create scale

Hospital’s Response
Case Studies

“Whole Person Senior Care Proven to Keep the Spark in LIFE!”

- Non-medical services included
- Increased Independence
- Reduced ER Visits by 47.8% & Hospital Visits by 56.8%
- 90% of Rehospitalization causes are outside the medical model
Hospital’s Response
Case Studies cont.

Elmhurst

• Established a Medical Primary Care Center designed to support the health system’s focus on expanding primary and preventive care to keep communities healthy and out of the hospital
• The new 6,500 square feet outpatient center will bring together a diverse team of clinical experts to offer a wide range of internal medicine, women’s health, mental health and adolescent health services together in one space

Skilled Nursing
The Haves and the Have Nots
Key Issues Facing Skilled Nursing

Demographic Changes
Regulatory Scrutiny
Post-Acute Network Formation
Changing Payment Mechanisms
Workforce Challenges
Hospital Observation Stays
The ISNP Movement

Observations on the Skilled Nursing Environment

Observation #1

SNF operators are making great strides in cost control, but there is more work to be done.
Financial Challenges in Skilled Nursing

Operating EBITDA and Operating Margin %

It is particularly alarming that the median operating ratio is now 0 percent, which is a 60 basis point decrease from 2016.
Financial Challenges in Skilled Nursing

- Decreased occupancy
- Expense Control
Observations on the Skilled Nursing Environment

Observation #2

The state in which you operate is perhaps the strongest predictor of financial success.

Variation in SNF Profitability by State
Variation in SNF Profitability by State

Median Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

<table>
<thead>
<tr>
<th>Year</th>
<th>National Median</th>
<th>WI Median</th>
<th>NJ Median</th>
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<tbody>
<tr>
<td>2014</td>
<td>13.40%</td>
<td>11.10%</td>
<td>6.70%</td>
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<tr>
<td>2015</td>
<td>13.70%</td>
<td>11.10%</td>
<td>6.60%</td>
</tr>
<tr>
<td>2016</td>
<td>13.20%</td>
<td>10.80%</td>
<td>5.40%</td>
</tr>
<tr>
<td>2017</td>
<td>12.70%</td>
<td>10.10%</td>
<td>3.30%</td>
</tr>
</tbody>
</table>

Observations on the Skilled Nursing Environment

Observation #3

SNF closures are impacting many states, particularly in rural areas.
Observations on the Skilled Nursing Environment

Massachusetts Data Points
- 20 closures in 2018
- $330M reduction in Medicare reimbursement since 2010
- Payables in SNFs increased 44% over the last 3 years

Wisconsin Data Points
- 30 facility closures since 2016
- $70+ per Medicaid day loss
- 20% of caregiver positions go unfilled

Source: Skilled Nursing News, LeadingAge Wisconsin

Pulling It All Together
Strategies for Home Health and Hospice Organizations
Identify Meaningful Partnership Opportunities

It’s not only about the hospital system
• Physicians becoming increasingly important
• Continued focus on “pre-acute”

Build a forum for ongoing collaboration
• Meet regularly w/ cross continuum partners
• Build relationships and discuss solutions

Demonstrate quality through data
• Measure performance in comparison to other agencies
• Use data to solve referral source pain points

Home Health: The Chronic Care Expert

Cracking the code to chronic care management is valuable
• US adults w/ 3+ chronic conditions will nearly triple by 2030
• Cost to treat chronic disease was $1.1T in 2016
• 66% of Medicare beneficiaries have 2+ chronic conditions
• 93% of Medicare spending is on patients with 2+ chronic diseases

Home health uniquely positioned to care for these residents
• In the home
• At a lower cost

Financial rewards for chronic disease management
• Hospital readmissions reductions program
• MACRA
• Alternative payment models
Scale Matters

Efficiency
• Standardized procedures
• Systematically reduced costs
• Lower administrative overhead

Bargaining power
• Attention from payors and others in the care continuum

Scale through collaboration
• Relationships can grant you the scale necessary to be successful
• Opportunity for all providers, regardless of size, to participate in value-based payment

Health Care Delivery is Local

Know your market
• Major players
• Referral patterns
• Payment environment
• Competitive landscape

Determine your niche
• What role(s) will you play in the communities you serve?

Identify the right relationships
• Hospitals, physicians, SNFs, and assisted living communities, and others that you can benefit
Go “All In” on Value

The old FFS architecture needs to be broken
- Do not fight it, even if the change is painful
- The current silos in health care are diminishing

Participate in any value-based opportunity you have
- Medicare Advantage
- Bundled payments
- Other alternative payment models

Isolation and staying in your own lane will be fatal
- Being part of a “system of excellence” is critical
- You cannot do it alone if you want to care for people longitudinally

Questions

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