Rural Health Care Payment Models to Drive Transformation

Joint Select Committee on Health Care Oversight

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Washington State Health Care Authority

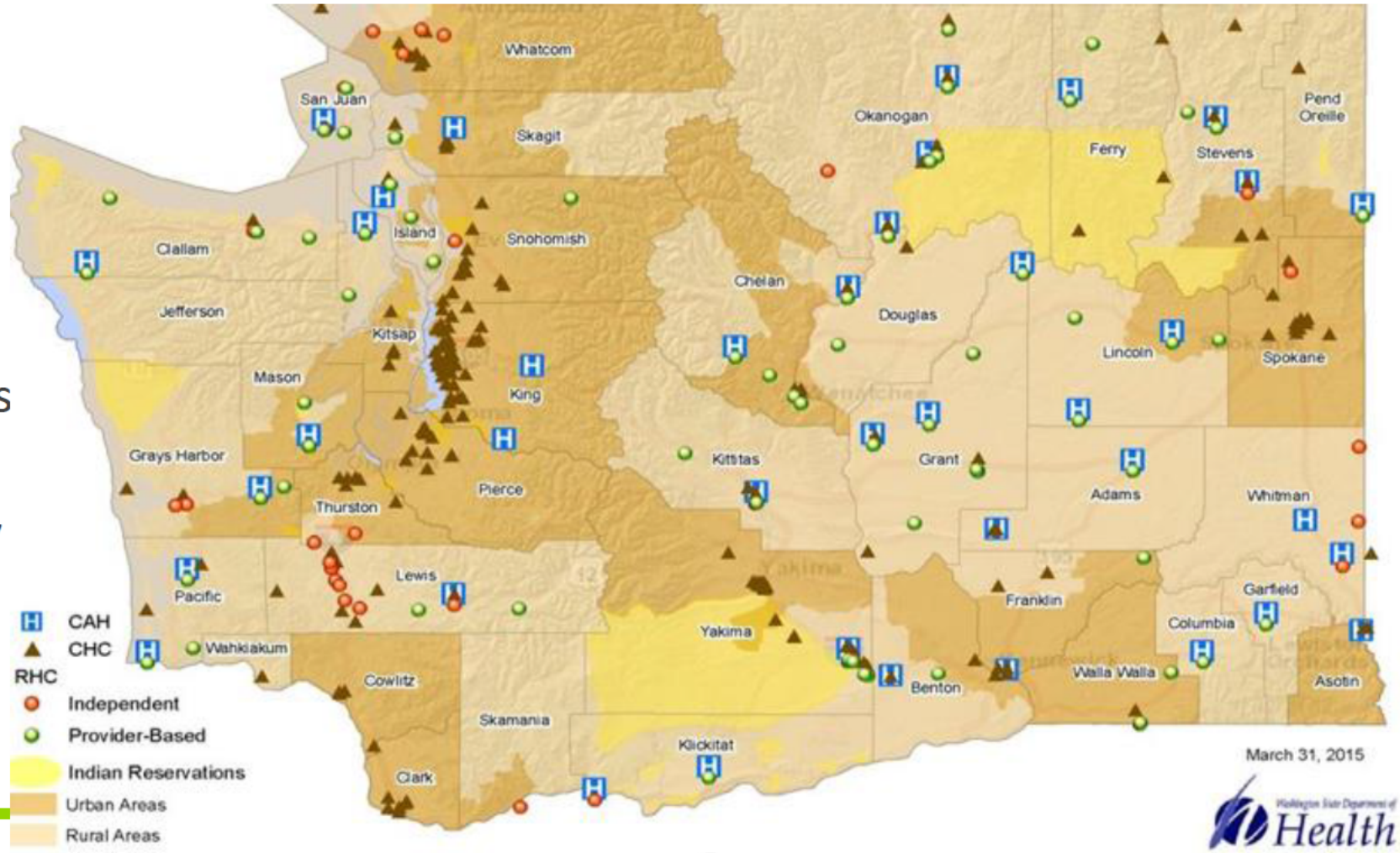
Rural Health Care Is at Risk — Nationally and In Washington

- Rural providers face many overlapping, complex challenges
  - Greater year-over-year variability in utilization and revenue
  - Provider recruitment and retention/workforce
  - Sicker, aging populations
  - Fewer resources to invest in practice transformation necessary for value-based payment (VBP)
  - Health Information Technology, physical infrastructure, and workforce training

- ***A common theme …***
  - ***The current rural care delivery system is not working, is not sustainable, and requires fundamental transformation.***

Rural Health Reach

- Hospital and health systems
  - Critical Access Hospitals
  - Sole Community Hospitals
  - Traditional Hospitals
- Primary and outpatient care only
  - RHCs
  - Federally qualified health systems



Washington's Rural Payment Landscape

- Rural provider payments
  - Traditionally, fee-for-service, cost-based payments, where payments are reconciled to actual cost, or both
- Health plan mix
  - Medicare and Medicaid 70% in some areas
    - Closer to 60% in urban areas
  - Medicaid patients most likely uninsured prior to ACA
  - High Medicaid and less commercial may be due to less resources to travel to urban areas
- Utilization patterns
  - Most Medicaid MCO members in rural areas are seeking inpatient care/surgery in urban areas (63%)
  - Medicaid MCO members have lower utilization rates than urban, but higher overall costs (due to unit price differences)

Rural Hospital Snapshot

General Profile*

	39 Critical Access Hospitals			2 Sole Community	4 Traditional
	Small	Medium	Large		
Average Gross Revenue	$20 million	$45 million	$151 million	$360 million	$292 million
Average Inpatient Revenue	$4 million	$11 million	$42 million	$99 million	$97 million
Average Licensed Acute Care Beds	16	17	22	67	50
Average Hospital Admissions	169	371	1,391	3,626	3,148
Average Daily Census	1.2	2.95	11.55	34.0	27.0
Trauma Level	IV - V	IV - V	IV – V	III	III - IV
Case Mix Index	0.64	0.64	0.76	0.80	0.68

*Based on self-reported DOH financial information, 2016 data.

Sustaining and Tailoring Care in Rural Communities

Current system

Value-based system

- New payment arrangements to help sustain access to care, stabilize rural hospitals and health systems in all rural communities, incentivize efficiencies, address workforce and support innovative care models and partnerships
- Implementation customizable to meet each hospital and communities needs
- Align with transformation resources and Medicare

Improving Washingtonians' health and preserving access to care by realigning financial incentives for CAHs and rural hospitals

National State and Medicare Rural Transformation Initiatives

- Maryland All-Payer Model
  - Limit annual all-payer, per capita, total hospital cost growth to 3.58%
  - Includes a care redesign program
- Pennsylvania Rural Health Model
  - Prospectively sets global budget for each participating rural hospital (based primarily on hospitals' historical net revenue for inpatient and outpatient hospital-based)
  - Rural Hospital Transformation Center oversees transformation
- Vermont All-Payer ACO Model
  - Limit the annualized per capita health care expenditure growth for all major payers to 3.5%
  - Focus on achieving health outcomes and quality of care (substance use disorder, suicides, chronic conditions, and access to care)

https://innovation.cms.gov/initiatives/index.html#views=models

Value-Based Payment Models

Increased financial and clinical risk

Payment	Unit Cost	Labs and X-ray	Length of Stay	Hospital Readmissions	All services
Discounted charges	√				
Per-diem payments	√	√			
Per case payments (DRGs)	√	√	√		
Bundled payments	√	√	√		
Global Payment	√	√	√	√	
Population based payment (per member per month)	√	√	√	√	√

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Global Payment

- Fixed reimbursement over a fixed period of time and for a specified population
- Each provider able to create a unique plan to meet mandated budgets
- Many factors must be considered
  - Predictable, stable, and sufficient payments
  - Effective timing and payment structure
  - Ability to adjust for factors outside a hospital's control
  - Appropriate quality measures
  - Health care provider/service types included
  - Payers' willingness to participate
  - Access to claims and quality metric data
  - Stabilize negative revenue

Washington-Specific Considerations

- Must reinforce, build upon, and accelerate existing transformation efforts, e.g., provide incentives for ACH participation
- Medicaid & Medicare participation is essential
- Must appeal to rural hospitals and health systems interested in a “new system”
- Stable revenue base necessary to support transformation, e.g., investment in social determinants, data and health IT infrastructure, new partnerships, new workforce strategies, and a new way of thinking

Why Washington? Why now?

- Access to care in rural communities in peril for a long time — new, comprehensive payment solution necessary to drive sustainable change
- SIM requirement — and builds on/accelerates existing DOH rural transformation work with SIM and Medicaid Transformation, and partnerships with DOH and DSHS
- Medicare very interested in partnering with WA to accelerate transformation efforts
- Necessary to achieve HCA's VBP goals in hardest-to-reach areas (Goal: 90% state-financed health care; 50% commercial-financed health care with VBP arrangements by 2021)
- Growing state and national interest in rural issues — link with technical assistance available now, and possible funding opportunities later
- Rural hospitals and health systems interested in new payment models to support innovations and sustain care in their communities (48 letters of support — including 2 ACHs — received spring 2018)

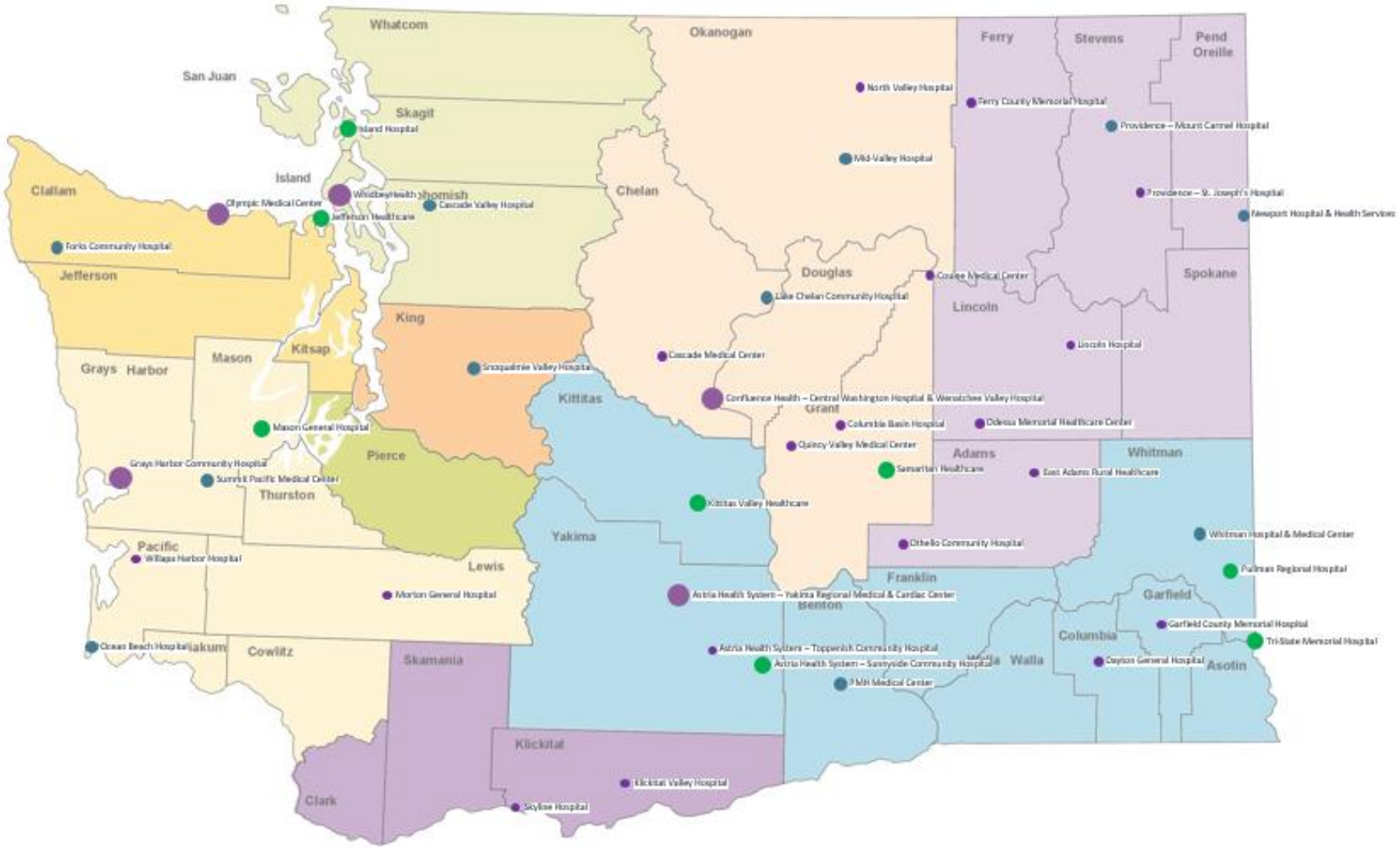
Rural Hospitals Interested in Rural Multi-Payer Model Development

Hospital Size
2016 Total Revenue

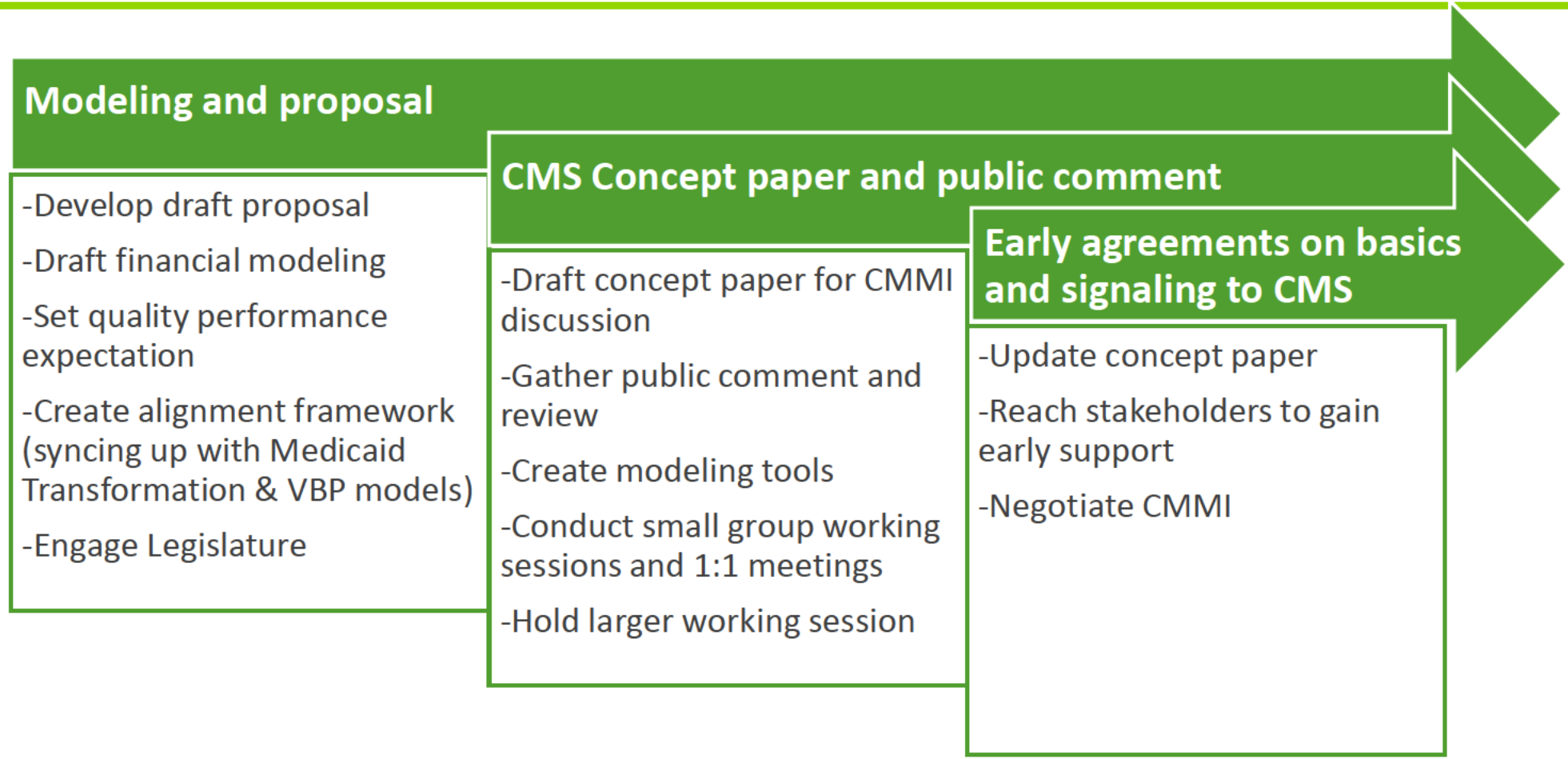
- < $25 million
- < $50 million
- < $100 million
- < $350 million

ACH Region

- Better Health Together
- Cascade Pacific Action Alliance
- Greater Columbia ACH
- HealthierHere
- North Central ACH
- North Sound ACH
- Olympic Community of Health
- Pierce County ACH
- Southwest ACH (SWACH)



Next Steps



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Questions?

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