

PA Rural Health Model



Accelerating Health Care Innovation in Pennsylvania
September 2018

DRAFT CONFIDENTIAL – PROPRIETARY AND PRE-DECISIONAL

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Rural hospitals provide essential healthcare services and are pillars of their communities, but struggle to stay open; Rural Health Model can help

REPUBLICAN HERALD
April 22, 2012

Saint Catherine's demise ends 130 years of health care legacy



"The closing ... leaves a gap in local health care in the northern Schuylkill County"

"The bankruptcy and closure left about 160 employees out of a job, with many still owed for up to six weeks in back pay."

REPUBLICAN HERALD
April 30, 2014

Mid Valley Hospital to stop acute care and emergency room services

It's a tremendous blow, [said Lori Williams, M.D., president of the Lackawanna County Medical Society.] The Scranton hospitals are fantastic, but in an emergency, it's right here People always chose to go there, instead of waiting an hour or two at one of the Scranton hospitals."

"Chet Potoski, 60, ... was concerned with the longer drive to an ER now, but said the closing was a sign of the times, based on "economics."

JAMA[®]
The Journal of the American Medical Association

March 27, 2018

A Path to Sustain Rural Hospitals

"Launch of the Pennsylvania Rural Health Model...provides rural hospitals an opportunity to transition from a fee-for-service reimbursement system based on volume to a multi-payer global budget payment method that is intended to improve population health outcomes and quality of care while lowering costs."

"The financial challenges of rural hospitals today are the result of a changing health care industry."

Outreach from >20 other states interested in learning about the PA Rural Health Model

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Rural hospitals are challenged for many reasons

- Patients tend to be older, sicker, and have more chronic diseases.
- There are a larger number of uninsured patients.
- Equipment is very expensive.
- Specialists are difficult to recruit.
- There are significant physician shortages.
- Operating expenses continue to increase.
- Patients may travel to urban areas for health care services.
- There is a national trend of declining inpatient admissions.



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Rural hospitals across the nation are in trouble

Rural hospitals across the country are increasingly at risk for closure, reducing access to care in their communities.

1,970 hospitals in the US are in rural areas (35% of all hospitals)

68 rural hospitals have closed in past 5 years, reducing patient access and jobs in communities

Today, there are more than 670 rural hospitals (34% of total) at risk for closure (a 2.5x increase from 2015)

Rural hospitals provide important care and deliver critical social programs (e.g., substance abuse treatment) in their communities

SOURCE: iVantage Health Analytics 2016

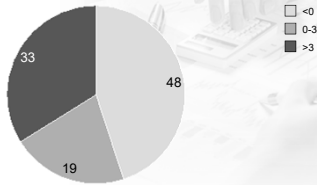


Pennsylvania rural hospitals face poor operating margins

The majority of rural Pennsylvania hospitals report low and declining operating margins.

Rural hospitals operating margin breakdown: 2016

Percent of hospitals



Nearly half of rural hospitals reported negative operating margins in 2016, with 67 percent reporting operating margins of 3 percent or less.

SOURCE: Pennsylvania Health Care Cost Containment Council



Rural hospitals are facing challenges due to financial instability and a system that dis-incentivizes visionary transformation

Rural hospitals are essential to their communities...

- 1 **Provision of vital services to local communities**, enabling lower transport times to the ER and closer access to general healthcare needs for a population
- 2 **Personal and familiar** to members of the community, including many pre-existing relationships between patients and healthcare providers
- 3 **Economic pillars** of the community as a significant employer in most communities and an anchor for local goods and services

...but are facing two primary challenges

- Lacking financial stability and predictability
- Dis-incentivized to transform to meet community needs

SOURCE: Pennsylvania Health Care Cost Containment Council



Pennsylvania's response is focused on ensuring access to quality care and improving health outcomes in rural communities

Guiding principles in developing response

- ① Utilize latest promising practices in meeting rural health community needs
- ② Engage communities, payers, providers, private sector, and national thought leaders to bring best solution forward
- ③ Pursue models that are nationally scalable and broadly applicable
- ④ Ensure stability for rural communities and care providers through establishment of independent entity
- ⑤ Direct investments toward transformational solutions, including achieving a budget-neutral rural health care delivery system over time

The PA Rural Health Model allows hospitals to invest in communities







The PA Rural Health Model allows hospitals to ...

- Better plan the types of services their communities need
- Make key local investments in population health
- Invest in lower-cost, higher-quality care

The PA Rural Health Model does not ...

- Impose any more regulations
- Interfere with private business
- Negatively impact patients

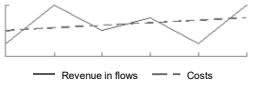



The pillars of the PA Rural Health Model—the global budget and transformation support—address these core challenges PRELIMINARY


Current challenges for rural hospitals	Lacking financial stability and predictability ⊖	Dis-incentivized to transform for community needs ⊖
Solutions within the model	Fixed annual revenue (global budget)	Incentives and support for transforming to meet community needs
	 <p>The global budget is fixed annually and paid out to hospitals monthly, providing a stable stream of revenue</p>	 <p>Model incents provision of lowest-cost quality care, encouraging hospitals to focus on innovative population health strategies</p>
	 <p>The global budget is calculated based on historic net patient revenue data, adjusted for transformation-related annual service changes</p>	 <p>DOH will provide tailored, end-to-end assistance at no cost to enable hospitals to focus on successful transformation</p>
	 <p>Volume-independent, stable cash flow will allow investment in care quality and population health</p>	 <p>Support across all transformation phases: data collection, plan creation, implementation progress</p>

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The Model provides financial stability lacking under today's system and incentives population health focused transformation

[PRELIMINARY & ILLUSTRATIVE]

Fee for service reimbursement creates hurdles	Global budget model corrects incentives
<p>Unstable and unpredictable financials</p> <ul style="list-style-type: none"> Decreasing revenues, increasing costs, and decreasing operating margins Outstanding payables, and unpredictable receivables 	<p>Predictable and stable cash flows</p> <ul style="list-style-type: none"> Predictable, historically based annual revenues without in-year fluctuation Stable, dependable cash flows 
<p>Healthier populations hurt bottom line</p> <ul style="list-style-type: none"> Incentivized for inpatient admissions volume Dis-incentivized from investments without direct, substantial reimbursement (i.e. care management, outpatient/primary care, and healthier populations)  <p style="text-align: center;">Less profits overall</p>	<p>Incentives to invest in population health</p> <ul style="list-style-type: none"> Incentivized to transform to meet community needs and keep populations healthy Rewarded for identifying lower cost, higher quality delivery options like primary, urgent, and tele care  <p style="text-align: center;">More profits overall</p>

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And each provider will define its own transformation plan, leveraging three key opportunities to succeed under the model

<p>How can providers succeed by adopting Global Budgets?</p>		<p>Description</p> <ul style="list-style-type: none"> Reduce hospital care (e.g., reduce # of readmissions, # hospitalizations, length of stay) that is unplanned and can be prevented through improved quality, care management, coordination and clinical operations Improve hospital's ability to provide care in the most cost-effective manner (e.g., reduce operating expenses per admission) by optimizing processes and capabilities Generate optimal revenue (e.g., by increasing appropriate outpatient and inpatient volume) from service lines and community programs that align with hospital and population needs and improve the patient care experience
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In developing transformation plans, hospitals will analyze opportunities across:



- Population groups (e.g., chronic conditions, behavioral health)
- Care settings (e.g., Pre-acute, acute and post-acute)
- Patient care journey (e.g., prevention, treatment and follow-up)

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The RHRC is critical to support the Model

The Rural Health Redesign Center (RHRC) will ...

- Provide financial and practice transformation technical assistance to rural hospitals as they participate in the Program
- Offer support for hospitals to engage and work with rural community partners (i.e., employers) to improve local health status
- Help rural hospitals identify solutions for critical challenges including access to broadband, tele-health services, and behavioral health services

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The RHRC will help PA become a leader in rural health

The RHRC will provide the opportunity to develop **concentrated expertise** in rural health care delivery, including financing, population health, research, rural health transformation, and economic vitality.

The RHRC will provide **free technical assistance** and **consistent support** to participant rural hospitals that otherwise would be extremely difficult for these hospitals to access.

PA is increasingly being recognized as a **leader in rural health**

- First state to administer the **Rural Health Model**
- The Model could be expanded across the country
- Other states are looking to PA for rural health care solutions

HB 2532 was introduced on June 26

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL
No. **2532** Session of
2018

INTRODUCED BY PICKETT, HANNA, BOBACK, DRISCOLL, HEIM, MILLARD,
RAFF, WARD, YOUNGBLOOD AND DeLUCA, JUNE 26, 2018

REFERRED TO COMMITTEE ON INSURANCE, JUNE 26, 2018

AN ACT

- 1 Establishing the Pennsylvania Rural Health Redesign Center
- 2 Authority and the Pennsylvania Rural Health Redesign Center
- 3 Fund.

SB 1237 was introduced on August 23

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL
No. **1237** Session of
2018

INTRODUCED BY BAKER, SCHWANK, GORDNER, MENSCH, ARGALL,
EICHELBERGER, BLAKE, HUTCHINSON AND BARTOLOTTA,
AUGUST 23, 2018

REFERRED TO HEALTH AND HUMAN SERVICES, AUGUST 23, 2018

AN ACT

- 1 Establishing the Pennsylvania Rural Health Redesign Center
- 2 Authority and the Pennsylvania Rural Health Redesign Center
- 3 Fund.



Key lessons learned during the pre-implementation phase

- Cohort formation for pilot year hospitals has been key
- Be mindful of reasons hospitals may not be early adopters
 - Operational and administrative reasons
 - Level of comfort with risk and change management
- Internalization of this Model and its counterintuitive value takes much longer than you think
- Team composition for payer teams
- Amount of time needed (and all the levels of approval) to obtain data from payers and providers

Moving forward: Next steps for the PA Rural Health Model

- Shifting focus to supporting payers and providers with operationalization of the Model and finalization of the global budgets to start January 1, 2019
- Continuing to advance Rural Health Redesign Center legislation
- Finalizing payer-provider contractual amendment language to define new payment terms under this Model
- Executing participation agreements for hospitals + PA + CMMI
- Engaging community stakeholders; educating medical staff
- Recruiting providers for second performance year group

Rural hospital CEO goals for transformation vision and innovative strategies

<p>Transformation vision</p> 	<p><i>"Hospital without walls"</i></p> <p><i>"More nights patients sleep in their own beds"</i></p> <p><i>"Best provider for the most appropriate care"</i></p> <p><i>"Manage population health rather than just provide healthcare services"</i></p> <p><i>"Lead provider of high quality, technologically innovative services"</i></p>
<p>Innovative strategies to align to community needs and improve quality of care</p> 	<ul style="list-style-type: none"> ▪ Staff the ED with physicians at night, but during the day staff it with APPs and have physicians in the nearby clinic on call as back up ▪ Combine EMS services with neighboring areas so that together there is more coverage when overlapping needs arise ▪ Teach an antibiotic stewardship program at local nursing homes to reduce (re)admissions ▪ Offer an accredited / certified community health worker education program ▪ Host monthly meetings with local social service agencies to align on community needs and come up with collaborative ways to meet them together

“The PA Rural Health Model will open the door to new and innovative solutions for PA citizens who live in rural communities to have greater access to health care closer to home.”

– JC Blair Memorial Hospital, Huntingdon County PA

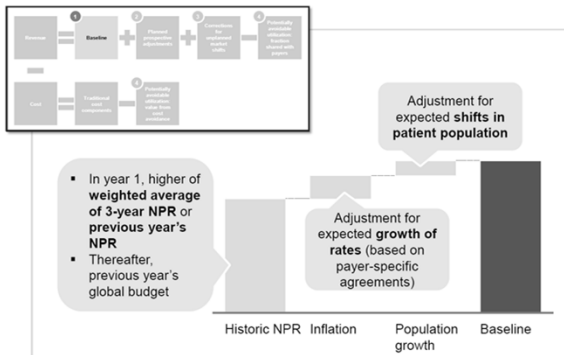
Questions?

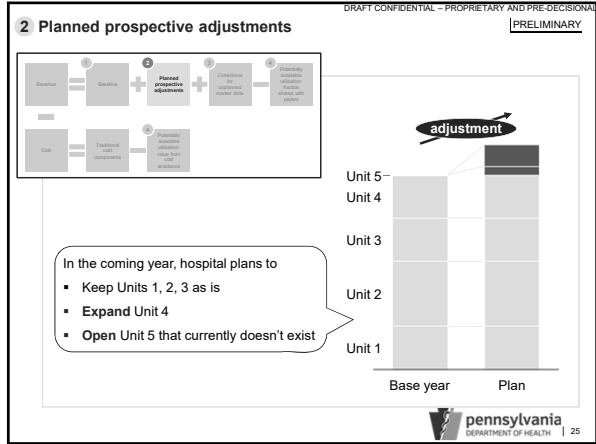
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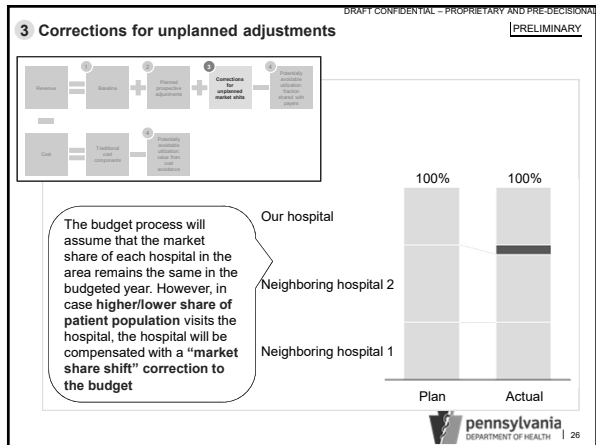
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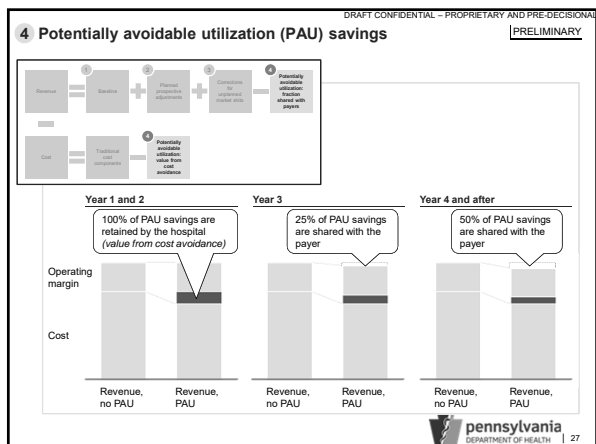
1 Baseline

PRELIMINARY









We are providing a range of technical assistance to support transformation planning for interested providers

PRELIMINARY

■ In progress with initial set of interested hospitals

