Positioning Yourself for Plan and Provider Value-Based Partnerships

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Positioning Yourself for Plan and Provider Value-Based Partnerships

- Definitions
  - Value-Based Care: A care delivery model where providers are paid based on patient health outcomes (value) as opposed to the amount of health care delivered (volume)
    - Focus is on improving outcomes and decreasing costs
  - Plan: Commercial payers; Medicare Advantage payers; CMS; ACOs; and I-SNPs

The Journey

- A recognition that health care is shifting from fee-for-service to value-based care
- A recognition that changes are here (and still coming)
- Accept that we are not going back to the old fee-for-service ways

Clear Direction

Alex Azar, Speech to Federation of American Hospitals March 5, 2018, Washington D.C.

- "There is no turning back to an unsustainable system that pays for procedures rather than value. In fact, the only option is to charge forward – for HHS to take bolder action, and for providers and payers to join with us. [We] are not interested in incremental steps. We are unafraid of disrupting existing arrangements…"
- "Change is possible, change is necessary, and change is coming."
- Azar appeared to leave little doubt that there is momentum behind value based transformation in health care.

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Our Response

- Created PACN
  - Established with value-based care in mind
  - Understanding of the long term nature of the model
  - A rising tide floats all boats
    - Brought competitors together in the same market through a clinically integrated model
      - Shared clinical data
      - Shared outcomes data
      - Shared financial data
      - Shared costs
      - Shared best practices

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Legal Concerns

Does all this data-sharing create a risk of anti-trust allegations?

Maximizing Network integration minimizes the anti-trust risk

Degree of risk

Degree of integration

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Network Integration

Some factors identified by FTC:

- Network infrastructure promotes:
  - collaboration
  - monitoring and enforcement of standards
- Electronic interface facilitates data sharing
- Participating providers are invested in the Network due to:
  - shared performance requirements
  - shared financial risk

Network Integration

More factors identified by FTC:

- The Network is reasonably expected to generate "pro-competitive" effects such as:
  - expanded access to care
  - improved patient outcomes
  - greater efficiency (e.g., elimination of repetitive tests and paperwork)
  - lower costs

- The Network attempts to minimize its "anti-competitive" effects", for example by:
  - providing anti-trust training to providers and Network administration
  - non-exclusivity (providers can contract independently with payers that choose not to contract with the Network)
  - limiting opportunities for unlawful coordination (e.g., improper sharing of pricing)

Network Integration

Q: Can we share pricing information within the Network?

A: Can you show that the Network's priority is better patient care, not better pricing for providers?

document, document, document!

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Getting Started from a Legal Perspective

- Discuss, negotiate, agree, and then ***document!***
  - Who will be the owner(s) of the Network entity?
  - Who will make decisions for the Network? (a single Manager, a Board, officers, committees?)
  - How will the Network be funded?
    - Initial capital contributions
    - Additional capital contributions

Anticipate Change

PACN's original Operating Agreement (2014):

- Ownership
  - 3 entities with 33% ownership each = the "Founding Members"
  - 1 individual with 1% ownership awarded for sweat equity
- Management - each Founding Member appoints one individual to the Board of Managers
- Capital
  - each Founding Member makes an initial capital contribution
  - Board may require additional capital contributions

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Anticipate Change

PACN's amended Operating Agreement (2015):

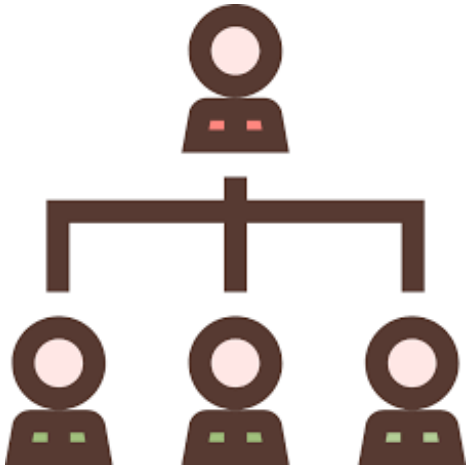
- Ownership
  - Disqualification from a federal program leads to automatic forfeiture of ownership
  - A "change in control" creates the right for the Network to redeem the ownership
- Management - How will the Board be affected by a change in ownership?
  - In PACN's case, if Founding Members go from 3 to 2, E.D. becomes a Manager
- Capital
  - Additional capital contributions are not required but failure to contribute pro-rata share leads to dilution

Anticipate Change

- Anticipate the need to amend your governing document (Operating Agreement or Code of Regulations/Bylaws) and other legal documents.
  - The “amendment” provision should provide flexibility.
  - Don’t default to boilerplate language.

- The Network will need to be nimble to effectively pursue the culture change required for effective value-based partnerships.

It Starts at the Top



- Culture Change
  - Leadership has to champion the changes
    - Set direction
  - The care we should have been providing all along
  - One model for caring for patients
  - Comparison of good and not so good

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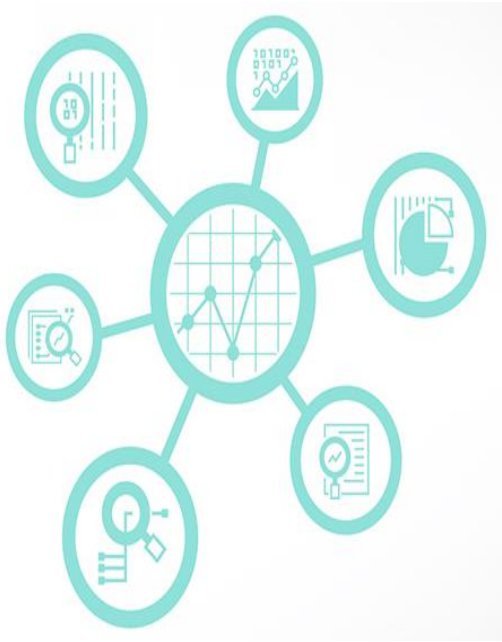
Model for Care Redesign

- Patient Engagement and Education
- Communication
- Physician Engagement
- Care Transitions
- Medication Reconciliation



Data Analytics and Software

- It's all in the data
- What needs to be tracked
  - Keep It Simple
    - LOS
    - Readmissions
    - Downstream Results
    - Root Cause Analysis
    - Financial Markers
  - Needed for process improvement

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Independent Results

- Medicare data (not self reported data)
- Compare against market, state and national averages
- Great results gets the attention of Plans

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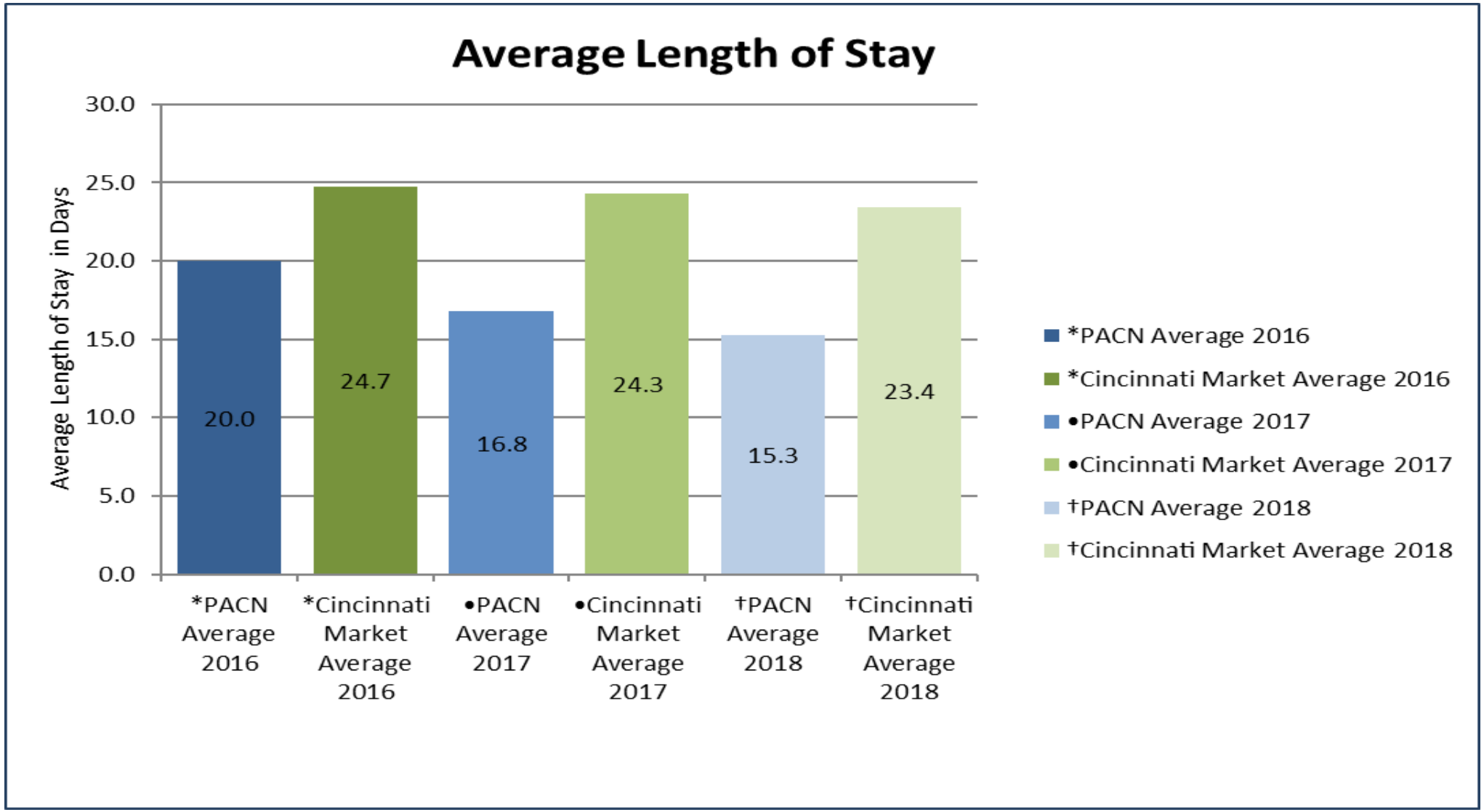
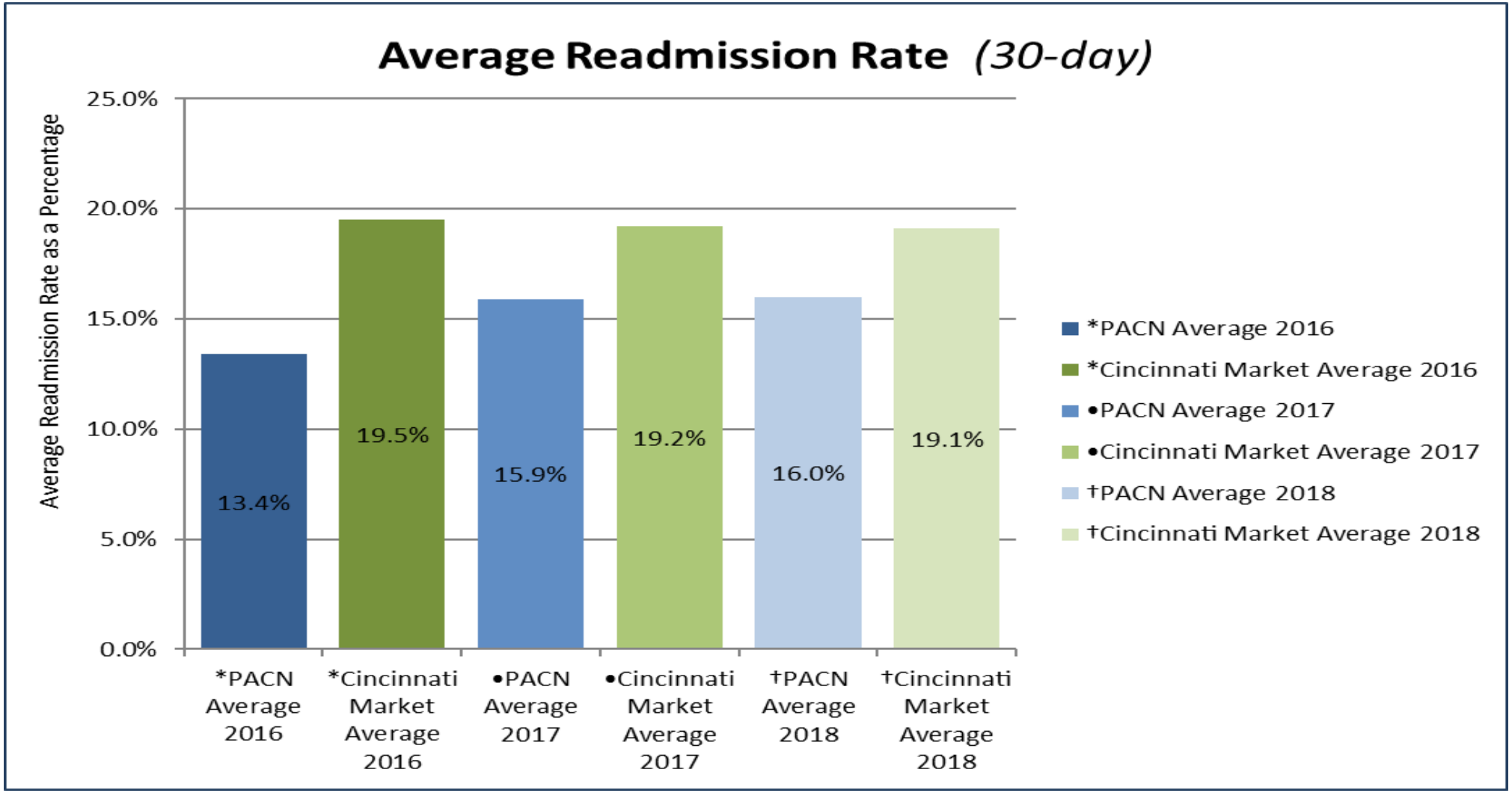
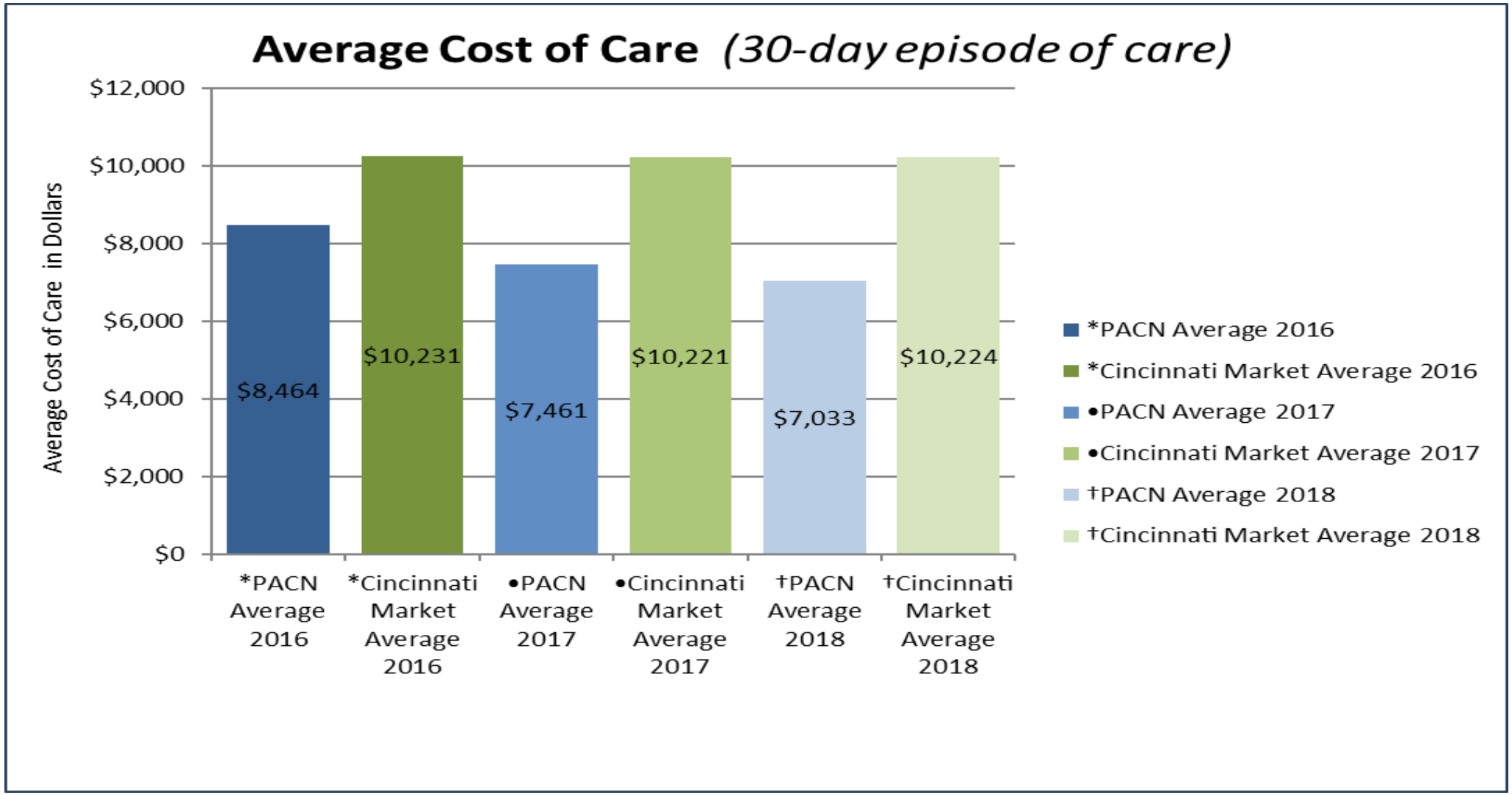
Average Length of Stay PACN versus Market



Average Readmission Rate PACN versus Market



Average Cost of Care PACN versus Market



Benefits of a Value-Based Care Program

- Care that patients deserve
- Positioned to partner with Plans
- Ahead of the transition curve
  - Remember, we are not going back
- Share in savings/financial gains

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BPCI Financial Performance

Post-Acute Care Network

Bundled Payment Net Profit/(Loss)

	Facility 1	Facility 2	Facility 3	Facility 4	Facility 5	Facility 6	Facility 7	HHA 1	HHA 2	HHA 3	HHA 4	Total
2Q2015	($16,834)	$35,474	$9,264	$20,217	$46,311	($6,729)	$18,993	$597	$0	$0	$0	$107,293
3Q2015	33,317	23,472	15,291	31,719	31,995	(28,107)	(21,172)	(1,734)	0	0	0	84,781
4Q2015	8,196	(9,406)	20,991	18,538	60,286	19,585	(910)	21,546	0	0	0	138,826
1Q2016	(3,979)	23,228	11,398	18,240	73,146	64,361	23,184	69,819	0	0	0	279,397
2Q2016	(6,577)	(39,901)	14,443	22,384	32,141	(48,589)	4,380	90,009	0	0	0	68,290
3Q2016	15,584	(9,320)	(2,551)	16,319	72,101	65,573	17,087	24,486	0	0	0	199,279
4Q2016	33,103	(29,464)	7,803	11,529	143,907	55,666	10,733	16,463	0	0	0	249,740
1Q2017	61,454	9,844	10,113	2,112	83,677	56,706	(10,746)	62,755	0	0	0	275,915
2Q2017	69,240	(25,546)	25,934	(23,881)	84,675	23,507	5,756	9,822	29,751	11,158	29,072	239,488
3Q2017	17,867	(12,430)	8,058	27,781	139,124	57,244	27,691	15,215	(60,567)	(25,266)	(15,488)	179,229
4Q2017	129,045	14,675	7,282	4,238	91,744	28,537	(5,027)	(15,480)	25,185	(9,487)	20,839	291,551
1Q2018	44,757	(22,657)	18,969	(13,465)	113,954	92,087	28,490	40,406	29,520	16,142	14,904	363,107
2Q2018	38,055	(39,469)	6,889	15,939	90,176	73,562	(10,189)	57,859	(15,770)	(29,331)	(69,763)	117,958
3Q2018	41,540	0	22,172	(1,409)	94,907	98,851	12,395	1,013	19,069	(22,918)	25,649	291,269
Total	$464,768	($81,500)	$176,056	$150,261	$1,158,144	$552,254	$100,665	$392,776	$27,188	($59,702)	$5,213	$2,886,123

Risks of a Value-Based Care Program

- Must have a long-term view of the market

- There will be short term pain
  - Decreased census
  - Decreased revenue
  - Financial gains do not make up the difference in the short run

- Financial losses in risk-based programs
  - Could be writing checks to cover the losses

BPCI Financial Performance

Post-Acute Care Network

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Additional risks

Participating providers who are not a good fit can drag the whole Network down…

- Financially
- Operationally
- Legally

Legal Issues

- Breach of contract with payor(s)
- Anti-trust (again!)
  - Why is data being shared with providers who aren't really focused on patient care?

Anticipate (More) Change

The Participating Provider Agreement should address how providers who are not a good fit for the Network will be permitted or required to leave.

- When would departure be appropriate or necessary?
- Who gets to decide?
- Is the departing provider entitled to any money (e.g., return of participation fee?)

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Tremendous Opportunities

- Plans are looking for Providers who have the desire AND the ability to manage both clinical risk and financial risk

- Opportunity to share in the savings
  - Goes beyond modest fee-for-service increases
  - Goes beyond P4P incentives
  - As post-acute care providers, we need to control our destiny

Tremendous Opportunities

- Post-Acute Care Providers
  - Better performing SNFs
    - 33rd annual Skilled Nursing Facility Report by CliftonLarsonAllen
      - Room to excel for those who embrace change, but the laggards may get left behind
      - Providers willing to accept risk-based alternative payment models have the opportunity to flourish in an environment that will reward providers for producing high-quality outcomes at a reasonable cost

Tremendous Opportunities

- Michael Chernew, PhD
  - Professor of Health Policy Harvard Medical School
    - Cannot continue the current pace of spending on health care
    - Would take top tax bracket of 76%; not going to happen
    - Focus will be on VBC and the savings generated
    - You want to control the savings (or be part of the equation)

Finding the Right Partner and Developing the Right Model

- Molina Ohio
  - Focus on the dual eligible patients in Cincinnati, Dayton and Columbus
  - BPCI Program with 90 day episodes
  - Upside only the first year
  - 38 bundles
    - Selected based on volume and patient need
    - Excluding DRGs with high variability in outcomes and costs

Finding the Right Partner and Developing the Right Model

- All Provider participants must adhere to the agreed upon plan
  - Care redesign model
  - Use of care transitions coordinators
  - Use of Archway Carelink

Keys to the Molina Partnership

- COLLABORATION! COLLABORATION! COLLABORATION!
- Think beyond traditional roles and relationships with Plans
- New way of thinking for Plans and a new way of thinking for Providers
- New relationship where we collaboratively work to do what is best for the patient
  - If we do this, there will be savings to share

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Keys to the Molina Partnership

- Care Transition Coordinators and Care Managers working together
- Sharing data for process improvement and better patient outcomes
- Quarterly meetings to discuss solutions, not assign blame

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Other Plans

- Medicare Advantage Plans
  - BPCI type program
  - 90 day episodes
  - Targeting specific DRGs
- ACOs
  - Shared savings program
  - Focused on a specific patient population
  - Part of a narrow post-acute care network

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Legal Considerations for Contracting with Plans

- Inclusion/exclusion of providers
- Network challenge of Plan's calculations of costs, savings
- Plan's ability to adjust costs, savings
- Ability to terminate
- Network obligations re: provider compliance

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Bottom Line

- Regardless of the program or the partner
  - Must have demonstrated improved outcomes
  - Must have demonstrated decreased costs of care
  - Must have a solid agreement and compliance program
- This will be attractive to many types of Plans
- Will set you up for success in a value-based environment

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