THE scan FOUNDATION®

Pursuing Financial Sustainability of Person-Centered Care Models

A blueprint for healthcare organizations to demonstrate and communicate the value of your model.

Research & Analysis | Avalere®

The SCAN Foundation with Avalere Health

Establishing the Financial Sustainability of Your Organization's Person-Centered Care Model

A sound sustainability analysis informs a plan to increase revenue, modify cost structure or improve aspects of your person-centered care model. Older adults with both chronic health conditions and functional limitations are the focus of this exploration. They stand to benefit the most from a strong model of care that organizes all the players and processes in a way that meets their needs, values, and preferences.

SUCCESSFUL PERSON-CENTERED CARE MODELS

Components of a person-centered model:
- Use targeted methodologies that identify appropriate individuals to participate in these models
- Realize a coordinated inter-disciplinary care team
- Coordinate individual health and supportive services to meet the person's needs

Unfortunately, our current healthcare system is not structured to deliver care in this way and reimbursement mechanisms do not financially support these types of care models.

For organizations that seek to provide person-centered care, this framework serves as a blueprint to help you demonstrate and communicate the value of your model.

A rigorous sustainability analysis is a critical step to ensuring long-term adoption of person-centered care models.

STARTING POINT

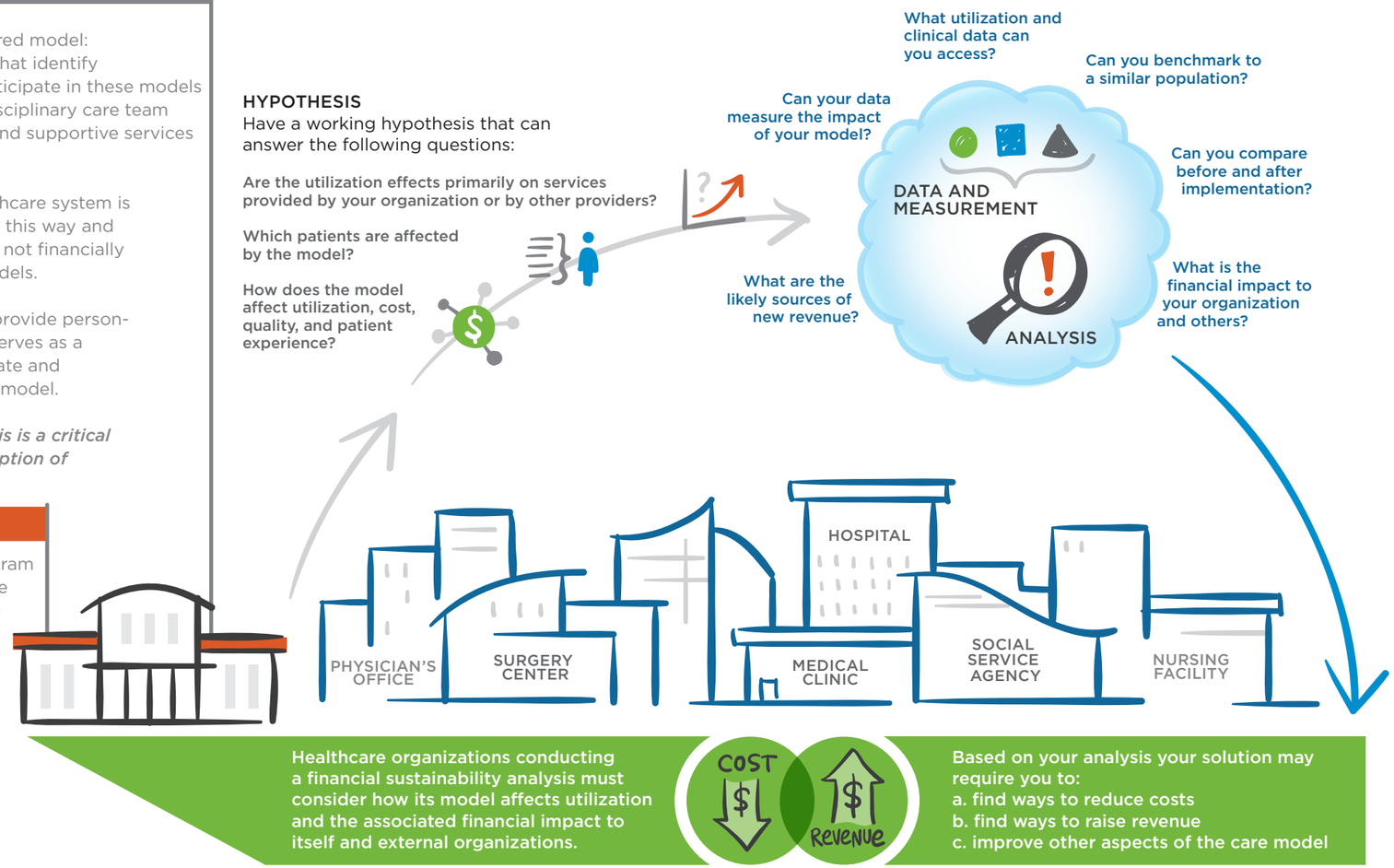
An organization that has a program that improves the quality of care and the utilization of healthcare services should consider undertaking a sustainability analysis. This approach requires organizations to have implemented a program in a healthcare setting prior to conducting an evaluation.

HYPOTHESIS
Have a working hypothesis that can answer the following questions:

Are the utilization effects primarily on services provided by your organization or by other providers?

Which patients are affected by the model?

How does the model affect utilization, cost, quality, and patient experience?



Healthcare organizations conducting a financial sustainability analysis must consider how its model affects utilization and the associated financial impact to itself and external organizations.

Based on your analysis your solution may require you to:
a. find ways to reduce costs
b. find ways to raise revenue
c. improve other aspects of the care model

DATA AND MEASUREMENT

What relevant data can you access about your program participants?
- Identify data sources; these may be internal or from external sources
- You will likely encounter limitations with your data (e.g., not available for some individuals or some providers); you may need proxies
- You will need benchmark data, such as your own experience before the model and/or similar, but unrelated, individuals

ANALYSIS

Can you identify real impacts of your model that matter to potential partners?
- Benchmarks are key: you must be able to separate the impact of your model from time trends and changes in a similar, but unrelated population
- The metrics analyzed should address the impacts that you believe your model yields

SOLUTION

The analysis should be able to answer:
- Do you have additional insights to refine or sharpen your model, or is it being disproven?
- Do the results tell the financial impact for your organization and external entities?

Research & Analysis | Avalere®

Care Coordination Model in an Integrated Health System

CASE STUDY Sutter Health

GOAL: Sutter Health, a large integrated health system would like to expand its care coordination model and needs to evaluate its internal Return on Investment (ROI) as well as the model's impact to entities outside of the health system. By quantifying the utilization effect as well as the financial impact to payers, the health system will be in a stronger position to establish alternative payment models that allow the health system to benefit financially from savings the program delivers to payers.

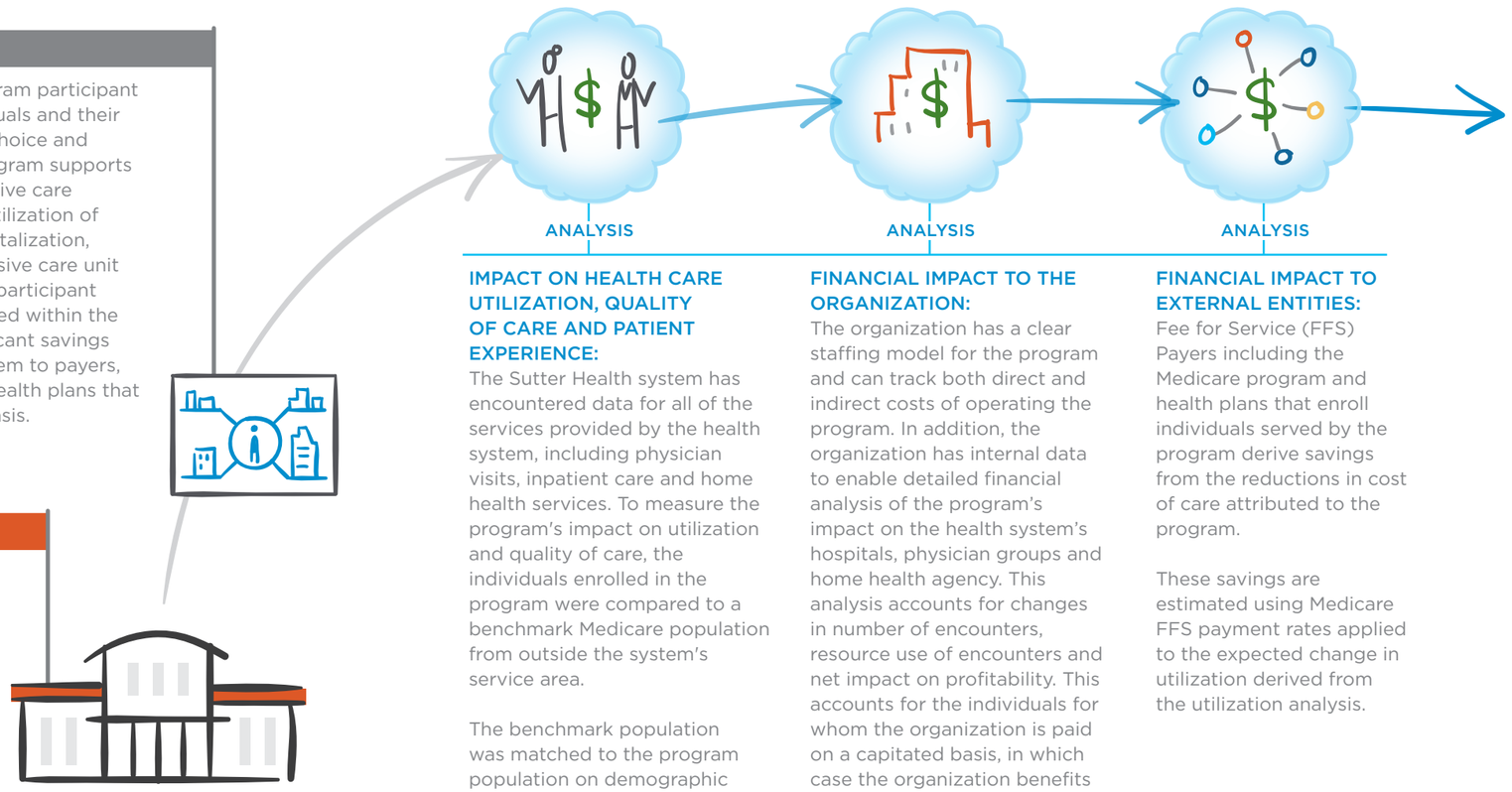
HYPOTHESIS

The model aims to improve program participant experience of seriously ill individuals and their families by promoting personal choice and shared decision-making. The program supports individuals who prefer less intensive care provided at home and reduces utilization of targeted services including hospitalization, emergency room visits and intensive care unit use. The majority of care for the participant enrolled in the program is provided within the health system. As a result, significant savings accrue outside of the health system to payers, including Medicare and private health plans that reimburse on a fee-for-service basis.

STARTING POINT

ORGANIZATION / Sutter Health

Sutter Health is a not for profit health system comprised of hospitals, physician groups and a home health agency that launched a person-centered, multi-disciplinary care model for individuals with advanced illness. The care model involves non-reimbursed staff time to conduct telephonic and in-home care management as well as team-based care.



ANALYSIS

IMPACT ON HEALTH CARE UTILIZATION, QUALITY OF CARE AND PATIENT EXPERIENCE:

The Sutter Health system has encountered data for all of the services provided by the health system, including physician visits, inpatient care and home health services. To measure the program's impact on utilization and quality of care, the individuals enrolled in the program were compared to a benchmark Medicare population from outside the system's service area.

The benchmark population was matched to the program population on demographic and clinical characteristics where reductions in high-intensity services were assessed.

ANALYSIS

FINANCIAL IMPACT TO THE ORGANIZATION:

The organization has a clear staffing model for the program and can track both direct and indirect costs of operating the program. In addition, the organization has internal data to enable detailed financial analysis of the program's impact on the health system's hospitals, physician groups and home health agency. This analysis accounts for changes in number of encounters, resource use of encounters and net impact on profitability. This accounts for the individuals for whom the organization is paid on a capitated basis, in which case the organization benefits financially from the reductions in cost of care.

ANALYSIS

FINANCIAL IMPACT TO EXTERNAL ENTITIES:

Fee for Service (FFS) Payers including the Medicare program and health plans that enroll individuals served by the program derive savings from the reductions in cost of care attributed to the program.

These savings are estimated using Medicare FFS payment rates applied to the expected change in utilization derived from the utilization analysis.

SOLUTION

Based on results from the sustainability analysis, the organization pursued a multi-pronged financial sustainability strategy:

Seek grant funding from Centers for Medicare & Medicaid Services (CMS) to cover the up-front implementation costs associated with program expansion

Enter into a shared savings payment model with CMS for Medicare FFS beneficiaries

Pursue capitation contracts with health plans to enable the organization to derive direct financial benefit from reductions in cost of care

Research & Analysis | Avalere®

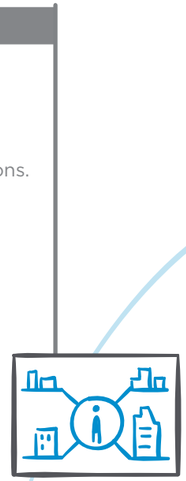
Hospital Based Care Transitions Program Provided by a County Agency

CASE STUDY Aging and Independence Services (AIS) of San Diego

GOAL: AIS, a county agency operating a care-transitions program wants to expand its services to additional hospitals and health plans using a reimbursement model that makes the program financially sustainable to the agency.

HYPOTHESIS

The program aims to reduce readmissions for individuals covered under multiple insurance programs, including Medicare and Medicaid fee-for-service, Medicare and Medicaid managed care plans, and uninsured/under-insured populations. The financial benefit of reduced readmissions accrues to payers that reimburse hospitals on a fee-for-service basis as well as to hospitals for the reduced cost of providing unreimbursed care. Reduced readmissions do not directly benefit the agency providing care transitions services, which means the organization needs reimbursement for its services. By quantifying the reduction in readmissions and the associated financial impact to affected organizations, the agency seeks to identify organizations that would experience a positive return on investment from purchasing the care transitions services.



STARTING POINT

ORGANIZATION/ AIS

AIS operates a care transitions program for medically and socially complex populations at high risk of readmission. The care transitions program adheres to the Coleman model and is provided by Care Transition Coaches who are nurses staffed on site at participating hospitals and employed by the agency. The Care Transition Coaches work with individuals and their care givers to ensure a smooth transition after a hospitalization and to instill tools necessary to improve self-care and reduce future readmissions.

ANALYSIS

IMPACT ON READMISSIONS:
As a social services organization, AIS does not have direct access to data on hospital admission or readmission for individuals served by a care transition program. Therefore AIS obtained data from participating hospitals on readmissions for purposes of this analysis. To measure the program impact on readmissions, the readmission rates of persons enrolled in the program were compared to readmission rates of a Medicare fee-for-service population not enrolled in the program but sharing the same mix of age, condition (reason for readmission), and time of year.

ANALYSIS

FINANCIAL IMPACT TO THE ORGANIZATION:
The organization has precise data on resource utilization for staffing the program and has strong internal accounting processes to track direct and indirect costs. Since the agency does not directly financially benefit from reductions in readmissions, the financial impact to the organization reflects the cost of operating the program and revenues for services provided.

ANALYSIS

FINANCIAL IMPACT TO EXTERNAL ENTITIES:
Payers that reimburse hospitals on a fee-for-service basis accrue savings from reduced readmissions. Hospitals potentially benefit from avoiding readmissions with negative-contribution margins and from avoiding Medicare readmission penalties. However, Medicare readmission penalties are relatively small, and only a portion of negative-contribution margin individuals return to the hospital of the initial stay. Thus hospitals benefit most significantly for the uninsured and underinsured individuals where there may be little or no reimbursement for readmissions.

SOLUTION

Based on results from the financial analysis, the organization targeted hospitals with the most positive ROI from the program. These are the hospitals with a high cost structure and a disproportionate share of uninsured individuals as well as hospitals that contract on a capitated basis with insurers.

Similarly, the agency can pursue contracting arrangements with health plans that do not have in-house capability to perform these services.

Research & Analysis | Avalere®

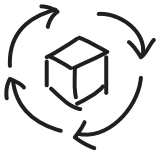
Key Characteristics and Strategies for Successfully Executing a Sustainability Strategy

ORGANIZATION

Data collection systems to track both the cost to the organization and healthcare utilization impact.

Partnership with external organizations if reliant on them to provide data.

Organizational support, particularly if sources of revenue are needed.



MODELS

Impact of model is quantifiable and produces results within the study time frame.

Ability to articulate how your model is different from the standard care.

Measurable impact on a combination of utilization, cost and quality of care.

Alignment of alternative payment and delivery models with priorities of policymakers and broader healthcare system.

Clear program design that specifies target population, intervention model and how services are delivered to specific populations.

CHAMPIONS

Know who the audience is and who the organization is trying to persuade.

Well-positioned within the organization and can affect change, are supported by an effective team to conduct the sustainability analysis, and can design and execute the sustainability strategy internally and externally.

About the SCAN Foundation

The SCAN Foundation is an independent, non-profit public charity devoted to transforming care for older adults in ways that preserve dignity and encourage independence. We envision a future where high-quality, affordable health care and supports for daily living are delivered on each person's own terms, according to that individual's needs, values, and preferences.

We seek opportunities for change that are bold, catalytic, and transformational to better connect health care and supportive services. These innovations put people first by helping them stay in their homes and communities whenever possible. All of us will face daily living challenges that often come with growing older, both for our loved ones and ourselves. It is vitally important for our society to engage policymakers and the public in order to advance aging with dignity, choice, and independence.

Learn more about The SCAN Foundation at www.TheSCANFoundation.org

About Avalere

Avalere is a vibrant community of innovative thinkers dedicated to solving the challenges of the healthcare system. We deliver a comprehensive perspective, compelling substance, and creative solutions to help you make better business decisions. We partner with stakeholders from across healthcare to help improve care delivery through better data, insights, and strategies. Our clients get actionable answers built on our experience as industry executives, quality experts, academic researchers, financial analysts, and government officials. For each engagement, we build a multi-disciplinary team that draws on the right set of expertise to solve our clients' most complex challenges. We pride ourselves on maintaining valuable long term relationships with leading healthcare organizations.

Learn more about Avalere at Avalere.com

THE scan FOUNDATION®

Research & Analysis | Avalere®