

Overview: Positioning Specialty Hospitals for Success in Value Based Payment

Market/Needs

The specialty hospital sector includes a diverse range of providers, including large and well-known organizations like Hospital for Special Surgery and Cancer Treatment Centers of America. It also includes smaller surgery centers and clinics, many of which are private and/or for-profit. In total the sector employs over 300,000 people and generates revenue exceeding \$50B. The sector is growing at a moderate rate and has significant merger, acquisition, and affiliation activity, in part stimulated by payment reform. New entrants to the market face significant barriers to entry, and most providers must deal with workforce supply and development challenges.

Opportunities

In the coming months, specialty hospitals will continue to have a number of unique opportunities to improve.

- Specialty hospitals operating as successful “focused factories” are attractive partners for health systems, physicians groups, and general hospitals, particularly for those in established or emerging value-based payment markets. Specialty hospitals should survey the market and explore affiliation opportunities to expand share and help their partners improve clinical value.
- Specialty hospitals should also consider integrating services with their affiliates and other providers, and enable program development. As payors “ratchet-down” rates and increase care setting differentials, this work will position specialty hospitals for increased volume, particularly in the outpatient setting; Medicare Advantage offers one example of a payor that has moved aggressively on differentials and rates.
- Specialty hospitals must continue to differentiate themselves from ambulatory surgery and ambulatory care centers, in order to protect their care setting rate differential. These hospitals should consider negotiating with payors to both maintain this differential and to help negotiate risk-based payment arrangements, which again, are often very beneficial for high performing specialty hospitals.

Considerations/Roadmap

As specialty hospitals consider how to position for value-based payment, they should keep the following in mind:

- Establish value-based care models; improve clinical value to differentiate in market.
- Survey the market and explore affiliation opportunities.
- Restructure/integrate the specialty hospital delivery system to position for increased volume, as acute care hospitals rates decline, and care setting differentials increase.
- Assess risks associated with maintaining specialty hospital status and rates.
- Negotiate with payors to both maintain differentials and establish risk-based payment arrangements.



Allen Miller, Chief Executive Officer

“Health care organizations that make the right investments in transforming their provider network and population health management capabilities and are strategic and data driven with their transitions into taking financial risk through value-based payment contracts will be well positioned to succeed.”

COPE Health Solutions is a national leader in helping health care organizations transform health care delivery, align financial incentives, and build a workforce to support value-based care.

For more information on how specialty hospitals can position themselves for success in value-based payments, please contact Allen Miller, Chief Executive Officer, COPE Health Solutions, at amiller@copehealthsolutions.com or (213) 542-2234.