

## Key Considerations for Public Hospitals Transitioning to Value-Based Payment Arrangements

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The transition from fee-for-service to value-based contracts is a challenge faced by the healthcare industry. The ability to succeed in value-based payment contracts is critical for public hospitals that are often the primary safety net for a given community. Without the right operational foundation and data-driven strategy organizations can easily jump into a risk arrangement they are not prepared to manage and risk large financial losses.

Public hospitals are uniquely vulnerable, as many are reliant primarily on fee-for-service contracts and an alphabet soup of government subsidy payments and programs. These hospitals may not have the level of claims data analytics tools or expertise required to identify opportunities and determine how initiatives may produce financial impact. Additionally, public hospitals may lack an adequate ambulatory network and a legal vehicle to take risk, such as an independent physician association (IPA), so that they can engage in value-based payment contracting on behalf of a physician and clinic network.

Despite the challenges in transitioning to value-based arrangements and population health management, it is especially critical for public hospitals that care for a large proportion of indigent populations and Medicaid members to begin the journey to value-based payment and care.

### Key Board Takeaways

Safety-net hospitals and health systems have a real opportunity to improve the health of populations and improve financial sustainability by committing to success in value-based contracting. Success requires a parallel set of activities to elevate core business and customer service functions while laying the foundations for population health management. The following are key takeaways for board members to consider:

- Public hospitals and health systems must regularly assess key internal operations against industry benchmarks and ensure they are competitive and highly effective in areas such as revenue cycle, customer service, and case management. Operational improvements such as these are common hospital focus areas and improvements are likely already a part of most organizations' strategic plans. Board members should ensure appropriate targets are set and the organization is working to improve care overall and prepare for value-based payments.
- In order to be successful in a market that is moving relentlessly into value-based payment for all aspects of healthcare, including public hospitals and health systems, the following are key areas for assessment and investment:
  - › Physician and clinic network, focused on a large primary care base with aligned and value-driven collaborative specialists
  - › A comprehensive care management system and team
  - › The ability to analyze and use claims data to act on opportunities to enhance premium revenue, improve quality, and reduce the total cost of care through proactive member wellness engagement and easy, early access to the appropriate level care

Helping the generally disadvantaged community members served by safety-net hospitals—often with low health literacy and many cultural, transportation, and other barriers to care—manage their health outside of the traditional emergency department and inpatient units can drastically improve quality of life for the population. At the same time, it can help the hospital reduce the global cost of care, particularly avoidable and expensive inpatient admissions.

Public hospitals should consider the following near- and long-term solutions in their roadmap to population health and ultimately value-based arrangements.

### Near-Term Foundational Considerations

As public hospitals evaluate their readiness for value-based contracts, some near-term actions should be considered to ensure a solid foundation for success.

## Near-Term Considerations



### Tackle the basics

Identify immediate operational improvements



### Look to grow on your base

Evaluate new services



### Culture trumps strategy

Address culture to sustain changes

These initial considerations will also provide a foundation for cash flow and free up resources that can help organizations invest in transformation:

- **Identify operational improvements.** Hospitals should identify opportunities to tighten and streamline traditional operational areas, including, but not limited to, revenue cycle, cost accounting, case management, patient experience, and ambulatory service access. Hospitals should also foster deeper relationships with community physicians and clinics. For example, identifying and addressing discharge bottlenecks, such as timely lab results on day of discharge and empowering case managers with the information and resources needed to provide successful discharge planning services, can lower length of stay, readmissions, and ultimately total cost of care.
- **Evaluate and identify new services.** The transition to value-based arrangements requires a change in how hospitals provide care. Many providers are already motivated to provide quality,

evidence-based care. Managing populations requires not only a shift to different care settings, but a focus on proactive service development and population health management that may take hospitals out of their traditional comfort zones. Examples include the implementation of respite services to avoid “social” admissions and a comprehensive

care management program leveraging non-licensed and licensed team members operating at the top of their license/training. Once areas of opportunity are identified, hospitals should prioritize investment and implementation based on which initiatives will best support long-term strategies and financial sustainability in value-based payment contracts with health plans.

- **Address cultural change.** To achieve customer satisfaction, timely access to the right level of care, and improved quality outcomes, the culture of the organization must encourage leaders and physician champions

to be relentless in identifying opportunities to improve the customer experience for patients and attributed members overall. Examples include wayfinding, customer engagement initiatives, staff engagement and customer service skills, expanded primary care hours and locations, integration of behavioral health with primary care, and timely access to the information required to enable self-management and patient and family engagement in the care process. Engagement of physicians, nursing staff, and all employees from security to food services to environmental services and “behind the scenes” team members such as central supply, ensures the necessary alignment of behavior and commitment across the organization that can create a more positive care experience, lower total cost of care, and improve quality outcomes.

## Long-Term Population Health Management Considerations

The activities above can ensure the required foundation is in place for population health transformation

## Long-Term Considerations



### Study your customers

Analyze member data



### Invest in your business

Implement population health tools



### Access to right care, right time, right place

Build and optimize your network

and value-based payment success. Public hospitals and health systems can reinvest the savings and additional revenue achieved through the foundational activities to fund parallel or long-term initiatives that will drive success in value-based payment contracts:

- **Analyze member claims data.** Perform in-depth claims data analysis to identify the current state, benchmark targets to continue to improve care and utilization, and select the right risk arrangement strategy. Claims analysis can provide insight into members and utilization to address low-hanging fruit solutions (e.g.,

identifying Medicare eligible patients and moving from retail to mail-order medications) to larger-scale projects, such as repatriation projects, that ensure members receive care at in-network facilities.

- **Implement population health tools.** Build and implement population health strategies, which may include build or buy decisions for population health and care management platforms, risk stratification tools, and information sharing tools to ensure clinicians have access to the information needed to manage a member panel.

- **Build and optimize your network.** As hospitals are better able to analyze and understand the care that members receive outside of their walls through claims data, they can build the right networks of high-performing providers that have the right service mix and geographic access to meet member needs.

The journey to value-based care is a marathon, but as the healthcare industry continues to transition towards value, organizations must begin the journey to be successful in a new world of healthcare delivery and payment.

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