COPE HEALTH SOLUTIONS

Population Health and the AMC Chase — Five Hurdles to Value-Based Care

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Academic Medical Centers (AMCs), for the large part, are late to the population health game and have been playing catch-up. Though uniquely innovative and focused on both clinical care and research, AMCs are challenged by systemic obstacles that make transformations difficult as change requires new levels of collaboration across the entire organization. Simply put, changing a delivery system while successfully sustaining operations within some of the most complex institutions in the country is a complex transition. What could possibly go wrong?

Due to the rising costs approaching 20 percent of gross domestic product (GDP), physicians and hospitals are given significant pressure to manage the total cost of care more effectively and efficiently. More and more, the financial risk and burden for the cost of care are transferred to providers. Some health systems are playing a zero-sum game, chasing margins of an outmoded fee-for-service model, while other systems are working towards improving the value of the care delivered.

Transitioning an AMC's health care delivery model requires a well-planned and well-paced strategy to simultaneously and synergistically impact the underlying business and clinical models. Their difficulties in value-based care are borne out from necessity and must be understood in order to navigate a path forward. This article discusses five major hurdles AMCs face along the value-based transformation path with the hope to better inform solutions and ensure a more seamless transition.

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1. The Inverted Pyramid and Specialists' Puzzle

Balancing financial sustainability for specialists, while managing performance and utilization under various risk models for specific populations, is the first strategic hurdle to maneuver. AMCs are the home to a preponderance of medical specialists at the forefront of clinical research and delivery. This, however, is not a natural or automatic fit with the basic tenets of value-based care, which is almost by definition heavily dependent on primary care strength and primary care attribution models. Medicare's reimbursement model through Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) uses percent-revenues under advanced payment models, which places a disadvantage on AMCs that are often the downstream provider for many otherwise non-attributed patients requiring expensive tertiary and quaternary care.

2. The Contracting Paradox

The vast majority of hospitals' operating margins are through fee-for-service and or other volume incentives. In other words, "heads in beds" still matters. Value-based care can be seen as a means to diversify revenue to positively contribute to the system's bottom line. High value can drive good business in both volume and value. Nonetheless, this is a difficult calculus as changes to care delivery can impact metrics, such as in-patient admission rates, as populations served begin to grow. The ability to forecast and model how risk-based scenarios play through system-level economics adds to the complex calculus.

3. Right Sizing

The traditional AMC of multiple behemoth centers and hospitals, each with a heavy focus on in-patient services for a given geography, is anachronistic at best. When specialized services are not concentrated, patients are ill-served by programs that do not perform enough volume to provide highest-quality. Repetition very much matters in team-based approaches to care. Otherwise, variations in care multiply and the system is further burdened by duplicative fixed costs. Newer models include smaller, modern acute care facilities with full-service emergency departments, comprehensive behavioral health services and otherwise a virtual mostly-ambulatory hospital without walls that integrates seamlessly into the community and home and provides the most effective, efficient, and convenient care.

4. Primary Care Alignment

Value-based models rely on attribution methodologies. You must define the population as a given denominator in order to measure and improve any quality or efficiency of care delivered. Most methods ascribe to primary care attribution models as "home base," that has driven

a fierce re-interest in primary care practices and physicians. Lest we forget that the history between most hospital systems and community physicians is tenuous at best, and the new reimbursement methods promote new interest in partnership and alignment strategies to achieve the promise of new value creation. For employed, independent, IPA-affiliated physicians, and/or a clinically integrated network (CIN), some of the panoply of strategic opportunities to better align with primary care physicians include contracting efforts, compensation reform, innovative incentive and benefit design, wrap-around services, IT and analytics and more.

5. Leadership and Partnership

AMCs often struggle with "silo-syndrome" or even "fiefdom management." Success in value-based care within a complex system requires deep involvement of leadership at the most senior levels. Population health requires harmonization across every aspect and department of a system and often stretches the normative boundaries of collaboration. Venn diagrams begin to actually meld together from administrative services of legal, finance, compliance, contracting, and IT; to MSO-like services of care management and wrap-around services, new claims and payment methods; through clinical and behavioral health delivery services and practice transformation. Systems must really improve coordination as that efficiency is being rapidly tested through payment reform and financial risk transfer.

Is there any good news?

In many ways, AMCs are actually in the best position to perform well in value-based care. They have the capital to invest in required infrastructure, one of the strongest provider-payer relationships in their communities partnering for innovative delivery offerings, the best analytics horsepower, and the brightest brain-trusts in the world. Harnessing these capabilities for population health can be of incredible value. However, it is easy to feel paralyzed when looking at the many pivots required and new core competencies needed to develop on top of the hurdles inherent in their current structures. Cohesive and comprehensive strategies forward are most important.

For more information on how AMCs can successfully pursue population health management, please contact Dr. Snyder at asnyder@copehealthsolutions.com or call (402)-225-9417.