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Ready, Set, Change!

Post-Acute Care and the Shifting Landscape

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In 2013, Medicare spent nearly $60 billion on post-acute care alone.

For post-acute providers across the country, the pace of change has accelerated dramatically over the last 18 months. A series of very recent and significant events will create not only challenge but also tremendous opportunity for post-acute providers, and for skilled nursing facilities in particular.

Waking Up

Leaders across the healthcare industry are waking up to the reality of what post-acute care can accomplish in terms of managing costs and improving patient outcomes. If executed correctly, post-acute care can position itself to play a big role in improving America's healthcare system.

In 2013, Medicare spent nearly $60 billion on post-acute care alone. Almost half of that was vested in skilled nursing facilities — a big chunk of healthcare spend in our country. And hospitals, health systems, and payors are taking more interest.

Why are they excited? Primarily because four out of ten Medicare patients discharged from hospitals go to post-acute care, and the bulk of those people go to skilled nursing facilities and home health agencies. Nearly 80 percent of all of the coverage in post-acute care and nearly 80 percent of the spend in post-acute care is attributed to those two settings. More significant, however, is the variation that occurs in post-acute care. Post-acute can account for as much as 70 percent of the variation in Medicare costs, and all of that unpredictability makes a lot of hospitals, health systems, and payors nervous.

With five years of the Affordable Care Act (ACA) behind us, a lot of the changes for skilled nursing providers are only just beginning. For operators, it's easy to bury heads in the sand, focus on the operational side of things, but neglect a focus on the future. In considering the complicated nature of healthcare change, there is an urgent need for providers to stay on top of what's going on.

Recent Changes

Shortly after the Supreme Court upheld the ACA in June of 2015, the five large national managed care organizations (MCOs) started their move toward consolidation. Among the big five of Aetna, Humana, Cigna, Anthem, and United Healthcare, the first out of the gate to talk merger were Aetna and Humana. A few days later Anthem and Cigna made their announcement as well. Suddenly, we've moved from five big MCOs to just three. Why would they do that? Because the more lives you manage, the greater you can leverage costs and leverage risk. Forward-looking post-acute providers need to recognize that MCOs, quite frankly, are going to become the dominant payer force. Thus, we must adapt for managed care because they won't be pushing hard only on hospitals and health systems. Everyone will share in the pressure.

Another key change is the move by the Centers for Medicare & Medicaid Services (CMS) to establish 90-day bundles for total joint replacement. For 75 markets across the country, acute-care hospitals will go "at risk" for total joint replacements (MS-DRGs 469 and 470), including the hospital stay and for 90 days thereafter. While the hospital will directly manage three to five days of that bundle, the remaining 85 to 87 days will be provided via services typically performed outside the walls of the hospital. So the doctor, post-acute, equipment, ancillaries — all of it — will be in the bundle, and the hospital will bear the risk. For hospitals, this a considerable shift in thinking. They need to start considering where patients go after discharge, how they will be managed, and what sorts of providers they will need to achieve the desired outcomes. That all means increased pressure and expectations for post-acute providers.

Beyond these major shifts, the current Administration has also proposed a range of rule changes about expectations around skilled nursing facilities, and CMS' Office of the Inspector General is beginning to question the intensity of billing for many Medicare patients.

Big Trends

Across the board, skilled nursing providers need to ramp up their own pace of change to address these recent shifts and remain both successful and relevant in the future. This chart outlines six big trends that are impacting healthcare providers across the country:

The Big Trends Impacting Healthcare Providers

One of the biggest is the reality around consolidation, not only among managed care organizations, but also within hospitals, health systems, and large-scale physician practices across the country. People are coming together through direct affiliations, mergers, and networks.

Secondly there's considerable emphasis around transitions of care — where people fall through the cracks. From hospital-to-home and hospital-to-SNF-to-home, transitions like these represent gaps in the system that contribute to systemic problems, like readmissions and poor outcomes. Infrastructure and incentives for providers to manage these transitions of care are rapidly evolving.

Then there's the issue of increasing access to attain market share. Everybody wants to get a larger chunk of their market, attracting and retaining more customers. There are two ways by which you grow any business: do

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it organically or buy somebody else's business. The latter is inevitably quicker for most, and the result is more consolidation and affiliation.

New payment models mean shifting from fee-for-service to concepts such as bundled payment. We have to shift, as a nation, to a value-based population health model of care, which really means we have to get away from reactive healthcare to preventative healthcare.

All of these trends revolve around a central issue — quality. Skilled nursing providers are probably tired of hearing about quality, but no one can bang the drum loud enough to help everyone understand that it's *all* about quality. Tying payment to performance (i.e., outcomes and quality) is a big part of the bedrock around payment reform. How we deliver care and what we can achieve is what will matter most. Quality measurements will drive performance improvement, and if providers want to maximize revenue opportunity, they need to focus mightily on quality.

Embracing Risk

If post-acute providers ultimately want to sit at the grown-up table, they have to get their arms around the 'R' word — Risk. Right now, most live almost entirely in a fee-for-service world. If they want to keep moving forward, they've got to accelerate their shift from fee-for-service to fee-for-value, to bundled payment, and ultimately to a likely future of capitation.

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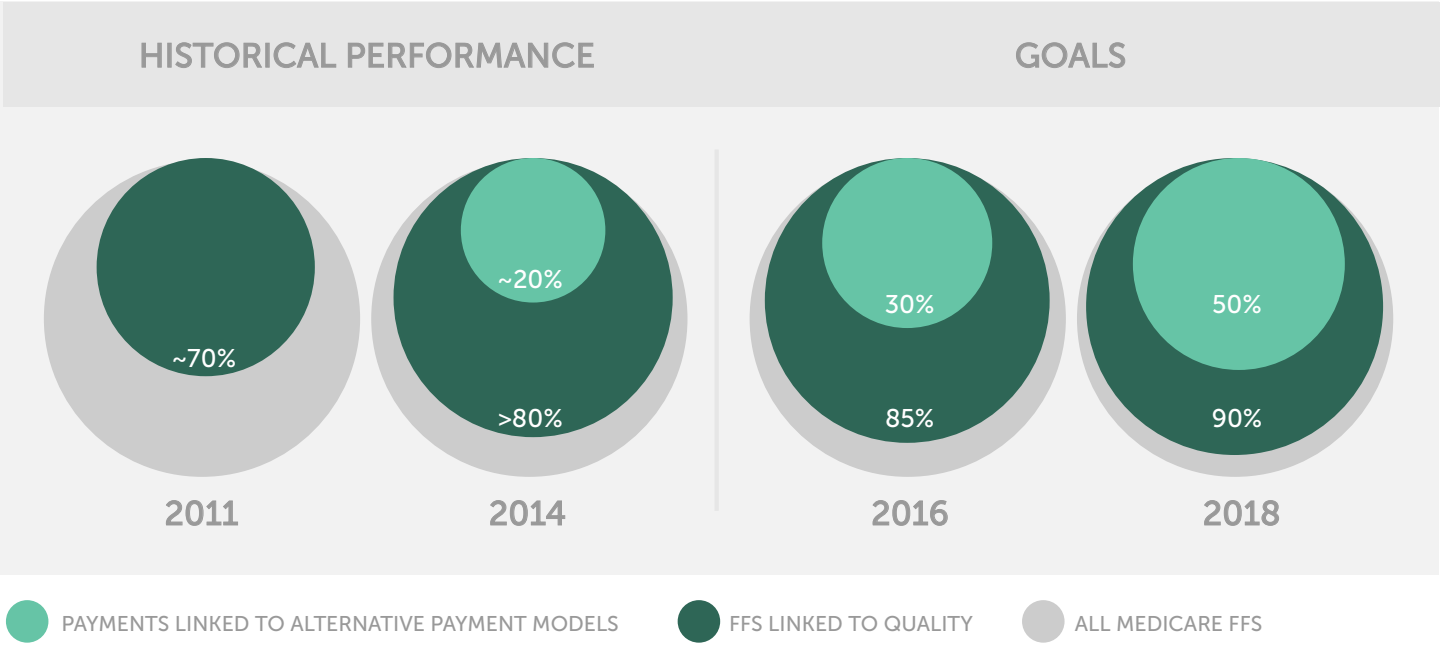
CMS Timeline for Transition to Value-Based Reimbursement

By 2018, 50% of payments in Alternative Payment Models



So the largest payer organization in the world, Medicare, has said, "I'm moving half the payment to bundled payments in three years." Skilled nursing providers have to ask themselves, "Are we ready to play in that space?"

The Big Six

At the risk of over-simplifying, getting ready to both play and succeed boils down to six key areas of focus for providers:

1. If you're late to all of this change, strategic considerations should take precedent over tactical moves. Have a crystal clear understanding of who you are and where you are. Then craft a clearly defined vision for where you want to be. Learn more about market trends and seek out collaborators and partners.

2. Craft a value proposition for your organization that reflects both an accurate understanding of the market environment and what potential partners need. Demonstrate how your business fills their gaps with measurable outcomes and quality.

3. Know your numbers. Dig into your data to create quality measures and show potential partners that you have the right data to prove your quality and outcomes. Mine data about your competition and your partners, and present yourself as the only choice for post-acute care. Ultimately you're demonstrating how you can participate in value-based compensation.

4. Keep ramping up your clinical skillset. Patients are only going to get sicker and have more complex needs. Hospitals and payors are already seeing skilled nursing facilities as potential alternatives to long-term acute care hospitals and acute rehab facilities. Deploy evidence-based clinical pathways to support and manage complex patient diagnoses. Improve hand-offs from acute to post-acute care. Embrace new models of care, including greater use of mid-level extenders (such as NPs and PAs) to ensure 24/7 coverage. Secure real-time clinical decision support tools to better evaluate and manage high-acuity patients.

5. Get smart about bundles and value-based care. Learn how to work the best deal from managed care contracts, bundled payment arrangements, and preferred provider agreements. You'll need to scrutinize level of care definitions and clinical performance expectations. Beware of single-rate arrangements because shifts in acuity can be detrimental. Negotiate rates while selling yourself as a good partner. Don't just take what's offered. You'll need to understand gain-sharing and shared-savings opportunities. To accomplish all this, you'll need to dig in and evaluate your cost structure to get as lean as possible. And this is the big one: ***Stop thinking about reimbursement and start thinking about revenue!***

6. Leverage your investment in information technology. Maximize use of the functionality inherent in your HIT system by making everyone a "superuser" — everyone needs to know how to drive that thing like a Ferrari. Mine the available data, measures, and outputs to inform quality and performance improvement on a daily basis. Ditch any remaining paper-based practices

and convert them into your HIT system. The only way to use data to prove you're a great, high-quality partner is to be able to PROVE it with data.

For skilled nursing providers, change is the great constant. The industry has consistently adapted to shifts in payment over the last 20 years, responded to increasing patient complexity, integrated technologies into care, and excelled at optimizing revenue. Success under the new realities in healthcare follow a similar path, but this time the stakes are much higher. It requires hard work and demands intelligent strategy, a willingness to embrace more risk, heavy emphasis on quality and performance improvement, and deeper growth into information technology tools that, in combination, will shape opportunity into reality.

About the Authors

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About American HealthTech

Headquartered in Jackson, MS, American HealthTech (AHT) is a leading provider of integrated solutions to the skilled nursing industry to help organizations achieve data-driven clinical and financial improvements. Its solutions delivered to clients include software, professional services, and interoperability connections. AHT is part of the Healthland family of healthcare IT solutions. More at www.healthtech.net.