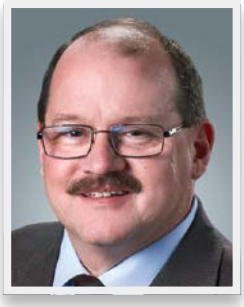
The Move toward Population Health: A Strategic Approach

BY STEVEN V. LONG, FACHE, HANCOCK REGIONAL HOSPITAL

America's healthcare system in its current form is nonviable. We are at our best when heroic interventions are required and people are rescued from the brink of disaster, but we are out of our comfort zone when confronted with the daily emotional, social, and environmental factors that are the root causes of those potential disasters.



Steven V. Long, FACHE
President and CEO
Hancock Regional Hospital

Our business model is reliant on treating illness and injury after they occur, not on prevention and proactively improving health status. Financial success is linked more with heightened flu seasons, end-of-year deductible spending, and improved marketing than with the quality of life of the people we serve via better health; 80 percent of the factors that influence health status are nonmedical, yet 80 percent of the dollars we spend on health in America are medical related.

We have known for decades that the volume-driven, fee-for-service model of healthcare reimbursement was suboptimal. But we knew how to make a margin in that model: more volume and lower costs equaled success. Similarly, our colleagues on the payer side knew how to make a margin collecting premium dollars and controlling payments to providers. None of us knew how to make a margin in between those extremes, so we resisted change. But now it is clear that not only is change happening (for real this time), it is happening quickly so we need to figure out how to survive the transition.

At Hancock Regional Hospital in Greenfield, Indiana, our board has embraced the concepts of the Triple Aim (better care, better health, lower costs) and believes it offers guidance on how best to thrive in a new environment focused on value and population health. The first step in our journey was to fully understand what these two terms meant for a semi-rural hospital in central Indiana. We understood that, due to the prevalence of high-deductible health plans in our area, "patients" were rapidly becoming "consumers" and are increasingly sensitive to price and access. We understood that government and commercial health plans were requiring demonstrated value as part of their payment paradigm, and proof of exceptional clinical quality and patient experience were required. We also understood that consumers, employers, payers, and communities were all demanding improvements in health status for populations of people and this would require skills in care management and partnerships with community organizations far beyond our current scope and expertise.

While the magnitude of the change is daunting, our board knew we could adapt. It also knew that margin protection during and after the transition would be imperative and our past record of financial and operational success placed us in a great position. With this in mind, the board, administration, and physician leaders looked closely at the changing environment locally, regionally, and nationally. We then created a set of characteristics that described what we believed a robust organization operating in a value-based, population health-oriented environment in Greenfield, Indiana, would need to exhibit not just to survive, but to thrive. The resulting 10-item, one-page document included characteristics ranging from the importance of community members considering us their partner in healthcare (not hospital care), to developing approaches to proactively work with individuals in improving their health status via care management techniques, to partnering with community organizations to create healthy public and home environments.

One of the most important elements was embracing the new accountable care organization (ACO) we established in partnership with four other suburban Indianapolis hospitals.

Key Board Takeaways

The healthcare industry is undergoing a complete transformation and hospitals, especially those in rural or suburban areas, are challenged with figuring out how to succeed in this new environment. As boards look to the future, they are asking: What do we need to do now to strategically position our organization for population health-based reimbursement models? Leaders at Hancock Regional Hospital had this discussion and decided to become a member of the National Rural ACO. This partnership has allowed the organization to:

- Act as its own ACO but utilize shared governance and resources in a regional consortium.
- Receive additional support for the chronically ill and use wellness promotion programs to improve outcomes and reduce unnecessary ED and inpatient utilization.
- Have revenue streams that are associated with the value of services, rather than the volume of services provided.
- Reduce per capita costs for Medicare beneficiaries in the region.

Becoming an ACO and Preparing for New Reimbursement Models

In January, Hancock Regional Hospital signed on to be part of the National Rural ACO, which works with rural healthcare providers across the country to help prepare them for future payment models, increase local market share, and increase patient and provider satisfaction. Each member acts as its own ACO, with its own benchmarks and goals, but utilizes shared governance and resources in a regional consortium. This network enables small healthcare organizations to qualify for shared savings programs, allows aggregation of lives to support other value-based payment models, and fosters a peer learning network. The National Rural ACO follows evidence-based processes to improve the health of its communities and position its health systems for financial success using the framework, waivers, and data supplied by the Medicare Shared Savings Program. It also provides additional support for the chronically ill and uses prevention and wellness promotion programs to improve outcomes and reduce unnecessary ED and inpatient utilization.

The ACO model provides valuable learning in the areas of care management, data analysis, and an orientation on prevention. We believe it can teach us methods to maximize margins under the new value-based reimbursement models while also improving care for our community. One outcome of our activities with the ACO has been a subtle shift in thinking of our organization not as a community hospital that operates physician practices, but as a broad-based regional healthcare company.

Our charge with the ACO is to reduce per capita costs for Medicare beneficiaries in our region. Our first task is to identify patients with multiple chronic conditions who are also heavy users of healthcare resources and come alongside them in their healthcare journey, maximizing their health status and providing early interventions when their disease process begins to worsen. Interestingly, as we keep these folks in their homes and out of high-cost locations such as hospitals and skilled nursing facilities, we reduce the traditional volume-based, fee-for-service encounters that were the recipe for success in the past. On first blush, this may seem irrational, but we know it is better for the patient and it forces us to re-evaluate our processes to become ever more efficient and to be proactive about developing revenue streams that are not associated with acute care volumes, but rather with the health status of those we serve.

We are hopeful that by embracing the techniques learned in the ACO we can remain an independent, community-owned and operated organization. We believe this status helps us better meet the needs of our region in ways that we could not if we were owned by a larger health system. That said, we have also come to realize that smaller organizations cannot operate on an island, and partnerships are required to provide our patients with access to the complete continuum of care in the future.

In addition to being a member of the National Rural ACO, Hancock Regional Hospital also participates in the Suburban Health Organization (SHO), which is composed of 11 central Indiana hospitals that work together to promote quality, efficiency, and patient access in the communities they serve. The SHO supports our organizations and communities through the development of strategic initiatives and shared services, sharing best practices for quality improvement and joint physician recruitment to managed care contracting and a shared risk retention group.

Everything is changing, and if, as a board member, you are thinking that your organization can ride out this new "phase" in healthcare in hopes that it will go away, you are placing your organization in high risk. Population health and value-based reimbursement are quickly becoming the "new norm." Our job as leaders is to learn how to succeed in that environment. Creating an ACO is a great first step for our organization, but it is just the beginning of how we serve our communities in a value-based world. As a hospital CEO, I am thrilled with the idea that we are finally beginning to be paid for helping people have a better quality of life via better health, rather than caring for them after they are already sick. Having a high-functioning board that is ready to engage in strategic dialog around these critical issues is imperative to succeeding in these transformational times.

The Governance Institute thanks Steven V. Long, FACHE, President and CEO of Hancock Regional Hospital, for contributing this article. He can be reached at slong3@hancockregional.org.