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AS THE SOURCE OF 73% OF VARIATION IN HEALTHCARE SPENDING, POST-ACUTE CARE CAN MAKE OR BREAK YOUR ORGANIZATION'S STRATEGY

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Why Focus on Post-Acute Care? Problems and Challenges

As the healthcare industry moves toward value-based payment models, hospitals, health systems, Accountable Care Organizations (ACOs), and health plans have increasingly recognized the importance of post-acute care (PAC) as a key component of their organizations' care continuums.

A widely quoted report by the Institute of Medicine in 2013 identified PAC as the source of 73 percent of the variation in healthcare spending, significantly increasing attention to the cost and quality of post-acute care services.[1] In its September 2017 report to Congress, MedPAC found that PAC had the greatest cost variation among all sectors when compared to acute and ambulatory care.[2]

Furthermore, post-acute care represents a significant component of total medical expense. Between 2007 and 2015, Medicare payments to PAC providers rose to a total of **more than $54 billion[3].** Post-acute care also frequently comprises a significant component of total episode-of-care costs in bundled payment models and other value-based reimbursement arrangements. MedPAC found that 43 percent of all fee-for-service Medicare patients were discharged to post-acute care services following an acute-care hospital stay in 2015[4]. In particular, poor-performing PAC providers may be contributing to or driving high inpatient readmission rates, potentially increasing hospital readmission penalties.

PAC Performance

Given these new realities, continued financial viability for many post-acute care facilities will be predicated on the ability to demonstrate lower cost and higher quality clinical care than that of peers in their markets. In the future, the hallmark of high-value PAC organizations will be their success in partnering effectively with hospitals, health systems, ACOs, and health plans as part of narrow provider networks.

A reality for PAC owners and operators is that evolving market dynamics, patient clinical needs, and increasing regulations have created a state of continuous change for PAC facilities, which can lead to

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[1] Institute of Medicine. 2013. Variation in Health Care Spending: Target Decision Making, Not Geography. Washington, DC: The National Academies Press. https://doi.org/10.17226/18393.
[2] MedPAC Report to the Congress: Regional variation in Medicare Part A, Part B, and Part D Spending and Service Use. September 2017.
[3] Based on Stroudwater analysis of CMS Geographic Variation Public Use File – Actual Costs
[4] MedPAC Data Book: Health Care Spending and the Medicare Program, June 2017. http://medpac.gov/docs/default-source/data-book/jun17_databookentirereport_sec.pdf

significant operational inefficiencies and inconsistent care delivery. Such inefficiencies are often the root cause of issues such as low-quality performance ratings, high ER and inpatient hospital utilization rates, cost overruns, low profitability, low patient satisfaction, low CMS Star ratings, and high employee turnover.

As a result of these challenges, PAC facilities have an urgent need to improve overall financial and operational performance by:

- Maximizing value through improving quality of care while controlling costs
- Demonstrating consistent value-based care delivery via strong clinical outcomes and utilization data
- Planning and implementing a strategy to maximize CMS Star Ratings
- Increasing readiness for alternative payment models, such as bundled payments
- Reducing avoidable ER visits and hospital readmissions

At the same time, hospitals, health systems, ACOs, and health plans are seeking ways to better manage total costs of care and to integrate high-value PAC services into their delivery system. Development and execution of a comprehensive post-acute care strategy are critical steps to achievement of those goals.

Key Strategic Questions to Consider

- ✓ Does your organization currently have a comprehensive overall PAC strategy?
- ✓ Does your organization have the opportunity to improve operational and financial performance by developing a more effective PAC strategy, potentially reducing inpatient length of stay, reducing 30-day avoidable readmission rates, and minimizing episode cost of care – Medicare Spending per Beneficiary?
- ✓ Has your organization developed a mid-level provider-based onsite medical management program?
- ✓ Who are the major PAC providers in your primary and secondary service areas?
- ✓ Who are the top PAC performers, when considering utilization, cost, quality, and patient experience measures?
- ✓ Which PAC providers do your patients/members typically utilize?
- ✓ Are your organization's own PAC facilities and/or services high-performing and accretive clinical and operational assets for your organization?
- ✓ Are there opportunities in the market to expand your organization's PAC facilities and/or services?
- ✓ Are there opportunities to collaborate more effectively with external PAC providers?
- ✓ What is the merit of continuing to own and operate PAC facilities versus exploring a potential divestiture to an independent operator?

Achieving the Triple Aim: Potential Solutions

Guided by their PAC Strategic Plan, healthcare organizations can begin to identify and prioritize specific tactical plans to achieve their strategic goals. Effective care transitions between a hospital and a nursing facility or other post-acute care setting can greatly improve the patient experience and reduce the chances of unplanned readmissions to the hospital. Other tactical considerations may include development and implementation of a "SNFist"/Mid-level Practitioner model of care and/or development of PAC preferred provider networks.

New care models and reimbursement methodologies require hospitals and health systems to account for the entire continuum of care. However, a hospital or health system's post-acute assets and service lines do not necessarily have to reside inside their organization. The key is to incorporate post-acute care service lines seamlessly into the organization's full continuum of services whether they are owned and operated by the system or within a partnership relationship.

A determination whether to own and operate or to partner for post-acute care assets will depend on existing service line options in the healthcare organization's market, such as the scope of services and the quality and effectiveness of providers. How much coordination already exists? Are existing post-acute care providers attractive potential partners?

Other significant factors to consider regarding ownership or partnering include capital requirements, integration of EHR, integration of quality initiatives, speed to market, core competencies, and state-specific reimbursement considerations.

Perhaps the hospital or health system currently owns and operates post-acute care assets but their financial, operating and/or clinical results are less than ideal. It may be time to consider divesting those assets and collaborating with a more proficient operator. As discussed, new care and reimbursement models provide considerable incentive to healthcare providers to collaborate across continuums of care, thus making collaboration advantageous to both parties.

Ultimately, post-acute care must be part of the healthcare organization's long-term strategy and an integral component of an aligned and coordinated continuum of care, which is essential to achievement of the IHI's Triple Aim: improving patient experience of care, improving the health of the population, and reducing total cost of care.