

A photograph of a man in a bright green sweater holding a baby in a blue jacket. The man is looking up at the baby, who is smiling. The background is a bright, overexposed outdoor setting, possibly a beach or a field.

# Rural health financing

## Health Care & Wellness Committee

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**November 21, 2019**

# Agenda

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- ▶ Rural Health Clinic (RHC) Reconciliation
- ▶ Washington Rural Health Access Preservation (WRHAP)
- ▶ Rural transformation federal rural initiative and primary care

# Health transformation in Washington

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- ▶ New value-based payments drive new delivery models of care that lead to better health, better care, and smarter spending.
- ▶ HCA implementing a wide variety of initiatives to build infrastructure and capacity to support innovative financing and delivery models of care.
- ▶ Models address:
  - ▶ Workforce
  - ▶ Primary care
  - ▶ Behavioral health integration
  - ▶ Infrastructure to support new payment models (i.e., care coordination, quality reporting)
  - ▶ Health information technology

# Washington's rural transformation journey

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- ▶ State Innovation Model (SIM) grant (2014-2019)
  - ▶ Value-based purchasing payments, transformation enablers
- ▶ WRHAP pilot (2017-2021)
  - ▶ Supports some of Washington's smallest critical access hospitals (CAHs)
- ▶ Medicaid Transformation Project (2017-2021)
  - ▶ Incentivizes community/clinical linkages and investment, and supports critical services
- ▶ Rural health system transformation engagement (2018-present)
  - ▶ Engages rural providers, payers, associations, Accountable Communities of Health (ACHs), and others

# Rural Health Clinic Reconciliation

# Rural health clinic payment overview

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- ▶ Rural health clinics (RHCs) receive enhanced reimbursement for serving clients in rural and medically underserved areas.
- ▶ Each of Washington's 128 RHCs receive a unique, provider-specific encounter rate based on allowable costs.
- ▶ HCA ensures RHCs receive their cost-based encounter rates for qualifying services provided to Medicaid clients served through HCA's fee-for-service and managed care programs.

# Annual reconciliation process

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- ▶ HCA pays RHCs monthly enhancement payments in addition to the negotiated payments they receive from managed care organizations (MCOs).
- ▶ This ensures RHCs receive their full encounter rate for eligible RHC services by bridging the gap between MCO payments and the clinic actual encounter rates.
- ▶ Enhancement payments for a clinic are based on the number of clients the MCO assigns to that clinic.
- ▶ HCA performs an annual reconciliation to ensure the clinics received their full encounter rate for each qualifying visit.
- ▶ If the clinic was underpaid, HCA pays the difference. If the clinic was overpaid, HCA recoups the extra amount.

# A brief history

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- ▶ **2006:** CMS audit found insufficient evidence that Washington's managed care enhancement payments met the federal requirements of Section 42 U.S.C. 1396a(bb).
- ▶ **2009:** managed care reconciliation introduced because of CMS finding.
- ▶ **2011:** Neighborcare vs. Teeter lawsuit put reconciliations on hold until lawsuit settled in 2013. This delay affected subsequent reconciliation years.
- ▶ **2013:** 2009 reconciliation process resumed. Additionally, 2013-15 Operating Budget included \$3.6M GFS to partially reduce the amounts RHCs owed for 2009 reconciliation recoupments.
- ▶ **2014:** HCA begins meeting bi-monthly with the Rural Health Clinic Association of Washington to address reconciliation-related questions and concerns.

# 2011-2013 RHC Reconciliation status

- ▶ 2011-2013 RHC Reconciliation finalized and settled for all clinics in August 2019.
- ▶ 2019-21 Operating Budget directed HCA to utilize unliquidated funds to repay the federal portion of any outstanding RHC overpayments.
- ▶ HCA relieved 26 RHC organizations (49 clinics) of outstanding 2011-2013 overpayments, totaling \$17.7M. The total state portion of RHC overpayments was \$8.7M.

## RHC Overpayment Debt Relieved by HCA

### 26 Organizations (49 RHCs)

Federal Portion	\$9,060,072
State Portion	\$8,676,329
<b>Total</b>	<b>\$17,736,401</b>

# 2014-2017 RHC Reconciliations

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- ▶ The 2019-21 Operating Budget directed HCA not to collect any 2014-2017 RHC overpayments until the Legislature has an opportunity to review the issue in the 2020 legislative session.
- ▶ HCA estimates the total 2014-2017 overpayment owed to the state is \$35.1M. These estimates are subject to change, as RHCs continue to submit finalized reconciliations to HCA.

# Changes effective 2018: RHCs receive encounter rate through MCOs

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- ▶ In response to Section 213(1)(II) of SSB 5883 (2017), HCA implemented a new payment option that allows RHCs to receive their full encounter rate through MCOs. This payment option **eliminates the need for reconciliation** between RHCs and HCA.
- ▶ Effective calendar year 2018, HCA updated its rules, stating that for RHCs not participating in the above payment option, HCA will complete the reconciliation in the calendar year following the year in which payments were made.
- ▶ RHC reconciliations are eliminated for 89 percent of clinics, and will be completed on a timely basis for the remaining 11 percent of clinics.

# Washington Rural Health Access Preservation (WRHAP)

# WRHAP status

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## ▶ SHB 2450

- ▶ Passed in 2016
- ▶ Established the WRHAP pilot
- ▶ Provides reversion for participating CAHs

## ▶ SHB1520

- ▶ Passed in 2017
- ▶ Outlined the goal to move to an “alternative, value-based payment methodology established by the authority”
- ▶ Provided initial funding to implement a new model

# WRHAP status (continued)

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- ▶ Developed with Department of Health, Washington State Hospital Association (WSHA), and 13 WRHAP-participating hospitals.
- ▶ The current model focuses on:
  - ▶ Building capacity for behavioral health services or care coordination services.
  - ▶ Linking quality performance to incentive payments and implementation of those services.
- ▶ WRHAP hospitals choose one of two areas to perform on:
  - ▶ Behavioral health screening and follow-up plan development.
  - ▶ Care coordination follow-up after emergency department (ED) and/or hospital discharge.
- ▶ WSHA supports WRHAP hospitals with implementation, technical assistance, and project management.

# WRHAP status (continued)

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- ▶ In July of 2019, HCA worked with WRHAP hospitals and WSHA for the final phase of implementation.
  - ▶ Added two new measures attached to payment.
    - Potentially avoidable ED visits
    - Anti-depressant medication management
  - ▶ Added care transformation plan development to WSHA's contract.
- ▶ Continuation and modification is currently under review by Centers of Medicare & Medicaid Services (CMS).
  - ▶ Requires a post evaluation of the program.

# Federal rural transformation model update and stakeholder engagement

# Rural health system transformation

Proposed between July 2018 to January 2019

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## ▶ Goals:

- ▶ Primary goal: sustain access to essential care in rural communities, including primary care and behavioral health.
- ▶ Secondary goals:
  - Improve health outcomes and quality of care for rural residents.
  - Incentivize rural health systems to provide services that meet the needs of their communities (in partnership with the state, federal government, and payers).
  - Improve the financial state of participating rural hospitals by realigning incentives and through care coordination.
  - Reduce the growth of hospital expenditures across payers.

# Rural health system transformation (continued)

Proposed between July 2018 to January 2019

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## ▶ Approach:

1. Alternative payment model (budget) for all rural hospitals (52 eligible)
2. Delivery system transformation strategy (detailed care transformation plans, annually)
3. Quality metrics

# Potential CMS rural model

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- ▶ Formal announcement of a model is expected late 2019/early 2020.
- ▶ Current understanding potential elements:
  - ▶ Focus on “redesigning rural communities”.
  - ▶ Medicaid and other payer participation is mandatory.
  - ▶ Opportunity to customize.
  - ▶ Financial targets to ensure health care costs grow at a sustainable level.
- ▶ Public releases indicate “seed money” for a rural model.<sup>1</sup>
- ▶ HCA and partners are preparing to evaluate this potential model.

<sup>1</sup>Remarks by Administrator Seema Verma at the American Hospital Association Regional Policy Board Meeting, September 10, 2019

# Provider and health plan engagement

## Rural health and primary care

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### Providers

- ▶ Held a webinar for rural providers on June 18, 2019.
- ▶ Continuing to convene and support providers, associations and ACHs around potential rural opportunities, i.e., federal rural mom grant.
- ▶ Primary Care Provider Summit to develop Washington Primary Care Program.

### Health plans

- ▶ Convened health plans last fall; five meetings to date.
- ▶ Evaluating rural and/or primary care and role in a Washington Primary Care Program.



# Questions?

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