Rural Health Care Payment Models to Drive Transformation

Joint Select Committee on Health Care Oversight

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Susan E. Birch, MBA, BSN, RN
Director, Health Care Authority

Washington State Health Care Authority

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Stateline

Rural America's Health Crisis Seizes States' Attention

STATELINE ARTICLE January 31, 2020 By: Michael Ollove Topics: Health & Economy Read time: 8 min

Health Affairs

TOPICS JOURNAL

The COVID-19 Pandemic And Rural Hospitals—Adding Insult To Injury

Adrian Diaz, Karan R. Chhabra, John W. Scott

MAY 3, 2020 10.1377/hblog20200429

Modern Healthcare

NEWS INSIGHTS TRANSFORMATION DATA/LISTS OP

March 23, 2020 01:32 PM

COVID-19 threatens rural hospitals already stretched to breaking point

Lauren Weber, Kaiser Health News

HealthLeaders TOPICS COUNCIL EVENTS RESOURCES SUBSCRIBE

RURAL HOSPITALS ARE SINKING UNDER COVID-19 FINANCIAL PRESSURES

BY NPR | AUGUST 23, 2020

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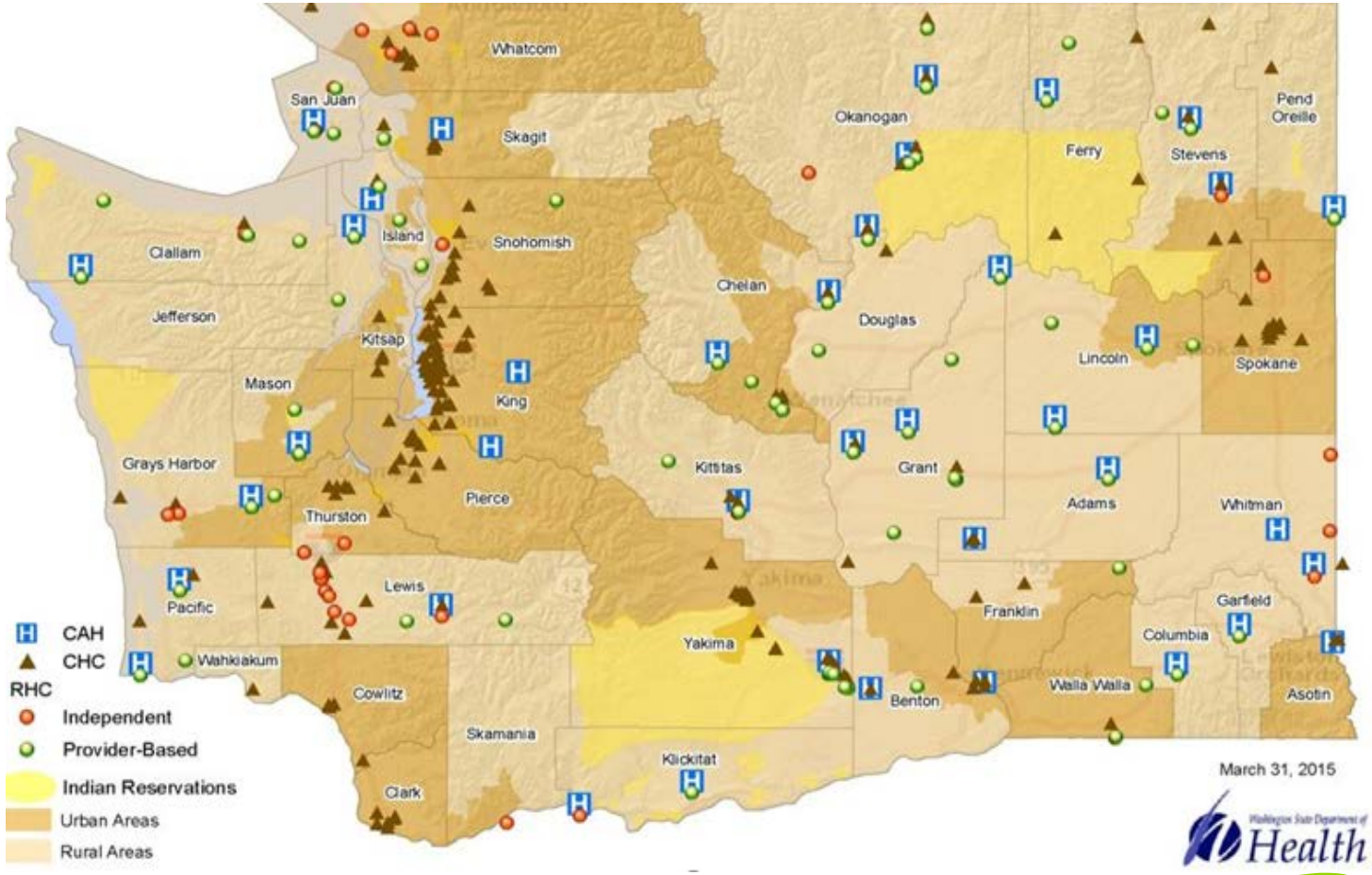
Rural Health Providers and Health Systems

- Hospitals
  - Critical access hospitals
  - Sole community hospitals
  - Traditional hospitals
- Primary care
  - Rural health clinics
  - Federally-qualified health centers



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Washington's Rural Payment Landscape

- Rural provider payments
  - Fee-for-service, cost-based payments, where payments are reconciled to actual cost, or both
- Health plan mix
  - Medicare and Medicaid 70% in some areas
    - Closer to 60% in urban areas
  - Medicaid patients most likely uninsured prior to ACA
  - High Medicaid and less commercial may be due to less resources to travel to urban areas
- Utilization patterns
  - Medicaid MCO members in rural areas tend to seek inpatient care/surgery outside their community or in urban areas
  - Medicaid MCO members have lower utilization rates than urban, but higher overall costs (due to unit price differences)
- Payment innovation
  - Rural providers have adopted new payment models at lower rates compared to urban health care providers due to perceived issues in capacity for implementation and lack of flexibility for rural practices.
  - New payment models rural providers are engaged in: Medicare Accountable Care Organizations, shared savings arrangements with MCO, hub-and-spoke models, etc.)

Capitated Payments

- Capitated payment that's predictable, stable, fixed reimbursement over a fixed period of time and for a specified population
- Based on historical experience and utilization
- Each provider able to create a unique Care Redesign plan to meet mandated budgets and community needs
- Many factors must be considered
  - Ability to adjust for factors outside a hospital's control
  - Appropriate quality measures
  - Health care provider/service types included
  - Payers' willingness to participate
  - Access to claims and quality metric data

Federal CHART Model: Sustaining and Meeting Unique Needs of Rural Communities

Current system

Value-based system

- New payment arrangements to help sustain access to care, stabilize rural hospitals and health systems in all rural communities, incentivize efficiencies, address workforce and support innovative care models and partnerships
- Implementation customizable to meet each hospital and communities needs
- Align with transformation resources and Medicare

Two Tracks

Track 1: Community Transformation

- Communities receive upfront funding, financial flexibilities through a predictable capitated payment amount (CPA), and operational flexibilities through benefit enhancements and beneficiary engagement incentives.

Track 2: Accountable Care Organization Transformation

- Rural ACOs receive advance shared savings payments to participate in one-sided or two-sided risk arrangements in the Medicare Shared Savings Program (Shared Savings Program).

Track 1: Community Transformation Track

- Federal funding to partner with Medicare to assess needs of a “Community” and implement health care system redesign
- Within the “community”, participating hospitals will receive capitated payments and required to develop a health system redesign plan
- 11 Lead Organizations (LO) will be selected; State Medicaid Agencies eligible to be LO
- Advisory Council will assist LO in development and implementation of health system redesign plans
- Each community receives up to $5 million; includes upfront funding and additional funding linked to milestones
- Medicaid participation required, commercial health plan participation encouraged

Why Rural? Why now?

- COVID decimated already fragile rural system; new, prospective payment solutions necessary to drive sustainable change and financial stability;
- Medicare key partner
- Washington State 1 in 4 states selected to receive technical assistance from Milbank Memorial Fund
- Collaboration and support from DOH and DSHS
- Rural hospitals and health systems interested in new payment models to support innovations and sustain care in their communities – and private employers in rural areas

Next Steps

Sept and Oct 2020

- Apply to be a Lead Organization
- Define community
- Stakeholder with WSHA, Tribes and other key partners

Nov and Dec 2020

- Build out application with key partners
- Explore innovative resources to support rural providers

Jan and Feb 2021

- Finalize application with state partners and stakeholders

Questions?

Susan E. Birch, MBA, BSN, RN
Director
360-725-2104
sue.birch@hca.wa.gov

Mich'l Needham
Chief Policy Officer
360-725-1052
mich'l.needham@hca.wa.gov

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