Navigating the Turbulent Waters of Change in Healthcare

Keith J. Mueller, PhD
University of Iowa College of Public Health and
Rural Policy Research Institute Center

Presented to California's Annual Rural Health Conference
December 4, 2014
Sacramento, CA

The Changing Waters

- Policy changes: insurance coverage, payment, regulations, spending
- Market Changes: Restructuring, competing health plans, accountable care organizations
- Emerging opportunities to improve local healthcare delivery

Policy Change: Insurance Coverage

* More than 9 million newly insured in 2014: health insurance marketplace enrollment, Medicaid enrollment, employer-based insurance, purchase from traditional sources
* More people with insurance cards
* But even with required essential benefits facing new complexities and uncertainties
* And new payment contracts to negotiate for rural providers

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

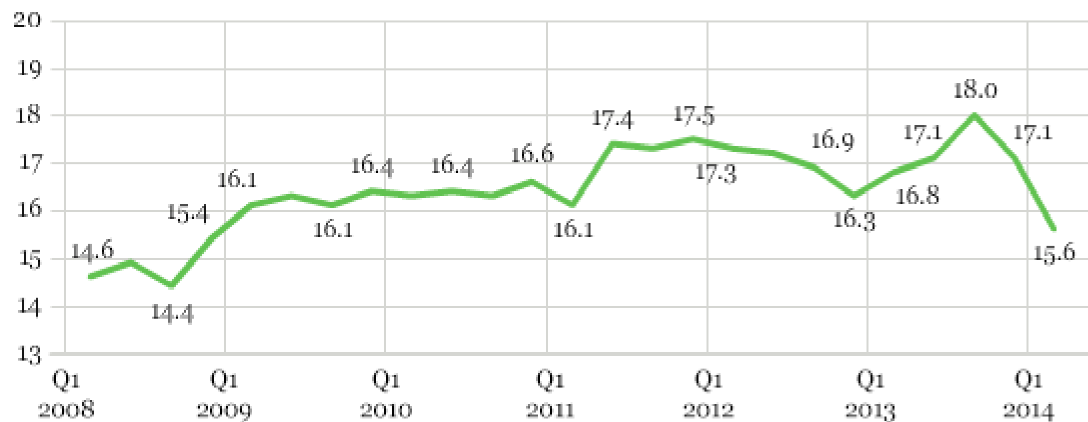
The Changes in Health Insurance Coverage

* Will influence "patient flow"
* Will also direct "consumers" to use system differently
* Will affect revenue
* Creates backdrop for different investment strategies

RUPRI™ RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Changes In Insurance Status



RUPRI™ RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Data from April 14 Gallup Poll

* 4% of US population newly insured as of April; 2.1% through exchanges, 1.9% not
* Among newly insured, 30% aged 18-29 (constitute 21% of population)
* Among newly insured, 75% with household incomes below $60,000

Gallup Daily tracking poll of more than 20,000 adults, aged 18 and older

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Data from RAND Study

* Representative sampling design; 2,641 individuals aged 18 to 64, weighted to provide national estimates, changes September 2013 – March 2014
* Net gain of 9.3 million insured; gain in employer-sponsored insurance of 8.2 million and net loss in individual market of 1.6 million
* Marketplace enrollment of 3.9 million

RUPRI™ RURAL POLICY RESEARCH INSTITUTE

THE UNIVERSITY OF IOWA

Changes to Medicaid

* Eligibility changed to 138% of federal poverty guideline
* No categorical eligibility
* Moves closer to insurance model
* Increased population covered, brings increased focus on cost and value

RUPRI™ RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

New Medicaid Enrollment

- Some in all states, woodwork effect and marketplace redirecting some
- Total new enrollment: 6 million
- Variation by state (affected by expansion decision)
  - New Mexico: 63,210 (11% increase)
  - Arizona: 143,633 (12% increase)
  - California: 1,443,000 (15.8% increase)
  - Nevada: 136,551 (141.1% increase)

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

What the Change Means

* New sources of payment
* New rules associated with the sources of payment
* Initial federal involvement in raising payment for primary care (2013 and 2014)
* Rating areas, service areas, and network contracts with commercial insurers

RUPRI
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

What the Changes May Mean

* Types of insurance plans may "devolve" when premiums increase
* Could be more shifting into "consumer driven" health insurance design
* Increase in deductibles and copayments drives consumer behavior
* Premium dollar becomes a source of revenue in new risk-sharing arrangements

rupri™
RURAL POLICY RESEARCH INSTITUTE

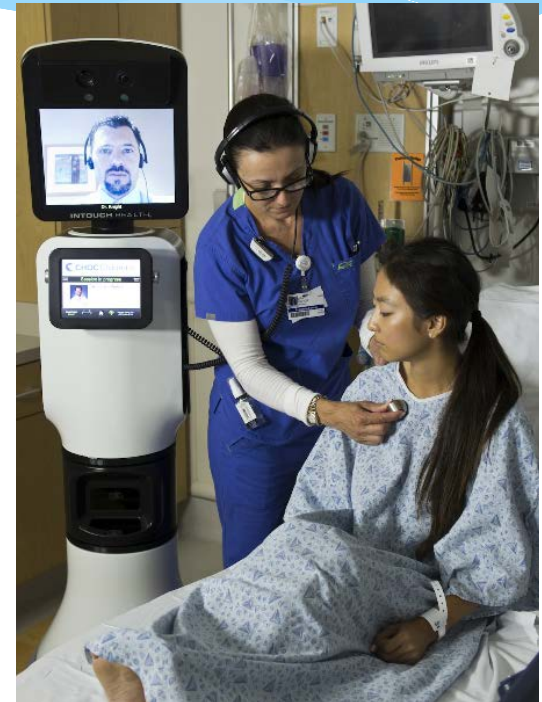
The University of Iowa

Policy Changes: Payment

* The primary care payment increase was temporary
* Primary care bonus payment functioning as expected
* Reductions through adjusting annual increase for PPS hospitals
* New approaches: Value based, shared savings, bundled payment, other contractual arrangements

Policy Changes: Payment

* Rural payment systems continue, but for how long?
* Payment decisions for specific services for as long as we have a fee-for-service system: telehealth, provision of services by certain professionals



rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Policy Changes: Regulatory

* Conditions of participation for hospitals
* Scope of practice for professionals
* Specific regulations such as anti-trust and "Stark" provisions
* Insurance regulations regarding out-of-pocket limits, coverage of specified services

Policy Changes: Population Health

* The Public Health Trust Fund
* Demonstration in payment systems such as the Pioneer Accountable Care Organizations, State Innovation Models
* Changes in state Medicaid programs

RUPRI
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Market Forces Shaping Rural Health

* Hospital closure: 40 since 2010 (*USA Today* story from November 14, 2014)
* Enrollment into insurance plans and function of choice and cost ("Geographic Variation in Plan Uptake in the Federally Facilitated Marketplace" http://www.shepscenter.unc.edu/wp-content/uploads/2014/09/EnrollmentFFMSeptember_rvOct2014.pdf)
* Choices among plans ("Geographic Variation in Premiums in Health Insurance Marketplaces" http://cph.uiowa.edu/rupri/publications/policybriefs/2014/Geographic%20Variation%20in%20Premiums%20in%20Health%20Insurance%20Marketplaces.pdf)
* Development of health systems
* Growth in Accountable Care Organizations

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

The Headlines

* A big shift in Chicago's hospital market (Becker's Hospital Review Sept 16)
* CHI-Aetna health care network to expand reach (Omaha World Herald Sept 12)
* CHI Franciscan Health, Virginia Mason and others form health network (Becker's Hospital Review Sept 12)

The Headlines

- U.S. Health Services total Deal Value for Q1 2014 Rose 152% (pwc PRNewswire May 22)
- Rural hospitals pressured to close as healthcare system changes (Reuters Sept 3)
- Wal-Mart is now a primary care provider

Elements HCO Responsiveness

* Strategic planning: consciousness of mission, vision, values and how they "play out" in changing environment
* Adapting to changing market: change or wither away?
* Knowledge management: the most critical currency of the modern HCO

RUPRI
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Future Pathways: Providers and Payers

* Maryland's all payer global budgeting approach
* Michigan health systems joining BC/BS of Michigan in new reimbursement model (24 hospitals)
* Acting as if Medicare the only payer

rupri
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Change is What You Make of It

* Address social issues with prescriptions and follow up
* Take holistic approach to population health
  * Affiliate with organizations who are not healthcare providers
  * Truman Medical Center in Kansas City partnered to open grocery store, bank
* Promote price transparency
* Include physicians in administrative decision-making
* Serious about hospitality
  * Patient experience as area of expertise in upper management

Elements of a Successful System Redesign

Elements

- Clear Vision
- Teamwork
- Leadership
- Customer focus
- Data analysis and action plans
- Inclusive beyond health care system

Source: *Pursuing the Triple Aim*, Bisognano and Kenney. Jossey-Bass. 2012

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Examples From Rural Institutions

* Available from the Rural Health Value project: http://cph.uiowa.edu/ruralhealthvalue/innovations/Profiles/
* Community Outreach in Delhi, LA
* System Transformation in the Mercy Health Network, IA
* Service Delivery Integration& Patient Engagement in Humboldt County, CA

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Other Innovations

- Chief Medical Financial Officer in Banner General Hospital in Sandpoint, Idaho (CAH)
- Chief Patient Experience Officer named at Johns Hopkins Medicine
- All about value for the patient/customer

Where Do We Go From Here?

* From "Advancing the Transition to a High Performance Rural Health System" by the RUPRI Health Panel, document and brief available from www.ruprihealth.org
* Four approaches, with accompanying policy considerations

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Approach 1: Community-appropriate health system development and Workforce Design

- Characterize new roles for local health care providers, such as Rural Health Clinics and Federally Qualified Health Centers, in system delivery design
- Pay for services developed in new system configurations, such as new payment to primary care providers for care management

RUPRI RURAL POLICY RESEARCH INSTITUTE

THE UNIVERSITY OF IOWA

Approach 2:
Governance and Integration Approaches

* Target capital to rural providers and places engaged in service integration and redesign, and explore additional means of aggregating capital for local investment
* Identify inconsistencies among funding streams in required composition of local organizations and recommend changes; create locally based "megaboards" that could unify decision making among local entities

Approach 3: Flexibility in Facility or Program Designation to Care for Patients in New Ways

* Reconfigure facilities as medical hubs to provide essential local services that do not include inpatient hospitalization; will require change in regulatory and payment policies
* Develop person-centered health homes, under programs for health homes (e.g., Sections 2703 and 3502 of the ACA)

Approach 4: Financing Models that Promote Investment in Delivery System Reform

* Value-based purchasing methods should use achievement and improvement in tandem
* Incentives for investment should change in parallel to incentives in payment methods

RUPRI
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

The Worst of Times

* Confusion associated with changes in the insurance market
* Uneven effects based on state decisions
* Uncertain policy environment following political winds
* Payment through traditional mechanisms reduced
* The giant sucking sound

The Best of Times

* More of our neighbors with affordable health insurance coverage that meets minimum standards
* Importance of quality of health care experience
* Attention to population health
* Throwing off the shackles of discrete payment for discrete encounters
* Getting the attention of systems with resources to leverage

rupri™
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

RuralHealthValue.org

- Rural Health System Analysis and Technical Assistance
  - Assess the rural implications of policies and demonstrations
  - Develop tools and resources to assist rural providers and communities
  - Inform and disseminate rural health care innovations

www.RuralHealthValue.org

- Share an innovation with RHSATA that has moved your organization (or another) toward delivering value.
- Continue to be a leadership voice for rural health care value.
  - Our glass is at least half full. A positive attitude is infectious!

rupri
RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

Collaborations to Share and Spread Innovation

- The National Rural Health Resource Center

- The Rural Assistance Center

- The National Rural Health Association

- The National Organization of State Offices of Rural Health

- The American Hospital Association

RUPRI™ RURAL POLICY RESEARCH INSTITUTE

The University of Iowa

For Further Information

The RUPRI Center for Rural Health Policy Analysis

http://cph.uiowa.edu/rupri

The RUPRI Health Panel

http://www.rupri.org

Dr. Keith J. Mueller

Department of Health Management and Policy
College of Public Health, N232A
145 Riverside Drive
Iowa City, IA 52242-2007
319-384-3832
keith-mueller@uiowa.edu

THE UNIVERSITY OF IOWA