

Center for Rural Health Policy Analysis

## Rural Health Value

UNDERSTANDING  
AND FACILITATING  
RURAL HEALTH  
TRANSFORMATION.



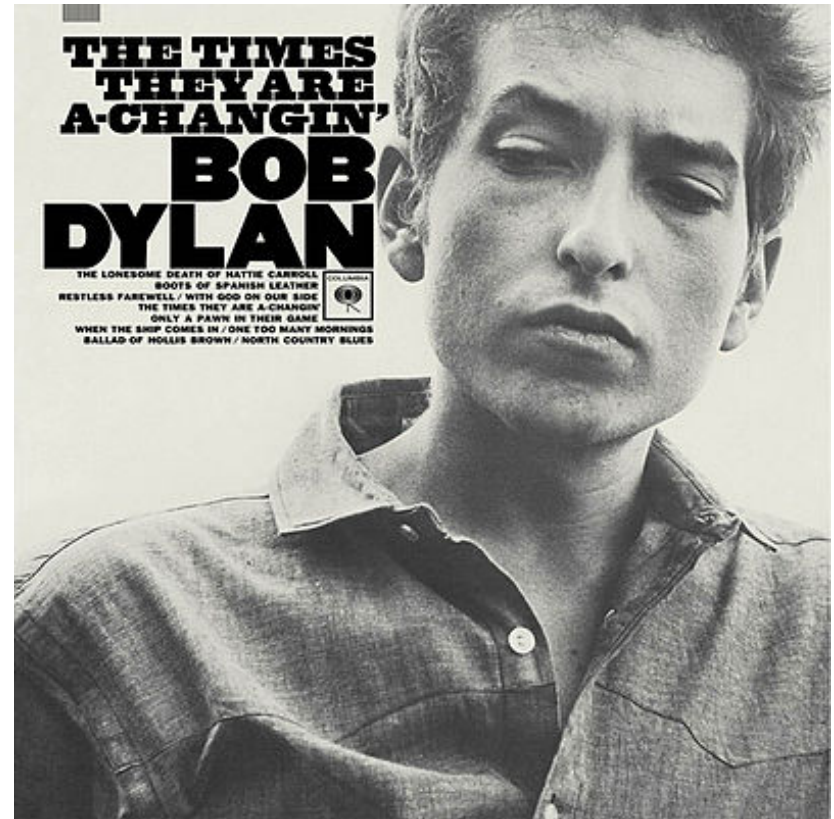
# The Times They Are A-Changin'—

Tuesday September 30, 2014

Lunch and Learn  
Charles Cole Memorial Hospital  
Coudersport, Pennsylvania

# The Times They Are A-Changin'

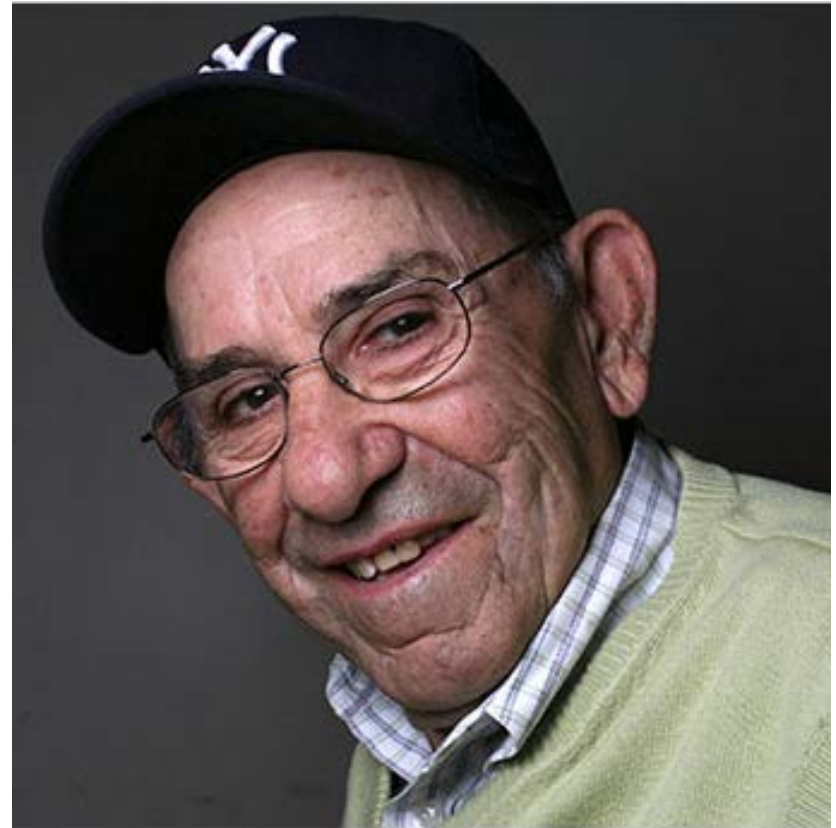
- The counter-culture poet/musician from the Iron Range of Minnesota
- 50 years ago – still true today
- Especially in health care!
- Remember the old days?



# The Times They Are A-Changin'

- *"The future ain't what it used to be."*

Yogi Berra



# The Winds of Change

- Healthcare reform
- Safety and quality
- Aging
- Consumerism
- Technology
- New care delivery models
- Information technology
- Accountable to community
- Workforce shortages
- Declining revenue



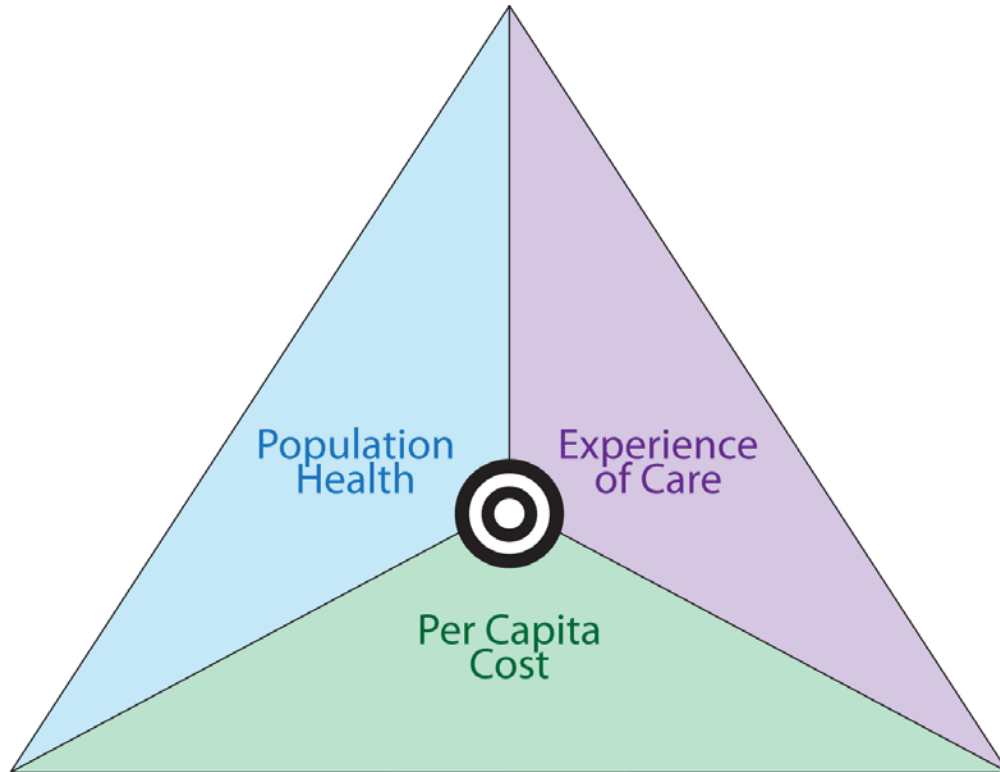


# Which Way?

- In whirlwind, easy to get disoriented, lose our way
- For human beings, we can lose our *purpose*
- For an organization, it can lose its *mission*
- Let me reorient you...



# The Triple Aim

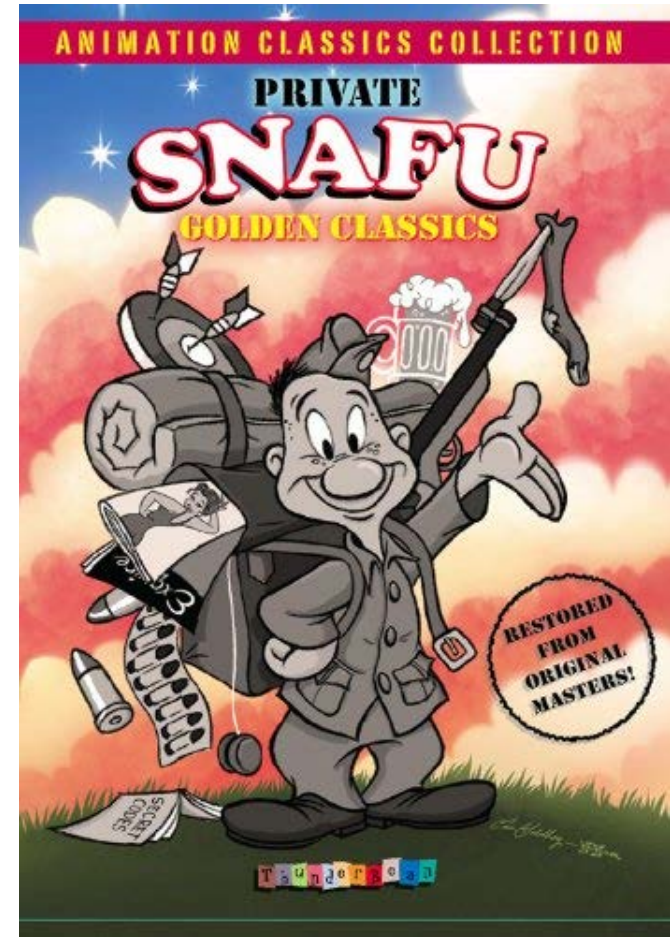


# Value Equation

$$\text{Value} = \frac{\text{Quality} + \text{Experience}}{\text{Cost}}$$

# But we have a problem...

- We like getting our paychecks!
- We are paid fee-for-service (predominantly), not paid to deliver the Triple Aim<sup>®</sup>.
- Our current volume-based payment system impedes delivering health care of value.
- Hence, a SNAFU!





# The Value Conundrum

*You can always count on Americans to do the right thing – after they've tried everything else.*

- Fee-for-service
- Capitation
- Market
- Single payer
  
- **What about paying for healthcare value?**



# Form Follows Finance

- How we deliver care is predicated on how we are paid for care
- Health care reform is changing both
- Fundamentally, reform involves a **transfer of financial risk** from payers to providers



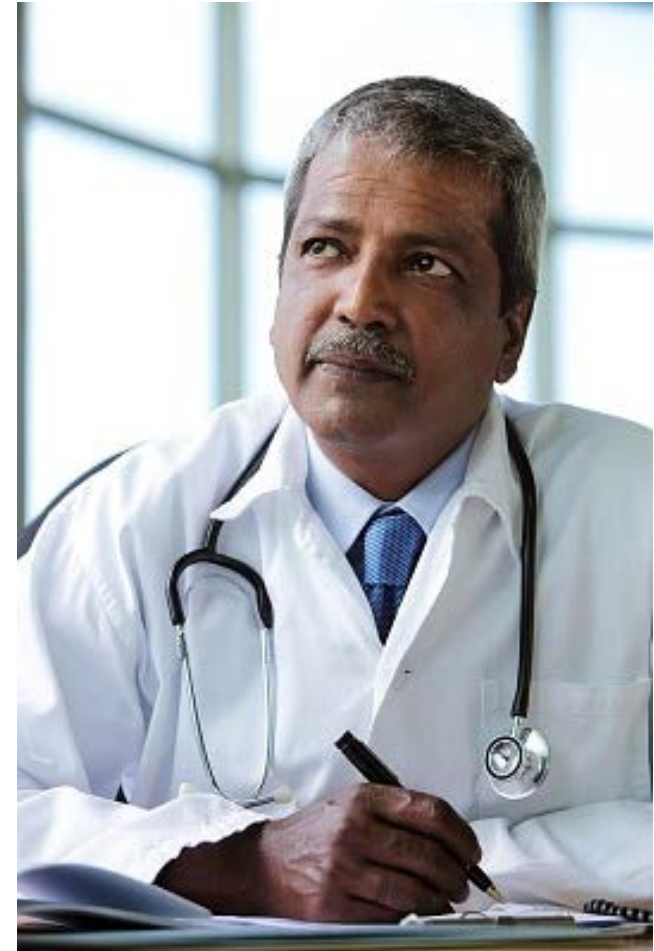
# Risk Assessment is Ubiquitous

- Risk is present when an outcome is uncertain or unpredictable
- Types of healthcare risk
  - Random
  - Insurance
  - Political
  - Medical Care
- Where/how can hospitals/clinics:
  - Influence or control risk
  - **Reduce risk of harm**
  - **Optimize risk of benefit**



# Medical Care Risk

- Medical care *variation*
  - Diagnostic accuracy
  - Care plan implementation
  - Guideline use compliance
  - Pharmaceutical choice
  - Procedural skill
  - Efficient resource use
- Our clinical choices influence health care **value**
- Greatest control, how we deliver care



# Rural Risk?





# The Times They Are A-Changin'

- Risk transfer strategies
  - VBP, VBM, SGR (fix), ACOs, readmission policy, hospital acquired conditions policy, bundled payment, reference pricing, narrow networks, and more
- Moves payment from FFS toward the Triple Aim<sup>©</sup>
  - Volume → Value
- Recall, ***form follows finance***
  - What form do we need and how should we change to be successful?



# Volume to Value Transition

- Bath water
  - Fee-for-service and CBR
  - Necessary providers (OIG)
  - Few quality demands
  - Inefficiency tolerated
- Turning up the heat
  - Decreased per unit price
  - Pressure to reduce volumes
  - Quality demands
  - Competitive market
- How to avoid getting cooked?



# Jerry Garcia

- *"Somebody has to do something, and it's just incredibly pathetic that it has to be us."*
- 1970: "Livin' on reds, vitamin C, and cocaine."
- Today: "Livin' on oxys, Jell-O shots, and Red Bull."



# Health Care Transformation

- How do we move toward delivering value when our revenue is primarily volume-driven?
- How do we not get “soaked” during the transition?
- We can “test the waters” with a new set of tools.



# Strategic Emphases for Success

## More (not all)

- Primary care and coordination
- Clinical quality and patient experience
- Partnerships
- Employee training

## Less (not none)

- Inpatient
- Facilities and equipment
- Specialty services
- Top down management





# Holy Family Hosp. Transformation

Hospital	Physicians & NP/PA	Senior Leaders	Mission Focus	Recognition
2001: 90-bed hospital	2001: 35 employed providers	2001: 10 senior leaders	2001: Focus on the sick population	2001: Locally recognized
2012: 35-bed hospital	2012: 90 employed providers	2012: 5 senior leaders	2012: Focus on wellness & prevention	2012: Nationally recognized for safety, innovation and thought leadership

Source: Graphic provided by Mark Herzog, CEO. Holy Family Memorial Hospital. Manitowoc, Wisconsin. 2013.

# The New H's Toolbox

- New Skill Development
- Operations Efficiency
- Care Coordination
- Physician Engagement
- ✓ Fee-for-Service Attention
- ✓ Patient-Centered Medical Homes
- ✓ Measure, Report, and Act
- ✓ Performance Improvement
- ✓ Payment for Quality
- ✓ Regionalization
- ✓ Community Engagement



# Cultivate New Skills

- New skills required
  - We are *comprehensivists*
  - Data analysis
  - Quality improvement
  - Cost management
  - Team management – “leader” need not be a physician
- But I don't want to change!
  - Static fee-for-service prices – working harder for less
  - No bonuses – less pay for subpar quality
  - Volume at risk – from poor economy, high deductibles, and skilled competitors



# Improve Operations Efficiency

## Lean

- ❑ Removes Waste
- ❑ Increases Speed
- ❑ Removes non-value added process steps
- ❑ Fixes connections between process steps
- ❑ Focuses on the customer

Speed

## Six Sigma

- ❑ Reduces Variation
- ❑ Improves Quality
- ❑ Reduces variation at each remaining step
- ❑ Optimizes remaining process steps
- ❑ Focuses on the customer

Accuracy

+

=

Better  
Delivery

Better  
Quality

Satisfied  
Employees

Satisfied  
Customers



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ProgressivEdge

Resource: Jay Arthur. *Lean Six Sigma for Hospitals: Simple Steps to Fast, Affordable, and Flawless Healthcare*. 2011

# Coordinate Community Care

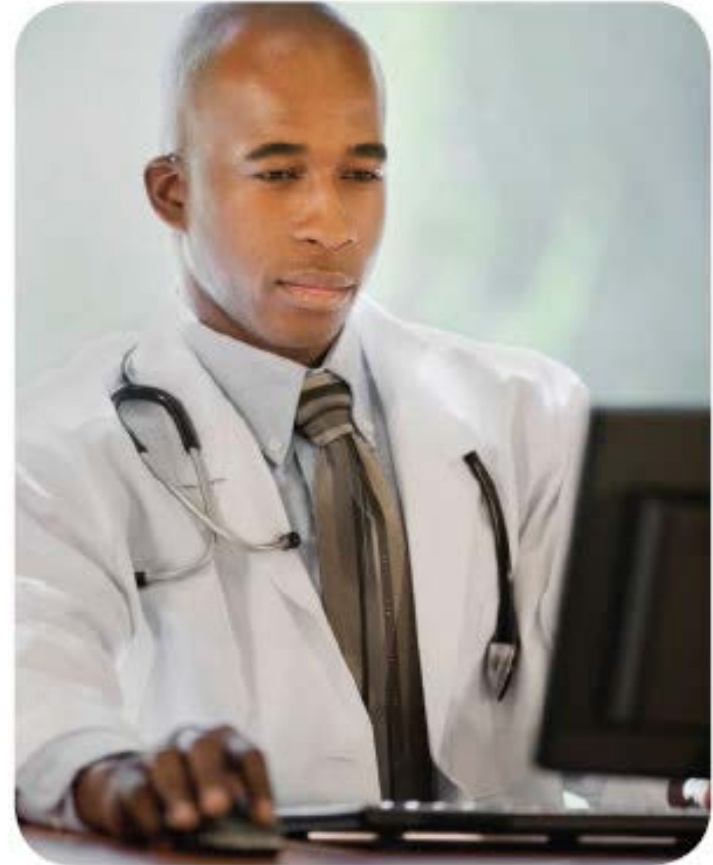
- Supports provider care plans
- Supports patients with frequent contact
- Helps patients prepare for office visits
- Identifies high-risk patients
- Develops disease registries
- Monitors reminder systems
- Provides patient education
- Coordinates care and transitions





# Coordinate Care Vertically

- Who provides the best care to, and best value for, your patients?
- How do you know?
- Referral hospitals and specialists should earn our referrals
- Collaborate with payers to reward the Triple Aim<sup>©</sup>



# Medical Staff Relationships

**The hospital CEO's most important job is developing and nurturing good medical staff relationships.**

**BKD** LLP

Source: Personal conversation with John Sheehan, CPA, MBA

# Engage Medical Staff *Deeply*

*Physician\* Engagement* means

**Active physician involvement and meaningful physician influence that move the organization toward a shared vision and a successful future.**

- Governance
- Compensation
- Education
- Data

\* or provider



# Successful System Redesign

## Elements

- Clear vision
- Principles for redesign
  - Reliability, customization, access, and coordination
- Teamwork
- Leadership attention
- Customer focus
- Data analysis/action
- Inclusive beyond health care



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

# Collaboration and Value

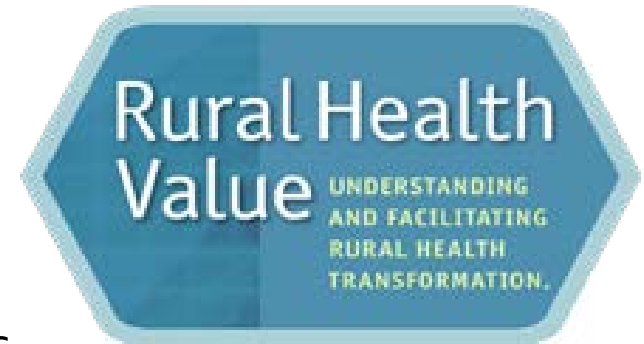
- ACOs and other “programs” less important
- Collaboration that fosters health care value is key
- Future paradigm for success
- **Good medicine and good business**





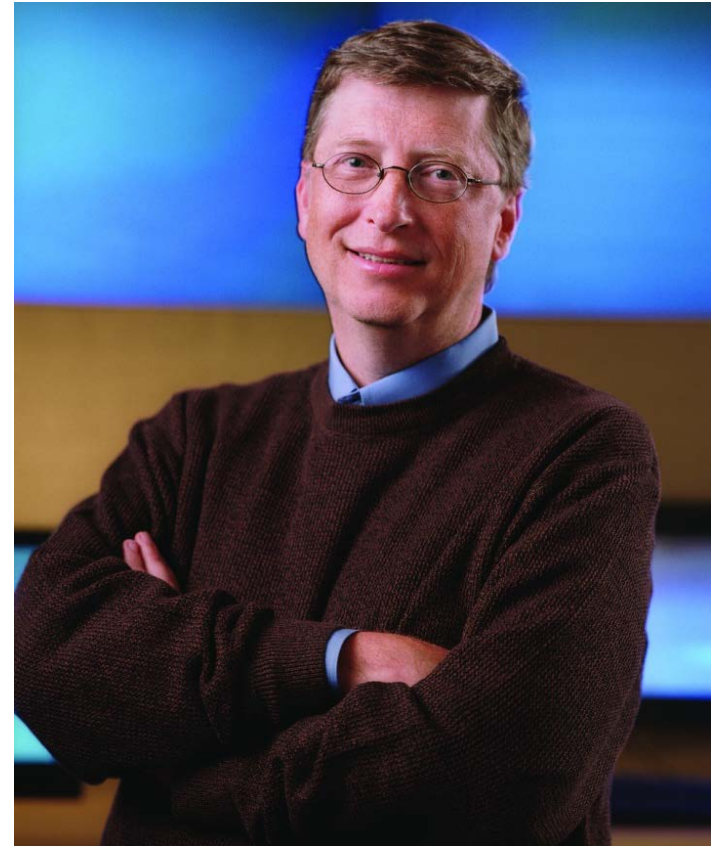
# Rural Health Value Project

- 3-year HRSA Cooperative agreement:
  - Rural Health System Analysis and Assistance (RHSATA)
- Partners
  - RUPRI Center for Rural Health Policy Analysis
  - Stratis Health
  - Support from Stroudwater Associates and Washington University
- **Vision**
  - To build a knowledge base through research, practice, and collaboration that helps create high performance rural health systems
- Check out tools/resources at [www.RuralHealthValue.org](http://www.RuralHealthValue.org)



# Bill Gates, Jr.

- *“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”*



Clint MacKinney, MD, MS

# Gail Collins

- *“... behind almost every great moment in history, there are heroic people doing really boring and frustrating things for a prolonged period of time.”*



# Don Berwick

- *Yet, “there has never been a better time to be an innovator in health care.”*



# Healthy People and Places

