Why Quality Matters: Policy Breakthroughs in Medicaid & Medicare

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PHCA Annual Convention
September 26, 2017

A little about me

14+ years of political, policy & lobbying experience

- Joined First Quality in 2013
- Lead our government affairs efforts at the federal, state, regulatory, and legislative level
- Director at HIDA, a distributors/manufacturers Association based in the Beltway
- Staffer on two U.S. Senate campaigns and Capitol Hill experience

Live in Maryland with wife and baby boy
1) **Biggest Landmine on Our Landscape**
   - Repeal may appeal, but replacement requires engagement
   - How Per Capita Caps in Medicaid affect Long-Term Care
   - Scenarios moving forward

2) **Major Transitions in Long-Term Care**
   - Challenges in Medicaid require acceleration of evidence-based outcomes
   - Medicare’s transformation for quality care, value-based payments
   - What does it mean for us?

3) **Mapping Out a Strategic Plan**
   - Key Takeaways

Sources: MacPAC, Kaiser Foundation, Deloitte Health Solutions, CMS, Advisory Board Company, Leavitt Health Partners, Avalere Health, MedPAC, PricewaterhouseCoopers, HiDA.

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**Key Time to Anticipate Transformation**

- Since 2008, when Domino’s had declining sales and controversy, its share price has increased 60-fold
- Major investment in Quality and Tech
- 800 employees in Ann Arbor, MI headquarters; 400 on Technology team
- Establish a platform to deliver results
- More ordering methods (Facebook, Twitter, Emojis, Apple Watch, Smart TV’s, wedding registry, Ford SYNC voice control) than new menu items
- In 2015, most orders were placed online for 1st time, and half were mobile

“How Domino’s atoned for its crimes against pizza and built a $9 billion empire,” Bloomberg BusinessWeek, March 20, 2017
Biggest Landmine

Affordable Care Act… Here to “Stay?”

‘Off The Handle?’ Clay Bennett, Chattanooga Times Free Press, March 30, 2017
Replacement Bill Overhulls Medicaid

**Per Capita Caps, Block Grants Would Fundamentally Change Federal Medicaid Funding for Long-Term Care**

<table>
<thead>
<tr>
<th>Current Medicaid Program</th>
<th>Block Grant</th>
<th>Per Capita Cap</th>
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<tbody>
<tr>
<td>Coverage</td>
<td>• Guaranteed coverage, no waiting list or caps</td>
<td>• No guarantee (can use wait lists or caps)</td>
</tr>
<tr>
<td>Federal Funding</td>
<td>• Guaranteed, no cap</td>
<td>• Capped</td>
</tr>
<tr>
<td></td>
<td>• Responds to program needs (enrollment and health care costs)</td>
<td>• Not based on enrollment, costs or program needs</td>
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<tr>
<td></td>
<td>• Can fluctuate</td>
<td>• Fixed with pre-set growth</td>
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<tr>
<td>State Matching Payments</td>
<td>• Required to draw down federal dollars</td>
<td>• Unclear</td>
</tr>
<tr>
<td></td>
<td>• Federal spending tied to state spending</td>
<td>• Federal spending not tied to state spending beyond cap</td>
</tr>
<tr>
<td>Core Federal Standards</td>
<td>• Set in law with state flexibility to expand</td>
<td>• Uncertain what the requirements would be to obtain federal funds</td>
</tr>
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"5 Key Questions: Medicaid Block Grants & Per Capita Caps," Kaiser Family Foundation, Jan 31, 2017

Long-Term Care Is Vulnerable

- “Medicaid Cuts May Force Retirees Out of Nursing Homes”
  - State officials decide how much to pay facilities, and budgetary pressure could decrease the amount they are willing to pay or restrict eligibility for coverage.

- **AHCA/NCAL CEO:** “The additional cuts proposed in the Senate bill, including a reduction in provider assessments that alone will result in billions of dollars less to skilled nursing care each year, are deeply distressing.”
  - The Senate bill proposes to take “hundreds of billions of Medicaid dollars away from the aged & disabled.”

**Major Transitions:**

**Medicaid**

Undergoing Major Transitions in LTSS

Medicaid is the primary payer for LTSS: 63% of SNF patients & 19% of ALF residents rely on Medicaid.

- Medicaid: 31%
- Medicare: 28%
- Out of Pocket: 25%
- Private Insurance: 11%
- Other: 5%

“National Health Expenditure Accounts for 2015,” CMS, March 2017
Unpredictable Medicaid Spending…

States Looking to Gain Control the Medicaid Spending & Enrollment Spikes of Recession, Affordable Care Act

Kaiser Health Foundation, 2016

Sparks New Solutions on Payment

SNFS Can Control Their Own Destiny – Medicaid Prospective Payment System (PPS) Advanced in States

- Florida’s recently passed PPS Plan incentives quality advancements in Medicaid, with a “Quality Threshold /Quality Funds” program

- With 6% of SNF funding paid on meeting quality measures, providers achieving this gain an additional $15.14 per Medicaid day

- Quality measures include staffing rate, overall star rating from CMS, CMS long-stay Quality Measures, and awards/accreditations
WINNERS: “By pulling together consensus within the industry to overcome a small group of misleading outliers, FHCA (80% of FL SNFs) convinced legislators to approve a PPS for reimbursement.”

After a one-year delay, the PPS “creates incentives for quality improvements while providing additional funding to carry nursing homes through a three-year transition period.”

Bridging the Gap between MCOs, LTC

Spectrum of Managed LTC Development Opportunities

<table>
<thead>
<tr>
<th>Long-Term Care Provider Competencies</th>
<th>Managed Care Organization Competencies</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Specialty Long-Term Care Services</td>
<td>Services to Address Care Gaps</td>
</tr>
<tr>
<td>• Dedicated service lines for tough-to-place patients</td>
<td>• Advanced illness management</td>
</tr>
<tr>
<td>• Integrated behavioral health offerings</td>
<td>• Care for caregivers</td>
</tr>
<tr>
<td>• Memory care</td>
<td>• Support services for self-directed care</td>
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Source: Advisory Board Company
Homecare Becomes #1 Medicaid LTSS

Percentage of Medicaid LTSS Dollars
- Institutional (SNFs, LTCHs, ICF/ID)
- Home & Community-Based Services (HCBS)

Part Two

Major Transitions: Medicare
Providers Seeing Medicare Overhaul...

Medicare's Quality Pay Models – ACOs, Bundled Payments, and Other Programs – Will Double by 2018

- **2011**: 68%
- **2014**: 22%
- **2016**: 30%
- **2018**: 50%

**Historical Performance** vs **Goals**

- **Alternative payment models (Categories 3-4)**
- **FFS linked to quality (Categories 2-4)**
- **All Medicare FFS (Categories 1-4)**

Source: CMS

So What Are They Looking For?

1) **Reducing Hospital Readmissions**
2) **Provable, Consistent Quality**
3) **Addressing Post-Acute Care Cost**
Admissions Keep Hospitals Up at Night

2,600 Hospitals to Lose $528 Million in FY2017 Due to Readmissions... Incurred $420 Million in Penalties Previous Year

Medicare’s Readmission Penalties Hit New High

The federal government’s readmission penalties on hospitals will reach a new high as Medicare withholds more than half a billion dollars in payments over the next year, records released Tuesday show.

The government will punish more than half of the nation’s hospitals — a total of 2,197 — having more patients than expected return within a month. While that is about the same number penalized last year, the average penalty will increase by a fifth, according to a Kaiser Health News analysis.

ACOs See Home Health Limitations…

40% of Home Health agencies will operate at a loss by the end of 2017

Source: Leavitt Partners & Federal Register, Volume 80, No.234, Part II, Department of Health and Human Services, November 5, 2015
In 11 states, at least 40% of nursing homes have relatively low overall ratings (either 1 or 2 stars)

**Skilled Nursing Facilities, Home Health Agencies Report on Skin Integrity Beginning in 2017: New Quality Measures**

<table>
<thead>
<tr>
<th>Provider</th>
<th>Skin Integrity</th>
<th>Major Falls</th>
<th>Patient Discharge Preference</th>
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<tbody>
<tr>
<td>SNFs</td>
<td>October 1, 2016</td>
<td>October 1, 2016</td>
<td>October 1, 2018</td>
</tr>
<tr>
<td>HHAs</td>
<td>January 1, 2017</td>
<td>January 1, 2019</td>
<td>January 1, 2019</td>
</tr>
<tr>
<td>IRFs</td>
<td>October 1, 2016</td>
<td>October 1, 2016</td>
<td>October 1, 2018</td>
</tr>
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SNFs: Skilled Nursing Facilities; HHAs: Home Health Agencies; IRFs: Inpatient Rehabilitation Facilities.

Skin integrity means being whole, intact and undamaged. When skin has integrity, it performs these very important functions: 1) it shields the body’s vital metabolic functions from harmful temperatures, chemicals, radiation and pathogens; it assists in the maintenance of fluid and electrolyte balance and optimal inner body temperature; it conveys pleasant and unpleasant sensations; and it communicates our individuality by its texture, color and characteristics.

Patient Discharge Preference: Requires providers to incorporate patient into discharge planning process, define agreement on patient goals, communicate with suppliers, beneficiaries, and families, and assess likelihood of patient engagement in hospitals and post-acute care transition (expected to occur in 2016-2017).
Addressing Post-Acute Care Cost

Average Length of Stay, Resource Utilization Group Data, and Standardized Payment per Stay Are under Review

SNF 2014 Average Length of Stay by RUG Category

- Other Levels: 9.4, 13.9, 21.6
- Very High: 22.5, 27.9, 34.1
- Ultra High: 28.6, 34.9, 42.1

Source: Leavitt Partners

Opportunities to Embrace Costly Pop.

Taking on the High-Cost Utilizers, SNF and Homecare Providers Can Spotlight Expertise in Patient Care

Bariatric Service Line Evolution at Eagleton Retirement Communities

- Accept Complex Patient
  - Accepts hard-to-place bariatric patient with complex needs
  - Negotiates higher unit rate to cover difficult care provision

- Develop Evidence Base
  - Documents, shares complex patient's health outcomes
  - MCO increases referrals of similar complex patients

- Cement Formal Contract
  - Formalizes specialty service line partnership with MCO executives
  - Creates expedited payment system for similar patient referrals

- Proactively Seek New Opportunities
  - Pitches specialty service line option to other MCOs
  - Increased volume leads to dedicated bariatrics wing

Higher Rates for Specialized Solutions

"The rate becomes two to three times normal, and we pay gladly."

Rick Fredrickson, CEO
Bridgeview Health Solutions, a Centene Company

Source: Advisory Board Company
Mapping Out a Strategic Plan

1) Invest in Quality
2) Demonstrate Quality
3) Take Risk with the Right Partners
Michigan Hospital System Plagued by Readmissions, But Responds by Recruiting High-Value SNF Partners

Post-Acute Care Value Council created by Henry Ford Health System (HFHS) to set specific targets for SNFs to mitigate readmissions and improve quality.

Challenge:

• CMS launched the Hospital Readmission Reduction penalties in 2012, and the HFHS Detroit hospital was one of the worst in the country for readmissions.

• HFHS created a SNF Collaborative to help reduce readmissions.

• Since its inception in 2012, HFHS’ SNF Collaborative has evolved into a large, tri-county effort with 2 other health systems and more than 130 SNFs.

Readmissions Dropped by Almost 20% in SNF Program

Performance Requirements for SNF Collaborative Include:

• SNF attendance at 80% of meetings; - a two-hour response time after referral is made; - Health IT linkage to receive transition of care documents; - a referral acceptance rate of at least 60% to prevent “cherry-picking” patients.

• Within two years, HFHS identified 44 SNFs for a “high-value” list.

Results: Readmissions from SNFs Drop 18.9% in Two Years, and Go Down 16.6% in 18 Months after Expanding SNF Collaborative to More Counties

• It’s not for everyone: 10-20% of SNFs dropped out of the Collaborative when it introduced performance targets.
Taking Fate in Our Own Hands

Partner with Case Managers to Determine Patient Risk, Examining the Referrals of a More Expensive Setting

Our Five Key Takeaways

- Quality matters now more than ever.
- Medicaid spending has increased – and, our markets rely significantly on Medicaid funding.
- Post-acute care performance is key for health systems seeking new partnerships.
- Major shifts to Medicaid are reshaping the market, and we need to demonstrate value of each care setting.
- Advocacy, education, and collaboration amongst partners has never been more important.
THANK YOU!

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