



## SIMPLE BUT POWERFUL SOLUTIONS THAT PRODUCE RESULTS

### Are You Building A Sustainable Future Post-SCOTUS?

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**The ACA has been affirmed.** The number of insured lives will increase despite uncertainty about Medicaid expansion and health care exchanges in several states. The movement toward value based purchasing and population health will continue. While coverage may expand, increases in payment may not keep pace.

*What would happen to your organization if you experience a drop of 10-15% in inpatient volume or 20 -30% of the volume in your market is “steered” away while your ability to raise prices is limited?*

**The underlying pressure to reduce utilization and expenditures from governmental and non-governmental payers has been affirmed as well** by the economy, taxpayers, insurers and employers. Despite expected short term increases in volume and payments from the newly insured, continued revenue reductions from governmental and non-government sources will be the norm. Expect planned reductions in disproportionate share payments, Medicare reimbursement cuts, and penalties for readmission and enhancement of the RAC program as well as fewer opportunities for cost shifting.

The political uncertainty around healthcare reform is unlikely to significantly alter this reality, no matter which party controls Congress and the White House after the November elections.

Several other competitive trends, independent of the SCOTUS decision, aimed at reducing volume and expense (i.e. your revenue) continue to point to the challenges hospitals, health systems, their affiliated physicians, and indeed all providers must meet to ensure sustainability, including:

- More than 200 ACOs have been established or are in late planning stages for 2013; many more are on the drawing boards of a wide variety of healthcare organizations;
- Commercial insurers including the Blues have established ACO or “narrow network” care coordination systems with selected providers;
- The rate of consolidation of hospitals and independent physician groups continues to escalate in rural as well as urban markets;

- The number and scope of regional and statewide provider networks formed to take advantage in scale related to care coordination investments and payer relationships continues to increase;
- Insurers (Aetna, Cigna, United Health), TPAs and other “disruptors” are offering physicians and hospitals assistance in building and deploying infrastructure need to rapidly build ACOs or narrow networks to coordinate care;
- The positive impact on quality, outcomes, cost, and utilization rates of effective care coordination is increasingly supported by evidence based studies; and
- The availability of an adequate number of primary care physicians, upon which coordinated care is heavily dependent, has not been assured in the foreseeable future.

For hospitals and their affiliated physicians, the ACA affirmation and the competitive environment will mean success for those organizations that adapt to this new business model and a steep uphill climb for those who wait.

### **Predictable Volume and Performance Will Be The Metrics Of Sustainability**

As reform or virtually any alternative plan is implemented, including repeal without replacement, and the trends noted above play out, the volume and source of patients are likely to change. The fairly stable pool of patients in your traditional market or service area will generate fewer admissions and are likely to be “steered” to cost conscious ACO or coordinated care delivery systems. This will affect hospitals and specialist alike. Competition for these patients will go beyond the next hospital or employed medical group. We have seen this movie before in the managed care era, but all indications are that this time these changes are here to stay.

*Successful acquisition and retention of patients across all payer segments will determine your size, program portfolio, and sustainability.*

Performance expectations are likely to shift as well. Under the emerging model “community competitiveness” measures expand beyond institutional walls. Competitive cost, quality and customer satisfaction levels will become threshold rather than distinguishing characteristics. Increasingly, population health performance, accessibility, and collaboration with patients will become the new trump cards.

*How will you respond to these challenges?*

### **Building Sustainable Volume**

Hospital mergers and consolidation/acquisition of specialty groups are clear and rational responses to the changing delivery model. Key questions you must answer to determine how you will achieve and sustain needed volume include:

- What volumes and cost/quality performance metrics are required for your sustainability?
- What will it take to expand/build your primary care base to meet your volume targets?
- What is the payer strategy that binds important patient segments and locks in admissions streams in sufficient numbers? Will it include:

- Becoming a preferred provider for all or selected insurance companies?
- Building an ACO or coordinated care capacity?
- Competing for self-insured and exchange business?
- Becoming/acquire/leasing an insurance license, or
- Some combination of the above?
- What is the contracting vehicle to successfully link the hospital and its employed or affiliated primary care and specialty physicians?
- What infrastructure and talent is required to execute your strategy; and how will it be integrated into your organization?
- Can this be accomplished on your own or will the scale and investments needed require partnership/affiliations to execute your strategy?
- How will your budget assumptions and priorities change to meet the new reality?

### **Building a High Performing System**

Industry leaders are fully aware of and focused on institutional cost, quality and customer satisfaction performance requirements. In a value based, population health or covered lives payment model, cost per capita or cost per enrollee with predictable outcomes will significantly influence your success as a “must have” or “preferred” provider for all patient segments. Key questions to be addressed in building a high performing system:

- How will improved care coordination decrease costs and increase the overall value of care provided?
- How will you apply care coordination for each and every patient from prevention through serious acute illness to chronic illness to end of life care across all care settings?
- What technology and infrastructure is required for effective care coordination, including development of patient-centered medical homes; this effort is a continually evolving process that involves effective utilization of technology, provider involvement, and patient involvement.
- How will you organize and align your interests and incentives with your physicians and our other provider partners.
- How will you operate through the transition period as the system evolves?

### **We Can Help**

Our seasoned senior consultants include physicians, nurses and executives with significant experience operating in fully integrated and highly successful delivery systems. Our experts apply their years of experience in executive leadership, strategy development and execution in hospitals, health systems, integrated delivery systems, and managed care/insurance entities to help you define and implement solutions to meet the new **Volume** and **Performance** challenges you face. We:

- Guide and facilitate complex strategy development and program implementation in diverse and complex organizations,
- Build effective payer strategies and accountable or coordinated care delivery systems,

- Align stakeholders together to achieve clinical transformation with practical solutions,
- Support implementation, and knowledge transfer for on-going plan execution,
- Tackle the tough challenges you face.

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