

Healthcare in Rural Oklahoma

Working together to survive and thrive in healthcare

As margins continue to shrink, rural providers look for long-term solutions.

RelayHealth | Financial



1 in 5 U.S. Rural Hospitals at High Risk of Closing Unless Financial Situation Improves

- ▶ Study published by Navigant in Feb 2019, shows 430 hospitals across 43 states are at high risk of closure
- ▶ Many of these hospitals are considered essential to their communities.
 - ▶ Besides trauma status, and service to vulnerable populations, hospitals are often the community's economic engines.
 - ▶ On average, when a community loses its hospital, per capita income falls 4% and unemployment rises 1.6%.
- ▶ In Oklahoma, it is estimated 17 rural hospitals are at high financial risk of closure.

Factors Driving Rural Hospital Crisis:

- ▶ Payer mix degradation - loss of agricultural and manufacturing jobs often result in more uninsured, Medicaid and Medicare patients.
- ▶ Medicare payment reductions.....
- ▶ States that have not expanded Medicaid, continue to see increasing uninsured.
- ▶ Declining inpatient care has left many rural hospitals overstaffed and under used.
- ▶ Inability to leverage innovation - Already budget-strapped rural hospitals struggle to keep up with technology

Stronger Together Partnerships Create Synergy

- ▶ In Feb 2018 Dr. John Noseworthy CEO Mayo Clinic stated: “Unlikely alliances will create new health-care solutions that change the world”
 - ▶ Disruptive innovation in healthcare will emerge from our blind spots
 - ▶ We must seek partners who can help us see the whole picture.
- ▶ This is true if you are Mayo Clinic, CVS/Aetna, or a stand-alone rural hospital.
- ▶ Even as mergers, acquisitions and closures continue, another type of partnership is emerging.

What is a Healthcare Alliance?

I. Introduction

Regional Healthcare Alliances Defined

For this presentation, we have used the following definition of regional healthcare alliances:

Regional Healthcare Alliances

Definition: Partnerships between health systems within a defined region to advance value-based care delivery and achieve economies of scale without a formal merger/acquisition

Typical Goals:

- » Establish forums to facilitate sharing of best practices.
- » Realize supply chain savings through vendor contracts.
- » Reduce operating costs through shared services.
- » Develop population health management (PHM) capabilities in a more coordinated manner.
- » Establish networks to partner with payors and employers on value-based arrangements.

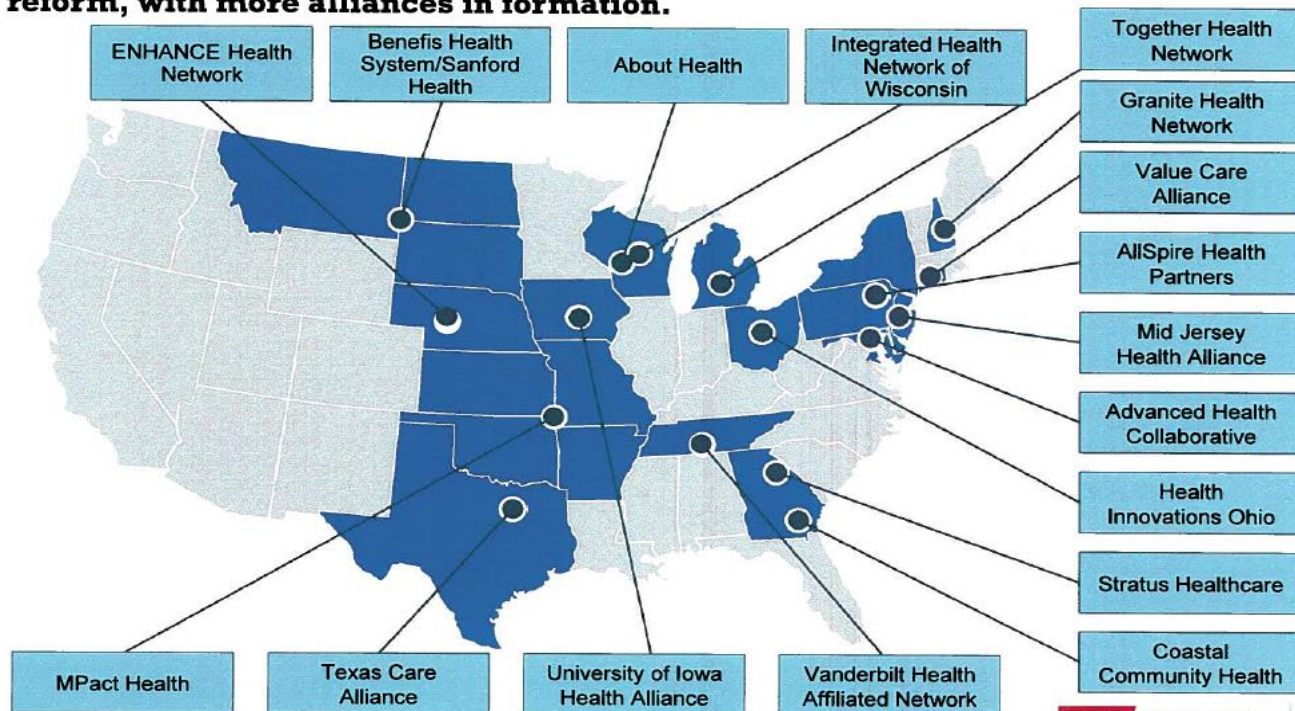


Healthcare Alliances continue to emerge across the country.

I. Introduction

Emergence of Regional Alliances

We have identified at least 17 regional healthcare alliances that have emerged post-reform, with more alliances in formation.



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Lifecare is an Alliance or “Virtual System” of Independent Hospitals

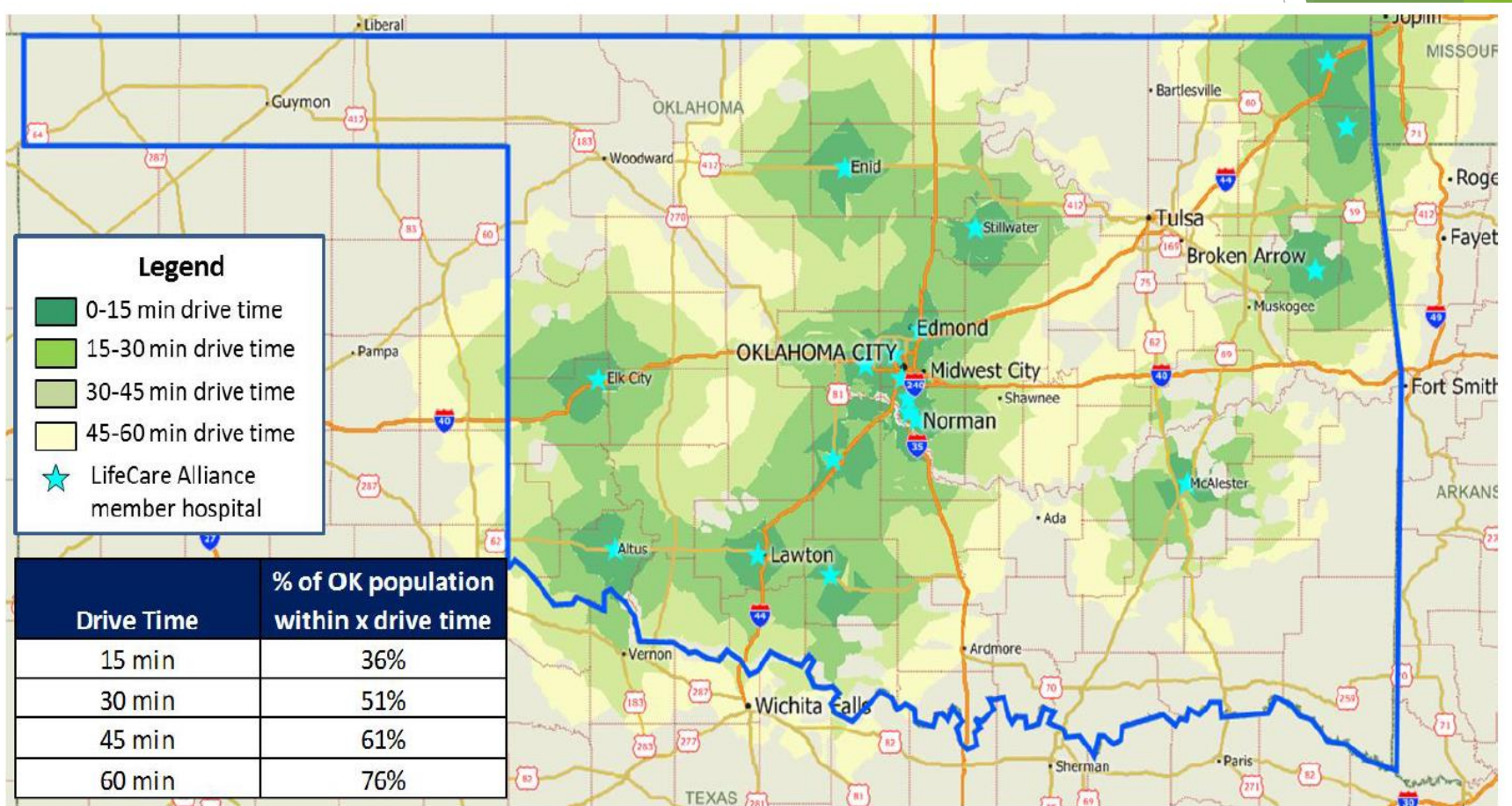
- ▶ Formed over 25 years ago, Lifecare has been a cornerstone for collaboration and innovation for independent hospitals in Oklahoma.
- ▶ 10 original members welcomed St. John Health System to our virtual system in December 2018.
- ▶ Lifecare is the largest hospital system in Oklahoma:
 - ▶ 32 hospitals
 - ▶ \$3.6 B net patient revenue (2016 AHA data)
 - ▶ 3753 staffed beds
 - ▶ 35% of staffed beds and 38% on net revenue state-wide

Who is LifeCare?

Originally formed in 1997, LifeCare is wholly owned by 10 Oklahoma not-for-profit hospitals and health systems.



51% of Oklahoma's Population is within a 30 min drive of a LifeCare Hospital (prior to the addition of St. John Health System)



Note: Out-of-state populations excluded from analysis

LifeCare's Mission

- ▶ Create a system of integrated, locally based healthcare organizations
- ▶ Bring together organizations that are committed to collaborate and coordinate the delivery of healthcare services
- ▶ Deliver the following benefits
 - ▶ Improve health outcomes
 - ▶ Maximize the efficiency of care delivery
 - ▶ Reduce overall cost
 - ▶ Improve access

Lifecare - Past, Present, and Future

- ▶ As you can imagine our journey, like healthcare in general, has changed direction over the years.
- ▶ Past ventures (TPA, PPO network, Nurse Advice Line) generated positive margins and grew members' equity.
- ▶ Current business lines (Insurance brokerage, accreditation, managed care consulting, ACO operations) generate operating revenues to sustain current expenses, without assessing member dues.
- ▶ Foundational Population Health work began in Jan 2018 with a focus on building processes and infrastructure to support ACO participation as well as other value based care initiatives.

Focus on the Future: Value Based Care

- ▶ Although “Value-Based Care” is moving slower into rural areas, there is no doubt, it is not going away.
- ▶ Without up-stream and down-stream partners, and without data and technology, it is difficult for rural providers to participate in many of the value-based care “vehicles”.
- ▶ Actually Lifecare struggled with this for several years. How do we improve processes, and outcomes, and measure the results when our EHRs don’t even talk to one another?



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Population Health

Improving quality and reducing cost of care in our communities

- ▶ CMS MSSP Track 1 Accountable Care Organization (ACO)
 - ▶ ACOs are legal organizations that agree to assume responsibility for the quality and cost of healthcare for a defined population.
 - ▶ In total, 6 Lifecare ACOs represent approximately 65,000 covered MCR beneficiaries.
 - ▶ CMS claims data helps drive our decisions on improving quality and cost.
 - ▶ Aggregating data allows us to compare and contrast results from 6 ACOs
 - ▶ Review data for quality outcomes, cost and patient experience
 - ▶ Recommend best practices back to local ACO boards
 - ▶ Establish a framework to develop a clinically integrated network
 - ▶ Contract with commercial and governmental payers

Working with Payers on Population Health

► Medica

- Lifecare was instrumental in bringing Medica to the OK exchange Market.
- Working with Medica, a new narrow network exchange product “Medica Harmony” was developed around the Lifecare Hospitals.
- 2019 enrollment numbers produced around 3,500 subscribers. We anticipated low first year enrollment, however we intend to use this as a test market.
- Medica and Lifecare have an ACO shared savings arrangement. We will work together in 2019 to monitor utilization, manage high cost chronic conditions, and achieve high quality results.

Alliances are not one size fits all

- ▶ Two of our neighboring states have Hospital Alliances composed entirely of small PPS or Critical Access Hospitals
- ▶ Western Health Alliance in Colorado
 - ▶ www.wha1.org
- ▶ Great Plains Health Alliance, Inc.
 - ▶ www.gpha.com
- ▶ Both have been very successful in helping the small hospitals in their states remain viable.

Other opportunities for Healthcare Alliance Organizations

- ▶ Shared Services
 - ▶ Compliance
 - ▶ Risk Management
 - ▶ Central Business Office
 - ▶ HR
 - ▶ Finance
 - ▶ Education
 - ▶ IT
- ▶ Group purchasing for supplies and purchased services
- ▶ Staffing - Float Pool
- ▶ Clinical Resources
 - ▶ Reference Lab
 - ▶ Radiology Professionals
 - ▶ Pathology
 - ▶ Virtual Visits
 - ▶ Specialty Clinics

Alliance Membership Requires Commitment from Like-Minded Providers

- ▶ How does a rural hospital pursue Alliance membership?
- ▶ The age old question - Build or Buy?
 - ▶ Research existing Alliances to determine fit.
 - ▶ Leadership
 - ▶ Culture
 - ▶ Service Offerings
 - ▶ Consider building an Alliance
 - ▶ Existing relationships
 - ▶ Capital start-up costs
 - ▶ Common pressure points

Commitment Culture Communication

- ▶ Alliances are great vehicles for collaboration, shared services, and supporting population health.
- ▶ BUT - They will only be as successful as your members make them.
- ▶ Progress can be slow.....
- ▶ Consensus is difficult to achieve.
- ▶ Members must be committed to the mission, and cultures must be aligned.
- ▶ And as is true for almost every situation we deal with daily - Honest and direct communication is the most important ingredient for success.

Current State of Health Communication



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