The Relevance of Rural Hospitals in Strategic Affiliations for Enhancing Care Coordination and Clinical Integration
A healthy population closes hospitals as we know them today.

Please note that the views expressed by the conference speakers do not necessarily reflect the views of the American Hospital Association and Health Forum.
80% of health is generated outside the walls of the health system.

Incentives are increasing for better health.

The incentives are working.

A goal for relevancy is to double the impact of the rural health delivery system.
Fundamental Changes

Now

- Rural Hospitals
- Patients
- Volume
- Primary Care Providers
- Revenue Centers
- ROI
- Health Records
- Hospital Staff

Future

- Become
- Mature into
- Is supplanted by
- Are viewed as
- Flip 180 into
- Changes into
- Mined for
- Seen as

- Community Health Systems
- Value Purchasers
- Attributed Population
- $21m Service Line Leaders
- Cost Centers
- Total Cost of Care
- Disease Management
- Wellness Leaders

Fundamental Changes
Transition Stages

1. Efficiency and quality

2. Integration of medical and community resources

3. Interdependence with acute care systems
Work efficiently & with higher quality

Transition in payment system to lower prices and quality incentives

Delivery system response:
• Focus on improving quality, for example, with fewer readmissions
• Staffing to benchmarks and using LEAN to improve efficiencies
• Improve primary care capture
• Pilot projects for employee health and wellness
Integrating medical & community resources

Transition in payment system to shared savings / incentives for medical management

Delivery system response:

- Consolidator of primary care – increase panel sizes
- Developing attribution models of where value gets produced
- New programs preventing people from becoming patients
- Increase collaboration across the many points of care in a community
Rural is well-aligned with the primary care needed for population health

<table>
<thead>
<tr>
<th>Primary care value per provider</th>
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<tbody>
<tr>
<td>PCP Panel Size</td>
</tr>
<tr>
<td>$X$ Annual Medical Cost Per Patient</td>
</tr>
<tr>
<td>Total PCP Panel Healthcare Expenditure</td>
</tr>
</tbody>
</table>

**Where do the dollars go?**

| Total PCP Panel Healthcare Expenditure                               | $20,900,000 |
| $X$ Providers                                                       | 4 |
| Global healthcare spend - attributed                                | $83,700,000 |
| Rural hospital annual patient care revenues                         | $14,200,000 |
| Percent captured by rural                                           | 17% |

Sources: *Journal of General Internal Medicine*; MedPAC, and Patient Centered Primary Care Collaborative.
Increasing interdependence with acute care systems

Transition in payment system to budget-based, at risk contracts

Delivery system response:
• System recognition of rural value
• Service rationalization
• Adoption and diffusion of best practices across continuum
• Orienting patients to providers providing best outcomes
Transition Framework

Self-Assessment
What is in it for us?

What is in it for them?

Successful affiliations align strategy for both parties
Affiliations generate value for both parties along many different points of connection.
Affiliations in operations can improve efficiency and quality

Affiliate Examples
- Cost savings
- Referrals to rural
- Management expertise & consolidation

System Examples
- System quality
- Regional case finding
- Cost allocations
Strategic affiliations open new doors for rural

**Affiliate Examples**
- Reinvented facilities
- Shared technology platform
- Transitional payment projects
- Service rationalization

**System Examples**
- Regional population
- Primary care network
- Contracting scale
- Clinical best practices
Affiliation is not a goal, it is a strategy to achieve a set of strategic objectives.
## Approaches to Partnering

### Advisor Process
- Identify strategic needs, opportunities, “must haves” and “won’t give ups”
- Develop consensus
- Invite multiple potential partners (RFP process) / NDA
- Select preferred partner
- Sign Memorandum of Understanding
- Negotiation and due diligence
- Sign definitive agreement

### Facilitation Process
- Sign Letter of Intent / NDA
- Identify strategic needs / opportunities
- Identify system benefits
- Develop consensus
- Negotiation sessions — typically steering committee from both parties
- Sign definitive agreement
The Relevance of Rural Hospitals in Strategic Affiliations for Enhancing Care Coordination and Clinical Integration
Who Am I & Where Do I Come From?

- Redmond (48 Beds)
- Bend (261 Beds)
Healthcare Finances 101

![Graph showing dollars vs. service volumes with profit and loss zones.]

1. **Dollars** vs. **Service Volumes**
2. **Revenue** and **Cost** lines
3. **Profit Zone**
4. **Loss Zone**
Healthcare Finances
102 The Future

Graph showing the relationship between service volumes, dollars, cost, and revenue.
Medicaid Transformation

25% withhold FOR QUALITY

Graph showing relationship between dollars, cost, revenue, and service volumes.
Madras Payer Mix

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<th>2013</th>
<th>2014</th>
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<tr>
<td>Self Pay</td>
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<td>Medicare</td>
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<td>Medicaid</td>
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<tr>
<td>Commercial</td>
<td>22.4%</td>
<td>21.7%</td>
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2013 vs 2014
Prineville Payer Mix

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<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tr>
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<td>9.7%</td>
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<td>Medicare</td>
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<td>16.2%</td>
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<tr>
<td>Commercial</td>
<td>27%</td>
<td>24.1%</td>
<td>19.4%</td>
<td>20.5%</td>
<td>19.6%</td>
<td>16.9%</td>
</tr>
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Prineville Payer Mix
• You don’t necessarily WANT more business.
• You want all your population to stay HEALTHY!
• You want to provide high QUALITY!
• You definitely want to keep lowering your COSTS!
• It’s not just about the HOSPITAL.
• It’s not all about YOUR community by itself!

How do the Rules of the Game Change?
Demographics

Racial Diversity

30% Native American

30% Caucasian

30% Hispanic/Latino
Demographics

Highest premature death rate in state

Highest % children at risk in state

Double the state’s average rate of teen pregnancies and STDs

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<tr>
<th>County</th>
<th>Health Outcomes</th>
<th>Health Factors</th>
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<td>Deschutes</td>
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<td>Crook</td>
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<td>Jefferson</td>
<td>32</td>
<td>33</td>
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Surrounding counties:

<table>
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<tr>
<th>County</th>
<th>Health Outcomes</th>
<th>Health Factors</th>
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<tbody>
<tr>
<td>Klamath</td>
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<td>Harney</td>
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<td>Grant</td>
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</tbody>
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Source: Robert Wood Johnson’s County Health Rankings 2014 study
• Financially, couldn’t survive long-term on our own.
• Needed more resources than we could get on our own.
• We shared patients with them already. Couldn’t improve health of our population on our own.
• Negotiate from a position of strength, not desperation.

Why did we join St. Charles?
Governance
What has it been like?

- HARD transition for community and staff.
- Brought many new resources and opportunities.
- We are seen as a perfect place to make “small tests of change.”
- Active voice at the table...Board room, Executive Team, etc.
- Advantages of small places (integration) vs. larger (specialization).
- Life goes on.
Transformation
Moving from Volume to Value
Facility Changes for the Future

**Now**

- Inpatient space
- Registration areas
- Emergency Department
- Disconnected departments
- Waiting rooms
- Primary Care Clinic
- Therapy gym
- Administrative space

**Future**

- Ambulatory care
- In-room or online registration
- ER & Urgent Care/Clinic
- Efficient shared space
- Patient care spaces
- Medical Home
- Wellness center
- Leadership and education
Become the Primary Care Destination
Sick Care → Health Care
Continuity of Care = Value

TRADITIONAL CAH SERVICES

HEALTH PROMOTION ● WELLNESS
NUTRITION ● PRIMARY CARE
BEHAVIORAL MEDICINE
EDUCATION
URGENT CARE
DIAGNOSTICS ED

Syste m Affiliate
MD designated staff and space

PA designated staff and space

Behaviorialist designated staff and space

Specialist designated staff and space
Team Based Primary Care Medical Home
Urgent Care
With Nurses’ Station

ED
With Nurses’ Station

Observation
With Nurses’ Station

Surgery
With Nurses’ Station
Flexibility and Staffing Efficiency
Emergency Department, Surgery, Observation, and Urgent Care
Triple Aim Facility Solutions

Patient Experience, Healthy Population, and Reducing Costs
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