The Academy
The Health Management Academy

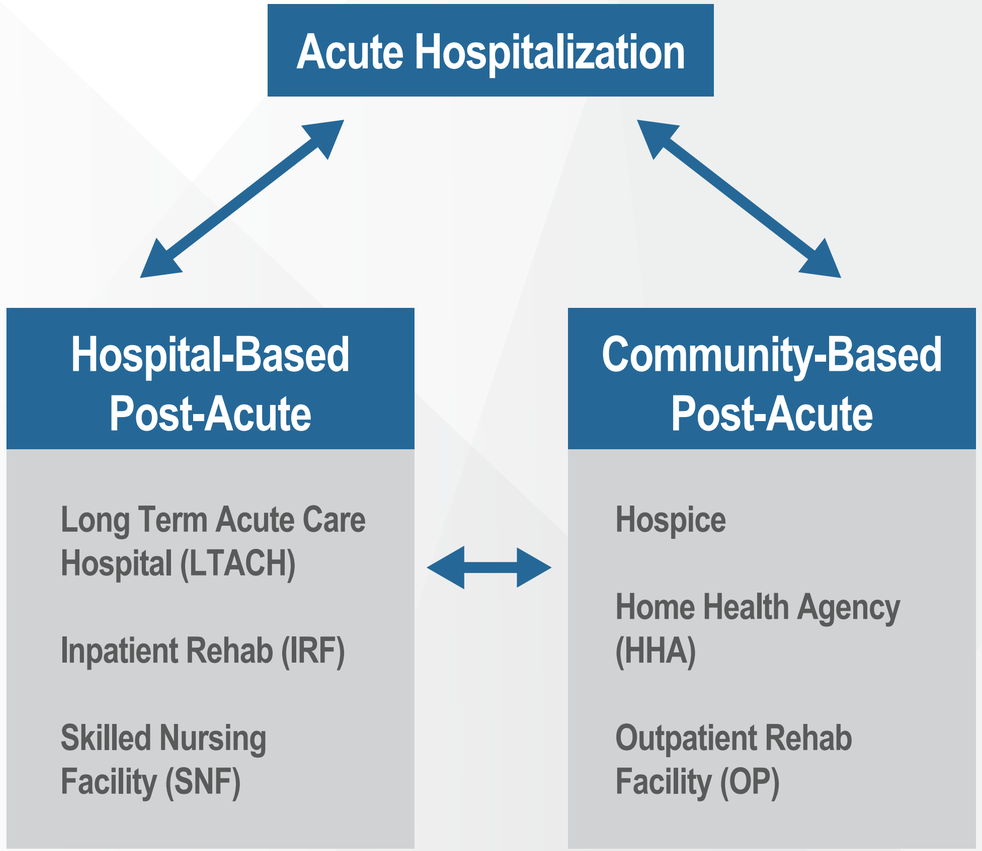
Post-Acute Care Strategies

Across Leading Health Systems

Introduction

As the U.S. healthcare system continues to move towards value-based care, Leading Health Systems (LHS) are increasingly assuming financial responsibility for patient care across distinct settings. Empirical research demonstrates that patients transitioning from hospital-based care to post-acute care (PAC) settings are often at greater risk of adverse health outcomes and early rehospitalization.[1] As a result, LHS often prefer to discharge acute-care patients to the lowest cost and highest quality PAC settings in their markets. As LHS identify ways in which to reduce overall costs and improve care across the care continuum, the development of robust PAC strategies is vital to success.

To this end, the Health Management Academy (The Academy) set out to better understand health systems' current PAC strategies, and how the utilization of PAC is likely to change in the future.



[1] Journal of the American Geriatrics Society: Factors Associated with Early Readmission Among Patients Discharged to Post-Acute Care Facilities. March, 2017.

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Key Findings

1

LHS Tend to Own PAC Facilities Across Multiple Settings

Most LHS strive to own PAC facilities across various settings, with LTACHs generally being the exception.

2

Discharges to PAC Settings Expected to Increase Among Low Cost Settings Such as Skilled Nursing and Home Health

Discharges to SNFs are expected to increase as LHS favor SNFs over LTACHs due to the reimbursement challenges and high costs associated with LTACHs. Additionally, the increase in palliative care utilization has led LHS to increasingly look toward home health and hospice for PAC services.

3

Bundled Payment Arrangements Incentivize LHS to Partner with Low Cost, High Quality PAC Organizations

Health systems participating in Medicare bundled payment programs are more likely to discharge patients to low cost PAC facilities with low rates of hospital readmissions.

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Study Participants are Representative of the Leading Health System Market

Number Of Health Systems	11	14%
Total Hospitals	155	13%
Hospital Beds	32K	14%
Inpatient Admissions	1.5M	14%
Total Outpatient Visits	33M	14%
Net Patient Revenue (NPR)	$51B	14%
Total Operating Revenue	$65B	13%

Respondent Roles

- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- Chief Medical Officer (CMO)
- Chief Quality Officer (CQO)
- Regional CFO
- Senior Vice President of Operations
- Vice President of Operations
- President of Home Health and Community Services

Note: Leading Health Systems are defined as The Academy's membership, which includes the 100 largest and most innovative health systems across the U.S.

Source: The Academy Database, 2019

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Discharges to Low-Cost, High-Quality Settings Expected to Increase

Percent of Discharges to Skilled Nursing and Home Health Expected to Increase in the Future

60% of LHS expect discharges to SNFs and HHAs to increase in the future, while only 20% of executives expect IRF and LTACH discharges to increase. Health systems prefer to send patients to lower-cost, higher quality care settings, particularly if participating in risk-based payment arrangements across the care continuum.

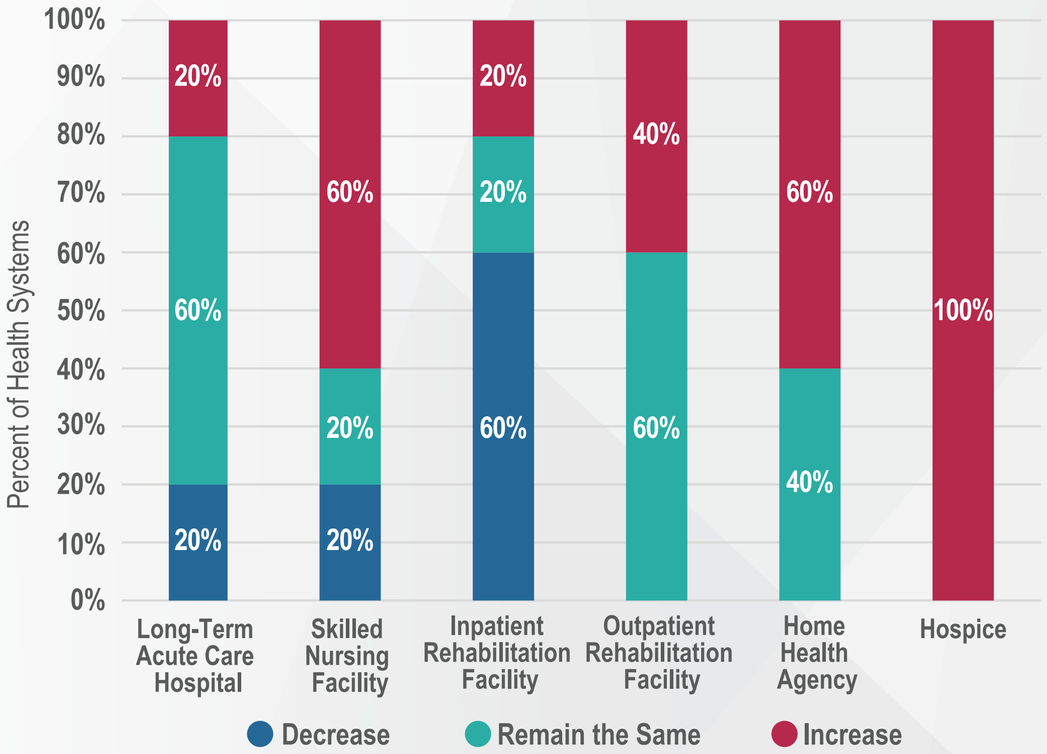
Most health systems implement a "home first" strategy, encouraging physicians to send patients home where possible, with home health support if needed. Furthermore, health systems also strive to implement telemedicine programs in order to further cut post-acute care spending.

Percent of Discharges to Hospice Likely to Increase in the Future as Population Ages

All executives (100%) expect discharges to hospice settings to increase in the future as the population ages and the demand for palliative care increases.

> *As soon as physicians started paying attention to quality outcomes, they were more likely to tell patients that home is maybe the right move instead of a SNF."*
> ***– President of Home Health and Community Services***

Expected Change in Discharge Destination in the Future



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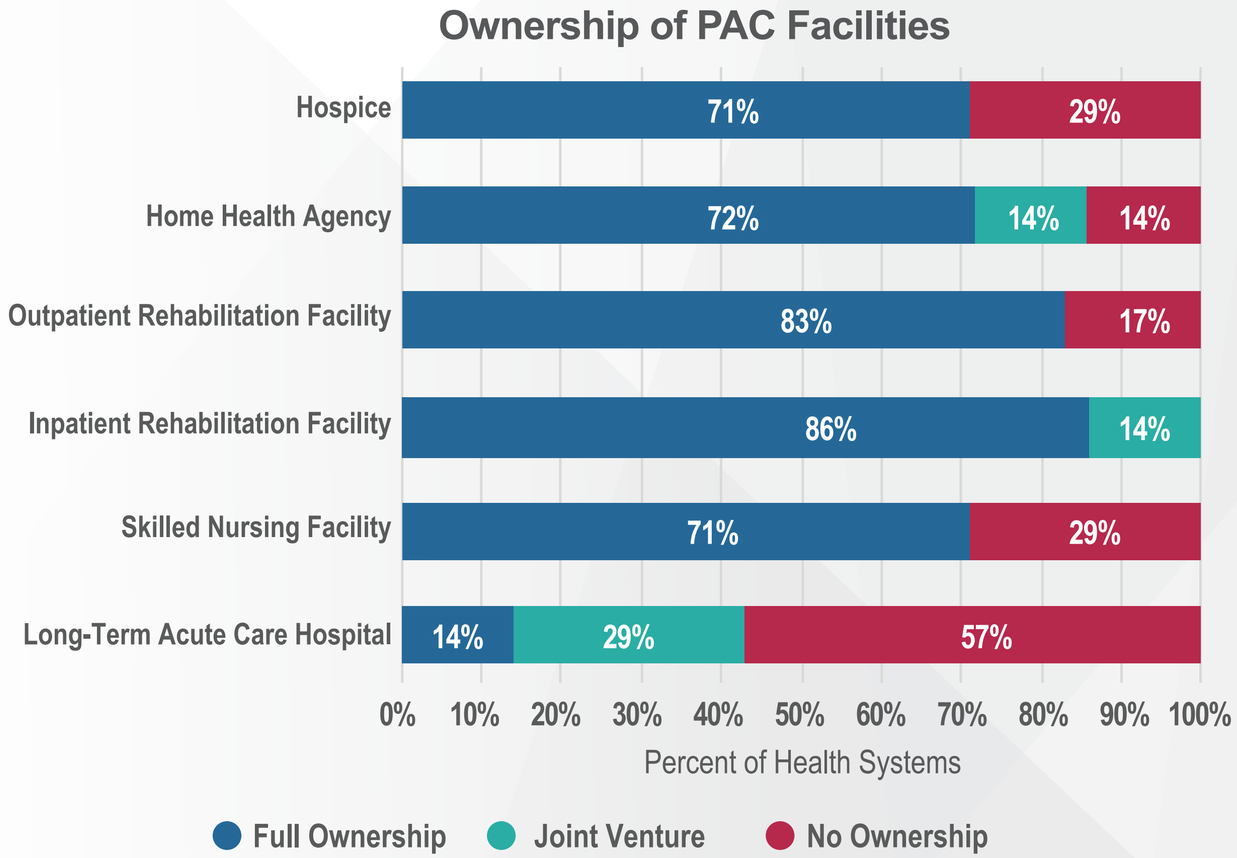
LHS Are More Likely to Own PAC Facilities than to Pursue Joint Ventures

LHS Prefer Full Ownership of PAC Settings Versus Joint Ventures

The vast majority of LHS executives reported full ownership of IRFs (86%), SNFs (71%), OPs (83%), HHAs (72%), and hospice facilities (71%). The ownership pattern for LTACH facilities was dissimilar to all other PAC settings, with 57% of LHS executives reporting no ownership of LTACH facilities, a stark contrast to the other PAC settings. Health systems cited reimbursement challenges and high costs associated with full ownership of LTACH settings as reasons for not pursuing full ownership of LTACHs.

Joint ventures are generally uncommon across most PAC settings, however, 14% of executives reported having joint ventures with HHA and IRF facilities, and 29% reported having joint ventures with LTACHs.

The preference for full ownership of PAC settings above joint venture arrangements is most notably due to health systems' desire to control costs for patients across the entire continuum of care, especially for health systems that are assuming increased financial risk in bundled payment arrangements. Health systems that do decide to pursue joint ventures above full ownership do so out of need for additional clinical and financial expertise in a particular service area, e.g., long-term acute care.



We have a partnership with an LTACH, but we try not to use it. Instead we have a physician-at-home program to try to mitigate the need for hospitalization."
– Chief Medical Officer

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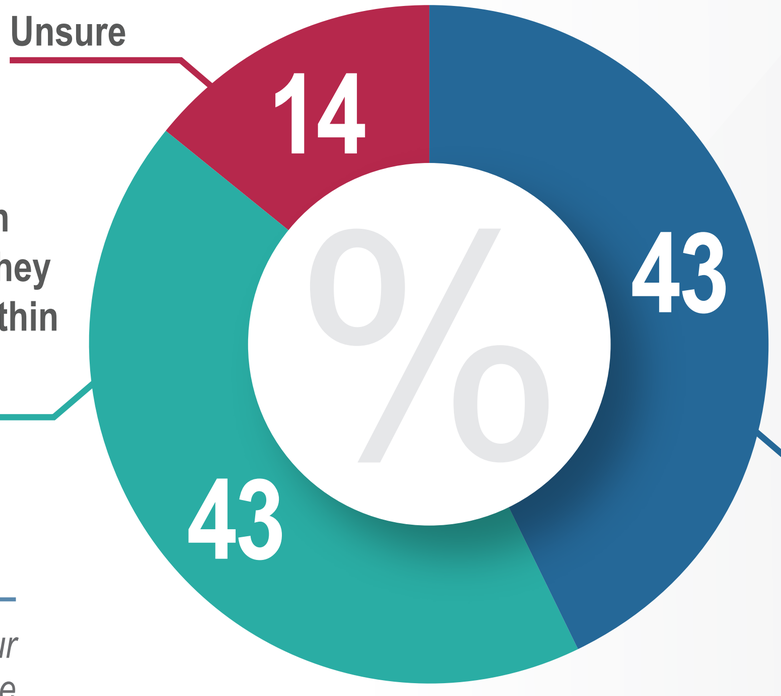
LHS Are Split on the Value of Co-Locating LTACHs with Hospitals

Those Who Find Value in Co-locating LTACHs in their Hospitals



Given that most LHS do not own their own LTACH facilities, it is not surprising that they would be unlikely to co-locate LTACHs within their hospital settings.

Of the 43% of LHS that do find value in co-locating, reasons to co-locate stem from physical convenience. For example, physicians have an easier time working with patients in both LTACH and hospital settings if they are co-located together.

"We have an LTACH co-located in one of our hospitals. It is not owned by [us]. We have seen increased challenges with managed care plans authorizing stays at LTACHs."
– SVP of Operations

"We have a significant number of long-term chronic patients that could be in LTACH, and proximity would help continuity and comfort levels of our patients."
– VP of Operations

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Building a High Performing PAC Network is Integral to Success in Value-Based Payment Programs

Building a strong network of physician and PAC partners is often preferred to outright ownership, as it helps improve patient clinical and financial outcomes, and performance across various value-based payment programs.

PAC Transition and Partnership Strategies

- Building care transition teams
- Strengthening community physician partnerships to help ensure referrals to high-quality and low-cost settings
- Implementing patient education programs and decision-support tools
- Providing telemedicine programs as low-cost alternatives to PAC settings

Strong PAC Network Strategies Improve Performance in Value-Based Care Programs

Participation in Value-Based Care

- Hospital Readmissions Reduction Program (HRRP): Health systems strive to avoid readmission penalties by ensuring patients are discharged to high-performing PAC facilities.
- Federal and Commercial Value-Based Care (VBC) Programs: Health systems participate in a variety of VBC programs, including BPCI-Advanced, Comprehensive Care for Joint Replacement, Medicare Shared Savings Programs (Accountable Care Organizations (ACOs)), and commercial ACOs. Participation across these various VBC programs impact health systems' need to control costs and quality of care delivered across episodes of care.

When possible, we want to get patients to the lowest cost and most appropriate environment. We've instituted a 'beefed up home care' program with home physician visits, private duty home health aides, and telehealth. Home-based care is an important part of the future. It connects closely to primary care as we manage patients outside of our facilities." ***– President of Home Health and Community Services***

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Informed Practices for Leading Health Systems

1 Health systems should weigh ownership options with strength of potential referral networks in their markets

- Many health systems find that ownership of PAC facilities does not directly translate to strong referral networks of community physicians. Health systems should consider individual market characteristics when weighing ownership or joint venture options, and continue to focus on building strong partnerships with PACs in their communities.

2 When considering ownership or partnership strategies across distinct PAC settings, health systems should consider settings with the most opportunity for growth, such as home health, skilled nursing, and hospice

- Value-based payment arrangements are becoming increasingly common and are forcing health systems to limit episode-based expenditures to low-cost and high quality settings, such as home health and skilled nursing.
- As the U.S. population ages, health systems expect demand for palliative and hospice care to increase, making hospice an attractive option for health system ownership or partnerships.

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Methodology

In March of 2019, the Health Management Academy conducted a quantitative survey and qualitative interviews with Leading Health System executives regarding their post-acute care strategies. The 11 total respondents represent 11 unique health systems. Respondent roles included Chief Operating Officers, Chief Financial Officers, Chief Medical Officers, Chief Quality Officers, Regional Chief Financial Officers, Senior Vice Presidents of Operation, Vice Presidents of Operation, and Presidents of Home Health and/or Community Services.

The responding health systems have a median Total Operating Revenue of $3.0 billion and own or operate a total of 155 hospitals.

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Participating Health Systems

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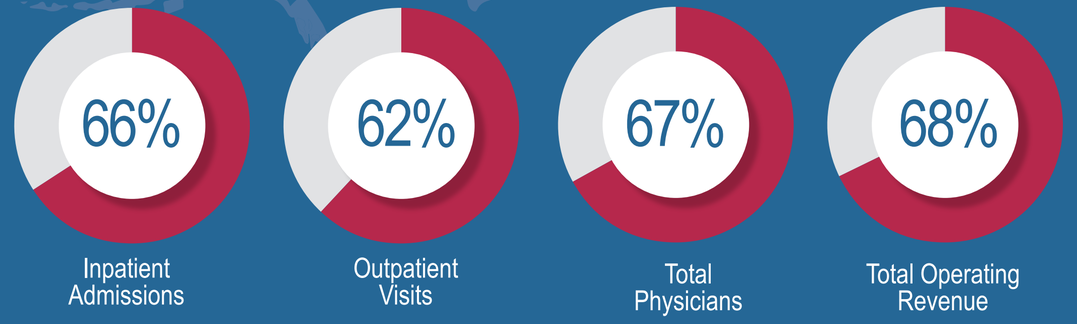
The Health Management Academy (The Academy) brings together top health system leaders and innovators to collectively address the industry's biggest challenges and opportunities. By assisting member executives to cultivate their peer networks, understand key trends, develop next-generation leaders, and partner to self-disrupt, they are better positioned to transform healthcare.

100 Health Systems

500+ C-suite Executives

2,000+ Health System Leaders



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