Where Do I Begin: Community Based Organizations (CBOs) and Business Acumen

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Why is Business Acumen Important?

• The growth of the population of older adults and persons with disabilities is quickly outpacing the available funding to support them.

• Community Based Organizations that provide home and community-based services are increasingly finding that they do not have enough funding to meet the demands for services.

• Diversifying your organization’s revenue streams will provide opportunities to serve more people in your community.
The current health care system is changing from Fee-For-Service to payment for outcomes.

A Value-Based Purchasing system provides financial incentives for outcomes (Value).

Medicare legislation provides direct incentives to Physicians and Hospitals to move towards a system that pays for outcomes.

In the past, there were real financial incentives to providers when complications happened.
Examples of Contracting Successes

- Care Transitions
- Care Management Services
- Nursing Home Transition Services
- Veterans Directed Home and Community Based Services (VD-HCBS)
- Home Delivered Meals
- Nutrition Assessments
- Diabetes Self-Management Training (DSMT)
- PEARLS – Depression Management Program
- In-home assessments
Sample Rate - Care Transitions

- 30 – 90 day care transition intervention
- Objective is to facilitate a safe hospital discharge and prevent an unnecessary readmission
- Sample contract rates:
  - $250 - $500 for the first 30 day care transitions intervention
  - $100 - $150 per contact for the 31 – 90 day episode of care
Managed Care Organizations have a responsibility to provide care management services.

They can delegate this function to other organizations.

When they delegate these services it often occurs as a sub-capitation rate of the per member per month rate.

Sample contract rate:
- $75 - $150 PMPM
• Nursing Home Transition Services is similar to Money Follows the Person (MFP)
• Objective is to transition low-acuity consumers that are in long-term care facilities into the community
• Sample contract rate:
  – $500 for initial transition and then $125 - $150 for each subsequent contact
Sample Rate - Home Delivered Meals

- Meals delivered to the home of high-risk beneficiaries
- Meal delivery often coincides with a recent hospitalization
- Sample contract rates $6 - $7.50 per meal
Sample Rate - DSMT

- Evidence-Based Diabetes Self-Management Training
- The Stanford DSMP is an acceptable model -- as long as the program meets the National Accreditation Standards for DSMT
- Medicare Rate (2016) = $364.84 per person. $5,472.60 for a group of 15
- DSMT/MNT (2016) = $569.64 per person. $8,544.60 for a group of 15
• An evidence-based treatment program for depression
• Target population is older adults with mild depression symptoms
• 6 – 8 sessions that take place in a client’s home and focus on brief behavioral techniques
• Current contract negotiations with a MCO
• Proposed Rate = $150 per session (6 – 8 sessions total)
Sample Rate - In-home assessments

- There is wide variation in what is included in an in-home assessment.
- Services range from a safety check to an in-home clinical assessment.
- Payment range also has a wide variation depending on the complexity of what is being requested
- Simple safety check sample contract = $100
- In-home pharmacist review of medication = $1,000
Purchasers

- Managed Care Organizations (MCOs)
- Medicaid Managed Long Term Services and Supports (MLTSS) Plans
- Bundled Payment Participating Organizations
- Accountable Care Organizations (ACOs)
- Medicare Special Needs Plans (SNPs)
- Duals Demonstration MCOs
- Medicare Advantage Plans
Payment Models

- Fee for Service
- Per Member Per Month
- Outreach Fee followed by additional payment for engagement
- Fee for service with a percentage withheld
  - Withholding will be paid if defined quality metrics are met
- Evidence-Based Program Completion
- Evidence-Based Program enrollment with additional payment made if the consumer completes
- Payment with penalties for missing quality metrics
Payment Models Example

• There are pros and cons for each payment model type
• Fee for Service - heavily dependent upon volume. If you have no volume, there is no revenue or margin
• PMPM – Flat rate for all services provided over a month.
  – If the program has a large number of high-need consumers, the services will cost more than the payment rate
• Risk-bearing contracts – Heavily dependent upon outcomes.
  – If you cannot be assured that the desired outcomes will be met, this will be difficult to maintain
Payment Models Example

• Evidence-Based Program Payment for completers – Money is expended up-front to recruit and deliver the program.
  – Payment only for completers will ultimately lead to lost revenue when consumer(s) drop out

• Evidence-Based Program payment for recruitment with additional payment for completers
Network Contracting Models

• Contracting as a group can provide advantages to contracting

• There are things to consider when approaching a network contracting model
  – Who will hold the contract?
  – Do we create a new entity to hold the contract?
  – Who ”Owns” or “Controls” the new entity?
  – How will decisions be made?
  – How will revenues be shared?
Health Care Business Climate

- Shift from Fee-For-Service to Risk-Based Contracting
- Risk-Based contracting – aka – Value-Based Payment Models
- Everyone is expected to take risks
- Revenue is highest when the volume of services and quality of services are both high
- You must constantly think “Volume” if you want to be sustainable
In order to seize the opportunity...

- CBOs must understand how they bring value
  - What are my strengths?
  - What are my weaknesses?
  - What is the target population that I can impact?
  - How do I define the Return on Investment (ROI) for my services?
  - What is my value proposition?
  - What are the external and internal threats?
  - What relationships do I have that increase my market potential?
Challenge for CBOs

• Understanding how your business brings value to the system
• Defining your return on investment (ROI)
• Implementing the required culture change to realize the opportunity - Significant
• Acquiring IT systems that are compatible with Healthcare providers (Meaningful Use)
• Implementing systems to drive change and document your impact
  – Continually reinforcing your ROI to your customer
Success will require

- Full understanding of the changes impacting the market
- Vigilance to ensure that you stay aware of the current changes and pending changes
- Model your program to meet the needs of your CUSTOMER
  - Who is the customer?
  - How does the customer differ from the beneficiary?
  - Can you meet the needs of both the Customer and the Beneficiary?
What does the Customer need?

- Data
- Data
- More Data
- Integrated Care Organizations have performance goals to meet
  - Financial and Quality Risks
- How do you contribute to improving quality and reducing financial risk?
  - If you are not, why should they contract with you?
How do we prepare for the market?

- Now that we have a better understanding about the dynamic healthcare market, what do we do next?
- It is important to prepare and know your market before seeking contracts.
- Know who your customer is:
  - Customer is the entity that buys your services
  - Beneficiary (Consumer) is the recipient of the services that are paid for by your customer
  - BOTH the Customer and Beneficiary needs must be met.
What Should You Do NOW

- Understand the changing landscape in your community
- Assess the opportunities
- Define the Return on Investment (ROI) for your services
- Assess your IT capacity to meet the needs of the customer
Know Your Market

- Medicare Population
- Those at-risk for Institutional Care
- Target services to those impacted by change
- Define how your services will lead to cost reduction and improved health outcomes
- Drive value and continually document the ROI that you provide
Questions

- Time for Q & A