Issues, Ideas & Actions

Useful Information from Ryun, Givens & Company

The Future of Health Care Reform for Senior Communities

• Issue VI

Ryun, Givens & Company, P.L.C.

Much of the future of health care reform is yet to be written. By that, I mean the enactment of the Affordable Care Act of 2008 (ACA) provided numerous guiding provisions, but left out the "how to implement" portion for the health care industry.

Much of the implementation is being driven by Accountable Care Organizations (ACO's) as well as individual providers.

ACO's have been formed and are actively meeting with senior communities to begin discussing the implementation process.

This edition of *Issues, Ideas & Actions* deals with the future of health care reform for senior communities and what providers need to consider.

Accountable Care Organizations

At the heart of health care reform are ACO's (see *Insights, Ideas and Actions-Issue V*).

ACO's are groups of healthcare providers that come together with the goal of improving the quality of care and reducing costs.

An ACO's principal function is to take responsibility for some or all of the medical care delivered to a population of patients. In order to do so, the ACO will have to contract with payers on behalf of the affiliated providers. The ACO and payer will reach agreement on base level costs as well as certain quality measures.

Members of the ACO will receive shared-saving bonuses from a payer by achieving measured quality targets and demonstrating real reductions in overall spending growth for the defined population of patients.

It is widely acknowledged that Medicare will participate as a payer source with ACO's. Many industry experts suggest that Iowa Medicaid is rapidly moving towards an ACO payment system as well. And, depending upon your political viewpoint, it is not a stretch of the imagination to suggest that the United States is rapidly moving to a single payer system.

Guiding Principles and What You Need to Consider

As mentioned previously, the "end game" is to achieve measured quality targets and demonstrate reductions in costs across the continuum. These quality measurements and costs are for the entire continuum of affiliated providers in the ACO and not just the individual provider.

What this means is that the ACO needs to adopt a global approach to its achievement of the measured quality targets and demonstrated cost reductions.

How each ACO achieves its quality targets and cost reductions is where the "how to implement" has been left to the health care industry, ACO's, and individual providers.

Here are our thoughts regarding some obvious underlying principles that will be necessary to achieve quality targets and cost reductions:

- Wellness and Population Health Management
- Attractiveness
- Strong Business Model
- Information Technology and Systems

- Compliance
- Networking

Wellness and Population Health Management

One definition of this category might include, "the health outcomes of a group of individuals, including the distribution of such outcomes within the group.

Medical care is only one of many factors that affect those outcomes."

This may require significant changes in the way of thinking and the practice patterns of providers. Instead of doing more to earn more, providers will be rewarded for efficiency and quality. They will have to become accustomed to thinking in terms of caring for an entire population and not just the individual patients who actively seek care.

Numerous senior communities are considering building a wellness center facility that includes not only physical fitness activities but other wellness activities such as education.

Senior communities in more rural locations are considering partnering with the local Parks and Recreation Department to provide wellness type activities.

Information technology will play a huge role in wellness programs. There are several wellness monitors that people wear on their wrist, such as the Nike Fuel Band, to keep track of their activity level.

Many senior communities have already invested in these products for use by their employees.

Attractiveness

Provider groups, including ACO's will want to be affiliated with other organizations within the ACO that are attractive in several aspects, including the physical campus, service continuum, and the value proposition of the provider.

Many Iowa based senior communities are still behind the curve when it comes to having a modern, physically attractive campus and a service continuum for seniors in their market area.

Strong Business Model

Health care providers, including senior communities, have largely been protected from the rigors of having to operate as a business. Iowa's Certificate of Need (CON) program has been useful in preventing competition and Iowa's Medicaid program has paid on the basis of cost and volume rather than quality of care and value provided. Many predict the end of the CON and the movement of Iowa Medicaid to an ACO.

The result will be that organizations will have to operate like a business and will need to be proactive and strategic.

Information Technology and Systems

IT will play a huge role in health care reform, both from an operational as well as information system basis.

Operationally, IT will be used to monitor residents whether within the nursing facility, assisted living, or their homes.

Information systems implemented will include electronic health care records interface, quality target measurements and financial reporting, costing, billing and compliance.

Compliance

The ACA ushered in a new realm of compliance monitoring and enforcement. Health care providers are under continuous monitoring for adherence to the laws, rules and regulations.

Substantial penalties are imposed upon those found non-compliant.

It is imperative that providers understand those laws, rules and regulations and have an active corporate compliance program in effect.

Networking

Finally, I think we will see many formal and informal networks of providers arise to work together to meet the rigors of health care reform.

Many senior communities operate as stand-alone organizations now and do not enjoy the economy of scale that many larger organizations do.

There are several larger senior communities that are offering assistance to smaller organizations in the areas of HR, compliance, financing, IT, strategic planning, etc.

This is a trend that I think will continue as it gives smaller communities continued autonomy while still enjoying the benefits of economy of scale.

The future of health care is not set in stone. We do know that ACO's are leading the way in how the Affordable Care Act is put into place. Senior communities need to incorporate population health management into their underlying principles and work with ACO's with the goal of improving the quality of care and reducing costs.

Ryun, Givens & Company, P.L.C.