Oregon's Medicaid Transformation

(Or, specifically, the issues affecting Oregon's rural hospitals)

Oregon Medicaid Transformation

- Oregon currently undergoing Medicaid transformation (vs. expansion)
- CCOs (Coordinated Care Organizations) to contract with providers to provide care to the state's Medicaid recipients
- "Care" to integrate physical, mental and oral health, with Triple Aim goals, for the same amount of $

Oregon Medicaid Tranformation

- Oregon receiving $1.9 billion (demonstration project grant) to bend the cost curve by 2%
- State law passed in 2011 included a provision to repeal cost-based Medicaid reimbursement for CAHs in 2014 (and presumably revert to PPS)…
- …unless a "risk assessment" actuarial analysis determines they wouldn't survive financially

Oregon Medicaid Transformation

- The law authorized the Oregon Health Authority to determine the actuarial analysis to be used
- The Oregon Association of Hospitals and Health Systems was uncomfortable with the lack of specificity
- Rural Health Reform Initiative was created to be proactive in crafting solutions

Rural Health Reform Initiative

- Two initial RHRI goals:
  - Determine the methodology for the actuarial analysis
  - Reach consensus on alternate payment methodology

(All with the blessing of the Oregon Health Authority)

Rural Health Reform Initiative

Nothing has been decided yet, but three things seem certain:

- The actuarial analysis will take into account the sharp increase expected in Medicaid caseload.
- Cost based reimbursement is not off the table for those hospitals that truly would not survive without it.
- Any PPS methodology adopted will contain a volume adjustment component in recognition of fixed costs

NOSORH

Rural Integrated Services (RIS) Project

NOSORH RIS Project

- ✓ NOSORH members began to hear rumblings on Capitol Hill about “special” payments to CAHs
- ✓ Budget battles (including sequestration) rage on
- ✓ Members of Congress (and their aides) are less and less likely to have been around in 1980s or 1997

NOSORH RIS Project

- ✓ Contracted with Harvey Licht to develop the “Rural Integrated Services System” (RISS)
  - o The level of services a rural community should ideally expect
  - o Tiered according to size of community and presence (or not) of a hospital
  - o Elements include some “new” services included in health reform models (care coordination, prevention, etc.)

NOSORH RIS Project

- ✓ Rural Communities and rural hospitals need technical assistance responding to reform
- ✓ Policy makers beginning to doubt the value of a program to designate CAHs, when so few are left to be designated
- ✓ Flex grants have enabled SORH to enhance their level of technical assistance to hospitals and communities

NOSORH RIS Project

Two primary goals of the Rural Integrated Services Project:

1. Prepare an alternative to cost-based reimbursement, should the need arise
2. Propose modernization of the Flex Program to enable SORH to help CAH transition from old (volume) incentives to new (prevention) incentives

NOSORH RIS Project

- ✓ We have prepared a conceptual model for reimbursement that assures a % of cost, but builds in incentives for Triple Aim goals (cost containment, quality benchmarks, etc.)

"Cost & Quality Reimbursement"

NOSORH RIS Project

Tentative features of “Cost & Quality” reimbursement:

- Guaranteed floor payment of (100%) of costs
- 1% incentive bonus for meeting performance targets
  - Preventable Readmission expectations
  - Coordination and collaboration expectations
  - Other QI performance expectations and perhaps population health measures
  - Cost efficiency, cost management or cost reduction indicators

NOSORH RIS Project

Tentative features of “Cost & Quality” reimbursement (cont’d):

- Mandatory CMS Hospital Compare quality reporting
- Broadened cost recovery that includes non-inpatient services such as primary care, care coordination, navigation, patient centered medical home services, health and community education, home care, chronic disease management, telehealth, etc.

NOSORH RIS Project

- ✓ Circulating concepts to NOSORH Flex Committee and “key informant” CEOs, CFOs, consultants
- ✓ Floating the idea among other stakeholders and partners (AHA, NRHA)
- ✓ Next steps:
  - ✓ Join NRHA’s financial modeling exercise
  - ✓ Meet with ORHP

NOSORH RIS Project

Please let us know what you think!

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