STATE OF THE HEALTHCARE INDUSTRY: UPDATES FOR RURAL

NOSORH Quarterly Updates for Rural Strategy

October 30, 2023

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PANELIST

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Agenda

1. Legislative/Regulatory Updates
2. Other Market Events
3. Rural Health System Priorities

LEGISLATIVE/REGULATORY UPDATES

CMS 2024 Inpatient Perspective Payment System (IPPS) Proposed Rule (4/10/23) and Final Rule (8/1/2023)

FY 2024	Hospital Submitted Quality Data and is a Meaningful EHR User	Hospital Submitted Quality Data and is NOT a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is a Meaningful EHR User	Hospital Did NOT Submit Quality Data and is NOT a Meaningful EHR User
Market Basket Rate-of-Increase	3.3	3.3	3.3	3.3
Adjustment for Failure to Submit Quality Data under Section 1886(b)(3)(B)(viii) of the Act	0.0	0.0	-0.825	-0.825
Adjustment for Failure to be a Meaningful EHR User under Section 1886(b)(3)(B)(ix) of the Act	0.0	-2.475	0.0	-2.475
Productivity Adjustment under Section 1886(b)(3)(B)(xi) of the Act	-0.2	-0.2	-0.2	-0.2
Applicable Percentage Increase Applied to Standardized Amount	**3.1**	**0.625**	**2.275**	**-0.2**

- Payment Rate Update – Final Rule
  - Originally proposed at 2.8%
- Medicare Disproportionate Share hospital payments and uncompensated care payments to decrease by $957M
  - Rates of uninsured expected to drop from 9.2% to 8.3%
- Medicare Low Wage Index Hospital Policy
  - Continue policy published in FY 2020 Final Rule to increase wage index for certain hospitals in low wage index values

Source: CMS Fact Sheet, 4/18/2022; NRHA Summary of 2024 IPPS Proposed Rule 4/11/2023; CMS Fact Sheet: 8/1/2023 IPPS Final Rule

CMS 2024 IPPS Proposed Rule (4/10/23) and Final Rule (8/1/2023) (continued)

- Rural Emergency Hospitals (REH)
  - Final rule codifies guidance provided in 2/26/2023 CMS Guidance Memo including plans for conversion
  - Proposing REHs serve as training sites for Medicare GME payment purposes
- Safety Net Hospital RFI
  - RFI seeks information on challenges being faced by these hospitals and potential approaches to support
- Health Equity (HE)
  - Added HE adjustment bonus points to a hospital's Total Performance Score in the Value-Based Payment Program
  - Added 15 new HE hospital categorizations for FY 2024 payment impacts
- Inpatient Quality Reporting
  - CMS is adopting three new quality measures, removing three existing quality measures, and modifying three current quality measures
- Low Volume Adjustment (LVA)
  - Modified calculation of the LVA extended through 2024
    - Result of the Consolidated Appropriations Act of 2023

Source: CMS Fact Sheet, 4/18/2022; NRHA Summary of 2024 IPPS Proposed Rule 4/11/2023; CMS Fact Sheet: 8/1/2023 IPPS Final Rule

CY2024 Medicare Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Payment System Proposed Rule (7/13/2023)

- CMS issued a proposed rule that announces and solicits public comments on proposed policy changes for Medicare payments under OPPS and ASC on or after January 1, 2024
- Key elements proposed include:
  - OPPS Update factor of 2.8% based on 3.0% projected market-basket increase, reduced by .2% productivity adjustment
    - Rural hospitals will fare better with a total expected increase of 4.4% due to wage index changes
  - Implementing the Intensive Outpatient Program (IOP) Benefit
  - Broaden enforcement of hospital transparency requirements
  - Updating the ASC covered produce list by adding 26 dental procedures, but no removals from the Inpatient Only list
  - Continue payment for 340B drugs administered in an OP setting at average sales price plus 6%

Source: CMS.gov Calendar Year 2023 Medicare Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Proposed Rule Fact Sheet, July 13, 2023

CY2024 Medicare OPPS and ASC Payment System Proposed Rule (7/13/2023) (continued)

- Additional Details on Key elements proposed:
  - Implementing the IOP Benefit
    - New program established by the 2023 Appropriations Bill meant to address a gap in coverage for beneficiaries who require behavioral healthcare more frequently than on a standard OP basis but less than in a partial hospitalization program (PHP)
      - For beneficiaries to be eligible, they require physician certification of needing at least 9 hours of care per week
    - Hospitals, community mental health centers, FQHCs and RHCs would be eligible to receive payment under IOPs
      - Coding for IOP services similar to PHP services, with level of intensity the differentiating factor between specific codes
      - Two IOP APCs for each provider type: one for days with three services per day and one with days with four or more services per day
        - Payment to FQHCs and RHCs as same rate as hospital
      - Group psychotherapy would be added to the list for both IOP and PHP

Source: CMS.gov Calendar Year 2023 Medicare Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Proposed Rule Fact Sheet, July 13, 2023

CY2024 Medicare OPPS and ASC Payment System Proposed Rule (7/13/2023) (continued)

- Additional Details on Key elements proposed:
  - Hospital transparency requirements
    - Requiring hospitals to use a CMS-standardized, machine-readable template to submit charge information
      - Standard charges to be listed in the template include gross charges, payer-specific negotiated charges, maximum and minimum deidentified negotiated charges, and cash discounted charges
      - Require placement in the hospital website root folder that would directly link the machine-readable file
        - Price Transparency link included in the footer of the hospital homepage
    - Enforcement
      - Publicizing the enforcement actions that CMS has taken against hospitals
      - CMS to skip issuing warning letters and send a request for corrective action plan for hospitals not complying
      - Maximum penalty for noncompliance increased from $100K to $2M and hospitals have until 3/1/2024 to comply

Source: CMS.gov Calendar Year 2023 Medicare Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Proposed Rule Fact Sheet, July 13, 2023

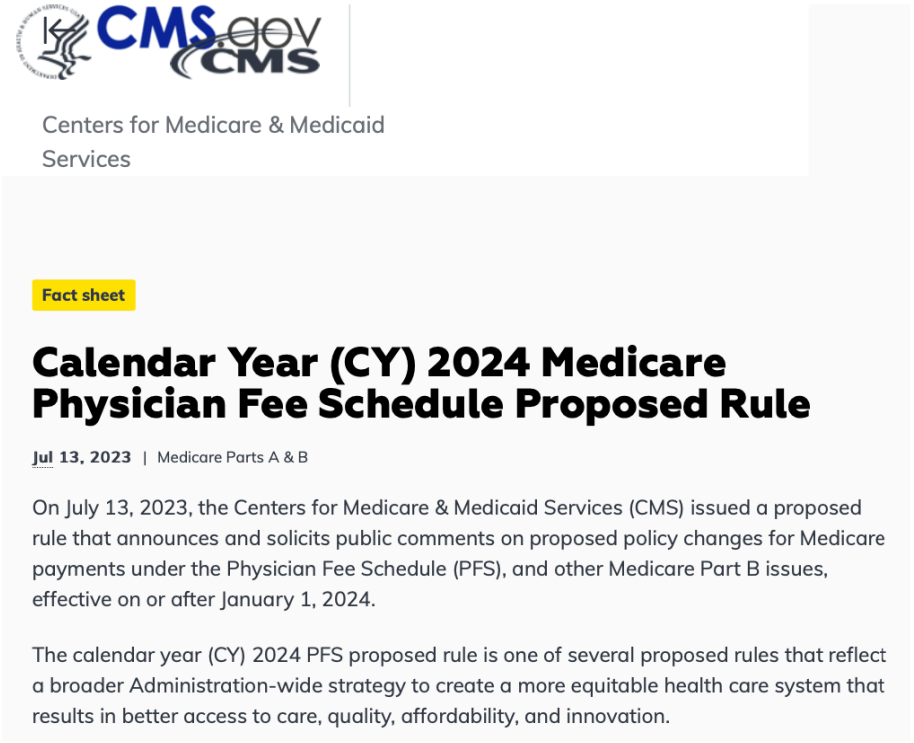
CY2024 Medicare OPPS and ASC Payment System Proposed Rule (7/13/2023) (continued)

- Additional Details on Key elements proposed (continued)
  - Changes to quality reporting
    - Hospitals to lose 2% off their payment if they fail to meet quality-reporting requirements
    - Adjustments to measure set:
      - Left without being seen measure removed
      - Modifying COVID-19 Vaccination Coverage amount healthcare personnel to reflect new CDC definition of being “up to date”
      - Modifying Improvements within 90 days following cataract surgery and appropriate follow-up for normal colonoscopy
    - Rural Emergency Hospitals (REHs) to adopt several standard quality program reporting policies and adoption of 4 Measures:
      - 1) Abdomen CT – use of contrast material; 2) Median time from ED arrival to ED departure for discharged ED patient; 3) Facility 7-day risk-standardized hospital visit rate after OP colonoscopy; and 4) Risk-standardized hospital visits within seven days after hospital OP surgery

Source: CMS.gov Calendar Year 2023 Medicare Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System Proposed Rule Fact Sheet, July 13, 2023

CY2024 Medicare Physician Fee Schedule (PFS) Proposed Rule (7/13/2023)

- CMS issued a proposed rule that announces and solicits public comments on proposed policy changes for Medicare payments under the PFS, and other Part B issues, on or after January 1, 2024.
- Key elements include:
  - Conversion factor reduced by **3.34**% from $33.89 in CY23 to $32.75 in CY24
  - Proposing to make payment when practitioners (physician or non-physician practitioner) train and involve caregivers to support patients with certain diseases/illnesses in carrying out a treatment plan
  - Proposing to pay separately for Community Health Integration, Social Determinates of Health (SDOH) Risk Assessment, and Principal Illness Navigation to account for resources when clinicians involve community health workers, care navigators and peer support specialists in medically necessary care
    - Also proposing coding and payment for SDOH risk assessments to recognize when practitioners spend time and resources assessing SDOH



CMS.gov CMS

Centers for Medicare & Medicaid Services

Fact sheet

Calendar Year (CY) 2024 Medicare Physician Fee Schedule Proposed Rule

Jul 13, 2023 | Medicare Parts A & B

On July 13, 2023, the Centers for Medicare & Medicaid Services (CMS) issued a proposed rule that announces and solicits public comments on proposed policy changes for Medicare payments under the Physician Fee Schedule (PFS), and other Medicare Part B issues, effective on or after January 1, 2024.

The calendar year (CY) 2024 PFS proposed rule is one of several proposed rules that reflect a broader Administration-wide strategy to create a more equitable health care system that results in better access to care, quality, affordability, and innovation.

Source: CMS.gov Calendar Year 2023 Medicare Physician Fee Schedule Proposed Rule Fact Sheet, July 13, 2023

CY2024 Medicare PFS Proposed Rule (7/13/2023) (continued)

- Key elements include (continued):
  - Proposing to implement a separate add-on payment for HCPCS code G2211 to better recognize the costs associated with E&M visits for primary care for complex patients
  - Telehealth proposals
    - Adding health and well-being coaching services for CY2024 and SDOH Risk Assessments on a permanent basis
    - Temporary expansion of the scope of telehealth originating sites for services furnished via telehealth to include any site in the US where the beneficiary is located at the time of the telehealth services
    - Expansion of the definition of telehealth practitioners to include qualified OTs, PTs, SP, and audiologists
    - Continued payment to FQHCs and RHCs using methodology established during the PHE
    - Delaying the requirement for an in-person visit with the provider within six months prior to initiating mental health telehealth services
    - Beginning in CY 2024, telehealth services furnished to people in their homes be paid at the non-facility PFS rate
    - Continue to define direct supervision to permit the presence and immediate availability of the supervising practitioner through real-time audio and video interactive telecommunications through 12/31/2024

Source: CMS.gov Calendar Year 2023 Medicare Physician Fee Schedule Proposed Rule Fact Sheet, July 13, 2023

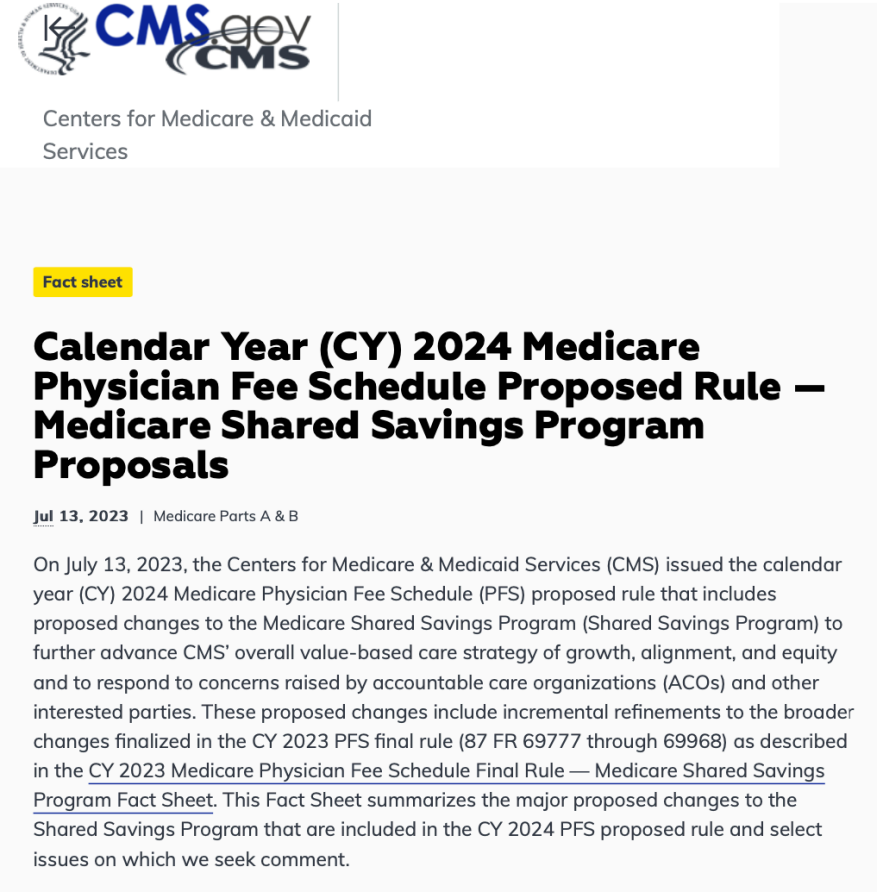
CY2024 Medicare PFS Proposed Rule (7/13/2023) (continued)

- Key elements include (continued):
  - Behavioral Health proposals
    - Providing coverage and payment for services of marriage and family therapists (MFTs) and mental health counselors (MHCs)
    - Establishing new HCPCS codes for psychotherapy for crisis services
    - Allowing Health Behavior Assessment and Intervention services to be billed by clinical social workers, MFTs, and MHCs
  - Allowing PTs and OTs general supervision of their therapy assistants for remote therapeutic monitoring services

Source: CMS.gov Calendar Year 2023 Medicare Physician Fee Schedule Proposed Rule Fact Sheet, July 13, 2023

CY2024 Medicare PFS Proposed Rule – Medicare Shared Savings Program (MSSP) Proposals (7/13/2023)

- CMS issued a proposed rule that announces and solicits public comments on proposed policy changes for Medicare payments under MSSP on or after January 1, 2024
  - In general, incremental refinements to the CY 2023 Final rule
  - Overarching goal is to increase ACO participation by 10%-15%
- Key elements related to MSSP include:
  - Proposing changes to continue to move ACOs toward digital measurement of quality by establishing a new Medicare Clinical Quality Measure (CQM) collection type
  - Proposing refinements to financial benchmarking methodology
    - Applying a symmetrical cap to risk score growth in an ACO's regional service area, similar to an ACO's risk score growth
    - Applying the same HCC risk adjustment methodology to both the benchmark and the performance years, and
    - Further mitigating the impact of the negative regional adjustment on the benchmark to encourage participation by ACOs caring for medically complex, high-cost beneficiaries



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Centers for Medicare & Medicaid Services

Fact sheet

Calendar Year (CY) 2024 Medicare Physician Fee Schedule Proposed Rule — Medicare Shared Savings Program Proposals

Jul 13, 2023 | Medicare Parts A & B

On July 13, 2023, the Centers for Medicare & Medicaid Services (CMS) issued the calendar year (CY) 2024 Medicare Physician Fee Schedule (PFS) proposed rule that includes proposed changes to the Medicare Shared Savings Program (Shared Savings Program) to further advance CMS' overall value-based care strategy of growth, alignment, and equity and to respond to concerns raised by accountable care organizations (ACOs) and other interested parties. These proposed changes include incremental refinements to the broader changes finalized in the CY 2023 PFS final rule (87 FR 69777 through 69968) as described in the CY 2023 Medicare Physician Fee Schedule Final Rule — Medicare Shared Savings Program Fact Sheet. This Fact Sheet summarizes the major proposed changes to the Shared Savings Program that are included in the CY 2024 PFS proposed rule and select issues on which we seek comment.

Source: CMS.gov Calendar Year 2024 Medicare Physician Fee Schedule Proposed Rule – Medicare Shared Savings Plan Program Proposals Fact Sheet, July13, 2023

CY2024 Medicare PFS Proposed Rule – MSSP Proposals (7/13/2023) (continued)

- Key elements related to MSSP include (continued):
  - Proposing to add a third step to the step-wise beneficiary assignment methodology to provide greater recognition of the rule of APPs in delivering primary care services
  - Seeking comment on potential future developments to shared savings program policies including incorporating a new track that would offer a higher level of risk and reward than currently available

Source: CMS.gov Calendar Year 2024 Medicare Physician Fee Schedule Proposed Rule – Medicare Shared Savings Plan Program Proposals Fact Sheet, July13, 2023

CMS ANNOUNCES The States Advancing All-Payer Health Equity Approaches and Development Model ("States Advancing AHEAD" or "AHEAD Model")

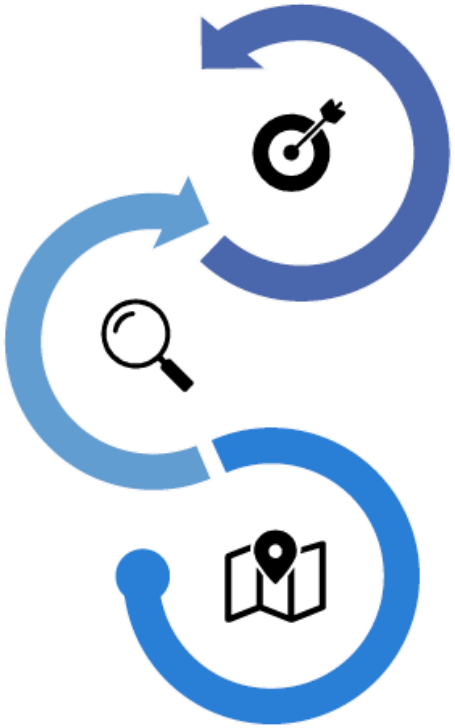
- CMS has unveiled the voluntary "AHEAD Model," a step to make states accountable for quality and population health outcomes while reducing all-payer avoidable healthcare spending to spur statewide and regional healthcare transformation.
  - CMS will issue awards to up to eight states, and states selected to participate in the AHEAD Model will have an opportunity to receive up to $12 million from CMS to support state implementation
- Under the voluntary AHEAD Model, participating states will take accountability for **healthcare spending, population health, and health equity improvements.** State participants will partner with hospitals and primary care practices to redesign care and leverage existing relationships to recruit and partner with hospitals for purposes of the hospital's global budgets.
- The AHEAD Model will:
  - **Focus resources and investment on primary care services, allowing primary care practices to improve care management and better address chronic disease, behavioral health, and other conditions.**
    - **Medicare Enhanced Primary Care Payment (EPCP) will be a quarterly, prospective, per beneficiary payment, a portion of which will be at risk for quality**
  - **Provide hospitals with a prospective payment stream via hospital global budgets (HGBs), while including incentives to improve beneficiaries' population health and equity outcomes.**
  - **Address healthcare disparities through stronger coordination across healthcare providers, payers, and community organizationsin participating states or regions.**
  - **Address the needs of individuals with Medicare and/or Medicaid by increased screening and referrals to community resources lke housing and transportation.**

Sources: CMS.gov Press Release: CMS Announces Transformative Model to Give States Incentives and Flexibilities to Redesign Health Care Delivery, Improve Equitable Access to Care 9/5/23 https://www.cms.gov/newsroom/press-releases/cms-announces-transformative-model-give-states-incentives-and-flexibilities-redesign-health-care; CMS Innovation Center: *States Advancing All-Payer HealthEquity Approaches and Development (AHEAD) Model Overview Webinar,* 9/18/23

FROM CMS: STATEWIDE TARGETS

Statewide Targets At-A-Glance

Participating states take on accountability for quality, costs, and outcomes for a defined sub-state region or statewide. These targets are memorialized in the State Agreement between the state and CMS.



Targets are measured for residents within the defined region.

Improve Population Health / Advance Health Equity

- Medicare FFS Primary Care Investment Target
- All-Payer Primary Care Investment Target
- Statewide Quality and Equity Targets (Medicare FFS and All-Payer)

Curb Health Care Cost Growth

- Medicare FFS Total Cost of Care Targets
- All-Payer Cost Growth Targets

Source: CMS Innovation Center: *States Advancing All-Payer HealthEquity Approaches and Development (AHEAD) Model Overview Webinar*, 9/18/23

AHEAD Application process and timeline

APPLICATION PROCESS AND TIMELINE

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Model Year			MY1	MY2	MY3	MY4	MY5	MY6	MY7	MY8	MY9	MY10	MY11
1st NOFO Period	Cohort 1	NOFO	Pre- Implementation (18 mos)		PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8	PY9
	Cohort 2		Pre-Implementation (30 mos)			PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8
2nd NOFO Period	Cohort 3		NOFO	Pre-Implementation (24 mos)		PY1	PY2	PY3	PY4	PY5	PY6	PY7	PY8

- The Notice of Funding Opportunity (NOFO) is anticipated to be released in late Fall 2023, with applications due in early 2024 for the first NOFO period. The application period will be 90-days. A second NOFO period will open in spring 2024. This timeline is tentative and may evolve.

Source: CMS Innovation Center: *States Advancing All-Payer HealthEquity Approaches and Development (AHEAD) Model Overview Webinar*, 9/18/23

CMS ISSUES PROPOSED RULE ON Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (9/1/2023)

- On September 1, 2023, CMS issued the Minimum Staffing Standards for Long-Term Care (LTC) Facilities and Medicaid Institutional Payment Transparency Reporting proposed rule (CMS 3442-P), to establish comprehensive nurse staffing requirements to improve the quality of care at Medicare and Medicaid-certified LTC facilities
- The proposed rule consists of three core staffing proposals:
    1. Minimum nurse staffing standards of 0.55 hours per resident day (HPRD) for Registered Nurses (RNs) and 2.45 HPRD for Nurse Aides (NAs)
    2. A requirement to have an RN onsite 24 hours a day, seven days a week
    3. Enhanced facility assessment requirements
- This proposed rule would also promote public transparency related to the percentage of Medicaid payments for services in LTC facilities for individuals with intellectual disabilities that are spent on compensation to direct care workers and support staff.

Source: CMS.gov Fact Sheet: Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (CMS 3442-P) 9/1/23 https://www.cms.gov/newsroom/fact-sheets/medicare-and-medicaid-programs-minimum-staffing-standards-long-term-care-facilities-and-medicaid

CMS PROPOSED PROVISIONS ON Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (9/1/2023)

- **Permitting Regulatory Flexibility**
  - CMS recognizes that despite best efforts, some facilities may be temporarily unable to comply with requirements, particularly those that are still struggling with the impacts of COVID-19. CMS proposes to allow for a hardship exemption in the following circumstances:
    - Workforce unavailability based on the facility's location, as evidenced by either a medium (that is, 20 percent below the national average) or low (that is, 40 percent below the national average) provider-to-population ratio for the nursing workforce, or the facility is located at least 20 miles away from another LTC facility (as determined by CMS); and
    - Good faith efforts to hire and retain staff through the development and implementation of a recruitment and retention plan, and
    - A financial commitment to staffing by documenting the total annual amount spent on direct care staff.
- **Staggering Implementation**
  - CMS proposes a phased implementation schedule for the new requirements. Recognizing the challenges rural facilities face, the schedule for rural facilities specifically is as follows:
    - Phase 1 would require facilities to comply with the facility assessment requirements 60 days after the publication date of the final rule;
    - Phase 2 would require facilities to comply with the requirement for an RN onsite 24 hours and seven days/week three years after the publication date of the final rule and
    - Phase 3 would require facilities to comply with the minimum staffing requirement of 0.55 and 2.45 HPRD for RNs and NAs, respectively, five years after the publication date of the final rule.

Source: CMS.gov Fact Sheet: Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (CMS 3442-P) 9/1/23 https://www.cms.gov/newsroom/fact-sheets/medicare-and-medicaid-programs-minimum-staffing-standards-long-term-care-facilities-and-medicaid

Prices of drugs for diabetes, heart failure & more will be up for negotiation in Medicare (8/29/2023)

- HHS announced the first 10 Medicare Part D drugs that will be subject to price negotiations as part of the Inflation Reduction Act:
  - Eliquis
  - Jardiance
  - Xarelto
  - Januvia
  - Farxiga
  - Entresto
  - Enbrel
  - Imbruvica
  - Stelara
  - NovoLog
- More drugs will be included as time goes on, with negotiated prices taking effect for:
  - Up to 15 additional Part D drugs in 2027
  - 15 additional Part B or Part D drugs in 2028
  - 20 additional drugs each year thereafter through at least 2031

Source: HFMA, *Prices of drugs for diabetes, heart failure and more will be up for negotiation in Medicare next year*, 08/29 https://www.hfma.org/accounting-and-financial-reporting/cost-of-care/prices-of-drugs-for-diabetes-heart-failure-and-more-will-be-up-for-negotiation/?utm_medium=email

HRSA REVERSES 340B POLICY FOR OUTPATIENT CLINICS (10/26/2023)

- HRSA has reversed a Covid-era policy intended to streamline 340B for outpatient clinics.
  - Now, hospitals participating in the 340B program must register offsite clinics with HRSA and list them on Medicare cost reports to qualify for the drug pricing program.
  - If a hospital shows HRSA by Jan. 24 that it has started the process, it will essentially be grandfathered into the program.
- Under the new policy, some outpatient clinics may no longer qualify for the program, which is a financial lifeline for many rural providers.
- The industry had expected the 2020 regulation to become permanent and expressed disappointment over the reversal. HRSA indicated that the previous policy was only necessary during the pandemic.

Source: Modern Healthcare, *HRSA reverses 340B offsite clinic policy*, Alex Kacik, 10/26/23 https://www.modernhealthcare.com/policy/340b-drug-pricing-program-offsite-clinic-policy-hrsa

OTHER MARKET UPDATES

Kaiser Family Foundation: 2023 Insurance Premiums

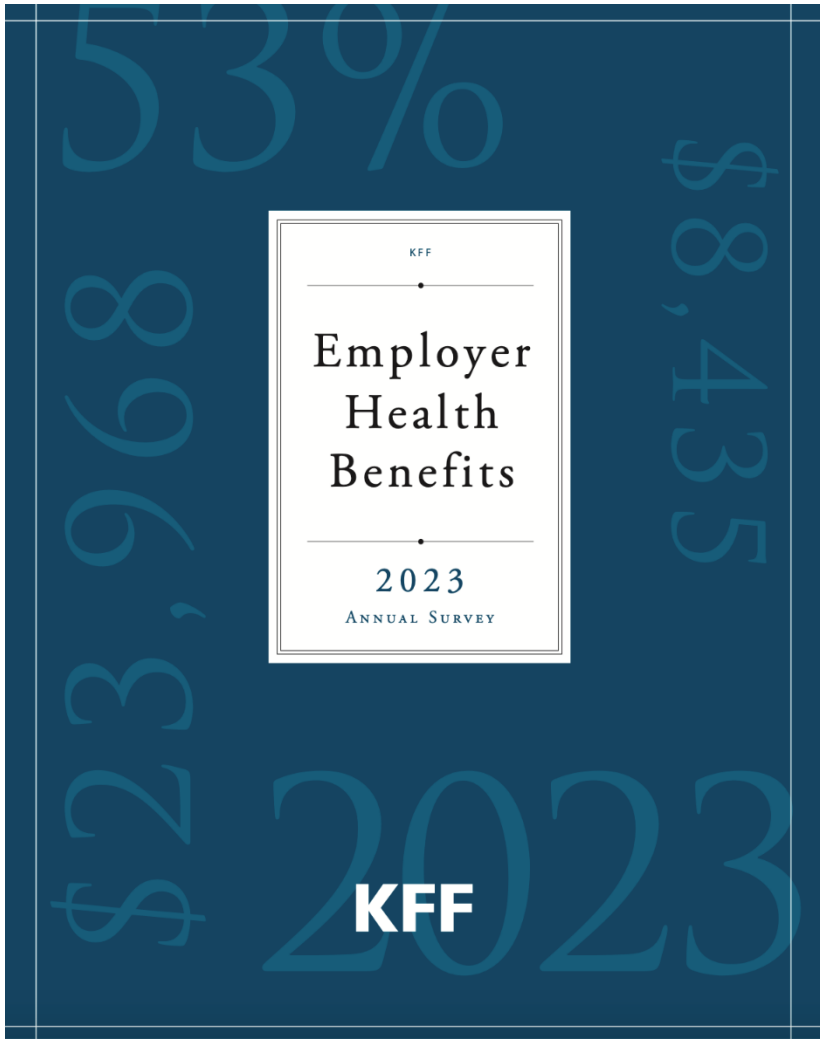
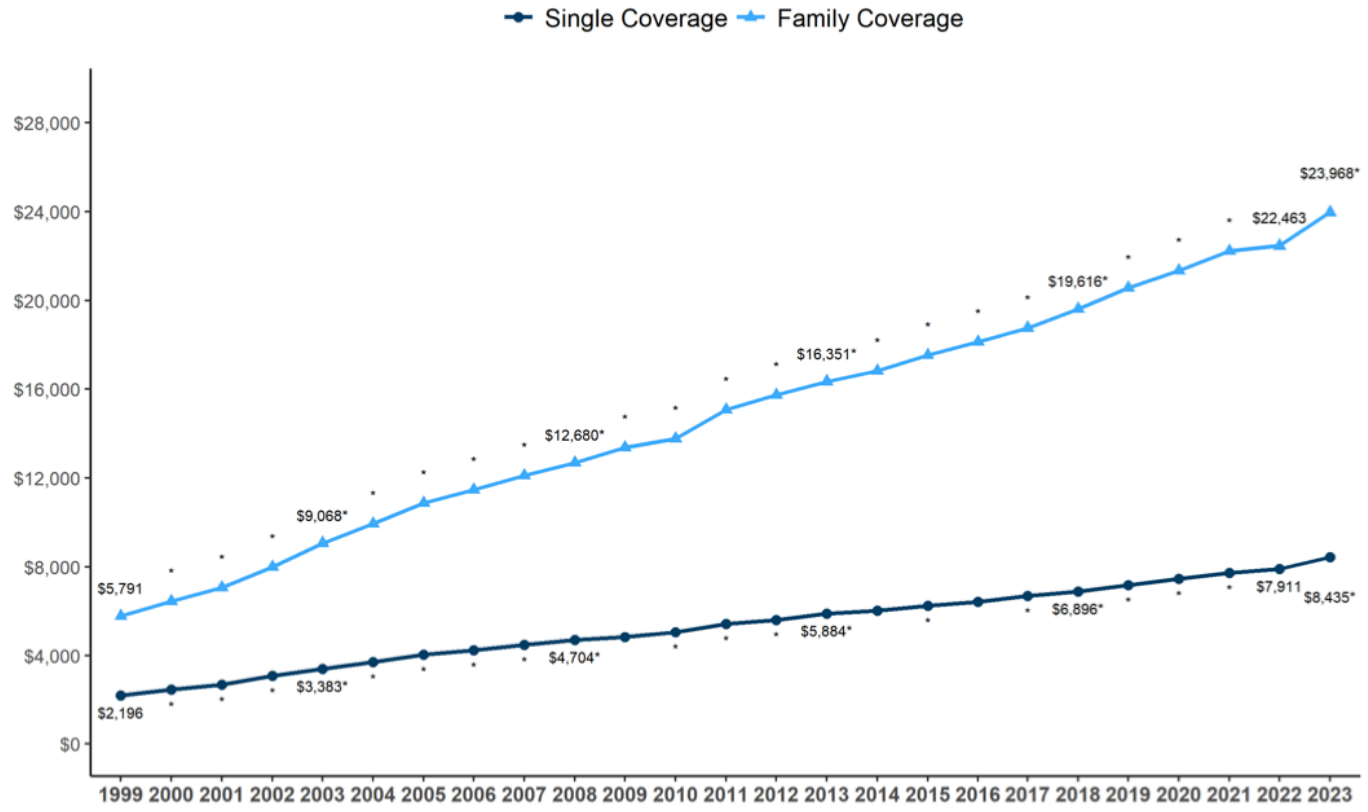


Figure 1.12
Average Annual Premiums for Single and Family Coverage, 1999-2023



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).
SOURCE: KFF Employer Health Benefits Survey, 2018-2023; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017

Kaiser Family Foundation: 2023 Insurance Premiums

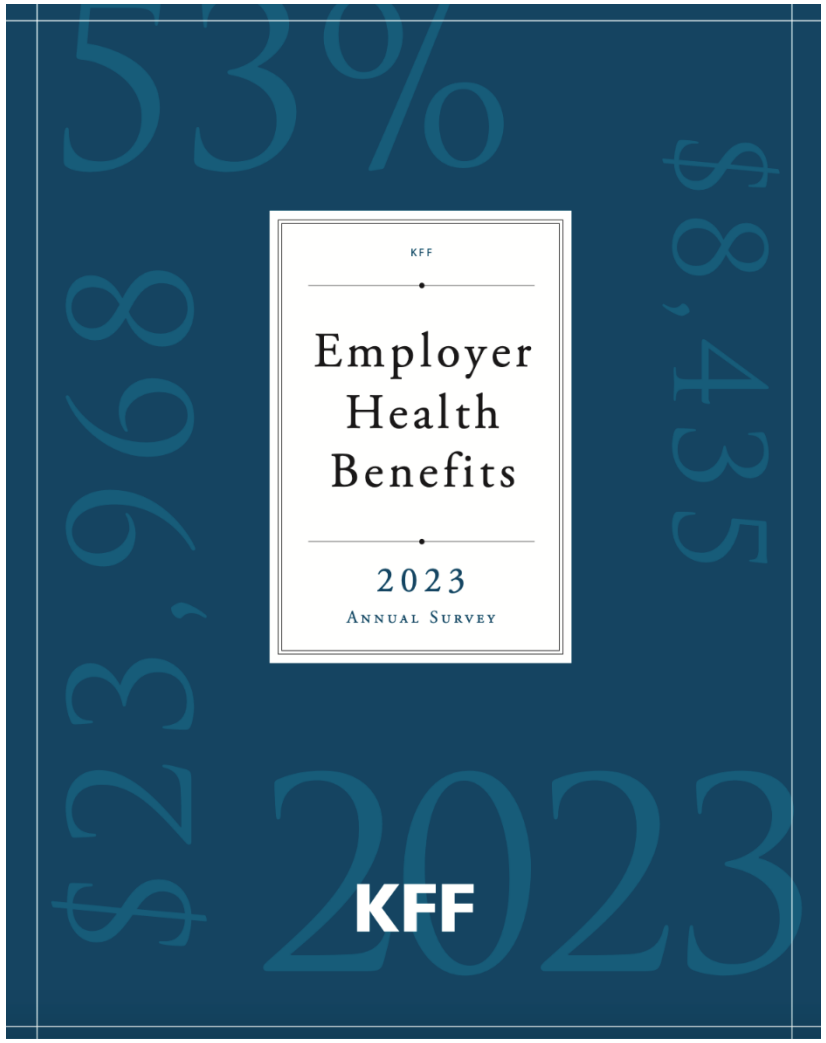
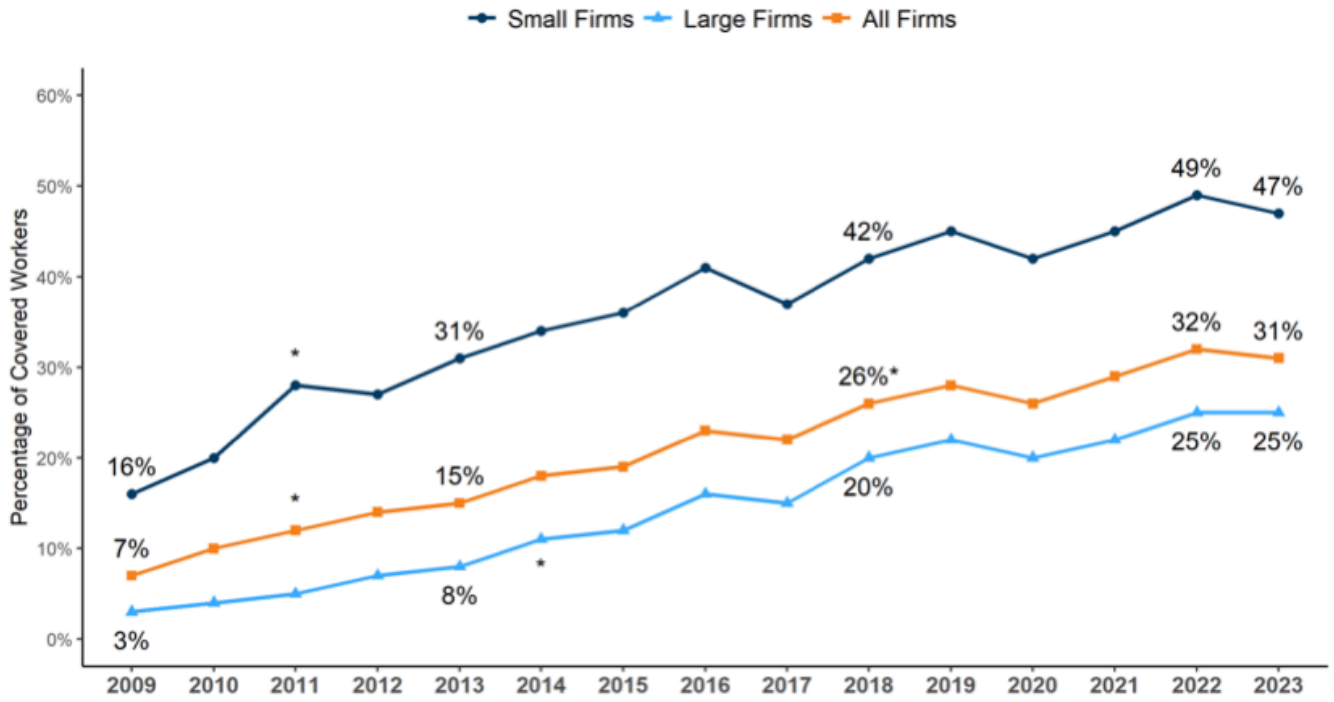


Figure F
Percentage of Covered Workers Enrolled in a Plan with a General Annual Deductible of $2,000 or More for Single Coverage, by Firm Size, 2009-2023



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).
NOTE: Small Firms have 3-199 workers and Large Firms have 200 or more workers. These estimates include workers enrolled in HDHP/SOs and other plan types. Average general annual deductibles are for in-network providers.
SOURCE: KFF Employer Health Benefits Survey, 2018-2023; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009-2017

MEDICARE ACOS 2022 performance UPDATE

In August ‘23, CMS announced that the Medicare Shared Savings Program (MSSP) saved Medicare $1.8 billion in 2022, 8.4% more than during the previous year. This was the sixth consecutive year the program has generated overall savings and high-quality performance results.

Approximately 63% of Shared Savings Program ACOs reduced costs, up from 58% in the previous year

The MSSP is CMS’s largest ACO model and has generated the most savings, with $2.52B in performance bonus payments in 2022 compared to $1.96 billion in 2021

ACOs that earned more shared savings tended to be low-revenue ACOs, which are typically ACOs made up of physicians and may include a small hospital or serve rural areas, and ACOs had a higher average performance on quality measures they are required to report to share in savings compared to other similarly sized clinician groups not in the program

“The Medicare Shared Savings Program helps millions of people with Medicare experience coordinated health care while also reducing costs for the Medicare program…CMS will continue to improve the program, and it is exciting to see that Accountable Care Organizations are continuing to be successful in delivering coordinated, high-quality, affordable, equitable, person-centered care.”

CMS Administrator Chiquita Brooks-LaSure

Source: CMS.gov Fact Sheet: Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (CMS 3442-P) 9/1/23 https://www.cms.gov/newsroom/fact-sheets/medicare-and-medicaid-programs-minimum-staffing-standards-long-term-care-facilities-and-medicaid

MEDICARE ACOS 2023 UPDATE: CMS FAST FACTS

Sources: CMS. https://www.cms.gov/medicare/payment/fee-for-service-providers/shared-savings-program-ssp-acos/data

Shared Savings Program Fast Facts – As of January 1, 2023

CMS | MEDICARE SHARED SAVINGS PROGRAM

SHARED SAVINGS PROGRAM INFORMATION

PROGRAM CHARACTERISTICS (as of January 1st of each year)

Performance Year	ACOs	Assigned Beneficiaries
2023	456	10.9 million
2022	483	11.0 million
2021	477	10.7 million
2020	517	11.2 million
2019	487	10.4 million
2018	561	10.5 million
2017	480	9.0 million
2016	433	7.7 million
2015	404	7.3 million
2014	338	4.9 million
2012 / 2013	220	3.2 million

PERFORMANCE YEAR (PY) RESULTS

Performance Year	Total Earned Shared Savings	Average Overall Quality Score
2021	$2.0 billion	91%
2020	$2.3 billion	97%
2019	$1.5 billion	92%
2018	$983 million	93%
2017	$799 million	92%
2016	$700 million	95%
2015	$645 million	91%
2014	$341 million	83%
2012 / 2013	$315 million	95%

2023 SHARED SAVINGS PROGRAM ACO INFORMATION

ACO TRACKS

	ACOs	Percent
One Sided (33% of ACOs)		
BASIC Track Levels A&B	151	33%
Two Sided (67% of ACOs)		
BASIC Track Levels C&D	19	4%
BASIC Track Level E*	125	28%
ENHANCED Track*	161	35%

*Qualifies as an Advanced Alternative Payment Model (APM)
Note: tracks 1, 2, and 1+ are no longer applicable as of PY 2022

ACOs BENEFICIARY ASSIGNMENT METHODOLOGY

	ACOs	Percent
Prospective	171	37%
Preliminary Prospective with Retrospective Reconciliation	285	63%

2023 MEDICARE BENEFICIARY DEMOGRAPHIC DISTRIBUTION

Enrollment Type	Beneficiary Person-Years	Percent
Aged Non-Dual	9,120,038	85%
Disabled	918,762	9%
Aged Dual	614,163	6%
End Stage Renal Disease (ESRD)	46,183	<1%

ACO COMPOSITION

HIGH / LOW REVENUE ACOs

	ACOs	Percent
High Revenue	204	45%
Low Revenue	252	55%

Skilled Nursing Facility (SNF) AFFILIATES & SNF 3-DAY RULE WAIVER

ACOs approved for a SNF 3-Day Rule Waiver	160
Total number of SNF affiliates	2,290

ACO PARTICIPANT LIST COMPOSITION

Participant TINs	15,539
Physicians and non-Physicians	573,126
Hospitals	1,450
Federally Qualified Health Centers (FQHCs)	4,409
Rural Health Clinics (RHCs)	2,240
Critical Access Hospitals	467

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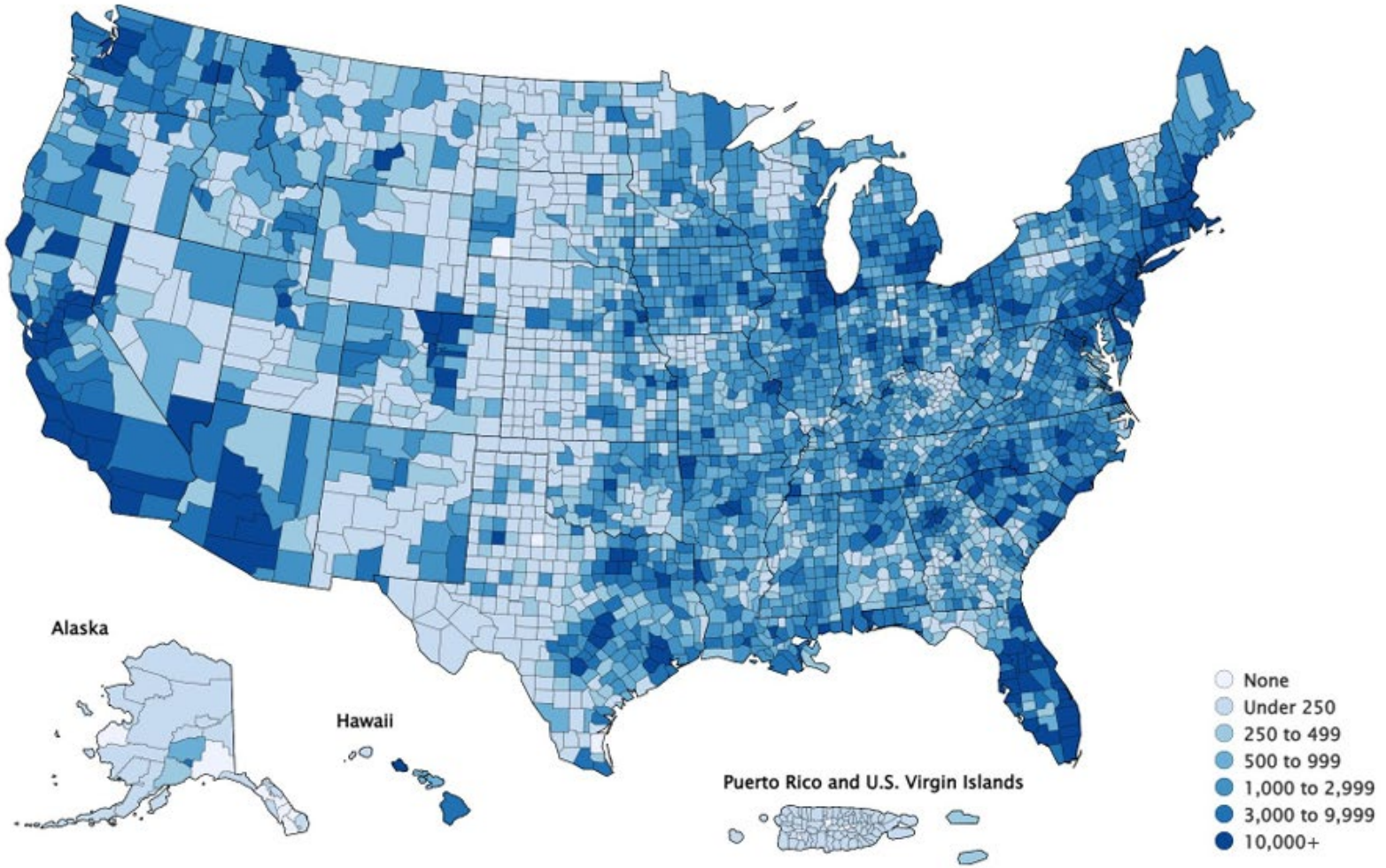
Source: CMS.gov Fact Sheet: Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (CMS 3442-P) 9/1/23 https://www.cms.gov/newsroom/fact-sheets/medicare-and-medicaid-programs-minimum-staffing-standards-long-term-care-facilities-and-medicaid

Medicare Shared Savings Program ACO Assigned Beneficiary Population by County



Source: CMS.gov Fact Sheet: Medicare and Medicaid Programs: Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting (CMS 3442-P) 9/1/23 https://www.cms.gov/newsroom/fact-sheets/medicare-and-medicaid-programs-minimum-staffing-standards-long-term-care-facilities-and-medicaid

Walmart's Healthcare Expansion

In early April '22, Walmart opened five clinics in Florida, partnering with tech platform Epic to coordinate its telehealth offerings with its in-person services.

In September '22, Walmart and UnitedHealth Group announced they will combine to provide preventive care services over 10 years to Medicare Advantage subscribers

In late October '22, Walmart announced plans to open 16 new clinics next to its superstores in Jacksonville, Orlando, and Tampa, offering behavioral health, dental health, and community health services.

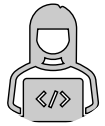
Walmart announced in early March '23 that it will open 28 new health centers in 2024, expanding its reach into MO and AZ and adding to it in TX. This will take the total number of Walmart clinics to over 75.

In September '23, Walmart was reported to be exploring the purchase of ChenMed, a chain of primary care clinics focused on value-based care for older adults valued at over $2B.

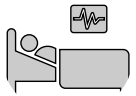
Fierce Healthcare, *Walmart Health is opening its latest clinics in Florida. Here's how they fit into its 'omnichannel' vision,* Paige Minemyer, 4/5/22 *https://www.fiercehealthcare.com/retail/walmart-health-opening-its-latest-clinics-florida-heres-how-they-fit-its-omnichannel-vision*; Modern Healthcare, *UnitedHealth inks Medicare Advantage deal with Walmart,* Lauren Berryman, 9/7/22 https://www.modernhealthcare.com/medicare/unitedhealth-walmart-medicare-advantage-deal; Modern Healthcare, *Walmart to launch 16 Florida health centers next year,* Marc Devereaux, 10/26/22 *https://www.modernhealthcare.com/finance/walmart-launch-16-florida-health-centers-2023*; HealthcareDive, *Walmart Health plans clinic expansion in 2024, pushing into 2 new states,* Rebecca Pifer, 3/2/23 https://www.healthcaredive.com/news/walmart-health-plans-double-medical-centers-in-2024; Becker's Hospital Review, *Walmart explores ChenMed purchase: 5 details,* Laura Dyrda, 9/11/23

CVS and Value-based care

After losing concierge medicine group One Medical to Amazon, CVS signaled it may move toward smaller, regional acquisitions rather than larger ones as competitors like Amazon, Walmart and Walgreens have done



CVS worked with Amwell to roll out the virtual care platform that provides virtual access to on-demand primary care, chronic condition management and mental health services to eligible Aetna and CVS Caremark members



In September 2022, CVS and Signify Health announced CVS will buy the Dallas-based home health company for $8B. ***The purchase represents a key milestone in CVS's effort to provide comprehensive healthcare offerings, as it now includes home health and value-based care in addition to its retail clinics. Purchase was finalized in May 2023 for $8B.***

In January '23 CVS began talks with Oak Street Health, a private-equity-backed company that runs primary care centers across the US for Medicare recipients. Oak Street Health, which serves a 42% dual-eligible population, provides primary care that addresses social determinants of health. ***The deal was finalized in May 2023 for $10.6B.***

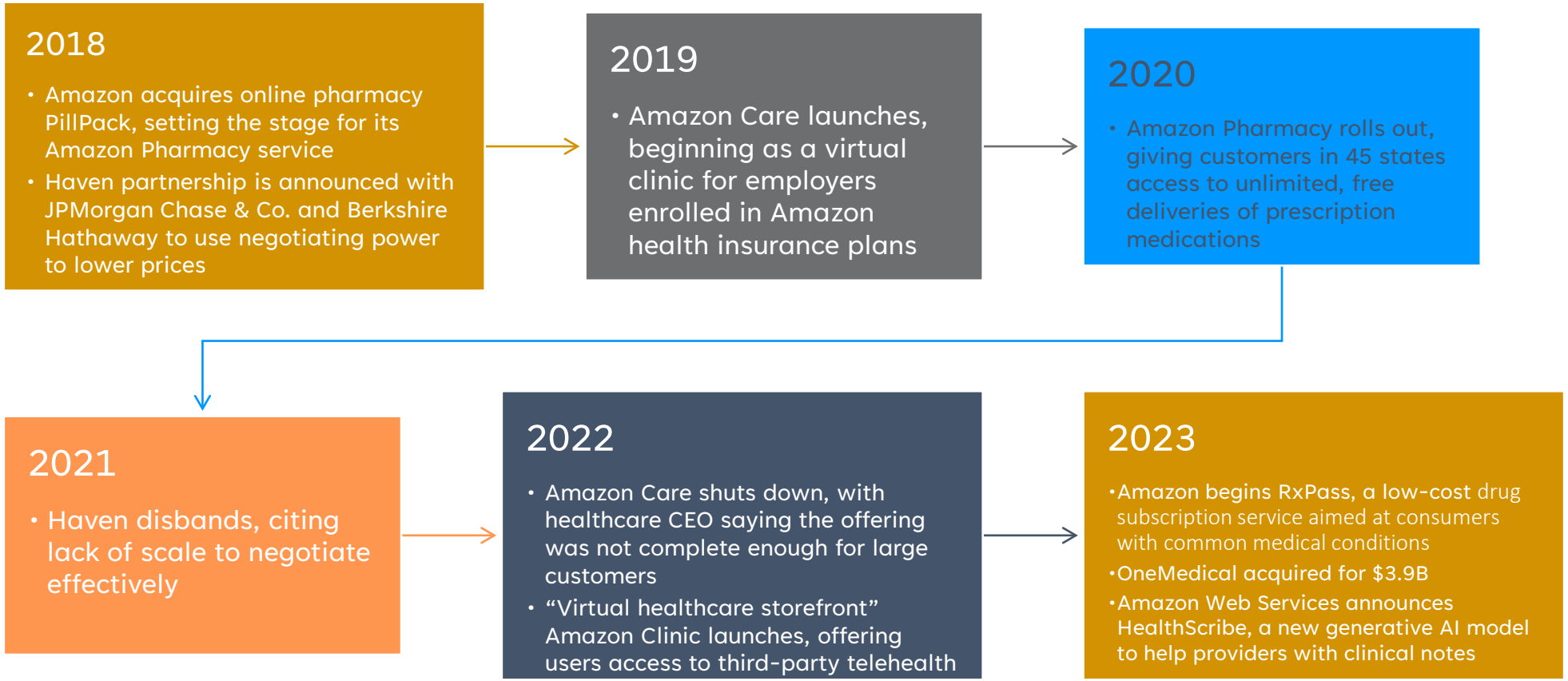
CVS's ACO division and Chicago-based Rush University System for Health are now collaborating to coordinate care at area MinuteClinics as part of the Medicare ACO REACH program. Through the partnership, Medicare MinuteClinic patients will have access to Rush providers for follow-up care and Rush patients will have access to customized care at participating MinuteClinic locations.

STROUDWATER

Modern Healthcare, *After Signify Health, CVS still looking for more deals*, Nona Tepper and Lauren Berryman, 9/6/22 https://www.modernhealthcare.com/mergers-acquisitions/after-signify-health-cvs-still-looking-more-deals; HFMA.org, *CVS Health gains capabilities in home healthcare and value-based care with massive deal to buy Signify Health*, Nick Hut, 9/27/22 https://www.hfma.org/topics/news/2022/09/cvs-health-gains-new-capabilities-in-home-healthcare--value-base.html; Becker's Hospital Review, *CVS exploring acquisition of Oak Street Health*, Naomi Diaz, 1/10/23 https://www.beckershospitalreview.com/disruptors/cvs-exploring-acquisition-of-oak-street-health.html; Modern Healthcare, *CVS Health taps Rush for ACO REACH collaboration*, 1/23/23; hfma.org, *Healthcare News of Note: CVS finalizes purchases of Signify Health, Oak Street Health, moving into home healthcare and primary care*, Deborah Filipek, 5/8/23

Amazon's trajectory of healthcare disruption

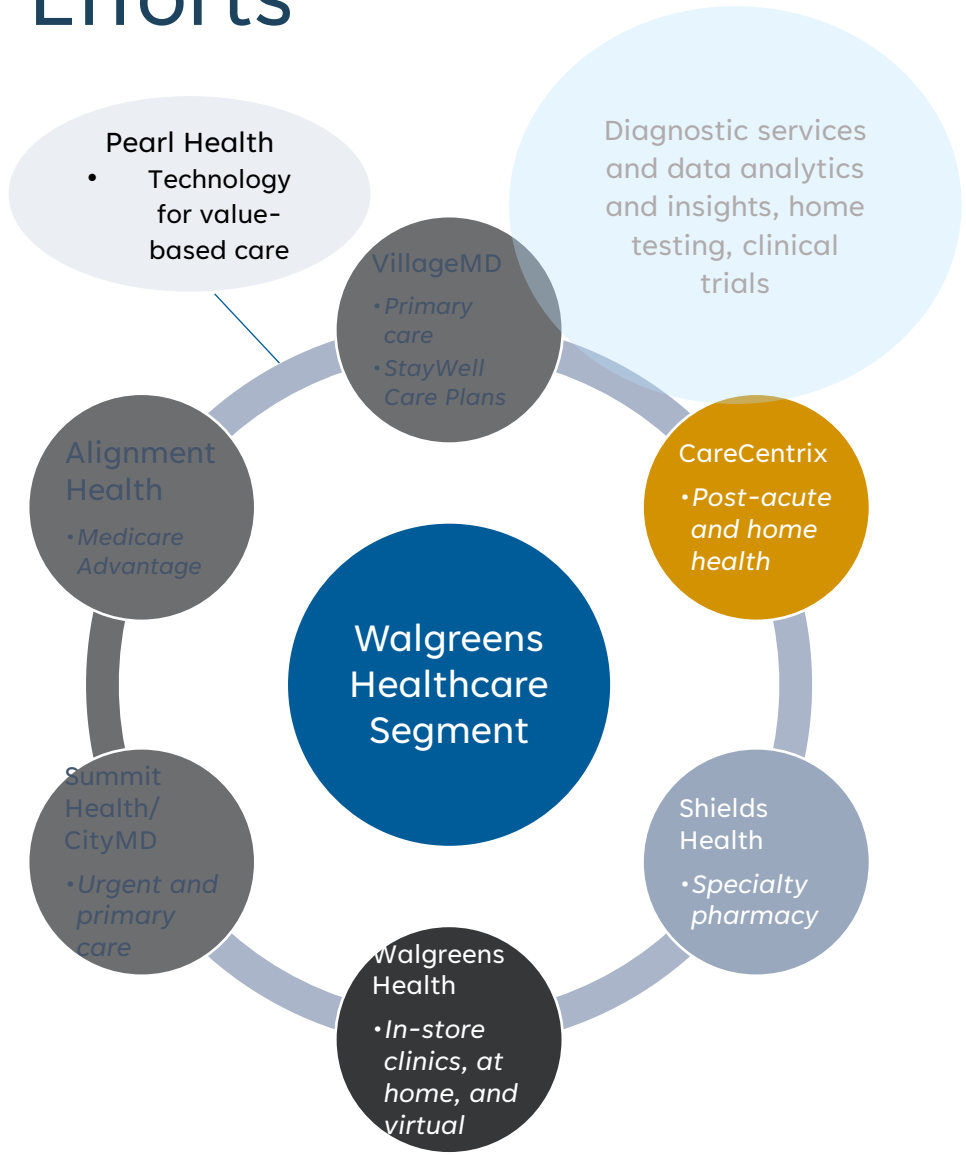
- Since 2018, Amazon has taken major steps—some successful, others less so—to position itself as a major disruptor in the healthcare industry. Most recently, it acquired primary care company One Medical for $3.9 billion, with Amazon CEO Andy Jassy citing a mandate from customers to "radically improve the healthcare experience."



Source: Modern Healthcare, *How Amazon built its healthcare strategy from Haven to One Medical*, Brock E.W. Turner and Caroline Hudson, 2/23/23 https://www.modernhealthcare.com/digital-health/amazon-healthcare-strategy-one-medical-rxpass-andy-jassy-neil-Lindsay; Fierce Healthcare, AWS rolls out generative AI service for healthcare documentation software, Heather Landi, 7/27/23 hhcare.com/ai-and-machine-learning/aws-rolls-out-generative-ai-service-healthcare-documentation-software

Walgreens Ramps Up Healthcare Efforts

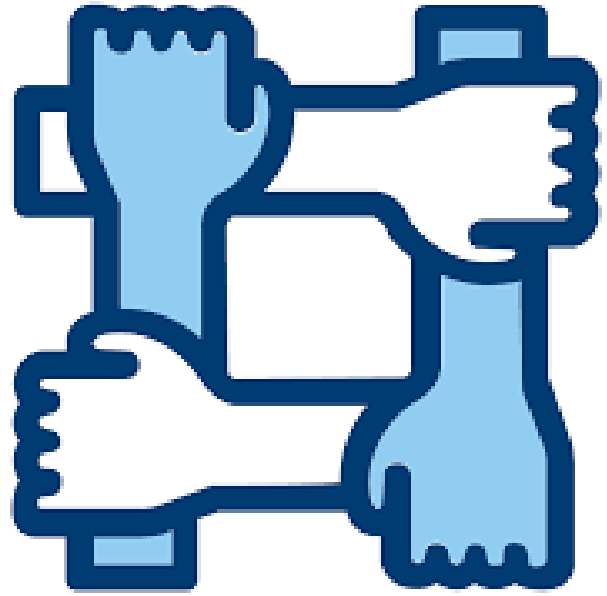
- Walgreens acquired primary care provider VillageMD, which in turn acquired urgent and primary care provider Summit Health-CityMD, creating one of the country's largest independent provider groups
- CareCentrix, another recent acquisition, is a post-acute care and home health provider that manages care for over 19 million members
- In December 2022, Walgreens bought Shields Health Solutions, a pharmacy company that works with providers on pharmacy solutions for patients with complex medical conditions.
- In fall 2023, to bring in more lives and revenue without purchasing more assets, Walgreens partnered with Pearl Health, a technology startup that provides software to provider groups to help them bear risk.
  - Walgreens and Pearl will support providers through Medicare's ACO REACH program. Walgreens leadership cited choosing Pearl because it provides complementary technology only and does not include clinical services.
- Walgreens Boots Alliance also announced a partnership with startup Alignment Health to launch co-branded Medicare Advantage plans for 2024, pending regulatory approvals, which could reach 1.6 million Medicare-eligible enrollees



Source: FierceHealthcare, *Walgreens slashes financial outlook, ramps up efforts to drive profitability in healthcare unit*, Heather Landi, 6/27/23 Walgreens Q3 profits fall to $118M, slashes earnings outlook (fiercehealthcare.com); *Modern Healthcare, Q&A with VillageMD on Stay Well Care Plans initiative*, Caroline Hudson, 8/3/23 https://www.modernhealthcare.com/patient-care/villagemd-walgreens-stay-well-care-plans-advanced-stuart-levine-bryan-becker; Healthcare Dive, *Walgreens inks deal with startup Pearl Health on value-based care for doctors*, Rebecca Pifer, 9/12/2023 https://www.healthcaredive.com/news/walgreens-pearl-health-deal-value-based-care; Modern Healthcare, *Walgreens, Alignment Health to launch Medicare Advantage plans in 2024 | Modern Healthcare*, Nona Tepper, 10/17/23

Risant Health could reshape healthcare: Geisinger CEO (8/29/2023)

- Executives at Kaiser Permanente and Geisinger Health are awaiting word from regulators on whether they can proceed with their proposed deal to create a nonprofit entity, **Risant Health**.
- Geisinger CEO Dr. Jaewon Ryu would serve as CEO of Risant Health
- The Risant Health would run a hybrid, pluralistic, multi-payer, multi-provider model
- The Risant group is looking to acquire 5-6 health systems over the next 5 years that are:
  - Nonprofit
  - Community-oriented
  - Value-based care
  - Not hospital-centric



Source: Modern Healthcare, Risant Health could reshape healthcare: Geisinger CEO, 08/29
https://www.modernhealthcare.com/mergers-acquisitions/risant-health-value-based-care-geisinger-jaewon-ryu?utm_source=modern-healthcare-am-tuesday

Humana's CenterWell Primary Care joins move into the home

- Humana’s CenterWell Senior Primary Care is now offering in-home care to older adults through a new program called **Primary Care Anywhere**
- Earlier in the year, Humana acquired house call company Heal, which now allows them to provide this service
- Currently rolled out to certain cities in Georgia and Louisiana, but could expand to 10 other southern and southwestern states
- Services will be available to patients with:
  - Humana Medicare Advantage plans
  - Other Medicare Advantage plans
  - Fee-for-service Medicare plans that have contracts with CenterWell
- Services offered will include:
  - Routine medical exams
  - Laboratory work
  - Prescription management

Source: Modern Healthcare, Humana's CenterWell Primary Care joins move into the home, 8/30/23
https://www.modernhealthcare.com/providers/humana-centerwell-primary-care-anywhere?utm_source=modern-healthcare-am-wednesday

COSTCO JOINS OTHER MAJOR RETAILERS IN HEALTHCARE SPACE

Following retailers such as BestBuy, Amazon, and Walgreens, Costco has entered the primary care space through a partnership with virtual care provider Sesame, which does not accept health insurance

The partnership will provide Costco members access to $29 virtual primary care visits, $72 virtual health check-ups and $79 virtual mental health visits

Sesame was founded with the goal of "bringing marketplace dynamics to consumer healthcare," which its founder described as having "poor customer service, unaffordable prices, and uneven results"

STROUDWATER

Source: Becker's, Costco bets big on healthcare — what it means for hospitals, Noah Schwartz, 9/25/23 Costco bets big on healthcare — what it means for hospitals (beckershospitalreview.com)

Call to Action: Primary Care Investments & Alignment with Non-Traditional Players (Recent Highlights)

Q1/2021

CVS targets 65B healthcare interactions by 2030, driven by investments in HealthHub and community health[1]

Digital health companies offering primary care brought in the second most funding in Q1 2021, driven by Ro ($500M), Dispatch Health ($200M), and Eden Health ($60M)[2]

Q2/2021

UnitedHealthcare buys OptumCare, which comprises 56,000 physicians and 1,600 clinics, and plans to grow it to a $100B business through value-based arrangements[3]

OptumCare is also launching a virtual care platform called Optum Virtual Care that supports its plan to integrate virtual care, home care, and care clinics across all 50 states

Q3-Q4/2021

Carbon Health banks another $350M from PE firm to become 'largest primary care provider in the U.S.'4

OneMedical acquires Iora Health, a leading value-based primary care group serving Medicare patients at 47 offices. "Together, we'll deliver exceptional, human-centered, technology-powered primary care to more people in more places — across every stage of life"[5]

Q1/2022

Humana plans to expand its health centers for older adults with $600M investment from PE firm[6]

PE firm invests $500M in FL-Florida based primary care physician group and managed services organization[7]

Aledade (software company helping physicians and primary care transition to value-based care) launches new health services unit via an acquisition of Iris healthcare[8]

Sources:
1. https://www.fiercehealthcare.com/payer/cvs-wants-to-facilitate-65b-healthcare-interactions-by-2030-here-s-how
2. https://rockhealth.com/insights/q1-2021-funding-report-digital-health-is-all-grown-up/
3. https://www.beckershospitalreview.com/finance/how-unitedhealth-plans-to-make-optum-a-100b-business.html?origin=CIOE
4. https://www.fiercehealthcare.com/tech/carbon-health-banks-another-350m-to-become-largest-primary-care-provider-u-s
5. https://www.onemedical.com/about-us/
6. https://www.modernhealthcare.com/insurance/humana-grows-private-equity-backed-primary-care?utm_source=modern-healthcare-am-friday
7. https://www.fiercehealthcare.com/finance/physician-partners-kinderhook-500m-investment-value-based-care?utm_source=email
8. https://www.fiercehealthcare.com/tech/jpm-2022-aledade-scoops-up-advance-care-planning-startup-iris-healthcare-to-build-out-health

CALL TO ACTION: PRIMARY CARE INVESTMENTS & ALIGNMENT WITH NON-TRADITIONAL PLAYERS (RECENT HIGHLIGHTS)

Q2-Q3/2022

Amazon and CVS compete to acquire primary care company One Medical; Amazon prevails and buys the company for $3.9 billion [1]

CVS, Amazon, UnitedHealth Group and Option Care Health vie for ownership of, health risk-assessment provider Signify Health; CVS wins with a purchase price of approximately $8B [2]

CVS reportedly enters a bidding war with Humana to buy Cano Health, a technology-enabled primary care practice [3]

Q4/2022

Walgreen's VillageMD acquires Summit Health for $8.9B becoming the largest investment in primary care in 2022 [4]

Q1/2023

CVS acquires Oak Street Health for $10.6B in an all-cash transaction at $39 per share further expanding CVS's push into primary care[5]

Walmart announces in early March '23 that it will open 28 new health centers in 2024, expanding its reach into MO and AZ and adding to it in TX. This will take the total number of Walmart clinics to over 75.[6]

Q2-Q3/2023

Walmart is reported to be exploring the purchase of ChenMed, a chain of primary care clinics focused on value-based care for older adults. If actualized, this multi-billion-dollar purchase would be Walmart's largest in the healthcare space.[7]

Walgreens partners with Pearl Health, a technology startup that provides software to provider groups to help them bear risk[8]

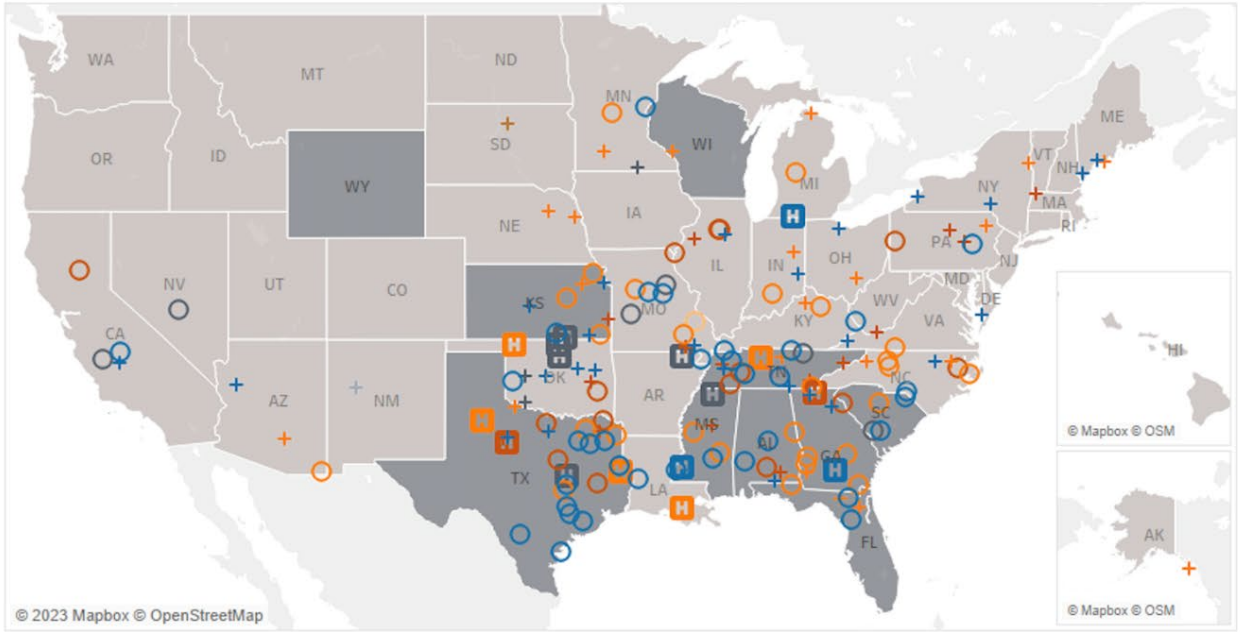
Sources:

1. https://www.fiercehealthcare.com/health-tech/amazon-shells-out-39b-primary-care-startup-one-medical
2. https://www.fiercehealthcare.com/retail/cvs-wins-bidding-war-signify-health-will-acquire-company-8b-deal
3. https://www.modernhealthcare.com/mergers-acquisitions/cvs-humana-aim-rival-unitedhealth-bidding-wars
4. https://www.fiercehealthcare.com/providers/walgreens-villagemd-inks-9b-deal-buy-summit-health-expand-healthcare-footprint
5. https://www.cvshealth.com/news/company-news/cvs-health-to-acquire-oak-street-health.html

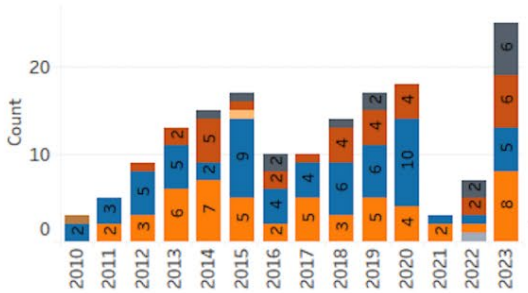
Rural Hospital Closures (10/24/2023)

166 Closed or Converted Rural Hospitals

There have been 166 Rural Hospital closures or conversions since 2010 and 209 since 2005, these numbers include **Sixteen (16) REH Conversions in 2023.**



Year	Hospital Name
2023	REH- Blue Ridge Medical Center-GA
	REH- Stillwater Medical-Blackwell-OK
	REH- Stillwater Medical - Perry-OK
	REH- Harper County Community Hospital-OK
	REH- South Central Kansas Medical Center-..
	REH- St. Bernards Five Rivers Medical Cent..
	Herington Hospital-KS
	Spectrum Health Kelsey Hospital-MI
	Indiana University Health Blackford Hospit..
	REH- Tristar Ashland City Medical Center-TN
	REH- Jefferson County Hospital-MS



ST	Count
TX	26
TN	15
OK	11
GA	10
KS	10
MO	10
NC	8
MS	7
AL	6
FL	5
PA	5
CA	4
IL	4
MN	4
SC	4
AZ	3
IN	3
KY	3
ME	3
MI	3
NY	3
LA	2
NE	2
OH	2
VA	2
WV	2
AK	1
AR	1
IA	1
MA	1
MD	1
NM	1
NV	1
SD	1
WI	1

Year	Prospective Payment System	Critical Access Hospital	Medicare Dependent Hospital	Sole Community Hospital	IHS	Re-based Sole Community Hospital	Rural Referral Center	Total
2010	2					1		3
2011	3	2						5
2012	5	3	1					9
2013	5	6	2					13
2014	2	7	5	1				15
2015	9	5	1	1			1	17
2016	4	2	2	2				10
2017	4	5	1					10
2018	6	3	4	1				14
2019	6	5	4	2				17
2020	10	4	4					18
2021	1	2						3
2022	1	1	2	2	1			7
2023	5	8	6	6				25
Total	63	53	32	15	1	1	1	166

Medicare Payment Type
- Prospective Payment System
- Critical Access Hospital
- Medicare Dependent Hospital
- Sole Community Hospital
- Re-based Sole Community Hospital
- Rural Referral Center
- IHS

Current Status
- REH
- Complete Closure
- Convert to Other

Current Status of Medicaid Expansion Decision
- Adopted the Medicaid Expansion
- Not Adopting the Medicaid Expansion at this Time

Updated:10/24/2023

Sources: The North Carolina Rural Health Research Program (NC RHRP) at the Cecil G. Sheps Center for Health Services Research & kff.org

Design: @GreggLathrop

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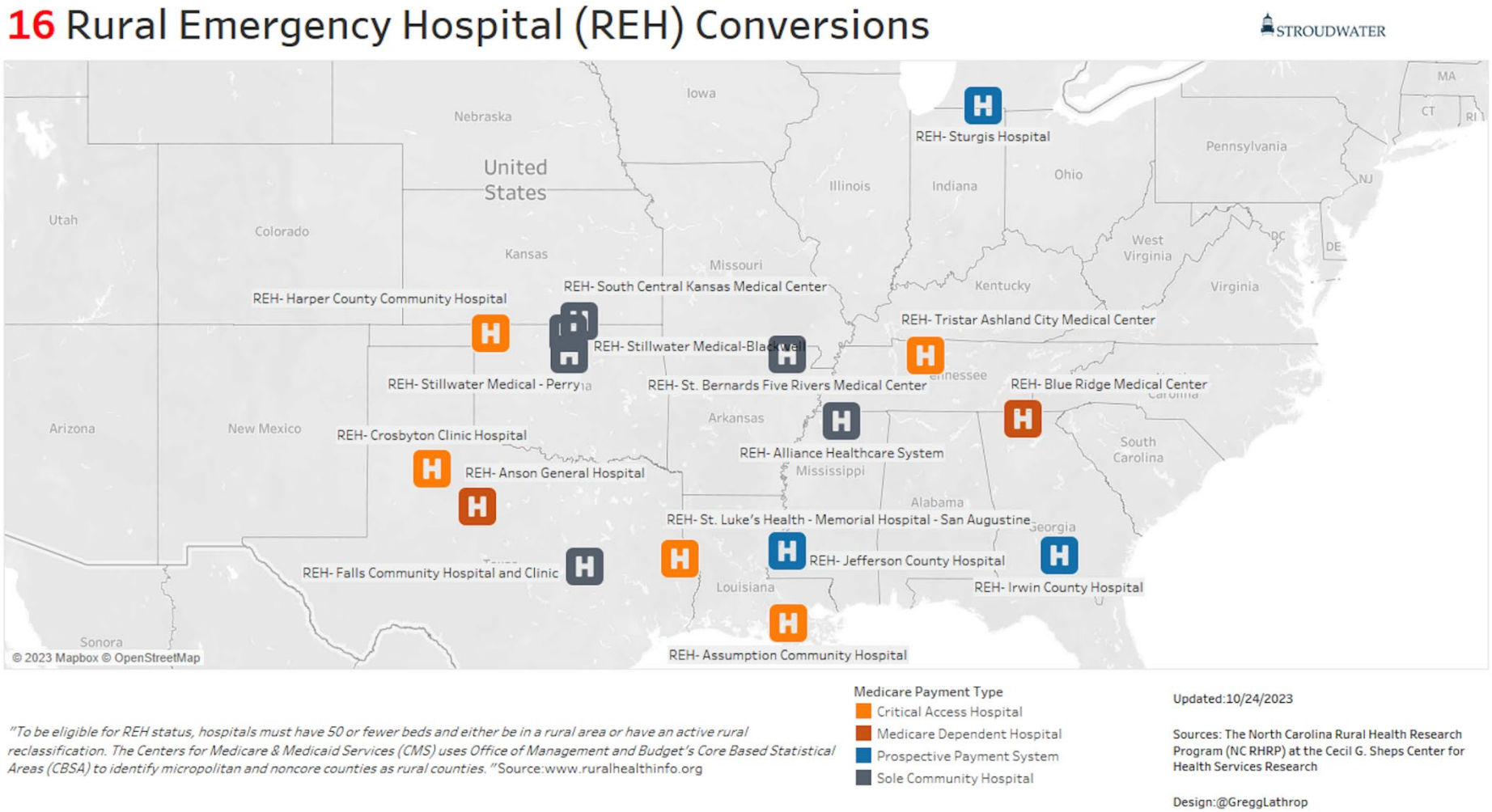
Rural Emergency Hospital Conversions (10/24/2023)



RURAL HEALTH SYSTEM PRIORITIES

Rural Health System Imperatives

"Shaky Bridge" crossing will require planned, proactive approach

- Market forces at play will require new strategies
- Strategic thinking is essential - Doing next year "a little better" will no longer suffice
- A foundational premise of all health system strategic plans is a transitioning payment system
  - Changes the future functional imperatives 180 degrees

Important elements that must be addressed include:

- Operating efficiencies, quality, patient engagement
- Medical staff alignment
- Service area rationalization
- Population health management
- Transitioning payment systems

Immediate priorities

- Meet with commercial insurers to discuss increasing costs and imperative for higher reimbursement
- Leverage goodwill to recapture lost market share
- New consumer-oriented strategies (i.e., open access in clinics, telehealth)
- Aggressive and proactive approaches to maintain/enhance staffing

QUESTIONS?