STRATEGY

Creating a Winning Post-acute Care Continuum for the Future

Memorial Hermann Health System demonstrates that creating the most effective post-acute continuum requires a thoughtful process that is no different than creating an integrated service line for any clinical service.

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The Affordable Care Act, accountable care organizations (ACOs), bundled payments, population health management, and all of the other major healthcare initiatives currently underway are clearly changing the way organizations provide service. While many health systems are evaluating their IT systems, clinical service lines, and physician alignment strategies, one critical component that is often over-looked is the post-acute care continuum. Unfortunately, this may be a costly mistake. Although post-acute care is not as high profile as many other service offerings, the fact remains that effective post-acute programs will be needed more than ever to manage the highest acuity patients in any of the emerging shared-risk financial models.

What Is Post-acute Care?

By definition, post-acute programs are those that patients may need to access following their discharge from acute care. These are usually patients that no longer meet continuing stay criteria for acute care, but who are either not stable enough to return home or have ongoing clinical needs that are too great to be managed on an outpatient basis. Historically, Medicare has defined post-acute care as skilled nursing care (SNF), inpatient acute rehabilitation, long-term acute care (LTCH), and home health care. (Medicare does not include hospice in its traditional definition of post-acute care; however, many in the industry do include hospice in this definition because of the close link between home health and hospice.)

Although post-acute programs admit many patient types, because older populations tend to recover more slowly and have more chronic conditions than younger populations, the most frequent users of all post-acute programs include Medicare and Medicare Advantage patients. In fact, Medicare and Medicare Advantage patient populations generally represent 60 to 65 percent of all post-acute admissions. The second largest group tends to be the high acuity (and high risk) catastrophic patients and/or patients with multiple systems failures. These patient populations generally incur long acute care lengths of stay and have multiple clinical or functional needs upon discharge that prevent them from achieving their desired level of independence.

Market Size

Many health systems consider post-acute care programs to be "one off," since they are typically small compared to the marquee service lines of cardiology, orthopedics, or oncology. In fact, far more patients need to access post-acute programs than most health system executives realize. Figure 1 shows that about 40 percent of all Medicare acute care discharges will need to access some level of post-acute care upon discharge. Additionally, best practice referral patterns among those providers that have most effectively integrated their acute care and post-acute care continuums suggest that up to *50 percent of all Medicare acute care discharges* will require post-acute care! This, of course, is in addition to patients from all other payer sources that may also require post-acute care.

While the data in Figure 1 estimate the demand for post-acute care under current fee-for-service (FFS) models, recent analyses of several local markets with high penetrations of Medicare Advantage programs suggest that, as providers assume more financial risk for patients, the utilization of post-acute programs will remain at approximately the same levels as the current national data. In these markets, while the use of higher cost services, such as long-term care and acute rehabilitation are less than current FFS use rates in Figure 1, the utilization of lower cost services (home care in particular) are substantively higher. The total use of post-acute care in these markets is between 40 to 50 percent of all Medicare Advantage discharges, indicating that the demand for these programs will remain high, even as reimbursement models shift and providers assume greater risk.

The Burning Platform for Post-acute Care

Many health systems are beginning to evaluate their post-acute continuum today for several reasons. First, as previously discussed, the demand for post-acute care is high, and it is expected to remain high as the healthcare landscape evolves. Second, with an episode of care that extends 30–90 or more days beyond the acute care stay, health systems are able to measurably improve patient clinical and functional outcomes over a longer period of time with post-acute services. Finally, there is recognition that as health systems assume more financial risk for clinical performance over a longer period of time, owning or having some control over these programs will be critical to the success of the organization. Figure 2 provides a summary of the most recent Medicare operating margins for each level of care.

Pulling It Together

Creating the most effective post-acute continuum requires a thoughtful process that is no different than creating an integrated service line for any clinical service. It requires the input and support of the medical staff, the executive leadership, case management, financial services, and multiple clinical and ancillary services. The key steps in this process should include the following.

- ***Market assessment.*** Since most post-acute patients originate from the acute care setting, it is important to know how many patients from the target health system require post-acute care today and what the demand is by diagnosis. Additionally, providers must understand how this demand will shift under shared-risk

Figure 1: Medicare National Post-acute Utilization Rates

Discharge Disposition	All Medicare[1]	Best Practices[2] Low	Best Practices[2] High
Inpatient Rehab	3.2%	4.0%	6.0%
SNF	17.3%	12.0%	15.0%
HHA	16.0%	22.0%	24.0%
LTCH	1.0%	1.5%	2.0%
Hospice	2.1%	2.5%	3.0%
Total	**39.6%**	**42.0%**	**50.0%**

[1]MedPAC June 2008 Annual Date Book.
[2]Walter Consulting.

Figure 2: Estimated FY 2012 Medicare Post-acute Operating Margins[1]

Level of Care	Payment Basis	Est. Margin
Inpatient Rehab	• CMG • Per Discharge	8.0%
SNF	• RUG Payment • Per Diem	14.6%[2]
HHA	• HHRG • 60-day Episode	13.7%
LTCH	• LTCH-DRG • Per Discharge	4.8%
Hospice	• Per Diem	5.1%

[1]MedPAC March 2013 Report to Congress.
[2]Freestanding SNFs only; does not include HB-SNFs.

financial models, including population health management models.

- ***Quality evaluation.*** A comprehensive assessment should consider the ability to improve the quality of patient care by implementing a plan of care that includes a potential referral to post-acute services. The impact on quality should then be measured through lower readmission rates, improved clinical and functional status, higher discharge rates to the community, and other similar benchmarks.
- ***Financial analysis.*** The financial analysis should assess both short-term and long-term financial impacts to the system. Providers should understand the economic benefit of establishing or growing certain programs today, including the impact of reduced acute care length-of-stay. Providers should also assess the opportunity cost of not having these programs in the future, including increased utilization of acute care services if post-acute care is not available.
- ***Build or buy.*** While the bias for many systems is to own their post-acute programs, for many systems, the best solution may be to partner with existing community providers. The correct approach will depend upon the critical mass of patients needing these services, the anticipated financial return, the capital cost required, potential Certificate-of-Need (CON) limitations, and other important factors.
- ***Organizational structure.*** Too many organizations have failed in their implementation due to less than effective organizational structures. Although all parties may want the same outcome, without accountabilities for medical staff, post-acute program managers, acute care case managers, and other staff, the risk of failure becomes far too great.

Creating the Foundation for Success

Memorial Hermann Health System (MHHS) is a large 12-hospital system in Houston, Texas, that discharges approximately 125,000 patients annually. In addition to its acute care services, MHHS includes two acute rehabilitation hospitals, four hospital-based rehabilitation units, skilled care, and home health and hospice services.

In 2011, the leadership of MHHS decided to complete a post-acute strategic plan, to ensure that the organization was best positioned for the new healthcare landscape for all of its programs and services. The key goals of the process were to:

- Ensure through-put efficiencies for both acute care and post-acute care
- Ensure patient placement in the most appropriate level of post-acute care
- Capture all potential referrals available under current systems
- Minimize outmigration
- Understand network adequacy for these programs

The planning team included representatives from senior leadership, planning, finance, case management, medical staff, and each of the post-acute programs. During the planning process, the team recognized that while today, under FFS reimbursement, the health system assumed little financial risk if patients did not stay within the system, or went to a post-acute program that might be more intense than actually needed, these practice patterns would need to change as MHHS assumed greater financial risk under ACOs and other risk-sharing models.

As a result of this planning effort, MHHS changed its organization structure to ensure appropriate accountabilities for program development, referral management, clinical outcomes, and financial performance. Metrics have been established to monitor actual performance compared to the plan, with reviews conducted on a quarterly basis. While the health system envisions even tighter integration in the future, the foundation has been put in place to strengthen the post-acute continuum as the environment continues to change.

Like MHHS, many health systems are seeing a need to re-think their post-acute service offerings. While many systems will find significant opportunities in today's environment, the real opportunity is putting into place a post-acute continuum that can best serve the health system and its affiliates under any and all of the shared-risk financial models that will dominate the future healthcare landscape.

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