How Hospitals Can Mitigate Risk Through CMS' Pathways to Success and a Collaborative ACO

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Disclosure of Relevant Financial Relationships

The following faculty of this continuing education activity has financial relationships with commercial interests to disclose:

- **Tim Gronniger, CEO & President Caravan Health**
  - Salary: Caravan Health
  - Ownership Interest (stocks, stock options or other ownership interest excluding diversified mutual funds): Caravan Health
Learning Objectives

• Review the newest, most robust research on healthcare worker burnout/engagement and its association with care quality;

• Describe key elements of the final rule for the 2019 Medicare Shared Savings Program and Requirements for the Pathways to Success program;

• Understand the benefits for hospitals participating in the Pathways to Success Program and risks involved in failing to move toward alternative payment models and review successful case studies; and

• Identify opportunities for hospitals to participate in the Pathways to Success program.
Agenda

• Introduction
• Transition from Fee-for-Service to Value-Based Care
• Driving Success in the Shared Savings Program
• Steps to Take Now
About Caravan Health

Helping Providers Navigate the Challenges of Value-Based Payments

Practice Transformation | Data and Analytics | Network Development | Performance Improvement

170 employees | 45 Collaborative Accountable Care Organizations ranging from | CMS Contractor | >26,000 clinicians
>250 health systems | 5,000 to 225,000 attributed lives | >26,000 attributed Medicare lives
600,000 attributed Medicare lives

Map of the United States showing various states with dots indicating service areas.
Caravan Creates Results

99% Average MIPS Scores 2018

$46.2 M Total Shared Savings 2015-2018

$173 Per Capita Savings Per Year

$250M Savings Driven to Medicare in the ACO Investment Model
# ACO Investment Model

## AIM Test 1 ACOs Reduced Spending and Utilization Compared to Medicare FFS Beneficiaries

### Findings

**Percent net savings to Medicare**

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY 1</td>
<td>2.3%</td>
</tr>
<tr>
<td>PY 2</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

**Spending**

**Skilled nursing facility**

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>PY 1</td>
<td>-7.2%</td>
</tr>
<tr>
<td>PY 2</td>
<td>-6.6%</td>
</tr>
</tbody>
</table>
The Transition from Fee-for-Service to Value-Based Care
CMS & HHS Demands Providers Take Risk

THE WALL STREET JOURNAL
Trump Administration Launches Program to Rein In Medicare Costs

CMS LAUNCHES VALUE-BASED PRIMARY CARE INITIATIVE WITH DOWNSIDE RISK

HHS Launching Direct Contracting Payment Models for Primary Care

HHS Announces 5 New Primary Care Payment Models to Encourage Value-Based Care

Physician proposals inspire new HHS pay models for primary care
Why Take Risk?

**ACO participants taking risk will get 5% lump sum payments**
that are not counted in shared savings and are exempt from MIPS reporting – making your clinicians happier and more attractive to others in value-based payments.

**CMS is steadily increasing incentives for risk-takers**
- Higher rewards for MSSP performance
- Reduce risk corridor to 0.5% or lower
- Direct admission to SNFs
- Telehealth to patient homes as a billable visit
- Exempt from MIPS and Meaningful Use
- 0.5% higher annual increases in Part B starting in 2026 that will accumulate over time to the clinicians.

It will be difficult to recruit physicians if you do not take a risk.

**Beginning in 2026, every year a clinician does not take risk his lifetime earning potential decreases by 0.5%**
MIPS Scores & Medicare Payment – Sleeping Giant

2020
MAX MIPS ADJUSTMENT 1.68%

$1,680
PER PROVIDER

2022
MAX MIPS ADJUSTMENT 6.3%

$6,300
PER PROVIDER

Actual 2017 MIPS Scores

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>With 2022 Cost Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-APM Participants</td>
<td>66</td>
<td>51</td>
</tr>
<tr>
<td>Caravan Health APM Participants</td>
<td>99</td>
<td>99</td>
</tr>
</tbody>
</table>

Source: cms.gov/blog/quality-payment-program-qpp-year-1-performance-results
Pathways to Success

Uncertainty finally lifted for Medicare Shared Savings Program

Agreement period extended from three to five years and shared savings rate increased significantly to 40% for BASIC levels A - B

CMS follows through on commitment to push risk
  • Elimination of Tracks 1, 1+, 2, and 3 and replaced with BASIC and ENHANCED options
  • BASIC option begins with one-sided risk but requires participants to take on increasing levels of risk over the agreement period
  • Lower revenue (physician, rural, and smaller hospital-affiliated) given extra time in non-risk
  • Continued expansion of non-financial benefits of risk participation

Several significant but small changes to benchmark calculations finalized

Risk score growth up to 3% over the agreement period will be recognized in updated benchmarks
# BASIC & ENHANCED ACO Options

<table>
<thead>
<tr>
<th>Risk</th>
<th>BASIC</th>
<th>ENHANCED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level A</td>
<td>Level B</td>
</tr>
<tr>
<td>Risk</td>
<td>Upside only</td>
<td>Two-sided</td>
</tr>
<tr>
<td>Shared Savings</td>
<td>1st dollar savings, rate of 40%</td>
<td>1st dollar savings, rate of 50%</td>
</tr>
<tr>
<td>Shared Losses</td>
<td>NA</td>
<td>1st dollar losses, rate of 30%, not to exceed 2% of revenue or 1% benchmark</td>
</tr>
<tr>
<td>QPP Status</td>
<td>MIPS APM</td>
<td>Advanced APM</td>
</tr>
</tbody>
</table>
How Can ACOs Reduce Risk?

**Reinsurance**
- Difficult to find for ACOs
- Average premium is 15% of expected loss with 2% deductible
- For a 10,000 life ACO in the Basic level E pathway, annual premiums would be $600,000 per year with a $2 million deductible
- For a 10,000 life ACO in the Enhanced pathway, annual premiums would be $2,250,000 per year with a $2 million deductible

**Scale**
- Follow the insurance playbook and pool your lives to protect against risk

**Shared Risk Arrangements**
- Tertiary partner
- Convener
Driving Success in the Shared Savings Program
Lack of Scale Threatens Value-Based Care Arrangements

Small ACOs experience savings and losses plus or minus 10-30% simply due to statistical variation in health care spend and in HCC coding in performance and benchmark years.

Savings & Losses by Size of ACO
Louisiana ACOs, 2018

Savings or Losses v Benchmark by ACO Size, 2018
The ACO Business Model

**What it is:**
- Reliable income from population health revenue
- Clinical integration and MIPS/APM bonuses
- Shared savings is icing on the cake
- Focused on repeatable, brass tracks business needs

**What it’s not:**
- A loss center
- Spend now for an uncertain pay-off later
- A threat to hospital sustainability
Your ACO – CIN Strategy

ACOs create a platform for you to support your network, keeping them aligned with you

- Technology + Staffing Investments
- Templated workflows + training
- Shared Plan for Clinical Integration
  + In-network Care Management

Practice efficiency: better care, paid for by new revenue

Patients stay in network for care

ACOs unlock data and Stark protections that are not available elsewhere
Caravan Health will cover all losses after the first 1% per patient. Clients must participate in a collaborative ACO and follow the Caravan Health methodology to qualify.

Caravan Health charges no additional fees but receives an additional 10% of shared savings.

Principal Participants must provide 1% of spend per patient, to be held in escrow or through a letter of credit.

If losses are incurred, this amount is used to cover up to the first 1% of loss. Otherwise, funds are returned at the end of the performance period.

Caravan’s historic ACO performance predicts that neither party is likely to write a check to Medicare yet get all of the MIPS advantages and earn shared savings.
Certainty in Results Increases With Scale

Confidence interval around savings rates in the MSSP program 2014 - 2015 vs ACO attributed lives

Max MSR/MLR = 3.9%
Common MSR/MLR = 2%
Min MSR/MLR = 0%

CMS RISK CORRIDOR
## Expected Variation of Calculated Savings By ACO Size

<table>
<thead>
<tr>
<th>Number of Attributed</th>
<th>Savings/Losses Standard</th>
<th>90% Confidence</th>
<th>95% Confidence</th>
<th>99% Confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,000</td>
<td>3.46%</td>
<td>+/-5.70%</td>
<td>+/-6.79%</td>
<td>+/-8.92%</td>
</tr>
<tr>
<td>10,000</td>
<td>2.42%</td>
<td>+/-3.98%</td>
<td>+/-4.75%</td>
<td>+/-6.24%</td>
</tr>
<tr>
<td>20,000</td>
<td>1.71%</td>
<td>+/-2.81%</td>
<td>+/-3.34%</td>
<td>+/-4.40%</td>
</tr>
<tr>
<td>30,000</td>
<td>1.37%</td>
<td>+/-2.25%</td>
<td>+/-2.68%</td>
<td>+/-3.53%</td>
</tr>
<tr>
<td>40,000</td>
<td>1.23%</td>
<td>+/-2.02%</td>
<td>+/-2.41%</td>
<td>+/-3.16%</td>
</tr>
<tr>
<td>50,000</td>
<td>1.06%</td>
<td>+/-1.74%</td>
<td>+/-2.07%</td>
<td>+/-2.73%</td>
</tr>
<tr>
<td>60,000</td>
<td>0.95%</td>
<td>+/-1.57%</td>
<td>+/-1.87%</td>
<td>+/-2.46%</td>
</tr>
<tr>
<td>70,000</td>
<td>0.90%</td>
<td>+/-1.48%</td>
<td>+/-1.76%</td>
<td>+/-2.31%</td>
</tr>
<tr>
<td>80,000</td>
<td>0.83%</td>
<td>+/-1.36%</td>
<td>+/-1.62%</td>
<td>+/-2.13%</td>
</tr>
<tr>
<td>90,000</td>
<td>0.78%</td>
<td>+/-1.28%</td>
<td>+/-1.53%</td>
<td>+/-2.01%</td>
</tr>
<tr>
<td>100,000</td>
<td>0.74%</td>
<td>+/-1.22%</td>
<td>+/-1.45%</td>
<td>+/-1.91%</td>
</tr>
<tr>
<td>150,000</td>
<td>0.59%</td>
<td>+/-0.98%</td>
<td>+/-1.16%</td>
<td>+/-1.53%</td>
</tr>
<tr>
<td>200,000</td>
<td>0.50%</td>
<td>+/-0.82%</td>
<td>+/-0.98%</td>
<td>+/-1.29%</td>
</tr>
<tr>
<td>250,000</td>
<td>0.44%</td>
<td>+/-0.72%</td>
<td>+/-0.86%</td>
<td>+/-1.13%</td>
</tr>
</tbody>
</table>

*Higher Attribution = Less Variability*
Case Study: Mississippi Statewide ACO

Collaborative ACO building trust between disparate systems caring for the same patients.

Best practices, 11 months in:

• Each participant has a clear understanding of expectations and what it would take to make this ACO successful.

• All hospitals and their leaders are heavily engaged in the collaborative and stay accountable to their goals.

• Connecting with peers has mitigated the isolation many hospitals and providers felt previously.
What you Need to Succeed in Valued-Based Care

A new approach for your primary care clinics

*New resources, workflows, and data*

A way to change how you operate – in the clinic and across your organization

*Governance and change management*

A data, analytics, and workflow-enablement platform

*For insights, accountability, and efficiency*
Practice Transformation

Strategy + Business Insight

Customer Success

Practice Transformation

Physician Leadership, Data, Analytics, Clinical Knowledge, Best Practice

Clinical Insight, Coaching, Accountability

System

Clinics
Team Based Care Is Important in an ACO

STAFF TRAINING AND SUPPORT
- Hospitalist
- Physician
- Population Health Nurse

QUALITY REPORTING
- Pharmacist
- Diabetic Educator
- Social Worker

DATA ANALYTICS
- Behavioral Health Support
- Medical Assistant

WORKFLOWS

PATIENT
New Key Role: Population Health Nurse

- Registered Nurse hired for population health
- Provide/bill services under supervision of billing clinician
  - Annual Wellness Visit for all patients
  - Chronic Care Management (CCM)
  - Transitions of care
- Build trusting relationships with complex patients
- Provide health coaching and behavioral health care coordination
- Assist with HCC documentation and quality reporting
Population Health Nurses Generate Income

<table>
<thead>
<tr>
<th>Service</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellness Visits</td>
<td>$118/year</td>
</tr>
<tr>
<td>Chronic Care Management</td>
<td>$45-$90/month</td>
</tr>
<tr>
<td>Advance Care Planning</td>
<td>$86/year</td>
</tr>
<tr>
<td>Behavioral Health Integration</td>
<td>$126/month</td>
</tr>
<tr>
<td>Cognitive Assessment &amp; Planning</td>
<td>$238/year</td>
</tr>
</tbody>
</table>
Population Health Nurses & Annual Wellness Visits: Increased Prevention & Quality

Among 8917 Medicare beneficiaries, an AWV was associated with significantly reduced spending on hospital acute care and outpatient services. Patients who received an AWV in the index month experienced a 5.7% reduction in adjusted total healthcare costs over the ensuing 11 months. The greatest effect was seen for patients in the highest hierarchical condition category risk quartile. For those who received an AWV, this association was driven by reduced hospital spending. Beneficiaries who had an AWV were also more likely to receive recommended preventive clinical services.

Source: Caravan Health Client
Improving Diabetic Control

Change in AWV vs. Change in HbA1c Poor Control

% Change in HbA1c Poor Control vs. % Change in AWV
Reducing Hospital Admission Rates with Pneumonia Vaccination
Case Study: Redefining Population Health Management

Tampa General Hospital joined a Caravan Health collaborative ACO with over 230,000 attributed Medicare lives in January 2019. Following Caravan Health’s proven ACO methodology, the hospital quickly realized the strength in numbers.

Team-Based Care
Tampa General hired three population health nurses and one medical assistant to support new population health services.

Physician Buy-In
The hospital leveraged Caravan’s nurse-led model to gain physician acceptance.

Data Deep Dive
With Caravan’s analytics and support, Tampa General has better visibility into gaps in care.

Prevention and Wellness Services
Having the right care delivery in place allows Tampa General to bill for new population health revenue sources such as incident-to-billing.

$700k
Increase in population health revenue within nine months of joining the collaborative ACO
Cases Study: Sharp Increase in New Pop Health Revenue

In 2017, Caravan Health partnered with a midwest health system to launch a 17,000 life ACO. Following Caravan’s proven methodology, the ACO’s 15 participating hospitals showed an impressive rise in preventive population health services and revenue between 2017 and 2018.

39% Increase in Pop Health Services

Grew from 8,645 to 14,274 individual population health services.

This includes: Annual Wellness Visits, Chronic Care Management, Advance Care Planning, Transitional Care Management

$800K Increase in Revenue

These additional services added population health revenue of nearly $800,000.

> $1.1M More Revenue than Non-ACO Participants

By contrast, non-ACO hospitals had a much smaller increase in pop health services, from 4,900 to 5,512.
ACO efforts have helped to provide higher quality of care? *(strongly agree = 7)*

- 73%
- 25%
- 2%

Adding a population health nurse has augmented ability to support most complex patients? *(strongly agree = 7)*

- 77%
- 23%

N = 84 (ACO medical directors and physician leaders)
Focusing on HCC Coding

Ensure you receive credit for the sicker patients you treat

• Appropriate HCC coding is required for value-based payments.

• Numerous ACOs have found that inattention to HCC-coding workflows has been the difference between collecting shared savings and falling below the minimum savings rate.

• Integrating coding best practices into your workflow can help you get credit for caring for sicker patients without driving your clinicians crazy.
Hold Every Participant Accountable

### Practice/Community Scorecard

<table>
<thead>
<tr>
<th>Category</th>
<th>Metric</th>
<th>Q4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leading Indicators</strong></td>
<td>Population Health Nurse in Place</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Physician Leader in Place</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Compliance Contact in Place</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Lightbeam Interface Status</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Self-Assessment Participation</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Self-Assessment Score</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Compliance Webcast Attendance</td>
<td>Yes (Extra Credit)</td>
</tr>
<tr>
<td><strong>Care Coordination</strong></td>
<td>% of All Patients with AWV - Full Credit for Over 80% Attributed</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>% of All Patients in CCM - Full Credit for Over 12% Attributed</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>% of Diabetic Patients in Self-Management Service</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>% of All Patients in ACP - Full Credit for Over 15% Attributed</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>% of All Patients in BHI</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Outcomes</strong></td>
<td>Overall Quality Score</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td>Total Expenditures - vs. benchmark * Extra Credit</td>
<td>-1.70%</td>
</tr>
<tr>
<td></td>
<td>Promoting Interoperability (PI) Estimate Score</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>HCC Gaps (% Covered)</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>In Network Utilization</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Staff Engagement</strong></td>
<td>Representative at Previous Board Meeting</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Practice Manager at Road Map Call</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Population Health Nurse at Road Map Call</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Attendance at Population Heath Nurse Cohort Call</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Quality Reporting Webcast Attendance</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Attend Quality Improvement Workshop</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Physician Lead</strong></td>
<td>Attend Quarterly Steering Committee Meeting</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Attend Physician Leader Cohort Calls</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Attend Phoenix Symposium Meeting or Follow Up Call</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Attend EBM Webinars</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Attend Cohort Calls</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Use a scorecard to keep focused on goals and pinpoint areas of weakness.

Metrics should be based on efforts towards goals such as AWV percentage rate or cohort meeting participation.
In Summary

**Value-based Payment is Here to Stay**
More than a third of all providers participate in these programs. Reducing healthcare cost growth is critical for our future. Get maximum upward adjustments of Part B payments and shared savings to supplement frozen fee for service revenue.

**Now is the Time to Take Action**
Early adopters reaped the benefit of risk-free participation. The move to risk is accelerating and it is important to gain experience and prepare for the future reimbursement system.

**Statistical Variation will Hurt your ACO**
The effects of statistical variation create unreliable and spurious results that can wrongly penalize or reward providers. Most ACOs will fail.

**Strengthen Provider Reputation**
MIPS scores will be much higher for APM participants. CMS will post this data on Physician Compare and publish for third-party use.

**Maximize Value-based Reimbursement**
Joining a 100,000+ life ACO increases the likelihood of predictable shared savings, higher MIPS adjustments, reduces risk and sets the stage for future success in value-based payments, clinical integration and provider-based health plans.
Tim Gronniger: tgronniger@caravanhealth.com

Tim joined Caravan Health in 2017 as the Senior Vice President for Strategy and Development, becoming the company President in 2018 and CEO in 2019. In those roles he oversaw the company’s delivery and operations as well as marketing and its strategic growth plan. He is the former Chief of Staff and Director of Delivery System Reform at CMS where he led the agency’s work on drug spending issues, significant elements of the agency’s implementation of the new physician payment system created by the Medicare Access and CHIP Reauthorization Act of 2015, creation of new payment models, and other topics. He was previously a senior adviser for health care policy at the White House Domestic Policy Council, where he was responsible for coordinating administration activities in health care delivery system reform. Before joining DPC he was a senior professional staff member for Ranking Member Henry Waxman at the House Committee on Energy and Commerce, responsible for drafting and developing elements of the Affordable Care Act. Tim began his career in Washington at the at the Congressional Budget Office. Tim holds Masters degrees in Public Policy and Health Services Administration from the University of Michigan and a B.A. in Biochemical Sciences from Harvard University.
Thank You

bringing population health to life

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