Thriving With Managed Care: Organizational Competencies & Best Practices For Success

Colorado Behavioral Health Council 2019 Annual Conference

September 26, 2019

John F. Talbot, PhD., Advisory Board Member and Senior Associate, *OPEN MINDS*
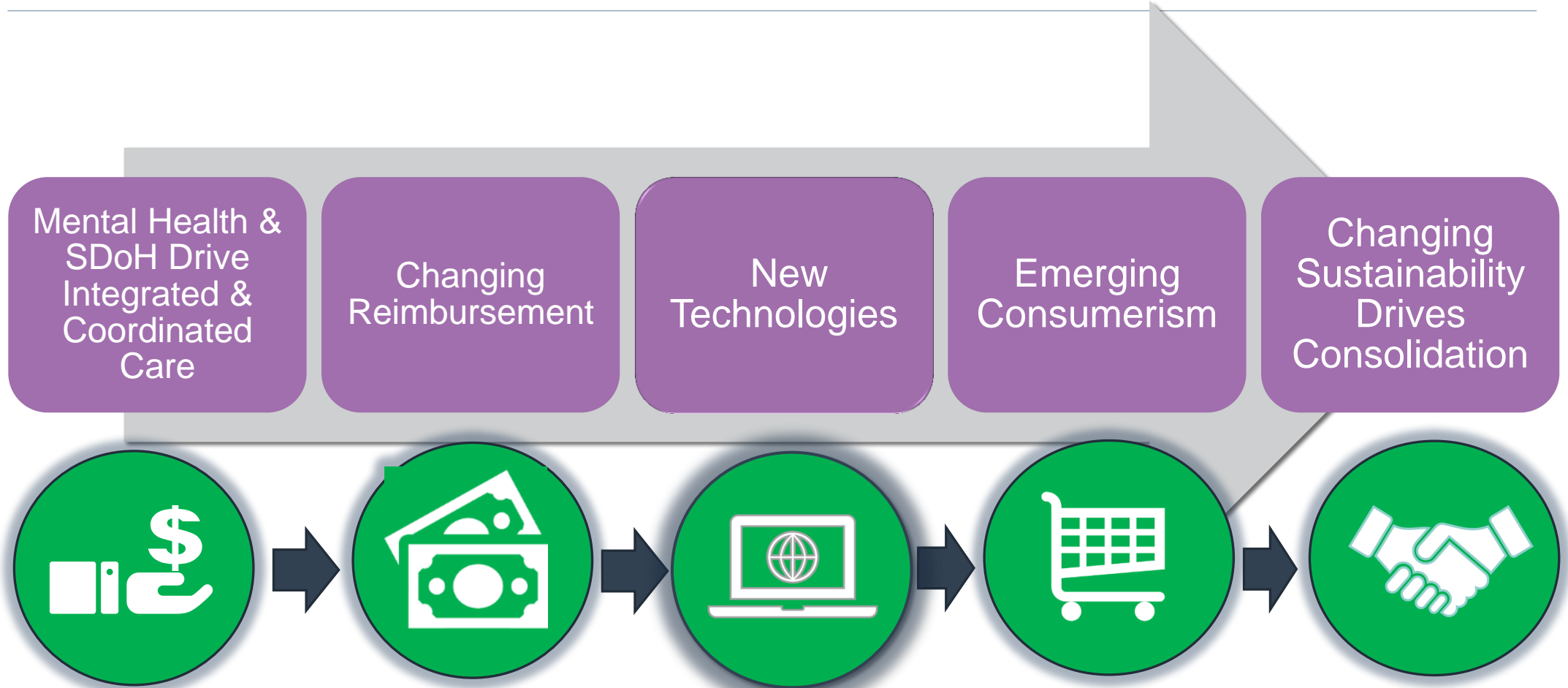
Agenda

I. The Continued Growth Of Managed Care In Health & Human Services

II. The Managed Fee for Service Business Model

III. The Critical Competencies for Success with Managed Care

IV. Questions & Discussion

I. The Continued Growth Of Managed Care In Health & Human Services

The Drivers Of The Changing Service Delivery Landscape

| Mental Health & SDoH Drive Integrated & Coordinated Care | Changing Reimbursement | New Technologies | Emerging Consumerism | Changing Sustainability Drives Consolidation |

More Managed Care

Payer Type	2011, % Of U.S. Population Covered	2016, % Of U.S. Population Covered	2011, % Of Population Enrolled In Managed Care	2016, % Of Population Enrolled In Managed Care
Medicare, Non-dual Eligible	14%	15%	23%	32%
Medicare, Dual Eligible	3%	3%	25%	38%
Medicaid	18%	23%	50%	70%
Commercial	52%	54%	93%	98%
Military	3%	3%	57%	49%
Uninsured	15%	9%	N/A	N/A

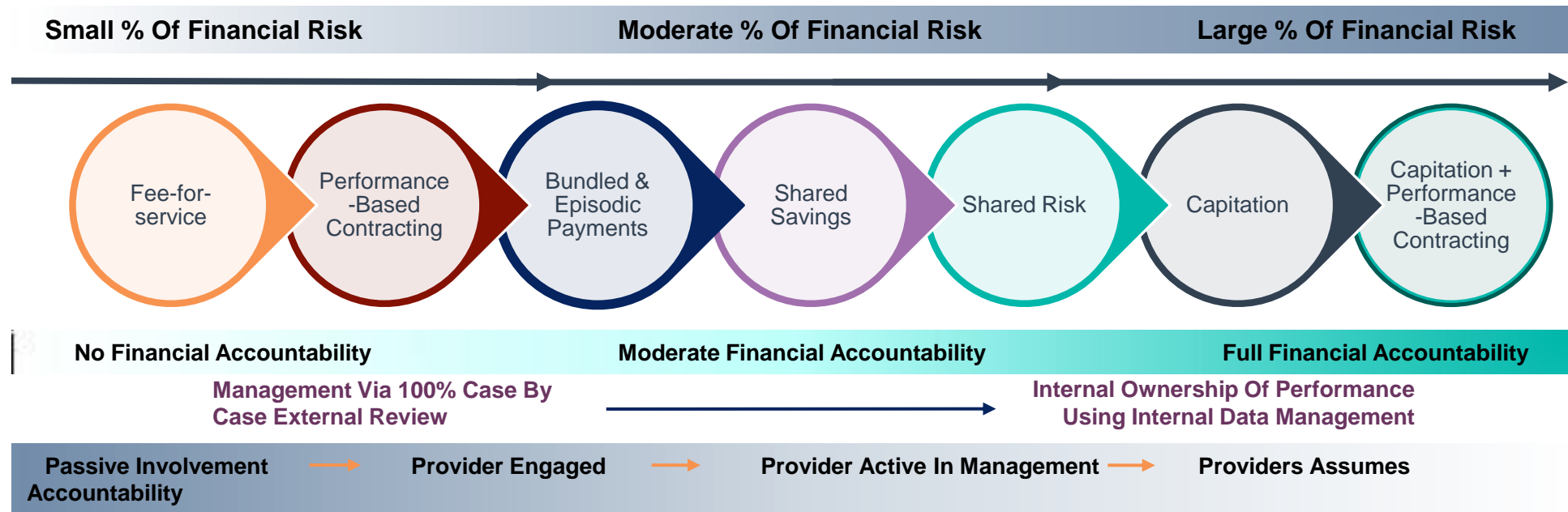# The Shifting Reimbursement Market

A Change In Focus:

Reducing Costs While Delivering & Demonstrating Value
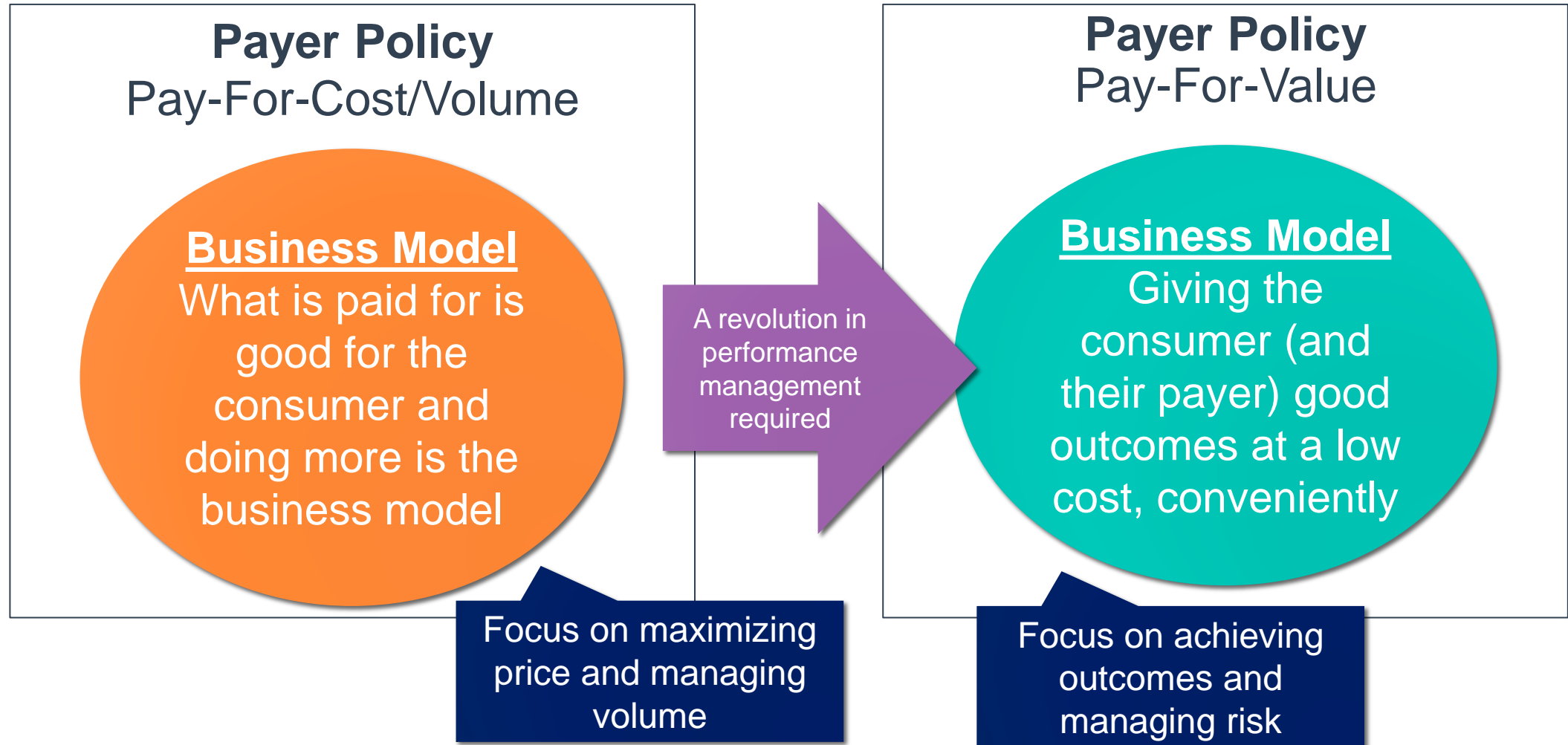
A Change In Methods:

Managed Care & Value-Based Purchasing

Transition Of Payment To Provider Organizations From Volume To Value

Compensation Continuum By Level Of Financial Risk

Business Model Transition For Provider Organizations

Payer Policy
Pay-For-Cost/Volume

Payer Policy
Pay-For-Value

Business Model
What is paid for is good for the consumer and doing more is the business model

A revolution in performance management required

Business Model
Giving the consumer (and their payer) good outcomes at a low cost, conveniently

Focus on maximizing price and managing volume

Focus on achieving outcomes and managing risk

Competitive Advantage Driven By Value To Payers & Consumers

$$\frac{\textbf{Product Benefit} + \textbf{Brand Equity} + \textbf{Marketing Benefit}}{\textbf{Price}} = \textbf{Value}$$

The Goal: Preferred & Exclusive

Being 'Preferred' Within A Payer Network	Gaining 'Exclusivity' Within A Payer System
• Having preferential referrals due to some market differentiation • Need a demonstrable value proposition – almost always involving P4P or value-based payment	• Having a financial relationship (most often with significant financial risk) that gives you exclusivity by geography and/or consumer type • Your organization is the 'narrow network'

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II. The Managed Fee for Service Business Model

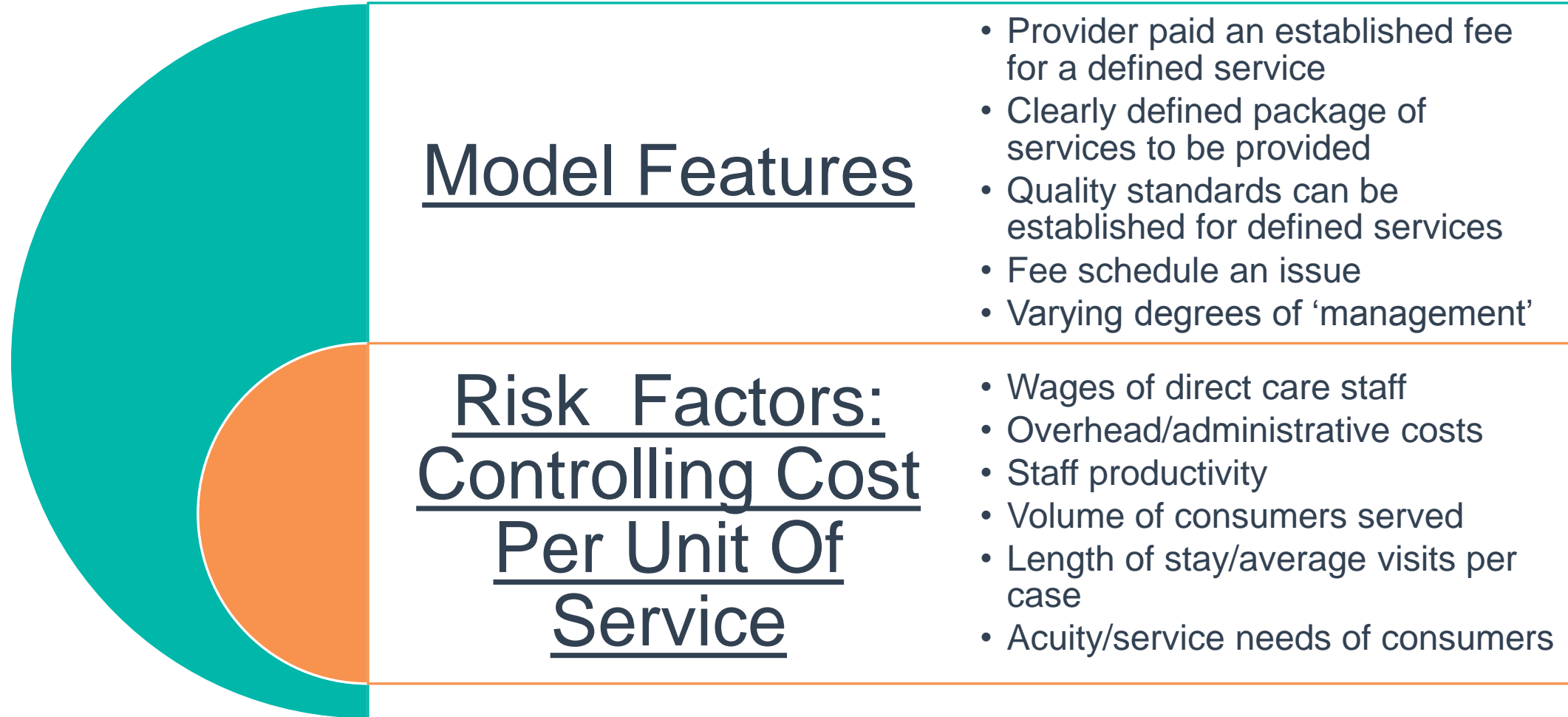OPEN MINDS

The Fee-For-Service Payment Model

Most fundamental of all business relationships for provider organizations in health and human services
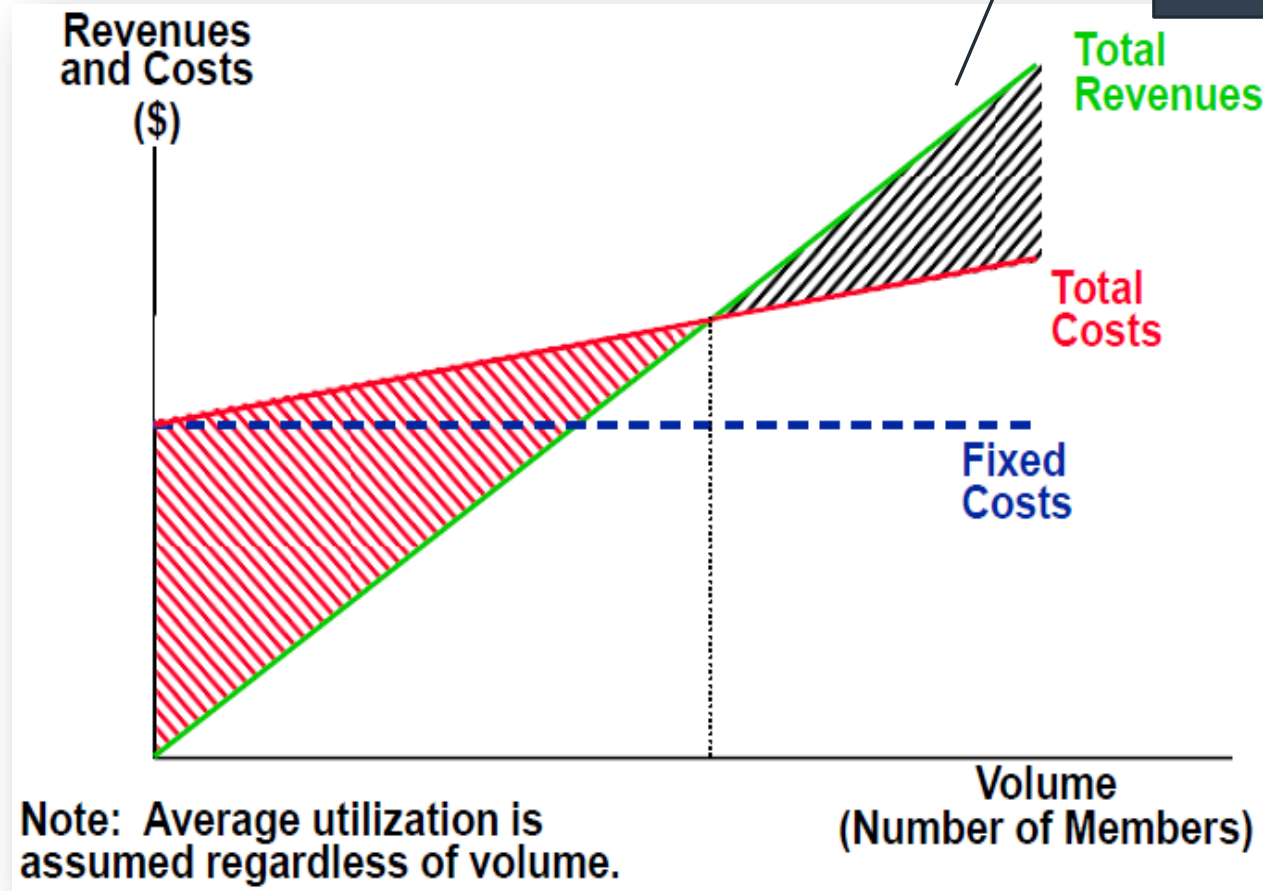
Difficult market position but often necessary

No assurance of volume or likelihood of referrals
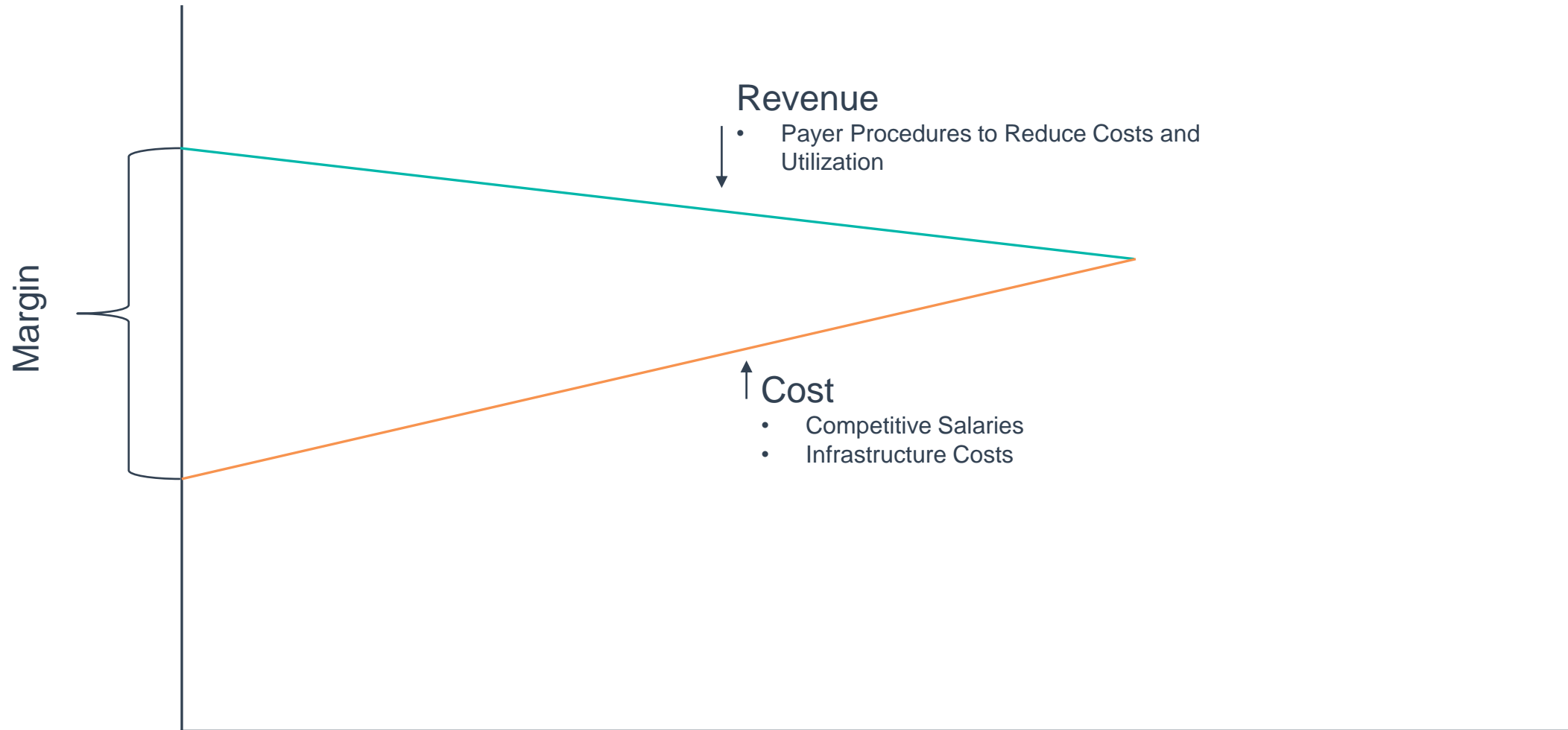
Often 'commodity' positioning

Fee-For-Service

Model Features
- Provider paid an established fee for a defined service
- Clearly defined package of services to be provided
- Quality standards can be established for defined services
- Fee schedule an issue
- Varying degrees of 'management'

Risk Factors: Controlling Cost Per Unit Of Service
- Wages of direct care staff
- Overhead/administrative costs
- Staff productivity
- Volume of consumers served
- Length of stay/average visits per case
- Acuity/service needs of consumers

Financial Model – Fee For Service

Variable Costs Create Less Risk Under FFS

Revenues and Costs ($)

Total Revenues

Total Costs

Fixed Costs

Volume (Number of Members)

Note: Average utilization is assumed regardless of volume.

The Fundamental Challenge Of The Managed Fee For Service Model

Revenue
- Payer Procedures to Reduce Costs and Utilization

Cost
- Competitive Salaries
- Infrastructure Costs

Margin

III. The Critical Competencies for Managed Care

Critical Competencies for Managed Care

- Managed Care Clinical Operations
- Margin Management
- Revenue Cycle Management
- Automated Process Measurement & Business Intelligence Systems
- Compliance Management
- Contract Management
- Marketing
- Leadership

Managed Care Clinical Operations

Clinical programming must be aligned with the basic concepts of managed care

- Provide the right services at the right level of care
- Moving toward a focus on outcomes
- Increasing focus on evidence-based practices

Customer-centric intake and admission process

- Convenience
- Quick access

Ability to work collaboratively with the MCO clinical leadership and staff

Margin Management: Service Line-Specific Cost Accounting

Defining your service lines (Medicaid outpatient therapy, commercial outpatient therapy, SUD, etc.)

Service line cost accounting measures and tracks metrics by service line - such as volume, cost, and profitability

Using basic financial metrics to manage the service line effectively

Example: Outpatient Therapy Annual Revenues & Margin At Three Different Sites

	Revenues	Margin
Site One	$100,00	($2,000)
Site Two	$120,000	$4,000
Site Three	$80,000	($1,000)
Overall	$300,000	$1,000

Example: Outpatient Therapy Unit Cost At Three Different Sites

	Unit Cost	Variance
Site One	$75.12	$5.12
Site Two	$72.03	$2.03
Site Three	$61.02	($8.98)
Overall	$67.43	($2.67)

Payer rate = $70.00
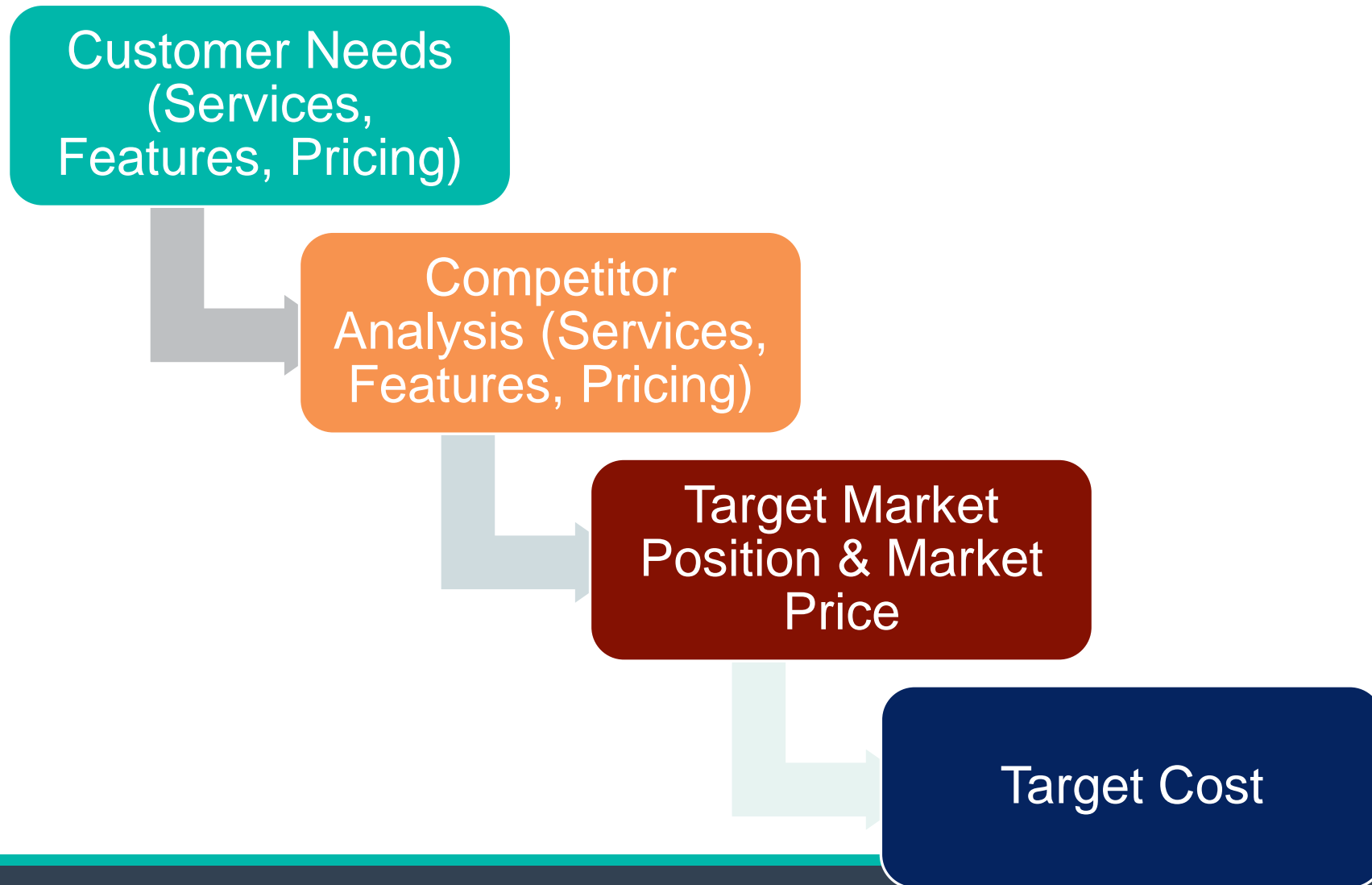
Clinical
FTE/Client

Margin

Target Costing

Pricing method to reengineer the cost of a service to hit a specific target market rate

Determines the maximum cost for a service that can be incurred to earn the required profit margin at market rate
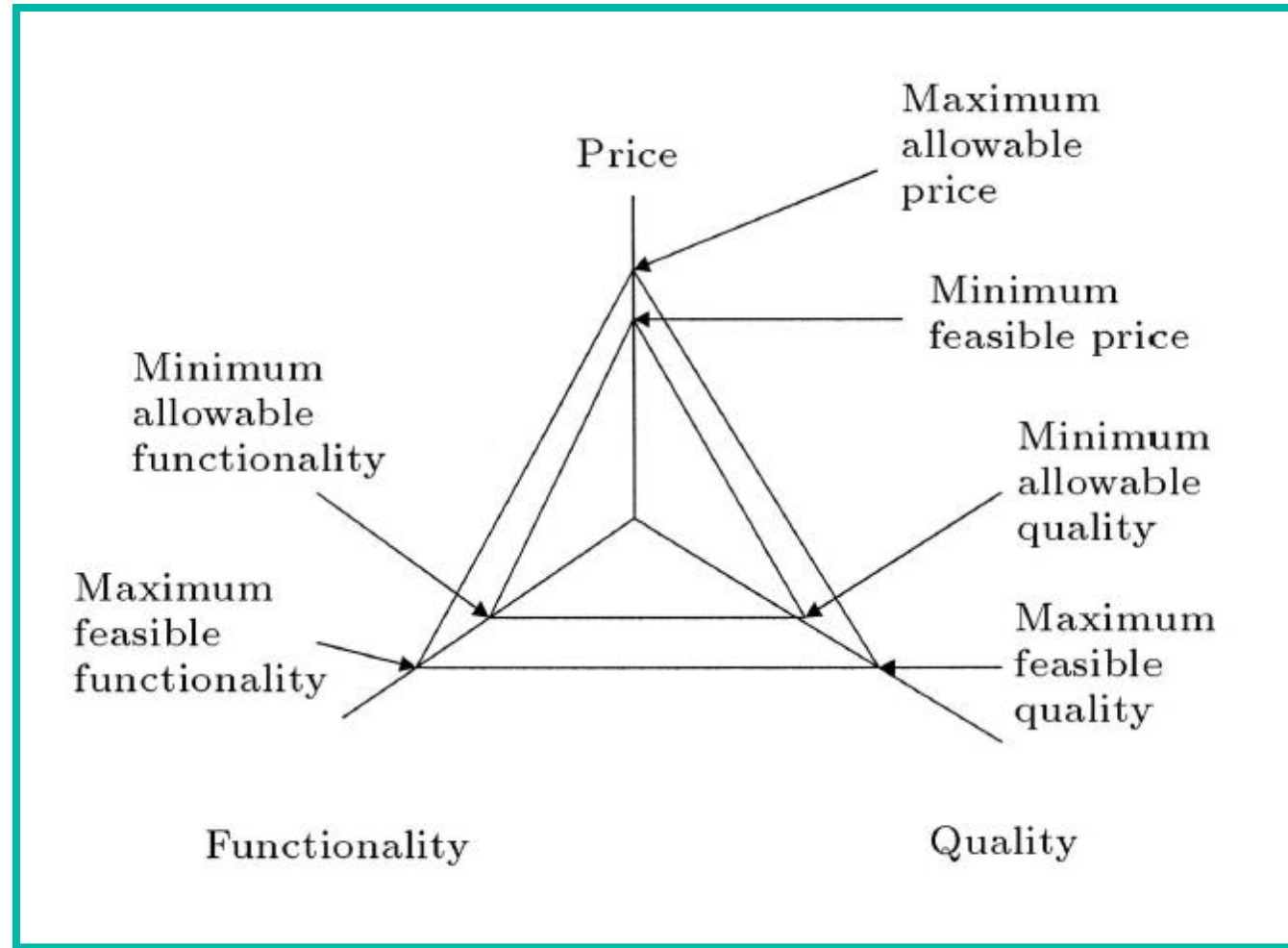
Traditional cost-plus pricing calculates cost of producing a service and adds the desired margin to determine the price

Why is target costing important? Because as we move to a more customer-driven competitive market, our customers (both payers and consumers) don't care about our costs to deliver a service. They only care about the rate we charge – and how that rate (and the other attributes of the service, called the value equation) compares to our competition.

Target Costing Construct

Customer Needs (Services, Features, Pricing)

Competitor Analysis (Services, Features, Pricing)

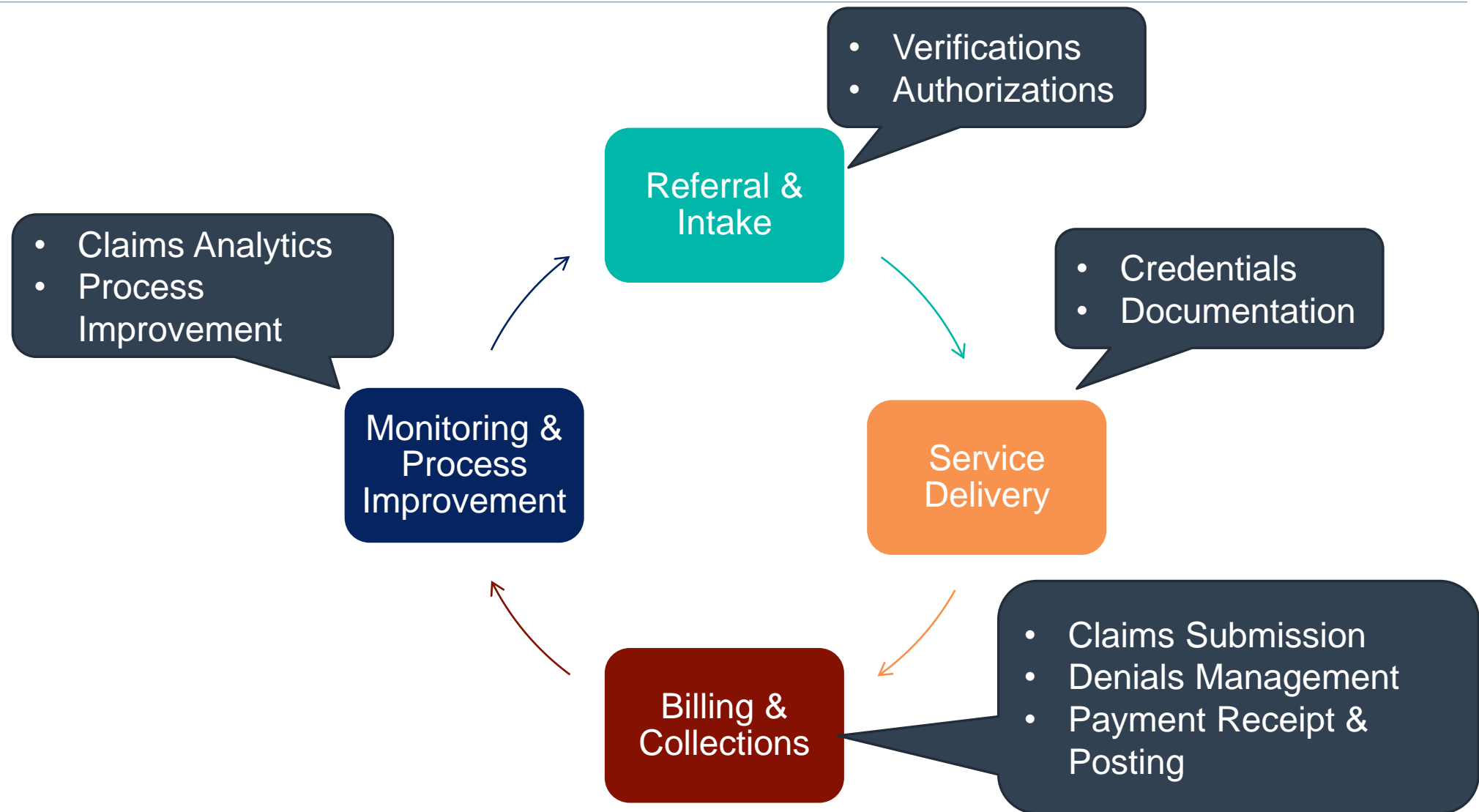Target Market Position & Market Price

Target Cost

Target Costing Survival Zone

Revenue Cycle Management

Revenue cycle management (RCM) is the financial process that healthcare facilities use to track patient care episodes from registration and appointment scheduling to the final payment of a balance.

Revenue Cycle Management

Adjusted Collection Rate

The adjusted collection rate represents the percentage of reimbursement collected from the total amount allowed based on contractual agreements and other payments, i.e., what you collected versus what you could have/should have collected

This metric shows how much revenue is lost due to factors in the revenue cycle such as uncollectible bad debt, untimely filing, and other noncontractual adjustments

The adjusted collection rate should be 95%, at minimum; the average collection rate is 95% to 99%

The highest performers achieve a minimum of 99%

Automated Process Measurement & Business Intelligence Systems

EHR

Financial management systems

Human resource management

Customer relationship management

What isn't automated won't get measured (accurately)

Performance Metrics Are Key To Business Process Management

Business Process Management - Management discipline that promotes efficiency and effectiveness of organizational process – employing policies, management practices, software tools, and metrics to optimize an organization's activities

Top Five Key Performance Indicators

Domain	Indicator	Goal	Review Parameters
Customer Experience	Net Promoter Score	Assessment of customer satisfaction and referral development	Response to question about likelihood of recommending our organization to friends and family members; Monthly - Total, By Market, By Service Line, YTD, Previous Year
Employee Experience	Revenue lost due to vacancies	Identification of employee satisfaction issues impacting turnover and organizational sustainability	Average revenue times time open for unfilled positions; Monthly - Total, By Market, YTD, Previous Year
Financial Sustainability	A/R (days in receivables)	Assessment of future cash flow and identification of payer issues	Total A/R divided by average daily charges; Monthly - Total, By Market, By Service Line, YTD, Previous Year
Clinical Performance	ER utilization (service lines TBD)	Effectiveness in sustaining recovery by providing timely, nonacute services	Monthly - Total, By Market , By Service Line, YTD, Previous Year – will require data sharing and/or integration
Technology & Data Analysis	Number of report requests and time to complete	Organization use of analytics; analytics resource adequacy and effectiveness	Count of requests submitted and number of work days from request to completion; Monthly - Total, By Market, YTD, Year over year
Customer Experience	Days to appointment	Assessment of customer satisfaction and service quality	Monthly, Total, By Market, By Service Line, YTD, Previous Year

Contract Management

- Centralized responsibility for contract management
- Renegotiate yearly
- March – June
- Build relationship
- Clear value proposition
- Avoid "commodity" positioning

Compliance Management

- Ensure compliance with all contract requirements

- Ensure compliance with all regulatory and legal requirements

Three Key Competencies Of Leadership & Governance

1. **Strategic Alignment Around Managed Care**

2. **Culture of Innovation**

3. **Workforce Adequacy**

1. Strategic Alignment Around Population Health Management

Focus:
Alignment of leadership around population health management and the ability to manage financial risk

Key Competencies For Success

- Resources and infrastructure to manage clinical and financial risks of population health management

2. Workforce Adequacy

Focus:

Ability to attract and retain the right staff to succeed at population health management

Key Competencies For Success

- Workforce culture, experience, and capacity to innovate and adapt to new service and business models
- Ability to attract, develop, and retain staff with expertise in clinical innovation, technology, and financial management
- Compensation alignment with performance outcomes and strategic priorities

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3. Culture Of Innovation

Focus:

Ability to adapt and realign current services to meet the needs of population health management – staff openness to change and ability to develop new services

Key Competencies For Success

- Established and effective quality improvement processes in place – Lean, Root Cause Analysis, Six Sigma
- Experience and expertise creating new services lines
- Blue Ocean Strategy
- Three Box Solution

IV. Questions & Discussion

Turning Market Intelligence Into Business Advantage

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