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Hospital Transactions and Valuation Issues

With a Trump administration well into its first 100 days, healthcare executives, especially those involved with post-acute care, are busily reading the tea leaves coming out of the White House and the US Capitol. Here's a look at the likely changes coming to the post-acute care landscape:

1. Hospitals are in the hot seat; post-acute care must be ready for the downstream effects

Congress is unlikely to fully repeal the ACA, but the individual mandate is certainly on the chopping block. These and other anticipated legislative changes will lead to a rise in the uninsured seeking charity care at hospitals.

Readmission penalties will likely increase as a cost and quality control measure. With 11 percent of readmissions driven by medication non-adherence alone, hospitals should look to post-acute care to provide the necessary on-site care coordination needed to keep readmissions in check.

2. The impact of a 'Better Way'

Authored by Speaker of the House Paul Ryan (R-WI), the "Better Way" plan hopes to take the traditional Medicare program and turn it from a basic health insurance plan to a premium support plan. At the center of Ryan's plan are block Medicaid grants for states. According to some studies, this state-driven approach might better respond to coverage gaps than a federally administered one, as it would allow for greater customization to the specific needs of each state.

3. The move to value-based care continues unabated; that means bundles and risk reimbursement models are here to stay

According to *Modern Healthcare's*[1] post-election health care CEO survey, the vast majority of executives are confident the ACA-driven march to value-based care will continue. By some estimates, value based and bundled payment systems will replace the fee-based system in less than 15 years. Health care "bundles2," or defined payments based on expected costs for clinically-defined episodes of care, have been proven to deliver a better value among risk reimbursement models. Last year, the Center for Medicaid Services announced3 that by 2018 it wanted half of all payments to be delivered through alternative payment models like bundles. With private plans following in Medicaid's bundled payment footsteps, acute and post-acute care providers must work even more closely together to align patient care plans.

Recently, CMS announced over 359,000 clinicians are confirmed to participate in four of their Alternative Payment Models in 2017. Clinicians who participate in APMs are paid for the quality of care they give to their patients. APMs are part of the Administration's effort to build a system where clinicians work together to have a full understanding of patients' needs; in turn, patients are encouraged to take a responsive role in their own care. Solutions that bridge the gap from clinic or hospital to home will become even more important.

4. Home based care, and the demand for telehealth will explode

An aging population, many with long term care insurance, will choose to receive in-home care for their chronic care needs, and if indicated, for hospice care. Some of these services, especially for those in rural areas, will be provided via telehealth. New policies to establish authority for non-physician practitioners to certify Medicare coverage, and creating a stand-alone telehealth benefit for remote monitoring of home-based patients, are likely to be established. Consistent with the move towards telehealth, packaged pharmaceuticals will change the game in rural markets that don't have quick access to acute care.

5. The patient as consumer gains momentum

If the individual mandate goes away, Congress will have to devise a way for people to buy insurance and avoid risk plan issues. "If you don't have an employer mandate and an individual mandate, the market would self-destruct," says Jim Lott4, a professor of health policy at the University of Southern California and Cal State Long Beach. Allowing insurers to cross state borders to widen their risk pools is one regulatory change under consideration. Tax deductions for health insurance policies and tax-free Health Savings Accounts are also part of the mix. All of these changes drive the patient further into the role of managing their own healthcare spending.

6. Increasing access to cross-border medication

When citizens of Maine cross the Canadian border to fill prescriptions at half the cost of comparable drugs in their home state, the case for reasonable pricing of drugs comes into sharp focus. On the campaign trail, Trump indicated his support for allowing international medication purchases, which could help moderate pricing in the US.

7. Scales tip from skilled nursing homes to assisted living and home health

The number of skilled nursing homes in the United States has flat lined at about 15,000. The National Investment Center for Seniors Housing & Care5 reports that skilled nursing home occupancy experienced a significant decline, down to 86.8 percent in 2016. That's the lowest since 2005. The lower occupancy is being driven by a number of care delivery and reimbursement initiatives, including changes in the Affordable Care Act and the growth of Medicare Advantage; tight regulatory oversight, increasing patient acuity, labor challenges, and rising competition from home health and other senior housing and care sectors. It's predicted that by 2021, the number of skilled nursing homes could shrink by 20 percent. "There is a lot going on in the skilled nursing industry," says Bill Kauffman, a senior principal at NIC. "This has a lot more nuances than just the retirement community."

CMS has been calling for reforms in the way medical service providers, including nursing homes, receive reimbursements. Currently, 90 percent of skilled nursing home revenues are from Medicare and Medicaid. Changing reimbursements cut costs by shortening patient stays and consolidating or bundling reimbursements for the myriad of patient services. Medicare and Medicaid are also searching for lower-cost models of geriatric health care such as home care and assisted living facilities to attain higher quality care, and more coordinated care at lower costs. As Medicaid and Medicare shift to include home and community-based settings, these two options continue to gain popularity over traditional skilled nursing home facilities.

Pharmacists, especially those serving the post-acute care sector, must be ready to withstand the competitive pressure and demonstrate their value along the care continuum. That won't be too difficult, especially considering the medication adherence challenge in the US. According to the National Community Pharmacists Association, the cost of medication non-compliance in the US is between $100-$289 billion annually. Up to 50 percent of all medications aren't taken as prescribed, and by some estimates, a third of all prescriptions are never filled.

There's much more to be deciphered once a Trump administration is fully underway. One thing is clear: acute and post-acute providers will need to coordinate care more than ever before. Beyond that imperative, the only certainty is a continuation of change---and a lot more of it. ●

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