A Path Forward for Affordable Care in California:
Sustaining Health Care in Rural Communities
Operating Margins
Hospitals in Low Population Density Areas
Ensuring rural communities have the care and services they need, now and in the future:

• Care and financial policies often developed without consideration for rural environments
• Important differences exist between urban and rural health care services delivery
• Expansion of integrated and value-based care may seem out of reach
• Coordination, integration and communication with the patient at the center – results in lower cost, higher quality
• 673 rural hospitals at risk of closure (according to the NRHA)
• California has unique differences – geographic diversity, size
• How can we build rural capacity to support integrated care?
• Can we develop rural-appropriate payment systems?
A Path Forward for Affordable Care in California

A public policy road map that creates a path forward to tackle critical issues facing hospitals, patients, families and communities.
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Coverage
- Individual mandate
- Coverage for all

Access
- Integrate physical and behavioral health
- Improve sustainability of Medi-Cal
- Efficient workforce

Value
- Affordable coverage
- Innovative payment models

Collaboration
- Address outdated regulations that deter value-based health care and limit care modernization
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For many hospitals that provide essential care in the state’s least populated areas, financial stability can be elusive:

- Hospitals in low-population areas are often financially strained
- Cash flow is based on inpatient utilization and is census-driven
- Low utilization equals decreased cash
- Many struggle to keep the doors open
- Puts all services at risk for the entire community
- Focusing on population health is counter-intuitive to survival
- May be necessary for reducing long-term costs
A “global budget” can stabilize hospital revenue

- Hospitals are paid the same amount each month regardless of inpatient utilization
- Can help hospitals transition from fee-for-service to value-driven care
- Offers predictable revenue
- Lowers costs by allowing for investments in population health to reduce utilization
- Eliminates the concern of census-driven reimbursement
- Hospital is paid to keep people well
An all-payer global budget requires broad participation from key players, as well as safeguards and innovation

- Medicare
- Medi-Cal
- Covered CA
- CalPERS
- Large commercial plan(s)

- Approval by CMMI
  - Grant funding for transformation planning
  - Waiver of rules that may stifle innovation
Is global budgeting a viable approach? What about:

- Unanticipated changes in utilization (fire, flood, earthquake, etc.)
- The hospital in the “red” right now
- Already a low-cost provider
- Will hospitals just “shift” the care or change the provision of services
- New services that are implemented mid-year
- Who is going to make the rules and oversee them?
- The investment required to address population health?
- Who else is doing this – why us?
- What is the alternative or can we just be left alone?
Change is hard – even though the current environment is not sustainable, adopting a new way of thinking is critical to keep services viable in low-population/rural communities

- Process and timeline:
  - CHA researching and financial modeling
  - Opportunity identification
    - Communities
    - Facilities
  - Engage hospitals
  - Engage stakeholders (state, CMMI, plans, payers)
  - Construct a model/proposal
  - Seek federal approvals
  - Implement
Raise your hand or submit a question at www.menti.com and enter code 69 32 61
Discussion and Questions, Please!

THANK YOU

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