RESEARCH REPORT

Advisory Board

10 Tactics to Ensure Return on Specialty Investments

Part 1: Maximize the volume-driven specialty reimbursement

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RECOMMENDED FOR

Acute and post-acute care strategy leaders

READING TIME

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About this report

Executive summary

Recent developments in the health care market—such as growing inter-sector competition, the possibility of site-neutral payments, and increasingly narrowed networks—encourage post-acute care (PAC) providers to better define and promote their value proposition as a means of differentiation. These developments simultaneously offer new and exciting chances for PAC organizations to expand their roles in the care continuum and serve new patient groups.

Clinical specialization is one strategy to both guard against current threats and take advantage of future opportunities created by a marketplace in transition. Because of the unique nature of their patient populations, many PAC providers already consider themselves specialists. However, there is still significant space for PAC providers to move further into creating well-defined, high-quality clinical service lines. Embracing specialization allows providers to present a clear value proposition that can safeguard volumes by capitalizing on emerging health system needs and preferences.

For PAC providers to succeed in this strategy, a specialization must be a cohesive business venture, not just a marketing endeavor. It requires significant investment and organizational commitment. Building and sustaining a strong specialty over time means allocating dedicated resources to treating a specific patient population and driving to a high level of clinical quality. Providers must ensure that the specialty is different from and clearly, unquestionably better than competitors' offerings.

There are many benefits to a well-run specialty line. A strong clinical specialty can:

- **Drive volumes to a provider** by generating interest in the market among a wide variety of stakeholders—including case managers and patients.
- **Solidify partnerships with referrers and payers taking on risk** by achieving a high level of clinical quality and operational efficiency.
- **Enable a provider to access new revenue streams** by leveraging knowledge gained through practicing the specialty to form new business relationships.

This research report offers 10 tactics to help providers build and support specialty lines that deliver those benefits. These tactics can help providers achieve a full return on investment into specialization and successfully position themselves within the market.

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Specialization is not an end in itself. It's a means to enhance patient care and secure a critical place in the market. Program development should enable strong partnerships with referral sources, driving volume growth and inclusion in narrowing referral networks. Concurrently, a strong specialty enables an organization to explore new business opportunities amid continuing payment transformation.

This research report details 10 tactics to ensure successful return on specialty investment across three vectors. Part 1 covers how to drive volumes and reimbursement in the current, fee-for-service environment. Part 2 delves into how to make an organization attractive to referrers who are taking on downside risk, improving the likelihood of network inclusion. And part 3 looks at how to capitalize on specialty program development to access new revenue streams—often beyond the traditional payment structures of each post-acute sector.

INCLUDED IN THIS REPORT

INCLUDED IN PARTS 2 AND 3

Maximize volume-driven specialty reimbursement

Organizations commonly pursue specialization to drive volumes and bolster reimbursement. As such, specialty lines are often chosen based on referrer interest. However, choosing a specialty based on referrers' expressed concerns does not guarantee an influx of volumes. The referrer's request for additional support with a patient type does not convey the full scope of the challenge they are attempting to solve with the specialty line.

For example, hospital referrers may request a specialty line for a specific type of hard-to-place patient not because those patients represent a consistent, long-term priority, but because the hospital has recently seen an unusual concentration of those patients. As a result, post-acute providers must conduct their due diligence prior to investing in a new clinical specialty.

Specialty development

Example A:

Hospital request
SNF that can accept LVAD[1] patients

PAC provider response
Invests in additional staff, training, equipment to build LVAD line

Result: Volumes too low to recoup investment costs

Missing information

Overall LVAD volumes are very low; hospital interest stemmed from just two cases

Example B:

Hospital request
LTACH able to handle complex behavioral health patients

PAC Provider Response
Hires specialized RNs to offer behavioral health services

Competitor working with health system psychiatrist to offer behavioral health line

Result: Low referrals; behavioral health nurses assigned to treat general LTACH patients, leading to turnover

1. Left ventricular assist device

Maximize volume-driven specialty reimbursement

Therefore, referrers' needs and preferences should be combined with a variety of inputs and considerations when analyzing potential investment opportunities. A rigorous and holistic process is the precursor to long-term specialty program sustainability.

Shown here are select questions post-acute providers should ask themselves when selecting a specialty for their organization.

Key considerations for specialty selection

1 **Current state**

- What services do I currently offer?
- What resources do I have available to dedicate to a specialty?
- What is my sector's regulatory environment?

2 **Mission and values**

- What is my organization's mission?
- Is my organization committed to serving specific patient groups (e.g., pediatrics, geriatrics)?

3 **Market conditions**

- What (if any) diagnoses are especially prevalent in my market?
- What (if any) functional impairments do I see more than others?

4 **Referrer priorities**

- Who are my primary referrers?
- What (if any) are my referrers' specialty priorities?
- Do I need to appeal directly to consumers?

5 **Competition**

- What is my competitive landscape?
- What (if any) specific populations or comorbidities do my competitors struggle to handle?

Solidify volumes through program co-development

Build a mutually beneficial program

CASE EXAMPLE

Lutheran Homes of South Carolina

5-facility system; including skilled nursing and senior living • Irmo, SC

Lutheran Homes of South Carolina saw an opportunity to leverage specialization to strengthen partnership with and drive referrals from their primary referrer, Palmetto Health.

Palmetto told leaders at Lutheran Homes that they struggled to place high-acuity Medicaid patients. Instead of independently building a specialty program to meet their Palmetto's need, Lutheran asked Palmetto for help in building a high-acuity specialty line within Lutheran Homes.

To start, Lutheran and Palmetto worked with the South Carolina Medicaid Authority to expand the definition of "complex patients" (and the higher reimbursement attached to this definition) to include high-acuity patients. Palmetto also provides ongoing training for Lutheran Homes staff, along with a medical director and nurse practitioner for the high-acuity unit.

As a result of this partnership, Lutheran Homes now receives more patients from Palmetto, both within the high-acuity specialty population and the general patient population. Further, other acute care hospitals are now more inclined to trust Lutheran Homes' staff, given their strong clinical capabilities.

Details of the arrangement are outlined below:

Palmetto Health and Lutheran Homes partner for high-acuity patients

Palmetto Health system

- Struggled to place high-acuity Medicaid patients, creating a bottleneck in the inpatient setting
- Few SNFs willing or able to care for these complicated patients
- Sought SNF partner to collaborate on complex care unit

Provided training, referrals

High-acuity SNF unity

Lutheran Homes of South Carolina

- Saw chance to work closely with primary referrer and access clinical training and support for staff
- Higher complex-care rate available for high-acuity Medicaid patients'
- Expanded abilities attractive to other referral sources

Provided staff, space

"Most of the SNFs in out market don't want to get pushed out of their comfort zone…the hunger just isn't there."

Judy Baskins, VP Clinical Integration
PALMETTO HEALTH SYSTEM

"We have a reputation now of being bale to handle a more complex patient…to step up to the plate and try something new."

Tom Brown, President
LUTHERAN HOMES OF SOUTH CAROLINA

Source: Lutheran Homes of South Carolina, Irmo, SC; Palmetto Health, Columbia, SC; Post-Acute Care Collaborative interviews and analysis

Harness specialty spillover volumes

Getting the most from an attractive specialty

A specialty line that is built effectively and well integrated with a hospital partner can drive volumes to such extent that the facility or unit simply cannot accommodate all referrals. If the facility is unable to capture all of those referrals, it won't see the full benefit of the investment.

That's been the case for Alden Estates of Skokie, part of the Alden Network. The facility has a well-regarded specialty program in simple knee and hip replacements. The program is popular with physicians and patients because of its clinical expertise and full range of amenities. But, due to the facility's limited capacity and strict clinical criteria, it cannot accept all interested patients.

To ensure that The Alden Network doesn't lose those volumes, system's leaders have built a plan to redirect patients unable to go to Skokie to other skilled nursing facilities in the Alden system. In other words, they are capitalizing on the spillover success of their facilities, Alden Estates of Skokie.

Quality-based appeal at Alden Estates of Skokie

11-day average length of stay

Less than 1% readmission rate[1]

Training from local orthopedic surgeons

Physician-specific clinical protocols

> "The quality and reputation the [Skokie] facility has, it's the equivalent of having 10 marketers on the street."
>
> Bob Molitor, COO
> ALDEN MANAGEMENT SERVICES

Alden Estates of Skokie, clinical criteria

Patients must have:

Simple hip or knee replacement

Zero or one comorbid conditions

Minimal or no memory impairment

1. All-cause, 30-day readmission rate

Source: Alden Estates of Skokie, Skokie, IL; Post-Acute Care Collaborative interviews and analysis

Harness specialty spillover volumes

Getting the most from an attractive specialty

CASE EXAMPLE

The Alden Network

45-facility system; including skilled nursing, senior living, and memory care • Chicago, IL

Alden takes a two-pronged strategy for keeping patients in-network while maintaining patient choice.

First, Alden adopts each physicians' preferred protocols and demonstrates clinical quality at all facilities to strengthen relationships with referring physicians. When Skokie cannot admit a patient, Alden leaders encourage the patient to go where his physician suggests. Due to the groundwork laid, the physician typically suggests an alternative Alden facility.

Second, Alden has honed the way they interact with patients unable to be treated at Skokie in the moment. Those patients are informed that all Alden facilities use the same therapy company and offer similar amenities. In addition, if the patient asks, leaders at Skokie will offer to connect the patient directly with administrators at another Alden facility and schedule a tour for the patient. This approach is patient-led, but has resulted in keeping an average of 75% of these referrals within the Alden network.

Methods to influence and inform patient choice

Ongoing efforts

Patients tend to follow physician suggestions.

Alden's leaders foster physician preference for Alden facilities other than Skokie by proving high-quality outcomes and adopting physicians' preferred protocols throughout the Alden network.

In-the-moment responses to individual patients

Staff respond to patients who can't be accommodated at Skokie but want the same experience

Staff provide comparisons to other Alden facilities. Other Alden settings use the same therapy company, offer the same high-end amenities.

Staff at Skokie facility assist families when patients are sent to another Alden facility.

Staff at Skokie can schedule tours at other Alden settings and connect patients with admissions staff at those facilities.

Source: The Alden Network, Skokie, IL; Post-Acute Care Collaborative interviews and analysis

Harness specialty spillover volumes (cont.)

Getting the most from an attractive specialty

To derive benefit from a specialty line's spillover, an organization must successfully achieve four goals along two vectors.

First, the organization must obtain sufficient volumes to generate spillover. This requires both the specialty itself to be exceptionally attractive on its own, and the organization's brand to be strong enough to maintain patients' interest even if their preferred care site is unavailable.

Second, the organization must be correctly structured to accept any spillover that occurs. The system must have other facilities nearby. Patients will not sacrifice convenience to stay within the system, especially when they have already been turned away from their first choice of care site. Finally, those nearby sites must have capacity to take on the additional volumes coming from the specialty.

Factors determining total volumes generated

Attractive specialty

Selected specialty creates significant interest, draws patient and physician attention

Recognizable brand

Clear organizational branding links other facilities to specialty line

Factors affecting ability to capture overflow volumes

Geographic proximity

Alternative facilities as convenient for patients as their preferred location

Excess capacity

Other facilities able to admit additional patients and accommodate greater volume

Source: The Alden Network, Skokie, IL; Post-Acute Care Collaborative interviews and analysis

Capitalize on unique payment system opportunities

Intentionally boosting case mix index (CMI) through a specialty

CASE EXAMPLE

Susquehanna Health Skilled Nursing and Rehabilitation Center

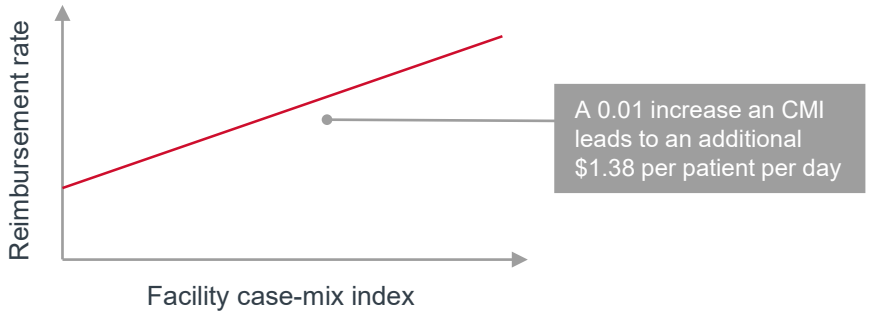
138-bed skilled nursing facility; located on the campus of Muncy Valley Hospital, part of Susquehanna Health • Muncy, PA

While increased volumes typically unlock additional revenue, a carefully chosen specialty can also drives increased reimbursement by capitalizing on the idiosyncrasies of a provider's payment structures.

For example, in Pennsylvania, a 0.01 increase in a skilled nursing facility's case mix index (CMI) correlates with an increase of $1.38 per patient per day in Pennsylvania Medicaid reimbursement.

To leverage that payment opportunity, Susquehanna Health Skilled Nursing and Rehabilitation Center, opted to specialize in ventilator weaning. Vent-weaning patients are measurably more complex than the generally skilled nursing population and an influx of that patient type increased the facility's CMI from 1.10 to 1.18.

Effect of Facility CMI on Pennsylvania Medicaid rates



Susquehanna Health Skilled Nursing and Rehabilitation Center's vent-weaning specialty line development

Identify opportunity

CMI driven by number of complex patients

Choose patient type

Vent-weaning best option to raise CMI, due to prevailing market demand

Calculate ROI

Models demonstrate likely costs are outweighed by potential revenue

Create service line

Facility works with external vendor to offer specialty vent-weaning unit

Source: Susquehanna Health Skilled Nursing and Rehabilitation Center, Muncy, PA; Post-Acute Care Collaborative interviews and analysis.

Capitalize on unique payment system opportunities (cont.)

Intentionally boosting case mix index through a specialty

As a result of a higher CMI, Susquehanna earned an additional $472,000 across a single year. They are also eligible for a $35,000 bonus payment if the facility has at least 10 ventilated Medicaid patients on each of Medicaid's randomly chosen audit days.

Roughly two-thirds of the facility's ventilator-weaning patients are Medicaid beneficiaries, but the ventilator-weaning program's results are not limited to Medicaid patients. Susquehanna has successfully negotiated with other payers, including Medicare Advantage and commercial insurers, for higher carve-out rates for ventilator-weaning patients.

The opportunity to drive reimbursement by increasing a facility's acuity level is not limited to Pennsylvania. Most states have variations on similar payment structures. Each post-acute provider should uncover and understand the reimbursement opportunities available in their local market and evaluate their programs to take advantage of these payment rules.

DATA SPOTLIGHT

$472K

Additional yearly reimbursement resulting from .08 increase in CMI

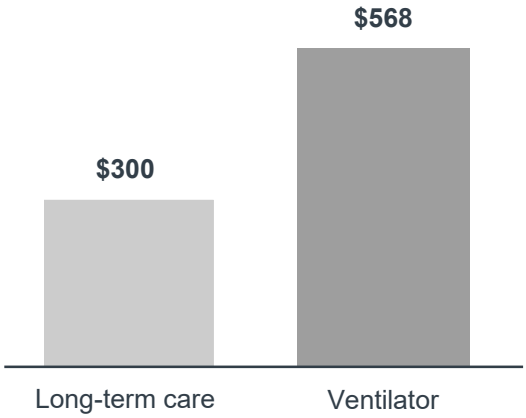
$35K

One-time incentive payment for serving 10 Medial Assistance (Pennsylvania's Medicaid program) ventilator patients[1]

> "This ventilator-weaning program has allowed us to have greater reimbursement for all of our Medicaid residents in the whole building."
>
> Anne Holladay, Administrator
> SUSQUEHANNA HEALTH SKILLED NURSING AND REHABILITATION CENTER

Additional non-Medicaid reimbursement

Representative private insurance per diem rates



1. If ventilator patients comprise at least 10% of facility's total Medicaid occupancy; payment based on one review day per quarter.

Source: Susquehanna Health Skilled Nursing and Rehabilitation Center, Muncy, PA; Post-Acute Care Collaborative interviews and analysis.

Conclusion

Specialty lines should not be chosen based on referrer interest alone—referrers' needs and preferences should be combined with a variety of inputs and considerations when analyzing potential investment opportunities. Post-acute providers must conduct their due diligence prior to investing in a new clinical specialty.

In working hand-in-hand with hospital partners to solidify volumes through program co-development, post-acute providers unlock the possibility of spillover volumes. To further maximize reimbursement potential, each post-acute provider should understand the reimbursement opportunities available in their local market and evaluate their programs to take advantage of these payment rules.

Check out part two of this three-part report to learn how post-acute providers can improve their specialty's value-based appeal.

Want more on post-acute strategy?

The Post-Acute Care Collaborative has developed numerous resources to help program leaders secure long-term growth and market share. The resources detailed below supplement the information in this publication. All of these resources are available in unlimited quantities through the Post-Acute Care Collaborative membership.

Available within Post-Acute Care Collaborative membership

Resource library: Care Pathways

Standardized care protocols can help reduce unwanted care variation and ensure high quality outcomes across an episode of care. This resource library provides a collection of implementation guidance and example protocols for specific conditions commonly managed in both acute and post-acute settings, including cardiovascular, neurological, orthopedic, and pulmonary.

Research report: Telehealth in Post-Acute Care

Telehealth continues to garner interest from providers and payers due to its potential to expand access to care, improve quality, and reduce costs. While acute care systems are currently leading the charge on telehealth implementation, it extends to the post-acute space as well. This research report will help post-acute providers understand the current market, payment mechanisms, and investment considerations for telehealth programs in order to help inform future strategy.

Implementation resource: Care Transitions Mapping Tool

The Care Transitions Mapping Tool provides insights on patient movement between acute and post-acute providers within 30 days of discharge from the acute care setting. Providers can use this data to better understand relationships between acute and post-acute care partners. They can also learn about opportunities to forge new partnerships that improve outcomes and reduce cost of care.

Implementation resource: SNF Benchmark Generator

The Skilled Nursing Facility Benchmark Generator provides Medicare benchmarks so you can compare your performance to that of your peers across an array of financial and utilization benchmarks. Providers can customize a cohort to compare their own performance to others in the same market or to SNFs with similar characteristics in other markets.

Contact us at programinquiries@advisory.com or visit advisory.com/pacc to learn more.

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