What is the Current State of Preferred Provider Networks?

Six takeaways from the 2019 Acute/Post-Acute Partnership Survey

PUBLISHED BY
Post-Acute Care Collaborative
advisory.com/pacc
postacute@advisory.com

RECOMMENDED FOR
Hospital post-acute leaders; Post-acute operational and strategic leadership

READING TIME
10 min.
Executive summary and table of contents

The Acute/Post-Acute Partnership Survey

In the fall of 2019, we surveyed providers across the country to learn more about the current state of acute/post-acute partnerships.

Survey respondent demographics

<table>
<thead>
<tr>
<th>Total respondents</th>
<th>Hospitals or health systems</th>
<th>Post-acute providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>42%</td>
<td>58%</td>
</tr>
</tbody>
</table>

This report is part of a three part series that describes the results of the survey and outlines key insights on how to drive better results from acute/post-acute partnerships.

- **Part one:** Why do providers form partnerships, and are they successful?
- **Part two:** How are acute and post-acute providers collaborating?
- **Part three:** What is the current state of preferred provider networks?

Six takeaways on the current state of preferred provider networks

Preferred provider networks are often considered the gold standard of acute/post-acute collaboration. But how are providers actually selecting network partners, and how are they managing those relationships? This report focuses on preferred provider network participation and management, describing key insights on what providers are currently doing – and what they should be doing.

**Part one: Network participation**

1. Preferred provider network participation is growing — fast. ........................................ 3
2. Networks aren’t just for SNFs anymore. ................................................................. 3
3. When it comes to selecting preferred providers, quality beats convenience. ....................... 4

**Part two: Network management**

4. Patient complexity and readmission rates top list of participation requirements. ................... 5
5. Network meetings still focus on data sharing, not process improvement. .............................. 6
6. Fewer than two-thirds of patients discharge to in-network SNFs. ...................................... 6

For an overview of all of these takeaways, along with Advisory Board best practices and supporting resources, turn to page 7.

Source: Post-Acute Care Collaborative interviews and analysis.
Preferred networks are expanding in popularity and scope

1 Preferred provider network participation is growing – fast.

Over three quarters of surveyed hospitals already had a functioning post-acute network – almost double the percentage that had one in 2017.

In addition to the 76% with a network, 6.4% of hospitals were in the process of building one, and 6.4% were planning on building a network.

Preferred provider network status, 2019
n=46

<table>
<thead>
<tr>
<th>Hospitals with a network</th>
<th>Hospitals without a network</th>
</tr>
</thead>
<tbody>
<tr>
<td>76%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Increase from 42% in 2017

2 Networks aren’t just for SNFs anymore.

On average, hospitals include three different provider types in their preferred network or networks, spanning the continuum from LTACH to independent living.

Percentage of hospital respondents including each provider type in their network

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SNF</td>
<td>100%</td>
</tr>
<tr>
<td>Home health</td>
<td>83%</td>
</tr>
<tr>
<td>IRF</td>
<td>49%</td>
</tr>
<tr>
<td>Hospice</td>
<td>40%</td>
</tr>
<tr>
<td>LTACH</td>
<td>34%</td>
</tr>
<tr>
<td>AL/IL²</td>
<td>17%</td>
</tr>
</tbody>
</table>

INSIGHT

Forming preferred partnerships with diverse provider types can help hospital systems reach more of their patients post-discharge – and start building cross-continuum programs that span multiple settings of care.

Network inclusion also correlated strongly with post-acute ownership status. Hospitals with an owned LTACH, for example, were much more likely to have an LTACH in their network than those without one.

1. The 2017 Bundled Payment Survey had 194 respondents; 60% of respondents represent hospitals or health systems, 24% of respondents represent post-acute providers, and 13% of respondents represent physician groups.

Source: Post-Acute Care Collaborative interviews and analysis.
Quality is still king: outcomes drive network strategy

When it comes to selecting preferred providers, quality beats convenience.

When asked to choose the three most important metrics they consider when selecting preferred providers, hospitals picked quality – readmission rates and star ratings – at almost twice the rate as any other qualification.

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Percent selecting in the top three</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readmission rates</td>
<td>70.60%</td>
</tr>
<tr>
<td>Published quality scores (e.g., Star Ratings)</td>
<td>64.70%</td>
</tr>
<tr>
<td>Average length of stay in post-acute setting</td>
<td>38.20%</td>
</tr>
<tr>
<td>Geographic location</td>
<td>38.20%</td>
</tr>
<tr>
<td>Volumes currently discharged to post-acute provider</td>
<td>29.40%</td>
</tr>
<tr>
<td>In-setting quality outcomes (e.g., adverse events, mortality)</td>
<td>23.50%</td>
</tr>
</tbody>
</table>

Although quality was the clear winner, additional analysis showed that most respondents consider each of the above qualifications important when selecting preferred partners:

- **Fewer than 12% of respondents** selected staffing levels, bed availability/timeliness of home health delivery, and amenities as a priority. However, less than 5% indicated these qualifications were “not important at all.”

- **“Volumes currently discharged to post-acute provider”** was the most polarizing choice. Close to 30% selected it as a top three priority, and 24% indicated that it was not a priority at all – the highest of any listed qualification.

**INSIGHT**

Hospital systems need to consider diverse qualifications when they’re selecting preferred partners. At minimum, they should evaluate:

- Where are you already sending patients?
- Which providers are already performing well on the quality and efficiency metrics *that you’re at risk for*?
- What providers in the market have specialty programs that can help you manage difficult patient populations?
- Which providers have shown a willingness or capacity to collaborate?

Source: Post-Acute Care Collaborative interviews and analysis.
Affiliation agreements present key opportunity to align goals

Patient complexity and readmission rates top list of participation requirements.

The majority of hospitals – 65.6% – have a formal contract or affiliation agreement with all of their preferred providers, and 21.9% have agreements with just some of their partners. Of those with formal partnership agreements, 88.2% had expectations included in those agreements.

<table>
<thead>
<tr>
<th>Types of expectations included in network affiliation agreements</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness to accept complex patients</td>
<td>59%</td>
</tr>
<tr>
<td>Readmission targets</td>
<td>53%</td>
</tr>
<tr>
<td>Willingness to accept Medicaid or unfunded patients</td>
<td>53%</td>
</tr>
<tr>
<td>Length of stay targets</td>
<td>37%</td>
</tr>
<tr>
<td>Other (e.g., meeting frequency, etc.)</td>
<td>21%</td>
</tr>
</tbody>
</table>

Network affiliation agreements can help providers set common goals and expectations with their partners. To identify goals to write into the agreement, hospitals should evaluate their partners’ current performance and their own aspirations for the network. Then, collaborate with each individual provider to set shared, achievable expectations.

While the specific expectations will vary based on individual provider goals and market dynamics, each agreement should include commitments related to willingness to collaborate and participation in cross-network meetings.

Source: Post-Acute Care Collaborative interviews and analysis.
Still work to be done: network meetings and in-network utilization

5 Network meetings focus on data sharing, not process improvement.

Most hospitals meet with their full preferred network at least quarterly. When asked to choose the primary focus of those meetings:

- 52.2% selected reviewing data
- 33.3% selected identifying opportunities for quality or process improvement
- Less than 10% selected ‘other’

**INSIGHT**

Networks should meet at least quarterly – but these meetings need to go beyond data tracking. Network meetings are an ideal opportunity for partners to share best practices, brainstorm new strategies, and learn about new joint initiatives.

6 Fewer than two-thirds of patients discharge to in-network SNFs.

Hospitals only benefit from networks if their patients elect to discharge to a provider within that network. Although in-network utilization rates can vary widely by market, the survey data showed that on average, around 63% of patients discharge to in-network SNFs.

**Percentage of patients selecting an in-network SNF**

<table>
<thead>
<tr>
<th>Minimum</th>
<th>Average</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>63.4%</td>
<td>98%</td>
</tr>
</tbody>
</table>

**INSIGHT**

Patient choice laws restrict direct referrals to specific post-acute providers. However, hospitals can guide patients to preferred partners by discussing the benefits of choosing a preferred provider and sharing quality information with patients and families.

Source: Post-Acute Care Collaborative interviews and analysis.

© 2020 Advisory Board • All rights reserved
## Support for improving network outcomes
### Mapping Advisory Board best practices to survey findings

<table>
<thead>
<tr>
<th>Survey finding</th>
<th>Advisory Board insight</th>
<th>Supporting resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Preferred provider network participation is growing – fast</td>
<td>Preferred provider networks are an ideal tool for hospitals to manage post-discharge outcomes and spend. For post-acute providers, involvement in a network can open up new opportunities to grow volumes and improve quality outcomes.</td>
<td>• For hospitals: The Blueprint for a Successful Post-Acute Network</td>
</tr>
<tr>
<td>2 Networks aren’t just for SNFs anymore</td>
<td>When creating a network, hospitals should include post-acute providers who already excel at the metrics they’re tracking (e.g., LOS, readmissions) and those that receive a substantial portion of their patient population.</td>
<td>• For post-acute providers: The Playbook for Hospital/Post-Acute Collaboration</td>
</tr>
<tr>
<td>3 When it comes to selecting preferred providers, quality beats convenience</td>
<td>When it comes to selecting preferred providers, quality beats convenience.</td>
<td>• Post-Acute Pathways Explorer</td>
</tr>
<tr>
<td>4 Patient complexity and readmission rates top list of participation requirements</td>
<td>Work with your partners to set common goals and expectations – and write them into partnership agreements. All agreements should include expectations around active participation in the network (meeting attendance, etc.).</td>
<td>• The Blueprint for a Successful Post-Acute Network – steps 3 and 4</td>
</tr>
</tbody>
</table>
| 5 Network meetings still focus on data sharing, not quality improvement | • Networks should meet at least quarterly  
• Use meetings to share best practices, brainstorm new strategies, and learn about key joint initiatives | • Strategies for Implementing and Managing a Hospital-PAC Affiliation Agreement |
| 6 Fewer than two-thirds of patients discharge to in-network SNFs | To improve in-network utilization rates, hospitals should:  
• Develop informative patient-facing discharge education resources  
• Educate discharge planners and physicians about preferred providers | • The Blueprint for a Successful Post-Acute Network – step 4 |

Source: Post-Acute Care Collaborative interviews and analysis.
LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources; however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member’s situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of those tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the “A” logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, or logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the “Report”) are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.

2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.

3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.

4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.

5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.

6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.
Advisory Board helps leaders and future leaders in the health care industry work smarter and faster by providing provocative insights, actionable strategies, and practical tools to support execution.

With more than 40 years of experience, a team of over 250 experts, and a network of nearly 5,000 member organizations, we spend more time researching the now and predicting the next than anyone else in the health care industry.

We know that together we can change the business of health care for the better. Join us by visiting advisory.com.