

# PAC 101: The Rationale for a Post-Acute Network

Understanding the health system incentives and market challenges driving collaboration with post-acute care providers

**PART 2:** *How can you benefit from a post-acute network?*

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RESEARCH REPORT

# How to Benefit from a Post-Acute Network

## Networks control variability and facilitate targeted patient solutions

Post-acute providers' quality, efficiency, and alignment with hospitals and physician groups significantly affect the payment incentives we outlined in the first volume of this PAC 101 series, *Why focus on post-acute care?*<sup>1</sup> Health systems must ensure that PAC providers receiving referrals are aligned with their hospitals' interests and can help achieve their goals. Accordingly, health systems should consider establishing networks of post-acute providers as a means of forging this alignment.

### Post-acute network defined

A post-acute network refers to a group of post-acute providers selected by a hospital for the purposes of raising standards of care or collaborating to solve post-discharge challenges in the market. To form a network, the hospital establishes a set of "preferred providers"—either through open invitation or a data-based selection process—and agrees to collaborate with these providers to address cost and quality of care issues.

It is important to note that the Medicare's Conditions of Participation restrict hospital discharge planners from limiting a patient's choice of post-acute providers. As such, networks can run afoul of patient choice regulations if not executed correctly.

#### RESOURCES FOR POST-ACUTE CARE COLLABORATIVE MEMBERS

Access our [Guide to Promoting In-Network Utilization](#), which outlines the legal considerations impacting patient choice when creating a post-acute network—and how hospitals are educating patient and families accordingly.

### Achieving results with a post-acute network

Forming a network can help health systems improve in post-acute care via two main approaches. A network can be used either to direct volumes away from lower-quality providers or to elevate the quality of a group of providers through collaboration. Networks often deploy both strategies simultaneously, but the former is more challenging given fee-for-service Medicare regulations restricting patient steerage. The following pages explain both approaches in greater detail.

#### Approach 1: Increase utilization of higher-quality post-acute providers:

- **Objective:** Reduce referrals to lower-quality providers.
- **Levers of change:** Excluding lower-quality providers and demanding care quality investments from in-network providers to remain "preferred."
- **Challenges:**
  - Case managers cannot legally steer fee-for-service Medicare patients to a specific post-acute provider. However, hospital systems can inform patients of in-network providers when presenting provider lists to patients and families.
  - Legal opinion on practices to raise awareness of preferred providers without direct steering remains mixed. Accordingly, networks may struggle to translate network formation to narrow referral relationships for Medicare fee-for-service populations.

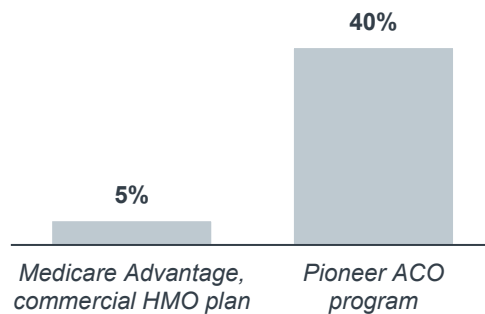
1) Managed care plans and post-acute providers also form networks for similar purposes, but for simplicity this briefing discusses only hospital-based networks.

In this first approach, a hospital system uses a preferred network to reduce referrals to low-quality providers and encourage preferred providers to elevate standards of care to remain in the network. For example, by narrowing a network of providers to just those with reasonable readmission rates, health systems reduce readmission risk and improve their own performance.

This provider-narrowing approach is a quick and low-cost solution, as it requires only the time commitment to conduct provider selection and discharge planner buy-in to adhere to the network. However, such a strategy may be more effective with commercial patients, as discharge planners often struggle to implement such networks into practice. The case of a pseudonymed physician group's network management experience showcases these differences by payer.

### Care sought outside of network

*Daisy Physician Group<sup>2</sup>*



#### Case in brief

- Small, independent practice association located in the East
- Participates in Pioneer ACO program; has risk contracts with commercial HMO and Medicare Advantage (MA) plans
- Leakage rates (all services) under Pioneer ACO much higher than MA plans, given Medicare's open benefits

### Approach 2: Collaborate on mutual performance improvement

- **Objective:** Create infrastructure to share best practices and partner with post-acute providers on quality and cost improvement initiatives.
- **Levers of change:** Communications mechanisms, data tracking for performance improvement, and shared care management investments.
- **Challenges:**
  - Effective collaboration may also require network narrowing, given the time commitment of training many post-acute providers in new best practices or network standards.
  - Investment costs for care management staff, IT interfaces, and readmissions committees, for example, may exceed the various negative financial incentives, such as Medicare value-based purchasing penalties.
  - Given numerous opportunities to improve care between acute and post-acute providers, health systems must be judicious with resources invested unless moving toward long-term risk.

In this approach, a health system establishes a network of providers to scale performance improvement initiatives. For example, health systems may use larger networks of post-acute providers to disseminate universal transfer forms, agree on service timeliness standards for home health admissions, and establish mechanisms for problem resolution such as readmission root cause committees. Smaller networks can be used for more time- and resource-intensive commitments.

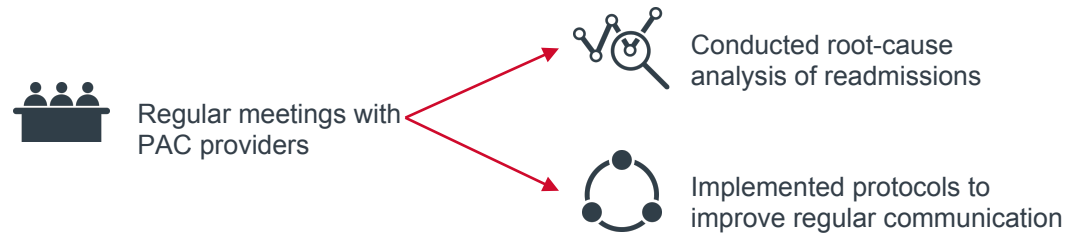
#### RESOURCES FOR POST-ACUTE CARE COLLABORATIVE MEMBERS

Access our [Post-Acute Consortium Toolkit](#), which provides a template to develop an effective post-acute consortium in three steps: determine structure, recruit appropriate attendees, and run effective meetings.

2) Pseudonym.

Showcased in the case below, the Bay Area Hospitals' collaborative for readmission reduction realized a significant improvement on readmissions and cost by simply establishing a communication infrastructure between the hospital system and area PAC providers. This case highlights how a low-cost communication initiative across a network of PAC providers can have a significant impact on mutual performance.

### Bay Area Hospitals' readmission reduction collaborative with PAC



### Collaboration yields improvements in outcomes and savings

**20%** Reduction in readmissions

**\$39M** Estimated savings for the health care system

### Conclusion

While multiple approaches exist for driving performance improvement efforts via a post-acute network, the ultimate success hinges on identifying the right partners. Not all available partners are going to align with your organization's specific needs and strategies.

Read the final installment in our PAC 101 series, *How can you build a post-acute network?*, and learn about our recommended three-tier approach for building the optimal post-acute network.

## Interested in more information?

For more information on the topic of post-acute care network development, explore the Advisory Board's [Post-Acute Care Collaborative](#).

We provide best-practice research and market-level analytics to advance post-acute business performance and population health impact.

Sample resources providing further support on this topic include the following:

### Understand your market:

- [Post-Acute Pathways Explorer](#): View post-acute dynamics for a given market, including patient volumes, post-acute utilization, and outcomes data.
- [Skilled Nursing Facility Performance Profiler](#): View individual SNF performance, including cost of care metrics by diagnosis and DRG.
- [Home Health Performance Profiler](#): View individual home health agency performance and utilization data, including the ability filter by diagnosis or DRG.

### Drive change in your market:

- [Post-Acute Resources for Hospital Discharge Planners](#): Access sample forms and templates to improve transitions between hospitals and post-acute providers.
- [Post-Acute Cheat Sheets for patients](#): Get our cheat sheets for educating patients on the transition to post-acute care and detailed information on each type of post-acute care provider including SNFs, LTACHS, IRFs and more.
- [Post-Acute Consortium Toolkit](#): Learn how to build and operate a successful consortium, and get sample resources and templates that you can use to develop and improve your own.

Visit the Post-Acute Care Collaborative's webpage at [advisory.com/pacc](https://advisory.com/pacc).  
Or contact [programinquiries@advisory.com](mailto:programinquiries@advisory.com) for more information.

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