Overview

• What is Clear About the State of Post-Acute Care?

• What is Unclear and What Implications Does that Have for System Redesign and Timing?

• What is a Possible Policy and Operational Pathway for PAC Reform (using Kindred as an example).
# The State of Post-Acute Care

## What is Clear?

1. Variation in PAC spending suggests a misallocation of services and resources.

2. FFS Payment System is a big part of problem.
   - Incentives
   - Silos ≠ Care Coordination
   - FFS rules run counter to integrated care

3. System must be Reformed
   - Clinical Integration
   - Payment System

4. System Re-Design should be “Patient-Centered,” not just about payment reform.

## What is Unclear?

1. Appropriate level and mix of PAC services
   - Risk adjustment and danger of applying “averages” to individuals
   - Mix of PAC vs. Acute Care?
   - Comparable Outcomes?

2. Changing Payment System alone will not produce desired results
   - Blended FFS and Bundling Approach Challenging
   - Quality / Stinting risk
   - What is appropriate base?

3. Reform Pathway Unclear
   - Timing?
   - Sequence (Payment System vs. Delivery System)?
   - Who should be in “control?”

4. What are the characteristics of a patient-centered system?
Kindred’s View of PAC Reform Trends
Preparing for Significant Policy and Market Trends

- Reduced reimbursement from Government and private payers
- Cuts from sequester / deficit reduction
- Lengths-of-stay continue to fall
- Many entities developing “care management” and “population health” capabilities such as MCOs, ACOs, and independent “care management” organizations
- Episodic care and “bundled” payment methodologies require capabilities to coordinate patient care across care settings into the home

Current Approximate Payor Mix

- Fee for Service (FFS)
- Managed Care

Potential Future Payor Mix

- FFS
- Managed Care
- ACOs, bundle holders

Demand for PAC Services Strong
- Aging population/demographic trends
- Growing Medicare enrollment
- Expanded Medicaid and insurance coverage
- Rise in prevalence of chronic diseases

FFS Pricing Pressures will Continue
- Reduced reimbursement from Government and private payers
- Cuts from sequester / deficit reduction
- Lengths-of-stay continue to fall

Expanding Role for Home Health
- More concerted effort by ACOs and MCOs to manage PAC utilization
- Home and Community Based Care Needs to Evolve into a Platform for Population Management
- Increasing need for Home Care capabilities supporting episodic payment

Care Management Across a Post-Acute Episode of Care
- Many entities developing “care management” and “population health” capabilities such as MCOs, ACOs, and independent “care management” organizations
- Episodic care and “bundled” payment methodologies require capabilities to coordinate patient care across care settings into the home
A Step-Wise Approach Designed to

► **Step One**: Develop the full continuum of post-acute services in local health care delivery markets;

► **Step Two**: Provide “care management” services to patients throughout an entire post-acute episode of care; and

► **Step Three**: Test and implement “pay for value” and risk-based payment models.

**Expected Outcomes**

- Improved Quality and Patient Satisfaction
- Reducing Hospital Readmissions
- Lower Cost for an Episode of Care

**Kindred’s Integrated Care Market Strategy**

**Designed to Prepare for a Delivery System that is More Clinically Integrated with Shared Financial Incentives**
Care Management as a Key Enabler in PAC Reform

Care Management Capabilities
- Physician Coverage Across Sites of Service
- Care Managers to Smooth Transitions
- Information Sharing and IT Connectivity
- Mechanisms to Make Patient Care Placement Decisions
- Condition-Specific Clinical Programs, Pathways and Outcome Measures

CARE MANAGEMENT DIVISION
Patient-Centered Population Health and Medical Home Model
Kindred’s Health Information Exchange

- Improve care coordination with referring hospitals in our communities
- Supports qualification for Meaningful Use by receiving care summaries

Cleveland Clinic
- Physicians can be notified when Kindred is treating one of their patients
- Patient Care Summaries can be exchanged

I-T Linkages and Information Sharing

- Kindred has implemented fully functional Electronic Medical Records in each of our Service Lines.
- Patient level data is linked across platforms through a supporting data repository.
- Each Kindred EMR produces care summaries that comply with government Meaningful Use incentives.

- MCOs and ACOs can be notified that Kindred is treating one of their patients
- Patient Care Summary can be exchanged

- Connections to State and Community HIEs allow patient information to be shared with other care providers in the community
Rationale for Kindred Participating in the Bundling Demonstration

The Model 3 BPCI program includes many challenges:

- Providers are accountable for care that they do not provide
- Episodes are defined by patients’ short-term acute care diagnoses without adequate risk adjustment
- Payments determined by first site of PAC Discharge – Kindred elected to exclude Home Health
- Payment remains Fee-for-Service with a retrospective financial reconciliation
- Performance and claims data are not available in real time and lag patient and caregiver experience
- Current FFS payment rules remain largely in place

So Why Participate?

To prepare for a future healthcare system that is more integrated, patient (consumer) centered and pays for value,

...where the current payment systems penalize post-acute providers for creating value through reductions in length-of-stay and getting more patients to the most clinically appropriate and cost effective setting sooner
A critical challenge for Kindred will be to partner with other providers to improve quality and reduce Medicare spending over the 60-day episode.

### Percent of 60-Day Episode Payments

<table>
<thead>
<tr>
<th>Condition</th>
<th>Kindred Initiating Site Payments</th>
<th>Downstream Payments (excluding RAC)</th>
<th>STAC Readmission Payments</th>
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</thead>
<tbody>
<tr>
<td>Simple Pneumonia / Respiratory Infections</td>
<td>55%</td>
<td>28%</td>
<td>17%</td>
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<tr>
<td>Other Respiratory</td>
<td>54%</td>
<td>29%</td>
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<tr>
<td>Major Joint Replacement of the Lower Extremity</td>
<td>63%</td>
<td>31%</td>
<td>6%</td>
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<tr>
<td>Hip &amp; Femur Procedures Except Major Joint</td>
<td>76%</td>
<td>18%</td>
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<tr>
<td>Sepsis</td>
<td>61%</td>
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<tr>
<td>COPD / Bronchitis / Asthma</td>
<td>42%</td>
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<tr>
<td>CHF</td>
<td>47%</td>
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<tr>
<td>TOTAL</td>
<td>57%</td>
<td>30%</td>
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# Possible Framework for PAC Reform

<table>
<thead>
<tr>
<th>PAC Hospitals Readmissions Reduction Program</th>
<th>Slows Spending Growth and Achieve Budget Savings</th>
<th>Encourages Appropriate Patient Placement and Utilization</th>
<th>Facilitates Improved Care Transitions</th>
<th>Encourages Quality with Consistent Metrics</th>
<th>Promotes Patient Responsibility/Participates in Care</th>
<th>Supports Innovation</th>
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<td>Market Basket Cuts</td>
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<td>Reduce Reimbursement for Bad Debt</td>
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<tr>
<td>Rebase SNF Payments</td>
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</table>

![Interim PAC Proposals that should be prioritized](Image)

![Interim PAC Proposals that should be carefully evaluated](Image)

![PAC Proposals that should be rejected](Image)