



Kindred  
Healthcare

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THE CARE

*Dedicated* to Hope, Healing and Recovery

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# KINDRED HEALTHCARE

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The Health Industry Forum

Policy Roundtable  
March 18, 2014

# 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  $\neq$  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.**

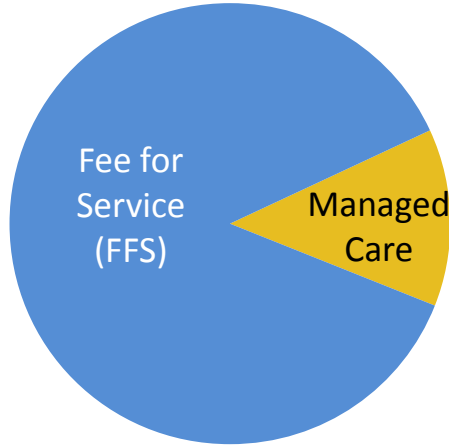
## What is Unclear?

- 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?**

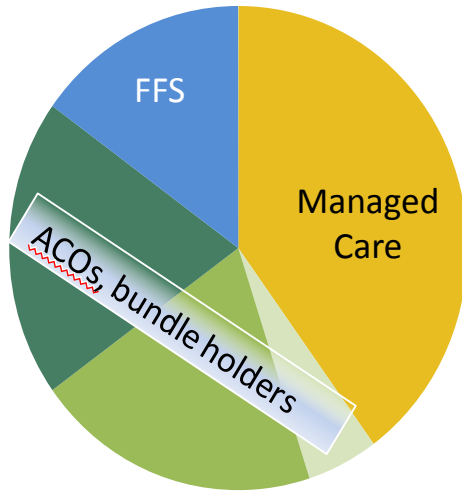
# Kindred's View of PAC Reform Trends

## Preparing for Significant Policy and Market Trends

Current  
Approximate  
Payor Mix



Potential  
Future Payor  
Mix



- Hospitals
- Health Systems
- Other PAC providers

### 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

# Kindred's Integrated Care Market Strategy

Designed to Prepare for a Delivery System that is More Clinically Integrated with Shared Financial Incentives

## A Step-Wise Approach Designed to

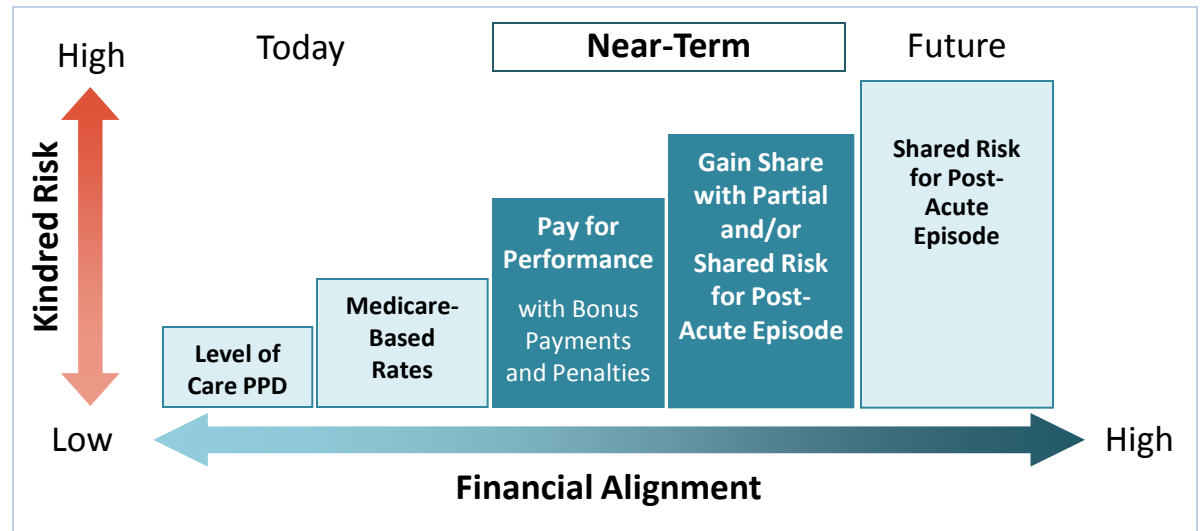
- ▶ **Step One:** Develop the full continuum of post-acute services in local health care delivery markets;
- ▶ **Step Two:** Provide “care management” services to patients throughout an entire post-acute episode of care; and
- ▶ **Step Three:** Test and implement “pay for value” and risk-based payment models.

## Expected Outcomes

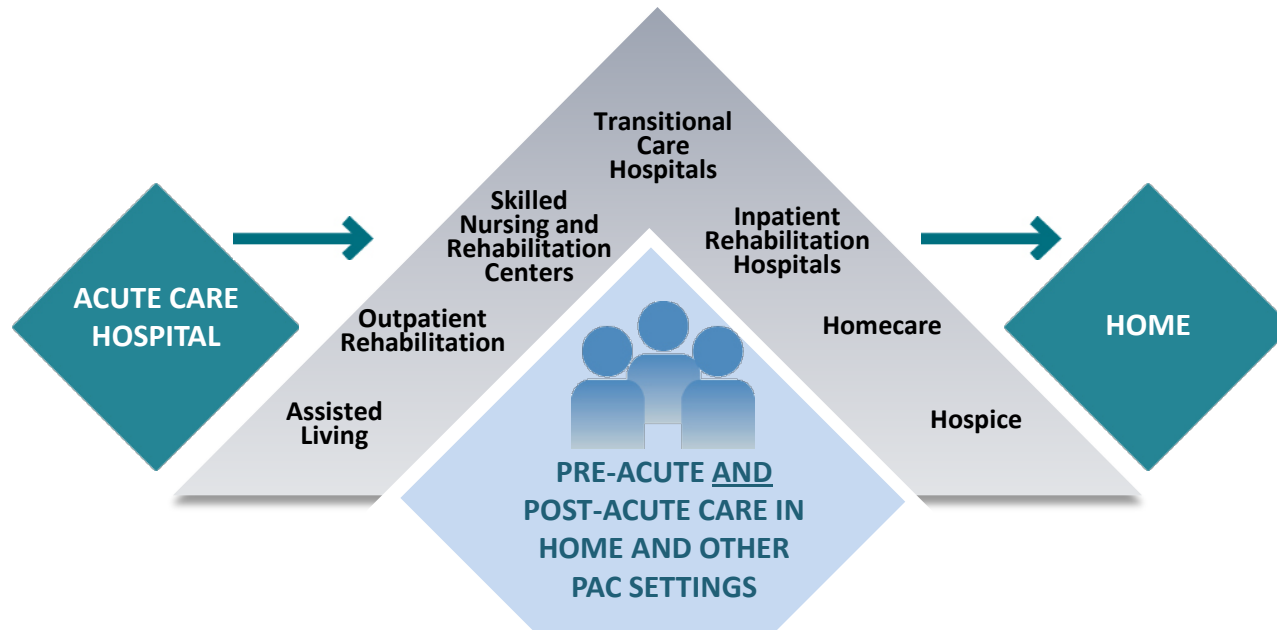
Improved Quality and Patient Satisfaction

Reducing Hospital Readmissions

Lower Cost for an Episode of Care

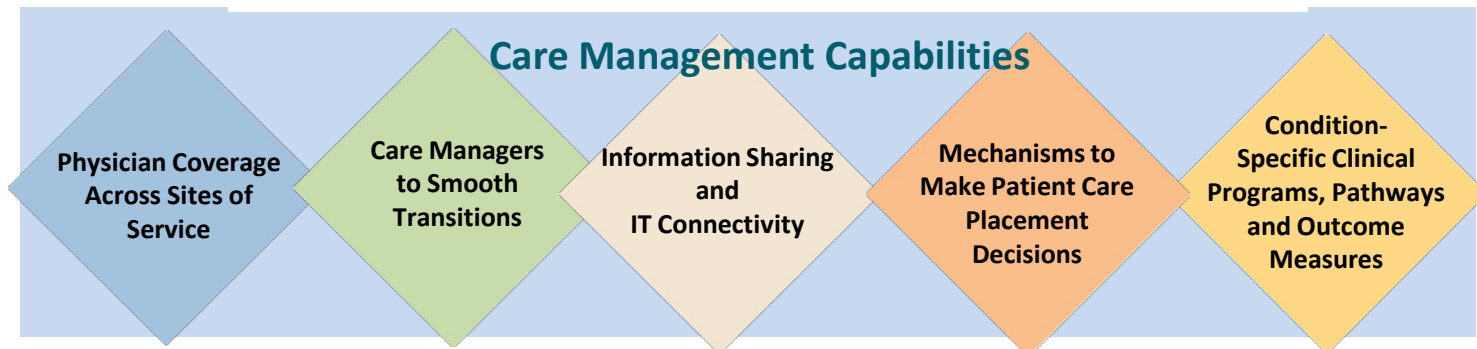


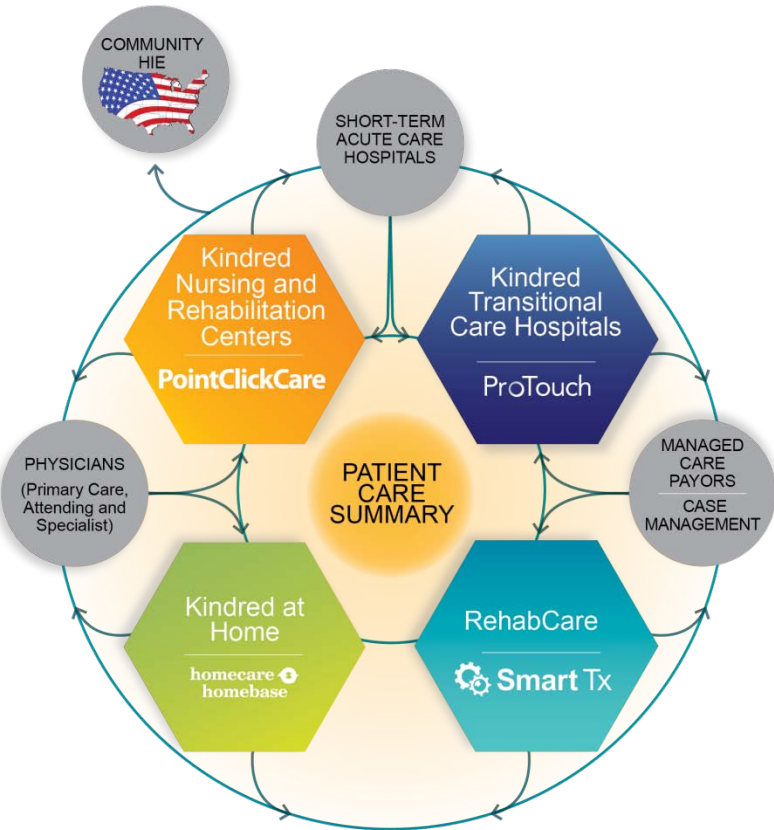
# Care Management as a Key Enabler in PAC Reform



## CARE MANAGEMENT DIVISION

### Patient-Centered Population Health and Medical Home Model





Short-Term Acute Care Hospitals

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



Physicians (Primary Care & Attending)

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



Managed Care Payors  
Case Management

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

Community HIE

- Connections to State and Community HIEs allow patient information to be shared with other care providers in the community



- 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.

# 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	Kindred Initiating Site Payments	Downstream Payments (excluding RAC)	STAC Readmission Payments
Simple Pneumonia / Respiratory Infections	55%	28%	17%
Other Respiratory	54%	29%	17%
Major Joint Replacement of the Lower Extremity	63%	31%	6%
Hip & Femur Procedures Except Major Joint	76%	18%	5%
Sepsis	61%	29%	10%
COPD / Bronchitis / Asthma	42%	39%	19%
CHF	47%	33%	19%
TOTAL	57%	30%	13%

# Possible Framework for PAC Reform

	Slows Spending Growth and Achieve Budget Savings	Encourages Appropriate Patient Placement and Utilization	Facilitates Improved Care Transitions	Encourages Quality with Consistent Metrics	Promotes Patient Responsibility/ Participates in Care	Supports Innovation
PAC Hospitals Readmissions Reduction Program	✓	✓	✓	✓	✓	
LTCH Patient and Facility Criteria	✓	✓	✓		✓	
Part B Therapy Payment Reform	✓	✓		✓	✓	✓
IRF/SNF Payment Equalization	✓	✓				
IRF 75% Rule	✓	✓				
HHA Co-Payment	✓				✓	
Market Basket Cuts	✓					
Reduce Reimbursement for Bad Debt	✓					
Rebase SNF Payments	✓					

 Interim PAC Proposals that should be prioritized

 Interim PAC Proposals that should be carefully evaluated

 PAC Proposals that should be rejected