Community Health Center Association Of Connecticut Community Health Summit

APM, Saving Our Financial Future One PMPM At a Time

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Financial & Operational Case For an APM

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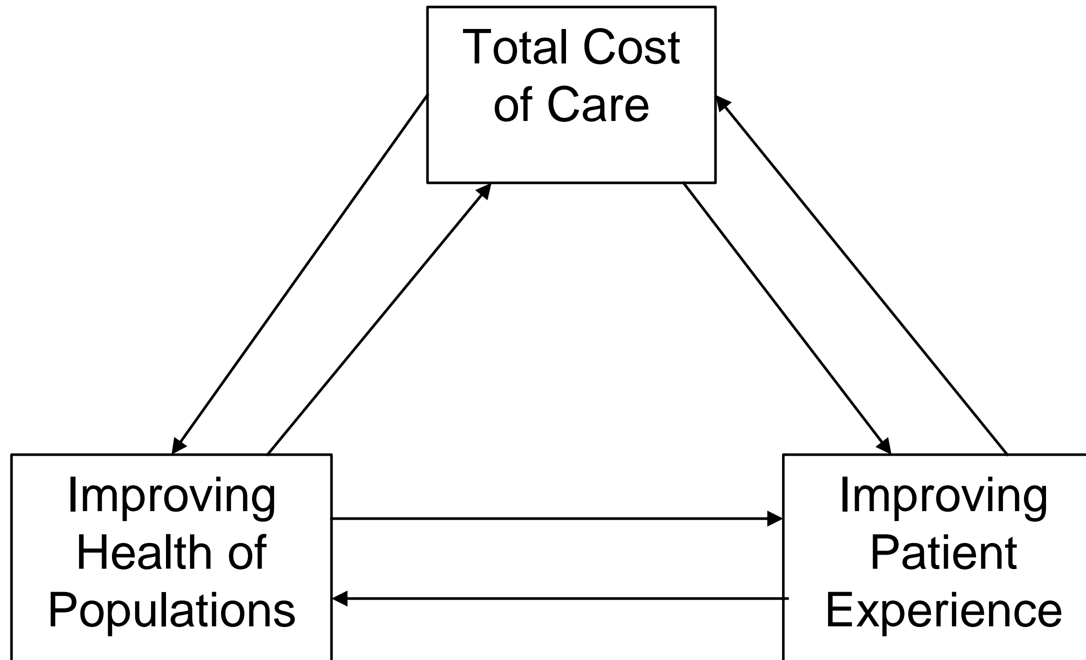
The Triple Aim



FQHC Revenue Model

TODAY

SERVICE PAYMENT		TRIPLE AIM PAYMENT
TODAY	PPS BASED ON VOLUME	NONE
FUTURE	APM BASED ON PATIENTS PCMH/CASE MANAGEMENT ADD-ON	SHARED SAVINGS QUALITY BONUS PATIENT ENGAGEMENT BONUS

FUTURE

Why Is the Staffing Model Changing In PCMH / Practice Transformation?

- Allows providers to use more of their “provider brain” to better manage patients and create better outcomes
- Improve provider satisfaction
- Improve quality, and the documentation of quality
- Eliminate less effective provider visits (i.e. patient came in for follow-up visit without having labs drawn)
- HEDIS/population health
- Build upon the PCMH model
- Earn pay for performance (either now or in the future)

Summary of State Innovation Model (SIM) Payment Reform Council (PRC)

- Group of stakeholders – State, plans, FQHCs, other providers worked together with consultant to consider primary care payment reform
- Conclusion was a revised system for per-member per-month payment:
  - Basic bundle for basic primary care service
  - Supplemental bundle for additional services, both current and future investment of $. Unclear how FQHC bundled rate fit into this package
- Since it was from CMS, needed to include all payors (Medicare, Medicaid, commercial)

Potential Shift In CHC Revenue

Health Center Revenue Composition

	2010	2018	2023
Medicaid	45%	62%	60%
Other PSR	19%	20%	19%
Grants & Contracts	36%	17%	15%
P4P	0%	1%	6%

100%
80%
60%
40%
20%
0%

■ Medicaid ■ Other PSR ■ Grants & Contracts ■ P4P

Health Center Trend Summary

- It is hard to recruit providers, and not enough providers lowers revenue from visits
- Visits per provider per day and per year are declining, and lower provider productivity lowers revenue from visits
- Medicare & Medicaid rate increases of approximately 1.2% per year are not enough to keep up with provider compensation increases (10%), staff raises (3%), and inflation (2.2 %)
- Not enough pay for performance revenue to offset the decline in patient service revenue
- 330 grant is a constant dollar amount
- The financial benefit of Medicaid expansion has already occurred

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Health Center Trend Summary

- Our electronic health record (EHR) specifically, and technology generally, keeps eating up a greater portion of our budget
- New staff (health coaches, referral coordinators) for better patient management are not billable
- Loan repayment program more difficult to qualify for

SO WHAT DO WE DO?

Scenario 1:
Impact of Provider Productivity Trend on Revenue Model

Scenario 1: Decreased visits leads to decreased revenue, increased provider salary increases cost

	Current	PPS Productivity
Provider FTEs	10	10
Visits/FTE	3,900	3,500
Total Visits	39,000	35,000
Patients	13,000	11,667
Visits PPPY	3.0	3.0
Provider Panel Size	1,300	1,167
Net Revenue/Visit PMPM	$ 120.00	$ 120.00
Patient Service Revenue	$ 4,680,000	$ 4,200,000
P4P Revenue		
Grant & Other Revenue	$ 1,300,000	$ 1,300,000
Total Revenue	$ 5,980,000	$ 5,500,000
Provider Compensation	$ 1,750,000	$ 1,750,000
Variable Staff Compensation	$ 1,200,000	$ 1,200,000
Fixed Staff Compensation	$ 1,600,000	$ 1,600,000
Total Compensation	$ 4,550,000	$ 4,550,000
Variable OTPS	$ 600,000	$ 538,462
Fixed OTPS	$ 780,000	$ 780,000
Total OTPS	$ 1,380,000	$ 1,318,462
Total Expense	$ 5,930,000	$ 5,868,462
Net Income	$ 50,000	$ (368,462)

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Margin Analysis of Productivity Decrease

<u>Revenue</u>

Net revenue per visit $120 x (100) = ($12,000)

<u>Expense</u>

- Provider and staff salary - $0
- Medical supplies $6 x (100) = ($600)
- Office supplies - $3 x (100) = ($300)

<u>Margin – Change in Profit/(Loss)</u>

- ($12,000) – (900) = ($11,100)

Scenario 2:
Impact of Provider Market on Today's Revenue Model

Scenario 2: Decreased revenue from vacancies is greater than decreased cost. Health center loses providers' gross margin.

	Current	PPS Provider Vacancies
Provider FTEs	10	8
Visits/FTE	3,900	3,900
Total Visits	39,000	31,200
Patients	13,000	10,400
Visits PPPY	3.0	3.0
Provider Panel Size	1,300	1,300
Net Revenue/Visit	$ 120.00	$ 120.00
Patient Service Revenue	$ 4,680,000	$ 3,744,000
P4P Revenue		
Grant & Other Revenue	$ 1,300,000	$ 1,300,000
Total Revenue	$ 5,980,000	$ 5,044,000
Provider Compensation	$ 1,750,000	$ 1,400,000
Variable Staff Compensation	$ 1,200,000	$ 960,000
Fixed Staff Compensation	$ 1,600,000	$ 1,600,000
Total Compensation	$ 4,550,000	$ 3,960,000
Variable OTPS	$ 600,000	480,000
Fixed OTPS	$ 780,000	$ 780,000
Total OTPS	$ 1,380,000	$ 1,260,000
Total Expense	$ 5,930,000	$ 5,220,000
Net Income	$ 50,000	$ (176,000)

Scenario 3: Financial Implications of PCMH Under PPS

	Current		PPS PCMH
Provider FTEs	10		10
Visits/FTE	3,900		3,900
Total Visits	39,000		39,000
Patients	13,000		13,448
Visits PPPY	3.0		2.9
Provider Panel Size	1,300		1,345
Net Revenue/Visit	$ 120.00		$ 120.00
Patient Service Revenue	$ 4,680,000		$ 4,680,000
P4P Revenue			$ 25,000
Grant & Other Revenue	$ 1,300,000		$ 1,300,000
Total Revenue	$ 5,980,000		$ 6,005,000
Provider Compensation	$ 1,750,000		$ 1,750,000
Variable Staff Compensation	$ 1,200,000		$ 1,400,000
Fixed Staff Compensation	$ 1,600,000		$ 1,600,000
Total Compensation	$ 4,550,000		$ 4,750,000
Variable OTPS	$ 600,000		$ 600,000
Fixed OTPS	$ 780,000		$ 780,000
Total OTPS	$ 1,380,000		$ 1,380,000
Total Expense	$ 5,930,000		$ 6,130,000
Net Income	$ 50,000		$ (125,000)

Scenario 3: Slight increase in P4P revenue is not enough to offset increased PCMH costs.

Thoughts on Utilizing Providers In 2019

1973

1982 Ford Escort

1972 Chevy Impala

1974

In 2019, what is expensive and in short supply in the future?

Cost of Workers

- Physician - $170,000 – $240,000
- PA & NP - $105,000 - $130,000
- RN - $70,000 - $85,000
- Integrated behavioral health provider - $65,000
- Medical assistant 1 - $12/hr
- Medical assistant 2 - $14/hr
- Medical assistant 3 - $20/hr
- Care coordinator - $20/hr
- Front desk - $13/hr
- Scribe

Actual – Visits to Touches

Average Visits PMPY and Average Engagement Touches PMPY

Average of Visits PMPY | Average of Engagement Touches PMPY

4

3

Group Average (Visits PMPY)

2

Group Average (Engagement Touches PMPY)

1

Jul 2013 | Jan 2014 | Jul 2014 | Jan 2015 | Jul 2015 | Jan 2016 | Jul 2016

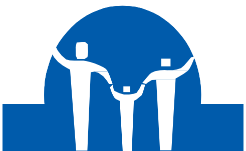
BUT YOU SAID WE DON'T GET PAID FOR THIS!!!

What Is An APM?

- An Alternative Payment Methodology (APM) allows a State Medicaid program to pay community health centers (FQHCs) differently than on the per-visit basis
- A health center must receive at least as much as it would have gotten under the Prospective Payment System (PPS) per-visit methodology
- Generally, the payment is on a per member per month (PMPM) basis
- Health center APMs exist in today in Washington State and Oregon, and are under development in over a dozen states

How Does It Work?

Medicaid Patients	10,000
Visits Per Patient Per Year	3
Total Medicaid Visits	30,000
Medicaid Rate per Visit	$ 150.00
Medicaid Revenue	$ 4,500,000
Medicaid Member Months (10,000 x 12 months/year)	120,000
APM Rate Per Member Per Month	$ 37.50



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Scenario 4: PCMH with APM

	Current		PPS PCMH		APM PCMH
Provider FTEs	10		10		10
Visits/FTE	3,900		3,900		3,900
Total Visits	39,000		39,000		39,000
Patients	13,000		13,448		13,929
Visits PPPY	3.0		2.9		2.8
Provider Panel Size	1,300		1,345		1,393
Net Revenue/Visit PMPM	$ 120.00		$ 120.00		$ 30.00
Patient Service Revenue	$ 4,680,000		$ 4,680,000		$ 5,014,286
P4P Revenue			$ 25,000		$ 50,000
Grant & Other Revenue	$ 1,300,000		$ 1,300,000		$ 1,300,000
Total Revenue	$ 5,980,000		$ 6,005,000		$ 6,364,286
Provider Compensation	$ 1,750,000		$ 1,750,000		$ 1,750,000
Variable Staff Compensation	$ 1,200,000		$ 1,400,000		$ 1,500,000
Fixed Staff Compensation	$ 1,600,000		$ 1,600,000		$ 1,600,000
Total Compensation	$ 4,550,000		$ 4,750,000		$ 4,850,000
Variable OTPS	$ 600,000		$ 600,000		$ 600,000
Fixed OTPS	$ 780,000		$ 780,000		$ 780,000
Total OTPS	$ 1,380,000		$ 1,380,000		$ 1,380,000
Total Expense	$ 5,930,000		$ 6,130,000		$ 6,230,000
Net Income	$ 50,000		$ (125,000)		$ 134,286

Scenario 4: Increased panel size from PCMH creates capitated revenue that is sufficient to cover cost.

Scenario 5: PCMH with APM with Provider Shortage

	Current		PPS Provider Vacancies		APM PCMH		APM PCMH Vacancies
Provider FTEs		10		8		10	8
Visits/FTE		3,900		3,900		3,900	3,900
Total Visits		39,000		31,200		39,000	31,200
Patients		13,000		10,400		13,929	11,556
Visits PPPY		3.0		3.0		2.8	2.7
Provider Panel Size		1,300		1,300		1,393	1,444
Net Revenue/Visit PMPM	$	120.00	$	120.00	$	30.00	$ 30.00
Patient Service Revenue	$	4,680,000	$	3,744,000	$	5,014,286	$ 4,160,000
P4P Revenue					$	50,000	$ 25,000
Grant & Other Revenue	$	1,300,000	$	1,300,000	$	1,300,000	$ 1,300,000
Total Revenue	$	5,980,000	$	5,044,000	$	6,364,286	$ 5,485,000
Provider Compensation	$	1,750,000	$	1,400,000	$	1,750,000	$ 1,400,000
Variable Staff Compensation	$	1,200,000	$	960,000	$	1,500,000	$ 1,260,000
Fixed Staff Compensation	$	1,600,000	$	1,600,000	$	1,600,000	$ 1,600,000
Total Compensation	$	4,550,000	$	3,960,000	$	4,850,000	$ 4,260,000
Variable OTPS	$	600,000		480,000	$	600,000	$ 480,000
Fixed OTPS	$	780,000	$	780,000	$	780,000	$ 780,000
Total OTPS	$	1,380,000	$	1,260,000	$	1,380,000	$ 1,260,000
Total Expense	$	5,930,000	$	5,220,000	$	6,230,000	$ 5,520,000
Net Income	$	50,000	$	(176,000)	$	134,286	$ (35,000)

Scenario 5: APM helps to memorialize current revenue stream

Financial & Operational Goals of APM

- Budget neutral (may be State's goal, need definition of budget neutrality)
- Memorialize current Medicaid revenue stream, which may be deteriorating; align payment with market forces
- Remove the narrow funnel of the billable visit as predominant health center service
- Remove the narrow definition of billable provider as health center staff who provides service
- Prepare for value-based pay

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