4 Steps Hospices Can Take To Build a Payer Network

To move hospice beyond the confines of the Medicare Hospice Benefit, Centers for Medicare and Medicaid Services (CMS) launched new value-based care models, such as the Medicare Advantage hospice carve-in and Primary Care First. Some providers are also seeking relationships with Accountable Care Organizations (ACOs).

These changes bring hospice providers into a brave new world of value-based care, changing the way hospices do business.

Success in these models means that hospices have to contract for their services and determine their rates for managing a population of patients. Building a payer network is a new discipline for hospice providers, one that brings risk — and great wins.

Here are four steps hospice providers must take to build these payer networks.

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Identify the opportunities in your market

These evolving models are having sweeping effects on how hospices do business, with payer networks playing a crucial role. Managing clinical costs brings hospice providers outside of the traditional fee-for-service payment parameters, where they must negotiate with a new realm of payers, says Michael Ferris, managing partner at El Paso, Texas-based Healthcare Strategica, a growth advisory firm serving post-acute organizations.

"We've got to be able to get a seat at the table, and then we have to build and negotiate the rates in the contract to be able to provide the services," Ferris says. "The big question is, are you going to have a seat at that table, or are you going to be on the outside looking in? The preparations happening now in year one to develop those payer relationships will be very important as this evolves into year two and beyond."

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Hospice providers participating in these programs accept an increased financial risk associated with caring for patients further upstream in their health trajectories in exchange for incentives of reducing costs and improving quality. They must negotiate rates for managing a broader patient population while taking on financial risks. Data will be key in these efforts.

Develop the care model that aligns with the opportunities

Hospices stepping into value-based care will not only need a grip on their data, but also a firm footing in terms of operational support needed to align with new payment opportunities. This includes recruiting the right staff, as widespread public misconceptions about hospice persist nationwide. Many hospice providers have ramped up training programs and designed career paths in response to limited opportunities for specialty training in hospice and palliative care.

"The level of patient need becomes really vital to a hospice's success or failure in having enough staff to provide the care," Ferris says. "Not having enough staff, or having too much, would run their costs through the roof versus what they're being paid for services. Developing innovative payment mechanisms for their staff and their cost controls is really going to help them be able to manage costs versus what their expected payment is."

Having an ample workforce to support a potential broader base of patients poses challenges for several providers, as staffing shortages continue to plague the hospice industry. Training staff for the delivery of care is another key in navigating opportunities in value-based care models, Ferris says, as having a solid understanding of staff ratio to patient caseloads will be critical to hospices before they enter into payer negotiations.

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Access the data and negotiate with payers

In value-based care payment models, hospices enter risk-sharing arrangements associated with taking on a segment of the patient population that is often difficult to manage. These hospices can prove their value proposition to payers by proving that they can reduce the cost of care. Hospices then share in those savings and reap the benefits to their bottom lines.

"With risk sharing comes the opportunity for higher profitability — if you do a really good job delivering both the services and the value," Ferris says. "But at the same time, you have to have sophistication in your financial reporting and management, as well as your data related to the patient population being managed. Hospices have got to look at really stepping up their game on the financial front and really being able to manage cost at a greater level of granularity."

Hospice providers will need data platforms with patient predictive analytics and market insight capabilities in order to predict future care needs and track referral sources, Ferris says. Data platforms, such as the one from Playmaker Health, can offer hospices valuable market insights.

"The market insights platform gives the provider the view of the referral patterns of their community — whether it be hospitals, skilled nursing facilities, physicians — it's based on your claims data," Ferris told Hospice News. "Market intelligence data enables them to really figure out how to target and how to have the right conversations with the different potential referral partners in their community, which is essential to all hospice programs."

Manage the flow of referral for these patients

Under value-based care models, referral management plays a huge role in a hospice's financial stability, Ferris says. Hospices unable to predict future patient referrals will face staffing issues — whether too many or too few — thus risking an unstable ratio of cost to reimbursement.

Tracking the flow of patient referrals is key for developing and optimizing revenue streams, allowing hospices to improve how they collect reimbursement for services and reduce costs associated with services. Electronic health record (EHR) interoperability is, therefore, a priority for hospice providers in value-based care programs and direct contracting models. CMS requires health care organizations participating in these models to use certified EHR technology (CEHRT) — IT products that comply with CMS criteria for certain programs, such as the Merit-Based Incentive Payment System.

Hospices stand to benefit from the ability to track patient population volume, costs of care and services, along with the flow of their referral sources in a value-based care world.

"At the end of the day, what we have working for us is that hospice is the best provider type to provide care for this high-cost segment of the population, and that's never been the view of the payers before," Ferris says. "Now, the plans are having to care for those patients that are no longer carved out into just the Medicare Hospice Benefit, and that's why [the value-based insurance design model (VBID)] originally was called the hospice carve-in."

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