Building Affiliations to Succeed
Under Managed Care and Value-Based Payment:
Strategic and Legal Issues

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Agenda

• Why affiliate?
• Types of collaborations and affiliations
• Regulatory Implications
• Alpha Healthcare IPA
• WNY Long-Term Care IPA
• Community Wellness Partners
Long-Term/Post-Acute Care Affiliation Options: Why and How?

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KEY TRENDS DRIVING AFFILIATIONS
Policy Initiatives

Care Management for All
- Managed Care
- Health Homes, PCMH

Delivery System Reform
- DSRIP PPSs

Payment Reform
- Value-Based Payment

Growth in HCBS

- In 2013, HCBS represented 53% of the total Medicaid LTSS expenditures, up from 18% in 1995.
- Nursing facility spending as a percentage of Medicaid LTSS declined from 67% of total expenditures in FY 1981 to 36% in FY 2014.

Medicare Advantage Plan Penetration

- 39% of Medicare beneficiaries in NYS were enrolled in Medicare Advantage plans in 2015, up 5% from the previous year.
  - 57% in the Bronx
  - 58% in Erie County
  - 65% in Monroe County
- 34% of Medicare beneficiaries nationwide were enrolled in March 2017.

Value Based Payment: From “Heads in Beds” to “Feet on the Ground”

By 2019-20, 80-90% of all payments by MCOs to providers must be in VBP arrangements.

Examples of VBP for a frail elderly population:
- **MLTC Level 1**: FFS with a pay-for-performance element tied to avoidable hospital use and other quality metrics*
- **MMC Level 1**: FFS with upside-only shared savings (when outcome scores are sufficient)
- **Level 2**: FFS with 2-sided risk sharing (upside available when outcome scores sufficient; downside reduced when outcome scores high)
- **Level 3**: PMPM capitated payment for total care for subpopulation (with outcome-based component)

* The State has agreed to count these types of arrangements between MLTC plans and providers as Level 1.

New York’s Value-Based Roadmap
Medicare’s Value-Based Payment Plan

Organizational Building Blocks for Health Care Transformation
Market Changes Demand New Relationships

Keys to Success in New Policy Environment

• **Scale**
  – To increase the number of people served and leverage
  – To invest in IT infrastructure, data and analytics
  – To distribute fixed costs
  – To mitigate risk

• **Efficiency**
  – Clinical: Lowest appropriate level of care
  – Operational: Business processes
  – Financial: Contract, claims submission/payment management

• **Clinical integration and excellence**
• **Strong referral/collaborative relationships**
Collaboration and Affiliation Options

- IPA/ACO
- MSO
- Common Parent
- Merger

Management Service Organization

- aka Medical Service Organization (MSO)
- An entity that performs administrative functions for providers to achieve efficiencies, e.g.:

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>Compliance/QA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credentialing</td>
<td>Strategic Planning</td>
</tr>
<tr>
<td>Payroll</td>
<td>Group purchasing</td>
</tr>
<tr>
<td>Information</td>
<td>Marketing, Public Relations &amp;</td>
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<tr>
<td>Technology</td>
<td>Communications</td>
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<tr>
<td>Managed Care</td>
<td>Facilities</td>
</tr>
<tr>
<td>Contracting</td>
<td>Maintenance</td>
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<tr>
<td>Finance</td>
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MSO – Sponsorship/Governance

• Can be sponsored and controlled by a group of providers; or
• Can be independent service entity
• Contracts with providers to deliver administrative services.

MSO Benefits

• Economies of scale
• Maintain independent identity and autonomy
• Little regulatory oversight
  – Beware of fee splitting prohibitions
  – Beware of corporate practice of medicine
Independent Provider Association (IPA)

• An entity that contracts with (or negotiates contracts with) managed care plans on behalf of a group of providers to deliver services to their members.
• May be owned and controlled by participating providers or a non-provider entity that contracts with participating providers.
• IPA services may include:
  – Administrative services
  – Provider credentialing
  – Managed care contracting
  – Network development
  – Claims adjudication and payment support
  – Quality improvement
  – Financial management, data analytics and reporting
  – Population health management

Regulatory Requirements

• Comparatively simple to create. Requires:
  – Consent of Commissioner of Health (10 NYCRR 98-1.5(b)(6)(vii))
  – Consent, waiver, or approval from the NYS Department of Financial Services and NYS Education Department
• State and federal antitrust laws impose conditions on joint contracting
• Beware of fee splitting prohibitions
• Beware of corporate practice of medicine
IPA Advantages

- Pool resources for administrative functions; economies of scale
- Expand population served and pool risk
- Can perform same functions as MSO, plus
- Can contract with managed care plans on behalf of independent providers.
  - But pay attention to antitrust rules!

Parent or Member Model

```
SunnyHome
  Sunnydale Nursing Home
  Homewood Nursing Home
  Wood Crest Senior Services
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Passive or Active Parent?

• Passive Parent
  – Does not exercise “active parent” powers.
  – Does not require DOH approval.
  – Typically has some board appointment powers
  – Typically provides administrative and other services for a fee.

• Active Parent
  – Is an operator or co-operator of a facility
  – Must be approved by the PHHPC
  – May exercise powers to:
    • Appoint or dismiss management level employees;
    • Approve operating and capital budgets;
    • Adopt operating policies and procedures;
    • Approve CON applications
    • Approve debt necessary to finance the cost of compliance with operational or physical plant standards required by law;
    • Approve contracts for management or for clinical services; and
    • Approve settlements

Passive Parent Models: Advantages and Disadvantages

Advantages:
• Preserve individual identity and varying degrees of autonomy.
• Shared resources and branding.
• Economies of scale and efficiencies.
• Improved leverage in purchasing and managed care contracting.
  – Be aware of antitrust issues.
• No DOH approval required.

Disadvantages: Typically, not financially integrated; little or no financial commitment by the parent or stronger partners to affiliates. Clinical integration is challenging.
Active Parent: Advantages and Disadvantages

**Advantages:**
- Usually preserve individual identity.
- Shared resources and branding.
- Economies of scale and efficiencies.
- Greater clinical and financial integration, with greater financial commitments from parent or stronger partners.
- Improved leverage in purchasing and managed care contracting.
  - Pay attention to antitrust law.

**Disadvantages:**
- Loss of autonomy
- DOH establishment approval required
- Financial integration can be risky.

Merger/Consolidation

- One or more independent entities cease to have their own separate corporate identity. Instead, they merge into a new or existing corporate entity
  - May retain identity by operating as a division of the corporate sponsor or it may be fully integrated.
  - Generally, involves transfer of assets and assumption of liabilities.
  - Requires approvals by multiple government agencies:
    - DOH
    - NYS Attorney General
    - CMS
    - FTC/DOJ
Mergers: Advantages and Disadvantages

Advantages:
• Shared resources and branding.
• Economies of scale and efficiencies.
• Complete clinical and financial integration
• Financial commitments from parent or stronger partners.
• Improved leverage in purchasing and managed care contracting.

Disadvantages:
• Loss of identity and autonomy
• Regulatory approvals required
• Financial integration can be risky.

New Alliances and Payment Arrangements Raise Compliance Risks


• Antitrust
• Anti-kickback
• Anti-self-referral
• Anti-inducement
• Corporate Practice of Profession
• Fee Splitting
Questions or Reactions?

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Alpha Healthcare, IPA

• Alpha Healthcare, IPA is a management-support company that enhances the post-acute care value-proposition for both skilled nursing facilities and Medicare Advantage plans.
  – Limited Liability Company formed 2013
  – Independent (non-provider) governance
  – Contracted with three insurance companies
  – On track for 45 SNF members and 3,000 covered lives by 12/31/17 in three states
  – Initial focus on ISNP but evolved into full-spectrum planning including short-term
Understand Insurance Terms & Risk

- “Law of large numbers”
- Network participation spreads risk but puts members at risk for claims out of their control – *Risk “silos”*
- Admits per 1,000
- Shared Savings
- Upside / Downside
- Stop-Loss
- Reinsurance

Healthcare Alphabet Soup

- **MSO**: Management Services Organizations provide management and administrative support services to groups of providers to relieve them of non-medical business functions.
- **IPA**: Independent Provider Associations provide an array of services to providers and health plans on a negotiated per capita rate, flat retainer fee, or negotiated FFS basis.
- **ACO**: Accountable Care Organizations are legal entities that tie payments to quality metrics and the cost of care, often sharing in population health savings from a spending baseline.
- **Conveners**: Entities that bring together multiple participating health care providers and may act as a risk bearing conduit between payers and providers.
- **MSP**: Managed Services Providers provide focused operational services to providers; typically specializing in one area such as staffing.
What is an IPA?

• The least defined of the previous group
• Functions vary by IPA:
  – Aggregator
  – De facto GPO
  – Consultant
  – Risk Manager
  – Provider Advocate
  – Clinical Coordinator
  – Data Analyst
  – Technology Implementer
  – Coding Optimizer
  – “Necessary Evil”

Benefits of IPA Model

• Improve provider scale and leverage
• “Intermediary” between SNF and Plan
• Performance analytics
• Risk tolerance analysis
• Clinical management support
• Encapsulate risk by provider member
• New care management technologies
• Inherent value to the Plan as well (e.g. coding)
IPA Questions You Should Ask

- Products offered
- How is the IPA funded:
  - SNF “buy-in” and ongoing participation fees
  - Administration fee or shared savings/loss
  - Plan payments
  - Conflicts?
- Exit opportunities
- Exclusivity
- Member Quality / Performance standards
- Flexibility with individual contract terms

WNY Long-Term Care IPA

- **What is an IPA** - An Independent Provider Association (IPA) is a collaborative entity of health care providers whose combined assets allow them to provide comprehensive, high quality care with greater accessibility and better results than if they were to do it individually.

- **WNY IPA’s Foundation** - Changes in the health care environment, both locally and state-wide, prompted our member facilities to strategically partner to share best practices and create efficiencies that are desirable and beneficial to providers, residents, patients and third party payors.
WNY Long-Term Care IPA

Corporate Structure:
• Formed in 2014 as a Limited Liability Corporation

• 11 Founding members comprised of 15 health care facilities in Erie, Niagara and Chautauqua counties.

• Members consist of For-Profit and Not-For-Profit agencies

• 4 main subcommittees:
  • Quality, Membership, Contracting, Finance

• 2 part-time contracted employees

Subcommittees Expanded:
• Committees meet either quarterly or bi-monthly and consist of at least one Board Member and employees of member facilities who have related expertise.

• Individual committees are formed to research and anticipate specific areas, including:
  • Best Practices
  • Standardization of Data Reporting
  • Quality Measures
  • Payment and Billing Efficiencies
  • Shared Training
  • Purchasing Opportunities
Our Collaborative Alliance Benefits Three Distinct Groups of Users:

**PATIENTS/CAREGIVERS** - Individuals will have access to an expansive choice of health care options delivered by the highest quality providers in the region. This results in:
- Higher quality care
- Improved patient satisfaction
- Reduced hospital stays
- Lower patient cost
- Better overall quality of life

**THIRD PARTY PAYORS** - our organization partners with health plans and aligns our best practice standards to meet new reimbursement methods within value-based payment models. This is achieved through:
- Operational efficiencies
- Economies of scale
- Best practices
- Quality measures
- Standardization of data reporting
- Payment efficiencies
- Educational advancement
- Clinical sophistication

**MEMBER ORGANIZATIONS** - health care providers across the spectrum of care have access to an array of proven, strategic policies, protocols and procedures that enhance the quality and efficiency of the care provided. This shared information includes:
- Proven clinical pathways
- Best practices
- Educational advancement
- Clinical sophistication
- Strategic program development
- Employee retention
WNY Long-Term Care IPA

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