

ELEMENTS THAT SUPPORT PAYMENT REFORM FOR POPULATION HEALTH



AcademyHealth

AcademyHealth's Payment Reform for Population Health (P4PH) initiative examines ways payment reform can support community-wide population health improvement. Throughout the course of the project, the team identified four major elements that influence the way health care purchasers, plans, and providers can support sustainable funding strategies that bolster non-clinical community-wide population health. These elements include shared data collection, analysis and evaluation, a trusted environment where collaboration across sectors is possible, alignment of clinical and community resources, and payment and financing models that incentivize investments in social determinants of health. This issue brief outlines key aspects of one of the elements: payment and financing models. To learn more, visit www.academyhealth.org/P4PH.

Payment and Financing Models



Funding sources, financing strategies, and payment models can all influence a health system's consideration to invest in or fund non-clinical population health.

While health systems recognize

the value that providing wrap-around non-clinical support services can have for their patients, beneficiaries and community's overall well-being, the use of alternative payment models as a vehicle to support such linkages is still nascent. Through the P4PH project, we have identified three primary funding and financing mechanisms that can support community-wide population health interventions: community benefits, operational funds, and reimbursement streams, all with their own benefits and challenges.

Community Benefits

With the passage of the Affordable Care Act (ACA) in 2010, non-profit health care providers have been incentivized to invest savings in community benefit supports to retain their 501(c)(3) tax-exempt status. The ACA also required these providers to conduct community needs assessments (CNAs) to explicitly aid in targeting their community investments and develop population health strategies that also address preventative care and "...social, behavioral, and environmental factors that influence the community's health or emergency preparedness."

As a result, community benefit dollars have become a commonly used source of funding for non-clinical social support services such as housing assistance, transportation support, and employment

training.¹ Yet, this practice is not without limitations. There are no specifications on how much a health system should invest or what type of investments constitute community benefit supports under Internal Revenue Service codes. These projects also struggle to produce measurable outcomes due to the short timeframe and lack of infrastructure and metrics to measure return-on-investment (ROI). By relying on community benefit resources, systems may not feel there is an immediate need to tie their investments to outcomes. Thus, many of these targeted investments have lacked long-term strategy or sustainability. Without a strategic plan, these population health projects are continually at risk of ending, especially if a health system's operating dollars diminish or another innovative project gains interest and shifts the systems' focus.

Operational Funds

The use of operational dollars as another source of funding is gaining consideration with health care systems especially when they are considered anchor institutions.² Utilizing operational funds requires health care systems to consider innovative ways to redeploy dollars through strategic personnel, procurement and investment practices.

These strategic investments are intended to net positive impact across the community in the form of enhanced economic well-being. By practicing a strategy of "build local, hire local, buy local," the health system can contribute significantly to the overall health of the community. Unlike community benefits, use of operational funds may better support a strategic and likely long-term commitment by the health system. Yet, like community benefits, these investments may not result in the ROI needed for continued investment.

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Alternative Payment Models

The adoption of alternative payment models (APMs) offers an additional mechanism for funding services related to non-clinical support services – one that could offer both sustainable funding and produce measurable outcomes. Yet, it also presents some of the largest challenges.

Health systems find it difficult to incorporate a reimbursement structure that provides payment for non-clinical support services but also reaps short-term savings on their balance sheets. Alternative payment models tied to quality improvement or shared risk structures (e.g., pay for performance, shared savings) are likely models to consider, but presently most only incorporate preventative clinical care rather than non-clinical social supports.

A health system's choice to invest in a non-clinical population health support is significantly influenced by the need for a strong business case that presents evidence that an intervention or investment will produce desired results as well as an ROI calculation that demonstrates the investment is profitable or at least break-even. Evidence about the impact of non-clinical support services and environments on health is beginning to accumulate, but is still not widely used to support funding decisions. Additionally, many health systems often operate on slim margins so short-term ROI calculations are more palatable. However, short-term savings estimates for many non-clinical social supports, while often related to clinical indicators (e.g., improved asthma outcomes because of a housing mold abatement intervention), are difficult to measure. Often such investments produce longer-term savings or the savings may accrue to other sectors or organizations than the one paying for the upfront investment costs (i.e., the “wrong pocket”).

Getting Started

Health systems that would like to strategically incorporate population health investments into their APMs, and those that may need a business case rationale must:

- Determine if reimbursements for non-clinical support services can be built into alternative payment models.
- Identify evidence needs, beyond an ROI, for a health system organization to agree to support an investment in an intervention.
- If a short-term ROI is sufficient to rationalize an investment in non-clinical support services, determine whether it is tied to a clinical service and outcome.
- If a short-term ROI is not adequate, determine the length of time that is sufficient to support such investments.
- Identify specific non-clinical support services such as housing, food insecurities, employment supports, etc. that are more easily incorporated into an APM.
- Determine ways to mitigate the “wrong pocket” dilemma of having a health care system investment made by one organization while subsequent savings accrue to a different organization.
- Determine the most adoptable and/or palatable (i.e., “easier to sell”) source of funding (e.g., community benefit funds, APMs, other financing sources) for non-clinical support services.

1. Health Policy Briefs: Nonprofit Hospital's' Community Benefit Requirements. 2016.

2. <http://democracycollaborative.org/content/anchor-dashboard-aligning-institutional-practice-meet-low-income-community-needs>