Talking with Health Care Entities about Value: A Tool for Calculating a Return on Investment

Overview

Doctors, hospitals, and other health care providers are under increasing pressure to improve quality of care while simultaneously reducing overall costs. Through federal legislation and other initiatives, there is a growing emphasis on integrated, accountable care as a solution to poor care coordination and missed opportunities. "Integrated care" requires that multiple different health care providers work together to improve patient care and outcomes. "Accountable care" means that health care providers are measured on the quality and cost of their services, and that their payment is adjusted accordingly.

Over two million low-income senior citizens live in affordable housing properties across the country. The residents in these facilities are vulnerable, at-risk populations due to advanced age, low income, and other demographic and health factors. They frequently live with multiple chronic diseases that put them at risk for complications and high utilization of costly health care services. Because housing communities have direct and daily access to their residents, they are an ideal partner for health care providers seeking to improve health outcomes.

Key Points

- ✓ Health care entities need to form partnerships to improve patient care and lower overall costs.
- ✓ Affordable senior housing populations are at elevated risk for poor health outcomes and higher costs.
- ✓ Senior housing providers can partner with health care providers to create innovative solutions to improve patient health.

Health System Priorities

In response to health reform initiatives, doctors and hospitals are forming new care delivery models to improve health care delivery and reduce overall costs. Accountable Care Organizations (ACOs) are one example of these types of arrangements. These integrated health care networks enter into contracts with government agencies or commercial health insurers to manage health care for a defined patient population. Typically, these arrangements include financial incentives for providers to:

1. Meet performance benchmarks for defined quality measures, such as following care guidelines, enhancing patient satisfaction, or reducing complication rates.
2. Control total cost of care for their patients. If the provider lowers total cost of care relative to a given benchmark (usually their own historical costs), they are eligible for a financial incentive.

To achieve these goals, health care providers must support better patient care across the entire continuum, including when the patient is not in the hospital or a doctor's office. Given their close relationships with their residents, housing providers can work with integrated care networks to better provide continuous support for patient health.

The Role of Housing Providers

Housing providers have numerous opportunities to improve their residents' health, well-being, and access to the health care system. They are uniquely positioned to do so as they have direct, daily contact with the residents and in-depth knowledge of their resident population.

For example, housing providers can help residents overcome barriers preventing them from visiting their Primary Care Provider (PCP). By helping residents access preventive care in a timely fashion, they can avoid costly ER visits, and hospital admissions or readmissions. Avoiding these services in turn helps health care partner to reduce the total cost of care for their population.

Another approach might be for housing providers to directly monitor their residents' well-being through periodic health needs assessments or risk screenings, and then identify those patients in need of immediate intervention. As with preventive care, the goal is to get the patient needed services before their condition worsens to the point of needing to be hospitalized or visiting the ER.

Regardless of the type of program, housing providers will need to clearly define how they can partner with health care providers. What services will they provide, and how will these services directly improve results on quality measures and lower total cost of care. By framing the benefits in terms that are meaningful to health care providers, housing providers can better support partnership initiatives.

Quantifying the Benefits

With assistance from Discern Health, LeadingAge has developed a Return on Investment (ROI) Calculator to help quantify the potential financial benefits housing providers can generate for value-driven health care systems.

The calculator focuses specifically on ACOs participating in the Medicare Shared Savings Program (MSSP), in that the specific methodology used is based on the Medicare rules. However, the calculator also provides a broad conceptual framework to analyze potential value from partnerships between housing providers and other types of innovative care models. It shows a framework for understanding:

- The specific goals the health care organization is attempting to achieve
- How the health care entity measures the goals
- Where and how the housing provider could potentially help impact these goals
- How the incentive the health care entity is striving to achieve is derived
- The potential savings the housing provider can help achieve by helping the health care organization meet the desired performance goals

There are several ways you might use this tool:

- You might use it simply to help you understand how the potential health care partner will be analyzing their collaboration with a housing organization. This can help you frame your discussion with them in ways that are relevant to their quality and fiscal performance needs.
- If you are approaching an ACO and have the necessary data in hand, you may be able to calculate the potential value you can bring to the ACO to launch your discussions.
- Once you are in discussions with an ACO, you and the ACO might calculate the potential value of your collaboration. The ACO will have the necessary data.

Instructions for the ROI Calculator

Overview

The ROI calculator estimates the potential savings an affordable senior housing provider could help an ACO achieve. The share of savings an ACO is able to receive is based on two factors:

- The overall cost of care for the ACO's patients.
- The ACO's performance on key quality indicators.

The better the ACO's performance on the key quality indicators, the larger the proportion of the overall savings they are eligible to share in.

The calculator document contains three spreadsheets:

- ROI Calculator
- Measure Scoring
- ACO Measures and Benefits

To open up the calculator, click on the icon below:

The *Measure Scoring* sheet lists the 33 quality performance measures that apply to ACOs in the Medicare Shared Savings Program, and includes estimates of the potential impact a collaboration with a housing provider might have on each measure for the housing property's residents. A housing provider will not likely have an effect on some measures, while they should be able to affect others. The potential impact will depend on the specific services the housing provider offers, and the collaborative relationship with the ACO. Based on these impact estimates and the ACO's actual measure performance, the *Measure Scoring* sheets calculates the proportion of savings that the ACO is eligible to share in. The default estimates of potential impact of housing (column O) are set as a general guide, and should be changed at the discretion of the housing provider, based on what degree of impact they believe is feasible for their organization to achieve.[1] Measure performance in column G should be input for each specific ACO based on their actual performance. If actual performance is unknown, estimated performance may be used.

The *ACO Measures and Benefits* sheet offers detailed information about each quality measure, and some comments on how a housing provider may or may not be able to impact the various quality measures.

[1] Predicting actual future impact is challenging, especially in an innovative environment where there is a limited track record and few comparable projects. One option is to use the tool to test possible outcomes through "what if" analysis by trying different values. Another use is to use the tool as a framework to identify key focus areas which can then be monitored and evaluated. For example, if the ACO and the housing provider agree to focus on readmissions reduction, they could implement a data collection process to track results and adjust the model accordingly.

The *ROI Calculator* sheet calculates the potential costs savings based on an estimated reduction in utilization for the housing property's residents. Incorporating the estimated shared savings rate from the *Measure Scoring* sheet, the ROI calculator computes the ultimate return on investment.

Inputting Data

You will need to collect the following data to enter into the *ROI Calculator* sheet:

- The number of ACO patients who are residents in your housing property(s) (enter into cell D10
- The average annual health costs for residents in your housing property(s) (cell D11)
- The total number of patients in the ACO (cell M10)
- The average annual health costs for an ACO patient (cell M12)
- The actual total cost of care for the ACO population excluding the housing residents (cell M14)
- The current rates of ER use (cell D18), hospitalizations (D16), and readmissions (D17) among residents in your housing property(s)
- The current average cost per ER visit (cell E18), hospitalization (E16), and readmissions (E17) among residents in your housing property(s)
- Estimated reductions in ER use (cell G18), hospitalizations (G16), and readmissions (G17) among residents in your housing property(s) due to the intervention or other partnership with the ACO
- The estimated cost of the program or intervention you propose to implement in partnership with the ACO (cell D6) to achieve the projected results.

All the cells listed above are highlighted in yellow in the spreadsheet. Sources of data include your own records, information provided by the ACO, and publicly available research or reports. The more precisely you define the values, the more accurate and reliable the results of the calculator will be. However, not all the data may be available and you may need to make some assumptions. You should note such assumptions, and test different assumed values to assess their impact on the overall results.

Also note that the estimated reductions in health care utilization are "forward-looking" values that you cannot know with certainty at the time you use the calculator. These are the results you plan to achieve. If you have any historical data that supports your forward-looking estimates, you should make note of that. You can also test different values to identify the break-even point for the project. For example, what is the *minimum* ER use reduction you need for the project to break even?

Methodology

The calculator uses the inputs to calculate the direct health care cost savings for the ACO due to reduced health care utilization. The calculator then applies the shared savings eligibility (i.e., the % of the cost savings that the ACO would receive as a financial reward), and then estimates the shared savings payment for the ACO based on the savings.

Simultaneously, the calculator estimates the increase in shared savings eligibility for the ACO based on improvements in health quality measures. The calculator only assumes such improvements for the

housing residents, and not for the other patients in the ACO who would not be impacted by a partnership between the housing provider and the ACO. Because of the relatively small numbers of housing residents compared to the overall ACO population, the change in shared savings percentage is fairly low. However, when that percentage is applied across the ACO's entire population and savings, the net financial impact on the ACO can be significant.

Interpreting Results

Once you have entered the necessary data, cells D24 and D28 in the calculator provide the estimated financial impact of the project for the ACO, both in absolute dollar terms and as a multiple of the original investment. Both results include the project costs. If the dollar savings are negative, it means that the cost of the project is larger than the financial benefit to the ACO.

The direct cost savings return (cell D24) is the impact of the housing program on health care utilization (i.e., how much will the ACO save if the housing program reduces hospitalizations, ER visits, readmissions by the predicted amount). The indirect cost savings (cell D28) return is the impact of the housing program not only on health care utilization, but also on shared savings eligibility for the ACO based on improvements on the quality measures for the housing residents (i.e., what percentage of shared savings will the ACO be eligible for if the housing provider can improve measure performances for their residents). Because of the relatively small number of housing residents compared to the total ACO population, the change in shared savings eligibility percentage will typically be low. However, those small changes are applied across the ACO's entire population and savings, so the net financial impact on the ACO could be quite significant.

As discussed earlier, the results of the calculator are more meaningful when the input data is more accurate. However, even in the absence of good input data, the calculator can still provide a framework to define the potential financial benefits to an ACO from a partnership with a housing provider. The calculator can also provide guidance about key data points to monitor after such a partnership is launched.

This return on investment calculator is part of a toolkit that was developed by the LeadingAge Center for Housing Plus Services to help guide the development of partnerships between affordable senior housing providers and health care organizations. To find additional materials on this topic, see: www.leadingage.org/housinghealth.

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