

# Scenario - System Alignment

It is now 2020. The Kansas population is stable, but urban markets are growing and rural markets continue to shrink. Medicare has implemented a value based payment with significant benefits for ACO type health systems. Medicaid is steadfastly in a managed care model. Kansas has expanded Medicaid to some extent, but continues to have a significant uninsured population despite the individual mandate required by the ACA. Critical Access Hospitals continue to be reimbursed on a cost-based system.

Kansas has seen the formation of formal relationships that align health care delivery players into dominant health systems. Three current health systems, with anchor institutions in the state, have successfully marketed their services and benefits to hospitals, clinics, nursing homes, specialty practices and EMS throughout Kansas. The majority of hospitals and clinics are included in one of these three systems.

*Alpha Rural Health System* is primarily rural hospitals and their owned clinics. This is a service organization that has formal relationships with their hospitals and clinics. *Alpha* negotiates insurance contracts and directs the implementation of efficiencies and best practices. *Alpha* has a relatively small population base and does not have secondary and tertiary level facilities or providers. Local boards retain fiduciary and traditional governance responsibilities.

*Beta Health* is a Kansas based health system with large urban hospitals and a network of large tertiary and small rural providers. *Beta* has successfully aligned their medical staff and administration across the system, having implemented core practices and data analyses to support their clinical integration. Decisions are made at the system level, with representation from each hospital in the system. Site-based boards are utilized in an advisory capacity and to address unique, local issues.

*Delta National* is a nationwide system with urban and rural hospital and health care organizations in Kansas as members. *Delta* controls the largest market share and the most physicians in the state. Members are owned and managed by *Delta* and report to regional offices. There are local boards, but these are more advisory in nature. Major decisions occur at the system board level.

Private insurance companies are now focusing their contracts with these dominant systems. Hospitals not committed to one of these systems are seeing their payments decline significantly and communities are being forced to increase support to sustain the organizations.

Your hospital is currently not part of any of these systems, but deems it necessary to determine the best option for viability in the future.

## **Questions/Comments:**

- What value do these systems bring to our hospital?
- What value does our hospital bring to these systems? What could we do to improve our perceived value?
- What control will I have to be willing to give up?
- Will my current organizational structure (ie governmental) limit my choices for alignment?
- What should our hospital have done differently five years earlier to be in a better position for this change?

- How will this alignment impact my ability to get capital in order to continually maintain and improve services?
- What do I risk if I don't do anything?
- Who are the key stakeholders that we should be talking to?
- How much will community financial support be impacted?

Updated: May 2014