

# Health Reform in Alameda County: A Community Dialogue hosted by the Board of Supervisors Health Committee

---

Session 2: December 12, 2011

Alameda County Board of Supervisors Health Committee is hosting a [13-month series](#) to discuss how the Patient Protection and Affordable Care Act (ACA) could impact Alameda County. On Dec. 12, 2011 the hearing focused on pending changes to the local acute care delivery system. The ACA includes numerous provisions that will impact hospital service delivery, not least of which is the increased number of people with insurance who now will be able to choose where they receive their care. New financial reimbursement structures encourage hospitals to become part of larger coordinated networks of care and improve patient transitions back to the community. This hearing provided an overview of these issues, as well as local hospital leaders' ideas about the post-reform care delivery system. The presentations and speakers at this hearing included:

- A summary of acute care utilization and supply in Alameda County by **Alex Briscoe**, director of the Alameda County Health Services Agency.
- An overview of the Accountable Care Act and its impact on acute care delivery by **Micah Weinberg**, Senior Policy Advisor at the Bay Area Council.
- Opportunities and challenges under health reform for hospitals in Alameda County by **Rebecca Rozen**, Vice President at the Hospital Council of Northern and Central California.
- Alameda County Medical Center's preparations for health reform by **Bill Manns**, ACMC Chief Operating Officer.
- Kaiser Permanente's preparations for health reform by **Ann Orders**, Regional Executive Director for Health Care Reform.

## Background

This is a time of significant change for California's hospitals. Expanding health insurance coverage to the uninsured was a key component of the ACA. As noted in the previous hearing, it is projected that starting in 2014 an additional 1 million to 2 million people in California will receive insurance through the Medi-Cal expansion, and another 4 million will get insurance through the new Health Benefits Exchange. These coverage expansions were paid for through a number of mechanisms, including slower growth in Medicare payment rates and reductions in Disproportionate Share Hospital (DSH) payments that have been made to hospitals that serve a higher-than-average number of low-income patients. The ACA calls for \$21 billion in cuts to Medicare DSH payments over 10 years, and \$14 billion in Medicaid DSH cuts between 2014 and 2020.

Many newly eligible Medi-Cal beneficiaries and the estimated 3.1 million Californians who will remain uninsured after ACA implementation will continue relying on public hospitals for care. California's 1115 "Bridge to Reform" waiver provides up to \$3.3 billion in federal matching funds over five years for a new Delivery System Reform Incentive Pool (DSRIP) to help hospitals improve the quality of care they provide and the health of the populations they serve. Alameda County Medical Center (ACMC) is one of 12 county hospital systems and five University of California hospital systems participating in the DSRIP program.

DSRIP funding is available for investments in four areas:

- Infrastructure development: technology, tools, and human resources (e.g., increases in primary care capacity, telemedicine, enhanced interpretation services).
- Innovation and redesign: new and innovative care delivery models (e.g., medical homes, chronic disease management systems, primary care redesign).
- Population-focused improvements: enhanced care delivery for the five to ten highest burden conditions among low-income populations (e.g., improved diabetes care management and outcomes, improved chronic care management and outcomes, reduced readmissions).
- Urgent care improvements: hospital-specific interventions with substantial evidence of being able to achieve major and measurable care improvements within five years.

## Local Hospital Utilization and Supply

To set up the hearing, Supervisor Wilma Chan commended Alameda County's hospital system and providers for all their good work, but noted that health reform likely would bring new tensions around competition and cooperation. "We need to cooperate to survive as a system," Chan said.

Following Chan's introduction, Alex Briscoe provided a brief overview of the local hospital supply and patient utilization. Alameda County has 13 general acute hospitals. Each has an emergency department that contracts with the county's Emergency Management System. The hospital market has grown around the geographic distribution of low-income and uninsured patients, meaning that while many hospitals share the burden of caring for the indigent and uninsured, only a few hospitals located nearest impoverished areas see the vast majority of uninsured and Medi-Cal patients.

Supervisor Chan asked Briscoe if there were estimates on how many emergency department visits could be avoided. Briscoe said the National Institutes of Health estimates that about half of all ED visits could be handled at a lower level of care. He commented, though, that the ED costs themselves are not the biggest problem. The really sick patients who are admitted to the hospital through the ED drive expenses. "Part of our challenge has to be ensuring that primary and preventative care is accessible for people with chronic disease," Briscoe said.

## **‘Every hospital is Different’**

Next, Micah Weinberg provided an overview of the ACA’s anticipated impacts on hospitals. All hospitals face unique challenges and opportunities, he said, but in the downturned economy and pending changes to Medicare reimbursement, all hospitals now must confront the same question: How to continue affording the level of care they have been providing and improve access with declining revenues? “That’s going to be a real challenge, especially when businesses and the state are struggling to pay for health care,” he said.

Hospitals must now think carefully about their underlying cost structures and find ways to be more efficient, Weinberg said. Health reform’s provisions aimed at incentivizing efficiency and keeping people healthy are good for society, but they won’t necessarily be easy for hospitals, which traditionally have relied on a revenue structure that pays them when beds are filled with sick patients. Additionally, California’s safety-net hospitals already face tremendous financial pressure because of the State’s low Medi-Cal reimbursement rates.

The health reform provisions that impact insurers and other payers also will impact hospitals. For example, Weinberg said, the ACA now requires insurance companies to publicly disclose hospital prices. He believes these price differences will be revealed to consumers as employers, insurers and the future California Health Benefits Exchange increasingly offer tiered insurance products based on hospital quality and efficiency. Ultimately, this price transparency should lead to further cost reductions and improved quality. Additionally, Medicare will reduce payments to hospitals that perform poorly on reducing rates of hospital-acquired infections and unnecessary readmissions. Medicare also will pay more for higher quality care, including patient reviews on their satisfaction with the care.

Supervisor Chan asked for Weinberg’s opinion on incentives for cooperation and competition under the ACA. Weinberg said that all hospitals should find a common cause in trying to increase Medi-Cal payments.

## **Collaboration in Alameda County**

Rebecca Rozen echoed many of Weinberg’s themes around increased financial pressure on hospitals systems. Hospital spending as a percentage of total health care spending has been decreasing, while increasingly hospitals are caring for sicker patients who need specialized care. Moreover, Northern California is one of the most expensive places to operate a hospital because of the higher labor costs here, Rozen said. Thus, hospitals are working to align their cost structures with Medicare payments rates.

Hospitals in Alameda County have a strong tradition of collaboration and in many ways are well prepared for the pending changes, Rozen said. For example, local hospitals have been working together since 2005 on various efforts to improve clinical quality and patient safety. They have been testing innovations to reduce avoidable readmissions and investing in electronic medical

records and other health information technology. Alameda County also has existing strong integrated care delivery systems, such as Kaiser.

## ACMC

Alameda County Medical Center is the county's public safety-net hospital, with more than half of its patients lacking health insurance and one-third on Medi-Cal. Under health care reform, tens of thousands of newly insured patients will have greater choice on where to seek care. ACMC is striving to be a fully integrated health care system and offering high quality care to keep those newly insured patients, said COO Bill Manns. Additionally, ACMC will be needed post-reform for the thousands of patients who remain uninsured, as teaching institution, and as the fifteenth largest employer in Alameda County.

ACMC is developing based on the following principles:

1. Remaining committed to its core mission: to maintain and improve the health of all county residents, regardless of their ability to pay.
2. Pursuing clinically integrated hospital-physician relationships
3. Striving to manage the patient population
4. Addressing future changes to payment and care delivery models proactively
5. Increasing planning sophistication
6. Expanding the geographic delivery of health care services
7. Targeting a competitive financial trajectory

One of ACMC's key efforts, Manns said, is improving access to ambulatory services. ACMC is updating equipment and facilities and launching an electronic health record. Its working steadily toward its goal of providing access to all specialty services within 30 days, and has made significant progress in lowering the wait time. The current wait time to see an orthopedist is about 70 days but that's down from the triple digits last year, he said in response to Supervisor Keith Carson's question.

## Kaiser Permanente

Kaiser operates a fully integrated delivery system and intends to share its experience and work with other systems moving in this direction, said Ann Orders. "We've been focused on those efforts for 60 years. We believe health care reform is looking to models like Kaiser," she said. Health reform includes funding for developing Accountable Care Organizations (ACOs), which aim to align incentives between physicians and hospital systems by rewarding them for keeping Medicare beneficiaries healthy. In other instances, organizations are coming together to provide coordinated care across full continuum of health care services.

In terms of next steps, Orders said, Kaiser is learning from other exemplary health care delivery models around the country. One initiative is leading community efforts around advanced care planning so people are better prepared as they progress through a disease. Kaiser plans to

continue working with the safety net, Orders said. For example, she said Kaiser has developed a chronic condition management program that it can share with safety net providers.

Briscoe asked Orders about Kaiser's plans for the newly insured patient groups and whether Kaiser expected to expand its footprint in Alameda County. Kaiser expects growth in membership, she said. As it relates to Medicaid, Kaiser is looking at how it participates. "If we can provide the primary care and there are less ED visits in the community, that's a good thing for everyone," she said.

## Questions and Comments

Stanley Schiffman, an ACMC trustee, commented that he would like to see health services more evenly distributed based on need and less on the ability to pay. "Isn't the goal to see that everybody has the health care they need?" he asked.

Schiffman's comment prompted Supervisor Carson to ask whether coordination between hospitals has improved in recent years to provide all the services needed in the community regardless of one's ability to pay. Briscoe said hospitals and other providers have worked together to draw down additional federal money to support the local safety net, such as local Coverage Initiative and more recent Low Income Health Program. But Briscoe added, "The safety net has to reinvent itself to be competitive and survive. We have major safety net institutions struggling to survive." One such effort is potentially merging the financial agreements with the four key safety-net institutions.

Bernadette Arellano commented that her institution, Children's Hospital Oakland, was facing numerous challenges organizationally and financially and working on solutions to operate more efficiently. Leaders there are actively pursuing ways to participate in a more integrated system and have input on new payment models in the state.

Li-Hsia Wang representing the local League of Women Voters commented that her organization promotes universal and accessible quality care and is concerned about those people who will remain uninsured under the ACA. Delphine Sims from the faith-based organization Healthy Communities, Inc. commented that transitioning patients back to the communities where they came from is an area requiring substantial future work and her organization was interested in partnering on that effort.

## Summary Issues to Consider

- Financial health of Alameda County's safety-net acute care facilities.
- Ongoing collaboration efforts to streamline administration between safety-net hospitals.
- Efforts to develop and expand coordinated care systems across the safety net.
- Development of e-health technology exchange to share information in electronic medical records between institutions.