



Legislative Health and Human Services Committee

Rural Healthcare Networking and Resource Sharing

Alternatives Do Exist

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November 21, 2024

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Healthcare Outcomes Trends Drive Questions About the U.S. Approach to Healthcare

How Did We Get Here?

*1970 Healthcare Spending: \$74.1 Billion
7% of GDP*

U.S. Life Expectancy: 70.8

*2022 Healthcare Spending: \$4.5 Trillion
17.3% of GDP*

U.S. Life Expectancy: 77.43

- Prior to the passage of the 1973 Health Maintenance Organization (HMO) Act the U.S. healthcare system was largely populated by community, charitable and publicly owned hospitals, provider-driven insurers (Blue Cross and Blue Shield) and mutual (member owned) insurers
- The goals of the Act were to provide more accessible, comprehensive healthcare at potentially lower cost by promoting primary care and controlling utilization
- It's difficult to argue we have achieved those goals. Though life expectancy has improved, the U.S. has fallen in global rankings, to 29th out of 38 OECD nations
- During this period, we've witnessed the emergence of a continually growing publicly traded and private-equity backed healthcare industry, now estimated to be 25-30% of personal healthcare expenditures
- We've also seen vertical and horizontal consolidation across all segments, creating large conglomerates that have largely fallen out of favor in many industries due to their inefficiencies
- No other developed countries have adopted this model which is viewed as high-cost, complicated, difficult to deliver in rural/sparingly populated communities, and primarily focused on complex, high-need patients. Instead, provider driven systems with robust primary care dominate and primarily use some form of indemnity insurance with FFS reimbursement

New Mexico Has Not Been Immune To These Effects

2013 New Mexico Health Ranking: 32

*2013 New Mexico Medicaid Spending:
\$3.3 Billion*

*2013 New Mexico Female Life Expectancy:
81.2*

*2013 New Mexico Male Life Expectancy:
76.4*

2023 New Mexico Health Ranking: 43

*2023 New Mexico Medicaid Spending:
\$8.9 Billion*

*2023 New Mexico Female Life
Expectancy: 78.5*

*2023 New Mexico Male Life Expectancy:
71.8*

- In the 1980s New Mexico was seen as a model for the nation – noted as one of the country’s “most advanced managed care states”
 - Early adopter of Medicaid Managed Care
 - Home to Lovelace Health System, an innovator in integrated care and “hospitals without walls”
 - Early formation of Integrated Delivery Systems

- As is the case in most other states, affordability, access, and health outcomes have not improved despite this early start and significant investments

- New Mexico has experienced fewer hospital closures, but now has the highest percentage of private equity-owned hospitals – primarily in rural/exurban communities with less competition and offering the ability to drive higher profitability through corporate administrative consolidation

- Unlike many other states, New Mexico has also largely relied on its Medicaid managed care programs to drive delivery system improvements

These Results Have Motivated Many States to Explore Different Approaches to Care Delivery

Provider Focused Reform Starting with the ACA

ACA Delivery System Reform and Innovation Program (DSRIP) and State Innovation Model (SIM) Grants Were Used as a Foundation for Collaborative Delivery System Improvement

Many of Those Same States Have Followed Those Reforms with 1115 Medicaid Waivers and State Plan Amendments to Shift Focus Away from Models Primarily Driven by MCOs

- **Well-known, and successful example DSRIPs and/or SIMS that have resulted in delivery system and Medicaid reform include:**
 - **Maine Community Care Teams and Accountable Communities**
 - **Oregon Coordinated Care Organizations**
 - **Washington Accountable Communities of Health**
 - **Colorado Regional Health Organizations and Medical Homes**
 - **Florida Provider Service Networks (PSN)**
 - **CalAim** (Note, this builds on early California program design that includes County Organized Health Systems, Geographic Managed Care Model, Two-Plan Model)
 - **Massachusetts Accountable Care Organizations, Community Partners, Community Agencies**
 - **Texas Regional Healthcare Partnerships**

- **New Mexico participated in DSRIP but primarily used the program to enhance its managed care model**

Some States Have Tapped Other Programs to Drive Innovation

Solutions Focus Heavily on Strengthening Rural Delivery Systems

Use of non-managed care solutions or Medicaid waivers for healthcare delivery and management in rural communities

Participation in the CMS AHEAD program focused on all-payer/global budget solutions

Participation in HRSA FLEX to drive rural network development

- Existing delivery system reform programs currently included in the CMS Advancing All-Payer Health Equity Approaches and Development (AHEAD) Grant Program
 - Maryland All-Payer
 - Vermont All-Payer ACO Model
 - Connecticut, Hawaii, and New York (specific regions)

- HRSA Rural Hospital Flexibility Model (FLEX) and state-supported Rural Health Network Development
 - Notable networks developed through this program include North Dakota Rough Rider Network and the Minnesota Rural Health Cooperative
 - Other states include Alabama, Arkansas, Hawaii, Idaho, Illinois, Nevada, South Dakota, Virginia, and West Virginia

- Alternatives to managed Medicaid
 - Pennsylvania Rural Health Model
 - Connecticut eliminated MCOs, moving to ASOs and direct contracting with providers through a Medicaid waiver
 - Eight (8) primarily rural states do not have managed care, with varied levels of delivery redesign
 - Seven (7) maintain a mixed model with primarily PCCMs in rural communities

Though New Mexico Has Had Limited Participation in Many of these Reforms, it has Elements Needed to Support Rural Health Systems

New Mexico participates in several HRSA rural health programs

The state is also making substantial investments through special direction of Medicaid dollars

- Existing provider organizations that provide foundational elements for improvement
 - NM Rural Hospital Network
 - New Mexico Special Hospital Districts
 - New Mexico Primary Care Association
- The state currently participates in the HRSA FLEX program and the Small Rural Hospital Improvement Program
- New Mexico has used Medicaid 1115 waivers to strengthen rural health through
 - Rural Healthcare Delivery Fund
 - Member-directed traditional healing benefits for Native Americans
- Unlike other states that have built robust rural health systems, New Mexico lacks a comprehensive model that integrates all resources and funding streams