

Richland Care

Business Case for Richland Care

July 2007

Introduction

In 1998 Palmetto Health received funds from the Robert Wood Johnson Foundation to develop a plan for a healthcare delivery system for the low-income (below 200% of the Federal Poverty Guideline), uninsured residents of Richland County, South Carolina. A community coalition consisting of representatives from local hospitals, state and local government, school districts and other providers was formed to identify the specific needs of the target population in order to improve health status and decrease non-emergent use of emergency department and inpatient services. The Health Resources and Services Administration provided funds to implement this plan, and Richland Care officially began on November 1, 2001.

The Model

Through the needs assessment, it was recognized that low-income, uninsured persons of Richland County needed access to specialty care services in order to decrease their use of non-emergent emergency department services and to improve their health status. They also needed assistance with navigating the complex healthcare system in order to receive needed healthcare services. The Richland Care model has been called a medical home network and consists of the following services:

- **Primary Care:** Participants choose a medical home that provides primary care, preventative services and pharmaceuticals. There are currently 11 medical homes consisting of Federally Qualified Health Centers, the Free Medical Clinic, residency programs, and a nurse practitioner health center. These medical homes are subsidized in some way to provide services to the uninsured. Richland Care does not provide payment for these services.
- **Pharmaceuticals:** Medications are available through the medical homes. They are obtained through various mechanisms, including Patient Assistance Programs, Communi-Care and the medical homes' direct purchase of the medications through contracted vendors.
- **Specialty Care:** The medical homes can refer participants to specialists in the Richland Care specialty network. The following specialties are included in the network: cardiac surgery, cardiology, dermatology, endocrinology, gastroenterology, neurology, obstetrics and gynecology, orthopaedics, pulmonology, rheumatology, surgery and urology. Richland Care has contracts with providers to provide payment at reduced Medicare rates for services rendered to participants.
- **Hospital Care** – Two hospital systems provide services to participants according to their charity care policies.

- **Mental Health and Substance Abuse Services** – Participants needing mental health services can receive these services for free or low cost from partnering agencies Columbia Area Mental Health Center and Lexington/Richland Alcohol and Drug Abuse Council.
- **Disease Management** – Medical home providers refer participants with diabetes and/or hypertension for intensive home visits and telephone counseling. Although these services are available to any referred diabetic or hypertensive participant, Richland Care has requested referrals of participants with the most difficult to control blood glucose levels.
- **Identification of Utilizers** – Richland Care participants utilizing Palmetto Health or Providence Hospital emergency departments or inpatient services are contacted immediately following the visit to review the need for the visit, to identify factors that precipitated the need for the visit, and to ensure needed follow up. Participants with multiple emergency department visits and costly inpatient stays are targeted for more intensive care management services.
- **Educational Materials** – Participants are provided with an easy-to-read *Healthwise Handbook* (a self care reference guide), monthly newsletters, and the number to a 24-hour nurse call line.

Results

Through June 2007, Richland Care has touched the lives of 11,742 people, which is approximately 35% of the target population. Approximately 30% of these participants are active in the program at any one time. Demographics of active participants are as follows:

- 72% are female,
- 75% are African American,
- 8% are Hispanic,
- 61% are between the ages of 41 and 60,
- the average age is 46,
- and approximately 68% are employed.

All participants have chosen a medical home and, per the 2006 results of an annual Primary Care Assessment Tool survey, 98.1% indicate a medical home as the usual source of care. Over 6,000 referrals to specialists have allowed for over 3,600 participants to receive needed specialty care services and to address long standing health issues. Additionally, 450 participants have received specialized disease management services to assist with management of hypertension and/or diabetes

Impact

The impact of the Richland Care healthcare delivery system is outstanding, indicating improvements in health status and reductions in emergency department and inpatient hospital services.

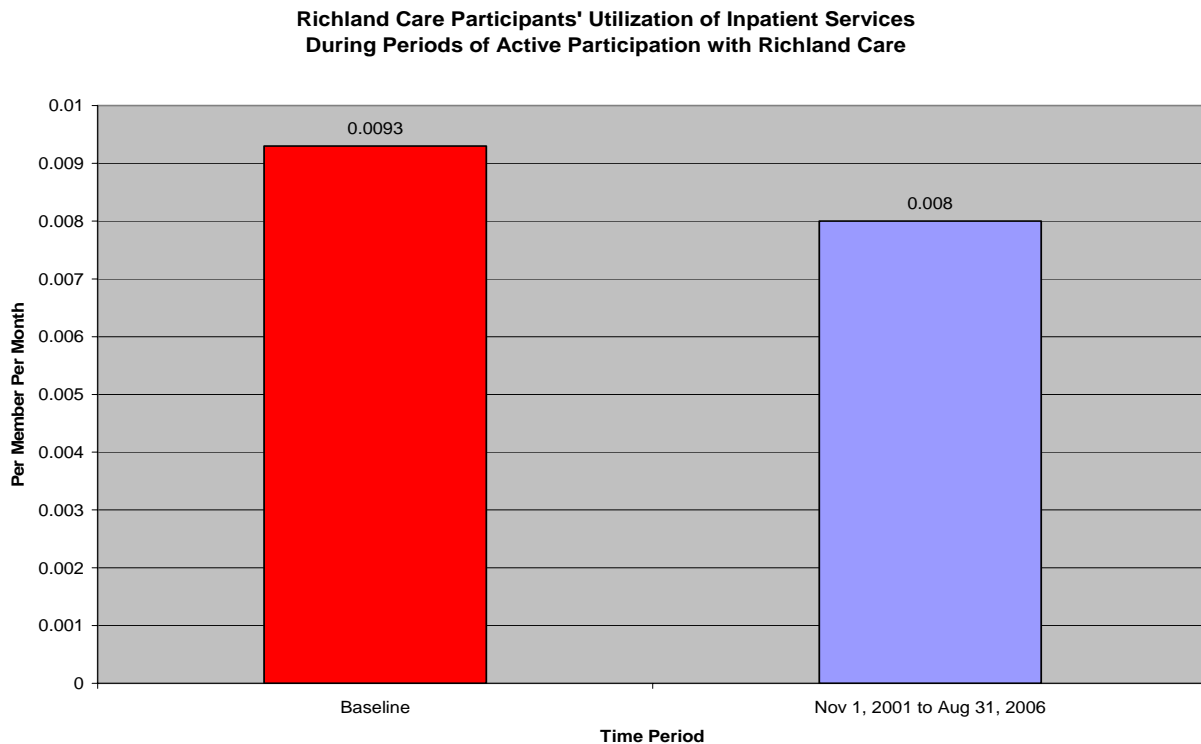
Health Status: Richland Care participants report improvements in health status. Utilizing the Primary Care Assessment Tool Survey (developed by Johns Hopkins) the percentage of surveyed

participants self-reporting their health status as excellent, very good or good was 55.2% in 2002. In 2006, 67.1% of surveyed participants indicated the same health status categories.

Utilization: Utilization of inpatient and emergency department services has declined for Richland Care participants. Emergency department (ED) and inpatient hospital utilization data were gathered from the South Carolina Budget and Control Board for 3,153 Richland Care participants for the two-year period prior to Richland Care (2000, 2001). These baseline per member per month (PMPM) figures were compared to data provided directly from Palmetto Health and Providence Hospitals for ED and inpatient hospital utilization of 10,924 participants during the 58-month period of November 2001 through August 2006. Participants with known deaths or other events to permanently disqualify them from Richland Care were removed from the evaluation as of the date of the event.

Inpatient Utilization

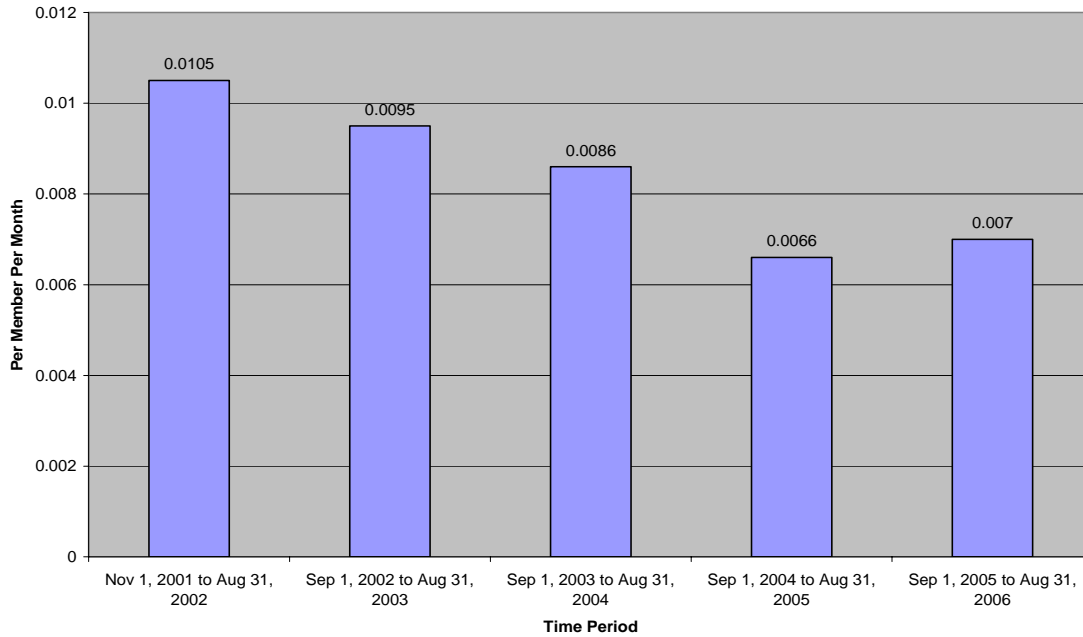
While participants were active in Richland Care, their overall inpatient utilization reduced by 15% during the 58-month period, from 0.0093 to 0.008 visits PMPM. The number of hospitalizations that did not occur for participants active in the program is 231 throughout the 58-month period.



Trended results by year show that utilization of inpatient services increased slightly during the first year of Richland Care and then steadily declined between September 2002 and August 2005, at which time inpatient utilization had declined by 29%. Utilization rose slightly for the period September 2005 to August 2006. One possible explanation for this increase is an influx

of low-income, uninsured Hurricane Katrina evacuees needing access to hospital services in the fall and winter of 2005.

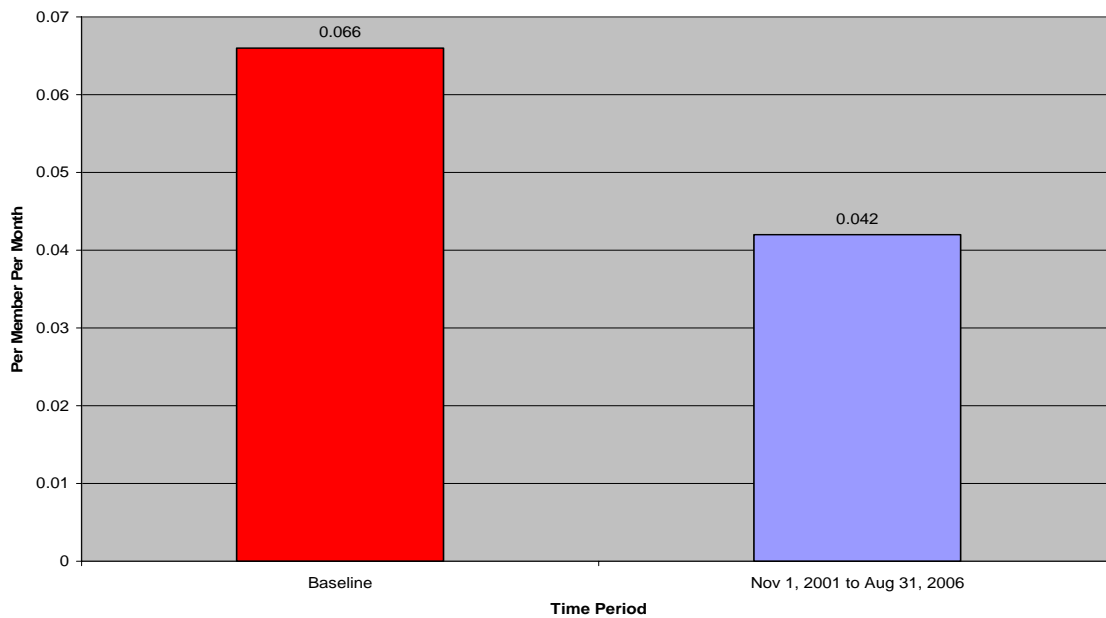
Richland Care Participants' Trended Utilization of Inpatient Services During Periods of Active Participation with Richland Care



Emergency Department Utilization

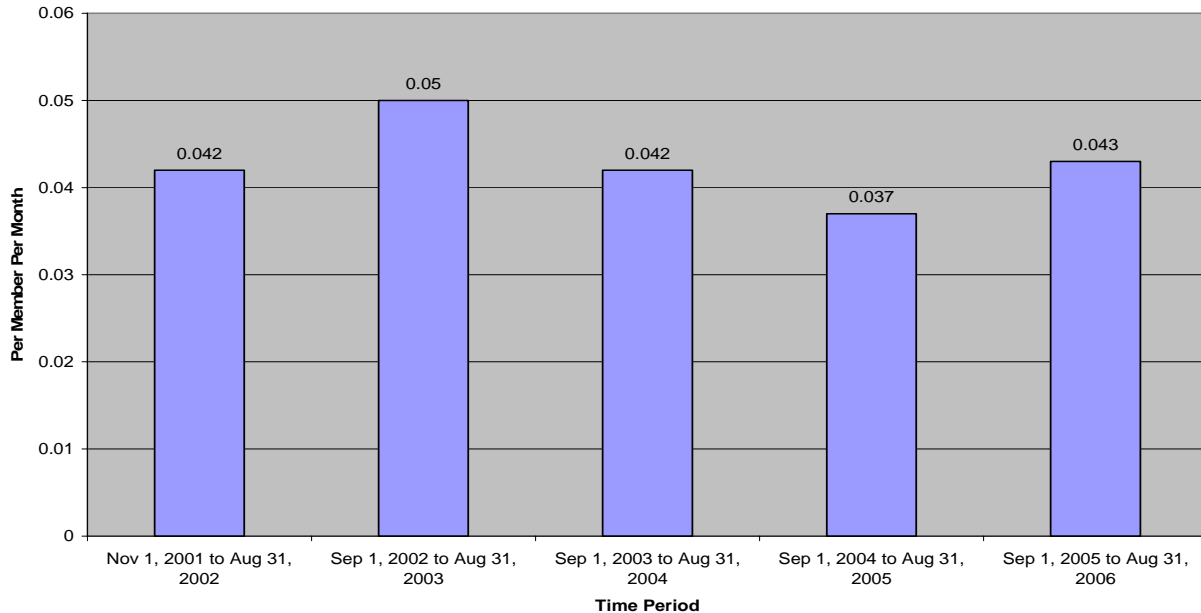
For participants active in Richland Care, overall ED utilization reduced by 36% over the 58-month period (0.066 to 0.042 visits PMPM), resulting in 4,205 missed ED visits.

Richland Care Participants' Utilization of Emergency Department Services During Periods of Active Participation with Richland Care



Trended results by year show slight variation in utilization of ED services. Like inpatient utilization, there is a slight increase in utilization for the period September 2005 through August 2006, potentially related to services needed by Hurricane Katrina evacuees.

Richland Care Participants' Trended Utilization of Emergency Department Services During Periods of Active Participation with Richland Care



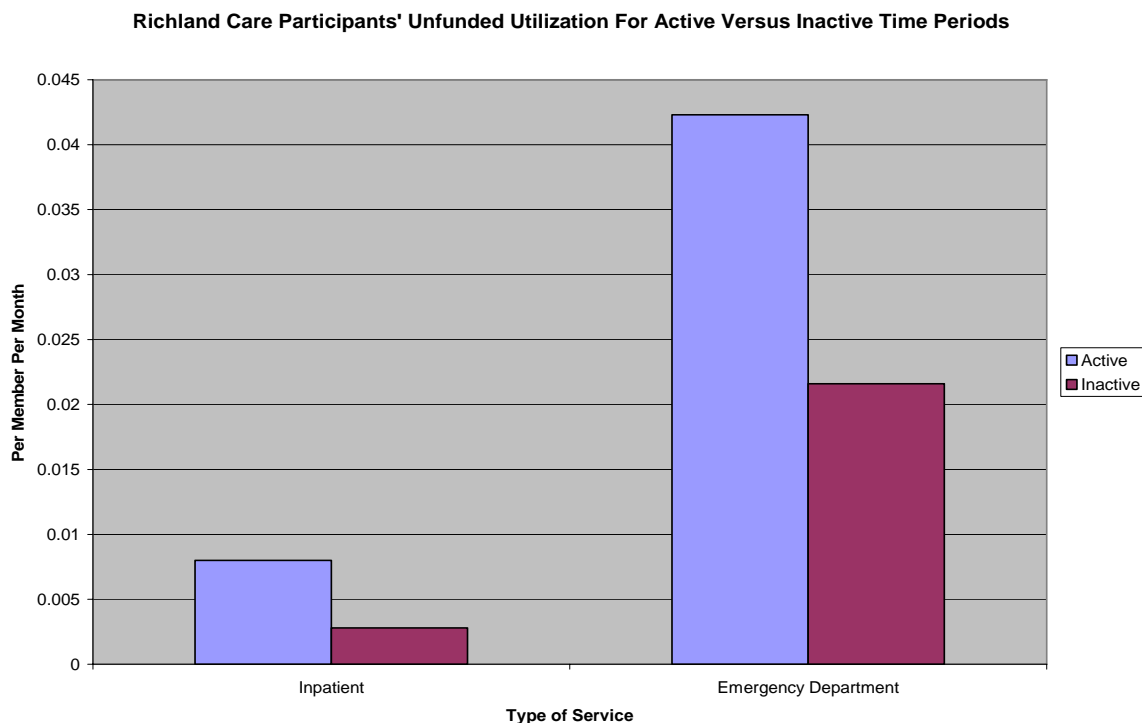
Multiplying the number of missed stays times the actual mean charges for inpatient hospitalizations (\$19,644 per stay) and ED visits (\$1,227 per visit), the total value of the missed stays is \$9.7 million in hospital charges over the 58-month period, or approximately \$2.02 million in charges per 12-month period. If it is assumed that costs are 35% of charges, the total cost avoidance is \$707,000 per 12-month period. Assuming that variable costs are 60% of total costs, the variable cost avoidance is \$424,200 annually due to decreased utilization of inpatient and ED services of active participants. Over time, one would expect that continued decreases in utilization would yield potential for decreases in fixed costs.

While active in the program, Richland Care participants know that they have ready access to many healthcare services including primary care, pharmaceuticals, outpatient services, specialty care and care management. Richland Care staff navigates participants through the healthcare system to insure that participants receive needed services. Identified barriers to these services are communicated to appropriate partners, and, in many instances, the barriers are resolved and participants learn how to better access the health system.

Inactive participants: The cornerstone for Richland Care is access to primary care. Richland Care participants must remain current at the medical home in order to remain an active participant of Richland Care, and medical home/Richland Care eligibility is renewed every six or twelve months. There is a core group of 3,500 people who have remained active in Richland Care and have short periods of time (less than 30 days) between enrollment periods. There are 200 people who have permanently disappeared from Richland Care (died, gained Medicare due to age, etc.). The remaining 7,000+ people come in and out of Richland Care, and this could be

due to a particular “temporary” reason such as gaining/losing health insurance like Medicaid, leaving Richland County, or gaining income. Richland Care staff screens participants for Medicaid eligibility and then encourage/help potentially-eligible participants to enroll into various programs. In March 2007, Richland Care staff reviewed Medicaid status for over 550 participants who were known to have gained Medicaid prior to September 2006. Twenty-six percent (26%) of these 550 participants remained insured with Medicaid in March 2007. The other 74% (with some exceptions) likely became eligible to re-enroll into Richland Care, and approximately 5% were re-enrolled into the program as of June 2007.

From focus groups, we know that the vast majority of participants who do not renew their medical home eligibility do so because they feel they are healthy and no longer need their medical home or Richland Care. They may feel they are healthy because they have gained some needed medication or taken care of a long standing health problem by seeing the primary care provider and/or specialist(s). Participants have reported receiving needed procedures such as a hysterectomy or cholecystectomy and that their use of the ED has subsequently declined. They do not go back to the medical home to re-qualify when they feel well. Instead, they access the medical home and Richland Care (and ED) again when they are sick and need health services. And, unfortunately, participants may delay seeking care when it is needed due to various health system issues. When participants are inactive in Richland Care, their utilization of inpatient and ED services significantly declines from when they were active in the program. Overall, their unfunded inpatient hospital use dropped by 65% and their unfunded ED use dropped by 49% when they were inactive compared to when they were active in the program between November 2001 and August 2006. The amount of charges associated with these reductions is \$23.9 million for the 58-months, which is approximately \$4.95 million in charges per 12-month period.



These reductions certainly could have an impact on operational costs to the organization and, assuming that the visits were ‘backfilled’ with paying patients, there could be a positive financial

impact to the organization due to decreases in marginal costs gained by increases in paying patient visits. Richland Care is currently attempting to follow inactive participants and gain more understanding participants' continued decrease in utilization of unfunded hospital services.

Budget:

Richland Care operates efficiently with eight staff members and with a fiscal year 2007 budget of \$719,000 supported by Palmetto Health, The Duke Endowment, and other organizations. See fiscal year 2007 budget below.

Item	FY 2007 Budget
Salaries	\$339,600
Benefits (22% of salaries)	\$74,700
Travel	\$9,000
Supplies	\$5,000
Contractual	\$50,500
Specialty Care	\$215,000
Other	\$25,200
Total	\$719,000

Replication:

The Richland Care medical home network model is replicable in other areas. Fairfield Memorial Hospital, Newberry County Memorial Hospital, and other community partners have developed Fairfield/Newberry CareLINK, which is a healthcare delivery system for the low-income, uninsured residents in neighboring Fairfield and Newberry Counties. The healthcare delivery system consists of the same services as Richland Care, and CareLINK's annual budget is \$350,000. Still a young program, CareLINK began in March 2005 and has enrolled 1,095 participants through January 2007. Baseline assessments of health status and utilization have been completed, and it is anticipated that CareLINK will demonstrate similar health status improvements and utilization reductions that Richland Care has demonstrated. Key informant interviews with community stakeholders indicate that stakeholders feel that CareLINK is 'on the right track' to development and implementation of an integrated healthcare delivery system that reaches these goals. Additionally, Palmetto Health Baptist Easley has expressed an interest in development of a Richland Care program for residents of Pickens County. Planning meetings of community stakeholders and a community needs assessment are anticipated for the coming months.

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