

# Rural Health Value

UNDERSTANDING  
AND FACILITATING  
RURAL HEALTH  
TRANSFORMATION.



RURAL POLICY RESEARCH INSTITUTE

Center for Rural Health Policy Analysis

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## Rural Innovation Profile

### *Investing in Population Health*

**What:** Community health system development and a new population health payment structure that supports rural and frontier organizations to improve health equity.

**Why:** The current health system's structures and reimbursement models are characterized by treatment of specific health conditions, a fee for service delivery system, and undifferentiated per member payment models. These approaches are not viable in rural and frontier areas and provide no real incentive to rural providers to improve health and decrease costs.

**Who:** Hidalgo Medical Services, Center for Health Innovation, Silver City, New Mexico.

**How:** Establish a Medicaid population health support system in rural and frontier areas that is viable and transferable across all patient populations.

### Key Points

- To improve overall patient health and reduce costs over time, health systems should address the needs of all populations, not only those of high-need patients.
- Fee-for-service models are contingent on and promote increased volume. Rural providers, with volume limitations, have no incentive to decrease volume. Therefore, a new payment structure is needed.
- Population health management requires risk stratification of patients and a standardized approach at each level of risk to be efficient and effective and to create measurable outcomes.
- Patient referrals must be based on patient needs, not on insurance coverage.

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## **OVERVIEW**

Hidalgo Medical Services (HMS), in coordination with its Center for Health Innovation (HMS-CHI); the University of New Mexico, Office of Community Health; Molina Health Plan; and Blue Cross/Blue Shield of New Mexico are working as a consortium with New Mexico Medicaid. The consortium is creating and piloting a standardized community health, care coordination, and reimbursement model to serve patients at differing levels of need. While the consortium will focus on Medicaid patients, all patients will be served. The pilot program aims to improve population health while decreasing health care costs. Using a three-tiered approach to patient care and capitated payments, the model relies heavily on community health workers, who focus on addressing social determinants of health, and on coordination and cooperation within the health system and between community health organizations.

## **DESCRIPTION**

Grant and Hidalgo Counties are located in southwest New Mexico and are home to the seven health care facilities that make up HMS. Both Grant and Hidalgo Counties are rural, while Hidalgo County (1.4 persons per square mile) is also considered frontier. The counties' combined population is approximately 34,000. Silver City, a college town with a population of 10,000, is the county seat and largest city in Grant County. Lordsburg, with a population of 3,000, is the county seat and largest city in Hidalgo County (population 4,900). HMS sites in Silver City and Lordsburg provide a comprehensive array of primary care services, including lab, x-ray, dental, behavioral health, and family support services. Other HMS locations offer primary medical care with family support services on or near each site. Over 65 percent of those living in Grant and Hidalgo Counties receive their health care services through HMS.

In addition to its health care services delivery system, HMS also includes a planning, policy, research, and program development division, HMS-CHI, which has been funded through grants and the state's Medicaid program. HMS-CHI develops and establishes service and payment infrastructures to support population health improvement throughout Grant and Hidalgo Counties. Although HMS has been moving toward a population health model since its inception, formal activities to provide care coordination services to high-cost, high-risk patients began in 2010 through a Medicaid managed care contract. Using this care coordination approach, the Medicaid Community Health Worker (CHW) model saved Medicaid \$4 for every \$1 invested. However, the CHW model did not solve an ongoing challenge for HMS; rural and frontier health care providers are paid well for diagnosis and treatment services, but have no incentive and limited or no resources for health promotion and management services.

As the consortium moved forward in its planning and development, members explored the following key questions: (1) How should the consortium structure and finance patient support services so they





include all people? (2) How should the consortium work on horizontal integration of health services to realize cost savings? (3) How should the consortium better manage patients with poor health and very poor health?, and (4) How can the consortium ensure it works with all people in a community, regardless of their health condition?

To answer these questions, HMS-CHI established a three-tiered patient services and payment model that allows flexibility in how communities provide care. The payment structure was developed based on an actuarial analysis conducted by Molina Health Plan and Blue Cross/Blue Shield of New Mexico, as well as through their studies on reducing costs. The three-level model includes the following patient care, payment, and community health characteristics:

#### Level III – High-Level Need

- CHWs work one-on-one with each patient.
- CHWs make referrals to health care providers and community support services to address chronic conditions, risk factors, and social determinants of health.
- HMS-CHI receives \$321 per month per Medicaid patient, not based on services provided.
- Patients are considered level III for three to six months, with regular assessments to determine ongoing need and appropriate placement at level I, II, or III.

#### Level II – Mid-level Need

- CHWs work with patients either one-on-one, or in cohorts, as appropriate.
- CHWs refer patients primarily to community support services to address risk factors and social determinants of health.
- HMS-CHI receives \$5.75 per month per Medicaid patient, not based on services provided.

#### Level I – Low-Level Need – Community Health

- HMS-CHI's efforts are focused on community infrastructure, ensuring access to exercise facilities and resources and to affordable and healthy food.
- HMS-CHI identifies and focuses resources on addressing one or two community priorities.
- HMS-CHI receives \$5.75 per month per Medicaid patient, not based on services provided.





All patients will receive an initial health assessment that includes a health screening and a review of their medical record to determine their program level. In addition, within the primary care clinic, successful implementation of the model requires the following: consistent and pre-determined referral patterns for each type of patient; one behavioral health professional and exam room for every primary care exam room; and a fully integrated electronic health record that includes behavioral health, oral health, primary care, family support, and other services.

The new payment model allows programs to be designed based on a known revenue stream. It provides a per member, per month payment vs. a per visit payment, and payment is sufficient to meet patient needs. The payment model is also tiered, supporting patients at all care levels while assuring high-need patients receive the health services and care coordination they need. The model also allows patients to move between care levels as health care needs and social determinants of health change.

#### **NEXT STEPS**

The pilot program began July 1, 2015, and outcome measures are being developed. Both Molina Health Plan and Blue Cross/Blue Shield of New Mexico have agreed to pay for the pilot program to include 10,000 Medicaid recipients. Initiative development support is also being obtained from the University of San Francisco and the University of New Mexico. HMS-CHI is applying for 501c3 status, which will allow it to have a broader role in health systems planning, be independent, and focus on rural, frontier, and minority health.

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