

# Partnering in Postacute Darkness? CMS Has Data That Will Help

Terry E. Hill, MD

In 2013 the National Academy of Medicine pointed out that by far the largest source of variation in Medicare costs is postacute care.<sup>1</sup> Health systems then began to pay increasing attention to postacute care, especially as more providers became accountable for those costs. Meanwhile, CMS, researchers, and the media continue to point out enormous variation in skilled nursing facility (SNF) quality. Nursing Home Compare (NHC), the CMS public reporting website, is a market-based transparency strategy designed to enable consumers to choose higher-quality facilities. Upstream organizations such as health systems, hospitals, physician groups, and health plans are increasingly using NHC to inform their own efforts to channel patients to better facilities. While this use of NHC is all well and good, the National Academy of Medicine<sup>2</sup> and the Government Accountability Office (GAO)<sup>3</sup> have long criticized CMS for not aggregating measures from individual SNFs into measures for the multifacility organizations (ie, corporate chains) that manage SNFs. In this commentary, I outline why upstream organizations, and not just consumers, should be concerned about this lack of transparency and how this information could accelerate improvement in this chronically troubled sector of healthcare delivery.

## NHC Has Proven Validity

The good news is that NHC includes a robust host of measures reflecting quality, utilization, and cost. Its 5-star system now aggregates these measures into a postacute score, a long-stay score, and a global score. Even earlier versions of NHC have proven validity. Channeling patients to SNFs with higher scores leads to lower mortality, fewer readmissions, and shorter stays.<sup>4</sup>

Most of us who are upstream providers being held accountable for readmissions and/or postacute costs have begun developing formal or informal relationships with SNFs, in some cases sharing data systems and establishing our geriatricians, nurse practitioners, care coordinators, and educators within the facilities. NHC can assist us in choosing preferred SNFs and developing such partnerships, but it still leaves us with knowledge gaps and a series of challenges.

## What's Missing Is Chain Performance

NHC offers a line of sight into the performance of only individual SNFs, but more than half of nongovernmental SNFs are managed by corporate chains, most of which are for-profit. We can expect yet more consolidation to occur.<sup>5</sup> Research studies have found both positive and negative effects of chain ownership. From the upstream provider point of view, however, what matters is not whether chains in general are good or bad; what matters is whether a given chain with its SNF(s) in a provider's territory is likely to be a good candidate for long-term collaboration. Corporate managers of chains make decisions about strategies, policies, personnel, and resources that have consequential impacts on care quality within their facilities. Their decisions lead to performance variation among chains as well as variation among SNFs within their own chain, whereas their local administrators usually lack the power and resources required for innovation, and the frequent turnover of these administrators can lay waste to collaboration efforts.

Given the increasingly obscure power hierarchies in this industry, upstream providers may have difficulty even discovering which SNFs are in which chains. Indeed, this has been a chronic complaint of the GAO, the Office of the Inspector General (OIG), and even staff at CMS regional offices.<sup>3</sup> CMS now collects chain ownership information but has yet to aggregate performance data by chain and share this performance on NHC. As a result, upstream providers suffer from unnecessary information asymmetry in trying to choose and collaborate with SNFs.

This disadvantage can be exacerbated by upstream unfamiliarity with the specifics of postacute and long-term data and with the SNF setting itself. Administrators, nurses, and physicians may be unaware, for example, of the chasm-deep drop in nurse staffing that occurs between hospital and SNF. From April 2017 through March 2018, more than 75% of the nation's SNFs met the expected CMS acuity-adjusted registered nurse staffing standard on fewer than 73 of those 365 days.<sup>6</sup> Compared with data that an upstream provider can muster, the NHC readmission measure, for example, is likely to have much better risk adjustment and thus be less susceptible to gaming by SNFs (eg, by declining high-risk patients). It will also be

more stable, thanks to a larger denominator, but on the other hand, it does not include Medicare Advantage data. And again, aggregate data for chains are missing from NHC.

The National Academy of Medicine, the GAO, and many researchers have argued that transparency regarding SNF chain performance will benefit consumers, and I argue that these data will benefit upstream providers. Health plans and state Medicaid agencies are additional upstream organizations that will benefit, as will multiple other stakeholders. The California State Auditor has already put a makeshift dashboard on its website showing performance of the state's largest SNF chains.<sup>7</sup>

### The Yields of Chain Transparency

Although chain transparency will likely yield a number of unpredictable effects, we can foresee several:

The impact on consumer decision making will be modest, whereas the impact on patient channeling by upstream providers will be substantial. The information will be particularly useful in helping upstream providers discern which SNFs are worthy of long-term collaboration and investments of the time, people, and resources required to achieve sustainable change. The data will also help individual nurses, physicians, and other staff make similar decisions about their own personal commitments to these organizations.

Within the SNF sector, better-performing chains will be big winners once they have credible CMS ratings that can be distinguished from the usual run of marketing material. Perhaps most interesting will be whether midrange and lower-performing chains initiate significant improvement initiatives. The outcomes here will depend on which factions within those organizations win the internal political battles for purpose and resources that are touched off by now-public performance scores.<sup>8</sup>

Health plans and upstream providers, which typically write global contracts for all the SNFs in a chain, will be less likely to base their choices on price alone when chain performance becomes known.<sup>9</sup>

The performance data on chains may also catch the attention of outside investors with ownership interests in SNF management organizations and/or the underlying real estate holdings. These investors include private equity, mutual funds, and state pension funds (eg, those in Washington and California).<sup>3</sup>

Finally, it is abundantly clear that transparency-enabled channeling of patients and resources to better-performing SNFs will only exacerbate existing racial, ethnic, and socioeconomic disparities. However, accurate information is neither the cause of nor the cure for our 2-tiered system of postacute and long-term care. Broad market-based interventions are also unlikely to address these disparities; the Medicare Payment Advisory Committee has argued that interventions to assist high-Medicaid SNFs should be specifically targeted for that purpose.<sup>5</sup>

## TAKEAWAY POINTS

- ▶ Hospitals, physician groups, and health plans suffer from information asymmetry in trying to collaborate with nursing facilities managed by corporate chains.
- ▶ Investments of time and resources in postacute collaborations will be more fruitful when information on chain performance is available.
- ▶ CMS now collects chain ownership information but has yet to aggregate performance data by chain and share this performance on Nursing Home Compare.
- ▶ Transparency of chain performance will trigger improved postacute outcomes via direct and indirect mechanisms.

## Dispelling the Darkness

CMS has made considerable progress in its postacute and long-term care public reporting, but its exclusive attention to individual SNFs belies the complexity of the industry's organizational hierarchies. Unlike the OIG, CMS does not currently hold chains accountable for the performance of their individual SNFs. Although investigating and sanctioning the chains with chronically poor performance would require statutory changes, displaying chain performance will not. Individual SNFs can now be well seen under the proverbial streetlight, whereas the behavior of controlling chains is still shrouded in darkness, thus exacerbating the information asymmetry in this market. Illuminating chain performance, in addition to that of individual SNFs, will yield higher quality and lower costs for a host of stakeholders, including patients and their families. ■

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**Address Correspondence to:** Terry E. Hill, MD, Hill Physicians Medical Group, 631 Vernon St, Oakland, CA 94610. Email: thillmd@pacbell.net.

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