WRHAP
Washington Rural Health Access Preservation

March 7, 2018

Sue Birch, Director
Washington State Health Care Authority

John Wiesman, Secretary
Washington State Department of Health

Dear Director Birch and Secretary Wiesman:

Our thirteen Public Hospital Districts serve some of the smallest and most isolated rural communities in the State of Washington. Our Districts are facing serious financial challenges that threaten our ability to sustain high quality primary care and emergency services for our communities.

Since 2015, we have been working together through the Washington Rural Health Access Preservation (WRHAP) project to develop sustainable solutions to these problems. Although the significant financial deficits we are facing need to be addressed in order to preserve essential services, we also want to deliver healthcare services to our residents in new ways that will improve health outcomes and control healthcare costs.

In 2016, with financial and technical support from the Health Care Authority, the Department of Health, and the Washington State Hospital Association, we completed a detailed analysis that showed how the current payment systems used by Medicaid, Medicare, and commercial health insurance plans do not adequately support the costs of delivering high-quality care in our small rural communities. The current payment systems also do not give us the flexibility needed to deliver the services our residents need in more effective and affordable ways. As part of the SIM grant-supported activities under the Healthier Washington Initiative, HCA, DOH, WSHA, and all of our hospitals reached a consensus that an Alternative Payment Model was needed for the WRHAP Public Hospital Districts that would enable us to sustain essential primary care and emergency department services and to deliver more comprehensive population health management services for our residents.

Based on the analysis and recommendations developed through this process, the Washington State Legislature passed and the Governor signed Substitute House Bill 1520 last April. The law requires the Health Care Authority to create an alternative, value-based payment methodology for the WRHAP Public Hospital Districts under the Medicaid program that provides sufficient funding to sustain essential services in our districts, including (but not limited to) emergency and primary care services. The law also requires the Health Care Authority to encourage additional payers to use the payment methodology for individuals insured by those payers. In addition, the Legislature appropriated over $2 million for the current biennium to help our hospitals transition to this new payment methodology.

We have worked together to develop an Alternative Payment Model (APM) which meets the requirements of SHB 1520. It is described in detail in the attached document. This APM would:

- provide adequate funding to sustain emergency department and primary care services, as required by law, while also strengthening financial incentives to deliver care as efficiently as possible;
- base payments on quality and value, rather than volume, including an explicit focus on managing total health care costs for district residents;
- use existing state administrative systems to the maximum extent possible, rather than requiring the creation of new state agencies or significant expansions of state staff as other states have done; and

- build on the work done by the Health Care Authority to improve clinic payments under APM 4, but with the changes that are necessary to make the model feasible for small rural clinics. This includes basing clinic payments on the actual costs of supporting adequate primary care and risk adjusting payments to ensure they are adequate to meet the needs of complex patients in small clinics. It is important to recognize that while paying on a per-patient rather than per-visit basis will give clinics the flexibility to deliver care in more effective ways, that flexibility does not provide the opportunity for the kinds of significant savings in our clinics that might be possible in larger clinics. Our small clinics cannot substitute nurses for physicians and see more patients since they already have the bare minimum number of providers needed to deliver patient care.

We ask that you work with us as we refine the details of our APM so that it can address your goals in addition to solving the problems we are facing. We also request that you take the steps necessary for the APM to be implemented as soon as possible, but no later than January 1, 2019.

With each passing day, our collective financial situation worsens, our residents are denied the opportunity to receive service enhancements we cannot afford to deliver, and the risk of our communities losing essential services increases. The need for action is urgent, so we hope you will make this a priority.

Sincerely,

Diane Blake, CEO, Cascade Medical Center (Chelan County PHD #1)

Gary Bostrom, CEO, East Adams Rural Healthcare (Adams County PHD #2)

Tim Cournyer, CEO, Forks Community Hospital (Clallam County PHD #1)

Aaron Edwards, Superintendent and CEO, Ferry County Memorial Hospital (Ferry County PHD #1)

Leianne Everett, CEO, Morton General Hospital (Lewis County PHD #1)

Alan Fisher, CEO, Mid-Valley Hospital (Okanogan County PHD #3)

J. Scott Graham, CEO, Three Rivers Hospital (Okanogan-Douglas Counties PHD #1)

Carole Halsan, CEO, Willapa Harbor Hospital (Pacific County PHD #2)

Rosalinda Kibby, Superintendent and Administrator, Columbia Basin Hospital (Grant County PHD #3)

Julie Leonard, CEO, Garfield County Hospital District (Garfield County PHD)

Shane McGuire, CEO, Columbia County Health System (Columbia County PHD)

John McReynolds, Interim CEO, North Valley Hospital (Okanogan County PHD #4)

Mo Sheldon, CEO, Odessa Memorial Healthcare Center (Lincoln County PHD #1)

Attachment: WRHAP Alternative Payment Model

cc: Madina Cavendish
Patricia Justis
MaryAnne Lindeblad
Ben Lindekugel
Mich'l Needham
Rachel Quinn
Claudia Sanders
Gary Swan
Jacqueline Barton True