

Strategies for Making the "Return on Investment" Case for Behavioral Health to Managed Care Organizations & Government Agencies

The Coalition for Behavioral Health Business Recovery Initiative



Wednesday, September 2, 2020

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Agenda

Strategies for Making the "Return on Investment" Case for Behavioral Health to Managed Care Organizations & Government Agencies

- I. Context
- II. The Increasing Move To Measuring Value And “ROI”
- III. The Process For Proposing A New Program To Payers
- IV. Creating An ROI Model



I. Context

Current Provider Challenges Are Unlike Any In Recent History

Rising Deficits Will Drive Reductions In Social Spending

- Medicaid budgets will be reduced
- Budgets for other social determinants will be reduced

Health Care Costs Will Increase

- More uninsured due to unemployment
- Focus on cost containment through managed care and VBR

Economic Bust Will Be Extended

- The Congressional Budget Office has projected that it may take 10 years for economic growth to reach pre-2020 levels

Strategic positioning is essential for future sustainability.

Creating new services that target consumer needs, and demonstrative value to payers is the growth market of the future.

Managing Operations Versus Leading Recovery Strategy

Managing The Crisis

- Do we have enough cash?
- How do we keep consumers and staff safe?
- How do we improve communications to ensure that the organization keeps moving forward?
- How do we need to adapt services to continue to serve consumers?
- Do we need to temporarily stop doing some services to preserve cash?
- Are there critical steps that involve staff or organizational structure that are needed to continue operating?

Leading Recovery Strategy

- When do the experts think the crisis will be over?
- What will the economy and market look like when the crisis ends?
- How will consumer attitudes, preferences and needs have changed because of the crisis?
- What will be the payer needs following the crisis (State & Local Governments, MCOs, Commercial Payers)?
- What strategies prepare us for the new market, and what innovations and investments are needed to position the organization?

Return On Investment – The Complex Consumer Market

It isn't enough to tell payers about the good services we provide. We need to show them quality outcomes and demonstrate that we can also reduce the cost of care.

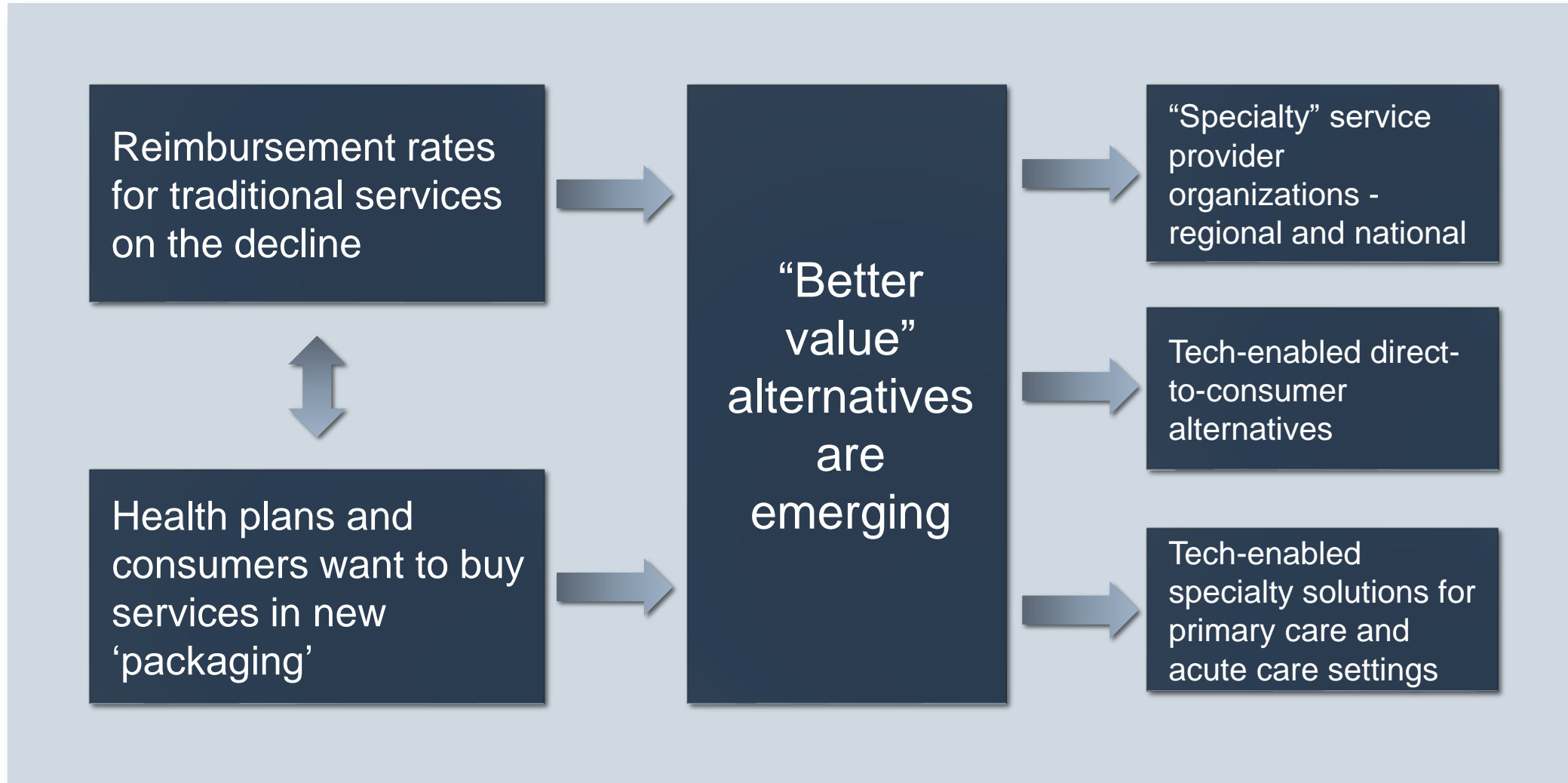
New Services For A Changing Market

1. New services identify changing, or unmet, consumer needs and develop innovative approaches to meet those needs.
2. Innovators on the product life cycle are “price setters” and are positioned on the growth line of the cycle.
3. Moving from an innovative idea to a marketable product takes planning, marketing and an investment of capital.
4. The return on investment (ROI) analysis convinces payers that the proposed services will both deliver value and reduce the total cost of care for their members.

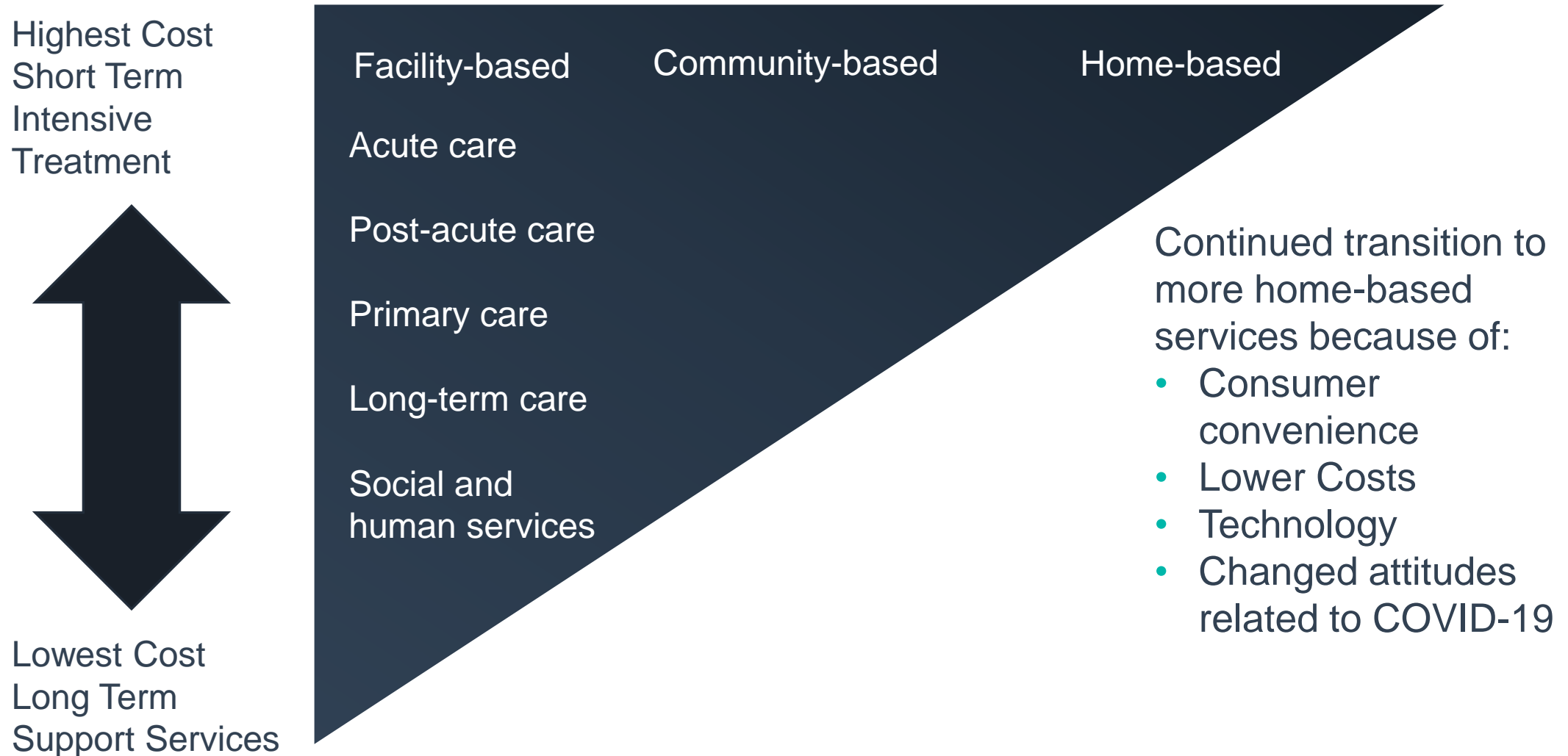


II. The Increasing Move To Measuring Value And “ROI”

Changing Preferences Of Customers & New Market Options



The Shifting Service Model



Market Role For Specialist Provider Organizations Changing

For specialist provider organizations serving consumers with complex needs, two emerging market positions

Whole Person Care

Provider organizations that can manage consumers with complex conditions and keep them out of acute care settings

Stabilization & Crisis Management

Provider organizations that can provide acute stabilization for complex consumers and coordinate a return to the community

Traditional FFS ‘money makers’ shrinking – targeted case management, traditional undifferentiated “residential” treatment, post-surgical SNF care, etc.

The “Cash Cow” Is Becoming The “Dog”

Quality As A Competitive Differentiator

The Strategic Quality Concept

Invest in “quality improvement” that differentiates you from competitors – and where the customer is willing to pay for the **differential cost**

Requires an understanding of:

- Customer perceptions
- Customer segmentation
- Competitive offerings
- Customer perceptions of competitive offerings
- Price elasticity

Ensuring consistent quality outcomes is a key component of identifying your ROI.

Eight Dimensions Of “Quality”

- Performance
- Features
- Reliability of service system
- Conformance to standards
- Durability and length of effect
- Serviceability and customer experience
- Aesthetics
- Perceived quality

Technologies To Drive Quality Outcomes And Efficiency

Data Management	<ul style="list-style-type: none">• EHR/EMR• Health information exchange• Analytics/performance management/outcome measurement
Administrative Cost Management	<ul style="list-style-type: none">• Human resource management• Financial/accounting/costing/billing systems• Scheduling and intake management
Consumer Interaction	<ul style="list-style-type: none">• Consumer engagement/education• Consumer/patient portals• Consumer outreach/texting
Consumer Treatment & Wellness	<ul style="list-style-type: none">• Telehealth and remote monitoring• eCBT/Neurotechnology treatments/Health devices• Wellness/Disease state management
Population Health Management (PHM)	<ul style="list-style-type: none">• Care coordination/Clinical decision support/PHM• Provider network management/referrals/claims payment• Contract & payment management/eligibility management




III. The Process For Proposing A New Program To Payers

Reaching Out To Payers With A New Service Proposal

1. What solution is the payer looking for to solve and for what service issues?
2. How interested is the payer in addressing a holistic approach to services (medical, behavioral, social)?
3. What are the steps for creating a payer plan “solution”?
4. What outcomes are payers interested in to address their member service quality and cost issues?
5. What are examples of services providers that have developed improved consumer outcomes and lower overall healthcare costs?
6. What steps are involved in reaching out to a payer with a new service proposal?

What “Solutions” Are Health Plans Looking For?

Solutions for cost/quality issues for ‘problematic populations’



Customized solutions



Gainsharing in financing model



Outcome and performance data



Demonstrated return-on-investment

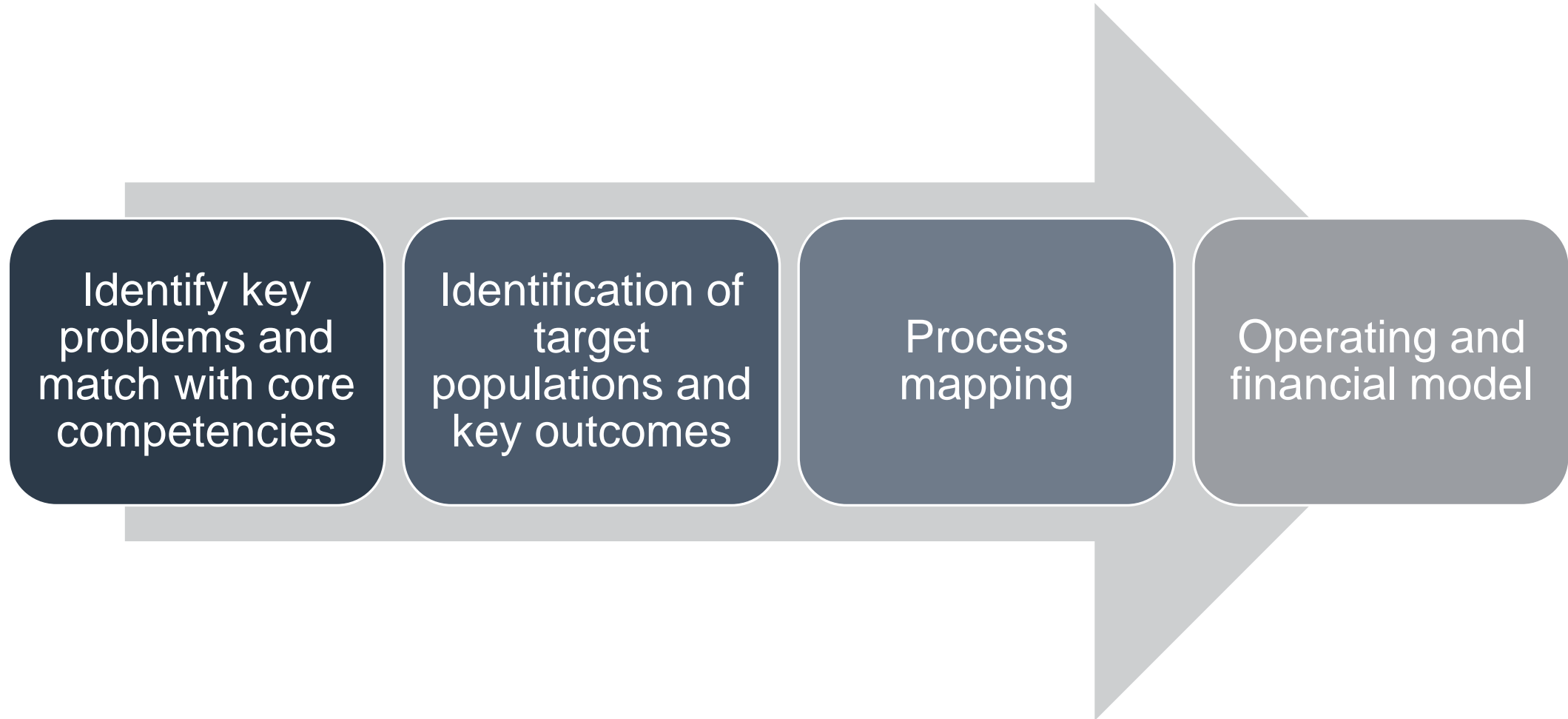
Increased Payer Focus On Social Determinants To Improve Outcomes For Costly Complex Populations

Factors that contribute to a person's current state of health. These factors may be biological, socioeconomic, psychosocial, behavioral, or social in nature.

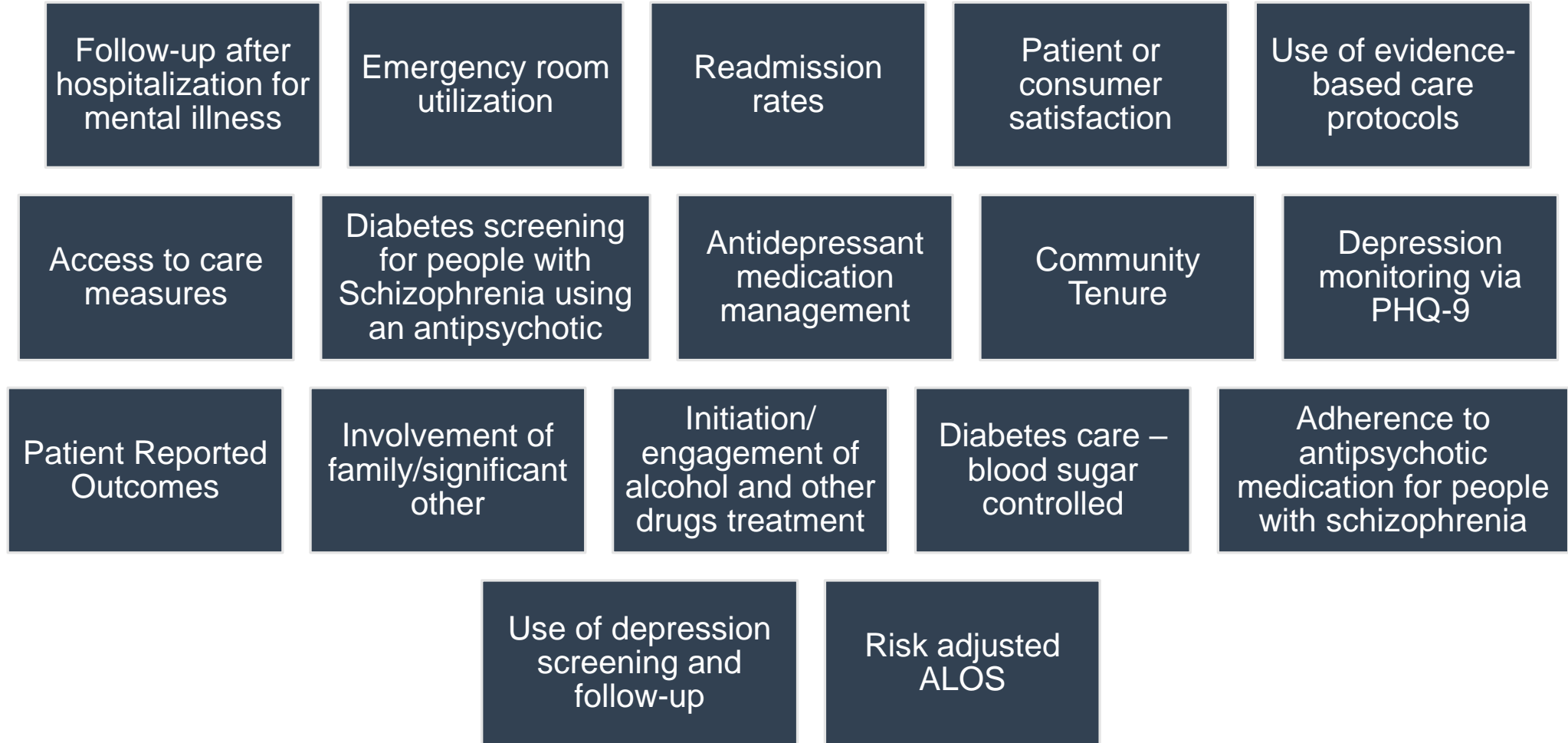
Addressing social determinants of health results in holistic care – reducing total costs and driving ROI



Developing Health Plan “Solutions”



Most Commonly Used Behavioral Health Performance Measures



Services Focused On Effective Outcomes And Value

Behavioral health service system sub-capitation

Specialty care coordination for consumers with behavioral disorders

Specialty 'center of excellence' programs for acute conditions

Behavioral health consultation program for inpatient programs – live or via telehealth

Hospital diversion programs

Specialty behavioral health ER/crisis stabilization

Behavioral health consultation in office-based service locations – live or via telehealth

Management of specific acute episodes or chronic conditions via case rate or episodic/bundled payment

Management of short-term inpatient psychiatric and addiction treatment programs

Hospital readmission prevention programs

Community-based/mobile crisis response

Home-based service delivery

Psychiatric consultation – live or via telehealth – in hospital emergency rooms

Specialty primary care

Reaching Out To Payers With A New Service Proposal

1. Describe the issue that your new service proposal addresses for the payer.
2. Estimate the potential savings that your new service is anticipated to yield toward the cost of care of your targeted population.
3. Present your cost model and proposed price as an offset to the anticipated cost of care.



IV. Creating An ROI Model

Steps To Create An ROI Model

1. Build the financial model for your new service
 - a. Key assumptions and drivers
 - b. Create financial projections
 - c. Summarize model
2. Estimate the current cost to the payer of addressing these same member needs
3. Estimate the potential savings that your new service is anticipated to yield to the cost of care of your targeted population
4. Effectively use ROI to make the case for a new behavioral health service

Key Questions When Building Your New Service Model

1. Who is your target population?
2. What is the problem that your new service addresses – in terms of better consumer service outcomes and less overall cost?
3. How does your approach differentiate your services from competitors?
4. What evidence-based practices or pilot programs is your service model built on?
5. What outcomes do you intend to achieve with the new service model? What indicators will you use to drive those outcomes?
6. How will you get the data for those outcomes and then create actionable processes for staff to drive results that align with those outcomes?

1. Building A New Service Model

a. Key Assumptions and Drivers

What Will It Take For Model Success

1. Identify key timeframes
 - i. Start date
 - ii. Implementation timeframe
 - iii. Fully functional date
2. Estimate the potential consumer market, and portion of the market targeted by the organization
3. Build the staffing plan based on the service model including types of staff positions and consumer to staff ratios
4. Estimate variable expense drivers and allocations (i.e. number of consumers served)
5. Estimate overhead expenses to be applied

Operating assumptions will become the service line metrics to drive results

New Service Line Forecast Assumptions

Target And Actual Cost	Target Cost	Cost
Fully Functioning Rate	\$ 250	\$ 251
Timeframe		
Staff Hire Date		1/1/2021
Service Begin Date		2/1/2021
Start Up Period - Months		6.0
Members		
Potential Consumer Market		2,500
Care Transition Population Estimate		250
Member Growth Estimate Per Month - September 1, 2021 - December 31, 2023		1%
Staffing		
	Startup	Ongoing
Therapist (Licensed) - Ratio of Consumers Per Therapist	1	1
Care Coordinator - (CM and Behavioralist Roles) - Ratio of Consumers Per Care Coordinators	2	4
Substance Abuse Counselor - Ratio of Consumers to SA Counselors	1	1
Nurse Practitioner (Medication Management) - Ratio of Consumers Per NP	1	1
Annual Salary Increase		3%
Benefits & Payroll Taxes		30%
Other Expenses		
Other Direct Expenses - Supplies, Equipment, Facilities, Insurance		30%
Management & General Expenses		20%

1. Building A New Service Model

b. Build Financial Projections

Converting Drivers to Financial Projections

1. Apply revenue rates revenue driver assumptions in the service model to create revenue and expense projections
2. Apply variable expense estimates to expense driver assumptions to create variable expense projections
3. Estimate fixed expenses allocations related to the service line
4. Estimate overhead expenses to be applied

The service line projections used to create the feasibility analysis are modified when the service goes live to refine assumptions and projections.

Per Unit Revenue And Expenses

Expense Projections	Monthly Salary				
	Annual Salary	2021	2022	2023	2024
Therapist (Licensed) - Ratio of Consumers Per Therapist	\$ 60,000	\$ 5,000	\$ 5,000	\$ 5,150	\$ 5,305
Care Coordinator - (CM and Behavioralist Roles) - Ratio of Consumers Per Care Coordinators	\$ 40,000	\$ 3,333	\$ 3,333	\$ 3,433	\$ 3,536
Substance Abuse Counselor - Ratio of Consumers to SA Counselors	\$ 50,000	\$ 4,167	\$ 4,167	\$ 4,292	\$ 4,420
Nurse Practitioner (Medication Management) - Ratio of Consumers Per NP	\$ 100,000	\$ 8,333	\$ 8,333	\$ 8,583	\$ 8,841
Psychiatrist (Medication Management) - Ratio of Consumers Per Psychiatrist	\$ 374,400	\$ 31,200	\$ 31,200	\$ 32,136	\$ 33,100

A table of revenue and expense estimates by type or unit can be created in a table and linked to the forecast.

Tables can be updated without updating the structure of the forecast.

1. Building A New Service Model

c. Summarize Model

Format The Model To Drive Results

1. Update the assumptions, drivers and estimates as experience is gained with the service line to increase reliability
2. While the underlying assumptions may be complex, the summary used by leadership, managers and direct staff should be easy to understand
3. Use the monthly projections to align results with targets
4. Distribute the forecast to the entire team – everyone plays a role in the success of the service
5. Engage the entire team in identifying solutions when targets are not achieved

New Service Revenue & Expense Forecast

	Start Up Phase							Full Implementation	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Total Members	75	100	125	150	175	200	225	250	251
Projected Revenue	\$ 5,625	\$10,000	\$15,625	\$22,500	\$30,625	\$40,000	\$50,625	\$ 62,500	\$ 63,127
Projected Expenses									
Salaries	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903	\$ 38,903
Fringe Benefits & Taxes	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671	\$ 11,671
Other Expenses	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985	\$ 5,985
Administrative	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Total Expenses	\$59,558	\$59,558	\$59,558	\$59,558	\$59,558	\$59,558	\$59,558	\$ 59,558	\$ 59,558
Net Margin (Deficit)	\$ 794	\$ 596	\$ 476	\$ 397	\$ 340	\$ 298	\$ 265	\$ 238	\$ 3,568

2. Estimate Current Cost To The Payer To Address These Same Consumer Needs

Build a Logical Model to Estimate Costs

1. Estimate the population of consumers receiving a specific treatment
2. Estimate the number of treatments those consumers are receiving during a specific time period
3. Identify the potential reduction in unnecessary or costly services that your new service can achieve
4. Summarize the projected cost savings by using the new service intervention

Estimated Cost Savings Over Current Services

Emergency Room Visits	
Number of Members Served	250
Average Number of ER Visits Per Member - Last 12 Months	6
Projected Number of ER Visits - Next 12 Months with No Change in Service Approach	1500
Anticipated Percentage Reduction in ER Visits - Next 12 Months	50%
Projected Number of Client ER Visits - Next 12 Months	125
Average Cost Per Psychiatric ER Patient	\$ 1,500
Projected Cost Reduction - Next 12 Months	\$ 187,500

Hospital Inpatient Admissions	
Number of Members Served	250
Average Number of Hospital Inpatient Admissions Per Member - Last 12 Months	4
Projected Number of Hospital Inpatient Admissions Per Member - Next 12 Months with No Change in Service Approach	1000
Anticipated Percentage Reduction in Mental Health Inpatient Admissions - Next 12 Months	50%
Projected Number of Mental Health Inpatient Admissions - Next 12 Months	125
Average Number of Days Per Hospital Inpatient Admission	8
Average Cost Per Hospital Inpatient Admission	\$ 6,700
Projected Cost Reduction - Next 12 Months	\$ 837,500

3. Estimate The Potential Savings That Your News Service Is Anticipated To Yield To The Cost Of Care Of Your Targeted Population

Make ROI Case for the New Service

1. Show the financial benefits in terms of the potential cost savings to the payer of implementing the new service
2. Show the costs of the new service as a reduction to the potential cost savings
3. Calculate the anticipated ROI over a period of time such as three years
4. Summarize both the qualitative and quantitative ROI of the new service to the payer

Estimated Return On Investment

Financial Benefits	Year 1	Year 2	Year 3	Total
Reduced Emergency Room Visits	\$187,500	\$187,500	\$187,500	\$562,500
Reduced Hospital Admissions	\$837,500	\$837,500	\$837,500	\$2,512,500
Total Financial Benefits	\$1,025,000	\$1,025,000	\$1,025,000	\$3,075,000

Costs Associated With Investment	Year 1	Year 2	Year 3	Total
Intensive Crisis Intervention Team	\$750,000	\$750,000	\$750,000	\$2,250,000
Total Costs	\$750,000	\$750,000	\$750,000	\$2,250,000

Return On Investment	Year 1	Year 2	Year 3	Total
Anticipated Return - Years 1 - 3	\$275,000	\$275,000	\$275,000	\$825,000

Estimated Return On Investment - Examples

Qualitative Results

- Reduction in time to identify and deploy staff for crisis intervention
- Faster evaluation of referrals based on risk stratification
- Reduction in time from referral to first contact
- Reduction in loss of contact with consumers
- Improved engagement and service integration

Quantitative Results

- Reduction in ER admissions resulting in savings of \$562,500 over three years
- Reduction in inpatient hospital admissions resulting in savings of 2,512,500 over three years

Effectively Using ROI To Make The Case For A New Behavioral Health Service

The Success of Your ROI Case Will Be Based on:

1. A clear understanding of consumer and payer needs related to quality outcomes and high cost services
2. Identifying effective services to address those needs that can be easily measured by agreed upon outcomes
3. Creation of a logical financial model that identifies key assumptions and resource drivers to project anticipated outcomes and costs
4. Clear presentation of the ROI case that demonstrates the qualitative outcomes and quantitative cost savings

Questions From Our Clients

1. What is the best way to move forward to identify a new service to propose to payers?
2. How do we reorganize our internal resources to move forward with a plan for developing new services and marketing the ROI to payers?
3. What are areas of talent that I need on my team to develop ROI case statements and market new behavioral health services to payers?
4. How accurate does our ROI estimate need to be to include it in a proposal to payers?

RESOURCES

- *Private LinkedIn Discussion Group:*
 - <https://www.linkedin.com/groups/12422327/>
- *Toll-Free Phone for Technical Assistance*
 - 833-888-0219
 - *Pro-bono, one-hour consultations available for Coalition and ASAP members*

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