making post-acute care assets viable
a system’s approach to continuing care

In 14 months, leaders at Spectrum Health turned around their lagging post-acute care businesses and launched a comprehensive, continuing care network.

Less than a decade ago, the continuing care business for Grand Rapids, Mich.-based Spectrum Health was fractured and weak. Most of its assets were in the red, bleeding $300,000 to $600,000 a month on net revenues of $74 million. After seven years, losses totaled about $31.2 million.

Yet it wasn’t all bad news for the system. Unlike its competitors in western Michigan, Spectrum Health already owned many of the assets required for an effective continuing care network. Specifically, Spectrum Health operated a long-term care hospital, five skilled nursing facilities, a home health agency, and a hospice program. Such a network, executives believed, would be critical for a future payment system defined by risk-based contracting and partnerships with post-acute providers.

But before executives could consider creating a continuing care network, they needed to reverse the financial decline in the organization’s post-acute care portfolio. In 14 months, they were able to get these assets back in the black, thanks to a combination of new leaders, new programs, and greater alignment throughout the system.

Better Leadership and Brand Visibility

In February 2006, a new president of Spectrum Health Continuing Care (SHCC) was hired to turn around the system’s post-acute care portfolio. One of his first tasks was to conduct a thorough assessment of top leaders in the post-acute care businesses.
Through the assessment, SHCC’s president found that most of the existing leaders lacked experience in the post-acute care arena, particularly in long-term care and home health. As a result, he replaced several unit leaders with seasoned industry veterans, including two key hires from the for-profit side. He believed their experience in responding quickly to market changes would be critical to Spectrum Health as its market shifted from fee-for-service to risk-based payments.

Employment changes also were made in operational leadership—even down to the bedside level—to ensure that staff members had the knowledge and skills to manage the post-acute care businesses appropriately.

Spectrum Health executives also realized they needed to unite the organization’s fractured post-acute care assets under the same corporate umbrella. Some of these businesses did not include Spectrum Health in the company name or even in the collateral material.

For example, none of the ads or brochures for Spectrum Health’s home health subsidiary, the Visiting Nurse Association of Western Michigan, let patients and families know that a $4 billion health system was behind it. Ultimately, leaders renamed the business the Spectrum Health Visiting Nurse Association and made similar changes to other assets to improve the visibility of the parent brand. Yet to truly unite the assets, Spectrum Health executives realized they needed to bring the businesses in greater alignment with the system.

**Aligning Through Understanding and Engagement**

One obstacle that hindered alignment was a lack of understanding. Seven years previously, not all system executives realized that each post-acute care asset was like a boutique business, subject to its own regulatory and compliance requirements, quality standards, and metrics of success.

To increase understanding throughout the system, SHCC leaders trained their colleagues on “post-acute care 101.” They discussed the competitive landscape, particularly the presence of national, for-profit providers, as well as the unique regulatory environments that differed greatly from the acute care space.

Raising awareness of the system’s extensive post-acute care resources was another goal. For instance, many administrators were unaware that Spectrum had its own hospice program, part of the Visiting Nurse Association. (In 2007, hospital leaders spun off the hospice unit into a separate subsidiary corporation with new leadership. Since then, Spectrum Health Hospice and Palliative Care has grown considerably—from an average census of 20 to about 250 today.)

In addition to gaining greater buy-in from administrators, leaders at SHCC have spent...
several years working to engage physicians, including members of the system’s 700-provider medical group. The addition of physician leaders to key continuing care initiatives has helped get physicians more involved. One such initiative has focused on expanding post-acute care services for neurological and neurosurgery patients to meet high patient demand. New leadership positions for physical medicine and rehabilitation specialists were created so that these individuals could provide the necessary oversight. Today, the program, accredited by the Commission on Accreditation of Rehabilitation Facilities, handles about 200 neurological patients each day, on average.

Another strategy to promote engagement has involved sharing the continuing care group’s quality and safety metrics with physicians. Each month, SHCC issues a dashboard that monitors its post-acute care assets using several criteria related to clinical indicators, infection control, patient safety, patient satisfaction, and environmental safety. (See a sample dashboard that SHCC uses to monitor quality and safety in its post-acute care assets, along with definitions for key metrics, at hfma.org/hfm.)

**Filling the Gaps**

Today, leaders at SHCC believe they have one of the most complete continuing care networks in the country. And although they were fortunate to own many parts of the puzzle, they were missing a few crucial pieces.

One gap was home medical equipment. Although Spectrum Health executives were keen to enter this market, they didn’t want to secure the $3 million to $5 million in startup revenue they needed to build a new business. After conducting 18 months of due diligence, they chose to pursue a 51 percent/49 percent joint venture with

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**Qualities of Viable Post-Acute Care Providers**

When building Spectrum’s continuing care network, leaders needed to evaluate their owned assets—as well as those of potential partners—according to a set of cost and quality metrics. These metrics included:

- Compliance with federal and state regulations
- History of meeting or exceeding the median for federal quality standards (available at nursinghomecompare.gov)
- Thirty-day hospital readmissions rate at or below national and state norms
- Patient satisfaction ratings at or better than the state median
- Patient/family engagement (including efforts both to facilitate patients’ and families’ active self-management of the chronic disease, using tools such as a personal health record, and to ensure that patients see their primary care physicians within seven days of discharge from the post-acute care setting)
- Medical staff composition (ensuring the medical staff includes primary care physicians and extenders who are part of health system’s physician network)
- Ability to maintain RNs in the facility 24 hours a day, seven days a week (for skilled nursing)
- Appropriate nursing hours per patient day for sub-acute care (with 4.0 to 5.0 nursing hours per patient day typically being required to effectively manage the acuity of patients in a subacute unit)
- Average length of stay for Medicare patients at or less than the national average (fewer than 27 days)
- History of discharging at least 60 percent of patients to the community following sub-acute care
- Use of INTERACT II, a set of tools for skilled nursing facilities to reduce rehospitalizations
- Ability to share information electronically

*Source: Health Dimensions Group, 2013.*
another company, Home Care of America. The company provided the startup capital and procured the inventory. Previously, leaders also had established a home infusion business from the ground up, which is now part of the joint venture. In early 2012, an orthotics and prosthetics service line was added to the venture. Today, the company manages Spectrum Health Home Medical Equipment, Spectrum Health Orthotics and Prosthetics Services, and Spectrum Health Infusion Pharmacy Services through a management service agreement.

Since leaders at Spectrum Health set out to build a post-acute care network, the health system’s finance team has been responsible for assessing the system’s own assets as well as those of potential partners. One challenge was securing adequate quality and outcomes data. Because the post-acute care providers’ data collection efforts were far less rigorous than those of hospitals, the finance team had to recreate a lot of the data themselves—mostly by skimming their own data warehouse for rehospitalization rates from nursing homes and other providers. By reviewing these discharge and admissions data and referral data within the system, the finance team could determine which post-acute care facilities and services were preferred by physicians and which seemed to take the best care of patients.

**Ready for the Future**

Between owned and managed assets across the system, Spectrum’s post-acute care portfolio is now consistently profitable, with annual revenues of about $170 million to $180 million. Still, finance executives at SHCC must continue to “sell” the benefits of investing system capital in these assets. Over the past few years, the system has spent almost $500 million on new acute care facilities. Soon, it will be time for continuing care to receive a boost of system capital.

In the next 12 months, Spectrum Health’s post-acute team hopes to gain approval to replace an aging, 278-bed SNF with several new, smaller nursing homes. The nursing homes each would have 60 to 80 beds and would be located throughout the health system’s service area. In addition, Spectrum Health is developing plans to add a new, 42-bed sub-acute care unit in vacant space at one of its acute care hospitals, allowing patients to remain in the facility as they transition through the various levels of care. The hospital is already home to a new 30-bed inpatient rehabilitation facility, which was added 18 months ago. Over the next five or six years, the system will likely spend as much capital on continuing care as it did in the previous 15 years combined.

In addition to making critical capital investments, Spectrum Health Continuing Care is trying to more closely align with the system’s nationally recognized health plan, Priority Health. The plan, which has 600,000 members, still maintains an open panel of post-acute providers. However, leaders in the continuing care group are working with health plan executives to develop a common list of preferred post-acute care providers using standardized outcomes, such as readmissions rates. By developing a preferred provider list, executives hope to more tightly control quality and costs.

Executives also are piloting new ways to improve case management across the continuum. Priority Health and Spectrum Health Visiting Nurse Association have developed a daily home telemonitoring program for patients with heart failure who have had at least one unplanned hospitalization in the past 12 months. The program, which currently enrolls several hundred patients, has cut inpatient days by 44.8 percent and emergency department visits by 26 percent, resulting in more than $1.4 million in total cost savings to the system.

Similarly, Priority Health, Spectrum Health Visiting Nurse Association, and Spectrum Health’s medical group have developed a program that utilizes primary care physicians to make
house calls to chronically ill members. So far, 50 patients are enrolled in the program, which is designed to keep patients out of the hospital.

Unlike many parts of the country, western Michigan has been relatively untouched by risk-based contracting. But Spectrum leaders recognize that they cannot rely on fee-for-service payment arrangements for much longer. SHGC likely will pilot some risk-based contracts with Priority Health in the months to come. These contracts will probably focus on long-term care and sub-acute care. The system already has had some success targeting specific high-risk populations, such as heart surgery patients. By having hospitalists manage these patients before they move to a skilled nursing setting, Spectrum Health has been able to shave about six days off the average length of stay in a SNF.

With a strong portfolio, greater alignment, and new programs and services, Spectrum Health is well positioned to meet the challenges ahead. But until risk-based contracting becomes a reality, the full benefits of creating a viable continuing care network remain to be seen. Until then, there is plenty of work to do.

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