
Bill Musick	Hospice networks are seemingly popping up all over. Learn more about why and what some recent research tells us about their impact by joining me for this Hospice Governance Academy Spotlight Interview with Gloria Brooks, Principal Consultant at G. Brooks and Associates. We'll be discussing what hospice board members should know about networks.
Narrator	Welcome to this edition of the Hospice Governance Academy Spotlight Interview Series where we take a closer look at topics that help support engaged, informed and high-impact hospice boards.
Bill Musick	Hello, I'm Bill Musick, President of Integriti3D and your host for the Hospice Governance Academy Spotlight Interview Series. My guest today is Gloria Brooks, Principal Consultant at G. Brooks and Associates, and we'll be talking about why hospice boards should know more about networks. Welcome, Gloria!
Gloria Brooks	Bill, thanks so much for having me today.
Bill Musick	Well, I'm happy to talk with you about this, Gloria. Let's start with the why. What's occurring today in the healthcare environment that's making networks more of a consideration for hospices?
Gloria Brooks	<p>Well, Bill, there are several factors that are really impacting today's hospice organizations.</p> <p>First of all, there's new providers, and those include insurance companies, health systems, and even senior living communities who all are offering hospice services now, and that disrupts the market, and can make what an incumbent legacy hospice provider's impact has been in a particular service area dramatically change. The bottom line is that there's increasing competition and that's going to continue to be a factor. And so, if a hospice and their board of directors isn't aware of what their market share is or who their leading competitors are, they'll be hard-pressed to transform themselves to be a strong presence in the community, and with key stakeholders.</p>

There's revenue pressures on hospices to do more with less, especially in the face of value-based insurance design and Medicare Advantage expansion, and the acquisition of hospices by health systems and insurance companies. Competition for staffing remains high post-pandemic and some clinicians are moving from one organization to another based on incentive-based wage models and hiring bonuses that are often difficult to turn down. So, hospices really have to acknowledge that revenue isn't necessarily increasing, but as our third factor tells us, costs certainly are.

We know those healthcare costs continue to rise. Labor market is usually at least 60% of a hospice's expenses and this expense is going to continue, I think, to be the most significant stressor to an organization's budget, its ability to provide care, and its capacity to grow. Then, if you add in rising costs for things like durable medical equipment or pharmacy expense, even things like mileage and benefits, it's always heavy on a hospice's operating margin.

Technological and clinical innovations are another thing that are impacting hospices. It's really pressuring them to redesign their care models to take advantage of technology and consumers' demand for telehealth options, and hospices have been slow to adapt to those changes. People now want access to healthcare on demand through televisits or getting information on online portals. And this interest, again, has only been heightened since the pandemic.

I think the final factor that is pushing hospices to reevaluate their strategy is that continued rapid consolidation in the industry, both on the for-profit and the non-profit sector. Acknowledging that, hospices have to be large enough to compete for these new insurance contracts. They have to have the economies of scale to reduce back-office expenses because that's one way to stretch those revenue dollars further. And so, the days of a hospice serving just one county, or a hospice serving less, I think, than a hundred patients a day are really numbered.

Bill Musick

Gloria, those are a lot of important factors that are putting pressure on hospices today. Talk a little bit about what you consider a network to be and

how you might differentiate or include a merger and acquisition within that continuum of how you define a network.

Gloria Brooks

Well, I'm happy to. I think network partnership models are just one way that a hospice may evaluate its future goals to preserve its mission and to look at and reevaluate its commitment to the communities it served over the years. And for affiliation models, that was the term that folks used to use, those that came first, 10 or 20 years ago, really didn't have the luxury now of evaluation and looking at actually what are different types of models. And Husch Blackwell has done that work. They specialize in hospice law, and they've identified four types of partnership network models.

And they range from the least integrated version which is a messenger model. So, this may be a group of hospices that come together to talk to an insurance payer to get a contract, but they're not intertwined, there's no change in bylaws, there's no shared staffing. They're just a group of like-minded hospices trying to increase business, for example, in that sample.

Then there's a clinically or a financially integrated model. That's where hospices come together, and say, we're going to practice the same way. So, theoretically, our stakeholder and insurance company would get the same outcomes because our clinical model is the same. We're training our staff to deliver care in the same way.

Or from a financially integrated model, we're going to look at how we share back-office financial systems and evaluate our financial metrics. Things like length of stay, things like some other quality metrics that then could go to a payer and say, this is why you'd want to work with us as a network.

And then it ends with the most integrated of the network models, which is common ownership. That's the one that encompasses mergers and acquisitions. And I think folks often get confused on what's the difference between an acquisition and a merger. They're often, the terms are often used interchangeably, and really what the goals are, are dependent upon what is negotiated in the agreement. Typically, a merger is two companies coming together to form a new entity. So, new name, new branding, that sort of thing. An acquisition, typically has been one company acquiring the

other, becoming the sole member, looking at a by-law language, and the company that is being acquired usually then has to adapt to the larger company's name or clinical practice, that sort of thing.

The upside, I think, for hospice boards of directors now is that with these models that Husch Blackwell has identified, it gives a board the ability to evaluate and assess during a strategic plan process. So, what's our priority? And do any of these models help us reach those goals?

Bill Musick

Great. Thanks for providing that overview of the different types of models that could be considered within a network continuum.

One last question, before we go on in our next segment to talk a little bit more about your research, is just how do you see these factors that are sort of encouraging network formation changing in the future? What do you see going forward?

Gloria Brooks

Well, I think it's important to recognize that I don't see the future saying, "Geez, those five factors that we've discussed have lessened." I really think they're going to continue to grow larger and therefore, increase the stress on a hospice organization.

That really should lead a board of directors to reassess and reevaluate their current strategy and operations. This has historically been difficult for community-based providers because we think if we evaluate and respond to change, that we're losing the essence of what our hospice organizations started to do. But I think it's really important for the board to recognize that what got a hospice to this point in their history, whether it's 10, 20, 40, or 50 years now, is not what is going to ensure its relevance and success in the future.

I think hospices need to celebrate what we've accomplished. Hospices have done amazing things throughout the country for the patients and families that they've served, but then assess how do we, as we celebrate that, what do we learn from that?

And then take steps to ensure that the mission and vision can survive these future changes in healthcare. And the network models really serve as a roadmap for board members to determine, as we were saying earlier, what's most important to the organization's future and then match that with a model that could meet those objectives.

So, again, I think if, and I see organizations doing this, well, it's not time. We don't want to take a look at it. We think we can wait it out. I don't see the environment in healthcare providing an opportunity that it's all going to go away. I think it's here to stay.

Bill Musick	Great. Well, thanks, Gloria, for providing that overview and introduction to the topic. I think we'll pause here and then in our next segment, as I mentioned, we'll talk more about some of the research you've done, and what that tells us about some of these network models.
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Gloria Brooks	Great!
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Narrator	Thanks for joining us for this edition of the Hospice Governance Academy Spotlight Interview Series. Please refer to the discussion guide to see how you can continue a conversation with your fellow board members on this important topic, and check out the handout section if you want to dive deeper into this area.
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Finally, I want to salute you for your role in ensuring that high-quality end-of-life-care is available everywhere across this country.
