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	This edition of the Hospice Governance Academy Spotlight Interview Series focuses on what hospice board members should know about networks. My guest is Gloria Brooks, Principal Consultant at G. Brooks and Associates. Gloria, in Segment 1, we talked about what's driving hospices to consider networks. And in this segment, I'd like to turn to some research that you've done on hospice networks and financial margins. And so, maybe you can start us off by just, what was your approach to doing this research?
Gloria Brooks	Well, given that non-profit hospices have been forming affiliations and other network models for the past couple of decades, I thought it was important to assess if these models were actually achieving the goals that most were predicated on, reducing back-office expense to address reduced reimbursement, and then serving more patients in an expanded service area, and having more resources to dedicate to clinical care models and quality outcomes. I've been a part of two such affiliation partnerships and each one is different and unique, and therefore it's sometimes difficult to assess the impact that that non-profit network model can have, as you'll see in this slide. That was really the focus of my research. So, we know that for-profit hospices have an advantage in their size. Because they have such a large scope, they're able to achieve economies of scale in functions such as finance and billing, contracts, human resources and recruitment. Because they operate on a national scale, they may not, each hospice is duplicating those back-office services. A national or a very

large-scope hospice, be they for-profit or non-profit, is able to achieve some economies of scale because they don't have to have a billing department in every one of their offices. And so, I think non-profits have recognized that they need to do more to be competitive nationally and the outcome has been the implementation of these network models across the country.

So, my research, as you see in this slide, analyzed publicly reported data for 17 hospices networks across the country. Now, this is not all of the networks that exist out there, and since this research was done last July, we've even seen some expansions of at least one of the networks that I analyzed. We looked at five different factors.

Location. So where is the hospice partnership network in the United States, where they located?

The size. So, how many individual partners or affiliates were included in the network?

The revenue and the margin for hospice and palliative care services only. Some of the networks, and I'll talk about this later, have expanded their continuum of care to include home health or PACE programs, Programs for the All-inclusive Care of the Elderly, senior living communities. So, we were just focused on looking at the hospice revenue margin.

And then what type of partnership. Again, using Husch Blackwell's network model definitions, what did we see the most of? And so, at the time that the research was conducted, last summer, two-thirds of the network model partnerships were in the southern part of the United States. Most of them had two to four affiliates. And again, two-thirds of the partnerships were common ownership models. So, we see that sole member substitution occurring for the majority of the models that we researched.

The other thing we looked at was that the network models that were identified for this analysis were all at the $300 million mark in terms of revenue, or lower. And I found as I did the research and spoke to some industry executives in the hospice community, some of those executive leaders are suggesting that you need a minimum of $500 million as a

	revenue goal to make sure you have the scope for a sustainable future. I also found that hospice organizations with $10 million in revenue or under tended to join a partnership network model instead of becoming the lead in a model.
Bill Musick	You know, that's interesting, especially I find the two to four entities coming together. I'm curious, do you happen to have any thoughts about why we don't see a larger number of organizations entering into a network together? Is it just the difficulty of getting agreement across a large number of organizations?
Gloria Brooks	I think it is, and I think oftentimes it may, a network model may start with a couple of organizations coming together, and then as that group becomes operational, they may add to it. Again, one of the network models that I reviewed for this research has done that. They've added partners since the research was done. So, that's not surprising. It's difficult to navigate this sort of a process with two boards, let alone having three or four or ten in the mix. So, oftentimes you find that organizations after they do their due diligence will find, "Okay let's, the two of us, or the three of us, move forward, and then we can address that moving on." I think the other things that the research found was that margins were definitely important, and that was also something that the interviews with the national hospice leaders identified. Sixty percent of those partnership models had positive margins as reported on their IRS 990 form. However, when you removed fundraising and investment income the margins dropped dramatically. So, at first, 60% of the partnership models had a positive margin. When you took that out, 75% did not have a positive margin. That's significant, because some leaders in the industry are anticipating up to a 15% gap between the indirect cost of hospice provision and reimbursement, as we start to see these narrower payer models and the implementation of value-based insurance design. That's a big gap. So, if I'm starting off with the fact that I may not have that operating margin that I thought, I'm really behind the eight ball. And so, none of the network models that I researched achieved a 15% margin. So, that's really something important, I think, for hospice

	boards and leaders to recognize. That if we're really going to be a strong financially responsible organization, we have some numbers that we have to address. And in our current state, we're always evolving, but in the current state, the research is finding, we're just, we're not meeting that.
Bill Musick	That's really interesting because I think that is one of the, often a motivating factor that people bring into an affiliation discussion, is some hope that there's going to be an improvement in margins. What other findings came out of your research that you think would be of interest to our viewers?
Gloria Brooks	Well, I think some of the lessons learned, and you'll see that in this slide from the legacy hospice partnership models were, we saw an expansion of geography, so the service area that the network was able to provide services to. They tended to embrace technology for back-office efficiencies. And they also tended to leverage technology to address clinical care models. Most importantly, they wanted to partner with like-minded organizations. That was really the impetus of how many of these network models came into existence. So, I found that some of these network models expanded their continuum of care to reach those patients further upstream from the six-month hospice benefit period. And I think hospices have to get as far upstream, potentially even to primary care for older adults who as they are aging now, they're living with chronic conditions. They depend on primary care for guidance on wellness and health and quality of life. And establishing those relationships is important, because based on the value-based insurance design model, people who end up needing care, whether it be hospice or palliative care, they're going to be referred to whoever the insurance company has a contract with. It won't be because they've had a significant positive history with a hospice taking care of their parents or grandparents.

	And so, I think for hospices to be at the table they have to expand their perspective on who they're serving in their community, and apply that expertise earlier in a person's life's journey. I mean, the bottom line is that none of these non-profit network models that I reviewed during the research can currently have the impact that we see some of the national for-profit companies have due to size and scope. However, I think many have heard this wake-up call and if we want non-profit hospice to survive, we just have to get more serious about the future, what it's going to bring, and how best to thrive, because the future is here and it is positive to see more of these network models being implemented across the country.
Bill Musick	Gloria, you mentioned the $300 million top of the group that you researched, and then a $500 million mark that was a hypothesis that you needed to get to that level in terms of really achieving the benefits of scale. Do you envision that as these current networks, if they were to grow to that level, that they would in fact then achieve the margins that you think are necessary going forward?
Gloria Brooks	I think so. I think we're, there's a recognition amongst the leaders of the hospice non-profit partnership networks that the only way that they will be successful with these different factors we've discussed today, with competition, with reimbursement changes, with the drive to recruit and retain talent, is to be larger. It just makes them more attractive as a service provider to the payer networks. So, I think, I won't be surprised if I redid this research a year from now, I wouldn't be surprised that we would see at least one having hit that $500 million mark.
Bill Musick	Well, I think I really appreciate you sharing these findings with us, and in our next segment we'll talk more about some of the implications of these findings, in terms of the future of hospice care.
Gloria Brooks	Great, thank you.
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.

Finally, I want to salute you for your role in ensuring that high-quality end-of-life-care is available everywhere across this country.