CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICARE & MEDICAID INNOVATION

Findings at a Glance

Pennsylvania Rural Health Model (PARHM)

Evaluation of Performance Years 1-3 (2019-2021)

MODEL OVERVIEW

The Center for Medicare & Medicaid Innovation (Innovation Center) within the Centers for Medicare & Medicaid Services (CMS) developed the Pennsylvania Rural Health Model (PARHM or model) with the Commonwealth of Pennsylvania to maintain access to essential health care services in rural communities. Commenced in 2019, PARHM is testing the impact of hospital global budgets and care delivery transformation across six performance years. The model has three aims:

- Improve population health outcomes and increase access to high-quality care for rural Pennsylvanians,
- Reduce health care costs for payers, and
- Improve the financial health of acute care hospitals in rural Pennsylvania.

MODEL PARTICIPANTS

Five hospitals joined the Model in PY3 (2021), bringing the total to 18 participating hospitals, including:

Critical access hospitals

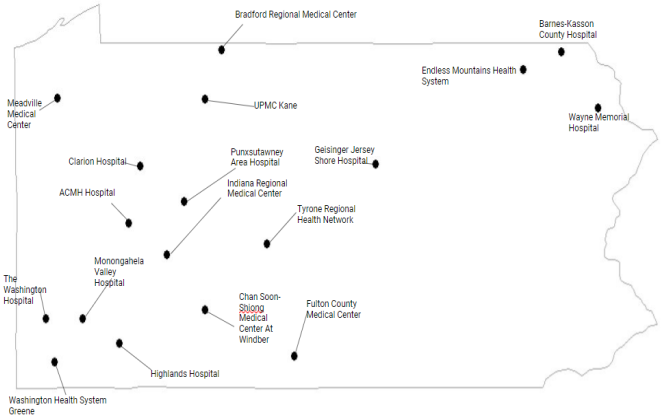
3 independent

2 system-owned

Prospective payment system hospitals

7 independent

6 system-owned



Payer participation remained consistent in PY3 (2021):

- Geisinger, Highmark Blue Cross Blue Shield, University of Pittsburgh Medical Center, Aetna, Highmark Wholecare and Medicare fee-for-service (FFS)

Market Context – Care Utilization and Financial Performance

- Inpatient hospital service utilization declined while outpatient hospital service utilization increased.
- Spending and utilization trends began before model implementation and persisted during the model's implementation period (2019-2021). Spending on and use of global budget-covered services declined among the Medicare FFS and Medicaid/CHIP populations in participating hospital market areas.
- Participating hospitals experienced improvements in financial sustainability metrics, including total and operating margins and days cash on hand, following the introduction of the model.
- Provider Relief Funds and other financial support offered a backstop to participating hospitals over and above the global budget payments (2020-2021).

Hospital Transformation Activities and Quality of Care

- Care management activities focused on patients with chronic illnesses, such congestive heart failure, chronic obstructive pulmonary disease and diabetes.
- Hospitals proposed strategies to improve access to primary care, wellness care, emergency care and specialty care.
- Hospitals sought to improve behavioral health and substance use care through program implementation, service development and expansion of training or education programs.
- Hospitals planned to improve operational efficiency by redesigning facility space, centralizing functions and improving emergency department staffing.

This document summarizes the evaluation report prepared by an independent contractor. All findings presented are reported by participating hospitals, commercial payers, and implementation partners. To learn more about PARHM and to download the Third Annual Evaluation Report, visit https://innovation.cms.gov/innovation-models/pa-rural-health-model.

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FINDINGS

Recruitment and Participation of System-affiliated Hospitals

- PARHM participation among independent hospitals is much higher than that of system-affiliated hospitals.
- Most participating system-affiliated hospitals made the decision to participate in the model when they were independent hospitals (before acquisition).
- Some health systems were less inclined to participate in the model if only a few of their hospitals were deemed eligible to participate.
- Some large health systems have integrated services vertically across the care continuum and may have reduced the vulnerability of some of their rural hospitals within their network.

Engagement and Coordination with Community Organizations and Providers

- Hospital transformation plans increased hospital motivation to advance existing strategies and implement new strategies to address community needs.
- The focus on community engagement helped participating hospitals to identify priorities and ways to better support the social needs of their communities.
- Community engagement was most effective and sustainable when there was a dedicated hospital staff member, either full-time or part-time, to facilitate community partnerships.

Exploring Service Line Changes

- PARHM participation influenced hospital service line planning, but external factors including health system affiliation were the main drivers of service line decision-making.
- Service line additions were hindered by lack of access to start-up capital and limited specialized staff (for example, inpatient surgery and on call anesthesia).
- Participating hospitals did not associate the global budget methodology with decisions to make planned service line reductions or closures.

KEY TAKEAWAYS

While hospitals noted that the global budget was not sufficient to fund hospital transformation activities, the transformation planning process encouraged hospitals to focus their attention hiring staff to coordinate care and engage community partners. The model was a motivating factor for participating hospitals to engage new community partners and served as a catalyst to accelerate existing community engagement strategies. Additionally, participating hospitals planned service line additions designed to address unmet community needs. Service line additions are motivated as part of transformation plans but are primarily influenced by factors beyond the model, notably the availability of start-up capital and health care professionals to deliver those services.