



# Developing New and Viable Revenue Models for Medical Respite Programs

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# Today's Presenters



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# Today's Agenda



## Objective

You will gain insights into the trade-offs associated with securing sustainable funding and acquire practical strategies for collaborating effectively with a variety of funding partners, illustrated through real-world case studies.

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# Welcome and Introductions



**Quantified Ventures drives transformational health, social, and environmental impact by providing consulting services, developing projects and partnerships, and structuring innovative financial transactions**

### **Health and Human Services Practice**

Assembles purposeful partnerships to develop investible solutions that build community capacity to address human and social needs by **moving capital to services that produce measurable improvements** in population health, enhance health equity, and lower costs at scale

# We work across the country to build viable revenue models for medical respite & other housing programs

## California

- Developed Enhanced Care Management (ECM) and In Lieu of Services (ILOS) strategy including recuperative care / medical respite
- Designed and administered multiple RFP processes for recuperative care in counties throughout California

## Louisiana

- Partnered with Medicaid MCO and local community-based organizations to develop a medical respite program
- Designed an eviction diversion program with Medicaid MCO and local legal advocacy organizations

## Kentucky

- Identified candidate partners and supported design of innovative eviction diversion and medical respite strategies for a Medicaid MCO

## Ohio

- Developing medical respite program in Cincinnati
- Designed investment strategies for bidding MCO to increase housing and wraparound service capacity

## Michigan

- Developed outcomes-based financing transaction in Detroit, MI as part of a comprehensive Healthy Housing Center

## North Carolina

- Conducting work to project and understand financial sustainability of housing services – including medical respite – as part of a state-level Medicaid pilot to pay for health-related social needs

## Washington D.C.

- Worked with a Medicaid MCO to assemble partnership, design, implement, and finance a new low-barrier medical respite program for DC residents experiencing homelessness

# Background and Opportunity to Develop Viable Revenue Models



# Medical respite is increasingly recognized as a cost-effective intervention & has experienced significant growth

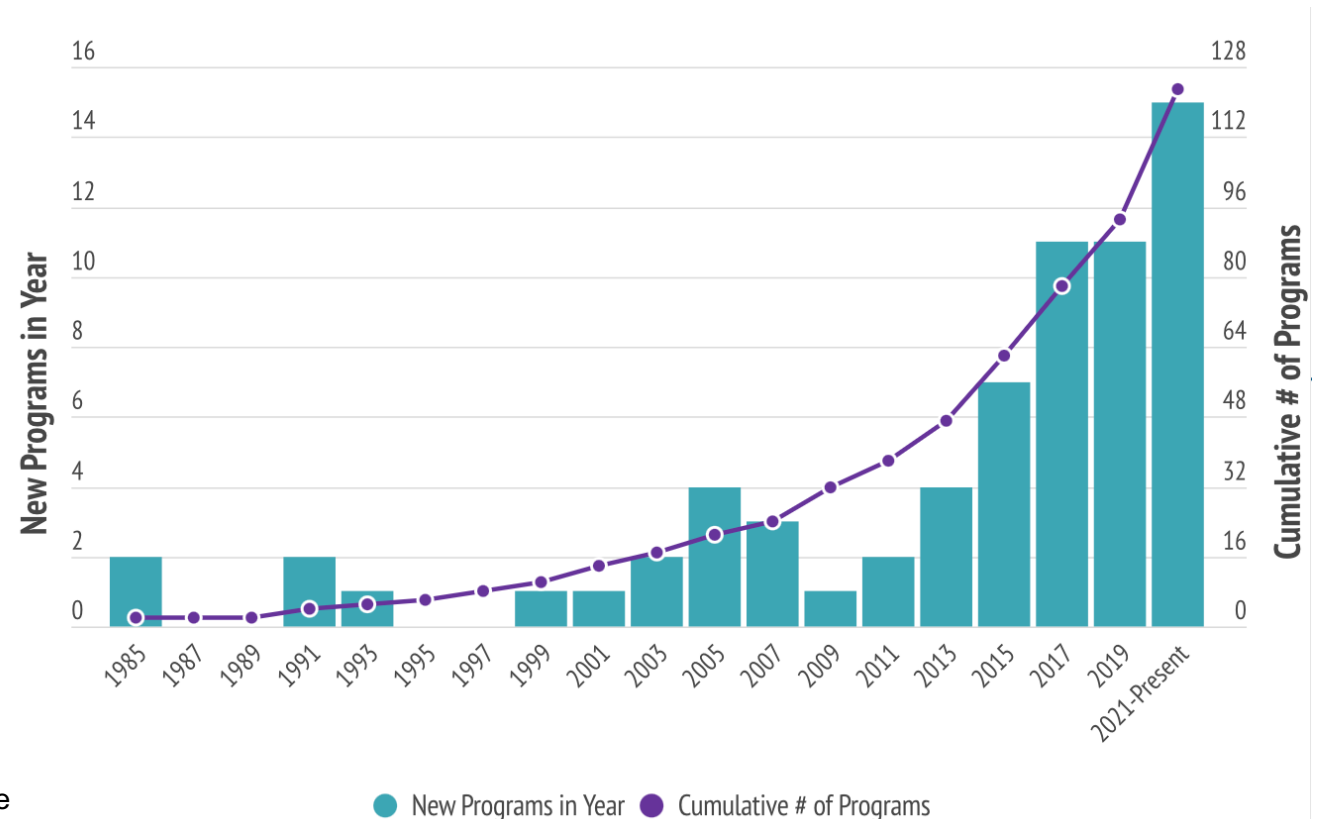
**50%** reduction in readmissions<sup>2</sup>

**38%** reduction in ED utilization<sup>2</sup>

**11** states pursuing Medicaid reimbursement for medical respite services<sup>3</sup>

## Exponential Growth of Medical Respite<sup>1</sup>

Currently 145 programs across 40 states



1. [The State of Medical Respite Care](#), National Institute for Medical Respite Care
2. [Medical Respite Programs for Homeless Patients: A Systematic Review](#). (Doran, et. al., 2018)
3. [Status of State-Level Medicaid Benefits for Medical Respite Care](#), National Institute for Medical Respite Care

● New Programs in Year ● Cumulative # of Programs



# And yet, very few medical respite providers are reimbursed for all of the services they provide

## Reimbursable Services

- Psychiatric and health assessments
- Individualized treatment plans/care management
- Residential primary care
- Screenings, treatment, and prevention for HIV/AIDS
- Clinical health education
- Inpatient psychotherapy
- Medication Assisted Treatment
- Outpatient treatment

## Non-reimbursable Services

- Employment assistance
- Transportation to external services
- Room and board
- Housing navigation
- Enhanced care management
- Transitional housing
- Permanent supportive housing
- Long term counseling and care



Even if reimbursement is available and designed specifically for medical respite, rates are frequently too low to cover costs of providing the service to individuals in medical respite

# Growth of medical respite is also hindered by the significant upfront capital required to launch a program



While some programs use excess capacity at shelters, hotels, or skilled nursing facilities, it is challenging to operationalize best practices in locations that can be leased with minimal upfront costs



Aspiring medical respite providers must often build a purpose-built facility or significantly remodel existing real estate



Without a reliable source of ongoing revenue, providers are locked out of alternative financing and must pursue time-consuming grants to cover high start-up costs

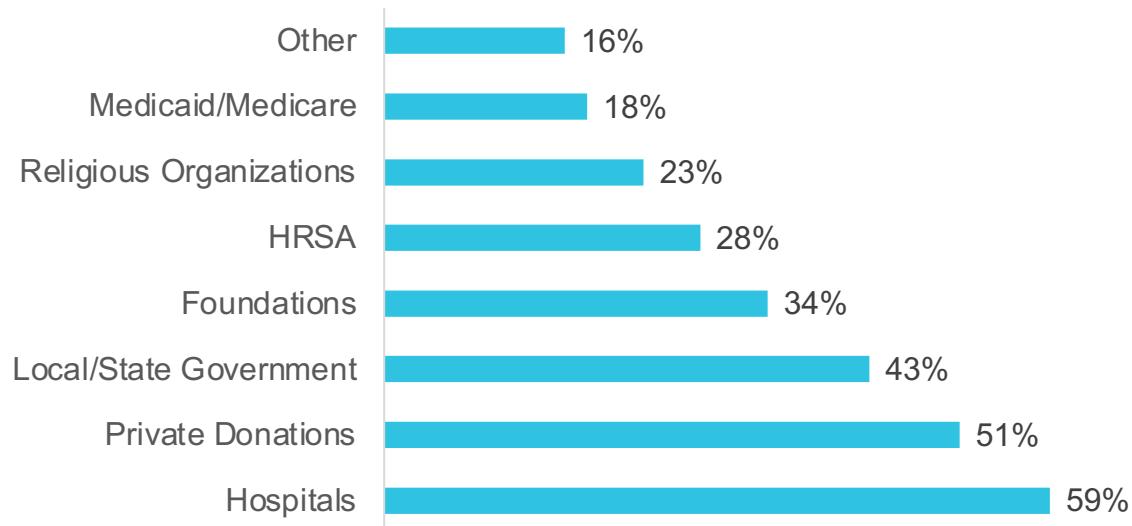
# Medical respite programs typically invest significant time & resource attracting revenue to launch & sustain resources



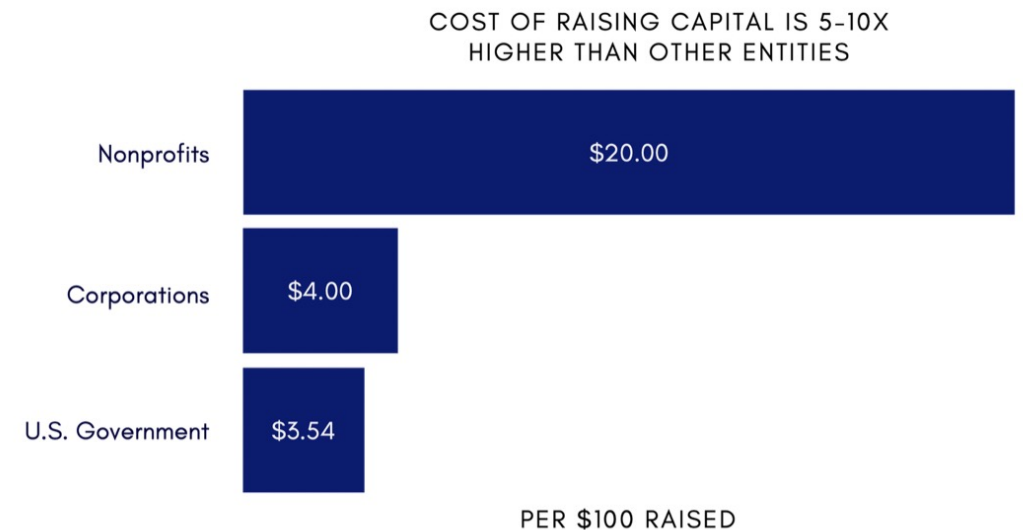
While **philanthropic sources and grants can offer financial support**, they typically lack the sustained and lasting capital needed to fund medical respite programs over the long haul. Additionally, with the absence of a dependable source of ongoing revenue, **providers continually seek grants** to sustain their funding, which also **limits their ability to expand** capacity to meet the increasing demand for services.

## The most frequently used sources of funding for medical respite are philanthropic in nature

Percent of Medical Respite Programs Utilizing Various Sources of Funding<sup>1</sup>



## Non-profits – which typically use grants – spent 5x as much to raise capital compared to traditional debt markets



Sources: Jason Saul, The End of Fundraising; U.S. GTIO:GOV (March 2023)

1. National Health Care for the Homeless Council. (<https://nhchc.org/wp-content/uploads/2019/08/policy-brief-respite-financing.pdf>)

2. Jason Saul, The End of Fundraising (March 2023)

# Solving for a viable revenue model can unlock sustainability, access to growth capital, & enhanced impact



## WHAT IS AN EARNED REVENUE MODEL?

- Earned revenue is generated by community-based organizations through the **sale of goods, services provided, or work performed**
- This **differs from traditional philanthropic revenue**, which provides funding for delivering a specific project or program but:
  - Is often **constrained by funder priorities** and availability
  - Frequently does **not cover the full costs** to implement
  - Typically **lacks a path to scale** based on need

## WHY SHOULD MY PROGRAM DEVELOP ONE?

### Benefits of developing an earned revenue model

Create a new market with payers to provide **more diversified and sustainable organizational revenue**

Gain **access to capital** to bring successful programs to scale while **transferring performance risk** of innovative projects to investors

**Establish external accountability structures** that foster commitment to impact and support sustained partnerships

Build capacity to peg income to value and, when successful, **generate margin to be reinvested** in the organization and programs

# Strategies and Tactics to Develop Viable Revenue Models



# Value-based contracting is a tool to develop viable earned revenue models for medical respite programs

## What does value-based contracting mean in this context?

*A financing arrangement in which...*



Payments are indexed to the value of expected outcomes rather than the cost of providing services



Payments are fully or partially conditional on achievement of pre-agreed targeted outcomes



**Outcomes-based financing** can be used to secure external investment capital to finance upfront costs

# Before approaching payors, medical respite operators will need to prepare to meet external and internal expectations

## External Expectations

**Most target payors will have common expectations – both explicit and inexplicit – of any organization with which they will engage in an earned revenue contract**



- Data and outcomes tracking
- Clearly defined program model / services
- Implementation of best practices that generate value
- Ability to access consistent referrals

## Internal Expectations

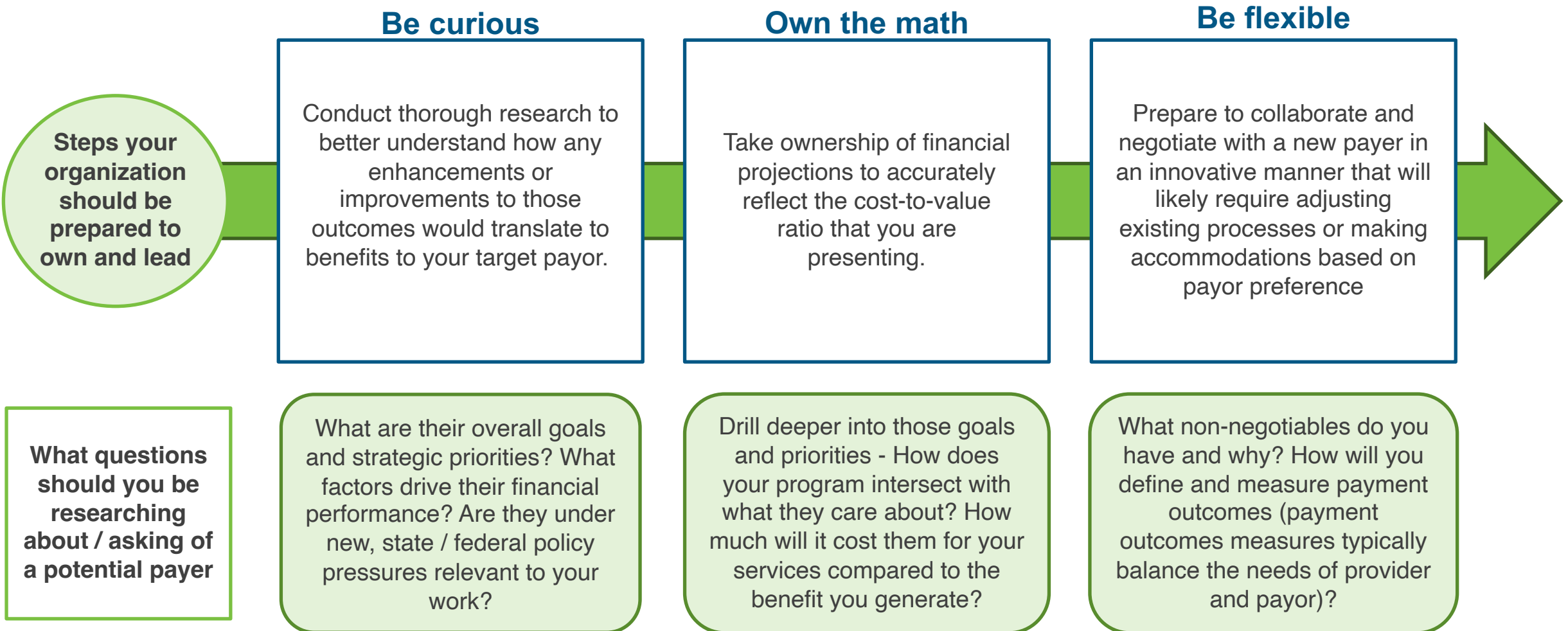
**To implement an earned revenue approach, medical respite operators will need to be prepared for internal changes related to deferred revenue and taking on performance risk**



- Strong cash flow management and accounts receivable oversight
- Proactive metric tracking and performance monitoring
- Active risk management and openness to continuous improvement

# Providers that are curious, rigorous, & adaptable with payors are more likely to succeed in earned revenue contracting

## Process to advance value-based contracting with target payors





# Case Studies



# Case Study 1: Hope Has a Home

## Value-based Contract Components

### Direct Contracting with Medicaid Managed Care Plans

In Washington, DC, AmeriHealth Caritas DC established a strategic partnership with Volunteers of America - Chesapeake & Carolinas to collaboratively design, develop, and launch *Hope Has A Home*, a 16-bed, two-phased medical respite program in a **standalone, residential** facility.

VOACC established a business relationship with AmeriHealth Caritas DC resulting in a contractual partnership that provides a **per diem payment**. The **value-based contract** included both a daily rate to provide financial stability for the respite program and an outcomes-based bonus payment focused on **12-month reduction in inpatient admissions and Emergency Department utilization**.

Other rate options for medical respite include a per-member-per-month, a one-time case rate, or a monthly rate.

#### Be curious

Learned that it was critical for the medical respite payment to be counted on the medical side of the Medical Loss Ratio

#### Own the math

Came to the table with clear articulation and quantification of value of prioritized outcomes

#### Be flexible

Developed a shared staffing model that maximized Medicaid reimbursement and incentivize critical partners to be part of the team



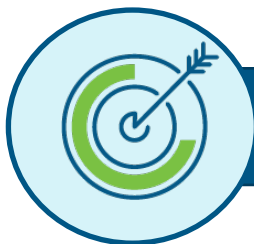
Value-based Contract



Outcomes-based Payments

External Investment

State Mandated Medicaid Reimbursement

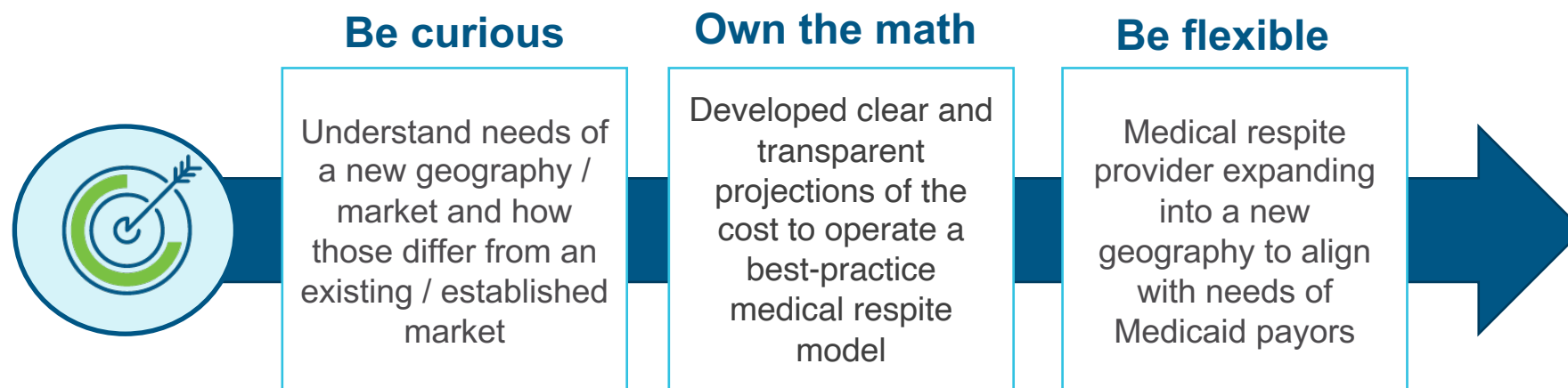


# Case Study 2: Medical respite expansion

## As an Option to Fill Medicaid Funding Gaps and Align Incentives

California's California Advancing and Innovating Medi-Cal (CalAIM) – a multiyear plan to transform California's Medi-Cal program and to make it integrate more seamlessly with other social services – is a key example of a state's efforts to include medical respite in their state health plan.

Given these payment reforms, a large, national health plan has been working to identify, capitalize, and enter into **value-based contracts** with community-based organizations in support of CalAIM implementation – including medical respite. Value-based contracting allows for high performing, evidence-based medical respite programs to be adequately funded and financially rewarded for driving better outcomes. Compared to traditional fee-for-service contracting, value-based contracts – that may include outcomes such as **positive housing placements and connections to ongoing community-based primary or behavioral health care** – improve alignment and incentives between health plans and community-based organizations.



### Be curious

Understand needs of a new geography / market and how those differ from an existing / established market

### Own the math

Developed clear and transparent projections of the cost to operate a best-practice medical respite model

### Be flexible

Medical respite provider expanding into a new geography to align with needs of Medicaid payors

## Value-based Contract Components

✓ Value-based Contract

✓ Outcomes-based Payments

External Investment\*

✓ State Mandated Medicaid Reimbursement

\*While the partners are not currently pursuing external investment, this may be explored to supplement MCO investment based on final costs

# What's Next?



# This value-based contracting approach supports accelerated medical respite growth across the country



## What this value-based contracting approach does

## Leads to...

Designs contractual relationships to align with the interests and processes of both medical respite providers and target payors for medical respite services (Medicaid managed care, hospitals, etc.)

More diverse and sustainable revenue for medical respite providers

Builds the evidence base on the value delivered by different medical respite program models (i.e., what outcomes can medical respite reliably achieve and what best practices are most important to achieving those outcomes)

More programs delivering the outcomes most valuable to patients and partners

Supports health plans, policy makers, and private investors to better understand this model and leverage these partners to address significant unmet need across the country

Momentum to make medical respite payment and investment standard

## Are you ready to start the process of value-based contracting?

### Step 1

#### Do you have...

- A system in place to monitor and evaluate of key performance metrics
- An established, well-defined program structure and services
- Reliable access to referrals on an ongoing basis
- Efficient and streamlined business operations including cash flow and risk management

### Step 2

#### If yes, then...

- Research and evaluate possible payors strategic priorities, including state and/or federal pressures
- Start networking, building relationships with prospective payors
- Prepare thorough cost/benefit analysis for potential payor, highlighting the benefits you generate
- Define payment for the outcome measures your organization provides
- Prepare contracting and necessary reporting structures

# QV is happy to share further details and resources with medical respite programs interested in exploring this approach



## Resources available:

- Sample payment measure definitions and payment approaches
- Prospective payor data request template – *optional used to inform pricing*
- Payor FAQs and common objections



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## Join Us Next Week:

“Medical Respite Programs and Managed Care Organizations: Recommendations for Collaboration and Sustainability”

October 25<sup>th</sup> 2023  
3:00 pm ET/2:00pm CT



Q & A