



A two-hospital academic health system in southern California with a large Medicaid patient population sought a comprehensive Medicaid and FQHC affiliation strategy to improve care for its Medicaid population and overall financial sustainability for the health system.



# CASE STUDY

## MEDICAID STRATEGY

### THE CHALLENGE

While low Medicaid reimbursement rates plague health systems across the country, this system was particularly impacted as it provided substantially more care for Medicaid patients than any other hospital in the area. Compounding this issue, the health system's decision to align with Federally Qualified Health Centers (FQHCs) for the care of Medicaid patients would have significant unintended consequences related to its disproportionate share hospital (DSH) payments. Medicaid complexities and the potential for financial repercussions stagnated progress, creating the motivation for an outside party to evaluate its current state and develop strategic recommendations to proceed in a purposeful way.

## OUR APPROACH

### Right care in the right place.

Initium Health worked closely with physicians, administrators, and staff to provide an assessment of current practices related to the care of Medicaid patients, including access to the health system, patterns of utilization, and transitions of care. Our analysis spanned inpatient, emergency, and ambulatory care across the two hospital campuses.

Opportunities to drive value across the health system emerged as our team took a close look at key performance indicators, such as inpatient length of stay (LOS), non-emergent ER visits, patient transfers, and specialty care utilization. Our analysis of the financial impact unearthed a \$42M+ opportunity to improve net revenues, providing new impetus for health system leadership and initiatives for increased efficiencies across the system.

We demonstrated that geography mattered—there were concentrated areas of Medicaid discharges across the region, and much farther from the hospitals than originally expected. Our team identified FQHCs in these geocenters and together with the health system, approached the health centers with a plan for partnership in the care of Medicaid patients. Shifting outpatient care into patients’ home communities would not only improve efficiency but would also provide patients with more resources to address social determinants and behavioral health, both of which were major drivers of care utilization.

Initium’s insight on technological innovation and nuanced understanding of health finance and operations were invaluable as they helped us develop a Medi-Cal strategy.

— Chief Strategy Officer, Integrated Health System, CA

## OUR RESULTS

### Optimized care at a reduced cost.

- \$42M in net revenue identified along with an achievable strategy including strategic alignment with multiple FQHCs, new care coordination methods to address inpatient LOS, care transitions and non-emergent ER visits.

- Developed comprehensive strategy for Medicaid patients including strategic alignment with five different FQHCs in the region.

**\$42M**  
NET REVENUE 

Recommendations paid careful attention to patient experience and outcomes, Medicaid reimbursement, and long-term successful partnership between the hospital and the FQHC.

- Established a Medicaid patient segmentation strategy for the hospital based on federal poverty limit (FPL) that was developed to optimize care, reduce costs, and capture patients likely to move to commercial insurance.

## SEGMENTING MEDICAID

	UNDER 50% FPL	50%-100% FPL	OVER 100% FPL
	Undocumented, homeless	Single parents with children	College students, recent graduates
	Homelessness	Unsafe or crowded housing	Crowded or unclean housing
	Acute food insecurity	Insecure and non-nutritious food	Non-nutritious food
	No transportation	Public transportation	Public transportation or own vehicle
	Free clinic	FQHC	Physician practice