

Post-Acute and Senior Care Facing Historic Changes: Are You Prepared?

What if

LeadingAge New Jersey 2019 Annual Meeting and EXPO
Wednesday, June 12, 2019 | 8–9 a.m.
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Who We Are

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About Health Dimensions Group

HDG is a leading consulting and management firm, providing services to post-acute, long-term care, and senior living providers, as well as hospitals and health systems, across the nation



HDG Solutions

- Management
- Strategy
- Operational performance
- Revenue cycle management
- Financial advisory
- Value-based transformation
- Workforce solutions
- HDG Learn



Discussion Topics

- Value-based payment
- Growth of managed care models
- Occupancy challenges
- Partnerships
- Repurposing and repositioning
- Medicalization of senior living
- Ongoing workforce challenges
- Regulatory environment
- Troubled assets – swift action required
- Aggressive revenue cycle management



Value-Based Payment

Medicare Fee-for-Service Payment Reform: *PDPM & PDGM Are More Than Just New Acronyms!*

- In 2018, Medicare finalized significant payment reforms for skilled nursing facilities (SNFs) and home health agencies (HHAs), giving providers over a year's notice to prepare
- In both sectors, therapy-driven payment is being replaced by a focus on patient characteristics:
 - For SNFs, length of stay will be new consideration; and state Medicaid long-term care payment policies may move away from RUGs
 - HHAs will have to master implications of 30-day episodes

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SNFs and HHAs Preparing for Change: 2019 Imperatives

- Understanding the new payment systems and driving culture change within the organization
- Modifying operational procedures
- Paying for therapy based on value instead of volume
- Mastering assessment instrument items and ICD-10 codes crucial for payment
- Evaluating market opportunities to address needs of medically complex patients
- Adopting technology to enhance efficiency, including telemedicine and electronic health records

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Push Towards Value Over Volume Continues as Risk Expands

- Focus on 30-day readmissions through SNF Value-Based Purchasing Program
- Scrutiny on episodic efficiency through public reporting of Medicare Spending Per Beneficiary (MSPB)
- Continued momentum towards Advanced Alternative Payment Models and push towards downside risk
 - “Pathways to Success” proposal for Medicare accountable care organizations (ACOs)
 - Bundled Payments for Care Improvement (BPCI) Advanced
 - Key decision point for bundlers in March 2019
 - Another solicitation for BPCI Advanced due in 2Q 2019

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Growth of Managed Care Models

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Managed Care Models Are Growing and Evolving

- Alternative models to traditional Medicare FFS continue to grow in penetration, such as:
 - Medicare Advantage
 - Institutional Special Needs Plans (I-SNPs)
 - Program of All-inclusive Care for the Elderly (PACE)
- Medicare Advantage now covers over one-third of Medicare enrollees (34.72%), an increase of 18% from just 5 years ago
 - Expanded use of supplemental benefits creating new opportunities for partnerships
 - Increased value-based payment strategies and post-acute care benefit management by third parties

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Medicare Advantage Penetration Growth in New Jersey

County	May 2014	May 2019
Atlantic	9.16%	24.79%
Bergen	13.42%	23.61%
Burlington	16.63%	29.26%
Camden	18.71%	28.01%
Cape May	10.45%	20.13%
Cumberland	15.13%	29.65%
Essex	20.87%	35.53%
Gloucester	16.85%	27.68%
Hudson	22.89%	35.01%
Hunterdon	8.25%	24.65%
Mercer	14.49%	33.58%
Middlesex	15.20%	26.86%
Monmouth	13.10%	22.18%
Morris	9.51%	22.74%
Ocean	17.73%	28.28%
Passaic	18.02%	33.20%
Salem	11.43%	22.48%
Somerset	8.50%	22.92%
Sussex	9.26%	21.70%
Union	18.12%	32.76%
Warren	8.68%	22.35%
New Jersey Average	15.39%	27.77%

Source: Centers for Medicare & Medicaid Services, May 2014 and May 2019

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Providers Moving into Risk

- PACE growing integrated care option for frail dual eligibles
 - National PACE Association created PACE 2.0
 - Goal: Increase participant enrollment from nearly 50,000 nationally in 2018 to 200,000 by 2028, through increased penetration and continued increase in programs
- Enrollment in Medicare Special Needs Plans (SNPs) has increased by 18% over last 5 years
 - Increasing opportunities for participation by long-term care providers

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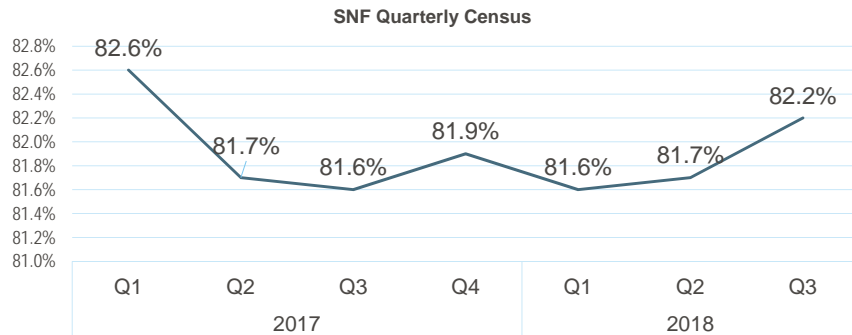
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Occupancy Challenges

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Skilled Nursing Facing Census Pressures



- Medicare Advantage's negative impact on census:
continued growth = shorter ALOS + lower PPD revenue + lower utilization
- Census affecting net margin:
2013–2016, median net margin moved from 1.7% to .8%

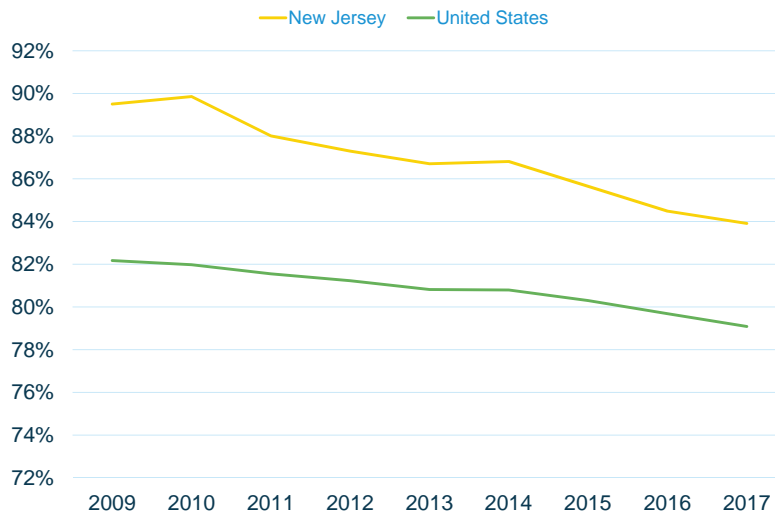
Conclusion: SNFs must focus on bed management and quality/clinical capabilities to capitalize on new payment models

Source: National Investment Center for Seniors Housing & Care (NIC)

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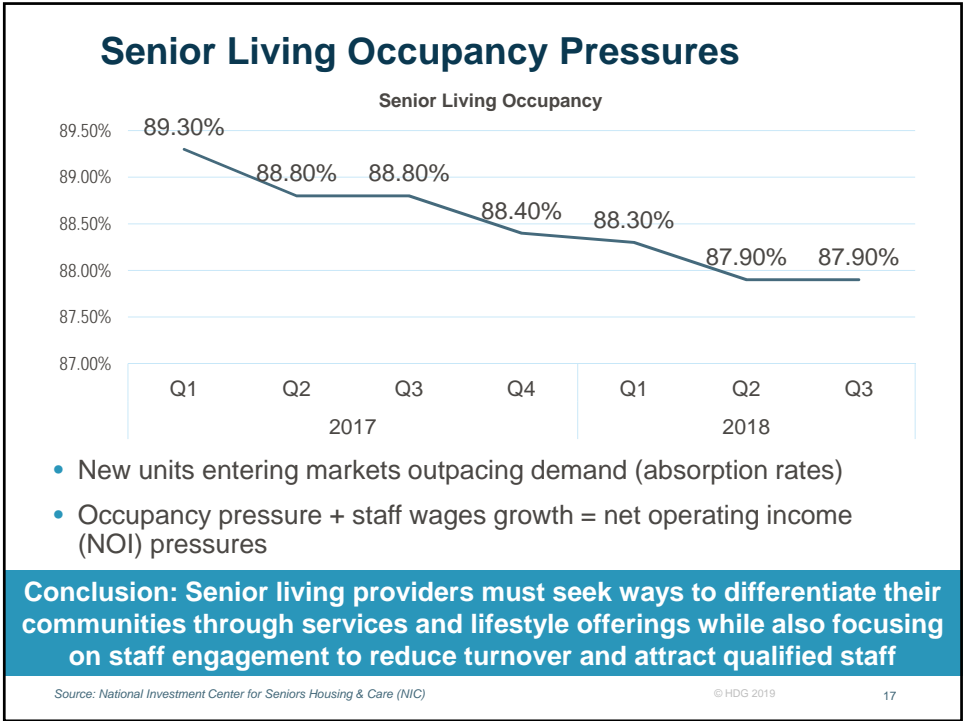
New Jersey SNF Occupancy Percentages Declining



Source: Cowles Research Group's Nursing Home Statistical Yearbook

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Partnerships

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Post-Acute Care Challenges

- Challenges in placement
 - Clinical
 - Cost
 - Payment
 - Regulatory
 - Psychosocial
- Adherence to network direction
- Clinical and technological integration
- Market share
- Reimbursement concerns

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Value to Hospital Partners

- Clinical capabilities and integration
- Admission flexibility
- Use of ancillary services
- Understanding of value-based payment
- Patient-Driven Payment Model (PDPM) education



Creating Partnerships

Formalize

- Contracts and agreements
- Documentation of progress

Quantify

- Agreed-upon benchmarks
- Universal calculation
- Payment timelines and calculations

Review

- Scheduled, standard reviews

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Repurposing and Repositioning

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Repurposing and Repositioning

- Services provided in the past may not work today
- 26% increase in age 65+ senior population (2010–2017), resulting in increased need for senior care services
- During same time, average daily census declined with far more options available to aging adults
- To adapt, more SNFs will diversify and/or convert to senior housing alternatives, PACE, home- and community-based services, etc.

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Repurposing and Repositioning (continued)

- Even with occupancy challenges, SNFs have more options for repositioning themselves
- Diversification in non-institutional care should be considered



Medicalization of Senior Living

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Medicalization of Senior Living

- Average age of residents is increasing:
 - IL: 80 years old ¹
 - AL: 87 years old ²
- Older adults naturally come with more health issues: 80% have one chronic disease; 68% have at least two ³
- Investors/operators desire to decrease turnover among residents
- 90% of older adults want to age in place ⁴

Sources: ¹ seniorhomes.com; ² AHCA/NCAL; ³ National Council on Aging (NCOA); ⁴ AARP

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Medicalization of Senior Living: How to Build Occupancy

How to sustain and build occupancy while meeting the increasing needs of residents, many with chronic illnesses:

Wellness/Well-being programs

- Provide holistic approach to residents' health

Partnerships

- Develop formal partnerships with other service providers that can round out your wellness programs with their skillsets

Referral network

- Build relationships with health and community leaders who provide a resource that potential and current residents trust

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Ongoing Workforce Challenges

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Workforce Trends

- 1.2 million vacancies by 2020
- One-third of all jobs will be in health care by 2026
- 48% increase in need for senior care workers over next 30 years
- 47% of employed looking for a job
- Millennials expect to only stay with a company less than 3 years

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Strategies Around Workforce Challenges

- Workforce analytics
- Technology
- Employee engagement/retention
- Leadership
- Centralized/outsourcing of transactional activities
- Proactive recruiting practices

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Regulatory Environment

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Federal Government Investment in Regulators Paired with Mega Rule to Heighten Regulatory Oversight and Penalties

- Ongoing implementation of all 3 phases of new and/or revised Centers for Medicare and Medicaid Services Requirements of Participation
- Providers scrambling to install operational framework to ensure compliance in advance of remaining deadline in 2019
- New rules, coupled with a promise of additional federal resources to investigate compliance with minimum standards, may represent greatest enhancement of regulatory oversight of SNFs in nearly 30 years
- Outcry by providers garnered only temporary delay in enforcement sanctions and leniency with certain 5-star rating impacts for 1 year

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Five-Star Quality Rating System: 2019 Changes Affecting Three Domains

Health Inspection

- Returns to what it was prior to February 2018
- Calculated on results from 3 most recent standard health inspections and 36 months of complaint inspections
- Surveys occurring both before and after new survey process implementation (11/28/2017) used to determine scores & rating and treated in same way

Staffing

- Thresholds changed; staffing level required to receive 5 stars based on relationship between staffing levels and measures of nursing home quality
- More emphasis on RN staffing rating in calculating overall staffing rating
- 4+ days per quarter with no RN on site results in 1 star for overall and RN staffing ratings

Quality Measures

- Added long-stay hospitalizations and ED visits; dropped long-stay physical restraints
- New point thresholds for short-stay, long-stay, and overall quality measure ratings
- Scoring rules changed to give more weight to measures with greater opportunity for improvement

Source: CMS Design for Nursing Home Compare Five-Star Quality Rating System: Technical Users' Guide, April 2019

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Five-Star Quality Rating System: 2019 Changes (continued)

Special Focus Facility: Nursing homes currently participating in program will not be assigned overall ratings or ratings in any domain

- Yellow warning sign displayed instead of overall rating
- *Not available* displayed in place of ratings for all other domains

Source: CMS Design for Nursing Home Compare Five-Star Quality Rating System: Technical Users' Guide, April 2019

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Troubled Assets – Swift Action Required

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Troubled Assets – Swift Action Required

- Increase in failed situations and “front page news” events for investors, owners, and operators alike
- Capital continues to pour into senior care sector by investors
- Senior care investors/owners, without operating experience, will continue to forge management and other partnerships with health care operators
- Numerous operators failed to gain traction
- With available SNF beds dwindling, demand expected to exceed supply in next few years
- Blind growth and crazy money

**When the numbers are telling you something,
swift action required!**

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Aggressive Revenue Cycle Management

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Aggressive Revenue Cycle Management

- Timely payment for services rendered more critical now than ever before
- More aggressive revenue cycle management to improve the speed, accuracy, and outcomes of cash collection
- Skill sets available to manage this work is a rising factor in bottom-line erosion for long-term care, due to:
 - Continuing growth of managed care contracts
 - Increase in number and complexity of payer arrangements
 - Challenging labor market

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Aggressive Revenue Cycle Management (continued)

- Understanding, negotiating, and executing on complicated payer arrangements is a significant drain on typical nursing home communities
- Managed care payment terms often significantly slow down cash collections and increase days sales outstanding (DSO)
 - Detailed knowledge of terms and conditions, payers, claim requirements, prior authorizations, ID numbers, and timely filing are all required to be successful
- Centralized models allow providers to outsource risk and maintain focus on their main area of expertise—patient care

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Where to Focus

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Where to Focus in 2019–2020

Payment Changes

- Understand operational requirements
- Pivot your community

Partnerships

- Evaluate risk opportunities
- View all parties as partners

Innovation

- Workforce is changing
- Customer is changing



Questions



For More Information



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