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

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Who We Are
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.

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.
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

Growth of Managed Care Models
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

Medicare Advantage Penetration Growth in New Jersey

<table>
<thead>
<tr>
<th>County</th>
<th>May 2014</th>
<th>May 2019</th>
</tr>
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<tbody>
<tr>
<td>Atlantic</td>
<td>9.16%</td>
<td>24.79%</td>
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<tr>
<td>Bergen</td>
<td>13.42%</td>
<td>23.61%</td>
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<tr>
<td>Burlington</td>
<td>16.63%</td>
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<td>Camden</td>
<td>18.71%</td>
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<td>Cape May</td>
<td>10.45%</td>
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<td>Essex</td>
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<tr>
<td>Gloucester</td>
<td>16.85%</td>
<td>27.68%</td>
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<tr>
<td>Hudson</td>
<td>22.89%</td>
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<td>Hunterdon</td>
<td>8.25%</td>
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<td>Mercer</td>
<td>14.49%</td>
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<td>Middlesex</td>
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<tr>
<td>Monmouth</td>
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<td>22.18%</td>
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<tr>
<td>Morris</td>
<td>9.51%</td>
<td>22.74%</td>
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<tr>
<td>Ocean</td>
<td>17.73%</td>
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<td>Passaic</td>
<td>18.02%</td>
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<td>Salem</td>
<td>11.43%</td>
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<td>Somerset</td>
<td>8.50%</td>
<td>22.92%</td>
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<tr>
<td>Sussex</td>
<td>9.26%</td>
<td>21.70%</td>
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<tr>
<td>Union</td>
<td>18.12%</td>
<td>32.76%</td>
</tr>
<tr>
<td>Warren</td>
<td>8.68%</td>
<td>22.35%</td>
</tr>
<tr>
<td><strong>New Jersey Average</strong></td>
<td><strong>15.39%</strong></td>
<td><strong>27.77%</strong></td>
</tr>
</tbody>
</table>

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

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

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%

New Jersey SNF Occupancy Percentages Declining

Source: Cowles Research Group's Nursing Home Statistical Yearbook
Conclusion: Senior living providers must seek ways to differentiate their communities through services and lifestyle offerings while also focusing on staff engagement to reduce turnover and attract qualified staff.

Senior Living Occupancy Pressures

- New units entering markets outpacing demand (absorption rates)
- Occupancy pressure + staff wages growth = net operating income (NOI) pressures

Senior Living Occupancy

89.30%  88.80%  88.30%  87.90%  87.90%  88.50%  89.00%  89.50%

Q1  Q2  Q3  Q4  Q1  Q2  Q3

2017 2018

Source: National Investment Center for Seniors Housing & Care (NIC)
Post-Acute Care Challenges

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

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

Repurposing and Repositioning
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.

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

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

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

Ongoing Workforce Challenges
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

Strategies Around Workforce Challenges

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

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

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!
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
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

Where to Focus
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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