Executive Breakfast: An Update on the Ever Changing Health Care Reform Landscape

LeadingAge Indiana
May 9, 2017

American Health Care Act

- On March 24, 2017 House Speaker Paul Ryan pulled the AHCA from the floor
- Last minute changes to the bill failed to gain more conservative votes
- “We’re going to be living with Obamacare for the foreseeable future” – Paul Ryan
- The new administration could make adjustments through regulatory changes

Megatrends of Change

- Digitalization
- Health reimagined
- Technological convergence
- Environmental Concerns
- Global marketplace and shift in economic power
- Generational transition
- Individualism and social unrest

Compiled from various global megatrends publications and presentations by KPMG, Deloitte, and Frost & Sullivan
Reimagining the Future: Technologies that are *disrupting* our future!

- Digital technologies, web access, social media & mobile video
- Robotics, advanced equipment & self driving vehicles
- Artificial intelligence & machine-human integration
- On-line & “retail” health care
- Predictive analysis *(beyond data collection to know what customer wants before customer knows)*
- Voice Recognition *(Translation into other languages is rapidly advancing)*

---

**The Pace of Change is Increasing Rapidly!**

The Knowledge Doubling Curve

---

---
Data is accumulated and consumed at ever increasing rates…

Major Trends we are watching closely:

CLA Environmental Scan: Themes

1. Senior Living Options
2. Demographic Growth
3. Healthcare Reform
4. Access to Labor
5. Hospital discharge \ length of stay
6. The Influence of Intermediaries
7. Increased Consumer Expectations
8. Proliferation of Technology
9. Regulatory Change
10. Other Trends
Senior Living Options

- Urban Design Trends Favoring Use of Existing Infrastructure
- For Profit Focusing: Stand Alone vs. Stand Alone: ALF
- For Profit Focusing: Rental Development vs. Entrance Fees
- People Preferring to Stay Home Longer
- Assisted Living Capturing What Used to be Nursing Resident
- Dedicated Short Term Stay Units (seeing Medicare Volume)
- Mixed use developments offering independent living options
- Market segmenting into a variety of specialized products—Where do you fit?
- For profit senior housing developing IL and AL, without nursing—does the consumer care?
- Rental may seem more affordable to consumer
- Home and Community Based Services can capitalize on this opportunity
- "Apartment" may begin to offer substitute solutions
- "Household" and "Green House" opportunities to offer residential living environments to nursing as a defensive posture
- Assisted Living beginning to create networks/contracts with hospital systems as a low-cost alternative
- Nursing facilities evaluating ability to create "Respite" design that can adapt with current and future acuity needs and changes

Health and Housing

- Research identifies importance of controlling health care costs through stabilizing housing
- Proactive care management decreases total spend per beneficiary
- Improved health care outcomes and management of chronic conditions through appropriate use of health care resources (clinics versus emergency rooms)
- Payers have noticed:
  - CMS
    - CMS funded Health Innovation Grants have demonstrated success of health/housing models and scalability (Vermont-SASH)
    - Expand LTSS to include Health and Housing with Support Services (Washington Medicaid Waiver)
    - Focused on transitions and stabilization in the home (SIM grants, Dual Demo's)

Health and Housing (continued):

- Payers have noticed:
  - Health Plans
    - Identify and manage high-risk/high-utilization enrollees
    - United HealthCare’s Optum Program
  - ACOs/Health Systems
    - Population management in total cost of care model
    - Need to collaborate to prevent payment penalties for readmissions & to control of medical pool costs
  - SIM Grants/Accountable Health Communities via CMS Funding
    - Population health, improved health and housing for special populations
### Health and Housing

#### Value to CMS/State and Other Payor
- Research identifies importance of controlling health care costs through stabilizing housing
- Improved health care outcomes and management of chronic conditions through appropriate use of health care resources (trichs versus emergency rooms)
- CMS-funded Health Innovation Grants have demonstrated success of healthy housing models and scalability
- Payors (including ACO's) bundle payment model to collaborate to prevent payment penalties for readmissions/reduction of medical pool costs
- Increased aging demographics requires more community-based health/housing services for state and federal government to manage limited budgets

#### Value to Housing Entity
- Stabilized occupancy through proactive resolution of problems/less turnover
- Additional payment for health collaboration efforts with payers and health systems
- Less staff time/maintenance
- Less legal costs due to reduction in evictions
- Improved community perception/marketable
- Closer coordination with Accountable Communities of Health, State's SIM program—apply for grants

### Demographic Growth

**Significant Aging of Population**
- Opportunity to increase service offerings
- Need for "low cost" alternatives will increase due to lack of resources in much of the population
- Need for home and community-based solutions
- Opportunity to bring solutions via technology platforms

**Boomers Are Beginning the "Retirement" Consumption**
- First five years showing strong growth
- Boomers will have heavy impact 10 years from now
- Increasing need for Personal Care
- Increasing need for Memory Care
- Care coordination opportunities
- Home and community-based services

### Healthcare Reform

**Medicaid Progress moving to Managed Care**
- Need to develop robust reporting and measurement systems
- Emphasis on Collaboration

**Future Payment Streams Linked to Quality/Value**
- Need to consider economics of scale to drive cost down or differentiation strategies to capture private pay

**Nursing Reimbursement**
- Reduced ability to impact market perceptions of quality and service, while having to achieve what has been defined by others such as regulations/ payers/partners

**Quality of Services Being Defined by Others**
- Lack of quality may drop you off a payer source (Managed Medicaid, Networks, etc.)

---

©2016 CliftonLarsonAllen LLP
4/17/2017
Advanced ACO Systems: Significant Decline in Total Discharges

Most Advanced ACOs have reduced the number of patients discharged to SNF but the new “normal” seems to be around 17-20%

Advanced ACO Systems: SNF Discharge Rate

2016-17 Themes/Trends

- Public and Private Payers shifting to Value-Based Payment
  - Hospitals, Physicians, SNFs, Home Health
  - CMS has used quality scores in Medicare Advantage to influence beneficiary enrollment in certain plans
- CMS alternative payment models moving:
  - From voluntary to mandatory
  - From modified FFS toward capitation (e.g., provider as payer)
  - To limiting some referrals only to providers with 3 star rating or higher
- Post Acute Providers
  - Increasingly interested in pursuing partnerships/collaborations/networks
  - Pre-acute or providing traditional services without a hospital stay
  - Care coordination/management services to ease transitions
  - Evaluating/participating in preferred provider relationships
  - Need negotiation and contracting skills to be successful
  - Need to harness data to improve clinical and financial performance
Trends

- Selection of Preferred Post-Acute Provider Network
- Referral pattern reform – send more home, some bypass SNF altogether
- Shortening length of stay in PAC
- Community provider partnerships to maintain patients in own home
  - 911 operator safety/well check,
  - community paramedic programs for routine care

Access to Labor

Aging of Workforce
- Need to accommodate more aged, and need to consider implications of alternate arrangements
- Specific shortages in certain positions (skilled nursing labor)
- Lower skilled jobs have other opportunities with improving economy

Minimum Wage Increase Trends
- Access to labor will be costlier, increasing overall costs

Lack of Succession Plans
- Affiliation opportunities for organizations that can provide leadership
- Opportunities for collaboration with others
- Development of internal practices critical (intention plans and development of future leaders is key)

Changing Workforce
- Multi cultural
- Multi generational

Artificial Intelligence/Robotics Other Potential Labor Substitutes
- Evaluate emerging technologies to identify evolving solutions
- Regulatory changes needed to adapt with pace of change - can be impediment to innovation

Trends in Workforce Management

A Shortage of Caregivers

Caregiver Support Ratio
The Influence of "Intermediaries"

- Must think in terms of solving customer needs, not in terms of "industries"
- Can someone developing an "app" find a unique solution for your customer and connect them with a solution (keeping you out of the "loop")?
- Venture capital heavily investing in programs and artificial intelligence to create solutions for consumers
- You may be left out of the "influencer" loop
- Evaluating whether your offering is "Disruption Proof" is key question.
  - Do you offer unique solutions to needs?

Increased Consumer Expectations

- Need to offer more choice and unbundling of services
- Tailoring of services to meet unique, specific needs will be required
- Must focus on a superior customer experience with varied demanding customers
- Must be able to provide a compelling value proposition
- Need to create programs that engage the community
- Increase the age range of residents served
- Create opportunities for engagement and purpose
- Opportunity to develop robust wellness and HCBS programs

Proliferation of Technology

- iPhone/iPad/Skype
- "What "apps" have we developed?
- Verizon/AT&T; Cable/Broadband
- Can we create robust "at home" extensions of our communities?
- Transportation = UBER; Homecare APPS, Wellness APPS
- Are we poised to capitalize on new solutions?
- Skype/Facebook/Facetime
- Do we actively engage with families?
- Can we engage much earlier?
- Big Blue ("Watson")/GOOGLE
- Are we "data mining" to create better outcomes and experiences?
- Telemedicine/Virtual Docs
- Can "virtual docs" help us develop better protocols?
Current Capital Appears Affordable

- Opportunity to invest in growth/repositioning at low cost
- Refinancing opportunities

Growth Through Affiliation May Offer Strategic Advantage

- Innovation and scale could be accelerated through affiliations
- "Pre-work" to determine if affiliation is an opportunity for you
- Affiliation not a dirty word...

Senior Living Design Trends

- Heavy reinvestment towards residential focus = $$$

Fundraising Trends

- Many historical "affinity" groups with declining memberships = harder to raise funds
- Fundraising can offer a "non profit" a capital access advantage

What is “Telehealth”?

Use Cases May Be Achieved Across Multiple Modalities

- Residents/Patients can monitor their health everyday which can lead to great improvements
- Reducing hospitalization and hospital readmissions
- Increase resident/patient’s knowledge, engagement and self-efficacy
- Physicians can be more engaged which is vital from improving health outcomes
- Reduce healthcare costs and improve efficiencies
- Reduces risk and provider’s liabilities because the events, signs, and symptoms are all documented
REGULATORY CHANGES

Revenue Recognition
• Understanding the impact of the new framework on all contract types from life-care to fee for service

Payroll Based Journal Reporting
• Reimbursement for skilled nursing directly tied to successfully addressing all PBJ requirements

FOUR EMERGING PRINCIPLES IN POLICY

Reductions in federal health care spending
Greater state management & control with less federal intervention

Increased market competition and incentives to drive consumerism
Continue to drive policies that promote increasing the value of health care

QUESTIONS/DISCUSSION