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The Times Are Changing: The Ever-Expanding Continuum of Care

Aging Services of Minnesota
February 5, 2014

CLAconnect.com

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Why Consider Community Based Services?

According to the CDC by 2050, an estimated 27 million people will need long term care with the majority opting to receive care in their home.

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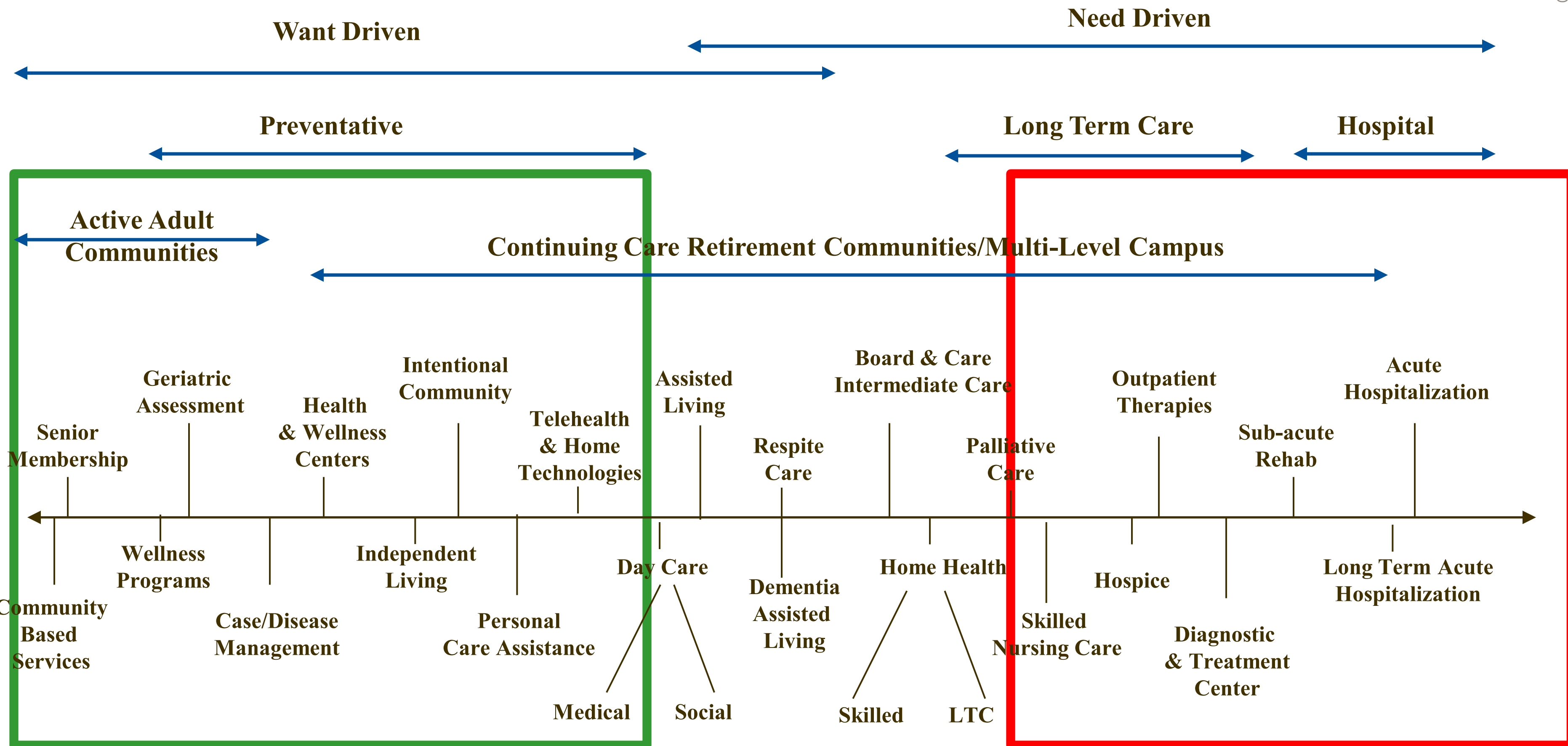
The focus is evolving



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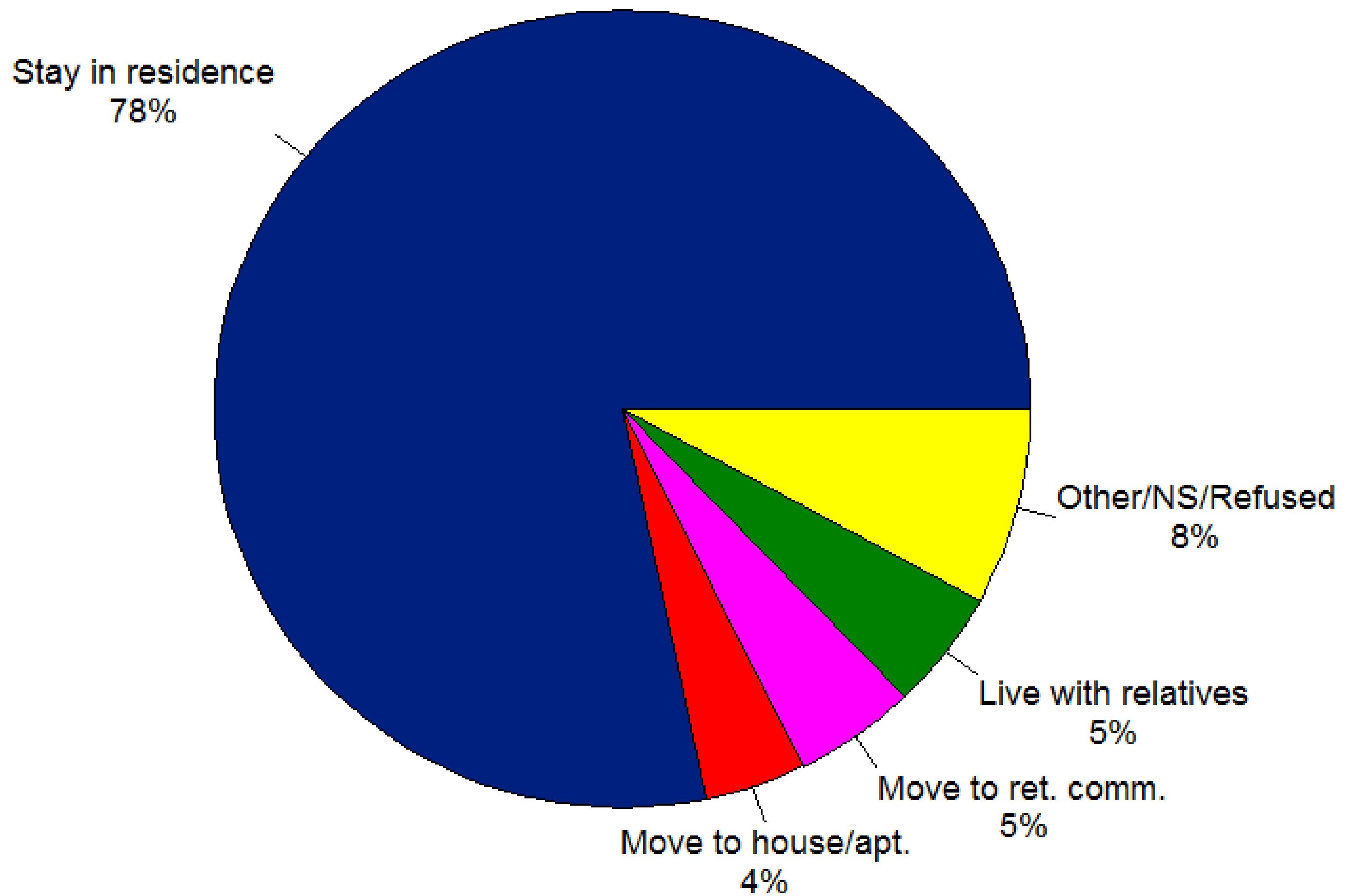

Source: CliftonLarsonAllen consumer telephone surveys 2008-2011

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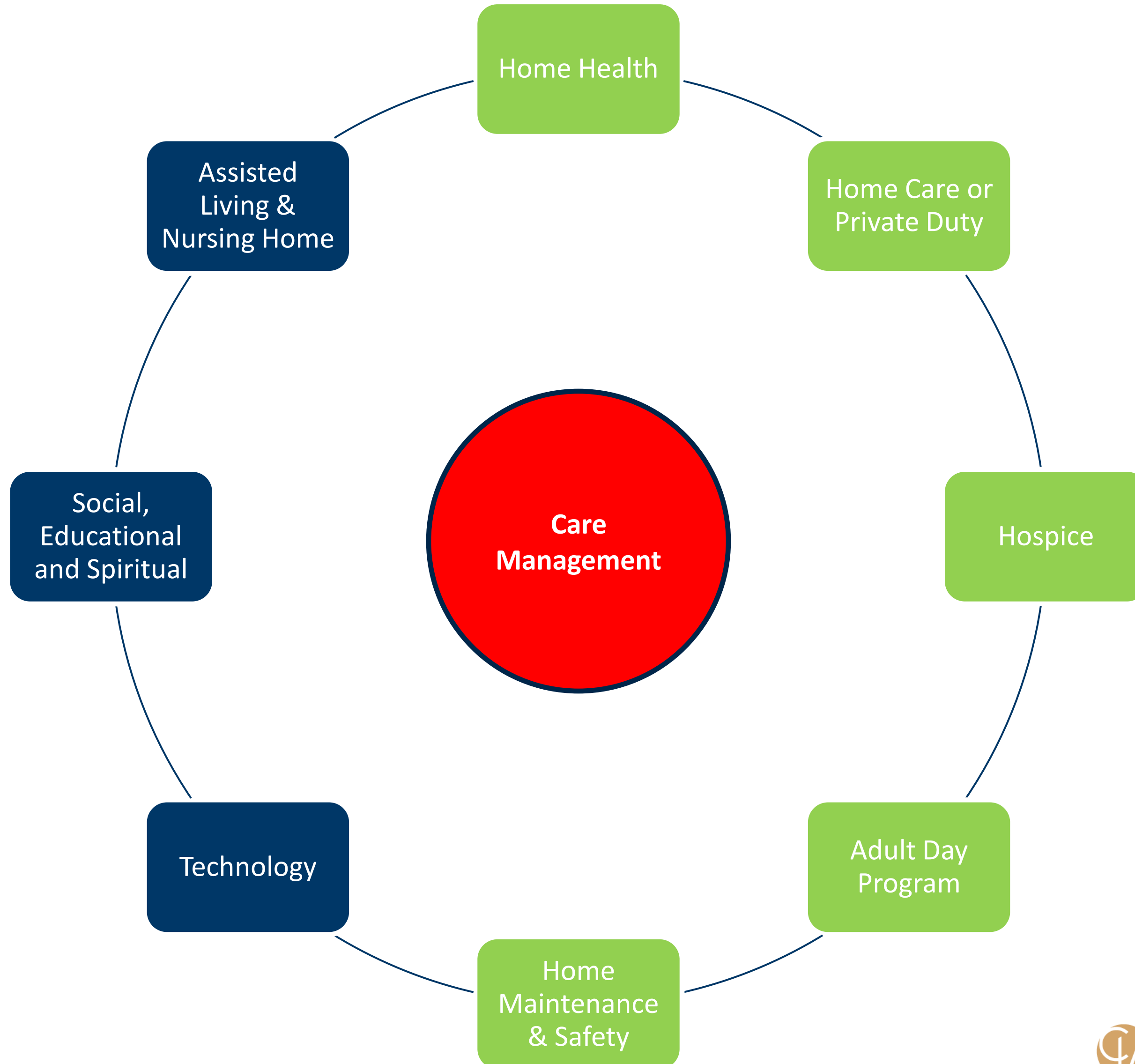
Virtual Campus



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Traditional models

Traditional Models

Hospice

Private Duty

Home Health

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Overview: Private Duty

Private duty (non-medical home care) agencies supply, arrange or schedule employees to provide assistance with Activities of Daily Living (ADLs) or Instrumental ADLs (IADLs), companionship services or specialized care.

- Services are provided:
  - On an hourly, shift or live-in basis.
  - Generally by a non-licensed caregiver, but sometimes a Certified Nurse Aide or Home Health Aide
  - In consumer's homes or to consumers living in an assisted living or independent living community
- There are between 15,100-17,700 agencies; 4,100-4,700 of which are franchises
  - Significant growth in non-profit and for-profit sectors
- According to Entrepreneur.com, private duty agencies comprise 5 of the largest 100 franchises in the US; 8 of the top 100 fastest growing franchises.

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Challenges

- Requires entrepreneurial leadership
- Must operate differently than your senior living operation, e.g. employee benefits
- Depending on the market, there can be a lot of competition — critical to differentiate services
- Must maintain a high level of customer service
- Constant focus on developing referral sources
- Labor laws changing in 2015

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Overview: Medicare Certified Home Health

Medicare-certified home health care services are intermittent (short term) skilled care (treatments and/or teaching) and medical supplies.

- The consumer must have a skilled nursing need and be homebound (can go to doctor and other short trips but not actively mobile) to qualify.
- A physician's order is required to start service
- Services can be provided in consumer's home or in a health care type facility (independent or assisted living) on an hourly or shift basis
- Providers must obtain a state license and Medicare certification, minimally; and Medicaid certification is required if participating in Medicaid Waiver programs

Payment:

- Medicare pays for each home care episode (60 days) in a prospective payment
- Insurance companies pay for services on a fee-for-service basis
- Increased Medicare advantage market share

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Home Health Challenges - Financial

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- Patient Protection and Affordable Care Act (2010) imposes several Medicare reimbursement reductions, which will force agencies to reduce operations costs ~ $39.7B in market basket cuts
- Home health can be expensive to develop
- Must manage the amount of care provided within an episode to maintain healthy margin.

2011
- Reduce base rate per episode by 2.5% and market basket update by 1%

2012-13
- Market basket update reduced by 1%

2014-17
- Phased re-basing of episode payments max reduction of 14% by 2016 to be offset by annual payment updates

Home Health Challenges – Requires Expertise

- Complex system requiring extensive knowledge of reimbursement system.
- Can be difficult to compete against hospital based agencies and established VNAs.
- Medicare reimbursement system (episode) is different than insurance companies (fee-for-service).
- Unsure what impact evolving health care delivery system will have on home health.

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Overview: Hospice

Hospice is a managed care approach for a patient who has a terminal diagnosis with an estimated life expectancy of 6 months or less

- All costs related to care, including physician services, medications, supplies, durable medical equipment (DME), respite stays, hospital stays, home care, etc. are covered by the hospice benefit, and are the responsibility of the hospice provider
- Medicare requires that 5% of service hours are provided by volunteers.
- 47% of hospice patients die at home, 22% die in an SNF, 10% at a hospital and 21% in a residential hospice

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Hospice Growth

- It is estimated that 1.56 million people were served by a hospice in 2010. This represents a 15 fold increase since 1985
  - Hospice served 44.0% of those who died in in the US in 2010 an increase of 2.0% from 2009 and 22.0% from 2000.
  - There has been substantial growth in the number of hospice providers in the US particularly in the for-profit provider category.
  - In 2011, more than 3,600 Medicare certified hospices up; 55.2% were for-profit.
  - In 2011, very few hospices closed or merged (46) down from 67-69 in 2007-2009.

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Hospice Challenges - Development

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- Must have an enrollment of approximately 5 patients at the time of the certification survey.
- No reimbursement until survey complete and certification received.
- From start to survey can take up to 12 months and all costs are the responsibility of the agency owner.

Hospice Challenges – Affordable Care Act

The Affordable Care Act includes the following:

- **Increased quality reporting requirements with associated penalties for non compliance**
- **Market basket reductions begin (total 6.8 billion)**
  - 0.3% each year, FY 2014 – 2019
  - Productivity adjustments incorporated into annual market basket adjustments, also begins FY2013. ~ 1 % reduction
  - 0.9% - FY 2013 proposed net increase… 2% sequester adjustment has made this negative for 2013
- **Quality reporting required for hospice providers (2014)**
  - Failure to report will result in a 2 % market basket reduction.
- **Revised payment beginning in 2014… most likely will occur in 2015… MedPAC calling for a transitional phase-in…**
  - Est. reduction of $100M over 10 years
  - Total see system of payment for routine day care level of services… known as the "U" shape
  - Abt Associates has drafted a plan with 7 groupings for the Routine Care Day level of care
- **New Medicare Hospice cost report… for fiscal years starting on or after October 1, 2014**

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Hospice Challenges – Increased Scrutiny

It has been recommended that the Office of Inspector General investigate the following:

- The prevalence of financial relationships between hospices and long-term care facilities such as nursing facilities and assisted living facilities that may represent a conflict of interest and influence admissions to hospice;
- Differences in patterns of nursing home referrals to hospice;
- The appropriateness of enrollment practices for hospices with unusual utilization patterns (e.g., high frequency of very long stays, very short stays, or enrollment of patients discharged from other hospices); and
- The appropriateness of hospice marketing materials and other admissions practices and potential correlations between length of stay and deficiencies in marketing or admissions practices.

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Other Challenges – Payment Reform

- MedPAC calls for the elimination of the inflation factor adjustment in 2014 for Hospice
- CMS is looking at having Medicare Advantage plans to cover Hospice services…
  - Most likely will be lower payments and lower margins
  - Hospice is a more efficient business model (less "bricks and mortar")
  - Could mean more referrals to leverage
    - ◊ Relationships with significant referral sources due to cost of managing each relationship

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Estimated Investment and Return

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Type of Program	Start-Up Costs	Operating Capital	Breakeven (Cash Flow)	Operating Margin
Private Duty	$100,000	$150,000	Year 3	10% – 15%
Hospice	$100,000	$200,000	Year 2	10% -15%*
Home Health	$200,000	$300,000	Year 2	10% - 15%*

*These reflect ACA related reductions.

Program Development/Operating Challenge Ranking

	Private Duty	Hospice	Home Health	Life Care at Home
Regulatory Oversight	1	4	5	1
Management Staff Expertise Needed	2	5	5	3
Direct Care Staff Recruitment	3	3	4	1
Billing, Service Delivery, Compliance	2	4	5	1
Financial Risk (Cost)	3	3	4	1
Financial Reward	3	1	1	1
Health Care Reform	1	4	5	1
TOTAL SCORE	**15**	**24**	**29**	**9**

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Innovative models

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Continuing Care at Home (Life Care Without Walls)

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Continuing Care at Home

- **Program Name –** Called many names, including continuing care at home, life care at home, community based continuing care, retirement community "without walls."
- **Program Description –**Takes the CCRC concept off campus, offering a package of long-term care services to older adults who want the same security that a retirement community offers but doesn't want to move onto campus.
- **Life Care Contract** – Entry fee and monthly fees for the guarantee of future care both at home or on campus (actuarially based pricing)
- **Ease of access** - "One stop shopping" - Full array of services offered in package
- **"Virtual" communities** - Social opportunities and supportive networks
- **Target Market**
  - Admission is limited to healthy and independent older adults
  - Target private pay market, but can reach lower socio-economic group
  - Older adults who want to stay home but want the security that a retirement community can offer
- **Sponsors** - Typically CCRCs

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Typical Package of Services

- Care Coordination
- Home Inspections
- Annual Physical
- Access to Campus
- Fitness Center Membership
- Social & Educational Opportunities
- Emergency Response System
- Homemaker and Personal Care Services
- Home Nursing
- Live-in Services
- Meals
- Transportation
- Adult Day Program
- Assisted Living
- Nursing Home
- Referrals for home maintenance, housekeeping, lawn care, etc.

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CCAH Program Similarities

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- Life care – guarantee of future service
- All are non-profit
- Based on actuarial studies
- Care coordination
- Package of services (not all packages are the same)
- One-stop-shopping Philosophy

Program Differences

- Size
- Sponsors
- Services included in "package"
- Provision of services (employee or sub-contractor, network or only campus)
- Margin/Pricing
- Pricing Plans and Financial Risk
- Access to CCRC Campus amenities
- Portability
- Licensure
- Geographic reach
- Corporate Status
- Accounting methods, e.g. use of membership fees

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Pricing and Contract

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- Components of contract are similar to campus with additional language re: decision making and benefits caps.
- Avg. entrance fee ranges from $14,000 to $56,000 (some programs allow for payment of entry fee over several years)
- Avg. monthly fee ranges from $200 to $500
- A variety of pricing plans including:
  - 100% of all services paid as needed;
  - a variety of co-pays for future services;
  - home care only;
  - long-term care insurance policy credit;
  - limited total life-time benefit amount; and
  - refundable membership fee.

Fee-for-Service Models

- Fee-for-service options with small upfront membership fee, i.e. $1,000 to $5,000. Membership fee typically includes some services.
- Most are not licensed since there is no guarantee of care (sometimes licensed as home care provider).
- Limited care coordination is included. Extensive offered on a fee-for-service basis
- Target a senior who needs assistance now.
- Parent organization typically supports as a loss leader – serves as a feeder to fee-for-service offerings.
- Cost to operate include one to two administrative staff, marketing dollars and direct care staff (if applicable).
- Capital investment and annual operating budgets vary greatly based upon types of services offered.

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Challenges

- Sales and marketing - successfully conveying the need for long-term care planning to the consumer and describing a complicated product
- Communicating benefits to campus residents
- Opening campus to at-home members

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Financial Benefits

- Spread administrative costs over an additional program through shared services such as executive management, human resources, financial management, billing, accounts payable and receivable, etc.;
- Increased utilization/occupancy of assisted living and nursing home;
- Increased utilization/occupancy of nursing home for Medicare A short-term rehab stays;
- Rental payments for use of space and amenities; and
- A small number of increased move-ins to independent living.

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Possible Financial benefit to Sponsor*

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Service	Revenue
Assisted Living	$273,888
Nursing Home	375,998
Shared Services Fee	459,180
Occupational Therapy	9,518
Medicare Part A	257,250
Total Revenue to Sponsor	**$1,375,834**

***Example – Total of first five years of Cadbury CCAH**

Financial Investment

- Program development includes market research, actuarial study and legal assistance that averages $75,000 - $100,000.
- Operating capital of approximately $250,000 to $500,000
- Can cash flow very early with payback of operating capital in first several years of operation.

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The Café
The New Senior Center

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Mather Lifeways (Chicago, IL)

- **Café Plus** – ***Service Rich Senior Centers*** - Designed to create a bridge to younger "older" adults to create awareness of their community. Similar to a Starbucks strategy for older adults. Focuses on interest driven activities rather than age-specific needs. Venues become local restaurants offering a variety of menu options. In addition the sites offer:
  - Programs
    - ◊ Computer classes
    - ◊ Art instruction
    - ◊ Fitness classes
    - ◊ Financial planning services
  - Community Resources
    - ◊ Caregiver Resources
    - ◊ Transportation Services
    - ◊ Handyman Referral Sources
  - Annual fee $60, additional fees for individuals utilizing the fitness equipment ($350) and food purchases.

The cafes touch over 30,000 lives each year.

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Virtual Neighborhoods

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General Overview

- Each program is unique, with differing financial models, varying financial investment, opportunity and sponsor motivation.
- Village models are predominately consumer driven and have largest coverage across the country.

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Village Models

- Small ($50 to $100) or free membership fee offers: wellness membership, differing degrees of concierge services, referrals for services from home maintenance to home care, access to campus (if campus sponsored).
- Members can be either independent or in need of services.
- Access to social and educational offerings.
- According to Village to Village network, there are currently 214 Villages either operating or under development.

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Village Models

- Difficult to cash flow because of low monthly fees.
- Parent organization financially supports on-going operations.
- Start-up costs can vary greatly from $50,000 (for all volunteer models) to $350,000.
- Annual operating budget also varies from $50,000 (for all volunteer models) to $350,000 depending upon the number of paid staff. Fifty to 75 percent of revenue is charitable contributions.

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Free Membership Models

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My Way

Sponsored by:

Ralston Center

Philadelphia, PA

Background

- Sponsored by Ralston Center, a long-established, well-endowed senior services organization in Philadelphia, PA, who has affordable housing and health/wellness programming in a low-income neighborhood.
- Developed in 2010 to serve the 'gap group,' or those with annual incomes of $25,000 to $35,000 who are aging at home.
- Secured start-up funds from several foundations, along with a commitment from the Ralston House endowment totaling $400,000.

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Program Overview

- Free membership organization.
- Membership allows access to any service a person might need by calling MyWay
- Administrative Staff includes1 Exec Dir & 1 Admin Asst.
- Part-time MyWay staff provide housekeeping, simple home repairs, transportation, errands and non-medical home care on an hourly, fee-for-service basis. No volunteer component.
- Other services are provided with referrals to screened vendors who offer discounts.
- Membership also includes a monthly newsletter, monthly social events, etc.

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Performance to Date

- 35 percent of services purchased by gap group.
- 2,200 members to date.
- Slightly over half of the members have purchased services.
- Types of services sold:
  - Personal Care
  - General Labor
  - Cleaning/Organizing
  - Pet/Plant Care
  - Office/Technical Assistance
  - Trans./Errands
  - Snow Shoveling
  - Yard Work
  - Handyman

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Club Alexian

Sponsored by:

Alexian Village

Milwaukee, WI

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Background

- Alexian Village is a single site CCRC located in Milwaukee, WI. Part of Alexian Brothers system.
- Introduced Club Alexian in 2008.
- Strategy to develop stronger relationships with waiting list.
- Operating out of marketing. No additional expenses.
- Free membership.
- Access to campus amenities and services.

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Current Club Activities

- Dental
- Podiatry
- Spa and Styling Services
- Meals-To-Go
- Therapies
- Geriatrician
- Durable Medical Supplies
- Emergency Response System
- Web Information Page
- Social, Entertainment Events
- Support Groups
  Low Vision, Alzheimer Caregiver, Pain Management Group
- Fitness and Exercise Programs
- Specialty Group Classes
  Yoga; Balance Training, Arthritis Exercise, Tai Chi, PACE
- Nutritional Counseling
- Wellness Specific classes
- Monthly Newsletter
- Personalized ID Card with $100
- credit available for all Alexian
- Village programs

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Program Overview

- 2,500 members.
- More than 50% of IL sales come from members; beginning to see SNF and AL admissions
- Increased awareness of Alexian Village
- Increased vitality on campus (very little push back from campus residents)
- Focus group source
- Offers platform for future development

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Questions?

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