Meet Gertie
Industry Realities

Our Industry is in an unprecedented period of change

► **Reimbursement Models**
  - Bundled Payment for Care Improvement (BPCI) Initiative
  - ACOs
  - Medicare & Medicaid Managed Care

► **Reimbursement Levels**
  - Decreasing state and federal reimbursement
  - Decreasing levels of private pay (Cost per year now exceeds $100,000)
  - Higher competition for Medicare and Medicare Managed Care Patients
  - Increasing percentages of Medicaid
  - The treat of Block Grants

► **Changing characteristics of the resident**
  - Being admitted older and with greater care needs
  - Staying for shorter LOS
  - Baby Boomers
The future of our Medicaid funding faces its greatest threat in years. Congress is considering reforms that would further challenge our ability to provide quality care to our poorest residents. These proposals could dramatically reduce funding to the states and eliminate supplemental funding mechanisms.

*Nationwide Alert: Tell congress to Protect Medicaid: AHCA/NCAL*
Industry Realities

Additional Change Factors

- **Competition**
  - Seniors staying home longer before entering a nursing facility
  - Bundled Payment Program encourages “bypassing” SNFs
  - Home and Community Based Programs
  - Assisted Living Facilities
    - Taking residents that historically went to SNFs

- **Staffing**
  - Recruiting and keeping quality staff
  - CNA language barriers
  - High turnover rates
  - Retention of NHAs and DONs
Industry Realities

Additional Change Factors

- High volume of sales to Health Care Reits
  - SNFs sold at high values
  - Operators took on high lease levels
  - Decreasing census and reimbursement makes these leases challenging

- Regulatory Oversight
  - Overly burdensome
  - Multiple inspections (state, federal, local)
  - Punitive in nature but should be constructive

- CMS Five Star Rating System
  - Many provider concerns with process
  - In Philadelphia market 178 SNFs

<table>
<thead>
<tr>
<th>Philadelphia Market</th>
<th>CMS 5 Star Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>178 Facilities</td>
</tr>
<tr>
<td>46</td>
<td>5 Stars</td>
</tr>
<tr>
<td>42</td>
<td>4 Stars</td>
</tr>
<tr>
<td>35</td>
<td>3 Stars</td>
</tr>
<tr>
<td>31</td>
<td>2 Stars</td>
</tr>
<tr>
<td>23</td>
<td>1 Star</td>
</tr>
</tbody>
</table>
Industry Realities

What does the future like for America’s Nursing Facilities?

- One Realistic Scenario:
  - The “Ying and Yang” of Bundle Payments
    - The Ying:
      - Care coordination over 90 days
      - Creation of “Preferred Provider SNF Networks”
      - Shared savings
    - The Yang
      - “Non-Preferred” likely to become high occupancy Medicaid
      - 35 State’s Medicaid rate is on average $23/day below cost

*THE DOWNWARD SPIRAL COULD BEGIN*
Industry Realities

What is the “Down Ward Spiral?”

- As Medicaid census increases, financial losses grow
- Limited Medicare and Medicare Managed Care to offset Medicaid
- Staffing becomes more difficult to retain
- Recruiting becomes more and more difficult
- Agency time increases to meet regulatory requirements
- Annual surveys begin to deteriorate
- CMS Star Ratings decline
- The quality of care received by residents continuously drops
- After two to three years, placed on fast track for closure
Based on hospital trends in selecting preferred provider networks it is not unrealistic to estimate 30% or more of our nation’s 15,400 nursing facilities will fall into this downward spiral.
Industry Realities

What are the real ramifications of this scenario?

- Continued decline in the quality of care provided in those facility
- What happens to the 100+ residents when a facility closes?
- What happens to the workforce?
- 30% of 15,400 facilities = 4,620 x 100 beds = 462,000 beds and conservatively 400,000 workers displaced
- Given the current occupancy levels in most states, this level of closures would exceed the industries ability to absorb all the displaced residents

Perhaps this should be seen as an opportunity to take excess bed capacity out of the system and allow the remaining facilities to operate at a much higher census and improve their performance
What is an Industry to do?

How can the Nursing Home Industry survive these realities?

- Find opportunities to improve care and save money
- Go for the “No Brainers”
  - Preventing avoidable SNF to hospital transfers
    - Use of telemedicine (Proven results with positive financial impact for SNFs)
      - First shared savings agreement with an insurance company and an SNF
    - Provide blood transfusions at the resident’s bedside: Instead of admitting the resident to the hospital where Medicare pays, provide this medically needed service in the SNF at the resident’s bedside. Would require changes in how (who) pays for the blood transfusion
      - Potential for a shared savings agreement between Medicaid and Medicare
      - In Maryland, the average SNF resident that is admitted to the hospital specifically for a blood transfusion, has a 5 day LOS and generates almost $15,000 on average in costs to Medicare. Bed side transfusions can be safely and effectively administered for approximately $2500.
What is an Industry to do?

- Expand availability of dental care services
  - Strong link between poor oral and dental care and downstream medical expenses
  - Most LTC residents are admitted with a mouth full of dental problems
  - Medicaid programs across the country are generally weak in covering dental care
  - Private Insurance dental programs can offer significant benefits:
    - Much broader coverage compared to Medicaid
    - No delays in approval (dentures for example)
    - Saves the SNF dollar
- Expand behavioral health services
  - Telemedicine options
What is an Industry to do?

» Consider overhauling the current nursing home inspection process

» Not questioning the need for an inspection process
» Questioning the “process”
  » Highly punitive
  » Paper focused
  » Often subjective
  » Finds don’t always match the “crime”

Once considered politically “untouchable”…. but perhaps NOW is the time!
Conclusions & Recommendations

- The Nursing Home Industry in America is a risk!
- That Risk is coming from many directions
- Our System contains many opportunities to improve care and save money at the same time ... be creative!
- Identify those “No Brainers” and make them happen!
- Today’s realities offer a very real opportunity to improve quality for those residents entrusted to our care while saving money for our health care system.
- Simultaneously, the potential for the Nursing Home industry to share in those savings is very real and not “Peter Pan” thinking!
ACHIEVEMENT

You can do anything you set your mind to when you have vision, determination, and an endless supply of expendable labor.
At the end of the day....
It for the Gerties of the world!