



The Future of Long-Term Care in a Post-ACA World

A Roundtable Discussion with
16 Post-Acute Care Executives

A Special event hosted by *Provider Magazine*
Sponsored by American HealthTech

“As an industry, we have to realize what’s out there, what’s really coming and what does it take for us to change our business model in order to address it.”

David Henderson President and COO, Prestige Care, Inc.

Executive Summary

The Challenge

What do acute-care providers expect from LTC operators? How are facilities coping - or in some cases, still thriving - in a world of shorter stays, sicker patients, and higher expectations? What should the industry do to prepare for a changing payment and business model?

In October of 2014, 16 executives from various segments of the post-acute care industry met in a roundtable discussion at The American Health Care Association/ National Center for Assisted Living (AHCA/NCAL) Annual Convention & Expo in Washington, DC for a Provider Executive Roundtable to share their observations and experiences in the post-Affordable Care Act (ACA) era.

The Bottom Line

As we approach the fifth anniversary of the passing of the ACA, LTC operators function in a new world of cost control, financial and clinical accountability, evolving payment models via managed care and data-driven performance. Yet some have found ways to leverage this as a profitable competitive opportunity, particularly by partnering with acute care to reduce their costs and exposure.

The Takeaway

The post-acute care profession continues to show its resilience in the face of an era of great change, while at the same time these changes continue to have a major impact. This paper summarizes the view of 16 current thought leaders in the market, with top takeaways including:

- Managed care and competitive pressures continue to grow, in areas ranging from shorter length of stay (LOS) and greater acuity to increased accountability for quality care outcomes.

- For many operators, their best prospects lie in added services and/or negotiating profitable results from better outcomes.
- Service and care quality matter as much as ever, as does the need to justify these with better data.

Roundtable Participants

John Barber	EVP-CFO, White Oak Management
Patrick Fairbanks	COO, Vetter Health Services
Joani Schelm	CFO, Vetter Health Systems
Tom Boerboom	President and COO, Welcov Healthcare
Sharon Thole	VP of Business Development, Welcov Healthcare
Donna Kelsey	Divisional President, Revera Nursing & Rehabilitation
David Henderson	President & COO, Prestige Care, Inc.
John Morgan	CEO, Avamere Health Services
Steve Marlow	Vice President and CFO, Care Initiatives
Bob Hagan	CEO, Sterling Healthcare
Teddy Ray Price	CEO, Central Management
Teresa Chase	President, American HealthTech
Tom Ziel	Senior Vice President of Sales, American HealthTech
Mike Cheek	Senior Vice President of Finance Policy and Legal Affairs, American Health Care Association
James Michel	Senior Director of Medical Research and Reimbursement, American Health Care Association

Moderator

Robert Van Dyk, President and CEO, Van Dyk Health Care Inc.

Joanne Erickson, Editor in Chief, *Provider Magazine*

“Our care has not changed a lot. What I’ve seen change the most is the many different payer sources, the data collection and the way they want it reported. This is all having an impact on our business as we work with these various sources to satisfy their requests.”

Bob Hagan CEO,
Sterling Healthcare

What’s Changed in 2014?

This year’s executive roundtable, once again, gathered top executives and leaders in the LTC industry to discuss the state of the industry in a year where operators continue to adapt to the new business realities of the 2010 Affordable Care Act (ACA). While many of the core issues remain the same compared with last year, particularly regarding the growth of managed care and the need for data-driven quality and performance, a few new key trends emerged in 2014:

1. Managed care is a reality – and in some cases – an opportunity.

LTC’s future still lies in partnering with ACOs and MCOs to meet cost and quality targets, particularly in areas such as rehospitalization. For some operators in some states, helping acute-care partners keep rehospitalization rates low also helps them successfully negotiate for a share of the cost savings.

2. Service will matter even more.

In the near future, CMS will be incorporating customer satisfaction measures as part of their five-star ratings, which means likely pressure from acute-care partners for LTC facilities to measure and share this data. Some hospitals are also asking for employee satisfaction data such as turnover as a measure of quality.

3. Data still matters too.

The implementation of ACA has clearly brought with it the need to measure and report on metrics ranging from average length of stay (ALOS) and rehospitalization rates to positive clinical outcomes. A more subtle issue that this era of data-driven performance has ushered in, however, is the myriad of data reporting requirements expected of post-acute facilities by various stakeholders. This, in turn, has underscored the importance of a strong technology infrastructure.

Let’s look at what this group of 16 executives has to say about these and other topics in detail, as they discuss the state of the long-term care landscape for 2015 and beyond.

“We come in prepared, we know a lot about the hospital, and we come in with the attitude that we’ve actually identified some areas where we think we can help them.”

Sharon Thole VP of
Business Development,
Welcov Healthcare

What do acute-care providers expect nowadays?

Key Discussion Points

- **First, a problem-solving relationship**

It’s clear that hospitals and ACOs have clear pain points under ACA, such as rehospitalization penalties and bundled financial incentives. Increasingly, they are looking to post-acute partners to solve these problems for them: according to Prestige Care’s David Henderson, “We talk about how we can help them become a better hospital by working out strategies to help each other: For example, we have a lot of specialty programs in areas like cardiac, ventilators and COPD. We know that many hospitals are really struggling in that area, so we have found success in developing programs that assist them and offer value.”

Welcov’s Sharon Thole framed this as a relationship-building process that revolves around understanding their needs: “We come in prepared, we know a lot about the hospital, and we come in with the proactive attitude that we’ve identified areas where we can help them. Their reaction is very positive and there is a lot of receptivity.”

Avamere CEO John Morgan echoed this sense of relationship: “ACOs, MCOs, CCOs, are all very much centered on managing the total episode of care most efficiently. What we’re doing is finding out where their bottlenecks really are, and exploring if there’s an opportunity for us to ease them. We’ve been successful because we’ve offered them real, tangible experience in post-acute. They appreciate the value we bring to the table.”

- **Second, performance and cost control**

It’s no secret that acute-care partners are looking for LTC providers who can help them improve rehospitalization rates, the cost of bundled care, or other direct cost and performance issues -and have the data to prove it. In some cases, this can even represent an opportunity for profit-sharing.

“(We are) trying to get ahead of the curve here in terms of not letting third party payers or the government drive the dialogue for how we’re paid and managed.”

James Michel Senior Director,
Medicare Research and
Reimbursement, AHCA

White Oak’s John Barber framed this in simple economic terms: “There are really only four or five ways that we can help organizations save money: LOS, Medicare admissions, rehospitalizations, pharmaceuticals, and Medicare Part B. That’s what we have more control over than anything.”

He went on to point out that this can be the basis for mutually negotiated profitability: “We know we have to see more reductions in rehospitalizations, and that’s where you give the doctor a game-share in it. And we say okay, we know this is all going to impact our top and bottom line, now we want a share of it - and they’re actually being receptive to the tune of about 25-50% on rehospitalization cost savings.”

Vetter’s Patrick Fairbanks echoed that mutual cost savings was emerging as an effective profitability driver: “One of the eye-opening experiences for me in the past five years was realizing that Medicare wasn’t the hospitals’ best payer: Managed care is. So we’ve taken the work we’ve done on the rehospitalization side and leveraging it with our managed care companies. We point out to them that, ‘You’re returning less people out of our nursing centers so I want volume and a certain rate because it’s costing less money at the hospital.’ And they’ve been very receptive to this approach.

Coping with a new business model

Key Discussion Points

Moderator Bob Van Dyk framed this issue frankly: “Our length of stay just keeps going down, down, down. I’m doing more admissions in one month now than I did in a year. And yet hospitals are sending us people who are sicker than we’ve even had before. I don’t know about you folks, but I’m having to add lots of staff. So tell me, how are we going to get through lower occupancy rates, higher costs, sicker patients, more staff and more data?” Here are the highlights of how roundtable participants responded:

“Care teams are catching more, and feeling great that issues get handled. If a CNA spots a potential wound issue, she documents it, and the system escalates it.”

Krissi Elliott, Business Office Manager, C&G Healthcare Management Inc.

- **Get used to managed care competition and margin pressure**

Donna Kelsey of Revera Nursing and Rehabilitation noted that “In many ways, we have to take off our ‘rose-colored glasses’ and just realize that we have to accept lower LOS. We’re going to have more acute patients and they have to get out as quickly as possible. If we continue to fight this reality, we’ll be left behind. I’ve gone to managed care companies in New Jersey and their reaction was, frankly, ‘So what?’ This other provider will do this, so why can’t you?’ So I learned very quickly that, if you’re not working closely with the managed care companies, you’re going to have a tough time.”

Some participants also voiced concerns that hospitals are starting to reach the limits of discharging patients quickly. According to Welcov’s Sharon Thole, “It’s gotten the point where hospitals have pushed discharges to the breaking point, and you have to do the right thing, ultimately, for the patient to ensure they’re in the best-possible state for whatever the next care-setting is. So, we’ve pushed back a little on that for the patient’s sake.”

- **Cultivate multiple payer relationships**

According to Prestige Care’s David Henderson, “We’ve got a lot of payers that are trying to compete in some way with the managed care companies. They’re looking for help and they don’t really have a plan for their membership when it comes to post-acute. How do they address that? What other types of programs do they want to offer? How do they differentiate themselves? If you can help them find a way to build a niche, you can actually participate in that with them.”

Henderson continued, “The way I think we win is to get as much information and data as we possibly can about our work; for example, show them through data how we impact operations successfully and that we’re doing a good job of keeping patients out of the hospitals. That gives them confidence in knowing that, if they work with us, we’ll help move the needle collectively.”

John Barber added that, “We need the partnership with the hospital in order to get the volume because our LOS is going down. It’s a dilemma trying to figure out exactly where you can partner with the hospital and get the volume you need, versus trying to do it on your own. In the latter scenario, we may end-up not being part of a panel that gets the referrals we need. So, it’s a challenge trying to balance these two realities.”

- **AHCA is getting involved**

Mike Cheek, the Senior Vice President of Finance Policy and Legal Affairs at AHCA, discussed his organization’s payment reform effort. “We have a significant member-driven effort underway that’s comprised of the board, the reimbursement cabinet, the quality cabinet and the finance committee. We’re currently focused on a Medicare reform concept that will be unveiled to our membership over the next couple of weeks in preliminary form. A Medicaid budgetary component will also be included, as will a package of policy provisions calling for improved cash flow for all of Medicaid, as well as managed care protections that we’ll be developing. We’re getting ahead of the curve in terms of not letting third-party payers, or even the government, drive the dialogue for how we’re paid and managed.

What About Patient Satisfaction?

Key Discussion Points

- **Customer satisfaction metrics are coming soon**

According to moderator Bob Van Dyk, CMS requirements will make measuring and improving customer satisfaction more important than ever. “As I recall under the ACA, one of the important issues is customer satisfaction.”

- **You need the right tools**

Some participants indicated that AHCA worked against using the lengthy hospital CHAPS survey in the LTC industry. Some of the survey tools mentioned by participants included MyInnerView or in-house surveys. John Barber pointed out that these tools may not be the best choices for the facility: “CMS, CMI and MedPAC are looking for standardization across all the post-acute care providers. I’m a big proponent of customer satisfaction and resident satisfaction and I think a standardized tool needs to be there.”

- **They may ask about your employee satisfaction as well**

Moderator Van Dyk wondered why more facilities aren’t asked about employee satisfaction, noting that, “My employees are my number one customer.” Steve Marlow from Care Initiatives shared that, in some cases, he’s already being asked for turnover information, pointing out that employee satisfaction is a lot less biased when factors like turnover ratio are considered.

"We hired four people this year just in our IT department."

Tom Boerboon
President and COO,
Welcov Healthcare

What other big changes have you seen in the five years since ACA?

Key Discussion Points

Far and away, the biggest changes noted by participants were changes in the relationship with acute-care partners, along with new business and payment models. However, both trends have ushered in changes in financial processing and IT, as well as the resources needed to manage the growing complexity of both of these areas. Here are some of the group's observations:

- **Dealing with multiple payer sources**

As traditional fee-for-service models evolve into bundled payment arrangements with ACOs and provider networks, managed Medicare, and other changes, many LTC operators have found the growing number of stakeholders to be challenging -not just financially, but procedurally. White Oak's John Barber noted that "The biggest change we've seen is our margins and the difficulty in collections from different payer sources."

This new environment has ushered in new requirements that require more bandwidth and resources. According to Sterling Healthcare's Bob Hagan, "Our care hasn't changed a lot. What I've seen change are the many different payer sources, the data collection and the way it's reported. Having the ability to collect data and present it in the ways that each of the managed care companies and the state wants, is one of the biggest changes I've seen in the way we've made investments."

- **Increased IT staffing**

Moderator Bob Van Dyk noted early on that "data is king nowadays," and in asking the roundtable how data requirements and data-based performance measurement has affected their costs and staffing, he found a great deal of consensus. Welcov's Tom Boerboom noted hiring four new IT staff this year alone, while John Morgan needed to add 7-8 new staff to support his 40+ facilities across the states

“We’ve discovered through pilots with hospitals in Portland that when we use telemedicine as a hand-off between nurses and patients, and between caregivers and nurses, our rehospitalization rate drops by half. That’s too significant to ignore.”

John Morgan CEO,
Avamere Health Services

of Oregon, Washington, Idaho and Colorado. This extends to clinical staffing as well, with Vetter’s Patrick Fairbanks sharing that they’ve hired health informatics managers to provide additional support to their nurse assessment coordinators and to implement their systems.

- **Choosing the right technology partners**

Sterling Health’s Hagan said it best when he noted that, for his technology implementation, “I had to hire a smarter person than I was” referring to hiring a consultant to guide him through the process. Other participants, including Revera’s Donna Kelsey, underscored the importance of working with third-party vendors such as PointRight in a world where data and analytics requirements are increasing -and where data is becoming more and more of a strategic tool.

Ideas for the Future

Key Discussion Points

- **Address the challenge of upgrading facilities**

Donna Kelsey kicked-off the discussion surrounding upgrading facilities as a result of industry demands changing. Her organization is in the process of thinking through how to repurpose their centers - offering more private rooms, increasing amenities as well as researching assisted living opportunities. But, as John Barber pointed out, industry demands like this also carry a hefty price tag. “Upgrading means a lot of money and I know there’s no free money around right now; but the ability to up-fit or replace our buildings would be good. No one wants to care for seniors in four bed wards but we’re looking at having to refurbish 60 buildings simultaneously, so the money issues are always a challenge for us.”

- **Better understand life cycle costs of care**

American HealthTech's President Teresa Chase felt it was long overdue to examine the distribution of costs over an episode: "That's the kind of data from a public policy perspective that doesn't exist, but would be very useful to look toward episodic payment and holding providers accountable over a period of time."

- **Increase use of telemedicine**

According to Avamere's John Morgan, this has the potential for strong cost-savings. "We've discovered through pilots with hospitals in Portland that when we use telemedicine as a hand-off between nurses and patients, and between caregivers and nurses, our rehospitalization drops by half. That's too significant to ignore."

About American HealthTech

American HealthTech is one of the nation's leading EHR providers for LTC facilities. We believe you need MORE than software. We're here providing software, service and ongoing support to help you succeed today and meet the industry challenges of tomorrow. Get the power you need out of your EHR. Visit us at www.healthtech.net to learn more.

© October 2014, American HealthTech. All Rights Reserved.