AMERICAN SENIORS HOUSING ASSOCIATION
Living Longer Better

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Filling gaps in the care delivery continuum

Opportunities for assisted living

Contents

How do we make healthcare more affordable?

The problem of how to manage healthcare costs isn't new.

A decade ago, Clay Christensen wrote in "The Innovator's Prescription," "Today's healthcare industry screams for disruption. Politicians are consumed with how we can afford healthcare. But disruption solves the more fundamental question: How do we make healthcare more affordable?"

The question continues to perplex the industry and our government, despite significant focus on the shift from fee-for-service to value-based payment. The Patient Protection and Affordable Care Act (ACA) of 2010 included several provisions aimed at improving prevailing deficiencies in the nation's long-term care system. But it's still unclear whether these provisions will result in meaningful or marginal reform.

Clearly, payment model reform isn't enough — there must be disruption. "Disruption requires an entirely new set of business models that includes fundamentally changing how care is delivered," wrote Christensen and his colleagues.

With the demographic boom of seniors fast-approaching, senior housing is an industry that's primed for such innovative business models. Assisted living (AL), in particular, is uniquely positioned to help answer that perplexing question: How do we make healthcare affordable?

> *Assisted living occupies a unique position that can be used to bend the healthcare cost curve.*

Current state of assisted living

Assisted living occupies a unique position that can be used to bend the healthcare cost curve.

By integrating care and bringing services to people in a homelike setting, AL can lower the costs of care, improve outcomes, and the experience of care.

AL is an attractive option for many seniors. The combination of private, apartment-style living with opportunities for social engagement *and* help with daily activities is appealing to today's active seniors and their adult children.

But in recent years, the sector has been a victim of its own success. For much of the past five years, construction of AL units has outpaced the market's capacity to fill them. **Senior housing occupancy** dropped from 90.2% in Q4 2014 to 88% in Q4 2019, according to data from the National Investment Center for Seniors & Housing (NIC).

Senior housing occupancy

90.2% | *Q4 2014*

88.0% | *Q4 2019*

And while the fourth quarter of 2019 saw a slight uptick in occupancy for the AL sector (85.7%) and for the senior housing industry as a whole (88%), many markets continue to see occupancy in the low 80s. "The hangover from the supply glut is more painful and extended than some expected," according to a November 2019 **Senior Housing News** article. Indeed, the average AL provider nationwide saw a 2% decrease in net operating income (NOI) between 2013 and 2018, a period when senior housing as a whole saw 1.4% NOI growth.

Between 2013 & 2018

Average AL provider NOI

2%

Senior housing NOI

1.4%

The rising age of acuity of the average senior housing resident is part of the reason for thinning profit margins and lower occupancy rates. As acuity levels rise, so do the costs of care. To care for the older, polychronic, and functionally impaired residents, AL communities need full-time registered nurses and other skilled medical professionals.

These trends drive up acquisition costs, too. Sicker residents have shorter lengths of stay, forcing AL communities to increase their marketing to fill the pipeline. Newer residents also have increasingly high expectations. Baby boomers — the youngest of whom recently turned 55 — exhibit increased knowledge about healthcare and view themselves as partners with healthcare providers, who are looking for ways to manage this high-cost, highly expectant population.

A growing number of communities are investing in technology to help manage costs, improve outcomes, and enhance the residents' overall experience. For example, **in-room sensors** that monitor residents' activities not only help prevent falls and detect early signs of illness and other changes in health status, but they also can help AL providers pinpoint the right level of care. To realize the full promise of the technology, however, providers must also invest in the training and resources to analyze and interpret the data and use it to drive care interventions. Otherwise the technology can become a liability risk.

> *Disruption requires envisioning how to expand capabilities beyond "how we do them now" to "how can we do things differently."*

Telehealth and telemonitoring have even greater potential to help AL providers bend the cost curve while helping their residents age in place. Telehealth functionality connects residents with healthcare providers who can perform triage using telemonitoring devices to check blood pressure, pulse, weight, blood sugar, and other key stats. To manage the hefty investments required, AL communities are contracting with home health agencies to use their call centers and equipment. Historically, while this functionality has been used primarily with cardiac patients, disruption requires envisioning how to expand capabilities beyond "how we do them now" to "how we can do things differently."

By 2029

$60,000

average annual rent for an AL apartment

60%

of middle-income seniors will have mobility issues

Middle-income seniors represent a market that is primed for disruption. A **2019 NIC study** showed that 54% of an anticipated 14.4 million middle-income seniors won't be able to afford private-pay senior living by 2029, if today's rate increases continue. (For those seniors who rely solely on annual financial resources, the percentage jumps to 81%). The NIC report shows that average annual rent for an AL apartment will be $60,000 by 2029, and 60% of middle-income seniors will have mobility issues. Clearly, affordable senior housing that brings care to people where they live is a critical need.

"Private-sector senior housing has generally focused on higher income seniors. Demand based on demogaphic trends is expected to continue for senior housing but will likely need to be at different price points and with different amenities and service offerings," stated Kroll Bond Rating Agency in a 2019 report about the **uncertain demand for senior housing**.

The untapped potential of assisted living

We see tremendous potential for AL communities to differentiate themselves and create new revenue streams, and to fill an important and much-needed role in the healthcare delivery continuum.

Specifically, we see two opportunities for AL providers:

- **Short-term post-acute care**
- **Care integration & coordination**

To take advantage of these emerging opportunities, senior housing providers will need to find ways to provide clinical services for higher acuity residents that's convenient and also maintains the social and hospitable environment that seniors expect. This shouldn't be an abrupt shift, since the age and acuity of senior housing residents has been gradually increasing, leading many AL providers to add more skilled medical professionals.

> *The mission of the AL provider to promote the highest level of independence and autonomy aligns with the goals of today's seniors.*

AL providers typically have strong multidisciplinary care teams focused on identifying service-level needs of individuals and developing unique service plans with different levels of care, as well as experience partnering with community-based resources, such as therapy, home health, primary care, and pharmacy.

AL providers have garnered trust among other providers of care and have the ability to bring those services to their residents in a manner that's seamless and gives people choice. This multidisciplinary and collaborative focus translates well to a care integration and coordination role.

More importantly, the mission of the AL provider to promote the highest level of independence and autonomy and help people age in place is clearly in alignment with the goals of the vast majority of today's seniors. By leveraging these strengths, AL providers can begin to transition from a strictly private-pay model and tap into the steady stream of risk-based contracting that will continue to be more prevalent.

How AL can fill gaps in care delivery

One lasting impact of the ACA has been the drive to reduce hospital readmissions.

Healthcare providers trying to avoid and manage infections seek to move patients out of the hospital as quickly as possible — whether straight to the home or to a skilled nursing facility (SNF) or other short-term rehabilitation unit.

At the same time, Medicare is looking for solutions to manage the 5% of the population that consumes about half of the healthcare resources. AL is perfectly positioned to address both of these needs.

5%
of the population consumes

half
of the healthcare resources

1 Short-term recovery care.

A growing number of patients need short-term transitional care that allows them to maintain their independence while receiving a moderate amount of assistance — for example, helping with bathing, administering medications, or delivering meals.

Many people want to recover at home, in part due to increased concerns about infections. Unfortunately, many seniors don't have someone at home to care for them, and their homes may not be conducive to receiving and benefiting from home health services (e.g., two-story home).

This is clearly the sweet spot for AL communities. With access to quality medical care and positive social interaction, the AL setting can provide the ideal environment for recovery, especially for those individuals who are generally healthy and require a moderate level of support.

In addition to the revenues that would accrue from offering short-term recovery care, there's another important benefit for owner/operators: Patients who have a positive experience at an AL community on a temporary basis are more likely to become permanent residents when the time comes for them to transition to a living situation with these types of services.

The problem is that AL providers and other senior housing providers cannot bill Medicare directly. However, by contracting with value-based care models — such as bundled payments, Medicare Advantage special needs plans (SNPs), and accountable care organizations (ACOs) — AL providers can share in financial benefits.

AL is gaining traction with these models as a viable recovery care option that is more cost-effective than nursing home care, and can reduce unnecessary hospital readmissions, decreasing the patient's overall healthcare spend. They also see AL as an ideal setting for patients who don't meet the three-day hospitalization requirement for Medicare Part A benefits, which is getting harder to meet given the industry mandate to reduce the length of hospital stays.

> *Providers that participate in I-SNPs have greater control over revenue and costs, giving them the opportunity to enhance revenue flow and manage outcomes.*

To position themselves to participate in these models, AL providers must align their strategies and systems and gather data to prove the relationship is mutually beneficial. With the potential to decrease hospital stays and readmissions, short-term transitional stays could be the component that AL communities might want to leverage for these arrangements.

An institutional special needs plan (I-SNP) enables the AL community to participate more directly in risk-sharing. Providers that participate in I-SNPs have greater control over both revenue and costs, giving them the opportunity to enhance revenue flow and manage outcomes around cost, quality, and experience of care.

2 Care integration and coordination

Another opportunity for AL communities to fill a gap in the care continuum is the integrated care model. In recent years, Juniper Communities (see case study) and Sunrise Senior Living have rolled out innovative programs to bring the care to residents, rather than those residents needing to go to a hospital, outside clinic, or SNF. What these senior housing providers are finding is that, by providing a variety of medical services in-house and wrapping care coordination around the entire healthcare continuum, they can reduce hospital utilization and increase the overall health of their residents.

Some communities also are exploring partnerships with local EMS providers to provide triage care. When a resident becomes seriously ill, the standard procedure at most assisted care communities is to call 911 and arrange for the individual to be taken to the emergency room. But this isn't necessarily optimal for the patient, and it can place a strain on the EMS system in a community. Rather than going straight to the ER, these triage trials involve the EMS performing diagnostic testing on-premises and working with the patient's existing care providers to resolve minor crises, potentially avoiding a costly hospitalization.

AL communities can also offer more proactive services, some of which may even be provided within the activities of daily living (ADLs) currently being offered to residents.

Some of these potential offerings include:

PRIMARY CARE

As the bridge between the acute and post-acute care worlds, primary care is an essential component of an integrated care model. In the most successful models, on-site primary care is ideal, but at a minimum, coordination of primary care is necessary.

THERAPY

Providing on-site access to physical, occupational, and speech therapists enables a quicker return to the AL community, limiting clinical decline after discharge from the hospital.

CLINICAL SERVICES

Additional clinical service offerings and processes might include IV administration, complex wound care, specialized therapy programs, readmission prevention protocols, and rapid response processes and procedures.

MEDICATION MANAGEMENT

Many AL communities already offer medication management as an ADL. Another opportunity for the AL might involve working with fulfillment pharmacies to ensure the patient discharges with the necessary medications, avoiding the need to pick up medications after discharge. Additionally, the AL could synchronize medication fill/refill with the patient's insurance and pharmacy. This coordination helps increase medication compliance and helps to make sure the patient continues to receive the prescription after discharge.

CARE NAVIGATION

Being able to coordinate all the resources, both within and outside the community, can help educate patients and improve adherence to treatment plans, ultimately reducing hospital readmissions.

NUTRITION

Providing proper nutritional support can prove to be a vital component, especially when recovering from any type of surgical procedure or infection.

Many AL providers currently offer components of these services. However, by offering them on-site and in an integrated fashion, with a focus on care coordination, they can position themselves for participation in value-based programs through Medicare and commercial insurers, or rolling out their own Medicare Advantage plans. Although AL owners and operators are traditionally wary of the complexity of government reimbursement, those leaders who are willing to shift their mindset stand to gain a stable source of revenue that will only grow as the 80-plus population grows.

> *By offering these services on-site and in an integrated fashion, AL providers can position themselves for participation in value-based programs — or their own Medicare Advantage plans.*

Case study

Connect4Life: Juniper Communities' integrated senior care model

One senior living company believes that it has found a solution to the age-old problem of how to keep high-cost seniors healthy at lower costs.

Connect4Life is an integrated care and chronic disease management model launched by Bloomfield, N.J.-based senior living provider Juniper Communities. Lynne Katzmann, CEO of Juniper Communities, believes the Connect4Life model, when delivered within a Medicare Advantage plan, is the wave of the future for senior housing providers.

Others agree. Juniper, along with operators Christian Living Communities and Ohio Living, and Medicare Advantage plan developer and administrator AllyAlign, came together in early 2019 to form The Perennial Consortium as an operator-owned Medicare Advantage network that will launch in 2021. In October 2019, AllyAlign announced a strategic partnership to license and exclusively implement Connect4Life as part of all its Medicare Advantage plans nationwide.

These organizations recognize the proven outcomes of the Connect4Life model. In March 2017, Juniper retained an independent researcher to compare its outcomes and utilization data to a benchmark group of similarly frail Medicare beneficiaries. The study showed that the Juniper population experienced inpatient hospitalization rates that are 50% better than the benchmark group and readmission rates more than 80% lower than the benchmark group.

Juniper estimated that its' lower level of hospitalizations was saving Medicare between about $4 million and $6 million per year. If Medicare could achieve this reduced rate of hospitalization for its frail population, then it would save between $10 billion and $15.3 billion per year on annual aggregate hospital spending.

Inpatient hospitalization rates

50% better

than benchmark group

Readmission rates

80% lower

than benchmark group

Juniper saves Medicare

$4 – $6M per year

through lower levels of hospitalization

Medicare could save

$10 – $15B per year

on aggregate hospital spending with reduced rate of hospitalization

Juniper launched Connect4Life in response to a trifecta of pressures:

1. Senior housing profit margins and occupancy are dropping as residents show up older and with a greater number of chronic conditions and functional impairment. “We realized that we had to either increase marketing dramatically or extend our length of stay,” Katzmann says.
2. Healthcare providers are looking for ways to manage this high-cost population. Frail, polychronic, and functionally imparied seniors are estimated to make up only 5% of the U.S. population but consume between 45 and 50% of healthcare resources.
3. Residents expect more: “They call us their home, and our job is to provide them as much as they need in that home.”

The ACA provided the final impetus. The most transformative component of the ACA was the institution of readmission penalties, which “forced people who traditionally operated in silos to work together to achieve financial profitability,” Katzmann says.

The ACA also (originally) mandated SNFs to implement electronic health records by 2013. And so, Katzmann and her leadership team began researching options. By 2012, they had implemented a comprehensive electronic operating platform, which included an EHR, for the entire organization.

That investment in technological infrastructure laid the groundwork for the care transition piece of Connect4Life. The system made data on everything from medication administration to labs to progress notes available at the push of a button.

Where Juniper really started bending the cost curve was through its integrated care model. Each community was already offering most critical ancillary services on-site, including rehabilitation, pharmacy, and laboraties. In 2014, Juniper added the most important piece by launching a primary care practice, separate from Juniper but with offices in each of its communities.

All of the ancillary service providers must “play our care coordination game,” Katzmann says. To demonstrate that they’re an integral component of the wellness program, those providers must show up on a regular schedule every week — not just when they have appointments. Another non-negotiable is adherence to a set of communication protocols, such as attending a monthly ancillary provider meeting and entering information into the Juniper EHR.

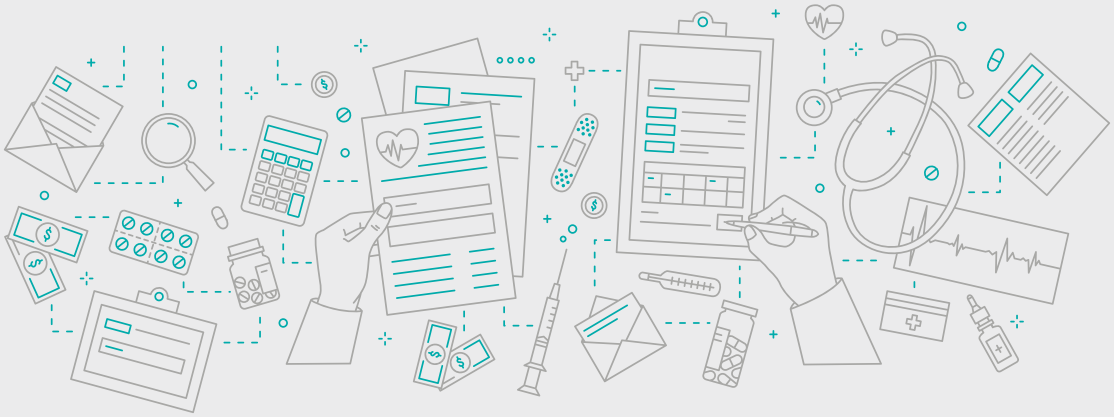
The final, essential component of the Connect4Life model is a care navigator in each community. That navigator, which they call a medical concierge (MC, or "emcee") is a member of the community's leadership team. Typically, a certified medical assistant, the MC serves as part administrator, part auditor (making sure data is entered and used in patient encounters), and part coach.

Katzmann calls this combination of high-tech and high-touch the secret sauce that makes Connect4Life work. "What we realized is, particularly for our older residents and families, and also for our providers, we needed something more than an electronic platform," Katzmann says. "We needed a point person."

As providers recognize the power of the integrated care model, they will start flocking to senior living providers so that they can gain access to those growing populations, Katzmann says.

"What is exciting to me is that, while we were on the bleeding edge, now we are on the leading edge. More providers understand what integrated care is about and see it as an important next step."

— Katzmann



Preparing for the transition

To take advantage of these emerging opportunities, AL providers must invest in robust systems and relationships.

Perform a clinical competency analysis.

The first step in making any change is to understand where you are. What are the AL communities' current clinical capabilities? What are the conditions and functional limitations that are leading to discharges — or turning away a potential resident — because you don't currently have the capability to provide that level of care?

Also, evaluate the dynamics of your community's healthcare delivery system. In what situations are hospital patients being discharged to a SNF, to home health, and to AL? What are the costs of each option? Next, consider your readiness to deliver expanded services. Do you have systems in place to handle changes in service levels? Do you truly know your communities' costs to provide those services? AL providers must develop appropriate cost accounting tools so that they can evaluate the potential profitability of a value-based payment model contract or the additional cost of care coordination and the impact on occupancy.

Set targets.

How will you define success? Benchmarks might be scarce, given that we're talking about new types of care models. But decide what will be the critical measures of cost, quality, and experience of care, and establish clear targets at the outset.

Perform a financial analysis

To gain momentum, AL providers must prioritize population health and be prepared to become financially responsible for the cost of care delivered for a patient population. A significant investment will likely be required, and a proper financial analysis should be executed to evaluate opportunities to gain market share and ensure a proper return on investment.

Develop or enhance relationships with residents' care providers.

Strong care coordination is a hallmark of successful ACOs and other value-based care vehicles. To coordinate and align care provided in each setting, AL providers must maintain open lines of communication with residents' physicians. Allowing providers to visit patients in their AL units can enhance the patient experience and reduce readmission rates.

Integrate IT systems.

Joining a value-based care model requires AL providers to have a strong degree of confidence in their ability to improve population health while managing costs. This confidence must be based in data and analytics. One of the most significant investments will be the implementation of a compatible EHR system. Even greater than the cost of the software itself, providers can expect to invest heavily in infrastructure and training to make it work. But the payoff can be significant. Being able to implement solutions and share data seamlessly helps to improve quality and efficiency, and eventually generate savings across the program participants. Remember that reporting isn't enough; the goal is to provide meaningful insights into patient care that lead to cost savings and improved patient health.

> *Joining a value-based care model requires a strong degree of confidence in the ability to improve population health while managing costs. This confidence requires data and analytics.*

Use data to tell a compelling story.

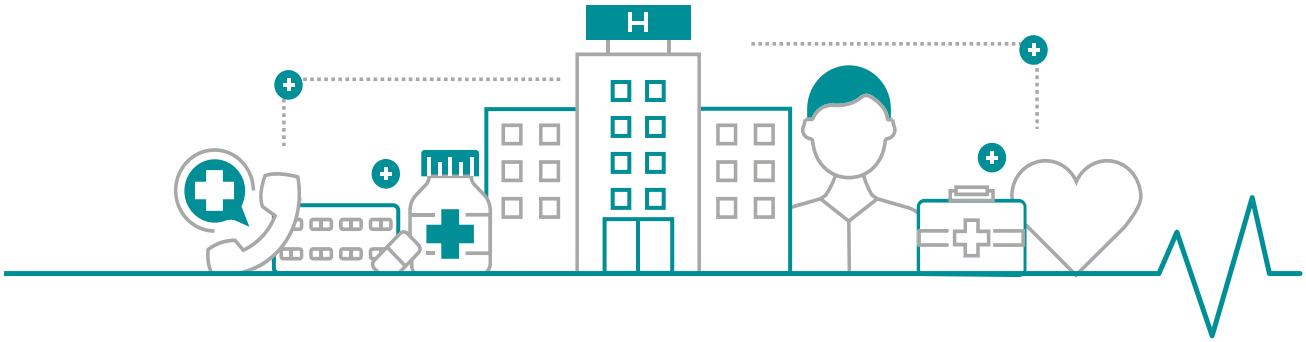
To position themselves for a seat at the value-based table, AL providers need to demonstrate their ability to impact patient utilization patterns and overall costs. Juniper Communities demonstrated that its Connect4Life model results in readmission rates that are 80% lower and hospitalization rates that are 50% lower than a comparable Medicare population. When senior living providers come to the table with such compelling data, they demonstrate how they can be a valuable partner in the overall population health management of seniors.

Getting started

AL providers have a choice:

They can stick with the status quo — which entails growing competition, rising costs, and lower occupancy — or they can choose to think differently about their role in the healthcare delivery system.

If you choose to embrace an expanded role, start collecting outcomes and utilization data to initiate conversations with local health systems and top managed care companies about how you can be part of the solution to improve your residents' health and lower their overall cost of care.



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