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GROUP

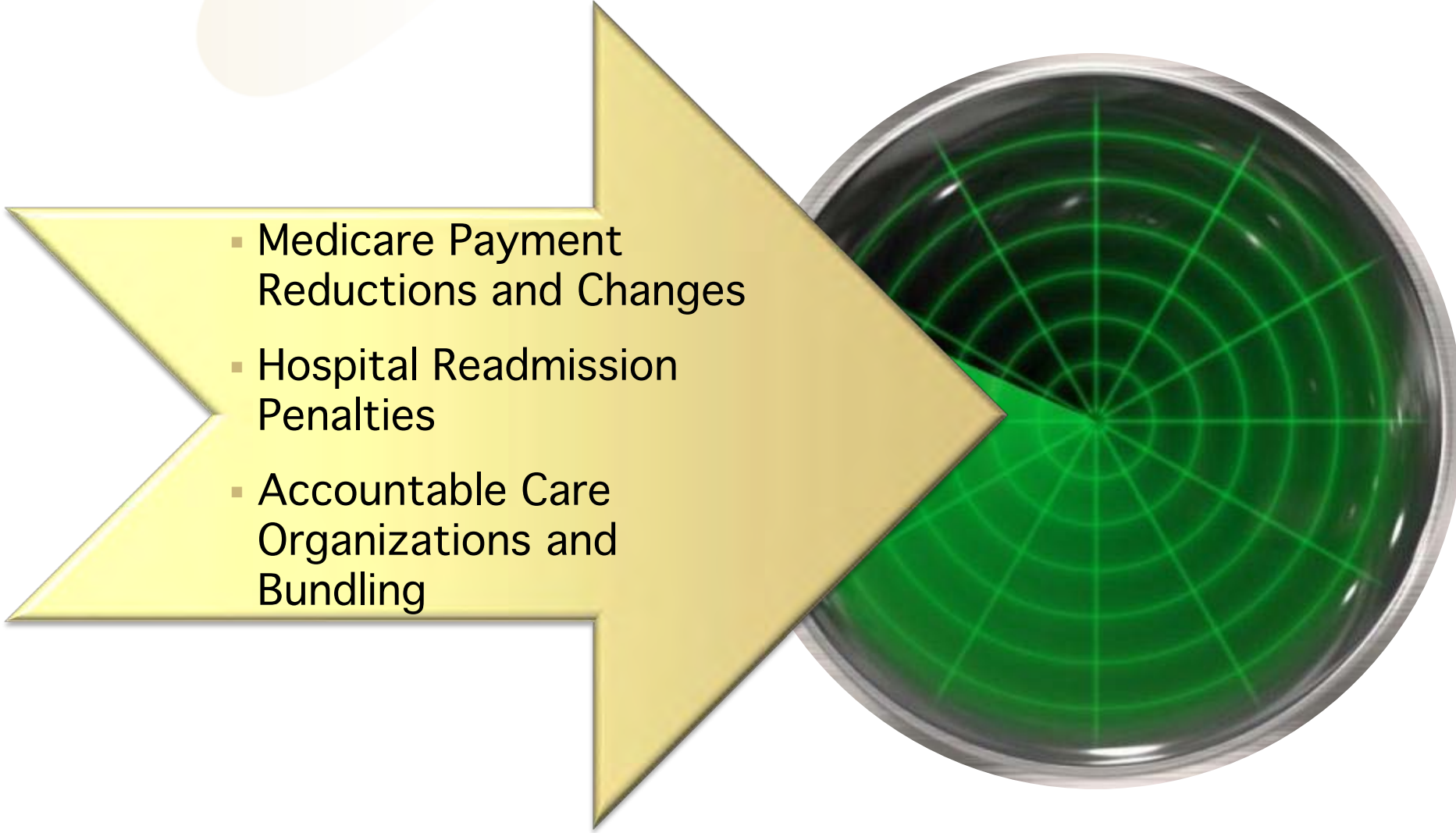
August 19, 2010

# Health Care Reform: CEO Discussion of Strategies for Post-Acute/Long-Term Care Providers

Presented and Facilitated for Maun-Lemke  
by Kathleen M. Griffin, Ph.D.



# What Is On Our Radar Now?

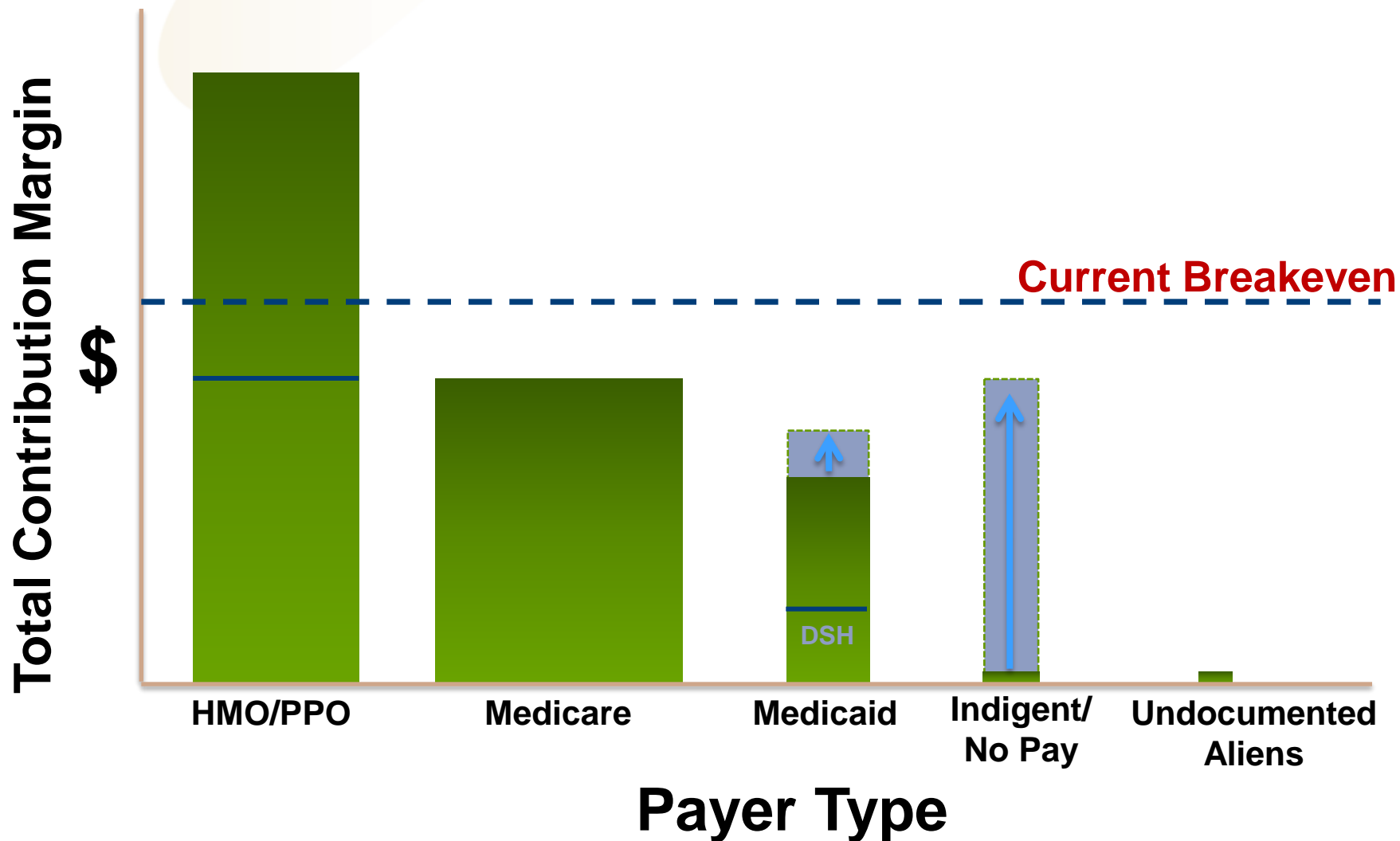
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- Medicare Payment Reductions and Changes
  - Hospital Readmission Penalties
  - Accountable Care Organizations and Bundling

# Medicare Cuts and Reductions

## Takeaways

- These *are* the good old days
- Future Medicare increases WILL NOT keep up with future expense inflation
- Operational efficiency will be critical
- Providers will be at greater risk for patient outcomes

# Payment Impact on Hospitals



# Medicare Payment Impact on SNFs

## 56 Bed Subacute Unit Summary P & L

	Year 1 2013	Year 2 2014	Year 3 2015	Year 4 2016	Year 5 2017	5 Year Total
<b>ADC</b>						
Medicare	36	45	45	45	45	43
Managed Care	3	4	4	4	4	4
<b>Total</b>	<b>39</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>47</b>
Occupancy %	69.3%	88%	88%	88%	88%	84%
<b>Patient Days</b>						
Medicare	13,064	16,449	16,449	16,449	16,449	78,860
Managed Care	1,139	1,436	1,436	1,436	1,436	6,882
<b>Total</b>	<b>14,203</b>	<b>17,885</b>	<b>17,885</b>	<b>17,885</b>	<b>17,885</b>	<b>85,742</b>
<b>Revenues</b>						
Medicare Part A	5,919,143	\$ 7,564,639	\$ 7,678,108	\$ 7,831,670	\$ 7,988,304	\$ 36,981,864
Managed Care/Other	464,461	594,355	603,270	615,335	627,642	2,905,062
<b>Total Revenue</b>	<b>6,383,603</b>	<b>8,158,993</b>	<b>8,281,378</b>	<b>8,447,006</b>	<b>8,615,946</b>	<b>39,886,926</b>
<b>Expenses</b>						
Salaries	3,371,232	4,181,764	4,279,893	4,380,326	4,483,117	20,696,331
Benefits	707,959	878,170	898,778	919,868	941,454	4,346,230
Purchased Services	275,911	354,273	364,902	375,849	387,124	1,758,059
Medical Supplies	763,553	990,343	1,020,053	1,050,654	1,082,174	4,906,777
Insurance	12,544	12,920	13,308	13,707	14,118	66,598
Other Expenses	263,972	337,730	341,783	348,618	355,591	1,647,694
Provision for Bad Debt	44,685	57,113	57,970	59,129	60,312	279,208
Depreciation	53,221	106,443	106,443	106,443	106,443	478,993
Rent	504,000	517,860	531,720	545,580	559,440	2,658,600
Management Fee	383,016	489,540	496,883	506,820	516,957	2,393,216
<b>Total Expenses</b>	<b>6,380,094</b>	<b>7,926,156</b>	<b>8,111,731</b>	<b>8,306,995</b>	<b>8,506,730</b>	<b>39,231,706</b>
<b>Net Income From Operations</b>	<b>3,509</b>	<b>232,837</b>	<b>169,647</b>	<b>140,010</b>	<b>109,216</b>	<b>655,220</b>
<b>Margin Percent</b>	<b>0.05%</b>	<b>2.85%</b>	<b>2.05%</b>	<b>1.66%</b>	<b>1.27%</b>	<b>1.64%</b>
<b>EBIDA</b>						
<b>EBIDA</b>	<b>56,731</b>	<b>339,280</b>	<b>276,090</b>	<b>246,453</b>	<b>215,659</b>	<b>1,134,213</b>
<b>EBIDA Margin Percent</b>	<b>0.89%</b>	<b>4.16%</b>	<b>3.33%</b>	<b>2.92%</b>	<b>2.50%</b>	<b>2.84%</b>

1.5% Medicare annual rate increase + conversion of RUG-III to RUG-IV

Revenue increases less than expense increases = declining margins

# Hospital Readmission Penalties Takeaways

- Hospital relationships will become data driven
  - What are your patient outcomes?
  - What is your 30-day readmission rate by condition?
- Subacute units must be able to manage patients who typically would be “911”
  - Increased nursing skills and RNs
  - Physician/NP intensive management of subacute patients
    - Coverage 24/7
  - Use of protocols, e.g., Interact, that help SNFs manage higher-acuity patients

# Data-Driven Hospital Relationships

- Customize subacute programs to hospitals; and learn to use hospital MedPar data

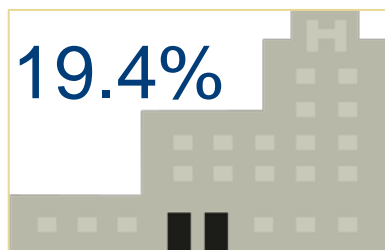
## LOS Issues by MS-DRG (Conditions)

MS-DRG	MS-DRG Description	SNF Discharges	Acute Hospital Days	CMS GMLOS Days	ALOS at Hospital	CMS GMLOS	Total Excess Hospital Days	LOS Over (Under) GMLOS
480	Hip and femur procedure except major joint w/MCC	50	400	380	8.0	7.6	20.0	0.40
193	Simple pneumonia and pleurisy w/MCC	40	245	212	6.1	5.3	33.0	0.83
286	Circ disorder except ami, w/card cath w/mcc	35	180	175	5.1	5.0	5.0	0.14
291	Heart failure and shock w/mcc	30	135	150	4.5	5.0	(15.0)	(0.50)
640	Nutritional and miscellaneous metabolic disorders w/mcc	28	124	104	4.4	3.7	20.4	0.73
<b>Total</b>		<b>183</b>	<b>1,084</b>	<b>1,021</b>	<b>5.9</b>	<b>5.6</b>	<b>63.4</b>	<b>0.35</b>

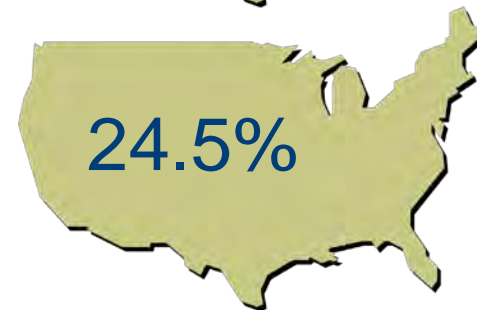
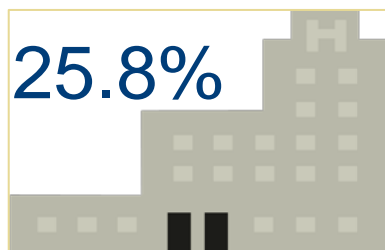
# Data-Driven Hospital Relationships

- Identify 30-day re-admission rates by condition: hospital versus nationally

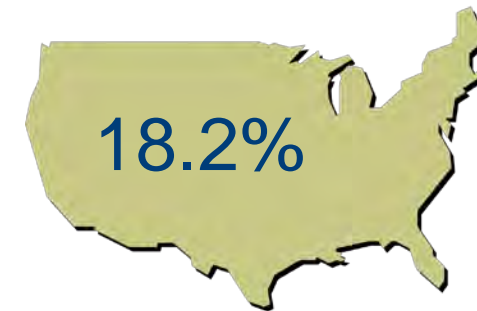
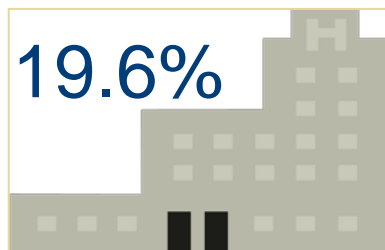
Heart Attack



Heart Failure



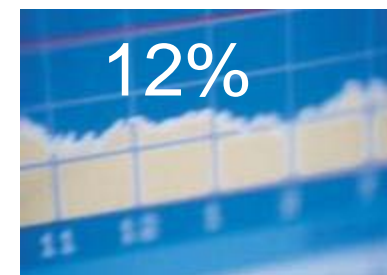
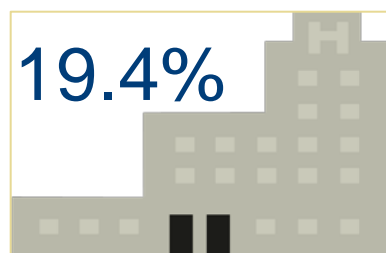
Pneumonia



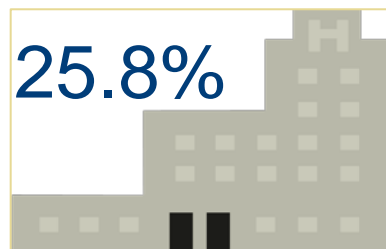
# Demonstrate Your 30-Day Readmission Rates

- Demonstrate your 30-day re-admission rates by condition and your plans to continue to decrease

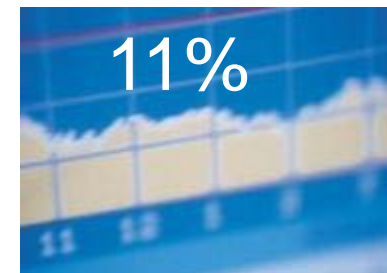
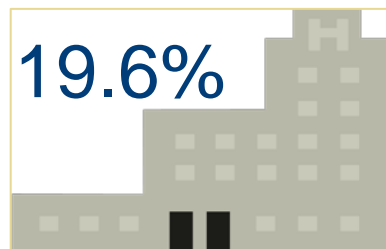
Heart Attack



Heart Failure



Pneumonia



# ACO and Bundling Takeaways

- Significant investments in technology will be necessary to improve efficiencies, manage costs and risk, and communicate across the continuum
- Having a post-acute/HCBS continuum through ownership, management agreements, and other partnerships will be essential in order to have a seat at the ACO table
- PAC/LTC providers need partnerships with primary care physician practices and other provider types to keep seniors out of high-cost care sites

*In the new health care delivery system, skilled nursing providers who are lone rangers in the institutional long-term care business will be—in the Medicaid business*

# Create Cluster Continuum Market by Market

- Extend post-acute continuum in each key market, through integrated subacute-home health continuum
  - *Why?* SNF and HHA discharges account for 88% of Medicare post-acute admissions



Average Medicare  
post-acute episode  
cost = >\$30,000



SNF-HHA  
combination cost =  
\$12,000–\$15,000

# CEO Strategy Discussion and Planning

- What are your best practices for:
  - Managing Medicare revenue declines?
  - Reducing 30-day hospital readmissions?
  - Preparing for accountable care?
- What is your readiness for accountable care?
  - Questionnaire

# Thank You

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