Senior living industry update and strategic planning discussion

September 16, 2024

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Meet our presenters

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Agenda

- Industry update
- Strategic planning
- Open floor discussion
- Questions

Industry update

Industry update

- Census trending
- Workforce challenges
- Operational considerations:
  - Patient-Driven Payment Model (PDPM) rates
  - Medical Assistance (MA) rates and system transitions
  - Accounts receivable (billing and collecting)
- Compliance requirements
- Strategic planning
- Merger acquisition activity

INDUSTRY UPDATE

Recent trending and publishing

- Approximately 800 nursing homes have closed between February 2020 and July 2024
- More than 60,000 skilled nursing bed licenses taken offline
- 3 key areas of focus:
  1. Limiting admissions – 46%
  2. Facilities downsizing – 57%
  3. Closures – 20%
     - Closed a unit, wing or floor
- 1 in 3 closures had a 4 or 5 CMS overall star rating
- 1 in 3 closures were nonprofit organizations
- Average closures had a bed size of 77 and 69% were in urban areas

Outlook

Financial responsibility

- Refocus on operational factors

Labor

- Managing of agency dependency
- Impact of staffing mandate

Cost of capital

- Refinancing challenges
- Recapitalization of loan challenges

Technology

- Work related technologies
- Software platforms

Skilled nursing disruption

- Census
- Staffing
- Reimbursement

Merger and acquisition activity

- Consolidations
- Closures

Medicare FY25 SNF PPS Final Rule

- Effective October 1, 2024
- Net increase of 4.2%
- Changes in PDPM ICD-10 code mappings
- Nursing home enforcement
- Updates to the SNF Quality Reporting Program (QRP)
- Updates to the SNF Value-Based Purchasing (VBP) Program
- SNF PPS FY25 Final Rule was silent to minimum staffing requirements:
  - Proposed requirements published September 1, 2023
  - Comment and feedback period ended November 6, 2023
  - Industry pushback on requirements – waiting game
- Released HHS minimum staffing standards:
  - Requirements will be rolled out in phases for urban and rural:
    - Enhanced facility assessment - took effect in August 2024
    - RN onsite 24 hours a day / 7 days a week
    - Minimum staffing 3.48 HPRD
      - 0.55 RN, 2.45 NA, (3.00)
      - 0.48 balance minimum (RN, LPN, LVN, NA, etc.)

MEDICARE UPDATE

Minimum staffing requirements

- It has been published that 80% of SNFs do not meet this minimum staffing criteria
- It has been published that 25% of SNFs would be eligible for an exemption
  - Initial requirement exemptions
    - RN to general population ratio is 20% below national average
      - Exempt from 0.55 RN HPRD
      - Exempt up to 8 hours per day on the 24/7 RN requirement

Centers for Medicare and Medicaid Services (CMS)

- Skilled Nursing Facility (SNF) 5 Claim Probe and Educate
- Began June 5, 2023
- Current status
  - All SNFs will receive an audit unless under a Targeted Probe and Educate (TPE)
  - PDPM was to be budget neutral but resulting in approximately 5% increase

CMS SNF 5-Claim Probe and Educate

- Focus: Medicare technical eligibility
- Time stamping

Centers for Medicare and Medicaid Services (CMS)

- The Centers for Medicare & Medicaid Services (CMS) started the SNF (Skilled Nursing Facility) 5 Claim Probe and Educate Review program.
  - The SNF 5-Claim reviews commenced on June 5, 2023, and will affect claims for services furnished after Oct. 1, 2019. Claims containing the COVID-19 diagnosis will be excluded from the review.
  - MACs will review 5 claims from each SNF.
  - Education offered will be individualized based on the claim review errors identified in the probe. Review results letters will detail the denial rationales for each claim, as appropriate

Centers for Medicare and Medicaid Services (CMS)

- Medicare Managed Care/Advantage
  - Trending Analysis:
    - Enrollment – increased
    - Financial impact – decreased reimbursement $150+
    - Average length of Stay – Decreased
    - Administrative Requirements – Increased
    - Audit Volume – Increased

      Attrition Rates
    - National – negative .44

FY 2025 SNF PPS rule: Nursing home enforcement

- Civil Money Penalties (CMPs)
  - Run concurrent per instance and per day CMPs
  - Multiple per instance for the same type of non-compliance
  - CMS estimates $25,000,000 in fines to SNFs, and $163,000 in administrative cost to CMS
- MDS Validation to begin with FY 2027
  - Validation Audits: 1,500 SNFs, 10 MDSs per audit
  - Both SNF QRP and SNF VBP (10 MDS validated of each)

Federal compliance – Medicare

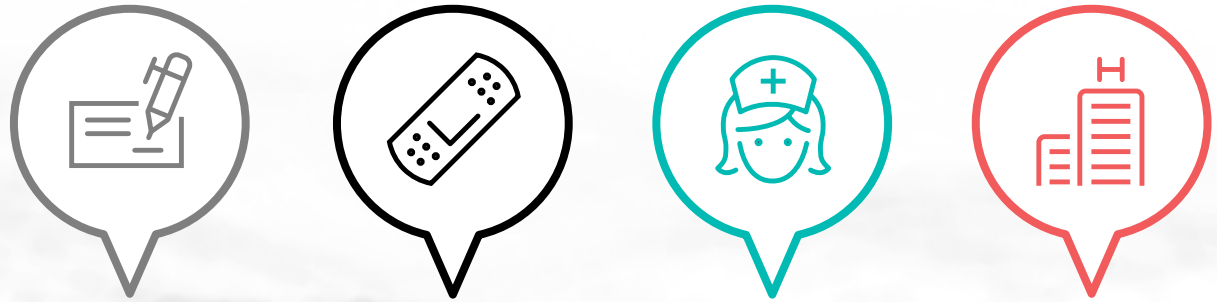
- PBJ (Payroll Based Journal
  - FY2024 CMS Expanded PBJ Audits
  - Quick turn-around required
  - Staffing Data Submission Payroll Based Journal (PBJ) | CMS
- TPE (Targeted Probe and Educate)
  - MACs (Medicare Administrator Contractor) select their own review topics
  - Jurisdiction M Part A - Targeted Probe and Educate (palmettogba.com)
- RAC (Recovery Audit Contractor)
  - Review current and proposed topics
  - Medicare Fee for Service Recovery Audit Program | CMS
- CMS SNF 5 Claim Probe and Educate
  - Prepay reviews
  - Jurisdiction M Part A - Skilled Nursing Facility 5-Claim Probe and Educate Review (palmettogba.com)

Federal compliance – Medicare and Medicare advantage

- Triple check process – Part A and Part B claims
  - Who is a part of the process?
  - Checklists
  - Retention of the results should be part of the compliance program
- Third-party medical record and claim audits
  - More common
  - Occur in “bunches”
  - Time sensitive
  - Results are at times not communicated

Skilled nursing facility monthly billing cycle

- Establishing timelines for payers

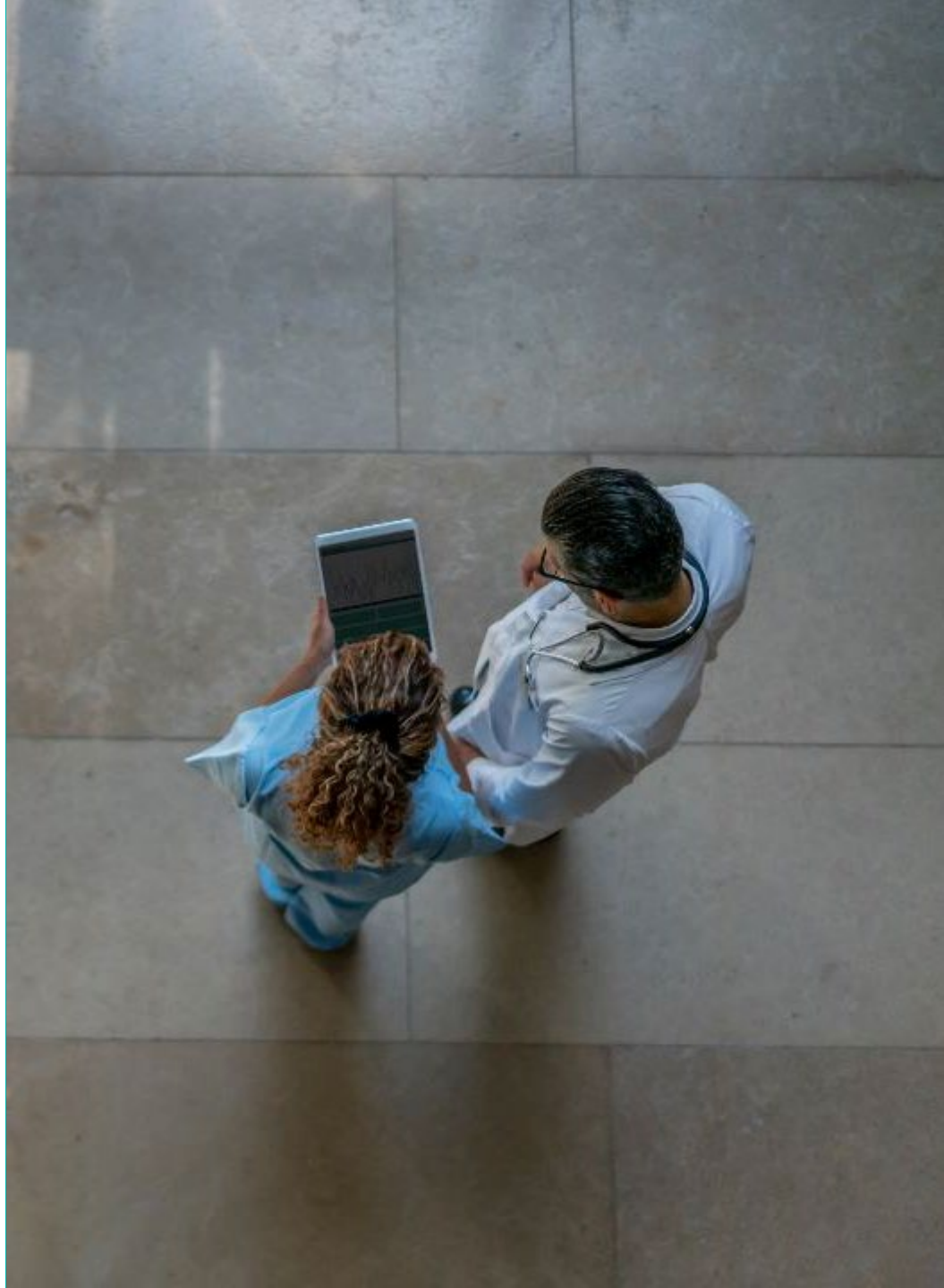


- Accounts receivable meetings and collection follow-up
- Continuous follow up is critical to success

REIMBURSEMENT COMPLIANCE

Accounts receivable (AR) – 90 Bed SNF

- AR aging report was $3.5M in June
  - Investigate each account
    - $1.8M found to be past timely filing limits, chargemaster issues, census issues, etc.
    - $1.7M collected from older aged accounts
- AR aging report was $1.1M in March of subsequent year
- Timely follow up and evaluation of collections is critical



Accounts receivable aging report

- Each payer will have different rules for reimbursement
- Chargemaster reviews – based on payer contracts
  - Monthly posting tracker
- Payer critical time limits

MA	180 days
Medicare	365 days
Medicare Advantage	Based on contract (could be 120 days

Key performance indicators for reimbursement

Census

Payer mix

Days cash on hand

Average PDPM rate

Average Medicare rate

Days in accounts receivable

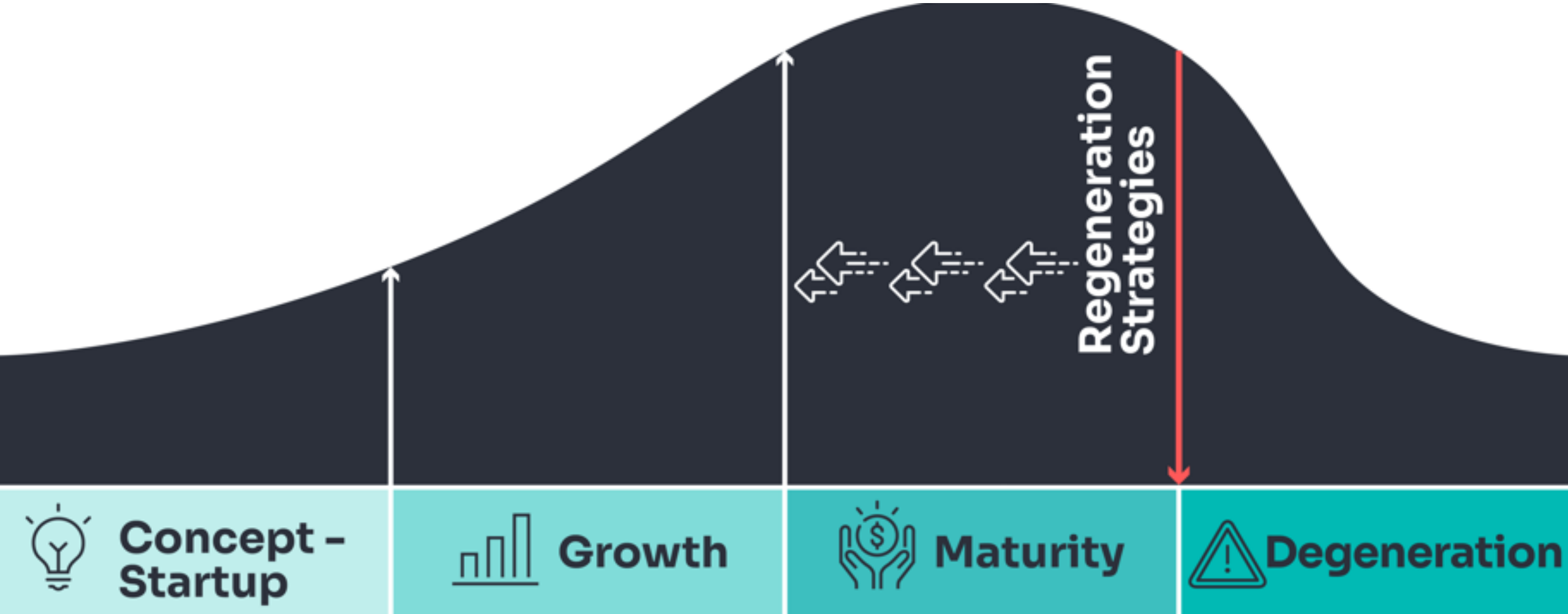
Bad debt expense as a percentage of net resident revenue

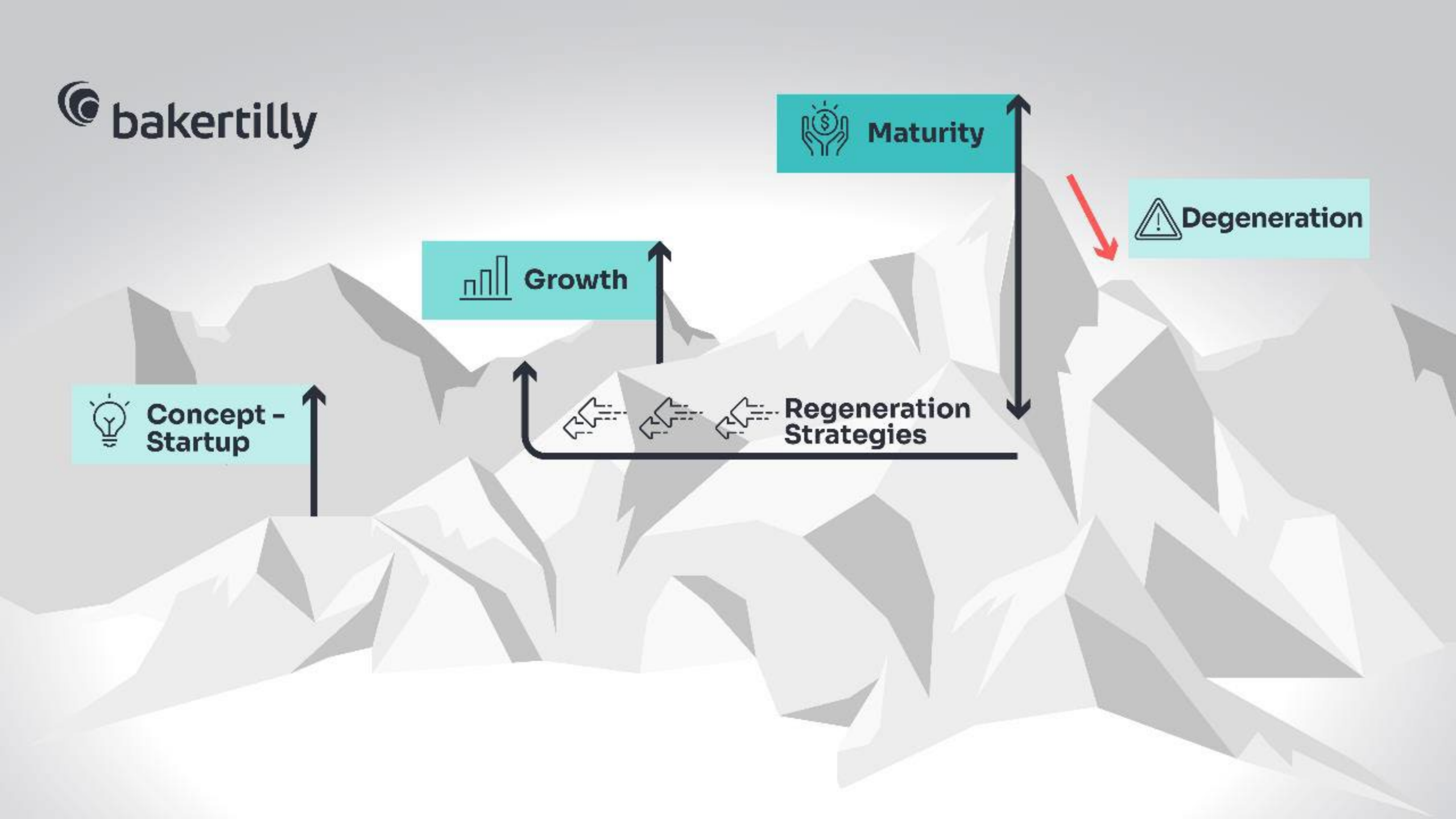
Takeaways

- Reminder – billing is an important part of corporate compliance
- Continue to focus on KPIs to identify outliers
- Monthly accounts receivable meetings and follow up
- Monthly evaluation of posting variances:
  - Contractual balances
  - Write-offs
  - Reasons
- Follow-up is key to success!

Strategic planning – the not-for-profit lifecycle journey

The not-for-profit lifecycle journey

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Maturity
Degeneration
Growth
Concept –
Startup
Regeneration
Strategies

CASE STUDY

Not-for-profit example: National Public Radio (NPR)

Concept – Startup	• Began in 1970 as an alternative to commercial media • Founding documents defined board structure, mission • Network of 88 charter stations
Growth	• Added programming • Increase in listeners, member stations, and revenue
Maturity	• Estimated 60 million listeners in 2020 • More than 98% of the U.S. population lives within listening range of more than 1,000 stations that carry NPR programming
Degeneration	• Declining audience of 42 million, falling revenue • Leaders of member stations control board – conflicting priorities • Digital transformation, increased competition, “news fatigue”

Source: Mullin, B., Peters, J.W., (2024, April 24). Inside the Crisis at NPR. *The New York Times*. https://www.nytimes.com/2024/04/24/business/media/npr-uri-berliner-diversity.html

CASE STUDY

Not-for- profit example: National Public Radio (NPR)

Inside the Crisis at NPR

Listeners are tuning out. Sponsorship revenue has dipped. A diversity push has generated internal turmoil. Can America's public radio network turn things around?

But that growth has reversed course in recent years.

"News fatigue, digital transformation and increased competition continue to drive audience declines across platforms," the report said.

"We are slipping in our ability to impact America, not just in broadcast, but also in the growing world of on-demand audio," Daphne Kwon, NPR's chief financial officer, told the group, according to a recording of the meeting obtained by The New York Times.

"I believe that public radio has five to seven years to reimagine itself before it's simply unsustainable…And they can't take two or three years of that time debating a business model." Eric Nuzum, former NPR executive

Source: Mullin, B., Peters, J.W., (2024, April 24). Inside the Crisis at NPR. *The New York Times*. https://www.nytimes.com/2024/04/24/business/media/npr-uri-berliner-diversity.html

Not-for-profits: Indicators by lifecycle stage

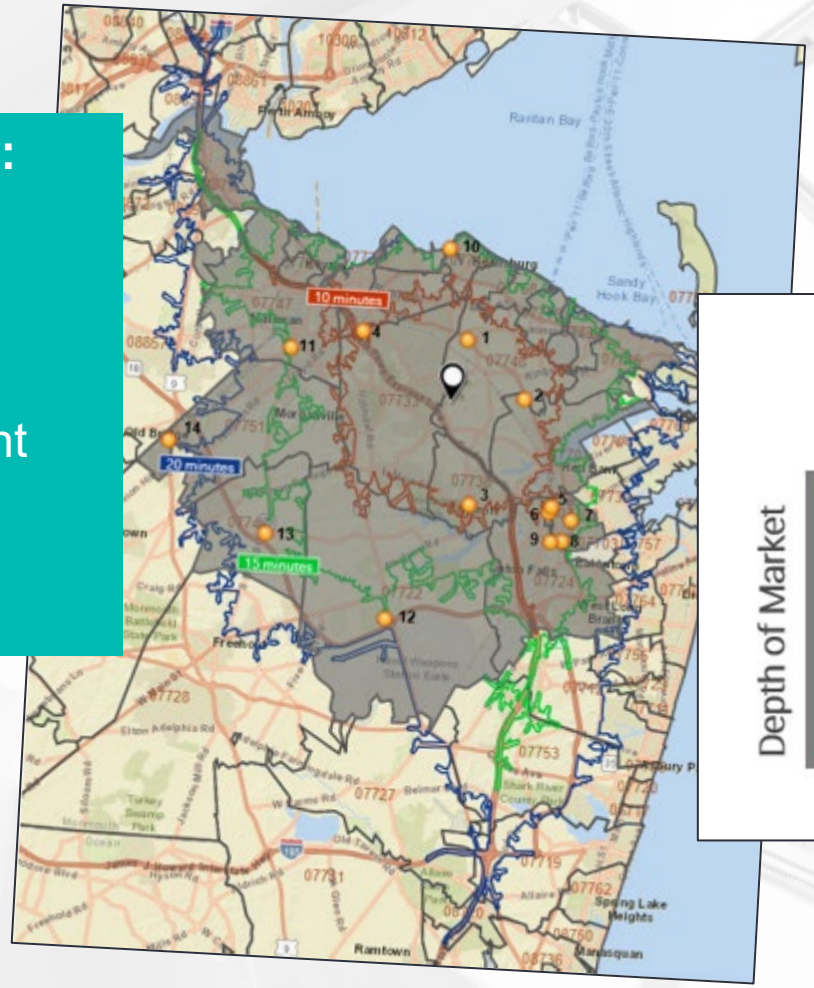
Growth	Maturity	Degeneration
Establish strategic initiatives	**Strategic framework & innovative strategic initiatives guide organization**	**Strategic plan out of date**
Innovation of new programs/services	Board is strategic & future-focused (strong governance)	Comfortable with “the way we do things”
Responding to market	Continuous operational improvement	Board unengaged, infrequent meetings
Building brand	Diversified revenue sources	Focused on immediate issues vs. future
Emerging philanthropy	Innovating for the market	Carrying business segments with sustained losses
	Brand recognition	Out of touch with consumer desires or competitive reality
	Significant philanthropy	Brand tiredness
		Declining philanthropy

Strategic planning for not-for-profit organizations

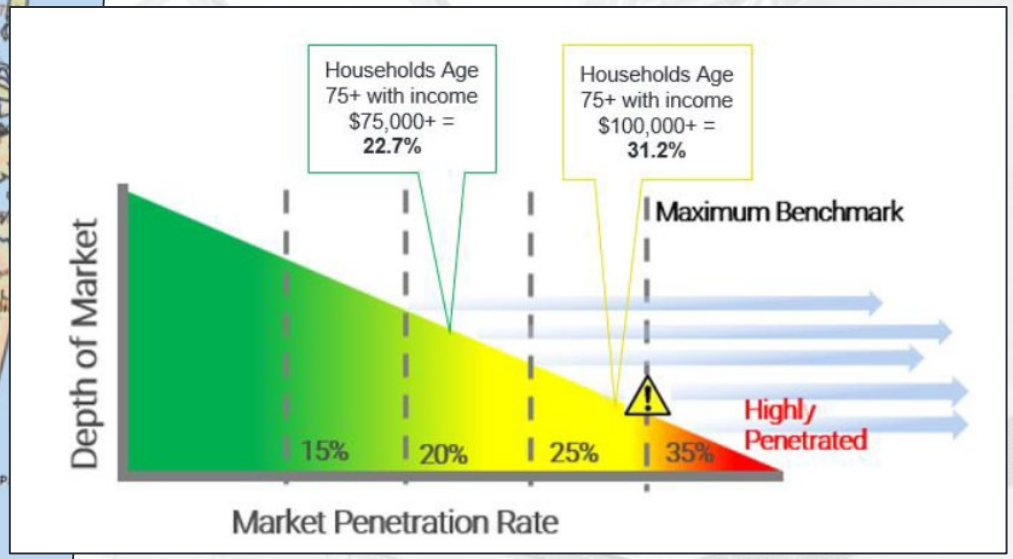
Current reality/stakeholder input

Assessing current reality:

- Market research
- Consumer insights
- Financial scenario planning
- Operations assessment
- Appreciative inquiry
- Facilities assessment
- Board survey



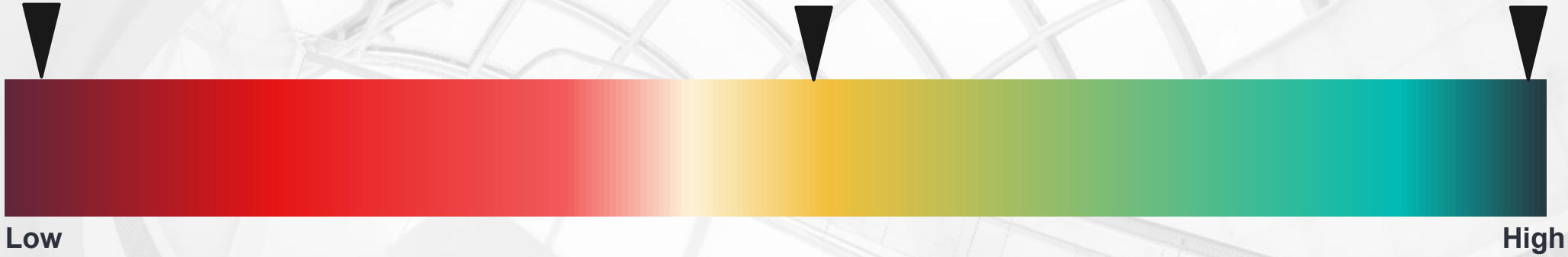
Market research



Current reality/stakeholder input

Stakeholder input spectrum

- Survey board only
- Survey board, management
- Talk with a few resident representatives
- Survey all board, staff, residents
- Town hall style or individual interviews all board members, staff, residents



Mission, vision, and values

Are they relevant?

human good

our mission is to inspire your best life.

Mission

Fellowship Community

Inspired by the compassion of the Lord and Savior, Jesus Christ, Fellowship is a caring senior living mmunity committed to enriching the physical and spiritual lives of those we serve.

MISSION STATEMENT

PENNSWOOD VILLAGE

Pennswood Village, a caring community guided by Quaker principles and traditions, leading the way in the provision of residential and healthcare services to those age 65 and older.

Acts

Where Loving-Kindness Lives

Our Vision

Acts - where loving-kindness and Christian ideals are practiced to meet the needs of those we serve.

Our Mission

Acts is committed to providing security and peace of mind to seniors by being a pre-eminent provider of retirement-life services, responsive to individual, social, personal, a Christian atmosphere graced with Loving-Kindness, dignity, sensitivity, honesty and respect, without prejudice or preference.

Redstone's Mission Statement

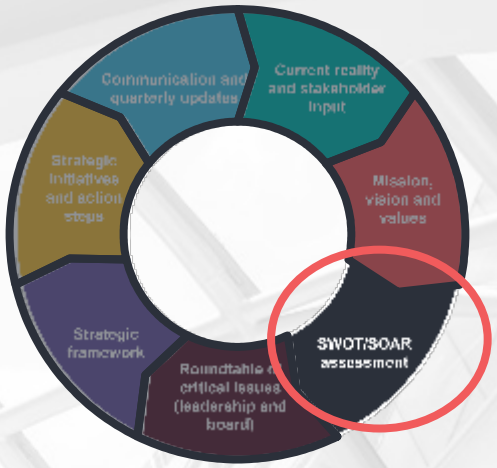
Redstone

Redstone is a leading aging services network partner within the communities we serve.

SWOT/SOAR assessment

Launching pad for strategic initiatives

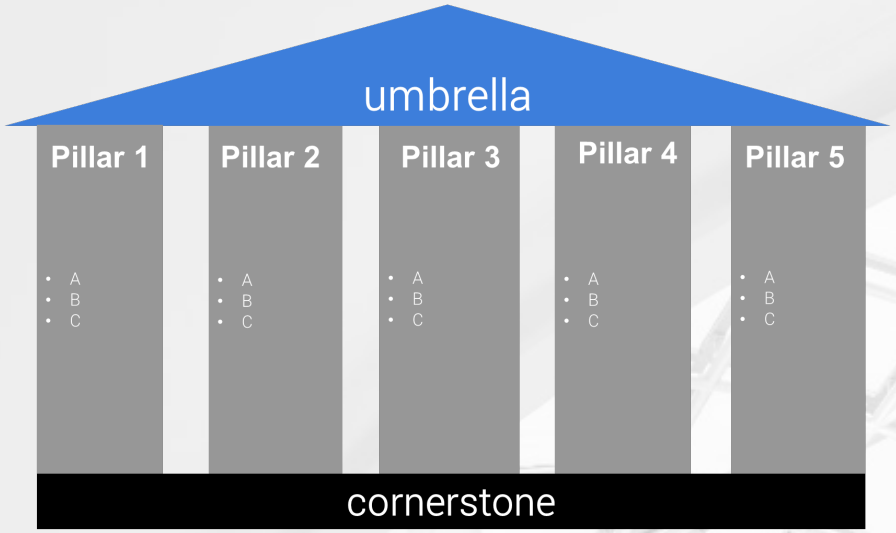
S	W
• Culture • Engagement • Leadership • Board • Investment (staff and infrastructure) • Reputation	• Financial • Transparency • Diversity of services • Property (aging, landlocked) • Limited staff growth opportunities • Organizational transition
O	**T**
• Collaborations • New identity • Evolving business model • Occupancy improvement • Strategic philanthropy	• Competition (active adult, for-profit assisted living) • Business model (contract type, healthcare beds, aging in place, access to capital) • Brand identity • Transitional stage (governance; overextend leadership, risks)

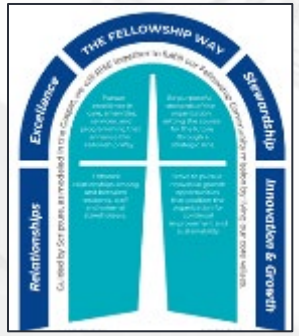


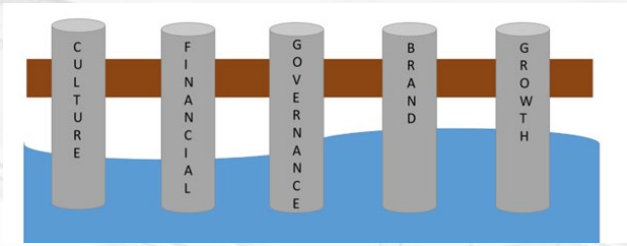
- Board input
- Staff input
- Resident input
- Community stakeholder input

Roundtable of critical issues (leadership & board)

Strategic Framework



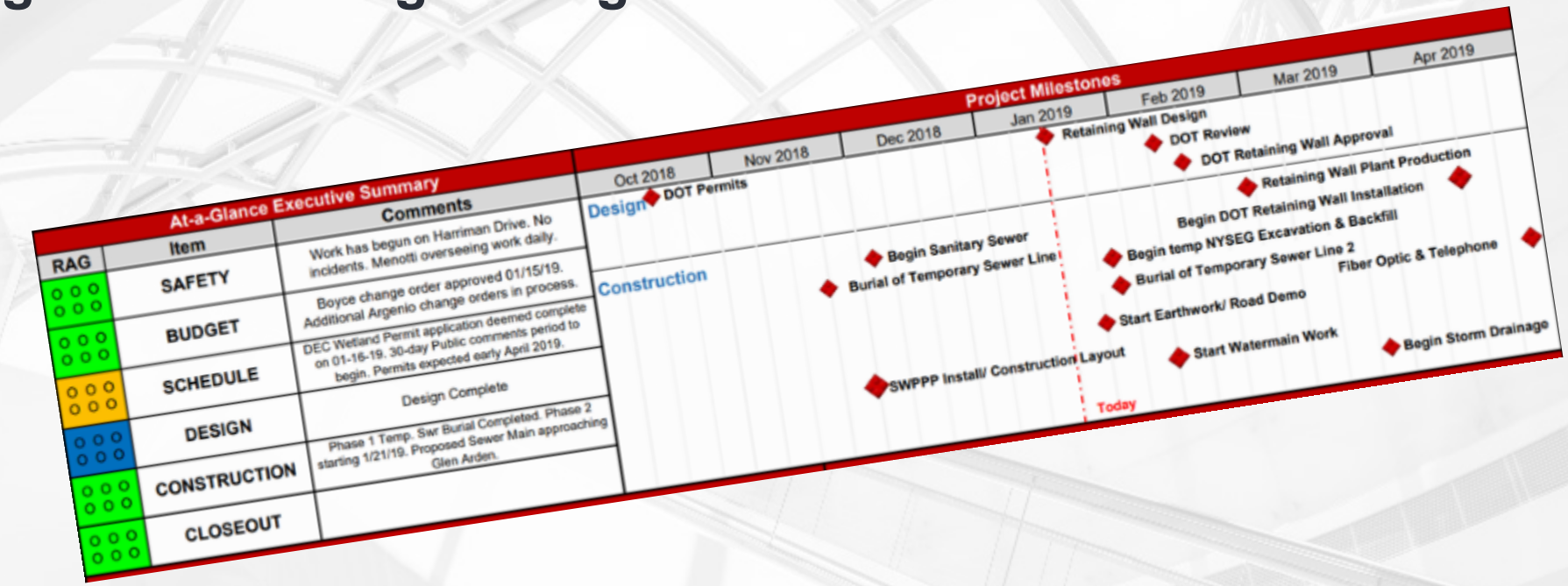




Strategic Initiatives and Action Steps

Communication and Quarterly Updates

- Dashboard Reporting to monitor progress
- Board agenda following strategic framework



At-a-Glance Executive Summary

RAG	Item	Comments
	SAFETY	Work has begun on Harriman Drive. No incidents. Menotti overseeing work daily.
	BUDGET	Boyce change order approved 01/15/19. Additional Argenio change orders in process.
	SCHEDULE	DEC Wetland Permit application deemed complete on 01-16-19. 30-day Public comments period to begin. Permits expected early April 2019.
	DESIGN	Design Complete
	CONSTRUCTION	Phase 1 Temp. Swr Burial Completed. Phase 2 starting 1/21/19. Proposed Sewer Main approaching Glen Arden.
	CLOSEOUT	

Project Milestones

Oct 2018 | Nov 2018 | Dec 2018 | Jan 2019 | Feb 2019 | Mar 2019 | Apr 2019

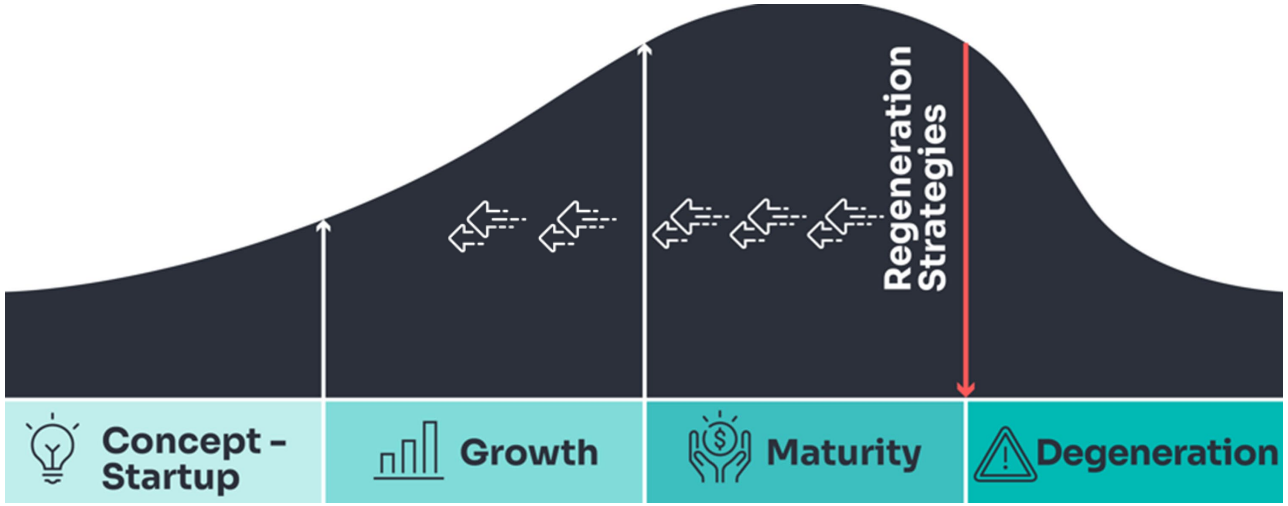
Design: DOT Permits; Retaining Wall Design; DOT Review; DOT Retaining Wall Approval; Retaining Wall Plant Production

Construction: Begin Sanitary Sewer; Burial of Temporary Sewer Line; Begin DOT Retaining Wall Installation; Begin temp NYSEG Excavation & Backfill; Burial of Temporary Sewer Line 2; Fiber Optic & Telephone; Start Earthwork/ Road Demo; SWPPP Install/ Construction Layout; Start Watermain Work; Begin Storm Drainage

Today

Does the *Strategic Plan* align with your organization's position on the *Nonprofit Lifecycle Journey*?

Nonprofit Lifecycle Journey



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- *Where does your organization fall on the Lifecycle Journey?*
- *Are your strategic initiatives and goal appropriate for where the organization is on the Lifecycle Journey?*
- *Have you leveraged the strategic planning process effectively to ensure improved or new stakeholder experience?*

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Questions?

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Thank you

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