THE BEAT GOES ON
Create a Culture of Consistent Strategic Planning

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LeadingAge PA
an association of not-for-profit senior services
Introductions

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Learning Objectives

1. Understand the importance of an ongoing strategic and master planning process that takes into consideration physical environment, operations, and financial resources.

2. Learn how to anticipate, uncover and understand market and regulatory changes that can impact an organization’s financial viability.

3. Obtain strategies to help your organization evaluate existing programs, services, facilities and key financial metrics.

Outline

I. Mission
II. Campus
III. Operations
IV. Financial & Industry Implications
V. Q & A
I. Mission

1. Create integrated, seamless services
2. Continue to transform campus
3. Lay the resource foundation for Landis Homes 2025

II. Campus
Westview

1980s

Early 1990s

Phase 3

Residential Living Apartment Homes (Harvest View) - 125
Cottage Homes - 55

Harvest View

Early 1990s
Late 1990s to mid-2000s

Phase 4

Memory Support Healthcare –
Replace 26

Personal Care –
16

Adult Day Services

Healthcare & Rehab –
Replace 52

Heritage

Late 1990s to mid-2000s

Oregon & Manheim

Late 1990s to mid-2000s
Lancaster County

Lancaster County is within 500 miles of 50% of the US population!

Source: Economic Development Company of Lancaster, PA
www.edclancaster.com

Lancaster County

37 Retirement Communities
23 within 8 mile radius!

Source: google.com
East Campus
- Personal Care, Memory Care, Skilled Care
- Rehab

West Campus
- Independent Living
- Older Building Stock
- Existing Pool in Basement
- Lack of 2 Bedroom Apartments

Current Campus
- East Entry Often Floods
Central Cottages
• 41 units
• Low density
• Older Building Stock

2005 Master Plan
III. Operations
Ongoing strategic planning is more than Bricks and Mortar!

Leaders in Serving
First initiative into Formal Partnership and Home and Community Services
1988 – Adult Day Services

Stay Ahead of the Curve
- Standards and Accountability
- Maintain through 2020
- Entire campus, rather than SNF focused for standards
1994 – Accredited by CARF-CCAC
Heritage: Dementia Care Service Line

- Secure program for Health Care and Personal Care
- Small Household Model
- Adult Day Care: Dementia specific
  - Partnership with local office of Aging
  - Only specific unique center in Lancaster County

1998 – Forerunner in Integrating Dementia Service

Culture Change Initiative

- Open space
- Private room
- Resident focused
- Resident choice
- Pantry kitchen

2003 – New Health Care Build – Household Model

Resident Focused Care

- Resident focused
- Major culture shift
- Entire campus
- Began embracing “Aging in Place”
- “Honoring Lives”

2004 – Person-centered care
Resident Focused Care

- Second initiative towards Home and Community based services
- Served both on campus and surrounding community

2007 – Landis at Home LLC

Resident Focused Care

2010 – Planetree and Picker Institute feature
- “The Patient-Centered Improvement Guide”
- National Standard

CMS Selection

2013 – Selected as 1 of 10 nationally recognized Nursing Homes by CMS as High Performing Nursing Homes in the United States

Presented at National CMS Medicare Conference

CMS Recognition
Health Care Reform: Changing Market

- Change in Reimbursement
- Cost containment historically focused
  - Medicare Fee Schedules for Hospital and Physician
  - DRG system in late 1980s
- Moving forward Exponentially
  - Post acute care

Medicare System Unsustainable

- Nearly 1 in 5 Medicare patients discharged from the hospital returns within 30 days
- Between 50-70% are considered avoidable
- Medicare pays about $1.7 billion annually for 2.5 million re-hospitalizations
  (Others pay the same amount for all readmissions of non-Medicare patients)
- End-of-life care costs are estimated at $170 billion/year

“...effective way to lower medical care costs is to experience less sickness in the population.”

“If we do not do better in education, prevention and lifestyleing, the battle is lost.”

- Leland Kaiser, Health Futurist
In Bundled Payment Care Initiative (BPCI) opportunity for cost savings is largest in Post-acute setting.

Source: Authors’ analysis of standardized payments from 2011 Medicare claims.

NOTES
Each component of the histogram represents the amount of variance, in percentage terms, explained by each component of spending, using a generalized linear regression model with total thirty-day spending as the dependent variable. Percentage of variance explained does not sum to 100 percent because of covariance terms.

CHF is congestive heart failure. COPD is chronic obstructive pulmonary disease.

Cost Variations: 30 Day Episode Bundled Payments

What we are learning…

• Care redesign essential
• Fee for Service now becomes Fee for Value
• No longer paid for utilization and service, but rather outcomes
• Alternative Payment Models (APM)

Health Care Transformation

Agility is critical in responding to anticipated change!
Firming the Foundation-2010

- Began tracking and trending readmits from (SNF 2010) entire campus including Residential Living (2014).
- Electronic Health Record due diligence
- Root Cause Analysis on every readmit

Strengthening the Foundation-2011

- Five Star rating
- Landis at Home:
  - Additional RN Staff; Case management 2014
  - GPO for departmental savings in dining, maintenance, housekeeping, and nursing, paper supplies

No Longer Just Performance:
Population Health

- An episode of care to improve quality
- A period of time to prevent progression of disease
- A lifetime to preserve wellness
Objectively assess strengths and weaknesses

Create systems to measure the outcomes and quality of services

Know what you are treating (cost/diagnosis)

Key strength:
- Low hospital readmission rates
- Quality reputation in community
- Alternative settings for receiving services

**Focus on Increasing Value & Lowering Costs**

- **Cost of care reductions**
  - Increased efficiency
  - Services in the least expensive setting
  - Change in reimbursement

- **Better payer contracting data**
  - Outcome metrics
  - Interoperable technology

- **Automated data collecting processes**
  - Clinical and financial interoperability
  - Claims based data

- **Robust measurement systems**
  - Standardized terminology
  - Continuity of Care Document (CCD)

**Declining Volumes of Orthopedic patients**

- **2010**
  - 14% LTAC
  - 46% SNF
  - 40% HHA

- **2013**
  - 11% LTAC
  - 46% SNF
  - 43% HHA

Overall PAC volume
2010: 117,750
2013: 111,975
Change Is Imminent

- Greater financial risk
- Operational efficiency
- Collaboration
- Technology investments
- Increased quality
- Elevated regulatory risk
- Community-based care and services

Health Care reform will drive tremendous change

Financial Strain

- Decrease in Medicare /Medicaid reimbursement
- Economy in housing market
- Borrowing power
- Incentives for demonstrated quality
- More frail and clinically complex SNF residents and people remaining at home (CCRC and community)
- SNF -Increase in short stay admissions; decrease in long-stay admissions

Realistic Expectations

- Cover continuum of care for 90 days across campus
- Understand insurance coverage and eligibility
- Manage the entire person, not only disease
- Preventative Services
- Focus Wellness
- What people need, when they need it. No more, no less.
Landis Homes Initiatives

- Decrease length of skilled & personal care stays
- Increase stay in residential living
- Monitor readmissions
- Increase physician coverage
- Track and trend data
- Know costs!

Outcome Management: Utilization review

Partnership: Preferred Provider Network

- Partnership with local health care system
- One of 10 in county
- Reduce variations in care
- Improved quality
- Care coordination
- Increased accountability

Preferred Provider Initiatives

- Quality metrics
- Transitions of care
- Decrease Healthcare and Personal Care length of stay
- Standards of care
- Technology: EMR, CCD, interoperability
- End of life care
Expectations for Entire Team:

- More frail and clinically complex SNF resident
- Increase in SNF ADT
- Understand insurance coverage and eligibility
- Family education / resident education
- Early intervention

Expectations for Entire Team:

- Aggressive, committed leadership
- Create systems and processes that interpret risk and provide appropriate and focused responses to better manage
- Outcome focused
- Move the relationship with the resident from encounter based to continuum based

Key Takeaways

- Partnerships with multiple providers
- Build relationships
- Quantify success
- Intensify and improve ability to:
  - Track
  - Record
  - Quantify
  - Analyze
  - Report on patient care outcomes
- Tell your story!
“Plans for change in mix, service, programs, buildings is easy. Delivery of the promise is difficult.”

- LeadingAge Magazine, March/April 2011

V. Financial & Industry Implications

The Case for Change

CMS Projections for National Healthcare Spending CY 2003 - 2018

Source: Centers for Medicaid & Medicare Services - NHE Projections 2008-2018, Forecast Summary and Selected Tables
Heathcare Costs by Provider / Setting

Hospital and specialist physician utilization has been at the center of cost reduction efforts.

Historic vs. Future Cost Containment Focus

- Cost containment efforts historically focused on hospital setting and specialty MD fees
  - Medicare Hospital DRG system rates introduced 30+ years ago
  - Physician fees subjected to a variety of cost controls (caps, bundled payments, etc.)

- Cost containment efforts moving forward focus on:
  - Post-acute care
  - Pharmaceutical costs
Historic vs. Future Cost Containment Focus

- Cost containment efforts historically focused on hospital setting and specialty MD fees
- Cost containment efforts moving forward focus on:
- Medicaid and Private Payors have historically followed Medicare’s lead

Annual Per Capita Healthcare Costs By Age
Cost by age – an upside opportunity

Healthcare Costs are Concentrated
Avg. 2013 Medicare 90-Day Episode Price for Index Stay & Post Acute: Sample Hospital

Medicare Advantage (MA) Enrollment

Share of Beneficiaries Enrolled in MA by State
Changing Financial Incentives

- Driven by combination of:
  - Unsustainable cost increases
  - Poor outcomes
- Providers placed at risk for higher quality and lower costs
- Post-acute continuum reform process will have parallels to Medicare cost containment initiatives for hospitals that started in the mid-1980s

Medicare Cost Containment Approach

- Identify delivery system components most responsible for cost / quality issues
- Design, test, select, communicate and phase-in new payment models
- Track and analyze provider behavior and results
- Focus on variances in quality and cost metrics by provider
- Adjust incentives to pursue best practices demonstrated by top of class providers

Potential Downside Financial Implications

- Downward pressure on revenues
- Upward pressure on costs
- Operating income and cash flow get squeezed
- Liquidity declines
Potential Downside Financial Implications

- Compliance with debt covenants may become more difficult
- Capital needs increase to respond to new industry incentives and competitive pressures
- Future access to capital may be challenging

Providers Potentially at Risk

- Smaller single site providers
- Limited range of services vs. multiple points along the delivery continuum
- Limited liquidity
- Aging plants
- Less attractive quality / efficiency metrics

Providers Potentially at Risk

- Overly reliant on external referrals
- In markets with excess capacity
- Retiring CEOs
Post-acute Care Industry Consolidation

- Likely to result in fewer but larger providers
- Consolidators may vary depending on the market
  - Hospital driven
  - Physician driven
  - Insurer driven

Post-acute Care Industry Consolidation

- Pace of change will depend on:
  - Relative size / concentration of buyers and sellers
  - Excess capacity in the market
- Preferred provider networks will form based on a range of formal and informal agreements

Strategy Determines Structure

- Pace and magnitude of industry change will require flexibility for innovative strategies
- Providers need to create new and expand existing services and locations to meet market demand
- Corporate and financial structures must evolve to support and fund these new strategies and ventures
Alternative NFP Partnership Structures

• Critical question is do you need to own it or just have access to it?
• Partnership alternatives can range from informal alliances in the beginning and potentially move towards full mergers
• NFP challenge: loss of control over a community asset

Major Elements of Landis Strategic Plan

• Focus on existing campus master planning and design
• Evaluate expansion of services outside of existing campus
• Address needs of those in our community of more modest means
• Enhance existing and explore new partnerships with other Life Plan Communities and providers
• Support market rate and affordable senior housing alternatives

Highlights of Landis 2015 Financing

• Developed capital formation strategy consistent with Landis’ future plans
• Created a stable and flexible capital structure
• Reorganized the Obligated Group (OG)
• Secured an investment grade rating with Fitch
• Restructured existing debt with fixed rate bonds
• Financed future projects with bank debt
More Flexible Corporate Structure
Excluding the Parent from the Obligated Group:
• Allows the Parent to more freely pursue a wider range of activities
• Provides an intentional corporate “home” for new initiatives
• Allows a more flexible timeframe to develop
• Can then be brought into the Obligated Group later
• Serves an important risk management function

“The only effective way to lower medical care costs is to experience less sickness in the population.”

“If we do not do better in education, prevention and lifestyle, the battle is lost.”

- Leland Kaiser, Health Futurist

VI.
Q & A
Questions

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