The Case for Integrating Healthcare Services into Senior Living and Nursing Homes

Updated April 2020
The Case

• Senior living and nursing home residents have significant, complex needs
• They use a great deal of high cost healthcare services, such as inpatient hospital services and emergency room services
• About 30% in IL and AL are choosing to get Medicare coverage through the Medicare Advantage program (private insurance) which is increasingly acquiring capabilities to manage complex care populations
• These residential care settings offer tremendous value to managed care organizations particularly through setting efficiencies and services already being provided
• It’s time for operators and investors to understand this value and leverage it to diversify revenue sources and drive referrals
Assisted Living Residents Have Intense Needs

*Increasing levels of cognitive impairment and early functional decline characterize the independent living population while high levels of cognitive and functional impairment characterize the assisted living population.*

<table>
<thead>
<tr>
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<th>Assisted Living</th>
<th>Nursing Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of 65+ Medicare Population* (Share of 65+)</td>
<td>43.2 million (89%)</td>
<td>2.5 million (5%)</td>
<td>1.0 million (2%)</td>
<td>0.5 million (1%)</td>
<td>0.7 million (2%)</td>
</tr>
<tr>
<td>Share Ages 85+</td>
<td>11%</td>
<td>16%</td>
<td>45%</td>
<td>61%</td>
<td>49%</td>
</tr>
<tr>
<td>IADLs: Share 1+</td>
<td>23%</td>
<td>26%</td>
<td>40%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>ADLs: Share 2+</td>
<td>4%</td>
<td>4%</td>
<td>8%</td>
<td>65%</td>
<td>92%</td>
</tr>
<tr>
<td>Share with Cognitive Impairment</td>
<td>13%</td>
<td>12%</td>
<td>21%</td>
<td>62%</td>
<td>76%</td>
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*Source: ATI Advisory analysis of 2017 Medicare Current Beneficiary Survey.*
Residents Use High Levels of Expensive Healthcare

*Compared to rates from integrated care programs:*

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<td>--</td>
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<tr>
<td><strong>Inpatient Admissions</strong> (Events per person per year)</td>
<td>0.21</td>
<td>0.25</td>
<td>0.37</td>
<td>0.57</td>
<td>0.64</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>ER Visits</strong> (Events per person per year)</td>
<td>0.45</td>
<td>0.56</td>
<td>0.82</td>
<td>1.48</td>
<td>1.24</td>
<td>0.52</td>
</tr>
<tr>
<td><strong>Annual Per Capita Medicare Spending</strong> (Part A&amp;B)</td>
<td>$8,674</td>
<td>$12,934</td>
<td>$13,358</td>
<td>$18,416</td>
<td>$23,316</td>
<td>--</td>
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*Source: ATI Advisory analysis of 2017 Medicare Current Beneficiary Survey.*
Residents Enroll in Medicare Advantage at Only Slightly Lower Rates than Average

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</tr>
<tr>
<td>Share White</td>
<td>78%</td>
<td>88%</td>
<td>91%</td>
<td>89%</td>
<td>81%</td>
</tr>
<tr>
<td>Average Income</td>
<td>$62,782</td>
<td>$51,532</td>
<td>$56,871</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Share &lt;200% FPL</td>
<td>39%</td>
<td>41%</td>
<td>34%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Share with Medicaid</td>
<td>11%</td>
<td>14%</td>
<td>11%</td>
<td>30%</td>
<td>81%</td>
</tr>
<tr>
<td>Share with Medicare Advantage</td>
<td>34%</td>
<td>39%</td>
<td>31%</td>
<td>26%</td>
<td>26%</td>
</tr>
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Coverage Arrangement of Independent Living Residents
- Medicare Advantage: 31%
- Traditional FFS: 69%

Coverage Arrangement of Assisted Living Residents
- Medicare Advantage: 26%
- Traditional FFS: 74%

Source: ATI Advisory analysis of 2017 Medicare Current Beneficiary Survey.
Residential Settings Have Embedded Value

Resources for Managing Complex Care Population Living in Assisted Living/Nursing Homes

Staff Necessary for Core Care Team:

- **Director of Nursing**
- **LPNs/Nurse Aids**
- **Nurse Practitioner**
- **Case Manager**

- □ Existing Resources
- □ New Resources

✓ NP panel size of 60-85 residents, or 1-3 buildings
✓ These ratios vary depending factors like care coordination, geography, and building size

Resources for Managing Complex Care Population Living in Private Housing

- **PCP (MD:NP at 2:1 ratio)**
- **Medical Assistant**
- **Homecare Assistant/Driver**
- **Clinic Manager**
- **Care Coordinator**
- **Nurse**

✓ Provides comprehensive assessment and outcome-oriented plan of care
✓ Conducts member assessment and patient-centered care plan
✓ Supported by robust IT infrastructure
✓ Panel size of 200:1

Source: ATI Advisory market scan.
The Value Equation

There’s a range of options that spans from low to high additional investment for how you unlock this value

- **Health Care Risk**
  (e.g., Medicare Advantage)

- **Technology**
  (e.g., enabling communication, identifying changes in condition early)

- **Medical Services**
  (e.g., primary care, care management)

- **Real Estate**
  (e.g., efficiency in care delivery – further amplifies with existing senior living services)
Big Trend: Integrating “Real Estate”, Medical Services, and Technology to Take Healthcare Risk

Humana Primary Care Clinics Boost Senior Patient Care Access

The payer-agnostic primary care centers will expand access to care by opening primary care centers for seniors on Medicare Advantage.

Methodology
Methodology Notes

**Analytic Groups:**

- **Traditional Private Housing**
- **Retirement Community:** A community for older adults that may offer recreation or transportation, but does not offer meals, housekeeping, or other more extensive assistance.
- **Independent Living:** A community for older adults that offers meals, housekeeping, laundry, and/or assistance with medications, but does not offer personal or nursing care.
- **Assisted Living:** A facility that offers help with activities of daily living (e.g., bathing, toileting), 24/7 supervision, and/or nursing care.
- **Nursing Home:** A facility with 1 or more beds that are Medicare/Medicaid certified or licensed nursing home beds.

**Excluded:**

- People under age 65
- Individuals who lived in an assisted living facility or nursing home for less than 6 months
- Respondents indicating they live in low-income seniors housing
Methodology Notes Continued

• ATI Advisory produced the data in this presentation.
• This analysis uses the 2017 Medicare Current Beneficiary Survey (MCBS). Data on utilization and spending is limited to Traditional Fee-for-Service Medicare enrollees.
• This analysis is limited to Medicare beneficiaries age 65 and older and includes individuals who died during the study year. Residents of low-income seniors housing communities are excluded, as are people who lived in an assisted living or nursing home facility for fewer than 6 months.
• Instrumental Activities of Daily Living (IADLs) were defined as (1) using the telephone, (2) light housework, (3) heavy housework, (4) meal preparation, (5) shopping, and (6) managing money.
• Activities of Daily Living (ADLs) were defined as (1) eating, (2) bathing or showering, (3) dressing, (4) getting in and out of bed or a chair (transferring), (5) using the toilet, and (6) walking across the room.

For more information, contact info@atiadvisory.com.