

“Right-Sizing” Nursing Care Settings in a Life Plan Community

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LeadingAge[®]

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From their inception, life plan communities, also known as continuing care retirement communities or CCRCs, typically featured an assortment of independent living residences and a nursing home. The nursing home was largely intended for individuals who had initially moved into an independent residence but needed nursing home care when their health changed.

The rule of thumb for these young life plan communities was simple: You needed one nursing home bed for every four independent living residences on your campus.

Life plan communities have evolved since those early days, and so has that rule of thumb.

After the passage of Medicare in 1965, for example, many life plan communities began establishing Medicare-certified skilled nursing settings so residents could use Medicare’s skilled nursing benefit to pay for post-acute care. As a result, most nursing homes in today’s life plan communities have two components: a Medicare-certified skilled nursing facility (SNF) and a long-term care (LTC) setting that is not covered by Medicare and generally serves long-stay residents living with dementia or other chronic conditions.

During the past decade, many life plan communities also added assisted living apartments to their campuses as a way to accommodate residents who need assistance with activities of daily living but do not need nursing home care.

What is the Right Size?

These and other changes have prompted many life plan communities to explore several challenging questions relating to their nursing care settings, including:

- What is the “right size” of our Medicare-certified skilled nursing setting and our non-Medicare, LTC setting?
- Should we increase or decrease the size of these settings?
- Or should we close them entirely?

A survey of chief financial officers (CFO) conducted by Ziegler in August 2018 found that more than a third of life plan communities are planning to change the size of their nursing settings. Specifically, 29.9% of these communities are planning to reduce the size of these settings; 7.5% are planning to increase the size of these settings; and 62.3% are not making any changes.

Interestingly, 40% of CFOs from multisite organizations said they are planning to decrease the size of their nursing settings, according to Ziegler.

A decision to increase, decrease, or maintain the current size of your SNF or LTC settings will depend on the unique circumstances of your life plan community, and must be based on a careful analysis of issues related to residents, payment/reimbursement, and operations. These issues are explored in the following pages.

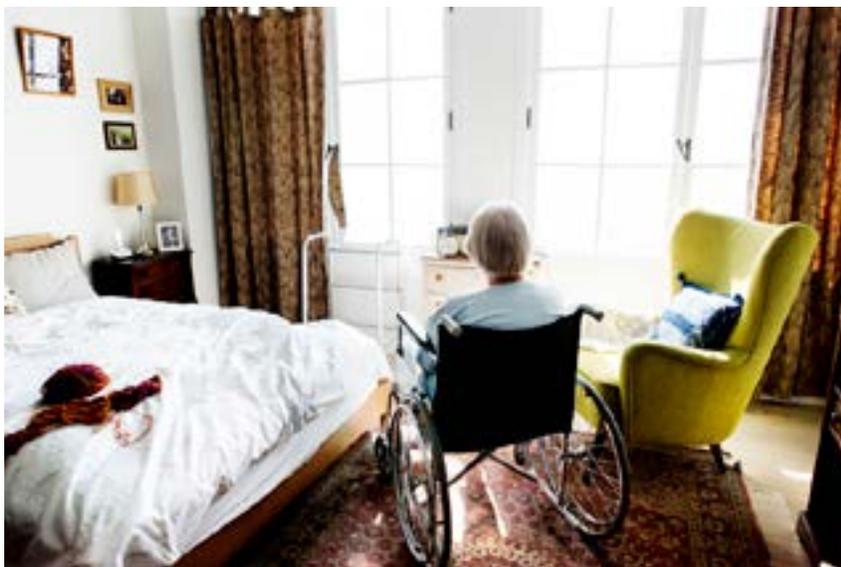
Issues Involving Residents

Resident/Consumer Preferences

Consumer preferences will continue to shape all of health care, including nursing care, and must be considered when analyzing the optimal size of your nursing settings. The impact of these preferences on a life plan community's decision-making process cannot be overestimated.

We already know that consumers of the future will be more demanding than consumers of the past. These demands will manifest themselves through strong preferences for:

- Private rooms: Consumers/residents have a strong preference for living in a private room featuring its own bathroom. This preference will put life plan communities at a disadvantage if their nursing settings feature semi-private rooms.



- Home-like settings: Consumers increasingly prefer neighborhood-style nursing settings featuring small clusters of private rooms arranged around a common gathering room and kitchen/dining area. Consumers do not want to live in traditional nursing homes featuring nurses' stations and long corridors. LeadingAge members have recognized this preference and have replaced older nursing homes with new, up-to-date care settings. Some life plan communities have downsized their medical-model nursing homes, while others have increased the size of their neighborhood-style nursing settings in anticipation of increased demand for this new model.
- Independence. More life plan community residents are choosing to stay in their independent residences as they age, rather than moving to assisted living or a nursing settings. The availability of home care or home health care helps make this decision possible. An increasing number of technology-based systems, such as remote monitoring of health status, telehealth, and other technology-based supports are designed to facilitate "aging in place." These devices and tools will become more popular in the future as more older adults become comfortable with technology.

Contract Provisions

As you explore the possibility of changing the size of your nursing settings, take a close look at your life plan community's residency agreement. Pay particular attention to your obligation to provide health care to the community's residents. Answer these questions:

- Do your agreements specifically spell out that care in a nursing setting will be available?
- Do those agreements specify that care will be provided in your own nursing setting, or can the services be provided under contract with a third-party nursing home?

Any requirement that you provide nursing care will make it much more difficult to close a nursing setting. Residents are likely to be resistant to losing "their" nursing home, and attempting to modify the contract to remove this obligation will not be easy. If the residency agreement gives you the option to provide nursing care through a contract with a third party, that may give you the option of contracting for nursing care with a nearby community.

Many residency agreements contain language that refers generally to the provision of health care services but does not specify what services will be provided. In these situations, you may be able to close a nursing setting if similar services can be provided in some other fashion, such as through home health or enhanced assisted living.

Your analysis of the residency agreement may be complicated by two additional factors, which could stand in the way of making changes to the size of your nursing settings:

- Residents may have different versions of your residency agreement, depending on when they moved to your life plan community. Those versions may contain different language about the provision of nursing care.
- Prospective residents may change their opinion of your life plan community if you downsize or eliminate your SNF or LTC settings. These consumers could decide to look elsewhere if they are concerned that appropriate services may not be available if they need them.

Resident Mix

Be sure to consider who you are serving. It's important to understand where your nursing home residents are coming from, and what volume of nursing home residents you can expect to serve in the future. Answer these questions:

- Are you only serving your community's residents, with no nursing home admissions from outside your campus? Do resident admissions offer you enough volume to maintain a nursing setting? More important, do resident admissions offer you enough volume to maintain a Medicare-certified skilled nursing setting?
- Do you accept admissions to your nursing setting from outside your life plan community? What is the volume of those admissions? Is it consistent? In some cases, serving a significant number of people from outside your campus will provide a strong justification for maintaining or even increasing the size of your nursing setting.

Census

Occupancy in nursing homes is at an all-time low. Be sure to analyze trends in your nursing home census over the past few years.

- If your nursing home census is strong, would your nursing setting support growth?
- If your nursing home census is low, would reducing the size of your nursing setting, or possibly closing it entirely, be the better decision?
- Has increased pressure to reduce the lengths of stay in Medicare-certified skilled nursing settings affected occupancy in your SNF? Is your Medicare volume high enough to justify growth? Or would it be better to maintain your current size, reduce your size, or close your setting?

Payment/Reimbursement and Other Market Issues

Payment Pressures

Cost of care and reimbursement issues can impact your “right-sizing” decisions, as shown in these examples.

Contract Types

Life plan community contracts take various approaches to limiting the exposure of the community when residents require costly nursing care. For example:

- Type A contracts assume that because entrance fees and monthly fees have been set actuarially, these fees will provide financial reserves to cover the cost of care for residents who ultimately move to the nursing home.
- Type B contracts limit the exposure of life plan communities to a set amount of care costs.
- Type C contracts give responsibility for nursing care costs to the resident.

Nevertheless, a life plan community may want to consider adjusting the size of its nursing setting to minimize financial exposure, given the pressures of rising costs.

Reimbursement

Life plan communities that have a Medicare-certified nursing home face the pressure of maintaining adequate reimbursement within an increasingly complicated payment system. The new Patient Driven Payment Model will add to that complexity when it is implemented in fall 2019. This complexity may play a role in whether life plan communities decide to continue operating smaller Medicare-certified SNFs.

Medicare Advantage

A growing number of Medicare beneficiaries are enrolling in Medicare Advantage (MA) plans. Pressure is mounting for life plan communities to contract with one or more of these plans. This is especially true in markets with significant MA penetration and for communities that accept nursing home admissions from outside the campus.

It should be noted that MA plans often have significantly lower reimbursement rates than regular Medicare plans, and that MA plans are exerting increased pressure for shorter lengths of stay. In these cases, an MA contract may not be a financially viable option, especially for a life plan community with a low volume of nursing home admissions.

Under federal law, a Medicare beneficiary who is enrolled in an MA Plan has the right to move from a hospital to the nursing setting in the life plan community where the person resides, even if the plan does not have a contract with that community. However, the life plan community must agree to accept payments that are substantially the same as the payment rate the MA pays to nursing homes with which it contracts.

Referral Sources

Life plan communities admitting nonresidents to their nursing settings must be cognizant of the role that outside referral sources can play in the decision to change the size of nursing settings. For example, be sure to consider these questions:

- How many referral sources are in your market? What is your relationship to these referral sources? Are you a preferred provider? Strong referral relationships are key to the success of a Medicare-certified SNF.
- Is your SNF big enough for your referral sources? Increasingly, acute-care providers are reducing the number of SNFs to which they will refer patients. Often, these providers will only establish referral relationships if the SNF can handle a large volume of referrals. Increasing the size of your SNF may enhance your position as a primary referral partner in your community.

Competition

Before changing the size of your SNF, be sure to assess your competition, especially if you accept nursing home residents from outside your campus. Consider, for example, how many competitors in your market offer SNF or LTC services, assisted living, or home health care.

Next, assess how well you compare with these competitors in regard to the following characteristics:

- Size.
- Tenure in the market.
- Volume of residents.
- Percentage of admissions coming from your primary referral sources.
- Quality measures and 5-star ratings.

Scope of Assisted Living Regulations

The amount of care that can be provided under state assisted living laws and regulations is becoming one of the most important factors in a decision to downsize or close a nursing setting. The increased interest in discharging hospital patients directly to assisted living could play a role in your decision, even though this is not yet a common practice. Several states, including Washington, Oregon, California, and Arizona, allow high levels of care to be provided by assisted living providers in conjunction with support from outside health care providers such as home health or hospice. Under these circumstances, assisted living providers can effectively manage the care of residents who would otherwise be living in a nursing setting, including a nursing setting that is not certified for Medicare.

Decertifying your Medicare SNF, closing your LTC nursing setting, and providing care through assisted living is an increasingly popular option for life plan communities that provide primarily long-term care and don't have a large Medicare-certified nursing care setting.

Other Operational Issues

State Law Requirements

While not common, there may be requirements in applicable laws and regulations related to the provision of nursing services, and these requirements may be included in the legal definition of a life plan community or CCRC. Such requirements may affect any decision you make about the size of your nursing care settings.

In addition, most states have instituted "provider taxes" to raise revenue for increased Medicaid funding. Life plan communities in some states are subject to this tax. If this tax represents a significant dollar amount, it may become a factor in your decision to change the size of your nursing setting.

Age of Physical Plant

Many life plan communities have existed for decades and may have nursing settings that were built many years ago. Some of these nursing settings are becoming functionally obsolete. For example, a number of these settings may still feature semi-private rooms that are not appealing to residents. If this is the case for your organization, consider whether you are in a position to substantially renovate, or tear down and rebuild, your nursing setting or whether it would be better to use your capital in other ways.

Staffing

Finding and retaining qualified staff is a major challenge for providers, including life plan communities with a nursing setting. Consider these questions:

- Is availability of staff a consideration in setting the optimal size of your nursing settings as you look to the future?
- Do you have access to the qualified staff needed to increase the size of your nursing setting?
- Do you have access to the qualified staff needed to grow your nursing setting in the future?
- Will operating at a smaller size, or even closing a nursing setting, align better with the available staff in your area?

Technology

Technology has become a vital tool for assessing, monitoring, and providing care for residents, especially in Medicare-certified nursing settings that admit individuals from outside the life plan community.

For example, referral sources are increasingly asking for metrics on care, lengths of stay, or re-hospitalizations by diagnosis from life plan community nursing settings that admit individuals from outside the campus. Providing all of these metrics requires investments in technology.

In addition, a referral source will sometimes require a life plan community to buy, or pay a fee to use, technology that is compatible with the referral source's system.

Be sure to factor in the capital costs of purchasing and upgrading technology, and the cost of ongoing tech support, as you plan the future of your nursing settings.

Conclusion

After careful review of the factors explored in this brief, some life plan communities with strong LTC and SNF programs will opt to continue operating these settings in order to maintain their market position. Others may decide that they want to reduce the size of their SNF and LTC units, or even close them and meet the needs of residents in other ways.

There is no right decision for every life plan community, and no magic formula for the "right size" of your nursing settings. Each life plan community must decide what is best, based on the preferences of current and prospective residents, its payment and reimbursement pressures, and its current operations.