Medicare Utilization / Specialty Care Services
Implications for Long Term Care Reform
9/23/2009

Ninigret | Partners

The professional experience of NP's consultants in health care and life sciences extends across the spectrum of the industry

Sample client set

Pharma/Biotech/Devices

- Abbott Labs
- Baxter
- Astra Zeneca
- Nephros Therapeutics
- Stryker
- Corning Life Sciences
- Biotroniks
- Ohmx
- Sterling OIS (now Agfa)
- Jabil Circuits

MCOs/Care Management

- BCBS TN
- BCBS Michigan
- AmeriGroup
- Pharmacare
- Value Options
- Trustmark
- Aetna
- MCARE

Providers

- Rehabilitation Institute of Chicago
- Children's Hospital Boston
- Exempla Health System, Denver
- LifeSpan RI
- Central Connecticut Health Alliance
- Meridian Healthcare, NJ
- Hartford Healthcare
- PSU Hershey Campus
- Thresholds Psychiatric Rehabilitation
- Women and Infants
- Joseph Richey Hospice

Additional

- NDC Health
- Office of Health and Human Services, RI
- American Cancer Society NHO
- UICC – International Union against Cancer
- Pt Judith Capital
- Parsons Engineering
- JP Morgan Capital (now CCMP)
- Brown University School of Medicine
- University of Rhode Island

… Encompassing technologies, applications, disease states, with substantial international experience (continued)

Healthcare & Life Science Industry Sub segments

Products & Technologies

- Surgical navigation
- Remote cardiac monitoring
- Cell lines
- Ophthalmology products
- Immuno-suppressives
- Digital imaging
- Bioinformatics
- Contract bio-manufacturing
- Hospital multi-source drugs
- Diabetes home testing
- Med-surge products
- Health consumer media
- Healthcare IT

Services & Disease States

- Neurodegenerative disease
- Molecular medicine
- Transplant services
- Renal care
- Rehab services
- Oncology services
- Neurological services
- Stroke
- Women's health
- Pediatric services
- Catastrophic care networks
- Behavioral health
- Chronic disease management
- Public health services
- Primary care

Payment and Utilization

- Part D Planning
- HSA/Consumer directed
- Medicaid reform
- Corporate wellness services
- Behavioral health management
- Employee assistance programs
- Multi-tier co-pay structures
- HMO/PPO Branding
- Utilization management
- Disease management
- Payment bundling

Two Information Pieces to Support Real Choices

- Medicare utilization of long term care services
- Financing specialty long term care services

Findings

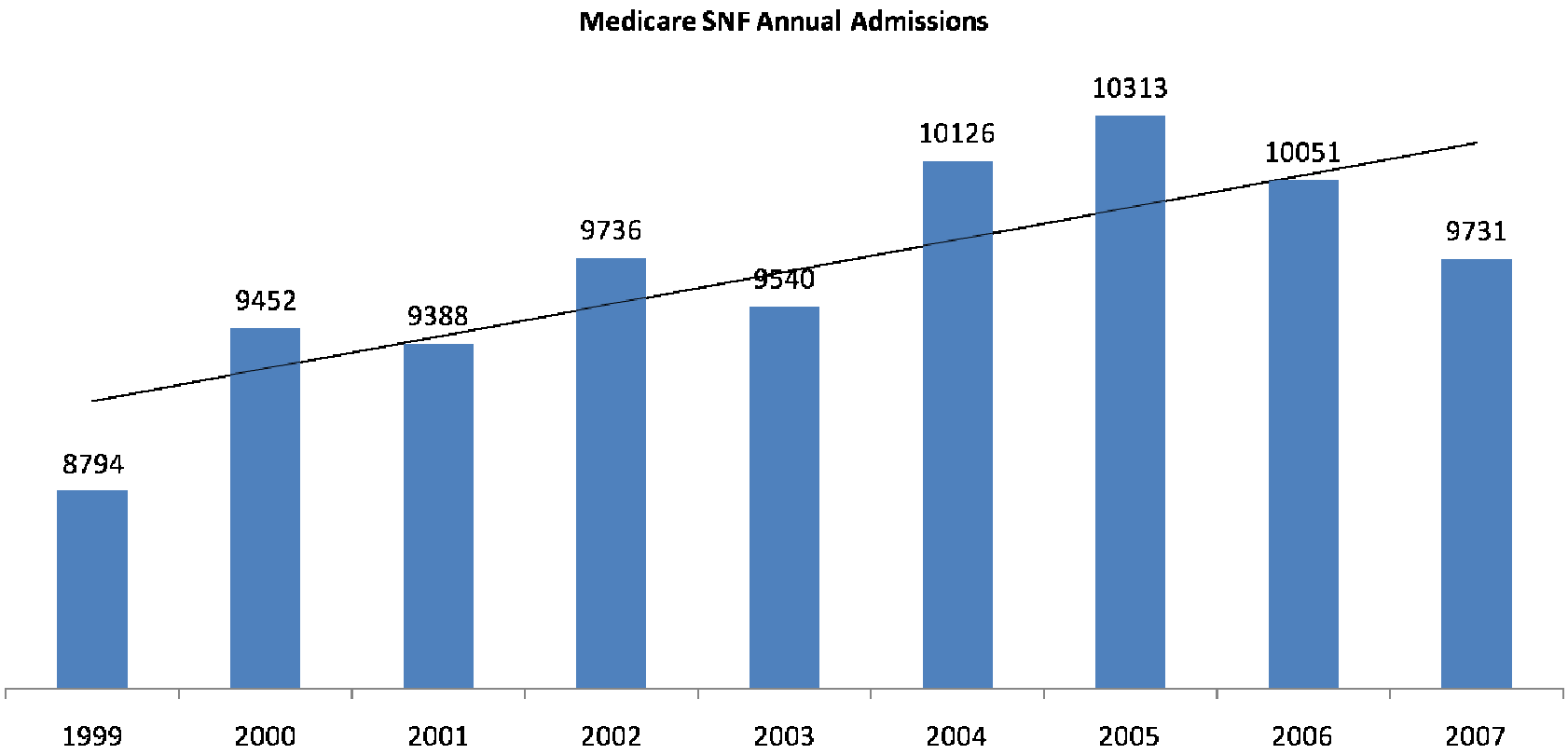
General observations

- Medicare utilizes an important component of long term care capacity in its dual role in providing post acute health services
- Rhode Island has a history of using innovative approaches such as access to capital, waivers and other mechanisms to develop capacity in the mental health and MR/DD capacity to support deinstitutionalization – lessons learned from those programs should be applied to developing specialty care services
- However, for specialty healthcare needs outside of the MH/MRDD populations the lack of integrated health planning across the acute / post acute / long term care sectors has created real capacity challenges for medically fragile populations
- A combination of reimbursement reform, conversion incentives and capital access programs are required to rebalance the state's long term care system for the most expensive medically fragile populations
- Additionally policies such as Perry Sullivan or the Housing Development bonds are "best practices" what is not clear is how those best practices at a policy level are actively implemented in ways that meet the policy objectives

Medicare Utilization of Long Term Care Capacity

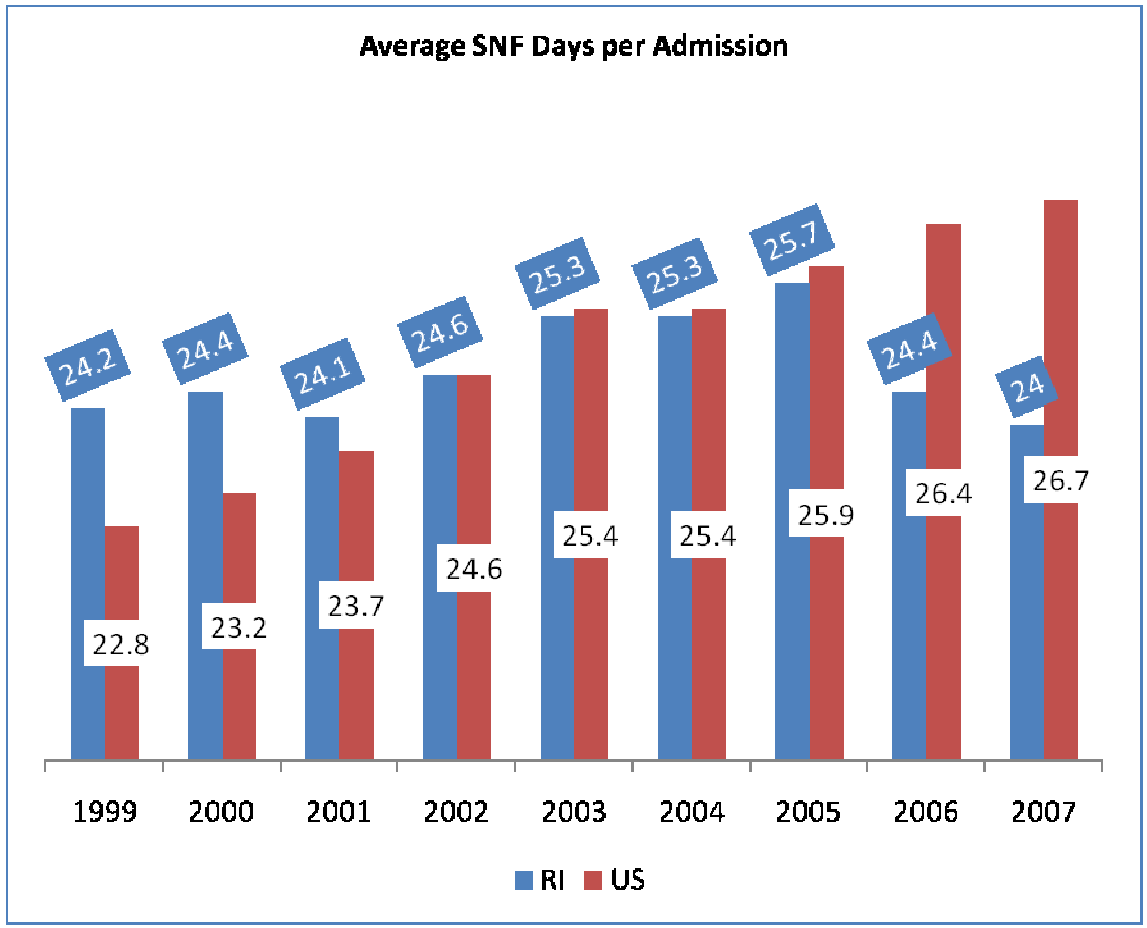
Medicare use of SNF is trending higher

- ❑ SNF use is up 11% since 1999
- ❑ From the peak in 2005 SNF use would be up by 17%
- ❑ Medicare enrollment by contrast has only grown 2% (see page 12)



Source: Medicare Statistical Supplements various years; NP calculations

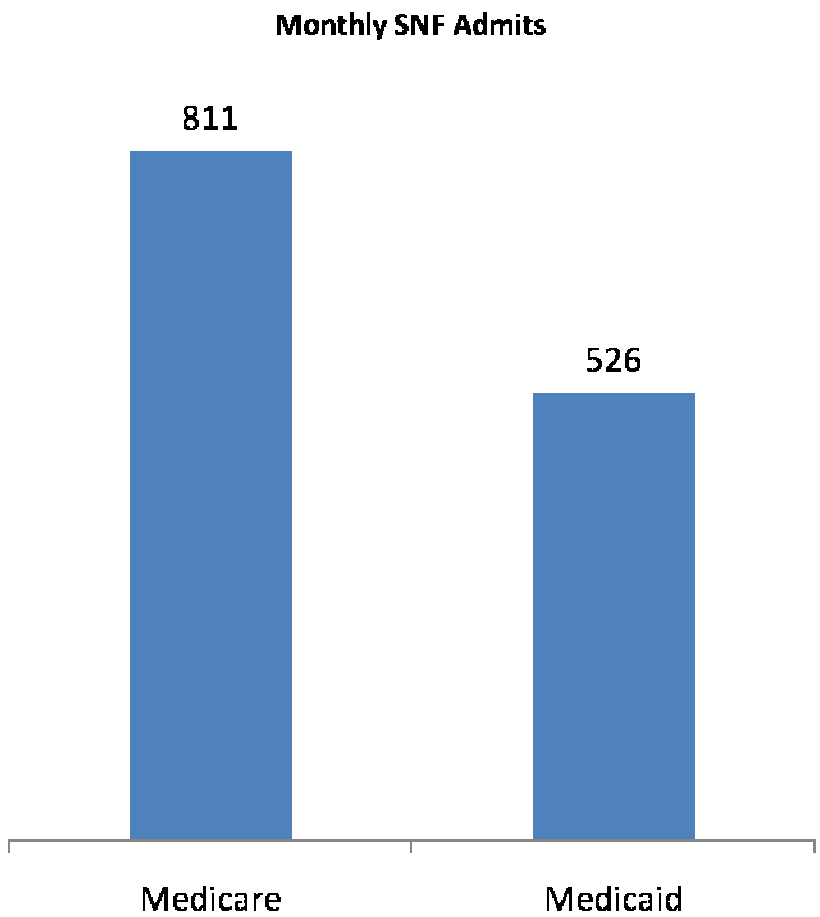
RI Medicare SNF average days has stayed within a range around 24 days whereas nationally average days have been steadily increasing



Source: Medicare Statistical Supplements various years; NP calculations

Key comments and issues for consideration regarding SNFs

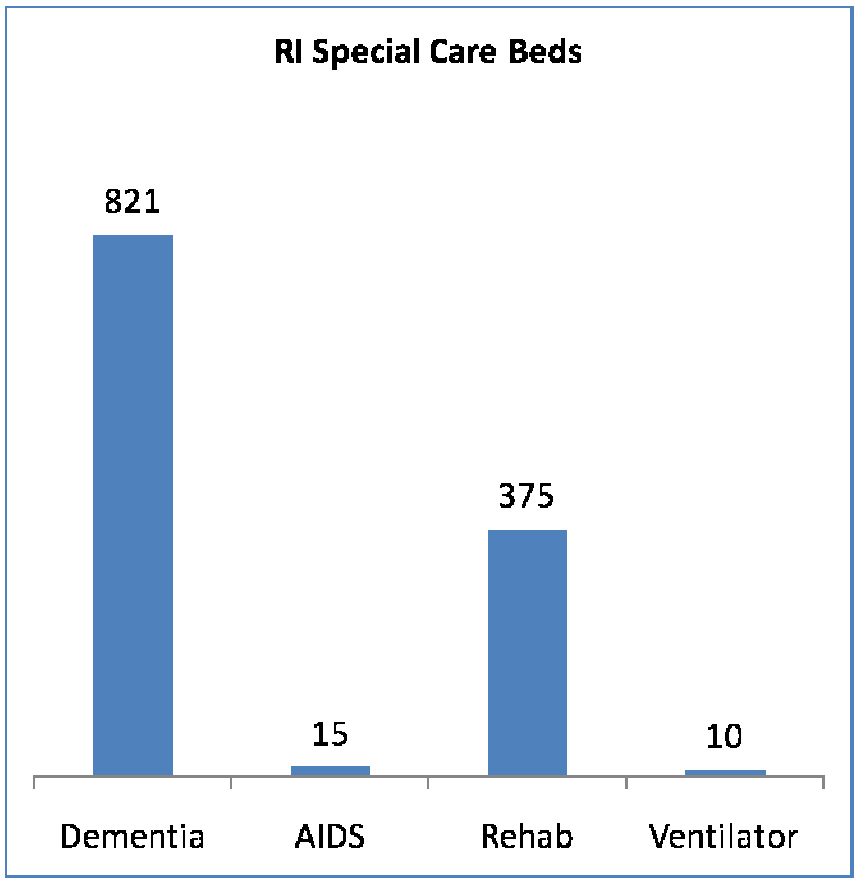
- RI has higher utilization rates than the nation so it is unlikely that there will be an increase in utilization by Medicare
- Increases are the result of the increase in the Medicare eligible population – depending on the forecast between 11% and 13% in the next 5 years

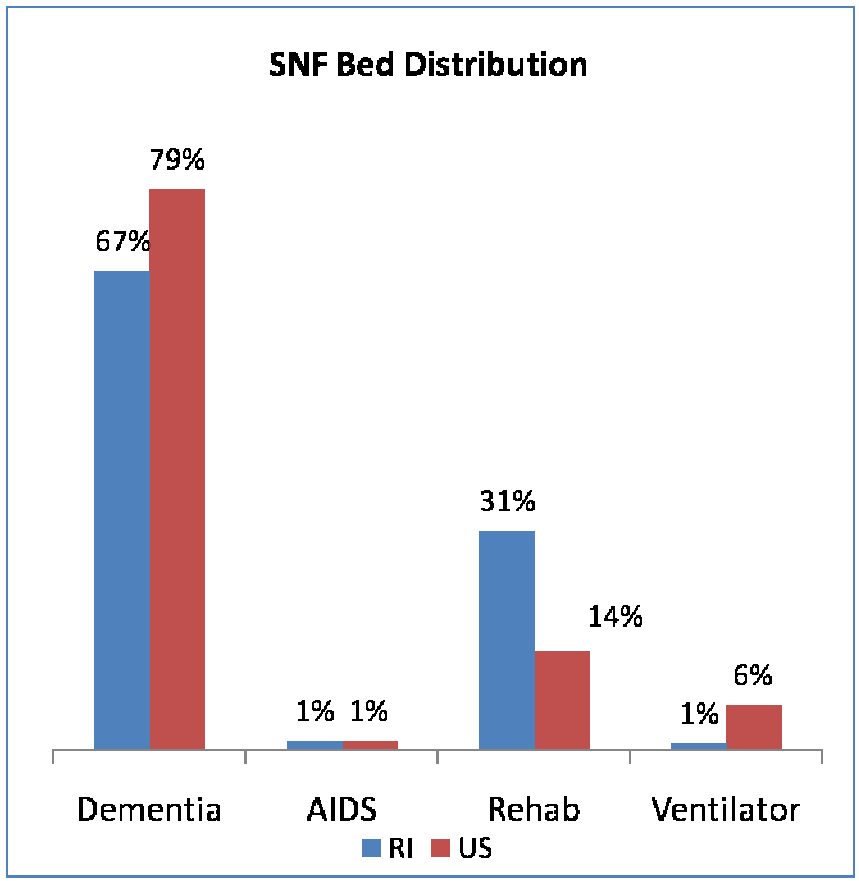


Source: Medicare Statistical Supplements various years; NP calculations

Rhode Island may be under-resourced in some key special care beds

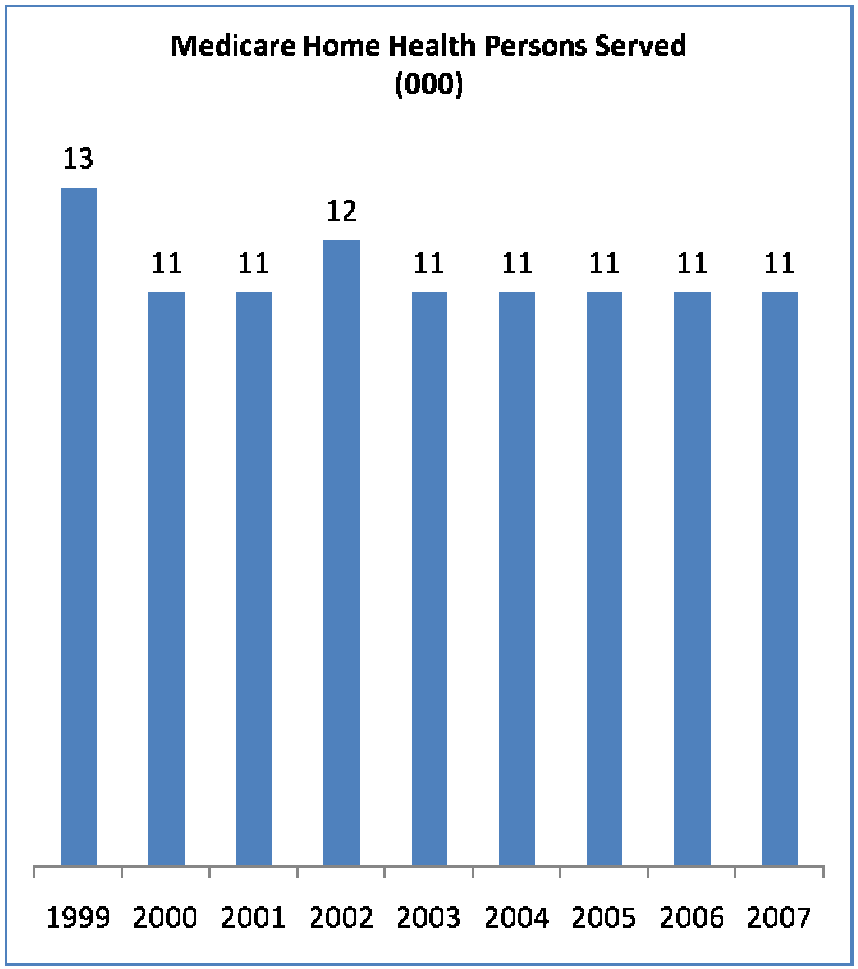
- ❑ Medicaid reimbursement policy may be a factor
- ❑ It should be noted that annually approximately 470 Medicare patients require special care beds due to their clinical complexity – at a given moment in time 40% of the state's special care bed capacity

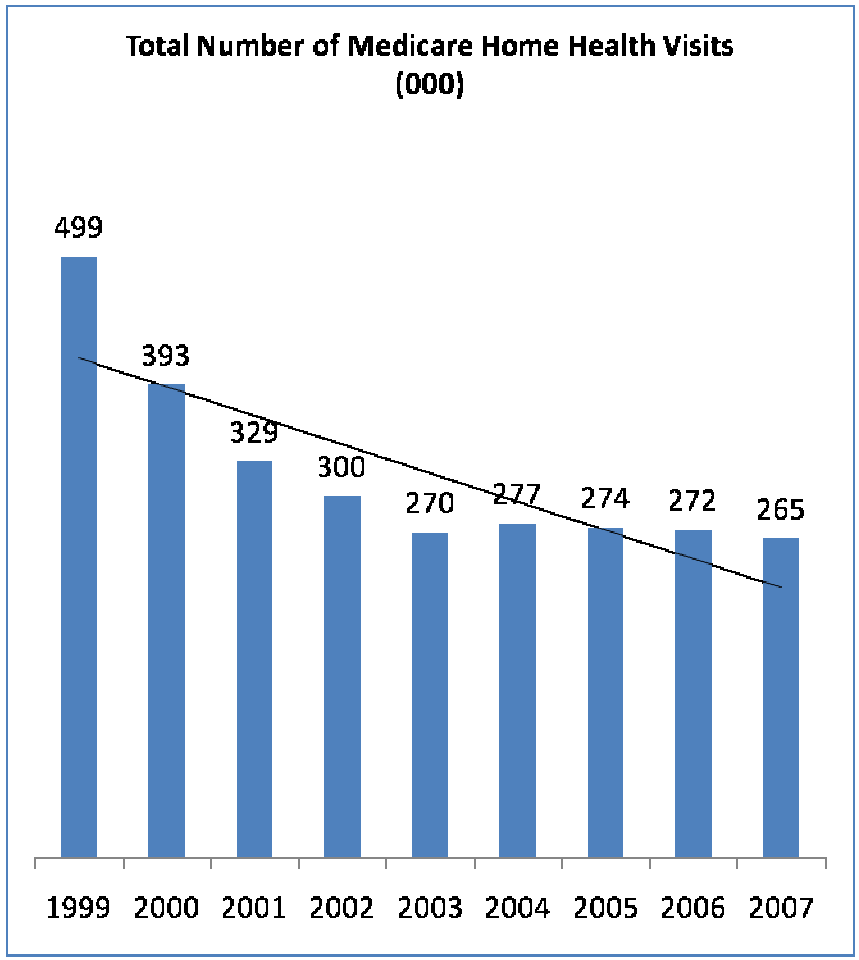




Source: PAS Center; Medicare Nursing Home data,

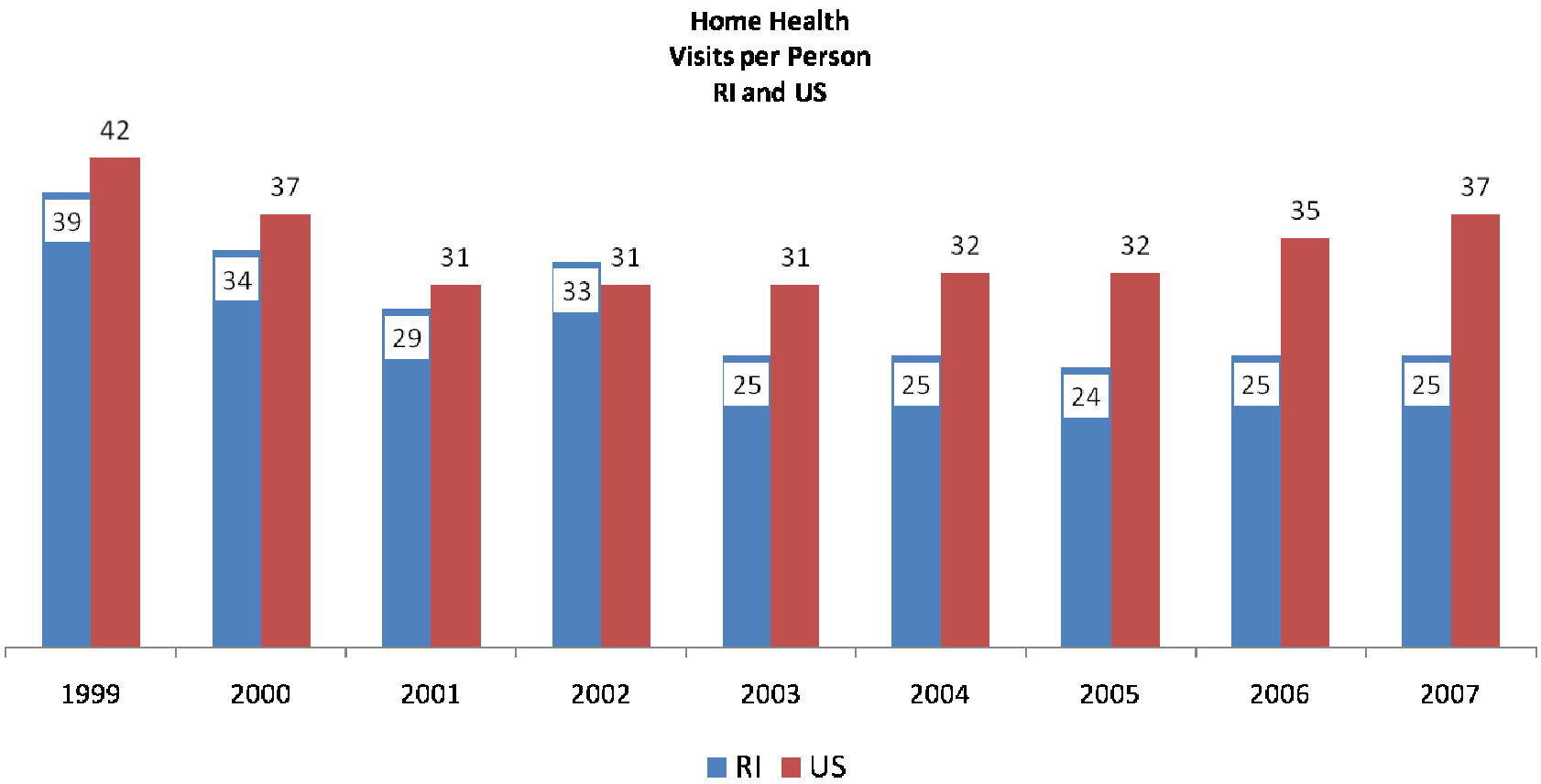
Medicare home health utilization is essentially flat since 2002 (cont)





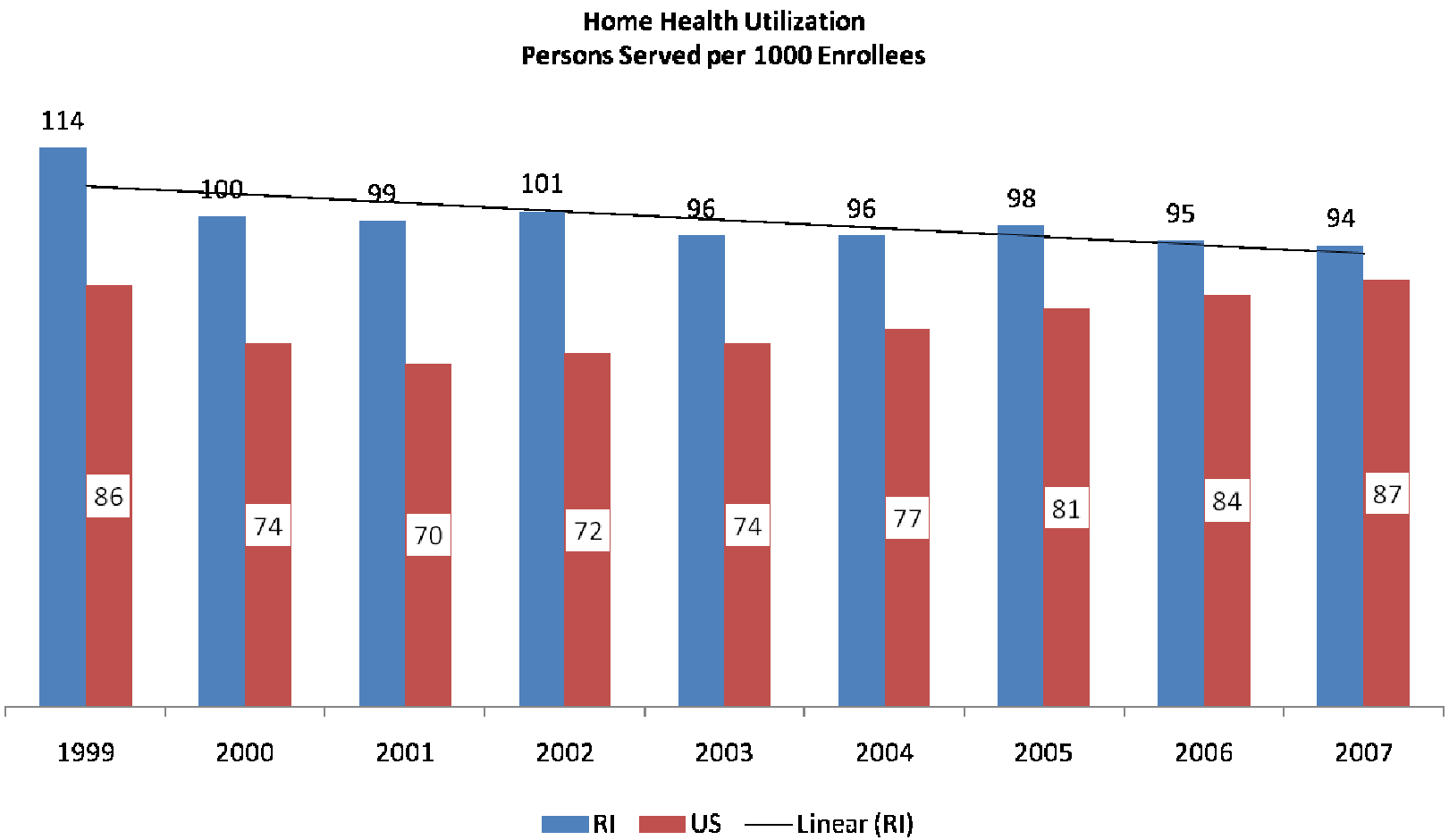
Source: Medicare Statistical Supplements various years; NP calculations

Medicare home health utilization is essentially flat since 2002 (cont)



Source: Medicare Statistical Supplements various years; NP calculations

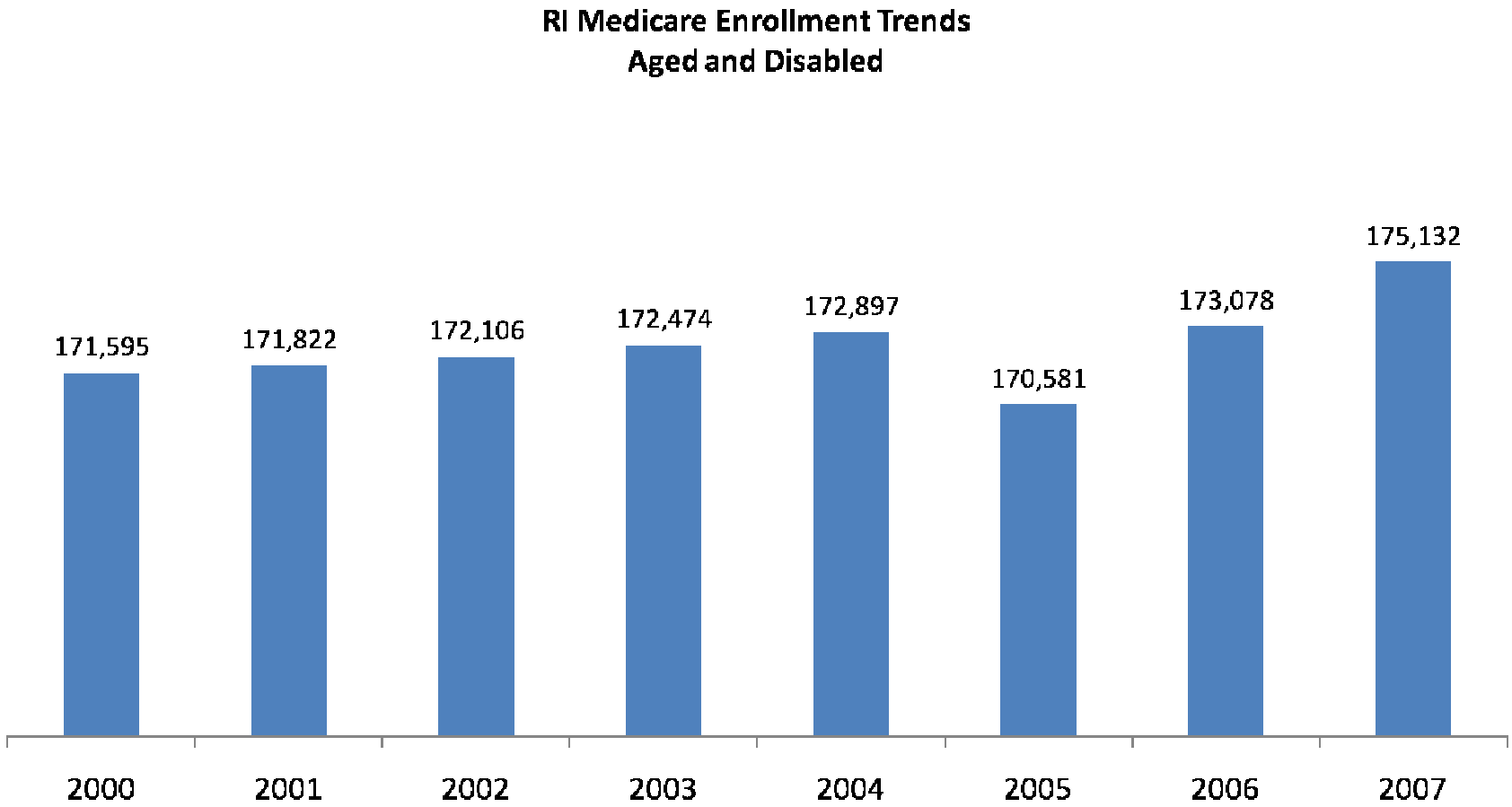
Medicare home health utilization in RI has had a continual downward trend since its peak in 1999



Source: Medicare Statistical Supplements various years; NP calculations

Medicare Enrollment Trends

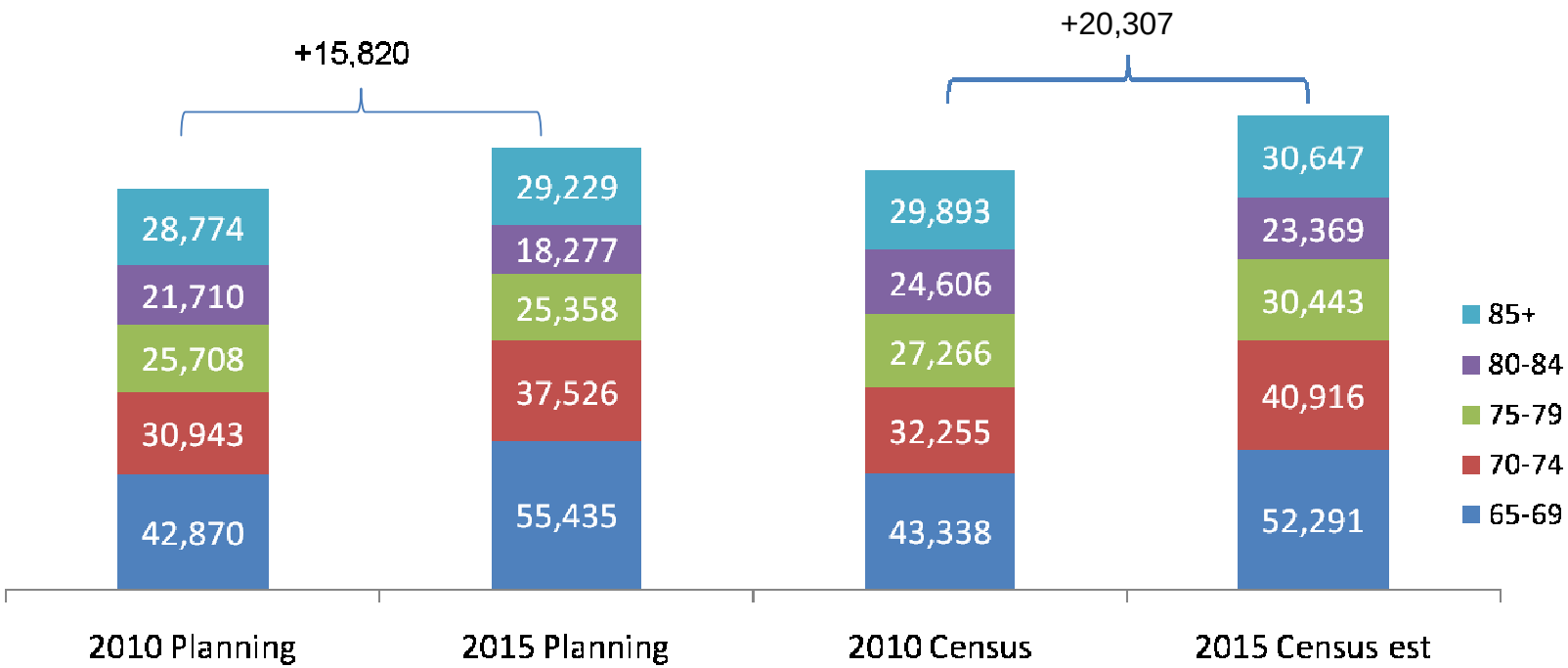
Medicare enrollment has grown by 2%



Source: Medicare Statistical Supplements various years; NP calculations

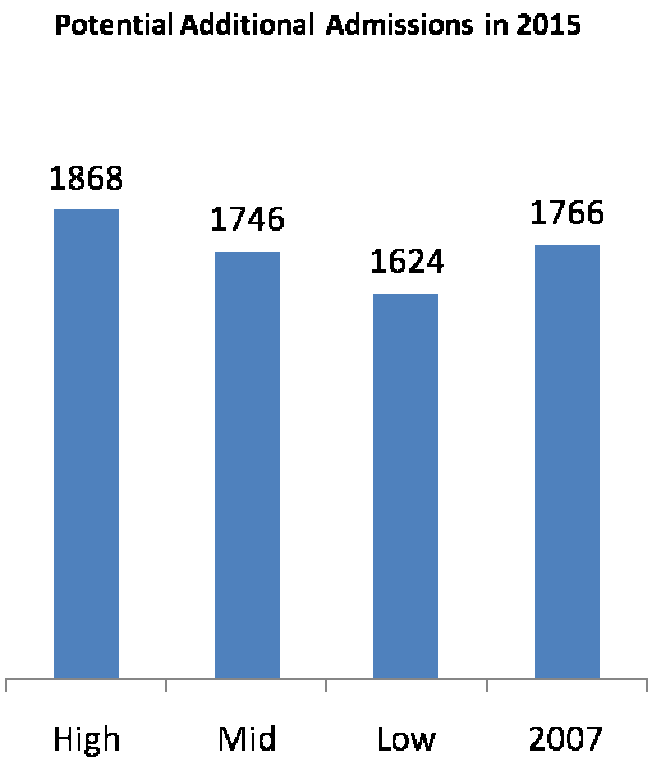
Population forecasts – Medicare eligible by age to 2015

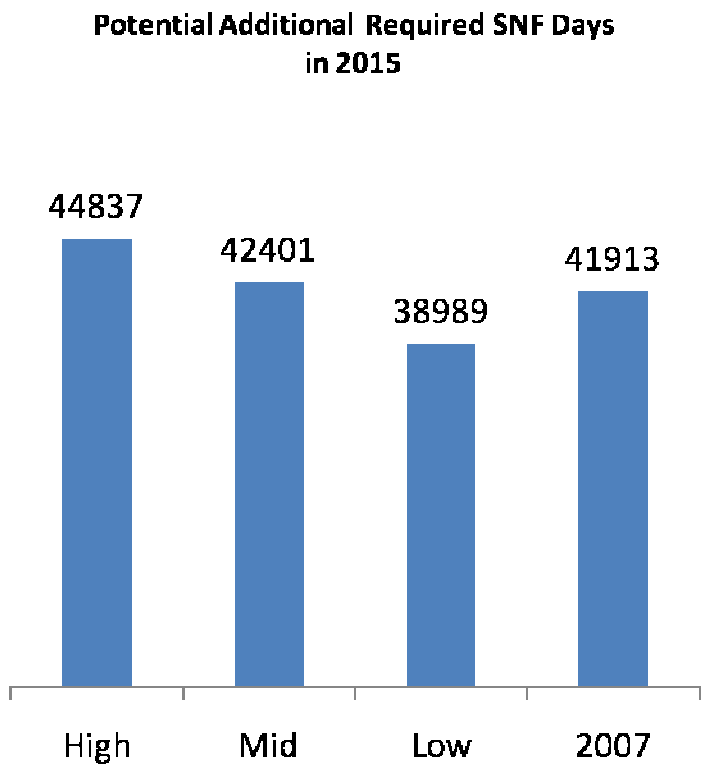
- Note: this excludes Medicare eligibles due to an SSI determination
  - SSI represents approximately 30,000 people in the Medicare program in RI
- RI Division of Planning forecast projects an increase of 15,820 in the age cohort 65 +
- Census Bureau forecasts projects 20,307 in this same cohort



Potential demand implications for Medicare SNF

- SSI is excluded because the annual additions vary between 1000 to 2000 additions per year and is not material to the forecast
- Forecast is based on 2007 and high/low /midpoint utilization rates





Source: Medicare Statistical Supplements various years; NP calculations

Potential demand implications for Medicare home health services

- Unless there is a dramatic shift in reimbursement policy and staff availability there is little reason to believe that actual home health utilization by Medicare will increase
- A key implication for the Medicaid program is going to be the reimbursement approach and level sufficient to support the development of additional capacity
  - And whether that capacity gets shifted to serve Medicare to meet a potential unmet demand of about 2000 more patients and approximately 47000 more visits

Capacity creation and conversion

Summary of approaches for specialty care programs

Approach	Discussion
Medicaid Waivers	▪ 27 states use waiver authority for TBI/SCI populations ▪ 4 states have ventilator dependent specific waivers ▪ Florida has an alzheimers' specific waiver ▪ Given the global waiver no additional information is provided
"Trust Funds"	▪ 9 states have TBI/SCI trust funds to provide supplementary support and care coordination services ▪ 12 states have TBI only trust fund programs ▪ Examples follow
Capital Pools	▪ 9 states have targeted capital pools at developing supportive housing (RI is one of those states) ▪ Several states have capital pools to finance nursing home conversion ▪ Examples follow on nursing home conversion
Reimbursement Mechanisms	▪ Typically done through case mix adjustments ▪ ACS should provide additional detail

Nursing home conversion program models

- Nursing home bed conversion programs fall into four broad categories
- Specifics vary widely by state

Approach	Discussion	Considerations
Voluntary Rightsizing Programs	▪ LTC providers provide proposals for voluntary rightsizing ▪ Typically beneficial rate adjustments occur for nursing homes that permanently delicense beds on a voluntary basis ▪ Typically a bed conversion program is also tied to voluntary closure but these are not necessarily intertwined programs ▪ NOTE: Minnesota substantially changed its initial program because of the slow speed of participation and closure	▪ Incentives to get participation ▪ Screening and evaluation criteria are critical to managing "unintended consequences" of voluntary adjustments to capacity ▪ Basis for the "rightsizing" fee ▪ Ensuring that beds that are closed or converted are "Medicaid" beds to ensure CMS participation ▪ How to handle a complete facility conversion where CMS participation may be limited ▪ Nebraska and Iowa self funded their programs ▪ Single bed creation
Bed Layaway Programs	▪ Beds can be temporarily mothballed without being delicensed ▪ An adjustment payment is made to reflect this change in status ▪ Limits are placed on the duration a bed can be brought back into service from layaway	▪ Arguably RI has this approach in place on a *de facto* basis ▪ It is unclear whether RI has any deliberate policy on "bed layaway" and how beds can be brought back into service

Nursing home conversion program models (continued)

- Nursing home bed conversion programs fall into four categories

Approach	Discussion	Considerations
Capital Access Programs	▪ Below low interest or below market rate loans to facilities who permanently reduce beds in their facilities or convert to less restrictive settings ▪ Generally tied to increases in HCBS LTC capacity ▪ Can be used for conversion to assisted living – sometimes conversion is at a less than 1 to 1 bed ratio	▪ RI Housing and/or RIHEBC will need to be involved ▪ Capital market situation may require state capitalization or some form of guarantee for the debt ▪ For facilities not within CDBG entitlement communities coordination with the state CDBG program may be warranted
Realignment Commissions	▪ Modeled after federal Base Realignment And Closure (BRAC) process ▪ Number of beds that need to be realigned are determined by statewide commission ▪ Permanent closure or conversion proposals are provided the Commission ▪ Grant programs provide rightsizing funds	▪ NY utilized this approach which also included hospital facilities ▪ "Depoliticizes" facility changes

Key to any program is how the money can be used

Example: HEAL NY Rightsizing Demonstration

- Acquisition, construction, reconstruction, equipment and information technology necessary
  - for the conversion of challenged, but needed facilities to levels of care consistent with community needs
  - to consolidate nursing homes, completely or partially as a result of a merger or affiliation with another nearby facility to avoid unnecessary and inefficient duplication of services
  - To allow nursing homes with excess capacity to permanently decertify unneeded beds and, where appropriate, convert vacant space for use as enhanced common living areas and services for the remaining residents, or to alternative levels of long term care, such as assisted living or adult day health care programs
- Costs necessary to support functions and activities that will enable applicants to orderly and systematically implement a closure or downsizing plan to either decommission or downsize nursing home buildings to take beds out of service in particular areas. The objective of such projects should be to remove operational and closing cost expense barriers, which may impede efforts to downsize

Awards for HEAL NY Phase 8: Residential Health Care Facility (RHCF) Rightsizing Demonstration Program

Applicant Name	Award Amount	Project Name
Central		
Presbyterian Home for Central New York, Inc.	$1,700,000	This project will modernize and reduce capacity at the unique Parkinson program which will result in a less restrictive environment.
Folts Homes Inc.	$900,000	This project will help Folts home and the Mohawk Valley nursing home join in a shared service program that will result in the conversion of 8 nursing home beds to adult day health care slots.
Central Region Awards Total	$2,600,000	
Hudson Valley		
Schnurmacher Center for Rehabilitation and Nursing	$2,000,000	This project will reduce 25 beds and provide for more efficient and quality care at the facility.
Hudson Valley Region Awards Total	$2,000,000	
Long Island		
Good Samaritan Nursing Home (Lead Applicant) Our Lady of Consolation Geriatric Care Center, St. Catherine of Siena Nursing Home	$3,200,000	This project will reduce 100 beds in Suffolk county and help the system collaborate on various rightsizing options including additional hospice residential capacity.
A. Holly Patterson Extended Care Facility	$5,000,000	This project will reduce capacity in Nassau county by over 260 beds.
Long Island Region Awards Total	$8,200,000	

Other Potential Vehicles not Typically Used in RI

Other potential sources of capital for specialized long term care physical infrastructure

New Market Tax Credits

- New market tax credits were created in 2000 to provide capital to businesses or real estate development projects in qualified distressed neighborhoods and communities
- The enterprise must reside in a qualifying impoverished census tract with permissible zoning parameters
- Recipients of financing through a NMTC must be a qualified active low-income community business defined as follows:
  - a qualified active low-income community business is any corporation (including a nonprofit corporation) or partnership if for such year, among other requirements, (i) at least 50 percent of the total gross income of the entity is derived from the active conduct of a qualified business within any low-income community, (ii) a substantial portion of the use of the tangible property of the entity (whether owned or leased) is within any low-income community, and (iii) a substantial portion of the services performed for the entity by its employees are performed in any low-income community.
- The target population is defined as follows:
  - the term low-income means having an income, adjusted for family size, of not more than (A) for metropolitan areas, 80 percent of the area median family income; and (B) for non-metropolitan areas, the greater of (i) 80 percent of the area median family income; or (ii) 80 percent of the statewide nonmetropolitan area

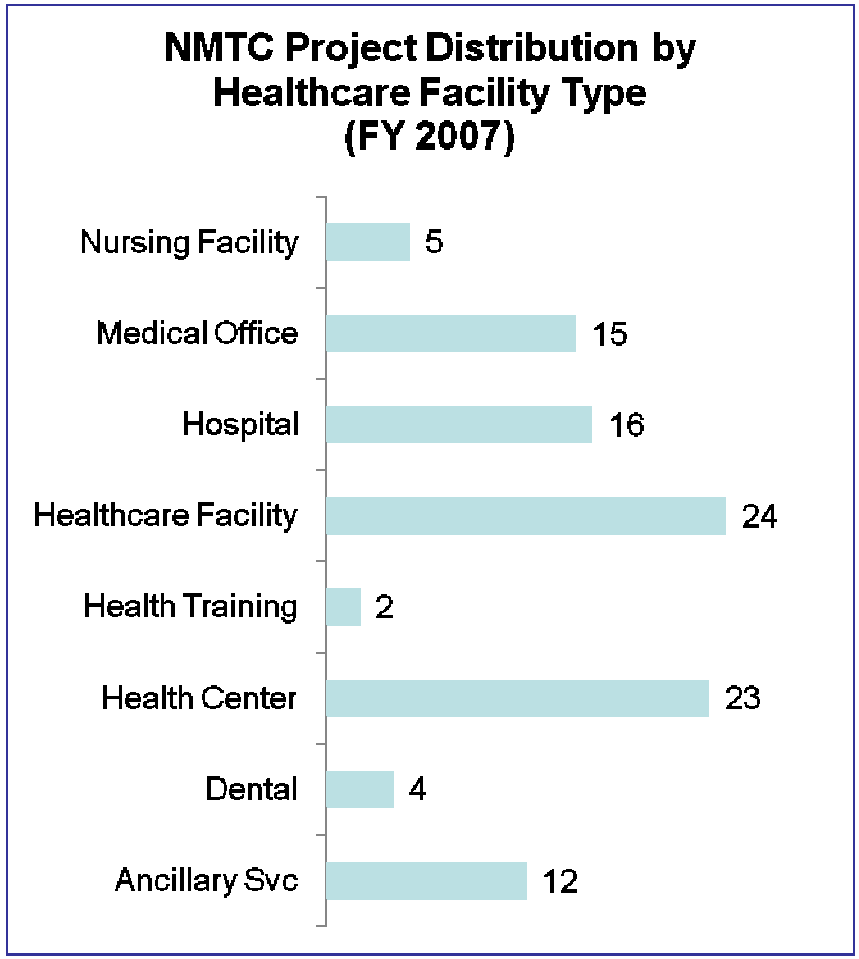
Community Development Block Grants

- Across the country CBDG funds are used to support a wide variety of community development initiatives including housing and program support
- For housing projects CDBG can serve an important component in providing project “equity” to improve the debt ratios of housing developments

FY 2007 NMTC National Project Funding for Healthcare Facilities

- 1981 projects received approximately $9 billion in credits representing 29% of total project costs (approximately $31 billion)
- 101 Healthcare facilities received approximately 5% of the national total of credits (see chart for breakdown by type)

Note: Depending on structure credits are not necessarily equivalent to financing made available



Source: US Treasury Department Statistics; NP analysis of individual projects

Example of use of NMTC in financing innovative LTC facilities

An architectural rendering of the Leonard Florence Center for Living, to be built in Chelsea, Mass. (DiMella Shaffer Associates)

- 100 unit “green house” – first NH CON issued in Massachusetts in 10 years
- 20 beds are allocated to highly specialized patient groups
  - One set of 10 units is the first and only in existence in the US facility dedicated to permanent residence for ALS patients
  - Another 10 units will be dedicated to MS patients
  - These units have built-in assistive devices and sensor technology to support independent living and mobility within the complex
- Revenue mix anticipated to be 50% Medicaid
- $29 million in new market tax credits allocated to project
- NCB Capital lead financing entity – lead developer in Green House Rapid Replication program of RWJ Foundation
- Tax credit financing in part provided by MASS Housing Investment – a CDE subsidiary of the MASS equivalent to RI Housing
  - There is no CDE specific to RI
  - RI is served by several national CDE

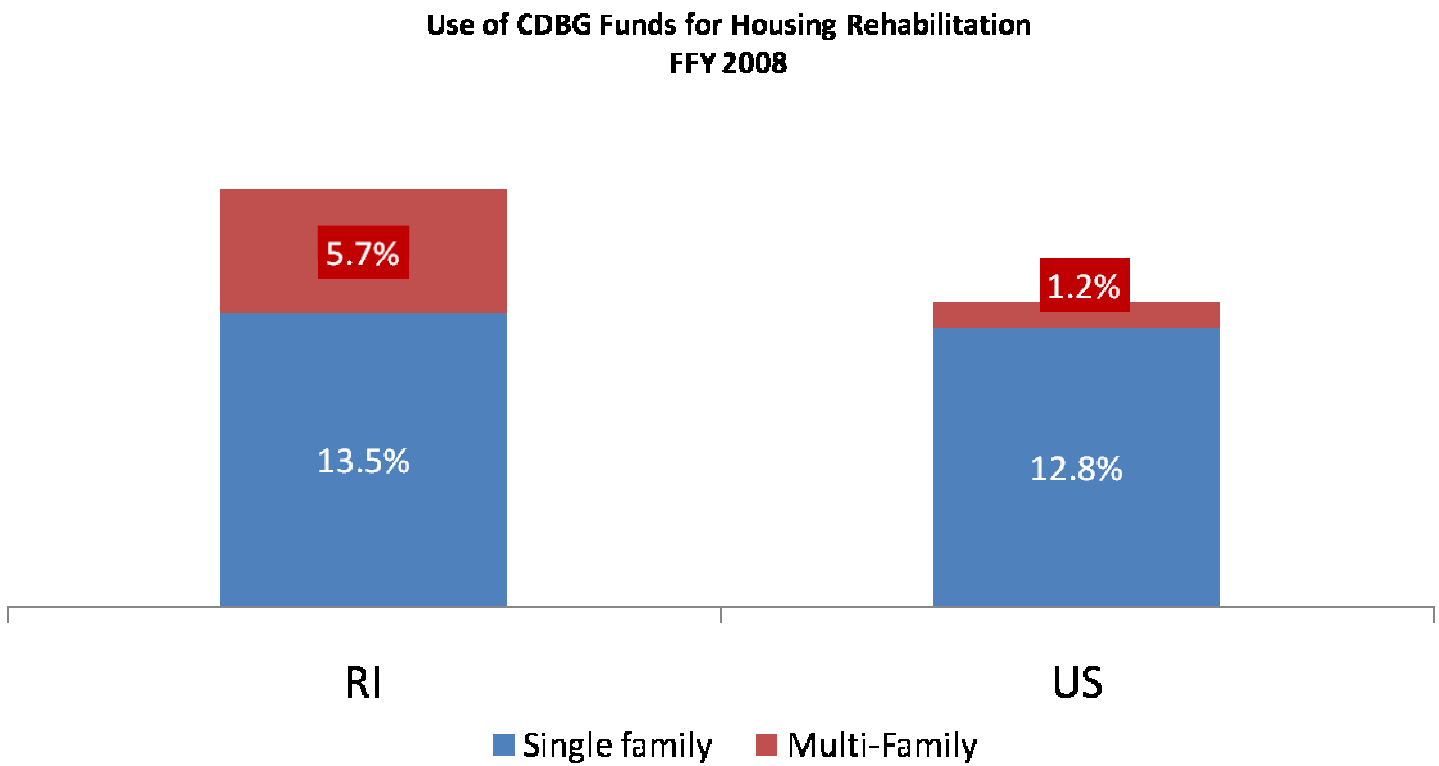
RI NMTC FY 2007 Utilization

Project	Location	Funder	NMTC	Total Project	% NMTC of Total
COMMERCIAL REAL ESTATE: MIXED USE	PROVIDENCE	Citibank NMTC Corporation	$ 20,408,163	$ 152,548,647	13%
General Law Partnership	PAWTUCKET	Rockland Trust Community Development Corporat	$ 255,000	$ 255,000	100%
Laundromat	PROVIDENCE	Rockland Trust Community Development LLC	$ 345,000	$ 345,000	100%
Lessor Non Residential Buildings	WOONSOCKET	Rockland Trust Community Development Corporat	$ 189,000	$ 1,009,000	19%
Lessor of Community Facility	WOONSOCKET	Local Initiatives Support Corporation	$ 4,127,760	$ 5,836,765	71%
Lessor of Non Residential Property	PROVIDENCE	Rockland Trust Community Development Corporat	$ 9,000,000	$ 20,444,000	44%
Lessor of Non Residential Property	WOONSOCKET	Rockland Trust Community Development Corporat	$ 925,000	$ 1,135,000	81%
Lessor of Non Residential Real Estate	PROVIDENCE	Rockland Trust Community Development Corporat	$ 7,090,000	$ 12,520,000	57%
Lessor of nonresidential building	WEST WARWICK	Rockland Trust Community Development Corporat	$ 5,000,000	$ 12,173,000	41%
Lessor of Office and Retail Space	PROVIDENCE	Local Initiatives Support Corporation	$ 13,823,127	$ 69,157,768	20%
Lessor of Retail, Residential and Live/Work Sp	PROVIDENCE	Local Initiatives Support Corporation	$ 9,072,500	$ 19,989,600	45%
Lessors of Nonresidential Buildings	PROVIDENCE	National Trust Community Investment Corporation	$ 7,218,137	.	
Lessors of Nonresidential Buildings	PROVIDENCE	Banc of America CDE, LLC	$ 13,568,059	$ 58,000,000	23%
Lessors of Nonresidential Buildings	PROVIDENCE	Banc of America CDE, LLC	$ 6,517,662	$ 14,805,376	44%
Lessors of Nonresidential Buildings	PROVIDENCE	Banc of America CDE, LLC	$ 4,253,000	$ 7,407,756	57%
Metal Wholesaler	PROVIDENCE	Rockland Trust Community Development Corporat	$ 1,000,000	$ 1,255,000	80%
Mixed Use Adaptive Reuse of Historic Mill	PROVIDENCE	Consortium America, LLC	$ 27,500,000	$ 63,000,000	44%
Mixed Use Adaptive Reuse of Historic Mill	PROVIDENCE	Consortium America, LLC	$ 7,000,000	$ 63,000,000	11%
Mixed-use real estate	PROVIDENCE	Chevron NMTC Fund LLC	$ 2,787,734	$ 20,371,375	14%
OFFICE	PROVIDENCE	Wachovia Community Development Enterprises, L	$ 5,270,000	$ 11,295,005	47%
Real Estate	PROVIDENCE	Consortium America, LLC	$ 15,360,000	$ 69,157,756	22%
Real Estate	WEST WARWICK	Consortium America, LLC	$ 2,632,707	$ 12,700,000	21%
Real Estate	PROVIDENCE	Rockland Trust Community Development LLC	$ 2,336,000	$ 3,146,000	74%
Real Estate	PAWTUCKET	Rockland Trust Community Development LLC	$ 350,000	$ 650,000	54%
Real Estate	PROVIDENCE	Rockland Trust Community Development LLC	$ 440,000	$ 600,000	73%
Real Estate Construction and Development	PAWTUCKET	Rockland Trust Community Development Corporat	$ 1,000,000	$ 10,135,000	10%
Real Estate HoldingCommercial	PAWTUCKET	Rockland Trust Community Development Corporat	$ 450,000	$ 450,000	100%
Real Estate Rental	PROVIDENCE	Consortium America, LLC	$ 2,681,495	$ 5,969,677	45%
Retail and Office	PROVIDENCE	usbcde, llc	$ 12,020,000	$ 27,380,000	44%
Retail Shopping Center	WOONSOCKET	National New Markets Tax Credit Fund, Inc	$ 3,250,000	.	
Total			$ 185,870,344	$ 664,736,725	28%

Source: US Treasury CDFI database

RI and key entitlement communities used approximately $2.9 million or about 19% of their CDBG funds toward housing

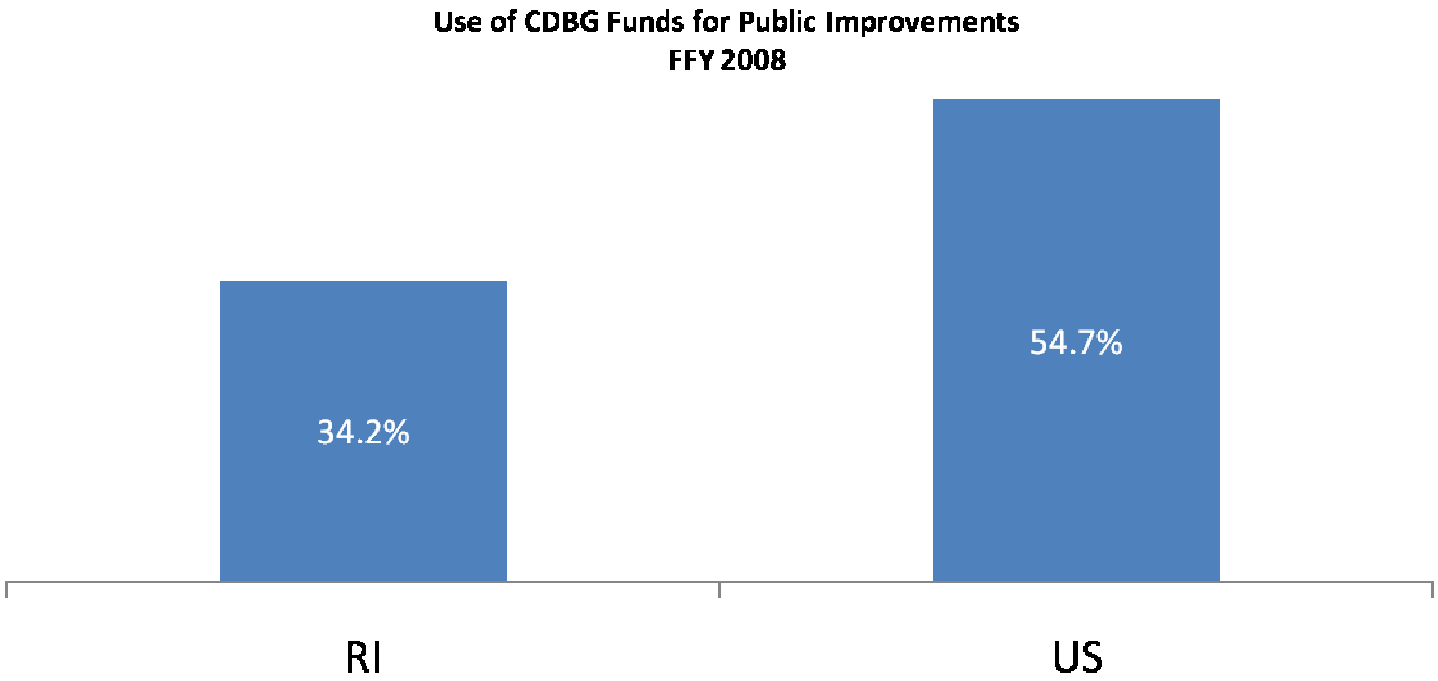
- RI includes balance of state plus Providence and Pawtucket which represents bulk of entitlement communities with total annual CDBG resources of approximately $15.5 million
- It should be noted that neither Providence nor Pawtucket utilized CDBG funds for housing rehab



Source: NP analysis of CDBG fund use by matrix code

RI and key entitlement communities used approximately $5.3 million or about 34% of their CDBG funds toward public improvements

- Public improvement category spending can be used on public facilities such as homeless shelters, health care services, disabled and handicapped populations
- It cannot be used for operating expenses
- Achieving the national level of allocation would provide an extra $3.07 million in funding
- EOHHS would need to enter into cooperative agreements with the entitlement communities and coordinate with the Governor's office for the state controlled portions



Source: NP analysis of CDBG fund use by matrix code

Moving Forward

Integrated conceptual strategy framework for a RI rightsizing program to assist in rebalancing the system