

CareForum 2022

The WellSky® Conference

The Transformation of Post-Acute Care in America

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Today's speakers



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Why we did the study

- The big questions . . .
 - How have the converging events of the last two years changed healthcare service delivery?
 - Has the PHE permanently altered our traditional view of the continuum of care?
 - As demand for post-acute services escalates, how will proposed reimbursement reductions affect access to care?
 - How will the continuing labor shortages impact care delivery in the future and can technology be used to fill some of the gap?



Healthcare providers are certainly in the midst of fundamental change right now. The looming question is how much of the paradigm shift imposed by COVID-19 will become our permanent “new normal.”

A convergence of significant events

- The industry was in the midst of change even before 2020
 - Bundling and other initiatives designed to save dollars
 - Baby boomers – expansion of trailing edge beneficiaries
 - New post-acute reimbursement structures
- The pandemic accelerated many of the changes already underway and introduced others
 - Growing shift from institutional care to care at home
 - New programs and care initiatives – i.e. hospital at home
- McKinsey & Company estimate that a quarter of all Medicare expenditures could be for services at home – within 3 years



Since the beginning of the PHE, we have seen mounting evidence that the continuum is shifting away from institutional care toward less expensive home-based alternatives.

The data leads to 5 important conclusions

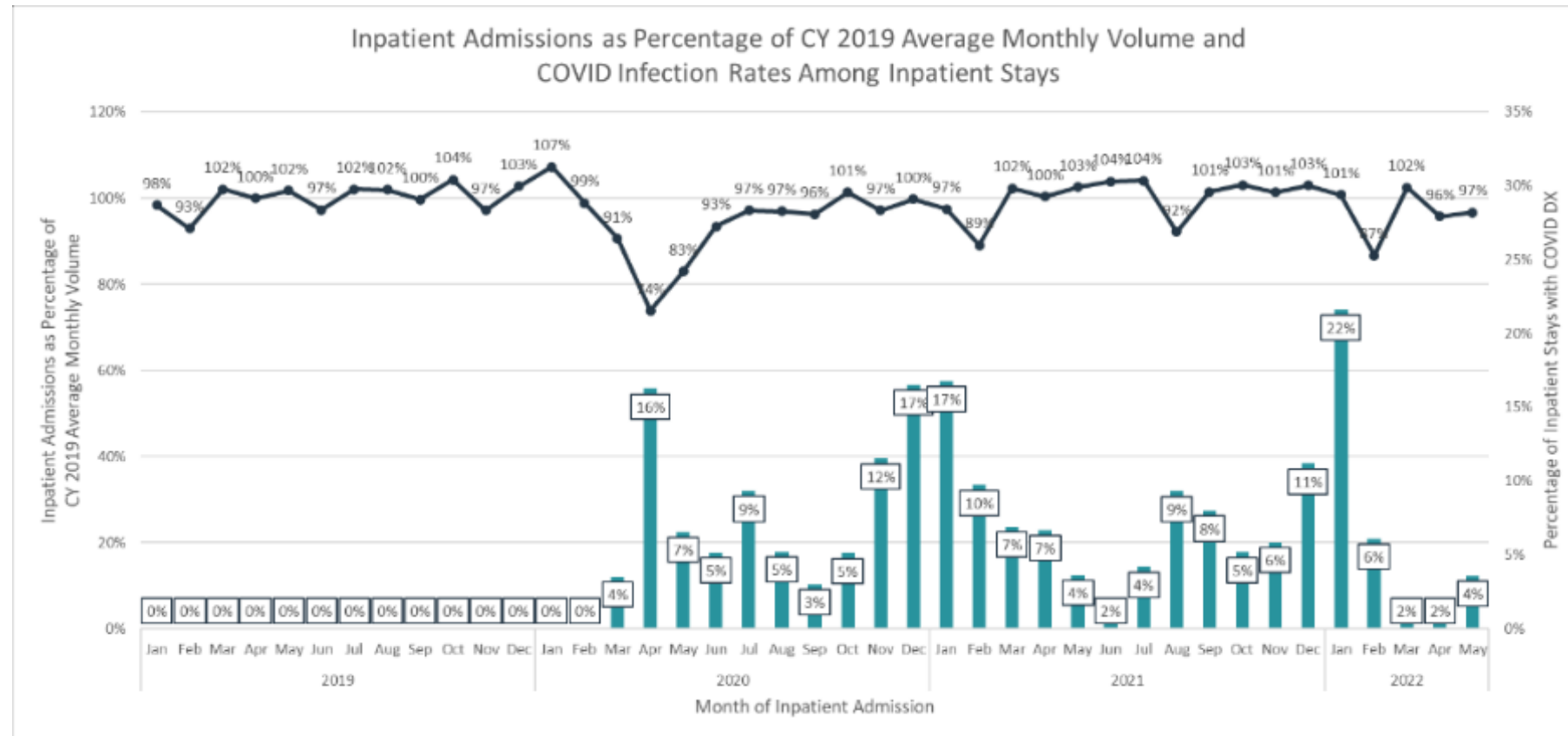
1. Hospital inpatient characteristics have changed.
2. Post-acute service demand is strong.
3. Patients prefer care at home.
4. Intensifying labor shortages are impacting post-acute admissions and access to care.
5. Patients coming to post-acute care are sicker.

Hospital
inpatient
characteristics
have changed.

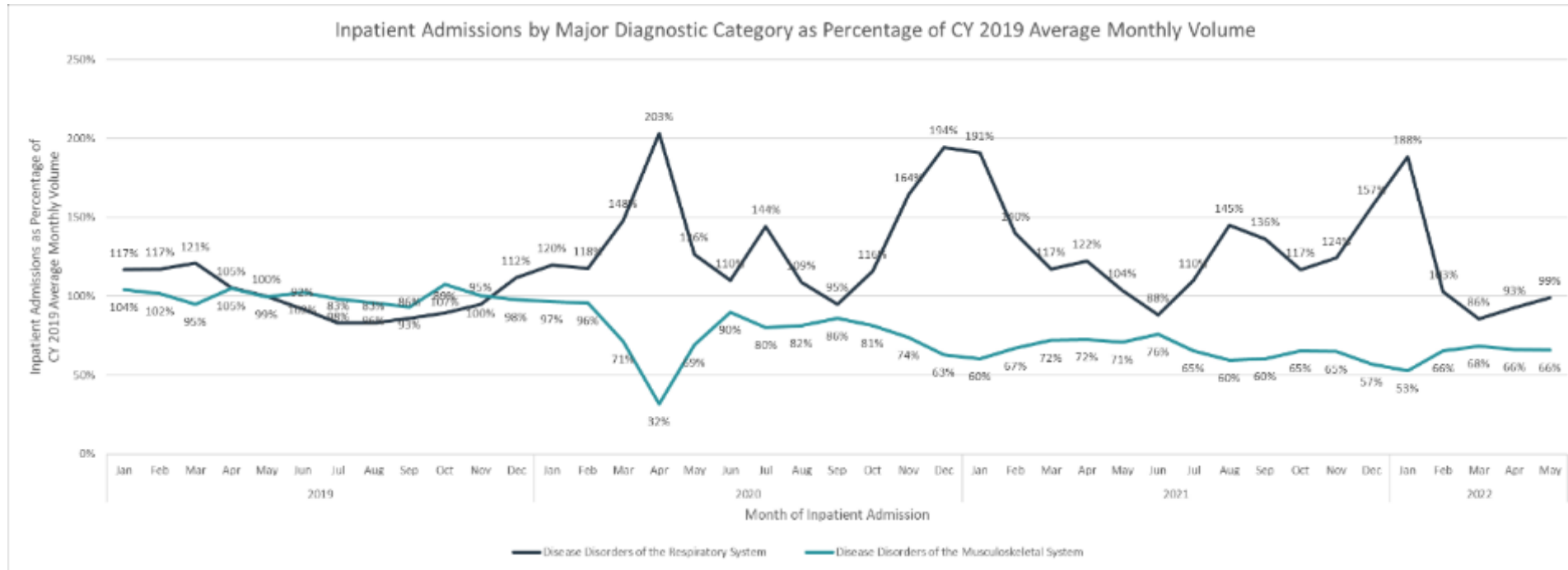


Inpatient trends – the data

- As the PHE gained momentum, hospital inpatient elective surgeries were put on hold
- The percentage of patients with respiratory illness rose even though overall inpatient volume dropped



Inpatient trends – MSK procedures



- As changes to the ‘Inpatient Only’ procedure list took effect, elective musculoskeletal procedures have moved away from the hospital to outpatient locations like ambulatory surgery centers

Impacts – Hospital profitability & post-acute referrals

- MSK procedures accounted for up to \$71 billion in annualized hospital revenue before the pandemic with net income of between \$15 and \$21 billion or about 23% of total net income
- Because of the changes in the IPO, net income from MSK procedures will likely never recover
- There is a downstream effect on PAC providers
 - Home health “institutional” admissions related to Musculoskeletal referrals changed to “community” admissions with lower reimbursement
 - Without a prior, qualifying inpatient stay, these patients will no longer be eligible for facility-based rehab services paid by Medicare

Demand for PAC
services is strong

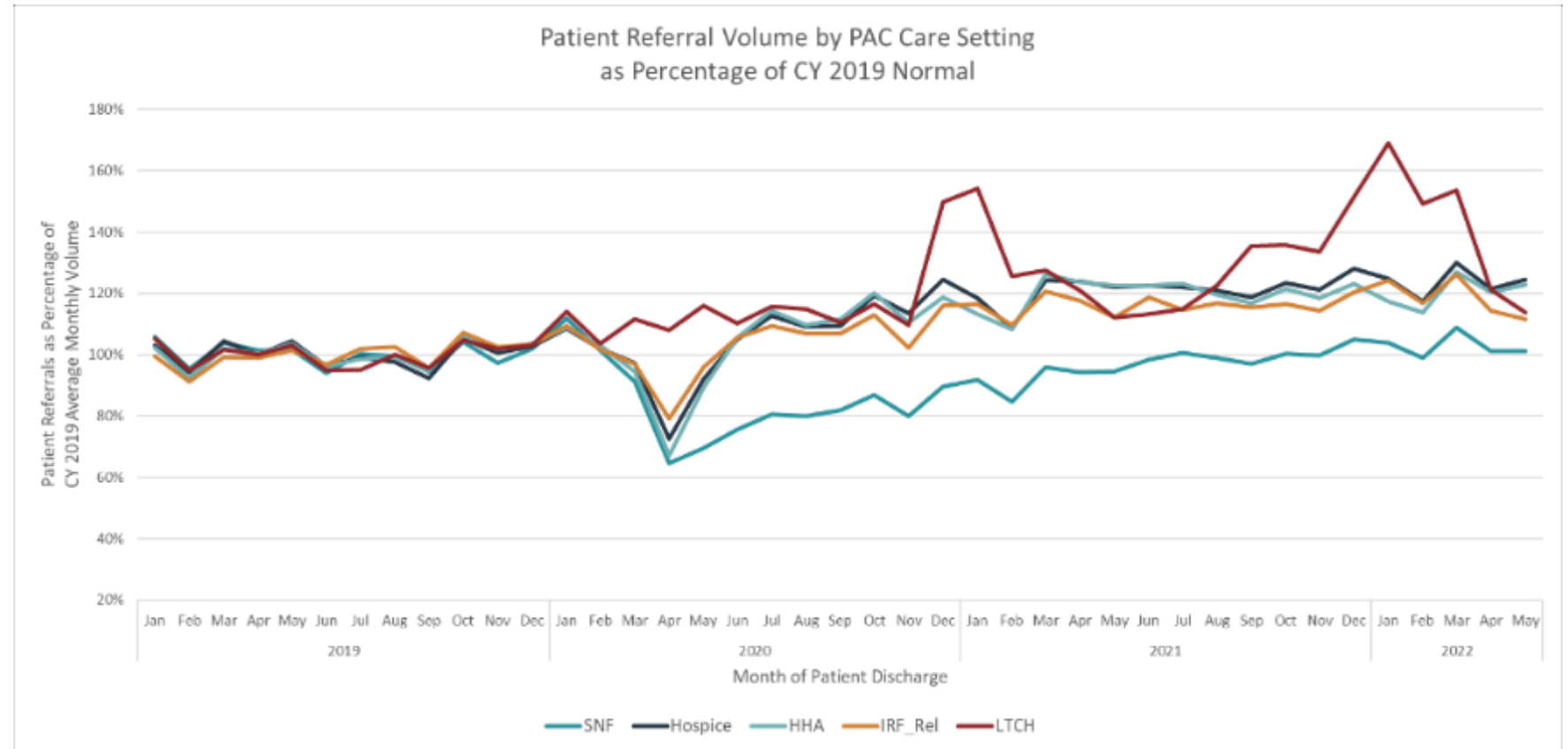


Medicare Expenditures – the big picture

- 15,015 SNFs that received a total of \$28.6 billion in FFS reimbursement in 2020
- 11,221 HHAs received a total of \$17.1 billion in 2020
- 6,214 hospitals in the US accounting for > \$130 billion in Medicare reimbursement
 - Includes 347 LTACHS and 314 IRFs
 - 2.8 times higher than HH and SNF reimbursement
- 2023 SNF reimbursement estimated at \$920 million increase (2.7%) that will be offset by an estimated \$186 million in VBP adjustments
- 2023 HH reimbursement proposed as a 4.2% reduction in overall spending amounting to an \$810 million decrease

Hospital referral trends to PAC settings

- LTACH and IRF referrals rose and then normalized
- Overall SNF referrals have declined from 2019 levels
- By May 2022 HH referrals were 123% of 2019 levels



The effect of the PHE on SNF and HHA 2020 reimbursement

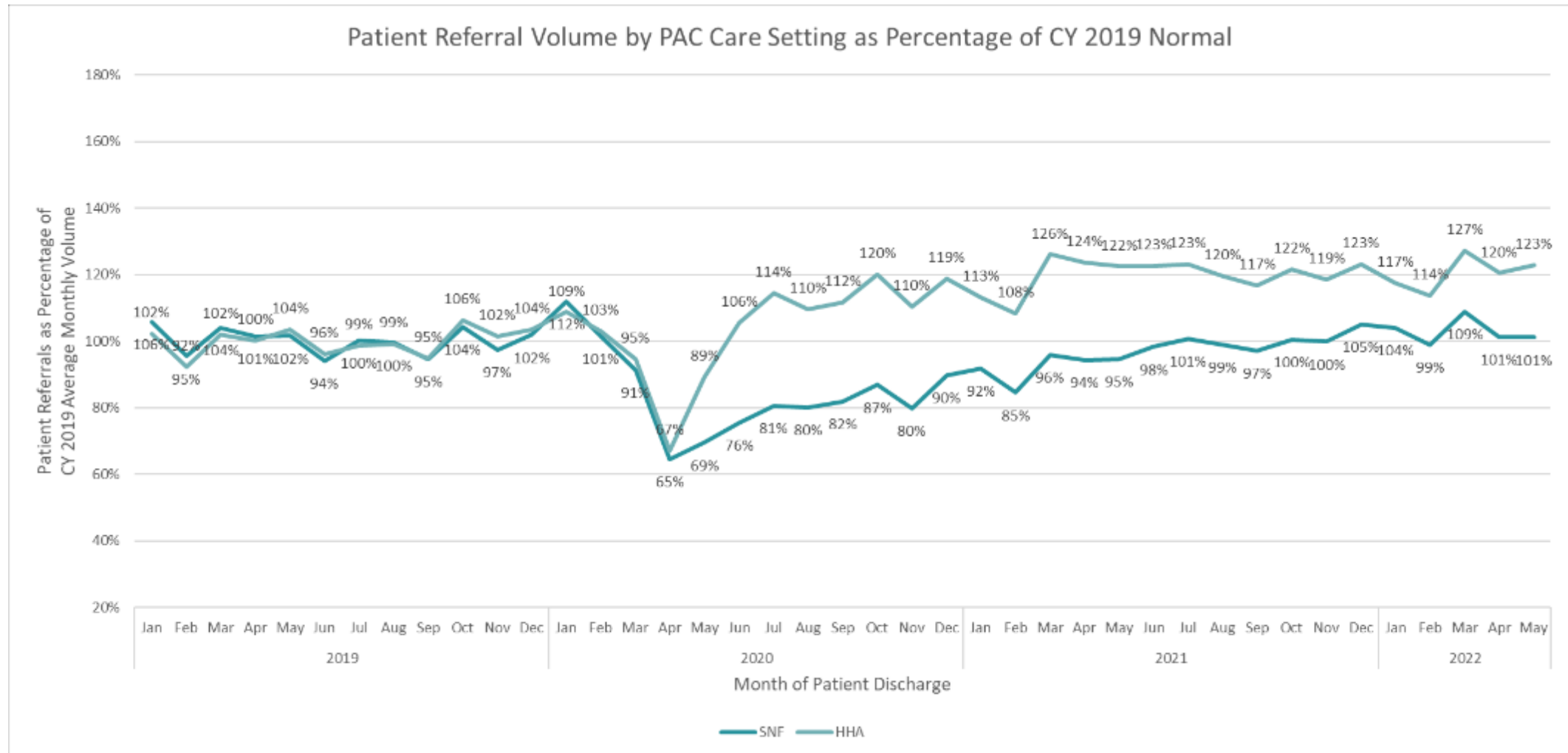
| SNF Measure | Trend |
|--------------------------|-------------------------------|
| Covered Admissions | 10% decline in 2020 |
| Program Payments | 5% expenditure growth in 2020 |
| Payments per Beneficiary | 17% increase in 2020 |
| Payments per Day | 9% increase in 2020 |
| Mortalities prior to DC | 52% increase in 2020 |

| HHA Measure | Trend |
|------------------------------|----------------------|
| Covered Admissions | 10% decline in 2020 |
| Program Payments | 5% decline in 2020 |
| Payments per Beneficiary | 3% increase in 2020 |
| Payments per Visit | 14% increase in 2020 |
| Percentage of SN Visits | 4% increase in 2020 |
| Percentage of Therapy Visits | 4% decrease in 2020 |

Patients prefer
care at home



PAC referral trends



Data trends and new at home programs

- By March 2021, the gap between SNF and HHA referrals was at its widest
- By April 2022, SNF referrals had recovered to 2019 levels while referrals to home health grew by another 23%
- Referral trends follow hospital admission fluctuations
 - For example, Jan 2022 dip due to infection surges from new COVID-19 variants
- Pending legislation for at home initiatives in lieu of institutional care
 - Choose Home
 - Acute Hospital at Home Waiver/Hospital Inpatient Services Act

Patient preferences

- Partnership for Quality Home Healthcare
 - 86% of survey respondents prefer post-hospital care at home
 - 5% would prefer a nursing home
 - 9 out of 10 said that having a choice is important
 - 87% support the expansion of options for care at home
- Physician preferences seem to be following patient preferences with 81% of physicians preferring to have their patients sent home from the hospital (study from Wm. Blair)



Patient-expressed preferences for receiving healthcare services at home did not originate because of the pandemic, although it appears that the sentiment was significantly strengthened by it.

Intensifying labor shortages are impacting access to care

The World Health Organization, well in advance of the emergence of COVID-19, declared 2020 as the Year of the Nurse and Midwife in an attempt to bring attention to the need for 9 million more nurses. But then the pandemic began.

Nursing shortage – supply & demand

- Nurses left the profession in droves in the last 3 quarters of 2020
 - Closures of clinics and other non-inpatient facilities impacted nursing jobs
 - Stress and lack of available PPE caused some to leave the profession
 - Large percentage of nurses in 2020 were already nearing retirement age
 - Influx of new graduates has not kept up
 - Until 2029, BLS expects yearly demand for new nurses to exceed 175,000
- PAC providers are being forced to compete with hospitals for nurses
 - Lower average PAC wages and less opportunity for signing bonuses

Aides and Personal Care Workers

- Over the next 4 years, these are the workers that PAC providers will need the most
- More than 368,000 Aides/PCWs are likely to move to other, higher paying jobs widening the supply/demand gap
- This will be the largest employment sector in terms of demand between now and 2030



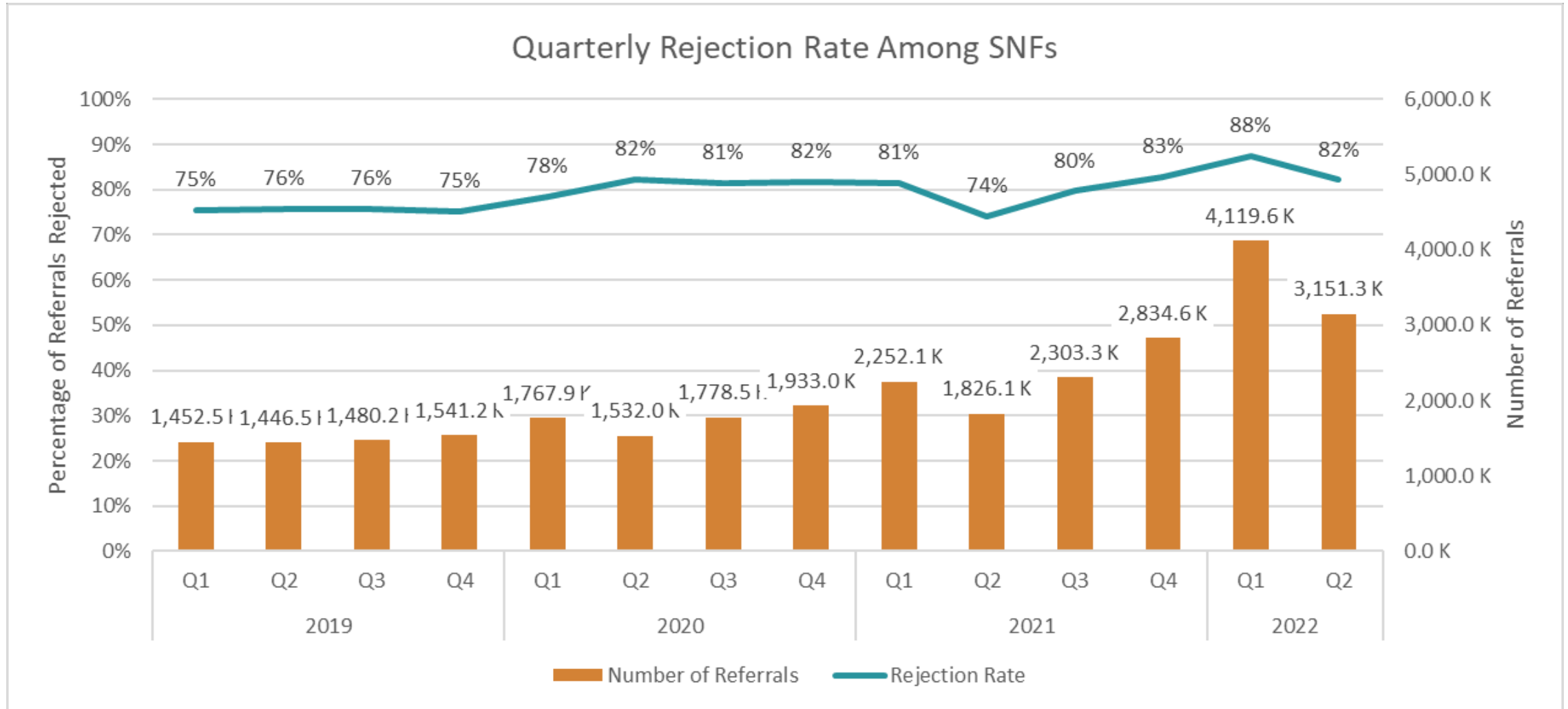
Staff shortages are impacting PAC admits

- Rate of referral rejection at SNFs reached 81% by the end of Q1 2022
- HHA rejections increased from 56% in early 2019 to 67% by the end of 2021, reaching 71% by the end of Q2 2022
- Patients who need care may not be getting it at all or may be forced to wait for it
- An offsetting factor is the need for some hospitals to delay discharges pending PAC availability
- PAC providers that are unable to accept the majority of their post-hospital referrals cannot grow their revenue



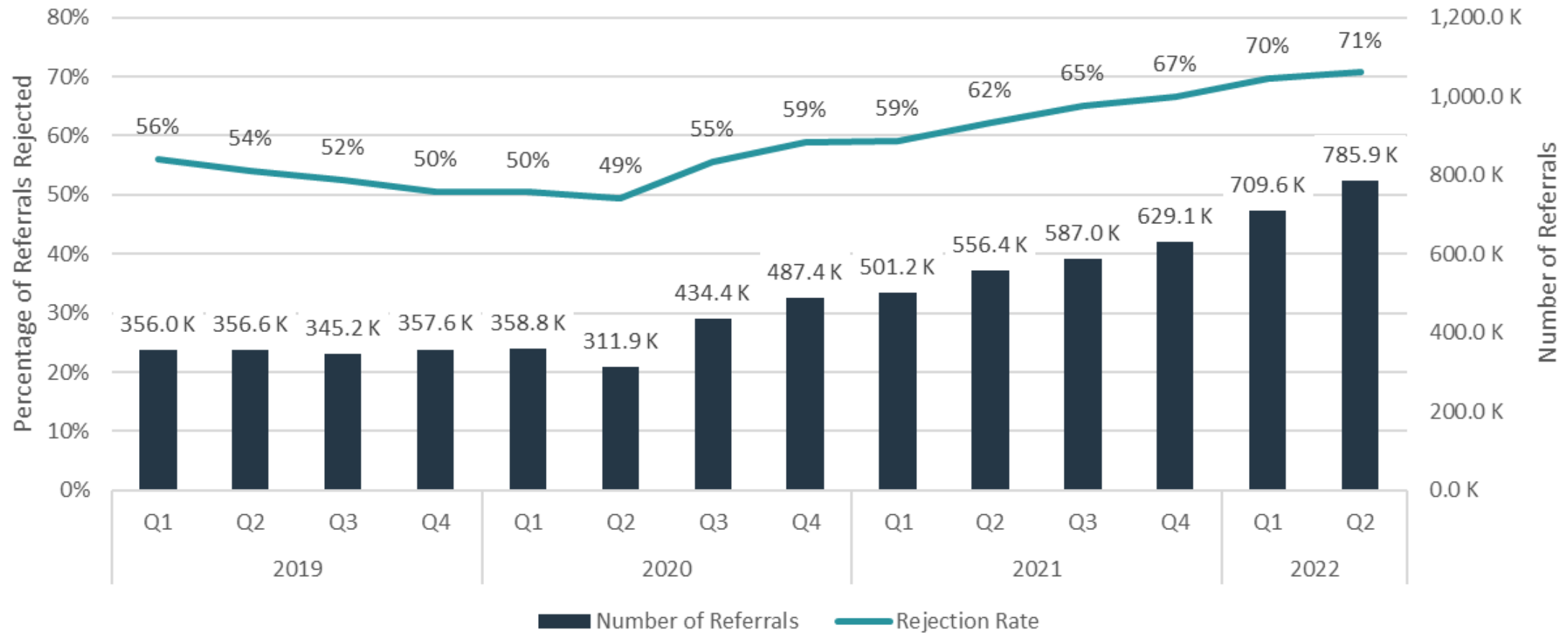
Hospital leaders have made clear that hospitals have needed to keep some patients longer than anticipated, only because post-acute discharge opportunities are scarce, given the staffing shortages and other factors.

Referral rejection rates among SNFs



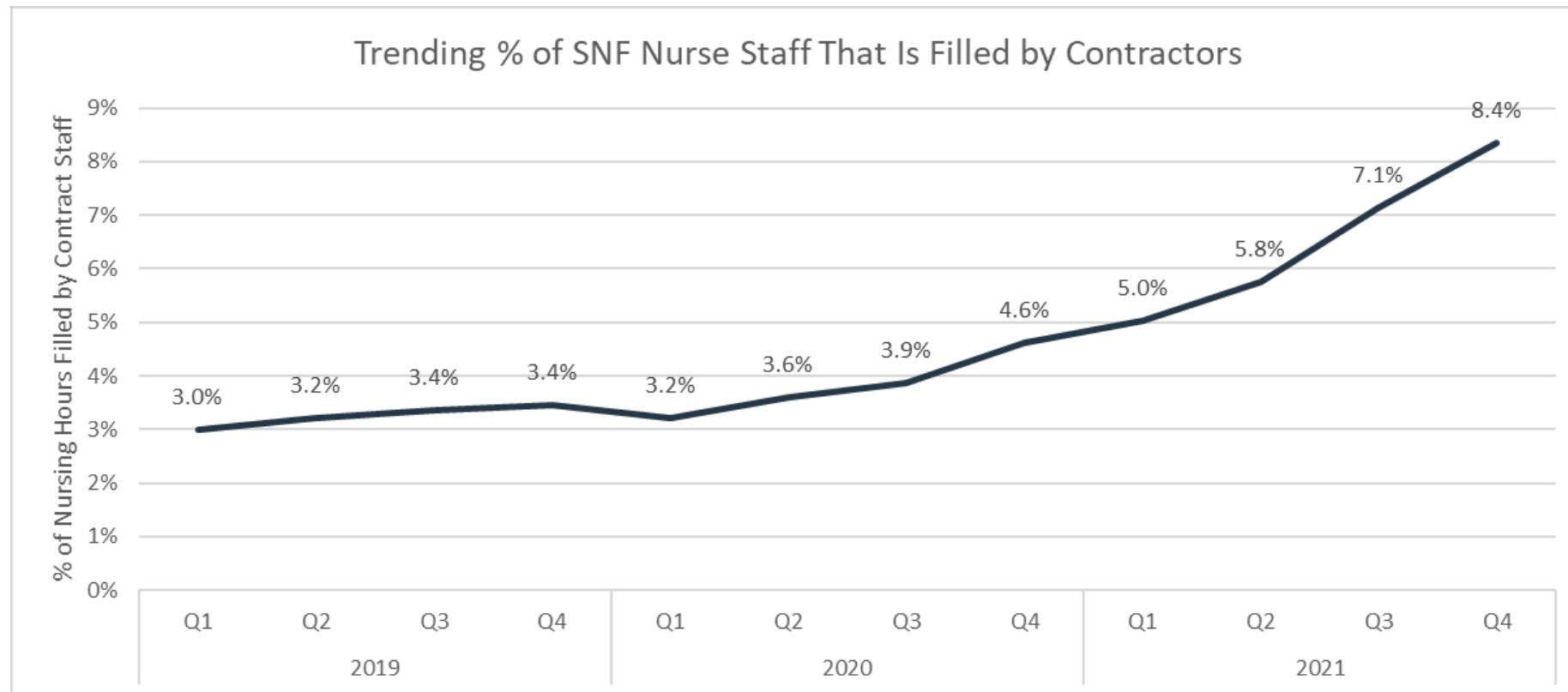
Referral rejection rates – HHAs

Quarterly Rejection Rate Among HHA



Contracted care

- Especially for SNFs, the need to use contracted care in lieu of employees is rising and along with it, direct costs of care
- Contracted service costs can be as much as 4 times higher than employee costs

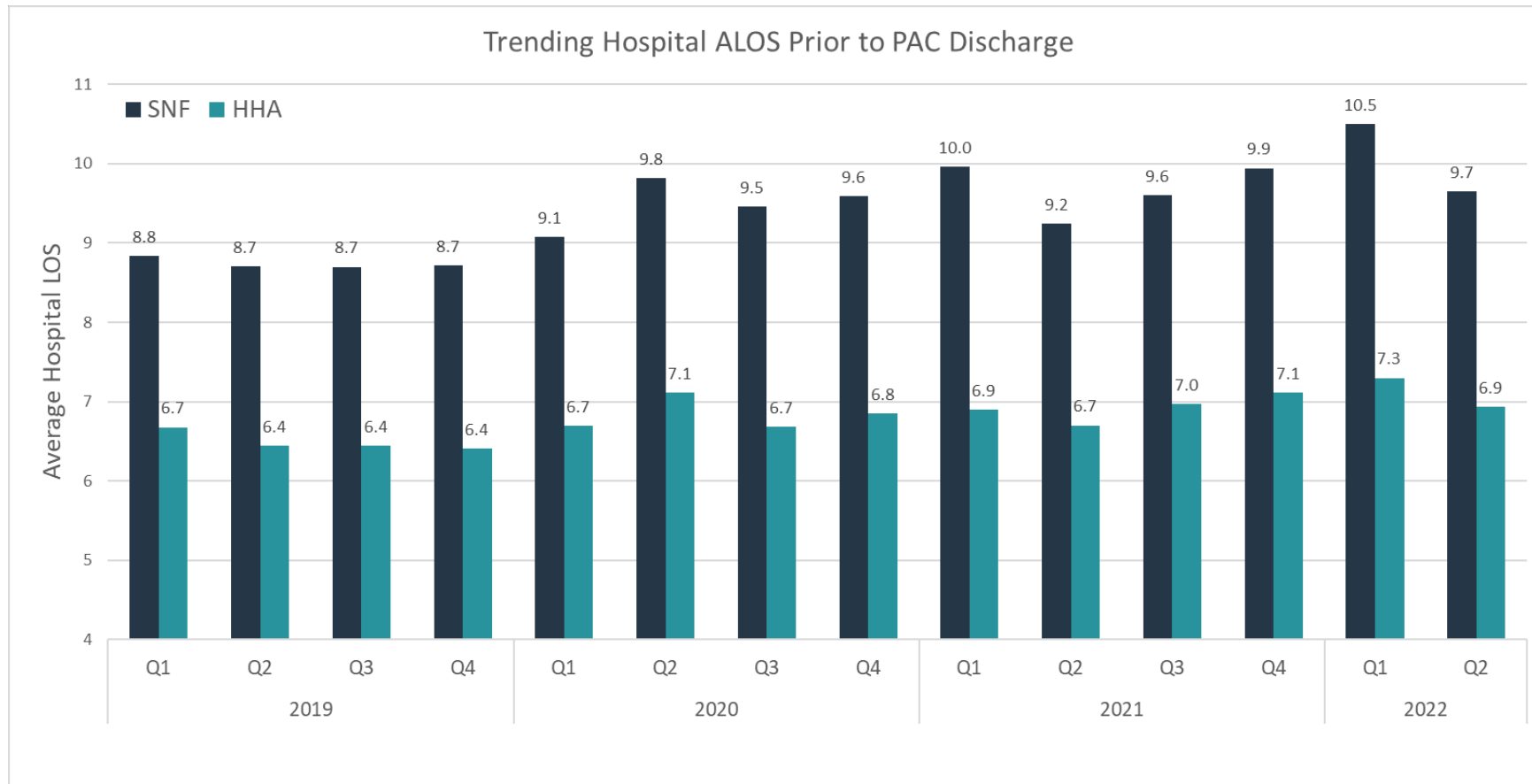


Patients coming
to post-acute
care are sicker



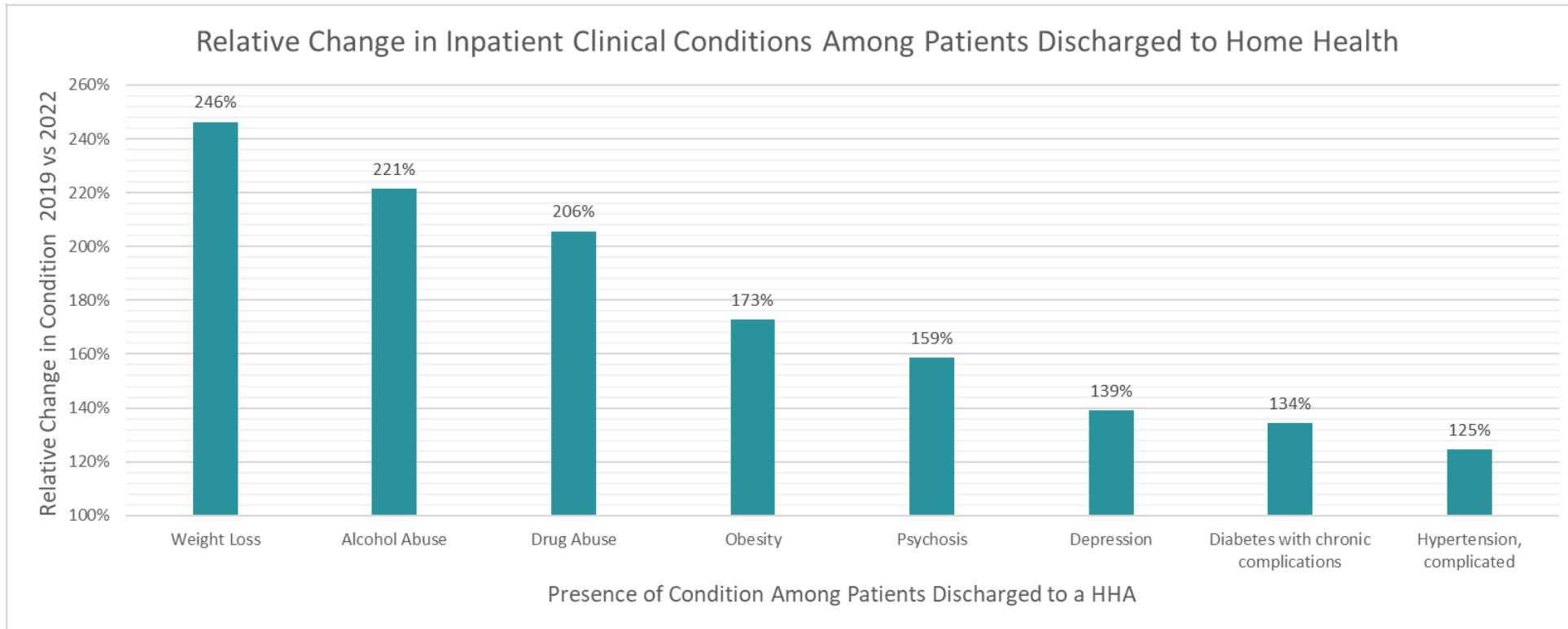
Discharge delays – increased hospital ALOS

- Lack of access to PAC services is causing hospitals to delay discharges for some patients
- Result is more deconditioning among discharged patients



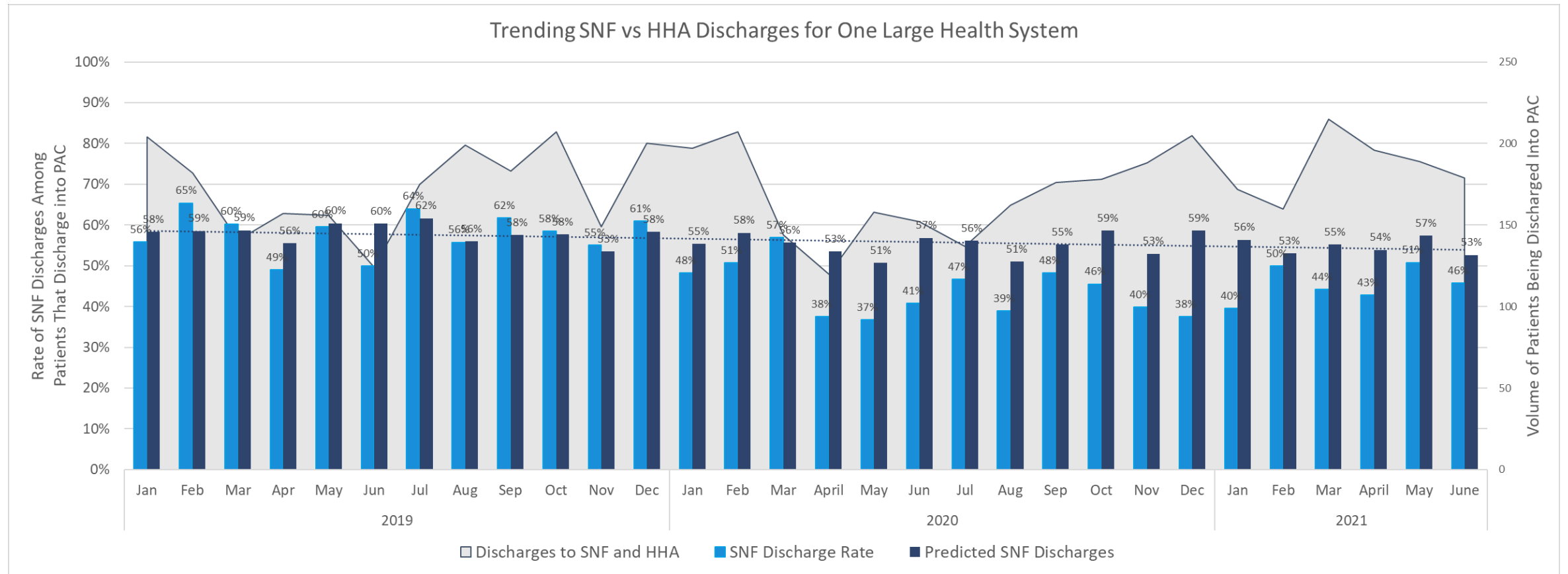
Chronic conditions among PAC patients

- Increase in acuity 2019 to 2022 as measured by Elixhauser Comorbidity Index (in acute setting prior to discharge)



As staffing and service volume decline, patient quality goes with it — at least in theory, and in the absence of other tools that can be used to mitigate the gaps resulting from fewer staff hours or visits.

How changing preferences and higher acuity patients impacted one health system



Profiling the patients that now go home

- We've seen that the average patient being discharged into HHA care is more acute:
 - Increased Prior Hospital Stay: Avg Hospital LOS is .3 days longer than it was in CY 2019
 - Increased Comorbidity: 11% increase in the avg comorbidity score compared to CY 2019
 - Less Elective Surgery : 25% decrease in patients with a diagnostic category of Musculoskeletal System & Connective Tissue

Patients w/ predicted probability SNF discharge > 70%.

- 8 Day Hospital LOS
- Comorbidity Score 13
- 26% Dementia
- 41% Neurologic Disorders
- **6% higher readmission rate than average patient being discharged to HHA**

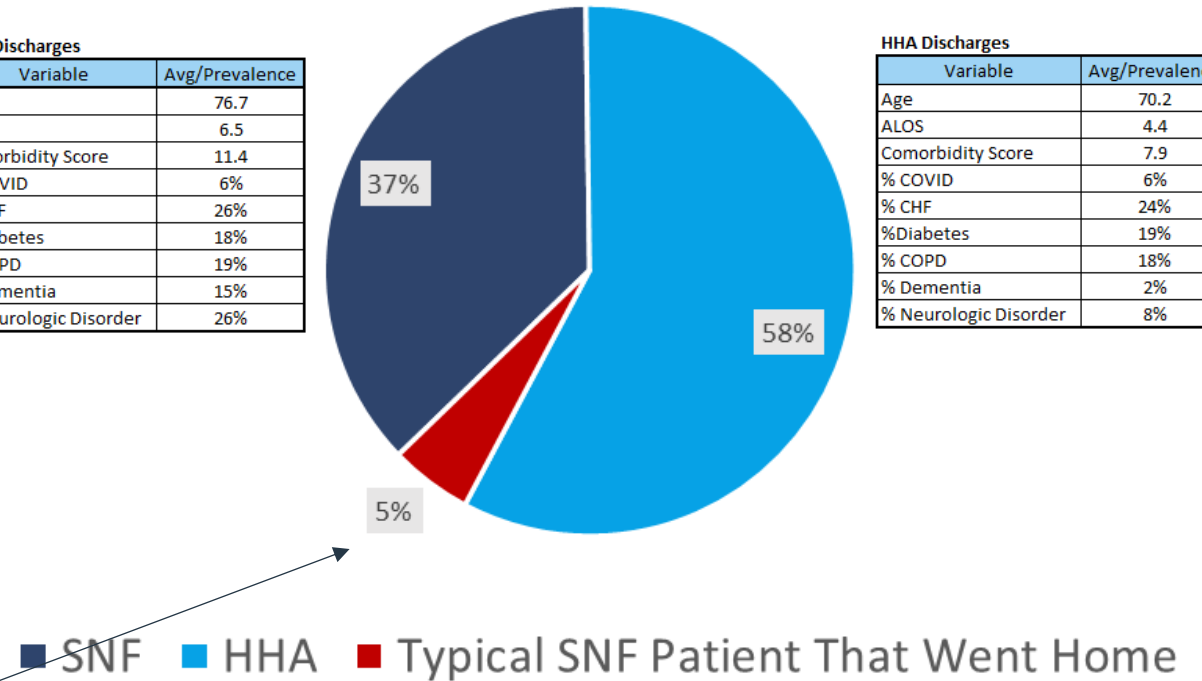
Profile of Patients Based Off Discharge Disposition

SNF Discharges

| Variable | Avg/Prevalence |
|-----------------------|----------------|
| Age | 76.7 |
| ALOS | 6.5 |
| Comorbidity Score | 11.4 |
| % COVID | 6% |
| % CHF | 26% |
| %Diabetes | 18% |
| % COPD | 19% |
| % Dementia | 15% |
| % Neurologic Disorder | 26% |

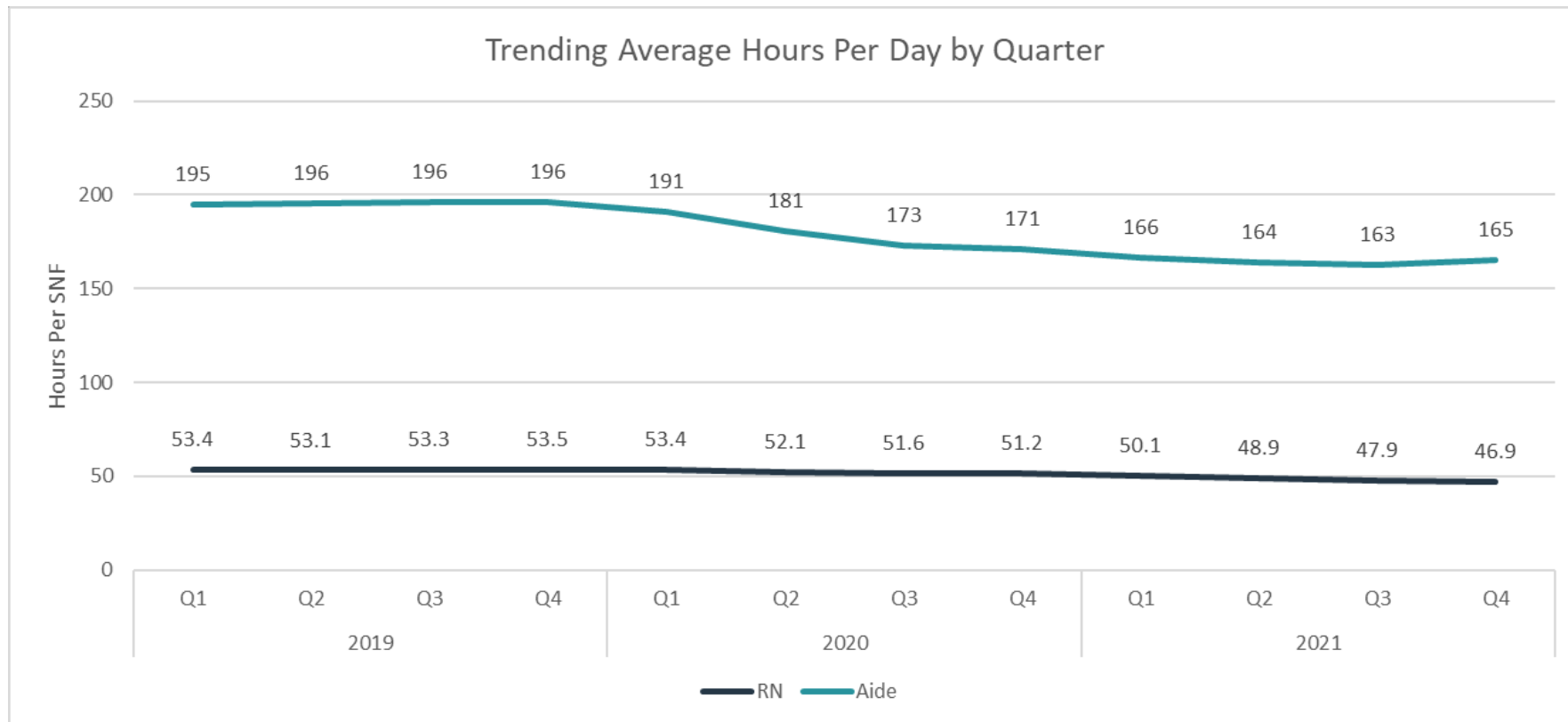
HHA Discharges

| Variable | Avg/Prevalence |
|-----------------------|----------------|
| Age | 70.2 |
| ALOS | 4.4 |
| Comorbidity Score | 7.9 |
| % COVID | 6% |
| % CHF | 24% |
| %Diabetes | 19% |
| % COPD | 18% |
| % Dementia | 2% |
| % Neurologic Disorder | 8% |



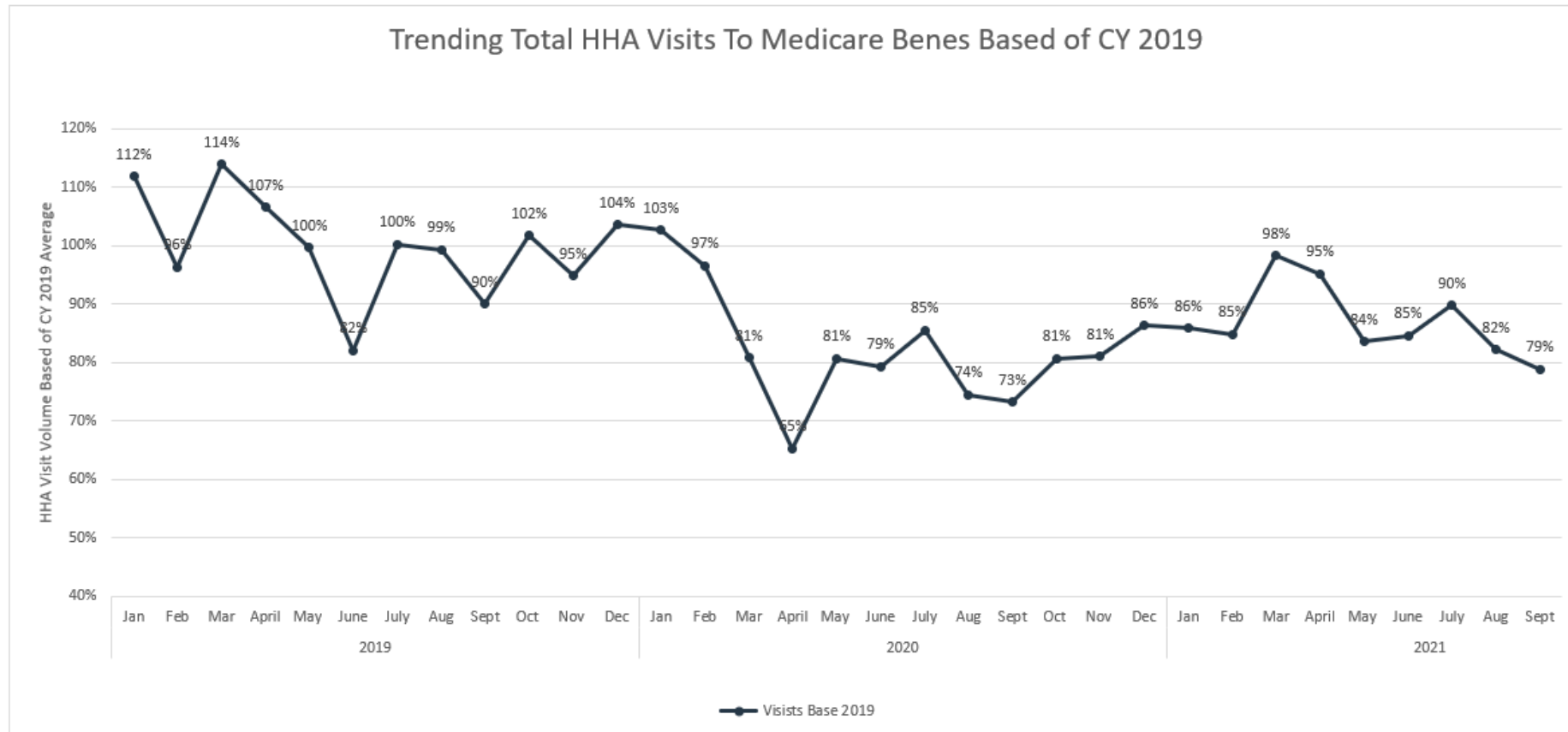
SNF service trends

- The average hours per day dropped from 195 at the beginning of 2019 to 165 by the end of 2021 – a 15% decline



HHA service trends

- HH therapy services declined between 2019 and 2020
 - SLP down 12%, PT down 13% and OT down 15%
 - SN visits did not close the gap and were up by only 1%



Looking ahead
to the future of
post-acute care



Key recommendations

- A national health policy that will advance the use of technology across the provider spectrum.
- Trading the concept of budget neutrality in CMS rate setting for measurement of the total cost of care, rewarding providers that have lower costs.
- Better access to industry-wide data to close care and quality gaps.
- Identification of ways to offset labor shortages impacting post-acute providers through compensatory or wage adjustment factors.
- Adoption of innovative programs capable of lowering the total cost of care while maintaining an approach that will focus on individual health needs and patient choice.



We need to prepare for a very different, perhaps slightly uncertain, future and position ourselves to benefit from the seismic shifts taking place. We are facing challenges, but we also have enormous opportunity to more positively influence patient care outcomes.

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Thank you.



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