How Senior Living Providers Can Profit as Medicare Advantage Gains Momentum

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There is likely significant financial upside for senior living providers who embrace care coordination and Medicare Advantage (MA) — and a potential big risk for those that don't.

That was the central argument posed in a panel discussion at the National Investment Center for Seniors Housing & Care (NIC) spring conference in San Diego.

Under Medicare Advantage, private companies can collect federal dollars by offering benefit packages to seniors as an alternative to traditional, government-run Medicare. MA plans can also include some benefits outside of traditional Medicare, including dental and vision. While many private-pay senior living providers hadn't previously considered MA plans relevant to their operations, that is changing — and fast.

In part that's because, as of this year [3], MA plans can now fund certain types of non-medical, in-home care services. That, in turn, opens up the option of direct reimbursement of some services frequently delivered by senior living providers.

And as MA begins to offer these types of benefits, senior living providers also see the huge number of older adults that will likely be enrolled in these plans in the future.

More than 20 million, or 34%, of Medicare beneficiaries are enrolled in a Medicare Advantage plan, according to an October report [4] from the Kaiser Family Foundation. And that share could grow to 38 million, or 50%, by 2030, according to other estimates. In his first public comments since stepping down as U.S. Speaker of the House, Paul Ryan told an audience at NIC that MA represents the future [5] of the Medicare system, because these plans are consumer-centric and manage costs more effectively than fee-for-service Medicare.

"The nucleus of the system is the patient. It's the consumer," Ryan said. "And the providers — in this case, insurers — compete against each other for that person's business."

No matter how you slice it, the growth of Medicare Advantage is going to have a big effect on the senior living industry, according to Bob Kramer, founder and now strategic advisor at NIC.

"With a lot of folks in Medicare Advantage, the thesis is, that's going to impact us," Kramer said Thursday. "You can either take advantage of it, or you can be left out. And if you're left out, you can say, what am I being left with?"

That's not to say senior living providers haven't already taken notice. Some companies not only work closely with MA plans in their markets, but have become insurers themselves, as is the case with a new Medicare Advantage consortium [6] launched by Christian Living Communities, Juniper Communities, Ohio Living and managed services partner and risk management company AllyAlign Health.

For John Rijos, co-founder and operating partner at Chicago Pacific Founders, the opportunity posed by Medicare Advantage is sizable. The Chicago-based firm currently owns two Medicare Advantage provider companies serving thousands of people, P3 in Las Vegas and Florida Elite in Tampa, Florida.

"It's a very big deal," Rijos said during Wednesday's panel. "And there are some real benefits to us in senior housing as a result of it."

McLean, Virginia-based Sunrise Senior Living, one of the largest providers in the nation, also has started to offer its own MA plans branded Sunrise Advantage. Sunrise CEO Chris Winkle (pictured above) broke down how senior living providers can achieve bottom-line benefits in Medicare Advantage, and why working with MA plans is becoming inevitable, during a panel discussion at the NIC conference.

Learning from 'Mary'

Senior living communities that position themselves well for this changing health care landscape stand to gain more than those that do not. Because Medicare Advantage is primarily aimed at driving down costs, this makes it vitally important for
senior living providers to coordinate care and avoid costly health episodes as much as possible.

“If you’re taking risk in managed care, the way that you’re going to make money to the point of profitability is avoiding unnecessary ER visits and unnecessary hospitalizations,” said Winkle. “By the coordination of care ... you’re looking at potentially avoiding some of those things that drive up health care costs to begin with.”

The case study of a hypothetical 86-year-old senior living resident named Mary helped drive the point home. Over the course of several years, Mary and her adult daughter, Sue, incur thousands upon thousands of dollars worth of gross medical costs related to unnecessary ER visits, stays in skilled nursing and assisted living properties and ultimately, receiving hospice care due to terminal pancreatic cancer. But that’s assuming she’s receiving care under the current model, where coordination of services isn’t always emphasized.

Under a new model — one that assumes technological advances such as telehealth and ample care coordination among nurses, physicians, social workers and an RN case manager — Mary is able to enter an assisted living community earlier, and with help from her MA plan. That way, she’s able to avoid the kind of unnecessary hospitalizations and moves into higher-acuity care settings that would have otherwise cost her tens of thousands of dollars.

“I believe that most assisted living communities will have some relationship with a managed care plan [by 2025], whether it’s a provider-based plan or a different plan,” Winkle said. “They’re going to influence the decision on what assisted living [Mary] chooses, because clearly they’ve got faith in the outcomes of that community, the performance, the history, and they’ve got all the right things in place to support what it is they’re trying to do, which is avoid unnecessary visits to ER.”

And the financial benefits of such a plan could be substantial. The panelists modeled two hypothetical 100-unit communities — one that embraces the new direction of health care and Medicare Advantage, and one that doesn’t — and estimated that the former would enjoy higher occupancy, longer length of stay and ultimately a higher property value.

Under the projections, which Kramer cautioned are still up for debate and discussion, the traditional senior living community with zero MA residents had a length of stay of 21 months, an occupancy of 88% and a property value of $23.8 million.

The other hypothetical community, with half of its residents in a collaborating MA plan, had a length of stay of 24 months, an occupancy of 94% and a property value of $28.3 million.

“The point of this is to begin to bring home, from an investor point of view, the value of care integration onsite at the property,” Kramer said. “Right now, the primary vehicle to drive that happening ... is what’s happening in Medicare Advantage.”

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