Forces Shaping Older Adult Services
Environmental Trends and Issues that Impact LeadingAge Minnesota and its Members

- Demographics
- Consumer Needs and Preferences
- Settings and Services
- Technology
- Funding and Payment Environment
- Workforce
- Regulatory Environment

Trends Impacting Older Adult Services (OAS)
Key Trends

Demographics
Senior Population Exceeding Children in Minnesota

Source: U.S. Census Bureau, Population Estimates Program, Vintage 2018; Minnesota State Demographic Center
Minnesota Population Projected to Get Older Each Decade

Source: Minnesota State Demographer, 2020
The Boomer Generation

- Born between 1946 and 1964
- Oldest Boomer is 73; doesn’t turn 85 until 2030; youngest is 55
- Staying in workforce longer; volunteering in record numbers; involved in child-rearing
- **HEALTH not MONEY** is their primary concern\(^1\)
- 56% think Medicare will pay for their care\(^1\)
- The likely decisionmaker for the care center/assisted living resident today

Source: *A Growing Urgency: Retirement Care Realities for Middle Income Boomers; Bankers Life 2019*
Senior Population to Grow Dramatically Nationwide

Size of the Senior Population 2014 and 2029, Age 75+ by Income (Millions)

- Middle-income seniors will make up 43% of all seniors in 2029.
- Aging of the Baby Boomers will drive growth in seniors population.
- Trends will continue over the next 20 years, since the oldest Baby Boomer is 83 in 2029.
Largest Group of US Middle Income Senior Population is 75–84-Year-Old Range

By 2029 the Middle Income cohort will be 14.4M

Size of the Senior Population 2014 and 2029, by Age and Income

- All Seniors 75+:
  - 2014: 20.0 Million
  - 2029: 33.6 Million
- Age 75-84:
  - 2014: 14.0 Million
  - 2029: 24.8 Million
- Age 85+:
  - 2014: 6.0 Million
  - 2029: 8.8 Million

© 2019 National Investment Center
Demographics Driving Demand for Senior Services Nationwide

Number of Live Births (1909 to 2017, 000s, (Numbers in parenthesis are number of that cohort alive in 2019))

First Baby Boomer will be 82 in 2028

Source: U.S. Census, NIC Analytics
2020 Census

- Minnesota grew by 7.6% in last ten years to 5.7 million residents
- Minnesota barely held on to eight seats in the US House
- More detailed data coming later likely to show significant population shift from rural areas to urban and suburban areas

Source: US Census Bureau, 2021
Considerations

• Growth in older population drives expansion of senior living sector as well as workforce shortage
• Biggest impact of the age shift of the population will be happening about 10-20 years from now
• Ongoing shift of population away from rural areas raises questions about the viability of providers in those areas
Key Trends

Consumer Needs and Preferences
Seniors Prefer to Age at Home!

By 2021, 75% of older adults receiving publicly-funded long-term services and supports will be served in their own homes and communities.
Emerging Role for Seniors Housing

Hospitality model for little or no health care onsite vs. Platform for integrated primary care onsite
“Winning” for Those Whom We Serve

- Clarity about our brand promise and how we live it everyday
- Differentiating ourselves in a “sea of sameness”
- Partnering in the lives of our employees
- Investing in the growing edge of our vision
- Stewardship
“Older” Boomers Senior Living Preferences Vary

- 60% Current Home or Apartment
- 29% Another Home of My Choosing in My Community
- 14% Place Staffed to Provide Health Care Plus Help with ADLs
- 12% Place Staffed to Provide Help with ADLs
- 10% Place Connected to My Child’s or Relative’s Home
- 7% Separate Place Connected to My Child’s or Relative’s Home

Source: LeadingAge LTSS Center @ UMass Boston, Older Boomers Study 2018
“Older” Boomers Rank Safety Highest Consideration If Help Needed

If help with basic daily living activities is needed, on a scale of 1-10 (10 is most important), how important is it to →

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Be safe</td>
<td>9.5</td>
</tr>
<tr>
<td>Be around family</td>
<td>8.9</td>
</tr>
<tr>
<td>Have access to the outdoors</td>
<td>8.8</td>
</tr>
<tr>
<td>Be around friends</td>
<td>8.7</td>
</tr>
<tr>
<td>Be physically active</td>
<td>8.6</td>
</tr>
<tr>
<td>Live in your own home</td>
<td>8.5</td>
</tr>
<tr>
<td>Get out on a daily basis</td>
<td>7.9</td>
</tr>
<tr>
<td>Have meaningful social activities</td>
<td>7.8</td>
</tr>
<tr>
<td>Live in your current community</td>
<td>7.7</td>
</tr>
<tr>
<td>Practice my religion</td>
<td>7.5</td>
</tr>
<tr>
<td>Make a difference</td>
<td>6.9</td>
</tr>
<tr>
<td>Travel</td>
<td>6.6</td>
</tr>
<tr>
<td>Work</td>
<td>5.1</td>
</tr>
</tbody>
</table>
Number of US Seniors with High Needs will Grow with Population

16% of seniors 75-84 are projected to have high needs in 2029, and 33% of seniors age 85+ will have high needs.

Millions of Middle-Income Seniors with High-Needs by Age, 2014 to 2029

<table>
<thead>
<tr>
<th>Year</th>
<th>75+</th>
<th>75-84</th>
<th>85+</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.75</td>
<td>0.95</td>
<td>0.80</td>
</tr>
<tr>
<td>2029</td>
<td>2.89</td>
<td>1.73</td>
<td>1.17</td>
</tr>
</tbody>
</table>

Note: High-needs is defined as those with three or more chronic conditions and one or more limitations in ADLs.
Middle Income Senior Population is a Market Opportunity

- Seniors financial resources inform the housing and care options available to them.

<table>
<thead>
<tr>
<th>Lower-Income Seniors</th>
<th>Middle-Income Seniors</th>
<th>Higher-Income Seniors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family and unpaid caregivers</td>
<td>Family and unpaid caregivers</td>
<td>Family and unpaid caregivers</td>
</tr>
<tr>
<td>Medicaid-covered long-term care</td>
<td>Spend-down to Medicaid</td>
<td>Private-pay seniors housing (AL/IL)</td>
</tr>
<tr>
<td>Low-income housing</td>
<td></td>
<td>Professional, in-home care</td>
</tr>
<tr>
<td>Dual-eligible beneficiaries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Forgotten Middle
Middle Income Senior Population is a Market Opportunity

- Income thresholds were informed by today’s cost of seniors housing, as well as sample size constraints.
- Middle-income is meant to exclude those who may be eligible for Medicaid and who can easily afford seniors housing.

**Definition of Middle-Income Based on 2014 Annual Financial Resources**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Middle-Income Range</th>
<th>Excluding Housing Equity</th>
<th>With Housing Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
<td>Median</td>
</tr>
<tr>
<td>75+</td>
<td>41st - 80th Percentile</td>
<td>$44,326</td>
<td>$40,774</td>
</tr>
<tr>
<td>75-84</td>
<td>$25,001 - $74,298</td>
<td>$42,865</td>
<td>$39,685</td>
</tr>
<tr>
<td>85+</td>
<td>$24,450 - $95,051</td>
<td>$47,756</td>
<td>$43,108</td>
</tr>
</tbody>
</table>

Housing equity is not included in financial resources used to define income groups. All projections are calculated in 2014 dollars assuming a consistent rate of inflation. Income thresholds for future middle-income seniors are held constant from 2014 dollar values.
Much of Middle Income Senior Population will have LTC Needs

Middle-Income Seniors in 2029:

8% will have Cognitive Impairment

60% will have Mobility Limitations

20% will have High Needs*

*High needs is defined as having three or more chronic conditions and one or more functional limitations
“On Eldercare, the math is unforgiving” (Forbes)

Minnesota median hourly rate Home Health Aide\(^1\) $33

Minnesota median monthly rate Nursing Home Private Room\(^1\) $12,025

Minnesota median monthly cost Assisted Living\(^1\) $4,283

1) Genworth 2020 Cost of Care Study

70% of retirees will need some retirement care
  - Of this number, 50% will need two years or more care

-- U.S. Health & Human Services Department
Many Seniors will lack Adequate Funding for LTC Needs

Average Financial Resources of Middle-Income Seniors by Income Quintile, 75+, 2029

- Average Independent Living Rent + Medical Costs = $45,000
- Average Assisted Living Rent + Medical Costs = $60,000

Note: Numbers Depicted are in 2014 Dollars
Most Seniors Cannot Afford Care Even Using Home Equity

Assuming $60,000 in Annual Assisted Living Rent & Medical Out-of-Pocket:

- Have Enough Resources with 100% of Income: 19%
- Have Enough Resources with 100% of Income and Home Equity: 46%

© 2019 National Investment Center
A Reckoning Looms . . .

- 4 out of 5 middle income seniors have NO $ specifically set aside for retirement care ¹)
- 1/2 of middle income seniors have less than $5,000 in emergency cash; 1/3 have less than $1,000
- By 2029, 54% of middle income seniors will lack sufficient $ to cover housing and care ²)

¹) Source: A Growing Urgency: Retirement Care Realities for Middle Income Boomers; Bankers Life 2019
²) National Investment Center; The Forgotten Middle Market Senior Housing Study, 2019
Considerations

• Seniors have a strong preference to be served at home and providers have to figure out how to design services in a way that make that happen effectively

• Affordability of services, both in the home and residential, will be a significant challenge as the senior population in need of services grows

• Those with cognitive disabilities likely to form the bulk of the seniors who will be served long term in residential settings
2021 Environmental Scan

Key Trends

Workforce
ONE YEAR AGO: Minnesota’s Talent Shortage

Total Estimated Talent Shortage by 2025 317,000

COVID-19 Scenarios

INNOVATION 235,000
EQUITY 65,000
OLDER WORKERS 1,150
YOUTH 15,200

Breaking it Down
1) Bias and inequities
2) Misalignment between workforce skills, education levels, occupational backgrounds, and geographies
3) The overall shortage of workers

SOURCE: Original analysis available at www.realtimetalent.org/research-2/mnlaborshortage/
TODAY: The Talent Shortage Still Looms

**Demand > Supply**

- Total job openings in a particular role
- Shortage in the labor pool
- People who are unemployed and trained in the same occupation

**The Opportunity**
- Newly Available Local Pool of Talent
  - Unemployment
  - Individuals who have dropped out of the labor force

**The Challenges**
- Insufficient Labor Pool
  - Not enough eligible workers to maintain economic growth
  - Geographic mismatch of talent and opportunities
  - Misalignment between supply and demand at the skills level
- Inefficient Labor Market
  - Persistent employment disparities
  - Low job satisfaction and high turnover
  - Ineffective means of finding talent

SOURCE: Original analysis available at www.realtimetalent.org/research-2/mnlaborshortage/
Total Unemployment Insurance Claims by Month

Total Claims (All Initial Claims) filed in Minnesota, 2019, 2020, 2021

Source: DEED Unemployment Insurance Claims Statistics
Unemployment Insurance Claims Increase Dramatically During Pandemic

New UI Claims 2017 - 2021

Regular continuing claims 2017 - 2021
Growing instability in our workforce

The projected percentage increase in the number of positions employed in long-term care between 2010 and 2030 are the following:

- 94% Counselors and social workers
- 93% Community and social service workers
- 88% Home health aides and personal care aides
- 73% RNs
- 70% LPNs
- 69% Building and ground maintenance workers
- 68% Nursing assistants
- 67% Food preparation and serving workers

What Does an Unstable Workforce Mean for Providers?

1. High provider costs.
2. Concerns about access and quality.
3. Poor working conditions.

Source: LeadingAge.org
Vacant Direct Care Positions in Nursing Homes
Now Over 2,700 Statewide-
RN Vacancies at all Time High During Covid-19 Pandemic

Source: Long Term Care Imperative Legislative Surveys
Nearly 8,000 Unfilled Caregiver Positions as of February 2021

Count of RN, LPN and Aide Positions Vacant in Minnesota

Nursing Facilities
- 360 Settings
- 2,765 Unfilled Caregiver Positions

Senior Housing / Assisted Living
- 1,800 Settings
- 5,160 Unfilled Caregiving Positions

Source: Long-Term Care Imperative Surveys
Labor Force Fails to Keep Pace with Growth in Aging Population

**Ratio of People Age 20-60 to 85+**

<table>
<thead>
<tr>
<th>2015</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>15:1</td>
<td>8:1</td>
</tr>
</tbody>
</table>

46% in 20 Years
Building a pipeline is key

- Relationships with schools and local community organizations
- Strong DEI commitment
- Competitive work environment
- Career pathways
- Collecting data – know your workforce metrics
- Innovation – Automation, innovation, immigration
Nurse Aide Training Waiver Continues to be Integral to Nursing Facility Staffing

Nearly 1,200 employees currently working under the Nurse Aide Training Waiver

Without Waiver Over 25% of Nursing Assistant Positions Would Be Unfilled
In the U.S. today

- 30.3% of nursing home housekeeping and maintenance workers
- 27.5% of direct care workers
- 23.% of long-term care sector workers
- 18.2% of all health care workers

...are U.S. immigrants

Source: Zallman et al; Health Affairs 2019
High level of diversity, yet diversity is not represented in leadership

According to PHI, “There are over one million Black/African American direct care workers—one-third of the total direct care workforce. Discrimination has eroded the economic stability of these workers and limited their options in employment and education…Addressing racial disparities and improving the lives of Black/African American workers and their families will lead to stable, high-quality care for the nation’s older adults.”

…Yet BIPOC staff are concentrated in lower-level direct care positions and our career pathways as they stand are not elevating people of color.

Recommendations to Support People of Color in the Direct Care Workforce

• **Expand opportunities** for advancement in direct care
• Collect race-related outcomes **data**
• Set **hiring and retention** goals to diversify the long-term care field
• Provide **comprehensive supports** to workers
• Specify racial equity indicators in **philanthropic investment**
• Draw on the vast and **diverse leadership** of people of color workforce experts
### Wages Still Insufficient, Despite Significant Wage Growth in Care Centers

<table>
<thead>
<tr>
<th>Year</th>
<th>CNA Starting Wage</th>
<th>CNA Average Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$11.43</td>
<td>$12.79</td>
</tr>
<tr>
<td>2020</td>
<td>$14.95</td>
<td>$16.63</td>
</tr>
<tr>
<td>% Change in Period</td>
<td><strong>31%</strong></td>
<td><strong>30%</strong></td>
</tr>
</tbody>
</table>

- LPN wages ↑ 25%
- RN wages ↑ 20%
- NF Employees covered by health insurance ↑ 10.6%
- AL Direct Care Workers ↑ 25%
- A gap remains in providing living wage for caregivers

Living wage for single parent with two children is $42.43 per hour (1.0 FTE) in Minnesota
Key workforce measures

<table>
<thead>
<tr>
<th>Top Measures to Track</th>
<th>Calculation</th>
<th>Actual Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per hire</td>
<td>Advertising fees + agency fees + background check fees + recruiter/HR staff expense + hiring manager time + opportunity cost of vacancy =</td>
<td>It costs $11,000 to hire an onboard a new nursing assistant.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>How many caregivers did you hire last year?</td>
</tr>
<tr>
<td></td>
<td>$6,043</td>
<td></td>
</tr>
<tr>
<td>Costs of onboarding</td>
<td>Pay for on-the-job training + New hire’s pay + Onboarding instructor+ Supplies =</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4,704</td>
</tr>
<tr>
<td>Ratio of job openings to qualified applicants</td>
<td>Total number of qualified applicants to open job postings each month = 3</td>
<td></td>
</tr>
</tbody>
</table>
Minnesota has a talent shortage across all sectors, and only about 1/3 of that shortage can be covered by the existing people in our state. The rest must be covered by innovation. The long-term care labor force will continue to shrink.

Unstable workforce leads to higher costs, decreased access to care, and poor working conditions.

Building a strong pipeline of applicants is key.

Focus on DEI and diversity in leadership is a moral obligation as well as a necessary pipeline.

A gap remains in providing living wage for caregivers.

Knowing your workforce metrics is important.
Key Trends

Funding and Payment Environment
Medicaid LTC Payment

• Nursing Facility Rates are set primarily based on individual facility costs and updated each year based on new cost report (system known as Value-Based Reimbursement or VBR)

• Elderly Waiver Program Rates (which cover HCBS including assisted living and adult day) are not cost-based and do not adjust annually without legislative action. Rates are inadequate to cover costs for providers requiring subsidy from private pay.
### Care Center Rates Growing with Cost of Care

<table>
<thead>
<tr>
<th>Rate Component</th>
<th>1/1/2018</th>
<th>1/1/2019</th>
<th>% Increase</th>
<th>1/1/2020</th>
<th>% Increase</th>
<th>1/1/2021</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>$195.93</td>
<td>$208.31</td>
<td>6.64%</td>
<td>$217.04</td>
<td>4.19%</td>
<td>$226.84</td>
<td>4.52%</td>
</tr>
<tr>
<td>Ext Fixed</td>
<td>$31.35</td>
<td>$32.61</td>
<td>4.27%</td>
<td>$34.48</td>
<td>5.73%</td>
<td>$35.00</td>
<td>1.51%</td>
</tr>
<tr>
<td>Property</td>
<td>$18.46</td>
<td>$19.36</td>
<td>4.34%</td>
<td>$19.95</td>
<td>3.05%</td>
<td>$20.86</td>
<td>4.56%</td>
</tr>
<tr>
<td>ECPN</td>
<td>$0.70</td>
<td>$1.09</td>
<td></td>
<td>$0.77</td>
<td></td>
<td>$1.12</td>
<td></td>
</tr>
<tr>
<td>Total Rate</td>
<td>$246.44</td>
<td>$261.37</td>
<td>6.30%</td>
<td>$272.24</td>
<td>4.16%</td>
<td>$283.82</td>
<td>4.25%</td>
</tr>
</tbody>
</table>
Medicare Nursing Home Payment

Short Term Post Hospital Stays Now Paid under Patient Driven Payment Model (PDPM) which-

• Ties payment to a number of client factors, including medical diagnosis and need for therapy
• Implemented in 2019 and resulted in unplanned increase in costs of 5% in first year
• Federal govt currently looking at adjusting rates to return the system to “revenue neutrality”
The **Quadruple Aim** describes the goal of payment and service delivery changes and innovations.
Value-based and risk-based payment models are designed to fuel progress toward the Quadruple Aim.
Quality Incentives in Current Payment Systems

Nursing Home Medicaid System

- VBR Quality Limit (more costs can be recognized in rate if multifactor quality score is higher)
- PIPP- an application program where a quality improvement program is funded through a rate increase up to 5% for up to three years
- QIIP- a program for all providers that rewards them with up to $3.50 per resident day based on performance on a single quality measure
Quality Incentives in Current Payment Systems

Nursing Home Medicare System
• Value Based Purchasing (VBP) based on a single measure (hospital readmissions), uses a 2% withhold from payments and then pays back a portion based on performance. Federal government looking at switching to using multiple measures in the formula for VBP.

Elderly Waiver Payment System
• $500K is available annually for quality improvement grants distributed through a competitive process
Federal Government Pandemic Assistance Funding Falling Short ($ in Millions)

Provider Relief Funds Received: $96
Revenue Lost Due to Low Occupancy: $126

Care Centers Lost Estimated $30 Million in 2020 with Losses Continuing in 2021

Source: Clifton Larson Allen
Understanding the Medicare Advantage Managed Care Environment
2021 Environmental Scan

Types of Coverage

Medicare

Payment Flow

CMS pays plans. Plans pay for services.

Original Fee-For-Service (FFS)

Supplemental insurer covers non-Medicare covered services, e.g. drugs, co-insurance and does so after CMS pays its share.

Payment Flow

CMS is primary payer for Medicare covered services.

Types of Coverage

- Medicare Advantage
  - Traditional Medicare Advantage
    - MA only
    - MA PD (includes Part D)
  - Special Needs Plans
    - Institutional (ISNP)
    - Dual Eligible (DSNP)
    - Chronic Condition (CSNP)
  - Medicare Supplemental Insurance
  - Prescription Drug Plan (PDP)
Minnesota leads the nation in Medicare Advantage enrollment:

Medicare Advantage plans are health plans offered by private insurers. These plans cover all the same benefits available through Original Medicare, and most of them include extra benefits.

Minnesota has roughly 1 million Medicare beneficiaries. 48% of them choose Medicare Advantage over Original Medicare in 2020 (highest % of any state in the U.S.)
Medicare Advantage Presents Challenges and Opportunities for Older Adult Services Providers

**OPPORTUNITIES**

Providers that deliver high-quality, low-cost services will be in a stronger position to work with health plans on service delivery models and value-based payment arrangements.

**CHALLENGES**

Providers are facing increased pressure from health plans to deliver high-quality, low-cost services. This affects revenue and the way providers deliver care.
Managed care plans will expect providers to deliver high-quality, low-cost care.

- Medicare Advantage plans carefully watch service utilization and care delivery patterns.
- Pressure on payment rates can be expected.
- Plans consider quality and cost when building networks and identifying preferred providers.
Medicare Advantage plans may choose to offer supplemental benefits to enrollees.

If plans elect to expand benefits in coming years, this will present an opportunity for aging services providers, because your everyday work supports goals that these optional benefits are designed to meet.

- Adult Day services
  - In-home supports
  - Meals
  - Home and bath safety
  - Caregiver supports, including respite care
  - Transportation to help with health needs
Integrated Service Delivery Models are Key to Achieving Success in Value Based Payment Models and to Moving Toward Risk-Based Payment and Population Health Models.
Example of Integrated Service Delivery Model: Provider-Led Special Needs Plans

- **Special Needs Plans** are designed to serve the highest-need Medicare beneficiaries.

- One type – called an Institutional Special Needs Plan (I-SNP) – is designed for people who need a **nursing home level of care**.

- ISNP’s provide enhanced clinical care and service coordination to people **at home** (be it a care center, memory care or assisted living) to avoid hospitalizations.
Some older adult services providers are pursuing the idea of offering special needs plans to the people they already serve.

Example: Presbyterian Homes & Services, Cassia, Genevive and Medica are partnering to offer an I-SNP to people living in selected older-adult services settings.
Program of All-Inclusive Care for the Elderly (PACE)

- PACE provides comprehensive medical and social services to certain frail, elderly people (dual-eligibles) still living in the community. Most of the participants who are in PACE are dually eligible for both Medicare and Medicaid.

- **Strong interest among some providers to bring PACE to MN.**

- PACE providers receive monthly Medicare and Medicaid capitation payments for each enrollee.

- Inter-Disciplinary Provider Team is the bedrock of the program.

- Adult Day Services

- A governing board that includes community representation
Success Factors for Value-Based and Risk-Based Models

- Clinical Excellence / Integration with Primary Care
- Measurable Efficiency
- Care Coordination
- Data Aggregation & Synthesis
- Assume & Manage Financial Risk
Considerations

• Aging services providers need to innovate and adapt to the changing payment landscape and health care system expectations.

• Educate organizational leadership on the new models to understand the opportunities, the risks and how to succeed.

• Look at examples of what others are doing to see how it might apply to your organization’s goals.

• Invest in technologies that improve information exchange among settings, provide data analytics, and improve outcomes.

• Identify and pursue strategic partnerships to leverage and build scale, share risk, improve outcomes.
Key Trends

Settings and Services
Nursing Home Occupancy Falls Dramatically due to COVID-19: No Recovery Yet - 57% Report Even Lower Occupancy in 2021

Source: Combined Association Occupancy Surveys
## 2021 Environmental Scan

### Care Center Occupancy Decline Similar Across Regions in 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>1st Quarter Occupancy</th>
<th>4th Quarter Occupancy</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin Cities Metro</td>
<td>87.9%</td>
<td>76.8%</td>
<td>-11.1%</td>
</tr>
<tr>
<td>Northeast</td>
<td>88.6%</td>
<td>80.5%</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Northwest</td>
<td>88.8%</td>
<td>79.9%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>East Central</td>
<td>87.0%</td>
<td>73.4%</td>
<td>-13.6%</td>
</tr>
<tr>
<td>West Central</td>
<td>84.7%</td>
<td>75.6%</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Southeast</td>
<td>87.1%</td>
<td>74.4%</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Southwest</td>
<td>86.9%</td>
<td>74.4%</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Statewide</td>
<td>87.3%</td>
<td>76.1%</td>
<td>-11.2%</td>
</tr>
</tbody>
</table>

*Source: Combined Association Occupancy Surveys*
Pandemic has had Unprecedented Impact on Care Center Occupancy

- Just over Half of Providers Experienced an Occupancy Drop of more than 10% from first to fourth quarter 2020
- Only 12% of Providers Experienced an Occupancy Increase from first to fourth quarter 2020
- 41% of Providers Indicated that Space Needed for Quarantining New Residents was a Factor in Low Occupancy
- Despite Record Low Occupancy at the End of 2020 more than half of Providers are Seeing even Lower Levels in 2021

Source: Combined Association Occupancy Surveys
Senior Housing Occupancy Plunges Due to Pandemic

KEY FINDINGS:

- Seniors housing occupancy averaged 78.8% during the first quarter of 2021, down 177 basis points from the prior quarter.
- The occupancy rate for independent living properties and assisted living properties averaged 81.8% and 75.5% during the first quarter of 2021, respectively.
- First quarter occupancy rates for independent living decreased 158 basis points from the prior quarter. Assisted living occupancy rates decreased 197 basis points from the prior quarter.
- The occupancy rate for nursing care properties averaged 74.1% in the first quarter of 2021.

Source: NIC Map Data Service
### Senior Housing Rents and Development Slow Down with Pandemic

<table>
<thead>
<tr>
<th>NIC MAP Data Service</th>
<th>Seniors Housing</th>
<th>Overall</th>
<th>Majority IL</th>
<th>Majority AL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td></td>
<td>78.8%</td>
<td>81.8%</td>
<td>75.5%</td>
</tr>
<tr>
<td>Annual Rent Growth</td>
<td></td>
<td>0.9%</td>
<td>1.2%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Annual Absorption</td>
<td></td>
<td>-7.4%</td>
<td>-6.4%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Annual Inventory Growth</td>
<td></td>
<td>2.8%</td>
<td>2.6%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Source: NIC Map Data Service
Assisted Living Inventory Still Growing as Occupancy Plummet
Senior Housing Occupancy Starting to Stabilize

Source: NIC Map Data Service
## 2021 Environmental Scan

### Nursing Home Revenue Per Resident Day Showing Consistent Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>MA</th>
<th>MC Part A</th>
<th>Other</th>
<th>MC ADV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$179.12</td>
<td>$471.05</td>
<td>$239.49</td>
<td>N/A</td>
<td>$232.16</td>
</tr>
<tr>
<td>2015</td>
<td>$218.33</td>
<td>$480.66</td>
<td>$258.10</td>
<td>N/A</td>
<td>$259.63</td>
</tr>
<tr>
<td>2016</td>
<td>$231.49</td>
<td>$477.84</td>
<td>$287.07</td>
<td>N/A</td>
<td>$279.08</td>
</tr>
<tr>
<td>2017</td>
<td>$255.07</td>
<td>$490.92</td>
<td>$285.30</td>
<td>$422.93</td>
<td>$290.49</td>
</tr>
<tr>
<td>2019</td>
<td>$266.43</td>
<td>$510.15</td>
<td>$311.39</td>
<td>$453.25</td>
<td>$308.45</td>
</tr>
</tbody>
</table>

Source: LTC Imperative Financial Indicators Survey by CliftonLarsonAllen
### 2021 Environmental Scan

**Nursing Home Operating Margin Improving Prior to Pandemic**

Source: LTC Imperative Financial Indicators Survey by CliftonLarsonAllen

<table>
<thead>
<tr>
<th>Year</th>
<th>North West</th>
<th>North East</th>
<th>West Central</th>
<th>East Central</th>
<th>South West</th>
<th>South East</th>
<th>Metro</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>-9.35%</td>
<td>-0.85%</td>
<td>-6.30%</td>
<td>-3.73%</td>
<td>-3.78%</td>
<td>-6.24%</td>
<td>-1.41%</td>
<td>-3.85%</td>
</tr>
<tr>
<td>2016</td>
<td>1.10%</td>
<td>-0.98%</td>
<td>-1.87%</td>
<td>0.19%</td>
<td>1.39%</td>
<td>-1.44%</td>
<td>-2.56%</td>
<td>-1.28%</td>
</tr>
<tr>
<td>2017</td>
<td>-1.07%</td>
<td>-0.73%</td>
<td>-0.34%</td>
<td>-0.46%</td>
<td>1.39%</td>
<td>-2.96%</td>
<td>-0.43%</td>
<td>-0.43%</td>
</tr>
<tr>
<td>2018</td>
<td>0.74%</td>
<td>3.06%</td>
<td>-0.56%</td>
<td>-0.37%</td>
<td>2.21%</td>
<td>0.83%</td>
<td>1.43%</td>
<td>0.90%</td>
</tr>
<tr>
<td>2019</td>
<td>0.23%</td>
<td>3.27%</td>
<td>-0.99%</td>
<td>2.59%</td>
<td>2.25%</td>
<td>0.27%</td>
<td>1.46%</td>
<td>1.89%</td>
</tr>
</tbody>
</table>

**Source:** LTC Imperative Financial Indicators Survey by CliftonLarsonAllen
Assisted Living Grew by a Third in Last Decade

What will happen to these numbers due to AL License?

85% of units designated as assisted living and 55% as memory care

Source: Minnesota Department of Health  HWS units serving elderly
Care Center Beds Declining- Pandemic did not Significantly Accelerate Decline so Far

Will these numbers drop faster due to the occupancy drop caused by the pandemic?

Source: Minnesota Department of Health, March report of care center beds
Care Center Closures Happening Statewide

- 97 Facilities Total Since 2000
- 34 Providers Have Closed in the Last Decade
- Metro Area Originally Accounted for most Closures, but Recent Closures have been Primarily Rural Providers
- Common Themes Of Closures- Aging Building, Declining Market Area

Source: Minnesota Department of Health, April 2021
Care Center Bed Layaway Program Allows Providers to Start Adjusting to Lower Occupancy

- Program Allows Beds to be Taken Out of Service without Permanent Loss of the License
- Beds can be Laid Away for up to 10 Years
- 382 Beds placed on Layaway since Beginning of Pandemic (18% of Total of 2,118)
- Historically most Layaway Beds are Eventually Delicensed, Layaway serves as Trial of lower Capacity

Source: Minnesota Department of Health, April 2021
### Change of Ownership at Highest Level in 2017,Produced Growth in For Profit Providers

<table>
<thead>
<tr>
<th>Year</th>
<th># of CHOWs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4</td>
</tr>
<tr>
<td>2015</td>
<td>10</td>
</tr>
<tr>
<td>2016</td>
<td>12</td>
</tr>
<tr>
<td>2017</td>
<td>45</td>
</tr>
<tr>
<td>2018</td>
<td>5</td>
</tr>
<tr>
<td>2019</td>
<td>19</td>
</tr>
<tr>
<td>2020</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>106</td>
</tr>
</tbody>
</table>

**Ownership type before the CHOW**
- 23 non-profit; 7 gov't; 76 for profit

**Ownership type post-CHOW**
- 11 non-profit; 2 gov't; 93 for profit
- 72 Non-Metro; 34 Metro
Sales of Care Centers Picking Up

- Majority are from one for-profit to another
- Sales have continued during pandemic
- Will pandemic recovery lead to more sales and closures, with consolidation of ownership?

Source: Minnesota Department of Health, April 2021
Considerations

• Long term shift from care centers to other settings continues through the pandemic.
• Financial assistance has helped providers weather the pandemic, but more is needed to avoid major financial problems.
• Occupancy recovery is needed to stabilize all service sectors.
• Assisted Living development may slow due to pandemic fallout.
• Care centers sales may become less appealing for buyers, and closures may begin to increase particularly of smaller rural locations.
Technology
2021 Environmental Scan

COVID Increasing Investment in Technology

Technology budgets rose dramatically in 2020 and will continue to rise in 2021

COVID-19 driving virtual activities, telehealth, resident safety

Source: Senior Housing News/Philips 2020 Survey
COVID Accelerates Telemedicine Utilization in MN

Continues to be steady demand for telehealth and the transformative way it can supplement care delivery.
## Taxonomy of Workforce Technologies

<table>
<thead>
<tr>
<th>Robots</th>
<th>EHR Interoperability</th>
<th>Education</th>
<th>Remote Monitoring</th>
<th>Wearables</th>
<th>Family Caregiver Support</th>
<th>Online Care Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home-to-Clinic Communication</td>
<td>Staffing &amp; Recruitment</td>
<td>Facility / Home Health Management</td>
<td>Documentation</td>
<td>Patient-Employer Engagement</td>
<td>Alarms &amp; Alert Systems</td>
<td>Assisted Living</td>
</tr>
</tbody>
</table>

UCSF Impact of Emerging Technologies on Long-Term Care & the Health Workforce Report 7/31/19
Benefits of Workforce Technologies

- Extend the reach of caregivers
- Increase caregiver productivity
- Enhance hiring, training, etc.
- Provide caregiver support
- Share/integrate information
- Enhance decision making
- Enable predictive vs reactive response
- Enhance understanding of resident
- Improve communication w/ patient, staff, other health care providers
Feelings of loneliness can increase the risk of death by anywhere from 26% to 45%.

The health effects of prolonged isolation are equivalent to smoking 15 cigarettes a day.

Older adults with depression incur medical costs that are 50% higher than those without depression.

Internet use among retired older adults reduces the probability of depression by 33%.
Remote Monitoring Systems

Safety
- Emergency Response
- Fall Detection/Prevention (Alarms)
- Environmental Monitoring (Fire, CO2, Temp)
- Access Control
- Wander Management
- Appliance Control

Biometrics
- Medication Dispensers
- Sensors: Bed, Floor, etc.
- Disease Condition Monitoring
- Vital Signs

Health & Wellness
- Wearable Activity or Vital Sign Tracking (Fitbit)
- Cognitive Stimulus, Assessment, Reminders, Monitoring
- Exercise & Rehab
Remote Patient Monitoring Supports Value-Based Care

- Better health outcomes
- Improved quality of life & satisfaction with care
- Lower costs
  - Reduced hospitalizations/hospital readmissions
  - Staff efficiencies
Considerations

• Technology has the potential to transform older adult services in many ways:
  - Improve health outcomes
  - Enhance quality of life
  - Lower cost
  - Extend reach of care
  - Extend workforce
  - Integrate information across settings
  - Engage seniors and families

• What technology investments align with your organizational goals?
• Are there ways to maximize your EHR system to achieve better outcomes?
Regulatory Environment
NURSING HOME REGULATORY TRENDS AND CHALLENGES
Historically High Survey Activity Strains Facilities, Limits Capacity to Do Other Needed Work

<table>
<thead>
<tr>
<th></th>
<th>Standard Surveys</th>
<th>Complaint Surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFY 2017</td>
<td>380</td>
<td>429</td>
</tr>
<tr>
<td>FFY 2018</td>
<td>379</td>
<td>438</td>
</tr>
<tr>
<td>FFY 2019</td>
<td>377</td>
<td>822</td>
</tr>
<tr>
<td>FFY 2020</td>
<td>155</td>
<td>1088</td>
</tr>
</tbody>
</table>

Source: CMS Quality, Certification and Oversight Reports (QCOR)
Average Deficiency Count on Standard Health Surveys Is Holding Steady

Source: CMS Quality, Certification and Oversight Reports (QCOR)
Environmental Risk: Immediate Jeopardy Citations are Now Commonplace in Minnesota

<table>
<thead>
<tr>
<th></th>
<th>FFY 2018</th>
<th>FFY 2019</th>
<th>FFY 2020</th>
<th>FFY 2021 (as of 05/16/21)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Citations</td>
<td>37</td>
<td>66</td>
<td>78</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: CMS Quality, Certification and Oversight Reports (QCOR)
Issues Commonly Cited at IJ Level

**Accidents/Supervision** (e.g., falls, mechanical lifts, elopements, burns, smoking-related events)

**Infection Prevention & Control** (cohorting of COVID residents, proper PPE use, surveillance, symptom screening/monitoring)

**CPR/POLST** (e.g., failure to initiate CPR in accordance with a resident’s advance directive / code status)

**Freedom from Abuse/Neglect** (e.g., may be failure to report and/or failure to intervene and protect residents)

**Quality of Care** (e.g., medication errors, failure to notify physician of changes of condition)
COVID-19 Brought Us a New Form of Scrutiny and Enforcement

- **Focused Infection Control surveys** for all nursing homes nationwide – layered on top of existing survey types.
- New weekly reporting requirements.
- Enhanced enforcement for deficient practices without opportunity to correct:
  - Directed plans of correction
  - Mandatory fines that escalate when there are repeated citations.
What’s on the road ahead?

- Continued close scrutiny of infection control practices.
- Emphasis on sound emergency preparedness protocols (triggered by COVID experience).
- Mandatory vaccination reporting and proposed quality measure tied to vaccination levels.
- Enforcement of “Phase 3” requirements.
- Nursing Home Compare changes.
Considerations

• Survey preparation is paramount:
  - Study frequently cited tags
  - Conduct mock surveys, including training staff on best practices when answering surveyor questions.

• Promptly report, conduct thorough investigations, and take immediate corrective action when adverse events occur.

• Expect regulatory and public spotlight on abuse and neglect.

• Keep up the focus on Infection Control
A New Era Begins
2021 Environmental Scan

Assisted Living Licensee

Assisted Living

Will the regulatory burden affect the viability of smaller AL service settings

Assisted Living with Dementia Care

Current Requirements

- Housing with Services
- Food and Beverage
- Home Care

Food Code
Housing
Building and Health Safety Code
Staffing
Services
Transition from HWS with Home Care

- 1,800 Housing with Services establishments with arranged home care services.
- _____ applied to convert to assisted living licensure
  - _____ applied for assisted living facility license
  - _____ applied for assisted living facility with dementia care license
- _____ did not apply for license conversion. Why?
  - Decided to exit the field
  - Some settings were licensed as part of a campus
  - {other}
- Those that did not apply by June 1 may apply for a new provisional license at any time in the future.
- Number of home care licenses dropped by _____.
Survey Activity Will Increase Under AL Licensing

- **Frequency:** MDH must conduct a survey of each assisted living facility at least once every two years. This will be a big increase from what we have experienced historically.
- **Scope:** Surveys will include inspection for physical plant requirements.
AL Licensure is a Game Changing Event
What does it mean? What impacts can we expect?

Providers must adapt to increased operational complexity in order to implement the AL licensing regulations.

Support may be needed to help smaller, residential settings make a successful transition to AL licensure.

Design and life safety standards for new licenses and new construction will factor into acquisitions, expansion of buildings, development.

Will enhanced consumer rights and protections, and more regular MDH surveys, increase public esteem confidence in assisted living?

Policy of licensing an entire building as AL or AL with Dementia Care limits flexibility previously available in “blended” buildings.

{insert others as appropriate}