

LIFE CARE AT HOME:
Risks and Opportunities

SESSION 99-G, LEADINGAGE ANNUAL MEETING
OCTOBER 30, 2013
DALLAS, TEXAS



Agenda

- Introduction
- Program description
- Why develop Life Care at Home
- Challenges
- Approaches to development
- Potential partners
- Take home strategies
- Questions and answers





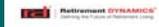
- Riverside Health System (RHS) is:
 - A non-profit health system founded nearly 100 years ago.
 - The largest provider of health services in Eastern Virginia.
 - Mission-based, caring for others as we would care for those we love.





▪ *Riverside Health Systems' Lifelong Health and Aging Related Services* division is responsible for the development and operation of:

- Continuing Care Retirement Communities.
- Assisted Living.
- Nursing Homes, Short Term Skilled Nursing and Rehabilitation Centers.
- Residential Memory Support.
- Wellness Centers .
- Community-Based Services such as PACE, Home Health/Hospice, and Home Enabling Technology.





▪ *Jennifer Roberts, Business Development Manager, Lifelong Health and Aging Related Services.*

- leads the development of the RHS life care at home program and other innovative new business models.
- Ms. Roberts has an MBA from the College of William & Mary and a Bachelor's degree in Business from Hollins University.



 Continuum Development Services

- Establish in 2002 by Dan Gray, serving, non-profit, faith-based senior living providers.
- CDS consulting team has a combined 100+ years of senior management experience, with talents that leverage knowledge in operations, finance, clinical and executive functions.





Continuum Development Services

- Development of Programs for All-Inclusive Care (PACE).
- Life Care at Home program development.
- Operational assessments, including implementation of recommendations with management and staff.
- Management consultant reports required by lenders
- Resident Centered Staffing™.
- Benchmark and metric development.
- Financial reporting enhancements.





Continuum Development Services

▪ *Dan Gray, President*

- Former Board member of LeadingAge (formerly known as American Association of Homes and Services for the Aged), the National PACE Association, and the Catholic Health Association.
- Master of Science in Long-Term Care Administration from the University of North Texas, a Master's level Certificate in Gerontology from the University of Southern California and a Bachelor of Science in Psychology from Bryan College.
- Tennessee licensed Nursing Home Administrator and has also held licenses in Florida, Missouri, Wisconsin and Minnesota.



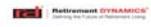


- Founded in 2001 by industry veterans with decades of CCRC experience.
- Focus on sales, marketing and research
- Since 2001 RD has worked with over 230 CCRCs and other senior housing and service sponsors.
- Combined 220 years of experience advising leadership, teams and thousands of older adults and their children to make a plan and act on it.



 Retirement **DYNAMICS**
Defining the Future of Retirement Living

- *Perry Aycock, President*
 - Began career in Resort/Active Adult Real Estate Sales and Marketing.
 - Sales Specialist for Croasdaile Village, Westminster Canterbury Chesapeake Bay (CCRCs).
 - Consultant for digital communications, technology, web design, hosting.
 - In 2002 joined RD as Marketing Consultant.
 - Invited by Founders to become President in 2008.

Life Care at Home Program Description

- Respects an individual's choice to remain in their homes.
- Addresses future chronic care needs of healthy seniors desiring to live in their homes.
- Creates a partnership between service providers and members of the program.

Program Description

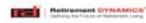
- Program is designed to meet the total needs of older adults in their own homes.
- Those who enroll in Life Care at Home secure the benefits of escalating levels of care designed to provide essential health and personal services when and where needed.

Program Description

- **Services:** include personal care coordination, home health, electronic monitoring, emergency response system, medication dispensing services, meal assistance, adult day care, companion/homemaker, transportation, PACE, home maintenance, assisted living and nursing.
- **Market:** age 60+ with income of \$60,000+, college educated, long-term care insurance buyer, ability to live independently, free of degenerative disease and cognitive impairment; average age at entry is 78 with 60% couples.





Program Description

- Life Care at Home
 - Has some attributes of self-management, but it is significantly different; and
 - Although there are some similarities, is not a retirement community or long-term care insurance.





Program Description

- Has some attributes of self-management, but it is significantly different

Alike	Unlike
<ul style="list-style-type: none"> ▪ Control ▪ Choice ▪ Flexibility 	<ul style="list-style-type: none"> ▪ Part of a network/team with expertise in assisting the member to achieve goals ▪ Personal Service Coordinator ▪ Peace of mind, less stress





Why Develop Life Care at Home?

- Enhances your reputation for providing high quality health and housing services and positive affinity in the community.
- Broadens your market to provide services to all seniors, and creates one-stop shopping for seniors needing health, housing or support services.



Why Develop Life Care at Home?

- To create a program that can be sustainably operated in primary market area.
- To cultivate the development of improved care coordination strategies.
- To foster deeper relationships with the community in order to develop stronger customer channels.
- To create flexibility for growth.



Why Develop Life Care at Home?

- Life Care at Home address three big concerns:
 - Access to long-term care
 - Cost of long-term care
 - Quality of long-term care



Challenges

- Lack of historical actuarial data to set realistic pricing—sponsors want protection against large future increases.
- Typical member is upper middle income—need to reach broader market.
- Slow membership growth— many groups have not figured out how to market effectively in smaller markets.



Challenges

- Knowing which services are effective in preventing significant future costs.
- Difficulty integrating services and building partnerships.
- CCRC occupancy has dropped in some markets as programs gain participants.
- Business requirement to have 200+ members for healthy programs.



Challenges

- Risk-based product requires stronger buy-in from key leaders.
- Focus on customer relationship management is critical.
- Managing utilization through third-parties can be problematic.
- Some states may require services that are not currently provided requiring new business start ups or partnerships.



LIVE AT HOME

- Developed by Alexian Brothers Health System, which offers a full continuum of services.
- Opened in Chattanooga, TN in 2002.
- Development Costs—\$1M.
- Development Time—2 years from decision to opening.
- Membership at 208 and open to members age 55+.

<http://www.alexianbrothers.net>



LIVE AT HOME

- 275 clients in 9 years.
- 2011 cost of program services per client per month--\$215.
- 2011 cost of care management per client per month - \$65.
- Acceptance within communities where implemented (focus group findings).
- Accumulated \$3.9M in cash in 9 years with capital costs under \$250,000.



RHS Unique Approach

- RHS' Life Care at Home was created to compliment existing services.
- All services are currently being provided by RHS.
- RHS has three CCRCs in the marketplace.
- Two main drivers were to compete successfully with long-term care insurance and to compliment CCRCs or other existing services.



RHS Unique Approach

- RHS has experience coordinating care for patients and exploring risk-based programming.
- Strong historical focus on serving older adults throughout the continuum of care.
- Existing relationships expand the breadth of potential services for members.



Program Benefits

- When establishing benefits, programs might want to consider:
 - Term coverage.
 - Maximum daily benefit options.
 - Package-level caps.



Levels of Care Example

- Defining levels of care helps manage member expectations:
 - Level I: No Impairments in IADLs, PADLs, or cognition.
 - Level II: Impairments in one or more IADLs and/or mild cognitive impairment.
 - Level III: Impairments in one or more PADLs and/or moderate cognitive impairment.
 - Level IV: Impairments in two or more PADLs and/or severe cognitive impairment.



Determination of Fees

- Fees are determined by three factors:
 - Age at entry (minimum age of 60).
 - Benefit plan.
 - Length of coverage.
- Selections often will depend on the individual's risk tolerance, desired degree of protection, and perceived value.

Sample Program Benefits

	Platinum	Gold	Silver	Bronze
Personal Service Coordinator	100%	100%	100%	100%
Annual Wellness Assessment	100%	100%	100%	100%
Annual Home Safety Assessment	100%	100%	100%	100%
Emergency Medical Alert System	100%	100%	100%	100%
Medication Dispensing Service	100%	100%	100%	100%
Transportation to Essential Services	100%	100%	100%	100%
Companion/Homemaker Services	100%	90%	70%	50%
Home Health Aide	100%	90%	70%	50%
Adult Day Services	100%	90%	70%	50%
Meal Assistance	100%	90%	70%	50%
Assisted Living	100%	75%	50%	N/A
PACE	100%	100%	70%	50%
Skilled Nursing Care	100%	75%	50%	N/A



Proposed Benefit Options

- **Comprehensive:** 100% Coverage with a \$250 per day cap.
- **Premium:** Coverage ranging from 75% to 100% with a \$200 per day cap.
- **Choice:** Coverage ranging from 50% to 100% with a \$150 per day cap.



Investments and Fees

- There will be an initial investment as well as a monthly investment (Note: *fees can be applied to income tax deductions as a pre-paid medical expense*).
- Entrance fee for the average 70 year old tend to range from \$10,000 to 50,000.



Investments and Fees

- Monthly fees for the average 70 year old tend to range from about \$350 to \$500.
- Couples often receive discounts.
- Entrance fees may be refundable, amortizing over a three- to 5-year period.



Refund Structure

- All refunds should be calculated as the entry fee less any services utilized in excess of the monthly fee.
- Example:
 - Day 0 to 90: 100%.
 - Day 91-364: 85%.
 - Remaining balance declines at a steady rate over an established period of time.



Marketing against the Competition

- Over 33% of the focus group participants for Life Care at Home were also actively shopping CCRCs. They do not want to move and often do not feel like the higher Entrance Fees are fair as their ages increase.
- Over 45% of the focus group participants had Long Term Care Insurance but many have experienced significant premium increases and are not clear on how it will work.



Life Care at Home

- How do Life Care at Home costs compare with alternatives? *IT DEPENDS....*
- According to the US Department of Health and Human Services, the average individual will need three years of LTC (2 years of home care services and 1 year of facility-based care).



Life Care at Home

Service	Years	Annual Cost (1)	Total Cost
Home Care	2	\$41,184	\$82,368
Skilled Nursing	1	\$83,950	\$83,950
			\$166,318

(1) Genworth Cost of Care Survey 2013 – Virginia State Median



Comparison with CCRCs

- Varies with communities in PMA.
- Depends:
 - Type of agreement (A, B, C)
 - Location.
 - Amenities and services.
 - Upscale?
- *BUT...*CCRC fees are much higher (room & board, staffing, etc.)
- Home maintenance services as part of the Life Care at Home program make for a much more complete CCRC competitor.

Life Care at Home and Tax Deductions

YES (qualified)

- Fees are considered as prepaid health care costs.
- They can be added to other health care costs.
- The amount exceeding 7-1/2%* of adjusted gross income can be deducted.

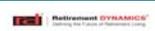
* If 65 or older; will increase in 2017

Life Care at Home Questions

- Can I keep my current physician?
- Can I choose what home care/rehab I utilize?
- Can I choose my assisted living and nursing facility?

YES!... your own hospital too!





Potential Partners

- Share Risk: some residents and boards express concern that the community is put at risk (per Virginia law).
 - Why would we put our community at risk for those who will not move in?
- Expand market
 - Geography and service area limits .
 - Increase speed of pre-sales.
 - Partners should bring sales and marketing benefits in addition to services.



Partners

- Pros and cons of CCRC sponsorship, occupancy and interest.
- These programs will NOT result in a great deal more facility-based care utilization.
- May want to consider being agnostic to program members desires for where they would want facility-based care.
- How to vet potential partners and providers
- Home maintenance approaches.



Partners

- Do you allow others outside your team to sell LCAH?
- Do you allow your existing CCRC sales team to sell LCAH?
- Do you **HAVE** to partner in order to meet state requirements for service delivery?



Take Home Strategies

- Research: Penetration and the tale of two shoe salesmen. Get Value if you are required to do a market study.
- Actuarial studies are required but the pricing for a particular coverage is basically the same no matter how you manipulate them.
- The requirements of the business are roughly same no matter how you structure the offering. The higher priced insurance type offerings bring more risk and potential returns.



Take Home Strategies

- Have a plan(s) to compliment LTC insurance coverage.
- Marketing:
 - Pre-sales.
 - Bell cows.



Tale of New Markets:

Have you heard the story of the two shoe salesmen who were sent from England to Africa in the 1800's?

One arrived and telegraphed back and said *"Coming back, no one here wears shoes"*.

The second telegraphed back *"Send more shoes, no one here wears shoes"*

THEY WERE BOTH RIGHT!



Take Home Strategies

- Learn what services have the most demand within your target market.
- Identify which services your organization is already able to offer to the community.
- Explore relationships with other providers or partners to meet the top needs.
- Create a structure that allows potential members to “customize” their plan.



Take Home Strategies

- Plan for a separate sales team from existing service lines.
- Plan for a referral reward, where applicable, to incent other service lines to refer to At Home programs. Base and commissions plans work best.



Take Home Strategies

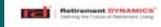
- Most importantly have a pre-sale period.
- These programs have similar PR risks as CCRCs. Closing a program that is operating is difficult, challenging and likely to cause a pall over the parent organization. Pre-sales mitigate that risk and provide insight through number and pace of sales.



Pre-Sales Plan



- Identify a pre-sales target and look for an inclining trajectory of sales velocity through the launch period.
- Consider incentives for members to join during the pre-sale period.



Take Home Strategies

- Build an on-ramp into your CCRCs so that the Life Care at Home investments are not totally a sunk cost for future potential CCRC residents.
- If they bring their Life Care at Home coverage with them they should receive a lower fee, either entrance or monthly.



Take Home Strategies

- The average LCAH buyer is slightly younger than the average CCRC buyer and has visited multiple CCRCs and may still find that community (little "c") appealing.



Questions



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