

# The Business of Assisted Living: Following the Money

*Editor's note: This Forecast article is part one of a five-part series assimilating some of the latest research and industry news about assisted living in the year(s) to come as we face the challenges of rising acuity, staff training and medication management, among others. They are organized around the business of assisted living, the medicine of assisted living and the people of assisted living (both caregivers and residents).*

## Coverage Changes May Blur Post-Acute Lines

Under the larger umbrella of senior living, more chronically ill seniors may opt to stay in their assisted living apartment in lieu of a skilled nursing home.

Under the fairly new federal Money Follows the Person (MFP) program, the government wants to give seniors more freedom to choose where they reside while accessing community-based health services. In early April, Congress approved The Ensuring Medicaid Provides Opportunities for Widespread Equity, Resources and Care Act (EMPOWER), which reauthorized the MFP program.

According to the Congressional Budget Office (CBO), the EMPOWER bill amends MFP, which provides states with an enhanced reimbursement for Medicaid services that promotes the use of home and community-based health care services in place of institutional, long-term care services. CBO estimates the measure will increase direct spending by \$882 million.

It's unclear whether the MFP program will incentivize the relatively small percentage of Medicaid assisted living residents to stay put as their medical conditions worsen or become more complicated. According to Medicaid.gov, over 75,000 people with chronic conditions and disabilities have transitioned from institutions like skilled nursing back into the community through MFP programs as of December 2016. The Affordable Care Act of 2010 strengthened and expanded the MFP program allowing more states to apply; 43 states currently participate.

Back in 2012, a measure allowed the Centers for Medicare & Medicaid Services to waive certain requirements to allow state Medicaid programs to cover home and community-based services for beneficiaries residing in



assisted living facilities (ALF), according to a Health and Human Services Inspector General report.

The fundamental goal of the MFP program at its inception was to eliminate barriers in state law, state Medicaid plans, and state budgets that restrict the use of Medicaid funds to let people get long-term care in the settings of their choice.

Nursing home advocates, meanwhile, were a little taken aback over statements supporting the reauthorization bill.

An estimated 47 percent of assisted living communities are Medicaid-certified to be home and community-based service (HCBS) providers. Currently, Medicaid pays for some of the cost of assisted living in 44 states, as well as the District of Columbia. According to NCAL, approximately 15% of assisted living residents (about one in six) rely on the federal Medicaid program to cover their assisted living services – but not room and board. Low-income individuals may be able to utilize Medicaid to help cover the cost of room and board and other assisted living services, depending on their state's Medicaid program.

## Changes in Payment Systems

In 2019, the costs of living in assisted living are likely to be front and center. Here are a few reasons why.

They're going up. An October 2018 survey by long-term care insurer Genworth found that assisted living costs will rise about 7% in 2019 – higher than those projected for every other post-acute care sector. Genworth reports that assisted living costs have risen 67% during the past 15 years.

Long-term care insurance on last legs? Paying for those higher costs isn't likely to get easier, either. Adding to the less-than-positive forecast is the fate of long-term care insurance – the largest source of private funds that pay for 80% of all assisted living care.

Part of the problem: A huge disparity in costs for virtually identical coverage plans, according to a report in McKnight's Long-Term Care News.

The American Association for Long-Term Care Insurance's 2019 price index shows a middle-age couple buying a plan in their mid-50s could expect a premium of about \$3,000 for combined benefits of \$770,000, assuming they would not tap into the coverage until they turned 85. The association's research of plans showed a whopping 243% gap between the highest and lowest costs for essentially identical plans for people age 55.

A newspaper report showed Genworth, a large insurer, recently asked state agencies for an average 53% rate increase after losing \$3.1 billion on its policies. Only 17 companies currently offer LTC insurance policies in the country today, down from approximately 100 in 2002.

## Medicaid Funding Flat

AHCA President and CEO Mark Parkinson in early December 2018 strongly criticized the federal government

for underfunding the Medicaid program in 2019. CMS reported that skilled nursing and CCRC spending growth rose 2% in 2017, compared to 3.1% in 2016, and 3.8% in 2015.

National Center for Assisted Living (NCAL) Executive Director Scott Tittle recently told McKnight's Senior Living the industry "needs to make sure accessibility to Medicaid home- and community-based services (including assisted living) is preserved, if not expanded."

## Medicare Advantage Tweaks and Lower Part D Drug Prices Ahead

With assisted living costs rising higher than any other long-term care sector in 2019, there may be welcome news for residents covered by Medicare, especially in the reimbursement area as the global trend is for an increase in drug prices.

The Centers for Medicare & Medicaid Services announced a new model to lower drug prices in Medicare Part D as well as tweaks to the Medicare Advantage program.

New variations will enable Medicare Advantage and Part D plans, which are private plans that provide Medicare beneficiaries with medical and prescription drug coverage, to better serve patients and help them achieve good health, CMS announced in late January.

The Medicare Advantage program is based on updates to the Value-Based Insurance Design or "VBID" model that CMS first launched in 2017, the agency said. New services beginning in 2020 will include increasing access to technology such as telehealth services by allowing plans to use access to telehealth services instead of in-person visits. A recent survey found that close to half (45%) of long-term care IT executives expect their use of telehealth to increase by 10% each year through 2021.

Today, well over 80% of all assisted living care is paid for with private funds.

Medicare does not cover long term care services and supports, but most assisted living residents are Medicare beneficiaries. According to [PayingForSeniorCare.com](http://PayingForSeniorCare.com), some Medicare Advantage plans may cover the cost of personal care assistance, as well as other supportive services in assisted living facilities. This could include medical and non-medical transportation and assistance with daily living activities, such as bathing, dressing, eating, laundry, and light housecleaning.

## Value-Based Payment Could Lead to 'Partnerships'

"More complex continuum and network development" is how Health Dimensions Group describes one of its "Top Trends in Aging Services" for 2019.

As the pressures of value-based payment meet the influx of capital into the senior care market, there will be innovative partnerships and cross-continuum service development," HDG said. "Providers and investors will be looking beyond the physical walls of senior care to create partnerships with others like Medicare

Advantage payors, pharmacies and retail giants, home health, technology, and other provider groups.” HDG closed by stating such arrangements will be a good thing by “reinventing the way the continuum works together to manage the quality and cost of senior care—not only for housing and health care, but for products and services as well.”

Look for continued changes in regulations and payment systems to continue impacting assisted living, including medication management, preferred pharmacy choices, and assistive technologies such as Electronic Medical Records (EMR).

*Reimbursement rules and legislation will continue shaping the industry and the services we offer in a large way. Partnering with a single preferred pharmacy such as ValueMed can help communities keep up with changing regulations and stay in compliance, while helping residents with billing and Medicare questions. What's next in Forecast? Be sure to keep an eye out for Part 2: All About the Data as we dive into the macro growth issues shaping the industry.*