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In the Insider August Issue

CIBC Puts Relationships First: A Conversation with CIBC's Ann O'Shaughnessy

Ann O'Shaughnessy

As lenders compete on rates and terms, relationships receive less emphasis. But relationship banking is still a priority at CIBC, a Canadian lender with an active healthcare group here in the U.S.

NIC chief economist and director of Outreach, Beth Mace, recently talked with CIBC's Ann O'Shaughnessy, group head and managing director. Her office is in Chicago.

What follows is a recap of their conversation about the industry and how relationship banking is a differentiator at CIBC.

Mace: Tell us about yourself and your role at CIBC. How long have you been at CIBC?

O'Shaughnessy: I have been with CIBC since October 2007, when it was The PrivateBank and they hired a team from the former LaSalle Bank to start a healthcare specialty within its Commercial Banking business. It's been an exciting 12 years. As a group head and managing director at the bank, I work with our seniors housing and skilled nursing clients. My background brought me to healthcare banking. When I was 16, I took a course at the local junior college and became a certified nursing assistant. I worked at a local nursing home on one of the first memory care units in the country. It was a way to help save for college. The first few years of college, I worked at local hospitals and nursing homes to help pay the bills. When I started my career, I realized there was such a thing as healthcare banking. It was exciting to know I could utilize my experience as an aide and parlay that into financing healthcare companies. I have always enjoyed the site visits. One of the best parts of what we do is meeting the employees who provide the care and the residents who depend on the care. The financing we provide allows for that care to be provided and creates jobs in the community.

Mace: Do you lend in both the U.S. and Canada? Any other countries?

O'Shaughnessy: CIBC's global headquarters is in Toronto, and we have a team in Canada that serves the seniors housing and skilled nursing sectors there. Our group lends in the United States. We also have a cross-border desk that works with clients going into Canada or coming from Canada into the U.S. If we have a U.S.-based operator looking to expand in Canada, we work with our cross-border desk to make sure we are partnering with the right team in Canada.

Mace: Does CIBC work with the Agencies—Freddie Mac, Fannie Mae, HUD?

O'Shaughnessy: We are not an agency lender, but we partner with shops that work with the agencies.

Mace: Do you lend to all seniors housing and care segments, i.e., independent living, assisted living, memory care, and skilled nursing care? Is there one segment you favor over others?

O'Shaughnessy: We do all segments. We do not have favorites, but we are weighted toward the skilled side. We would love to grow in those other areas. And, we go where our clients take us.

Mace: Do you lend for acquisitions, development, or expansions?

O'Shaughnessy: Yes, we do all three. We appreciate the opportunity to look at all new transactions whether they are acquisitions, recapitalizations, or development. Our decision depends on the opportunity, the sponsor, and the location of the project.

Mace: Do you do a lot of repeat business?

O'Shaughnessy: We are relationship focused; so many of our clients have been with us for many years. We start with one opportunity, and the hope for both parties is that the relationship grows as they expand or need new working capital.

Mace: The collateral for your loans is the real estate. Do you make loans to the operations of the business as well?

O'Shaughnessy: We definitely do. We are a full-service financial institution. We provide working capital lines of credit, treasury management, and letters of credit when needed. We offer the suite of services you would expect from a full-service financial institution.

Mace: What types of terms and rates are you offering? Do you have a size limit on your loans?

O'Shaughnessy: We offer competitive rates. But we look at opportunities on a deal-by-deal basis. What industry sector are they in? How are they positioned? Is it a turnaround, or is the property stabilized? We have clients with a number of communities that we have financed. If they have grown, we have grown with them. We are a flexible organization.

Mace: What do you look for in a good sponsor? Can you provide an example?

O'Shaughnessy: First and foremost, we focus on the fundamentals, such as character and capital, and then evaluate sponsors on a case-by-case basis. Does the sponsor have an appropriately sized back office to take on new communities? What is the turnover of senior management? We have started relationships with folks who have been the third generation in the business and wanted to start their own company. We have also had new operators come to us. We have grown with one company that has gone from a single community to becoming the largest operator in the state in their industry segment.

Mace: When do you turn a lending opportunity down? Are there any immediate red flags?

O'Shaughnessy: Red flags for us include whether the accounts receivable reserves are being appropriately recognized, insufficient back office team, too rapid an expansion, or insufficient equity. If a market is overbuilt or has 10 new projects

going up, that may be a challenge for us. Another challenge for us is a sponsor without experience who thinks they can operate seniors housing, or a sponsor that is not partnering with an experienced operating group.

Mace: Is that an immediate red flag?

O'Shaughnessy: Being a brand new organization is not the red flag. It is someone who has no experience in the industry. It is hard for us to move forward with a relationship until there is some track record. If they are forming their own team, I want to understand how they are going to operate the property if they have never done this before. The regulatory side of the industry poses another unique challenge. It's a very different wheelhouse to operate seniors housing and skilled nursing than to operate another kind of business. It is not about the housing; it is all about the care and the quality of the care. Do they understand the regulatory environment? If they are not providing quality care, the regulators can change how they operate. We turn down sponsors without industry experience.

Mace: What are the opportunities as well as the challenges you see for the seniors housing and care sector?

O'Shaughnessy: We focus on relationships, which are fundamental to any interaction between people. This industry is all about relationships. It's the caregiver. It's the resident in room 101. It's their interaction. The caregiver sees that resident every day, and they build a relationship. Building rapport helps the resident feel comfortable about sharing information with the caregiver. One of the issues we have talked about at NIC conference planning committee meetings is employee turnover. It costs a lot to the company, and it also breaks continuity with the resident when there is a new caregiver.

Relationships matter at the banking level, too. Price and terms are a big motivating factor in our industry. And while those definitely are important, relationships allow you during challenging times to walk hand-in-hand with your banker and get to the other side. They also allow you to be proactive in addressing any concerns or issues which may arise in the operations of the community. A core part of our focus is building relationships with clients. Strong relationships with families, vendors, and residents are an operator's key to success in this industry, and we recognize that. It is also why we really focus on the relationship side of things.

Mace: With interest rates falling and the yield curve flattening, have your lending strategies changed in the last 12 months?

O'Shaughnessy: We have continued to do what we have always done: solid underwriting, understanding the needs of our client, and building that relationship. We offer our clients floating and/or fixed rates. We advise and consult with them. We have a great capital markets group that allows them to hedge their interest rate for protection. We utilize experts within the bank to help clients mitigate risk.

Mace: What is your outlook for interest rates and the economy?

O'Shaughnessy: Our healthcare team has a great depth of experience and has been through all different types of interest rate environments. We counsel our clients and work together in the easy times but also in the challenging times, when

interest rates are rising, or regulations and reimbursements are changing. We help clients understand the current environment and find solutions tailored to their needs.

Mace: Any other thoughts?

O' Shaughnessy: I had one experience that really touched me and reaffirmed what this industry is all about. I was taking a tour of a new skilled nursing community we had financed, and a woman came up to me and asked if I was the banker. I said yes and introduced myself. She said that she just wanted thank me because the building was the nicest home her mother had ever lived in. It meant so much to her and the family that at the end of her mother's life that she would have a wonderful place to live. It was one of the more moving moments I have had in the last 10 years. We may think of things in dollars and cents, or in terms of cost per unit or per bed. But, when you stand back, it isn't about that; it is about the people.

NIC Fall Keynote Speakers: Dr. Janet Yellen, Dr. Joseph F. Coughlin

NIC has a tradition of presenting world-class leaders who deliver their unique perspectives and whose insights are highly relevant to the business of seniors housing and care. NIC recently announced that Dr. Janet Yellen, the first-ever woman to be appointed chair of the Board of Governors of the Federal Reserve System, will address the opening general session of the 2019 NIC Fall Conference at 8:00 AM on Thursday, September 12. Dr. Yellen will share her perspective on the economy, only a year and a half after completing her term as the "active executive officer" of the U.S. Federal Reserve System.

The seniors housing and care sector will likely feel the influence of numerous economic forces in coming years, ranging from interest rates and the shape of the yield curve to the varying impacts of the global economy on regional economies across the United States. Macro-economic trends will influence domestic policy, the regulatory environment, labor markets, the healthcare sector, and other factors that decision makers will be watching closely.

Perhaps no individual is in a better position to inform and provoke insight on these economic drivers than Dr. Yellen, who served as the "active executive officer" of the U.S. Federal Reserve System from 2014 to 2018. Prior to her four-year term as chair, Dr. Yellen served as vice chair of the Federal Reserve's Board of Governors and, from 2004 to 2010, as president and chief executive officer of the Federal Reserve Bank of San Francisco.

The general session will feature a discussion with Dr. Yellen, moderated by Kathleen Hays, the Global Economics and Policy Editor for Bloomberg Television and Radio. Attendees will be treated to an exchange focused on the economic topics relevant to the seniors housing and care sector—and will hear how the former Federal Reserve Board chair views the economic environment.

While serving as a member of the Federal Reserve's Board of Governors (1994–1997), Dr. Yellen was appointed by President Bill Clinton as chair of the Council of Economic Advisers. From 1997 to 1999, she also chaired the Economic Policy

Committee of the Organization for Economic Cooperation and Development. Earlier in her career, she served as an economist with the Federal Reserve's Board of Governors.

Although most famous as an economic policy-maker, Dr. Yellen has also enjoyed an accomplished career in academia. She was an assistant professor at Harvard University (1971–1976) and a lecturer at the London School of Economics and Political Science (1978–1980). In 1980, she joined the faculty of the University of California at Berkeley, where she was named the Eugene E. and Catherine M. Trefethen Professor of Business and Professor of Economics. Currently, she is a professor emeritus at the Haas School of Business.

The conference will also feature a luncheon Keynote Address titled "Demographics, Consumer Behaviors, and the Longevity Economy," which will be given by Joseph F. Coughlin, PhD. The Director of MIT's AgeLab, Dr. Coughlin is recognized world-wide as a thought leader specializing on the impact of demographics, particularly on retirement, aging, and real estate. Conference attendees will hear what his award-winning research tells us about the influences that boomers' consumer behaviors will have on future senior care products and services, and how the "Generation Expectation" ultimately will impact the longevity economy.

Demographics, in combination with social trends and technology, will play a major role in the development of future innovations in business and government, and the seniors housing and care sector is no exception. The American baby boomers have already sparked a transformation in products and services as businesses tailor more of their offerings to meet the needs of this generation. Baby boomers will live longer —and work longer – than previous generations, and they likely will expect markets to deliver what they need to age well.

NIC looks forward to welcoming both Dr. Yellen and Dr. Coughlin as our keynote speakers, and to continue a tradition of bringing the most eminent, experienced, and accomplished persons in business, economics, and policy-making to share their considerable insights with attendees of our Fall Conference.

For Proven Solutions, Don't Miss "Innovations That Work"

Attendees at the upcoming 2019 NIC Fall Conference will benefit from some of the best networking opportunities of the year, punctuated and enhanced by a full program of informative and insightful presentations. In addition to high-profile keynote addresses, the conference features dozens of educational sessions, kicking off Wednesday afternoon and continuing through all of Thursday and into Friday, culminating that morning with the second "NIC Talks." As with all NIC events, attendees are offered a wide range of subject matter and formats, carefully designed to be relevant, useful, interesting, and thought-provoking. As well as the latest data

and analysis, discussions on hot-button issues, and insights from thought leaders, the program offers practical examples and case studies. Attendees interested in benefitting from the innovations, investments, and lessons learned from businesses operating in real-world conditions will fill the room on Wednesday at 4:00 PM for a unique session titled "Innovations That Work."

Seniors housing and skilled nursing markets are constantly evolving, often driving owners and operators to look to innovation to add value and improve margins. But, while often promising, and sometimes fruitful, not every innovation yields positive business results. Those that are yielding demonstratable results that create value for residents and owners offer extremely valuable lessons—and inspiration—to decision-makers considering their options. Investors and owners alike will find "Innovations That Work" to be well worth an hour of their time, as they aim to solve the most pressing challenges and take advantage of the greatest opportunities their businesses are facing today.

This dynamic hour-long session will focus on five separate case studies. NIC fielded dozens of applications from potential presenters, culling them down to the best examples of practical innovations that are working and yielding demonstrable, positive results in the marketplace today. Each presentation will cover the details of a day-to-day implementation and will include an analysis of operational and financial impact. Here is a brief overview of each of our "Innovations That Work" for 2019:

"Boosting staff engagement to improve retention and turnover"
submitted by Denise Boudreu-Scott, President, Drive

A shortage of quality staff impacts everyone. Employees can't keep up with extra tasks when there aren't enough hands, sometimes becoming "burned out." Managers spend their days filling open slots instead of working strategically. Leaders struggle with increased overtime and agency costs.

Drive is a consultancy that has helped over fifty aging services organizations improve the resident and staff experience, and the bottom-line, through more engaged leaders and employees. They look at the common threads between high performing team members and the reasons why they joined the organization in the first place. Presented by a leader from one of the properties they've helped, this presentation will reveal how a host of staffing metrics were improved dramatically at multiple organizations by using Drive's approach.

Aided by data and analysis provided with the help of an associate professor at Cornell and his students, case studies provide measurable results, along with details on how staffing issues were improved at different properties. In one case, the organization discovered that 95% of its high performing staff had been referred by a friend, and then was able to use that information to attract more people and reduce 90-day turnover. Data that has been collected since this solution came to market four years ago will be shared and analyzed, reflecting real-world improvements in staff retention and turnover rates.

“Increasing lead volumes with decision-science”
Submitted by Nate O'Keefe, CEO, Roobrik

Two intertwined problems are addressed by Roobrik’s multi-channel digital marketing platform: older adults and their families tend to wait for a crisis before making care decisions, and senior living providers struggle to engage with families earlier in the decision process.

Roobrik uses decision-science based assessments to help families get “unstuck” and connected to senior living providers. Their "Is it time to get help?" and "Is it the right time for senior living?" assessments use decision-science to reach families who are still in research mode and encourage them to move forward.

Over 350 communities have added Roobrik’s platform to their websites since it became available three years ago. Presented by an operator who has implemented Roobrik, data shows that the solution drives an immediate 20%-40% increase in online lead volumes, with each lead sharing 23 additional data points about their situation, concerns, needs, and readiness.

“Driving down depression—and costs—with voice assistant management”
submitted by Erum Azeez, co-founder and CEO, Soundmind

Residents are dealing with the challenges of aging, such as social isolation, boredom, and illness, while 90% of facilities are understaffed.

Less than two years ago, Soundmind launched a secure, HIPAA-compliant voice assistant management platform designed specifically for seniors housing. By centrally managing and customizing voice assistants in resident rooms, common areas, and staff offices, Soundmind-enhanced voice assistants are saving time, streamlining workflows, and positively impacting residents. They connect residents to their families through voice-based text messaging and photo sharing. They also provide secure access to music, news, podcasts, TV and other content.

An operator now using Soundmind will share their experience implementing the technology—and will present data supporting the company’s claims that their clients see a 95% adoption rate, five times more usage than average consumers, and a 44% reduction in depression scores, while driving down costs and helping top- and bottom-line growth.

“Slashing unnecessary readmissions with tech-enabled telehealth”
submitted by Ray George, VP, Growth and Strategy, Third Eye

Residents sometimes need immediate medical care and attention at night and on weekends. Rushing them to the hospital is costly, inefficient, and does not always produce the best outcomes.

Third Eye Health is the nation's largest post-acute telehealth provider with over 200 customers utilizing their solution across 26 states—helping nursing homes to reduce hospital readmissions and provide higher acuity care. Their tech-enabled physician

telehealth service provides 24/7 and night and weekend medical care. With the company's mobile-based solution (typically delivered via an iPad), when a patient or resident is in need of immediate medical care, with the touch of a button, the nurse can contact one of their specially trained physicians through secure video and text messaging.

One of Third Eye's clients will share their experience, and explain how, on average, Third Eye is seeing a 25% reduction in unnecessary hospital readmissions across its customer base, leading to improved patient care and enhanced profitability for the nursing home.

"Optimizing resident engagement"
Submitted by Linked Senior

In senior care today, optimizing resident engagement is not considered to be correlated with a positive return on investment. Yet, research shows that highly engaged seniors are less prone to depression and behavioral issues. Tracking residents' changing needs and preferences, as well as assessing real-time changes involves tedious paper tasks and is often an inefficient use of staff resources.

Established in 2007, Linked Senior provides a fully digital solution to programming and planning for over 50 properties, allowing staff more time for individualized and creative solutions. In 2017, Linked Senior partnered with the Responsive Group in Toronto and Western Oregon University to research resident engagement with funding from the Baycrest-led Centre for Aging + Brain Health Innovation. Over one year, data was collected from three Responsive memory care and long-term care communities. Findings suggest that being highly engaged in recreational activity (including the use of Linked Senior) is associated with a 3% increase in cognitive functioning, a 20% increase in social engagement, an 18% decrease in aggression, and a 20% decrease in antipsychotic medication use. There was also a $29,000 financial saving in staff efficiency.

A representative from Juniper Village at Brookline in State College, Pennsylvania, will present how their team became more efficient and productive using digital technology, including Linked Senior, to track residents' changing needs and preferences, increase program attendance, and see some real results. In just two years, they've seen increases in resident engagement from 12 minutes per day, per resident, to 21 minutes, and increased resident participation rates to 93%.

Key Takeaways from NIC MAP's Second Quarter 2019 Seniors Housing Data Release

Beth Burnham Mace

NIC MAP® Data Service clients attended a webinar in mid-July on the key seniors housing data trends during the second quarter of 2019. Some notable takeaways were highlighted:

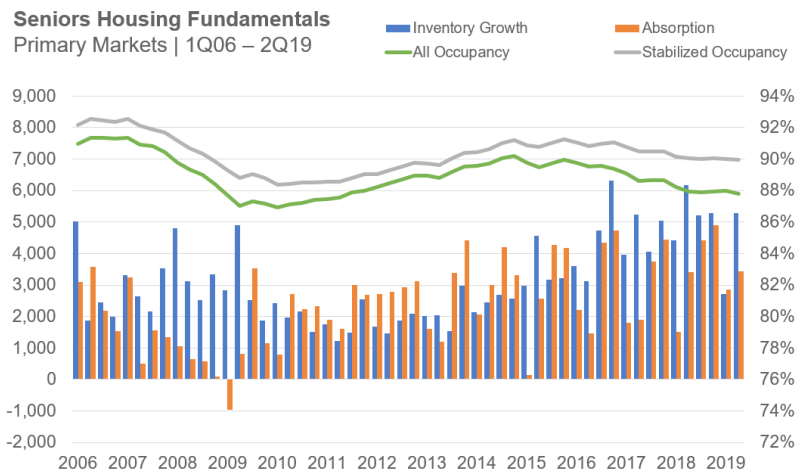
- Seniors housing occupancy fell to 87.8%, its lowest level since 2011.
- Assisted living occupancy slipped to 85.1%, which is its lowest level recorded by NIC.
- Assisted living construction starts continued to trend lower.
- Several of the Primary Markets experienced higher occupancy rates.
- Properties 10 to 17 years old had the highest occupancy rates in the second quarter.
- Seniors housing and nursing care transaction dollar volume was higher than year-earlier levels.

Let's take a closer look at some of these observations.

Seniors Housing Occupancy Was Largely Unchanged, but Remained Soft in the First Quarter of 2019

- Based on the quarterly patterns of inventory and absorption, the all occupancy rate for seniors housing, which includes properties still in lease up, fell 20 basis points to 87.8% in the second quarter, its lowest level since 2011, and 2.4 percentage points below its most recent high of 90.2% in the fourth quarter of 2014.
- Stabilized occupancy for all senior living properties (defined by NIC as properties that have been open for at least two years or, if open for less than two years, have already reached a 95% occupancy level) was more than two full percentage points higher than total occupancy and stood at 89.9% in the second quarter, down 10 basis points from the first quarter, and down 10 basis points from year-earlier levels. The 210-basis point difference between the total and the stabilized occupancy rates reflect the large number of properties recently opened and still in lease up.

Seniors Housing Occupancy is Lowest Level Since 2011

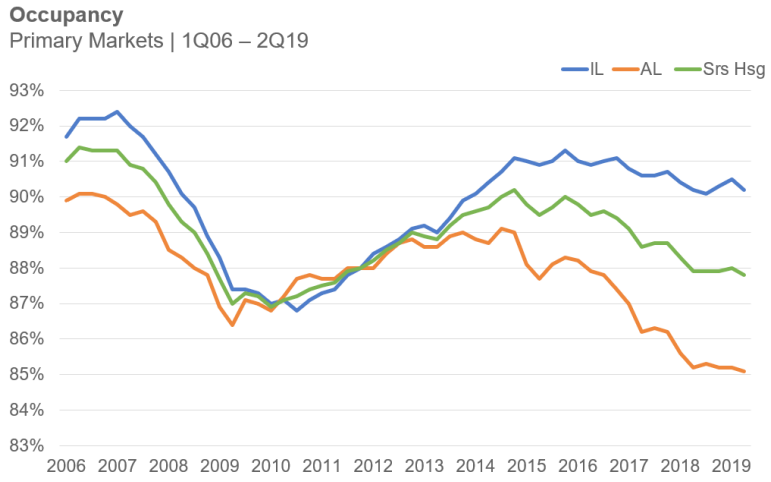


Source: NIC MAP® Data Service

Assisted Living Occupancy Slipped to 85.1%, Its Lowest Level Recorded by NIC

- As of the second quarter, there was a five-percentage point difference in the property types' occupancy rates, with assisted living hitting a record low of 85.1%, while independent living remained above 90% at 90.2%, unchanged from one year ago, but down 30 basis points from the first quarter.

Assisted Living Occupancy Reaches a New Low



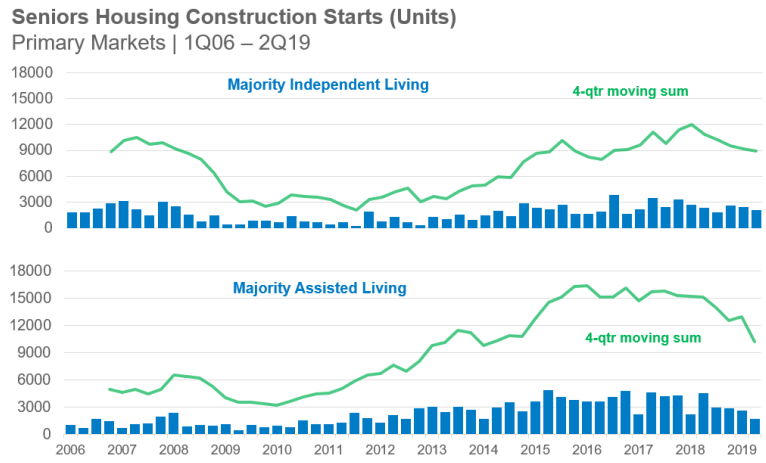
Source: NIC MAP® Data Service

Assisted Living Construction Starts Trending Lower

- The four-quarter moving sum of starts for majority assisted living continued to slow in the second quarter of 2019. Indeed, in the second quarter, assisted living starts totaled roughly 1,700 units, the fewest starts since the first quarter of 2014. On a four-quarter aggregate basis, starts totaled 10,175 units, also the fewest since 2014. As a share of inventory, this amounted to 3.5%. For perspective, in late 2015, it was 6.5%.

- While this may look encouraging to those concerned about the construction cycle we are currently in, it is important to note that due to the nature of this data, it is often revised either up or down.
- For independent living, there is also a downward trend. Starts on a rolling four-quarter basis totaled 8,939 units in the first quarter. As a share of inventory, this equaled 2.7%.

Assisted Living Construction Starts Trending Lower

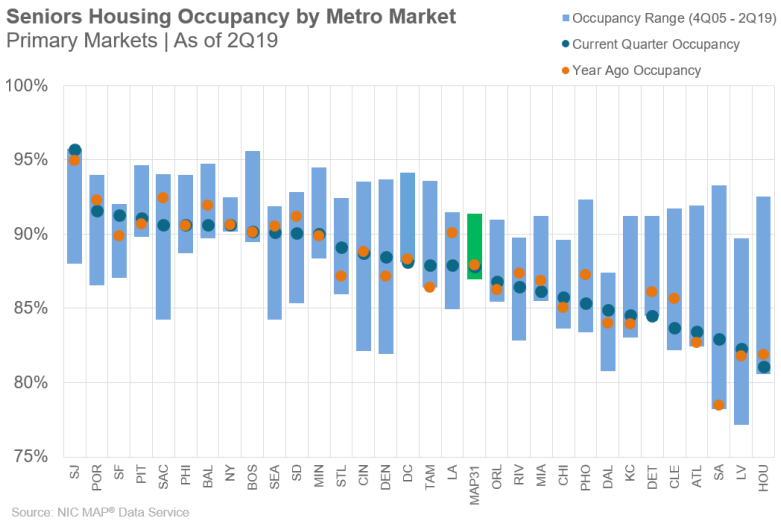


Source: NIC MAP® Data Service

Several Primary Markets Experienced Higher Occupancy Rates

- In the second quarter, 13 Primary Markets had occupancy rates lower than year-earlier rates, while 13 had occupancy rates higher, and 5 were unchanged. For perspective, in the first quarter, 17 of these 31 metropolitan markets had occupancy rates lower than year-earlier levels, while 13 markets had higher occupancy rates than one year ago, and one market was unchanged.
- The best improvement from year-earlier levels continued to occur in the San Antonio metropolitan market, where the occupancy rate was up nearly 4.4 percentage points from year-earlier levels to 82.9%. While this still places San Antonio as having the third lowest occupancy rate, it is a sign in the right direction. In fact, construction as a share of inventory had reached a very high level of 21.6% in first quarter 2015, so the fact that there is very little development currently underway (3.1% of its inventory or 302 units) is a good sign that further occupancy improvement will be able to occur in the coming months.
- Eighteen markets had occupancy rates higher than the Primary Markets' average. Starting on the left in the exhibit below is the metropolitan market with the highest first quarter occupancy rate: San Jose, at 95.7%, a new high for that market and up 80 basis points from a year ago.
- At the other end of the spectrum are Houston with an occupancy rate of 81.1%, followed by Las Vegas at 82.3%.

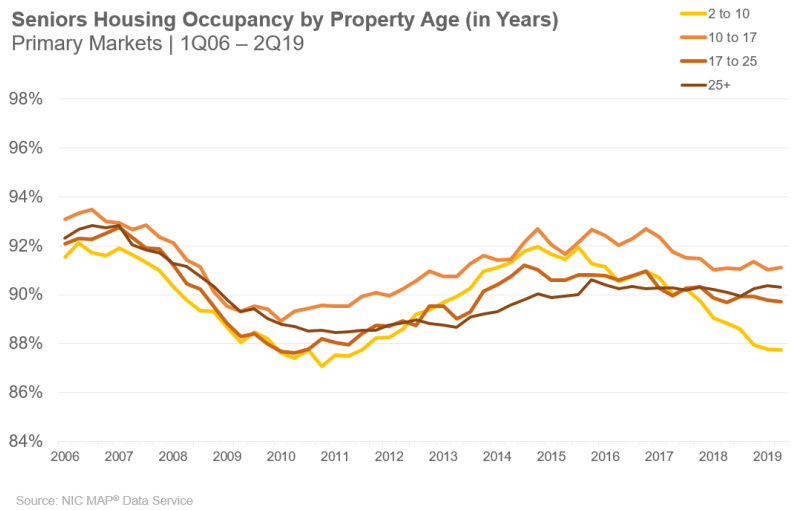
Seniors Housing Occupancy Y/Y: 13 Markets Down, 13 Up



Properties 10 to 17 Years Old Have Highest Average Occupancy

- Occupancy rates vary across the property age cohorts. The group of properties that are between 10 and 17 years old have the highest average occupancy rate. Over the entire time frame, their average occupancy was 91.2%.
- Since mid-2017, properties aged 2 to 10 years have had the lowest average occupancy rates. Between 2012 and 2017, they placed second after those aged 10 to 17 years of age.
- Since 2017, properties 25 years and older have done better in terms of higher average occupancy rates than those aged 2 to 10 years. In the second quarter 2019, they averaged 90.2%, better than that of the younger aged properties.

Properties 10 to 17 Years Old Have Highest Occupancy



Seniors Housing and Nursing Care Transaction Dollar Volume Up 41% From Year-Earlier Levels

- Preliminary data shows that seniors housing and care transactions volume registered $3.4 billion in the second quarter of 2019. This includes $2.2 billion in seniors housing and $1.2 billion in nursing care transactions. The total volume was on par with the previous quarter and up 41% from year-earlier levels.
- The rolling four-quarter total for the seniors housing and care dollar volume was up 6.7% from the prior quarter to $15.6 billion.
- There was a total of 121 transactions closed in the second quarter.
- Portfolio deals decreased 16% from the 32 that closed in the first quarter of 2019 to 27 closed in the second quarter.

PDPM Primer

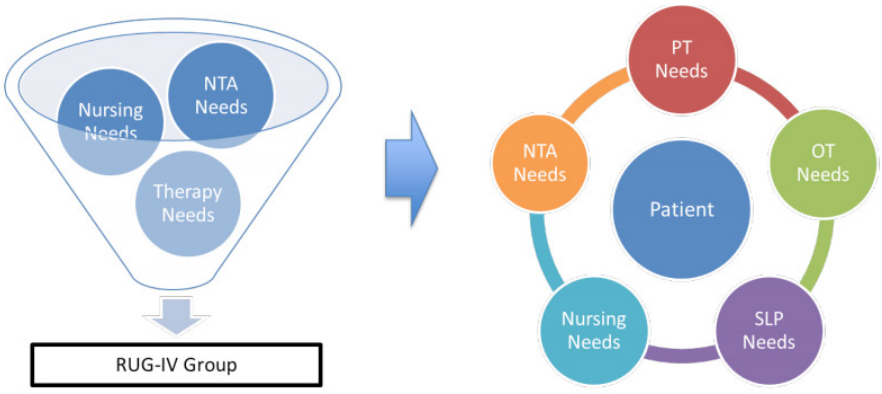
By Peter Trazzera, Vice President, KeyBank Real Estate Capital – Healthcare Group

Peter Trazzera

On October 1, 2019, the skilled nursing industry will receive the first significant change to the structure of its Medicare Part A Prospective Payment System in almost a decade. The 2010 update to the case-mix classification system originally enacted in 1998, known as RUGs-IV, primarily uses therapy delivery minutes as the basis for the level of reimbursement that a provider receives for services. Many critics of RUGs-IV cite the program's incentive to deliver high levels of therapy to maximize revenue. In some cases, this incentive has resulted in more care delivery than deemed appropriate for certain patients based on their needs and thus, results in higher costs for the service. According to the Center for Medicare and Medicaid Services (CMS), the Patient Driven Payment Model (PDPM), "…eliminates this incentive and improves the overall accuracy and appropriateness of SNF payments by classifying patients into payment groups based on specific, data-driven patient characteristics, while simultaneously reducing administrative burden on SNF providers".

Methodology

PDPM is expected to improve both the accuracy of reimbursements and patient outcomes, as it will aim to focus on patient needs instead of volume of services. Instead of classifying patients based on minutes of service as with RUGs-IV, PDPM will use unique patient attributes observed in the initial admission assessment to predict service costs as shown below.



CMS: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/Downloads/MLN_CalL_PDPM_Presentation_508.pdf

Potential Impacts

In the past, patients requiring high levels of therapy delivery were the most profitable. However, under PDPM, it is expected that clinically complex patients will be the most profitable, as specific patient needs are assessed and together drive the reimbursement classification. Patients will be assessed using five case-mix-adjusted factors, and the unique levels of these components will drive the reimbursement. Providers that can provide good outcomes for patients with multiple comorbidities are expected to be the "winners" under PDPM.

In addition, the departure from volume-driven reimbursement will result in fewer required assessments during a patient's stay in a SNF, since the impact of the variability of delivered minutes and its effect on reimbursement is eliminated. This is expected to greatly reduce the administrative burden on providers as the assessment process is streamlined but will put greater importance on the initial assessment of the patient.

Providers will need to hone their therapy delivery model, as they will no longer be reimbursed for providing care above a patient's prescribed classification. CMS has stated the goal for PDPM is "budget neutral." While therapy revenues may be reduced, there is an expected opportunity to reduce cost through reductions in therapy labor due to less delivery. PDPM is also expected to enable staffing efficiencies driven by loosened restrictions on group and concurrent therapy delivery.

While there are expectations for PDPM, many in the industry are taking a wait-and-see approach to its true impacts. Be on the lookout for another article in the *Insider* in 2020, when we will dissect the impacts the program has had on skilled nursing providers and analyze the impact PDPM has had.

Resources

For a more detailed dive into the coming implementation of PDPM, there are several industry resources for exploration below.

- The Center for Medicare and Medicaid Services' PDPM homepage provides several resources on the details of the program including FAQs and their training presentation.

- The American Health Care Association's PDPM Resource Center is located here.
- Optima Healthcare Solutions provides a high-level overview of the new program here while their PDPM resource center has an array of blogs, videos and whitepapers covering topics from pricing models to coding accuracy.
- PointClickCare provides a preparation guide and PDPM FAQs.
- Industry news providers McKnight's and Skilled Nursing News have sections dedicated to the topic.

Good Care Transitions Are Not Enough

By Bob Kramer

Note: The following content was republished as a blog post in seniorcare.nic.org

We have to think about what's best for this person, this patient, this resident, and carry that expertise throughout the different settings.

Bob Kramer

In today's value-based care model, the focus is increasingly on incentivizing providers to do what's truly best for the individual, the customer. Good outcomes are the goal, and the intent is to incentivize provider behavior that will produce such outcomes, at lower cost. That's led to the realization that we need to have good hand-offs from one setting to another. In order to achieve coordinated, integrated care, information must immediately be transferred along with the individual. That means patient information including prescriptions, the treatment plan, the conditions they're being treated for, and so forth, all must go along with the individual, from one setting to another. All of this is good—and important. But it's not enough.

Under the fee-for-service system, each of the silos within the continuum of care was incentivized to hold on to the individual using their services for as long as possible. Should that person have reentered a given care setting after being discharged or transferred elsewhere, it was all the better because payments would continue to be made as long as that person was in your bed. It was a perverse incentive, sometimes resulting in the hope that that patient would return, rather than heal and move on. It also placed different settings at odds, competing for dollars, rather than focusing them on working together to achieve good outcomes. As a result of these and other pressures, each setting functioned as a stand-alone silo and profit center.

It's time for those silos to break down and start working with each other. If that doesn't happen, and coordinated care is just about good handoffs from one silo to another, we won't actually benefit the customer, nor will we truly save money in terms of total healthcare spend. We will still be furthering that siloed mentality, in which experts in each silo still make decisions, independently of the experts in other silos, such as the hospital, skilled nursing, assisted living, or home health care settings.

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I can offer two illustrations of this problem. The first was related to me by a skilled nursing executive. Because the family members of a resident knew this executive, they called him to discuss their mom. She was on a managed care plan and had just been discharged to one of his properties from the hospital. Within 72 hours, they received three phone calls, from three different care coordinators: one from the health system, one from the managed care plan, and one from the skilled nursing facility. In each case, the call was to advise the family as to what was the best care plan for their mother. They clearly had not spoken to one another, let alone coordinated, as they each offered a different approach to her care. The family's reaction was "no wonder health care is so expensive, and so screwed up." All of the calls were made in the name of executing a good handoff.

Another illustration I use comes from my time as a Maryland state representative. I sat on the committee which regulated all the different healthcare professions in the state and got to see all of their turf battles. Every group, from Podiatrists to Ophthalmologists, would come in and argue about who was qualified to do what. Each group would argue that only they were qualified. Today what I see, in terms of these different settings, even if there's agreement on the need for integrated, coordinated care, reminds me that not much has really changed.

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Each time you hand off to a new setting, the senior healthcare professional in that setting becomes like a dog marking its territory. They routinely overrule the other silo. You might hear a hospitalist say: "I don't know why the consulting doctor in the skilled nursing facility recommended this prescription and that you do that therapy." The skilled nursing physician might say: "I don't know why they put you on that in the hospital; that's nuts, given your history—they must not have looked at that." Then the managed care company comes in, saying: "I don't know why either one of them is doing this; that's so expensive, and so uncalled for." In each case, they're saying, "we're the experts," and they show it by stepping all over the advice the patient got from the other care settings.

This dynamic is why, if all we focus on is good hand-offs, we will fail to truly produce the best outcomes for the patient, at the lowest possible cost. Instead, we have to have coordinated, integrated care not just in the hand-off, but across all the settings and throughout the individual's care journey. We have to think about what's best for this person, this patient, this resident, and carry that expertise throughout the different settings. If we just have a different team of experts in each setting, we'll have turf battles—and the loser will be the individual receiving care.

There are practical examples in which coordinated care teams disrupt old silos and achieve integrated care at lower cost. For an excellent read on the practical aspects of coordination, you can download the paper "How Disruptive Innovation Can Finally Revolutionize Healthcare". Written by Clayton Christensen, Andrew Waldeck and Rebecca Fogg of Innosight and Christiansen Consulting, the paper, which is

subtitled, “A plan for incumbents and startups to build a future of better health and lower costs” provides evidence that this approach is not only cost-effective, but necessary if we really wish to achieve great outcomes for Americans. We recommend anyone interested in achieving better outcomes, at lower cost, read the paper. I welcome further discussion and comment from those in the business of caring for people—across every setting—on how best to achieve meaningful results.

Seniors Housing & Care Industry Calendar

9/11-13	NIC 2019 Fall Conference	Chicago, IL

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