# CANDID CONVERSATIONS ON ELDER CARE

## ABOUT THE STUDY

***Candid Conversations on Elder Care*** surveyed 487 NEJM Catalyst Insights Council members in March 2018 about their plans to prepare for the growth of the aging U.S. population and where the greatest opportunities for improvement and disruption lie in elder care. The NEJM Catalyst Insights Council is a qualified group of U.S. executives, clinical leaders and clinicians at organizations directly involved in healthcare delivery.

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# Investing in Home Health, Palliative Care and Tech to Meet New Senior Care Demands

## EXECUTIVE SUMMARY


Seniors and their families are getting more comfortable with having productively *un*comfortable conversations about their care options.

Historically, healthcare providers have fallen into a trap of medicalizing old age so much that they recommend continued treatments even if the ultimate outcome remains the same. Physicians have been hesitant to have difficult conversations with their patients about realistic end-of-life care options. Important questions—like what metrics the patient uses to measure quality of life—have gone unasked.

The tide is changing slowly, helped in part by Medicare's recent move to reimburse providers for having these conversations.

A bigger driver is seniors themselves. Their expectations are different. They're tired of receiving care that focuses just on increasing the number of days left without maximizing the quality of that time. And their advocates have more information and access.

If their near-term investment plans are any indication, healthcare organizations are listening. Their future, and our seniors, depend on it.

We worked with NEJM Catalyst to survey healthcare executives, clinical leaders and clinicians about the outlook for elder care investment and innovation as providers work to meet the changing needs of the fastest-growing U.S. age demographic.

We found that the future of elder care is one rooted in empathy and focused on improving quality of life. We'll see greater investment in home health, palliative care and geriatrics and a move away from facility-focused models. Part of that includes improved training for physicians to have those important conversations about end-of life care. Another piece of that means hiring or training more on-staff geriatric caretakers to identify health risk factors for seniors before they evolve into greater health problems.

Changes in health models have a ripple effect. Implications abound for investors and the real estate industry.

Read on for ***Candid Conversations on Elder Care***.



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# Elder care is in a race against time.

**To win, providers are placing their bets on home health and palliative care—and technologies that will improve both.**

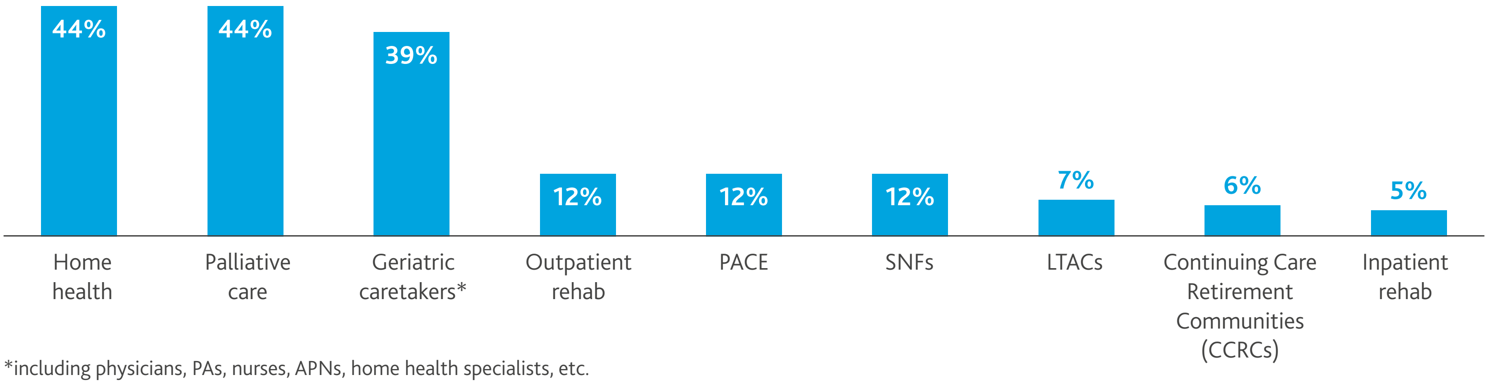
In 2010, seniors made up 13 percent of the U.S. population but accounted for 34 percent of healthcare spending through Medicare and Medicaid. By 2029, as the fastest-growing age demographic in the U.S., they're projected to make up more than 20 percent of the total population, according to CMS and Census Bureau estimates. By 2050, those aged 85 and above are predicted to start growing at a faster rate than the entire working age population.

In turn, providers are facing new pressure from the government to curb overall healthcare costs, but especially in senior care—with cuts to Medicare and Medicaid and greater pushes toward Medicare Advantage plans taking shape. They're also being incentivized to leverage new tools to do so, including electronic or telemedicine capabilities, mobile devices, artificial intelligence and even virtual reality.

At the same time, ideas about what senior care should look and feel like are changing, with consumers in the driver's seat. Mirroring healthcare's broader push towards value-based care over traditional fee-for-service models, seniors are demanding that their last years be measured by quality of life and autonomy rather than number of days. They want to spend their last days outside of the hospital and in the comfort of their own homes.

In response, healthcare organizations say that by 2020, they'll invest most in home health (44 percent), palliative care (44 percent) and geriatric caretakers (39 percent), ***Candid Conversations on Elder Care*** reveals. And they see the greatest opportunities for tech disruptors to improve elder care centered around those areas, too. Healthcare executives also remain focused on more traditional elder care models like Skilled Nursing Facilities (SNFs) and Long-Term Acute Care Facilities (LTACs)—as well as more innovative yet lesser-known models like Programs of All-Inclusive Care for the Elderly (PACE).

## INVESTMENTS TO PREPARE FOR THE GROWTH OF AGING U.S. POPULATION BY 2020




*including physicians, PAs, nurses, APNs, home health specialists, etc.

*Source: BDO/NEJM Catalyst March 2018 Buzz Survey*

*"The 'traditional' nursing home is undergoing rapid change while the overall healthcare industry consolidates at a record pace. Under consumer-centric value-based care, elder care providers that evolve business models to improve care quality and satisfaction, boost population health and reduce healthcare costs—whether inside bricks-and-mortar facilities or not—will thrive. As reimbursement expands for home health and telehealth services, those who don't evolve will be replaced."*

**Karen Stone**, Atlantic Tax regional managing partner and member of the Long-Term Care Team for The BDO Center for Healthcare Excellence & Innovation

As demand for elder care services increases in line with population growth, the biggest investments needed—particularly within home health—center around people. Healthcare is projected to be the largest U.S. employer by 2024, according to Bureau of Labor Statistics projections, with home health leading the charge. From 2014-24, the compound annual growth rate for home health services is forecast to be about 5 percent—or more than 760,000 new jobs.

But elder care, which is less attractive to medical students both because of the negative connotations associated with aging and often lower-paying specialties, faces stiff competition in an industry already struggling with a mass talent shortage. To build and maintain elder care services that produce better outcomes, healthcare entities will need to invest in new ways of staffing. These include advanced and technology-enabled processes to forecast patient levels, and to recruit, manage and train clinical staff, according to *Modern Healthcare*.

Another way healthcare organizations can invest more in specific service offerings is through the acquisition of a smaller organization already successfully providing them.

## SPOTLIGHT ON **MACRA**

The Medicare Access and CHIP Reauthorization Act (MACRA) is one example of how providers are being incentivized to use technology to improve care outcomes. Medicare providers complying with MACRA's Quality Payment Program through the Merit-based Incentive Payment System track must collect performance data on the care they provide and illustrate how technology has helped them provide such care. They become eligible for performance-based payment adjustments (bonuses or penalties) depending on the amount and quality of the data they submit to CMS.

The first payment adjustments based on 2017 performance data take effect on Jan. 1, 2019. Depending on the data submitted to CMS by the March 2018 deadline, providers will see their Medicare reimbursements go up or down by up to 4 percent or remain the same.

*"MACRA, and programs like it, intensify pressure on acute-care providers by encouraging even less use of acute-care facilities. Providers who depend on those services to stay afloat will need to diversify their offerings to incorporate care models outside the hospital walls."*

**Karen Meador, M.D., M.B.A.**, managing director and senior physician executive at The BDO Center for Healthcare Excellence & Innovation.

# SPOTLIGHT ON **PACE**

**Just 12 percent of providers say they're planning to invest in PACE by 2020 to prepare for the growing aging population. But PACE has the potential to be one of the biggest opportunities for providers and investors alike. David Friend, M.D., M.B.A., managing director and chief transformation officer of The BDO Center for Healthcare Excellence & Innovation, helped run one of the country's largest PACE programs. Here's his take:**

## WHAT IS PACE?

I like to think of PACE as the best-kept secret in healthcare, and our data confirms that.

Primarily through an adult day health center, PACE provides preventive, primary, acute, behavioral and long-term care services for people ages 55 and above, most of whom are dual eligibles. Delivered by an interdisciplinary provider team, PACE benefits include home care, hospital care, meals, nutritional counseling, physical therapy, prescription drugs, primary care, social work counseling and transportation.

## WHAT'S UNIQUE ABOUT THE PROGRAM?

PACE serves as an engine to coordinate an array of services across the care continuum that primary care physicians cannot afford to provide under Medicaid reimbursement rules.

Beyond that, PACE is the only program with an interdisciplinary team specifically designed to quarterback patient care. Instead of locking patients away, the program provides an embracing set of services aimed at keeping people involved and functional in their communities for longer. For many PACE participants, without the program, institutional care would be their only option, which doesn't always offer dignity and is more expensive.

## WHAT OUTCOMES HAVE YOU WITNESSED THROUGH PACE?

Through the PACE model, we were able to bring individuals to a PACE center for carefully monitored care treatment. We measured blood sugar, provided nutritious meals and ensured medications were properly administered, but beyond that, we also provided exercise classes, access to entertainment and the ability to interact in a supportive social environment.

In New York state alone, the quality of health for PACE beneficiaries is about twice as high as that of other managed long-term care participants. Their emotional health is better and not surprisingly, so is their quality of life.

In California, 2015 PACE programs generated 31 percent cost savings for the dual-eligible population compared to facilities-based care models, according to CalPACE.

## WHY HAS IT NOT BEEN ADOPTED MORE BROADLY?

There's a lack of understanding for how the program works, and Medicare places certain limitations on the program, including restrictions on what the interdisciplinary team can do for beneficiaries. But there's efforts to lift these restrictions.

Beyond that, to qualify for PACE, organizations must have a physical site to provide adult day services, which requires substantial investment in real estate. Facilities must be configured in a certain way that's acceptable to Medicare, and a lot of healthcare organizations lack the capital to acquire or build these sites. This is where opportunities for investors—especially Real Estate Investment Trusts (REITs)—come in.

# Can Big Tech Solve Some of Elder Care's Biggest Challenges?

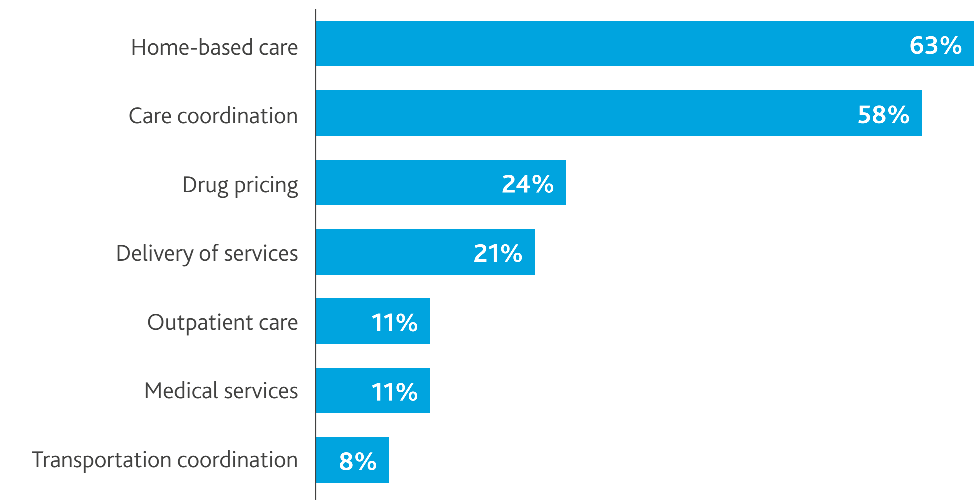
**Healthcare organizations are looking to technology disruptors to help them thrive in a consumer-driven era of elder care.**

Healthcare has been slow to adopt technology relative to other industries, and challenges around the acceptance of digital health initiatives by seniors remain. But as of 2016, more than three-fourths (76 percent) of seniors were using mobile phones and 64 percent computers, according to a study in the Journal of the American Medical Association. Over time, with the increased integration of technology into everyday life, seniors wanting to stay out of the hospital may be more open to digital health initiatives.

Sixty-three percent of healthcare organizations said home-based care was most ripe for tech disruption by 2020, followed by care coordination (58 percent), drug pricing (24 percent) and delivery of services (24 percent). Ride-sharing apps like Lyft and Uber have already moved to make healthcare transportation more convenient.

Technologies like internet-connected door locks, smoke alarms, thermostats and even at-home cameras enable family members of seniors to remotely monitor and care for their loved ones while empowering elders to remain in their homes for longer. Telemedicine and remote patient monitoring allow hospitals to provide follow-up care to seniors at more regular intervals without them having to worry about getting to an appointment. In fact, wearable monitoring devices that alert nurses to a fall allowed a non-profit running senior living communities in Pennsylvania to reduce the percentage of patients moving to nursing homes from 20 to 12 percent, according to AgingCare.com.

## GREATEST OPPORTUNITIES FOR TECH DISRUPTORS TO IMPROVE ELDER CARE




*Source: BDO/NEJM Catalyst March 2018 Buzz Survey*

Virtual assistants like Amazon's Alexa make it possible for seniors to order groceries, home products and over-the-counter medications without leaving their living room. And soon, self-driving cars and the impending entrance of Amazon and other tech giants into the pharmaceutical industry, will revolutionize senior living.

Technology—and its consumer data stockpiles—could also solve one of the biggest obstacles to bringing down elder care costs: rising drug prices.

Prescription drugs account for $1 out of every $6 in Medicare spending, Kaiser Family Foundation estimates, making any price increases to drugs used to treat seniors have a significant impact on overall healthcare spending.

The way the pharmaceutical industry has been historically structured makes it difficult for new entrants to pharmaceuticals to compete. But the tide looks to be changing under an administration focused on moving a healthcare marketplace characterized by regulation to one more guided in competition.

**42%**
of providers predict **Amazon** will have significant impact on the healthcare industry by 2020.

More importantly, FDA Commissioner Scott Gottlieb (a former BDO senior fellow) and HHS Secretary Alex Azar have

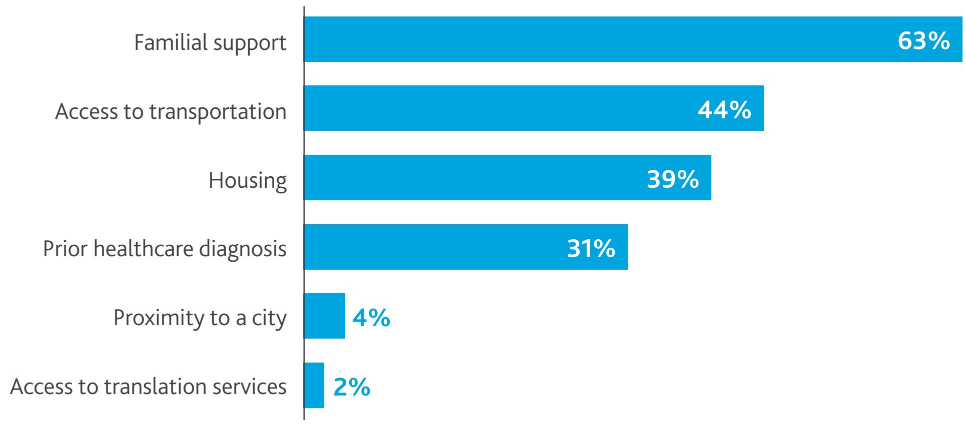
labeled combating rising drug prices a priority. And Gottlieb has signaled that the current model by which hospitals purchase drugs in bulk through group purchasing organizations—oftentimes being rewarded with rebates—could be re-evaluated to increase competition.

It's only a matter of time before Amazon and other tech giants overpower the outdated institutional pharmaceutical model.

Tech could also mitigate the social determinants of health providers say are most crucial to improving elder care: familial support (63 percent) and access to transportation (44 percent).

Through digital health tools like e-visits or e-consults, mobile applications, wearables and sensors, and virtual reality, seniors can better manage chronic care conditions, gain access to transportation needed to attend appointments or pick up medications, and virtually visit with family members living across the country. They can even gain access to free translation services needed to best understand the care they need.

## SOCIAL DETERMINANTS OF HEALTHCARE MOST CRUCIAL TO IMPROVING ELDER CARE




*Source: BDO/NEJM Catalyst March 2018 Buzz Survey*

*"When used effectively and in coordination with physicians, technology could be the key to executing effective population health management—especially for the elderly. Telehealth aligned with data analytics and IT infrastructure will be critical to chronic disease management, including care coordination, home monitoring and the integration of patient-centered health data into comprehensive electronic health records."*

**Patrick Pilch, CPA, MBA**, managing director and national leader of The BDO Center for Healthcare Excellence & Innovation

These tools become even more crucial to community hospitals serving rural populations.

When it comes to using technologies to improve care quality and safety, healthcare organizations place transportation coordination (97 percent), electronic or telemedicine capabilities (93 percent), and wearables or connected devices (89 percent) at the top of their list.

Medicare reimbursement of telemedicine initiatives—which has already expanded under the most recent federal budget—will only grow as the FDA continues to deregulate certain medical devices that help consumers better manage their health.

*"Clinician shortages and budget woes continue to plague rural communities forcing community hospitals to close their doors at faster rates than ever before. Improved access to patients through electronic telemedicine capabilities is one innovative way community providers can focus their services, reduce their financial burden and continue to provide crucial care to difficult-to-reach patients."*

**Jim Watson**, partner in The BDO Center for Healthcare Excellence & Innovation

## IMPACT OF TECHNOLOGIES ON IMPROVING QUALITY AND SAFETY OF ELDER CARE BY 2020

| | Net impact | Significant | Moderate | No impact |
|---|---|---|---|---|
| Transportation coordination | 97% | 64% | 33% | 3% |
| Electronic or telemedicine consultations/capabilities | 93% | 56% | 37% | 7% |
| Wearables, sensors or connected devices | 89% | 43% | 45% | 11% |
| Artificial intelligence | 71% | 21% | 49% | 29% |
| Mobile phone apps | 77% | 20% | 57% | 23% |
| Robotics | 52% | 8% | 45% | 48% |
| Virtual reality | 38% | 5% | 33% | 62% |

*Source: BDO/NEJM Catalyst March 2018 Buzz Survey*

*"Traditionally, quality of life and independence start to go downhill when seniors lose their driver's license. They become confined to their homes and isolated from social circles. Running errands for vital goods like groceries and medications—or making it to doctors' appointments—becomes difficult, and health deteriorates. Innovations like mobile and connected devices, transportation coordination apps, virtual reality and soon, self-driving cars, will fundamentally change that pattern. The tech entity that provides the first full-circle health product for the independent senior will lead elder care."*

**David Friend, M.D., M.B.A.**, managing director and chief transformation officer of The BDO Center for Healthcare Excellence & Innovation

# What Lies Ahead?

**Healthcare as a whole is moving from a system of mandates to choice, regulation to competition and subsidies to actuarial soundness. At the same time, revolutionary forces that have taken the industry by storm—including the growth of mobile technologies and the convergence of the supply chain—are picking up speed.**

Elder care is at the eye of the storm.

It's the most important piece of the larger U.S. healthcare puzzle. Five percent of Americans are responsible for almost 50 percent of the country's healthcare costs—many of them chronically ill seniors.

By focusing more on at-home care, palliative care and geriatrics, and using technology to do it, healthcare organizations can identify health risk factors before they get to the point of chronic illness. Or, when patients are already facing chronic illness, they can use at-home and palliative care, and more geriatric resources, to provide seniors a better quality of life—measured on their terms.

But innovative, outcomes-based elder care models are only as good as the quality of the patient insight that goes into them.

Gaining that insight requires a thoughtful dialogue between provider and patient upfront.

Are you ready to start the conversation?

## People who know Healthcare, know BDO.

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