

CEDARBROOK ADVISORY TEAM
RECOMMENDATIONS REPORT
SUBMITTED TO LEHIGH COUNTY BOARD OF COMMISSIONERS
June 30, 2015

Introduction

In April 2015, The Cedarbrook Advisory team was created by the Lehigh County Board of Commissioners to “prioritize up to three (3) courses of action that they have agreed upon to provide the care deemed necessary for County residents that require skilled nursing care in the most effective and appropriate manner”. The healthcare environment continues to rapidly change, creating significant challenges to the delivery of high quality services as reimbursement models evolve. The team has endeavored to evaluate the challenges that the current residents, employees, administration, and Board of Commissioners face. The team recognizes that the future of Cedarbrook Nursing Homes is important to everyone involved in meeting the needs of our community, the residents of Cedarbrook, and the healthcare communities at large. This report presents the team’s recommendations for next steps to plan for the future of Cedarbrook.

Background

The Agency for Healthcare Research and Quality reports that approximately 40% of Medicare beneficiaries “are discharged to a post-acute setting, and roughly half of these enter a nursing home” or skilled nursing facility. By 2030, there will be approximately 70 million older adults in this country. Lehigh County expects to have approximately 77,000 people over the age of 65 by 2030. Skilled nursing facilities have been a longstanding and important partner in the continuum of care, offering diversified services and providing multiple levels of post-acute care to this population. Skilled nursing facilities have seen an increase in the acuity of the residents for which they are providing care. Because of this expanded role in managing medically complex residents and the expected growth in the population over the age of 65, many facilities have had to restructure or reinvent their services and facilities to provide better care, keep their facility census at capacity, and do all of this at a lower cost to the system.

While the delicate balance of quality and cost remain at the forefront for skilled nursing facilities, evolving reimbursement methodologies that are focusing on population management and value over

volume have further complicated the landscape and will threaten their viability into the future. This is particularly challenging for county-owned skilled nursing facilities which tend to accept a higher percentage of ‘lower pay’ residents including Medicare and Medicaid (dual-eligible). Leading healthcare organizations through these reformative times is challenging even for the most heavily resourced and seasoned healthcare leadership teams.. For these reasons, many skilled nursing facilities are seeking new options and collaborative arrangements with other care delivery systems that possess expertise in both innovative care delivery and reimbursement management. The goal is to further improve quality and associated costs of care delivery, *as a means* to sustain the system. County run facilities need to be good stewards of the taxpayers’ dollars.

Concurrently, hospitals are experiencing new payment models which include penalties for avoidable hospital readmissions and emergency department visits. It is estimated that 25% of patients discharged to a skilled nursing facility are readmitted to a hospital within 30 days. Transition from the hospital to a post-acute care setting has emerged as an important priority in the Institute for Healthcare Improvement’s work to reduce avoidable re-hospitalization. As such, hospitals and other care providers are collaborating with skilled nursing facilities that are willing to set mutual resident-centered quality goals to ensure safe transitions, coordinate care, involve family in resident care expectations, and educate skilled nursing facility personnel.

Furthermore, initiatives focused on healthy aging in a home setting are reducing the number of individuals residing in a purely skilled nursing facility setting. The United Way Alliance on Aging has seen a reduction in the number of individuals over the age of 65 that reside in a skilled nursing facility from 14% - 4%.The number of individuals residing at home with the need for some level of assistance continues to increase (up from 15% to 27%) and this trend must be considered as the number of older adults continues to increase. Trends such as these will require county-owned skilled nursing facilities to evaluate their future role and expand their services to meet these emerging trends.

Survival in today's rapidly changing healthcare environment is the biggest challenge skilled nursing facilities are facing today. The demand to transform both clinical and cost systems will continue to increase and the need to stay ahead of changes in order to provide the best care possible will be critical to the ability of skilled nursing facilities to survive and thrive.

Cedarbrook Skilled Nursing Facilities

In 2014, Cedarbrook Skilled Nursing Facilities (Cedarbrook) underwent a comprehensive review by Complete HealthCare Resources Eastern, Inc. and a report was submitted to the Lehigh County Commissioners for consideration. The report outlined four options for the county to consider for the long term future of Cedarbrook. Each option carries different risks, benefits, and financial ramifications. LW Consulting, the current contracted managers of Cedarbrook responded to the options and suggested alternative solutions.

In 2014, Cedarbrook received a 4 star CMS Quality rating and it is, generally, considered a quality skilled nursing facility with a good workforce. Cedarbrook has collaborated well with regional hospital partners, other care providers, community-based organizations, and the community at large. It is also known for accepting residents that need skilled nursing irrespective of payer.

In April 2015, The Cedarbrook Advisory Team was formed, consisting of Rev. Rod Wells, Anne Baum, and Dr. Debbie Salas-Lopez. The team was asked to develop high-level, long term recommendations for the sustainability of Cedarbrook. The team based the following recommendations on existing reports and data, in-person interviews of various stakeholders, market trends for skilled nursing facilities, and national benchmarks for best practice.

Conclusions and Recommendations

Based on our findings to date, the team reached three fundamental conclusions that are consistent regardless of which recommendation is considered or selected:

- **Lehigh County needs Cedarbrook.** The projections for the population growth in this region are high and the County residents will need the services of Cedarbrook. Cedarbrook is a safety net option for the residents of Lehigh county given that it accepts admissions irrespective of payer.
- **Business as usual is not a viable option.** The business of healthcare is changing and Cedarbrook will be affected. Continuing on under the current model is not sustainable nor is it acceptable.
- **The accounting for Cedarbrook must be handled separately from the County.** Determining the revenues and expenses that are *directly attributable* to Cedarbrook will be necessary to make informed decisions on reinvestments and on a sustainable financial model for the future.

With these conclusions in mind, the team proposes the following recommendations for the future of Cedarbrook. These recommendations are directional and strategic and must be pressure-tested and analyzed with detailed data:

1. **Recommendation:** The facility should be renovated or replaced to enhance operational efficiency, broaden the scope and diversity of services to meet patient expectations to live ‘as if they were at home.’ and match accepted standards of housing. The costs of doing this should be modeled against the expected return on investment from future growth and revenues.
Rationale: Given the expected growth in the population over the age of 65, the Lehigh Valley community will continue to need skilled nursing facilities that are of high quality, affordable, and meet the needs of the residents. That said, Cedarbrook will compete regionally with other skilled nursing facilities for patients. In order to do so, Cedarbrook must reinvent itself to provide a

scope of services that is diverse, broad, and responsive to the needs of the referring organizations and the community. The current facility is not consistent with industry benchmarks and expectations for care delivery, resident privacy, and comfort.

2. **Recommendation: Cedarbrook should explore opportunities to partner with local/regional care organizations that possess the expertise to drive clinical and cost transformation.**

Cedarbrook should explore alternative organizational models that have the potential to enhance revenue, optimize tax status, and provide other operational efficiencies.

Rationale: Cedarbrook will need to focus on revenue-enhancing and cost-savings opportunities through growth and innovation – all while maintaining quality of care. Population health management will be key to success for the future as healthcare will require that we provide ‘value’ to its consumers. This will require that the management have strong leadership skills, experience with financial management of skilled nursing facilities, understanding of the rapidly changing reimbursement climate and the ability/willingness to develop partnerships that can result in shared savings opportunities and growth in market share.

3. **Recommendation: Cedarbrook should be managed by individual(s) with skilled nursing home experience, a track record of success, and a strong management team.** This management (internal or external) should have the latitude and flexibility to manage the day to day operations of Cedarbrook, and should be held accountable for achieving the strategic short and long term goals that have been mutually agreed upon with the County.

Rationale: The continuing changes in the healthcare landscape will require that Cedarbrook be a nimble, flexible, learning organization that adapts appropriately to the environment in order to sustain the services it provides to the community. Ensuring that the management has the responsibility and authority to make timely changes when needed to achieve its goals will be of paramount importance.