Post-Acute Care Overview and Industry Trends

Transacting in the Post-Acute Care Space
Crash Course

November 7, 2017
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Agenda

1. What is “post-acute care”?
2. Overview of post-acute care providers and their differing goals of care
3. Transacting in the post-acute care industry: drivers for change and recent transaction trends
What is the “Post-Acute Care”? 

- Post-Acute Care (PAC) – health care that includes rehabilitation or palliative services that a patient receives after, or in some cases instead of, a stay in an acute care hospital (MedPac)

- These services exist on a continuum of care, from intensive care to less intense care that can be rendered in a variety of settings, from a patient’s home to a hospital to an outpatient facility:
  - Examples: Nursing/Skilled Nursing Facility (SNF), Inpatient Rehabilitation Facility (IRF), Long-Term Acute Care Hospital (LTACH), Home Health Agency (HHA), Hospice, Senior Care Housing
Nursing/Skilled Nursing Facilities (SNF)

- 24-hour intermittent or daily skilled nursing or therapy medically necessary patient care.
- Nursing facility - facility certified by the state survey agency to provide services to Medicaid recipients, typically long-term care
- SNF - provide higher level care (e.g.) rehabilitative care
- Goal of care is to either improve or maintain the patient’s condition

Inpatient Rehabilitation Facility (IRF)

- Free standing rehabilitation hospital or rehabilitation unit in acute care hospital.
- Provides an intensive rehabilitation program 24/7 to inpatients. For e.g., minimum 3 hours of therapy daily
- Treatment is appropriate for patients with complex nursing, medical management, and rehabilitative needs
- Goal of care is to provide a multi-disciplinary treatment approach that results in measurable progress in the patient’s functioning
Post-Acute Care Facilities and Goals of Care (cont’d)

Long Term Acute Care Hospital (LTACH)

- Specializes in treating patients who may have more than one serious condition, but who may improve with time and care, and return home.
- The average patient stay is greater than 25 days.
- With the ability to concentrate resources treating a limited number of conditions, patients receive more intense care than they would receive in a general hospital, IRF, SNF, or at home.
- Goal of care is to either rehabilitate patient (who may be discharged to another PAC provider) or to give them care permanently at the LTACH.

Home Health Agency (HHA)

- Beneficiaries receive a wide range of health care services that can be given in the home for an illness or injury.
- Home health care is usually less expensive, more convenient.
- Patients receive care in the home and are taught how to care for themselves.
- Goal of care is to help the patient get better, regain independence, and become as self-sufficient as possible.
### Post-Acute Care Facilities and Goals of Care (cont’d)

<table>
<thead>
<tr>
<th><strong>Hospice</strong></th>
<th><strong>Senior Care Housing</strong></th>
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<tr>
<td>• Philosophy of care and a Medicare benefit program, not necessarily a place - at home, in a hospital, nursing home or inpatient hospice facility</td>
<td>• Non-Medical Home Care - personal hygiene, laundry, cooking and transportation</td>
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<td>• Medical care aimed at maintaining or improving the quality of life for terminally ill patients</td>
<td>• Adult Day Care/PACE - supervision and social activities during daytime hours</td>
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<td>• Typically covers patients with a life expectancy of 6 months or less</td>
<td>• Assisted Living - residences including basic health services, recreational and social activities</td>
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<td>• Continuing Care Retirement Communities - continuum of care from independent living to assisted living to skilled nursing</td>
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## Post-Acute Care Facility Statistics

### Number of Facilities 2007-2016

Source: MedPAC analysis of data from the Provider of Services files from CMS

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<tbody>
<tr>
<td>HHAs</td>
<td>9,291</td>
<td>10,568</td>
<td>12,054</td>
<td>12,613</td>
<td>12,461</td>
<td>12,346</td>
<td>12,313</td>
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<tr>
<td>IRFs</td>
<td>1,202</td>
<td>1,196</td>
<td>1,165</td>
<td>1,161</td>
<td>1,177</td>
<td>1,182</td>
<td>1,188</td>
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<tr>
<td>LTACHs</td>
<td>396</td>
<td>427</td>
<td>437</td>
<td>432</td>
<td>422</td>
<td>426</td>
<td>427</td>
</tr>
<tr>
<td>SNFs</td>
<td>15,047</td>
<td>15,062</td>
<td>15,120</td>
<td>15,163</td>
<td>15,173</td>
<td>15,223</td>
<td>15,263</td>
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Drivers of Change

- Affordable Care Act Initiatives:
  - New Payment Models: risk sharing (ACOs, etc.), value-based purchasing
  - Decreasing payments for inpatient care – migration of care to outpatient settings
  - Increased pressure on care-coordination along acute and post-acute spectrum
  - Interoperable health information systems
  - Expansion of Medicare and Medicaid managed care models
  - Compliance mandates for PAC providers leading to potential for increased governmental scrutiny and enforcement

- Increased pressure to grow market share and consolidate
- Scale and leverage
- Funding from strategic and private equity investors
- Lower barriers to entry
Drivers of Change (cont’d)

- Changes in Reporting/Reimbursement
  - Improving Medicare Post Acute Care Transformation (IMPACT) Act of 2014
    - Applies to HHAs, SNFs, IRFs, and LTACHs
    - Enacted to enable interoperability by creating a standardized assessment tool
    - PACs must report standardized patient assessment data and the time of admission and discharge
  - According to CMS, there are various reasons for attention on PACs:
    - Escalating costs associated with PACs
    - Lack of data standards/interoperability across PAC settings
    - Goal of establishing payment rates according to the individual characteristics of the patient, not the care setting
Transaction Trends

- PACs have experienced a flurry of mergers and acquisitions
  - Long term care transactions accounted for 75 out of the 219 health care deals executed by the end of the 2nd quarter of 2017 (July 2017 PwC Study)
  - “Megadeals”, or deals exceeding $1 billion, are occurring more often, driving up the value of transactions

- Focus on patient-centered, care-coordination initiatives
  - Strategic partnerships – acute and post-acute care providers, ACOs, etc.
  - By aligning with PACs, acute care hospitals can create a network of integrated providers that treat patients on a continuum
  - Acute care hospitals recognize that a strategy to cut costs is to ensure that patients receive high quality post-acute care, cutting down on costly readmissions and penalties
Questions?

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Upcoming Webinars

Transacting in the Post-Acute Care Space Crash Course Series

- **The Impact of the Changing Reimbursement Landscape on Deal Work**
  Tuesday, November 14 at 2:00 – 2:15 p.m. ET
  Presenter: Elena M. Quattrone

- **Post-Acute Care Deals: From Diligence to Closing**
  Tuesday, November 21 at 2:00 – 2:15 p.m. ET
  Presenter: Alison M. Wolf

- **Post-Acute Preferred Provider Arrangements—Strategies for Partnership**
  Tuesday, November 28 at 2:00 – 2:15 p.m. ET
  Presenter: Clifford E. Barnes

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