Calling All Providers:

What All Health Care Providers Should Know About Changes to Assisted Living in Minnesota

Lathrop GPM Synapse Webinar Series
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Agenda

1. Market and industry overview
2. Current Assisted Living regulatory structure and how it is changing
3. Concerns you may hear from business partners
4. Concerns you may hear from your patients/residents
5. Questions

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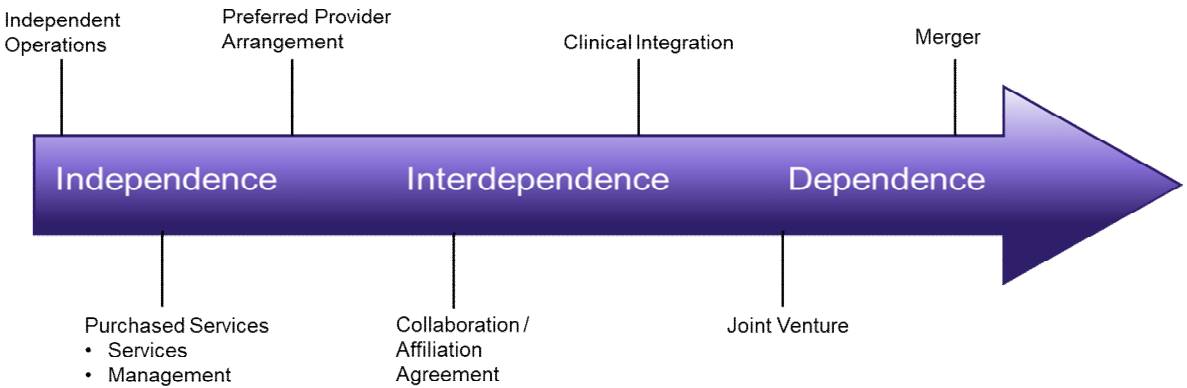
Minnesota's Growing Long Term Care Industry

- Attractive industry for growth and collaboration
  - Growth in aging population
  - Variety of living options (independent living, assisted living, memory care, skilled nursing facilities)
- Increased competition with private-equity backed consolidation and national players
- Range of available relationships between long-term care providers and physician groups/health systems



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Impact of the Covid-19 Pandemic

- The effects of the COVID-19 pandemic have been uneven across markets and service lines within the long-term care industry
  - Decline in nursing home occupancy, but increase in home health
- High-risk population due to health vulnerabilities and nature of congregate living
- Increase in expenses
- Amplified staffing shortages
- The financial stress of the pandemic is pushing some facilities to search for new partners and collaborators, and has created opportunities for seasoned operators to acquire troubled assets

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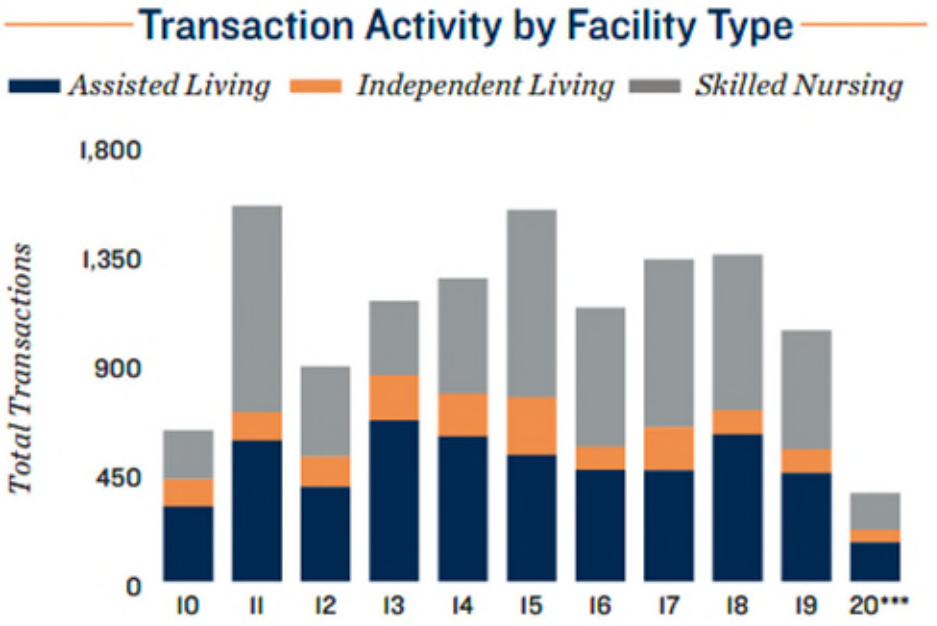
Q3/Q4 2020 Transactions



* Through second quarter
** Trailing 12 months through second quarter
*** Through October 11, 2020
Sources: Marcus & Millichap Research Services;
NIC Map® Data and Analysis Service (www.nicmap.org)

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The Complicating Factor: Minnesota’s New Assisted Living Licensure Law

Current Assisted Living Regulatory Structure and How It Is Changing

- Under today's framework, an assisted living facility provides two components of services to residents:
  - Housing
    - Owner of the real estate is the registered housing with services provider ("HWS")
  - Services
    - Provider of services to residents is the arranged comprehensive home care provider ("CHC")
    - If the facility participates in MHCP, it is the CHC that is the enrolled MHCP provider
- Both components may be provided by two different legal entities
- What's changing?
  - Single license and enhanced regulation of both housing and services
  - New licensure for assisted living directors
  - New health and safety standards, new construction standards

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What's Changing

Today

Services
Company B
EIN: BBB
HFID: ZZZ

Home Care provider Services Agreement

Housing
Company A
EIN: AAA
HFID: YYY

"Landlord" Lease/Resident Agreement

August 1

Assisted Living
Company A
EIN: AAA
HFID: YYY

Assisted Living Contract

Includes housing and, if applicable, services
Statutory terms

- What may change?
  - If AL provider will be the old Housing provider (Company A), then:
    - Company A enters into new Assisted Living Contract with every resident
    - Old home care provider (Company B) must terminate services to the resident
    - Company A will have heightened ownership disclosures to MDH and background study requirements
    - Company A will have to enroll in MHCP
      - Could be disruption in cash flow

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Assisted Living
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Assisted Living Contract

Includes housing and, if applicable, services Statutory terms

- What may change?
  - If AL provider will be the old Services provider (Company B), then:
    - Company B enters into new Assisted Living Contract with every resident
    - Old housing provider (Company A) must terminate its leases/resident contracts
    - Company B changes its HFID with MHCP
      - Could be disruption in cash flow

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Other Changes

- New terminology
  - Every resident is an “assisted living resident” even if they are not receiving services
  - Two categories of licensure: “Assisted Living” and “Assisted Living with Dementia Care”
- Facility requirements
  - New health and safety standards, especially for new construction
  - More MDH surveys, including physical plant
- Service requirements
  - Built on current home care rules
  - Additional staffing, food standards and meal rules
- Significant protections for residents at termination
  - Procedural protections
  - Ombudsman office involvement

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Timeline

April

- Preparation, new policies, training
- MDH rulemaking underway

May

- May 1: AL applications became available
- MDH rulemaking underway
- May 31: 60-day notices due

June

- June 1: application deadline for converting AL providers
- June 30: Last day to apply for Legacy ALD licensure
- June 30: 30-day notices due

July

- Obtain resident signatures on updated resident contracts
- Distribute universal checklist, bill of rights, other notices to residents
- Ensure all policies & procedures in place for compliance by August 1
- Update staff training and competency evaluations for compliance by August 1

August

- Go live!

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Concerns You May Hear From Business Partners

- Need for amendments or other changes to existing agreements
  - Some changes may be small
    - E.g., Contracting party is changing, but operations are staying the same
  - Some changes may be big
    - E.g., Current home care provider exits the arrangement
- Internal disruptions and challenges
  - Approaching deadlines and administrative burdens
  - Change in staff employment home
  - Forced delay to other partnerships, collaborations, and initiatives
- Market changes
  - Impact on branding
  - Challenges for new market entrants

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Concerns You May Hear From Your Patients/Residents

- Misunderstanding about the legal change
  - Some patients/residents may worry about getting evicted or losing their arranged home care provider
  - Notices may be alarming – is anything actually changing for them?
- Other patients/residents may be angry about the change in classification
  - They may think of themselves as apartment residents, not assisted living residents
- May be concern about increased costs
  - Costs of compliance likely higher under the new scheme
  - Licensing fees are higher
- Some facilities may opt out of being assisted living altogether
  - Stop offering services and require that residents contract for home care directly

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Thank you!

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