Article from

Long Term Care News

May 2016
Issue 41

Continuing Care at Home

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AN OVERVIEW

At its core, Continuing Care at Home (CCaH) is a life care membership program offering the same type of program offered in life plan communities (formerly known as continuing care retirement communities or CCRCs) that offer life care contracts. CCaH is designed for consumers who choose to live at home as they age, yet want the security that a life plan community offers. In return for payment of an entrance fee and a monthly fee, the member or participant is covered by a package of long-term care services designed to enable the older adult to remain independent and living at home as care needs increase. An initial screening of applicants (underwriting) is required, and only those not in need of services and with no degenerative diagnoses such as Alzheimer's Disease or Parkinson's are appropriate for the program. Access to services is typically related to a deficit in at least one of five to seven Activities of Daily Living (or ADL).

The typical package of services is comprehensive and addresses the social, spiritual, recreational and health needs of members, often including the following:

- Care coordination
- Home inspections
- Annual physical
- Access to campus
- Fitness center membership
- Social & educational opportunities
- Emergency response system
- Homemaker and personal care services
- Home nursing
- Live-in services
- Meals
- Transportation
- Adult day program
- Assisted living
- Nursing home
- Referrals for home maintenance, housekeeping, lawn care, etc.

Some, but not all, CCaH programs offer members access to the amenities on the sponsor's life plan community campus, such as dining, fitness and social activities. Most of the existing programs also offer a complement of social programs to foster relationships and support among members. Innovative technologies, along with traditional service options, are utilized to support members in their homes for as long as possible. Services may be provided by sponsoring organization employees or by sub-contracted vendors that are credentialed to ensure quality operating standards.

Care coordination is critical to member satisfaction and program success. Each member is assigned a care coordinator who is typically available to meet him/her at the start of program membership. The care coordinator gets to know each member personally, and, as a result of developing a positive, trusting relationship, becomes a valued advocate when a member's health changes. It is the care coordinator who will regularly assess a member's health and functional status, recommend needed services and obtain and manage those services on behalf of the member. The care coordinator will help to alleviate the burden of care from families for their loved ones and, with the member's permission, can communicate regularly with family members.

The pricing structure of CCaH programs is a life care model, offering a member a guarantee of future services for a one-time entry or membership fee paid when a person joins the program and monthly fees that begin the first month of membership. Entry fees vary depending upon the age of a person when he/she joins the program—higher for an older person and lower for a younger person. The monthly fees are designed to increase annually to reflect the overall operating experience and cost of living, but typically do not increase as a member needs care, thus protecting a member's assets from what is known as "spending down."

Actuarially sound pricing is key, of course. A clear definition of the package of services that will be offered and the cost or price of those services are required by the actuaries, along with an understanding of the refundability of entrance fees, the criteria a member must meet to qualify for services, the complement of administrative staff and related expenses, the daily cap on expenses and other specific financial information on which the pricing will be based. A 5 to 15 percent margin is included in

the pricing formula, which serves as a 'risk buffer' in the event of adverse experience. While Type A contracts predominate, it is not unusual for a consumer to be offered a choice of pricing options that may include:

- A variety of co-pays for future services;
- Home care only;
- Long-term care insurance policy credit;
- Limited total lifetime benefit amount;
- Limited daily spending caps; and
- Refundable membership fee.

One program has designed a pricing approach that incorporates an entrance fee paid over time. This same program offers a variety of pricing options similar to LTC insurance, including several benefit period options, daily expense caps and elimination periods.

ACTUARIAL RISK IS MANAGEABLE

There are three more significant risks. The first is when organizations mistakenly believe that a market exists when it doesn't. The second is an admissions screening risk; and the third is managing the delivery of services (expenses) to the contract. While the second two directly link to the actuarial projections, they are, in fact, operational issues and deserve to be considered as such.

- Credible, objective market research is required. And, not every market will be large enough to support a CCaH program, nor will every market have consumers who are interested in this type of program. Early market share testing should incorporate the actual market share that existing programs have been able to capture and should consider the distinctions between those market areas. Statistically sound consumer research (which is more likely to be accomplished through telephone surveying rather than mail surveys) is necessary to understand consumer interest in the concept, followed by focus group research to gather intelligence regarding price sensitivity, services of interest and preferred pricing plans. A sponsor considering the development of CCaH must be willing to abandon the development of CCaH if the market indicators are negative —rather than plowing forward under the mistaken impression that "people will buy in, once they understand the program." While the financial risk associated with a start-up is significantly less than the risk accompanying the development of a facility or campus, the reputational risks are critical to consider. And steady enrollment of new members with the ability to reach a critical mass is important to ensuring a successful program.

- Screening risk means that no matter how good the actuarial projections were or are, making decisions to admit members who don't meet the health and risk criteria will drive the program into a crisis. Experience shows that CCaH programs will reject (on a percentage basis) more applications for membership than a life care or life plan community will reject. And that's the way it should be. It is important to remember that all service expenses are incremental for a CCaH program and adverse selection can be detrimental to the financial health of the organization.
- It is critical that only those services and related expenses that are clearly defined in a member agreement are paid for by the CCaH program. Program management should think creatively when developing a service plan, however, the creativity must be kept within the confines of what has been priced by the actuaries. For example, a program pays for items such as ramps and other home improvements for its members, but these items were not included in the package of services priced by their actuaries. This type of spending outside of the member agreement could have adverse long-term financial implications for the program.

  According to Dave Bond, FSA, MAAA, managing partner of CCRC Actuaries, "The key focuses of CCAH management with respect to financial success are enrollment goals, underwriting standards, program administrative expenses and health care utilization and cost. It is important that the management team constantly monitor all four components, because results will be different than expected. These are relatively small programs in terms of risk theory and risk management. But more importantly, the CCaH

operator should understand that adverse experience does not necessarily mean financial failure, as there are an array of potential remedies that can be implemented, including annual fee increases, and if necessary, administrative expense reductions, managing just as life plan communities have done over the years."

CONCLUSION

Continuing Care at Home (CCaH) is neither a potential jackpot nor a risky gamble. Much like most of the services provided to seniors in this country, it is a serious effort to meet consumer needs and expectations. As most market research underscores, only a small percentage of older adults in the United States plan to move from their homes as they age, yet many will need supportive services in order to remain as independent as possible. Continuing care at Home is but one way that innovative and entrepreneurial providers are seeking to help mold the future—in most cases building on core strengths while recognizing the key differences between the business that has been developed over time and the demands of a new and distinct service line.

Like most innovations, CCaH attracts replicators as well as skeptics. Both have a role in helping to shape, refine and strengthen what has to date been a successful model of innovative care. We believe that the model is entering a new stage of maturity, not just in terms of overall experience and the utilization of health care related services, but as a platform leading to expanded roles for the care coordination expertise that has been incubated, new product variations that are responsive to housing market trends and new approaches to engender community among members.

There are, of course, risks, just as there are for every service or program. Managing that risk is part of what leaders do every day. Providers interested in CCaH should focus first on determining whether a market exists in their area and then proceed to design an actuarially sound and consumer responsive product. ■

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