

# News Currents

## In Brief

### AHCA/NCAL Elects New Officers

Meeting at the recent convention of the American Health Care Association in Las Vegas, association members elected a new slate of officers who will each serve a one-year term.

These include:

- *Chair:* Angelo Rotella, Friendly Home, Woonsocket, R.I.



Rotella

- *Vice Chair:* Norman Estes,

NHS Management, Tuscaloosa, Ala.

- *Associate Business Member Representative:* Chris Urban, Health Care REIT, Solana Beach, Calif.

- *MR/DD Representative:* Marilyn Weber, Weber Health Care Center, Wellington, Ohio.

- *National Center for Assisted Living/Assisted Living Representative:* Van Moore, Westcare Management, Salem, Ore.

- *Non-Proprietary Representative:* Wade Peterson, MedCenter One Care Center, Mandan, N.D.

- *State Affiliate Representative:* Earl Carlson, Missouri Health Care Center, Jefferson City, Mo.

- *At-Large Representatives:* Gail Clarkson, The Medilodge Group, Washington, Mich.; Edward Kunz, Kindred Healthcare, Louisville, Ky.; Rick Mendlen, Kennon & Shea Assoc., El Cajon, Calif.; Rick Miller, Avamere Health Services, Wilsonville, Ore.; Richard Pell, Genesis HealthCare, Kennett Square, Pa.; Kelley Rice-Schild, The Floridean Nursing & Rehabilitation Center, Miami; and Robert Van Dyk, Van Dyk Health Care, Ridgewood, N.J.

—David Zuckerman

# Providers Prepare For Part D

## Facilities Unveil Range Of Educational Initiatives

**R**inging in the New Year will take on new meaning for nursing facilities as they brace for the myriad challenges expected to accompany the new Medicare drug benefit come Jan. 1. During the past 10 to 12 months, providers such as Kindred, Genesis, Beverly (BEI), and Good Samaritan have gone to great lengths to meet these challenges. Among the initiatives put in place to guide staff and patients through the federal government's most dramatic changes to Medicare in its 40-year history are patient toll-free hotlines; employee

intranet Web sites; professionally designed tool kits; and teleconference, Web site, and on-site training.

BEI began its process of educating staff on the broad concepts of Medicare Part D as early as last January. "Much of our early educational efforts have focused on explaining the basics of the program and also letting our staff know about the restrictions placed upon nursing facilities in the marketing guidance," says Jeanine Powell, BEI's vice president of pharmacy services. "We are using the Centers for Medicare & Medicaid Services' [CMS] own materials to educate our staff but have also developed some internal tools designed more specifically for the various players—including admissions personnel, business office managers, nursing staff, and medical directors."

Similarly, companies such as Kindred and Genesis have utilized the CMS materials to craft their own educational tools and tailor them to the needs of patients and staff. Genesis designed both a print and electronic version of its toolkit, which features a poster itemizing company and CMS resources such as a toll-free "GHC Hotline" and an Online Job Support Web site; a "What's Coming!" section comprised of a Genesis/Part D timeline; and a patient poster that enumerates the benefits of Medicare Part D. "We tailored the CMS information to meet the needs of our patients and staff and added our own materials," says Frank Grosso, Genesis' vice president of pharmacy services.

### AHCA OFFERS PART D ESSENTIALS

■ The American Health Care Association's (AHCA's) recently released "Medicare Part D Essentials for Long Term Care Facilities" provides an overview of Part D and its impact on long term care facilities. The paper is based on Centers for Medicare & Medicaid Services' guidance and, as such, is subject to change. To that end, the paper will be updated and revised accordingly. The paper is available on AHCA's Members Only Web site at [www.ahca.org/members/finance/medicare/part\\_d/partd\\_ltc\\_essentials.pdf](http://www.ahca.org/members/finance/medicare/part_d/partd_ltc_essentials.pdf).

Dan Holdhausen, Good Samaritan Evangelical Society's vice president of pharmacy services, says the company is taking advantage of a closed-circuit TV broadcast to focus on accommodating and understanding patients' application processes.

Kindred Health Care opted to employ a consultant to assist the company with the development of its outreach program, reports Mark McCullough, president of Kindred Pharmacy Services. The company also conducted formal training programs with newly designated resident benefit coordinators from each facility and hired a new employee to manage prescription drug plan (PDP) contracts.

"Part D will be a sea change for our industry," says McCullough. "We'll be going from one payer for our dual-eligible residents, with each state having one formulary in a system that has been developed over many years, to a different paradigm in which there will be 10-plus pharmacy formularies in each state. What's more," he adds, "the physicians who treat our residents had come to know the states' formularies and which drugs needed preapproval, but they will now have to learn a new set of formularies. It will be a tremendous administrative burden."

Still unclear at this point is CMS' guidance surrounding the marketing of

## Real Estate Investment Firm Partners With ALF

**B**enchmark Assisted Living and Intercontinental Real Estate Corp., a national real estate investment firm, purchased The Crossings Portfolio, a package of nine assisted living facilities located in Connecticut, Massachusetts, and New Hampshire.

The companies released no sales information. The purchase was made with funds from Intercontinental Real Estate Investment Fund III, a Boston-based company that has been interested in investing in senior properties.

The Crossings Portfolio communities were opened between 1997 and 2000 and are collectively 93 percent occupied. The communities have 672 units with a capacity for 778 beds.

Benchmark will serve as the daily operating partner and provide onsite property management services, and Intercontinental Real Estate Fund will serve as the managing partner.

## Association Revamps Leadership Structure

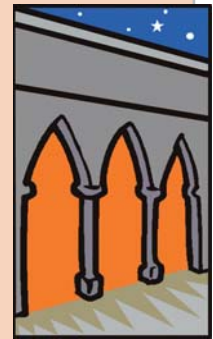
The membership of the American Health Care Association (AHCA) unanimously ratified sweeping changes in the organizational structure of the association that will both “speed the internal decision-making process and improve advocacy efforts on behalf of the nation’s frail elderly and disabled,” says AHCA’s newly elected Chair Angelo Rotella of Friendly Home, Woonsocket, R.I. The new framework was unveiled during the association’s recent annual convention.

Under the revised bylaws, AHCA’s 500-member House of Delegates has been supplanted by a 49-person Council of States that includes one representative from each member state. The association’s 75-member Board of Directors has also been downsized to a more-manageable 15-member Board of Governors, and a five-member Executive Committee has been culled from that group.

“Every association in Washington must constantly evaluate, adapt, and maximize accountability to its membership, and these organizational adjustments will actuate that objective,” says Rotella, who replaced outgoing Chair Steven Chies, Benedictine Health Systems, Cambridge, Minn.

“In Washington and state capitals across the nation, the time frame in which to craft and execute legislative, regulatory, and communications strategies has dramatically compressed in the past decade, and success in the public policy arena requires expedited action on all fronts.”

—David Zuckerman



Kindred, Genesis, and Good Samaritan echoed similar concerns and reported that constant communication with CMS has provided some reassurances that these concerns will soon be resolved.

“For now, we are clear that the enrollment decision is up to the individual resident,” explains Holdhausen. “But we will be there to assist them with the process and to help them determine which plans

may best suit their needs, while making clear they are responsible for enrollment.” While these providers have not yet quantified the costs they’ve incurred from printing and shipping toolkits, procuring toll-free numbers, designing Web sites, and hiring consultants, they maintain a positive attitude. “It’s all in a day’s work,” says Grosso. “We’ve done the best job we can to prepare our residents.”

—Meg LaPorte

PDPs to facility patients. “As one of the largest providers of health care, we continue to work with CMS and the American Health Care Association on some items we believe still require clarification and guidance,” says Powell. “We need more clarity around proper communications with residents with cognitive impairments, and those of our residents whose family members live far from the facility or simply don’t attend.”

# Social Activities Promote Sleep

## Study Looks At Patients With Dementia

**I**ndividualized social activities like petting a stuffed cat, tossing a ball, or playing checkers may improve sleep patterns among nursing facility patients with dementia, according to a study published in the September 2005 *Journal of the American Geriatrics Society*.

The study of 147 nursing facility patients from seven facilities employed individualized activities to decrease daytime sleep and lower the day-night sleep ratio in patients with dementia. As a result, participants experienced significantly decreased napping, from about two hours a day to about 1.25 hours a day, the researchers found.

By staying engaged in “concrete, reality-based social activities,” the patients were able to reduce napping and strengthen their circadian rhythms, researchers said. The study’s authors noted that individualized inter-

ventions may provide an alternative to medications without the side effects.

To individualize the intervention activities, researchers used four primary participant characteristics—interests, cognition, functional status, and napping patterns—and a 114-item assessment tool for individualizing activities. Two certified therapeutic recreation specialists helped choose more than 100 appropriate activities.

Because the study did not reveal significantly improved nighttime sleep among the participants, researchers conducted a secondary analysis using only those patients with a sleep efficiency of less than 50 percent. While the results indicated nonsignificant trends for minutes slept at night, they

revealed significantly decreased time to fall asleep and minutes awake at night and improved sleep efficiency.

These improvements, researchers said, are clinically significant and larger than effects from sedative-hypnotic medications.

Implementation of the activities costs about \$765 and included purchasing commercial activities and perishable supplies (cooking ingredients, for example).

Many of the activities such as storytelling were cost-free, while others cost up to \$10.

Administration costs were about \$28 for the one-hour, one-time registered nurse activity assessment for each participant, but the researchers suggested that a recreation therapist could do it for \$19 per assessment.

Training costs were \$1,200 to teach project nurse assistants to conduct the individualized social activity intervention.

Researchers acknowledged that resolving a complex phenomenon like sleep-wake pattern disturbance would probably require bundled activities, since the study addressed lack of social activity but not other factors that may cause sleep-wake pattern disturbance, such as prolonged time in bed, nighttime incontinence checks, noise, light, anxiety, lack of physical activity, and primary sleep disorders.

Many nursing facility patients with dementia experience sleep pattern disruptions that can often trigger additional problems such as fatigue, difficulty concentrating and remembering, anxiety, depression, poor quality of life, weakened immunity, and risk of falls.



## Kindred In Negotiations For LTC Operator

**L**ouisville, Ky.-based Kindred Healthcare’s subsidiaries have acquired the operations of Commonwealth Communities for \$125 million in cash.

The deal between Kindred and Stoughton, Mass.-based Commonwealth is expected to close during the first quarter of 2006. Commonwealth operates five freestanding long term acute-care hospitals, nine skilled nursing facilities (SNFs), and four assisted living facilities. All of Commonwealth’s properties are located in Massachusetts, except for two freestanding assisted living centers that are located in Maine. The assets currently being acquired generate about \$225 million in annual revenue, Kindred said.

Kindred also announced that it has entered into a nonbinding agreement to purchase the real estate from four of Commonwealth’s freestanding long term acute-care hospitals from an affiliate of Toledo, Ohio-based Health Care REIT for \$80 million in cash.

Kindred would also enter a new master lease with Health Care REIT to lease the nine Commonwealth SNFs and the two co-located assisted living facilities for \$10.7 million in annual rent, with a built-in annual increase of about 2.5 percent.

The transaction with Health Care REIT is subject to a number of conditions, according to Kindred.

—Lisa Gelhaus

—Meg LaPorte

# Florida Unveils Far-Reaching Waiver

## Health And Human Services Report Outlines Changes

Florida has unveiled a new Medicaid waiver plan that could have far-reaching implications for other states. The plan, which exempts the state's long term care component for the time being, employs private health plans to limit spending and benefits on individual Medicaid beneficiaries. According to the state's Agency for Health Care Administration, the new program will "improve quality of care and provide predictability" in Medicaid spending for the state's 2.2 million residents.

Under the new waiver plan, Florida will pay provider health care networks a monthly, risk-adjusted premium for patients. "Health care provider networks will form to create benefit packages that cater to the unique needs of patients. Participants—with the help of counselors—will choose the plan that best meets their needs," the Florida

agency said. The agency characterized the reforms as the "first significant overhaul in three decades" that will modernize an outdated program to "better serve participants and bring predictability" to the state's \$15 billion Medicaid program. In addition, the agency noted that the state's Medicaid costs could consume nearly 60 percent of Florida's budget by 2015 if left unaddressed.

Meanwhile, Florida "is in the process of developing a long term care waiver application similar to the current waiver from the standpoint of its principles," the state's agency said. Those principles are described on the agency's Web site as patient responsibility and empowerment, marketplace

decisions, bridging public and private coverage, and allowing for a sustainable growth rate.

Medicaid beneficiaries residing in nursing facilities will continue to be

covered under the state's current long term care system, pending completion of the long term care waiver.

As for the state's impending long term care waiver, "the goal is to allow patients to age with dignity in the most

appropriate, least restrictive setting," a Florida official said.

The initial demonstration project, set to begin with Broward and Duval Counties, must gain approval from the Florida Legislature before it begins on July 1, 2006.

—Meg LaPorte



# LTC Insurance Sales Remain Flat

## Baby Boomers Aren't Buying, Two Studies Confirm

**B**aby boomers are worried about retirement but are ill-prepared for a catastrophic long term care event, according to two recent studies, the third annual "Index of Long Term Care Uninsured" and the "MetLife Survey of American Attitudes Toward Retirement: What's Changed?" Both studies looked at the number of baby boomers insured and their attitudes about retirement against the costs of long term care.

The first study, published annually by the Long Term Care Financing Strategy Group, reveals that more than nine out of every 10 Americans over the age of 45 are without long term care insurance, and the percentage of older adults who are uninsured for long term care ranges from a low of 78 percent to a high of 97 percent across the 50 states and the District of Columbia.

The study looks at adults ages 45 and older whose incomes are such that they could theoretically afford long term care insurance. This year, the study also tracked state-specific trends and found that 18 states have a market penetration of long term care insurance that is above the national average. While residents of these 18 states hold 68 percent of the nation's long term care insurance policies, the states are home to only 41 percent of the nation's older adults.

Meanwhile, the study found, the percentage of the U.S. population that is insured for long term care has decreased slightly when the 2005 index is compared with the 2003 findings.

"While policy sales to younger buyers are increasing as a percent of the total, policy sales overall are down," said Marc Cohen, president of LifePlans, a long term care insurance provider and one of the report's

authors. "This, coupled with the fact that boomers are one of the fastest growing population segments, is one of several reasons why there has not been any significant change in market penetration since 2003."

The MetLife study found that while baby boomers acknowledge they are likely to need some form of long term

care, they have not purchased insurance to cover it. The study also found that boomers are not concerned with leaving an inheritance. Nearly three in four (74 percent) say they are unlikely to restrict their spending in retirement to leave money for others. "While it is troubling that boomers are concerned about finances, perhaps more worri- ➤

### Stock Check

| PROVIDERS   | Symbol | Where Traded | Current Price 10/31/05 | P/E Ratio | % Change From 1/1/05 | 52-Week Range High Low |         |
|---|--------|--------------|------------------------|-----------|----------------------|------------------------|---------|
| <b>Skilled Nursing</b>                            |        |              |                        |           |                      |                        |         |
| Advocat   | AVCA   | OTC          | \$4.40                 | 6.3       | -11%                 | \$5.50                 | \$3.05  |
| Beverly Enterprises                               | BEV    | NYSE         | \$11.74                | 6.1       | 28%                  | \$13.44                | \$7.95  |
| Extendicare                                       | EXE    | NYSE         | \$16.15                | 7.7       | 26%                  | \$18.09                | \$12.30 |
| Five Star Quality Care                            | FVE    | AMEX         | \$6.74                 | 8.5       | -20%                 | \$9.19                 | \$5.60  |
| Genesis Healthcare Corp.                          | GHCI   | NASDAQ       | \$40.58                | 7.2       | 16%                  | \$48.03                | \$30.00 |
| Kindred Healthcare                                | KND    | NYSE         | \$28.00                | 6.8       | -7%                  | \$42.11                | \$22.73 |
| Manor Care  | HCR    | NYSE         | \$37.25                | 8.3       | 5%                   | \$41.16                | \$30.87 |
| National HealthCare                               | NHC    | AMEX         | \$36.00                | 6.3       | 2%                   | \$37.61                | \$28.79 |
| Sun Healthcare                                    | SUNH   | NASDAQ       | \$8.15                 | 9.6       | -12%                 | \$9.60                 | \$5.86  |
| <b>Developmental Disability Service Companies</b> |        |              |                        |           |                      |                        |         |
| ResCare   | RSCR   | NASDAQ       | \$16.00                | 19.11     | 6.6%                 | \$16.72                | \$10.83 |
| <b>Assisted/Independent Living</b>                |        |              |                        |           |                      |                        |         |
| American Retirement                               | ACR    | NYSE         | \$19.11                | 9.7       | 62%                  | \$19.45                | \$7.66  |
| Capital Senior Living                             | CSU    | NYSE         | \$7.99                 | 19.6      | 41%                  | \$8.50                 | \$4.97  |
| Emeritus Assisted Living                          | ESC    | AMEX         | \$18.00                | 12.6      | 40%                  | \$19.25                | \$9.00  |
| Sunrise Senior Living                             | SRZ    | NYSE         | \$32.34                | 14.8      | 40%                  | \$34.12                | \$18.88 |
| <b>REITs</b>                                      |        |              |                        |           |                      |                        |         |
|   |        |              | <b>Yield</b>           |           |                      |                        |         |
| Health Care Property Investors                    | HCP    | NYSE         | \$25.45                | 6.6%      | -8%                  | \$28.92                | \$23.13 |
| Health Care REIT                                  | HCN    | NYSE         | \$35.24                | 7.0%      | -8%                  | \$39.20                | \$31.15 |
| Healthcare Realty                                 | HR     | NYSE         | \$37.84                | 7.0%      | -7%                  | \$42.11                | \$35.25 |
| LTC Properties                                    | LTC    | NYSE         | \$20.49                | 6.4%      | 3%                   | \$23.92                | \$16.50 |
| National Health Investors                         | NHI    | NYSE         | \$26.85                | 6.7%      | -8%                  | \$30.95                | \$25.05 |
| Nationwide Health Properties                      | NHP    | NYSE         | \$23.19                | 6.4%      | -2%                  | \$26.15                | \$19.05 |
| National Health Realty                            | NHR    | AMEX         | \$19.11                | 7.0%      | -4%                  | \$21.00                | \$17.66 |
| Omega Healthcare                                  | OHI    | NYSE         | \$12.29                | 7.2%      | 4%                   | \$14.28                | \$10.31 |
| Senior Housing Properties Trust                   | SNH    | NYSE         | \$17.71                | 7.2%      | -6%                  | \$20.34                | \$16.20 |
| Universal Health Realty                           | UHT    | NYSE         | \$32.55                | 6.8%      | 1%                   | \$40.80                | \$27.36 |
| Ventas  | VTR    | NYSE         | \$30.63                | 4.7%      | 12%                  | \$32.70                | \$24.43 |

Quotes courtesy of Irving Levin Associates, New Canaan, Conn. Phone: (203) 966-4343.

some is that few are taking the steps necessary to ensure financial security in retirement,” said Sandra Timmerman, director of the MetLife Institute.

Boomers are delaying retirement until they believe they will have enough money to retire. In 2001, boomers believed they would retire between ages 55 and 64. Today, the median retirement age is between 65 and 70. What’s more, almost half of boomers plan to work beyond the traditional retirement age, with 69 percent saying they will do so to stay active and engaged, up from 42 percent in 2001, the study says.

“Boomers are placing increasing importance on financial independence,” said Timmerman. “When asked about their primary consideration for satisfaction later in life, they are just as likely to cite finances as health and are

very concerned that they will outlive their money, forcing them to scale back their current lifestyle.”

The Long Term Care Financing Strategy Group’s study also looked at gay, lesbian, bisexual, and transgender (GLBT) Americans. Researchers found that boomers in these groups are particularly likely to worry about their later years—41 percent compared with 33 percent in the larger population.

Those in the GLBT cohort have significantly greater apprehension about being alone, the study found, with 14 percent reporting lack of companionship as their greatest fear, compared with 6 percent of heterosexuals.

Forty percent of GLBT boomers are more likely than heterosexuals (28 percent) to express concerns about physical limitations that may inhibit their ability to function as they get older.

—Meg LaPorte