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Aging Services Mergers and Closures: A Resident Care Perspective

Merger and acquisition (M&A) activity continues at a brisk pace in the aging services industry, and divestitures (also known as divestments) also are occurring with some frequency, especially in the skilled care sector. (See "Aging Services Transactions: A Look at the Numbers" on page 4.) M&A growth is the result of a number of factors, including administrative and financial considerations, healthcare reform trends, availability of outside capital and an increased desire to expand aging-in-place capabilities. Divestitures, on the other hand, often result from corporate decisions to move away from skilled care and invest in more profitable services, such as home health, rehabilitation and short-term care.

Mergers and acquisitions may produce lower operating costs and increased efficiencies, but if leadership fails to consider associated risks, these transactions may also result in safety or compliance problems.* Similarly, a poorly executed divestiture may create hardships for residents, potentially leading to sanctions, lawsuits and a tarnished corporate reputation. To minimize exposure in these situations, everyone in affected facilities – from executives and administrators to front-line staff – must remain focused on meeting resident needs and providing quality care throughout the critical period of change. This edition of *AlertBulletin*® suggests a variety of proactive measures designed to help organizations achieve a safe and smooth transition.

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MERGERS AND ACQUISITIONS

A successful merger requires more than combining business, financial and human resources operations and systems. It also involves bringing together distinct cultures, clinical processes, and quality and safety programs. The following measures (aimed primarily at acquiring organizations) can help facilitate the process of integration, while responding to potential resident and staff concerns.

Form a multidisciplinary team to examine the mission, values, organizational structure, practices and corporate culture of the entity or entities to be acquired and to answer the following fundamental questions:

- What will be the likely impact of the merger on organizational reputation and brand, as well as the larger community?
- Does the proposed mission statement of the combined entity reflect both parties' values and aspirations?
- Are the cultures of the combining organizations compatible at every level, including governing boards, medical directors and employees?
- Is there a shared vision of and commitment to resident safety and continuous improvement?
- Are existing clinical and operational processes and policies conducive to the overall goal of providing quality care?
- How are health information management, documentation and record retention practices similar and different?
- Have caregivers and residents/families been surveyed regarding their opinions of the pending merger, and have their concerns been addressed?

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* See Petrovich, H. "Change of Nursing Home Ownership May Hurt Resident Care, Study Says." *McKnight's Long-Term Care News*, July 16, 2015. The article cites lower performance ratings in such areas as resident rights, care processes, staff member satisfaction, food service and facility maintenance in organizations that have undergone a recent change in ownership.

Convene a meeting of all entities' leadership teams, in order to jointly review policies, procedures and documentation practices in key areas such as fall prevention, skin integrity programs, dementia care and infection control, as well as chronic disease, medication and pain management.

Conduct a site visit of the soon-to-be acquired facility or facilities, in order to assess the credentialing and competency of medical director(s) and providers, as well as to review policy and procedure in the following areas:

- Employee code of conduct.
- Staff orientation and training.
- Admission and resident consent process.
- Overall communication and information flow.
- Documentation.
- Fall and pressure injury prevention/mitigation.
- Wound care.
- Elopement prevention and response.
- Fire prevention and life safety programs.
- Violence and abuse prevention and response.
- Confidentiality and privacy protections.
- Resident education and follow-up.
- Equipment safety and maintenance.
- Handoff protocols for resident transfers/transitions.
- Adverse event management, including reporting.
- Resident and family satisfaction survey process.

Disclose to residents in writing any potential post-merger restrictions on available services or other significant policy changes. Include any modifications to end-of-life care due to changes in religious affiliation or operating philosophy.

Assess the data compilation and information technology (IT) systems of the acquired entity, as well as the ability to generate monthly reports and analyze outcomes and other clinical measures.

Evaluate the compatibility of existing IT systems and develop an integration plan. Also review preexisting IT vendor contracts and modify or terminate services as necessary.

Draft a communication plan that includes the following tasks, among others:

- Notifying residents and family members/guardians in writing of the pending merger or acquisition.
- Informing residents of additional or higher costs, and of new policies that may affect their continued residency.
- Describing new billing practices to residents/families and posting any changes on the merged entity's website.
- Proactively conveying to employees and residents/families any pending differences in operations, staffing or approach.
- Explaining to staff and employees that, in a multistate merger, facilities are subject to the protective statutes and regulations of the specific jurisdictions where they are located, not where the corporate headquarters is situated.

COMMON TYPES OF HEALTHCARE INTEGRATION:

- **Accountable care collaborative:** Healthcare facilities and providers join forces to manage the care of a target population, in order to enhance efficiency and continuity of care.
- **Acquisition:** One organization purchases another, taking ownership and control of its facilities, financial assets and liabilities.
- **Joint operating group:** Organizations share management but retain separate governing boards (aka "virtual merger").
- **Merger/consolidation:** Different organizations join to create a new, larger entity, thus spreading fixed overhead costs over a larger revenue base.
- **Shared services organization (SSO)/administrative services organization (ASO):** SSOs/ASOs are similar to joint operating groups, but include a new and separate entity providing combined management services.

(Source: Monica Oss, openminds.com.)

QUICK LINKS

- The 2017 Senior Care Acquisition Report, 22nd edition, Irving Levin Associates.
- Baxter, A. "Under Pressure, REITs Back Off Skilled Nursing." *Senior Housing News*, September 18, 2016.

DIVESTITURES

Divestment of an aging services facility or service may take the form of a sale or voluntary closure. If it is necessary to close a facility, these risk management measures can facilitate a smoother transition that respects residents' rights and minimizes liability exposure.

Inform relevant state agencies in writing of the anticipated date of closure at least 30 days in advance.

Provide residents, families or guardians with the following information in writing:

- A detailed rationale for the closure.
- The closure plan, including expected time frames.
- The name of a contact person at the facility that is closing.
- Relocation information, including a list of nearby facilities.
- Information about divestiture-related resident and family meetings, including date, time, location and purpose.
- The name, address and telephone number of the state long term care (LTC) ombudsman.

As a courtesy, send a notice of closure to the state LTC ombudsman, as well as to service vendors, local hospitals, community organizations and media outlets.

Establish a closure team responsible for identifying local vacancies and community-based services, as well as helping residents with relocation-related tasks.

Compile a profile on each resident, including but not limited to Medicaid status, Medicare benefit days remaining, medication profile, and upcoming medical procedures or appointments.

Work with residents and families or guardians to locate suitable relocation options, encouraging receiving organizations to conduct in-person interviews and residents/families to visit facilities prior to making any decisions.

Create detailed, resident-centered discharge plans that note functional status, activities of daily living, routines, medication regimens, resident preferences, advanced care directives and necessary interventions.

Coordinate transfer dates and times with receiving facilities, and carefully inventory and label all resident belongings before the date of transfer.

Accompany transferring residents, meeting with receiving caregivers to review discharge plans and ensure that resident needs and preferences are understood and addressed.

Conduct a follow-up call to facility administrators within 48 hours of a transfer, in order to check on the resident's status and answer any questions.

Work with residents and families or guardians to locate suitable relocation options, encouraging receiving organizations to conduct in-person interviews and residents/families to visit facilities prior to making any decisions.

Aging Services Transactions: A Look at the Numbers

MERGERS AND ACQUISITIONS (M&As)

- In 2016, out of 940 total healthcare M&A transactions, 337 (or more than a third) involved aging services facilities. Source: *HealthCareMandA.com*, at PRWEB.
- In the fourth quarter of 2016, the number of announced aging services-related M&As increased by 33 percent from the preceding quarter (i.e., from 70 to 93). *Source: The SeniorCare Investor,* Irving Levin Associates.
- In the same period, the dollar volume of acquisitions involving senior housing and care organizations surged to $6.5 billion, more than double the previous quarter ($2.9 billion) and the fourth quarter of 2015 ($2.3 billion). *Source*: *The SeniorCare Investor*.

DIVESTITURES

- Not-for-profit nursing homes declined in number by 6.3 percent between 2010 and 2014. Source: *Nursing Home Data Compendium 2015 Edition,* Centers for Medicare and Medicaid Services.
- Except for settings with 50-99 beds, the number of skilled care organizations declined across all size categories, with the largest facilities (200 or more beds) decreasing the most (2.9 percent). Source: *Nursing Home Data Compendium 2015 Edition*.
- Skilled care facility occupancy rates reached a five-year low in 2016 (82.2 percent). Source: "NIC Skilled Nursing Data Report," National Investment Center for Seniors Housing & Care.
- A 300 percent increase in the number of managed Medicare patients (about 18 million beneficiaries over the past 10 years) has had negative financial consequences for many aging services organizations, prompting some operators to exit the skilled care market. Source: Baxter, A. "SNF Companies Exiting a 'Deteriorating Industry.'" *Senior Housing News*, November 21, 2016.

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