



## Introduction



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### Re-Imagining Operations

As senior living and healthcare providers continue to deal with surges of COVID-19 residents, they must also focus on the future and develop sound business and financial strategic plans. The actions leaders take now will set the stage for how they emerge from this crisis. The following are the top 5 areas leaders should prioritize and understand in order to develop a financial strategic plan. A strong plan will help organizations to emerge from this pandemic a stronger and healthier organization.

- 1 Market conditions
- 2 Evolving demand & demographics
- 3 Developing a financial architecture
- 4 Organizational benchmarks & trends
- 5 Preparing for the future

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## Firm Overview – Plante Moran



### Senior Care and Living Practice

Plante Moran is among the nation's largest certified public accounting and business advisory firms.

#### Key Capabilities

Our audit, tax, and consulting experts can help you focus your organizational efforts to streamline processes, reposition services, evaluate partnerships, and consistently reduce outcomes to reach your long-term goals.



#### Your One-Stop Shop

- 60+ years of experience in the healthcare industry as a firm
- 200+ trained professional staff who specialize in healthcare
- 26 average years of healthcare industry experience per partner
- 1,000+ senior care and living providers across the continuum
- 42 states with healthcare clients

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## Introduction



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#### Re-Imagining Operations

The following are the top 5 areas leaders should prioritize and understand in order to develop a clinical and operational strategic plan.

A strong plan will help organizations to emerge from this pandemic a stronger and healthier organization.

Our team of experienced clinical and operational consultants bring simplicity to the complex by moving multifaceted ideas into actionable work-plans.

One of our team's greatest assets is the real-world provider experiences each brings to the table lending to a meaningful overall service delivery.

**We make a difference...On Purpose!**

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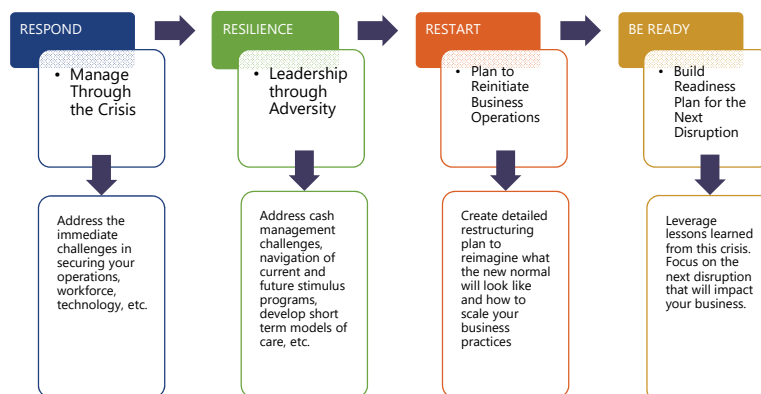
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- 1 Regulatory Conditions
- 2 Facility Assessment
- 3 Organizational Structure
- 4 Quality benchmarks
- 5 Management Systems

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## Crisis Management in the age of COVID-19



Resilient leaders eventually recognize that at some point they need to shift their focus from “today” to a “tomorrow” mindset. How do we anticipate what success looks like at the end of this pandemic and shift our mindset to how our business will thrive in the long run.

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## COVID-19 Market Realities

### Headwinds



- Decreased **move ins** and **slower lease ups**, resulting in **lower occupancies**
- **Poor publicity** around nursing homes may cause lower occupancy across all senior living
  - May get worse with more testing/second wave impacts
- **Home sales** may slow in some markets, leading to slower move ins
- **Adult children** may no longer be able to offer financial support to their parents to fund senior living
- **Consumer Fear + Trepidation**: Possible distorted view of Independent Living and Assisted Living being viewed as a “congregate setting” similar to a skilled nursing environment.
- Significant **increases tied to indirect costs**, e.g., PPE, staff salaries, etc.
- Higher lender/investor scrutiny
- Medicaid system will be further strained

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## COVID-19 Market Conditions



### Tailwinds

- Overall **demographics** are still strong for senior living
- This recession/depression was caused by a health crisis, NOT an economic crisis. The **economy was healthy**
- Many feel that **housing prices** may hold and that volumes may only be effected
- **Favorable** interest rates
- **Strong housing market** in many regions
- High amount of **capital** has been raised for senior living investment and it is not going anywhere
- Anticipated **decreases in construction** pricing
- **Slowdown in new projects** in overbuilt areas will be good for those markets
- Senior living as an **asset class** compared to office, retail, and hospitality is better off

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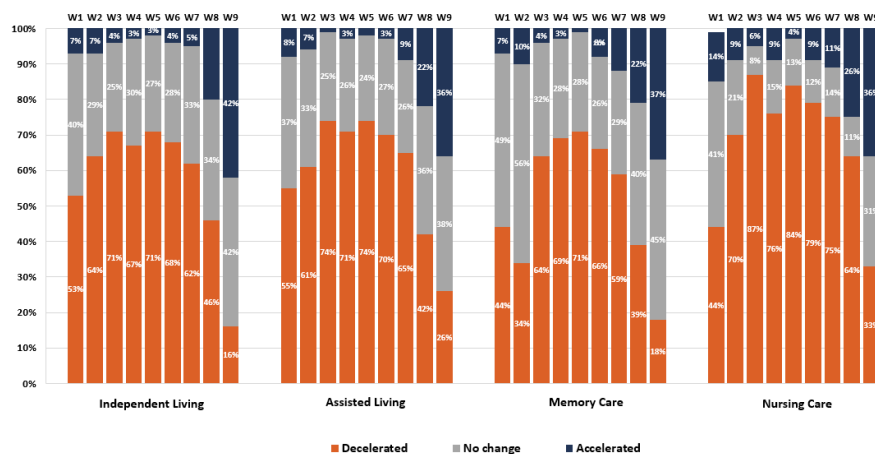
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## Occupancy & Census Challenges

COVID-19 IMPACT: Pace of Move-Ins Since March 31, 2020

Source: [NIC Executive Survey Insights](#)



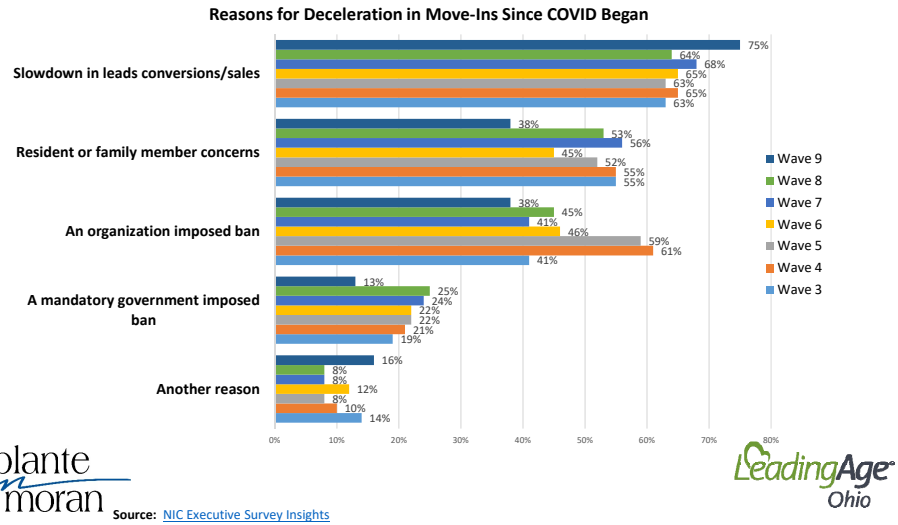
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# Occupancy & Census Challenges

COVID-19 IMPACT: Reasons for Deceleration in Move-Ins Since April 12, 2020

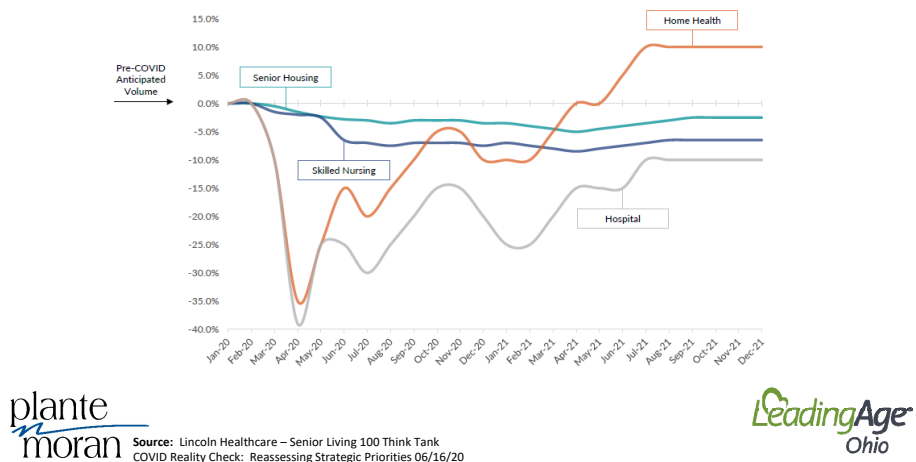


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# Occupancy & Census Challenges

COVID Headwinds – Projected Volume by Sector (vs. Normal)

Projected Deviations from Anticipated Volumes



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## Developing a Financial Architecture

### CRITICAL ACTIONS

- **Update annual budget** and establish a three- to six-month rolling **cash flow projection** to reflect the impact of continued lower volumes of elective procedures, increased COVID-19 spending, and CARES Act relief funds and repayments over appropriate timelines.
- Assess and communicate how **different timelines** for recovery may impact the ability to repay advances and loans.
- Consider **turnaround and restructuring** activities to help put the organization back on solid footing.
- Continue to focus on **core financial management**, including implementing a cash preservation strategy, revisiting and revising the capital expenditures plan, optimizing revenue cycle performance, and proactively reaching out to vendors and creditors to discuss issues with debt covenants or timely payments.
- Diligently capture all **COVID-19 related costs** for the purpose of supporting CARES Act relief funds received, which will either be forgiven or repaid based on the terms and conditions of the funding source.

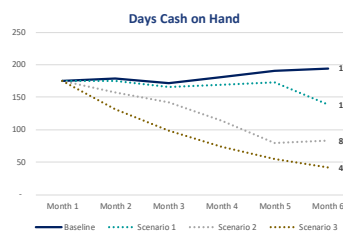
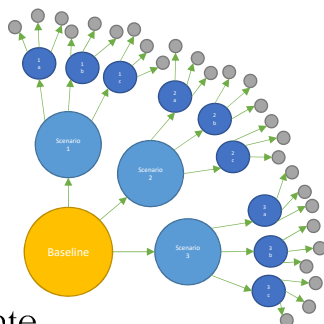


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## Developing a Financial Architecture

### Developing a financial architecture

- Historical information is less important due to the fluidity of the situations; therefore using current real time data to evaluate various "what if" scenarios becomes paramount
- Scenarios that encompass multiple eventualities across varying time horizons, including a resurgence of the virus in the fall/winter months
- Planning to incorporate market specific data around demographics, income levels as well as company specific data
- Second or multiple wave impacts of the virus, such as potential long-term wage increases for direct line staff, labor shortages, and census declines
- Work through one scenario at a time, defining the optimal set of moves you would make if you knew that scenario would come to pass



### Goals & objectives

- Our primary objective in developing the financial architecture is to help understand what is the potential short term and long-term impact on operations
- Our scenario development typically includes the impacts of items such as potential long-term wage increases for direct line staff, labor shortages, and census declines
- Modeling the potential increase to payroll costs and supply costs along with the cash management challenges that result from census and payor mix shifts become fundamental in creating agility and fosters the ability to shift direction based on identified trigger points. Key inputs into the model should include:
  - Census and payor mix changes across multiple timelines
  - Changes in FTEs
  - Increases in cost of care due to COVID-19
  - Impact of days in A/R and A/P
- The importance of scenario planning is to develop ideas for action should a specific scenario come to pass and build those action plans



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## Stimulus Reconciliation & Cash Flow



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## Stimulus Reconciliation & Cash Flow

### Summary

With the significant amount of money that has been distributed, it is imperative to properly document the forgiveness provisions as well as the COVID-19 use of funds. Our financial modeling tool helps with the following: reconcile stimulus dollars, understand timing of potential refunds of stimulus dollars, helps to validate losses related to COVID-19, and helps to understand the collective short-term and long-term impact on cash and investments. Our process is outlined below:

#### PLANNING



- As Health and Human Services continues to provide new guidance on the reporting requirements for the CARES act provider relief funds it is critical for providers to track the status of how the stimulus funds have been accounted for.
- Recent guidance has indicated that SBA Provider Protection Program funds should be accounted for first, prior to the CARES act provider relief funds.
- Providers will need to develop plans to be able to understand what dollars have been received, what dollars have been refunded and what is projected to be refunded

#### APPROACH



- Set the baseline, driven by historical performance and operations with discussions as needed
- Determine your current state of operations, the impact COVID-19 has had on operations to date, and the campus's ability to implement change (including managing staffing and increases in supply costs)
- Determine the short-term and long-term future states and potential impacts to census and operations
- Monitor, track and project the sources and uses of relief funds, lost revenues and increases expenses relating to COVID-19 to understand when funds have been exhausted

#### DELIVERABLE



- The stimulus reconciliation template provides historical and projected results in a comprehensive dashboard that projects future cash burn rate and allows for scenario planning of future operations
- Our model works in conjunction with AICPA "PPP Loan" refunding calculator to model funds that will not be forgiven
- Provides key insights on the use of stimulus funds, when COVID-19 losses are expected to exceed stimulus fund receipts, the impact of refunding stimulus funds has on operations, and the short-term and long-term impact
- Provides a basis for continued quarterly reporting

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## Organization Benchmarks & Trends

### 1. Wage Increases

- A. Hero Bonuses
- B. COVID-19 temporary increases (30-day implementation)

### 2. Increased PPE and COVID cleaning costs

- A. Many feeling overall cost increases in supplies, food, etc
- B. Warehousing PPE

### 3. Dietary Costs

- A. Room service surge charges – AL/IL environments
- B. Ranging from \$5 per day to a high of \$15 per day

### 4. Turnover

- A. Rate of turnover was much lower and has seemed to stabilize

### 5. Quality of Care

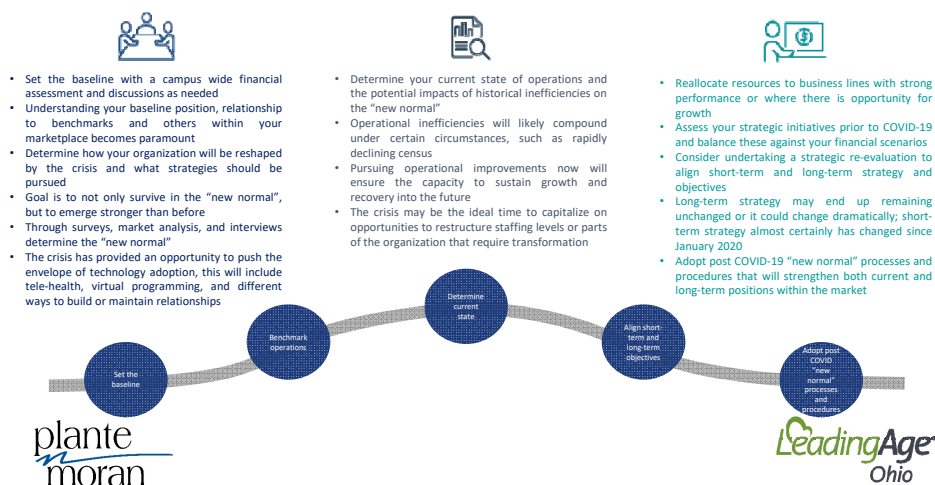
- A. More attentive staff
- B. Use of Telehealth to keep residents out of hospital – increase to occupancy



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## Operational Benchmarks & Trends

Once concerns about cash preservation have been addressed, you must ensure your organization is positioned to operate in the “new normal” with the goal of strengthening both current and long-term positions within the marketplace



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## Preparing for the future

- Acknowledge the need for increased sophistication to remain competitive, including investments and permanent shifts in technology
- Collaboration will be key with more organizations embracing the thought of partnerships and affiliations
- Embrace change
- Company culture matters: investing in staff well-being creates loyalty
- Focus on mental health of residents and staff
- Improve communication
- Digital marketing / tours with new protocols for safety
- Shift in architecture & engineering
- Optimize for growth



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## Preparing for the future: Technology

### CRITICAL ACTIONS

**Providers must accelerate the digital transformation** While many were already taking an agile approach to digital transformation, the crisis likely exposed deficiencies and forced organizations to move faster. The crisis may have also unearthed some opportunities to pursue competitive advantage as well.

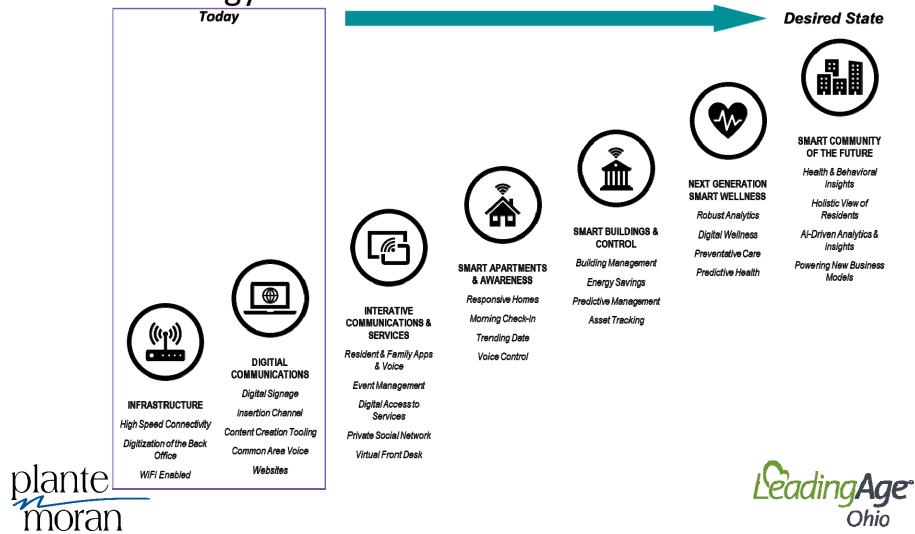
- Technology & IT Infrastructure
- Stable high-speed internet
- Virtual Programming
- Social Connectivity
- Telehealth
- Thermal Scanning
- Online Ordering & Cashless Sales
- Robotics & Drones
- Control Access & Security to manage entrance and exits onto the campus
- Cyber Security ➡ **Since Mid-March Plante Moran cyber attacks are up 650%**



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## Preparing for the future: Technology

### Technology



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## Preparing for the future: Marketing & Sales

### CRITICAL ACTIONS

Bridge the gap from your offline experience to **online experience** – continue to host your tours and sales meetings online.

Leverage the **power of personal calls** for human connection.

Make it more personal with a **handwritten letter**.

Make it about nurturing relationships **not selling**.

Adjust your digital messaging – **focus on lead-nurturing** content.

Create virtual highlights via social media – go Live with **Facebook Live**.



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## Preparing for the future: Residents, prospects, staff - Survey

### Response by Survey Group

# 21.1%

### Response Rate

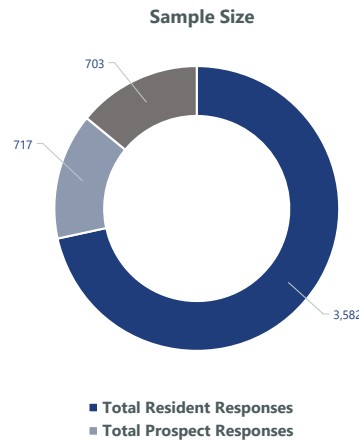
A total of 23,665 surveys were sent to senior living community residents, prospects, and staff.  
A total of 5,002 surveys were returned, representing a 21.1% overall response rate.

**3,582** Resident Member Responses  
40% Resident Response Rate

**717** Prospect Responses  
2.2% Response Rate

**703** Staff Responses  
20.6% Staff Response Rate

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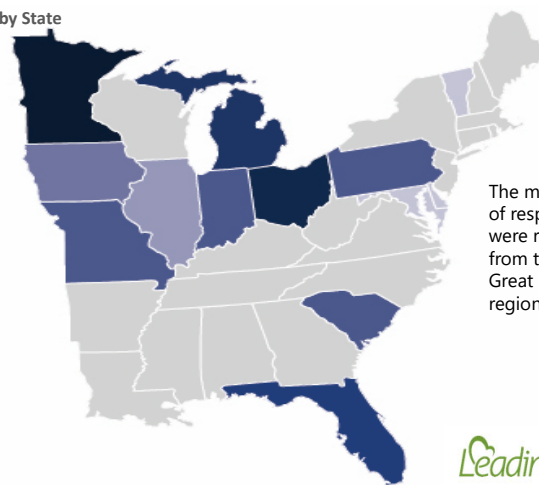
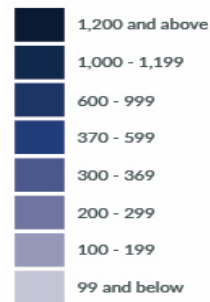
## Participant Information

### Geographic Spread of Survey Responses

#### Geographic Response by State

#### Legend

#### Total Responses



The majority of responses were received from the Great Lakes region.

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## Executive Summary of Results Operations & Marketing



### High Marks

61%

Of residents feel **SAFER** in a community vs. being in their previous home.

75%

Of residents agreed that they were "GLAD to be living **in a community** during the pandemic."

93%

Of residents felt the community took all precautions to **keep them safe**.

85%

Of staff agreed that residents "are **safer in the community** than in their previous home".

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### Low Marks



68%

Of residents felt **socially isolated** during shelter-in-place orders

LOW Marks

Many residents gave their communities low marks for variety of **activities** and quality of **food** and **meal options**.

47%

Of residents felt the community used **technology** effectively, allowing for greater engagement & connectivity.

54%

Of staff believe **technology infrastructure** should be improved.

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## Executive Summary of Results Recruitment & Retention



### High Marks

91%

Of staff feel the community where they work responded well to the pandemic.

90%

Of staff are glad they made the decision to work at the community where they are employed.

86%

Of staff would recommend working at their community to a friend.

84%

Of staff would recommend living at a community to a loved one.

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### Low Marks



72%

Of staff want a platform to streamline communications to families.

54%

Of staff believe technology infrastructure should be improved.

28%

Of staff were unsure about the community's IT plans.

"Offer on-campus housing for staff to help reduce the increased risk spreading the virus through contact on public transportation"

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## Operational Considerations



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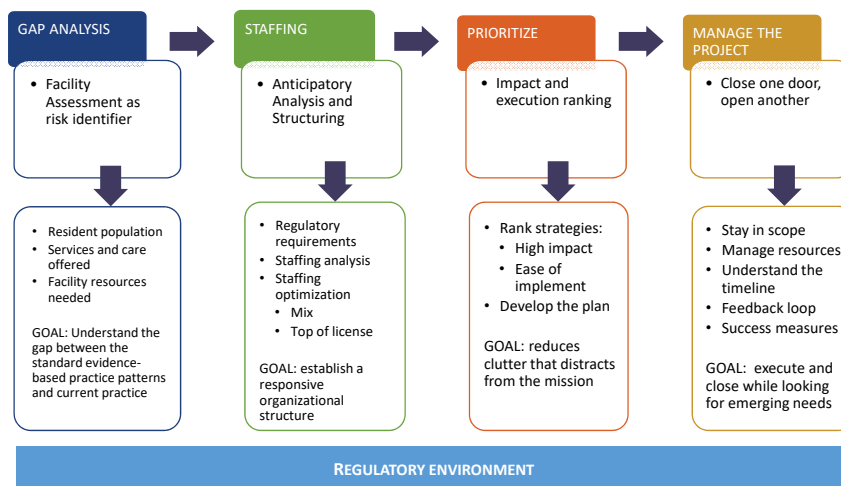
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## The "Tomorrow" Mindset



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## Regulatory Environment Realities

### Headwinds



- Increased **Immediate Jeopardy** scope and severity resulting in **higher monetary penalties**, and **lower star ratings**
- Increased **Infection Prevention** citations resulting in **directed plans of correction** and **lower star ratings**
- Frequent **changes to regulatory guidance** resulting in confusion, interpretive differences, and inconsistency of application.
- **Poor publicity** around nursing homes may cause **higher complaints** across all senior living

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## Regulatory Environment Realities



### Tailwinds

- Long-term care provider **resilience and responsiveness** are strong
- Non-infection control related citations are **trending down**
- This health crisis provided inlets to **alternative methods** of care provision
- Many electronic management systems saw **upgrades**

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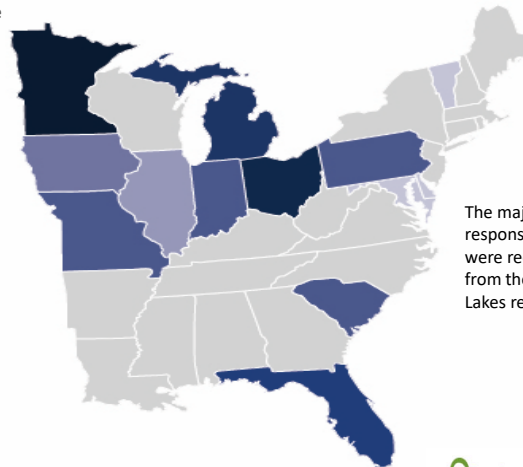
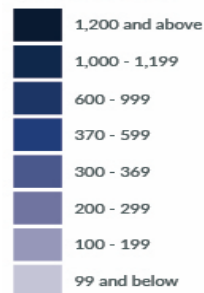
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## Infection Prevention – Directed Plan of Correction

Any citation for any reason at any scope and severity under F880

- \$\$ - Civil Money Penalties: on average \$515 per day. Immediate Jeopardy ~\$7,145 per day
- Contract with an independent Credentialed Infection Preventionist (CIP) – minimum of 2 months
  - Root Cause Analysis • Policy Review • Risk Assessment • Education

Title	Page(s)	Page	Element
01. Infection Preventionist Consultant (IPC) Credentialing Certificate			Consultant name and credentials meeting the independence criteria
01 a. Infection Preventionist Consultant CV/Resume			Executed contract with the consultant
01 b. Infection Preventionist Consultant Attestation of Independence			Infection Control Self-Assessment
02. Infection Preventionist Consultant Contract			Infection Prevention Policy/Procedure review
03. Attestation and list of Infection Prevention Policies and Procedures reviewed by IPC			01. Root Cause Analysis (RCA)
04. Evidence of Root Cause Analysis – summary of resulting changes			02. RCA Implementation
05. IP Facility Assessment with IPC			03. Training/Education Evidence
06. Summary of RCA changes and how staff were			04. Staff Trained
07. Education Packets for each educational topic			05. Training results
08. Grid. Roster of Active Staff. Educational Topics. Date that each staff member completed education and/or were removed from schedule.			06. Action Plan Tracking
09. Staff training sign-in sheets			07. System Changes
10. Summary post-training results/facility actions			
11. Summary Statement of Audit Findings			

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## Citation Prevention – Using the Facility Assessment as the Road Map to Success

**Regulatory Compliance** – How does the Risk Assessment inform F880 compliance?

**Facility Assessment** – What service offerings and care provision differences are we experiencing/do we expect?

**Staff Readiness** – What is the education plan; are we using readily available resources?

**Knowledge Transfer** – How are we validating understanding and application?

<https://gsep.cms.gov/ProvidersAndOthers/home.aspx>  
 •Targeted COVID-19 Training for Nursing Homes –  
 •Closely Monitor Residents - <https://youtu.be/1ZbT1Njv6xA>  
 •Keep COVID-19 Out! <https://youtu.be/7srwrF9MGdw>  
 •Lessons - <https://youtu.be/YTATw9yav4>

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•Infection Prevention and Control Assessment Tool for Long Term Care Facilities

•Infection Prevention and Control Assessment Tool for Nursing Homes Preparing for COVID-19

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**High Marks**

**<3%** Of 5,724 Infection Prevention Focused Surveys resulted in a citation, March thru June 2020

**1%** Of Infection Prevention citations resulted in a harm-level

**Low Marks**

Of 15,200 Infection Prevention focused/complaint/FRI surveys resulted in a citation, March through August 2020

**22%**

Of Infection Prevention citations resulted in Immediate jeopardy. **5%**

More than \$15 million in fines with a tripling of the most severe type of citations during the six months of the pandemic, March through August 2020

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