2018 HCANJ Spring Update

Jon Dolan
HCANJ President & CEO

HCANJ
Health Care Association of New Jersey

New Governor, more access…better result?

- *A New Governor for New Jersey* - Phil Murphy was inaugurated.
- *Fun Facts* - New Jersey is one of two states that had elections and inaugurated a new Governor in this off cycle and odd numbered year. NJ has one of the most powerful Governorships in the nation. From appointments to line item vetoes, Governor Murphy is key.
- *Get to Know Me* - Our involvement in the democratic process (aka donor & PAC program) was exponentially better than in past years or election cycles. Gladly we rocked in fundraising, sadly we must. Governor Murphy, his staff and political appointees are all acquainted with us and this knowledge.
- *Can you hear me now?* - Access is good, discussions and meetings are happening. However, it is a process and not an overnight thing.

2018 remains a year where we have a good start but the state budget and legislative session is also key to our advocacy and budgetary ideas.

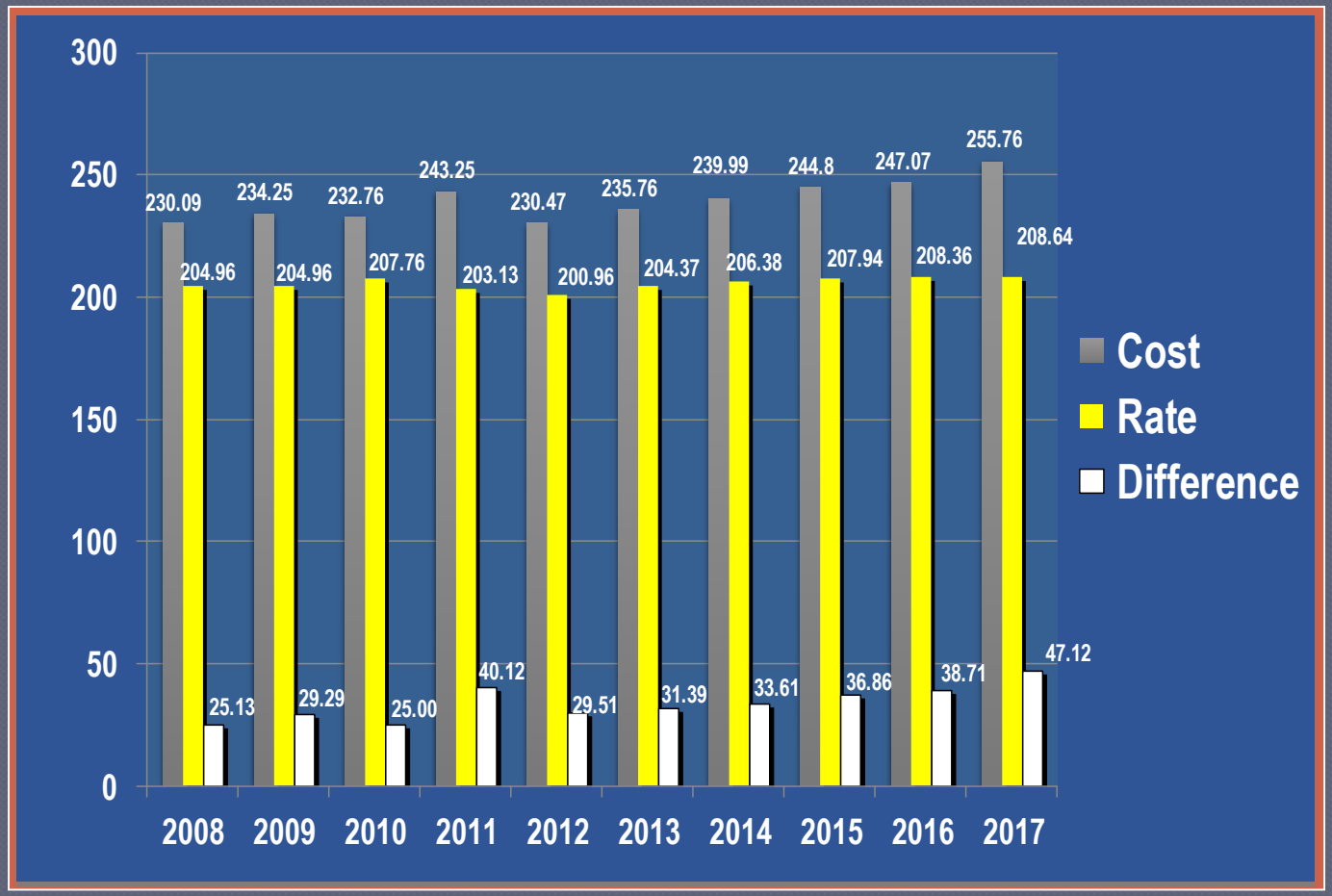
"I Gotta Guy…"

- S4 Governmental Consultants Join HCANJ Advocacy team for the transition.
- New Jersey Revenues Improved & New Taxes Likely
  - Governor Murphy ideas: Sales tax increase, Millionaire Tax, Close Loopholes & Legal Weed.
  - Others: Corporate Tax increase?.
  - $500m to $1.7B new revenue "ideas" for SFY2019 budget.
- New Jersey Politics
  - Please talk & fight amongst yourselves.
  - Assembly, Senate & Governor seeking limelight or control.
  - Behind the scenes is better than in the media.

Current Rate & Reimbursement Information

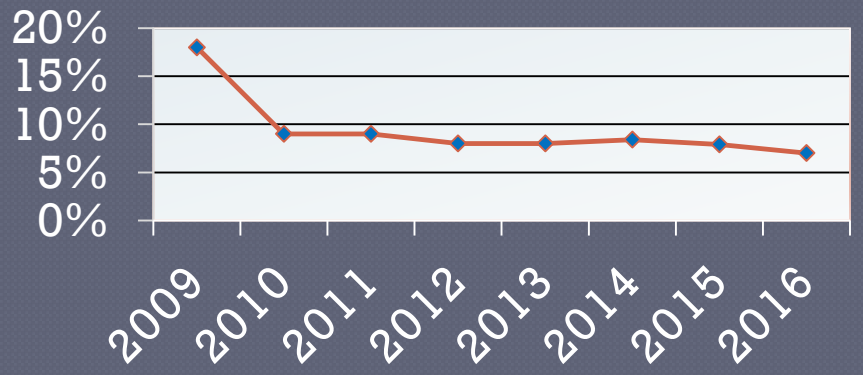
- The 2017 statewide average Medicaid Shortfall is $47.12 PPD.
- Cost average is $255.76 and actual average is $208.64
- Political & Fiscal Pressure on state budget is “huge”.
- Federal Medicare & Medicaid are risks.
- Minimum wage & minimum staffing mandates loom large as actions adding over $100 million per year (at least a $10 PPD hit to our rates).

Cost Rate Analysis 2008 - 2017

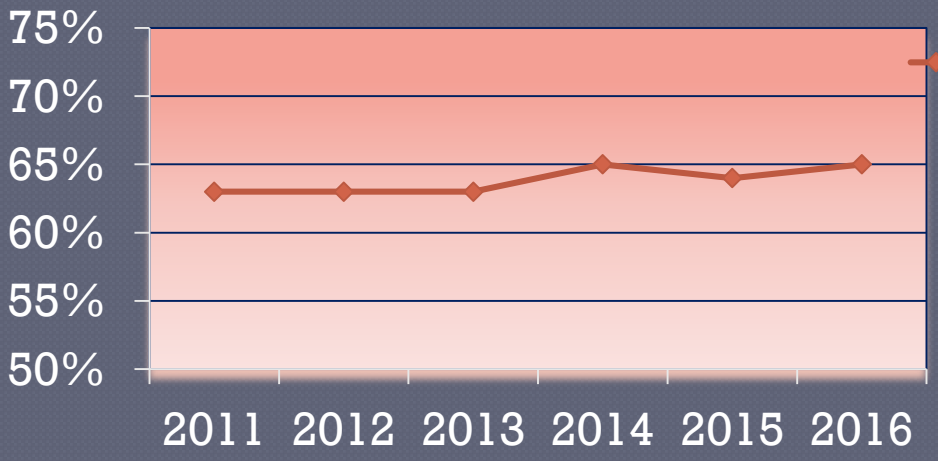


Source: 2008 - 2017 American Health Care Association Medicaid Shortfall Report based on data from NJ DHS costs and facility Medicare Cost Reports. Rates and costs are actual calendar year data through 2015. Rates for 2016 and 2017 are SFY. Costs for 2016 - 2017 are projected using Medicare Market Basket.

Increasing Dependence of Assisted Living Residents (NJ DOH 2016 AL Residents Profile Survey Report)

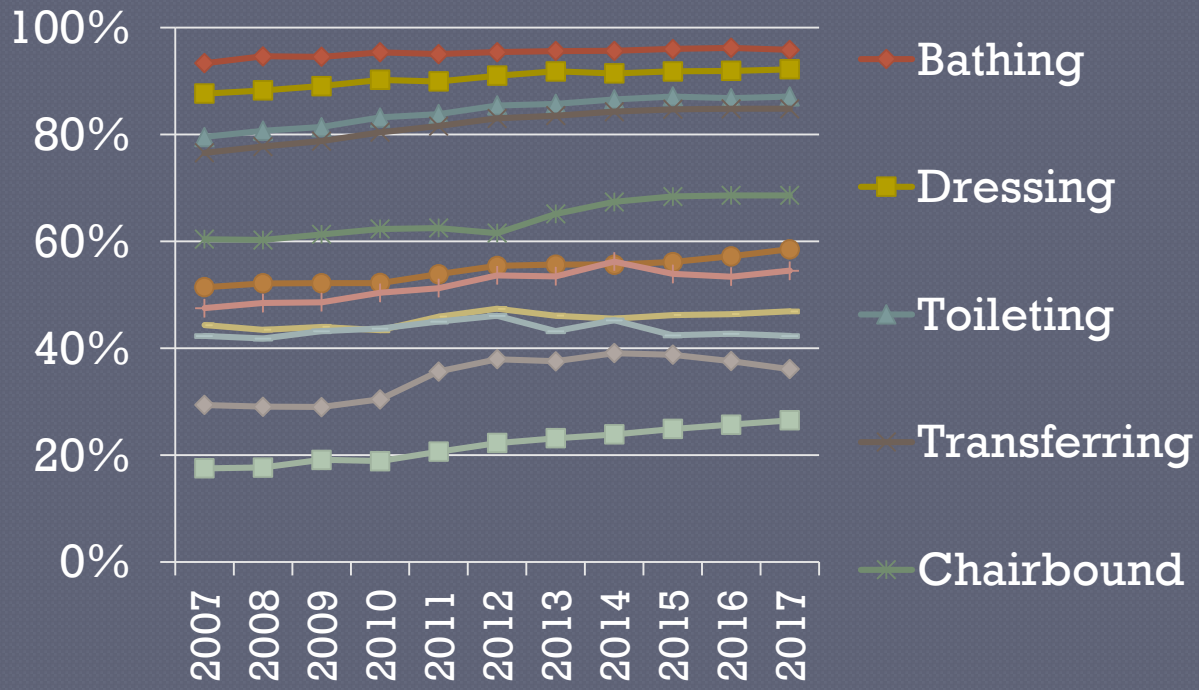


Percentage of Assisted Living Residents Independent of Assistance with Activities of…



Percentage of Assisted Living Residents Dependent in Four or More Activities of Daily Living…

Percentage of Nursing Facility Residents With Dependence/Need for Assistance for Activities of Daily Living (ADLs) (Source: CMS OSCAR Data)



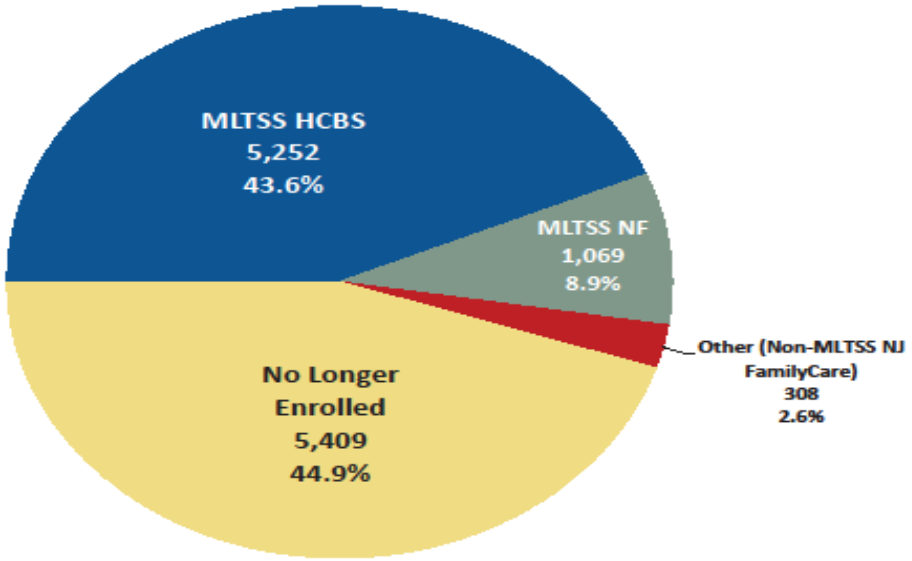
Long Term Care Recipients Summary – January 2018

Total Long Term Care Recipients*	**54,573**
Managed Long Term Support & Services (MLTSS)	**41,860**
MLTSS HCBS	22,367
MLTSS Assisted Living	3,094
MLTSS NF	16,112
MLTSS SCNF (Upper & Lower)	287
Fee For Service (FFS/Managed Care Exemption)	**11,744**
FFS Nursing Facility (NF)	8,540
FFS Skilled Nursing Facility (SCNF)	255
FFS NF – Other**	2,949
PACE	**969**

Source: NJ DMAHS Shared Data Warehouse Regular MMX Eligibility Summary Universe, accessed 2/6/2018.
Notes: Information shown includes any person who was considered LTC at any point in a given month and includes individuals with Capitation Codes 79399, 89399, 78199, 88199, 78399, 88399, 78499 & 88499, Special Program Codes 03, 05, 06, 17, 32, 60-67, Category of Service Code 07, or MC Plan Codes 220-223 (PACE).
* 'FFS NF – Other is derived based on the prior month's population with a completion factor (CF) included to estimate the impact of nursing facility claims not yet received. Historically, 63.56% of long term care nursing facility fee-for-service claims are received one month after the end of a given service month.
** Includes Medically Needy (PSC 170,180,270,280,340-370,570&580) recipients residing in nursing facilities and individuals in all other program status codes residing in nursing facilities that are not within special program codes 60-67 or capitation codes 79399, 89399, 78199, 88199, 78399, 88399, 78499 & 88499.

A Look at the June 30, 2014 Waiver Population Today

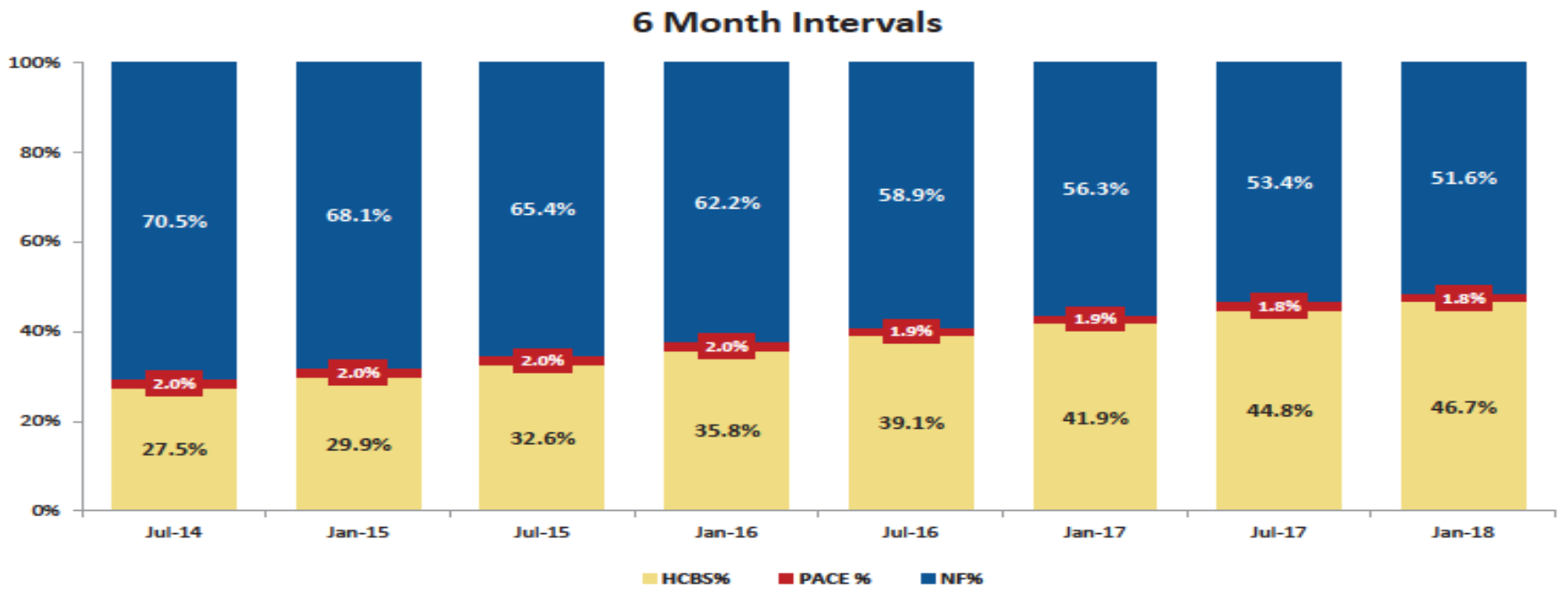
All Waivers
(6/30/14 = 12,040)



Source: DMAHS Shared Data Warehouse Monthly Eligibility Universe, accessed 2/6/2018.

Notes: Includes all recipients who were in a waiver SPC (03, 05, 06, 17 or 32) on 6/30/14. Where they are now is based on capitation code or PSC. Those without a current capitation code or PSC are determined to be "No Longer Enrolled". Of the total number no longer enrolled, 93.8% (3,102) have a date of death in the system (current through 7-11-16).

MLTSS Rebalancing



Source: Monthly Eligibility Universe (MMX) in Shared Data Warehouse (SDW), accessed on 2/6/2018.

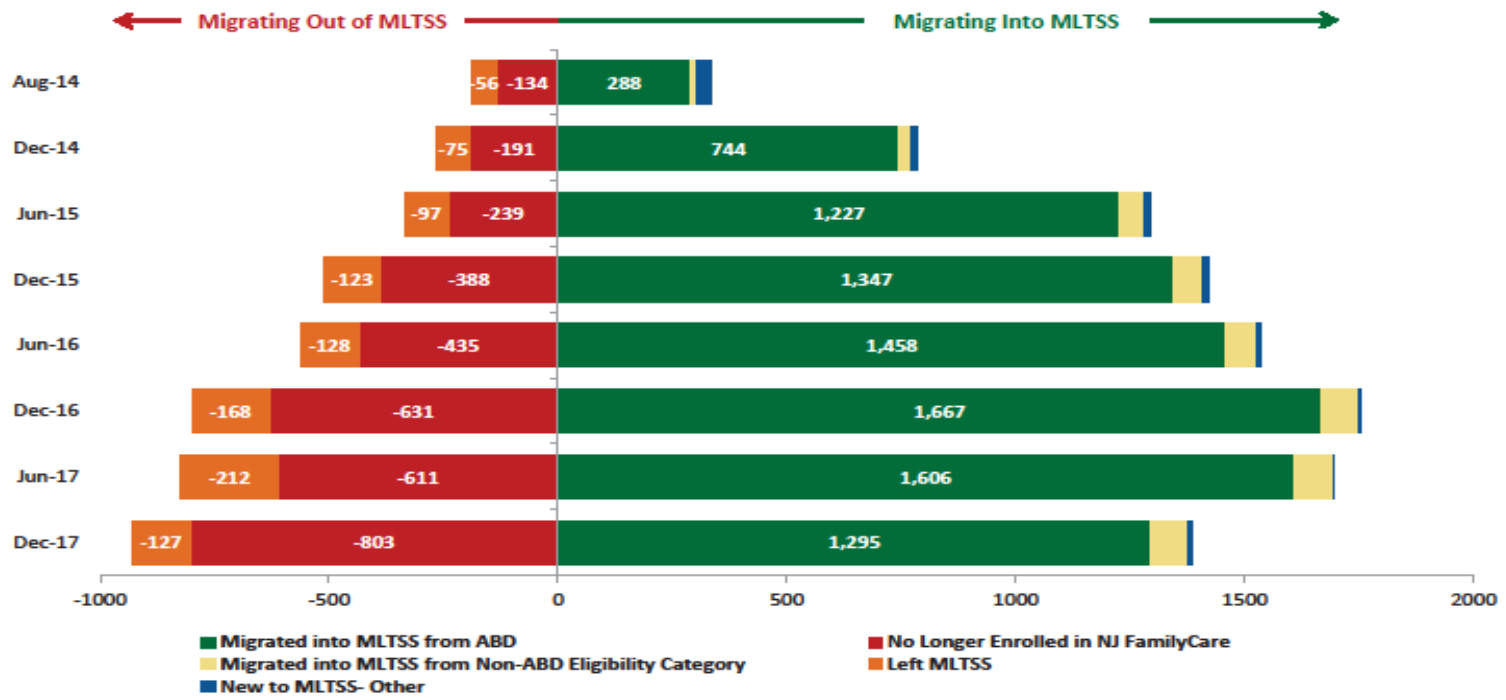
Notes: All recipients with PACE plan codes (220-229) are categorized as PACE regardless of SPC, Capitation Code, or COS.
Home & Community Based Services (HCBS) Population is defined as recipients with a special program code (SPC) of 60 (HCBS) or 62 (HCBS – Assisted Living) OR Capitation Code 79399,89399 (MLTSS HCBS) with no fee-for-service nursing facility claims in the measured month.
Nursing Facility (NF) Population is defined as recipients with a SPC 61,63,64,65,66,67 OR CAP Code 78199,88199,78399,88399,78499,88499 OR a SPC 60,62 with a COS code 07 OR a Cap Code 79399,89399 with a COS code 07 OR a COS 07 without a SPC 60-67 (Medically Needy &/or Rehab). COS 07 count w/out a SPC 6x or one of the specified cap codes uses count for the prior month and applies a completion factor (CF) due to claims lag (majority are medically needy recipients).

MLTSS Population's LTC Services Utilization, SFY17

Long Term Care Service Type	Utilization Dollars
NF/SCNF Services	$1,710,764,634
PCA/Home-Based Support Care	$222,260,602
Assisted Living	$63,650,092
Medical Day Services	$53,696,264
Private Duty Nursing	$32,490,894
Community Residential Services	$13,228,420
TBI Habilitative Therapies	$9,936,089
Home-Delivered Meals	$8,285,563
Structured Day Program	$3,895,072
PERS Set-up & Monitoring	$2,586,195
Respite	$2,089,713
Residential Modifications	$1,108,144
Other	$626,108
Social Adult Day Care	$521,124
Supported Day Services	$10,292
Grand Total	**$2,125,149,206**

Source: NJ DMAHS Share Data Warehouse MLTSS Services Dictionary, accessed on 1/22/2018.
Notes: Claims represent encounters paid through the date that the SDW was accessed. Subcapitations are not included in this data. Data not shown for services whose claims represent 5% or less of total claims.
LTC Services not shown include: Adult Family Care, Assisted Living Program, Caregiver Training, Chore Services, Cognitive Therapy (Group/Indiv.), Community Transition Services, Home-Delivered Meals, Medication Dispensing Device (Monitoring), Medication Dispensing Device (Setup), Occupational Therapy (Group/Indiv.), PERS Monitoring, PERS Setup, Physical Therapy (Group/Indiv.), Residential Modifications, Respite (Daily/Hourly), Social Adult Day Care, Speech/Language/Hearing Therapy (Group/Indiv.), Structured Day Program, Supported Day Services, TBI Behavioral Management, and Vehicle Modifications.

Overall MLTSS Migration (All Settings)



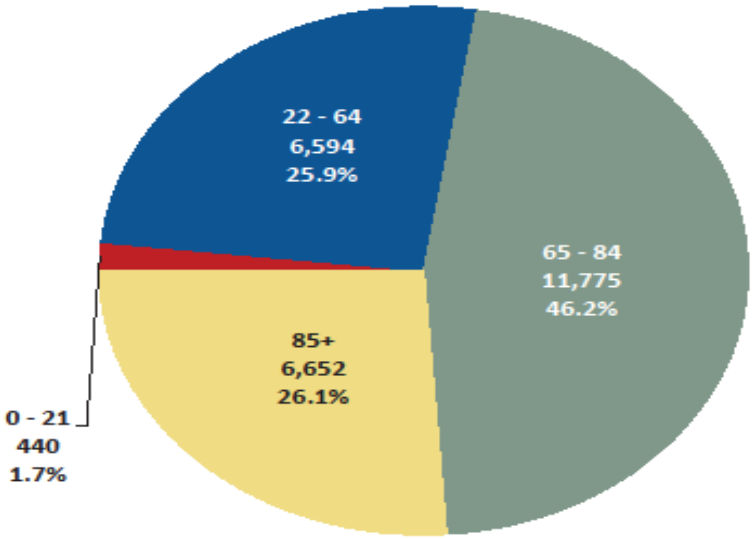
Source: NJ DMAHS Shared Data Warehouse MLTSS Summary Table, accessed 2/8/2018.

Notes: Base numbers include any person who was considered MLTSS at any point in a given month, based on cap codes 79399, 89399, 78199, 88199, 78399, 88399, 78499 and 88499. ABD defined as PSC 1xx, 2xx, or 3xx or cap codes 77399, 79599, 87399 or 89599. 'New to MLTSS – Other' consists of 'New to NJ FamilyCare' and 'Migrated into MLTSS from FFS NF'

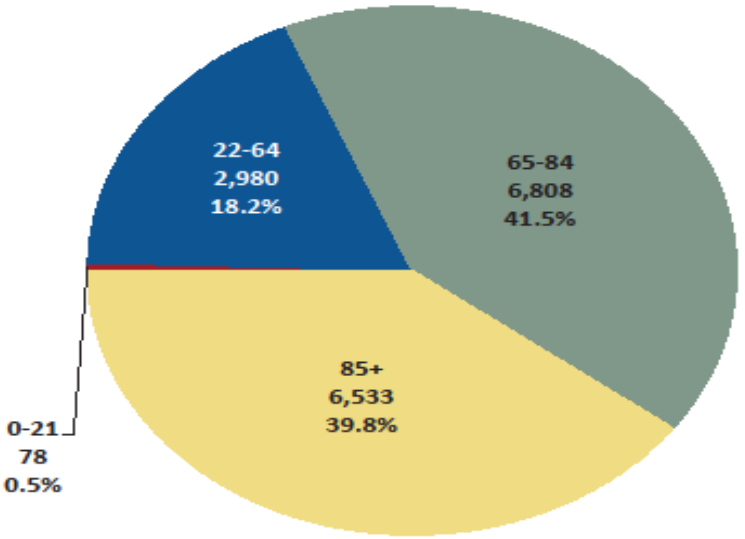
MLTSS Population, by Age Group

January 2018

MLTSS HCBS/AL



MLTSS NF/SCNF



Source: DMAHS Shared Data Warehouse Monthly Eligibility Universe, accessed 2/6/2018.

Notes: Includes all recipients in Capitation Codes 79399, 89399, 78199, 88199, 78399, 88399, 78499, 88499 at any point in the given month and categorizes them by age.

HCANJ SFY 2019 Budget Request

- HCANJ sought to be in the Governor's budget recommendation for up to $25 million state funding increase for nursing facilities.
- They are ensuring legislative support and talking to us about supporting our ask, even if outside the recommendation. Now, that means a Governor's letter, call or wink to say, I'll sign it if you send it.
- Our ask is essentially to get at least one year of the Medical CPI plus a couple of bucks to lessen the shortfall. $3-5 PPD is real progress.
- HCANJ always asks for equal or a correlative increase for AL waiver beds. $75 per day is too low.

HCANJ Budget & Policy Request

- MLTSS Rate Study & Statewide Minimum Rate Legislation.
- The final SFY2019 2018 State Budget may include language that mandates a comprehensive rate study and the by product of that study set forth a statewide minimum rate that each nursing and assisted facility will receive from MCO's.
- This ask is being made of the budget chair and introduced as a stand alone policy bill.
- Advanced Payments for delayed Medicaid pending cases (+90 days) is also set up for the same method.

HCANJ Advocacy & Policy (con't)

- New Commissioners & Deputies at DHS & DOH Vital.
- Best start & events with them & advocacy continues.
- Reset and Resubmit Medicaid Pending Reform Solutions.
- Joint Advocacy & Regular Meetingsfor a more reasonable & responsive DOH.

2017 HCANJ Successes

- *Operational Budget Surplus* - Best in many years but numbers are still tight for 2018.
- *Membership* - Retention & Recruitment is critical to provider unity & advocacy.
- *Political Action & Fundraising* - Unmatched.
- *Member Value* - From Events like our annual convention to seminars (ROPs, etc.), a revised newsletter (The Healthcare Beacon), Emergency Planning training & LTC TrendTracker, our value to operations is solid.
- *Bottom Line Too* - Then, our $1.75 PPD NF/AL increase plus policy defense also improved member's bottom line.
- *Not Without Unity* - It just would not happen without members, leaders and HCANJ staff.

New Partnership & Value to Members

Affinity

- A spontaneous or natural liking or sympathy for someone or something.
- A similarity of characteristics suggesting a relationship between people or things.
- HCANJ has many Association Affinity or Partnership Programs which save you money and add value to your organization.
- The biggest, latest & most exciting is being unveiled right now.

Proprietary Strategic Cost Containment Concept Program Advantage Offered by…

Weston Benefit Card Services (Exclusive Aggregator)- Vendor Partners

In Conjunction With HCANJ

weston
BENEFIT CARD SERVICES, INC

HEALTHCARE²U
WELLNESS

Rx Review
Self Pay Solutions

ENROLLMYNT

ID Life

phoenix

HISI
HEALTH INSURANCE SOLUTIONS INC.

Client Cost Containment Program Savings Example (3000 Life Group)
ABC COMPANY LLC

Summary

ABC Company LLC (**ABC**) is a mid to large market for Insurance carrier purposes. (**ABC**) needs a Broker Consultant with world-wide resources and state and local servicing. Marsh is in 90 countries, all states with 50,000 plus employees and annual revenues of over $18 billion. (**ABC**) deserves and needs Marsh to provide all of the Level 13 Insurance Consultative Resources and value-added propositions whether(**ABC**) decided to make a mid-term benefit change or wait until renewal. We know all aspects relating to (**ABC's**) employee health care benefits including but not limited to HR support, servicing and communication to employees will improve immediately. Marsh is fully capable of securing a better road to (**ABC's**) continued success as a Strategic Business Partner; Not just an insurance broker with minimal resources and minimal insurance Carrier Markets.

	Total Savings	(ABC)	Weston/Broker
HC2U Direct Primary Care (DPC) Tax savings	$1,874,600	$937,300	$937.300
HISI Rx Interceptor Savings (PAP/340B/Rebates)	$4,200,000	$2,100,000	$2,100,000
Contract Termination Costs Analysis	$350,000	$350,000	
AMWINS Referenced Based Pricing (PHCS Network and open access)	$5,400,000	$5,400,000	
Carrier Consolidation Admin Savings	$316,000	$316,000	
Projected (ABC) Savings		$9,103,300	
Marsh/Broker Consulting Fees		($450,000)	$450,000
Projected (ABC) Annual Savings and Weston/Broker revenue share	$12,140,600	$8,653,300	$3,487,300

Strategic Cost Containment Concepts Program Advantages at a Glance

1. Healthcare 2 U (HC2U) – DPC FICA Tax Savings Program

Improves Employer's cash flow & has a positive impact on bottom line & balance sheet due to IRC 125 and 105 advantages

Reduces the employer's annual FICA spend between **$40,000 and $60,000** for every 100 employees enrolled.

No claim for services against the existing Medical Plans loss ratio. (When employee utilizes the free Telemedicine or (DPC) physician via the "1-800 Concierge")

Increase in employee take home pay, on an average of **$35 - $300/Month tax FREE.**

Access to free Telemedicine / Tele Health advice and Rx access.

Unlimited $10 copay visits to a (DPC) physician office for employees

Access to Wellness Programs

2. Rx Savings Program (Interceptor) A Proprietary RX Software Management System

Pharmacy Benefit Management (PBM) carve-out replacement with Integrated Prescription Drug Intercept Program.

Patient Assistance Program (PAP)

Aggressive manufacturer negotiated rebate structure (match current rebate structure).

Specialty Drugs Alternative Pricing

Works with carrier prescription contracts

Lowers medical plan prescription claims = lower premiums

Saves on average 28.5% of Current Prescription Costs

3. Innovative Health Plans (IHP)

Offers an Proprietary Custom Alternative Group Medical Insurance Program

Offers cash savings of a self-funded plan with security of a fully insured medical plan using Referenced Base Pricing or tradition medical plan (i.e. United Health Care)

Reduces health insurance cost by **30% or more**

Open physician and hospital access

Alternative Self-Funded/Level-Funded Options

Potential Cost Containment Savings Examples

I. Healthcare 2U (HC2U)- Direct Primary Care (DPC) / FICA Tax Savings- Powered by HC2U

Combination of IRS code sections 125 and 105; provides access to Direct Primary Care (DPC) plans and comprehensive Wellness benefits. This combination provides payroll tax savings to Employers, while creating a tax advantage to Employees to purchase additional supplemental products and life insurance while maintaining a tax free Employee payroll value or an increase in take home pay.

Projected Employer Saving Per 100 lives enrolled = $50,000 annually

To Include….
Direct Primary Care Plan- Powered by HC2U

A primary component of the Weston vendor aggregation is a Direct Primary Care (DPC) HealthCare Network of physicians and facilities provided by Healthcare2U. This component is a voluntary enrollment by the employee using pre-tax dollars through a Section 125 Cafeteria Plan at no final cost to Employer and Employee.

(DPC) is not insurance, but is a supplemental national health benefits plan. The (DPC) offering enables employees to develop healthier lifestyles; again with virtually no net out of pocket cost to the Employer or Employee.

The (DPC) includes biometric testing, disease management counseling, telemedicine/telehealth, and other medical oversight systems that operate outside the major medical program. (DPC) also helps to reduce traditional chronic disease claims, improve management of chronic disease and eliminate unnecessary and costly urgent care claims. The cost to the Employee is an affordable $10 co-pay per visit (Claims Avoidance). In addition to the above, the (DPC) can also include a custom enrollment and administration system.

Most importantly, by communicating and implementing the Supplemental (DPC) to the Employees properly, the net result will be a better Medical Benefits Renewal short term and long term for the Employer.

Projected Savings per 100 lives enrolled = $7,500

Potential Cost Containment Savings Examples Cont'd

II. RX Savings Program (Interceptor)- Powered by Rx Resources and HISI Vendor Partners.

Patient Assistance Program (PAP) / 340B / Rx Rebates and Contract Negotiations
A prescription savings opportunity is afforded. (Rx "Claims Avoidance".) This program provides access to Rx savings to employees and employers via an Rx interceptor software Program. It can provide alternative options on a carve out or carve in platform.

This methodology can provide guaranteed hard dollar savings as well as produce cash flow by way of Rx rebates, Rx replacement and improved contract terms and conditions.

Projected Savings Evaluated Case By Case-Projected Based on a 100 lives group = $155,000

III. Telemedicine / Telehealth
Telemedicine services allow individuals 24/7 access to US board certified physicians.
Weston, through its Telemedicine and Telehealth Aggregated Vendor relationships, can offer an Employee $0 co-pay consultation option instead of utilizing costly traditional care via PCP, Urgent Care, and Emergency Room visits.

Projected Savings per 100 lives enrolled = $3,500

IV. Innovative Health Plans (IHP)- Powered by AMWINS and United Health Care (alternative Health Care options).
This program provides Unique health insurance carrier options that provide all the "Claims Avoidance" and cost containment services provided in this collateral. IHP's flag ship product is a no-risk Level Funded platform that provides access to national networks or open access to providers, (A rated vendor partners, i.e. Multi Stop Loss Carriers). Additionally, IHP provides Reference Based Pricing services of which they negotiate facility claims case by case. This usually results in a 30-40% savings off typical Medical Benefit Plan costs with NO balance bill liability.

Projected Savings for a 100 lives enrolled group: 3-7% of Premium; Projected Savings = $50,000

Potential Cost Containment Savings Examples Cont'd

V. Corporate Wellness (Included in the (DPC) / FICA Tax Savings Program) – Powered by HC2U

Most corporate wellness offerings come in a box, pre-packaged and designed with preconceived ideas and theories to fit a vastly diverse population. Weston has aggregated with IDLife to bring a Wellness product offering built with employee input from the beginning. This voluntary "participation-only" program is designed for each employee that wants to participate in an environment that supports all individuals. IDLife's mission is to provide each individual with a customized wellness program to maximize wellness success. Gone are the days of the one-size-fits-all wellness concept.

Projected Savings or ROI based on 100 lives to be determined case-by-case

VI. Minimum Essential Coverage (MEC) Programs- Powered by HC2U

Weston also aggregates Minimum Essential Coverage (MEC) programs. (MEC) allows employers with a lot of employees who are waving coverage to offer health Medical Benefit coverages that are less than the ACA individual mandated tax penalty. (MEC) programs do satisfy the employer ACA mandate of offering coverage, but does not satisfy the affordability provision of ACA. The (MEC) also provides a basis to offer the (DPC) Tax Savings Program to the Employees.

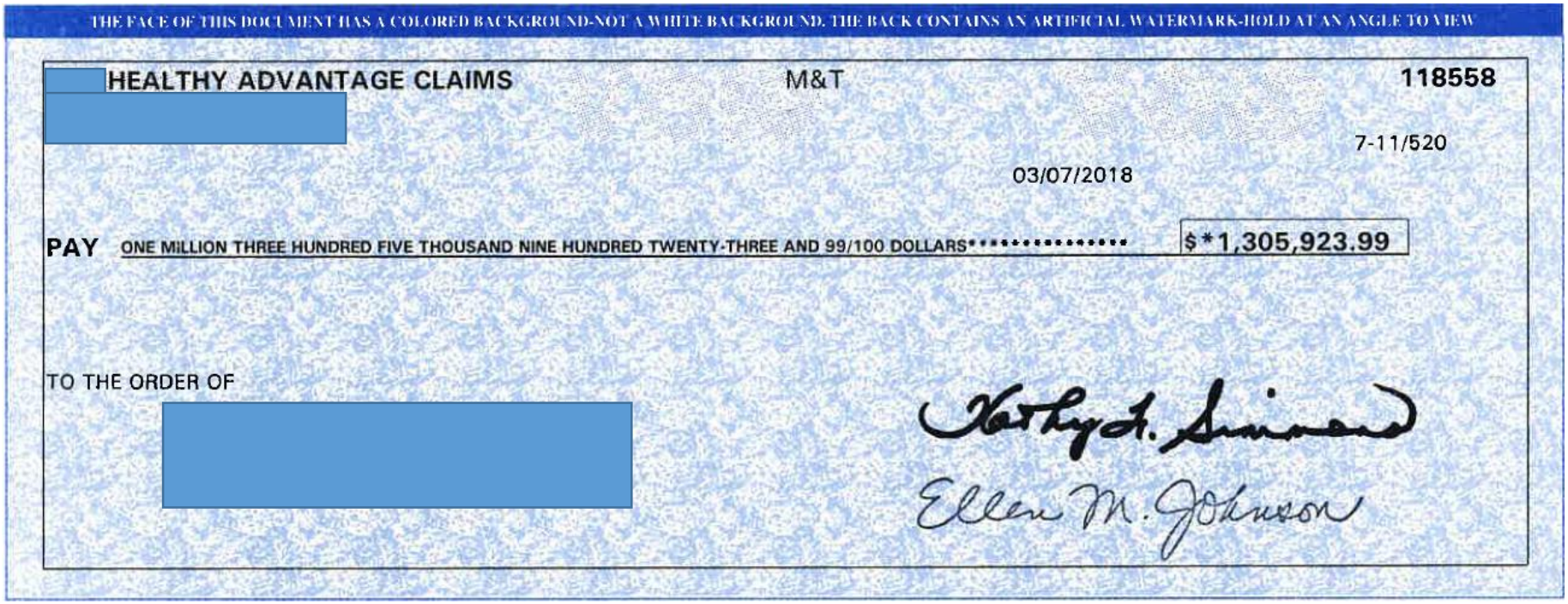
Projected Savings = To Be Determined

VII. Worksite Benefit with Enrollment Services - Powered by Enrollmynt

These services provide communication on the total Cost Containment Program. This is accomplished by one of the following methods: Employee one-on-one meetings, Employee group held meetings and/or Employee opt out or opt in communications with call center capabilities. In addition, Enrollmynt Services offer supplemental insurance and non insurance products that can be purchased with the **tax free monies** generated from the Healthcare2U (DPC) Tax Savings Program. Electronic enrollment options available as well.

No Savings. Programs can be purchased by Employee with excess W2 payroll wages

Example of a 400 Life ABC LLC Cost Containment Program Savings



THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND-NOT A WHITE BACKGROUND. THE BACK CONTAINS AN ARTIFICIAL WATERMARK-HOLD AT AN ANGLE TO VIEW

[redacted] HEALTHY ADVANTAGE CLAIMS

[redacted]

M&T

118558

7-11/520

03/07/2018

PAY ONE MILLION THREE HUNDRED FIVE THOUSAND NINE HUNDRED TWENTY-THREE AND 99/100 DOLLARS**********

$*1,305,923.99

TO THE ORDER OF

[redacted]

Kathy A. Simmons

Ellen M. Johnson

For Additional Information:

Please Contact				
Jon Dolan	President & CEO	Health Care Association of New Jersey	(609) 890-8700	dolan@hcanj.org
Robert Long	Risk Management Consultant	Marsh & McLennan Agency	(732) 941-3125	rlong@mma-ne.com
Mietek Ciszkowski	Program Aggregator	Strategic Cost Containment Concepts	(203) 962-3557	MietekCiszkowski@outlook.com

Light at the End of the Tunnel

Mark Parkinson, President and CEO

March 22, 2018

Top Issues for 2018

- Medicaid Reform
- Medicare
- Regulatory Relief

Medicaid Reform

- Not over yet
- Senate has one more chance to pass something with 50 votes
- Medicaid reform possible but challenging and unlikely
  - Republicans have no room for error with 51-49 makeup of the Senate

What it Would Look Like

- Probably not repeal and replace
- More likely provider assessments
- Very negative impact on sector
  - 35 states have an assessment over 4%
  - 28 states the loss would be more than $100,000 per building per year
- 2018 is likely Republicans' last chance

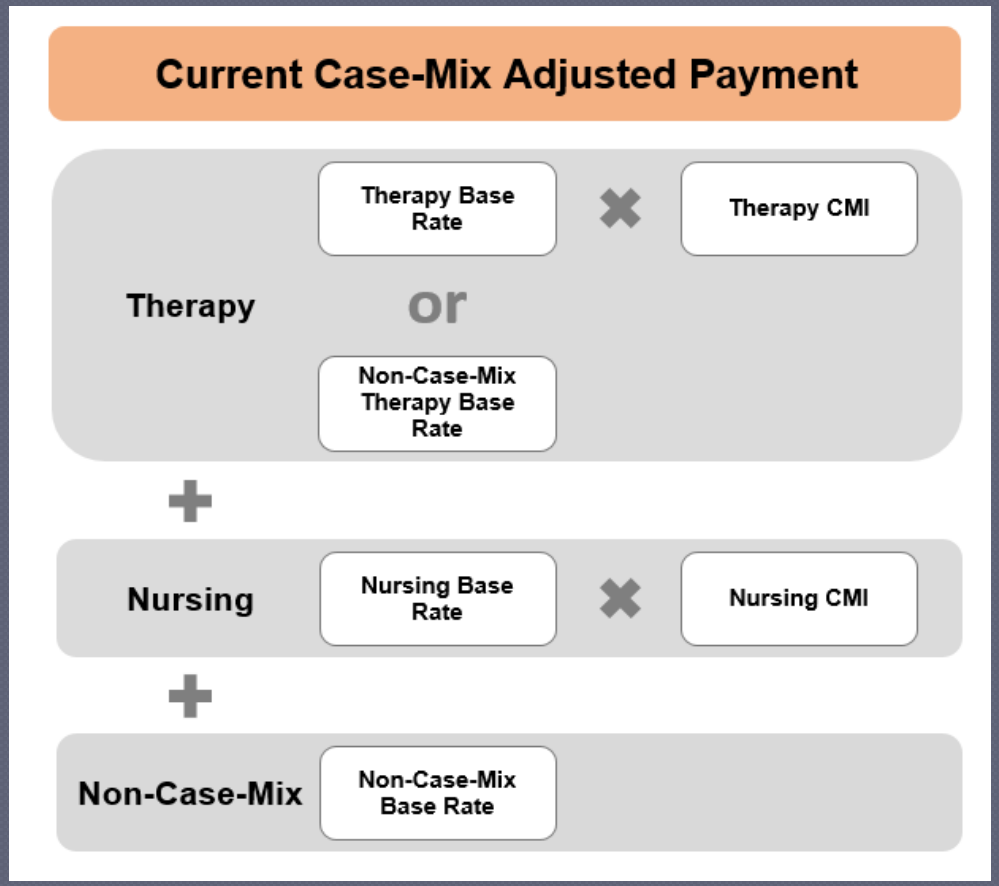
Medicare & Status of RCS

- 2.4% PPS Rate Adjustment. Limited…but solid increase happening and therapy caps are gone forever. Certainty makes an appearance.
- RCS Update. 2018 too soon? As a practical matter 2018 is unlikely & CMS has said as much…no plans. AHCA believe Oct. 1, 2019 or 2020 more likely.
- We continue to lobby CMS to improve it. Recent meetings quite favorable.

What We Know – High Level

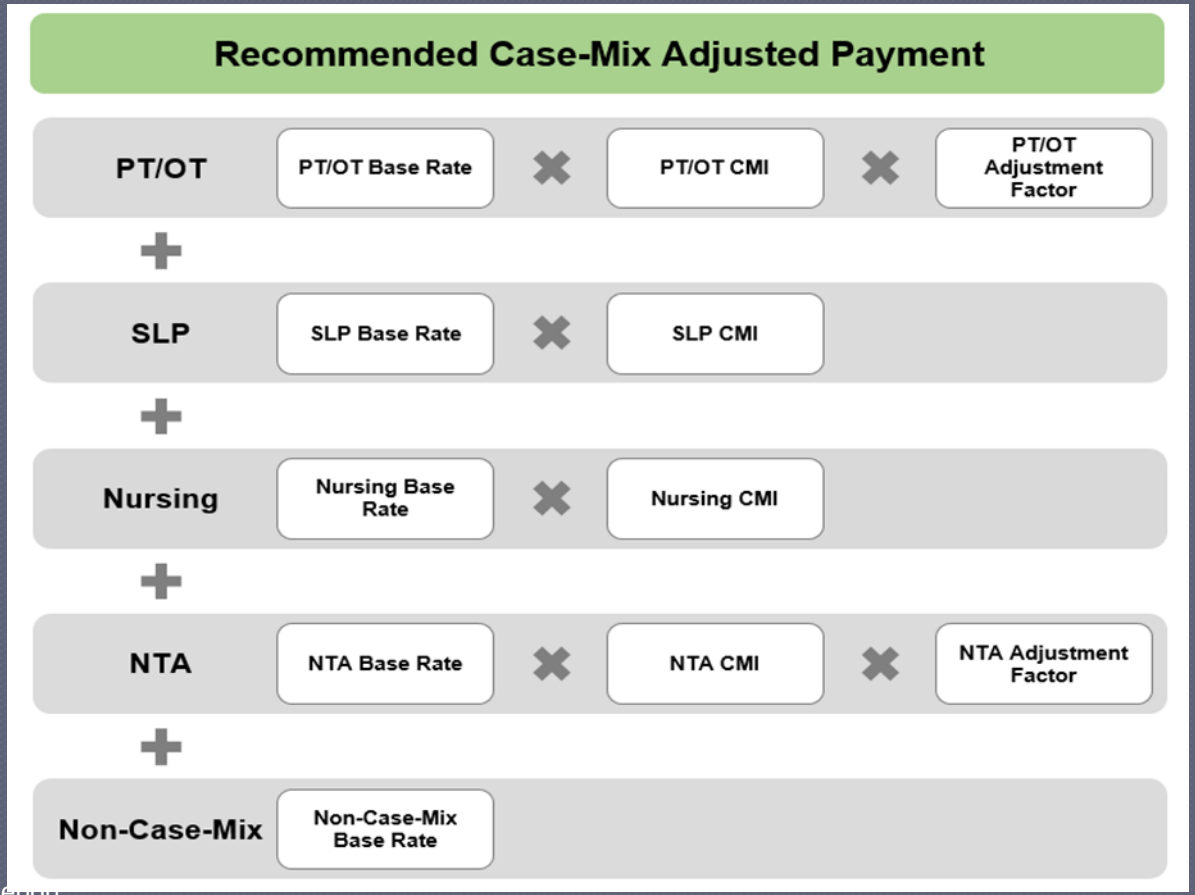
- Shift from therapy to non-therapy
- Shift from therapy minutes to patient characteristics
- Proposed as budget neutral
- Fewer assessments and more freedom in providing group and concurrent therapy

Current SNF Prospective Payment System



Source: Acumen Technical Report

Proposed RCS – Payment Based on Characteristics of Patient



Source: Acumen Technical Report

Development of RCS Policy Over Last Four Years

- We have been active in Technical Expert Panel (TEPs)
- The policy has improved
- Some companies have modeled as favorable

Our Approach

- Make it better or defeat if not improved

What You Can Do

- Do a deep dive on the new RCS system
- Mark Your Calendar March 29: *CMS' Resident Classification System Version 1 – An Overview and Preliminary Action Steps*
  - https://educate.ahcancal.org/p/180329
- Assess the building by building simulated revenue_CMS produced at our request
  - http://go.cms.gov/2E6N1oy
- Take a look at our side-by-side comparison of payment systems
  - www.ahcancal.org/comparepayment

Regulatory Relief Becoming a Reality

"We have to knock out two regulations for every new regulation. So if there's a new regulation, they have to knock out two."

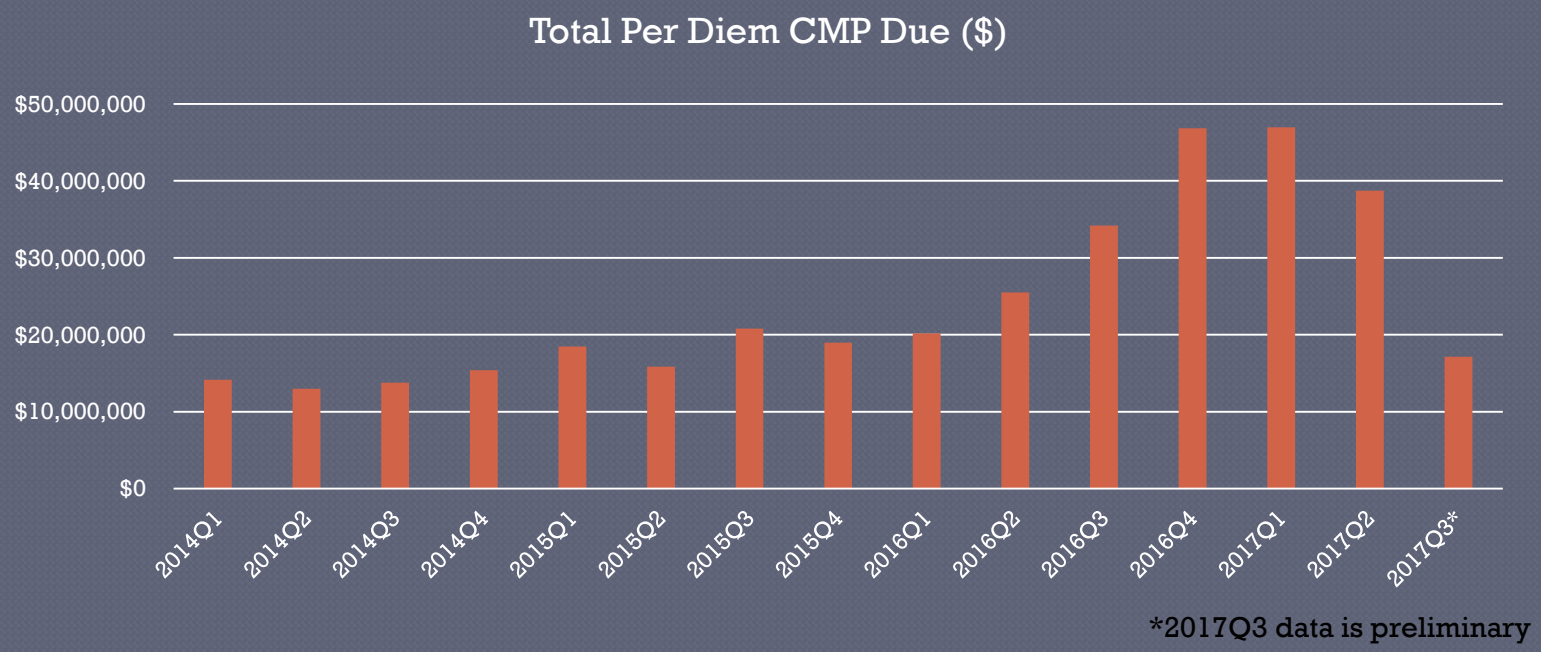
-President Trump, January 2017

Where This Has Helped

- Arbitration
- Department of Labor dropped Obama-era overtime rule
- Mandatory bundles

Significant Help on Survey/CMPs

- Massive increase in CMPs in 2016
- New guidance released in July 2017



*2017Q3 data is preliminary

Initial Help on RoPs

- New survey in place
- Delayed enforcement on
  - F-655 - Baseline Care Plan
  - F-740 - Behavioral Health Services
  - F-741 - Sufficient/Competent Direct Care/Access Staff-Behavioral Health
  - F-758 - Psychotropic Medications related to PRN Limitations
  - F-838 - Facility Assessment
  - F-881 - Antibiotic Stewardship Program
  - F-865 - QAPI Program and Plan related to the development of the QAPI Plan
  - F-926 - Smoking Policies
- Will continue to review

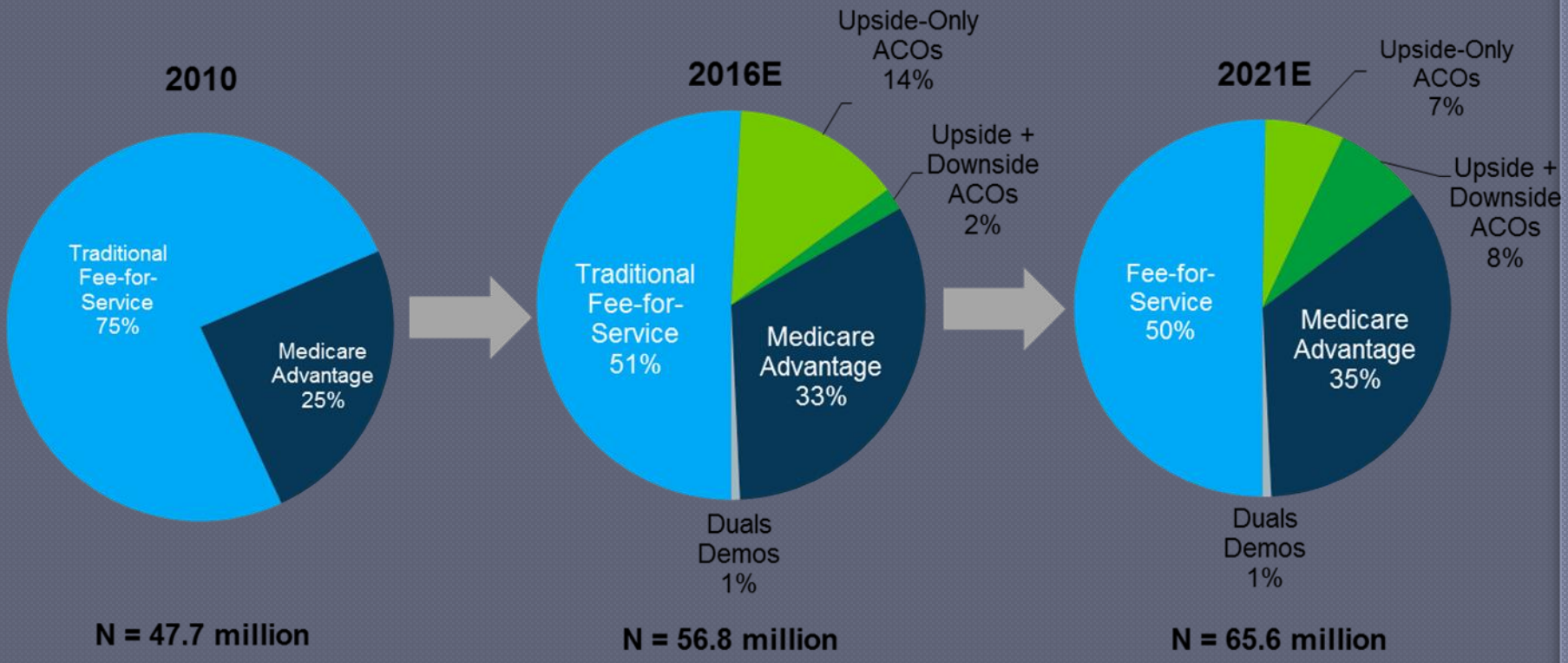
New CMS Proposed Rule on Requirements

"This proposed rule would reform the requirements that long-term care facilities must meet to participate in the Medicare and Medicaid programs, that CMS has identified as unnecessary, obsolete, or excessively burdensome on facilities. This rule would increase the ability of healthcare professionals to devote resources to improving resident care by eliminating or reducing requirements that impede quality care or that divert resources away from providing high quality care."

Source: Federal Register, RIN: 0938-AT36

Going Forward in 2018

Changing Payment Models

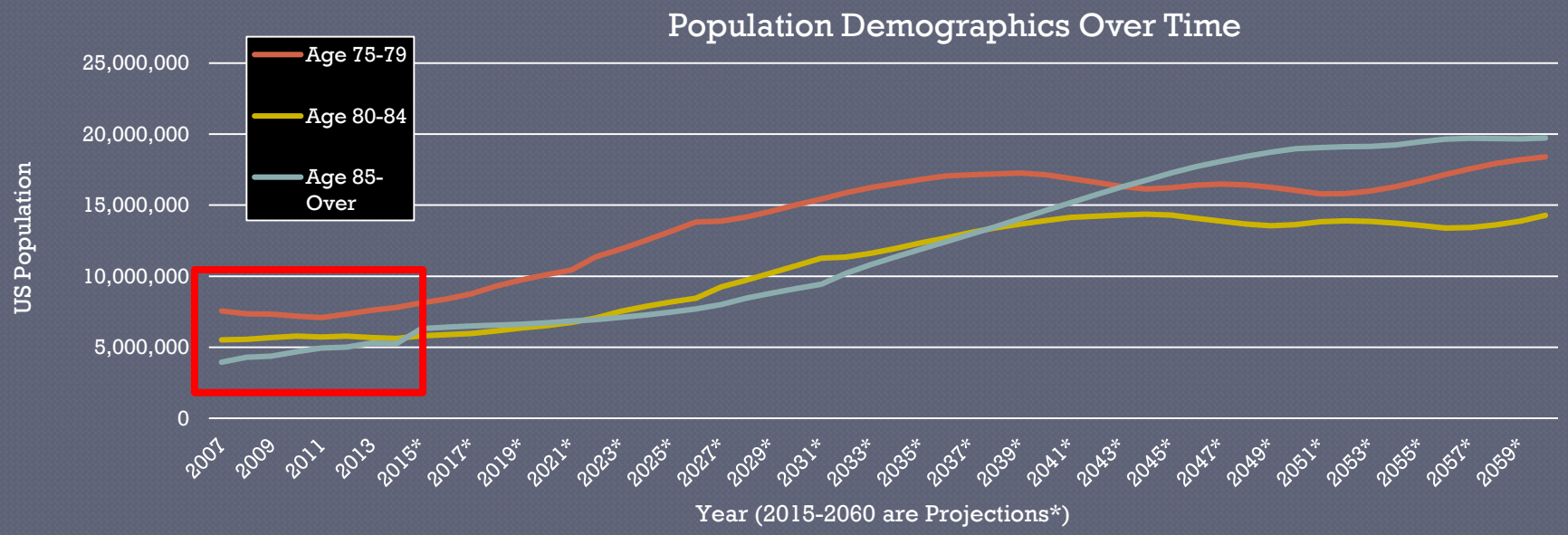


Sources: CMS Office of the Actuary for spending and enrollment.
Avalere analysis for alternative payment model projections.

Length of Stay is Declining

- Traditional fee-for-service: 27 days
- ACOs: 20 days
- Medicare Advantage: 14 days

Population Growth Isn't Keeping Up

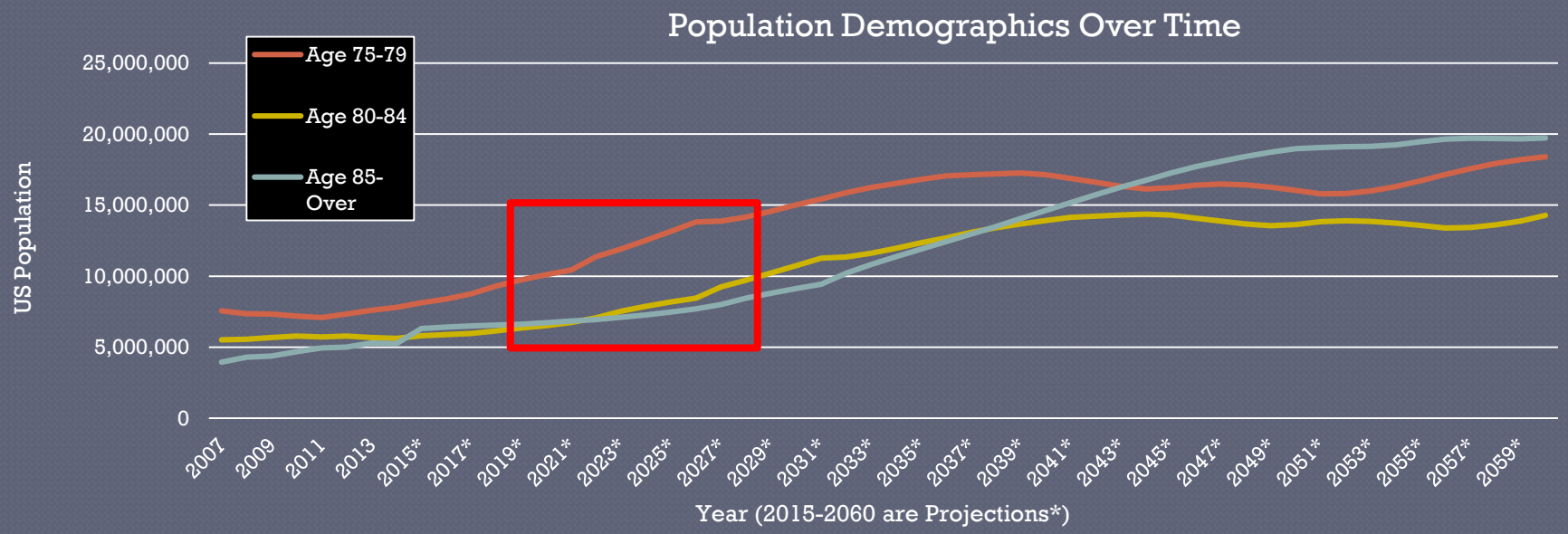


Source: U.S. Census Bureau

As a Result, Occupancy is Down

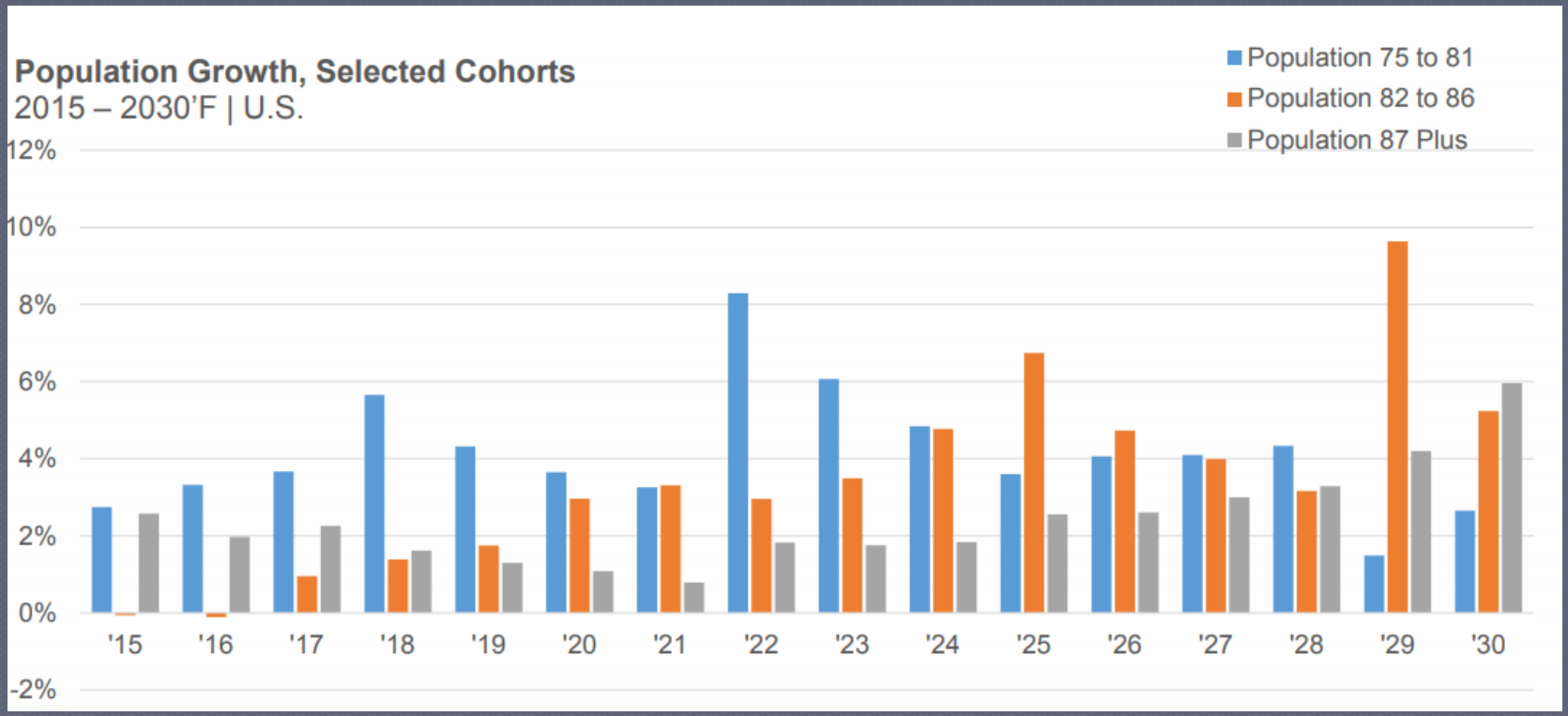
Source: NIC, “Skilled Nursing Data Report” October 2012 – September 2017

Demographics Will Start to Help



Source: U.S. Census Bureau

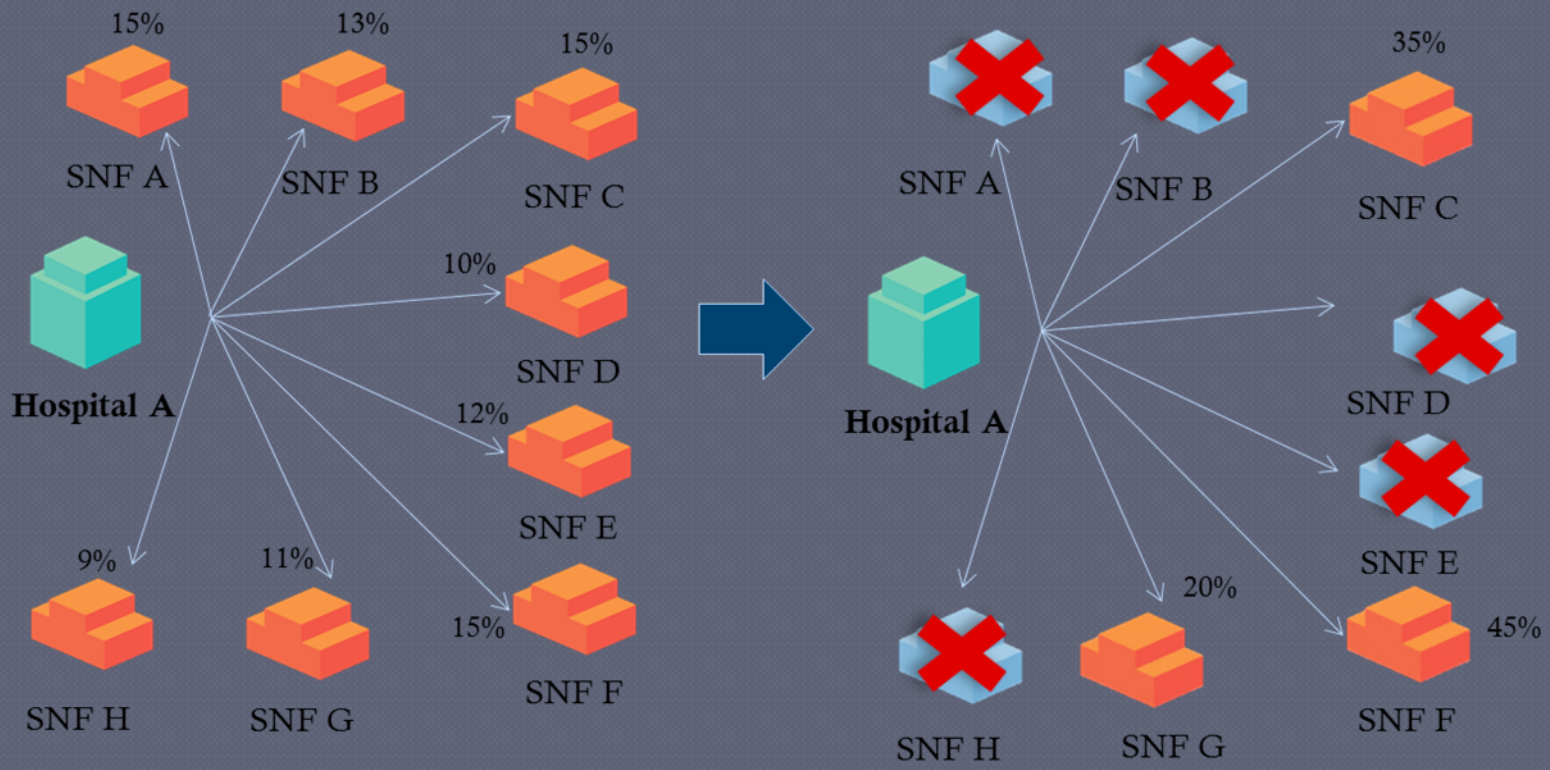
Demographics Are Improving



Source: U.S. Census Bureau

What You Should Do

- Seek inclusion in every network



Money & Quality Care Never Sleeps

Questions?

Suggestions?

What can we do for you?