How Medicare Claims Data is Changing the Equation on Senior Housing Market Expansion
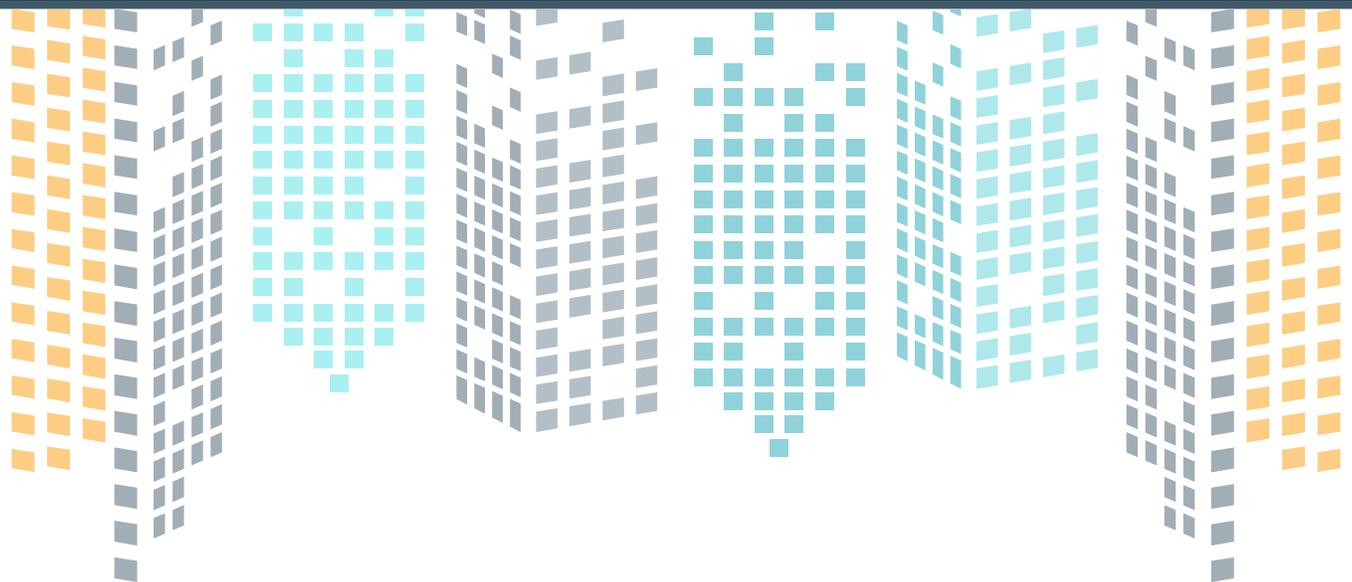
How Medicare Claims Data is Changing the Equation on Senior Housing Market Expansion

Having an accurate read of demand in a market is crucial for any business. But for senior living companies, doing so can be more complicated.

Operators, investors and developers often simply track age and income eligibility with public census data, and then compare that to the number of senior living communities in a given market area to measure potential demand. But that leaves out a crucial piece of the equation: need.

Given the wide variation in the needs along the care continuum, matching need with service is of critical importance. Age and income eligible seniors in search of Independent Living will not move into Assisted Living or Memory Care, and vice versa. In other words, even experienced operators will have trouble during lease-up if their community's unit mix is mismatched with the local market need.

Considering need in market analysis can be the difference between success and a misdirected strategy around new development and growth.

This white paper will cover how senior living investors, developers and operators can tap into the public Medicare claims database to gain insight into the need dynamics of the senior housing industry; and in doing so, identify new opportunities and improve their investment decision-making skills, particularly during times of uncertainty.

'Data is everything'

As the senior living industry has grown, it has also become more complex. Historically, developers, investors and providers analyzed census data and their competitors early on in a project timeline to determine the state of demand in a market. Usually, estimates of need were drawn from national averages and applied to the number of seniors in a given market area. This approach often leads to major miscalculations. *(See chart)*

BUILDING			NUMBER OF SENIORS 75+ WITH DEMENTIA/ALZ				
Facility	City	State	Medicare Claims Actual	Mkt Study Vendor #1 Estimate	Mkt Study Vendor #2 Estimate	Mkt Study Vendor #3 Estimate	Average Miscalculation of Need/Demand
AL/MC #1	Kew Gardens	NY	39,032	27,758	15,309	29,335	59.23%
AL/MC #2	Kew Alhambra	CA	23,000	15,004	8,468	16,454	69.64%
AL/MC #3	Hialeah	FL	21,367	8,354	4,601	9,213	175.25%
AL/MC #4	McAllen	TX	13,597	7,215	3,936	7,755	109.76%
AL/MC #5	Sun City West	AZ	7,890	12,411	6,880	14,043	51.62%

Most analyses incorrectly assume that need is distributed evenly across the country. But that is just one piece of the overall puzzle, says Arick Morton, co-founder and CEO of senior housing market analytics technology platform VisionLTC.

"This is really a window into the health care needs of all Americans over the age of 65," Morton says.

VisionLTC provides a data and analytics platform to help senior living owners and operators assess where best to expand, either through acquisitions or new developments.

Although the Medicare claims database is publicly available and has been for some time, navigating it can be a difficult process. But some companies offer ease of access, and an even deeper dive than what the Medicare claims data can provide on its own.

For example, VisionLTC has a tool that allows users to see the number of Medicare beneficiaries diagnosed with dementia in any given market, and who currently takes care of those individuals. That data has proven valuable to Josh Stevens, CEO and founder of St. Louis-based senior housing investment firm Harbor Point Capital.

"Data is everything," Stevens says. "What we have found is that pairing census data with Medicare data gives you a very good picture of what the health care and aging ecosystem within a market or sub-market looks like."

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> **Josh Stevens**, CEO and founder of St. Louis-based senior housing investment firm Harbor Point Capital.

By leveraging Medicare claims data, companies like Harbor Point can gain insight into a much more granular data set — not only regarding demand, but also where the big players, high-performers and low-performers lie within the continuum of care, what the health care service buying patterns are in that market, and which potential referral sources to align with, Stevens adds.

And this data will become even more important in the future as the senior living industry more closely aligns with various payment sources, such as Medicare Advantage.

"Anybody involved in the industry should get comfortable with Medicare data now," Stevens says. "As the payer dynamic changes in senior living, this data is going to become even more and more valuable, because it's going to tell you how to even more specifically fill niches that are underserved inside a particular sub-market."

Making informed decisions

Using Medicare claims data can also give providers more information about senior living residents themselves, and therefore the need that exists in a market.

For example, VisionLTC has generated a health care utilization profile of the average assisted living and memory resident in each metropolitan statistical area (MSA) in the U.S. nationwide. Investors and operators can use these profiles when assessing opportunities in a given MSA to understand older adults' age, acuity, income and health care utilization dynamics.

In Texas
residents tend to move into a senior living community shortly after they have a crisis.

In Pennsylvania
families tend to take care of their loved ones for longer before moving them into assisted living.

This is important because local demand is often less uniform than the average, with pockets of need distributed unevenly throughout any given area. In Texas, for instance, there are places where prospective residents tend to move into a senior living community shortly after they have a crisis. Contrast that with somewhere like Pennsylvania, where families tend to take care of their loved ones for longer before moving them into assisted living.

"What this helps you do is hone the need side, identify additional questions and see where you should be pushing and doing extra exploration to nail down your thesis," Morton says.

Having that level of detail can help investors and developers thread the needle between opening a community that leases up in the expected time frame and opening one that does not.

"Imagine if I assume the need rate is 15% and it's actually 10%," Morton said. "We could be talking about entire buildings that people think are needed that are not needed."

Getting the state of play

Senior living companies aren't just using Medicare claims data to track their prospective customers, they're also using it to gain insight into their competitors. Along with location, real estate quality and rates, competition is another key market force that can help determine the future success of a senior living community.
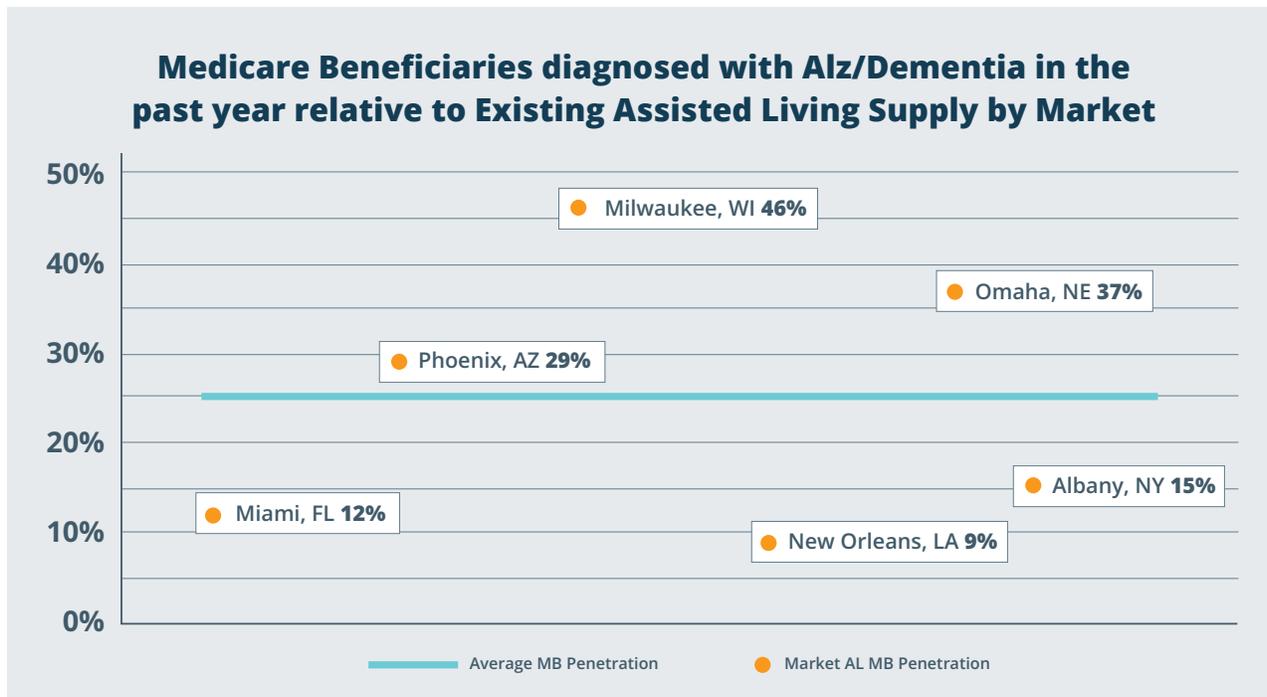
The obvious advantage is learning how many residents of a particular demographic live in any given market. But there is another advantage to utilizing Medicare claims data: knowing the state of play in any given market.

An operator might consider three new low-acuity buildings as its most competitive properties in a market, but without the right data, fail to realize that other, older buildings already have that market segment locked down in other ways.

"This can help you avoid markets that, if you didn't have this data, you might not think are overbuilt," Morton says. "Or, it can help you find the market that probably has some kind of hidden demand."

Put another way: Imagine a line representing the average rate of dementia in the top 100 markets in the U.S. Markets with incidences below the line are likely prone to overdevelopment, Morton says, while those with an incidence rate above the line are markets that competitors are more likely to overlook.

Medicare claims data is also useful when assessing the competition in a deeper way than simply acting as a secret shopper or booking a tour. By assessing the claims data in a market, senior living companies can gain more visibility into the makeup of the local resident population, and thus better cater to them with programs or services.

Medicare Beneficiaries diagnosed with Alz/Dementia in the past year relative to Existing Assisted Living Supply by Market

- Milwaukee, WI **46%**
- Omaha, NE **37%**
- Phoenix, AZ **29%**
- Albany, NY **15%**
- Miami, FL **12%**
- New Orleans, LA **9%**

Average MB Penetration   Market AL MB Penetration

"The traditional playbook for combating the loss of competitiveness generated by aging real estate, is either pouring a bunch of money into the real estate and trying to refresh it ... or focusing on differentiating yourself with the quality of your programming," Morton says. "When you think about what programming you have, and what programming you want to implement, that can help you understand perhaps where there are gaps in the market."

The Medicare data can also show a community's quality measures, such as its readmission rate or how much they spend per hierarchical condition category (HCC) point.

Competitive quality

Medicare data can provide insight into competitor quality by using a combination of key metrics such as:

- **Readmissions Rate**
- **Medicare Spend / HCC Point**
- **Survey Results**
- **Online Review Scores**

"You can package all of that together and then build a profile to understand the quality of the competitor that you're dealing with," Morton said. "And if you're thinking you're going to come in, and take market share ... because they have old buildings, but they're running very high-quality operations, you'll probably be less successful doing that."

New market analytics approach

Using Medicare claims data, senior housing players can tailor the right kind of community for the right location while improving investment returns and service quality.

To learn more about this approach, **contact VisionLTC**.

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Visit us online to learn more about VisionLTC

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✉

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