



# Entrepreneurial Opportunities

Long Term Healthcare Industry



# Agenda

- Introductions
- Objectives
- Presentation
- Q&A
- Wrap Up

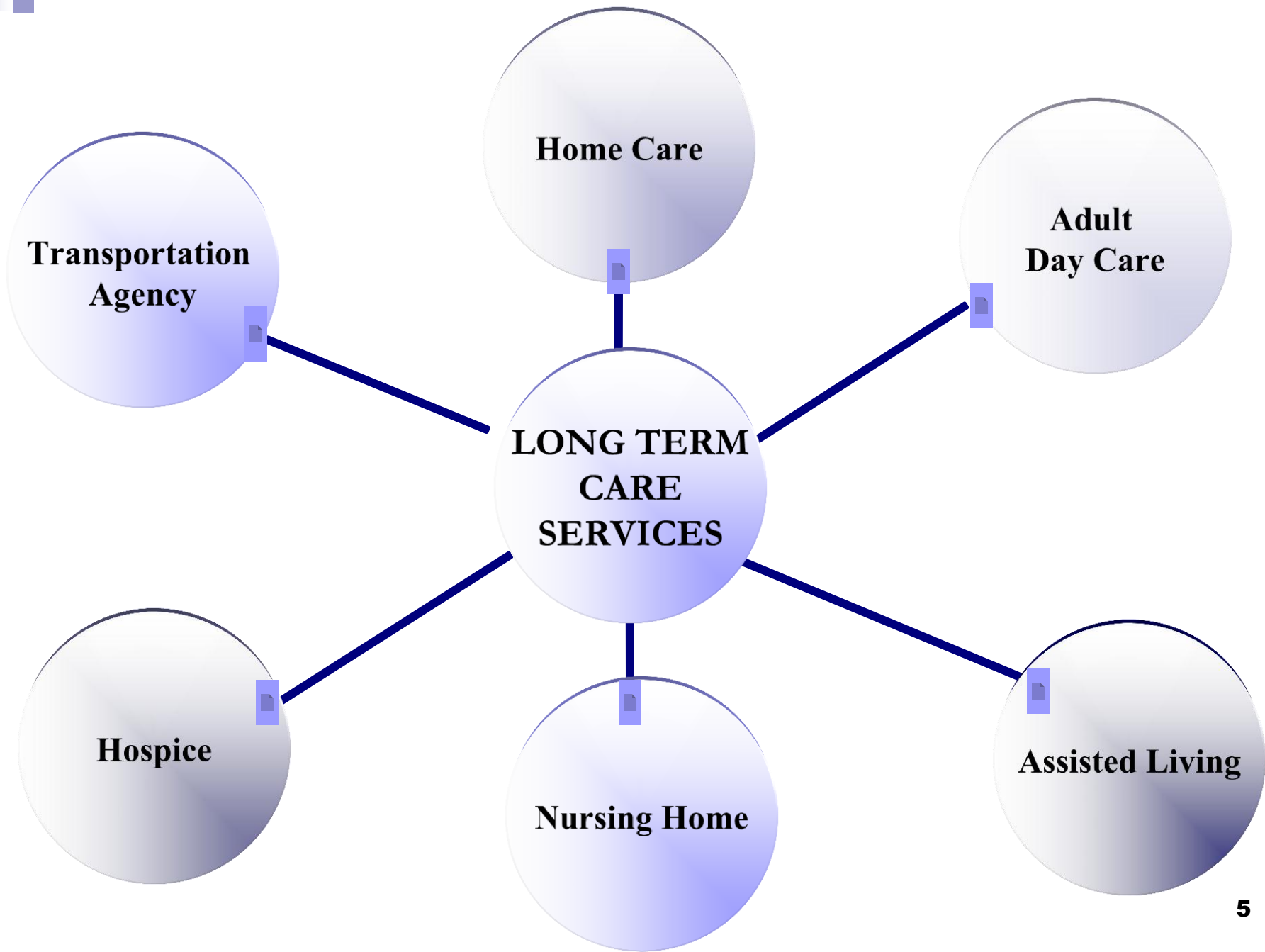


# OBJECTIVES

- Participants will be provided information regarding:
  - Services provided in the long term care industry
  - Basic market information
  - Government Role in the Long Term Care Industry
  - Elements of Business Start up
  - Benefits & Risks
  - Available Resources



# **SCOPE OF BUSINESS ACTIVITIES**





# Home Care

- Form of health care service provided in the patient's home or assisted living facility



# Adult Day Care

- Includes programs, services, and facilities designed to assist physically or mentally impaired adults remain with family or in their own home

# Assisted Living

- Alternative to traditional institutional living (i.e. nursing home), such as Adult Foster Care and Homes for the Aged where individuals live independently, receiving support services such as:
  - 24-hour supervision,
  - housekeeping and meal preparation,
  - assistance with activities of daily living
  - transportation services



# Nursing Homes

- A residential facility that provides long term care for the elderly and chronically ill adults, who are unable to care for themselves

# Hospice Care

- Supporting care for terminally ill patients.  
Hospice programs provide palliative (care that relieves discomfort but does not improve the patient's condition or cure the disease) patient-centered care and other services

# Transportation

- Long term care patients often require transportation for medical appointments (i.e. doctor visits, tests, treatments)
- Transportation charges are affordable and generally paid by the requestor
- Medicare does pay for transportation for medical services, for eligible patients



# **MARKET ANALYSIS**

# Market Size

Service	# of Facilities in Michigan	# of Beneficiaries	Estimated Annual Cost
Home Healthcare	493	112,000	\$22,620/patient
Adult Daycare	140	5,000	\$20,000/participant
Assisted Living AFC Homes for the Aged	5,192	14,500	\$14,148/resident
Nursing Homes	430	52,000	\$43,500/resident
Hospice	133	27,000 patients per year * <i>* This is only 20% of eligible patients</i>	\$25,480/patient



# Market Growth Factors

- Extended life due to medical advances
- Baby boomers
- Growth in non-elderly recipients of LT Care
  - Adults with Mental Illness
  - Adults with Chronic Illness



# Market Trends

- Stable industry
- Government payment of LT Care services
- Highly regulated industry
- Quality of care standards increasing
- Excess occupancy in local nursing facilities



# Key Success Factors

- Right-size your business
- Quality service
- Properly trained staff
- Strategic partnerships and alliances
- Understand government policy and regulations



# **GOVERNMENT ROLE IN LONG TERM CARE**

# Medicare vs. Medicaid Coverage

Medicare	Medicaid
Insurance Program	Government Assistance Program
Eligibility based on age (<65) disabled or dialysis patients	Eligibility based on “need of care” and financial need
Patient deductibles	Infrequent small co-payment (generally patients pay nothing)
Specific requirements must be met to receive long-term care. And long term care services are generally limited to 100 days	If you meet eligibility requirements and are in need of Long Term Care services, based on Medicaid standards, Medicaid will cover services for an unlimited coverage period, as long as “need of care” exists
No reimbursement for: <ol style="list-style-type: none"> <li>1) Assisted Living</li> <li>2) Residential Care Facilities</li> <li>3) Adult Foster Care</li> </ol>	Reimbursement (for qualified circumstances) for <ol style="list-style-type: none"> <li>1) Home Care</li> <li>2) Adult Day Care</li> <li>3) Assisted Living</li> <li>4) Nursing Home</li> <li>5) Hospice</li> <li>6) Transportation (for qualified medical appointments only)</li> </ol>



# Medicaid Reimbursement

- Medicaid accounts for nearly 50% of Long Term Care payments in Michigan
- Nursing care facilities receive the largest portion of Medicaid reimbursements
- Nursing care facilities may be reimbursed for costs associated with capital asset ownership



# **BUSINESS START UP**



# For Profit Business

- In business to make a profit
- Must pay income taxes on profit
- Reinvest profit and/or pay yourself a dividend



# For Profit Business

- Capital Resources
  - Personal cash resources
  - Private investors
  - Personal or institutional financing



# Non Profit Business

- Business is exempt from income tax
- No profit for business owner, cash surplus must be used for regular business expenses
- Strict accounting and reporting requirements for grant funds



# Non Profit Business

## ■ Capital Resources

- Personal cash resources
- Private investors
- Personal or institutional financing
- Grant funding and charitable contributions
- Low interest government loans



# **BENEFITS & RISKS**

# Benefits

- Self-employed
  - You are your own boss
  - Tax benefit
- Continuous Market Growth
  - Aging population
  - Non-elderly adults with chronic physical or mental illness

# Benefits

- Multiple revenue sources
  - Private Insurance
  - Medicaid reimbursement (for qualified services)
  - Medicare reimbursement (for qualified services)
  - Grant funding (for non profit businesses)
  - Private Pay

# Risks

- **Operational Risk** is the risk of loss resulting from inadequate or failed internal processes, people or systems, or other external events
  - To reduce operational risk, ensure that you have an adequately trained staff and necessary systems and processes to deliver services

# Risks

- **Financial Risk** is the risk that a company will not have adequate cashflow to meet financial obligations
  - To reduce financial risk, maintain good credit worthiness and manage cashflow and liquidity



# Q&A



# **RESOURCES**

# Resources

Resource Description	Purpose	Location
State of Michigan Webpage	This webpage provides resources for additional information on opening an Adult Day Care Service.	<a href="https://www.michigan.gov/miseniors/0,1607,7-234-47798-179046--F,00.html">https://www.michigan.gov/miseniors/0,1607,7-234-47798-179046--F,00.html</a>
State of Michigan Webpage	This webpage provides information and requirements for opening a Nursing Home Facility	<a href="http://www.michigan.gov/mdch/0,1607,7-132-27417_27655_27662-91668--,00.html">http://www.michigan.gov/mdch/0,1607,7-132-27417_27655_27662-91668--,00.html</a>
Checklist for finding a nursing home	Evaluation of resident expectations	<a href="http://www.hcam.ort/THECONSUMERGUIDE/UseThisChecklist/tabid/1582/Default.aspx">http://www.hcam.ort/THECONSUMERGUIDE/UseThisChecklist/tabid/1582/Default.aspx</a>

# Resources

Resource Description	Purpose	Location
Medicaid Provider Manual	Detailed description of Medicaid eligibility, reimbursement and other requirements for: <ul style="list-style-type: none"><li>* Home Care</li><li>* Nursing Homes</li><li>* Hospice Care</li></ul>	<a href="http://www.michigan.gov/mdch/0,1607,7-132-2945_5100-87572--,00.html">http://www.michigan.gov/mdch/0,1607,7-132-2945_5100-87572--,00.html</a>
Michigan Adult Day Care Services Association	Provides resources for providers and others involved in the industry.	<a href="http://www.mimadsa.org">www.mimadsa.org</a>
Adult Foster Care Family Home Application	To apply for a license to open an Adult Foster Care Home	<a href="http://www.michigan.gov/documents/dhs/BCAL-047_211766_7.pdf">http://www.michigan.gov/documents/dhs/BCAL-047_211766_7.pdf</a>

# Resources

Resource Description	Purpose	Location
AFC and Homes for the Aged Licensing & Requirements Information	This State of Michigan website provides licensing requirements, forms, training, resources, rules & statutes and other information related to AFC Homes	<a href="http://www.michigan.gov/dhs/0,1607,7-124-5455_27716_27717---,00.html">http://www.michigan.gov/dhs/0,1607,7-124-5455_27716_27717---,00.html</a>
Report from State of Michigan Office of Services to the Aging	The report provides an analysis of transportation services for Michigan's elderly population	<a href="http://www.michigan.gov/documents/miseniors/Transportation05_175052_7.pdf">http://www.michigan.gov/documents/miseniors/Transportation05_175052_7.pdf</a>
SBA Website	Programs and services to help you start a business	<a href="http://www.sba.gov">http://www.sba.gov</a>