



EPISODE 5: GLOBAL CONVERSATIONS ON ELDER CARE

INSIGHTS FROM THE BDO CENTER FOR HEALTHCARE EXCELLENCE & INNOVATION

INTRODUCTION & BACKGROUND QUESTIONS

Patrick: Hi, there. I'd like to welcome our listeners to another episode of *BDO's Healthcare Rx* podcast, where we'll focus on elder care conversations happening around the world. My name is Patrick Pilch and I'm a managing director and national leader at The BDO Center for Healthcare Excellence & Innovation. I'm excited today to have three BDO guests with me. First, I'm pleased to have Steven Shill who is also a national leader in The Center joining us from Orange County. Steven serves both public and privately held and not-for-profit companies in the health provider, payer and insurance sectors. Secondly, I'm thrilled to have Dr. David Friend, chief transformation officer and managing director in The Center. David has more than 30 years of global healthcare experience and is currently serving as CEO of Senior Care Centers in Dallas-Fort Worth. Lastly, but certainly not least, I'm joined by Bill Liao. Bill is an assurance partner and leader of BDO's China Desk. Bill works out of our LA office and has about 20 years of public accounting experience in both the U.S. and Chinese markets. It's great to have you, Bill.

The Center recently released its [Candid Conversations on Elder Care](#) study around the same time BDO released an [international analysis](#) of nine European elder care markets. Both studies revealed that the future of elder care puts patients at the center and is focused on maximizing [senior] independence and quality of life.

Today we're going to talk about the drivers behind elder care's shift towards home health and how providers will have to capitalize on data and technology to transform care models to meet these changing needs.

So, let's dive into questions. Let's start off with David to kick off. Can you give us a bit of background about The Center's *Candid Conversations on Elder Care* study? What were the key takeaways?

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David: Sure. Well, there are several key issues ... [including] that [the growing elder population] is a current and growing [challenge] ... around the world because, as you know, demographically most of the industrialized nations are facing a rapidly aging population. So, the needs to care for an increasingly large population are going to become ever more paramount. Secondly, people are living a lot longer. Third, the technology available to older people is more profound ... but it's costing a lot of money, so we have financial challenges, we have the challenges of sheer numbers and we have public policy issues. And so, the healthcare system really has not been designed to care for this wave of people ... therefore, our study indicates is that there's a lot of change that's going to come about in the healthcare industry to adapt and help this large cohort of people be cared for.

Patrick: That's helpful. But would you say that more care is being moved from institutions to the home using tech?

David: Absolutely. Part of the problem is that our system was designed around more of the traditional model where people went to hospitals or ... skilled nursing facilities. And now what's happening because of technology and because of all the advances in science, is that we are increasing, but the study is showing us that rather than being cared for in hospitals, the people that used to be in hospitals are now in the skilled nursing facilities, and the people that used to be in skilled nursing facilities are now moving down to assisted living, to the home. So, the trend is that a lot more care is moving towards the home and independent settings. And that's a brand-new phenomenon that we haven't had to deal with before.

Patrick: Right. And with that, the role of new—well, relatively new—payment models like PACE and new ways of addressing social determinants of health, take hold as well?

David: Sure, because the problem has been—because we were all so hospital-focused going to care for people—that most of the payment models were also driven around hospitalization and thinking about length of stay, and thinking about keeping people in the hospital, that was the locus of care. And now, increasingly, we're realizing that these people would be far better off *not* in a hospital setting. So, for example, the PACE program, which is just one example of a different kind of reimbursement system, basically encourages the risk-takers, the insurers and the clinical care providers to move the patient to a more cost-effective setting and one that provides a better outcome. And again, I at one point, through The BDO Center for Healthcare Excellence & Innovation, helped run the largest PACE program in the United States. And what we found there was, again, the ability to actually take people out of the hospitals, out of the nursing homes and put them into either adult daycare kind of settings, or provide them more care at home, that has better clinical outcomes and costs less money. But the current reimbursement models are still much more oriented towards hospitals and skilled nursing. So, the payment

models are going to have to change to reflect our new ways of treating this much larger group of people who have greater demands. All of these things have to happen in sync, and at the moment we're kind of out of sync because the payment models are inconsistent with the delivery settings, which are inconsistent with what individuals really need. So, all of that is going to have to be transformed and rationalized over the next significant period of time.

THE INTERNATIONAL PERSPECTIVE [5:57]

Patrick: Thank you, David. So, Steven, how about a brief overview of the international findings?

Steven: Thank you, Patrick. It was a really groundbreaking, in my opinion, and exciting international study. So, we conducted interviews and data research to analyze elder care in 10 markets, I believe. It was nine European countries, as well as the United States. And the study found that all the countries pretty much faced similar challenges in terms of elder care. So, for example, there was an increasing demand for care, and new models would be required to allow the efforts to focus on prevention, rehabilitation and innovation. But the one striking outcome that I think David touched on in the previous conversation that you had with him was that, clearly, the number of elderly people is not only growing substantially in all these countries, but there also [not] really as healthy in their old age as expected. So, like in the U.S. study, it's clear that value-based care is taking center stage with our global counterparts. But while the U.S. investment trends were largely focused on tech, it appears that our European counterparts didn't have as much of a focus on tech in their markets.

INVESTMENTS IN TECH [7:35]

Patrick: So, let's go a little bit deeper into that, Steven. So how would the new tech-driven business models, that would be required to center elder care around preserving independence, do? Where do you see the greatest investment opportunities there?

Steven: Well, I think, certainly—and we'll probably get into this more a little bit later on in the conversation, but clearly, the use of data and proof points will become mainstream. And I think that's a way that technology will adapt to get there. It's pretty much the use of—I mean, we're seeing it more and more now, wearable devices, things that our elders will not necessarily have to think about or need to press a button or need to figure out, but just be a wearable—and these wearables will pretty much, I think, gather the data and those data plans will become critical in dealing with elder care. There'll be the other aspects obviously, we can let our minds run absolutely wild with robotic, in-home helpers, etc. but that's going to be down the road, somewhat.

BREAKING DOWN THE PACE MODEL [9:02]

Patrick: Yes, so we've been talking a lot also with respect to disruption and disruptors in healthcare. And ... there's a consumerism trend happening to a certain extent as well. And technologies can be front and center in that consumerism trend, as we start moving towards that more value-based [care]. So that's very helpful Steven. So, David, I want to go back to PACE because I think that this an interesting area. It is not the only element and component of the elder care model of the future. I'd think that there're also some elements of PACE that could be pushed out into other care models.

David: Well, what's interesting is that PACE is, kind of, the best-kept secret healthcare. So, again, just to explain to the listeners, the program is designed to keep seniors involved in their communities, to keep them functional, and it uses things that are preventive care, primary care, behavioral care and these are, kind of, other services that are delivered by the interdisciplinary team. So, it's very different than going to the hospital only to be seen by a specialist. It's this idea of an interdisciplinary team trying to keep you at home, which most people want, so it's a very, very good idea. Interestingly, per our study, only about 12 percent of the providers are planning to invest in this model by 2020. So, while PACE has worked, clearly without it, you have a lot more institutional care. People not being in their homes. The system kind of gravitates people towards institutions, meaning hospitals, but the public want to be home.

Now, in California, for example, they have a program, and apparently, the estimates are—at least in 2015—there was something like 31 percent cost savings for the dual-eligibles [enrolled in PACE]. The dual-eligible, meaning eligible for Medicare *and* Medicaid. And that's in comparison to just our classic traditional hospital program. So clearly, we could save a lot of money and provide better care. In New York, for example, ... the quality of help for PACE beneficiaries are about twice as high as people in other long-term managed care. So, the issue is that there's a lack of understanding of how the program works. Medicare still imposes certain limitations which may or may not be changed. For example, Medicare currently restricts a lot that the interdisciplinary teams can do. And, right now, if you are going to run a PACE program, you need a physical site to provide adult day care, so you have to have real estate. So, the hope would be that over time, we would modify the restrictions as people understand this is really a good thing, and that it would grow dramatically.

Patrick: And it would be the more innovative hospitals and health systems that partner with PACE programs because, for their purposes, it does help with respect to reduced re-admission rates as well. So, there is a benefit ultimately for hospitals, so the more innovative health systems and hospitals are partnering with them. That's helpful.

David: Yes. I mean, there's no question about it. And if you look into some of the other work we did in the study, which I didn't mention previously, ... there is this goal to emphasize much more empathy and quality of life. So that's really, important. And as we discussed previously, the real investment trends, which go along with PACE, would be more home health, more palliative care and more geriatric care. That is really going to be important as we have clearly talked about PACE and why we think PACE is so important. And, I think Steven has just mentioned, it's this use of technology that we think will enable people to have more care in their homes. So, I think that's a full answer to your question.

ELDER CARE TRENDS BY U.S. REGION [13:11]

Patrick: That's great. Thank you, David. So, Steven, looking at the elder care trends we're seeing by [U.S.] geography from the study, we saw some interesting variations by location. Can you share some of those findings with us?

Steven: Yes, Patrick. Look, cultural differences appear to be the major drivers of why planned elder care investments vary by region. We think that there's pretty much a regional divide which shows that the Northeast is in large playing catch up to the West when it comes to evolving conditional healthcare models to lower spending and improve outcomes. In the Northeast, you have states that tend to spend more on healthcare and hospital care because the region's larger portion has many more elderly residents in higher-profile hospitals. In the West, you've got health systems integrated. Delivery systems like Kaiser, and others that are providers of strong models, show how a holistic, well-coordinated system can keep patients healthy and out of the hospital. Also, the West Coast's milder climate and tech-centric economy, I think, have played a significant role in the types of care models. One way to improve patient outcomes and lower healthcare costs is frankly by moving care from a hospital to the patient's home through, once again, uses of technology like I mentioned previously—sensors, wearables and in-home geriatric caretakers. So, while the West has figured out this model, and it has been using it for several years, we think that the Northeast is pretty much upping its investment in the space now to catch up. But it's an interesting divide in the country.

Patrick: Yeah. That's interesting and I think there's more to come. And while we're on that actual subject there David, perhaps this is a good time for you to share some insight about the trends you're seeing in the South, given that you're serving as CEO of Senior Care Centers in Dallas.

David: Sure. Yeah, no, I'd be happy to. So, just to help all the listeners, currently I'm the chief executive officer of Senior Care Centers and we are the largest skilled nursing provider in the state of Texas. And we operate in Texas and Louisiana. I have about 10,000 patients that I currently care for. I have about 11,000 associates who help care for them. So, clearly, senior care is a big

issue around the country and we have a particular knowledge in the South. So, according to our data, about 40 to 41 percent of the providers in the South say that home health is one of the top two segments they're going to invest in by 2020. I can tell you from my own experience, as well as the survey data, that that seems to be very consistent with where we're going. About two-thirds of the respondents said that care coordination and home-based care are the top two aspects of care delivery. And they offer the greatest opportunity for tech disrupters to have the most impact on improving care.

And this is because the need to move patients to the home is clear. The desire [is there] to use technology to help coordinate that care with advanced computer systems ... [even though] traditionally, the hospital was the locus of the care. But in today's climate, with up to a 30-day length of stay for an illness, you might only spend two or three days in the hospital and the other 27 days outside of there within that episode including [time] in the home. Someone outside of the hospital has to quarterback that care with what they call care coordination. So, their emerging enterprise is doing that. And they're using technology, like telemedicine, to make that happen. So, that's the second bullet point.

The third issue is that we're seeing increasingly the integration of healthcare and retail. If you look at startups, a lot of them tend to originate on the West Coast, and they move East. So, for example, there's a startup called Honor which is a West Coast in-home care provider. They've moved into the Dallas market. They're opening in Texas Walmarts, for example. We think this is going to continue. For many of the listeners, if you need a flu shot this flu season, you're likely not going to get it in your doctor's office or the hospital. Like me, you're going to likely go into a CVS to get the flu shot. So, those are some of the things that we're seeing, Patrick, particularly in the South.

THE IMPACT OF LIFESTYLE, CULTURE AND HABIT ON HEALTHY LIVING [18:00]

Patrick: Now, tying that to the global study we talk about, of the 10 countries that were participating in the global study, Norway and Denmark had the highest number of those healthy life years, for those aged 65 and older. As a trained physician, how do you think lifestyle, culture and habit do indeed impact healthy living?

David: I think if you look at the study, ... it's evident, I think it's common sense, that there are just considerable differences in lifestyle habits in these various countries. And it's quite interesting. For example, smokers make up only 4 percent of the Norwegian population, while in Germany, the smoking rates are in excess of 20 percent and actually, the number of unhealthy seniors is growing substantially. So, even though they're both in Europe, these populations are very, very different by habit. And for many

Americans who I think are used to now being in a more smoke-free environment, it's kind of jarring when they travel to Europe or when they travel to Asia because they really realize that those populations are smoking a lot more. The third issue is that if you look at 2030, which is only about 10 years away, about one-third of the German population is going to be older than 65. And, interestingly, once people get to 65 there's still an expectation that they're going to live another 20 years. But the most shocking thing of all is this group is only expected to be healthy for eight of those 20 years. So, if a 65-year-old expects to live another 20 years, for eight of those years they should be healthy, but then for 12 years they're going to be sick and that's going to be very difficult for them personally. They'll have a long period of chronic and debilitating illness. And two, it's going to be very expensive for those populations to provide the services that those folks are going to need. Though if you look at the higher number of healthier years in Norway and Denmark, you could argue that they have a more outdoor lifestyle. They have more of a culture of caring, in which the families take care of each other. They have a situation where the elderly have a more meaningful role in society and lower the smoking rates. So, I think you can see, in terms of social determinants of health, whether it be in Germany, in Norway or Denmark or in the U.S., that lifestyle, culture and habit really have an impact. And that is an opportunity, obviously, for policymakers in our society as a whole, to try to move ourselves to a healthier way of living, which also, frankly, is going to be a financially better outcome for society.

THE ELDER CARE LANDSCAPE IN CHINA [20:59]

Patrick: Bill, let's turn to you. What areas of elder care have the greatest potential for disruption in China and where are the greatest opportunities for that disruption?

Bill: Thanks, Patrick for the question. I think it's a great one. If you follow [the news] recently, you must have noticed that China has launched its 'Healthy China' improvements. And this Healthy China [campaign] encourages both inbound and outbound private investments in the healthcare senior care sector, particularly. And this area is ripe for disruption. And also, ... Chinese investors have been increasing their outbound investments in the United States. And what they wanted is really to seek greater access to advanced technology, innovation and expertise. And these alliances apparently will help bring U.S. cutting-edge products, services, business models and distribution channels to mainland China and the greater China region. And I think, eventually, participants on both the buy side and the sell side will benefit through the expansion strategy, which will bring about quality of life improvements to the larger Chinese population. And we're talking about 1.4 billion people. That's a big market there. It's a big opportunity there. And it's very promising when the proper sectors seize these opportunities for further developments.

Patrick: Now that's interesting. Notwithstanding the policy that's been going on lately with respect to federal policy, we're also still seeing an increasing amount of cross-border healthcare deals between the United States and China. What are some of the compliance challenges and issues around quality control that foreign healthcare entities and their investors face in China?

Bill: I think that's a very tough question, Patrick. And yes, there's quite a bit of development in regard to government initiatives on both sides. But I think, in general, in this healthcare industry, China has taken recent steps to further regulate the way business is conducted under this jurisdiction, and as such, it is important that foreign companies operating in China maintain compliance with both its regulations, as well as those of their home countries. So that's really to ensure that no activities abroad negatively affect their investments. I think that that's just common sense. And it's everywhere, not necessarily just between the U.S. and China. And also, when we talk about heavily regulated industries like healthcare, they're all subject to an additional layer of scrutiny, and it would require probably a more strategic approach to refigure your compliance and your risk management for any companies operating abroad, including within Asia, including China. So, I think that mindset and that approach will be crucial. And I think, also one more point is that there's a heightened level of concern around the protected health information from foreign companies and foreign nationals investing in United States healthcare organizations by default and by nature because healthcare tends to hold a lot of sensitive and even personal information. So, I think if you looked at this recently—especially how the government in the United States, actually has enhanced the CFIUS rules and authorities and regulations—CFIUS is particularly concerned about key and strategic knowledge that could fall into the wrong hands, which is a good move to protect consumers and ... companies in general. That's how I view these things in this context.

Patrick: Yeah. That's very helpful. I mean, just to quickly finish up on this, too. You were in our China office from 2009 to 2016, and you had some time to reflect and see how the health and life sciences market changed and evolved first-hand. What changes—especially in elder care—did you see in terms of the way care is delivered or new investments with respect to opportunities in China?

Bill: Yeah. That's another interesting trend we need to keep in mind and observe. And I think if you follow China's population structure, and if you also read those articles and publications and even recent policies—and I'll give you an example—China recently opened its one-child policy, right? So now you can have a second child for majority of families. That really has to be tied back to the trend of the aging of China's population. So that means the elder care sector for the healthcare industry actually opens up a big opportunity over here because the Chinese population is aging

faster than the industry probably anticipated. And in that regard, I think China can have a lot of benefit from investing in the U.S. and other countries for this sector. And also, Chinese companies can benefit from a new opportunity market in the healthcare industry if we follow this closely and tap this into our product services and its Asian channels, right?

PARTING TAKEAWAYS [26:30]

Patrick: Thank you very much, Bill. I think we're done. So, Steven, David, or Bill, anything else to add?

Steven: Well, I think, Patrick, you've touched on some of the questions relating to the greatest investment opportunities earlier, and I kind of mentioned technology. However, I think if you just dive a little deeper into the study, there's some very interesting, specific trends that I think some of our listeners would be interested in. So, what I just wanted to kind of share with everybody was well, the study really looked at certain types of specific technologies and saw things like the transportation coordination as being very, very heavily a high area of focus. Obviously, we mentioned electronic and telemedicine capabilities, which the study—93 percent of the respondents, in fact—said would be crucial to improving the quality of elder care. Wearables and sensors as we mentioned, only 89 percent. So, it's kind of interesting that the highest number of respondents acknowledged that transportation coordination at 97 percent would be significant and crucial to improving quality. And [to add] further to that conversation I had about geography—I mentioned the milder climates. And so clearly transportation coordination in milder climates, for example, is, in fact, easier to achieve than it is in maybe harsher climates. So, there's a lot of factors here that make a lot of common sense and I think are very interesting to kind of delve a little bit deeper into. That's just the other thing I wanted to add.

Patrick: It's often the simplest answers that get to the point of much of this, right, when you think about it. When you're frail and elderly, the ability to get to where you need to be to enjoy social engagement does have a big impact on health. So, this is great.

Excellent. Steven, David and Bill, thanks so much for taking the time to join the show today and sharing your great insights into elder care. To our listeners, thanks so much for tuning in. If you haven't already, we'd love for you to subscribe, rate and leave a review of our show on iTunes. Until next time, this is Patrick Pilch. Thank you.

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