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NAVIGATING ROUGH WATERS

Steve Flatt steering NHC away from federal funds reliance, toward private pay options, new service lines

BY PETER CHAWAGA

PHOTO BY DANIEL MEIGS

National Healthcare Corp. was long defined as a family affair of sorts.

Then along came Dr. Stephen Flatt.

When Flatt (friends call him "Steve") took the helm of the Murfreesboro-based senior care provider early this year, he became its first leader from outside of its founding family — and at a most uncertain time for the health care industry, no less.

Dr. Carl Adams founded NHC in 1971. His son Andy took over as CEO in 1981 and, in 2004, he passed the mantle to his brother Robert, who served as the CEO until the end of last year.

With Robert ready for retirement, the company turned to Flatt, then its president, to lead the Adams legacy into the future.

It was a safe choice, as the Adamses long ago identified Flatt as a potential de facto family member.

In 2005, Andy Adams recruited Flatt, then president of Lipscomb University. The academician and former Church of Christ minister joined NHC as a senior vice president of development that year and held the position until his promotion to president in 2009.

Throughout his 12-year tenure, Flatt has closely aligned with the ideals the Adamses used to build NHC. It has been a successful undertaking, as the company now maintains 160 locations across 10 states, providing care to more than 40,000 seniors through skilled nursing, homecare, hospice, physical therapy and pharmaceutical services.

"Dr. Adams was a visionary who had a passion to see that America's elderly weren't warehoused but [instead] were enabled to live life to the fullest within whatever physical limitations they might have," Flatt says. "Following him, Andy and Robert Adams were both savvy businessmen, but never wavered on their father's fundamental principles of providing high-quality care and the best possible customer experience.

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"What the Adamses saw," he adds, "was the formula to be able to shape a culture that can produce high-quality care and yet be sustainable financially over a long period of time."

While the company's formula has served it well over the last 45 years, Flatt is expected to make significant changes to guide NHC through what has become one of the most tumultuous periods the health care industry has ever faced.

"The health care world as we knew it prior to the Nov. 8 election suddenly may be turned on its head," Flatt says. "That will affect all facets of health care: doctors, hospitals and certainly [those of us] who operate in the post-acute space. We're trying to navigate that. I'm confident we will, but it adds another layer of complexity and uncertainty."

Primary causes for the uncertainty include the potential repeal of the Affordable Care Act and new leadership being established in health and senior care at the Centers for Medicare and Medicaid Services. Any changes to the ACA could disrupt progress NHC has made since the act was introduced in 2010.

"The ACA and value-based payment methodologies blurred the lines between what we've traditionally known as acute care and post-acute care," Flatt says. "We used to give care and get paid only for the silo of care we provided in that particular setting. All providers now share joint responsibility for a patient's experience and outcomes across the entire care continuum. That whole paradigm does require a different perspective and strategy."

To adapt, NHC established partnerships with major health systems like Saint Thomas Health and Vanderbilt to coordinate processes across the continuum of a patient's care and ultimately provide better health care at a lower cost. It also opened joint venture skilled nursing facilities in Columbia and Knoxville and is discussing the potential of similar facilities for post-acute care.

"I do see us all across our operational footprint continuing to forge those kinds of relationships and partnerships," Flatt says. "But they'll look different in different markets because, typically, the major health system in [any specific] market has to be the initiator."

While that ACA-fueled strategy seems to remain part of Flatt's outlook for NHC regardless of shifts in legislation, the repeal of, or significant alterations to, the ACA could also bring some welcomed changes. Indeed, health systems are held responsible for the full continuum of a patient's care, so NHC struggles with reimbursement. ACA changes might positively impact the company's challenges.

"Now, all of us are responsible for what happens across the care continuum," Flatt says. "Because of that, it's changed our perspective and our strategy. It has also, frankly, squeezed our reimbursement."

To drive the point home, Flatt explains that NHC receives the exact same per diem for skilled nursing that it did in 2011, with no increase to match inflation. And its Medicare payment for homecare has actually declined since then.

"We're facing the challenge of becoming a part of the care continuum and providing better outcomes and cooperation with other providers, but trying to do that at a significantly lower reimbursement," Flatt says. "It's going to be my biggest challenge as a leader going forward to navigate those choppy waters and how that's going to get done well."

Whatever changes take place in CMS, Flatt sees NHC moving away from its current reliance on federal funds.

"We're going to look at expanding our senior care services into areas where there is more private pay," Flatt says. "Right now, about 90 percent of our revenue comes from the government in the form of Medicare or Medicaid payments. Whenever CMS issues a new payment rule, we're totally at its mercy. We're trying to mitigate our financial risk by broadening our payer sources."

For instance, NHC operates 21 assisted living facilities, twice as many as it did a few years ago. The facilities are a source of private pay that the company wants to expand. Flatt also wants to emphasize private pay memory care facilities.

With looming policy changes, Flatt plans to lobby legislators to try to steer them toward changes that will enable NHC to grow as members of the baby-boomer generation age.

"One of the things we want to do is have an influence on public policy to make sure that our legislative, executive and regulatory facets of government understand the pressures that we're under financially," he says. "The vision for NHC right now is significantly different than when I arrived in 2005 because of how health care has been totally turned on its head." NP