



A Question of Time... and a Time of Questions

Q & A with Susan Brecht

BRECHT
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Q. What type of incentives are you seeing retirement communities now offering to new or existing residents?

A. We know the economy is certainly having an impact on retirement communities. According to Ziegler Senior Living Finance 78 percent of CCRCs in the pre-sale/fill stage report being impacted by the real estate market. Further, the percentage of stable CCRCs expressing an impact from the real estate downturn is currently 57 percent. Depending on the location of the retirement community we are seeing a variety of incentives being offered. We are aware of incentives ranging from up to one year deferred entry fee to a month or two “free” rent for new residents. We are also seeing CCRCs arranging for bridge loans for residents who cannot sell their home but who wish to move in and even a few offering rental plans temporarily. Some communities are offering referral incentives for existing residents who refer friends to their CCRC – incentives include rent reductions and freezing monthly fees for a specified period of time. Information from Ziegler Research Continuing Disclosure Call Survey, February 2009

Q. What trends do you see in any of the following types of care.... Independent, Assisted Living, Nursing, Alzheimer’s, Active 55 and Up communities?

A. When considering fee options and choices there seems to be a general consensus that life care communities (Type A contracts) are likely to continue to diminish in popularity as this structure is perceived as being inflexible by some prospective residents. The traditional declining balance annuity plan is not attractive to those who want to provide family members with an inheritance, and those seniors with long-term care insurance are not as likely to choose a life care community because they have the option of portability along with payment for extended care. As a result, the desire for choice and flexibility has led to the proliferation of fee-for-service contracts and refundable entrance fee plans with up to 100 percent of the entrance fee refunded.

Q. What trends in amenities, accommodations have you seen?

A. We see many trends in common amenities. Dining venues will become more flexible. Cafes and smaller dining rooms are not sharing a common menu but each will be different and provide more

choices. There is a trend to “deinstitutionalizing” the campus and finding ways to bring the outside community in. This not only makes it more interesting for the residents but introduces the public to the retirement community. Interior spaces will be more open and user friendly resulting in fewer small closed-off single purpose amenity rooms. The trend is towards more centralized community buildings for greater accessibility where physical spaces that support socializing will continue to be desired. Finally, it is believed that more people will be working into retirement and many already want business centers and equipment. Most residents will have their own computer in their unit but will seek faxing, printing, and mailing services.

- Trends for unit amenities are changing. Focus group research has shown that the quality not just the amount of the space will be important. Remember seniors are co-shopping condominiums, Active Adult Communities, traditional housing designed for empty nesters and CCRCs. We know that prospective residents of cottages will want a first floor master bedroom/bath, and some couples prefer separate bathrooms. Designer kitchens are also increasingly popular. Prospective residents of apartments are seeking more light and corner units. We are seeing newer communities that have rearranged the traditional apartment design. Instead of the kitchen being located immediately to the left or right of the entrance door it is located to allow for additional seating toward the front of the unit. Large walk-in bedroom closets and kitchen pantry closets with built in shelving are important. Built-in cabinets in or separating living room/dining area are also popular.
- Delivery of services is changing. We see more use of home health services in independent living enabling residents to age in place instead of moving to a separate assisted living unit. There is more flexibility in service options and plans providing more choice with an a la carte approach. The delivery of services will need to address the whole person with a more holistic approach to living with emphasis on personalized wellness and fitness programs. There are many new trends in dining. We see more flexibility in the hours when meals are available and more flexibility in payment plans with the most “popular” currently being a swipe card. Finally, the call bell/pull cord system is being supplemented by motion detectors which are programmed to the resident’s habits to provide an early warning system.
- When considering health care design person-centered care is becoming the norm in assisted living and nursing facilities. Residents want choices about dining, daily activities, and interaction with staff. Contemporary nursing home design is moving towards the creation of smaller neighborhoods clustered around a living/dining space, or the Green House or small house concept. An increased emphasis on memory care is being seen in the form of specially designed units. Technology is expected to play a greater role in the provision of care during the next 10 to 20 years. Some options available today include electronic charting and monitoring systems. These options are already migrating from use in health care facilities into the residential sector.

Q. What types of care do you now see being most in demand?

A. According to the National Investment Center (NIC) for the Senior and Housing Care Industries when considering the projected seniors housing inventory in the 31 MSAs from 2005 to 2022 (projected) the number of occupied units is currently decreasing at a rate of 0.8 percent per year for skilled nursing. Demand for independent living, assisted living and dementia care is growing faster than the annual growth rate in 75+ households, which was 1.8 percent over the past several years.

Q. Does research show that the average age of those entering any type of senior care house is going up? Are seniors waiting longer to enter a continuing care facility?

A. The average age is going up. We continue to hear that residents moving to each level of care are older and frailer than they once were. A new study on recent movers to Independent Living (IL) called “The Independent Living Report” was just published by the American Senior Housing Association. This study indicated the following:

- The median age of residents who moved to IL in the past six months was 82.8
- Those moving to Rental and Entrance Fee CCRCs were younger (80.2 and 81 years respectively) than those moving to combined IL/AL communities (83.7) or free-standing IL (84)

Q. What are some of the current challenges facing seniors? Current challenges facing providers of senior care?

A. Current challenges facing Senior Housing in terms of operating trends

- Occupancy rates are generally weaker than a year ago with existing providers being affected by the housing market to varying degrees. However, occupancy for entrance fee CCRCs is stronger than for rental communities.
- Overall labor availability remains a challenge. In particular managing staff turnover, particularly among line staff, is increasingly challenging for many providers. Further, the ability to retain talent challenges many providers. On a positive note, however, rising unemployment rates increase the ability to attract staff.
- The housing market slowdown has affected many providers in terms of both sales and occupancy.
- When considering consumer issues and preferences both residents and prospective residents are seeing a decrease in investments and as a result there is a great deal of uncertainty. Residents’ financial conditions may be weaker and result in increased household debt.

Q. Do you see Adult Daycare needs increasing?

A. We see adult daycare as a valuable support program for those wishing to care for a family-member in their home and also needing to work during the day. The emphasis on community-based care by regulatory and reimbursement agencies will reinforce the need for additional adult daycare programs.

Q. Do you see CCRC's looking to connect more with the community? What are the challenges with this?

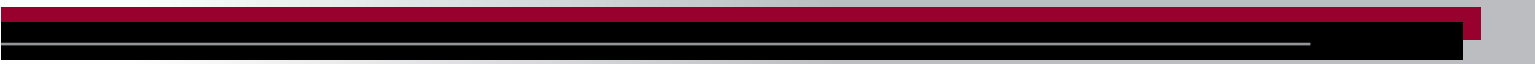
A. We see that both the CCRCs and the residents are looking to connect more with the community and this is something that Brecht Associates strongly encourages. In terms of resident involvement, residents are increasingly seeking more control of their environment and more participation in decision-making. We see residents more and more involved and participating in the external community volunteering and contributing time and support to others both off and on campus. This is usually most successful when someone on the staff is responsible for maintaining or supporting that effort. Many communities are forming affiliations with educational institutions to expand their resident activity programs. Retirement communities are also opening their doors to host civic and professional group meetings and engaging with external groups to benefit their entire local communities.

Q. How is the current Medicare/Medicaid affecting continuing care for seniors?

A. There are often external factors that may impact care for seniors that must be considered. There are currently two such federal initiatives that may impact the need for nursing care.

- The Centers for Medicare and Medicaid (CMS) are rolling out a Medicare give back program in hospitals that may impact the number of skilled nursing/Medicare admissions to nursing facilities. The RAC program (Recovery Audit Contractors) is responsible for identifying Medicare overpayments and underpayments throughout the country in hospitals and inpatient rehabilitation facilities (IRFs). If auditors deny care in IRFs, then care of these patients may shift to nursing facilities providing skilled nursing care. Conversely, hospital admissions to establish medical necessity for a stay in a skilled nursing facility may be denied, reducing the number of patients transferred to the nursing facility. Audits are slated to begin in Pennsylvania August 1, 2009 or later. Information from <http://www.cms.hhs.gov/RAC/>
- Another CMS program, Money Follows the Person (MFP) Rebalancing Demonstration Project is expected to impact the nursing home industry in Pennsylvania. The MFP approach is two-fold; first creating a financial system that allows Medicaid funds targeted for long term care to be spent in home and community-based settings and second, to establish a program to identify individuals in nursing homes who wish to transition to the community and help them do so. The demonstration project attempts to transition residents from an institution to the community by increasing outreach and decreasing barriers to transition. Currently CMS has awarded over \$1.4 billion in grants to 31 States. With these funds, States propose to transition 37,731 individuals out of institutional settings over the five-year demonstration period. Pennsylvania was awarded \$98 million in Money Follows the People Demonstration grant in June 2007 to facilitate the transition of 2,600 persons from nursing homes to the community. Information from <http://www.cms.hhs.gov>

Q. What services can Brecht Associates provide that are the most valuable in these challenging times



A. In these challenging times it is imperative for communities to continue planning for the future. More than ever, communities must understand the marketplace they are operating in and position themselves for success. Whether you are considering future expansion, new development, rightsizing the existing campus, or master planning your community, Brecht Associates can provide market intelligence to your organization to meet your goals.

While the core of our business has always been market feasibility research and analysis specifically for senior housing developers and providers other services provided include research and analysis services including competitor evaluations, focus groups, lost prospect surveys and rightsizing health care analysis, marketing services including market positioning studies and trends audits, development and planning services including strategic planning and other related services including board and staff training and civic engagement coaching. Based on our extensive experience, Brecht Associates is able to provide a wide array of consulting services customized to meet the specific needs of each client and each individual project

Brecht Associates, Inc. is a nationally respected consulting firm exclusively serving clients in the seniors housing and care field. With nearly 20 years of experience in hundreds of markets across the country, Brecht Associates has firmly established a reputation among industry professionals and lending institutions for insightful work, leadership, innovation and integrity.

To learn more about Brecht Associates or to discuss specific needs please contact us.

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