Assisted Living

Changing the Face of Long Term Care

Projected Growth of the Assisted Living Industry

Source: Dean Witter

Assisted Living Development

Opportunities:
1. Demographics (Baby Boomers)
2. Family responsibility shifting (More working women, more divorces) results in fewer caregivers
3. Good Margins

Risks:
1. Regulation
2. Too much product
3. Risks of caring for a frail population - insurance costs
4. Staff Shortages

What’s the Difference?

<table>
<thead>
<tr>
<th></th>
<th>Congregate</th>
<th>Assisted Living</th>
<th>Nursing Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Profile</td>
<td>Avg. age 75 w/ Lifestyle Move Independent</td>
<td>Avg. age 85 w/ 2-4 ADL’s</td>
<td>Avg. age 85 w/ 4+ ADL’s</td>
</tr>
<tr>
<td>Driven</td>
<td>Want driven</td>
<td>Need driven</td>
<td>Need driven</td>
</tr>
<tr>
<td>Services</td>
<td>24 Hr. Supervision</td>
<td>3 Meals/Day</td>
<td>24 Hr. Skilled Care</td>
</tr>
<tr>
<td></td>
<td>Full Service, Concierge Type</td>
<td>Housekeeping Personal Care</td>
<td>Nursing Oriented</td>
</tr>
<tr>
<td>Physical Environment</td>
<td>Full Size Apts., Kitcheness, Residential</td>
<td>Smaller Apts., Kitchenettes, Small Residential Interiors</td>
<td>Rooms</td>
</tr>
<tr>
<td>Pricing</td>
<td>Avg. $2800/mo</td>
<td>Avg. $3500/mo</td>
<td>Avg. $7500/mo</td>
</tr>
</tbody>
</table>

Home Care

- 80% reimbursed by Medicare
- Location of choice by elderly
- Will be reductions in public support
- Providers will be paid less
- Very Competitive

Limited business opportunity - though may be useful as part of network of eldercare services

Nursing Homes

- Heavily regulated - subject to CON
- Most revenues from public programs (Medicare and Medicaid)
- Payment volatile
- Leveling off of demand
- But, if you build them, they will come

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Favorable Industry Dynamics

Growing Demand

Source: U.S. Census Bureau

Typical Assisted Living Resident

- 83 year old, widowed female
- Needs help with 2-4 ADL's
- Even more dependent on IADL's
- Frequent reasons for the move:
  - Health
  - Social
  - Security
- Average LOS—28 months

Source: Agency for Health Policy and Research

Need for Assistance
85 and Older Population

Source: Coopers and Lybrand, ALFA

Need for Assistance
Residents in AL Community

Source: Coopers and Lybrand, ALFA

Occurrence of Alzheimer’s Disease by Age Group

Source: U.S. Census Bureau

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Alzheimer’s Facts

- Alzheimer’s Disease is the most common cause of dementia (70%).
- One in 6 women and one in 10 men who live longer than 55 years will develop Alzheimer’s disease in their remaining lifetime.
- Alzheimer’s is the seventh-leading cause of death.
- The direct and indirect costs of Alzheimer’s and other dementias to Medicare, Medicaid and businesses amount to more than $148 billion each year.
- 10 Million baby boomers will develop Alzheimer’s in their lifetime.

Source: Alzheimer’s Disease Facts and Figures, Alzheimer’s Association, 2008

Etiologies for Dementia


Americans with Alzheimer’s

Every 71 seconds someone in America develops Alzheimer's disease by mid-century every 33 seconds

Currently 5.2 million
5 Million >65
200,000 < 65

Source: Alzheimer’s Association

Looking to the Future

- In 2000, there were an estimated 411,000 new cases of Alzheimer’s disease. That number is expected to increase to 454,000 new cases a year by 2030, and 815,000 new cases a year by 2050.
- The number of people age 65 and over with Alzheimer’s disease is estimated to reach 7.7 million in 2030, a greater than 50 percent increase from the 5 million age 65 and over who are currently affected.
- By 2050, the number of individuals age 65 and over with Alzheimer’s could range from 11 million to 16 million unless science finds a way to prevent or effectively treat the disease.
- By that date, more than 60 percent of people with Alzheimer’s disease will be age 85 or older.

Source: Alzheimer’s Disease Facts and Figures 2008. Alzheimer’s Association

Alzheimer’s Worldwide

- 26.6 million people were living with the disease in 2006.
- Researchers predict that global prevalence of Alzheimer’s will quadruple by 2050 to more than 100 million.
- 1 in 85 persons worldwide will be living with the disease.
- More than 40 percent of those cases will be in late stage Alzheimer’s requiring a high level of attention equivalent to nursing home care.

Source: Alzheimer’s Association International Conference on the Prevention of Dementia

AL Common Diagnosis

<table>
<thead>
<tr>
<th>Condition</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiac, Circulatory</td>
<td>44%</td>
</tr>
<tr>
<td>Arthritis, Osteoporosis</td>
<td>42%</td>
</tr>
<tr>
<td>CVA, Stroke</td>
<td>28%</td>
</tr>
<tr>
<td>Dementia</td>
<td>26%</td>
</tr>
<tr>
<td>Depression</td>
<td>16%</td>
</tr>
<tr>
<td>Diabetes</td>
<td>11%</td>
</tr>
<tr>
<td>Chronic Lung Disease</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>Thyroid Irregularities</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>Cataracts, eye disorders</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>Anemia</td>
<td>&lt;10%</td>
</tr>
<tr>
<td>Hearing impairments</td>
<td>&lt;10%</td>
</tr>
</tbody>
</table>

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**Treatment**
- Average 2.9 diagnosis per Resident
- Thirty five percent have four to seven prescription records
- Nineteen percent have eight or more

**Assisted Living Discharges**

Source: Overview of the Assisted Living Industry: Coopers & Lybrand.

**Admission/Discharge Rules of Thumb**
- A resident qualifies for AL when able to actively participate in 50% or more A.D.L.s.
- A resident is discharged when they can no longer passively participate in 50% or less A.D.L.s.
- Maximum of 85% disposable income applied to monthly fee. ($3,800 x 12 = $45,600 / .85 = $53,647/Yr or $4,470/Mo.)

**Assisted Living**

- Over building in desirable locations - no regulations; no franchise
- Limited public payment
- Risks of caring for dependent population in a less protected environment
- Underestimation or misunderstanding by developers of business
  - This is a service, social/health housing

**Assisted Living - Big Opportunity**

Assisted Living is service-enriched housing for frail elders focused on independence and dignity

Different Models
- Some unbundled services, e.g., personal care
- Some separate Alzheimer’s sections or stand alone
- Some charge premiums for higher levels of care

From 2001-2007 Medicaid spending in:
- Nursing homes rose 8.8%
- Home and Community Based Programs rose 81.5%

Source: National Center for Assisted Living

**Personal Care**

Alternative Service Delivery Methods
## Assisted Living

### Service Delivery Methods
- Home Health Option
- Service Levels Option
- Point System (ADL Acuity Guide)
- Actual Care

### Home Health Option
- Segregates basic service package from personal care component
- Can deliver higher level of care
- Medicare benefits
  - Must be separate
  - No duplication of services
- Relinquish operating margins
  - Efficiently operated should produce 70-80% margin on loaded costs

### Service Levels Option
- Initial assessment upon admission
- Base rate plus “Level” assignment
  - Level 1, 2, 3
  - Basic, Intermediate, Enhanced, Comprehensive
- Each level represents progressively higher level of care
- Disadvantages:
  - Difficult to convince families to go to next level
  - Complicates rent increases

### Service Levels Option
For example, for an assisted living community that includes 45 minutes per day of personal care in the basic monthly service package may charge an additional $120 per month for their intermediate level which provides up to 60 minutes per day ($16.00 per hour aide cost * 4 = $4.00 per 15 minute increment * 30 days per month = $120.00). This can continue for each 15 minute increment to $240 additional per month for 60 minutes, $360 additional for 75 minutes and so forth.

### Point System Option
- Baseline assessment tool to classify residents' needs
- Numerical score based on progressively higher levels of staff intervention
- Scores can vary widely week to week
- As condition change, care is already being provided without recovery of costs
- Constant re-sell of increase in fee structure

### Point System Option
- Category: Bathing and Dressing
  1 Point: Independent in bathing and dressing.
  2 Points: Requires assistance only in transferring into and out of bath, and can bathe self.
  3 Points: Requires assistance in bathing and dressing but does most of the work.
  4 Points: Requires considerable assistance with bathing and dressing.
  5 Points: Completely dependent upon staff for bathing and dressing.

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### Actual Care Option
- Allocated a base weekly time limit
  - For example 45 minutes per day / 315 per week.
- Time study conducted (>45 min.)
- Service plan developed
- Daily assignment sheets
  - PCA’s account for all interactions with residents and document actual time
- Billed in arrears for actual care delivered

### Actual Care Advantages
- Pay only for actual care delivered (above 315 min/week.)
- Management can recover actual costs as care is delivered vs. convincing families to move to next care level after service is already being delivered
- Accurate tally of the total staff time needed to deliver services
- Much more efficient - similar to home health care

### Personal Care

#### Alternative Staffing Models

#### Universal Worker
- Employees hired as “Care Managers”
  - Cross trained in several departments
  - Responsibility for total care needs of resident
- Management assists CM’s to provide “Service Rich” environment
- Employees hired at one specialty, then trained on others, compensation increases with skill level and versatility
- Increase in productivity decrease in FTE’s
- Difficult to hire and manage

#### Rotational System
- Employees trained on all residents
- Greater flexibility
- Allows variety
- Call-in coverage easier
- Discourages favoritism
- Distributes work load of heavy care residents
- Residents constantly re-orienting new PCAs
- Resident vulnerability
- Limited bonding with residents
- Higher PCA turnover
- Less efficient cost tracking
- Impossible to recognize subtle changes
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Primary Care Assignments

- PCA assigned specific residents only
- Easy to track and supervise assignments
- Accountability of service plan delivery
- Residents bond with their care giver
- Strongly preferred by families
- Essence of quality care: PCAs recognize minor changes in residents’ health
- PCAs take a personal interest

Personal Care

Calculating Staffing Requirements

Calculating Staffing Requirements

- Based upon minutes per day included in monthly service fee and averaged
- Based upon coverage in the building throughout the day
- Based upon ratio of care givers to residents
- Based upon actual care scheduled

Calculating Staffing Requirements

Minutes per Day by Shift

<table>
<thead>
<tr>
<th>Shift</th>
<th>Persons</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-11</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>11-7</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>3-11</td>
<td>3</td>
<td>24</td>
</tr>
</tbody>
</table>

Increase peak time staffing with level of acuity

Calculating Staffing Requirements

Actual Care Based upon Assignments

- Develop assignment sheets based upon service plan
- Schedule minutes of service to each resident
- Each PCA - 400 minutes of care per shift
- Allocate by resident and shift
- Schedule residents for care
- Just-in-time staffing
- 14-16 hours per day to deliver care
- Peak time staffing for part timers 6:00 to 10:00 am
- Use 11:00 to 9:00 am (10 hrs.) shift to cover am peak hours. Adds two hours to night shift but eliminates one-four hour day shift part timer.

Calculating Staffing Requirements

Additional Care Cost Recovery

- Service Plan itemized daily assignments
  - assignments allocated to am, pm, night shift
- Staff tracks actual delivery of care (time)
- Additional care is only charged that exceeds 315 minutes per week even if resident needs more or less on a given day
- Nearly complete recovery of staff time
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Calculating Staffing Requirements

- All time must be accounted for, including distractions, refused care, travel time
- Acuity creep and transfers
- Focus on resident self-care ability, start or complete difficult tasks, manage expectations
- Match employees to job, not job to employees
- Audit time cards against schedule, assignment sheets, and budget for the department
- Supervision and Quality Assurance

Quality Assurance

- Must be part of culture
- Commitment to communicate standards and painstakingly follow through
- Access to residents limited vs SNF
- Offensive approach
  - systematic review and evaluation of care plans
  - audit assignment sheets
  - PCAs alert Mgt. about changing health status
  - Dementia

Marketing Considerations

- Residents
- Extended Decision
- Value Driven
- Lifestyle
- Direct Mail, Advertising
- Two Meals
- Enrichment
- Guest Apartments
- Interested Parties
- Quick Decision
- Need Driven
- Services
- Referrals
- Three Meals
- Specialized Care
- Respite

Comprehensive Marketing

- Media Plan
- Staffing
- Direct Mail
- Public Relations
- Outreach
- Events
- Seminars
- Directory Advertising
- Collateral

Physical Plant Considerations

- Compliance with Building Codes
- Dining Room Design
- Kitchen Design
- Specialized Care
- Mobility Issues
- Rehabilitation
- Furnishing, Fixtures and Equipment

Operational Considerations

- Mission statement and philosophy of care
- Identification of admission and discharge criteria
- Identification of dementia specific principles of care
- Resident assessment and service plan development
- Development of family handbook
- Family orientation and partnership development
- The move-in plan and process
- Risk management issues with the assisted living population
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### Operational Considerations
- Housekeeping demands
- Dining and nutritional support
- Staffing patterns, including development of program director role
- Health care management, including medication reminders
- Resident monitoring and documentation
- Implementing a planning process with families for future care needs
- Definition of service package and establishment of fee structure

### Opportunities
- Tremendous opportunity in elder care, not only a real estate play
- Highly specialized service business to frail, vulnerable elders
- Will be a need and public desire for assisted living
- May be over built in some desirable locations – locate underserved markets
- Risks in caring for frail elders in this setting – establish operational systems and training programs
- Differentiate from competition – give customers what they want
  - all inclusive, individualized programs, family communication, eliminate upfront fees and build into monthly service fee
  - Each community a hub for senior education and peer networking
  - Provide superior service – “Quality is the difference between what you expect and what you get” – give more than expected
- Will be a need for rental senior housing for independent seniors who want some limited services