



BUSINESS

FINANCIAL NEWS AND GROWTH STRATEGIES FOR PROVIDERS AND SUPPLIERS IN THE NOT-FOR-PROFIT SECTOR

IN THIS ISSUE

Affordable Senior Housing: An Accelerating Need

With plenty of luxury senior housing options available and a huge growth in the senior population expected over the next few decades, a likely focus for developers will be low- and middle-income senior housing projects. Where's the sweet spot? And what new ideas are being floated?

See page 1

♦ ♦ ♦

"At-Home" Programs Help Seniors Age In Place

Home-based care programs, such as those offered by Cadbury at Home in New Jersey or Alexian Brothers Live At Home in Chattanooga, Tennessee, work well for seniors—and from a business standpoint.

See page 1

♦ ♦ ♦

Best Practices Q&A Pearl Merritt, EdD

The regional dean of Texas Tech School of Nursing in Abilene, formerly president of Buckner Retirement Services, suggests ways to attract and retain good employees.

See page 2

♦ ♦ ♦

Recent Financings/Refinancings

See page 4

♦ ♦ ♦

The Acquisition Market

The sale of assisted living and skilled nursing facilities usually dominates the acquisition market. This became even more pronounced when the housing market crashed and buyers thought independent living was an even riskier asset. Now, the tide may be turning as investors see more promise in the sector and recently have been on a buying spree.

See page 14

"AT-HOME" PROGRAMS HELP SENIORS AGE IN PLACE *Cadbury, Alexian Brothers Programs Are Two Successful Prototypes*

The broader the senior living provider's service offerings, the healthier that organization is likely to be in the future. And a smart way for providers to broaden their markets is to help people age in place—which is what 85% of seniors prefer, according to a recent AARP study.

Home-based care membership programs, such as those offered by **Cadbury Senior Services** in Cherry Hill, New Jersey, or **Alexian Brothers of Chattanooga** in Tennessee, provide seniors with a lifetime of continuing care without their having to give up the comfort of—or investment in—their homes. These programs, which are sometimes referred to as CCRC Without Walls or Continuing Care At Home (CCAH), cover a significant portion of the member's long-term care needs and services, as long as the member remains in the program, and are much less expensive than the cost of moving into a CCRC. The member pays a one-time membership fee (typically \$20,000 to \$45,000) and monthly fees based on the selected service plan (as low as \$200 a month but often more). Fees are generally based on the age of the individual at the time of enrollment. A new member must be in good health at the time of enrollment, as well.

The Cadbury at Home program Cadbury at Home, the first CCAH program in New Jersey, combines

several long-term care options (home care, assisted living, and nursing care) into a comprehensive, home-based, membership program. Plan benefits include visits of a home health aide, live-in assistance, companion services (such as light housekeeping and errands), an annual physical, transportation, emergency response, some meals delivered, adult day care, assisted living and/or nursing care if needed, and social and wellness programs. "It provides all the benefits of a CCRC except for the real estate," said Victor Amey, President & CEO of Cadbury Senior Services and founder of Cadbury at Home.

"Our original property, **Cadbury at Cherry Hill**, was founded about 33 years ago as a Quaker-guided not-for-profit CCRC," explained Amey. "It has 140 independent living units, 66 assisted living apartments, and a 120-bed skilled-nursing facility. When I joined the organization in 1994, we looked for opportunities to extend Cadbury's mission but couldn't build further on our campus."

With the assistance of a couple of grants from the **Robert Wood Johnson Foundation** to study the concept of continuing care at home, the organization incorporated its at-home program in 1996, and Cadbury at Home began doing business in 1998.

Today, the program has stabilized

Senior Living Business

ISSN#: 1938-6613

Published monthly by:

Irving Levin Associates, Inc.

268-1/2 Main Avenue • Norwalk, CT 06851

(203) 846-6800 Fax (203) 846-8300

info@seniorlivingbusiness.com

www.seniorlivingbusiness.com

Publisher	Eleanor B. Meredith
Executive Editor	Stephen M. Monroe
Editor	Jane E. Zarem
Circulation	Stacey Faillaci
Advertising	Karen H. Pujol

EDITORIAL ADVISORY BOARD

John Durso, Esq., Attorney at Law
Ungaretti & Harris LLP

Dan Gray, President
Continuum Development Services, Inc.

Marvin Mashner, President & CEO
ACTS Retirement-Life Communities, Inc.

Jim Moore, President and Senior Managing Director
Moore Diversified Services, Inc.

T. Brian Pollard, Senior Managing Director
Lancaster Pollard

Paul F. Steinhoff Jr., Vice Chairman & CEO
Greystone Communities, Inc.

David C. Turner, President & CEO
Masonic Health System of Massachusetts

Annual Corporate Subscription Rate: \$587
Includes Free Additional Copies

Paid subscribers may request additional copies of *Senior Living Business* for staff or board members at no extra charge. Call Karen Pujol at (800) 248-1668 or e-mail your request, including the relevant email address(es), to customerservice@levinassociates.com.

©2010 Irving Levin Associates, Inc. All rights reserved. Reproduction or quotation in whole or part without permission is forbidden.

This publication is not a complete analysis of every material fact regarding any company, industry or security. Opinions expressed are subject to change without notice. Statements of fact have been obtained from sources considered reliable, but no representation is made as to their completeness or accuracy. This Firm or persons associated with it may at any time be long or short on any securities mentioned in the publication and may from time to time sell or buy such securities. This Firm or one of its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this publication. POSTMASTER: Send address changes to *Senior Living Business*, 268-1/2 Main Avenue, Norwalk, CT 06851.

at about 200 seniors throughout southern New Jersey and is “very successful at that level,” according to Amey.

“The program allows us to serve a larger number of seniors without expanding the campus,” he added, “and that was our driving force. But very honestly, it has proven to be a very successful venture from a business standpoint. The liquidity that it generates is very impressive.” The program also served as a catalyst for Cadbury Senior Services to achieve brand recognition, winning several awards, and receiving a lot of inquiries with respect to setting up a similar program—which led to the formation of **Cadbury Consulting**, its for-profit affiliate that helps outside organizations develop their own at-home programs.

Becoming a member

Similar to a CCRC service agreement, Cadbury at Home offers various options, from a full life-care agreement with 100% of all at-home services included at no additional charge to a copay or fee-for-service agreement with lower membership and monthly fees. Discounts are offered when two people occupying the same household join at the same time. And to create a sense of community, even though they reside in their homes, all at-home members have total access to—and are encouraged to participate in—the campus activities at the nearby CCRC, Cadbury at Cherry Hill.

Pricing for at-home programs varies dramatically from market to market across the country and is very much impacted by the cost of service in the particular market. Cadbury based its pricing structure on extensive market research and actuarial pricing studies. “When developing our pricing, we looked at the average private-pay rates for assisted living and skilled nursing in our area, as well as for other providers of care in the home,” said Amey, “because we contract for those services in many cases.”

At Cadbury, the one-time membership fee averages about \$25,000. The younger the new member, the lower the membership fee. The monthly fee is a flat \$550 per month. The health of prospective members doesn’t vary the cost but does determine whether they’re accepted into the program. Some conditions or diagnoses, such as cognitive disorders, are automatically disqualifying.

“The selection criteria for our at-home members is much more stringent on the medical side than it is for our campus-based residents,” Amey explained. “Our care coordinators maintain a very close relationship with

members, but they reside in their own homes. Clearly, you must be very careful in the admissions process not to get caught in what we refer to as adverse selection. You need to have healthy, active members joining the at-home program. Once they're accepted into our program, though, and they outlive their means, our philosophy and concept is that they're on us."

Prior to joining, the prospective member's home must undergo an occupational therapy analysis; and sometimes, acceptance into the program is contingent of making certain modifications to the home. Further safety and functional inspections of the home occur every two years to ascertain any problems and make recommendations.

Once the person becomes a member, contact frequency is mutually agreed upon. In the case of younger and more active individuals, contact may involve only a quarterly telephone call—although members come to the CCRC to use the pool or the library or to attend activities. As the relationship matures and the member's needs increase, the contact could be daily.

"Our at-home members are facing the same anxieties associated with the economic morass that everyone else is facing," observed Amey. "The upside for them is they didn't have to sell a house to join our program or pay a huge entrance fee. Membership fees for an at-home program are much lower than the entrance fees for a campus-based CCRC. But it is disposable income, so they still have to realize that what they're purchasing is peace of mind and future security."

A business opportunity for providers

Cadbury's study back in the 1990s and its recent track record have confirmed that there are two different segments of the senior market. The penetration rate for campus-based CCRCs in any market falls in the general area of 5% of the age- and income-qualified senior population. That leaves up to 95% of the senior population who are looking for a different option. "That's the segment of the senior population that we try to attract with Cadbury at Home," said Amey.

It also appears to be very rare for people to switch from an at-home service to a CCRC. In the 12 years that Cadbury has had the at-home product, Amey said he can count on his two hands the number of members who have moved from the at-home program into the CCRC. "This

is not going to fill vacant independent living units," he advised. "And unless you do your selection very badly, it won't generate many admissions into your assisted living units, although it may generate some. Where you may see a crossover is on the nursing side, if you're a Medicare-certified facility (and we recommend that everyone is). When at-home members have a Med-A stay, they come to our nursing facility as a matter of choice."

When Cadbury Consulting helps clients set up similar programs, the development agreement covers the period from concept to break-even operations; then the program becomes the client's own business. Cadbury is compensated up to that break-even level of operations; after that, there is no further or ongoing financial commitment or responsibility between the two parties. "It's a typical development agreement," explained Amey. "The difference is we're not building a campus."

Cadbury was able to start its business in 1998 with a \$500,000 line of credit, but Amey estimates that startup costs now might be closer to \$750,000. And unless you're located in a state that does not permit release of entrance fees—in this case, membership fees—it's a very quick turnaround from a cash-flow standpoint. An average membership fee of \$30,000, for example, will generate \$300,000 with just 10 members.

The business may be set up as a separate company or as an operating department of the CCRC campus. Setting up a separate company may involve additional incorporating fees and legal fees, as well as offsite office space. All those decisions affect the cost. Cadbury chose to create a separate corporation, but many of its clients (typically small, single-site organizations) simply create a new department with different continuing care agreements. In many cases, they have space in their buildings to create an office or two. "But that \$750,000, and probably much less, should be enough to set up a separate corporation," Amey said. That amount also includes consulting fees related to developing and launching the program.

Alexian Brothers' "Live At Home" program

Alexian Brothers of Chattanooga designed its Live At Home program to provide an all-inclusive benefit package of quality long-term care services through the Alexian Brothers Health System. The program currently has about 230 members and offers four levels of service: wellness, intervention, assistance, and care. Members can also participate in the local PACE program, if they wish. Fees are based on age, starting as young as 55 years. And

the comprehensive benefit pays an amount up to 75% of the cost of being in a nursing home in order to keep the member at home or, if it's ever required, to cover the cost of a nursing home. The program will also pay the private-pay cost of participating in PACE, if elected by the member.

Connecting to a PACE program is advantageous to the at-home program provider, because PACE has an established infrastructure that includes physicians, transportation, and an extensive home-care team, according to Dan Gray, President of **Continuum Development Services**. Gray was instrumental in setting up the Alexian program in Tennessee and now helps other providers set up similar programs. "Having PACE in the same service area helps you build an infrastructure while significantly lowering costs," he said. "You don't need as many staff positions, for example, because PACE has them. And you don't have to buy a lot of extra vans, because PACE vans are already serving the community."

Comprehensive continuum of services

"Building a comprehensive continuum of services creates a one-stop shop for seniors and allows providers to reach 100% of the market," said Gray. "There's a consistent fear among CCRC operators that a broader strategy will cannibalize their market—but at-home programs actually complement it. By creating a relationship with several hundred seniors who live at home, the provider can market other services, such as its transitional care unit, that the at-home member may need in the future."

Many CCRCs are broadening into home-care services but are not building this type of comprehensive program. Some have created their own fee-for-service home-health businesses, others have partnered or affiliated with home-health providers that may or may not be Medicare-certified, and still others buy a home-care service or develop one and franchise the model to other CCRCs. Many of those operations have a huge presence in their respective locations, generating many thousands of visits per year.

But the fee-for-service approach is less comprehensive than, say, the Alexian Brothers or Cadbury models. That said, Alexian Brothers in Chattanooga also delivers at-home services on a fee-for-service basis—a critical element of marketing to a couple, where one may and the other may not be eligible for the program. The ineligible spouse pays separately for access to adult day care, home care, etc.

Gray feels strongly, however, that programs such as Alexian's in Chattanooga need to double in size (to about 500 members) in the next five years in order to ensure

long-term success. If they don't get to that level when the majority of current contract holders will have been in the program for 15 years, and unless a number of new members come in who are at much earlier stages in terms of their needs, the organizations will have a hard time covering the service costs.

Integrating an at-home program into a full continuum of care is Gray's recommendation. "An at-home program should be in the quiver of products that providers offer," he said, "but it's more important that they broaden their market so they're not linked solely to the CCRC model, a product that is difficult to maintain—particularly in a downturned housing market. The smart provider will get involved in the at-home market—a model that I believe will be very successful for the next generation of seniors and a very good strategy for addressing the needs of all those seniors who want to remain in their own homes." □