

MDS Moore Diversified Services, Inc.

*Serving Senior Living Clients For Over 37 Years
There Is No Substitute For Experience*

“You’ve Got Questions . . . We’ve Got Answers”

April, 2009

SUCCESSFULLY ADDRESSING AGING IN PLACE

*Striking a Delicate Balance Between The Desires
of Seniors and Long-Run Operator Viability*

Last month’s newsletter dealt with providing increased assistance to independent living residents. If your long-term prospects seem gloomy after trying to answer the questions in that newsletter, consider adding a *separate, yet integrated* assistance in living *neighborhood* within your independent living community. With less personal living area and more services compared to the typical independent living community, an assisted living section is frequently the most cost-effective way to deliver optimum service to your residents for a reasonably affordable price. This can be accomplished through a purpose-built new design or by converting existing space.

Consider the *Separate, Yet Integrated* Neighborhood Concept

Does *separate, yet integrated*, seem like an oxymoron? Can the concept really be seamless? Consider this brief overview:

1. Create two separate residential *neighborhoods* (independent living and assisted living) connected and integrated under the same roof.
2. Use common core areas, such as the commercial kitchen, laundry, maintenance, etc. to deliver services to both areas.
3. Provide *separate* satellite dining rooms for each living type, supported by the common commercial kitchen. (Many hotels with multiple restaurants use this system.)
4. Offer properly sized and separate public spaces (such as lounges) for each living type.

This purpose-built approach is what designers use today for a new community that plans to offer both independent and assisted living. But what about converting an older property? An independent living-to-assisted living conversion might look like this: One or two independent

floors (or wings) become designated as assisted living. Small satellite dining rooms are created within the space converted to assisted living. Food from the main kitchen is delivered to a satellite warming kitchen where food is plated for assisted living residents.

This conversion will likely require gutting several revenue-producing independent living units to create appropriate staff space and satellite dining accommodations. You might also consider creating a special Alzheimer's/dementia carve-out wing – providing a secure courtyard if the conversion is on the ground floor. Make sure you comply with existing building codes and licensing requirements.

Before deciding which strategy is right for you, ask yourself three key planning questions:

1. **What is the least costly way to help residents with growing ADL needs?** For the most realistic response, make a detailed cost comparison. Compare the cost of providing a dedicated assisted living area versus providing ADL assistance to randomly distributed independent living units. Consider the impact on cost and your resident profile – both now as well as five, seven, and 10 years from now. Remember, the most attractive *short-run* option may not always be the best *long-run* strategy. Look at several scenarios, such as providing ADLs for 10 percent of independent living residents now, versus the likelihood of the need growing to over 50 percent in several years.
2. **How will three very important senior consumer groups and their adult children feel about the strategy you're planning to adopt?** These three groups include:
 - Existing independent living residents who need assistance with ADLs
 - Residents who are still relatively healthy
 - Potential new residents

The obvious challenge is finding a service delivery system that will satisfy the first group without driving away the other two.

3. **Will your independent living residents be willing to move to the appropriate purpose-built assisted living arrangement at the appropriate time?** Despite the best of intentions, a multi-level, full-service senior living community can experience mediocre performance because of resident non-compliance. To help ensure that residents are willing to move when the time comes, you must develop very specific independent living resident admission and discharge policies. These policies must be enforced tactfully, yet consistently. The policies should describe specifically what services and care can be provided in each living arrangement. These policies must strike a delicate balance between internal objectives, state regulations and Fair Housing criteria.

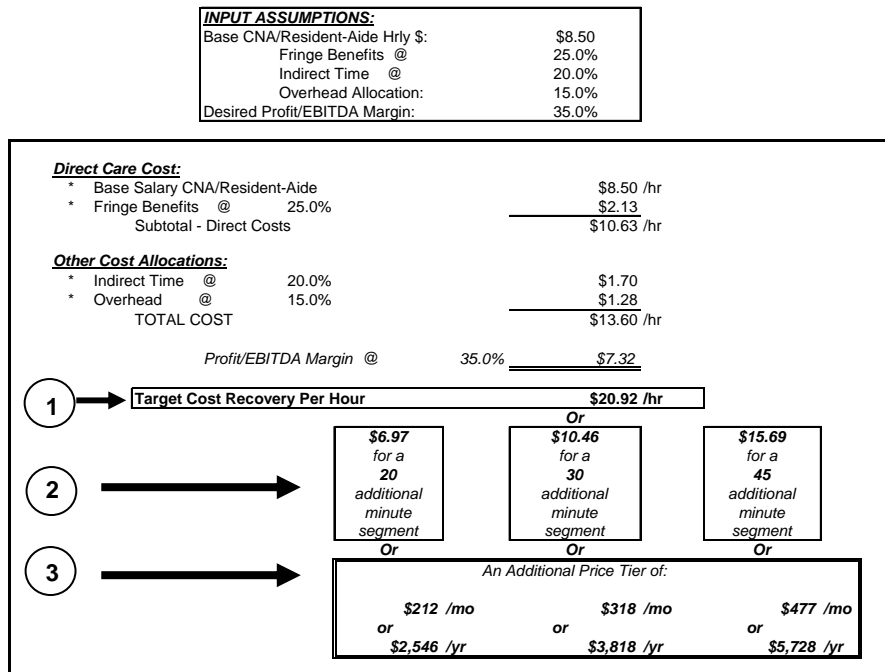
Pricing Strategy for Providing Assistance In Living (AIL)

If you plan to charge an extra fee for AIL – added to your independent living monthly service fee – it should be driven by the *loaded cost of your direct care staff*. Figure 1 provides a pragmatic approach to determining the right pricing model.

Moving your independent living residents through the continuum will continue to present significant challenges. Figure 2 provides seven key strategies to consider when dealing with the aging-in-place challenge. Remember to always let two initiatives guide your decisions: The Fair Housing Act and the Americans With Disabilities Act (ADA).

Senior housing sponsors are obligated to provide appropriate, cost-effective assistance with ADLs for their residents. Besides the satisfaction of knowing you're doing the right thing, there could be other significant payoffs for those who effectively manage this challenge. For instance, communities that offer either full or modified life care contracts could lower their health care benefit costs. This is because you can, when clinically appropriate, substitute formal assisted living or temporary assistance-in-living services in place of higher-cost nursing home admissions. Use the implied strategies and tactics of Figures 1 and 2 to develop your resident aging-in-place position. Do it now . . . not later!

**FIGURE 1
ARE YOU RECOVERING THE FULL COST
OF DELIVERING ASSISTANCE IN LIVING?**



Are you recovering the cost of your AIL services being delivered into independent living?
It's a three step process as indicated above:

- 1** Determine the *loaded* hourly rate of your direct care staff.
- 2** Base your charges on the actual direct care time used by each resident.
- 3** Develop monthly pricing tiers accordingly.

You should also reconcile the actual *number* of FTEs it takes to deliver the care in order to ensure complete cost recovery. Refer to *Assisted Living Strategies for Changing Markets* for more details (www.m-d-s.com).

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**FIGURE 2
THE TOP SEVEN STRATEGIES FOR
DEALING WITH AGING IN PLACE**

These seven strategies are *imperative* when dealing with the aging-in-place issue:

1. Deal with the problem *now*, because it will surely intensify, rather than diminish, with time.
2. Resist simplistic “politically correct” approaches that accommodate individual independent living residents in the short-run, but create extensive community problems in the long-run.
3. Clearly define the circumstances under which a resident must move to another living arrangement in the residency agreement. Use negotiated risk contracts where appropriate.
4. Clearly communicate policies, procedures, and admission criteria to new residents and their families.
5. Get your resident council involved in the policy-making process. This helps your residents feel they are part of a positive solution.
6. Closely monitor each resident’s health status on a continuing basis.
7. If you operate an older community, consider developing a second-generation, new independent living section or building that will replace the existing one as aging residents gradually (and inevitably) convert the initial community into a “naturally occurring assisted living community.”

Whichever route you follow, you must adopt certain strategies now in order to effectively plan for the future.

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