MORE REASONS TO STAY

INCREASING SERVICES SUCH AS MEDICATION MANAGEMENT AND EXTRA ASSISTANCE WITH ADLs LEADS ASSISTED LIVING PROVIDERS INTO UNCHARTED TERRITORY.

LISA GELHAUS

S tella Henry has seen some changes in long term care during her 22 years of overseeing Vista Del Sol, a facility located in Calver City, Calif., in Los Angeles County. In 1982, when she and her husband, Terry, opened an assisted living wing in their skilled nursing facility (SNF), the skilled nursing portion bore a long waiting list of potential patients, while barely anyone understood the concept of assisted living.

Nearly two decades later, Henry says, there's been a dramatic switch. The waiting list is for the facility's assisted living units, and it's the SNF that has the empty beds.

The role reversal indicates that assisted living has become mainstream, Henry contends.

Residents Seek To Stay
Along with achieving mainstream status, assisted living is increasingly catering to consumers who want to remain as long as possible, providers say. This desire to "age in place" means facilities must be prepared to provide more help and services, as the residents' conditions require higher levels of care.
ASSISTED LIVING ON THE REBOUND

Henry3s research firm Legg Mason Wood Walker, Baltimore, says that assisted living and all other seniors' health care services have begun to emerge from the depths of financial despair into phases of moderate growth.

No longer in its infancy, "the assisted living industry is in the process of shifting from a young, rapid-growth phase to an adolescence phase. It is a chaotic time" with bankruptcies, foreclosures, and consolidation, Legg Mason reported in May. "We foresee an assisted living market emerging over the next 15 to 36 months with fewer and more refined products and services."

Once the jewel in investors' crowns, assisted living became flush with enough capital to fuel the faster period of new construction in its profession's history in the mid- to late-1990s, according to Legg Mason. But that growth was not due to an equal and abundant demand from consumers; new facilities stood emptier than expected, the group reported.

Legg Mason said that the total market capitalization of the publicly traded assisted living sector was $755.2 million in 2000, far lower than the market's capitalization peak of $3.3 billion in 1998. The decline resulted from a perceived risk of federal regulation, slower fill rates, and concerns about off-balance-sheet accounting structures and earnings quality, the report said.

The smaller pools of capital left assisted living businesses scrambling to find funds to cover debt, CareMatrix, Needham, Mass., and Grand Court/Lifestyles, St. Rafaet, Fla., fled for bankruptcy. Assisted living's largest provider, Milwaukee-based Alitura Healthcare Corp., along with Balanced Care Corp., Mednashapeter, Fla.; Emeritus Corp. in Seattle; and Regent Assisted Living in Portland, Ore., are reworking debt and lease agreements, according to company statements.

Sunrise Assisted Living, McLean, Va., continues to be profitable.

"Sunrise extended more discipline than its peers in developing new facilities. Owning only on major metropolitan areas, carefully selecting sites in high-barrier-to-entry markets, building a single well designed prototype adapted to local site and architectural needs, and making sure its service infrastructure kept pace with its building program to assure high-quality care," the Legg Mason report said. "Beyond sunrise we believe the assisted living sector will offer interesting private and eventually public investment opportunities later in 2001 and in 2002. As restructurings are completed and the brighter supply-demand picture begins to improve, operating fundamentals more broadly across the industry.

Legg Mason concluded that the net demand for new assisted living beds for the next future is less than 23,000 annually.

Positive Signs

Some positive indicators of the incipient health of the assisted living marketplace can be seen in the American Seniors Housing Association's (ASHA) 2000 "State of Seniors Housing Report."

Per unit median revenues have been steadily climbing since 1995, according to ASHA's annual reports. The 1995 report showed the median assisted living unit generated $119,456 in annually revenue. In 1996 the annual revenue per unit was $22,625; in 1997, $23,386; in 1998, $29,575; and in 1999, $24,591.

20 Provision August 2001
EdenCare, Apha beta, Ga., agrees that programmatic changes have become both necessary and expected by consumers.

"Assisted living is broadening its scope and variety in ways that providers deliver service," the says.

EdenCare differs itself from two business platforms: the traditional assisted living hospitality model and a medical model that attracts residents on the higher-acuity levels that once were served solely by SNFs, she says.

"While we positioned ourselves as going after higher acuity, such as taking in hospice residents, the reality is that a high-acuity level is everywhere," Longley says. "It's as much being driven by the provider as it is by the consumer."

Longley, who's worked in long term care for the past 20 years, says she's noticed that residents entering assisted living facilities now have waited until they were older and had a physical ailment.

EdenCare is even seeing an older population in its independent living sector, says Longley, noting that the average age of EdenCare's independent residents is 83 years old.

Research Documents Strain in Assisted Living Resident Population

Studies support providers' anecdotes regarding consumer demands to age in place, revealing that today's assisted living resident populations are somewhat feistier than when the concept was first introduced in the 1980s. Research also indicates that more assisted living facilities are offering medication management and that residents themselves are requesting more medication.

In addition, assisted living facilities are creating special care units for the rising number of seniors diagnosed with early- and mid-stage Alzheimer's disease, individuals who eventually experience the same disease progression and physical decline as other aging residents.

According to National Center for Assisted Living (NCAL) 2000 survey data published in "Facts and Trends: The Assisted Living Sourcebook 2001," the trend nationwide seems to be toward accommodating higher acuity residents. According to NCAL's survey, the average assisted living resident needed help with 2.3 activities of daily living (ADLs) in 2000, up from 1.7 ADLs in the 1998 survey. The latest NCAL survey, which compiled data from 1,252 assisted living providers in 44 states, also revealed a large increase in the number of residents needing help with four or five ADLs: 27 percent, compared with 14 percent in 1998.

The number of residents with Alzheimer's disease and other forms of dementia is also creeping upward, according to NCAL research. In the 2000 survey, 23 percent of residents said Alzheimer's disease, up five percentage points from 1998. Another 20 percent had other mild forms of dementia, up from 19 percent in 1998 (see chart, page 27).

Greater Need For Medication Management

The most dramatically increased service in assisted living was medication management, the NCAL survey found. This service was being offered by 90 percent of the responding facilities in 2000, an increase of 16 percentage points since 1998. Medication distribution to residents rose from 74 percent in 1998 to 95 percent in 2000, the survey found. Medication reminders and guidance rose 26 points, from 61% to 87%.
2001. The study, which was somewhat limited in scope, revealed that an average assisted living resident routinely used almost as many prescription medications as a SNF co-resident. The mean number of routine medications per assisted living resident was 6.2, just slightly lower than the 6.7 mean number of medications for SNF patients documented in a separate ACOs study published in November 2000.

Almost 25 percent of the 669 residents living in 109 different residences received 10 or more medications, the assisted living study showed, while the nursing facility study documented 77 percent of patients received nine or more medications.

Forty percent of the medications prescribed for assisted living residents were for cardiovascular and central nervous system medications, drugs that require frequent oversight from a pharmacist, the study concluded.

**Acuity Levels Arouse Public Interest**

While providers say they are increasing care services they are responding to consumer desires, the profession has come under fire from a recent spate of unfavorable press. In addition, some members on the Senate Aging Committee said in a hearing that assisted living consumers need more protection.

Although examining assisted living and its alleged lapses in care have appeared in The Wall Street Journal, The Washington Post, and U.S. News and World Report. These articles seemed to cast a black cloud over the profession's ability to effectively care for its clients. At a special Senate Aging Committee hearing this spring, consumer advocates joined Democratic senators in citing the lapses in care reported by the media as proof that a standard of care was needed. Sen. Ron Wyden (D-Ore.), called for the development of a model statute that states could adopt. The statute would establish a standard definition of assisted living, provide more government oversight and require accountability of projects using funds under Medicaid waiver programs, which make available federal match dollars in conjunction with state funding.

**Occupancy Turnover Rates**

According to the 2000 version of the "State of Seniors Housing Report," assisted living residences have a median occupancy of 90 percent but lose almost 60 percent of their residents over one year. The annual report, published by the American Seniors Housing Association (ASHA), Washington, D.C., compares financial data of congregate and independent living, assisted living, and skilled nursing centers.

While assisted living occupancy levels seem to be within profit-sharing range, turnover and vacancy levels seem to influence a center's occupancy rate.

The study revealed that assisted living residences that reported a greater percentage of higher-acuity residents experienced a 54 percent turnover rate compared with the 60 percent turnover experienced by assisted living centers with residents classified as low-to-moderate-acuity.

But the study's authors believe sure why lower turnover rates show up in residences with higher-acuity residents. "This finding reflects a trend seen in previous State of Seniors Housing Reports" and may be the result of greater survey participation by assisted living residences with a greater ability to care for more residents with higher-acuity needs," the authors wrote. "This trend may also be seen in the higher length of stay in months for assisted living residences in 2005 or 2006 than in previous reports."

Julie Piper-Finstey, a spokeswoman for Regent Assisted Living in Portland, Ore., estimates the average Regent resident stays 18 to 20 months, although she sees wide variations among facilities, depending upon state regulations and how long assisted living has had a presence in a region. Unlike in other states, facilities in Washington and Oregon often see residents remain for seven to nine years.

Piper-Finstey says both states allow facilities to admit trailer residents. Piper-Finstey estimates the average stay is the Pacific Northwest is roughly five years, about the time history of assisted living in the region.

It seems that one of the essential principles in assisted living—the residents' right to choose—may be putting the profession under closer scrutiny, experts say.

"There's a real issue of the consumer's right to exercise choice and independence versus the responsibility and pressure that providers feel to manage their clients' aging process," says Curtis Brenlin, a principal of Brenlin Associates, a health care consulting firm in Branford, Conn.

"It is that tug between consumers and providers that has regulators looking over providers' shoulders."

**Cost Containment, Case Management**

Brenlin does not believe that federal regulation is necessary for assisted living.

Instead, to manage the cost and quality of expanded services, he says, providers need to consider implementing care coordination and restricting residents' choice of how pharmacy and physician services are delivered.

While Brenlin acknowledges that these interventions on the resident's right to choose and may be unpopular with providers, he says that without checking on the increasingly expensive medical services. Assisted living providers may find themselves competing with SNFs.

"When assisted living facility rates begin reaching into the $5,000 to $7,000-a-month price range, it begins to edge into the skilled nursing market. At that point, consumers will begin making com-
The state's effort to help residents with Alzheimer's and other dementias is a critical part of a provider's family relations program. The provider's role in it to support the residents through the aging process with as much independence and choice as possible, while helping family members understand and cope with every resident's eventual decline or death.

ACAL is promoting ethical marketing in order to reinforce the message that providers must be clear and consistent and not overstate how the facility is going to deliver services.

Determining Appropriate Acuity Levels
Providers say their current resident populations, while requiring more care, do not typically reach the acuity levels of SNF patients—a contention confirmed by independent studies. And in those instances when a resident's care level exceeds the scope of the assisted living program, providers are calling with residents and their physicians and family members to help in the transition into skilled nursing care.

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Educating Consumers On Limits
While staying apprized of residents' health and promoting wellness programs is important, providers must be close on when additional services are needed and when the assisted living setting is no longer appropriate for individual residents.

Providers must educate residents and their families on the limits of assisted living care and the assessment of additional fees when new services become necessary, Brelin says. To temper residents' expectations that they will be able to age in place, Brelin tips providers to reassure aging or decline is a critical part of a provider's family relations program. The provider's role in it to support the residents through the aging process with as much independence and choice as possible, while helping family members understand and cope with every resident's eventual decline or death. ACAL is promoting ethical marketing in order to reinforce the message that providers must be clear and consistent and not overstate how the facility is going to deliver services.

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<th>Percent of Residents with Alzheimer's and Other Dementia</th>
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<td>Percentage of Residents</td>
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Not exceed the scope of the assisted living program, providers are calling with residents and their physicians and family members to help in the transition into skilled nursing care. In most states, the licensure sets limits on what we can and cannot do in terms of additional services," says Delene.
After the Austin Center Became Licensed to Help Residents Manage Their Diabetes, People Began Flocking to the Facility.

Schwartz, vice president of sales and marketing for Encore Senior Living in Portland, Ore. And when a resident’s care needs exceed the service levels offered, whether the resident or the facility prefers, providers agree.

“Most often, if we cannot provide the care, the resident is transferred to either a hospital or an SNF,” Schwartz says. “It’s not necessarily profitable to serve someone who is very ill and may exceed what our parameters of care were,” says Regent’s Pippen-Finkey. “We look at this on a case-by-case basis. We work with the family and the resident.”

Providers have their own systems for assessing when it is time for a resident to leave assisted living and enter skilled nursing care. Prior to admitting a resident and during the resident’s stay, many providers assess the individual’s needs further. Regent, for example, assesses residents quarterly using the company’s own service-level indicator. EdenCare uses a set of guidelines and protocols for certain diseases. Schwartz says Encore’s assessment is based on its scoring system that analyzes the cognitive and physical needs of a resident. Depending upon the score of the assessment, the resident is placed on one of Encore’s three levels of care.

“If a resident exceeds our service level, or someone, different unit, is at the top of our scale, we do not admit them,” Pippen-Finkey says. “If someone is attending with us and we can accommodate them by helping them to find another residence or helping setup other services, we will accommodate them, but we have our parameters on who can and cannot stay.”

Marketing Strategies

Some critics are skeptical of the assessment process, claiming that many assisted living providers offer additional services to inform residents in order to keep units filled during a time when the market is saturated.

Not so, says Jerry Doctrow, a principal with Baltimore financial investment firm Leg Mason Wood Walker. While generally agreeing that assisted living is overbuilt, he says, “You can’t talk about over-capacity on a national level. Occupancy in assisted living is very much a local-market business. In some markets there may not be enough units. And in smaller markets, there may be 26 assisted living providers in a market that can only support five.”

Rather than seeking to keep “infirm residents,” Doctrow says assisted living companies are using a variety of strategies to attract profitable occupancy rates. These include locating the residence in an urban market with dense population, choosing a high-drive-by location within the urban market, and competitively pricing services that meet the community’s needs, he says. For example, EdenCare has facilities in several urban markets: Atlanta, Charlotte, N.C.; Louisville, Ky.; and Houston and Dallas-Ft. Worth, Texas. These markets’ occupancy ranges from at least a half million to nearly 1 million people 75 years and older, according to EdenCare’s sales materials, which cites the 2009 Census. The Census data also show that people in the income age group of 45 to 65 range between almost 2 million and nearly 4 million, the sales material says.

Selecting a highly populated city must be accompanied by building in a highly visible location, Doctrow says. EdenCare chooses properties near hospitals or medical centers, while Sunrise Assisted Living, McLean, Va., locates facilities along heavily trafficked roads or intersections.

In addition to finding a favorable location, providing niche services helps assist living facilities compete with other residences, providers say. Regent Assisted Living’s Austin, Texas, facility is one example. After the Austin center became licensed to help residents manage their diabetes, people began flocking to the facility, Pippen-Finkey says. The facility is now marketing diabetes management to potential clients.

Sunrise Assisted Living, as the other hand, is successful due to the high level of marketing dollars it targets toward new facilities prior to their opening, Doctrow says. By the time they open, new Sunrise facilities have attracted a 40 percent occupancy rate, which is higher than that of its publicly owned competitors, Doctrow says.

Customer demand, public scrutiny, government oversight, and the pressure of being profitable will continue to mold assisted living, experts say.

“Think we’re beginning to see the ushering out of the Depression era resident and the beginning of the baby boomers,” Longey says.

Stella Henry, a baby boomer herself, predicts for generation will demand more amenities and the long-care movement continues. As boomers move into assisted living facilities, Henry says, “our goal will be to make (only) one move. We’re going to say, ‘Don’t move me from wing to wing; change the licensing rules.’”

For More Information

To obtain NCAI’s 2001 “Features and Trends,” call (800) 321-0004 and request catalog. No. 6230. The cost is $30.95 for NCAI members and $60.95 for nonmembers.

To obtain NCAI’s “The Power of Ethical Marketing” brochure, contact Shelly Suh at (202) 896-2848. The brochure can also be downloaded from NCAI’s members only Web site at www.ncai.org.

To obtain the 2000 edition of the “State of Seniors Housing Report,” call (202) 237-0000. Copies are free to ASHS members and are available to nonmembers for $15.