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Senior Living Business *i*nteractive

Financial News, Growth Strategies, and Best Practices for Providers and Suppliers

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Own The Future:
Key Strategies For Success During Economic Recovery

It's a whole new world. Economic recovery may be fragile, but it is happening. Plus, seniors in coming years—and there will be a lot of them—will have new/different ideas about how they want to live and what they expect from a retirement community. Senior living providers must position their organizations to survive and compete in this challenging new environment; but instilling a new approach, whether physical or cultural, doesn't happen overnight. Providers must listen to seniors—and listen hard—if they expect to meet the coming generation's expectations.

So what do seniors want from providers? Mostly, they want to maintain their independence. They also want to see a focus on wellness, on healthy aging, on green initiatives, on lifelong learning, on giving back to the community. Just a few years ago, the marketing emphasis for senior living was more lifestyle-driven, with ads showing older people having a wonderful time in their new environment. Today, the emphasis is on security—physical security, the security of knowing that health care will be available, and the security of understanding the cost of that care.

Given these changing—and emerging—marketplace demands, then, what are providers doing to move forward? And on the design side, what fundamental changes are taking place—and need to take place—as we navigate economic recovery? Sitting on the sidelines while the economy shakes out may make sense to some, but a case for growing can be made, even now, across the continuum, according to Brian Schiff, Senior Vice President of Planning and Financial Services at **Greystone Communities, Inc.** in Irving Texas. And for Greystone's clients, four specific areas of change have been driving them to take action despite the economy:

1. *Compelling demographics.* By 2050, one of every five people will be age 65 or older. But from 2010 on, we'll see not just growth but an *acceleration* of growth in the population age 65-plus and, more importantly, age 85-plus. Even more significantly, the top third of the market will grow by 25% (from 4.2 million to 5.4 million) by 2020 and another 33% in the following 10 years. *(See charts, p. 4.)* The cumulative effect is an increase of 3.5 million more age- and income-qualified people that the senior housing market will need to service by 2035. Using the historical 5-10% market penetration rate for this sector, the steep growth curve suggests that the market will require more than 350,000 additional independent living units over the next 20-25 years.

2. *Customer demands.* Meeting the changing demands of new seniors in terms of what they want, what they need, and how they'll go about the process while trying to offer the current

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Best Practices Q&A:
Gary P. Koerner and Rockland (Rocky) Berg, principals at *three: living architecture*SM

In 1983, Gary Koerner founded ***three: living architecture****, an architectural and design firm located in Dallas, Texas, on the principle of developing distinctive properties—primarily high-end boutique hotel projects—while creating lasting relationships. His emphasis on defining design around guest expectations became a touchstone for five-star hospitality venues that has since spread throughout the industry. About 15 years ago, Koerner teamed up with Rocky Berg to provide a new paradigm for "active aging" housing and health care. Berg's extensive senior living experience, blended with Koerner's breakthrough hospitality design, gave birth to what they believe is the next major innovation in design for an aging population. We spoke with both Koerner and Berg to find out more about their approach—design that lifts the human spirit—and how the hospitality experience translates to senior living.*

• What motivated your new design approach? Over the years, senior living has moved from an institutional model to residential environments that reflect how people actually live. Now providers must focus on *attracting* seniors rather than just waiting until a life-changing event causes them to move in. Generally defined, our new design approach is about creating an environment that current residents (the Silent Generation) value but, at the same time, is targeted to the next generation (the Baby Boomers). And while both generations are value-conscious, they perceive value differently. Baby Boomers will pay for something extra if they perceive it is valuable; the older generation perceives value as not having to pay the extra money.

• How does the experience of the hospitality industry translate to senior living? High-end hospitality methodology is all about meeting people's expectations by providing experiences in an environment that people actually enjoy, whether that's the rooms, public spaces, restaurants, or amenities. About 20 years ago, it became evident that travelers were looking for a different experience from what, say, their parents expected when they traveled. Younger guests expected hotels and resorts to offer more comfortable environments. As new hotels reflecting these expectations came on board, the industry experienced a paradigm shift. We believe that will happen to senior living, too.

• What design changes do you foresee? Today's model suits an older age group and is event-based—people move in when something happens to a spouse or they become frail. But providers must also focus on the next generation's totally different desires and expectations. Many of today's facilities will become obsolete, because the Baby Boomers simply won't be attracted and won't move in. The idea, therefore, is to attract a lower age clientele by being competitive on a design basis, just as the hospitality industry had to do. Baby Boomers are used to the family room concept, for example, and will be attracted by a more open design, along with a better bathroom and bigger closets. A connection to the outdoors—from physical, visual, and usage standpoints—also appeals to them. Our designs intentionally incorporate spaces with varying atmospheres. Some are small and meditative. Others are mainly for social interaction. Still others are places just to sit and relax—a duck pond, for example. We believe the outdoor spaces are as critical to the design as the interior spaces.

But providers don't have to make expensive or wholesale changes. Slight changes— replacing an old bathroom vanity or mirror or upgrading the lighting to something more modern and attractive—can be hugely impactful if those changes make the space feel larger or better. Larger communities are beginning to recognize what boutique properties have always known, which is to make things very personal and intimate.

• Does your design approach require larger units? While existing communities do have some design constraints, there are ways to incorporate this new concept without changing the size of the units. Providers simply need to think differently about the use of the space. In high-end hotel rooms, for example, flat-screen TVs are replacing the huge armoires that used to store the big TV. As a result, the room feels bigger. As senior living providers upgrade their units, they might consider installing a flat-screen TV on the wall, as well. Psychologically, the room will appear bigger and, therefore, more appealing to a younger market.

Baths and kitchens also can be designed differently. Bathrooms, which typically are small and buried on an inside wall, might be enhanced with a double lavatory and moved to an outer wall to accommodate a window or even a door that opens to a small outdoor space—creating a spa-type experience or sanctuary. Kitchens are often small spaces near the front door. Moving the kitchen near a window, getting rid of the walls, and adding a "floating" work surface with a sink will create a larger contiguous living space, a more open design, and a more social setting—and provide more light.

• How can this approach affect health-care services? Here's a typical example: Many existing nursing facilities were built with a command center for the nursing staff—a big reception desk where five or six nurses could do their paperwork and look up and down the hall. In today's setting, we have replaced that command center with four or five little closets—mini-workstations—scattered throughout the floor or building. That decentralization alone creates a more residential environment and bridges the gap between "them" and "us."

• Is "green" an important component of what the next generation will expect? It is. Promoting sustainability and "green" actually began with the kids of current residents, so they "get it" more than their parents—who, even though they may not "get it," will go along with it. Providers understand the practical benefits of energy conservation on their overall operation, which is where the real cost savings are, so that is an integral part of our thought process when we're designing regardless of whether it's labeled "green" or "LEED." In fact, most of our clients have not taken on the prospect of becoming LEED-certified unless required to do so by the jurisdiction in which they're located (such as in Fort Lauderdale). Becoming LEED-certified requires a lot of paperwork, costs a lot of money, and is an ongoing (not just a one-time) process. That said, our clients do measure themselves against LEED qualifications and ask us to "qualify" our design so that they can announce to the marketplace that their project was designed in a responsible way. We help brand that for them and put that message together from both a cultural perspective and for marketing purposes.

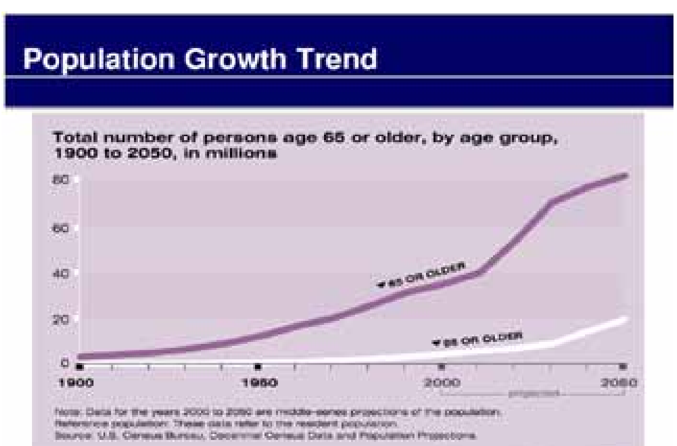
• Is there a downside to this new approach? The downside of this overall approach is that it's very contextual. Tailoring a community to meet the needs and expectations of the clientele that is coming down the road, while enhancing (rather than just meeting) the needs and expectations of current residents, will be different in West Palm Beach than in Tyler, Texas. The major pitfall, though, is a limited mindset on the development side—convincing a board with a "we've always done it this way" attitude to see the need for change. But this is a transformative process—a slow treading up the mountain rather than a quick sprint—and some clients will move faster than others. So we must be mindful of the need to design for existing residents and for those on the doorstep today but also to look forward and promote design concepts that will bridge the gap and appeal to coming generations. ❏

Own the future, *continued from page 1...*

product to new, younger customers will be a real challenge. Across the continuum, product demand is influenced in a number of ways, but the propensity to choose is often based on the market's education about and understanding of the product. Certainly, facilities that have been in place for a long period of time (e.g., in Pennsylvania) have a higher market penetration rate than in areas, where the product is relatively unknown (e.g., in Texas).

3. New products. New products on the market change the paradigms in terms of what seniors might expect to have in a senior living facility. Seniors are also living longer and living healthier. So while the average move-in age may be moving up, the average health level on the independent living side is actually stronger than it might have been 10 years ago. The flipside, of course, is skilled nursing, where the patients coming in today are more fragile, their needs are more acute, and their stays are shorter than the long-term (three or four years) nursing home patient that was common in the past. In the middle, providers continue to segment assisted living—initially, segmenting memory support care out of the residential assisted living environment. Further segmentation across different diagnoses, as well as moving toward a more medical model within assisted living, can be expected for assisted living, as well.

With respect to the obsolescence of the older CCRC product—and not just the physical plant—programming hasn't always kept up with expectations. Today's seniors aren't necessarily looking for an all-inclusive program; rather, they want something akin to "self-directed" care. They want more control. They want to pick and choose the types of things they want rather than having the provider tell them what they're going to have, when they're going to have it, and how they'll move through the continuum.



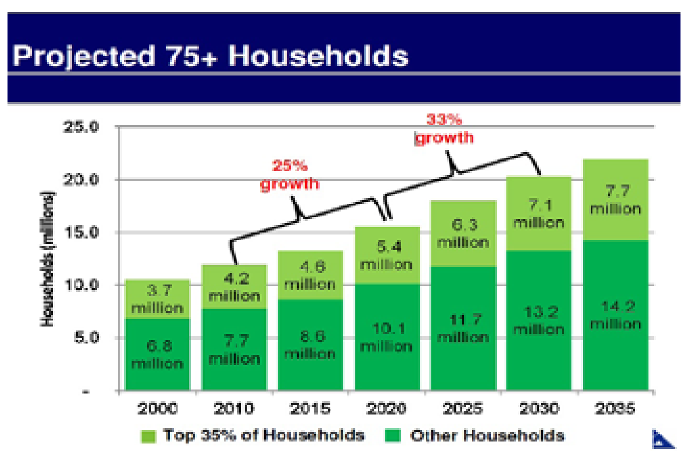
4. Plant upgrades. Much of the product currently available was planned, designed, and built for a very different consumer from the one we see today. According to **ASHA**'s *The State of Seniors Housing 2011*, more than a third (38%) of senior care facilities were opened prior to 1986; another third are 10 to 25 years old. In the past, the lifecycle of a nursing, assisted living, or independent living facility was about a generation, more or less. Today, that lifecycle is more like 10 or 12 years. The CCRC is a wonderful platform; but the median CCRC today is 20 years old, and many of those facilities are out of date. The median standalone independent or assisted living facility, however, is 10 years old; interestingly, those two sectors are experiencing more growth.

Recovery's impact on senior living

As the economy improves—and how quickly that is happening—is certainly debatable, Troy Hart, President of **SantaFe Senior Living** in Gainesville, Florida, expects for-profit investors will look to exploit growth opportunities more aggressively in all senior living markets. The dearth of development activity in the last few years, combined with the staggering number of seniors that are coming into the marketplace, will likely draw a lot of attention and a lot of investment.

With that in mind, both for-profit and not-for-profit operators should start making plans now to get ahead of that curve. "The challenge I see, at least from our experience, is the ability to access capital," he said. "Once that dragon is slain, I really think—at least for us—the sky's the limit."

With seniors still a bit skittish about entering the market, providers must find new ways to draw in those prospects. SantaFe has found new opportunities to extend its market by offering additional health-care services—e.g., a physicians' clinic in partnership with a local hospital, expanded therapy services, and concierge-style health



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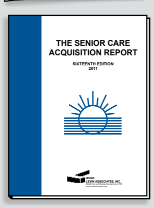

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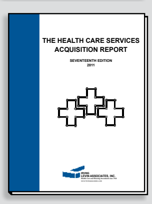

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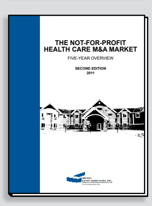

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services. While not unusual for skilled nursing to offer these services, SantaFe is offering them in an independent living environment. "That approach has real legs in the marketplace," Hart said, "so I expect we'll see this happening more as time goes forward."

Lagging development activity

The economic situation has also caused boards of directors to become a bit skittish—"frozen," in many cases—in terms of development activity, whether green field development, renovations, expansions, or repositionings. Further, boards

Moving Forward: Methodist Retirement Communities, The Woodlands, Texas

Methodist Retirement Communities (MRC) is one of many organizations that have continued to make strides despite the economic woes, an adverse financial situation, and (for MRC) bombardment by Hurricane Ike in 2008.

MRC had a traditionally heavy focus on skilled nursing and affordable housing, with only 24% residential and 10% assisted living, including memory support units, in its system. Operationally, two communities were losing $30,000 a month when Ron Jennette came on board in April 2008, effectively depleting almost $19 million from MRC's foundation. "We were cash poor," he said, "and not just as a system. Every individual location was cash poor. Only $1 million in unrestricted funds were available."

Further, the parent corporation was spending far beyond its means and passing on charges to its affiliates well in excess of the indicated management fee. That upset the executive directors at each location and also made local board members very suspicious. Buildings at three communities were very old (1950s and 1960s) and had not been upgraded at all. And MRC's five owned and one managed HUD properties hadn't sought rate increases, a situation that also drained financial resources.

Jennette, along with MRC's board, set a new path and a new vision toward, essentially, providing a full continuum of services. By creating a better balance within its system and within each location, they foresaw a more sustainable future for MRC going forward. A new CFO helped to streamline the finances and dramatically reduce expenses—by as much as 60% in the corporate office alone. One of the two "losing" facilities was closed; the other was leased to a third party, which is paying down debt and providing much-needed renovations.

A critical culture change initiative resulted in the corporate parent becoming a central supportive service for the affiliates rather than continuing in its previous "parenting" role. And a significant effort was made to rebuild trust with and among the affiliate boards—and with donors—by being more transparent, open, and honest—basically, working together as one team.

Several redevelopment needs were identified and green field opportunities were researched. Then the banking crisis and overall economic collapse hit. Rebuilding with no money and under new rules of engagement with the banking community was quite a challenge. "Nevertheless, it was a go," said Jennette. "We wanted to change our mix. In particular, we wanted less reliance on Medicaid reimbursements [it had been 83%]. We wanted to create greater overall balance—not just as a system but at every location—by moving more towards the CCRC model."

In 2011, MRC completed a $2 million renovation project at its **Pine Crest** community in Lufkin, Texas, adding a bistro and renovating all the common areas and some health-care areas. In December 2011, construction began at **Town Creek** in Huntsville, Texas, to rebuild and expand the continuum on a new campus; built as a hospital in the 1950s, Town Creek had operated solely as a 144-unit nursing home. Also last year, MRC added a 10-unit health-care specialty facility at its **Cornerstone** community in Texarkana, Texas. And in late 2011, residents moved into a redeveloped part of **Crestview**, a community in Bryan, Texas; Phase II of that project will replace an existing 1960s building with 92 residential apartments that are 100% presold, with a waiting list of three- or four-dozen additional people.

So today, MRC has redeveloped its aging communities, started construction on a new community, and is looking at developing additional communities. Home and community-based services will take MRC beyond its walls, using affiliated CCRCs as their base. And all of the boards at MRC communities function together as one system. It's an advantage to have ideas and recommendations emanate from each community, but it's also important to have an overall structure to keep everyone on the same page at the same time. That has led MRC to an obligated group, which no one had predicted but has also turned out well.

often don't react until a situation becomes a crisis—after the community has lost census or another community has overtaken the leadership position in the marketplace. At that point, the board becomes focused on putting out fires rather than on effective strategic planning.

"Clients are trying to align the timing [of their development activity] to the point where they begin to feel comfortable about the market, balanced with low construction costs," explained architect Scott Rasner, Senior Vice President at **SCFS** and director of its Charlotte, North Carolina, headquarters. "From our perspective, though, we see construction costs beginning to head north; and they could have a big bump in 2013."

While labor is likely to remain relatively cheap through 2012, price pressures are likely come on the commodities side, where costs are already creeping up. Drywall prices have risen 35%, for example, which Rasner calls "mind-boggling." Look for steel prices to increase, as well. This may be the time, then, to get ahead of the curve and start a development project while others are sitting on the sidelines. Or break up a project into two phases, using any contingency savings from Phase I to create a (possibly) substantial contribution to Phase II.

> *Success is not about sticks and bricks; it's about making a difference in the lives of residents and staff. Nothing makes me feel more successful than going into a household model nursing facility and seeing residents that I saw in the old building who now have renewed capabilities.*
>
> *—Scott Rasner*

"If you can do a project in this economy, it's only going to be stronger as the economy turns around," added Ron Jennette, President and CEO of **Methodist Retirement Communities** (MRC), based in The Woodlands, Texas. MRC is growing aggressively. It has had three very strong, successful years in a row and plans to have at least one CCRC in the works at all times, according to Jennette.

Also, repositioning can be much more difficult to manage than green field development, because repositioning requires caring for the existing population during construction. That takes time, energy, effort, leadership, board dedication, and foresight. Jennette also advised anyone with a campus that is nearing its time for repositioning to definitely start planning right now.

Getting the board on board

Maintaining a good relationship with board members throughout a difficult decision-making process is crucial to a successful outcome. And like any type of change, education is also the key to getting the board on board. Most especially, it takes time, transparency, and lots of open discussion to build the board's trust in, and approval of, big-ticket development plans. The board must understand where the industry is headed, what a sustainable model looks like, and which outside partners can help the organization hit a home run. And with that understanding comes confidence that management and those outside partners will get the job done and keep the board in the loop.

Case in point: The years 2008 and 2009 were rife with challenge and difficulty for SantaFe Senior Living, which had just come through an historic, economically positive run that culminated in the financing of a huge expansion of its flagship community. (The full return on those pre-downturn investments is yet to be seen at this point in 2012.) But being "brutally frank and honest" with board members throughout the process and throughout

How do we grow? SantaFe Senior Living, Gainesville, Florida

SantaFe Senior Living is part of a family of not-for-profit health-oriented companies—including the largest and oldest HMO in Florida—and a legacy hospice provider serving more than 700 lives per day. SantaFe operates three communities that serve more than 900 seniors, with an additional community in development. Continuing to move forward through a really tough economic time to stabilize occupancy in projects both under development and in continuing operation is the focus of SantaFe leadership, according to Troy Hart, President. "One of the things we focused on before 2008 was how to aggressively grow our organization," he said.

In 2007, as the first step in an expansive, growth-oriented trajectory for the organization, SantaFe decided to expand its campus at **The Village**, in Gainesville, by one-third to 600 units of independent and assisted living. It started the process, financed the construction, completed the project in 2009, and then began the fill. Earlier, in 2006, SantaFe had acquired a legacy campus (45 years old) in Tampa Bay with the intent of repositioning it as an entrance-fee community, along with a site in Bonita Springs to develop as a green field. "As part of our overall strategy, we expanded, acquired, or put plans in place for the aggressive growth of each of those entities," Hart added, "as well as looked for other land to acquire for either redevelopment or hold until a later date, with the intent to continue those developments with leveraged capital."

The SantaFe board was preparing to meet the great market demand in Florida, which is rich with seniors but had few entrance-fee CCRCs. Then, following the September 18, 2008, **Lehman** bankruptcy, the Florida housing market ground to a screeching halt. The idea of third-party seed capital to assist in the development process disappeared. Presales targets of 65%, which had seemed onerous, climbed to 75%; and then financing virtually stopped for the rest of 2008 and most of 2009. All of the seed capital that SantaFe had been deploying to various communities became tied up in those properties, with no opportunity for yield and a diminished opportunity to recover the tied-up equity due to the financing requirements going forward.

With those realities, SantaFe's focus had to change to a more narrowly focused, more effective strategy of concentrating on immediate or near-term opportunities in order to stabilize current holdings. Hard and fast rules for measuring, testing, and gathering data at the three operating campuses were put into place. The SantaFe board made the tough decision to draw back from executing any additional development plans and to pause all redevelopment and replacement projects in progress. While those decisions certainly stopped the forward momentum, SantaFe also turned the economic downturn into an advantage, in that it allowed the organization to improve efficiencies at The Village so that it reached breakeven more quickly, to renegotiate every contract, to reevaluate pricing structures for each of its products, to evaluate staffing needs and the growth of staffing over time, and to preserve capital by discontinuing future development opportunities.

As of fall 2011, SantaFe has moved forward with a CCRC project that had been on hold. Financing is in place, and construction is underway with 80% presales. In each of SantaFe's various markets, the first glimmers of recovery have become evident. The positive atmosphere has allowed SantaFe to layer on some additional service levels at The Village in order to penetrate the market more fully, as well as to regain occupancy in the other operating communities—all in support of SantaFe's ultimate repositioning strategy.

the downturn has worked well, according to Hart. "Board members were diligent in their responsibility to question everyone, both management and outside partners, and to challenge us all to do better," he said, "but it hasn't been easy." Of course, the idea that this industry has long-term legs, due to the sheer volume and number of seniors coming into the market, has also helped.

The role of health services

In the pre-downturn times of "irrational exuberance," as Alan Greenspan tagged it, senior living providers focused heavily on delivering and marketing a lifestyle experience. As the focus shifts more toward safety and security—keeping seniors well and able and ensuring against future challenges—the health-care component of the product offering increases in importance.

MRC, for example, is looking to deliver a more catered living approach. Extra services that don't qualify for, say, assisted living will be available for an extra fee. And some people will want to remain in their own homes. "We're trying to keep a good overall balance, so that we can touch people wherever it is that they want to be touched," explained Jennette. "We're not pushing them into a place that we built just because we built it."

With hospitals increasingly shying away from clinical services as profit centers, "extra" services are becoming excellent revenue sources for senior living providers. whoare converting available space with public access to clinics for specialty services such as rehab or dialysis care.

Rental vs. entrance fee recovery

With Florida unfortunately being a best example of the housing crisis, SantaFe Senior Living—an operator of both rental and entrance-fee communities in that state—has had a first-hand perspective. At both ends of the cycle, SantaFe's rental product was better able than it's entrance-fee communities to absorb the fluctuations in the housing market. Rental properties suffered the challenges associated with occupancy later and recovered a bit more quickly, according to Hart. "The entrance-fee product offers real value and has its strengths," he recognized, "but it is particularly susceptible, in my opinion, to the troubles of the housing market."

The ability to leverage resources in this financial market and to be able to execute on the kind of rental product that SantaFe would want to own would be problematic without significant equity contributions. "I wish that we could figure out easier ways to do more of the rental product," Hart said, "because it's an appealing alternative and differentiator in certain markets. But it's tough from a financial standpoint."

MRC also has both rental and entrance-fee communities, the rentals resulting from properties that couldn't maintain occupancy as entrance-fee communities. That said, its Crestview project in Bryan, Texas, currently under construction, is a Type A entrance-fee CCRC that hit the 75% presales mark in 11 weeks and now is 100% presold. Moving from zero to 90% refundability has interested more people in the entrance-fee model, according to Jennette.

Finding a balance that makes sense can be challenging, as the rental and entrance fee models represent different mindsets. Most rental operators are for-profit players with motivations that are completely different from those of mission-driven not-for-profits, even though not-for-profits also need a positive margin.

Affordable pricing—always an issue

Given the lower costs of construction, even at this time, finding ways to serve moderate- and low-income seniors is a real challenge for the industry and a tremendous unmet need. It also presents a tremendous opportunity for creative

A Design Perspective

Scott Rasner, Senior Vice President at SFCS, an architectural and engineering firm based in Charlotte, North Carolina, works with senior living sponsors throughout the country. Lately, he is seeing projects that are smaller. Other clients that are doing master plans are *incrementally* implementing those plans.

"The focus is on needs," he explained, "while attacking as many wants as possible and always keeping an eye on the competition." Boards of directors are approaching projects with a wary eye—but activity is continuing in the senior living industry. Rasner sees communities engaging in five novel design approaches… with an emphasis on "small":

1. Small project/big impact

This approach mainly involves the best and highest use of space. It often doesn't require financing or major cash outlays, and a charitable campaign may come into play. One client, for example, enclosed a porte-cochère (at $65/square foot) to house an outpatient therapy area (and also create an additional source of revenue). Other small project/big impact efforts may involve new signage, image upgrades, interior upgrades, specialty projects such as wellness centers, or new landscaping.

2. Household model for skilled care

The transition from a traditional skilled-care environment to a household model is a concept that is changing the face of health care. The household model— the sweet spot is about 16 units—is all about the resident, but it's also a better experience for the staff. Construction costs are about 15% higher, but the benefits (positioning in the community, staff retention, and improved resident lifestyle) are undeniable. In addition to new construction, renovating existing facilities into "neighborhoods" can be a very successful application. One added benefit: naming rights have attracted donations of as much as $300,000 per neighborhood—in one case, contributing about 30% of the total cost of a $6.6 million project.

3. Smaller common space with flexible space planning

The common spaces previously associated with CCRCs and other types of communities have decreased in size from 35,000-40,000 square feet to 20,000- 25,000 square feet. The key is that the spaces are flexible; they have multiple uses—e.g., a breakfast area by day and a lively bistro at night. The spaces also flow into each other with pocket doors, for example, that can be used to create smaller or larger spaces.

4. Programs and design to enhance revenue

Dining options are very important. The size of the formal dining room is decreasing to make room for a pub or bistro, which have become very popular and can also provide ancillary revenue. Some communities have opened up their pool(s) to outside members. One organization offers 500 memberships at $500 per year, which contributes $25,000 per year in added revenue.

5. Smaller apartment buildings

Organizations with a small piece of land are creating small, 12- to 20-unit apartment buildings. They're a little more expensive due to the infrastructure, which requires placing an elevator and stairs on a smaller footprint, but the total investment is less. And getting 75% presales for a 20-unit building is certainly a lot easier than for a 150-unit building. These smaller apartment buildings, which can also be built incrementally as part of a master plan, often attract a younger market, as well.

providers and one that meets their mission. In a market that can support a high-end community, for instance, an operator might tap that community's cash flow to serve broader markets by, say, adding some affordable housing units (on the campus or in the general area) or controlling costs so that as many people as possible can qualify.

When buildings or communities are renovated, expanded, or replaced, resident fees for the new units can sometimes double or triple compared to the original pricing levels. Existing residents who truly can't afford to pay the new fees are encouraged to apply for benevolent assistance. Those who qualify never have to leave. Those who don't qualify for benevolent assistance for one reason or another and don't have sufficient personal resources may qualify for Medicaid. In most cases, providers will find a way to take care of existing residents.

Biggest bang for the buck

"Let's face it…paint and powder does a lot," offered Rasner. In that same spirit, there are lots of ways to modernize the community and upgrade its image at little cost. If rooms have old doors, apply moulding and give them a good paint job. That will make a world of difference. Check signage. Simply updating an entrance sign projects the message, "We're changing, we're evolving." Many small steps can create a big impact.

"Develop an *executable* plan," added Schiff. Much strategic planning that takes place is a fabulous academic exercise but doesn't include a hard-hitting action plan focused on execution. The value of an executable plan is that limited resources aren't spent in the wrong place. First, make difficult decisions quickly and execute on them. Second, do more than you think you can do to reduce operating costs. That sends a message to your team that you're being good stewards. And third, focus on the next customer. While residents are well-intended—and you need to listen to their opinions—some of the things that they may not want changed may be the very things that you need to change in order to attract the next wave of customers.

Organizations can thrive as the economy recovers, as proven by providers who have been moving forward, doing well, and gaining market share despite difficult times. Over the next decades, the continuing growth of the senior market offers a tremendous opportunity, as long as providers continue the practice of matching the right product and the right programs with the right pricing. ❑

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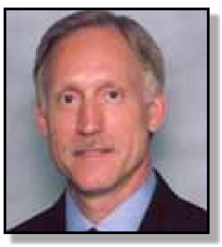

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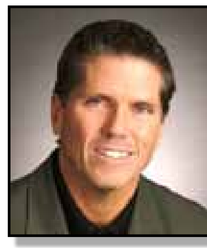

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