BETTER HOUSING ARRANGEMENTS

FOR SENIORS OF THE FUTURE

by

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A THESIS

Presented to the Department of Business Administration
and the Honors College of the University of Oregon
in partial fulfillment of the requirements
for the degree of
Bachelor of Science

December 1999

APPROVED: 

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An Abstract of the Thesis of

Zachary Woodbury for the degree of Bachelor of Science in the Department of Business Administration to be taken Dec. 1999

Title: BETTER HOUSING ARRANGEMENTS FOR SENIORS OF THE FUTURE

Approved: [redacted]
Professor David Boush

There are many senior housing projects out there that are miserable places to live and more people are going to be living in them than ever before. Today's longer life expectancy will create an unprecedented proportion of seniors and a lower birth rate means less adult children to care for them. Consequently, seniors must plan ahead before it is too late. This prompts a two-fold question; What sort of housing should be built for them and what kind of environment will make them the happiest?

By following the advice of industry experts and listening to what seniors want, developers can acquire the insight necessary for optimal housing solutions. Understanding their background, values, and desires will set the stage for housing developments that exceed their needs at any stage of health. The elderly of today demand choices, quality, superb care, and value for their money. All of these can be found at Continuing Care Retirement Communities, which is why they are increasingly the living arrangement of choice. If done right, senior housing can make the golden years a reality.

ACKNOWLEDGEMENTS

The author would like to thank Professor David Boush, Counselor Hilda Young, and Professor Henry Alley for their assistance and guidance toward the final piece.

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CHAPTER I

INTRODUCTION

When my grandmother reached a point where she could not take care of herself, our family was forced to make the decision of how to care for her. Initially, we paid at-home caretakers but it was only a matter of time before she needed the type of care available in a nursing home. We looked all around the Portland metropolitan area before placing her in "one of the best homes." When I visited her there, I was very disappointed. There were no windows, the rooms were dark and small, and the place looked more like a hospital than a residence. Considering that this was supposed to be an upscale nursing homes, I could only imagine how dismal and depressing an average nursing home could be.

This thesis provided me the opportunity to explore what I had wondered since my first visit to see my grandmother; Is this as good as senior housing gets? I am happy to report that there are a growing number of very pleasant and cost-effective housing options available. Over the next fifty years, the elderly population will grow faster than any other segment of the population. Seniors that plan ahead can look forward to a comfortable future.

By 2029, the youngest Baby Boomers will be turning 65. Between 1999 and 2029, the U.S. population of those over 65 is projected to double to 70 million, and will represent over 20% of

the entire population, up from just 12.5% in 1999. Concurrently, the entire U.S. population is projected to grow to 347 million, up from 272 million. The over 65 age group will grow more rapidly than any other age group during that time.

The elderly population will grow so fast, that advanced planning is needed for housing and health care. Aside from staying at home, the most common elderly housing arrangements at the turn of the millennium included independent living, assisted living, and nursing homes. Assisted living is the newest concept and grew significantly during the 1990's. In general however, all three living arrangements have some serious issues that must be worked out. For example, after an assisted living resident has declined to a certain level of health, they must often move out of the community. Additionally, Medicare will not pay for assisted living. In most states, it is private pay.

To understand retirement communities requires an understanding of the housing options available. Independent living communities are multi-unit senior housing development with no personal services. They are often no more than housing units with minimum age requirements required for living there, and usually a community center.

Assisted living, in general, is a state-licensed program offered at a residential community with services that include meals, laundry, housekeeping, medication reminders, and assistance with daily living. The exact definition will vary from state to state, and a few states do not license assisted living facilities.

Assisted living is usually regarded as one to two steps below skilled nursing in level of care. The concept of assisted living originated in Europe in the late 1970's. It has only been in the United States since the late 1980's. Consequently, assisted living is not well-established and its future could go down many paths. Currently it is not highly regulated.

Nursing homes are facilities licensed by the state and provide 24-hour nursing care for their residents. They are generally one step below hospital acute care. Regular medical supervision and rehabilitation therapy are typically available. Nursing homes have been around for a long time. Unfortunately, there is a negative stigma attached to them. Even though the care today is much better than it was early in the 20th century, many elderly abhor the thought of ever being placed in one.

Continuing care retirement communities (CCRC's) put all three of the above mentioned living arrangements onto one campus. It is a housing project that is planned and operated to provide a full continuum of accommodations and services for seniors including, but not limited to, independent living, assisted living, and skilled nursing care. A CCRC resident contract typically involves either an entry fee or buy-in fee in addition to the monthly service charges, which may change according to the medical services required. Entry fees may be partially or fully refundable. The fee is used primarily as a method of privately financing the development of the project, along with other financing forms. CCRCs are typically licensed by the state.

CCRC's are the newest concept in retirement living. Given the rapidly expanding senior population, many conclude that CCRC's are the best senior housing arrangement available. There are many advantages to CCRC's which are discussed later. The most obvious is that the elderly residents will never have to worry about where they will live if something happens. Families can be reassured that their elderly relatives will never have to move again, and they will never have the burden of providing medical care. Additionally, if a married couple requires different living arrangements, they will never be more than a short walk away from each other.

To develop an award-winning CCRC, it is necessary to have a complete understanding of independent living, assisted living, and nursing care. There are many issues facing each one and successfully combining all three requires a vast understanding. This thesis discusses the latest research and knowledge from publications that focus on elderly living. Market research and understanding the customers' needs are very important elements of this business.

Providing elderly housing will be a major opportunity in the coming years but as this business expands so will the competition. After 2029, the growth is predicted to level off and only the best developments will sustain success. Businesses interested in providing services for the elderly, especially living communities, must continually adjust to their changing needs. The needs of the Baby Boomers in 2029 will be much different than those of the elderly today. Developers need to decide if they are going to

specialize in one type of facility or have a campus with that offers two or all three living arrangements. Once that has been narrowed down, there are many more choices to make. It is imperative that the developers build quality projects because retirement communities that fail do not leave many alternatives for the residents living there. This thesis describes how limited resources can be used to provide better housing solutions for seniors. In any housing arrangement, a non-institutional feel is essential. No one wants to feel like they are living in a hospital.

If my grandmother were still around today and in good health, I would do my best to encourage her to move into a quality CCRC project. My research revealed that there are some very nice living arrangements available and more in the works. When I get to be that age, a quality CCRC is where I hope to be.

CHAPTER II

METHODS: INDUSTRY OVERVIEW

Demographics Favor the Industry

A CCRC can be thought of as providing a piece of a solution toward an aging population. To understand this requires a firm grasp of both the people who will be moving into CCRC's, and the issues surrounding the business.

The World is aging fast. Advanced technology and health care have enabled people to live longer than ever before in history. It is projected that over the next fifty years that the death rate will be very small in comparison to the birth rate, even though the birth rate has substantially declined during the 20th century.

Figure 1 shows the world population in 1999. Each advancing age group has a fewer people in it than the one five years younger. Figure 2 shows the projected world population in 2050. It is a very different looking than the 1999 graph. By then, it is predicted that there will be an approximately equal population, not less, in every five-year age group through age 70.

The population of the United States will follow a similar course of action as the rest of the world. Figure 3 shows the population of the United States. The Baby Boomers compose the largest population of any of the five-year age groups. By 2050, the

Baby Boomers will be between the ages of 85 and 104. Figure 4 shows the dramatic increase projected in 2050 for the oldest part of the population.

As the population ages and becomes busier than ever before, there will not be as many people available to care for aging relatives. Figure 19 shows that not many seniors live with family members other than a spouse. That number is only expected to decline further. Seniors will be even more dependent on their own resources for finding care. For many seniors, a retirement community, particularly a CCRC that can care for them at any state of health, makes the most sense.

Using demographics alone, 1999 was probably not the best time to develop a retirement community. Most people who enter a CCRC are at least 65 years old and the 65+ age group will not start growing faster than the general population until 2010 (see figure 6). However, many people take years deciding which retirement community to move into. Naturally, this is an excellent opportunity to start marketing to the 55+ age group since that group will grow significantly between 1999 and 2020.

Many major players have tabled short-term plans of expansion. "A long time horizon discourages some buy-siders from betting on adult communities or assisted living right now. But as Gregory Whyte, a Morgan Stanley real estate investment trust analyst says, 'The demographics are such that this industry is going to have to

benefit down the line.'"[1] Many current companies have aggressive growth plans in the future but not as much is happening right now. According to one senior research analyst at Volpe Brown Whelan, "There are opportunities for strong, well-run companies to get out ahead of the crowd and get a toe hold in some new markets."[2] The firms that had the greatest advantage in 1999 were those that were well-capitalized, well-managed, and had deep intellectual resources.[3]

According to the American Health Care Association[4], the number of people over age 85 increased by 275 percent between 1960 and 1994, while the number of people over age 65 increased by 100 percent. The 85-plus group, the largest users of long-term care, is expected to double to 7 million by 2020, and grow to 19-27 million by 2050.

Looking at Figures 5-7, based on United States Census projections, one can see that the 55+ age group will grow faster than the general population through 2020, the 65+ age group through 2030, and the 80+ age group through 2045. The Baby Boom generation is highlighted with a broken barred graph. A quick glance shows that as the Baby Boom generation passes through each age bracket, the proportion of people in that age group grows simultaneously.

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[1] Ellen James Martin, "Senior Housing: Is It Too Early or Too Late?" Institutional Investor Nov. 1997: 163, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[2] Steve Ernst, "Big Assist For Assisted Living," Puget Sound Business Journal 7 May 1999: 3, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[3] Ben W. Johnson, "Assisted Living's Crossroads: Public vs, Private Rages On," National Real Estate Investor April 1999: 2S10, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[4] Gigi Verna, "Middletown Sees Assisted-Living Miniboom," Business Courier Serving Cincinnati - Northern Kentucky 5 Mar. 1999: 41, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

Figures 8 through 17 examines the population of each five-year age bracket from age 55 through 100+, from 1999 to 2050, at five-year intervals. In the younger age brackets the population of seniors actually declines after the Baby Boomers have all surpassed that particular age. For example, up until the time when all the Baby Boomers have reached and exceeded the 65-69 age bracket, the number of people between the ages of 65 and 69 steadily increases. But after the last Baby Boomers turn 70, the number of people between the ages of 65 and 69 will decline. However, there are no anticipated declines in population starting with the 90+ age group in any five-year period, suggesting that advances in technology will make a continued contribution toward longevity.

Since assisted living is the newest addition to the senior housing market, the majority of the current research focuses on it. It is also a major focus of this thesis. The average age of an assisted-living resident is 83,[5] very close to the average age of a nursing home resident. The target market for assisted living has generally been single females age 80 to 85 years or older.[6] Analysts predict that by 2010 the assisted-living market will have blossomed into a $68 billion industry and could be worth as much as $200 billion by 2020.[7] One 1998 estimate projected that business would grow from a $13 billion dollar industry to anywhere from $22

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[5] Kathy L. Woodard, "Increaased Demand Fuels Growth of Ohio's Assisted-Living Industry," Business First-Columbus 23 April 1999: 7A, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[6] Phyllis M. Thornton, "Market Research For Assisted Living," Nursing Homes Mar. 1998: 38, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[7] Ernst, 3.

to $75 billion by 2003.[8] The first of the Baby Boomers will start turning 84 in 2030, well after this anticipated industry growth has occurred. With a median occupancy rate in 1998 of 95%, aggressive construction will be necessary to keep up with the demand. From a pure demographic standpoint, this industry has huge amounts of potential.

Baby Boomers' Impact on Retirement Communities

Even with favorable demographics, a new retirement community must have appeal to the prospective residents. The phrase "if you build it, they will come," does not apply in the business of retirement housing. The Baby Boom Generation is considerably different than the current generation of elders in 1999. When it comes time to build retirement communities for the Baby Boom Generation, an understanding of that generation will enable developers to build the right facilities.

Attributes of Baby Boomers

Work will play a much larger role in the lives of the Baby Boomers. Two-thirds of them plan to work after they have retired, and three quarters of those in a part-time capacity. This is twice as high as the proportion of retired men from the preceding generation that returned to work. Some will return to work out of need but many will return because they enjoy it. More people will

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[8] Lisa Tanner, "Aureus Group Eyes Assisted Living Niche," Dallas Business Journal 8 May 1998: 1. Business Index Asap, Online, Infotrack, 11 Aug. 1999.

also be working from home. The Del Webb Corporation, developers of Sun City "have started offering more homes with a guest cottage option for a home office." [9]

Baby Boomers will be more likely to move out of their home state when they retire. 18 percent of the Baby Boomers surveyed plan to move, compared with only 10% of today's retirees."[10] The Baby Boom generation is more accustomed to travel than the preceding generation. There will also be more singles due to the higher frequency of divorce among their generation, and women will be more financially secure. Figure 18 shows a very low divorce rate in 1995 among people age 65 and over.

Baby Boomers will be more active in their retirement years. A shift in activities from ceramics and shuffleboard to more health and fitness oriented activities has already started occurring. Many Baby Boomers will also bring music of their youth into retirement--listening to rock and roll. Seventy percent of those surveyed say they will still listen to it. Homes with prewiring for stereo systems and built-in movie theaters are likely to appeal to retired boomers. First-wave Baby Boomers do not feel they will be truly old any time soon. When these 50-year-olds were asked at what age a person is old, the median response was 79.[11]

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[9] Paula Mergenhagen, "Sun City Gets Boomerized," American Demographics Aug. 1996: 16, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[10] Rick Burnham, "About One-Fifth of 50-Year-Olds Plan to Retire Out of Home State: Survey," Knight-Ridder/Tribune Business News 7 Feb. 1996: 2070189, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[11] Mergenhagen, 16.

Baby Boomers have always demanded a higher quality of life and health care will be no exception. Of over a million hospital surveys collected recently, Baby Boomers have been much less satisfied with their hospital stays than the older generations.[12] They will no doubt have higher expectations of services that they receive in the health care industry.

The Baby Boomers are the elderly of the future. Understanding their likes and dislikes will pave the way toward building a community where they will want to live.

Why A CCRC?

A well-done CCRC that maintains youthful energy will appeal to the elderly in the future. CCRC's have only been created recently as an alternative living option. It fills a void that other adult living communities can only partially fill. In an interview, a representative of Key Healthcare Finance was asked how to pick "thoroughbreds." He responded saying "we particularly liked the model in which a skilled nursing facility adds an adjacent assisted living center. Multiple levels of care at one campus really provide a wonderful platform for growth."[13] Few developments incorporate both assisted and independent living, however they are predicted to

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[12] Craig DeSilva, "Boomer Bulge," Hawaii Business Oct. 1998: 23, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[13] Joseph T. Resor III, "The Enviable Financial Market for Assisted Living," Nursing Homes April 1999: 78, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

gain in popularity.[14] The promise of lifetime care is what draws residents to CCRC's.

CCRC's include all three types of care - independent living, assisted living, and nursing care in a campus-like setting. They often require that the prospect be able to live independently upon becoming a resident. As more assistance is needed, it is made available. Generally, a CCRC will charge an entrance fee and a monthly fee. One community in Lexington, Massachusetts charges an entrance fee of $405,000 (90% refundable upon death or departure) and a monthly fee of $3419.[15] These would be considered to be on the higher end of the scale. Costs will be discussed later.

A Big Issue Facing CCRC's

One argument against CCRC's that troubles many outsiders is that resident are frequently dying. The truth is it rarely worries the residents since they have all faced the loss of friends and spouses. One resident of a CCRC said, "Dying isn't a problem, we all realize we will die here. You just have to accept it."[16]

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[14] Stephanie Patrick, "Senior Housing Project to Begin in Richardson: Capital Senior Living to Build Six Metroplex Sites," Dallas Business Journal 11 Jun. 1999: 5, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[15] Barbara Bedway, "When Elderly Parents Can't Manage Alone," Medical Economics 8 Mar. 1999: 86, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[16] Andrea Knox, "Health Retirees Choose-Continuing Care Retirement," Knight-Ridder/Tribune Business News 10 Nov. 1997: 1110B1047, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

Federal Regulations

The future of CCRC's is contingent upon federal regulations. Currently, independent living is not regulated at all; assisted living is somewhat regulated but it varies by state; and nursing care, the oldest type of care, is highly regulated. Of the three components, assisted living is currently the subject of most of the legislation. "Assisted living is definitely going in the direction of higher and higher acuity level residents, and I see more regulations coming down the road because of that," said Rodney Beckstead, R.Ph., director of clinical services for the Valley Forge, Pa., branch of PharMerica.[17] "While assisted living is justifiably resistant to the sort of regulation that nursing homes have faced, some new requirements - e.g., accreditation, provider credentialing - are inevitable if managed care does penetrate this marketplace."[18]

Increased regulation has positives and negatives. The general consensus among assisted living operators is that more regulation will not benefit anyone. The more money Medicaid spends on assisted living, the more likely regulation will quickly follow. The biggest fear with increased regulation is that assisted living will become more expensive and limit the care to only the wealthiest

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[17] Gemma M. Tarlach, "What a Difference a State Makes!" Drug Topics 16 Feb. 1998: 72. Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[18] Daniel Gold, "Assisted Living Meets Managed Care," Nursing Homes Mar. 1998: 16, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

elderly.[19] Standardization reduces creativity and the potential quality of care that can be provided.[20] There are such a variety of approaches to assisted living that no regulations will encompass the entire industry. Increasing regulation will also reduce the number of developers willing to invest in the industry. Quality comes from within an organization, not from imposed standards. If regulation is inevitable, it is hoped that it will have an outcomes-based focus, not process based.

Increased regulation has some positives, but they do not seem to outweigh the negatives. Without regulation, communities can become overbuilt, resulting in lower quality care as a limited supply of qualified staff gets stretched too thin. Regulation can also protect the public from bad services. Most states already have highly effective regulation. Putting regulation at the state level is probably the best solution; laws can be customized to the majority of the local elderly population. Some cities have chosen to impose a moratorium when they feel overbuilding is becoming a threat.

> To understand the industry is to understand why there is no common definition of assisted living. Resisting the federal regulatory interventions that have hobbled the nursing-home industry, assisted-living providers have chosen to work with state agencies to self-define quality standards, measurement, and monitoring approaches. Each of the 50 state

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[19] Karen Lawrence, "State Report on Defining, Regulating Assisted Living is Nearly Complete," Pittsburgh Business Times 20 Nov. 1998: 9, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[20] Karen Anderson, "The Assisted-Living Discussion: What's At Stake?" Real Estate Finance Journal Winter, 1998: 77, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

> departments of social services or public health responsible for licensing assisted-living facilities has different parameters and restrictions, as well as different monikers to designate the residences.[21]

Necessity of Market Research

Before any developer begins constructing a CCRC, market research must be done to ensure the project will be a success. Building without adequate market research is risky since success is highly localized; a great project in one city could be a disastrous failure in the next. Overbuilding is also a localized problem, not affecting the whole market. In a recent interview, a representative of Key Healthcare said, "we don't see evidence of [overbuilding] yet. The projects in our finance portfolio - those facilities that we have backed financially - are attracting residents and filling up as projected."

When performing market research, both a demographic analysis and a psychographic analysis should be performed. A demographic analysis will help determine where 60-70% of the residents will be coming from and establish the eligible population. In addition to the census data, the needs of the residents of the local area need to be determined. These can be established by obtaining ADL (activities of daily living) rates for a particular geographic area from Washington, D.C.

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[21] Linda J. Barton, "A Shoulder To Lean On: Assisted Living In the U.S.," American Demographics Jul. 1997: 45, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

Once markets with favorable demographic characteristics have been identified, a psychographic analysis will help ascertain what the eligible population wants in a retirement community. Telephone interviews with randomly selected age and income-qualified market-area households can be very helpful. This will highlight the actual market need for support in activities of daily living, sources of current support, desired apartment preferences and amenities, community features and services, and the extent to which services should be included in a monthly fee or available for an additional charge. A consumer survey is also an excellent premarketing tool to determine how familiar the market is with the concept of retirement communities and the market's interest in the project under study.[22] A demographic analysis helps decide where to build and the psychographic analysis determines what to build.

Even though the adult care industry is highly localized, there are a few nation-wide trends that deserve attention. The first and foremost, is that the middle class is not well-served. "What's needed is a Days Inn version to give middle-class people the security of affordable housing and limited amenities in a reasonable price range, says Keith Knapp, immediate past president of the American College of Health Care Administrators and vice president of the Broadhurst Group in Louisville, Kentucky."[23]

Since assisted living is mostly private pay, the upper-end market has been targeted and is well-saturated in some communities.

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[22] Thornton, 38.
[23] Barton, 45.

However, the general consensus among much of the literature published today is that the general market is not over-saturated. "It may be over-saturated in areas like Florida where you have more retirement-age people, but it is just beginning, and there is room for more," said Connie Mancuso, executive director of Franklin County's newest assisted living facility, Windsor Court in Dublin.[24] Some sources affirm that the upper-end of the market is saturated. Pam Doty, senior policy analyst for the long-term care and aging policy division of the U.S. Department of Health and Human Services, said initial results from a government survey currently underway show that the most lucrative market - the high-end assisted-living facilities charging $3,000 or more per month - has been saturated.[25] In particular, some metropolitan areas have been saturated. With a high number of proposals that have surfaced recently, the housing growth would exceed the growth of the elderly in need. A 1998 survey[26] revealed that the average basic daily cost fell slightly, indicating a movement toward facilities' serving a wider population base.

Paying for Senior Housing

Before developing, the minimum income threshold necessary to afford the daily or monthly fees must be determined. The CCRC

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[24] Bruce Raffel, "Inevitable Competitors?" Nursing Homes Feb. 1998: 12, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[25] Ben Werner, "Senior Firm Set to Grow," Baltimore Business Journal 8 Jan 1999: 1, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[26] Ronal K. Tinsley, "1998 ALFA Survey Highlights," Nursing Homes Aug. 1998: 58, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

should take preventive measures to avoid having to evict residents who can no longer afford to live there. Fortunately, the wealth of seniors is increasing. The Assisted Living Federation of America reported more than 53% of people 80 and older have incomes greater than $15,000 and nearly 35% have incomes of at least $25,000.[27] Not including the proceeds from the sale of their home, the average net worth of today's elderly is about $75,000.[28] While this may be encouraging, it still leaves many of the lower income elderly not served. Although 35% of the population has income greater than $25,000, 65% has an income less than that. Figures 22 and 23 show the net income of households and individuals age 65 and over. Although this does not account for their savings, it shows that few of them have annual incomes between $10,000 and $20,000 which is not enough to sustain the current costs of living in a CCRC. Unless they have substantial savings, they will be spending money from the principle amount.

Other studies seem to refute claims about the elderly getting wealthier. They found that mortality rates among the lowest wealth quartile are about three times as high as mortality among the highest wealth quartile at age 65.[29] The implication is that wealthier individuals live longer and that the average wealth level at increasing ages overstates the lifecycle wealth pattern at older

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[27] Diane C. Walsh, "Assisted Living Centers Could Occupy New Wave for Senior Housing Care," Knight-Ridder/Tribune Business News 14 Jul. 1998: OKRB981950B0, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[28] Kris Hundley, "Aging Market Fuels Assisted Living Boom," Knight-Ridder/Tribune Business News 25 Aug. 1998: OKRB98237130, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

ages. This also suggests that the elderly are not saving as much as previously thought. Many assisted living facilities consider $25,000 per year in income to be the minimum threshold necessary for consideration.[30] Currently, assisted living customers have an average of $100,000 to $300,000 in personal assets, and this does not include the sale of a home.[31] Although the assisted living industry is making steps towards serving people with lower incomes, it still is somewhat exclusive to wealthier individuals.

Costs of Assisted Living and Nursing Care

To stay in an adult care facility, the average annual rate is $25,920 for assisted living and $40,543 in a skilled nursing home.[32] However, if the person in the assisted living facility chooses to have a roommate, the average cost is reduced by about 18%.[33] The least expensive assisted living facilities will vary between $12,000-$20,000 per individual per year,[34] middle-of-the-pack assisted living facilities will range between $20,000-$30,000 per year,[35] and upper-end assisted living facilities will cost anywhere from $30,000 to $45,000 per year. The annual operating expense to

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[29] David A. Wise, "The Economics of Aging," NBER Reporter Winter 1992: 1, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[30] Lisa Tanner, "Capital Senior Living Raises $130 Million for Expansion," Dallas Business Journal 14 Nov. 1997: 1, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[31] Barton, 45.

[32] Woodard, 7A.

[33] Andrea Knox, "Assisted-Living Residences Fill Gap for Independent but Ill Seniors," Knight-Ridder/Tribune Business News 10 Nov. 1997: 1110B1042, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[34] Barton, 45.

[35] Patrick, 5.

run an average assisted living facility is about $15,000 per individual.[36]

With these costs, it can be difficult for many seniors to even consider a CCRC or assisted-living. However, many payment options make these options more feasible. CCRC's often offer three types of contracts.[37] An "extensive" contract will provide unlimited long-term nursing care at little or no additional cost. A "modified" contract includes a specified amount of nursing care, beyond which the resident must pay additional fees. The modified contract has lower monthly fees than the extensive contract. The "fee-for-service" contract requires the resident to pay full daily rates for all long-term nursing care required, but results in the lowest monthly payments. The applicant should assess their financial resources and health before deciding on which contract would be best.

CCRC residents will not be able to heavily rely on insurance or Medicaid for financial support. In some states, Medicaid will cover part of the costs for qualified residents but in many states, Medicaid will not put any money toward assisted living residents. Within the past five years, some long-term-care insurance policies have gotten more liberal in their coverage; the best will cover assisted living and nursing homes at the same level, along with home care. Since assisted living is a relatively new industry, change in financial coverage is likely to follow. Currently about 90% of

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[36] Jim Moore, "10 Unexpected Trends In Assisted Living," Nursing Homes Mar. 1998: 28, Business Index Asap. Online, Infotrack, 11 Aug. 1999.

assisted-living services are paid for with private funds. The remaining 10% is covered by Supplemental Security Income, Social Security Block Grants, and other entitlement programs. 42% of all facilities receive state program assistance. Many states are experimenting with expanding assisted living to low-income seniors through waivers to the federal Medicaid program.[38] Some sources believe that "assisted living is and probably will remain private pay."[39] Currently, the only safeguard for the CCRC is to do a thorough financial screening of potential residents since the residents will likely not be relying on alternative financial sources anytime soon. In the high-end markets, ownership programs make more sense. Much of today's elderly served in World War II. After the war, those returning from the military fueled a real estate boom by buying their first homes. Prior to that, many had lived with their parents and in apartments so buying a home became their first symbol of success.[40]

Assisted Living Fed Seeks Solution for Low Income Sector

The Assisted Living Federation of America (ALFA) sponsored the survey that revealed that 2/3 of elderly have incomes under $25,000 per year. Upon this realization, the ALFA dedicated itself toward finding solutions to this problem. The first step that the ALFA took was a joint meeting with the Health Insurance Association of

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[37] Bedway, 86.
[38] Barton, 45.
[39] Moore, 28.

America to promote the idea of private insurance for long-term care, and work with the federal government to enhance tax deductibility for these policies. The second focus of the ALFA has been to mix managed care with the assisted living environment. The third has been to promote affordable and accessible assisted living.[41]

Money From Third Party Sources Will Help

One of the biggest challenges to the assisted living industry has been to try to get more money from third party sources. According to an industry expert, "a clear definition of the sector and additional state oversight will strengthen assisted living's case with third-party payors and set standards that could ultimately bring costs down."[42]

Part of the appeal of assisted living is its individual and residential nature. If those things are taken away to receive some sort of subsidy, then it may not be worth receiving subsidies. State funding of assisted living through Medicaid is already happening in many states such as New Jersey and Tennessee. Both pay some of the assisted living costs but Tennessee has very strict guidelines. If a resident becomes severely ill for over 21 days, he or she must move into a nursing home.[43] Many states today still have no Medicaid assisted living reimbursement plans. Although there are

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[40] Anita Landis and Robert Snyder, "Generational Influences in Purchasing Assisted Living," Nursing Homes Mar. 1998: 34, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[41] Karen Wayne, "Affordable Assisted Living," Nursing Homes Mar. 1999: 30, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[42] Lawrence, 9.

no immediate plans for Medicaid to expand their coverage, Medicaid will most likely have a bigger role in providing funding to the assisted living industry.

Aside from state reimbursement, long-term-care insurance plans are also growing in popularity. The Health Insurance Association of America reports sales of long-term care policies are growing at 20% per year. A 50-year old would pay $364 per year, a 65-year old would pay $1000 per year, and a 79 year-old would pay about $4000 per year.[44] Another source maintains that long-term insurance is still only a very small player in the market and is growing perhaps a little less rapidly than some might have anticipated five or six years ago.[45]

The fear of receiving money from third parties is that assisted living might lose part of its appeal from being independent. One idea that would provide third party payments yet retain the independent nature of assisted living would be to put the individual in control of the money, not the third party. Some sort of chronic care reimbursement system could do exactly that.[46]

Partnerships Can Lower Costs

Assisted living facilities can choose to partner with a managed care operator (MCO) to save money and pass savings on to

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[43] Leigh Ann Roman, "Assisted Living Rules Tightly Defined in Tennessee Law," Memphis Business Journal 13 Nov. 1998: 27, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[44] Hundley, OKRB98237130.

[45] Moore, 28.

[46] Johnson, 2S10.

residents.[47] There are many advantages to this relationship. MCO's offer a lower-cost alternative for certain types of elder care. It is similar to how they have used subacute care in the acute care of nursing homes to reduce inpatient hospital utilization. It would serve as a mutually beneficial relationship since the MCO could expand its business while the ALF can effectively meet and exceed the needs of its residents. This option can be very attractive to new assisted living facilities that are looking to reduce some of the start-up costs. By contracting with a single agency, the assisted living facility can maintain influence and control over the personal care service delivery. Additionally, the MCO's are Medicaid certified. Another advantage of this arrangement is that it will keep more people in assisted living, reducing time spent in a nursing home. The one disadvantage to the ALF is that potential profits can be forfeited to the MCO. Managed care can be very profitable when run efficiently. However, it can also be a drain on resources if not. The best option for a new facility might be to contract with an MCO for a few years and then do a review toward the end of that time to see if it makes financial sense to continue the partnership.

Nursing home stays can be made more affordable by reducing medical costs through preventive measures. One legislative plan in the works would allow nursing homes to partner with health maintenance organizations (HMO's). This service would cover those 65 years and older for preventive care such as routine physical

[47] Gold, 16.

exams, which would normally not be covered under Medicare. Unfortunately, this plan still needs approval by the Health Care Financing Administration, the health industry's federal regulatory agency.[48]

Although assisted living and nursing home stays can be very expensive, efforts are being made to make the market more affordable to the entire elderly population.

Marketing Senior Housing

Aside from issues of the expense of the assisted living industry, there is one fundamental point that the marketing team of a retirement community must remember. Most elderly Americans are satisfied with their current living arrangement and do not want to move. According to a 1992 survey by AARP, 84% of those 55 and older said they never want to move. A 1994 Census data indicates 5% of those age 65 and over do move every year, one-half of those in the same county, and one-fourth to a different state.[49] However, the Baby Boomers will be much more likely than the elderly of today to move.

Times When Are Elderly More Likely To Move

There are several points in life that have been identified when elderly are more likely to move: at retirement, when chronic

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[48] DeSilva, 23.

[49] Karen Martin Gibler, James R. Lumpkin, and George P. Moschis, "Making the Decision to Move to Retirement Housing," Journal of Consumer Marketing Winter 1998: 44, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

disabilities require family assistance, and when disabilities require professional care and institutionalization.[50] Changes in social circumstances, such as the death of a spouse, can also trigger a move, as will financial constraints. Marketers of CCRC's must remember that people take a long time to make a decision to move into the community. Most generally move within two years of their initial search, yet 20% take 5 years or more. Potential CCRC residents often visit the community six to ten times before making the decision to move into it.[51]

Referrals Make the Best Leads

As with many businesses, potential residents who are considering the community because of a referral are the most likely to join the community. Referrals can come from many sources. Friends of current residents often make the best referrals. If the current residents of the community are satisfied with their new life, they will undoubtedly tell their friends. Other referrals can come through networking. By forming relationships with key members of the community, the CCRC will have more success in filling up all parts of its campus. The following is a list of groups and individuals that can provide excellent referrals: home care providers, hospitals, care managers of insurance plans, local clergy and the CCRC staff. By getting the CCRC actively involved in the community, there are endless possibilities of referral sources.

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[50] Gibler, 44.
[51] Gibler, 44.

Key to Advertising: Education

Informative ads should be used when marketing the community. To many elderly, the thought of a retirement community can bring up bleak images of their parents or grandparents in dismal convalescent homes. Contrary to those images, today's retirement communities are moving toward life and activity. Since many people are not able to make a distinction between nursing homes and ALF's, the stigmas associated with nursing homes can unfairly extend to ALF's.

Advertisements are most commonly found in brochures, radio, and newspapers. Making informative presentations to doctors and clergy can be a great way to pass on information to a target market from trusted sources. Marriott is a major player of high end ALF's. To advertise to their target market, they hired a movie legend, Debbie Reynolds, to be their spokeswoman. Rather than focusing on the Marriott brand name and features of the community, they will market the assisted living concept where residents enjoy independent living and have help available for tasks like getting dressed.[52] Ideally, the retirement community will appeal to both locals and non-locals.

Currently racial diversity is very low in these retirement communities. Robert Moose, is at a CCRC called Cadbury. He is the only black resident in the community. He has stated that it has been somewhat difficult to make friends. He was currently enlisted

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[52] Mike Beirne, "Marriott Flags Senior Class," Brandweek 5 Oct 1998: 5, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

by the Friends Services for the Aging, an association of 20 Philadelphia-area facilities in an effort to attract a more diverse population into those homes.[53] According to the U.S. Census projections, the elderly population will continually become more racially diverse through 2050. Figure 24 shows how the proportion of elderly Hispanics in the United States will grow faster than any other race. Right now is a good time to start marketing toward other races since the traditional patterns of families taking care of senior members has become less common in the those communities.

The Costs of Advertising a New Assisted Living Facility

According to an executive at one of the nation's top advertising agencies, developers spend between $1500 & $10,000 per assisted living unit to advertise.[54] High occupancy rates will require putting money toward educating the public that the retirement community has services that they want.

Gaining market acceptance does not have to be a costly endeavor. Having the ALF as a participant in local community events can cost next to nothing to sponsor and can get the attention of prospective residents and their families. At the Clare Bridge facilities in Gloucester and Mercer counties, high school seniors dress up and have a "senior-senior prom."[55] Events like these will bring the community inside to see how assisted living works. Other creative ideas include having the ALF handing out candy on

[53] Knox, Healthy Retirees Choose Continuing-Care Retirement Communities 1110B1047
[54] Walsh, OKRB981950B0.

Halloween, and making the ALF a "block home," which is a place that kids know they can go if they do not feel safe. Once a month it can also be beneficial to have a "family night" where relatives of the residents can come and have dinner with the resident and perhaps hear a speaker.[56] Networking can occur at these dinners, maybe two families discover that they take their elderly relative to the same church and can take turns driving. Market acceptance is supported by the high occupancy rates.

Questions that the Sales Team Should be Prepared to Answer

When prospective residents seek information from an ALF, there are many questions that the sales teams needs to be prepared to answer. They include the following: do you own or rent or both, is there a nursing home, is there an Alzheimer's wing (in the case of CCRC there should be both), what are the costs, are there any surprise fees, is the facility licensed by the state, what happens if one of the residents starts to suffer from dementia or incontinence, how are prescriptions filled and administered, are negotiated risks allowed (does the resident have the right to engage in unhealthy activities and not hold the CCRC responsible if something happens), how is the staff turnover, what is the financial leverage, what is the staff to resident ratio, and what information is available about the on-site nursing care.

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[55] Walsh, OKRB981950B0.

[56] "Administrator Has Something Extra: A Nursing Background," Nursing Homes Oct. 1998: 64, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

The advantage of a CCRC is that a spouse can easily visit if one gets sick. There is also an increasing trend toward admitting a spouse in a nursing home. In 1996, 17% of nursing homes admissions involved a spouse, up from 7% from five years before.[57] The sales team needs to be prepared to sell both spouses and frequently their children too.

How to Make a Good First Impression

In the business of CCRC's, first impressions are of the utmost importance. Creating a good impression does not have to be expensive. There are very simple things that can be done to impress prospective residents so that they will return for follow-up visits. Here is a list of things that can be done to create a positive environment: keep an attractive entrance, give prospects a friendly greeting, establish their needs and listen, pay full attention, introduce them to caregivers, do not be too casual, when giving a tour do not walk ahead of the client, show empathy & understanding showing sincere interest, do not talk about things that might embarrass prospect, be smart it's easy to offend, reassure them that they are making a good choice, ask for their business, write a follow-up letter, have them for dinner, assure them that these services make their life better and gives them time to pursue other activities, answer the phone faster, schedule appointments at the prospect's convenience, identify prospects faster, keep the best

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[57] Frank J. Macknick, "Two Takes on Facility Marketing," Nursing Homes Oct. 1998: 70, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

parking for the prospects and residents, and use computer software to track leads and reduce redundant sales pitches.

Marketing to Multiple Generations

When advertising for assisted living and nursing facilities, it is best to aim the advertisements toward the 45 to 60 year-old children, since they would most likely be serving the role as the primary caregivers for their elderly parents.[58] What would appeal to the child will not necessarily appeal to the parent. ALF's will likely involve the children and nursing homes will almost certainly involve other decision-makers besides the prospects themselves. Sales people must develop marketing strategies that appeal to two distinct markets with different generational beliefs and perceptions.[59] The children must also remember that what appeals to them may differ from what appeals to their parents. The biggest selling point to the children about getting their parents in a CCRC is that they will not have to worry about providing medical care for their parents when they become disabled. They can also rest assured that they will not have to move their parents again.

Their family and friends will have a significant amount of influence in deciding to move to an independent living community or CCRC. 82% of older consumers would ask the advice of family when considering their next move. Among retirement housing in an AARP study, 40% had consulted their spouse, and 38% had consulted their

[58] Walsh, OKRB981950B0.
[59] Landis, 34.

children &/or grandchildren about future housing plans. Of the CCRC residents with children, just over one-third indicated their children were involved in the decision-making process. "Children were mostly involved in discussing the retirement living concept and providing emotional support during the selection process. Friends were also influential in making the CCRC decision."[60]

When the prospects make the decision to join the community, make sure that they are aware of their own personal legal liabilities and the legal liabilities of the community. "Because of the complexities involved with CCRC services and how they are delivered, it is essential to have an experienced elder-law attorney review the contract before signing. And because CCRC's are private facilities that can go bankrupt, it is also important to request a disclosure statement listing assets, liabilities, and operating expenses. The current annual failure rate is 5%."[61] Part of the complications with CCRC's arises from the fact that there are three levels of care in one contract, and each is governed by different regulations. "Customers can easily misunderstand what they are entitled to: the contract may allow for your parent to be transported to an off-site facility for medical care if no space is available at the on-site skilled nursing facility when the need arises."[62] To keep CCRC legal issues to a minimum, make sure that new residents have the following: a good understanding of their legal liabilities, vague contracts and surprise charges are avoided,

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[60] Gibler, 44.
[61] Bedway, 86.

the pricing structure is simple and easy to understand, and that flexible packages are offered.

Selling the customer does have to be a difficult and costly affair. The best way for a CCRC to advertise is through referrals and networks. When the prospective residents come to check out the facility, ensure they receive a positive first impression. If their children come for a look, use different sales techniques for them. Be prepared to answer a lot of questions. When the time comes for them to sign a deal, keep the contracts as simple as possible.

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[62] Bedway, 86.

CHAPTER III

MATERIALS: THE COMPONENTS OF A CCRC

Independent Living

The independent living segment of a CCRC is for seniors who retain all or most of their physical and mental capabilities. In a recent survey, the two biggest reasons for moving into a retirement community were finances and retirement.[63] The decision to move into independent living is least influenced by others since prospects are capable of making their own decisions. The most successful communities can attract prospects that can afford to live elsewhere. What those communities offer is a social element that cannot be replicated from staying at home. People from all financial backgrounds will be drawn to communities that promote "active adult living."

Many of the best active adult living communities are situated on a golf course. There is generally an age restriction of having at least one spouse over age 55 or 60. The communities are usually gated to offer additional privacy and security. While many of the retirement communities have a community center, one group of researchers found that people did not want a community center or pool because it would increase their fees. However, in order to

[63] Gibler, 44.

bring the residents together and encourage socializing, a community center should be strongly considered.

Give Residents A Choice of Designs

By giving the prospects a choice of designs, they will have the ability to customize their home to their own personal liking. The houses should not all look the same, however, there should be some well-established guidelines and an architectural review committee so that objectionable structures are not constructed. Today's elderly are not as conservative in design as their predecessors and the Baby Boomers will be even less conservative. Other options that add value include a basement and second floor option, spaces for large heirlooms, single-family homes (as opposed to duplexes and apartments), 2-car garages, and custom kitchens and slate fireplaces.[64]

Having multiple financing options available enables more people to become part of the community. In independent living, most people would choose to own their own home, if they are able to, and pay a fee for extra services such as an occasional meal, or weekly housekeeping. According to one industry expert, "independent living facilities are more affordable for seniors and are also easier to

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[64] Christine Schuyler and Susan Bradford Barror, "Modern Maturity: They Want Value, Style, and Easy Living, They're today's Mature Buyers, Here Are Five Successful Communities That Cater to Their Needs and Wants," Builder Jul. 1997: 126, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

develop because the housing is underwritten by the Department of Housing and Urban Development."[65]

The Advantages of Independent Living

The biggest challenge to CCRC's is trying to make seniors see the advantages of moving into the independent living facilities instead of staying at home. One recent survey found that 87% of seniors want to stay home as long as possible.[66] They have often spent many years in their home and have a lot of fond memories associated with it, making it very difficult and painful to leave. If the move can be viewed as crossing a new milestone in life, instead of a relinquishing of independence, it will be much easier. They will be living in a community where everyone knows everyone and where loneliness would not be a problem like it could be at home. It will give them time to do the things they really want to do, without worrying about yard work, or who will take care of the house when traveling. Moving into a CCRC can be one of life's greatest milestones if approached with a positive attitude.

Why Staying At Home is Not the Best Choice

Seniors that choose to remain at home and pay for care when they need it often end up paying more than if they had just moved into a retirement community before they needed help. If they wait

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[65] Kerissa Hollis, "High Cost of Aging," Memphis Business Journal 13 Nov. 1998: 25, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[66] Rence Young, "A Maturing Market," Building Design & Construction Apr. 1999: 54, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

until daily living becomes a burden and difficult, it may be too late to do their due diligence in finding people that they trust to take care of them at home. If someone is hired individually and gets sick, it is up to the senior to find a backup. The expense and the details of overseeing the type of care desired will deter many seniors. Many at-home health-care aides come over and watch TV all day. To match the care that could be received in an ALF, you really need the supervision of a family member for home health care. Additionally, certification is not a necessity for at-home caregivers.[67] Many seniors that can afford to live at home choose to move to a CCRC for the sense of community and socialization that it provides.

Author's Thoughts on Independent Living Communities

Throughout 1999, I personally toured most of the assisted living facilities in Eugene, the nationally acclaimed retirement community of Sun City in Palm Springs, and several plush country club communities, also in Palm Springs. I was not impressed with any of the facilities in Eugene that I visited. Of all of the places I visited, the country clubs created the best feeling and were far nicer than anything I saw at Sun City and Eugene. However, these communities were open to people of all ages, not just retirees. These communities would offer a lot more to retirees if they represented the independent living segment of a CCRC. In other

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[67] Amy Fletcher, "Omaha, Neb,-Based Firm Helps Seniors Stay at Their Homes," Knight-Ridder/Tribune Business News 20 Oct 1998: OKRB98293085, Business Index Asap, Online, Infotrack,

words, if you took the country club concept, put an age restriction on the community, and added more interactive social activities at the clubhouse, you would have one of the nicest independent living communities in the world. Then, if a portion of the outlying land had assisted living facilities and a nursing home center, it would be what I believe to be the perfect CCRC.

The Indian Ridge Country Club in Palm Desert, CA would be a model independent living community if it were aimed at people above a certain age. Indian Ridge is not a retirement community. Sun City Palm Desert is only ten miles away but it is a retirement community. I believe that a retirement community that combines the activities and age restriction of Sun City with the layout and design of Indian Ridge would provide a superior living arrangement.

Both Indian Ridge and Sun City have golf courses. In terms of layout, the main difference between the two is that every parcel in Indian Ridge borders a part of the golf course, unlike Sun City. In Sun City, the majority of the properties are surrounded on all three sides by neighbors. Not having any common area bordering the property gives more of a feeling of an average suburb than a well-done retirement community. For these units, the view beyond the backyard is not a well-landscaped golf-course, but instead a wall and roof. Even a space between back-door neighbors for walking areas would provide a nice alternative to a wall. To my surprise, the units on the golf course have a transparent fence constricting the backyard. Although Sun City excels in bringing providing an

active lifestyle to seniors, I cannot say I was impressed with the layout of the housing.

Both Sun City and Indian Ridge offer a choice of several different home designs. However, neither of them offer basement or second floor options. The home designs in Sun City have features that elderly couples would find desirable such as grab bars and seats in the showers. The construction is of high quality with much custom cabinetry, contemporary kitchens, and luxurious bathrooms. The nicer units have vaulted ceilings.

There is no comparison between Sun City and Indian Ridge in terms of things to do. Sun City has over 50 chartered clubs and activities. All of them encourage neighbors to socialize with each other. A visit to the main clubhouse will find it bustling with activity and seniors interacting with each other.

Sun City is a homeowner-owned community. The fees that homeowners pay for maintenance of the common areas are only $114 per month and it is land that they collectively own with the other homeowners. The lot sizes in the newer additions are ten feet longer than lots in the older addition as a response to increasing demand of larger lots.

Surprisingly, Sun City does not have any sort of assisted living or nursing care facilities. They consider themselves to be an "active-adult living community." Consequently, they do not want seniors who are not capable of living an active lifestyle. By not offering assisted living arrangements, they force seniors to remain active as long as possible. The problem with this setup is that

residents will be responsible for finding new living arrangements when the time comes that can no longer care for themselves in the independent living community. If Sun City were part of a CCRC, this would not be an issue.

A development that integrates the layout and housing design of Indian Ridge with the activities and age restrictions of Sun City has the potential to be a very successful community. Further value could be added if that development incorporated some sort of on-site assisted living and nursing facilities making it into a top notch CCRC.

The Assisted Living Sector

Focus: An Overview of Assisted Living

Assisted living first appeared in the United States in the 1980's. It was patterned after Dutch and Scandinavian systems designed to provide housing and sheltered services for the frail elderly. Assisted living differs from traditional medical or institutional models of care where individuals are treated as patients, with their social, spiritual, and other needs are subjugated to the treatment of the disease. Assisted living emphasizes the social and personal requirements of those that need some assistance with daily activities and health care, but desire and deserve to age with dignity. The housing design, services, activities, and employee training should all be customer-centered.[68]

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[68] Barton, 45.

Many of the people who choose assisted living can afford to stay at home but opt not to. Assisted living and CCRC's can be "reminiscent of what you'd find at a high-end hotel or resort. The well-to-do come for the amenities, the companionship, and the stimulating environment that many of these places now offer, as well as the first-rate care that's available."[69] The fastest growing segment of the senior housing market has been assisted living.

Assisted living is often divided up into three tiers of care, with the monthly fee rising as the resident needs greater level of care. In the first tier, you will have "supervised independence" which includes meals, medication, laundry, transportation, housekeeping, and in-house activities. The next tier would be "moderate assistance" where help is required for daily living activities such as bathing. The final step is "extensive assistance" when help is needed to get to the dining room.[70] State and federal regulations often prohibit more extensive medical assistance which, if necessary, requires the patient to move into a nursing home.

The majority of ALF's are freestanding facilities and are not part of a CCRC. The best part of an ALF in a CCRC is that it offers freedom and activities, an enhanced social network, and relieves fears that friends and family might have of ensuring proper care.

The Concept of Active Aging

[69] Bedway, 86.
[70] Bedway, 86.

"Active aging" should be the way of life at CCRC's, particularly the assisted living sector. The goal of active aging is to keep the elderly resident as active as possible, and lead as productive of a life as possible given their current medical limitations. The ALF must be thought of as a social model, not a medical one. From the point of view of the staff, "active aging" simply means remembering that the elderly should be thought of as people not helpless patients.

The staff of a retirement community can make or break it. If creating a pleasant environment is not of the utmost importance, the retirement community will not achieve the maximum amount of happiness for its residents. There are many things that care operators can do to create a pleasant environment. The first thing they should do is talk to the seniors. They should ask them what they want and what could be done better. The staff should encourage family and pets to visit. They should provide at least one outing a day. They should keep the theme "yes you can," not "no you can't."[71] Smaller bedrooms actually encourage socializing and having a roommate can add to the social element. They should consider investing in a computer software-tracking program that tracks who likes what. These represent a few of the examples of the many things that the operators of retirement communities can do to encourage "active aging."

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[71] Carlo Wolff, "A Haven, Not A Hospital: Assisted Living Design Involves Practical and Emotional Issues," Lodging Hospitality Nov. 1997: 64, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

How the Government Can Encourage Active Aging

The government can also take steps to encourage active aging and keep seniors contributing to society for as long as possible. Although controversial, many of these would provide incentives to encourage seniors to stay in the workplace past age sixty-five. Things that the government can do include the following: removing incentives for early retirement, ensuring jobs for elders, phasing in reductions of public pensions and rises of contribution rates, thereby reducing public debt toward pensions, retirement income should come from multiple sources such as advance-funded systems, private savings and earnings, and better balance sharing between generations. The main focus of the government should be research on other ways to reduce dependence.[72]

The main focus of assisted living, and the entire CCRC, should be to keep all the residents functioning at their highest level and there are many things that can be done to do this. Having a central dining room instead of room service forces residents to remain active and social. The center should host activities that promote social interaction. It must not be forgotten that seniors want to stay in touch with the world. They want to be kept up with current events and learn new things. They should be given as much freedom and control over their lives as they can safely be given. They should be encouraged to make their own breakfasts and lunches. Bed

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[72] Hans Blommestein, Peter Hicks, Nick Vanston, "The Demographic Challenge and the Policy Response," Financial Market Trends Jun. 1998: 19, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

making services should only be provided for residents who cannot make their own beds, that way dependency is reduced. The center should also invest in nicer looking wheelchairs so that the patients can maintain dignity. If a "hotel theme" is desired then having doormen, baggage carts, and floral bouquets greeting the entry can be a nice touch if finances allow.

The goal of the operators of an assisted living facility should be to try to keep their residents as active as possible. From a purely business standpoint, if they were able to retain their residents for six-years instead of four, marketing costs would be slashed.

Problems with Assisted Living Facilities

Like any industry, assisted living has its problems. With assisted living being a relatively new industry, it is not heavily regulated. Consequently, it is not difficult to get away with substandard care. One study published in the December 1997 issue of ASHA's Senior Housing Update found that many ALF residents had unmet health needs and limited community participation. The study concluded that ALF's may

> actually lead to greater public expenditures for long-term care since seniors who enter the community as private pay residents may instead exhaust their resources in assisted living and still require an extensive nursing home stay at public expense……it is safe to assume that assisted living will soon begin

> to face some less than favorable publicity and criticism.[73]

Another problem with assisted living is that the residents have to give up many of their possessions since they will most likely be moving into a much smaller space. Another grim fact is that the average age of assisted living residents is 83, and 78 in independent living facilities. This suggests that people are drawn to senior housing only by some fairly serious need-drive considerations.[74] The choice of health facilities is directly related to health constraints, many elderly will not move from their home until their failing health forces them to. Those that wait until then are beyond the point of being able to function for long in independent living facilities. This suggests that retirement communities still have a negative image.

Design Necessities of Assisted Living Facilities

The design of these facilities must appeal to both the elderly and the family members who want to keep their parents and relatives upbeat and mobile. The main purpose of design in assisted living is to improve morale and maintain independence as long as possible. One facility chose to do away with the nurses stations and have medications hidden away in locked supply closets. The staff complete their paperwork in country kitchens while interacting with

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[73] David Schless and Ken Preede, "Assisted Living Goes Under the Microscope." National Real Estate Investor Jun. 1998: C10, Business Index Asap, Online, Infotrack, 11 Aug. 1999

[74] Moore, 28.

the residents.[75] The goal is to keep everyone functioning at their highest possible level. People want to receive health care in a home-like environment. The design should also be easy to navigate.

There are many different approaches and design ideas that can be taken to create an optimal living environment. A few of the ideas include the following: walking trails around the campus, gardens, nice furnishings and decorations, houses plants maintained by residents, spaces that would be in a house as opposed to just "attractive spaces," nurses' stations that are like kitchens or even eliminated all together, nurses' stations at intersections so that there is not as many of them, a residential feel by reducing corridor length, a reduction in the width of the corridors as well, more common areas in the design, and larger more luxurious living spaces[76], units with views, an on-site preschool, sharp and manicured looking landscaping, and a receptionist desk instead of a counter.

The basics of assisted living generally include meals served in a common area, housekeeping and laundry, transportation to stores and doctors' offices, social activities, administration of medication, assistance required with eating, bathing, dressing, managing finances, using the telephone, and toilet problems.[77] Other extras include personalized care plans, beauty and barber shops, home-style meals, multimedia theatre rooms, and exercise and

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[75] Loren Shook, "A Setting For Severe Alzheimer's" Nursing Homes Mar. 1999: 38, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[76] Tinsley, 58.

[77] Knox, Assisted-Living Residences Fill Gap for Independent but Ill Seniors 1110B1042.

activity rooms.[78] Newer concepts that are catching attention include wellness center/spas, disease protocols for chronic care conditions incorporating integrative medicine, and expanded memory impairment programs.[79]

Businesses that choose to make custom products for the assisted living market may benefit as the client base rapidly expands. The designs should avoid having an institutional look. Bathrooms will have a higher concentration of custom-made products. Simple ideas for bathrooms include attractive grab bars, seats in the tub or shower, softer tubs, levers in place of twist faucets, and water heater limitation to avoid burning. In addition to being visually appealing, the equipment must "fit into a standard space, be user-friendly, easy to operate independently and be affordable to the facility."[80] The unit should have crank operated windows, as opposed to slide, lower windows, storage and closet space rearranged to provide better access, and ramp-ways instead of stairs or steps. Procter & Gamble has recognized the business opportunities for those who are willing to step out and offer products and services to an upstart industry.[81] For all businesses, it is a good time to contact developers that are looking to add appeal to their retirement communities.

For the upper-end communities, a "country-club atmosphere" will be a selling point. One community built by Marriott will

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[78] Verna, 41.
[79] Johnson, 2S10.
[80] Jo Donofrio, "Bathing Systems For Assisted Living," Nursing Homes Jun. 1998: 64, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

include a white-tablecloth restaurant that will serve three meals daily.[82] However, it must not be forgotten that glitz is much less important than a design that empowers its residents. There are small things that can be done to make it a user-friendly place to live without disrupting the elegance and visual appeal. Many elderly cannot see as well so keeping the lights a bit brighter will help. The interior should have a design that condones watching others. For example, enough space should be left in the entry way to their room so that can see any activity. The dining room should be placed past things that could potentially spark interest, such as activity rooms, or outdoor courtyards. Eliminate overhead paging systems. Those add unnecessary noise and give the feel of a hospital, not a retirement community. Include emergency call buttons in rooms near the bathroom and bed but have silent alarms. If a resident wanders, having auto-locks instead of alarms will serve the same purpose and save on unnecessary commotion.[83] The alarms and security system should have an attractive design, particularly those placed in public area. A retirement community that takes these suggestions into consideration will create a pleasant haven to live.

Basics of Food Service

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[81] Barton, 45.

[82] Stan Bullard, "Senior Centers, Marriott Style: $13M Westlake Project Kicks Off Hotel Chain Unit's Major Plans Here," Crain's Cleveland Business 12 Jan 1998: 1, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[83] "Departure Alert Comes To Assisted Living," Nursing Homes Aug. 1998: 60, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

Food service is a very important element of assisted living and nursing care. If the residents do not enjoy what they eat, they may suffer from malnutrition which, if not treated, can progress to life threatening health ailments. One organization found that giving seniors a choice of food made an amazing difference. A representative of the company said this of giving seniors a choice, "In my 47 years in foodservice, I've never seen anything work as well as for encouraging seniors to eat. It's been amazing. They are thrilled. I don't know how it's working, but it is."[84] The seniors should be given choices on both the items and the amount of food they want, and be allowed to see the food before it is served. The visual element of seeing the food will perk up their appetite if it looks good. AtlantiCare Medical Center implemented choices and estimated that they would be saving $30,000-$50,000 each year on wasted food.[85] It is important that the choice is given at the time the meal is served, not the day before. In order for the retirement community to save money, the number of choices will need to be kept reasonably low. Retirement communities that switch from predetermined meals to visual meal choices will likely see health improvements and diminished weight loss problems.

Emergencies

It is especially important that the staff knows how to mobilize residents if an emergency arises since many of the

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[84] Paul King, "Necessity Begets A Solution for Seniors/Foodservice Operator," Nation's Restaurant News 3 May 1999: 18, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

residents will not be competent of dealing with such situations. The staff needs to know how to conduct evacuations, respond to fires, locate missing residents, and properly react to the loss of utilities and other problems caused by weather. Fire codes will vary and in some states the same strict standards that apply to nursing homes will apply to ALF's. Alert systems are needed at all levels, even independent living. Consequently, all alarms and security devices should have battery back-ups. Computers can make the emergencies much easier to handle. They can be used to pinpoint the exact location of residents that are wearing a radio frequency transmitter. Computers need to be backed up for the times when they crash. An additional benefit of computers is that they can be used to track and log all incidents.

The Nursing Home Sector

Nursing homes have been around for a long time. Although the care today is much better than what it used to be, nursing homes still have negative stigmas attached to them. With the average age of most nursing home residents over 80, Figure 7 is quick to show the potential strain on the nation's nursing homes between 2025 and 2045. Today, the chance that a 65-year-old will enter a nursing home is about 35%. 10% will have more than one admission and 0.5% will have more than four admissions. The time spent in a nursing home significantly varies. 25% spend a month or less, half spend

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[85] DeSilva, 23.

less than six months, but 10% spend six years or more.[86] Since two-thirds of 65-year-olds will never enter a nursing home and a large fraction of total nursing home utilization is from a very small minority of the population, the risk of a lengthy nursing home stay is very small. Consequently, there may be a substantial role for insurance. People looking to move into a nursing home are usually pressed by a serious medical condition. Sadly, nursing home decisions are often made in a less than week with someone else making the decision.[87]

As regulated as nursing homes are, the General Accounting Office (GAO) of the U.S. Department of Health and Human Services recommended more federal enforcement. The recommendations followed from a study that found 25% of U.S. nursing homes commit serious safety violations associated with basic levels of care, such as not giving patients enough water or turning them in bed to prevent bed sores. The GAO also urged the Health Care Financing Administration (HCFA), which oversees Medicare and Medicaid, to stop payments to substandard homes and quickly deal with homes cited for deficiencies.[88]

The Type of Care Offered In Nursing Homes

There are two types of levels of care offered at nursing homes: intermediate-care facilities, which provide custodial and

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[86] David A. Wise, "Program Report: the Economics of Aging," NBER Reporter Summer 1996: 1, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[87] Gibler, 44.

basic medical care; and skilled-nursing facilities, which must be licensed by the state to provide 24-hour nursing care and employ at least one registered nurse full time. Skilled care is the primary care offered at a nursing home and will be discussed later in further detail.

The primary business of nursing homes is to offer health care in an environment that is as pleasant as possible. To facilitate good care of the residents, the nursing home should track the health status of its residents using a computerized database. Many nursing homes have found it very helpful to have consultant pharmacists involved with the care. According to a study by the American Society of Consultant Pharmacists' Fleetwood Project, pharmacist involvement improves outcomes in nursing facilities by 43% and saves an estimated $3.6 billion each year on medication-related problems.[89] Pharmacists could potentially have a much larger role in the ALF industry than they currently hold.

The main role of the pharmacist is to keep the residents as healthy as possible. An estimated 28% of all hospitalizations for seniors are due to medication mishaps.[90] Pharmacists have expertise in administration of medication and are much better at preventing health problems resulting from overdoses and mismatched medications. Having pharmacists will result in higher retention rates and

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[88] Jacques Couret, "Senior Housing News," National Real Estate Investor May 1999: 24, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[89] Gemma M. Tarlach, "Boomtown: Explosion In Assisted Living Means New Opportunities," Drug Topics 16 Feb. 1998: 70, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

consequently, more profit. In assisted living, value comes from how chronic illness is managed. Pharmacists can add a significant amount of value to the care that the residents receive, adding to the bottom line. Pharmacists wanting to market their services need to develop a trusting relationship with both the staff and the residents. In addition to direct care, pharmacists can help train the staff, many of whom are not healthcare professionals. The pharmacist is best trying to market his or her services in an assisted living facility, the goal being to try to keep the residents there as long as possible. If the resident is still capable of making the decision, then he or she should be given the choice of who will be administering care.

Currently 80% of all money going into Medicaid is going toward nursing home care. In order for many elderly to qualify for Medicaid money, they may have to move into a nursing home when that is not necessary. Having more money going toward "personal care," which is intermediate care that can be provided at an ALF, is something that many organizations want to happen.[91] Having Medicaid reimbursements for personal care would lower the nursing home population. With personal care, care-givers generally know their patients on a more personal level. This will result in the needs of the patient being better served. In this business, little things will go a long way.

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[90] Michael Slezak, "Assisted-Living Offers Big Opportunity; Pharmacists Can Create New Business Helping Elderly Patients Stay Healthy," American Druggist Jan. 1999: 28, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

Skilled care is the most intensive level of care available at nursing homes and is covered by Medicare. Skilled care includes IV, tube feedings, tracheostomy care, sterile catheter care, sterile dressings with prescriptions, treatments of ulcers and widespread skin disorders, colostomy care, physical and speech therapy, and care for unstable medical conditions. Organizations that offer skilled care must be licensed by the state and must employ at least one registered full time nurse. Additionally, a licensed physician must be on call at all times, especially when emergencies arise. Currently, Medicare will only certify facilities that provide skilled nursing care, leaving assisted living facilities and other forms of care with out such funding. However, many ALF's will not want to partner with nursing homes because they believe that nursing homes have very different environments and do not understand assisted living.[92]

The basic Medicare described above is the Federal government's health insurance program. It is financed by Social Security (FICA). In some states, extensive Medicare insurance can be purchased for a premium and will cover such things as physician's visits, nutrition, laboratory, x-rays, vaccines, and physical and speech therapy not covered under the basic Medicare plan. No Medicare plan will cover personal expenses such as private-duty nursing or clothes.

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[91] Murray Coleman, "Personal Care Hopes to Grow with Medicaid," Pittsburgh Business Times 22 Jan 1999: 1, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[92] Mary Grayson, "Happy Endings," Hospitals & Health Networks 20 Jul. 1998: 7, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

Part of the task of skilled care includes being able to move the patients without hurting them or causing great discomfort. Many nursing homes and assisted living facilities have found that an investment in power lift equipment pays for itself many times over. This will avoid injuries to both the staff and the resident. One nursing home in North Ridgeville, OH did not realize the wide range of benefits until they actually started using the equipment. "With the help of power lifts, the residents are able to maintain their dignity and achieve the highest level of independence possible. The staff is less stressed and more compatible, and the facility saves time and money."[93] The staff must be trained how to use the equipment but once they are familiar with it, the benefits add up: there are less staff injuries and consequently, less workers' comp claims, the residents can maintain their dignity, less resident injuries, bruises, and tears, and substantial savings to the nursing home. Before the equipment is purchased, it is important to understand the products available, the needs of the facility, and that the lift manufacturer is a reputable company.

Alzeheimer's Wings

Many of the patients of a nursing home currently or will shortly be suffering from the affects of Alzheimer's. Alzheimer's is defined as a degenerative age-related disease that impairs an individual's cognitive ability. Symptoms may include forgetfulness,

[93] Dawn Difranco, "Lift Equipment As A Safety Device," Nursing Homes Oct. 1998: 56, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

wandering, and an inability to recognize others. The disease is caused by neuron dysfunction and death of specific brain regions responsible for cognitive functions. Both genetic and environmental factors likely play a role in the development of Alzheimer's.

Alzheimer units are sometimes integrated and sometimes separated from the rest of the facility. The pros and cons of each will be discussed later. In recent times, demand has increased for Alzheimer's units to have a more residential feel. Careful planning must go into the designing of facilities that will house people suffering from Alzheimer's. The architect must have a good understanding of how people with Alzheimer's interpret things. Since Alzheimer patients are easily confused, it is important to have a design that will allow them to see what is behind doors and walls. Making "half-walls" can help because the patient can see what is in the next room without having to open a door. Color schemes are very important in a nursing home. Having a colored border in the Alzheimer's unit is not a good idea because the border can be misinterpreted as a step. The sinks should be a contrasting color to the counter so that it is more visible to the resident. Painting the walls near each of the rooms a different color can help patients remember which room is theirs. If there are outdoor areas, it is very important that they are well secured. There should not be kitchens in the Alzheimer's unit because they can easily get hurt there. Design "memory boxes" where families can place meaningful possessions. The design should be looped or have dead-end areas that are activity areas. The wings should be small. One facility

created a "streetscape" effect" with a suspended wooden ceiling that mimics a trellis and a carpet that features a paved pattern.[94]

There are some varying opinions of where to place an Alzheimer's wing within a nursing home. The three options include integration, separation, and a home-with-a-home. Each one is discussed in further detail below.

Some nursing homes integrate their Alzheimer's unit as a home-with-a-home. Residents start on the outside and move into the secured unit as their abilities decline. This approach can offer some cost saving since everything is closer together offering economies of scale in staffing. However, one of the problems is that there is no outside awareness of the Alzheimer's facility and sometimes the design has to be compromised since it must accommodate two separate populations.

Some nursing home operators feel that Alzheimer's patients should be separated from the other residents. One advantage to this is that more emphasis can be placed on behavioral problems instead of health issues. The staff will not have to deal with such widely varying needs. Additionally, segregated wings are easier to design and keep secure. It also prevents patients that are not suffering from Alzheimer's from continually seeing how bad off some of their peers have become. However, a wing specific to Alzheimer's carries a negative stigma for some families and individuals with lesser degrees of Alzheimer's.

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[94] Young, 54.

While keeping Alzheimer's patients separated may have its merits, there are some benefits associated with integrating Alzheimer's patients with everyone else in the nursing home. Integration does not carry the negative stigma that segregation does. Integration continually challenges the abilities of Alzheimer's patients. Additionally, residents who are not suffering from Alzheimer's can make themselves feel useful when they assist others. However, integration works better on smaller projects. It is also more difficult for the staff who must deal with more widely varying needs than they would if the Alzheimer patients were segregated.[95]

If third party sources starting putting more resources toward assisted living, then assisted living care for Alzheimer's patients would increase. According to one source, it makes good economic sense for Alzheimer's patients to be cared for by ALF's. "It's a far cheaper option than nursing homes, home care, or subacute care." Profit margins are also higher in assisted living facilities than in nursing homes, so the operating profits from Alzheimer's patients can be even greater, exceeding 40%.[96]

A Case Study: Eugene Good Samaritan

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[95] Megan Rowe, "Separate but Equal: Many Operators are Acknowledging the Specialized Needs of Memory-Impared Residents by Dedicating Facilities to Their Care," Lodging Hospitality Nov. 1997: 68, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[96] Paul Freeman, "Alzheimer's Care Fills A Growing Need: No Fewer Than Three Facilities Will Open Next Week," Puget Sound Business Journal 28 Aug. 1998: 20, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

During the summer of 1999, I spent some time at the Good Samaritan Nursing Home in Eugene, Oregon. The average age of the residents at that time was 83. See figure 25 for the age breakdown to this nursing home. Their complex contained 150 beds, 120 of which were filled. I worked closely with the Activities Director. The time I spent there enabled me to understand the intricacies of the operations of a nursing home.

They had the following employees and offices: Resident Care Managers or more commonly known as Resident Nurses (RN's), a social services office, a mental health office, an activities office, a beauty shop, a Health Information Management Office, a Staffing/human resources office, a director of nursing, a medical co-director of the sub-acute wing, housekeeping and laundry rooms, an admissions and social services office, medical supply rooms, a plant operations basement, a chaplain, a Continuous Quality Inspector, a dietary specialist, and a physical, occupational, and speech therapists, and nurses' stations.

The state of Oregon requires that at least 2 Certified Nursing Assistants (CNA's) per floor are on duty at all times. A six-week training course, passing of a state exam, and experience with personal care are the requirements to hold this position. Unfortunately this position experiences high turnover. The state also requires one Registered Nurse (RN) to be in charge of every wing of the building. Becoming a registered nurse takes two years of schooling and experience treating patients.

The Health Information Management office is responsible for entering all of a new resident's medical information into a database. They are also responsible for archiving old medical information which generally includes anything that has remained on file at the nurses' stations for more than three months.

One of the main problems that they had at the Good Samaritan Nursing Home was that they were consistently understaffed. They often have had to contract out with agencies at a high expense. One of the employees thought they should have more volunteers, especially children.

Staffing

With competition heating up in this industry, a strong management team can make the difference between a success and a failure. In any business, many ideas and products can be copied, but employee drive and dedication can only come from within. Few things can have a greater impact on success. Employee interviews should include background checks and prescreening tests. Statistics show that employees hired from an agency will last longer.[97] The education level and qualifications of a candidate should bear less importance than whether that person has a service manner. "Employees can come from any discipline, many employees are from service-related industries, once it is determined if they have a service manner or not, then they can be educated no matter what

[97] Bedway, 86.

discipline they have been in. The facility should have the ability and manner to train employees to work with the residents."[98]

Having local people in both lower and upper management positions can create a sense of trust that the facility is not being run my out-of towners who only care about profit. When the team is assembled, a good training program will help new employees become familiar with what makes it a well-run facility. Training programs can make a huge difference in the way the residents are treated. It is very important that the employees are taught how to interpret health data so that the right decisions are made. Although some of the staff may be new to the industry, it is important that major roles such as the Director of Nursing or Resident Service are filled by someone with several years of experience. It may become more difficult to find the right people by the year 2010, since the proportion of typical care-givers (women age 50 to 64) is shrinking.[99]

Once the staff is hired, the next challenge is to keep them performing well. A study by the GAO found frequent problems that could have been avoided. These included inadequate or insufficient care provided to residents; insufficient, unqualified and untrained staff; and medications either not being provided or stored improperly. These problems were attributed to insufficient staffing and inadequate training, exacerbated by high staff turnover and low

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[98] Randy Henry, "Demand In Seniors Housing Creates A True Need For Good Employee Training Programs," National Real Estate Investor Dec. 1997: S21, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[99] Barton, 45.

pay for caregiver staff."[100] The bottom line is determined by the care that is given to the residents. Even the maintenance workers should be treated well so that they in turn have positive interaction with the residents. If the staff is satisfied, they will provide superior care, making it a better place to live.

In this industry, value is largely judged on the quality of the management. Marriott has a very good reputation in the hospitality services. Marriott usually partners with ALF owners, takes over the operations, uses their good name, but rarely owns the facilities that they represent. It is a fact that public companies tend to train their employees better and that third party operators can reduce operating costs for the owner.[101] Providers that have formed alliances with hospitals, physicians, and MCO's will be more likely to succeed than those that do not form alliances. A stable workforce with low turnover will allow the residents to form trusting relationships with employees who will take care of them. Administrators of retirement communities must never forget that their clients are human and deserve to be treated as such.

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[100] Ronald M. Schwartz, "Questions Raised On Assisted Living Care," American Druggist Jun. 1999: 21, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[101] Knox, Assisted-Living Residences Fill Gap for Independent but Ill Seniors 1110B1042.

CHAPTER IV

RESULTS

Time To Develop

When the developer(s) has a full understanding of what they will build, the journey has only just begun. The next step of the process is trying to decide where to build and how to finance the project and how to customize the development for the local market. Once those decisions are made, the community must not oppose the project or it will be doomed to fail. When the time and place are right, it is time to develop.

At this time, a developer would likely have more success building a CCRC instead of one of the individual components. The reason is that there is a lot of value added by combing all three services. CCRC's are new enough that the market is not saturated, whereas there are many places that are saturated with the individual components.

The advantage of a CCRC is that the ALF will always be within walking distance of the independent living units, easing fears of being separated from friends or loved ones when their health deteriorates and a move into an ALF is necessary. Residents of assisted living facilities have rarely moved more than ten miles.[102]

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[102] Thornton, 38.

Where to Advertise, Where to Locate

Advertising for the CCRC should not be limited to locals. When the project first opens, the majority of the long-distance advertising should focus on the independent living segment. Long-distance advertising should expand beyond the Sunbelt. Contrary to popular belief, large clusters of elderly are not limited to that area. Cities such as Pittsburgh and Cleveland respectively have the second and fourth largest proportion of elderly in the country.[103] Figure 21 is a United States map that shows the proportion of elderly by state. A quick glance reveals that the largest concentrations of elderly live in the Northeast and Midwest.

Although some metropolitan cities have approached market saturation for retirement facilities, placing the CCRC far away from a large city can be just as risky. First, many elderly like to have access to a good-size city within an hour of their home, and second, trying to staff a facility that is located in the middle of nowhere can be a challenge. In general, the ideal locations have proven to be on the outskirts of cities that are not over-saturated. Locating on a gentle hillside can add value to the community by enhancing views. To avoid saturation markets, many companies have begun looking for international opportunities because domestic competition has heated up. However, the majority of the retirement communities within the United States do not have international operations. A city that is over-saturated presents the residents

with the risk that they might have to find other living arrangements if their community goes bankrupt. It is important that a developer does not build too closely to another retirement community and jeopardize the elderly residents.

Financing the Community

Obtaining financing for a large-scale retirement community will be significantly influenced by the state of the economy and investor sentiments about the industry. Three-fourths of the industry is made up of smaller projects.[104] From a banker's point of view, a retirement community must be thought of as an investment in the health care industry, not the real estate sector. It is an operating business that should be judged by the quality of its management. There are tax credits available for developers who construct retirement communities. REIT's have also been putting more of money toward retirement communities. Although more money is out there, it is a challenge to tap into it.

In recent years, it has become increasingly difficult to secure the necessary finances. On the equity side, venture capital, real estate opportunity, and pension funds have intensified their interest in the assisted living business. However, these newer sources of equity are only considering the prime investment opportunities. Debt financing has also been more difficult because lenders have tightened the borrowing terms toward quality and

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[103] Schuyler, 126.
[104] Resor, 78.

safety. Consequently, companies have been using more of their own equity. Although the demand for retirement housing is still growing, financing has been temporarily unavailable to small and inexperienced developers. Public companies will be at an advantage for raising cheaper capital and construction lines and IPO's are predicted to heat up again soon[105]. One thing is for sure, poor quality projects will not be supported in today's market.

Constructing a new retirement community will usually cost more than purchasing operating units. If the decision is made to build a new facility, the developers must perform their due diligence in finding the right site. Efforts should be made to save money on the real estate so that more funding can be put into the services offered. Real estate can be purchased less expensively if a site beyond the suburbs is chosen. If possible, the developers would be wise to make sure that the site under consideration is zoned correctly and will not receive strong objections from neighbors or influential community members.

Selling the Community on a New CCRC

Many of the objections to retirement communities stem from ignorance. Many people equate it with poor, unwashed, unpleasant looking people in wheel chairs. The role of the developer will be to educate the community that residents of a retirement community will make an excellent addition to the area. Concerns that have been raised in other communities include property devaluation,

[105] Johnson, 2S10.

traffic congestion, and costly drains on community resources. Some senior advocacy groups believe that community opposition is based on underlying negative attitudes the public has toward the elderly and do not want to be reminded that we are all getting older. Studies by AARP show no link between retirement communities and housing values. A professor at Loyala University said, "Only after a facility is constructed do citizens recognize the advantages of having quiet, well-behaved neighbors who are rarely seen." Traffic concerns are almost a moot point since most of the residents of assisted living or a nursing home do not drive.

The developer should discuss their intentions with concerned members of the community. The presentations should be well prepared and crafted in ways that would have the most appeal to the audience receiving the presentation. They should start with the local officials, talk next to the business leaders, and finally bring it to the general public at a community meeting.

The first meeting is with local officials. Local officials include the mayor, city commissioners, zoning officers, and anyone who has the authority to make a decision that could potentially undermine the project. Presentations should include simple drawings to prevent giving the impression that plans are final. This is the time to obtain input make sure that no restrictions are being violated so that extensive redesign is not necessary at a later time. The developer needs to be prepared to address unanticipated concerns. These will often involve worries about property devaluation. Having case studies from other communities

where property value actually went up will only help the case being made. Costs can be saved if the city officials can be convinced that the housing is considered residential instead of institutional. The developer must show how the project will be more than satisfactory for the intended use in such areas as fire codes. Institutional codes can be cost-prohibitive and unnecessary. Ordinances that mandate at least one parking place for each residence should be waived since most of the residents will not be driving.

The next step of the process is to take the idea to business leaders such as the chamber of commerce, the Rotary Club, medical centers, and the school board. All of those organizations can make or break a proposal so it is important to have their support. Showing an interest in their point of view can only help later on down the line. Business owners should understand how such a project can benefit a tax base and can help support local business. Any issues that conflict with local commerce should be worked out before the project is presented to the entire community.

The final step is to take the idea to the community. These meetings can often be emotional and difficult. With thorough preparation, the developer can get through the town meeting and avoid having the proposal killed, especially if meetings with the city and business officials have already taken place. Many of their concerns will be based on fears that can be calmed by showing them case studies of other communities. Increased traffic is usually one of their biggest concerns. Plan on showing how the parking of

employees and visitors will be easily accommodated. Let them know that suppliers will be making truck deliveries at times that will not disrupt traffic or neighbors. Show them that it will not be a shabby neighborhood but in fact one that includes such services as ice cream parlors, beauty shops, and activity areas. The dwellings will be structures that will blend into a residential neighborhood without the institutional look and the landscaping will be kept up, making it a great addition to the neighborhood. Well-drawn illustrations will help them understand your concept. Once you get the final approval from the community, construction is ready to take place.

Keeping Costs Down Once Operations Begin

Ultimately, occupancy rates will be the key to profitability. The top priority of a retirement community under construction should be to get most of the units sold or rented before construction has been completed. It is important to select an architectural firm that will not charge too much. One-story units may cost less but not having a two-story or basement option could eliminate some of the potential market. It is a wise decision to go into this project with a clearly defined budget. Public companies are often better at budgeting, quite possibly because they are forced to give detailed quarterly financial projections and reports.

Once the facility is complete, costs can be saved in new ways. Making fewer high-volume purchases will keep costs down if there is sufficient storage space to warrant it. In nursing homes, it is

required by law that a nurse is on duty at all times. However, this is not the case with assisted living and having a nurse on duty 24-7 will add up. Transportation costs can be reduced by purchasing economical conversion vans. The appropriate maintenance around the facility will reduce the chances of having high one-time costs. The carpets, rails, walls, and baseboards should be repaired and replaced when necessary. Preventative maintenance will ultimately save on replacement costs. More importantly, preventative maintenance will keep things looking better and reduce the chances of injuries. If done right, the CCRC can be a smashing success for many years.

Alternative Retirement Communities

Many retirement communities are united by some sort of theme. Religion is usually the thread the binds the community. Toward the end of my research I came across the website of a company that had ambitious plans for a new type of retirement community. It would be one of a kind, for there are no large-scale retirement communities like it. They plan to build a gay and lesbian retirement community. As homosexuality continues to grow in acceptance, a revolutionary opportunity could come forward to those willing to take the risk of serving this segment of the population.

> Targeting an older generation open about its sexuality and thinking about its golden years, some developers are looking to build gay-friendly retirement communities. "We want to create something that mirrors the life

they're living now," said Boston real estate agent John Goode, part of a group planning an urban homosexual retirement community in Boston.

In generations past, societal pressures forced many gays and lesbians to keep their sexual orientations private. Today, developers say those who helped open the way for vibrant gay communities will want to continue living in gay communities after retirement.

"In the mainstream aging community, there is the assumption that everyone is straight," said Terry Kaelber, executive director of the New York-based Seniors Active in a Gay Environment. "We have a place that does not assume that. In fact, it assumes that old people can be attracted to old people of the same gender."

Kaelber's group is working with a real estate development company to locate a site and investors for a 100-unit, mixed-income assisted-living facility. Current options for gay- and lesbian-themed retirement housing consist primarily of a handful of mobile home parks and small resorts in Florida and Arizona.
Goode's group of seven partners wants to build a 75- to 100-unit retirement community in Boston. The project, called Stonewall Communities, is named after a gay bar in New York City where a 1969 police raid sparked what many say is the beginning of the modern gay rights movement.

Other entrepreneurs across the country also have begun thinking about how the gay and lesbian Baby Boomers pushing into their 50s will want to spend their retirement years. "I'm looking for the active retirement market," said Peter Lundberg of San Francisco, who is trying to round up capital to build a gay retirement community in California. "It's essentially a Sun City for gays and lesbians, without the golf course." Gay retirement housing options will likely increase dramatically in the coming years, said Laura Connolly, who chairs the Lesbian

> and Gay Aging Issues Network for the San Francisco-based American Society on Aging. "I think it will grow over the years," she said. "They will be in a variety of configurations, from the more affordable trailer park options on up to the more upscale and expensive models.[106]

Attributes of the Gay and Lesbian Market

To plan a community centered around gays and lesbians requires an understanding of their lifestyle and where they see themselves as fitting in. Gays and lesbians cannot be grouped together in one market since they have widely different tastes. Their purchasing patterns are quite different, their attitudes and psychology have culminated into vastly different lifestyles. Lesbian women tend to concentrate in more rural areas while gay men are much more likely to be urban. Even so, there are similarities that can help analyze the market. Gays and lesbians have been equated to immigrants, they stick together, support each other, and vote for each other. They are proud of their distinctiveness but fear being branded as different. They have all the characteristics of an immigrant tribe: distinctive mores and fashions, language, signs, symbols, and gathering places. If homosexuals are like immigrants, marketers who study them must think like anthropologists. Just as second and third generation immigrants leave their ethnic neighborhoods and assimilate in mainstream America, homosexuals are moving out of traditional gay "ghettos." As approval of their lifestyle increases

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[106]Tom Kirchoffer, "Developers Target Gay Retirees," Associated Press 21 Oct. 1999: n. pag., Detroit Free Press, Online, Internet, 11 Jan. 2000.

they can now live a non-closeted lifestyle without being ostracized from mainstream America.

A compilation of estimates reveals that the homosexual population is estimated to be anywhere from four to seven percent of the entire U.S. population.[107] Other statistics show that gays are more likely to be wealthier and more likely to buy "extras."[108] They have more than twice the aggregate income of blacks. As tolerance increases so does the base of customers who can be targeted by marketers. Homophobia is still a problem today, especially in larger companies. Seniors are also less comfortable being "out" than their younger counterparts. Additionally, aging is viewed much more harshly in the gay community than in the heterosexual world. Many elderly, especially homosexuals, do not want to believe that they are old enough to be part of a "retirement community." However, gays are often very loyal to businesses that serve them. The first organization that puts a large-scale retirement community together will no doubt fight a battle but the developers will likely be rewarded with extreme loyalty and support.

No matter what sort of project is chosen, community support is vital to success. If the demographic and market research suggest that a community should have a CCRC but community members fight it, finding another location is probably in order.

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[107] Phyllis Stark, "Gay Consumers A Large Market According to IRP," Billboard 15 Jul. 1995: 83, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

[108] Hazed Kahan and David Mulryan, "Out of the Closet," American Demographics May 1995: 40, Business Index Asap, Online, Infotrack, 11 Aug. 1999.

CHAPTER V

DISCUSSION

Making Sense of It All

It is no coincidence that many major players have aggressive growth plans for retirement communities. The demographics favor it, the market accepts it, and there are steep profits to be made for developers who do it right. As has been emphasized previously, the developers must have a complete understanding of the market that they will be serving and the components of the community that they will be constructing.

It is my conclusion that Continuing Care Retirement Communities will continue to grow in popularity. The numbers point in that direction. A CCRC that is done right will support the concept of active aging which is the idea of keeping active and productive as long as possible. Figure 20 shows that in 1995, over 50% of people age 65 and over reported some sort of disability and more than 30% reported a severe disability. With less families available to care for elderly relatives, CCRC's can let everyone rest assured that the senior relatives are well cared for the entire time they are a resident. For most seniors, that means through the day they die.

This industry is not without threats since the future of assisted living is unclear. Increased federal regulation poses a major threat, so much so that it could jeopardize many businesses currently in operation. If these operators had to retrofit buildings or hire additional nurses, they might not be able to make ends meet and would have to close their doors.

CCRC's are also very expensive. The majority of the elderly population cannot comfortably afford the expenses necessary to move into one. Many of those who are able to afford the fees will choose to stay home and hire help as they need it. It can be tough to convince an elderly couple to move out of their house when they may have spent decades living there, especially when they attach a negative stigma to retirement communities. Seniors need to see the merits of moving into a retirement community. They should move there because they feel that can enjoy life to the fullest by doing so. The hope is that third party payers will increase in numbers without burdening the industry with regulations. This would open the doors to most seniors.

The market has become increasingly accepting of retirement communities in general. However, a big challenge that developers still faced in 1999 was public ignorance. The developer will likely have to dedicate resources toward educating the public, especially for large-scale developments. Advertisements for the community should be informative. As in many businesses referrals and word-of-mouth are the best source of advertising, the business of retirement communities in particular. The sales team needs to be prepared to

answer questions pertaining specifically to that community and general questions about retirement housing options.

Each of the components of the CCRC should give the residents as much control of their lives as possible. This means listening to what they want, and giving them choices. For a new CCRC's, the independent living community should have several housing designs available. People need to be able to customize their home to fit their particular desires. If the community is already constructed, the residents of assisted living and the nursing home need to be given choices on food. The retirement community should adopt an "active aging" theme that allows the residents to live as active lifestyle as possible. It is very important that the assisted living and nursing homes are up to standards and providing high quality care. The facility should be designed in such a way that it empowers the residents. The nursing home should take into consideration how they will deal with Alzheimer's patients, whether they will integrate or separate them. Larger facilities should separate them because they are harder to manage and they require extra security precautions.

Every member of the staff must be dedicated toward the business of serving seniors. They are the ones who set the tone of the place. Their attitudes will have a big impact in the well-being of the residents. Background checks should be performed on all applicants. Turnover must be kept to a minimum in this business since the residents will be forming personal relationships with the people who take care of them. If the staff is kept happy, they will

treat the residents better, and hopefully, turnover will be kept to a minimum.

Before the community is built, some major decisions have to be made. Location is crucial, building in an overly saturated market will be just as damaging as building in an area that does not want the retirement community. In terms of cost, locating on the outskirts of a suburb seems to be the most cost-effective way to develop.

In the 1999 market, only the best quality projects received financing. A few years before it had been much easier to receive capital but as certain markets became saturated, the lenders tightened their lending. Public companies generally find it easier to obtain capital and seem to run more efficiently.

The community members must be sold on the project. The first people to be approached should be the local officials since they will be the ones making the decisions, followed by business leaders, and finally the general public. These are not steps that should be avoided or skipped because community support is crucial toward the project's success. If the local officials do not support it, the project will not be granted permission to construct.

The first large-scale gay or lesbian retirement community has the potential to be a huge success if done right. A CCRC for senior homosexuals could be an unidentified market niche. Turning Stonewall Communities or its equivalent into reality is not a question of if, but a question of when.

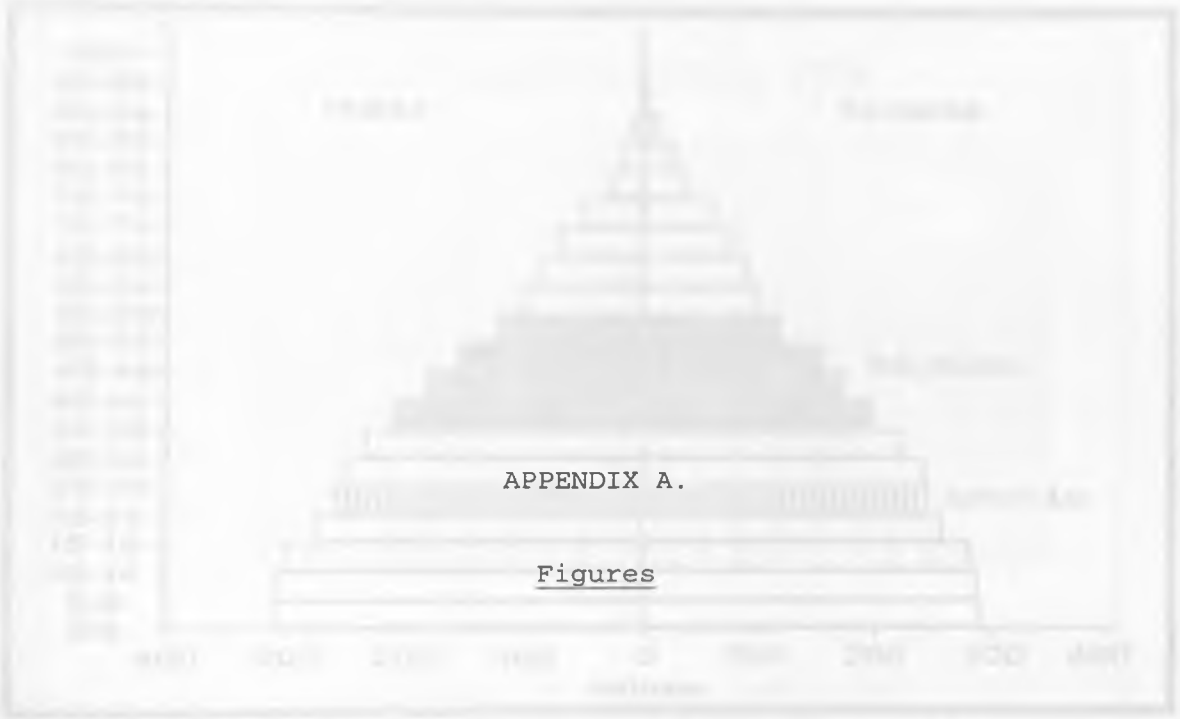
Conclusion

The wave of seniors is not going away. A CCRC can make the last years of life some of the most enjoyable ones. Unless housing is made more affordable to seniors, CCRC's are going to be limited to seniors with substantial savings. Anyone in the business of constructing retirement communities must try to keep their costs as low as possible and pass the savings onto the residents. No matter what happens with the future of CCRC's, quality should not be compromised, especially not the quality of health care. A successful CCRC brings fulfillment into the lives of the residents.

Ultimately, the goal of this thesis has been to identify the things that can be done to make senior housing a better place to live. The residents simply want to receive human care in a home-like environment. They want social interaction and they do not want to feel like they are living in a hospital. Although this does not seem to be difficult, it is clear that many operators have forgotten it. Fortunately, the opportunities in this industry have been recognized and the future for seniors looks bright.

APPENDIX A.

Figures



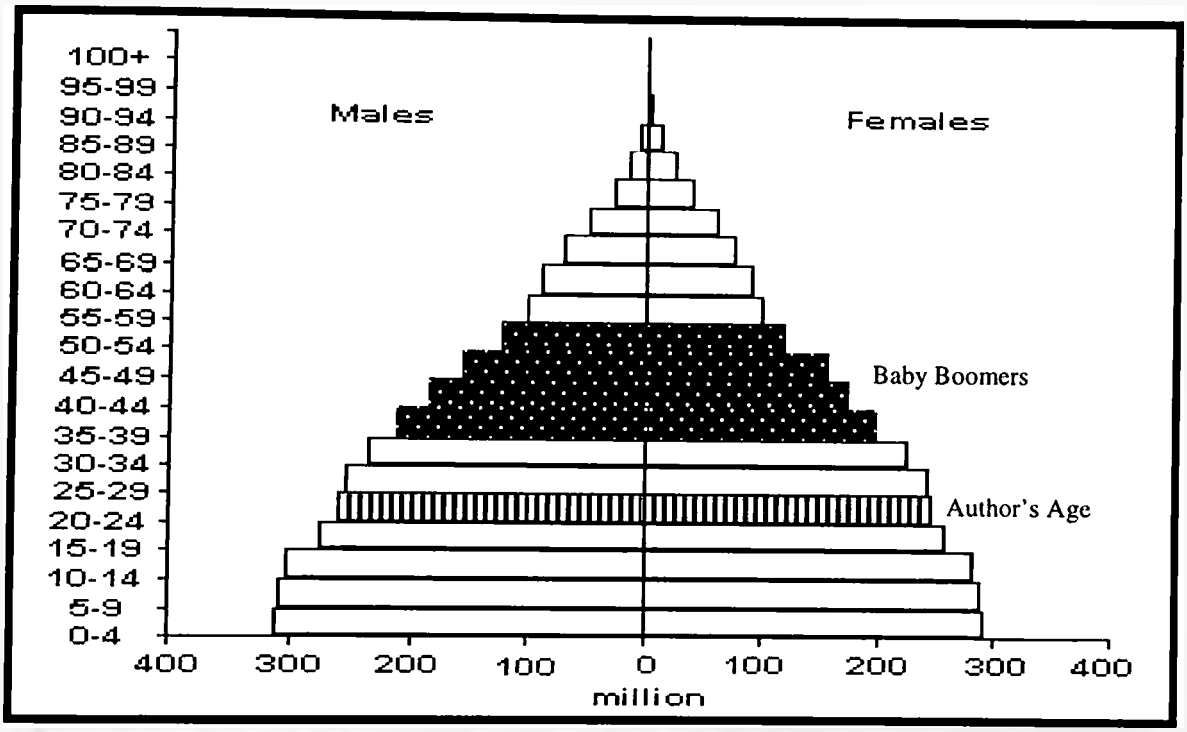


FIGURE 1. World Population By Age Groups, 1999

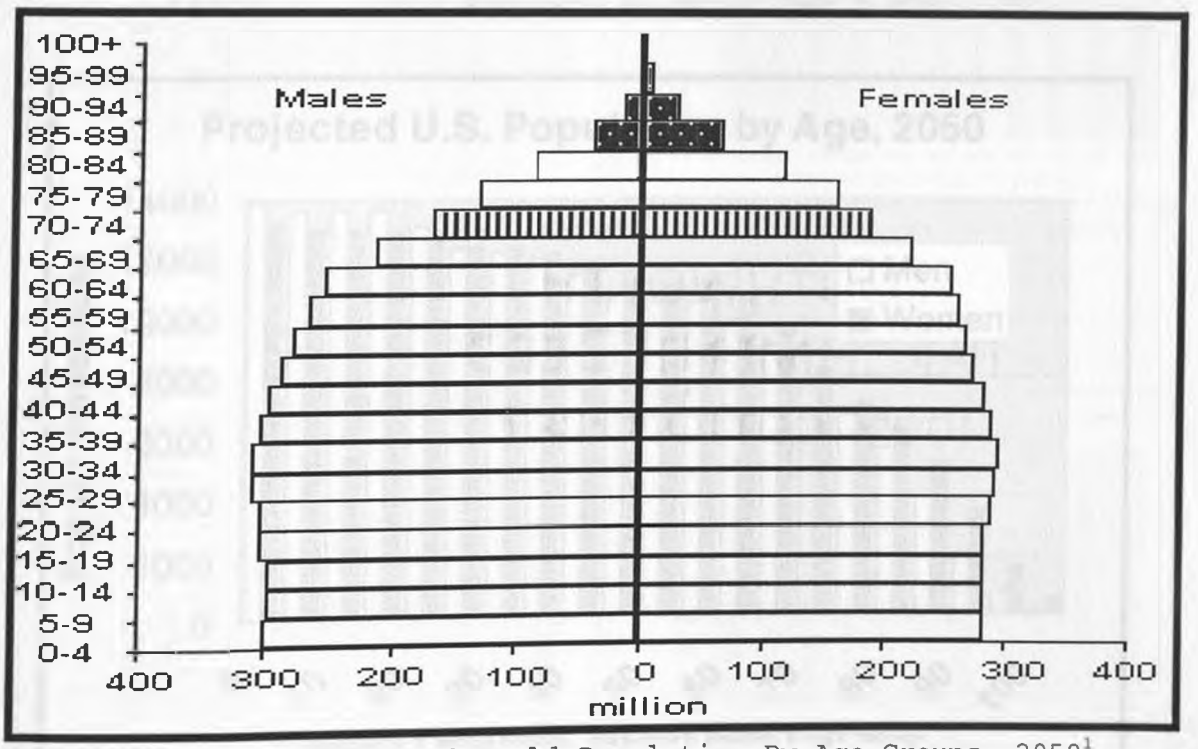


FIGURE 2. Projected World Population By Age Groups, 2050[1]

[1] "Population Aging 1999," United Nations, Population Division, Department of Economic and Social Affairs, Online, U of Oregon, Internet, 5 Apr. 1999.

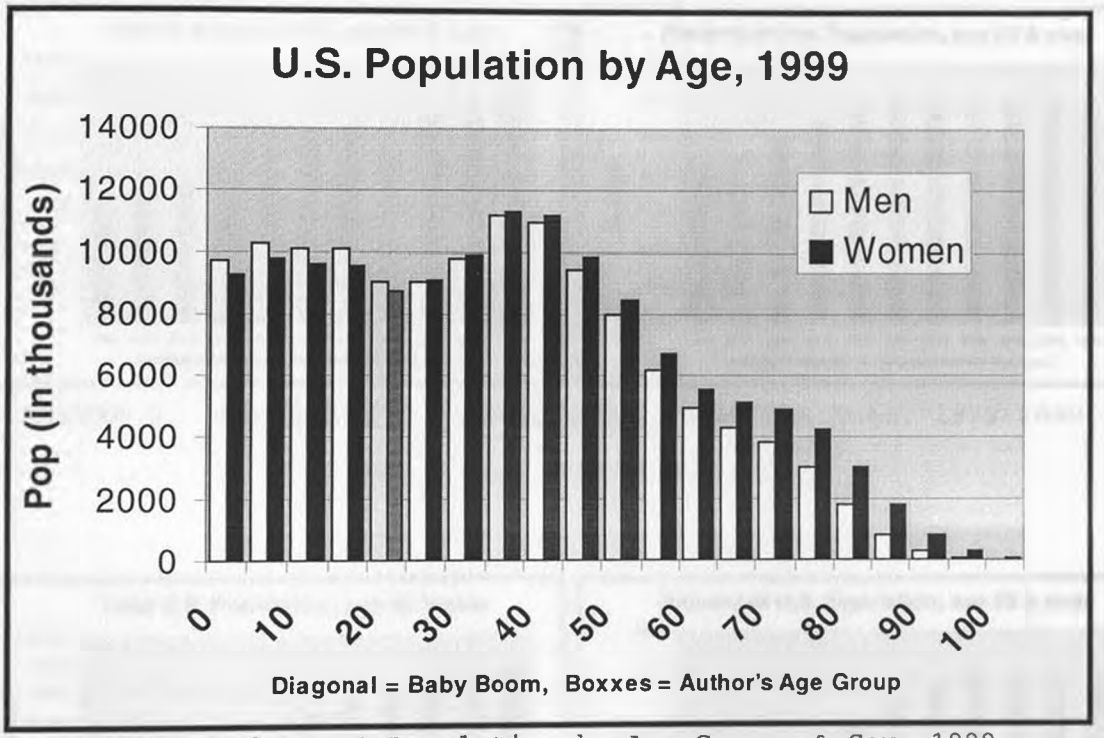


FIGURE 3. U.S Population by Age Groups & Sex, 1999

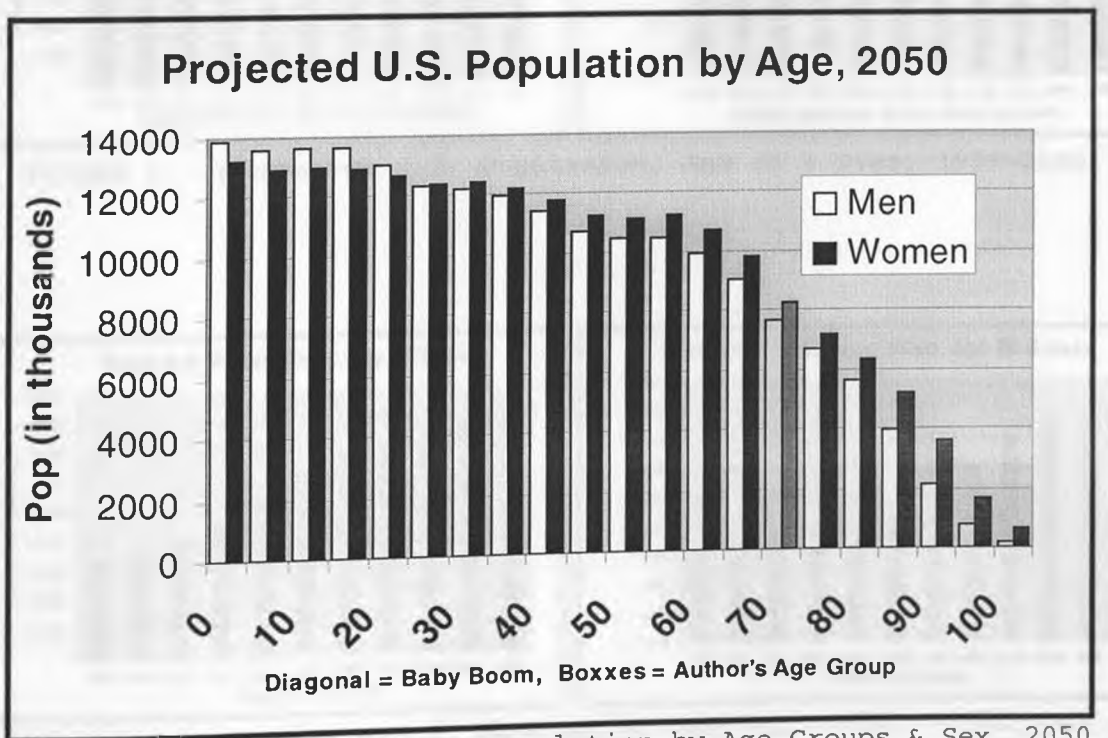


FIGURE 4. Projected U.S. Population by Age Groups & Sex, 2050

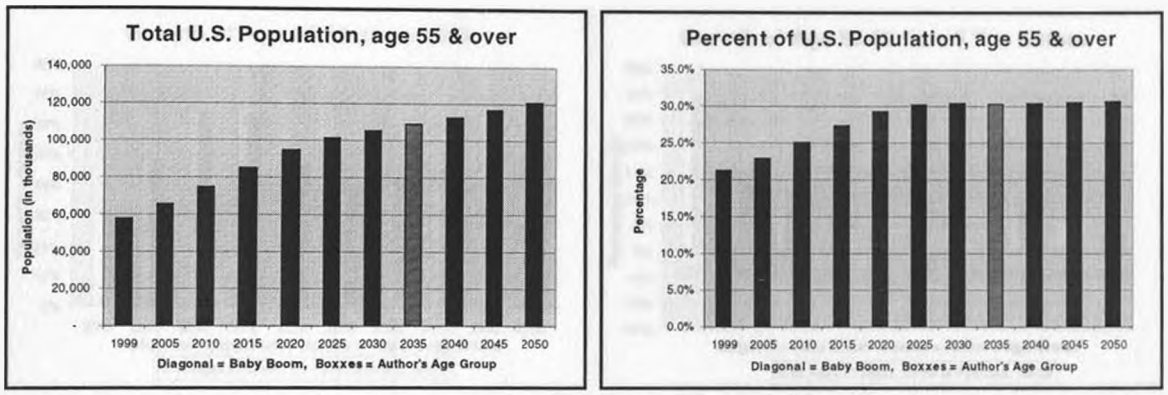


FIGURE 5. Projected U.S. Population, Age 55 & Over, 1999-2050.

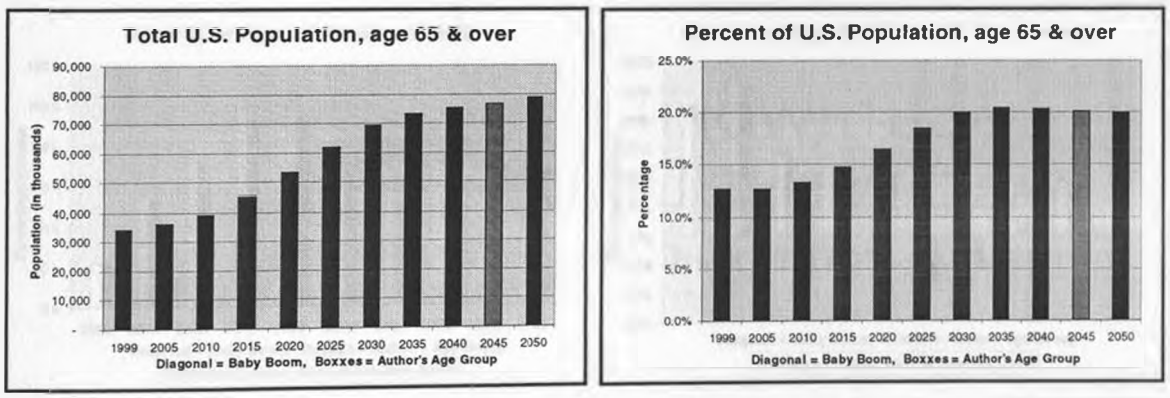


FIGURE 6. Projected U.S. Population, Age 65 & Over, 1999-2050.

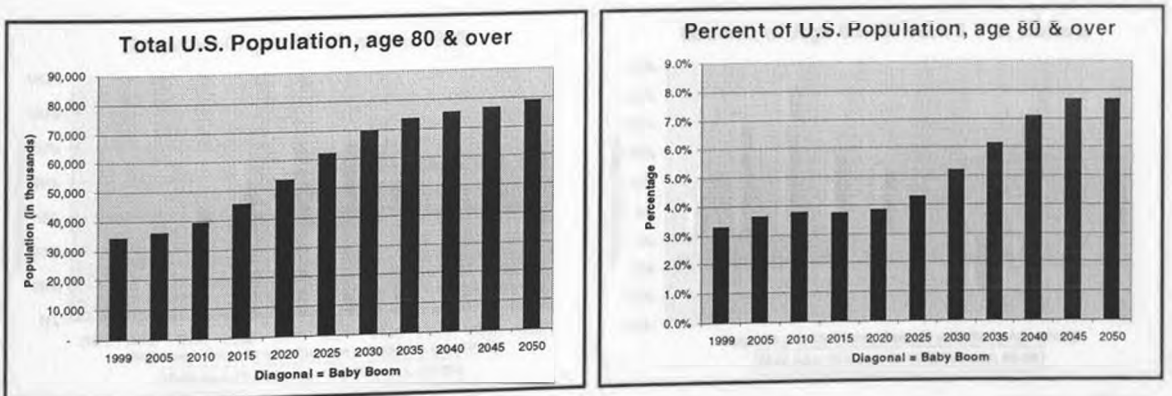


FIGURE 7. Projected U.S. Population, Age 80 & Over, 1999-2050.

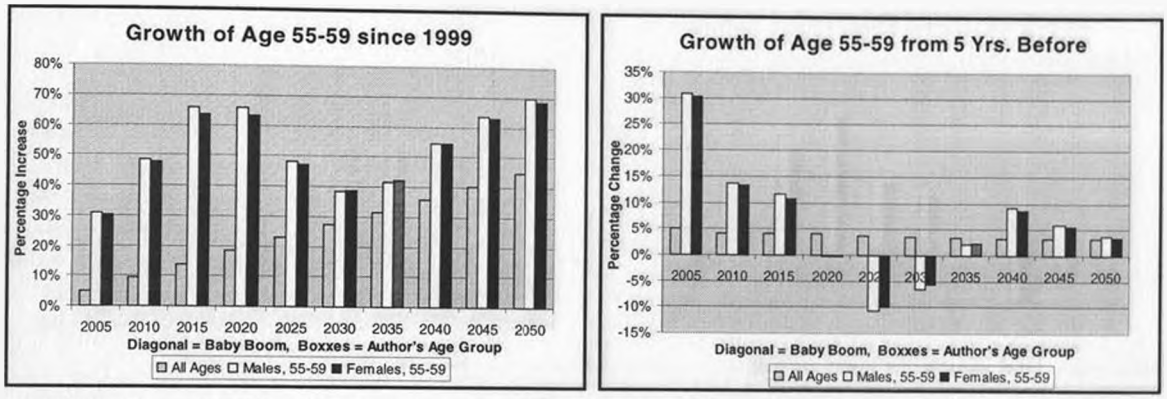


FIGURE 8. Projected U.S. Growth Rate, 55-59 Age Bracket, 1999-2050. The Left Graph Shows the Projected Growth between 1999 and the Year Listed, and the Right Shows Projected Growth from Five Years Before.

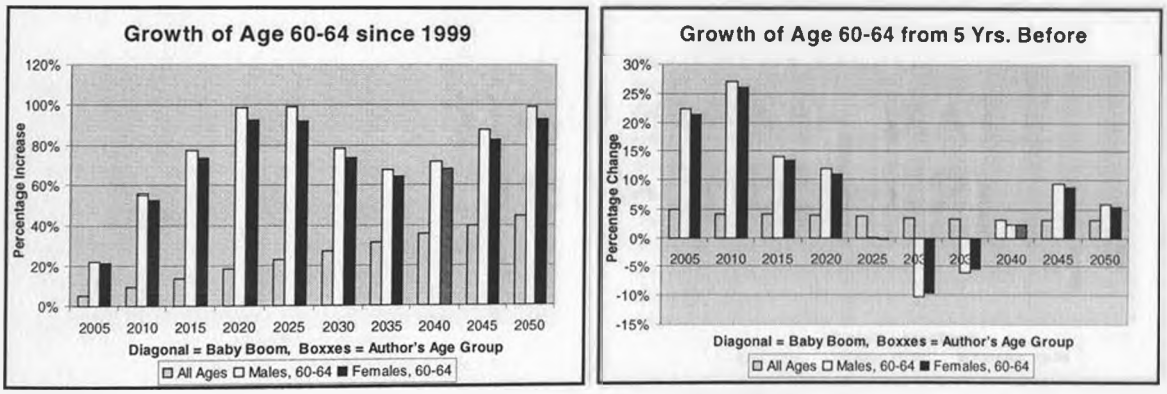


FIGURE 9. Projected U.S. Growth Rate, 60-64 Age Bracket, 1999-2050.

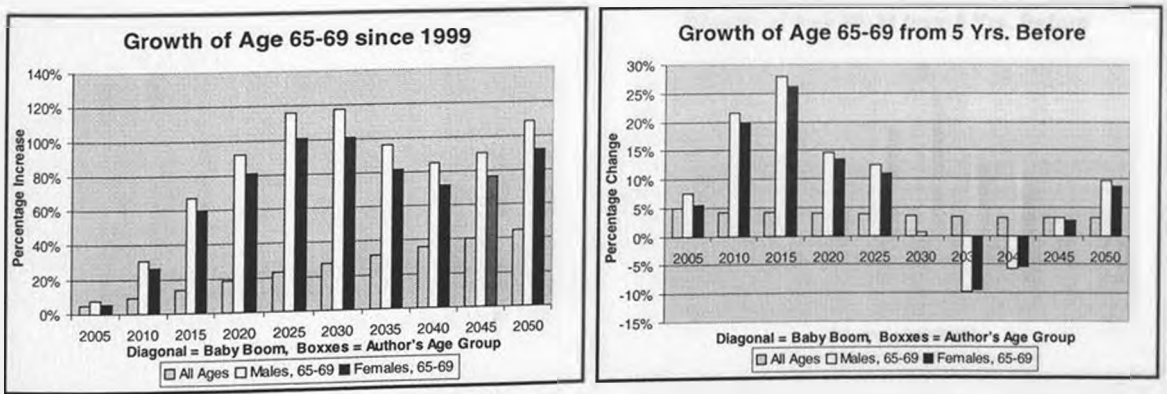


FIGURE 10. Projected U.S. Growth Rate, 65-69 Age Bracket, 1999-2050.

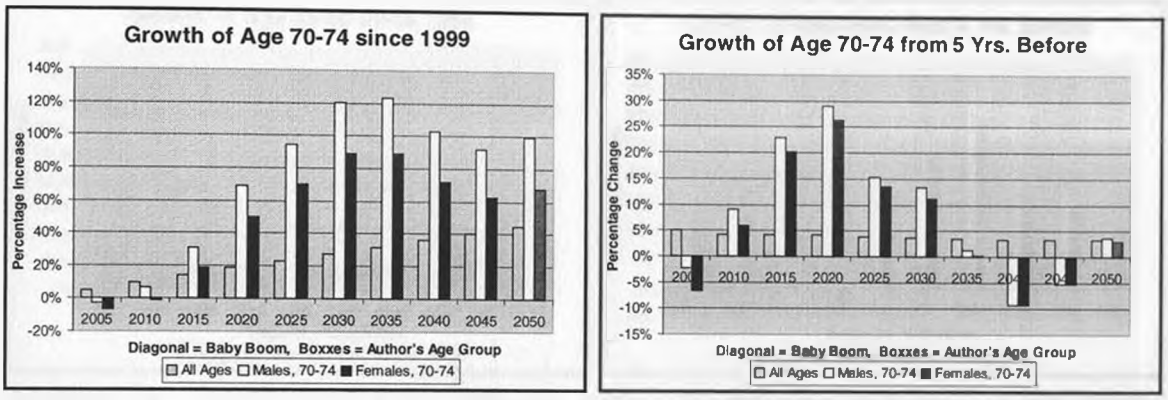


FIGURE 11. Projected U.S. Growth Rate, 70-74 Age Bracket, 1999-2050.

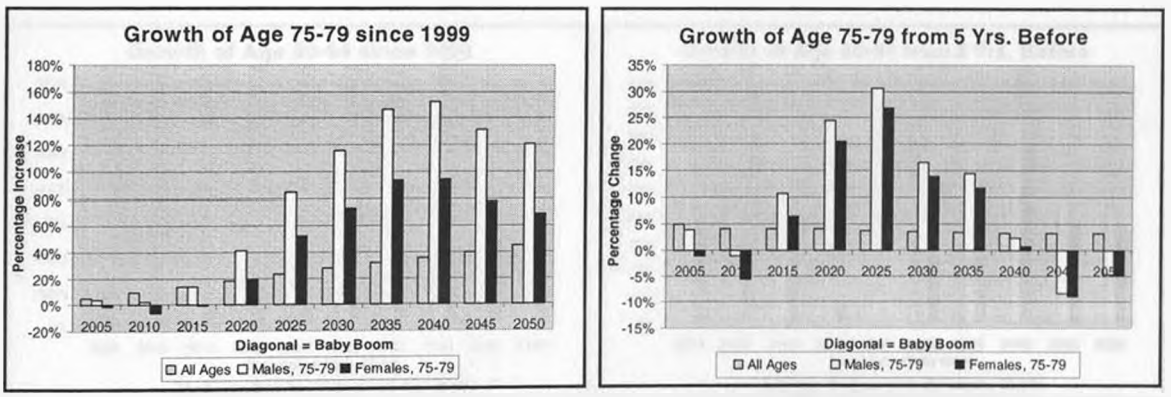


FIGURE 12. Projected U.S. Growth Rate, 75-79 Age Bracket, 1999-2050.

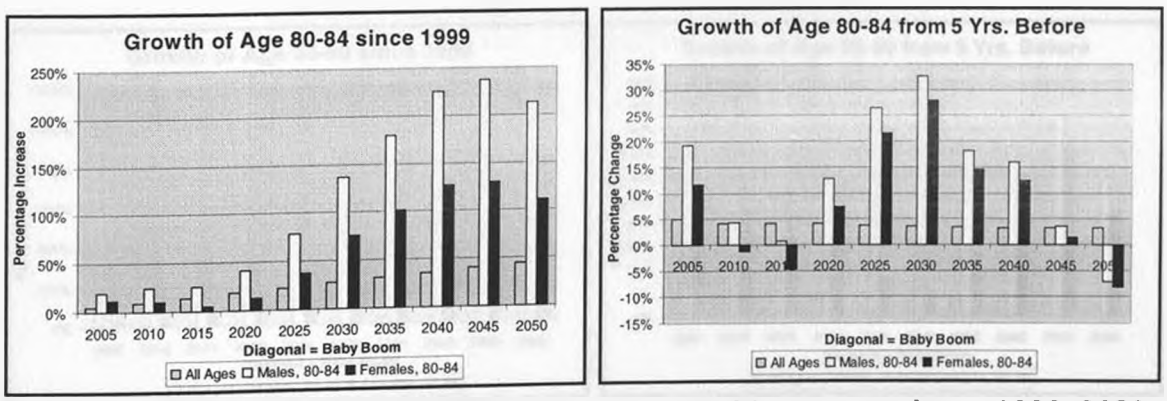


FIGURE 13. Projected U.S. Growth Rate, 80-84 Age Bracket, 1999-2050.

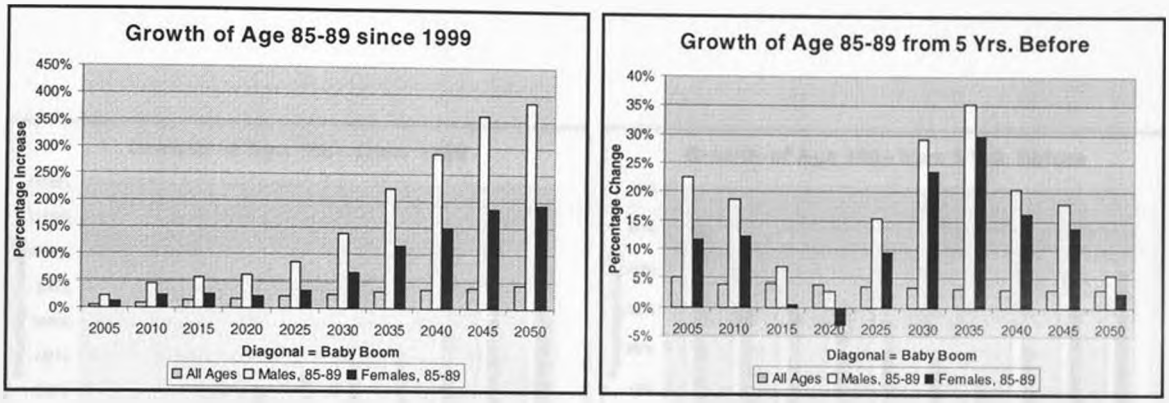


FIGURE 14. Projected U.S. Growth Rate, 85-89 Age Bracket, 1999-2050.

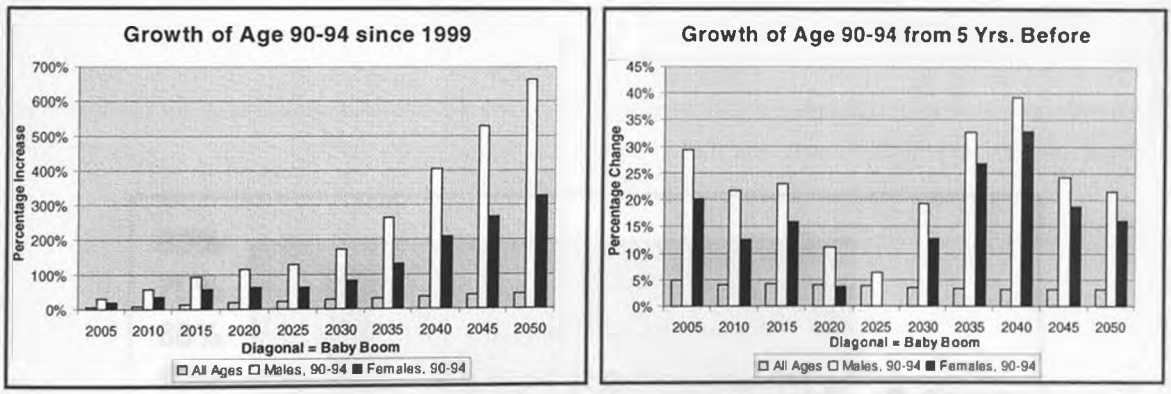


FIGURE 15. Projected U.S. Growth Rate, 90-94 Age Bracket, 1999-2050.

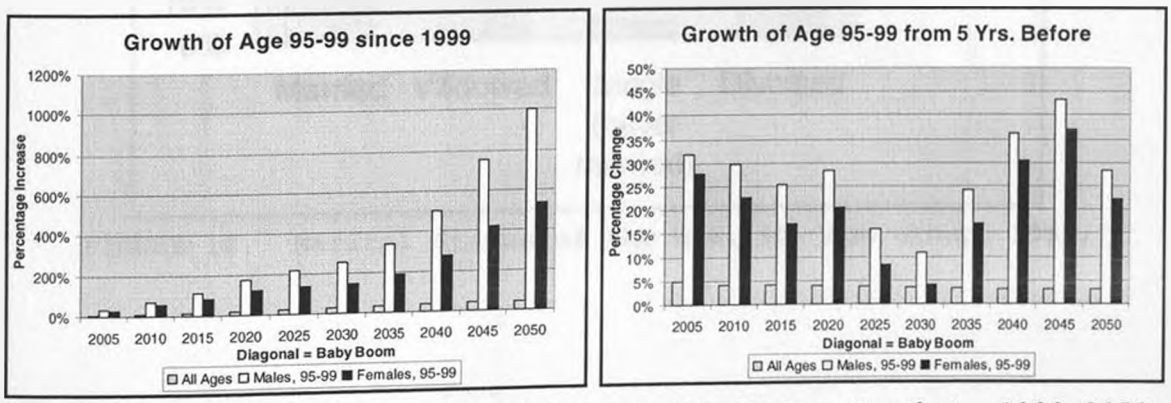


FIGURE 16. Projected U.S. Growth Rate, 95-99 Age Bracket, 1999-2050.

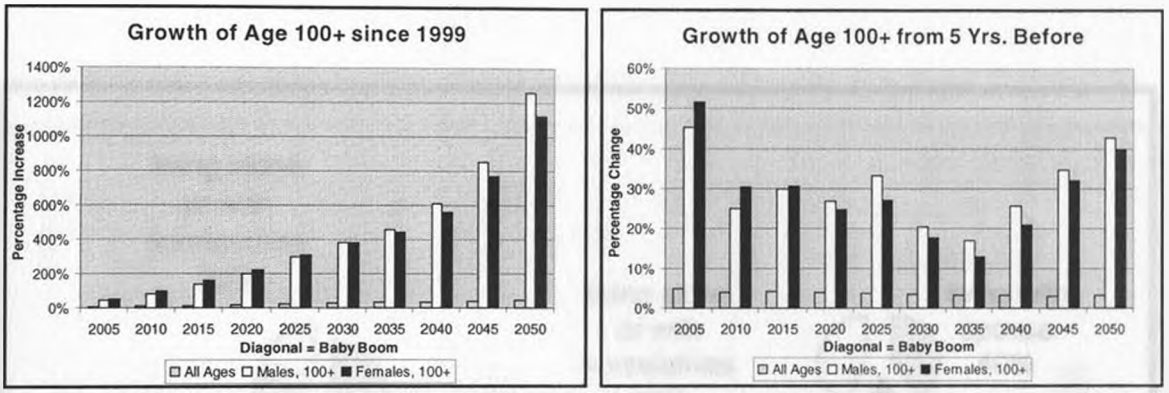


FIGURE 17. Projected U.S. Growth Rate, 100+ Age Bracket, 1999-2050.[2]

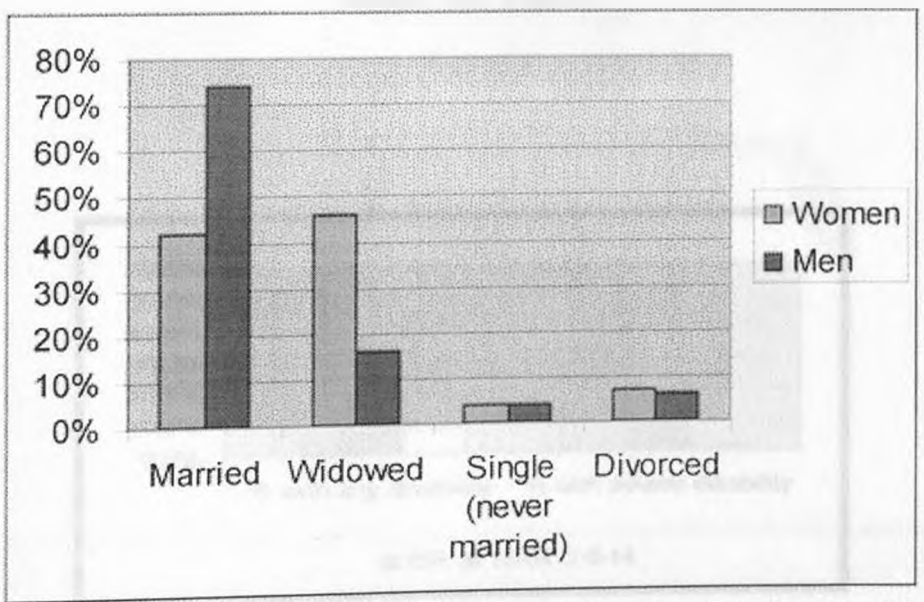


FIGURE 18. Marital Status of the U.S. 65+ Age Group, 1995.

[2] "National Population Projections," U.S. Census Bureau, Online, U of Oregon, 5 Apr. 1999.

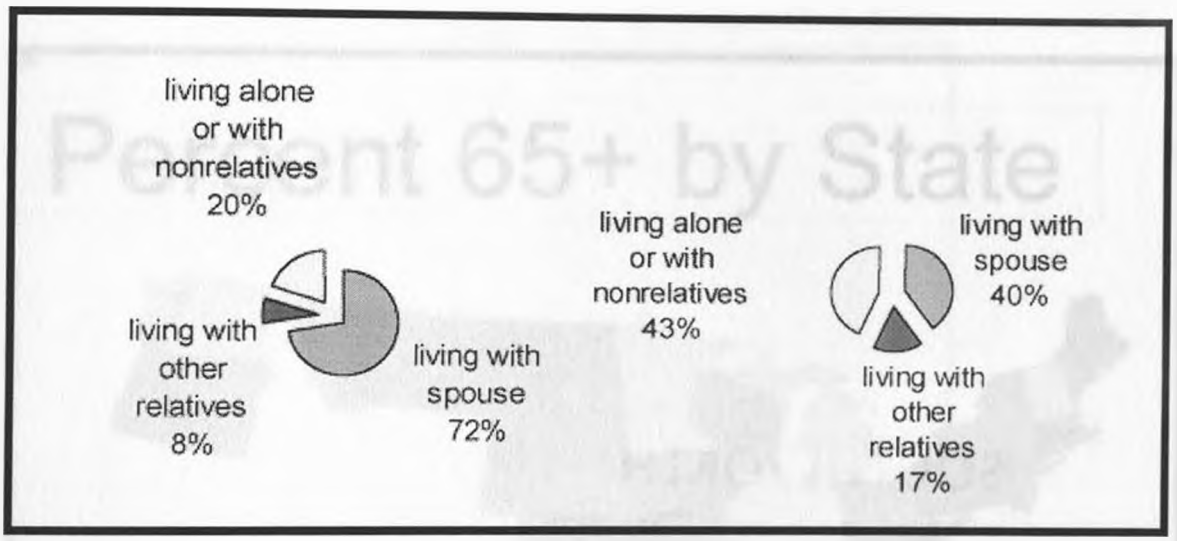


FIGURE 19. With Whom Individuals Age 65+ Reside, Men Shown on Left, Women on Right.

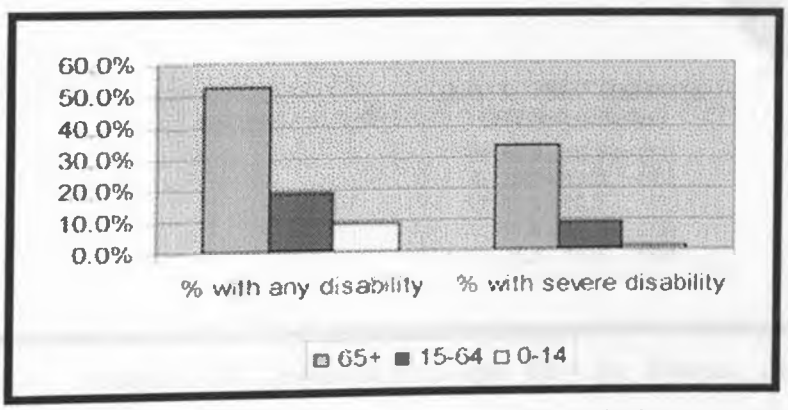


FIGURE 20. U.S. Persons Reporting Disabilities by Age, 1995.

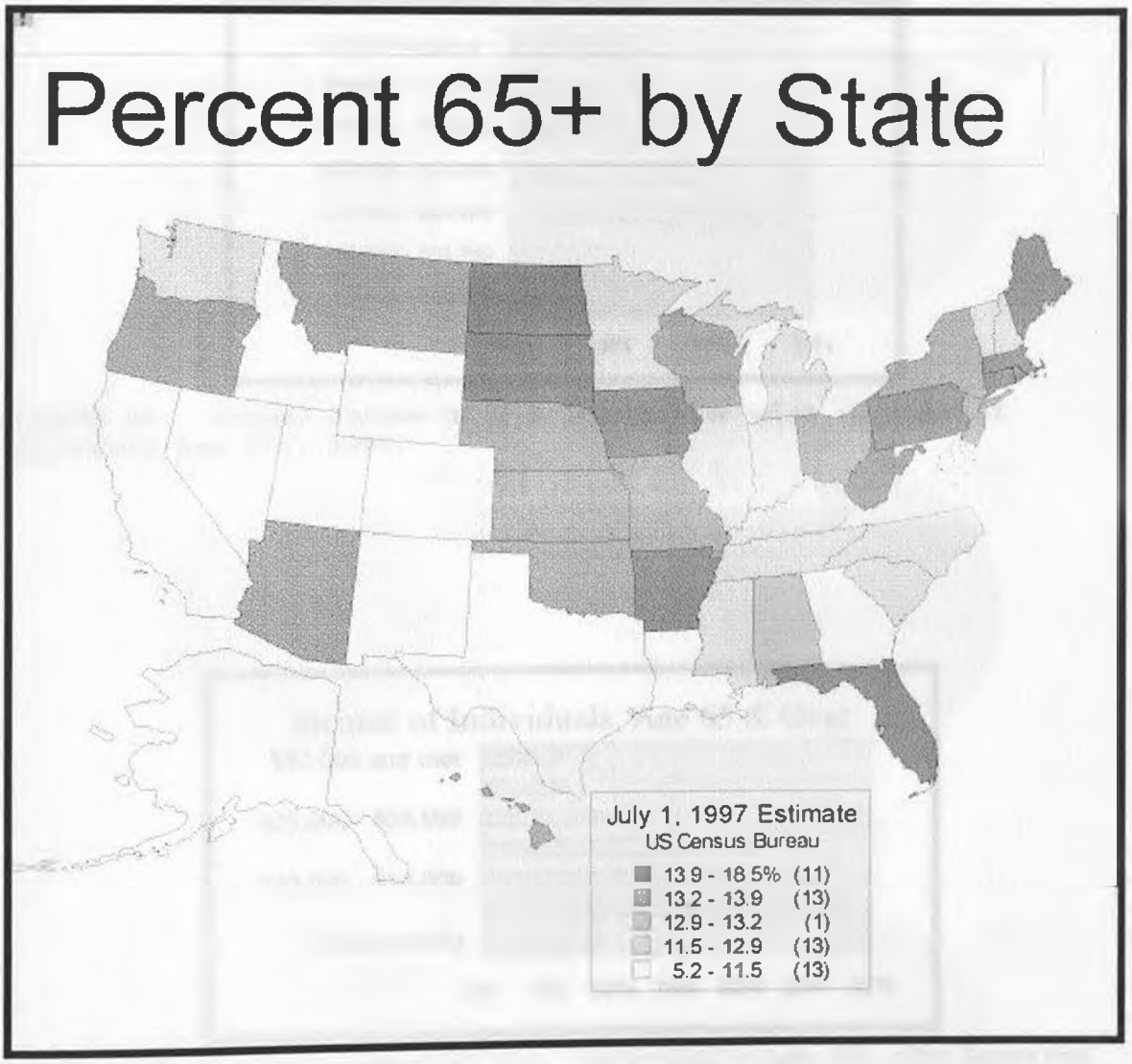


FIGURE 21. Percent of Population Age 65+ by State, July 1997.

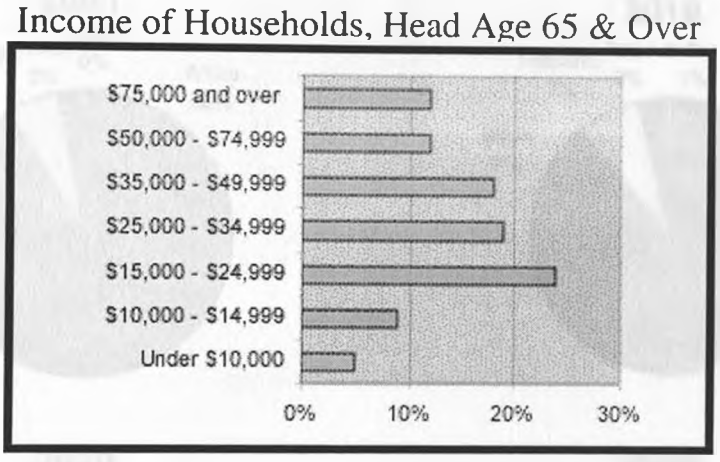


FIGURE 22. Annual Income of U.S. households with the Head of Household Age 65+, 1997.

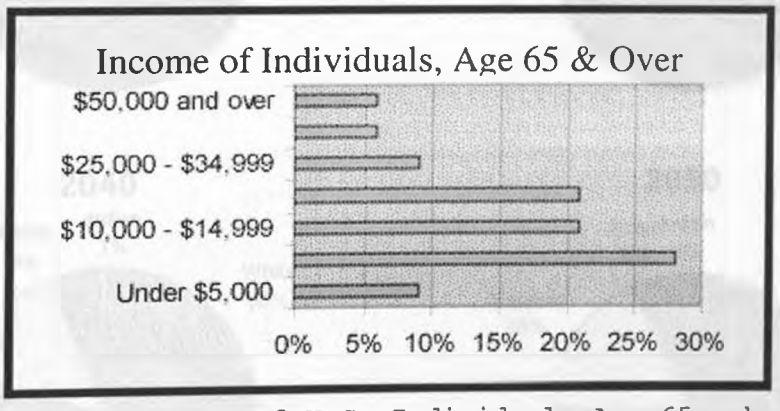


FIGURE 23. Annual Income of U.S. Individuals Age 65+ who Reported in 1997.[3]

[3] "Profile of Older Americans: 1999," Administration on Aging, Online, U or Oregon, Internet, 5 Apr. 1999.

Projected Race Breakdown of 60+ Age Group

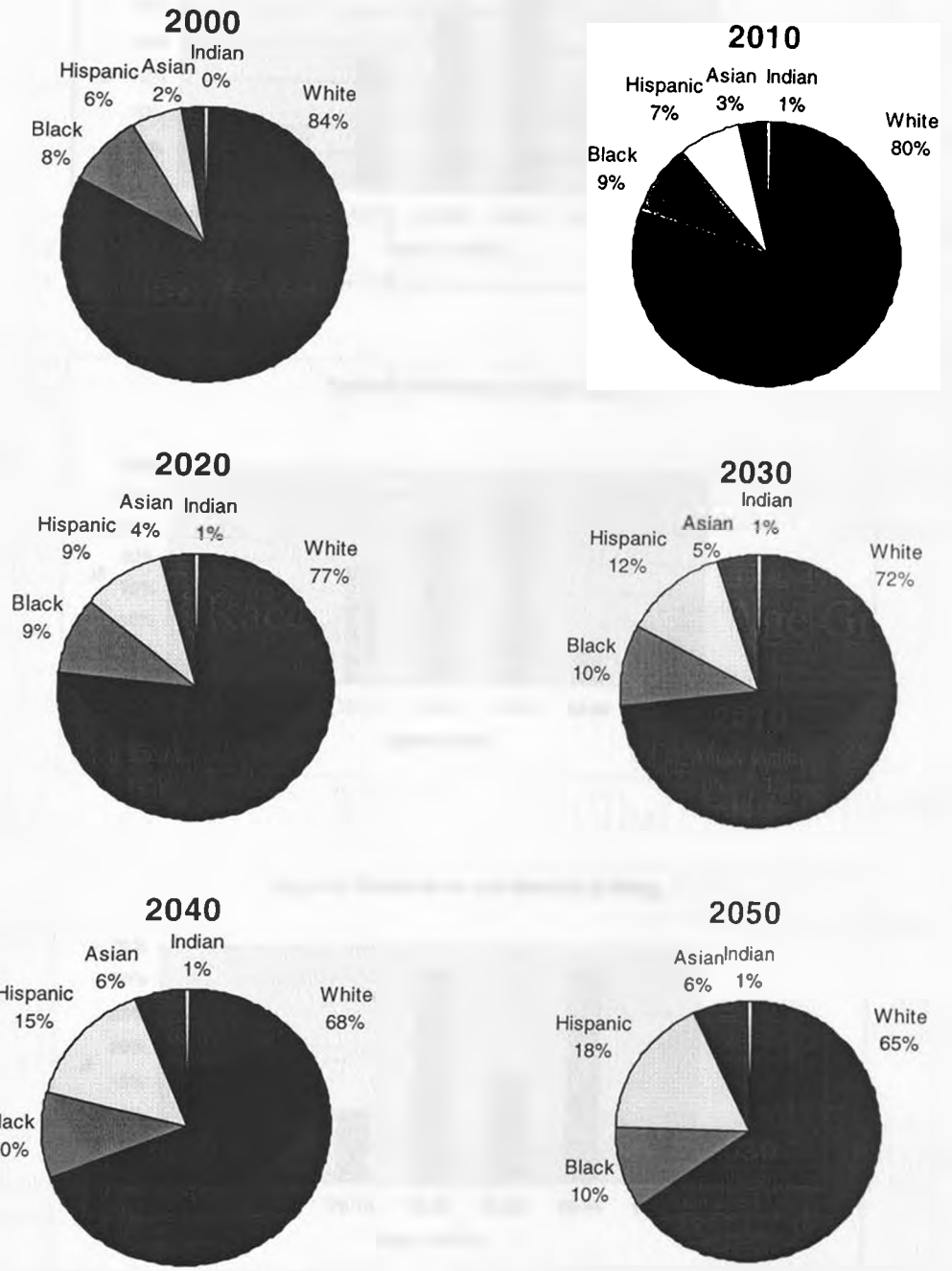
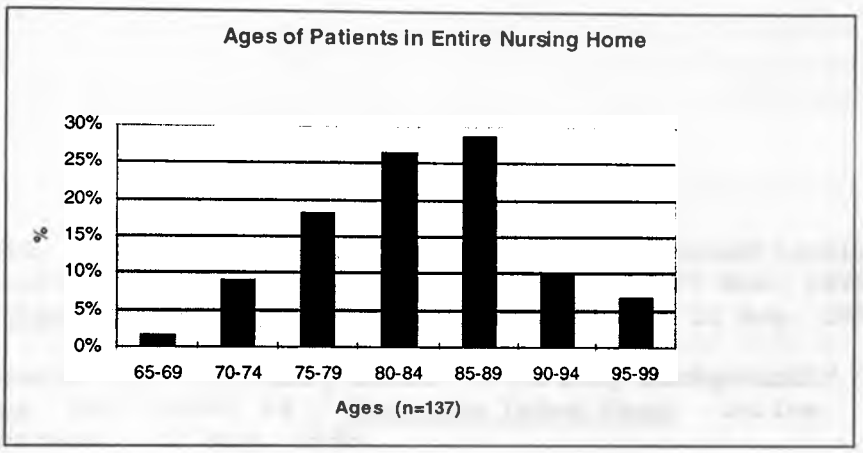
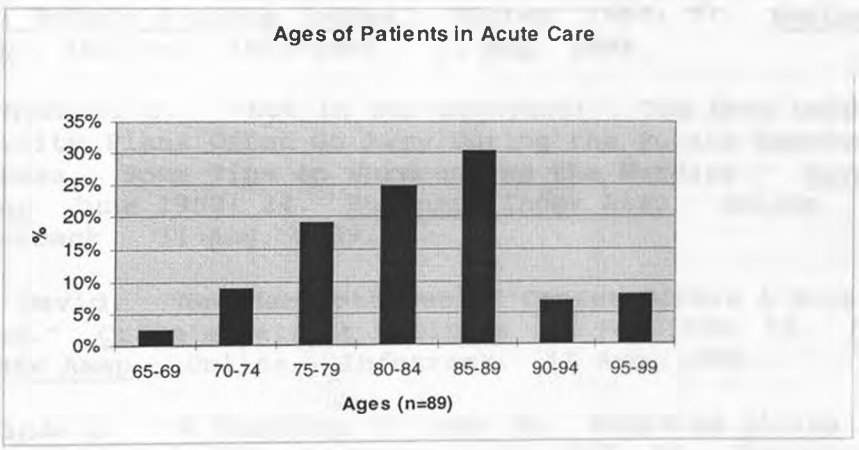


FIGURE 24. 1999 Projected Race Breakdown of the Age 60+ U.S. Population.[4]

[4] "Population Aging 1999,"





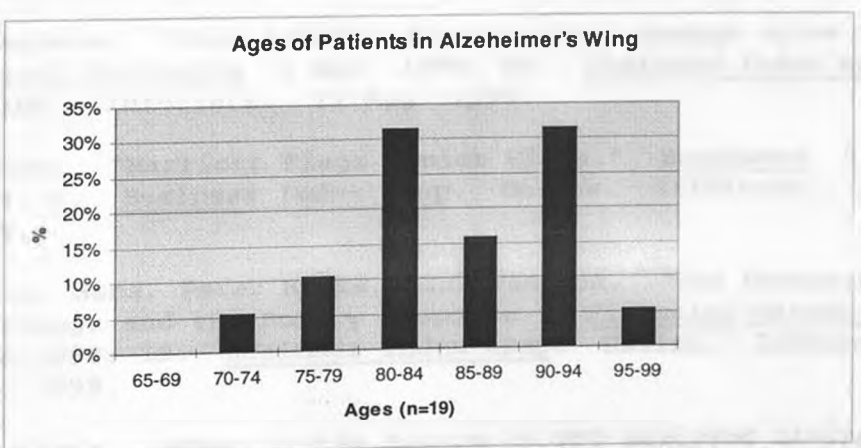


FIGURE 25. Ages of Patients in Various Wings of the Eugene Good Samaritan Nursing Home, April 1999. "n" = Number of Patients.[5]

[5] "Hospital Records," Good Samaritan Nursing Home, Eugene, OR, 25 Jun. 1999.

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