her·e·sy
/ˈherəsē/

noun

- opinion profoundly at odds with what is generally accepted.
  "cutting capital gains taxes is heresy"

Translations, word origin, and more definitions

CCRCS AND LIFE PLAN COMMUNITIES: A HERETIC'S VIEW

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Introduction

One of my observations, having been involved with hundreds of strategic plans and having read several hundred others (nearly all involving senior living organizations) is that many strategic plans are a 'spit shine[1] of the status quo' rather than a bold set of strategies intended to position the organization effectively for the next five to ten years.

'Spit shining', in this context means that a lot of time, effort, resources and energy are involved with the planning process, the potential for significant change might be considered, but in the end, the strategic plan ends up being a slightly improved version of the status quo. While understandable from one perspective (the fact that existing organizations have responsibilities to residents, staff, bankers, regulators, etc.) it also has the potential to create risk in a time of significant change – or the potential for significant change.

This whitepaper is intended for those who work within or are familiar with the senior living field. It will briefly review the drivers of change – but from the perspective of a 'heretic'. I use the term to describe the important role that consultants, board members and leaders of organizations can play, though rarely do. In short (and this will be elaborated on later), the role is to find the 'disconfirming' signals, to question why current advantages or strengths can blithely or without question be assumed to continue in to the future. It doesn't mean that someone isn't supportive of the organization or the product – but rather, by eliminating confirmation bias – risks of failure are reduced and the organization is strengthened.

Lastly, the article provides one individual's perspective. It is not intended to summarize the industry's view of itself or even a majority of opinions for those involved in the senior living field. Gary Hamel, a noted expert on management and 'business thinker' coined the phrase: "Perspective is worth 50 IQ points". His quote doesn't suggest that one person's opinion has more value than another – but rather, by considering multiple and, in particular, conflicting perspectives – we become smarter about the topic or issue.

To be sure, the whitepaper is not an anti-CCRC screed, rather it's a compilation of information, forecasts and perspective intended to prompt new thinking about these important senior living options and to ensure that strategies and plans are developed that ensure their viability in the future.

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[1] For those who have actually spit shined a boot or shoe – yes, I realize that a brush is not used in the spit shining process. But an actual spit shine image was not available.

The paper is offered in that spirit.

Overview of Trends

The word 'trend' is frequently misused to suggest what is actually a 'forecast' of the future. In reality, a trend is 'historical change over time' that "implies something about the future" (Lum, 4 Steps to the Future: A Quick and Clean Guide to Creating Foresight). In the senior living field, there are several sources of 'trend' ***data***: American Seniors Housing Association, Ziegler and the National Investment Center or NIC, to name a few. The challenge when developing strategy is to both consider the trends (and determine whether they are, in fact, predictors of the future) but also to scan for 'emerging issues' or those " . . . new ideas, issues or technologies (that) are below the radar now, but might mature into important drivers of change". (4 Steps to the Future: A Quick and Clean Guide to Creating Foresight).

Early in January of 2017 Ziegler produced an article entitled '2017 Key Trends' which is heavily weighted toward trends, but also includes the identification of some emerging issues. (The article is located at https://www.ziegler.com/z-media/3285/sl-znews_010917.pdf and is a worthwhile read.) Briefly, the seven trends mentioned by Ziegler were as follows:

- ✓ "**Competition**: The number of choices for today's seniors is greater than ever
- ✓ **Technology**: It is shaping how and where we provide services
- ✓ **Post-acute**: The post-acute space has become increasingly complex
- ✓ **Workforce**: Providers are working hard to negate staffing shortages through innovative recruitment and retention strategies
- ✓ **Consolidation**: The affiliation activity remains high and will continue through 2017
- ✓ **Competitive borrowing rates**: Not-for-profit senior living organizations continue to benefit from favorable borrowing rates
- ✓ **Push not pull**: Gone are the days when senior living providers are going to be pulled by others toward growth"

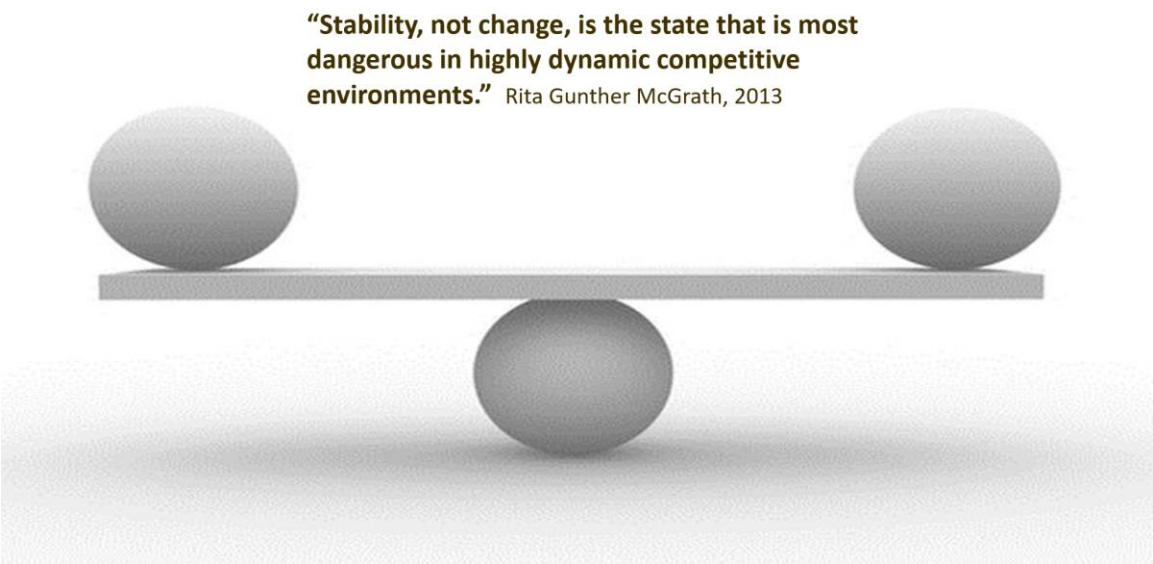
Two of the 'trends' deserve additional comment:

While Workforce issues today are being addressed through 'innovative recruitment and retention strategies', the ability to maintain a high quality, high performing, engaged workforce is going to require "more": more technology, in some cases replacing staff or enabling the restructuring of roles and positions; more dollars, to increase wages to livable and preferably attractive levels; and more flexibility to reflect changing lifestyles/workstyles.

The 'Push not Pull' observation is interesting. The full article states: *"Many not-for-profit organizations grew out of grassroots efforts to build a local community or from congregations reaching out to existing organizations and saying 'build in our town'. Those situations are rare today for many reasons . . . Organizations cannot sit back and wait to be pulled to growth. That approach results in a game of catch-up and missed opportunity."* This suggests that having a clear understanding of the organization's core purpose, mission and vision will determine whether nonprofit senior living organizations choose to grow in the coming years, or will allow their market share (individually and as a group) to further diminish.
When it comes to considering the impact of trends and other emerging issues on our field, it's not an exaggeration to suggest that we're in the midst of a transformation – fueled by a changed consumer, the impact of health care reform that will be unaffected by the American Health Care Act and the Senate's current version, payment reform that results and the effect of government debt on Medicare and Medicaid, among others. Rita Gunther McGrath writes in The End of Competitive Advantage *"Pursuing strategies with a long-term perspective on where an organization wants to go is critical – but also with the recognition that whatever they are doing today isn't going to drive future growth"*

The Importance of Disconfirmation

Too often, in Strategic Planning processes, there's an interesting presentation or discussion of emerging issues and trends. We're wowed by the possibilities of technology and convinced that the world is, indeed, changing. But when it comes to acting, there's a tendency to embrace those trends or emerging issues that affirm what we're doing but to defer action on those that would suggest that there's danger ahead. As many have said 'change is difficult' and significant change is even harder.



McGrath's The End of Competitive Advantage should be required reading for anyone in our field. Professor McGrath introduces the term 'transient advantage' to capture the idea that in fast changing environments, assuming that an organization's competitive advantage will exist without challenge is a recipe for failure. Much of the book describes how organizations can reframe leadership, thought processes and business processes to create the 'nimble' organizations that have become the cliché but seem to be promoted without a definition of 'how'.

When nonprofit senior living organizations either intentionally or unintentionally prioritize stability or the status quo over the need for change, unintended and sometimes, hidden risks emerge. In a way this is surprising because typically the risk of not changing, not innovating, not transforming is quite predictable. But we tend not to embrace the i***mplications*** of not changing or not investing when the consumer has changed. For example, expecting occupancy in an older building offering small units lacking an open floor plan, with limited closet space, a lack of washers and dryers, etc. is not unusual, though it very often is folly. It is not rational to assume the consumer will return to the previous generation's preferences or that marketing staff will magically find more (rather than less) people willing to accept the older, smaller style of living. Yet it happens all the time because we tend not to want to create a negative scenario about the future[2] – though at the same time, we'll easily identify the risks inherent in a new venture or new service line.

McGrath goes on to outline strategies (or actually a rethinking of philosophy and business practices) that should be adopted in order to practice 'transient advantage'.

The New Strategy Playbook

From	To
• Assumption that existing advantages will persist	• Assumption that existing advantages will come under pressure
• Conversations that reinforce existing perspectives	• **Conversations that candidly question the status quo**
• Relatively few and homogeneous people involved in strategy process	• Broader constituencies involved in strategy process with diverse inputs
• Precise but slow	• Fast and roughly right
• Prediction oriented	• Discovery driven
• NPV oriented	• Options oriented
• Seeking confirmation	• **Seeking disconfirmation**
• Talent directed to solving problems	• Talent directed to identifying and seizing opportunities
• Extending a trajectory	• Promoting continual shifts

While two of the new 'strategies' are emphasized ('candidly questioning the status quo' and 'seeking disconfirmation'), the entire shift in philosophy and practice is important.

As organizations prepare to develop strategy, three themes should be in mind:

[2] Sometimes this is caused by the pressure to generate a margin in order to ensure sustainability. Incorporating the negative implications of not being able to substantially upgrade the older units referenced in the example (as opposed to incremental improvement) will produce pressure on other portions of the forecasted budget.

- The importance of seeking disconfirmation has been highlighted earlier. In a changing environment – waiting for the evidence of change to impact operations, occupancy, retention, pricing, etc. causes leadership to react, rather than anticipate. And not infrequently, that waiting period produces losses that are never regained.

- Utilize both deliberate strategies and emergent strategies. Deliberate strategies are those that are developed with intention – based on supporting analyses, projections of the anticipated future environment, etc. Emergent strategies are those that might be thought of as 'opportunistic' or evolving based on the environmental and consumer conditions at the time. Henry Mintzberg defines an emergent strategy as "a realized pattern (that) was not expressly intended". From Trilogy's perspective, organizations should incorporate both – rather than relying exclusively as one versus the other.

- When fully engaged in a robust, challenging strategy making process – participants find themselves disagreeing at times, possibly in conflict and at least occasionally uncomfortable with the direction or nature of the discussion. If all occur during a planning process it likely means that the important issues are being considered, creative/innovative solutions (including those out of the proverbial box) are being proposed and at least the potential for significant change is being debated in order to capture opportunities, fulfill mission, etc.

It's important to identify the challenge that lies before us as we endeavor to make decisions about the future. And that is that CCRCs and Life Plan Communities don't find themselves in peril overnight, rather, they die slowly, over time.

This highlights a daunting challenge – which is to ensure that the right decisions are made, not knowing what the outcome will be 15 to 20 years hence. But in reality, it's less about the 'right' decisions and more about identifying the decisions that need to be made – and making those with a long term outlook rather than as a short term fix.

Stated differently, the challenge is to be able to anticipate emerging vulnerabilities by moving beyond 'vanity metrics' (such as occupancy) and spending time on the 'actionable metrics' (those that can predict future issues – such as age at move-in, resources at move-in, etc.) For example, if the median age at move-in increases 2 years during a one year period, it's likely that degree of frailty is also in play. And it's almost certain that that type of increase will result in a reduced length of stay. Compound this over a year or two or three and it is highly likely that turnover will increase (probably exponentially) ultimately leading to decreased occupancy and decreased vibrancy - and a higher risk of failure over the long term.

Today's Environment and Trends

The good news is that the environment is positive when it comes to the magnitude of opportunities and potential growth of aging services in multiple and varied forms. Or stated differently, the thinking might be that 'a rising tide lifts all boats'. But in reality – that rising tide only lifts those boats that don't have a hole in their hull. It sinks the boats that might have a vulnerability or weakness. Thus, the importance of disconfirmation and challenging an organization's ability to maintain its current competitive advantage. In this section we'll consider those areas of 'today's environment that may present risk to CCRCs and Life Plan Communities – rather than detailing the positive environmental trends such as the increasing number of older adults, etc. The challenge and the opportunity is to ride that so-called 'age wave' that will begin to be upon us within the next decade.

But in order to ride the wave, it will be important to challenge long-standing assumptions and perspectives, by identifying trends that aren't frequently being discussed (this section) – and by proposing a vision of CCRCs/Life Plan Communities in 2030 (the next section). That 'vision' can be used to guide strategic thinking and perhaps more importantly to enable planning committees, leadership and boards to debate and challenge the underlying assumptions and the vision itself.

The Consumer Is Changing Faster Than the Product

For years, commentators from within our field have pronounced that the consumer is changing. It's actually past time to acknowledge that the consumer has already changed – and what's happening is that many organizations are just now catching up with the change.

Another way of moving to action is to embrace the idea that for many organizations, the product has not kept pace with the consumer. The reality of this is reflected when new projects/expansions are developed and fill – while older product/living units suffer from deteriorating occupancy. And it's not unusual for both to happen within the same

organization or campus.The image to the right is not intended to be offensive, but it is intended to garner attention. I frequently tell the story of spending summers in rural northwest Tennessee, where my father's family resided. My great Aunts and Uncles tended to have farms that lacked at least some forms of indoor plumbing (specifically toilets). My great Aunts and Uncles gave little thought to this: (a) because it was how they always lived and (b) it was acceptable to <u>them</u>. My mother, on the other hand, could only visit for a limited time and then needed to get back to to town where there was indoor plumbing.

The analogy is this:

- My Tennessee kin, having lived without indoor toilets found the situation to be perfectly acceptable. For someone with a different expectation – it was the exact opposite. Similarly, in our field, at times we operate old product without changing (substantially) the program or fee structure. We 'see' the offering every day and don't challenge ourselves to see it through the eyes of today's consumer.

- My mother could have used the outhouse if she really needed to – but she didn't want to. When we hear an independent living prospect tell us that they are ''not ready yet" they are in essence (but much more politely) telling us that we're offering them an outhouse.

Why is this important? Few would be surprised to learn that the number of nursing home beds per 1,000 population age 65+ or 75+ has been declining for a long time. The primary reasons is that the consumer, given any other option, will avoid being admitted to a nursing home. As a result, as assisted living grew in the 1980's and 1990's and home care became more prevalent – the use of nursing homes has declined.

The same trend (declining penetration or what some would refer to as 'saturation') is occurring within the CCRC 'world' – though it's not widely discussed. For example, between 2010 and 2014 the percentage of CCRC living units vs. 65+ population (nationally) declined from 1.55% to 1.46% (a 5.7% decline in 5 years). Stated differently, this particular data suggests that the population increase exceeded the increase in the number of continuing care units – which could be attributed to the complexity and cost of developing CCRCs. But

it also raises the question whether CCRCs/Life Plan Communities are seen less favorably by the consumer today than they might have been several years ago and/or whether they are, perhaps, less understood.

We know why this trend is happening for nursing facilities – no one wants to live in one and there are increasingly options. Trilogy believes that it's important to find the answer for CCRCs/Life Plan Communities as this may be a harbinger of future demand that, fortunately will be offset by an increasing number of age and income qualified older adults.[3]

A favorite episode of I Love Lucy is the one where Lucy and Ethel go to work at the Chocolate Factory. Initially, as the conveyor belt moves slowly, Lucy and Ethel are able to keep up.

But when the line accelerates –they fall behind, stuffing chocolates in their blouses, hats, sleeves, etc. – fast becoming a chocolatey mess.

The same is true for CCRCs in the sense that when consumer changes were relatively slow and incremental, organizations were able to keep up through routine capital investment. But as the pace of change increased, and organizations fell behind – it has become an expensive and complex challenge to catch up . . . a chocolatey mess.

Capital Capacity

One of the biggest challenges for many CCRCs and Life Plan Communities is capital – to fund the 'catching up' that was described just above. As the need for investment in the marketability of the physical plant accelerated, the costs ballooned. Under the guise of 'stewardship' in some cases, or affordability in others, a number of nonprofit organizations have segmented or deferred needed changes in the physical plant.

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[3] The 'vanity metric' is occupancy – and many observers of the field rely heavily on this. The 'actionable metrics', however, are multiple. One is whether the high occupancy is the result of declining penetration or saturation. If so, then the 'age wave' will be the solution. But simply relying on that conclusion misses the point that a 'consumerist' might focus on – which is that there is a probability that the declining penetration rate is a sign of the market beginning to reject the product or at least elements of the product.

The result, however, hasn't been to simply apportion costs – but rather in many instances it results in a waste of most of the investment.

The image below illustrates what happens when government knows that it needs to invest $x to develop a bridge but can only afford to spend less than that. The value of the investment in building 2/3 of a bridge is essentially $0 suggesting that the dollars that were spent have been wasted.

Such is the case of the organization that invested in updating their dining areas and the interior of vacant apartments – but left the corridors unattended (with faded/marred paint, worn carpets, 1980's fluorescent lighting and scarred trim). When occupancy didn't increase, the marketing department was blamed, rather than recognizing that residents touring the community (or worse yet – walking through corridors to see a possible new residence) would form an image of a shabby community that could not be repaired with a vision of granite counter tops and hardwood floors. In short – the investment in the dining areas and the living units was wasted – for the want of $800,000 to update each of the corridors.

Just Because We Can . . . Doesn't Mean We Should

I'm reminded of a text exchange between myself and a long-time friend who I had not spoken with in some time. As we were doing a quick 'catch-up' she asked whether I was still traveling as much. I responded by indicating that I was, and, in fact might be doing more than in the past. And her response was 'just because you can, doesn't mean you should'. Initially I took this as a helpful personal reminder. But over the next several weeks I saw how this outlook applied to the nursing home portion of our field.

While it may not be easy to accept, the reality is that asking people who frequently are in the last phase (if not last weeks) of their life to share a room with a perfect stranger – with little shield of bodily functions and little privacy for personal/family relationships might be thought of as inhuman. A response might be – that the field has always been this way (true to a point, though this neglects the fact that 25 years ago 3 and 4 bedded rooms were outlawed in most states) or that facilities are still able to operate with high occupancy despite the semi-private accommodations. But that would trigger my friend's comment – just because we can, doesn't mean we should.

Hospitals learned this two decades ago and its unlikely that any new hospital includes many (if any) semi-private beds. As the disruption of the nursing home portion of the field continues, at some point semi-private accommodations will become difficult to market if not unmarketable.[4] It will be a shame, though, to wait till that happens.

Entrance Fees Are Either Seductive or Addictive . . . Or Both

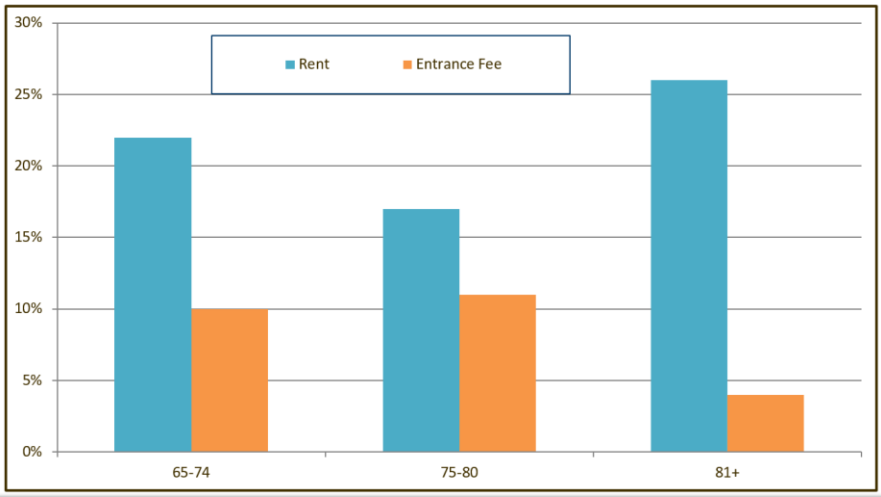
There are two origins to entrance fees. For the most part, neither were driven by the consumer. During the middle of the 20th Century 'turnover of asset' programs were used by some nonprofit senior living organizations to fund the promise of lifetime care. In other words – if the older adult 'turned over' all of their assets and pledged their income, fraternal groups in particular (but not exclusively) would provide lifetime care. Over time, only those with limited assets found the arrangement to be advantageous. Within diminishing revenue, the costs of lifecare were soon exceeding the financial wherewithal of the franternal and other nonprofit organizations. In order to attract those with more resources, the sponsors agreed to cap the amount of assets that needed to be contributed and this, ultimately became a form of entrance fee as we know it today.

Lagging a bit, but somewhat in parallel to the above, newer communities were being designed (typically by nonprofit sponsors) but found financing to be difficult, without a significant equity contribution. As a former S&P CCRC Analyst observed, the obvious answer was to ask the prospective resident to fund a portion of the capital cost – which became the modern entrance fee. Refundable forms came later as a ploy to make entrance fees more palatable to the consumer and, in some instances, to stake out a competitive advantage or, at least, a distinction/niche.

But the truth is that aside from country clubs, entrance fees are an anomaly – neither typical nor understood by the consumer. Development of market rate (rental) independent living exponentially outpaces the development of CCRCs/Life Plan Communities – largely because of a high acceptance by the consumer. The problem is that the nonprofit portion of the senior living field is addicted to a form of resident financing that is largely unacceptable to the consumer. And the challenge of converting from an entrance fee approach to a rental approach is, for many, an insurmountable challenge as it requires a pile of cash to pay the refunds due to departing residents since cash is not coming in given the conversion to rental.

[4] For CCRCs/Life Plan communities, offering semi-private accommodations has already become and impediment to independent living buying decisions.

The graph to the right reflects responses to a recent survey conducted by an entrance fee CCRC. Granted, the use of a telephone survey while providing for statistical validity does not enable engagement in conversation or education about the relative merits of an entrance fee. But a telephone survey does provide 'top of mind' thinking of the consumer (which if counter to what is being offered suggests that the consumer is initially disinclined toward the product).



Approximately 10% of the respondents to the above survey indicated a potential preference for an entrance fee approach versus 24% who indicated a preference for a rental program (reflecting a 2.4 to 1 preference differential). Those 81 or older had a different perspective: approximately 4% preferred an entrance fee versus 25.5% who preferred a rental approach (reflecting a more than 6 to 1 preference differencial). It's been known for years that the as the age of the consumer increases (particularly past 80) interest in an entrance fee diminishes.

This is significant for those communities with older, smaller living units – as there's a non-scientific correlation between the age of a community and the age of new entrants. In essence, the older the community, the older the likely resident (because older communities tend to have smaller accommodations, may not have invested in updating common areas in any substantial manner, etc.

Nonprofit Dominance In the CCRC/LPC Field Is Fast Becoming Irrelevant

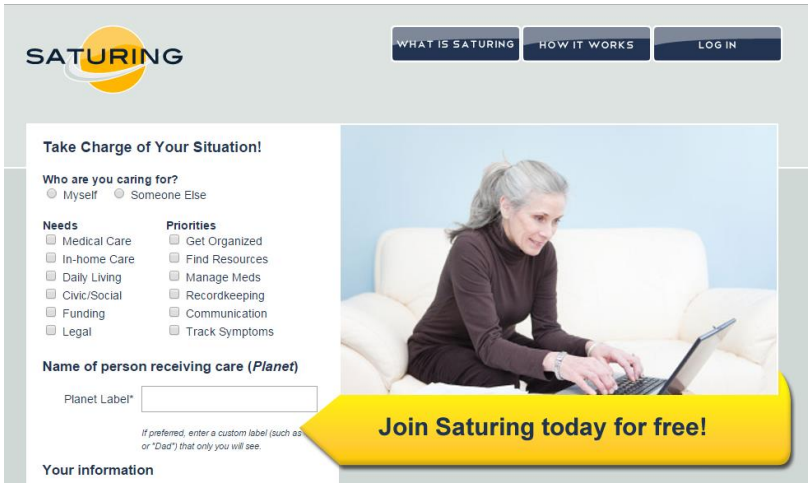
For those communities that have staked out a competitive position that is not dependent on tax status (i.e. whether they're a nonprofit organization or not), this trend may not be very important. However, for those nonprofit communities who lack a clear value proposition or who rely more heavily on nonprofit status in their marketing – this trend signals the potential for future vulnerability.

There are two dimensions to the issue: (1) the level of understanding that the public has between nonprofit and for profit organizations; and (2) the diminishing role of the nonprofit in senior living generally.

As to the first, it's been said that 1/3 of the population don't know the difference between a for profit and a nonprofit organization, 1/3 know the difference but don't care and 1/3 know the difference and do care – many of whom prefer a nonprofit's ownership or sponsorship. Trilogy's consumer research validates that this break out is roughly accurate and relatively consistent from market area to market area (though the importance of a religious sponsor will vary from certain geographic areas to others).

With regard to the second: of all of the categories or types of senior living services (from nursing homes to hospice) nonprofit sponsorship is a minority with one exception: CCRCs or Life Plan Communities. As mentioned earlier, though, CRCC/Life Plan Community Development lags that of for profit, market rate senior housing. If the two are aggregated – CCRCs become a minority. At some point, there is a risk that Gladwell's theory of Tipping Points will apply and the importance of what has been referred to as the 'nonprofit difference' will become an asterisk rather than an important distinction.

Somewhat related is the story of Saturing.com and the potential future risk that might be presented to the dominance of nonprofits in the CCRC/Life Plan Community sector of the field. Saturing.com operated from 2012 through 2015, providing free care coordination services based on a "Freemium" type of model where 80% of subscribers receive the service for free, 20% pay for upgraded service - and the revenue from the 20% is sufficient to support the overall operating expenses. While Chris Anderson in his book Free details how business models based on what he refers to as 'cross subsidization can work, Saturing.com did not.



The reason for mentioning the site is the author's forecast that over time, free care coordination will become more prevalent as (a) the public becomes more aware of what it actually is (and therefore sees the value and (b) as payors and health systems increasingly provide a 'self-interested' version of care coordination. For older adults – the convergence of this trend or forecast with the accelerated development of rental senior housing will create what might be thought of as 'every man's or every person's CCRC'. Will it serve as the death knell for CCRCs? No, it will not – but it will result in a new form of competition that will encroach on the CCRC's/Life Plan Community's market share.

Readers might challenge the above conclusion by questioning whether the absence of a nursing bed component will diminish the comparison of the two forms (CCRCs/LPCs vs. the 'every man's CCRC'). While this is a good question and an important point for discussion, the author believes that while prospective residents do in fact choose to move

to a CCRC because of future health security – they (like most Americans) would nevertheless prefer to avoid the nursing home. Care Coordination provides that ability (see the experience of Friends Life Care at Home where after 20+ years less than 3% of members are living in assisted living or nursing versus the average for CCRCs where 20 to 30 percent are residing in nursing or assisted living).

Forecasts

It was noted earlier, that the word 'trend' is frequently misused to suggest what is actually a 'forecast' of the future. Having discussed a few, selected trends (and mixed in some forecasts at the same time, this section will focus exclusively on 'forecasts', some of which have a quantified basis in available data, while others are simply the author's future view.

Competitive advantage will require a significant investment in technology

I have recently observed two trends in CCRCs/Life Plan Communities: (1) a higher level of utilization of technology and social media within the resident population than might be shown in broad surveys of the older adult population (the difference occurring because of the typically higher level of income/resources and education which is associated with higher technology and social media use); and (2) leadership's underestimating the level of adoption and use. The first is interesting, the second can be problematic on multiple fronts – one of which is marketing and competitive advantage.

Today's consumer (not tomorrow's) has high expectations regarding the availability of technology. Tele-health/tele-medicine, the ability to monitor and manage health and wellbeing, to socialize and otherwise connect will fast become the standard. The nonprofit sector of the industry has lagged in its investment, possibly because of the fear of the magnitude of the investment but also because of capital constraints. Yet the first CCRC/Life Plan Community in an area or region that is able to offer adaptive technology (including socialization, monitoring, tele-health, etc.) throughout will likely claim competitive advantage (at least in the short term) and a reputation as being tech-savvy that will be increasingly important to the consumer.

Innovation Was the 2014 Buzzword. Disruption Was the Word in 2015 and 2016, But . . .

It is more likely than not that the disruption will come from outside of the field – and certainly outside of the nonprofit sector. It's what has happened in many other industries

or fields (consider Apple, a non-telecommunications company disrupting telecommunications in 2007, or Uber disrupting the Taxi/transportation industry). A 2014 article in Forbes, for example, focused on the founders of Honor (a home care operation that borrows a bit from Uber and others) – with the headline: "How the Tech Elite Plans to Reinvent Senior Care".

McGrath (in The End of Competitive Advantage) refers to low risk innovation as being 'core enhancement launches' or incremental improvements. The nonprofit senior living sector has largely focused on those core enhancements and many examples can be cited. Its understandable as organizations tend not to assume a technology risk, a leadership risk, an execution risk, etc. when they have obligations to residents, bondholders and employees. At the same time, it creates vulnerability when there's evidence that consumers are seeking other options and potential disruptors have the ability to access and raise capital. CCRCs and Life Plan Communities comprise a small part of what is referred to as the 'longevity economy' (see http://erickson.umbc.edu/files/2015/05/2016-Longevity-Economy-AARP.pdf) where the growth potential of the sector is attracting significant levels of investor interest.

CCRCs/Life Plan Communities in 2030

One Perspective

With all of the above in mind, the question might be – will CCRCs/Life Plan Communities exist in 2030 and beyond. The simple answer is yes. But that then raises the more complex and challenging question – what will they look like. One perspective: In 2030, successful CCRCs and Life Plan Communities:

- Will view themselves as being integral to the broader community, serving at least twice as many people through what we refer to as an 'inside out' and 'outside in' strategy. 'Inside out' suggests that the CCRC is delivering services to those who choose to live elsewhere (not on campus) in the form of home care, transportation, care coordination – or new products and with new forms of delivery. 'Outside in' means that those who live off-campus will become part of the life of the CCRC – by attending cultural events, social events, dining, using the wellness/fitness facilities, etc. While there is a fundamental need to acknowledge that the CCRC is 'home' for several hundred residents and these non-residents could be seen as interlopers or freeloader, the reality is that they'll not only generate additional revenue but they'll add to the fabric and especially the vitality of the community (see the discussion of Aging in Place, later).

- Along the same lines, 'virtual communities' (coordinated networks or communities of older adults living in neighborhoods, condo's, apartments, etc. – linked through enabled socialization, care coordination, etc) will be gaining in number potentially serving an equal number of those living on traditional campuses. This will result in part from the creation or adaptation of business models that solve the dilemma of the 'Village' product (most of which are only sustainable with fundraising) but equally as important, from the increased involvement of 'enlightened' CCRC/LPC leadership with the grass roots activists to establish an effective, non-threatening eco-system.

- Unless there's a cure – Alzheimer's disease will become the scourge of the Baby Boom Generation. Much as consumers today expect CCRCs to provide the best quality service and care – so too will the expectation be applied to memory care/memory support. But it won't be enough to offer a high quality 'unit' or area, rather a broad set of services and programs – intended to engage older adults and their families at any stage of the disease, will be essential.

- 'Plug and play' (where consumers can choose when and where they engage with the CCRC) will be in high demand, requiring a different philosophy for many communities where independent living has been the traditional 'front door' and where non-residents were viewed more as additional revenue sources rather than full members of the community.

- Will carefully navigate 'aging in place' – recognizing the competing interests and impact. The CCRC consumer has selected this option because it provides future health care and service security – yet at the same time, it is not unusual for the resident to resist transferring to high levels of care. In short, they prefer to 'age in place.' it's both understandable and predictable. For the staff – providing additional support to the resident tends to align with their personal philosophy of service and the organization's. The flip side, though, is equally important: aging in place slows down the turnover of living units which has an impact on cash flow; it creates marketing challenges (particularly for apartment style communities) as prospective residents, who view themselves as 10 years younger than they are see those 'aging in place' as an entirely different generation – causing the prospective resident to think that 'they're not ready yet'. This could result in many traditional CCRCs/LPCs eliminating assisted living (or using it to capitalize on the 'plug and play' approach) while substantially downsizing (perhaps by ½) the number of nursing beds required for residents.

- Those that don't figure out how to inject vitality into the campus will be at risk of morphing into what will be perceived to be a large assisted living community. The 'new normal' for these communities will consist of accelerated turnover of resident population, a resistance to entrance fees and a fundamental inability to attract an 'independent' population.

- Will have abandoned the word 'retirement' as well as labels that smack of old age, 'elderhood' or anything that's viewed as code for aging.

Physically:

- Common areas will be expanded to reflect the preferences of the time while still attempting to accommodate the previous generation
- Formal dining will either be eliminated or will be about two times to three times the size of today's existing private dining areas.
- Fitness areas will be downsized, but multiplied (to increase convenient access)
- Living units will be similar in size – ending the trend of increasing size and emphasizing the style (open floor plan, along with amenities, finishes and conveniences that are on par with those seen on websites like Houzz.com, other websites and apps at the time

Technologically, a significant investment will be needed at least twice – once around 2020 to fund campus wide upgrades to enable adaptive services (as referenced earier) and again in 2027 to acquire robotic technology that enhances or replaces a portion of the services previously delivered by humans. The price of mediocre service provided by employees from a shrinking pool of applicants) will end up justifying the investment that will be required for the robotic technology and to retain and recruit the best quality staff

In Closing . . .

there are many reasons to believe that CCRCs and Life Plan Communities will be successful during the next two decades. Yet, at the same time there are an equivalent number of reasons to be concerned about perpetuating the same model. The purpose of this presentation/paper is to encourage strategic thinking that moves beyond 'spitshining the status quo'.

Google offers a helpful reminder of what's needed. In 2014 when Calico was launched (it wasn't called Calico at the time), the announced objective was to solve death or to find the 'cure' for aging. It's the kind of objective that evokes the quiet muttering of phrases like "sure, that will happen when pigs fly". Perhaps or probably so – yet the proverbial ball moves a lot further when the objective is dramatic – rather than when the target is incremental.

For that reason, we encourage nonprofit senior living organizations of all types, but especially CCRCs and Life Plan Communities to think boldly – and then to work hard to figure out how to make that bold vision happen. In reality, the vision may never be realized – but by staking out something that's bold if not brazen, the eventual accomplishment will likely move well beyond the incremental change that presents the most risk in 2030.

About the Author

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