Big Makeovers at Retirement Communities

By Philip Moeller
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Retirement communities are expanding services, often to non-residents, as they seek to combat the lingering effects of a serious recession and devise ways to broaden their appeal to potential new residents. Broader fitness and health programs can be seen at many communities. Major changes have been made in dining facilities and meal plans, providing residents with more choices over what, when, and where they have their meals. And while a protective environment that emphasized insulation from its surroundings has long been a selling point of retirement complexes, the model of many facilities today is to seek more extensive integration with outside consumers and organizations.

Many continuing care retirement communities (CCRCs) require fairly steep entrance fees and hefty monthly payments. In return, residents obtain apartments or free-standing living units, and receive meal plans and a range of housekeeping and social-activity services. They also are promised a range of lifetime care services, including assisted living, skilled nursing, and, in some cases, dedicated Alzheimer's units as well. The average age of new entrants ranges from their late 70s top early 80s, and most plan to stay for the remainder of their lives.

The drop in housing and investment values that began in 2007 shook the finances of many older consumers who would have been natural candidates to move into CCRCs. Entrance fees are typically generated when residents sell their primary homes to move into a CCRC. And ongoing fees come from a variety of retirement funds and family support. With home sales grinding to a halt, and housing values falling, the source of entrance fees dried up. Falling investment values likewise squeezed the ability of prospective and existing residents to make monthly service payments. Many communities responded with extensive support and subsidy programs to help new and existing residents, but the slow recovery has continued to create financial challenges for many communities.

The industry is composed mostly of non-profit entities, many with ties to religious organizations. While most facilities will emerge intact from the tough market conditions of recent years, many smaller CCRC companies and, in particular, single-site complexes, will be forced to affiliate with larger organizations.

In addition to facing financial pressures, the CCRC industry is also contending with lifestyle shifts and a marked improvement in the health and fitness of its core market of people in their 70s. A generation ago, many of these people were eager to find more sedentary and protective living environments. Today, they are just as apt to be taking strenuous wilderness vacations and running in marathons. Today's 75 year-old, many CCRCs have found, is simply not yet ready for what the communities have to offer.

[Mark Vanderbeck is executive vice president of operations for ACTS Retirement-Life Communities, Inc., the Pennsylvania-based owner or operator of 23 CCRCs in 8 states, with about 9,000 residents. ACTS says it is the nation's largest non-profit CCRC entity. Vanderbeck says demand for slots in ACTS communities has remained strong throughout the recession but that the company and its residents certainly have faced financial challenges.

"We, like a lot of providers, were having a lot of challenges," he said in a recent interview. "One area from a revenue standpoint that we were able to expand" was in home health programs. In many of its markets, ACTS works with state Medicaid programs to offer skilled care programs that help participants stay out of expensive residential care facilities. These home health programs generate needed revenues to ACTS and are attractive to the states because their payments are less than what they'd pay if people were in nursing homes.

Another healthcare expansion that ACTS has pursued, Vanderbeck said, is the development of hospice programs that "are generating significant revenues."

Last month, ACTS completed an affiliation with the Peninsula United Methodist Homes, Inc. and Heron Point of Chestertown, and assumed management and operation of four CCRCs in Delaware and Maryland. One of these CCRCs has extensive community outreach programs, Vanderbeck said, and ACTS is looking carefully at how it might replicate some of these programs in its other communities. "Our focus has been more on our internal residents," he explained, but "we're sort of looking at this new community as a living laboratory."

Duncaster Lifecare Community, north of Hartford in Bloomfield, Conn., reflects the type of responses that a single-site facility can make in responding to recent economic and lifestyle changes. Founded more than 25 years ago as the area's first CRCC, Duncaster has stepped up its wellness and fitness activities and hired a full-time wellness director. Some aquatic activities are open to residents in surrounding towns. “We are building a culture of whole-person wellness that takes our health and fitness services to the highest level,” says Michael O’Brien, Duncaster’s President and Chief Executive Officer. The initiative includes eight dimensions of wellness: physical, intellectual, emotional, social, spiritual, nutritional, community, and environmental.

Duncaster has also stepped up its marketing efforts. “It’s important to us to set up a two-way conversation with those considering our community,” says Duncaster’s Marketing Director, Patty Roohr. “By adding in these additional forms of marketing, I think we open our doors to those who are considering the move, earlier in the process."

The third major strategy pursued by Duncaster is a "parkers' program" where people can pay an entrance fee and reduced monthly fee but not actually move into the CCRC. Instead, they receive the full lifecare coverage of the community and, when they decide they want to move into Duncaster, they immediately move to the top of the wait list for the type of apartment they have selected. Consumers get the certainty of access to the community on their time schedule. Duncaster benefits from the revenue and has effectively pre-qualified a likely flow of new residents into the community.