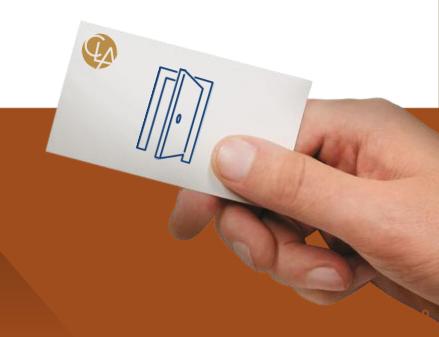
The Times Are Changing: Is Your Organization Ready?

Aging Services Minnesota February 5, 2014



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Topics for Today...

- New revenue sources for senior living and why
- Eyes wide open readiness decision tools
 - Market and financial feasibility
 - Target market
 - Financial investment and return
 - Level of difficulty
 - Critical success factors
 - Assessing organizational readiness



Why Consider Community Based Services?

Why Consider Home Services?

- Growth strategy diversification
- Manage quality of services delivered on campus
- Difficult to access capital HCBS often require little up-front capital
- Consumer and government trends
- Leverage management expertise and expense
- Increase brand awareness
- Prepare for health care reform



New Revenue Sources for Senior Living

Traditional and Innovative HCBS Options

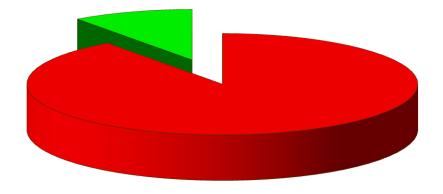
Home & Community Based Models

- Traditional offerings
 - Home health care
 - Home care/private duty
 - Hospice
 - Adult day care
 - Care management
 - Outpatient therapy

- Non-traditional initiatives
 - Membership/club/village model
 - Free club model
 - PACE
 - Life care at home
 - Senior center
 - Cafe
 - Consumer technology



Offering Options Broadens a Narrow Market



- Prefer to stay at home
- Will move to a CCRC

MOVE FORWARD WITH EYES WIDE OPEN!!!!



Organizational Decision Tools

Who Does Your Organization Want to Serve?

Target	Private Duty	Hospice	Home Health	Life Care	Adult Day		
Clients who live in:							
Home/Housing							
CCRC - IL							
Assisted Living							
Skilled Nursing							
Clients who are:							
Low Income							
Moderate Income							
High Income							
Payor Source:							
Medicaid							
Medicare							
Insurance							
Private Pay							

Investment and Return

Type of Program	Start-Up Costs	Operating Capital	Breakeven (Cash Flow)	Operating Margin
Private Duty	\$100,000	\$150,000	Year 3	10% – 15%
Hospice	\$100,000	\$200,000	Year 2	10% -15%*
Home Health	\$200,000	\$300,000	Year 2	10% - 15%*
Life Care at Home	\$100,000	\$150,000	Year 1**	5% – 10%
Adult Day	variable	\$200,000	Year 1 - 2	1% - 5%

^{*}These reflect ACA related reductions.

^{**}Breakeven on an accounting basis in years 4 or 5.

Program Development/Operating Challenge Ranking

	Private Duty	Hospice	Home Health	Life Care at Home	Adult Day
Regulatory Oversight	1	4	5	1	4
Management Staff Expertise Needed	2	5	5	3	3
Direct Care Staff Recruitment	3	3	4	1	2
Billing, Service Delivery, Compliance	2	4	5	1	3
Financial Risk (Cost)	3	3	4	1	3
Financial Reward	3	1	1	1	5
Health Care Reform	1	4	5	1	2
TOTAL SCORE	15	24	29	9	22



Market and Financial Feasibility

Market Study Components

- Define service area and target market
- Analyze demographics
- Analyze the competition
 - Price
 - Services offered
 - Volume
 - Wages
- Interview key informants (aging professionals and possible referral sources)
- Determine market need/demand internal and external
- Consumer research

Financial Feasibility

- Project census growth and cap
 - Internal and external
- Determine price
- Estimate
 - Hours/episodes of service
 - Staffing productivity and needs
 - Salaries, benefits and operating expenses
 - Operating performance
 - Investment capital needed



Assessing Organizational Readiness

- Do we have the start-up capital to invest?
- Who will our competitors be and will there be any negative or positive impact on our current business?
- Do we have (or need) the support of our current residents? How will we inform our residents or involve them?

- Do we have the management resources to focus on a new venture?
- Do we have the expertise in the new service or do we need to recruit?
- Do we want to serve residents living on campus only or those living both on and off campus?
- If we decide to serve campus residents only, will there be enough business to support the new entity?
- What impact will assisting residents to age in place have on the organization?

- Will the new entity be non-profit or for-profit?
- What socio-economic group do we want to serve?
- Do we want to separately incorporate or develop the new entity as a department within our current corporate structure?
- Can we leverage our current infrastructure and support this program (e.g. human resources, finance, billing, etc.)?
- Do we want the program to be financially self-sufficient or are we willing to subsidize the program as a loss leader?

- Do we need/want to serve an age group other than seniors?
- Will this program help position us for Health Care Reform?
- Will Health Care Reform have a positive or negative impact on this program?
- Do we want to develop a new entity, purchase a going concern and/or purchase a franchise?



Critical Success Factors or Lessons Learned

Private Duty

- Entrepreneurial manager/owner
- Manager is salaried plus bonus
- Software to support a lean management structure
- Per diem work force no benefits
- Flexibility to provide what consumers want, when they want it
- 24/7 cases

Hospice

- Experienced Manager
- Ability to compete with hospice 'institutions'
- Physician relationships
- Palliative care and 'bridge' programs
- Don't over estimate the internal opportunity
- Be prepared for future cuts in reimbursement

Home Health

- Experienced management
- Market share on campus and off
- Ability to get insurance contracts – preferably with a margin
- Careful not to compete with your referral sources
- Ability to become part of bundled payment groups
- Outcomes data

Life Care at Home

- Large and densely populated market area (unless dept of CCRC)
- Sponsor and consumer familiarity with life care
- Array of pricing options
- Full complement of staff in beginning
- Marketing and sales budget
- Admissions process
- No service creep



Care Management

- Loss leader
- Can't absorb large corporate allocation
- Care pathways

Outpatient Therapy

- Location
- Insurance contracts
- Ability to serve all ages
- State-of-the-art facility and modalities

Adult Day

- Economies, e.g. food service, location, etc.
- Medicaid
- Transportation
- Home-like environment
- Ability to get clients up and in the van in the morning

Consumer Technologies

- Part of larger program of services
- Price
- Understanding that consumer doesn't understand!
- Don't become 'Big Brother'
- Beware of data that requires medical follow-up



Market Entry Options

Market Entry Options

- Green field start-up
- Acquisition
- Franchise
- Joint venture

Greenfield Start-Up

Advantages

- Complete decision making control
- Management chosen instead of inherited
- Don't inherit problems
- Initial start-up capital may be lower than acquisition price
- Can develop unique corporate culture and identity
- Can grow slowly

- May take longer to establish no market presence
- Heavy start-up activities include hiring, establishing office developing policies, procedures and processes
- Little initial revenue to offset expense must grow revenue over time
- Will fail without entrepreneurial management



Franchise

Advantages

- Brand awareness
- Central advertising
- Corporate infrastructure and ongoing assistance/training

- Ongoing costs
- For profit venture
- Limited service area
- Corporate branding can't capitalize on your organization's reputation
- Share management control

Acquisition

Advantages

- Immediate market presence with operations, staff, customers and market share
- May be only option to enter market (CON)
- Existing infrastructure
- Immediate revenue to offset initial investment
- Experienced management
- Eliminates a competitor
- Inherit an existing pool of caregivers

- Acquisition may require large capital investment higher financial risk
- The organization may not have been valued correctly
- Must overcome existing market perceptions
- Inherit existing corporate culture



Joint Venture

Advantages

- Can share in the start-up costs and management oversight
- Can leverage both organizations' management expertise
- May have a larger referral base

- New bureaucracy may not have the flexibility required to succeed
- Must blend two or more corporate cultures
- May have differing goals for the program, e.g. financial success, mission
- Must share in earnings



Case Studies





Messiah Lifeways

Mechanicsburg, Pennsylvania



History

- CCRC located in Mechanicsburg, PA (central PA)
- Providing housing and services for over 100 years
- Operates two residential communities; services including: home care, adult day, rehab and respite
- Offers lifelong learning program through Pathways Institute throughout region
- Additional programming includes speakers bureau, life coaching and wellness programming
- Interested in developing network of Villages in the Greater Harrisburg, PA area.



Services

- Lifelong Learning (Pathways Institute)
- Wellness Center
- Home Care
- Adult Day Services
- Rehabilitation
- Respite Care
- Support Groups
- Restaurants
- Coffee Shops
- Gift Shops



The Program: Connections

- Membership
- Neighborhood based
- Reliable, objective information and support when needed
- Source for referrals, services, and social opportunities to support people to successfully at home.
- Neighbor helping neighbor philosophy
- Two membership levels basic and enhanced
- Annual Fee: \$240 (basic); \$1,200 (enhanced)
- Began operations January 2013; approximately 150 members

Lessons Learned

- Provided an opportunity to partner with local area hospitals and insurers
- Financial sustainability via these partnerships, not membership fees
- Have decided to reduce the membership fee to increase membership



Surrey Services for Seniors

Berwyn, Pennsylvania (suburban Philadelphia)



History

- Established in 1981
- Mission: To help older adults live in their homes with independence and dignity and to continue as active members of the community
- In 2010, CliftonLarsonAllen facilitated a partnership between Surrey and The Hickman, an independent living facility to provide affordable aging in place services
- In 2011, awarded management contract for three senior centers in Delaware County



The Organization

- Operates five locations throughout suburban Philadelphia
- Serves part of Chester, Delaware, Montgomery, and Philadelphia counties
- Employs 17 full time and 113 part time staff
- As of early 2012 budget is approximately \$3.7 million
 - 70% of income from program revenue
 - 19% from individuals and grants
 - 11% from government contracts
- Serve over 4,500 senior members plus other nonmembers at each location



Programming

- Berwyn location serves as an administrative and programming hub similar to a senior center
 - Dining
 - Fitness
 - Theatre and music programming
- Volunteer network
 - Engages over 700 community members annually many of whom are older adults
- Mental Health Support
- Crisis Intervention



Services

- Home Care
- Transportation (volunteer and paid)
- Money management
- Home maintenance
- Meal programs (dining at Berwyn and home delivered meals)
- Health and wellness
- Tax and Medicare consulting
- Support Groups
- The Shops at Surrey (2 locations consignment and thrift stores)

Questions?



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