

# The future of senior living communities

How to increase the future sustainability of care-giving facilities

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Even today, many people envision the traditional nursing home as the only solution when it comes to senior care. Yet, we all know senior and specialized care has evolved during the past few decades. While traditional nursing homes are still a viable option for many consumers, emerging alternatives are allowing people to live longer, healthier and happier lives in ways that fit them better.

Faced with many challenges and uncertainties—a growing senior population, the current political and economic climate, rising healthcare costs, the availability of skilled staff, and increasing overall quality of life—senior living and specialized care facilities are needing to find new ways to stay sustainable and competitive.

The good news is that care facilities can find pockets of undiscovered profitability when considering adding some of these emerging alternatives to their portfolio of current care options. Some of those small pockets can translate into a significant market opportunity, given the global long-term care market was valued at \$718 billion in 2015, and is expected to grow 5 percent annually through 2024.<sup>i</sup>

## Forces shaping senior living

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Political, economic, social and technological changes are changing the senior care industry dramatically. Meanwhile, a person's ability to pay for care as they get older is getting more complicated, as are organizations' abilities to provide the services people will need as they age.

### Changing demographics

Whether we like it or not, we are getting older. And many of us are doing it exceptionally well. Consumers today are more aware of the importance of wellness, not just for living longer, but also for a higher quality of life as we age. This translates to a growing population of people older than 65.

This is a critical point for the Baby Boomer generation, born between 1946 and 1964. In the next 10 years, or from 2017 to 2027, the last of the Boomers will turn 63 years old, which is near Americans' historical retirement age. The United Nations projects the number of Americans age 65+ to increase by more than 19 percent during this time period<sup>ii</sup>. That's 67 million Americans who may need some form of age-related medical care, such as treatment for cancer, heart disease, high blood pressure, Alzheimer's disease or dementia, Parkinson's disease, vision loss, hearing loss, arthritis or osteoporosis.<sup>iii</sup>

This "silver tsunami" and its pending medical concerns is having a profound impact on senior care. As of 2014, half of nursing home residents had dementia, and 96 percent needed assistance in physical functioning with at least one activity related to self-care.<sup>iv</sup>

So, as the senior population grows, so will the need for specialized services for specific medical conditions.

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This group of consumers was also hit hard in the Great Recession of 2008, when both retirement funds and home values declined. While both of these are back on the rise, the experience has left many seniors less able to confidently pay for their own care in their post-retirement years.

According to Teresa Ghilarducci in a 2015 article in *The Atlantic*, “... of the 18 million workers aged between 55 and 64 in 2012, 4.3 million will be poor or near poor by the time they’re 65. And if current trends continue between 2013 and 2022, the number of poor or near-poor 65-year-olds will increase by 146 percent.”<sup>v</sup>

It’s important to also consider changing demographics in culture, spirituality, ethnicity and sexual orientation when thinking about how to address the needs of the future senior population. According to a report by Services and Advocacy for LGBT Elders (SAGE), estimates are that there are more than 3 million LGBT people age 55 and older in the United States, and that number will double in the next two decades.<sup>vi</sup> The aging of younger, more diverse groups will mean that from 2015 to 2035, the share of population aged 65 and over that is non-Hispanic white will drop from 79.5 percent to 71.3 percent, with 11.6 percent of the older population in 2035 non-Hispanic black, 10.5 percent Hispanic, and 6.6 percent Asian/Other.<sup>vii</sup> This means care facilities and services will need to address the specific needs of these unique market segments.

Care agencies will also need to actively monitor their local population’s demographics to ensure they have the capacity to provide the appropriate number of facilities and breadth of service offerings to their communities.

### Ever-increasing healthcare costs

Healthcare is confusing, even for those of us fluent in the language of deductibles, out-of-pocket maximums, lifetime benefits, co-pays and the like. But the one thing we are all well aware of is that healthcare costs are on the rise.

National health spending is projected to grow at an average rate of 5.6 percent per year between 2016 and 2025.<sup>viii</sup> And The Employee Benefit Research Institute estimates that the average couple will need \$259,000 to cover their out-of-pocket medical expenses in retirement.<sup>ix</sup> Keep in mind that in 2016, the national, daily average for nursing home care for a shared room was \$225.<sup>x</sup>

While some employers offer retiree health coverage, the number of employers doing so is declining. According to the Kaiser Family Foundation, there has been significant drop in the share of employers with more than 200 workers offering retiree health coverage, from 66 percent in 1988 to 23 percent in 2015.<sup>xi</sup>

Medicare does not pay for what comprises the majority of long-term care services—non-skilled assistance with the activities of daily living. The largest source of funding for nursing home care is state-affiliated Medicaid. Some estimates say that Medicaid pays 40 percent of the total nursing home costs in the United States, but individuals must meet strict financial guidelines to qualify.<sup>xii</sup>

What does this mean for seniors? More of them will need to find alternatives to the traditional nursing home or assisted living model. Some are already looking abroad or across the border to Mexico for lower-cost assisted living communities.<sup>xiii</sup>

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And, what does this mean for the long-term care industry? Industry experts, influencers and entrepreneurs will need to discuss finding ways to innovate, create efficiencies, and provide guidance and services to consumers for post-retirement saving and spending.

### Skilled labor

Given the growing size of the senior population, the number of people employed in the long-term care industry will likewise need to grow to care for them. But while demand for people in skilled nursing occupations is increasing, the candidate pool is shrinking. The University of California projects that at least 2.5 million more workers will be needed to provide long-term care to older people in the United States between now and 2030.<sup>xiv</sup>

Many skilled nursing employers are filling the employee gap by offering overtime and double shifts, leading to caregiver burnout, but that is a short-term solution that compounds the problem.

As much as care facilities struggle with finding new team members, the battle to retain current staff is just as great. With a current turnover rate of more than 60 percent<sup>xv</sup>, care facilities will need to not only rethink their salary and benefits packages, they also will need to help boost the feeling of reward one gets from working with seniors. By reworking processes and perhaps even remodeling facilities, senior living communities can enhance efficiencies to improve employee performance. Also, communities that build a culture of learning—with a commitment to training and professional development—will be more likely to succeed.

### Changing consumer demands

As we think of our own aging, we often have preconceptions about where we will live and how we'll be cared for. While we build and remodel senior living communities that are beautiful, functional and efficient, many of today's seniors and their children may still harbor a stigma of what it might be like to live out their golden years in a senior care setting.

Baby Boomers are pioneering a new way of thinking about what it means to be a senior. They want to experience culture, keep learning and live more active lifestyles than that of their parents or grandparents. This crowd has learned the importance of wellness in both mind and body as a means to living longer and happier lives. We, too, need to change our paradigm, from senior living as a business to senior living as a lifestyle.

It's easy to see why we should make this change in thinking. The Boomer generation is looking forward to living their longer life spans with the independence they have come to know in their generation. They are abandoning the notion of an institutional atmosphere that places boundaries to their freedom. And those who have been able to save for an abundant lifestyle in retirement are looking for luxuries that have not been typically associated with traditional senior living community life.

Seniors are seeking out opportunities of enjoyment as part of the new "experience economy," a phrase coined by B. Joseph Pine II and James H. Gilmore in 1998. Beginning with the Boomer generation, purchases have shifted from spending on products to spending on experiences. This generation has traveled more, vacationed more, adventured more and experienced more.

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Despite the growth of households with two working parents, this generation has made spending time with their families a priority. And they want to continue to create these memorable experiences as their living situations evolve. Two-person working households have created a demographic accustomed to hiring out services such as cleaning, home repair and dog walking.

Seniors are looking for later-in-life communities and living situations with amenities such as convenient shopping, entertainment, computer tutoring, more sophisticated meal delivery, medical care and medication services.

They expect Wi-Fi, fitness programs, off-site activities and educational opportunities. They've taken an active interest in sustainability in order to provide a better future for their families. They may have specific dietary needs or religious preferences. They desire experiences similar to what they might find in a hotel or country club setting.

What this means for you:

## Finding profitable opportunities

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We are hopeful that opportunities abound with a strategic focus in the face of these changes and trends. The future of senior living can be bright for both seniors and the organizations that find opportunities to deliver the new and innovative products and services they demand. These opportunities require care facilities to find new approaches to reaching seniors, providing the modern healthcare solutions they need and delivering the lifestyle experiences they desire.

### Niche Opportunities

It used to be seniors had two choices: stay in their own home or move into a traditional senior care facility. Today, seniors have a number of options to consider as they think about how they want to live their lives to the fullest as they age. The beauty for seniors is that, as consumers, they can choose the level of service and care they need.

This also creates a lot of latent opportunity for organizations to respond to these needs. While the senior population is growing, senior living communities that are agile in their ability to meet a population needing assistive care within their own geographic areas will be more successful.

The three critical factors to look at when creating a strategy for the future are:

1. What services, that the organization currently offers, can be extended to non-residents?
2. What services, technologies or amenities could be added to augment those currently being offered in order to attract consumers willing to spend more out of pocket for their care?
3. What other models for care could be integrated with what the facility is currently offering?

### Aging in place and home care

Many seniors have a hard time leaving behind the lives and memories they experienced in their own homes. And because many more seniors are finding it harder to pay for residential care communities, more people are "aging in place," or within their own homes.

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An AARP study in 2010 found that 86 percent of people 45 and older prefer to age at home,<sup>xvi</sup> contributing to a healthy job market for home health aides. It's a market that is expected to grow 38 percent through 2024.<sup>xvii</sup> Couple this with the knowledge that many Boomers may not be financially prepared to move out of their homes, and we'll all have to think out of the proverbial box to meet everyone's needs.

Faith Ott, president and executive consultant for Sage Age Strategies, a senior living consulting firm, sums it up like this:<sup>xviii</sup>

“Innovative programming is needed throughout the entire senior care continuum. Understanding that cost is always an issue that must be considered, and providers need to be aware that failing to invest in innovation can be a more expensive mistake, as we've seen in many other industries. I think our industry needs to be doing a better job of serving people in their homes, not just on our campuses.”

Many senior living communities are or will be offering services that extend beyond their campus, including home care like Meals on Wheels and housekeeping; wellness programs; educational programs; and hospice services. Finding ways to deliver memory care services within the home also holds some promise.

All of this only makes sense, of course, as long as you are able to charge fees to adequately recoup your expenses. Besides the funding issue of offering in-home services, long-term care facility leaders also will need to weigh whether they are competing with referral sources. For example, if you have a strong relationship with a local home care provider who refers clients to your facility, you may find that serving people in their homes will be a disadvantage in the long run.

The ultimate hope in offering these services is that clients will “know you before they need you,” so providing these services can make strategic, future-focused sense. But, no matter what you choose to do, expanding services outside your walls will require flexibility, agility and creativity.

## Neighborhood Living

As much as there is a desire for aging in place, “aging in a community” is also a trend. Think The Villages Florida model, but in a senior care home. One such model exists in Chapel Hill, N.C.<sup>xix</sup> There, a small residence for six people is fully staffed to provide care. The staff reaches out to both family members and the neighborhood to engage residents in activities and learning opportunities.

## Co-housing

Co-housing is another alternative that may offer appeal to those wanting to live independently and in environments that offer social interaction to keep bodies and minds active.

Think condos with 20 to 40 homes. Residents opt-in to live and participate in these neighborhoods. They are in charge of designing and running the neighborhood like a condo association. Common facilities can be part of these neighborhood designs, and private homeowners are empowered to organize social activities and events.

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Such a facility exists near Amsterdam, Netherlands.<sup>xx</sup> Dementia Village houses 160 seniors living in groups of seven who share similar lifestyles and daily tasks, all within a safe environment that provides care for their memory loss.

## Multigenerational housing

It's becoming more common for families to share their homes with adult children or their adult parents. New homes are popping up that are designed specifically for this type of situation, and neighborhoods of new developments are taking on this concept. The homes are designed with essentially a mother-in-law suite connected by a common entrance, but with their own private entrances and garages. Families are finding convenience in these designs, which allow ease of care for an aging parent and a large degree of privacy for semi-independent lifestyles.

What does this mean for you? Future residents will expect this close-knit family lifestyle to continue. They will want to reside in family-friendly facilities that cater not only to their needs but the needs of their children and grandchildren. Communities with aquatic centers, game rooms and other entertainment options—either onsite or close-by—will win the hearts of multiple generations.

## University-based retirement communities

In some communities, seniors are going back to college. Not to get a degree, but to take advantage of educational, social and volunteer opportunities that abound. Still others are going even further, taking their passion for lifelong learning and active lifestyles to university-based retirement communities (UBRC). With this in mind, how can you form a relationship with your local university to share programming and maybe even housing?

After all, university campuses tend to offer a wide number of amenities for students, which are also desirable to seniors. Located on or adjacent to college campuses, there are assisted living communities that offer access to recreation, fitness, dining, education and other opportunities that students have come to expect in campus housing.

Residents in these communities enjoy access to the services of an independent or assisted living facility while also being active and enjoying a sense of community. The upside of this approach—many Boomers were the first generation of their family to attend college, so campuses are a familiar setting in which they can be comfortable.

## Technology to enable more efficient senior care

Advances in technology have provided new ways to care for the elderly and disabled. Some solutions may require initial capital investment, but they have the potential to generate long-term profit. Other solutions may simply require reliable internet access to appease a growing tech-savvy population.

Because this generation is more tech-savvy, the younger end of the senior spectrum is more comfortable using computers and mobile devices. But, beyond that, they also may be the first to age with the help of robots.

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Video games have proven to be a way for seniors to improve sensor memory and keep their minds active. As we face an increase in the number of people who will live with memory loss, games and simulators will provide the necessary mental rehabilitation that may help—to the very least—keep conditions like dementia from worsening.

Assistive technologies are becoming mainstream in senior care facilities. These can range from simple non-tech items to high-tech. Facilities are incorporating communication tools, such as textured communication boards all the way to screen readers and special purpose computers.

Movement sensors alert nursing staff of a patient has a potential to fall. GPS tracking can be helpful for patients with dementia that have a tendency to wander.

Wearable devices provide heart rate sensors, workout apps and relaxation apps. If you can think of a need for a wearable device, there is probably an app for that. Stats can also be shared with family and caregivers to monitor health and safety.

Facilities need to consider future technological advancement in their facility planning. Strategic considerations include modular or reconfigurable spaces that can easily be altered to accommodate future technology.

### Facilities planning

As you discuss and plan the strategic direction of your senior living community in the face of these trends, consider how your facility—the actual brick and mortar—will need to be adapted to allow you to carry out your mission.

Questions to ask:

- Is your facility's footprint efficient for staff who will be asked to do more with less?
- Are you capable of hosting family, friends and neighbors of your residents who will look to share recreational, educational and entertainment opportunities?
- Are you networked to install the technology of today and tomorrow?
- Would you be able to convert your facility, or have the ability to build a new facility, to welcome a new model, like co-housing or neighborhood housing?
- Have you formed strategic partnerships in your community to offer programs and opportunities that will attract residents to your care facility?

We at Community Living Solutions take pride in staying ahead of senior living trends and in the ability to adapt our services to your needs. As you plan for your future, consider looking to us to help you. We have extensive knowledge in master planning and market analysis to guide you in determining future opportunities for your facility, your team and your business growth.

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