



Senior Living Trends Report

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2021 Senior Living Trends Survey



Focus on Strategic Planning

Key insights

- CLA surveyed senior living providers across the United States to understand critical trends.
- Although respondents were limited to life plan communities, the trends tend to be universal and applicable to a broader arena of senior living providers.
- A focus on strategic planning with an eye toward the trends identified can help you build a stronger future.

After working with and surveying many senior living providers, one observation rose to the top: strategic planning, now more than ever, is key to future success.

6 things you may not know about strategic planning

Many providers prepare business plans, not strategic plans



Business plans play the priority role for managing operations in rapidly changing environments, or when dealing with a crisis. But when your business plan IS your strategic plan, you have a board-level risk. A business plan is not a strategic plan.

- A business plan covers the “who” and “what” of the business.
- A strategic plan provides the “how,” “when,” and, often, the “why.”

Evaluate your own plans and determine whether the time is right to step out of business planning and elevate to strategic planning. Strategic planning to a large extent asks organizations the big questions and focuses on the long-term. For example, asking what needs to be done to increase nursing census feels like a business plan question; asking if we should eliminate nursing all together feels like a strategic planning question.

The secret sauce of strategic planning is ... the vision quest



Board members are often volunteers, have limited time, and may lack deep insight into operations. Therefore, they often rely heavily on management teams for the backbone of a strategic plan, and, as a result, many strategic planning experiences land closer to short-term business planning. Employing visioning exercises changes the conversation and can help transform an organization. An effective visioning session frees up the power of dreams and focuses participants on the long-term, painting a different picture of where the organization will be in 10 – 15 years.

For example, one board may say “In 10 – 15 years, we will have state of the art facilities with a full continuum of care.” Another board may say “In 10 – 15 years, we will operate two additional locations, manage other communities, and have a robust network of services helping those who choose to live at home.” That is the beauty – each organization may consider different outcomes based on their unique mission statements. Board retreats focused on trends (our senior living trends research for example) and fun visioning exercises can do wonders for your strategic planning efforts.



Financial planning provides the scaffolding for strategic planning



After living vicariously through our clients and helping organizations develop and implement strategic plans, we recognize that the best intentions in the world don't move you from A to Z. To accelerate change and execution of strategic plans, pair your strategic plan with a companion financial plan.

Don't be afraid of a companion financial plan that may cause pain if you need to improve margins, may require you to incur growth to increase your economic strength, or may require outside help to execute. This honest assessment of your capabilities can help you identify the resources needed to implement your strategic plan. Ultimately, a companion financial plan can open your eyes wide and provide a monetary road map to achieving your strategic plan.

Demographics are destiny



You don't channel a tsunami to a different path or even gently let it guide you. You surf it all the way to where it takes you, get behind it and follow, or you get out of the way. The sheer number of individuals aging over the next 20 years creates tremendous opportunity, competition, and innovation.

This is a great time to tackle the question of organizational readiness and desire to prepare for these changes. Do we grow? If so, how? Where? What is our appetite for growth? Is our board ready to lead through periods of growth? Are we entrepreneurial enough? Many questions that tackle organizational issues can be addressed in strategic planning, then coupled with market analysis to help you understand market dynamics and develop strategies to move ahead.

More data is ... more data (seek out the insights)



It is important to tackle data. It is even more important to convert that data into usable insights. With the reduced costs of technology and access to new sources of data, there may very well be opportunities to think of "data" as a new currency which you have but may have not figured out how to spend.

In its rawest form, data is of little value. It is only when it is aggregated, compared, and interpreted that it becomes an effective tool to understand the internal and external factors that drive business performance, reduce risk, and establish a competitive advantage. Leverage your data to create actionable insights and enhance performance — if you have not started your journey to an information-based enterprise, now is the time to start!

Master planning is strategic planning — but often without the strategy



For many providers, change involves capital expenditures costing millions of dollars employing assets with 30 year lives. For those situations, a major campus repositioning might as well be a strategic plan ... without the strategy.

Instead, think of master planning as chess, where a move today precludes many moves in the future. The risk of the wrong move is greatly amplified over time. Do your strategic plan first, then set the team loose on a master plan for your site(s).



How we can help

Our senior living team can help you create exciting, yet achievable plans for the future. We offer a broad perspective by considering the strategic, market, financial, operational, and clinical needs of senior living providers including single-site facilities, multi-site systems, community service providers, and other continuing care and long-term care organizations. Tap our team to help you:

- Create a strategic plan
- Facilitate board visioning retreats
- Use financial modeling tools to show possible impacts of your decisions or to create a long-term financial roadmap for your organization.
- Conduct market analysis
- Aide in the acceleration and transformation of data to insights
- Work closely with architects, developers, and others to facilitate your master planning

We can help



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Survey Results and Analysis

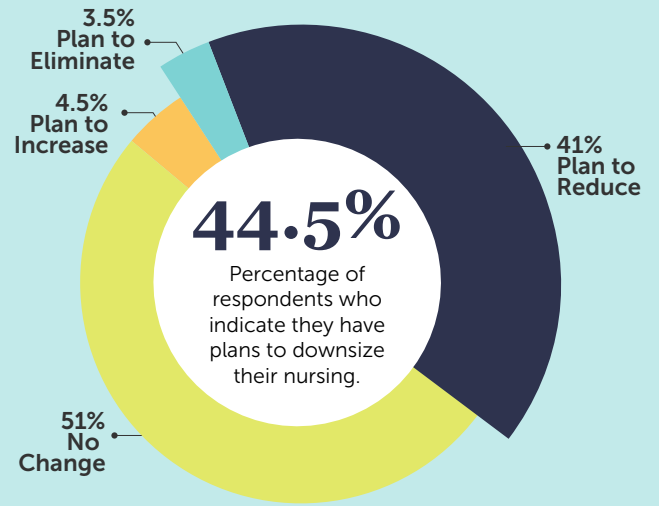




Nursing in Life Plan Communities (LPC)

What plans are in place for nursing beds on your campus?

As expected, most providers believe nursing is very important to their campus. Conversely, a significant percentage are reducing — or have plans to reduce — the size of their nursing footprint. This possibly highlights operational challenges associated with nursing, and — as our survey of other trends highlights — the desire to support aging in place.



Having a skilled nursing unit/facility in an LPC campus will be important in the future.



My organization uses operational data to understand and improve our competitive position in the market.



My organization has the ability to understand capitated and risk-sharing types of contracts with insurers or other market participants.



Legend: Strongly agree (dark blue), Agree (teal), Neutral (light green), Disagree (orange), Strongly disagree (grey)

Note: Data on graphs may not total 100% due to rounding of numbers.

Observations:

Payment reform appears to be a big concern for providers. About a third of respondents indicated they did not believe their communities were appropriately equipped to handle some of the business models that may be required by those with significant census derived from government-paid sources.

What is the future of nursing within life plan communities over the next decade?

- Minimizing — but not eliminating — the use of nursing.
- Enhancing the full continuum of care and sizing nursing for independent living internal use.
- Adapting and enhancing the nursing that is provided.

CLA recommended action steps:

- Consider resizing physical spaces and enhancing services (specialty focus, home care, etc.).
- Look into continued efforts to create private, residential nursing focused on internal population.
- Evaluate reliance on government payers and find a financial pathway to achieve economic stability with smaller-sized nursing staff (if appropriate in individual markets).
- Analyze market dynamics in your direct market to understand role of nursing in the broader community outside the LPC.
- Assess internal need for nursing and patterns of use and care.
- Evaluate economic impact of changes to nursing if appropriate.
- Consider independent living growth or home and community services to help offset reductions in nursing and associated loss of margin (if that is the case).



Believe we will need less beds and more highly specialized care.

The lines will be blurred. Services provided will keep people in their homes longer.

We will continue to see a decline in skilled services needed.

Participant comments



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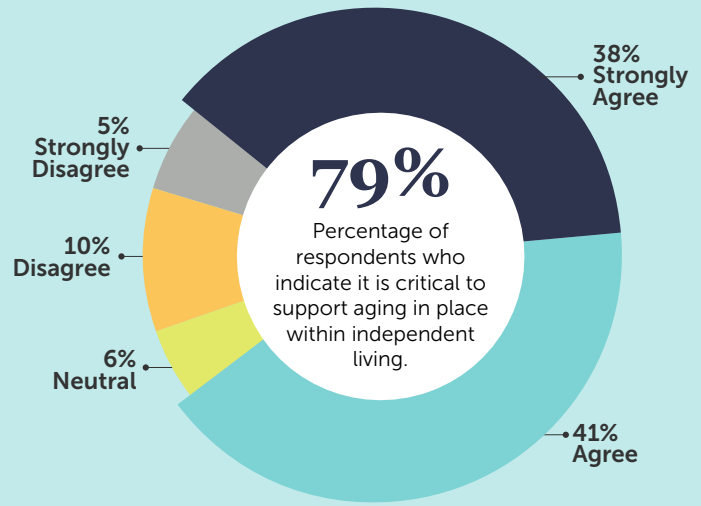
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Aging in Place

Promoting and supporting the ability to age in place within independent living is critical to our ability to be successful.

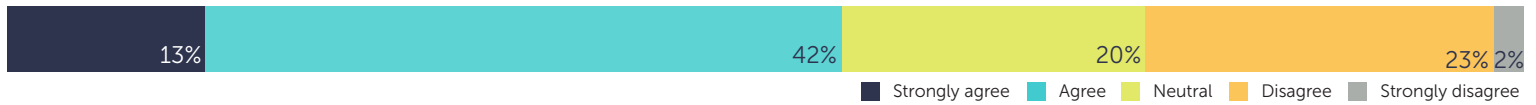
Consistent with additional survey questions, a large percentage of participants believe that a focus on aging in place within independent living is critical. This has consequences throughout other LPC areas. There is cautiousness around how aggressively one can move towards aging in place, but the data clearly communicates urgency.



Future residents will expect to age in place in their independent living unit when they move to a life plan community.



Aging in place within independent living will increase the challenge of marketing our independent living units.



Operation changes to support the ability to age in place within independent living.



Expect reduced nursing beds as part of your aging in place plans.



Operate your own home care agency to help individuals age in place in your LPC.



Note: Data on graphs may not total 100% due to rounding of numbers.

Observations:

Based on the responses to these questions, the general consensus appears to be that aging in place is happening, may be desired, and presents challenges to operations. We also asked respondents about their plans for operating a home care agency and reducing nursing beds in response to aging in place, with large majorities indicating that they would.

How will consumers preference for aging in place impact your community?

Although the response to previous survey questions made it clear that aging in place is an expectation, the comments were organized around those who see it as something to be embraced and those who disagree with the concept:

- Pragmatic responses focusing on what will need to change, with an emphasis on assisted living changes.
- Concern over the aging implications and ability to attract “younger” seniors.
- Marketing impact of an older, more frail independent living population.
- Development of homecare as an opportunity to help with revenue and to serve external market as well.



Aging in Place

“

I believe we will ultimately decide to teach people why [aging in place] is a bad idea.

We have a product to serve a market and like in many industries we need to change with the demand of the consumer. As long as we do so, we expect people will continue to desire our product.

Participant comments

”

CLA considerations:

Of key areas within a community, this topic seems to excite the passions around two different philosophies: aging through a continuum versus more time aging in independent living. Regardless of choosing to support further aging in place or focusing on the use of the full continuum of care, consider the:

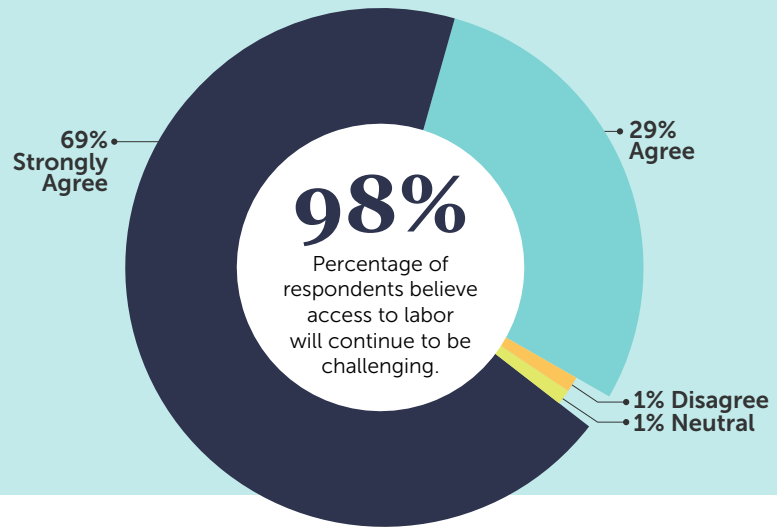
- Current utilization of assisted living and nursing, including patterns as to what is actually happening your community. Many providers are experiencing aging in place, but not based on their terms.
- Short-term financial implications, such as initial drop in turnover (which is likely to catch up eventually).
- Next generation of consumers, and whether moving through a continuum or aging in place is likely to resonate more in the future.
- Marketing impact of an older, more frail independent living population.
- Pros and cons of developing your own home care capabilities:
 - Build from scratch
 - Acquire an existing provider



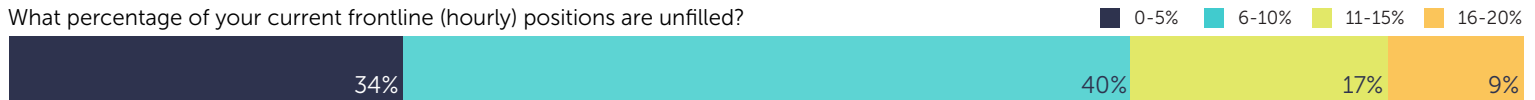
Workforce Pressures

Access to labor will be a considerable challenge in the future.

Perhaps not surprising in light of the industry challenges related to COVID and labor, a near-totality of the survey pool considers access to labor a considerable challenge in the future.



What percentage of your current frontline (hourly) positions are unfilled?



Establish formal employee engagement process.



The skillsets existing within our workforce are the right skillsets for the future.



Our pay and incentive practices are aligned with the needs and desires of younger generation of workers.



Schools and advocacy groups will improve the pool of health care related labor applicants.



If you are paying, or in the process of paying a living wage, please explain why.



Note: Data on graphs may not total 100% due to rounding of numbers.

We asked about the movement for \$15/hour and how communities were considering a living wage. Approximately 72% of respondents were on their way toward a \$15/hour minimum wage. Interestingly, the reasons varied from laws and mandate to moral obligations and business strategies.

Observations:

A reasonably high level of open positions, coupled with approximately 1/3 of respondents indicating that they do not believe the current skillsets are what will be required in the future bring to focus the importance of both managing the current workforce while at the same time looking to new skill sets that may align with future needs at communities.



Workforce Pressures

Labor already consumes 55-60% of operating budget. Pressure on this segment of spending forces us to cut in other areas or price ourselves out of the market.

Participant comments

How will workforce issues impact retirement communities in the future?

Although worded differently, common responses included:

- Concern over the increased cost to operate while at the same time the challenges for recruitment.
- A keen concern over a reduction in quality/service if qualified labor can not be secured.
- A potential shift to technology to help offset increased labor costs and challenges to accessing labor.
- Very strong competitive environment for labor, particularly skilled.
- Consider and quantify cost of turnover.
- Mandated living wage changes will impact financial performance.

CLA recommended action steps:

Access to labor and the economics around operating an LPC where labor can be as much as 70% of operating costs requires constant diligence around your local markets.

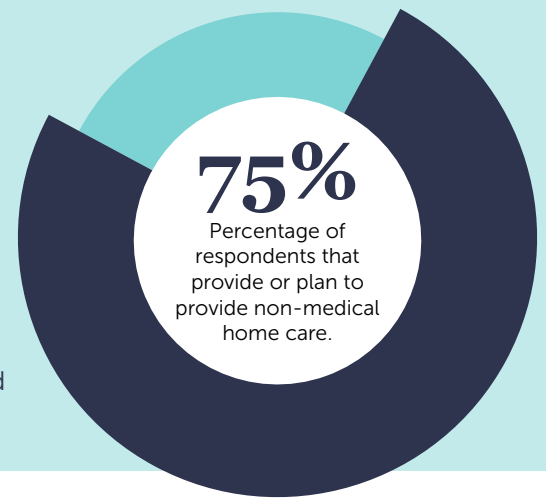
- Stay current with local market demand for labor and associated costs.
- Pursue industry best practices for employee engagement.
- Consider an overall pay package that is attractive in the marketplace.
- Evaluate the needed changes in labor costs and find offsets. This can either make one less affordable in the marketplace or lead to increased technology investments to help offset labor costs and reduce needed head counts.
- Consider and quantify cost of turnover.
- Size the impact of mandated living wage changes to understand the effect on organizational financial performance.
- Conduct an operational assessment to identify areas where production (hours) can be reduced if cost of hours are increasing.



Senior Living Options

Most people's plans prioritize non-medical home care.

Preparing for baby boomers while focusing on increasing demographics and service reach, providers showed diversity in their offerings with a focus on expanding reach and altering operations. Home-based and community-based services appear to be in full force from an implementation perspective.



Offer options for middle market consumers.



Offer unbundled (i.e. à la carte) services.



Unbundling of services (i.e. à la carte) will be critical for future consumers.



Providers with partial continuums (e.g. independent living without health care) will capture the majority of future markets.



Organizations focused on serving those who stay home will become more influential in the future.



Note: Data on graphs may not total 100% due to rounding of numbers.

What services or changes will be necessary to attract future residents and enhance the resident experience?

Although worded differently, the overall comments focused on the following key focal points:

- Home care very often highlights as critical
- Use of enabling technologies
- Significant focus on individualized services
- Unbundling of services and tailoring of service options



More options for dining, more selection overall for types of meal plans, cleaning services, and other lifestyle components.

Future residents will expect 'what I want and how I want it.' This could be on campus or in their community based home. Technology will be an enabler of the experience.

Participant comments



CLA recommended action steps:

- Consider the benefits of introducing choice and options in a marketplace.
- Understand local market and internal facility needs for additional services, including market studies.
- More choice can often erode margins as volumes become less predictable, particularly when unbundling services. Understand the economics of providing choice and make sure those options are valued (e.g., high utilization) and helpful to develop good data, analysis, and models to allow for additional options.
- Identify opportunities for innovation and leadership within communities, since many service options do not require significant start-up capital.

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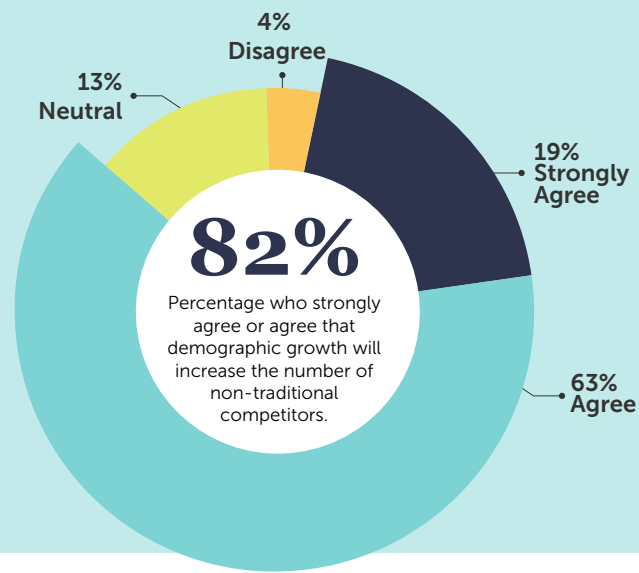
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Demographic Growth

Demographic growth is likely to increase the number of non-traditional competitors.

A significant number of participants noted high levels of confidence that the coming demographic growth will expand market opportunities while opening the door to non-traditional competitors, whereas 62% of participants believed they were well prepared for this growth.



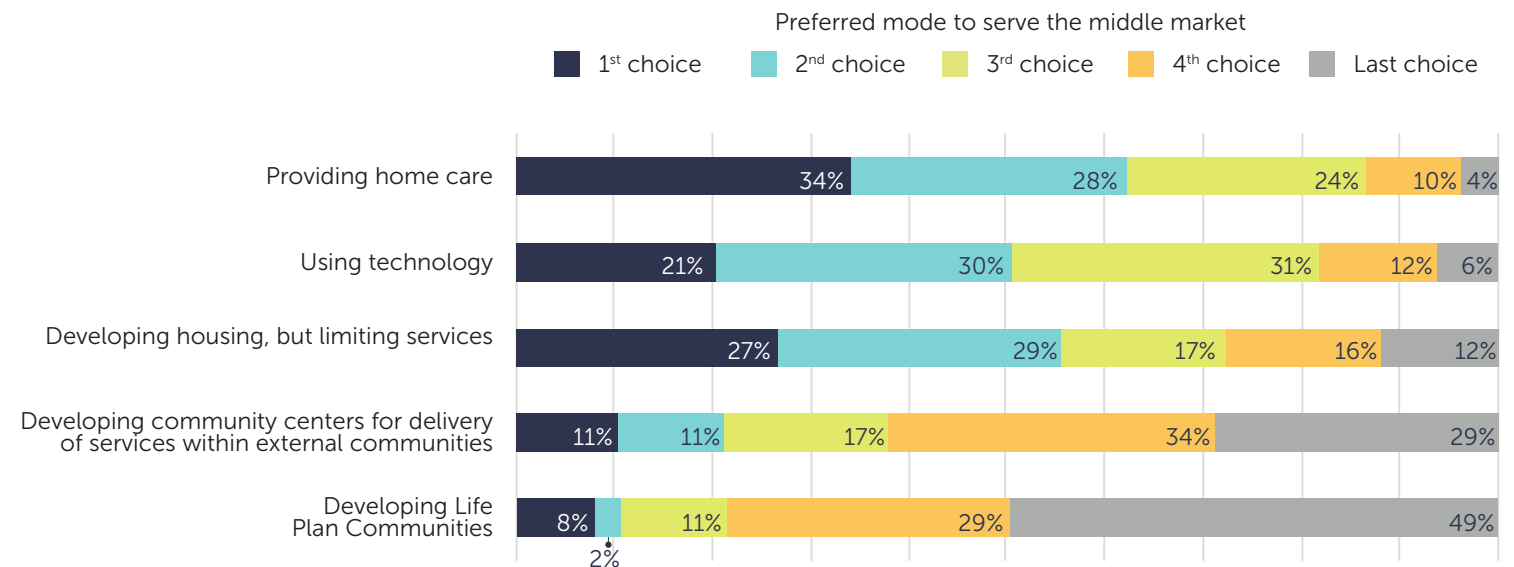
89% strongly agree or agree that demographic growth will expand their market opportunities.



How do you define the "middle market"?

Given the recent focus on the opportunities and challenges in serving the "middle market," review our definitions to establish a common ground:

- The responses highlight the challenge with trying to find the economic points that make up the "middle market," and thus, the challenges in determining what is affordable to them.
- Many responses focused on an objective metric (median household income), with a reasonably tight band around it (plus or minus 10 – 30%).
- Others focused on the experiences within their communities, noting that it should be defined below that level.
- The top approaches to addressing the middle market appeared to be non-brick-and-mortar focused (e.g., providing home care or using technology), rather than using an LPC.



Note: Data may not total 100% due to rounding of numbers.



Demographic Growth

75% said it was financially viable to serve the middle market.

60% planned to serve the middle market based on how it was defined in this question.

CLA recommended action steps:

Planning for demographic growth is critical:

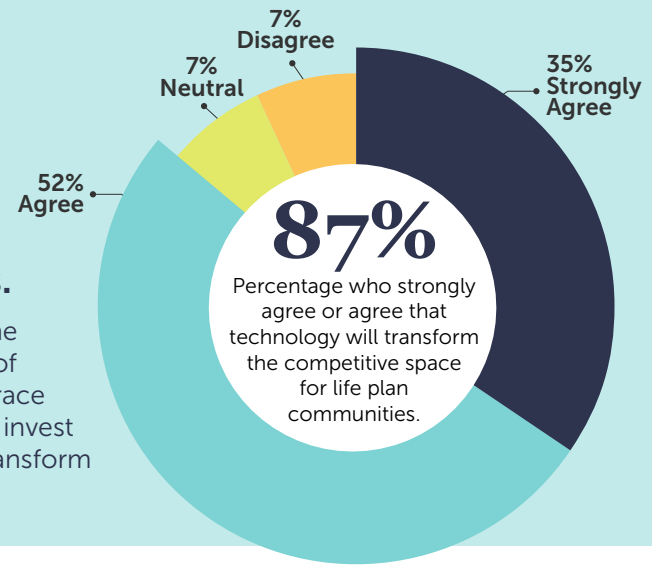
- As at-home aging is still the most frequent choice, home-based and community-based services and technologies provide great opportunities for growth. Developing these capabilities and business models is not capital intensive and offers a clear pathway to serve those at home as they age.
- If you want to develop more independent living capacity, start planning now, given the lengthy development cycles. For many providers, the development of additional units is often measured in six-year cycles (two years of planning, one year of marketing, two years of construction, and opening).
- Capitalizing on growth requires comfort with risk management, risk and reward, and the guidance of the board as well as entrepreneurial teams.
- Consider teaming with others that are in the business of real estate development (e.g., mixed-used developments) in order to evaluate opportunities to grow independent living.
- Develop a strategic plan and consider strategies for capitalizing on demographic growth (and change).
- Size the impact of mandated living wage changes to understand the effect on organizational financial performance.



Technology

Technology is likely going to transform the competitive landscape for life plan communities.

Technology has long held the potential to transform landscapes. Due to the tailored nature of technologies, our questions focused on the perception of how technology might impact communities' and providers' desire to embrace technology. Based on the survey responses, it appears that the appetite to invest in technologies matches the reflection that 87% believe technology will transform the competitive space for life plan communities.



Plan to make material investments in new technologies in the next five years.



Process or planning to develop custom programs/apps to leverage data.



Note: Data on graphs may not total 100% due to rounding of numbers.



Technology will automate many functions currently absent or reliant on 24/7 staff.

Allow LPCs to expand independent living membership to the broader community and have them stay in their home longer but yet be part of the campus life based on service package options. Remote monitoring and smart homes will be prevalent in the LPC and outside homes.

Participant comments



What role will technology play in the coming decade as it relates to life plan communities?

Top themes were as follows:

- A significant number of responses specifically addressed how technology would enhance what is being done at the communities.
- Many noted that new residents are coming in with higher expectations for and comfort with technology.
- Some expressed concern with being on the cutting edge due to the risks of being early adopters.
- Many noted the potential operating efficiencies that may arise from greater use of technology.

CLA recommended action steps:

- Elevate the use of technology as a strategic imperative and fund accordingly.
- Create a chief technology role within your organization to drive the transformation of processes and customer experiences.
- Map all processes and determine which can be improved through the use of technology.
- Maintain a clear vision of the customer experience and let that determine the value of technologies.
- Evaluate the risks and rewards of being an early adopter of new technologies.



Having data to enhance the lives of residents will be key. For example, keyless entry to units and the ability to track the number of times in and out of units [can] determine changes in behavior. Wearable technology to continuously monitor vitals [is important] - heart rate, glucose levels, blood pressure, temperature, etc.

Participant comments



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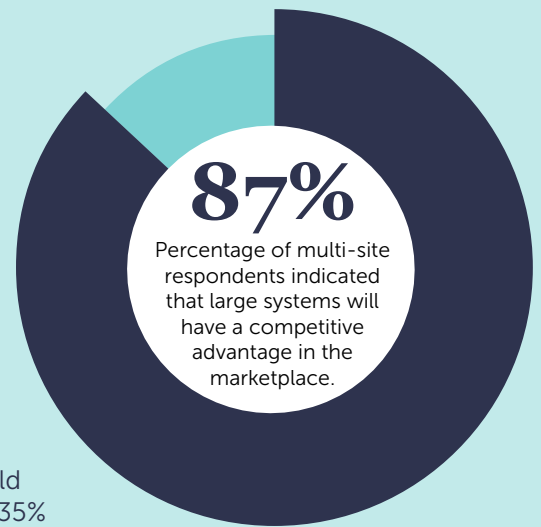
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Affiliations

Large systems are going to have a competitive advantage in the marketplace.

The past decade has seen a number of sizeable affiliations, and the LPC arena is divided in opinion as to whether being part of a system is crucial or whether good strategy and execution allows single sites to thrive in their own markets. Responses were split, with no consensus on the "right" answer to this question. Although most single-site providers agreed that multi-site systems would have a competitive advantage, 59% noted they could thrive as a standalone, with 35% offering no opinion. Finally, a plurality of respondents indicated that they were considering joint ventures as a means to capture market growth.



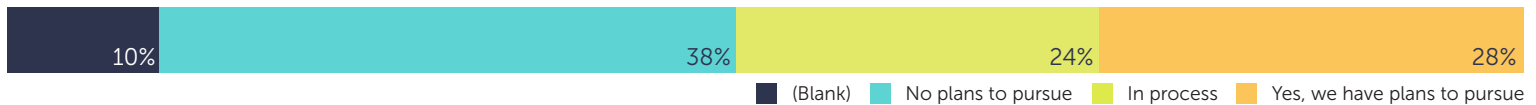
Respondents believe they can thrive and be viable as a stand-alone provider.



Single-site provider plans to affiliate.



Organization is exploring joint ventures to capture market growth.



Note: Data on graphs may not total 100% due to rounding of numbers.

“ *I think the rule of thumb is, if you cannot afford to diversify or advance strategically for sustainability, then your survival is bleak.* ”
Participant comments

Is it often said that single site providers will not survive long term. What is your reaction to that statement?

The responses fell into two camps:

- Those focused on being larger or part of a system focused on the increased need for capital and economies of scale that systems could drive.
- Those focused on remaining single highlighted the importance of local markets, strategy, and nimbleness — in particular noting the importance of being relevant in the marketplace.

In common, then, is the importance of a strategy that can be implemented as a key criterion of success.

CLA recommended action steps:

Comprehensive strategic plans that attempt to position organizations to be viable in their market are key, and financial viability is usually an outcome of staying ahead of the curve from a market or consumer perspective. With that said, we recommend you:

- Heed your strategic planning process and follow through on your plan. Consider being part of a system if you can't accomplish your strategic plan on your own.
- Build your economic pathway. Utilize capital and resources to their fullest. There should be a competition for the use of capital, and a key use should be constant market repositioning of your community. All facilities need an actionable financial plan that funds key strategies.
- Think of how to leverage resources — both human and financial. Joint ventures or other ways to share in risk and reward can help accomplish what may not get accomplished on your own.
- Build strong succession plans and programs, especially if you're running a single site. Leadership is always at a premium.
- Don't forget that boards need to be working. Develop a strong functioning team, from the board and management to the staff and residents.

“ *I think without larger corporate support, single sites will not have the expertise, money and personnel to deal with the changes needed to be successful.* ”
Participant comments

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