

RHarper Consulting Update

Apartments for Life – What About Them?

We seem to be hearing more about “apartments for life” in senior housing circles - this concept provides the senior with an independent-living apartment where services increase as the resident ages in place. Contrast this with the typical continuing care retirement community (“CCRC”), where the resident transitions from independent living to assisted living, and finally to a skilled nursing facility.

“Apartments for Life,” i.e. independent living with services, provides those services with home health care agencies and with in-house care staffs. The concept overcomes one of the primary objections from prospects considering a move to senior housing – the eventual move to a higher level of care. Entry fees and monthly fees are also more affordable, since the sponsor is not supporting (subsidizing) higher levels of care. The resident has a sense of more choices and control of their environment, and is able to maintain privacy and dignity while aging in place. Add to this the avoidance by the operator of the oversight burden associated with higher levels of care, and this trend seems like a winner.

Affordability, a more marketable product, and greater resident satisfaction – what’s not to like? Just move the calendar forward a few years:

- **Life Safety Concerns** - The cold hard truth for our residents as they age in place is that they will eventually become incapable of self preservation required by the life safety code, and will have to be housed in a facility that meets the building code and staffing requirements. In other words, sponsors will have to eventually break their promise of an “apartment for life”; worse, frail residents may become casualties in a fire or other catastrophic event.
- **Sustainability** – While the initial fill-up of the community may be more rapid than a CCRC, consider the challenge as the community ages in place. By definition, the average age of the community (and the frailty of the residents) will increase significantly faster than with a CCRC where residents progress out of independent living. As prospects approach the facility in future years, they will be confronted with a less active, frailer population, making the sale to the desired younger, healthier resident more difficult. You only need to look at existing CCRCs that may not have the full continuum in your area to see the effect. The new residents will mirror the profile of the existing population in the facility, creating an accelerating average age.
- **Service Creep** – CCRCs often soften the transition of independent residents to higher levels of care by providing increased levels of service in the apartments for a short period of time and absorbing the cost in their health service components. In an “apartment for life” community, every hour of resident services will need to be accounted for in the resident billing and captured either via home health reimbursement or as ancillary service revenue directly from the resident. Those of us who operate senior living communities recognize that this is easier said than done.

The factors noted above are but a few of the challenges “apartments for life” will need to overcome, and good, creative operators will tackle those challenges. Managers and operators will have to develop a new discipline, including extra diligence about resident acuity and ready transition plans for the time when residents are incapable of self-preservation. Holding a resident “until the family is ready” will no longer be an option. This also means that these facilities may face a higher turnover rate than a CCRC.

“Apartments for life” is a viable concept and, will be a growing segment of the senior housing industry. Lower capital budgets, more financing alternatives and simpler operations make this an overwhelmingly attractive alternative to traditional CCRCs. While there will be other challenges with the concept as the market emerges, innovative operators will find solutions that will make “apartments for life” a lasting addition to the future senior housing market.

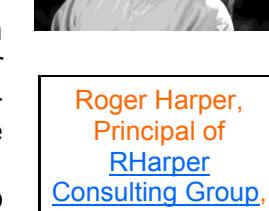
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