



# 5 Steps to Revive Your Healthcare Community



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## The State of the Senior Living Market

The population of older adults living in the U.S. is growing at an unprecedented rate. According to a 2019 report by Love & Company on senior living trends, more than 76 million baby boomers will start making post-retirement life choices by 2025 and beyond. The sheer number and spending power of the boomers make them important prospects for senior living providers, especially those who are reinventing services and amenities to meet evolving expectations. Many partnerships and other types of relationships will form as a result.

As a provider during these rapidly changing times, you may be asking yourself these questions:

- **Do I have the resources needed to keep my senior living community afloat?**
- **What happens if my care community can no longer maintain financial solvency?**
- **What are the options for a care community in crisis?**

We understand what it's like to look at the numbers and realize that they don't add up for success in the years to come. So what can you do?

## Take a Look at Your Sustainability and Capacity

It's easy to believe the size of your care community is the reason you're struggling to compete in the market with big box corporations, but it's not about size or even about how diversified you are in the market. Your ability to *predict* trends in the senior living market and *adapt* to the changes happening, ideally before they become reality, is what will keep you afloat. This is true regardless of whether you're a small, locally owned community or a large, regional or national multi-community operator.

Providers that are always thinking ahead have **anticipatory thinking**. So how can you tell if you're likely to survive in the market? Start by taking a look at your sustainability and capacity.

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### Sustainability

Sustainability is the ability of any senior living community to stay open and remain independent or be acquired without losing their identity to a larger conglomerate.

This boils down to some hard numbers such as:

- **Cash flow**
- **Reimbursements**
- **Financial resources necessary to make physical community improvements**

A sustainable community is one that has its own flavor. With sustainability, you'll retain those established provider relationships, because your name and culture remain intact.

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### Capacity

Capacity is a community's ability to tap into the resources it needs when it needs them. It takes real vision to anticipate your future needs. Not to mention, banks are interested in your long-term capacity in order to measure growth opportunities and loan risks.

If the market shifted or changed tomorrow, would you be able to adapt? What if it changed five years down the line? Thinking about what's next — in the days, months and even years ahead — instead of just living and operating for the here and now is what will make you more adaptable in fluctuating market conditions.

## Census

You're likely talking about your census every day. That's because your budget, and in turn your revenue, is directly tied to your census numbers. If you have beds to fill, you need a strategic plan in place to bring your census up.

## Budget and Revenue

Senior living and residential healthcare providers have a responsibility to care for older adults. But whether you operate a for-profit or nonprofit community, it's imperative to keep a close watch on your budget and cash flow.

### Short-Term

Start by looking at one year of past data. Due to the volatility of reimbursement data, any information older than one year is likely to be irrelevant.

#### Your revenue:

- How much available cash do you have on hand?
- How many days can your community pay its bills based on the available cash? (This includes debt, accounts payable, payroll, etc.)
- How quickly is your community being paid by others?
- What investment revenue can you get your hands on quickly?

#### Your liabilities and expenses:

- What does your community owe to vendors and suppliers?
- Do you use a line of credit? If so, is it used to cover the time gap of slower payers, like Medicare Advantage Plans, and then paid off when the money comes in?
- What's the depreciation of your building and equipment?
- What's your lending debt? (This includes lines of credit, bond payments, capital improvement debts, etc.)?

**Subtract your liabilities and expenses from your revenue** to get your overall financial picture and a baseline snapshot of your current organizational health.

### Long Term

After looking back one year, factor in local and national trends to understand where the industry is headed. Your long-term lens should always be looking ahead, but shouldn't look any further than three to five years out.

## Plan Strategically for the Future

With a mindset toward anticipatory thinking, what can you do to strategically plan for your future? Here's are some things you should be doing over the next five years, starting from day one.

### Five-Year Plan

Look at organizational opportunities for sustainability and capacity from a position of strength. Your board and/or executive leadership needs to understand the marketplace in order to do this.

Determine what skill set is needed for each board member and/or executive leader and provide training to ensure each person knows his or her role. They need to fully understand their legal and fiduciary responsibilities.

Identify what internal operational issues need to be addressed in order to position the organization from a place of strength. Additionally, identify what the staff needs to know and which staff members are willing and able to move the organization toward sustainability.

Research your local competitors and their impact on your business. If you're a nonprofit skilled nursing center in a saturated market, are you willing and/or able to make an investment to specialize in a niche market?

Discover what resources the organization needs in order to focus on appropriate next steps.

Consider if restructuring your organization would make sense moving forward. If it does, determine what needs to happen to begin this process.

Pinpoint what the organization's overall strategy is for sustainability and capacity. Is it increasing revenue, expanding the mission, specialization or something else?

Figure out what it means to sustain the organizational mission.

Decide what the non-negotiables are when considering your future sustainability strategy.

Bring board members and executive leaders together to focus on the future of the organization and its mission, and consider its responsibility to the overall local community when looking at your long-term strategy.

### Ultimately, if you run the numbers and they don't add up, you have several options:

- 1 Close your doors for good
- 2 Prepare for absorption by another entity
- 3 Enter into a trusted relationship with a senior living management services company

## Understand the Types of Provider Relationships in Care Communities

When you're ready to move forward and consider the options for your community's future, it's imperative to understand and articulate the needs, goals and culture of your community and residents.

There are many kinds of relationships that can form among care providers and management companies in the industry, and there isn't one type of relationship that fits all situations. It's not about traditional mergers and acquisitions — these relationships can all be formed without the loss of identity. Depending on your unique situation, you'll likely enter into one of the following six types of relationships.

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### Consultations

Providers who enter into a relationship with a consultant are seeking critical market analysis, as well as services and resources needed to effectively compete in this complex market. When you're seeking objective insights, recommendations and feedback to make sound business decisions or resolve urgent issues at your single or multi-site communities, this type of relationship may work best for you.

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### Management Contracts

Management contract relationships help you to identify and address challenges, so that your senior living community can maintain occupancy, deliver high-quality care and remain sustainable well into the future. It may take time, because most complex issues cannot be resolved in the short-term, but this type of relationship is well worth the investment in contracts that last longer than one year.

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### Collaborations

Collaborations involve leadership, board members and community residents. This onboarding and transition process begins months in advance. It's important to regularly hold meetings and provide communication with key players from both entities early on in the engagement period. A comprehensive and customized relationship approach and dedication are crucial to meeting the needs of the transitioning organization.

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**Joint Ventures**

In a joint venture, two or more entities come together to share ownership, risks, returns and governance. Generally, all parties involved retain their distinct identities. When it comes to senior care providers and management services entities, it's a relationship that benefits both. With a shared commitment to making the best possible decisions for longevity and growth, joint ventures relieve the stress and burden from a community at risk or in crisis.

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**Integrations**

Two companies combine into one during an integration, with each coming to the table from a position of strength. An integration can be done with utmost care, over a period of time, to ensure that every measure is taken to maintain the flavor and namesake of the care community in need.

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**Mergers**

Mergers don't need to be a matter of one entity absorbing the other, rendering all semblance of culture and identity null and void in the absorbed entity. To make this process a fair one between a struggling care community and a management firm or other willing entity, executive directors and leadership teams need to collaborate with respect for the at-risk organization's history, local identity and relevance in the market.



## Get Your Board on Board

If it's determined that entering into a provider relationship with a partner you trust is the best course of action for your care community, what do board members need to do to move forward? They can start with the following:

- **Drop the mindset of business arrogance, realizing instead that the organization can benefit by working and collaborating with others in the industry.**
- **Review and consider your organizational mission to those you serve.**
- **Be prepared to change your thinking and adapt to the market.**

Your board should never do nothing, believing that things will work out over time or with the next change in leadership. They should also never resort to making hasty, poorly informed decisions or knee-jerk reactions. And it's never a good idea to revert to what worked in the past. The best approach is a future-focused one.

As you begin to assess the leadership and role of each board member, determine if everyone is willing to make tough decisions to maintain the mission and vision of the organization, take on new responsibilities, learn new roles and perform honest self-assessment for the good of the organization. It's a large undertaking, and one that should not be taken lightly.

## Work with a Trusted Partner

The relationship onboarding process should be customized to your organization's needs. A standard, cookie-cutter approach is rarely effective. At United Church Homes Management, we understand this. We create relationships that are mutually beneficial, where you can come to the table from a position of strength with as much to offer us as we're able to offer you. We help you maintain your well-earned identity in the market.

We provide senior living management services and expertise for single site or life plan nonprofit communities, for-profit single-site or multi-site senior healthcare communities and affordable housing communities. UCHM has more than 100 years of experience in senior living, and successfully manages more than 70 nonprofit senior living communities.



Call us at **616.275.4748** or visit **[uchmanagement.org](http://uchmanagement.org)** to learn more.

### Sources

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