



5 Solutions for Senior Living Community Success



UCH Management
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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 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 to help my community thrive?**
- **What happens if my senior living community can no longer remain financially solvent?**
- **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 senior living community is the reason you're struggling to compete in the market with large 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.

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:

- **Revenue Cycle**
- **Expense Management**
- **Capital Funding Options**
- **Refinancing Analysis and Support**

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.

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 in five years? 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.

Plan Strategically for the Future

With a mindset toward anticipatory thinking, what can you do to strategically plan for your future? Here's our recommendation for steps you can take over the next five years.

Five-Year Plan

Look at organizational opportunities for sustainability and capacity from a position of strength. Your board and/or executive leadership should 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 their 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?

Determine 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 the numbers don't add up, you have several options:

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

What Type of Partnership Agreement is Best Suited to Your Community?

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 between senior living 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 succeed without your community losing its brand and identity. Depending on your unique situation, you'll likely enter into one of the following six types of relationships.

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.

Managed Services 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.

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.

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.

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 unique culture, values and mission of the community that is joining a larger organization.

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 create a successful partnership between a struggling senior living community and a management firm or other willing entity, executive directors and leadership teams must approach the merger with a spirit of collaboration and respect for the at-risk organization's history, local identity and reputation 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 senior living community, what do board members need to do to move forward? They can start with the following:

- **Boards can benefit by receiving education from industry partners, such as UCH Management. Allow us to provide options and share real business solutions so that your community's mission can grow.**
- **Review and consider your organizational mission to those you serve**
- **Be prepared to change your thinking and adapt to the market**

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.

Partner with a Trusted Leader

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

We provide management services and expertise for single- or multi-site senior independent living, healthcare and affordable housing communities in the nonprofit and for-profit sectors. UCH Management is backed by United Church Homes and its century of experience in senior living operations. Today, we own or manage more than 80 communities.



Terry Spitznagel, Senior Vice President, Senior Living Services and Chief Growth Officer, has held a broad range of executive leadership and senior management positions in major medical centers, healthcare architectural firms, affordable housing and senior living organizations over the past 30 years, leading each team to success! **Call today to connect with Terry.**

Call us at **740.382.4885** or visit **uchmanagement.org** to learn more.



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170 East Center Street
Marion, OH 43302

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