Service: The Critical Element

WEALTH AND THE ABILITY TO CHOOSE
RESIDENT-CENTERED CARE
MARKET-DRIVEN SERVICES
THE LESSONS OF HISTORY

The article states:

“Consumers feel as if they have no power. The power to move industry resides on Wall Street, whose analysts can diminish a company’s face overnight, and in Washington, where regulators can change the size and profitability of a company without batting an eye. In the shadow of these behemoths, the consumer is reduced to a tiny figure crying out in the wilderness. More often than not, his protests go unheard--literally.”

…Particularly seniors, who may feel the lack of power that can accompany their age and living situation.

Many of the article’s points relate to the topic of this module: the important of providing service to our customers: facilities’ residents.

NOTES:
Back to Basics

- The Invisible Hand: Supply/Demand
- Demographics Create Demand
- But Financing Creates Supply
- And Can Change Demand

Typical Demand Factors:
- Demographics
- Financial resources and ability to pay
- Quality of health among the local senior population
- Perception of facility (or type of facilities) in the senior community
- Ability and willingness of family members to care for seniors at home
- Desire for quality services

Typical Supply Factors:
- Availability of public funding (typically Medicaid for nursing facilities)
- Availability of private funding (such as personal/family wealth, long-term care insurance)
- Constraints related to government regulation (federal, state, local)
- Opportunities related to government policy (such as low-interest construction loans)
- Availability of financing

NOTES:
The Johns Hopkins Bloomberg School of Public Health
“Managing Long-Term Care Services for Aging Populations”

Growth in Elderly (In Millions)

The U.S. Census Bureau confirms that the number of elderly people (defined as over 65) has increased consistently throughout this century and will continue to do so at a steady rate. We have already demonstrated that the growth (which is a function of birth rates, mortality and immigration) will continue in coming decades.

The proportion of elderly people requiring housing and care has remained steady. Making the reasonable assumption that the proportion will continue to be about the same (although probably in a different mix of facilities), the figures suggest an increasing demand for services. Still, it is important to look behind gross numbers. Determining demand and product requirements requires that we break down the numbers in terms of such factors as wealth, education, familial support, etc. Even breaking down the number of elderly by age group is instructive.

NOTES:
Some things we know about the population of elderly people in this country:

- Americans 85+ make up the fastest growing segment of the population—2%, now, an estimated 5% in 2050.
- The U.S Census Bureau estimates that those over 85 will increase by a factor of five by 2050. Moreover, some researchers predict that the death rates at older ages will decline even more rapidly than predicted.

which could result in even greater growth among this population.

The number of centenarians is also projected to increase: from 65,000 today to 381,000 by 2030.

Clearly, the demand for seniors’ housing and care will increase, but for what kind(s) of facilities? And where? And for what type of customer mix? 22% of those over 85 are in nursing facilities, suggesting a greater need for that product type for the oldest of our seniors. Particularly in states such as Florida, West Virginia, Pennsylvania, Iowa, and North Dakota (with the nation’s highest proportion of those over 85). Women will outnumber men, making up 70% of the 85+ population.

NOTES:
“Activities of daily living” (ADLs) are the functions we all have to perform (with or without help) to get through our typical day. They include:

- Bathing
- Dressing
- Toileting
- Transferring
- Continence

As we’d expect, the need for help with ADLs increases with age, particularly among the elderly. More than half of those over 85 need assistance performing these basic functions.

Two implications for seniors’ housing and care:

- Since difficulty performing ADLs is closely related to a requirement for housing and care, we have further evidence of the expanded need for seniors’ housing.
- An important characteristic of a successful facility is the ability to provide assistance with these needs.

NOTES:
Another way of looking at the peculiar needs of the elderly is the preponderance of acute vs. chronic conditions. Younger people are most likely to experience acute health episodes—those that, with adequate medical attention, are usually time-limited. Examples include broken bones, concussions, and most diseases.

As people age, they are more likely to experience life-long conditions, ranging from debilitating injuries (such as fractures following falls) to incurable diseases, such as Alzheimer’s.

(An irony and major policy factor: Medicare covers only acute, not chronic, conditions.)

Seniors’ tendency towards chronic conditions is a major contributor to the number of elderly people requiring housing and care: those who are injured or become ill are more likely to require medical care for the rest of their lives rather than for a short period of time.

**NOTES:**
Supply: More Than Beds

• It’s The Service That’s Tied To the Bed
• Nursing Home As the Example
  – Customers Determine Product Specs
  – But When We Let Government Usurp the Role of Customer
  – The Product Will Meet Government, not Customer, Specifications

is essentially the story of what happened to nursing homes. According to Kane et al., regulations have “ossified” the process and, in so doing, the very product delivered.

One can hope alternative forms of long-term care will escape from the heavy regulatory burden that has been layered on nursing homes. If these new forms of care are forced to follow the demands of nursing home regulation, they will inevitably come to resemble nursing homes and lose whatever advantages they offer as more innovative, flexible, and client-focused care.

NOTES:

While demographics propel demand for services, financing and regulation often determine supply.

In determining supply, finance and regulatory authorities almost inevitably specify what the product will look like. This situation results from most regulatory efforts being directed at structure and process.

Unfortunately, strict statements about what should be done for whom become restrictive at a time when long-term care should be more oriented toward innovation and creativity. This
Demand: More Than Bodies

• It’s Bodies With A Choice
• Not a Problem For NFs (As Long As…)
  – Demographics Stayed Strong
  – Customers Stayed Docile
  – Financing Stayed Public

For all the reasons identified thus far, nursing facilities would appear to have had a long-term, sure-bet source of customers: the government kept paying and people kept getting older and healthier. Further, residents had limited options.

All of these elements have changed, however, with a resulting decline in occupancy. One of the most important factors: increasing scrutiny of facilities as customers (in this case, meaning the residents, not the funding source) had more options and greater expectations.
Unfortunately...

- Demographics Did Stay Strong
- But Customers Didn’t Stay Docile
- While Financing Went Private
- And Even Government Tried to Replace the Product:
  - Adult Day Care
  - Home Care
  - Assisted Living

The message became clear: resident-centered care is the only type that has staying power. While the issue of meeting funders’ requirements was (and continues to be) a fact of life, so, too, was the issue of meeting the requirements of the ultimate customer: the residents.

By ignoring customers’ desires and preferences, nursing facilities encountered problems ranging from declining occupancy levels to a deteriorating reputation that scared away quality staff and residents alike. The term “nursing home” came to mean the place where seniors end up when there are no alternatives.

Now there are alternatives (and the wealth to pay for them). Even though the number of potential nursing home residents will continue to increase during the coming decades, many will look towards other options.

NOTES:
There are some variations, however:
- 13% of women are in poverty, vs. 7% of men.
- 17% of single people, vs. 5% of married couples
- Significant racial differences, ranging from 8% of whites up to 26% for African-Americans

The reasons for the decline include:
- Higher education levels
- Increased Social Security benefits
- Larger proportion of population working after age 65
- Significantly increased value of homes
- Increased number of retirement programs, such as IRAs and 401Ks
Net worth, conversely, is higher among seniors than the general population, primarily because of home equity.

While it is increasing, seniors’ income remains significantly lower than that of the general population. A higher proportion of seniors have incomes less than $25,000/year; fewer have incomes exceeding that amount, and only about one-third as many have more than $50,000. However, seniors typically can maintain a comparable lifestyle with a lower income, since they are less likely to have such obligations as mortgage payments and children’s college.
According to NIC, almost 94% of all age 75+ households report having some time of financial asset, with a median asset value of $20,900. The primary type of asset reported (by 93%) is a savings or checking account, with a median value of $5,000.

Recognizing non-financial assets is particularly important to understanding seniors’ economic condition. About 90% of households have such assets, with a median value of $79,000. For 79%, the main asset is the residence, with a median value of $80,000. Therefore, even though a senior might not have enough financial assets to pay for housing or care, the non-financial assets could provide the additional resources needed.

The process whereby assets are liquidated to obtain income to pay for seniors’ housing and care is often referred to as “spend down.” Along with support from family members (usually children), spend-down is one of the two primary methods enabling seniors to obtain market-rate housing previously thought to be unaffordable.
End Result #1: The Product No One Wants

- Institutional Bias
- Process Orientation
- Cookie Cutter Approach

Nursing homes are also perceived as meeting the facility’s needs, not the customers’. For example, scheduling of meals may have been based on staff schedules rather than residents’ preferences.

The institutional bias has been to respond to regulations and funding requirements while disregarding residents’ needs and preferences. The result was a product that failed to provide a quality environment for seniors.

This increasing senior wealth (coupled with their children’s increasing propensity to help fund their parents’ care) made the nursing home option less enticing. Why have seniors and their children had decreasing interest in this option?

The final result: institutions were essentially the same, for they followed the same set of rules (government regulations) rather than trying to position themselves in the marketplace by identifying and providing distinguishing services that would attract and keep residents.

This approach worked as long as potential residents had no alternative.

NOTES:
End Result #2: The Growth of Alternatives

- Increasing Wealth Fosters Choice
  - Assisted Living
  - Adult Day Care
  - Home Care
- Choice Fosters Growth
- Growth Fosters More Choice

This diminished reputation of nursing facilities and the increasing ability to afford choices was accompanied by (or perhaps resulted in) optional care settings. As potential residents can afford options, quality-of-life issues will increasingly attract them. The success of a facility will depend on its ability to offer the quality of life that seniors demand. Issues include the following:

- An understanding of what the resident wants from the remainder of his/her life
- A re-focus of institutional planning (particularly in health services) so that it emphasizes resident needs before institutional requirements
- Provision of broader, preventive health-care practices rather than only treating problems (illness, injury)
- Assistance with activities of daily living that are tailored to the resident’s requirements and preferences
- Operations focusing on individuals’ requirements, not a standard approach for all residents

NOTES:
Assisted Living: ICF With A Chandelier?

- **Residents** Are the Same (ICF)
  - Age
  - ADL Dependency
  - Cognitive Impairment
- **Environment** Differs (Chandelier)
  - Competitive Marketplace
  - Non-Institutional Atmosphere
  - Customer Focus

Many seniors requiring housing saw assisted living as one of those more desirable alternatives. While providing services to the same residents who were in nursing homes fifteen years ago, the assisted living customer appears much more satisfied with this new product:

“The satisfaction with the quality of life in the assisted living community...is high for the residents of those communities. This suggests that the industry is doing a good overall job of satisfying residents.

Overall, 49.6 percent of the residents were very satisfied and 39.4 percent were satisfied. Only 2.3 percent of the residents expressed dissatisfaction.” (NIC, *National Survey of Assisted Living Residents: Who is the Customer?*)

Part of the reason for this success is undoubtedly the less institutional, more “home-like” atmosphere that assisted living usually provides. However, the fact remains: the residents of such facilities still need health care, and sometimes fairly extensive care. Simply, assisted living facilities are not as different from nursing homes as we usually assume.

**NOTES:**
Resident-Centered Service

- Focus on Customer
- Address Resident, not Facility, Concerns
- Evaluate Care from Resident’s Perspective
- Empower Front Line Staff
  – Closer to Customer
  – More Likely to See (and Fix) Problems
  – More Capable of Assessing Results of Change

The key to success is an overall emphasis on resident well-being, from overall facility policies to a dedicated staff allowed (indeed, encouraged) to do what is necessary to enhance the residents’ quality of life.

According to Jim Moore, seniors’ quality of life is based on ten factors:
1. Experiences/adventures/nostalgia
2. Comfort/peace of mind
3. Security
4. Convenience
5. Quality and value
6. Health maintenance
7. Individual recognition
8. Socialization
9. Intellectual stimulation
10. Self-expression and fulfillment

The facility that can help residents address these needs will have a distinct advantage in the marketplace.

NOTES:
Know Your Market

- Focus on Family, Not Just Resident
- Referral Sources
- Care Needs and Capacity to Handle Them
- Income (Myth Vs. Reality)
- Expectations of the Customer (and Family)
- The Market’s Understanding of the Options
- Know the Competition

An analysis of (and attempts to enhance customer satisfaction) cannot be limited to residents. Seniors’ adult children play a major role in deciding where their parents go. In fact, NIC found that adult children were involved in living decisions for 77 percent of seniors in assisted living. Their involvement is reflected in the fact that a greater proportion of seniors moved into facilities closer to their children than to their previous residences.

The implication is that marketing efforts (and services) must address not only the seniors’ interests but also those of their adult children—who may be the primary decision-makers regarding not only where the senior will live but how satisfying the experience will be. Further, the adult children should be involved in planning for their parents, helping the facility identify ways to provide the seniors’ quality of life.

Other factors to be considered in marketing the community will include capacity, price, and community alternatives.

NOTES:
Lessons for Nursing Facilities

- Privatize Financing
- Up the Continuum
- The Quality Imperative
- Diversification/Campus

What does this new market and the increasing ability to choose mean for nursing facilities?

Obviously, since public funding was the stimulation for their customer-unfriendly reputation, a decreasing reliance on Medicaid is imperative. In the meantime, nursing homes must recognize their decreased ability to compete for the types of residents cared for in assisted living. Nursing facilities’ salvation will be to move into the higher-acuity market while focusing on the continuing issue of quality.

Even as these facilities occupy a different niche on the continuum, however, customers will shy away from facilities with poor reputations—and such facilities will also bear the burden of increasing government scrutiny.

While not attempting to serve the same customers as assisted living (and other home- and community-based options), nursing facilities might choose to develop such services on their own grounds. Diversification is seen as a valuable strategy in most other sectors of the economy; its benefits apply equally to long-term care.

NOTES:
Lessons for Assisted Living

- Never Forget Your History
- Revere Concept of Choice
- Exceed Customer Expectations
- Don’t Homogenize the Customer
- Don’t Think It Can’t Happen To You

All of these factors directly relate to quality of care. In turn, these factors make the difference between a successful facility and one that is not—and also the difference between standard and “luxury” facilities. The assisted living facility that follows past practices of putting institutional needs ahead of residents’ needs will face the same fate we’re seeing in nursing homes.
Lessons for All Seniors Housing

• Watch Your Marketing
  – Promissory Estoppel
  – Promise Not What You Can’t Deliver

• Watch Your Residents
  – ADL Creep
  – An Empty Unit Beats Tort Litigation

• Watch Your Competition
  – No Need to Keep Up With the Jones's
  – Know Your Niche

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Increasing consumer choice brings its own inherent risks:

As customers demand (and can afford) more, don’t fall prey to the temptation to offer more—unless you can actually provide it.

That’s a lesson for the present as well as the future. What can be provided today might not be feasible tomorrow. After all, resident needs do change as they age.

And don’t try to be all things to all people. Know what you can do, and stick with it.