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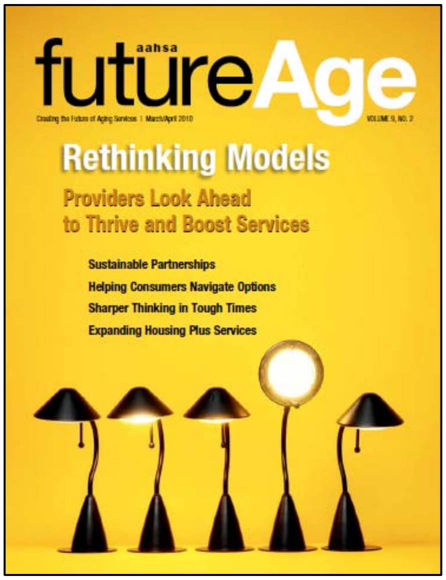

A long and painful recession, the prospect of changing reimbursement models, and changing consumer desires are putting pressure on aging-services providers. Despite these pressures—and despite the fact that some providers have faced serious trouble—the needs of elders will only continue to grow. The good news is that mission-driven providers are rethinking their models and looking for ways to diversify services and revenue streams, with the goal of thriving in years to come.

New Ways to Thrive

Providers respond to changing environments by rethinking their business models and expanding services.

Few organizations have managed to escape the housing crisis and recession unscathed. Yet the rise in obstacles has spurred equal growth in leadership, creativity and vision. What follows are the profiles of several not-for-profit providers finding ways to overcome challenges. Their stories are a testament to the not-for-profit difference—and the values that underlie it.

The New Admiral at the Lake/ Kendal

Chicago, Ill.

The Challenge:

Save a continuing care retirement community (CCRC) that saw its repositioning frozen by the recession and credit crunch.

The Strategy:

A collaboration between The Admiral at the Lake and The Kendal Corporation.

The Keys:

1. Compatible missions, cultures and values
2. Hands-on leadership
3. Marketing, branding and financing support

The Result:

A 150-year-old not-for-profit retains its identity, while Kendal welcomes its first urban CCRC.

The Story:

As the oldest not-for-profit serving seniors in Chicago, The Admiral at the Lake was no stranger to reinvention. When its board decided in 2004 to completely reposition the retirement community, CEO Glenn Brichacek looked forward to the organization's next chapter.

In 2007, The Admiral tore down its building and relocated residents to nine host communities throughout the Chicago area. The plan was to have residents in the new building in 2010, but The Admiral encountered unexpected obstacles.

Early in the process, The Admiral faced zoning opposition from one of the neighborhood organizations. It eventually gained the group's support, but not without incurring delays and additional design costs.

Then, like many organizations, The Admiral fell victim to the housing collapse and recession. Though initial deposits were strong, the project became paralyzed when the bond market froze. By the end of 2008, the organization was forced to lay off its marketing staff and make some tough decisions.

"We realized that we needed greater strength and stability to survive another 150 years," Brichacek says. "Our long-term survival was going to necessitate being part of a larger system."

After looking locally, The Admiral broadened its search, which eventually led to The Kendal Corporation. What set Kendal apart was its "federalist" approach, explains Brichacek. "Our biggest fear was being subsumed," he says. "Kendal offered us the autonomy of an independent organization, but the benefits of being part of a larger system."

Under the formal working agreement, The Admiral retained its name as well as its management and board, and it gained the opportunity to tap into Kendal's expertise and economies of scale.

Brichacek credits Kendal with providing vital branding and marketing support. For example, Kendal distributed mailers to its more than 17,000 constituents inviting them to make referrals. That type of reach,

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combined with Kendal's reputation, has had a dramatic impact. "In a short period of time, we've secured reservations on 77 percent of our independent living units," Brichacek says.

Kendal is also working with The Admiral on financing and the renegotiation of construction contracts. As an added boost, Kendal pledged not to collect payment for services until The Admiral is on its feet again.

Kendal CEO John Diffey chooses his affiliates carefully, and he quickly recognized The Admiral as a good fit. "We always begin conversations around the extent to which our values, mission and cultures line up," he says. "We were impressed by The Admiral's mission, history and leadership, as well as its commitment to the neighborhood."

Diffey saw The Admiral's values reflected in the way it handled the relocation and repositioning. Residents and families were consulted at every step of the process. The Admiral continues to employ its director of resident services and a social worker to coordinate care for relocated residents. It also held job fairs for displaced staff and encouraged the host communities to hire them.

Financially, The Admiral made sure residents' rates would not increase during the relocation period. When looking for partners, Brichacek made it clear that The Admiral would only enter into a relationship if it could continue to honor its commitments to residents, staff and pensioners.

Today, with The Admiral project back on track, both organizations are optimistic. Kendal looks forward to welcoming its first urban CCRC, and The Admiral has a more stable future. As Diffey puts it, "The Admiral is an organization that deserves to thrive."

Miami Jewish Health Systems

Miami, Fla.

The Challenge:

All health care services, particularly care for seniors, are challenged due to low Medicaid reimbursement.

The Strategy:

Grow other areas of business to diversify revenue streams.

The Keys:

1. Specialized services that attract patients with workers' compensation or private insurance
2. Community-based services with multiple funding streams
3. Risk-bearing ventures that reward performance

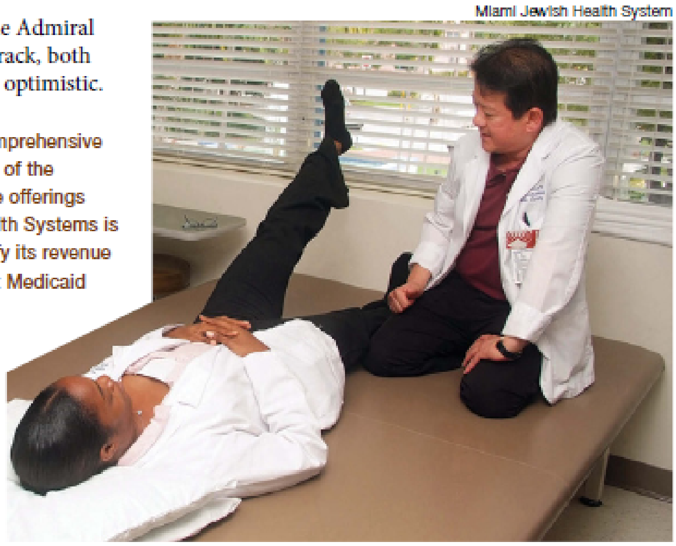
The Result:

An organization better positioned for the future and able to maintain quality nursing home care.

The Story:

Miami Jewish Health Systems (MJHS) predicts its 462-bed nursing facility will lose roughly $8 million this year. "Medicaid currently reimburses us at a daily rate that is $60 per resident less than our cost of providing care," explains CEO Jeff Freimark. Yet he refuses to make the kinds of cuts to staffing and services that would be necessary to operate at that rate.

Miami Jewish Health System



The Rosomoff Comprehensive Pain Center is one of the specialized service offerings Miami Jewish Health Systems is creating to diversify its revenue sources and offset Medicaid losses. MJHS also offers a PACE, a biofeedback center and increased community-based services.

Instead, MJHS is working to offset the shortfall by growing other areas of its business. One of the organization's key strategies has been to focus on specialized services like the Florida Program of All-Inclusive Care for the Elderly (PACE), the Rosomoff Comprehensive Pain Center and the Brucker Biofeedback Center.

"We've tried to find opportunities that fit within our existing buildings and skill set, but allow for different streams of reimbursement," Chief Operating Officer Mo Funk says. The pain center, for example, attracts patients covered by workers' compensation and commercial insurance.

The organization's other key strategy is to expand its community-based programs, which already serve more than 3,000 people across South Florida. "We believe the future of care is in a virtual-type campus where people stay in their homes as long as possible," Freimark says.

MJHS operates Florida's largest PACE program with 180 clients. The organization is preparing to launch a second PACE site, and a third site is in the works.

MJHS is also a lead agency for Florida's Community Care for the Elderly program, which serves older adults who are not eligible for Medicaid. In addition, the organization is a provider for the Medicaid Alzheimer's waiver and Nursing Home Diversion Program.

When MJHS began shifting toward community-based services, the organization encountered internal resistance. "It took a fair degree of working with people to educate them that this is what older adults want—and that we have the skill set to do it," says Dan Brady, chief of community services. The organization's initial ventures were to open an adult day center and begin offering home health.

The biggest jump was entering into risk-bearing areas such as PACE and the Nursing Home Diversion Program. To get buy-in from its sponsoring organization, MJHS purchased a significant amount of stop-loss insurance.

"With these types of programs, we're rewarded for keeping people out of institu-

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tions and punished when we're unable to do that," Chief Marketing Officer Blaise Mercadante says. "That's a risk we're willing to take, because we're confident that the care we're providing works."

More broadly, these ventures and the organization's other community services highlight a shift in philosophy. "We're trying to move toward a system that reflects what seniors want," Mercadante emphasizes. "That means providing services in the place and mode that is most convenient for them."

Senior Connections

Atlanta, Ga.

The Challenge:

Two organizations facing a tough financial environment.

The Strategy:

A merger that creates a mix of subsidized and fee-based services.

The Keys:

1. An expanded pool of potential private-pay clients
2. Stepped-up marketing and fund raising

The Result:

A sustainable model for core services and enriched programming.

The Story:

For 37 years, Senior Connections has served 10 counties spanning metro Atlanta. The organization manages senior centers, supervises congregate meal sites and provides Meals on Wheels and home repair services. Last year, Senior Connections added fee-based classes to its repertoire in an effort to expand its customer base and offset funding cuts.

Most of Senior Connections' budget comes from Older Americans Act dollars and county contracts, so the organization has been affected by the recession. The traditional demographic it serves is low-income African-American women with an average age of 76.

A few years ago, Senior Connections was approached by Life Enrichment, a small not-for-profit offering fee-based classes such as Tai Chi, ballroom dancing and computer skills. Its client base consisted of moderate- to higher-income Caucasian seniors concentrated in three naturally occurring retirement communities (NORCs). Despite the demand for classes, the organization was struggling financially because of operational costs.

Senior Connections' CEO Debra Furtado saw an opportunity to merge with Life Enrichment and create a win-win situation. The merger would allow Senior Connections to reach new private-pay clients and improve its programming. By absorbing Life Enrichment into its operations, it also could save on salaries and the administrative aspects of the program.

While Furtado believes the merger was a success, she acknowledges some lessons learned. "We did our due diligence when it came to the financials, but we didn't focus as much on culture," she says. "We should have spent more time talking to employees and customers, and we're trying to make up for that now."

Still, in the year since the merger, a growing number of Life Enrichment participants have become paying clients of Senior Connections' core services. Many were previously unaware they could access services such as meals and in-home care.

Senior Connections has started actively marketing its core services in the NORCs. The organization is updating its Web site and experimenting with creative promotions—allowing people to purchase gift cards online for home-delivered meals, for instance.

The merger has also allowed Senior Connections to offer more programming to everyone it serves. Although there is not enough demand to hold fee-based classes at the Title III sites, some clients drive across town to participate.

As a bonus, many seniors in the Life Enrichment program have also become donors. Over the past year, Senior Connections has doubled its donor base from 400 to 800 individuals.

At a recent donor appreciation event, Furtado shared the story of a couple struggling to pay for meals because both were dealing with cancer. She was floored when some donors offered to cover meals for the remainder of the couple's lives.

"We've seen that people are willing to give to an organization that is providing basic services like helping people eat," Furtado says. "We just have to do a better job of getting out there and telling our story."

Brethren Care Village

Ashland, Ohio

The Challenge:

Transform money-losing cottages into a revenue generator.

The Strategy:

A small-house model for early dementia residents.

The Keys:

1. An established private-pay market
2. A licensure category with minimal regulation

The Result:

A 17 percent annual return.

The Story:

As the availability of condominiums in Ashland, Ohio, increased, Brethren Care Village, a CCRC, found itself facing stiff competition.

"It became harder and harder to interest people in our independent living cottages, which were based on an entrance-fee philosophy," explains Executive Director Jay Brooks. "At one point, nearly a quarter of them were unoccupied. In order to keep our prices competitive, we ended up losing money even on the ones that were filled."

Brooks remembered hearing about a chain that had built group homes in residential neighborhoods to care for early dementia residents. Because of their size, the homes could be licensed in a category that had minimal regulation. This kept costs low and allowed for homelike features including a residential kitchen.

Brethren Care Village decided to try a similar approach on its campus by combining adjacent cottages into five-bedroom ranch style homes. The first "Bradford House" opened in 2006, and the community has since added two more. A fourth is planned for next year.

Each Bradford House is designed for five residents, and there is a homemaker on site 24 hours a day. The front door is secured through keypad access; the other doors lead to an enclosed courtyard.

The Bradford Houses are equipped with sensors to monitor residents and provide alerts about falls and wandering. Family members can access information about their loved one's activities through a secure site on the Internet. The total cost of the renovations and technology was $350,000 per Bradford House.

With a 250-resident campus, Brethren Care Village has a natural pool of potential Bradford House residents. The unique nature of the model also has helped attract people from the surrounding areas.

All Bradford House residents are ambulatory, but most need cueing and limited assistance with activities of daily living. Their mini-mental scores range from one to the low 20s.

"Most Bradford House residents come from our independent living or assisted living, but we've been able to transition a few from our nursing home," Brooks says. "In some cases, we've seen mini-mental scores increase once a person moves in."

Because of their licensing category, the Bradford Houses are completely private pay. At $5,400 per month, they are comparable to a high level of assisted living. They are less expensive than a semi-private room in the community's skilled nursing dementia unit.

For a Bradford House to break even on an annual basis, four of the five bedrooms must be occupied. But once the house is full, the annual return rises to 17 percent.

Brooks emphasizes the return on investment goes well beyond the numbers. "We've seen improved morale, less turnover and better employee accountability," he says. "The residents benefit from an improved quality of life, and it helps our community be known as cutting edge." FA

Editor's note: These are just a few of the many stories we've heard about aging-services organizations that are rethinking their business models and reinventing themselves to thrive in a changing economic and consumer environment. FutureAge *will continue to publish the stories of providers making these changes. To tell your story, contact Editor Gene Mitchell at gmitchell@aahsa.org or (202) 508-9424.*

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Senior Connections, Atlanta, Ga.
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Brethren Care Village, Ashland, Ohio
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A Successful Rethinking in Michigan

Presbyterian Villages of Michigan (PVM) is one organization that has re-thought itself in recent years, expanding well beyond its suburban origins and building a statewide presence, including, in just the last decade, a serious presence in inner-city Detroit. PVM now operates six affordable senior housing properties in the city, with plans to open more subsidized housing, expand PACE, develop an affordable assisted living community or CCRC, and build urban Green Houses.

FutureAge talked with PVM's President and CEO, Roger Myers, about the changes his organization has gone through.

Presbyterian Villages of Michigan

Douglas and Blondell Decoursey, residents at PVM's Woodbridge Estates Community.

FutureAge: One of your first "toes in the water" in the City of Detroit was Brush Park Manor, which you built in partnership with two community organizations—the Brush Park Development Corporation and the Joint Fraternal Development Corporation. How big a change was that for PVM?

Roger Myers: Brush Park was our first collaborative venture; up until then, literally everything we'd done since 1945, we did independently. We went through that process of having partners, [having] shared governance, and there was a lot of discussion, but it didn't take long to get to a decision. We were hearing from other not-for-profits and funders that ... encouraged groups to work together, to create affiliations, joint ventures and collaborations.

Each organization brought a different asset base or resource base to the project. I'm not just talking [about] financial resources, but community relationships, political contacts, advocacy, and clearly diversity. PVM was being very intentional about becoming more diverse racially, culturally and economically, and the partnership helped move that along.

FA: Not only was that partnership a new experience for PVM, it also was a risk. Since the partnership required equal representation for all three organizations, PVM was put in a position in which it could be outvoted. Why were you willing to take this risk?

RM: As with any new relationship, all parties needed to be able to demonstrate their commitment, integrity, and have to earn confidence in each other. With Brush Park, we were basically a one-third sponsor/member, so we could be outvoted if there were a matter of controversy. But that willingness to not insist on absolute control, I think, made a statement [to our partners]. They have told me that. If we had insisted on a 51 percent interest, that's not as trusting.

We are doing that with this PACE program [the Center for Senior Independence PACE] with the Henry Ford Health System.

The Health System will have a 55 percent control and we'll have a 45 percent control. We've heard of situations where a 50-50 arrangement can be difficult when parties get to an impasse, but we haven't experienced a major impasse that we've gotten stuck with. There is merit to thinking through [how] to resolve a dispute if it occurs. But we go into this with everyone having the same spirit.

FA: Since the Brush Park project, PVM has increased its locations in inner-city Detroit to six. What kind of partnerships have those involved?

RM: In Detroit, five of the six have a partner or collaborating organization of one sort or another. At the Village of Oakman Manor, our primary collaborator is Focus: Hope. It's known around the world for its work on civic reconciliation and education; it was formed after the 1967 riots in Detroit by a Catholic priest [Fr. William Cunningham, with his cofounder, Eleanor Josaitis]. They approached us about developing senior housing in proximity of their main educational center. They decided they didn't want to be legally part of ownership, but they do nominate people for the board, and some key staff helped with the development process, and we [found] seven different sources of financing. If Focus: Hope hadn't been involved, that village would not have been built. They had such great stature and influence, it opened a lot of other doors.

FA: When you started with PVM, it was very much a suburban organization, and since then PVM has built a very strong presence in the inner city. Does PVM "feel" the same now—is it an organization that just happens to have some inner-city locations, or does it feel like something different?

RM: It's a very different organization. It was a very good one before, but it's even better now as a result of what we've done in the city, but more broadly around the state. Prior to 1992 we were just in the suburbs, five communities in a semicircle around Detroit. There was no presence in the outstate area, nothing in the city. Right before I joined ... the board decided to change the name to PVM and have a statewide perspective, and as [we] went through an intentional process of diversifying our board in 1993-94 ... a few new board members challenged the organization relative to its commitment about Detroit.

FA: Based on PVM's experience, how would you advise other providers looking to develop more of an urban presence?

RM: What we found in the city is that the need was incredible, particularly regarding affordable senior housing. I would recommend that any provider do a community needs assessment, go into urban areas where there has been less investment, and determine if there is an opportunity for them to play a role, and then as they do that, take the time to become knowledgeable about the community and key stakeholders, and reach out to those groups and individuals before making a decision. A great deal of listening has to be done, and a sense of collaboration, even if not a true legal collaboration—a sense that the organization coming in from outside is doing so with a lot of respect for the community. If [you are] open to a collaboration or creating an advisory board or some such group, I'd recommend it because it promotes a sense of local ownership. FA