

# PROVIDERS UPGRADE BUILDINGS, EXPAND SERVICES

*Companies target post-acute rehab, short-stay, and higher-acuity patients.*

## MEG LAPORTE

In 1999, when the skilled nursing facility (SNF) industry was at the precipice of converting to the prospective payment system, Trilogy Health Services, a Louisville, Ky.-based long term care provider, plunged into the market with a vision to provide housing and health care services to older adults by combining adult day, assisted living, and skilled nursing services on one small campus. While the venture was in many ways unconventional, it has since proven to be a winning approach for the company's growth, according to Trilogy founder and President Randy Bufford.

Since the first health campus was opened seven years ago, Trilogy has either acquired or built 40 additional properties, 27 of which were constructed according to the company's prototype health campus design, and in 2005, the company climbed up 14 slots

on *Provider* magazine's annual ranking of the Top 50 nursing facility chains, to No. 36.

"Some call [our model] a small-market CCRC [continuing care retirement community]," says Bufford. "It's designed to be noninstitutional, similar to a hotel." The campus has two distinct operations, a SNF and an assisted living center, each with its own entrance and separate dining areas.

"We're opening one more newly constructed campus this year, and five more next year," Bufford says.

### **A Look To The Future**

While Trilogy's prototype design was unique, its growth strategy and approach to creating a noninstitutional environment are not. In fact, it reflects the observations of many industry experts who have reported seeing SNF providers modernizing and refurbishing aging facilities and, to a lesser

degree, undertaking new construction in order to stay competitive. Experts also are seeing providers reposition their services to attract higher Medicare reimbursement and more private payers.

"A lot of people are looking for acquisitions that are 'B-' or 'C'-grade buildings that they can convert or upgrade to a wing in order to drive home the Medicare census, improve delivery of services, and modernize facilities," said Frank Morgan, managing director for Jeffries and Co., on a recent conference call.

"I love the SNF business going forward," added Arnie Whitman, chief executive officer (CEO) and co-chairman of Formation Capital, on the same call. He believes that the SNF sector holds tremendous opportunities for ancillary businesses.

"Our belief is that the Medicare side has a tremendous opportunity going

into the next several years. It's the lowest cost provider of health care services. The demographics speak for themselves; we're seeing it all over the country, where people are building new SNFs or renovating wings or putting in Medicare wings. The success is very dynamic; it's really the beginning of a trend that I believe will take hold for several more years."

To capture a sense of how these trends might be playing out in the field, *Provider* has profiled 12 long term care providers, including large and small owners, as well as public and private companies.

Echoing many of the experts' claims, *Provider's* analysis points to a sector that is developing services or business lines in order to meet market demand and improve the quality mix—the combination of private-pay, Medicare, and managed care/insurance revenue.

More specifically, among the dozen providers, nearly all had zeroed in on increasing the level of short-stay rehabilitation and higher-acuity, more complex services in their facilities.

Each of the companies was planning growth through acquisitions, while 10 had begun renovations or expansions of aging or outdated facilities. Five companies had initiated plans for, or had already undertaken, new construction, and, to a lesser degree, these providers are expanding or planning to acquire ancillary business lines, such as institutional pharmacy, hospice, and home care services.

### **Institutional Model Rejected**

Most nursing facilities in the United States were built in an era that regarded the institutional model as a necessity for providing efficient, cost-effective care to frail elderly patients living out the last days of their lives. Today, fueled by the flush of capital into the market, some providers are rejecting the institutional model by employing more progressive designs and services that borrow from the culture change ideology, including the introduction

## **OBTAINING CAPITAL**

**A**ccording to the NIC-MAP Data and Research Services, the median age of nursing facilities in the top 30 U.S. metro markets is 30 years. For smaller and mid-sized owners holding aged properties, obtaining capital is not difficult in this market, but investors say they cannot take a leap of faith for every solicitor.

GE Financial has a special package of loans aimed at seniors housing renovations, says John Cobb, senior vice president of long term care for GE Healthcare Financial. His advice to the smaller operators, "Look at your local market, look at your competition, and look at the

hospitals. If you see three other facilities in your area with rehabilitation units, for example, then you may not want to do the same," he says. "You need to figure out where your niche is in the marketplace. It's also important to invest in your employees, invest in people. We tell them to look at their capital from a long-term point of view. I wouldn't necessarily follow what everyone else is doing. Make sure your structure works for your business plan; it's really a function of your business plan."

While attracting a loan in this market may be less complicated today, there are a few things that keep investors away. First, most investors agree that a good survey record is important. "If they have a

bad reputation, especially regarding surveys and a lot of deficiencies, I'm less likely to approve it," says Cobb.

GE has four nurses on staff who assess facilities specifically for that reason. "Our nurses go out into the nursing homes, they talk to the director of nursing and the administrator, sometimes spending several hours in the building. If she says she doesn't like it, I'll probably not make the investment. Sometime there are exceptions in which I will approve it, but, for example, not if she was to reject five out of 10 buildings in a portfolio," Cobb says.

"If someone is behind the eight ball financially and their quality record is not great, then I might say, 'Is this the horse I really want to ride?'" says Jim Pieczynski, co-president, health-care and specialty finance business for CapitalSource. He notes that if a facility is not doing well, "a more likely way to get financing is to sell to an existing operator that has a good reputation with a lender."

On the other hand, facility operators are doing as much courting as the investors are doing, says Pieczynski. "This business is really a small world where most people know who the players are. There are a lot of investors right now wanting to jump into this space," he says. But in the end, he adds, "good quality operators will have a better chance at getting financing."

of person-centered care models and the creation of homelike décor and amenities.

For example, Trilogy's health campuses, which offer only private or

semi-private rooms, are stocked with higher-end furniture and concealed nurse stations and are carpeted throughout, "unlike the institutional tiled floors," says Bufford. "When peo-

ple visit our campus, they talk about how homey it is.”

“We developed the health campus concept to meet the market’s needs. We saw that there was a need for senior housing but didn’t see the answer to how these seniors could age in place, so we put the two services together under the same roof but made them physically separate. The concept also allows us to have two separate properties run by the same management with shared overhead services, which is key to our efficiency and operations.”

Similarly ambitious is Genesis HealthCare, Kennett Square, Pa., the nation’s fourth-largest nursing facility chain, according to *Provider* magazine’s 2005 Top 50. The company recently launched a plan to extend to each of its centers a more patient-centered care model.

“We’re aggressively rolling out a consistent assignment staffing model, which will strengthen and build the relationships between our caregivers and patients,” says Genesis CEO George Hager Jr.

“The average age of our centers is 27 years, so we’re renovating and upgrading outdated legacy designs. During our next phase of renovation we will continue to make centers more homelike by adding more family sitting areas and creating more buffet, family-style, and on-demand dining.”

For example, Genesis’ orthopedic units have separate rehabilitation gyms, just for hip/knee patients; concierge services; an upgraded menu—sometimes created by a chef dedicated to

the unit; a separate entrance; and small kitchenettes where patients can grab a snack or cup of coffee, reports Lisa Salamon, Genesis’ director of public relations.

“Underlying all of our work is the goal of excellent customer satisfaction,” says Hager, noting that the company is also modernizing the interior and “curb appeal” of one-third of its portfolio. “Hallways, common areas, and patient rooms will be updated to include new furniture, paint, wallpaper, and even new artwork. In addition, we will eliminate any rooms that are larger than semi-private. We want to give our centers a more intimate, homelike

feel,” he says.

Genesis’ branded Homestead dementia units have undergone even more progressive changes with the concealment of nurse stations and the addition of country kitchens and great rooms, outside wander gardens, memory boxes outside each door, and spa-like bathing rooms, adds Salamon.



**Top: artist's rendering of AMG's planned lounge area. Bottom: an example of AMG's innovative "fine bathing" environment.**

### Innovative Approaches

Also snubbing the traditional facility model, Advantage Management Group (AMG), a small but growing provider in Detroit, will unveil its new 120-bed state-of-the-art SNF next month on the fourth floor of a converted hospital on the east side of the city.

In undertaking this \$4 million project, the company’s strategy was to create an intimate environment for patients and their families, says Kristine Halsey, AMG vice president of operations.

Borrowing from the culture change philosophy, the center features four “neighborhoods,” each with its own fireplace, as well as a cafe. “This facility is the first newly built SNF in Detroit in the last 20 years. We’re very excited about this project because it’s innovative and it serves the people of Detroit,” Halsey says.

AMG also plans to extend to each of its properties an innovation Halsey calls “lifestyle programs,” which consist of “fine bathing” and “fine dining.” The fine bathing program, already installed in two of AMG’s facilities, is a spa-like room where residents make appointments to enjoy the room’s aromatherapy, oversized towels, and other special amenities, says Halsey.

The fine dining program is a restaurant-like dining area that offers a menu of meals to choose from and wait staff to take orders. “The nurse aides bring

the dinners to the residents. We hired a consultant to help us develop the initial menu items, but most of the work has been done by our dietitians," she says.

### Companies On The Move

Some providers are taking up various combinations of development and growth through acquisition, innovative construction, and expansion of business lines.

■ *AMG*. Having recently acquired five Tendercare facilities in Michigan, which nearly tripled the company's portfolio, the company is planning to expand, most likely through acquisitions. "We're open to more acquisitions in the region. We're open to almost anything," says Halsey.

■ *Advocat*. Currently ranked 23rd among *Provider's* Top 50, this Brentwood, Tenn.-based SNF provider is concentrating on offering varying levels of care through clustering of operations and generating economies of scale, according to its latest annual report. With the average age of its nursing centers at 30 years, the company has completed a major renovation of one facility, with four additional facilities in various stages of design and construction.

Features of the overhauls include cosmetic upgrades, such as new flooring, wall coverings, lighting, and furniture throughout the facilities. *Advocat* will also boost the curb appeal of its centers with refurbished landscaping, roofs, and enhanced signage.

"Our strategy includes the development of additional specialty units and programming in facilities that could benefit from these services," the report says.

The specialty programming will vary depending on the needs of the specific marketplace and may include Life Steps rehabilitation units and Lighthouse dementia units, as well as adult day care and bariatric services.

■ *Extendicare Health Services*. The Milwaukee-based company—ranked

No. 7 on *Provider's* latest Top 50—is taking on a two-phased construction plan that includes expansion of two SNFs and four assisted living properties, as well as the development of a new 40-unit assisted living facility.

The second phase, which will be completed next year, stretches *Extendicare's* capacity by 282 assisted

**Features of the overhauls include cosmetic upgrades, such as new wall coverings.**

living units and 153 nursing beds. Most recently, *Extendicare* completed the acquisition of three nursing facilities in Richmond, Ky., for a total of \$10.5 million in cash, according to a company statement.

■ *Five Star Quality Care* (No. 18 on *Provider's* Top 50). The Newton, Mass.-based company acquired 24 communities, launched a rehabilitation and wellness program with the opening of 22 outpatient rehabilitation clinics, and acquired seven assisted living properties and two institutional pharmacies last year alone. Going forward, the company stated recently that it will

target private-pay, independent assisted living communities for acquisition.

*Five Star's* institutional pharmacy business, which now serves 112 communities with approximately \$52 million in revenue, also continues to grow through acquisitions.

■ *Genesis* (No. 4 on *Provider's* Top 50). To date, the company has modernized more than 100 of its facilities and added 18 new specialty units, 12 of which were completed in 2006 alone. A similar plan for next year is awaiting budget approval. The cost of these upgrades totaled \$75 million in 2004 and \$95 million last year. Another \$95 million is expected for upgrades this fiscal year.

■ *HCR Manor Care* (No. 1 among the Top 50). In addition to erecting five new SNFs, the Toledo, Ohio-based company plans to expand 36 of its nursing centers to the tune of nearly \$40 million. In addition, the company has invested approximately \$100 million back into its operations for maintenance, renovation, and expansion of facilities, according to its most recent annual report.

"We have used the strength of our skilled nursing centers as a foundation for expanding hospice, home care, and rehabilitation therapy services in high-demand markets," says the report. "Over the past five years, our hospice census has grown at a compounded annual growth rate of more than 25 percent. With an average census exceeding 5,000 patients, we are now the third-largest provider of hospice care in the United States."

■ *Kindred Health Care* (No. 3 among the Top 50). The Louisville, Ky.-based company significantly increased its capital spending in 2005 and "will continue to reposition its business through selective acquisitions and divestitures that will improve the overall quality and performance of the portfolio," says its annual report. In addition, the company planned to add four to six new pharmacies this year. Late last year, *Kindred's* lenders increased the

amount of permitted acquisitions from \$400 million to \$500 million, which added to its acquisition amount of \$352 million remaining at the end of 2005.

■ *National Healthcare Corp.* (No. 9 among the Top 50). The Murfreesboro, Tenn.-based company's annual report indicates that it recently began development of five health care centers, four of which are expansions to existing facilities. The total new bed count after completion of construction will be 334. According to its 2005 annual report, the company will "continue to look for selective acquisitions, expand existing operations, and develop new facilities in attractive markets."

Also on National Healthcare's plate are plans to evaluate the feasibility of expansion into new markets by "building health care centers that provide services exclusively to private-paying patients" and open two hospice centers, adding to its nine existing centers, through a partnership agreement with Caris HealthCare.

In addition, the company has developed center-specific medical specialty units such as Alzheimer's care units and subacute nursing units.

■ *Petersen Health Care* (No. 19 among the Top 50). The Peoria, Ill.-based company aims to grow through the acquisition of SNFs and the construction of assisted living facilities.

"Nine assisted living facilities are either about to break ground or are under construction," says company owner Mark Petersen. "We've also been completely renovating our SNFs at a rate of two to three upgrades per year. Our company's long-term



**Top: AMG offers residents activities that are appropriate to their mental cognition. Bottom: Harborside offers a homey colonial-style living environment.**

plans are to serve seniors at every level of care."

■ *Trilogy Health Services* (No. 36 among the Top 50). The company has built or acquired 16 new facilities or health campuses since May 2005. "We will continue to build new campuses within the states of Indiana, Kentucky, Michigan, and Ohio," says Bufford. Most recently, Trilogy unveiled a newly constructed 58,000 square-foot SNF in a defunct hospital building that now serves as an ambulatory care center. The 88-bed center, located in the outskirts of Louisville, occupies the second and third floors of the building.

Park Terrace at Norton Southwest features 66 private suites that include comfortable living areas, and spacious activity areas. The state-of-the-art health center provides a comprehensive array of services, including intensive short-term rehabilitation services (physical, occupational, and speech therapies), 24-hour skilled nursing care, and long-term eldercare services.

■ *Ventas*. This Louisville, Ky.-based real estate investment trust recently shelled out \$649 million to acquire 67 health care and senior care facilities, including assisted living properties, CCRCs, and rehabilitation hospitals, with a combined 5,855 beds/units in 16 states. Ventas also "sees excellent acquisition opportunities in the evolving post-acute care sector, which includes long-term acute care hospitals, inpatient rehab facilities, and SNFs," according to its latest annual report.

### Stretching Into Rehab

Increasingly popular among these sample companies are plans to either expand existing rehabilitation units or add them to properties in order to attract younger, healthier residents by offering upscale amenities.

For example, Harborside Health Care, Boston (No. 13 on *Provider's* Top 50), is expanding its Rehabilitation Recovery Suites this year to more facilities in order to attract higher Medicare reimbursement.

"Our younger, healthier patients that come to us for short-term rehabilitation are demanding a different product," says Bradley Shiverick, Harborside's vice president for quality assur-

ance and improvement. To meet this demand, the company created its Rehabilitation Recovery Suites in 2004, with revamped décor that includes wallpapered rooms, colonial-style furniture, and new flat-screen televisions and the addition of newspaper delivery. The rehabilitation suites are designed to simulate a comfortable, homelike setting, with separate entrances to provide a more intimate feel to the unit, says Shiverick.

Comparable to Harborside's enterprise, Advocat will extend to its other facilities Life Step units, which now serve short-term rehabilitation patients in six of its communities. Life Step offers enhanced services "with an emphasis on upgraded amenities such as electric beds, televisions, bedside phones, and a separate entrance for guests and visitors," according to its annual report.

Skilled Healthcare Group (No. 11 among the Top 50) reports that since implementing rehabilitation units within at least a dozen of its SNFs, "the skilled mix at the facilities has increased, resulting in higher reimbursement rates." The Foothill Ranch, Calif.-based company's trademarked Express Recovery program, implemented at the end of 2004, will be expanded to 13 additional units, slated for completion by the end of this year. Express Recovery also offers separate entrances and upgraded amenities and decor. The program will include 625 beds when completed.

### Broadening The Customer Base

Extencare Health Services' post-acute care capacity will be expanded in high-demand markets. The company recently upgraded its therapy services; 23 facilities have undergone either extensive renovations or complete construction of therapy gyms and have added short-term stay rehabilitation suites, separate from the rest of the facility.

"We have seen a change in our clientele to a younger, more active,



**Top: Extencare's Willowcrest transitional unit includes a car to practice getting in and out of and a grocery store to help residents work on motor skills (bottom).**

older adult. There is a need for these residents to return to their homes with a higher level of function and independence," says Stefanie McCoy, area director of rehabilitation for Wisconsin and Minnesota.

Extencare recently added a 14,000-square-foot Transitional Care Unit to its Willowcrest center in Milwaukee, which includes private, spacious, short-term stay rooms. Destination Drive, Willowcrest's unique community reintegration area, features a full-size car,

grocery store, and putting green. The car enables therapists to practice transfers with their patients without having to brave the elements. "We want our patients to have the ability to run their daily errands or simply join family members for special occasions, and to do that, they need to know how

to safely and comfortably get in and out of a car," says McCoy.

National Health Care is expanding its rehabilitation services in order to stay competitive. Having opened seven rehabilitation units at the end of last year and increasing the marketing of these services, the company is attempting to attract an increased percentage of private and Medicare patients.

"We believe that by providing and emphasizing rehabilitative as well as skilled care services at our centers, we are able to broaden our patient base and to differentiate our centers from competing health care centers," says National Health Care's annual report.

In addition to educating physicians and patients on the advantages of the rehabilitative services, the report states, "we have also implemented incentive programs that provide for the payment of bonuses to our regional and center personnel if they are able to obtain private and Medicare goals at their centers."

Petersen Healthcare has added 10 rehabilitation units to its SNFs. Using an in-house staff, the units offer short-stay rehabilitation as well as outpatient services. "We decided it would be a good idea to bring the community in to our properties," says Petersen. The new units have a separate entrance and waiting area to serve the outpatient market.

Kindred launched its Peoplefirst

Rehabilitation division in 2004 and is currently in the process of positioning the business to “grow beyond the Kindred hospital and nursing center portfolio that currently comprises most of its revenue,” says its annual report.

“After expanding our team and positioning ourselves for growth, we made progress in 2005 developing a more effective therapist recruitment and retention program. Over the longer term, we believe this division is positioned to grow its external customer base to providing more rehabilitation therapy in lower-cost settings, particularly nursing centers.”

#### **Focus On Higher Acuity**

In addition to serving younger, healthier rehabilitation patients, nearly the same number of providers indicated their intention to rein in another source of elevated Medicare reimbursement by focusing on more complex, higher-acuity patients. For example, Advocat, in its latest annual report, noted that it continues to see a shift to higher-acuity patients, which has led to higher reimbursement.

HCR Manor Care recently shifted focus in its SNFs to “patients requiring more complex care on a shorter-term basis.” Serving more complex Medicare patients has had a “positive effect on our average Medicare rates, helping to offset somewhat the Medicare rate decrease imposed at the beginning of the year,” says a company statement.

“While our costs to care for many of these patients are much higher than the traditional long term care resident, our success in repositioning our company in the post-acute market should provide us with many more opportunities for growth in the future. These patients still need hospital-like care, and they come to us to receive complex medical care and intensive rehabilitation to return home as quickly as possible.”

Manor Care reports that more than half of its admissions are being dis-

charged in 30 days or less, and the total length of stay across all patient groups averages less than 90 days, “a dramatic change from the traditional nursing center model,” according to a company statement.

“In the process, we have shown that we can provide outcomes that compare favorably with the rehabilitation

**Serving more complex Medicare patients has had a positive effect on Medicare rates.**

received in much more expensive settings,” the company said, adding that the goal of each Manor Care center is to continue to drive the mix of its business in this direction.

“Our emphasis on shorter-term patients has taken our percent of Medicare revenue in the long term care and rehabilitation setting to 39 percent, up from 22 percent in 1998.”

By making improvements to its staffing, reducing contract labor costs, and enhancing its customer service levels, Kindred intends to “raise the level of clinical performance to care for higher-acuity Medicare and managed

care patients in the future,” says its most recent annual report.

Ventas’ annual report notes that the operating model for SNFs is evolving away from long-term custodial to medical care. The company plans to seize this opportunity to increase its short-stay, higher-acuity rehabilitation occupancy. “This change in SNF patient acuity and type should lead to higher occupancies and better financial strength for SNFs,” the report says. Like Manor Care, Ventas is also seeing a shift to shorter-stay, higher-acuity patients, who, “after a brief hospital stay to receive intense rehabilitation treatment at a SNF for 30 to 60 days, then move on to less acute (often private-pay) settings.”

#### **A Healthy Prognosis**

Fueling this flurry of activity is a vigorous long term care market that is likely to remain stable or continue its ascent for another two to three years, say industry experts. They are giving the market high grades for its unprecedented occupancy rates, capitalization rates, and loan volumes.

“I have been covering the senior care market for 20 years, and I have never seen the market as robust as it is now,” said Steve Monroe, editor of *SeniorCare Investor*, during a recent conference call. “It has come a long way since 2003. No one expected it to come this far, this quickly. The numbers are unprecedented.”

At press time, the most recent data available showed that the average occupancy rates for nursing facilities across the top 30 metro markets have increased from 89.2 percent (second quarter 2005) to 91 percent (first quarter 2006)—a jump of almost 200 basis points, according to the National Investment Center for Seniors Housing and Care (NIC).

What’s more, at a rate of more than 99 percent, industry loan performance remained very strong, as did the percentage of delinquent loans, which fell year over year from 2.2 percent in

2005 down to 0.95 percent in 2006. Capitalization rates remained mostly steady from the last quarter of 2005 to the first quarter of 2006, according to NIC data.

“There is more institutional equity in the market looking for property or portfolios than at any time in the past—ever,” adds Monroe. As host of the conference call, he asked four analysts to offer their expert observations about the current state of the industry and whether or not it has hit its peak. “The skilled nursing sector still has several more years,” said several of the analysts. And although there was less of a consensus regarding the short-term fate of the assisted living and independent living sectors, none of the analysts felt that either sector would soon see a downturn.

“It’s a strong, stable underlying environment,” said Raymond Lewis, Ventas’ chief investment officer and executive vice president, on a recent conference call. “I see stable reimbursement, occupancy rates are moving up, you’re seeing nursing homes trying to reposition themselves to continue to grow their quality mix, particularly in Medicare, because they are a low-cost setting for the higher care.

“You’re seeing less erosion in the private-pay area because there’s not as much new supply coming on line in the market. Tort issues are moderating. It’s a strong capital environment. I think all of those are contributing to making it one of the best SNF operating environments in recent memory,” Lewis said.

While experts point out that the market is extremely fragmented, the companies profiled here are sanguine about construction, either to expand existing structures or to build new ones.

But according to Micheal Hargrave, NIC’s sales and marketing director, the level of new construction among the top 30 metro markets is still very low. The NIC-MAP Data and Analysis Service reveals that in these markets the number of nursing facility units under construction represents only six-tenths of 1 percent of the existing bed inventory in those markets. “Compared to one year ago, this is a 60 percent increase, but this does not include bed deletions,” says Hargrave. “With those figures factored in, the number really represents zero growth.”

While on the whole construction is not a significant trend, there are certain companies concentrating on development right now, Hargrave says.

### **Balancing Medicaid**

Some providers interviewed expressed concern that pressure on state budgets to reduce Medicaid expenditures could create a speed bump in the otherwise optimistic SNF market outlook. Notes Genesis’ Hager, “I do have one concern going into 2007, and that is the pressure at the state level on Medicaid. We had a rate cut in

Pennsylvania last year, and New Jersey increased their reimbursement for Medicaid, but it was less than inflation. There will be the continued pressure of Medicaid placed on state budgets. State funding is strained, which puts some pressure on our margins.”

The latest data show that Medicaid accounts for 43 percent of reimbursement for nursing facility care while Medicare pays only 14 percent of the bill. In addition, Medicaid spending on nursing facility payments shrank to -0.3 percent between fiscal years 2004 and 2005, but states are projecting growth of 5.4 percent between fiscal years 2005 and 2006 and 4.7 percent between fiscal years 2006 and 2007.

Historically, nursing facility payments have seesawed

**There will be the continued pressure of Medicaid placed on state budgets.**

since 2001. Expenditures grew by 9.6 from 2001 to 2002, but fell to -6 percent between 2002 and 2003. Then, from 2003 to 2004, Medicaid expenditures grew again by 4.2 percent.

### **Good Care Brings Good Results**

Nevertheless, the majority of providers investigated for this article appear relatively optimistic in the face of budget pressures. They are seeing greater opportunity in the relative stability of Medicare rates and the promise of demographics that many believe will bring more affluent, private-pay customers to their doors.

As for the sector’s strategies to garner higher Medicare and more private payers, Harborside’s Shiverick points out that when talking about strategic initiatives, one should focus on doing the basics and doing them well.

“We put much effort into the day-to-day operations of the facilities. Hiring good staff, training them, and providing quality care to our residents is first. That alone can take up 90 percent of our work,” he says. “Part of doing basics also includes doing them well when it comes to revenue and cost.”

“It’s important to recognize that we should focus on resident-centered customer services,” advises Bufford. “It’s a competitive market. Long term care is no different than other service industries in terms of the importance of location, amenities, and social and wellness programs. We’re very bullish about the market, and the aging of America is providing gigantic opportunities.” ■