

New Assisted Living Firm Seeks Specialty Niche

SMALL FACILITIES TARGET PATIENTS WITH ALZHEIMER'S

A Baton Rouge, La., company has entered the publicly traded assisted living market with a plan to build small facilities that solely cater to people with Alzheimer's disease and other dementia-related illnesses.

Through a reverse stock split, Shadows Bend has become the latest publicly owned assisted living company to appear on the Over-the-Counter Bulletin Board (OTC).

Unlike some of the other publicly traded assisted living companies that ended up on the OTC after their stock prices plummeted, Shadows Bend succeeded in raising capital on the OTC stock trading market to fund the first phase of its development. Within the next three years, Shadows Bend plans to acquire or construct at least 10 assisted living facilities that can be converted into Alzheimer's care facilities.

Emphasis will be put on acquiring occupied assisted living facilities first to get the company's cash flow moving, says Michael Sciacchetano, Shadows Bend's chief executive officer.

In February, the company signed a letter of intent to purchase Three Oaks Manor, a 68-bed Alzheimer's care facility in Pensacola, Fla. Currently, the facility is being upgraded to include the latest memory diagnostic programs developed by Shadows Bend. The company plans to open centers in larger markets around the country.

Shadows Bend's business plan identifies cities in nine states that have the highest ratio of persons with Alzheimer's and a base income of \$35,000 and above. The states are California, Florida, Illinois, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania, and Texas.

According to company research, Shadows Bend believes there is a need for more than 200 specialty care facilities in the United States. The company says it has a unique approach to serving patients with varying forms of dementia.

Sciacchetano believes that the Shadows Bend model, a freestanding, 36-bed facility with a homelike atmosphere that offers

personal resident care and activity programs specific to dementia care, would more humanely serve residents while maintaining, or even improving, residents' ability to function. The company believes an unmet consumer demand for more home-like Alzheimer's facilities will bolster Shadows Bend's performance. "Most families don't want to put their relatives in lockdown units," Sciacchetano says.

Shadows Bend spent two years testing and evaluating its model facility's physical design and care programs. The building's design requires that the facility be in an east-west direction to allow the maximum amount of sunlight to enter the facility. The hallways are color-coded, and employees have a separate entrance and exit to minimize disturbance to residents. The average rent per unit will be \$3,300 per month.

Sciacchetano says the smaller facility design will help the company avoid some of the pitfalls encountered by other assisted living companies, such as slow lease-ups

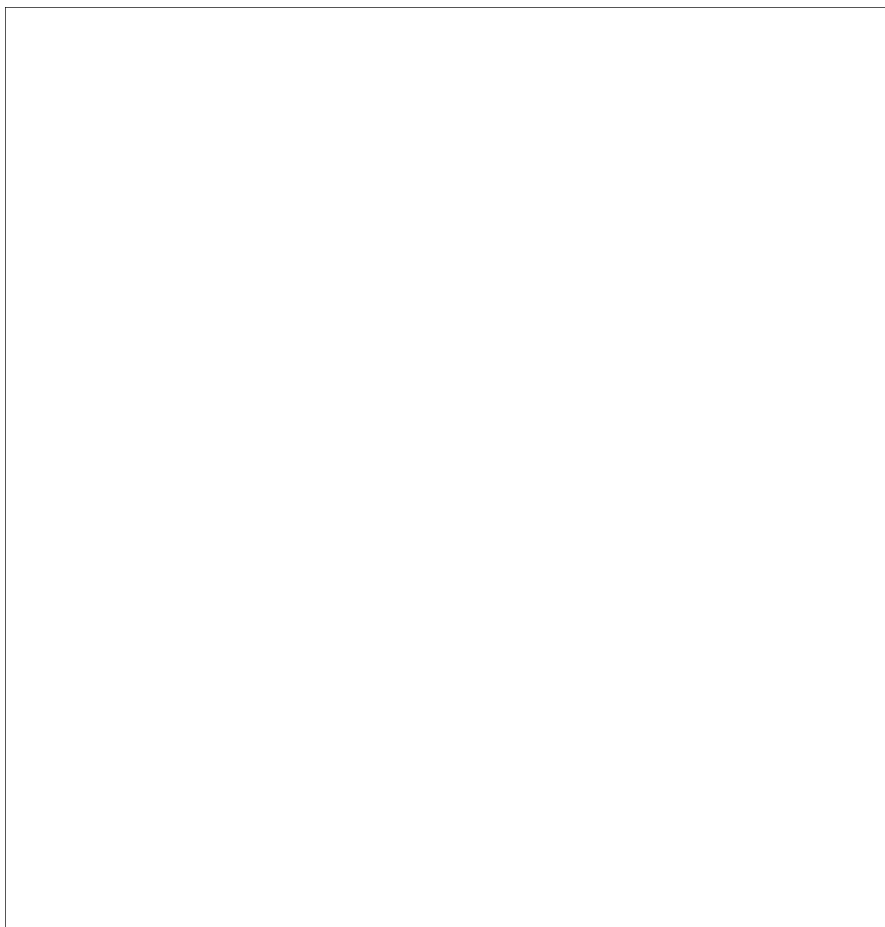
and large debt load due to expansion. Smaller facilities are easier to fill and keep occupied, and the company does not intend to take on large amounts of debt to expand, he says.

After completion of the first phase, Shadows Bend expects its 10 facilities to generate \$14 million in annual revenue and a yearly profit of about \$5 million.

Strategic Stock Intelligence, a financial research firm, rated the company as a strong buy. The stock price hovers at about \$2, but Strategic expects the company's value to rise to \$10 per share during the next three to six months and to \$15 per share during the next 12 to 18 months.

"We believe that Shadows Bend will be entering a niche that is expected to grow rather significantly over the next 50 years," says Sciacchetano. "We are excited to be trading, and we're focusing on creating a shareholder base that wants to see greater attention paid" to Alzheimer's residents.

—Lisa Gelhaus



Federal Agency Sends Teams To Resurvey ICFs/MR

STATE SURVEYS LACKING, CMS SAYS

The Centers for Medicare & Medicaid Services (CMS) is considering additional training for state surveyors as well as potential policy clarifications to refine the survey process for intermediate care facilities for persons with mental retardation (ICFs/MR). This comes after federal surveyors found 60 percent more deficiencies than their counterparts at the state level after inspecting the same facilities, according to a recently released CMS memo.

The federal surveys—or “look-behinds”—are part of CMS’ effort to strengthen its oversight of ICFs/MR by comparing its own survey results with those performed by the states. Federal teams completed look-behinds of 170 ICFs/MR between Feb. 1, 2001, and Sept. 30, 2001.

A CMS report on the findings revealed that, on a national average, federal surveyors found 4.3 more deficiencies per facility than did state surveyors. The CMS report

also revealed that states cited facilities for client-protection issues such as residents’ rights to file complaints, receive due process, and be free from abuse 37 percent more often than federal surveyors did.

In addition, federal survey teams found that ICFs/MR were 32 percent more deficient in active treatment than was reported in the state surveys. Active treatment refers to a facility’s efforts to promote maximum independence and prevent a regression of optimal functioning through treatment or activities of its residents.

“Current figures continue to substantiate the need for federal oversight and continued monitoring of survey differences and definitely appear to be pointing the way to possible training needs or necessary policy review,” the CMS memo said.

But ICF/MR providers have expressed concern that these findings are not without bias. The federal surveyors are employees of the Towson, Md.-based Council on Quality and Leadership in Support for People with Disabilities, a group some say opposes ICFs/MR on principle.

The American Health Care Association (AHCA) has opposed CMS’ contract with the council and remains concerned about the council’s ability to conduct surveys based on state or federal standards.

“The council is an outspoken advocate of deinstitutionalization, and its strong opposition to ICFs/MR is well-known,” says Janice Zalen, director of AHCA’s special programs. “AHCA has been, and remains, concerned that council surveyors’ determinations are inadvertently influenced by a view that people should not live in ICFs/MR.”

Zalen recommends that providers review their procedures in relation to those deficiencies most cited by the federal surveyors, especially procedures related to exercising rights as clients, residents’ informed consent, continuous active treatment, and investigating abuse or neglect.

Zalen believes any new survey training on abuse and neglect is apt to lead to an emphasis on those deficiencies by both state and federal surveyors.

—Lisa Gelhaus