The State of Senior Living in the Carolinas

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This paper is a summary of a series of interviews Perkins Eastman conducted with various influential leaders of existing Continuing Care Retirement Communities (CCRCs) and multi-facility providers throughout North and South Carolina. The goal of these interviews was to get a feel for the current trends affecting their communities’ success and what these leaders see for the future of their communities and the senior living industry.

Methodology

The interviews took place over the summer of 2014 and consisted of one-on-one discussions, all structured using the same nine questions to provide some measure of consistency.

1. What issues are currently affecting the success of your community or communities today?
2. What issues do you see being a driving force in the success of your community in the near future, say in the next five to eight years?
3. What long term issues (ten years and beyond) are affecting the senior living industry and your community?
4. How has managed care affected the way in which you deliver services to those requiring care beyond Independent Living?
5. What are your thoughts about the changing demographics of future residents as the industry transitions from the Silent Generation to the Baby Boomers and beyond?
6. Do you see a trend in financial models (Entry Fee, Rental Condominium) affecting your community and the services you offer down the road?
7. Do you currently deliver services outside the community in a “Lifecare at Home” model, and do you see this as the wave of the future in terms of outreach efforts to attract new residents?
8. How will current and future trends in attracting staff affect your community?
9. What do you see as the critical drivers to success for retirement communities in the Carolinas going forward?

Most of the interviews evolved into informative discussions on timely issues and trends facing communities and the senior living industry at large. Of the community leaders we met with, most operated not-for-profit CCRCs, but the group also included one multi-site for-profit provider, one multi-site not-for-profit provider (Regional Director), as well as the CEO of LeadingAge North Carolina and the leader of a national marketing firm focused heavily on the Southeast.
Current Issues Facing CCRCs in the Carolinas

Much of the Carolinas are still dealing with the after effects of the recession that began in 2008-09. The housing markets in the major cities have begun to recover, such as Charlotte and Raleigh, but the coastal areas continue to lag behind in home sales and values. The demand for new facilities coupled with many communities’ need to renovate existing facilities has been hampered by a lack of available financing over that recessionary period. Many are also challenged by the fact that the average entry age of new residents continues to increase, with the current rate at 82-83 years old. While fewer potential residents are putting off the move into Independent and Assisted Living communities, this trend is often misunderstood as personal choice. In fact, many seniors postpone the move due to an inability to sell their current home in an otherwise fickle housing market, even though some figures suggest there is improvement in this area. These market and financial concerns, not to mention advancements in the Healthcare industry and the changing demographics of potential residents, will continue to challenge senior living communities to keep their facilities up to date and responsive to residents’ lifestyle needs. Marketing to potential residents continues to be a challenge for all communities.

Among all those interviewed, there was general consensus that the CCRC industry is changing, driven to a certain extent both by its changing consumer and a more prevalent global interest on the effects of aging. A general feeling was expressed that “alignment” with other partners in the industry would yield positive results going forward, such as CCRCs aligning to create larger systems, and the potential partnering with healthcare and even for-profit providers to strengthen access to capital and to the community at large.

- “I think our industry is being redefined, both from a product standpoint and a programmatic standpoint. I think because it is being redefined, that we as providers either are smart enough to be a part of that new definition, in creating that definition, listening to that consumer and that customer, or it will be redefined without our input.”
  – Tony Fountain

- “There is an old saying: ‘If you want to go fast, go by yourself. If you want to go far, go with someone else.’ So we are considering what it would mean to form alliances or partnerships with other like-minded entities that could help us have a larger footprint in terms of helping find new revenue sources, but also to generate bigger market share in the area.”
  – Kevin McLeod
Today’s seniors expect cultural, social and lifelong learning opportunities. Copyright Hebrew SeniorLife: NewBridge on the Charles.
Issues Facing CCRCs in the Next Five to Eight Years

Dining and wellness will continue to be driving factors in resident satisfaction and the marketing of communities. There remains a growing demand for more dining venues, more options and choices for residents, and the creation of a collegial atmosphere. Many communities are taking a holistic approach to resident wellness. The challenge will be to keep the CCRC model affordable while continuing to look for ways to generate new revenue and attract new residents.

Further consensus was that residents will want a voice in the evolution of their communities and that this desire will only increase among future generations. The CCRC of the future will need to be more flexible in its design and operations to meet the demands of the next consumer in terms of food service, wellness, financial agreements and inclusion of the residents in decision making. There are clear indicators that competition from for-profit providers will only increase over the next five years, including competition for residents as well as quality staff. Workforce development will be critically important, including staffing, training and retention efforts.

The changing resident demographics are already presenting challenges due to the fact that Baby Boomers have assumed responsibility for their parents’ long-term care, and in many cases have unrealistic expectations for what a particular level of care entails.

- “I think specifically it’s going to be access to capital [for the providers]. I think those communities that are successful over the next five to eight years are those that are going to figure out this tricky equation between being able to serve their current resident population—who have had certain experiences and expect certain kinds of things—and that consumer demographic that’s coming down the road and has a completely different set of expectations, not only in terms of how they are going to be served but what amenities look like.”
  – Tom Akins

- “I am seeing more people, and in some cases some younger people, coming into the Independent Living side [who] are saying, ‘I want to get settled on my terms and I am not going to leave this for my kids for when I can’t make the decision for myself.’ So it seems like a little bit more self-determination on the part of the people that are making the decisions.”
  – Ted Goins
CC Young developed outside partnerships and alliances to expand their meaning of community with the Center for Arts and Education.

CC Young: The Point, Dallas, TX. Copyright Chris Cooper.
Issues Facing CCRCs
Ten Years and Beyond

There is great optimism within the industry that Baby Boomers will eventually begin to move in; however, they are a very individualistic generation, which presents an interesting challenge for CCRCs. One person interviewed offered the revelation that this is an industry largely run by men but consumed by mostly female decision makers, and delivered largely through female employees. This is likely to change over time. There is some concern that the Boomers will not be as prepared financially for retirement, especially because they have not experienced the savings growth of earlier generations. There will be increased competition from many others chasing the aging demographic, and CCRCs will need to look for ways to differentiate themselves from other forms of senior care. Many questions remain about how Baby Boomers’ outlooks will change as they age into their 70s, 80s, and 90s.

Given the current revenue demands of state and federal governments, tax exempt status may continually be a challenge for non-profit CCRCs, and the general public is largely unfamiliar with CCRCs unless they know someone who has lived in one. Questions about what will happen to Medicare and Medicaid continue to worry many providers and individuals, although most of the CCRCs interviewed are private pay providers. The biggest question may be, ‘What will help a CCRC stay relevant ten years from now?’ The need for CCRCs to stay current and continually respond to an evolving market can be daunting tasks.

- “So where I [am going to] live, I’m going to want more and more access to the things I need for my healthy living. And I’m not just talking about physical, I’m talking about mental, spiritual, and intellectual [needs]. So if you take all the six, or how many ways you do it … some people use eight levels of wellness, anything we can do as designers of communities of the future with the [six or eight] areas of wellness, I think the better off we are going to be. And then of course there is hospitality. We expect service on our vacations, and we expect it when we are on business travel, and I think we expect it in our CRCC. Or why move? Why not just stay where you are?”
  – David Ratchford
Residents want a complete mind, body and spirit experience for overall wellness. St. John’s On The Lake, Milwaukee, WI. Copyright Chris Barrett.

The dining experience is often one of the top three reasons a consumer chooses a community. CC Young: The Overlook, Dallas, TX. Copyright Chris Cooper.
Managed Care

For most of the providers interviewed, managed care is more of an employer issue than a resident issue. However, for the few providers that serve a lower or more middle income market with more subsidies, this issue will present new challenges as the outlook on healthcare reform gains clarity.

A CCRC today is already a “managed care” environment. According to David Lacy, President and Executive Director at Southminster in Charlotte, NC, “CCRCs are the ultimate integrated care delivery system.” The challenge will be that skilled nursing in a CCRC tends to be small in scale and can be difficult on the community’s financial margins, therefore it takes a “high-end” and financially capable group of residents to support it.

Short-term Medicare rehabilitation has generally been the only service, outside of private pay systems, that a generous number of CCRCs provide for their residents. While rehab is a good service for those residents recovering from surgery or illness, it is not creating a “cash cow” for the CCRC. It’s also worth noting that more than half of the CCRCs in North Carolina are Medicare certified.
Changing Demographics

The consensus among providers was that Baby Boomers are already a vibrant customer base and the primary “buyers” for their parents’ lifestyle as they age. Some senior living leaders felt that providers may need to resist the temptation to overbuild their communities in order to accommodate the huge population surge that Boomers present. Many also felt that this next generation bears misconceptions about what it takes financially to live in a CCRC, and many Boomers lack a clear picture of the means it will take to get there. Many predicted that, within the next ten years, there will be a drop off in potential residents who are financially capable of moving into a CCRC due to economic issues that Boomers have faced in their lifetime.

This subject generated some interesting observations:

- “Earlier generations have been grateful to have a safe and secure place that would meet their changing needs. The Baby Boomers are going to be more demanding, they are going to want what they want, and it may be different than what their neighbor wants.”  
  – Lee Syria

- “How do people’s perspectives and desires change as they age? I don’t see enough data, what I see is the stereotyping of generations, with the assumption that that stereotype follows them all the way through. But will Baby Boomers [today] still think the same way when they are 90?”  
  – Jim Petty

- “So 80 is the new 65. Let’s think like a 65 year-old and design towards a 65 year-old with our programs, services and facilities. That has been our major advice. If you are designing around an 80 year-old, stop it! Start designing around a 65 year-old, especially for Independent Living.”  
  – David Ratchford

- “60 is the new 40.”  
  – Lee Syria

- “There won’t be radical change, but gradual change. Just now we are seeing residents who used a personal computer in their work.”  
  – David Ammons

An overwhelming majority of interviewees agreed that the coming “Age Wave” will change the industry, but predicting the future, trying to decide what to build, and what the CCRC will be ten years from now are all issues that continue to evolve and challenge. This coming growth in the senior population is why our culture is becoming increasingly focused on aging and aging issues.
Financial Models

While there has been a growing trend in looking to alternative financial models, such as creating alternatives to the traditional entry fee for CCRCs, leaders suggested that the growth in for-profit providers is fueling the rental and condominium growth, and in the future there would remain a demand for a “bundled pricing model.”

- “I can’t tell you how long I have been hearing people say that bundled pricing (entry fee and bundled monthly fee) is going away. But I also know our market likes bundled pricing.”
  – David Lacy

David Ammons suggested that residents do not shop for financial models:

- “CCRCs are driven by what they can finance (currently rental and REIT driven) and residents choose based on where they want to live and what they can afford. They don’t shop [for] a financial model.”
  – David Ammons

There are trends in the industry that are becoming more clear, such as affiliations with country clubs for amenities, and more mixed use developments tied into the CCRC. There is a growing feeling that the next generation of residents will want more services and more options, all while avoiding having to move through a traditional continuum of care. This seems to be driving increased interest in home care services, and the delivery of services within the campus itself rather than having to leave one’s home or CCRC for amenities and needed care.

- “Some folks are saying to the providers, ‘I don’t care what you make Assisted Living look like or feel like, or how much like home the environment is … this Independent Living unit that I am in is my home and I want to stay here, you figure out how to serve me here.’ And to the extent folks try to answer that consumer demand, it screws with our business model because we bank on this movement through the continuum.”
  – Tom Akins

- “The market the last five years is driven by what the provider wants to do, it’s easier to do a rental model, easier to sell it, it’s easier to manage financially, and it doesn’t require a large system or a large risk pool.”
  – Jim Petty

Both the provider’s access to capital and seniors staying at home longer before reaching a decision to move seem to be the largest drivers to rental models, mostly by for-profit providers. Lee Syria, who serves a predominantly middle market population, put it appropriately:

- “Some people have a high monthly income but not a lot of assets, so rental makes sense.”
  – Lee Syria

There was consensus that a CCRC’s overall quality can suffer in an “a la carte” environment, where amenities and meals come with individual fees, and residents’ ability to opt out of services can be disruptive. There was also a feeling that beyond the CCRC model, the growth in other models, such as rentals and condominiums, was actually good for the consumer, and certainly offer people more living options that what they had even five to six years ago.
With the convergence of senior living and healthcare, opportunity arises in the short-term rehab and assisted living “hotel” concepts.

Christie Place offers independent living as part of an urban mixed-use development. Christie Place, Scarsdale, NY. Copyright Sarah Mechling/Perkins Eastman.
Delivering Services Outside the Community

Most respondents expressed a desire to create a “porous” community, one in which the greater community is connected to the CCRC and access to amenities for potential residents in adjacent communities is encouraged. However, an expressed concern was: if CCRCs choose to offer more and more services to the outside, then what is stopping many potential consumers from simply staying at home? There is also little doubt that the next generation will by and large prefer to be cared for in their homes rather than move through the continuum, and many of today’s wellness initiatives are aimed at keeping residents healthy within the CCRC’s Independent Living product.

One provider in Columbia, SC, Still Hopes Episcopal Retirement Community, has invested heavily in its home care program and employs more than 140 people who deliver services outside the CCRC. This outreach is supported by current state regulations which differ from its neighbor to the north. Executive Director Danny Sanford sees value in extending the CCRC’s mission beyond its walls, but does not see the program as a “feeder” to his CCRC, nor as a huge moneymaker. Many of North Carolina’s CCRCs were looking at home care as an on-campus service, but were also looking at significant competition in their marketplace from providers already in the home care business.

Many in both Carolinas feel that it is difficult and largely unaffordable to deliver comprehensive senior care services that are available in a CCRC setting to someone’s private home.

- “Serving 700 seniors in their homes versus serving that number in a CCRC setting, the CCRC is way more efficient and affordable at a certain point.”
  – Jim Petty

- “We are taking the position that given the resources that we have, how can we do more, how can we serve more seniors? [Especially when] realizing they may not be living on this campus but they still need services.”
  – Kevin McLeod

The CCRC providers expressed hesitance at becoming the first to offer a new product in a particular market, but that when they eventually do so, they want to be the best at providing it to seniors, whatever that product may be.
Staffing Trends

This topic yielded much discussion on a wide range of situations and staffing levels. Recognizing first of all that CCRCs typically have a wide range of staff, from maintenance personnel and food service staff to caregivers (nurses and aides) and executive staff, including accounting and management personnel, the consensus was that it was generally difficult to get reliable data on turnover rates within a CCRC or the industry in general. Most of the data available is hybrid data from hospitality, healthcare or stand-alone Assisted Living and Skilled Nursing facilities. Issues affecting staffing seemed to reflect generational concerns, with schedules and time commitments being determining factors. One CCRC leader even said that they had a 40-50% turnover rate among their entry level staff.

Evaluating staff, managing their stress, and finding ways to be flexible to their needs have become critical concerns at the management level. There was an emphasis on training and support, and the importance of keeping young people both interested and engaged in the senior living industry, to view it as a fruitful and long-term career path. Some notable quotes from these discussions are as follows:

- “I think our industry and our company is going to have to get much more sophisticated in the selection process, raising the standard of the type of employee that we hire, and that’s going to require paying a little bit more for the characteristics that you need out of that staff. Because everything is going to come back to hospitality, that’s going to be the dominating theme in our industry in the next decade.”
  – Jim Petty

- “The problem is what the younger generations want is more work/life balance and flexibility with their jobs and hours, but when you have people [who] need services and care 365 days a year, that becomes a challenge.”
  – Lee Syria

- “Right now I think we are in for a more difficult time with nursing and it may not be so much cyclical, there is a lot of national data that shows the nursing workforce is aging out and there aren’t nearly the number of replacements coming into the field. Getting them attracted to long-term care and staying actively there with some level of commitment, I think, is a little more challenging right now.”
  – David Lacy

- “Employees don’t leave their company, they leave their manager. So training at all levels of the organization is essential to keep the morale up, keep employees engaged, and keep them wanting to come back.”
  – Kevin McLeod

Creating flexibility for female caregivers in the workplace is necessary, whether that staff represents older or younger mothers having to work a couple jobs, and the traditional three days on/two days off isn’t generally working for that staff. The caregiving staff needs flexibility in scheduling and the ability to manage their own stress levels. Nursing leadership is generally difficult, and there are not typically great systems in place for managing care, leading to a lot of staff “burn out.” Staffing issues and the concerns surrounding them have a direct impact on a community’s ability to stay current and experience future success. Attracting key staff, allowing them to have a flexible schedule (within reason), and keeping them engaged and committed are all keys to that success.
Staffing challenges include the need for more flexibility, increased training and support, and stress management. Copyright Perkins Eastman.
Critical Drivers

The critical driving forces for success, while accounting for all of the communities we spoke with, eventually boiled down to a universal list of issues:

- Expanding and renovating existing communities to stay current and viable as the market changes
- Partnering and collaborating with respective communities, as well as performing community outreach to the potential residents
- Some form of home care, with the option of providing services outside the CCRC but with the emphasis on on-campus care
- Succession planning, internal governance, and potential alignment with like-minded providers, especially as changes in leadership occur at long-standing communities

A multi-facility approach, where each facility maintains its own identity and character, could represent the wave of the future, especially as CCRCs become more integrated into larger service networks. There was also an expressed belief that the current CCRC model is a stable platform overall for senior care and shows little to no signs of becoming unstable in the near future. And while high barriers for entry into new CCRCs in North Carolina do exist and would potentially lead to an aging product, South Carolina shows signs of a growing market, especially as real estate values continue to rebound in the state’s coastal areas.

- “We are doing a study with UNC that has three parts to it. The first part assesses the economic impact of our CCRCs on their [respective] county’s economy and the state economy. Part two is, we are going out 30 years in five-year increments, and we are doing a demographic analysis that says, ‘Here is how our population is going to look, how well they are going to be, where they are going to live, and who is going to be staying here and who is going to be moving to North Carolina in each of those five-year increments.’ And then the third part is to take a look at what our workforce training needs and numbers needs are going to be (over the next 30 years). Then what we are going to do is take all three of those things and we are going to say to government, ‘If you like the economic impact, if you believe the demographic analysis, and if you buy into the workforce analysis, here are the ten things that policy makers can do that will make it more likely that we have success.’ That’s what we are … our members have 14,000 employees, we have a billion dollars in program revenues and at the end of the day, the question for North Carolina government is, ‘Do you want that or not?’”
  – Tom Akins

The potential CCRC resident wants to go where his or her friends and family say they should go, and that means living where their friends are, where they will have family members close by, and where residents will be happy and cared for.
Conclusion

The creation of this paper, from concept to execution, yielded a series of interesting and thought provoking discussions with the leaders of many of the top CCRCs in the Carolinas. While there was much consensus, it also appears that most of the issues impacting our communities in North and South Carolina are not terribly different from those affecting CCRCs around the country. The future of the CCRC industry is a fluid and changing environment, but to some extent it has always been that way. The product has shown an ability to evolve and to meet changing consumer demands throughout its relatively short history. Being involved in designing senior living environments for more than 30 years has shown me that our industry and its providers are innovative and responsive to the residents’ needs and demands. The industry will be challenged with that willingness more than ever by the increasing demands of a growing consumer base and challenges to staffing and economic issues, such as access to capital and the residents’ ability to afford the product. The future of senior living in the Carolinas appears bright, but with hurdles and pitfalls driven by the market, regulations and changing demographics. The Carolinas remain strong destinations for those seeking respite from harsher climates, and with a desire to live close to family, especially since continued economic recovery and business growth has resulted in growing populations within both states.

Interview Group

The interviewees and contributors for this paper comprised a distinguished group of leaders of senior living companies and organizations in the Carolinas. We thank them for their generosity of time and being so forthcoming. Every discussion was open and frank, and provided key insight into not only their operations, but also on the issues and challenges they deal with on a daily basis to keep their communities successful in a rapidly changing marketplace.

In alphabetical order they are:

- **Tom Akins** – President and CEO, Leading Age North Carolina, Chapel Hill, NC
- **David Ammons** – President, Retirement Living Associates, Raleigh/Durham, NC
- **Anthony G. Fountain** – President and CEO, Westminster Towers, Rock Hill, SC
- **Ted Goins** – President, Lutheran Services Carolinas, Charlotte, NC
- **Katie Huffstetler** – Vice President of Operations, Senior Living Communities, Charlotte, NC
- **David Lacy** – CEO, Southminster, Charlotte, NC
- **Kevin A. McLeod** – President and CEO, Carolina Meadows, Chapel Hill, NC
- **Edgar L. Muller** – Executive Director, The Pines at Davidson, Davidson, NC
- **James Petty** – Vice President Mid-South Region, ACTS Retirement Communities (Southeast and Mid-Atlantic regions)
- **David R. Ratchford** – President and CEO, Spectrum, Gastonia, NC
- **Danny Sanford** – Executive Director, Still Hopes Episcopal Retirement Community, West Columbia, SC
- **Lee Syria** – President and CEO, United Church Homes, Newton, NC

*The views expressed by those interviewed for this paper do not necessarily reflect the beliefs, philosophy and design approach of Perkins Eastman Architects DPC.*
For more than 25 years, David Segmiller has committed his career to improving the quality of housing for seniors through his work with developers, non-profit providers, and through his industry leadership and education of senior housing professionals. David has led and personally designed over 35 Continuing Care Retirement Communities (CCRCs) in addition to more than 20 smaller, single care facilities. His projects appear across the United States as well as in China and the UK. David can be reached at D.Segmiller@PerkinsEastman.com or 704.927.6506.