

# Houston-Galveston Area Council

## November 8, 2013

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# Planning for Seniors and Families ....

- The first Baby Boomers are 68 - they will seek IL / AL starting around 82 or 14 years from now.
- The last of the baby boomers will turn 82 in 2046 ... 34 years from now.
  - Guaranteed, increasing demand rates.
- Local, cannot be shipped overseas, increasing demand ... No other field can say that definitely

# State of Senior Living in Houston:

*Senior Housing Supply (as of 3q 2013)*

## Current Product Mix

### Independent Living:

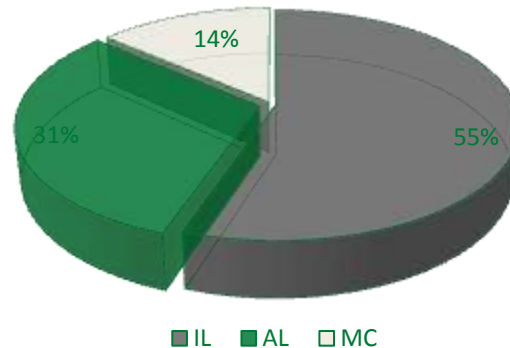
- 7,838 open
- 318 UC

### Assisted Living:

- 4,398 units
- 566 UC

### Memory Care:

- 1,943 units
- 483 UC

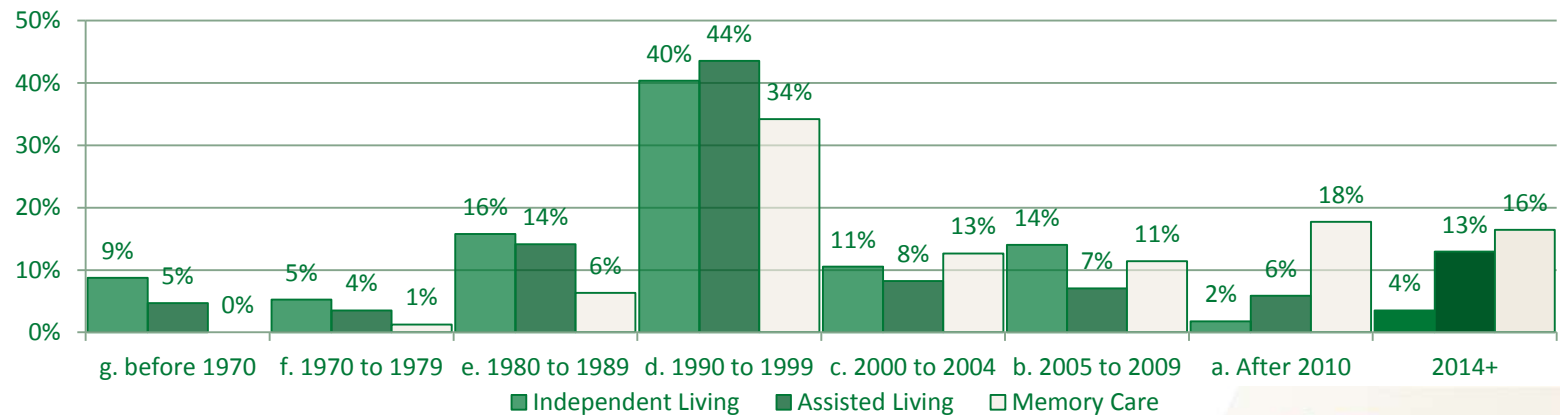


## Under Construction

**Nearly 1,400 units of senior housing under construction will increase;**

- IL capacity by 4%
- AL capacity by 13%
- MC capacity by 16%

## Percent of Senior Housing by Year Built

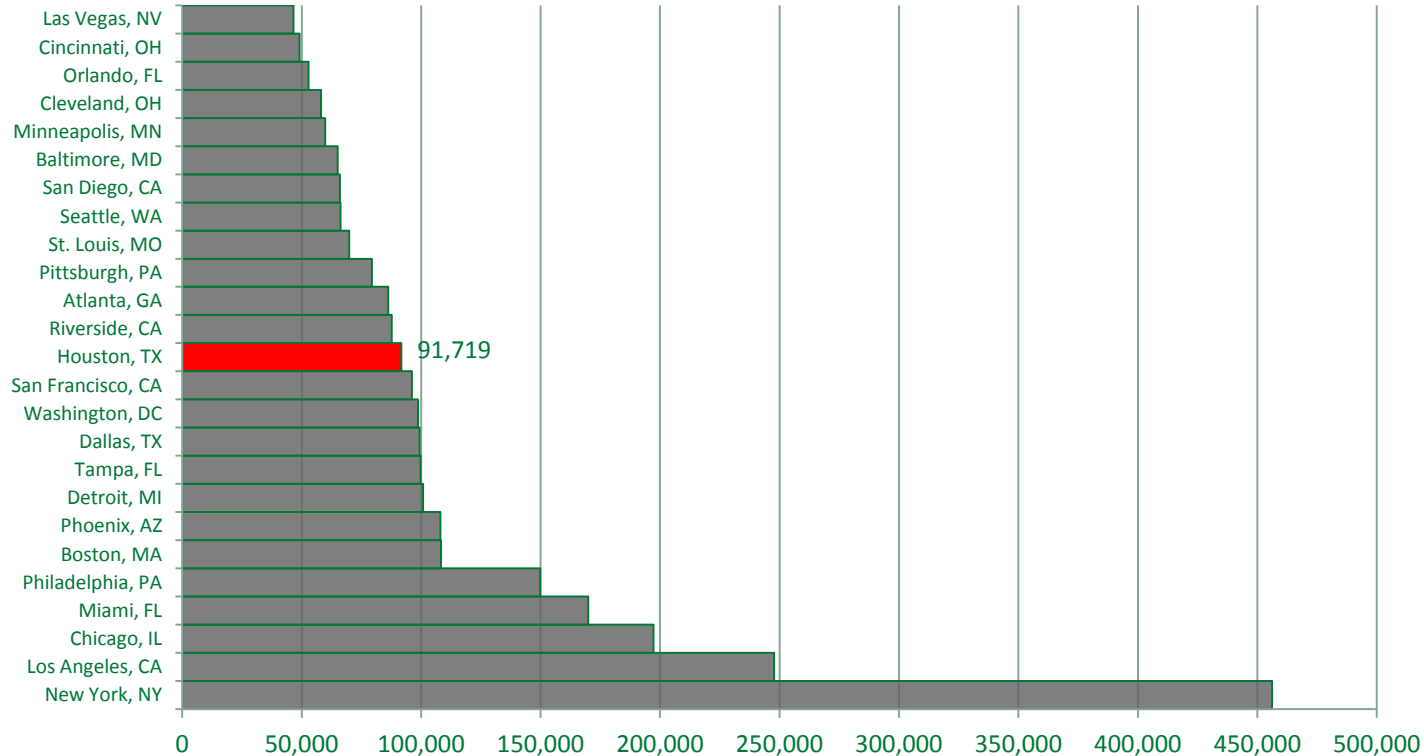


ALL THE PLACES LIFE CAN GO.



# Houston has the 13<sup>th</sup> largest population of seniors age 75+

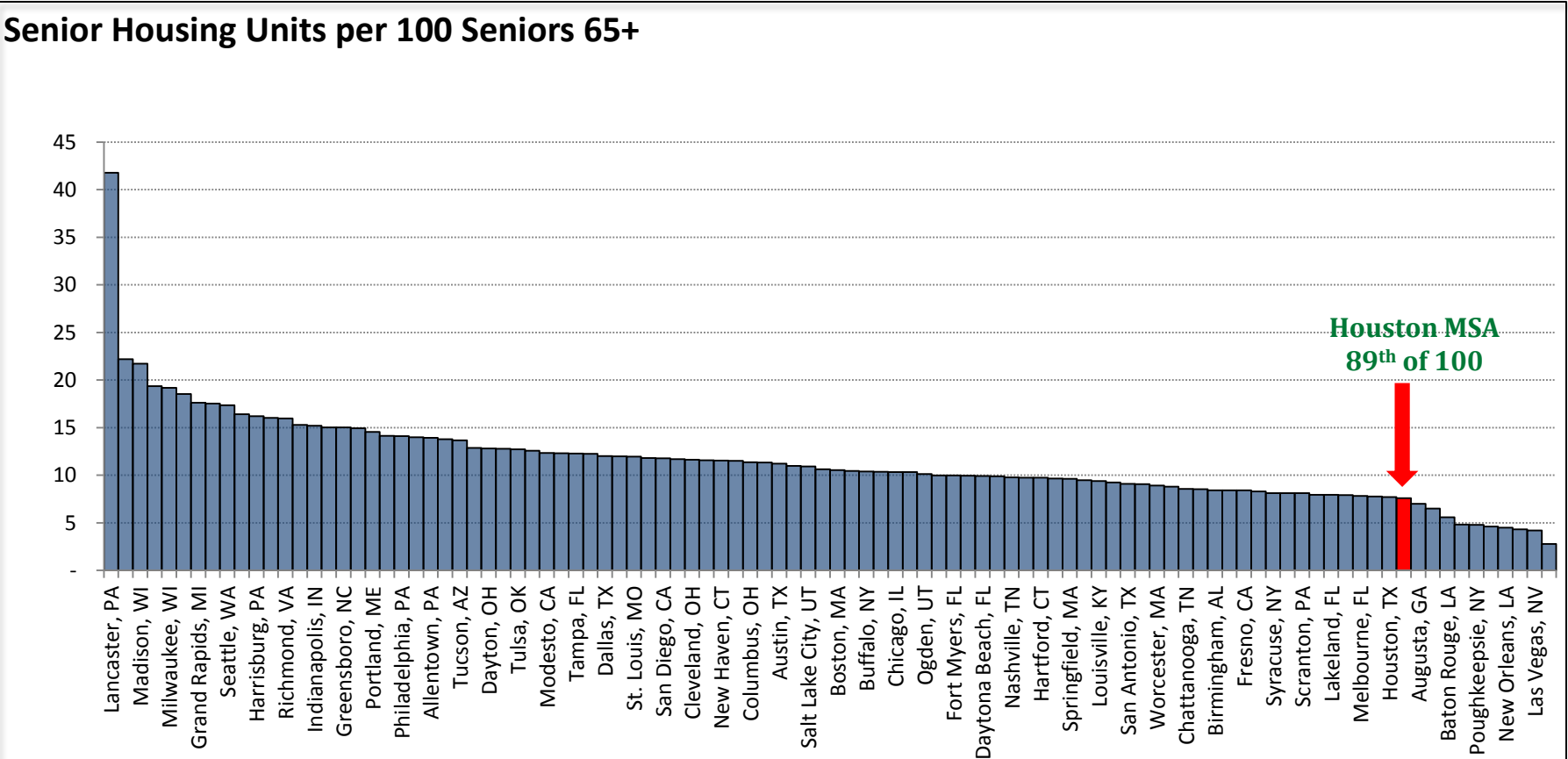
- Projected to grow by 17.5% through 2015 to become the 10<sup>th</sup> largest senior market



# State of Senior Living in Houston:

## Senior Housing per 100 Seniors 65+

In the NIC 100, the Houston MSA has one of the lowest levels of senior housing supply



# Common Decision Triggers

Desire to stay home with support as needed by neighbor or family

Determine that informal support no longer ideal

Change initiated at “age of apprehension” or when implementing previously established Senior Living Plan

Discuss options to pay for desired services - private pay, private insurance, government funded and other funding sources

# Care Recipient Lives at Home

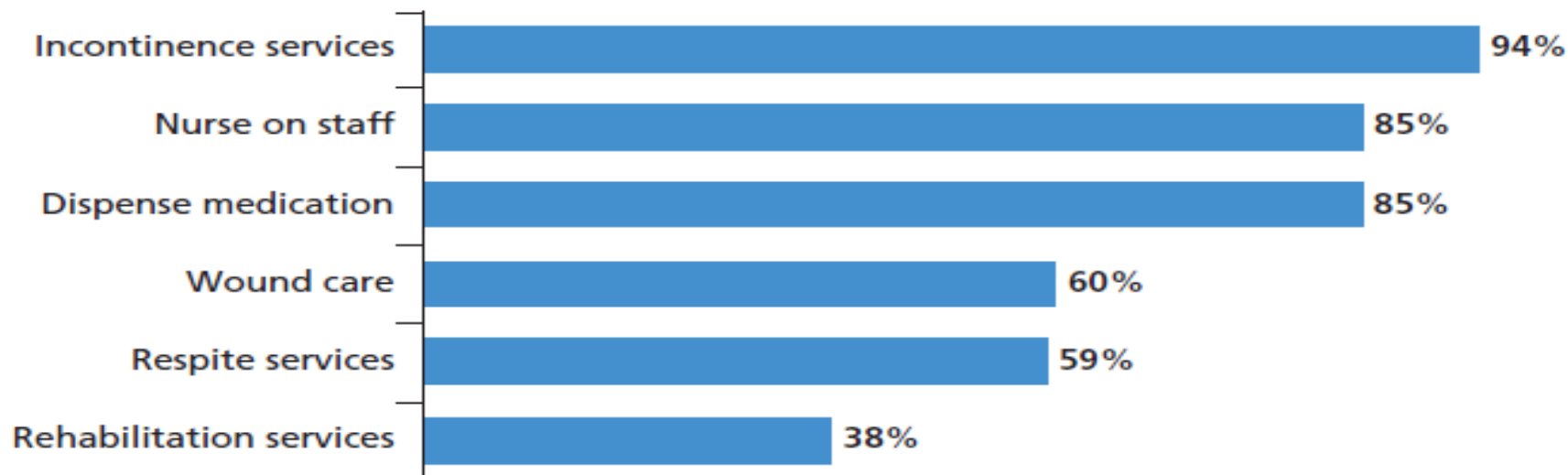
**Home Health:** scheduled services, not intermittent, physician prescribed

- Homemaker: hands-off – cooking, errands, companion
- Home Health Aide: hands-on personal care – bathing, dressing, transferring
- Skilled Services: nurse or therapist, limited duration following hospital stay or spell of illness
- Often covered by Medicare Part B or Private Pay

# Care Recipient Lives with Child

## Adult Day Care

- Usually day-time, Monday to Friday
- Social & support services, one or two meals
- Private Pay
- Common health services:





# Care Recipient at Home

## Hospice – end-of life palliative care

- Comfort care – not seeking cure
- Scheduled, not 24 hours
- Personal care and medications
- Spiritual/emotional needs for patient/family
- Costs covered by Medicare or Medicaid

# Congregate Living and Care Options

```
graph TD; A[Congregate Living and Care Options] --> B[Real estate ownership]; A --> C[Entrance Fee with monthly service fee]; A --> D[Rental with monthly service fee]; A --> E[Following options defined differently by state regulations];
```

Real estate  
ownership

Entrance Fee  
with monthly  
service fee

Rental with  
monthly service  
fee

Following options  
defined  
differently by  
state regulations

# Active Adult Communities

- Fee simple real estate ownership
- Single-family home, townhomes, cluster homes, mobile homes and condominiums
- Age restricted – age 55 or older
- Residents independent – no meal program or supportive care
- Home owners association – shared amenities and limited group activities

# Senior Apartments

- Rental apartments
- Age restricted – age 55 or older
- No congregate dining options
- Community rooms
- Limited social activities
- Some a-la-carte services by third parties

# Retirement Communities

- Rental apartments
- Age-restricted – usually age 62 and over
- Monthly fee often includes two meals, housekeeping, linen service, maintenance, transportation, emergency response, resident programs
- Independent Living predominates on campus – may pay a-la-carte for scheduled and limited personal care
- Campus often also offers licensed Assisted Living and/or Memory Care, but not Skilled Nursing

# Assisted Living Residences

- State licensed rental apartments
- Three meals per day
- Support with Activities of Daily Living (ADL) – medications, bathing, dressing, toileting, grooming, ambulating and eating
- Not bed-bound, no persistent wounds, no two-person transfers

# Memory Care Residences

- State Assisted Living license
- Secured rental apartments
- Serves those with Alzheimer's and other dementia illnesses
- Special design and program elements
- Special training for associates

## Cost Reducing Option - Companion Living

- Two residents share a suite
- Common in Assisted Living, Memory Care and Skilled Nursing
- Saves money – extends life of savings
- Builds friendship with matched roommate



# Nursing Homes

- In-patient licensed nursing and rehabilitation services per physician orders
- Funding primarily from Medicaid (low assets, low income), Medicare (short-term recovery), long-term care insurance and private pay
- Referred to as “Skilled Nursing Facility”
- Across U.S. - 92% are free-standing; 8% on Continuing Care campus

# Continuing Care Retirement Communities (CCRCs)

- Rental apartments – most age 62+
- Campus offers Independent Living (IL), Assisted Living, Memory Care and Skilled Nursing. Peace of mind for future
- IL apartments predominate on campus
- Most new campus move-ins are IL initially
- Transfer on campus as care needs increase

# Service and Care Fees

- Substantial ranges – vary by geography, scope and quality of service offering
- Essential to be an informed shopper
- Historic annual rate increases 2% – 5%

# 2012 Senior Living & Care Costs

Senior Living & Care Options						
National Private Pay Averages	Service Intensity	Hourly	Daily	Monthly	Yearly	
<b>At Home</b>						
Adult Day Care	5 days per week	\$ 8.75	\$ 70	\$ 1,517	\$ 18,200	
Home Health - Homemaker	4 Hrs/day, 5 days/wk	\$ 20.00	\$ 80	\$ 1,733	\$ 20,800	
Home Health - Aide	4 Hrs/day, 5 days/wk	\$ 21.00	\$ 84	\$ 1,820	\$ 21,840	
Private unlicensed Caregiver	24 hrs/day	\$ 12.00	\$ 288	\$ 8,760	\$ 105,120	
<b>Congregate Setting</b>						
Independent Living - Entry Fee	24 hrs/day	\$ 3.49	\$ 84	\$ 2,550	\$ 30,600	
Independent Living - Rental	24 hrs/day	\$ 4.11	\$ 99	\$ 3,000	\$ 36,000	
Assisted Living w/ Care Semi-Priv	24 hrs/day	\$ 4.79	\$ 115	\$ 3,500	\$ 42,000	
Assisted Living w/ Care Private	24 hrs/day	\$ 5.28	\$ 127	\$ 3,850	\$ 46,200	
Memory Care w/ Care Semi-Priv	24 hrs/day	\$ 6.03	\$ 145	\$ 4,400	\$ 52,800	
Memory Care w/ Care Private	24 hrs/day	\$ 6.59	\$ 158	\$ 4,807	\$ 57,684	
Nursing Home - Semi-Priv Room	24 hrs/day	\$ 9.25	\$ 222	\$ 6,753	\$ 81,030	
Nursing Home - Private Room	24 hrs/day	\$ 10.33	\$ 248	\$ 7,543	\$ 90,520	

Sources: MetLife 2012 Market Survey of Long Term Care Costs, GenWorth 2012 LTC Survey, National Investment Center, Assisted Living Federation of America

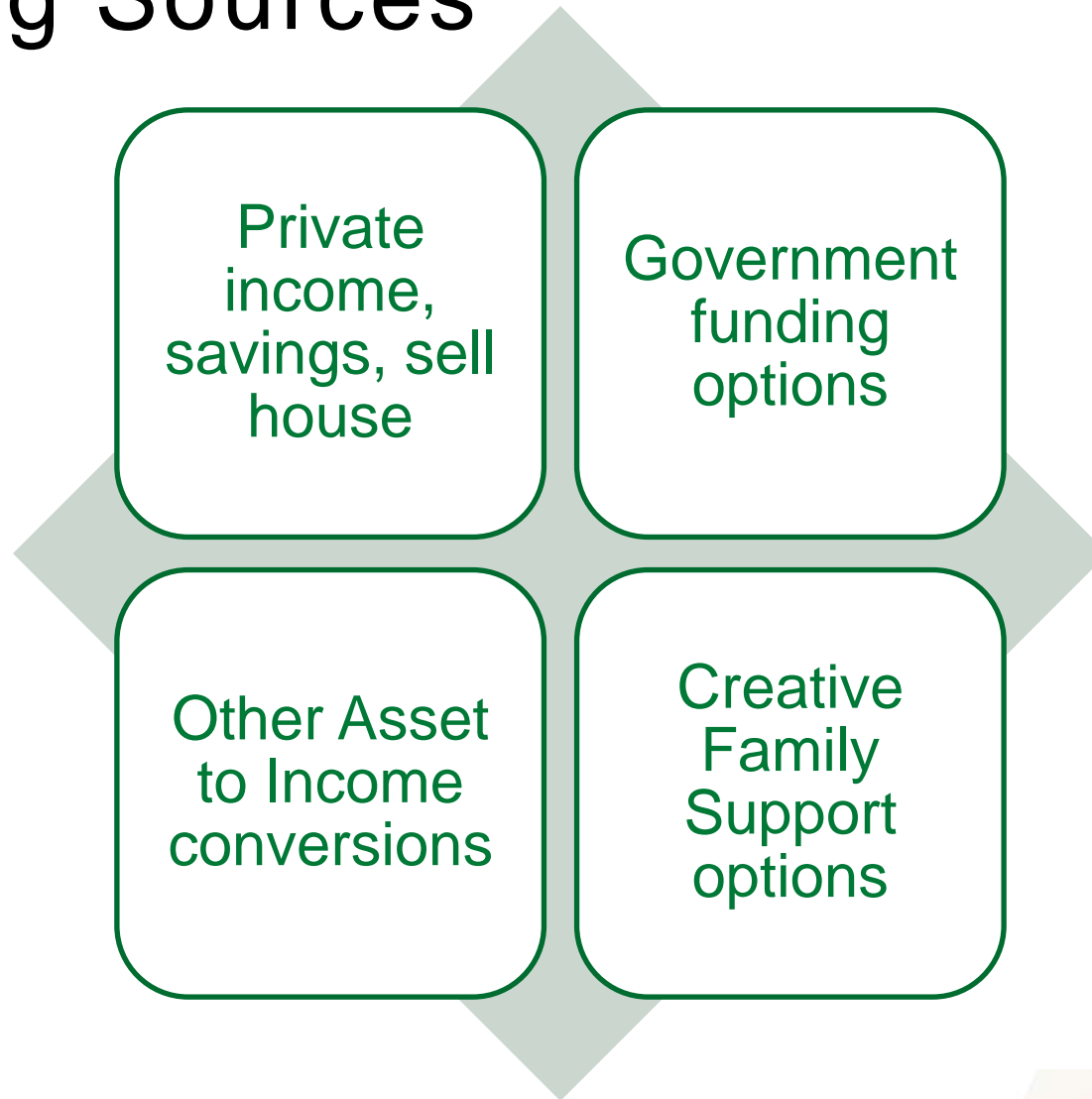
# Houston Area Specific Pricing by Product ...

Product	Unit Style	Avg Market Rate	Avg Net Care
IL	Studio	\$2,053	
	One Bedroom	\$2,008	
	Two Bedroom	\$3,110	
<b>IL Total</b>		<b>\$2,220</b>	
AL	Studio	\$3,453	\$795
	Alcove	\$3,736	\$789
	One Bedroom	\$4,646	\$793
	Two Bedroom	\$5,103	\$817
<b>AL Total</b>		<b>\$3,819</b>	<b>\$796</b>
MC	Shared	\$4,880	
	Studio	\$5,723	
	One Bedroom	\$8,927	
	Two Bedroom	\$9,112	
<b>MC Total</b>		<b>\$5,942</b>	
SN	Studio	\$8,031	
<b>SN Total</b>		<b>\$8,031</b>	

# Assisted Living Care Fees

- About ½ of Memory Care communities bundle care fees in monthly service fee
- Others vary care fees according to need – some a-la-carte, some with tiers or levels
- A-la-carte examples – meds \$400, dressing \$250, bathing \$185
- Levels \$450, \$950 or \$1,200 plus medication levels of \$350 or \$700

# Funding Sources



# Government Funding Support

- **Social Security**
  - Average benefits – \$1,261 per month
  - Maximum benefits - \$2,500 per month
- **Veterans Aid and Attendance Pension**
  - Veteran served at least 1 day during wartime
  - Homebound, limited means, needs care
  - Benefit of nearly \$2,000 per month
  - Apply early, be patient



# Medicare

- Federally funded benefit – aged 65+
- No income or asset means tests
- Medicare A – hospital, hospice, skilled nursing – 100% day 1-20, 80% day 21-100 after 3-midnight stay in hospital
- Medicare B – outpatient therapy, durable medical equipment, home health care
- Medicare C – Medicare Advantage insurance plans – optional benefits
- Medicare D – Drug reimbursement

# Medicaid

- Federal and State Funding covers approximately 20% of US population
- Variable state eligibility – roughly \$2,000 asset limit with low income
- 60% of nursing home residents are funded through Medicaid
- More than half of US states have some Medicaid funding for Assisted Living and Memory Care communities

# Conversion of Assets to Income

- **Life Insurance Settlements**
  - Sell policy to 3rd party for partial cash value
  - Policy buyer pays premiums & collects at death
  - Better than letting policy lapse when payment of premiums stops in money crunch
- **Reverse Mortgage**
  - Loan against Home Equity creates income stream
  - Relatively high transaction & admin costs

# Bridge Loans

- Senior Living Line of Credit – help pay for senior living until home sells, other asset can be liquidated, or Veterans Pension is received
- Elder Life Financial well equipped with a variety of Financial Concierge services to simplify your transition into a Senior Living community

# Long-Term Care Insurance

- Find the policy
- Call your agent
- Learn again what benefits are included
- 10% of American Seniors have an in-force policy
- Often covers in-home care, adult day care, assisted living and skilled nursing care

# Financial Help from the Kids

Medical technology – longer life – 52% of older Americans don't have enough money to meet their needs

IRS Limits allow annual gifts up to \$14,000 in 2013

Direct bill payment for medical care including portions of Assisted Living and nursing care – don't count toward IRS gift limitation

Interfamily Loan

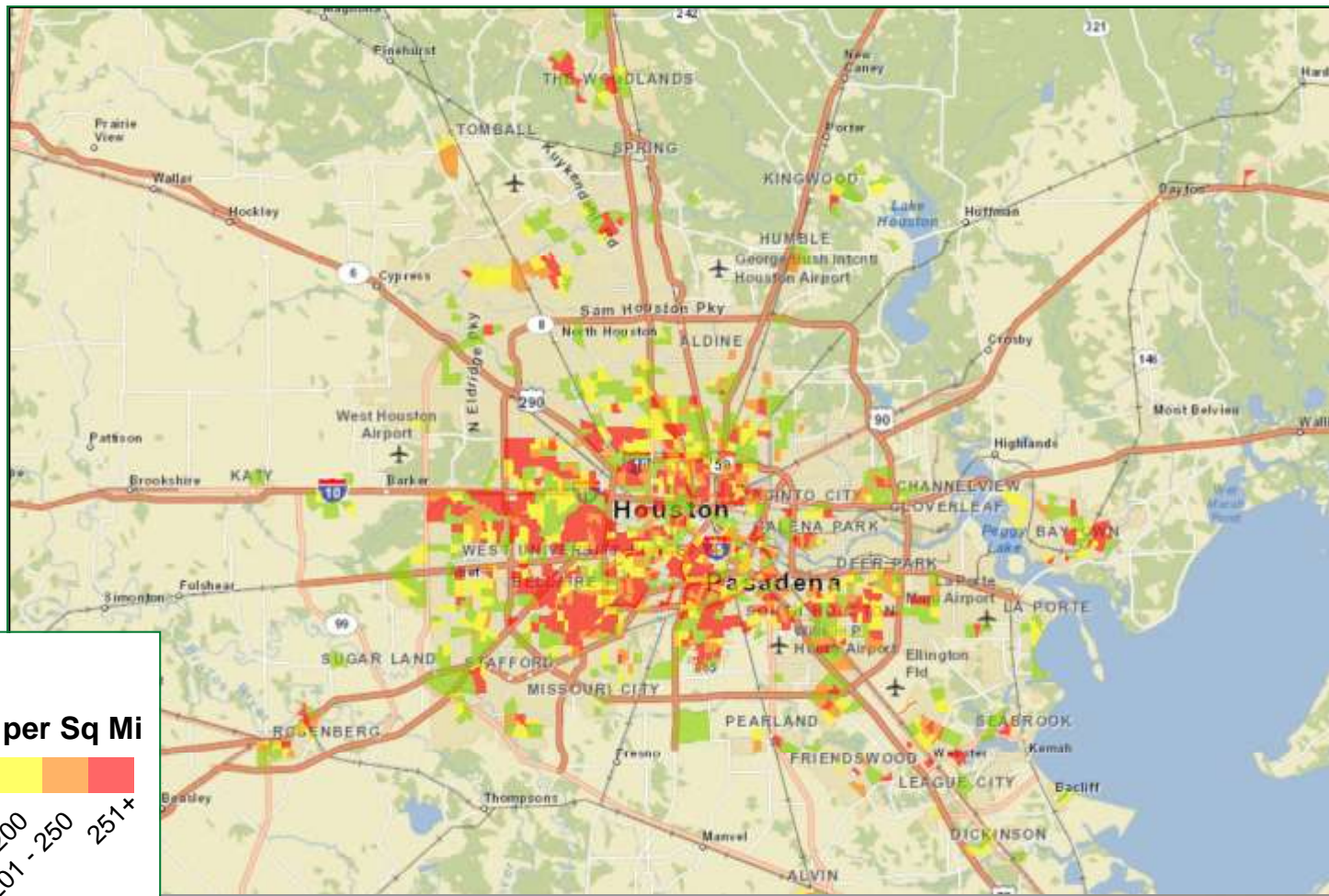
Upward Trust – parents as named beneficiary & don't tap the core asset

# What Brookdale Looks for ...

- Dynamically growing areas
- Or, established relatively wealthy areas
- Average total development cost would range from \$180-\$200k per unit.

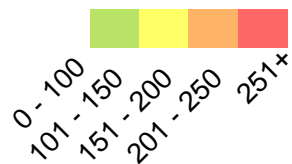
# State of Senior Living in Houston:

## *Density of Seniors 65+*



### Legend

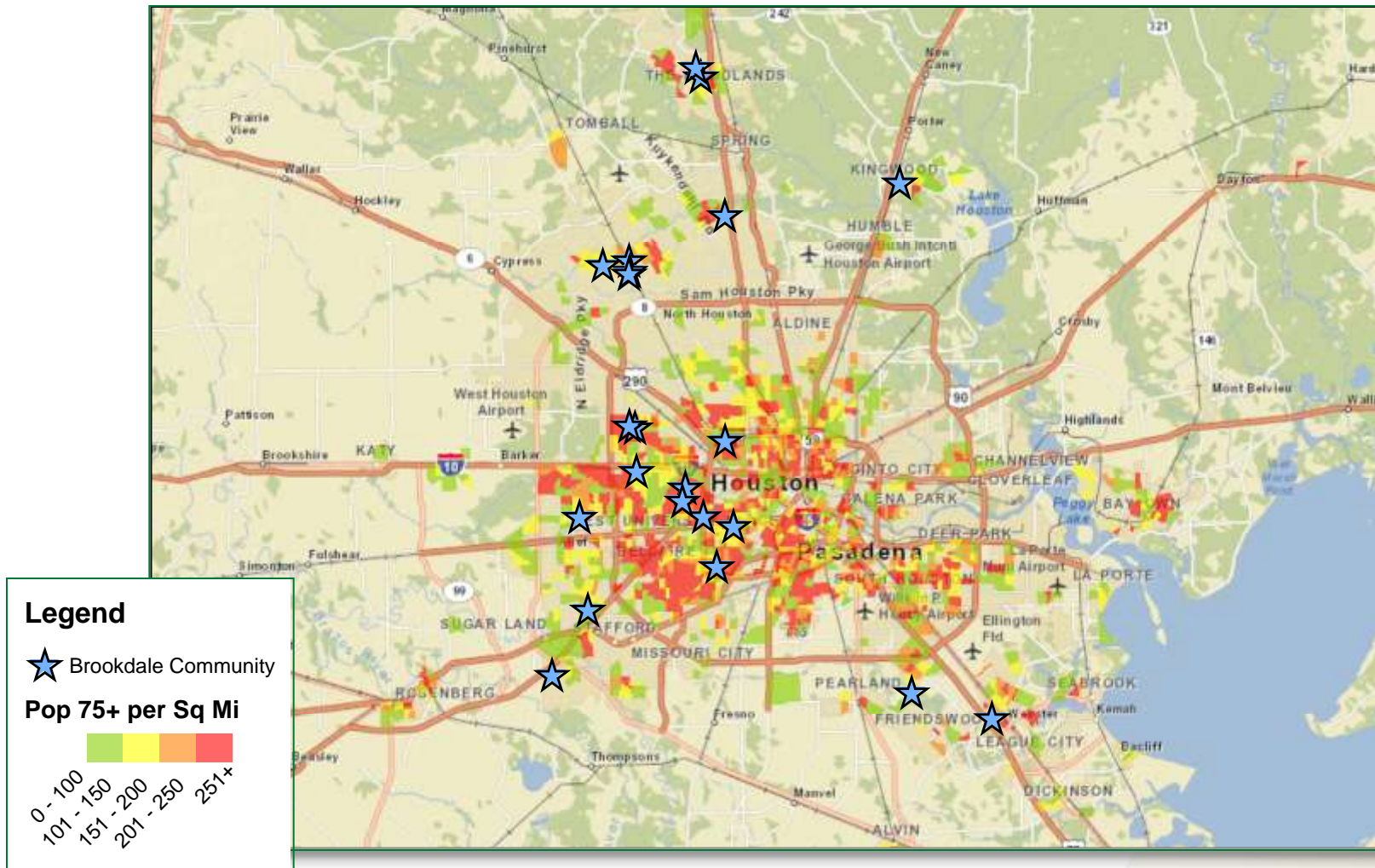
Pop 75+ per Sq Mi





# State of Senior Living in Houston:

## *Brookdale Market Coverage*



# State of Senior Living in Houston:

## Top Five Providers by Product Type

Brookdale is the leading provider of Independent Living and Assisted Living in Houston, as well as the 2<sup>nd</sup> largest provider of Memory Care.

### Independent Living

	Owner	IL Mkt Share	IL Units	IL Under Construction
	Total	100.0%	7,838	318
1	<b>Brookdale Senior Living</b>	<b>34.2%</b>	<b>2,678</b>	
2	Retirement Center Management Inc	7.6%	597	
3	Erickson Living	5.9%	462	
4	Five Star Senior Living	5.5%	435	
5	Leisure Care, Inc	5.5%	428	

### Assisted Living

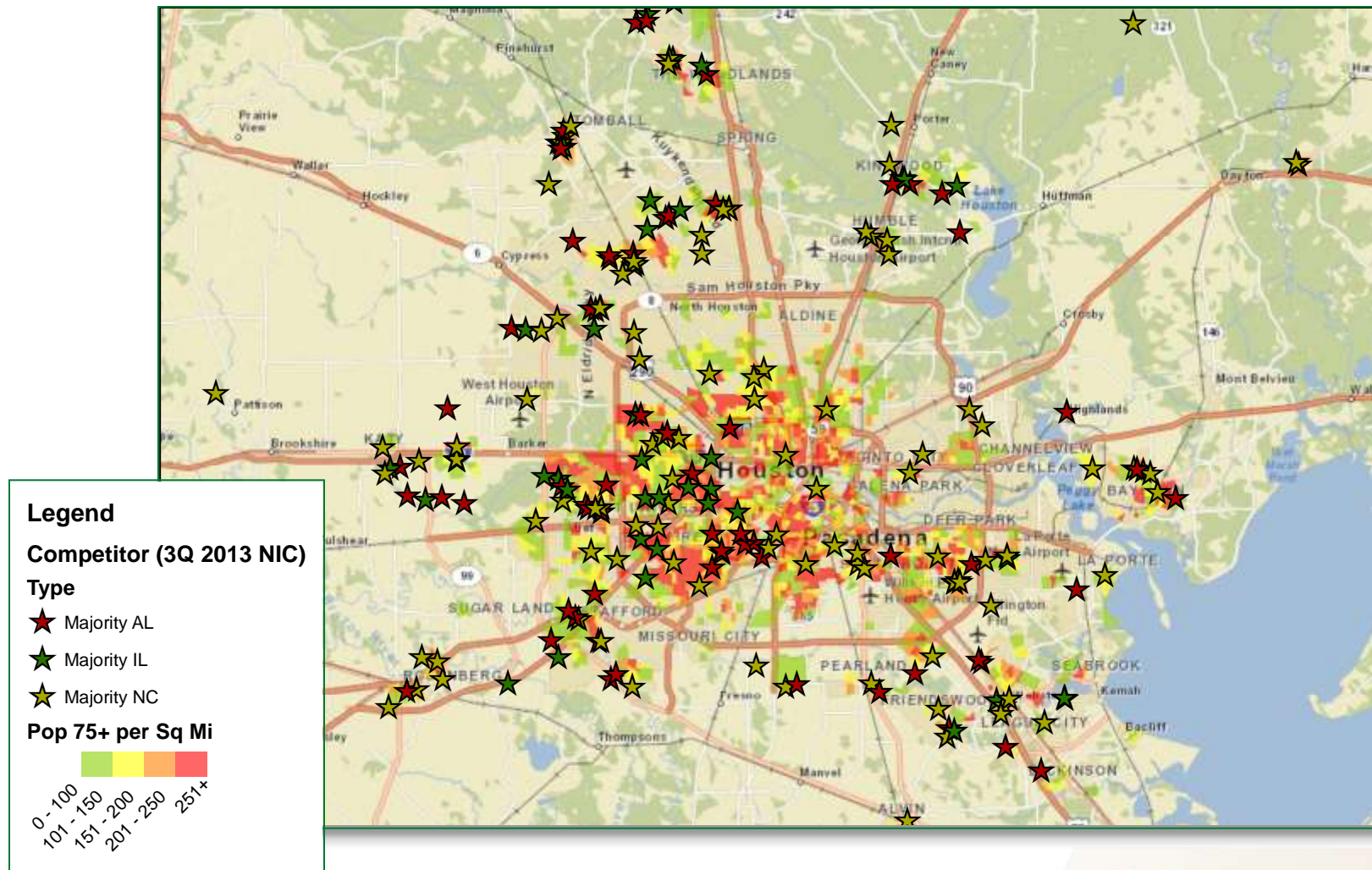
	Owner	AL Mkt Share	AL Units	AL Under Construction
	Total AL	100.0%	4,398	566
1	<b>Brookdale Senior Living</b>	<b>22.6%</b>	<b>996</b>	
2	Elmcroft Senior Living	10.6%	467	
3	Emeritus Senior Living	9.1%	399	45
4	Diversified Health Senior Living Services	6.5%	287	
5	Five Star Senior Living	6.1%	267	

### Memory Care

	Owner	MC Mkt Share	MC Units	MC Under Construction
	Total MC	100.0%	1,943	483
1	Constant Care Corporation	18.9%	368	
2	<b>Brookdale Senior Living</b>	<b>15.5%</b>	<b>301</b>	
3	Diversified Health Senior Living Services	9.4%	183	
4	Emeritus Senior Living	8.0%	155	43
5	Silverado Senior Living	7.4%	144	

# State of Senior Living in Houston:

## *Density of Seniors 65+ with Current Senior Housing Supply*





# Planning ....

- 32 – 35 years of guaranteed, increasing demand rates.
- Local, cannot be shipped overseas
- How are you going to serve this population?

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