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Senior Living Trends, This Year and Beyond

The Top Three Ways Tax Reform Will Impact Your Next Financing

By Aaron Rulnick, Managing Principal and Kerry Moynihan, Director of Organizational Development, HJ Sims

It's officially 2018 and change is in the air. Iceland has enacted the world's first equal pay law, Oregonians are now allowed to occasionally pump their own gas, and this little thing called the Tax Cuts and Jobs Act is in effect. First initiated by the House on November 2, and culminating with the President enacting it into law on December 22, the Tax Cuts and Jobs Act is the first major tax overhaul since the 1986 Tax Reform Act.

Beyond the ways the Act will impact each of us personally, the changes to the rules have far-reaching implications for not-for-profit Senior Living communities and how they access the capital markets. While the first version issued by the U. S. House of Representatives blindsided the municipal market with the suggested elimination of Private Activity Bonds, which would have eliminated the tax-exempt financing benefit for all 501c3 organizations, this key financing vehicle was ultimately maintained. Unfortunately, advance refunding and tax credit bonds weren't so lucky.

While the year is still young and the market is still responding to a "new normal," here are three immediate ways we at HJ Sims are experiencing the implications of these new rules and what you, as key decision makers for your communities, need to know:

1.) Advance refundings are now a thing of the past.

The logic behind eliminating this allowance is understandable from a federal revenue standpoint: When two sets of tax-exempt bonds are outstanding during an escrow period, the federal government is, in effect, doubling its tax subsidy.

So, how should you expect your finance professionals to address this elimination as they guide you through your next financing process? First, expect shorter call periods, which will give your community the option to refund its bonds sooner than the previous standard of 7-10 years. Several financings underwritten and closed by HJ Sims in December 2017 include 5-year premium call options. Fellow underwriters also successfully implemented shorter call options, signaling that the market has already embraced this shift.

A number of other market changes are being contemplated or implemented in reaction to the elimination of the advance refunding provision. At this time, it's difficult to know which changes will prevail and gain market acceptance. These other initiatives include: make-whole calls prior to par call, synthetic advance refundings, taxable "sandwich" structures, and "Cinderella" structures. Indeed, many of these structures and/or provisions are already utilized in other industries or financial products.

2.) With the decrease in the corporate tax rate, bank debt isn't as cheap as it once was.

When Bank Qualified Bond issuance began to taper off in 2011, commercial banks continued to directly purchase tax-exempt municipal bonds on a non-bank qualified basis and effectively pass their tax savings to the borrower by applying a "tax equivalent factor" to the taxable interest rate it charges. In recent years, this tax equivalent factor has generally translated to a 30% discount in the taxable interest rate, although it differs by a bank's effective tax rate.

With the corporate tax rate now a flat 21%, this discount will also drop—not only impacting future borrowings for 501(c)(3) organizations, but potentially impacting outstanding bank deals depending on how existing documentation was written to contemplate changes in the corporate tax rate. It's critical that executives of communities with outstanding direct purchase bank bonds work with their finance and legal professionals to review their bond documents and understand the available options if their interest rate has increased.

Going forward, bank debt will remain attractive for shorter term capital needs with more flexible repayment mechanisms, but its use as a longer term capital solution will need to be more judiciously assessed in comparison to other financing options.

3.) The potential value of tax-exempt bonds for investors has changed.

Tax cuts across personal income tax brackets mean lower effective federal income tax rates for most Americans. Investing in tax-exempt bonds is a key tax-reduction strategy for many Americans and the changes (not only in tax rates, but standardized deductions), could mean a general devaluation of tax-exempt bonds. For the first two weeks of 2018, inflows have continued into high-yield municipal funds.

Conversely, investors from high tax states (CA, NY, NJ, etc.) are now faced with a $10,000 limitation on the amount of State and Local Taxes (SALT) they can claim as a deduction, effectively increasing their overall tax burden. Traditionally termed "specialty states", given that their bonds tend to carry lower yields than other states, residents from these states will need to adopt further tax reduction strategies and may increase their investment in tax-exempt bonds, thereby making these specialty states that much more special.

In the weeks and months ahead, HJ Sims will continue to monitor and test market response to these new laws and update the industry of new developments as they unfold.

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The Future is Here – And What We Need For Our Communities To Win

By Dr. Jacquelyn Kung, CEO of Activated Insights

Our Competitor Is Fueling Up... 2018 is the Year

Staying at home has long been our industry's main competitor. The average age of our residents has jumped up, thanks largely to the blossoming of non medical home care agencies which enable safe aging in place...at home.

Well, in case you missed the news: 2018 is the year of transformation in our industry.

What we mean is this: a huge enabler of aging at home is driving and this year it's getting easier. Many industry experts have cited self-driving cars as a bigger threat to the senior housing industry than most other innovations.

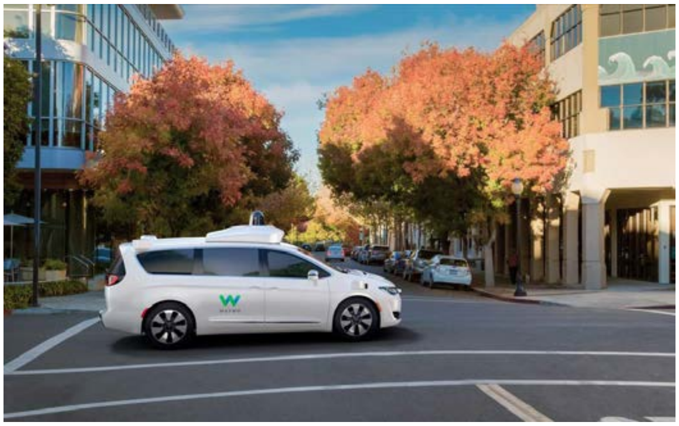
And, guess what? The future of aging-at-home is here. It's first arriving in Phoenix. Since it's funded by Google, this future will spread FAST.

What Is Happening

Since early last year, Google's Waymo division has been quietly testing its car technology in Chandler, a suburb outside Phoenix. Many residents haven't even noticed: these cars have had drivers behind the wheel so they "look" normal, and they are no longer the cute smiling Google pods but rather are regular Chrysler minivans with a boogie-board looking thing on top.

Google's Waymo driverless car takes to the streets.

This year, Google is yanking the drivers from those cars. And before the holidays, Google announced their funding of Trov, a car insurance backed by Munich reinsurance, to cover passengers in all Waymo autonomously-driving cars. Yes, all of this is done with the support of government: Arizona's Department of Transportation is practically gushing in praise in their press release.



Google's Waymo driverless car takes to the streets.

What's more: seniors, disabled adults, and busy families will be among the first to benefit. You might recall that the first passenger in Google's driverless car was a blind man who took it to get a meal at a fast food drive through window. In a photo of one of the dozens of Phoenix area early rider families, you see two busy parents Ted and Candace with four kids. You can just imagine one of those kids replaced by Ted's elderly parent.

In short, the future is here for us all. Living in San Francisco, I see it on highways during commute hours: people reading their iPads while at the wheel because their Audis, Teslas, and other technology-aided cars are allowed to drive autonomously to stay within the lanes. Uber's rival Lyft, whose recent funding is from Google, will send a text to me as a rider to okay if my ride is in a driverless car. My friends in Boston have already gotten these texts.

What Our Communities Need to Do To Win – Measure, Improve, and Engage Our Workforce To Win In Times of Change

The defensive answer is to add move-in incentives or to add technology. But ironically, that is short-term thinking. I'd argue that virtual reality and iPads/Alexas are not going to cut it.

Rather, to win in the long term, we need to solve our core issues. One of the biggest and most transformative is around workforce. Here, there are three issues we need to address:

1.) We are not an industry of choice — instead, our organizations need to be competitive to the Disneys, Googles, and Wegmans of the world.

2.) We have a turnover and retention issue — to avert crisis, we need strategies to optimize, retain, and grow our workforce.

3.) We rest on our laurels of how-things-are — with the changes underway, we need to empower our workforce through great cultures.

If we look at other industries that have transformed through systemic changes like the ones we are facing, we can learn from the companies that have won in the face of change. Interestingly, the research shows a common tie: they focus on creating great places to work. From there, trust in management leads to engaged employees, who delight customers and these great-culture companies outperform.

There exist two decades of research that this is the order in which things happen.

It sounds like a big strategy, but it is very do-able. And our industry – and each of our organizations – need to act.

Here is what each of our organizations needs to do – it's starting with the basics and building great culture:
Step 1. Measure ourselves against each other AND also the best employers in the U.S. – to transform into an employer of choice

Let's benchmark our organizations against our industry like we normally do, but more importantly, let's also benchmark to ALL organizations that we compete against for talent. For instance, this means hotels, restaurants, hospitals, and others – for talent in housekeeping, dining, and nursing. Let's become the best overall. This is the gold standard measure that you can use to compare your employee engagement apples to apples against ourselves in this industry as well as others across industries.

Great Place to Work Institute tracks the employee engagement of the Fortune 100 Best Companies to Work For. For thirty years across big and small companies, only one senior housing company has been on the list. It's not because our industry can't be great employers. I think it's more because of a lack of knowledge of what to do mixed with a dollop of complacency.

Here is the key and what to do: this data is readily available, so work with Great Place to Work Institute. It is straightforward: for $995 and within 4-8 weeks, you can get your employees' Trust Index score. Plus with this score, you can get, or work towards, Certification as a Great Place to Work.

Step 2. Improve using data and best practices – to lower our turnover

It's no coincidence that the Best Workplaces have, on average, 50% LOWER turnover than industry averages as reported by the U.S. Bureau of Labor Statistics. Key to lowering turnover is knowing where our gaps are and what to do to improve.

None of this is rocket science, but it takes leadership and hard work. Get help if you need it. Across the U.S., you see many employers struggle with their hourly workforce in a myriad of ways. What you do not hear of is how many of them are working with Great Place to Work Institute. It's because organizations engaged with Great Place to Work Institute are held in confidence – until they win a public award and are recognized in FORTUNE or PEOPLE.

Here is the key: there is a massive library of best practices gathered from over three decades of work that you can use. Many case studies exist of BAD or NEUTRAL workplaces transforming to be GOOD or GREAT. It does take leadership and hard work – but a roadmap exists that we can build on.

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Step 3. Engage our workforce – to nurture a culture that is not afraid to innovate and transform to win against changes

This one is pretty self explanatory. Except, most people start here and talk about employee engagement. The key is that you need to measure it in order to improve it. And that organizations are not alone: three decades of research and roll-up-the-sleeves work has existed to build on. Major brands across the U.S. and the world are engaged with Great Place to Work Institute. You can benefit too.

None of this happens overnight, but in the past, organizations of 1,000 employees or more have achieved steps 1-3 in as little as eighteen months with a dedicated team of great leaders and some roll-up-the-sleeves hard work. Smaller organizations can transform even faster.

Conclusion: The Next Three Years And Why Act Now

Lest you think 2018 is the only year of fast change, let's preview the next few years and the implications on our industry. It will be fast and furious from here. Here is a drive-through of the next few years (pun intended):

2018 – As mentioned at the start of this article, this is the year self driving cars hit public roads. Senior care will be transformed.

2019 – The little thing called healthcare reform shifts in 2019, when the first MACRA payment adjustments will hit over 700,000 doctors/nurses. Oh boy will we feel their referral changes.

2020 – Artificial intelligence (like Siri, self-driving cars, predictive services) will be more error proof and mainstream. Seniors are already using it.

2021 – Since some folks do not count 2018 in a 3-year view, let's look at 2021 too – it's when the first Baby Boomer turns age 75. Their no-way-in-hell-do-I-retire-like-my-parents attitude will permeate our industry.

As you can see, changes are coming and only speeding up. The time to act in strengthening our core is now. That way, we can win in this changing future.

In conclusion, the first step to ensure long term success in times of change is to work on strengthening our core: let's fix our workforce challenges. And then we watch innovation blossom and the fun of winning in aging begin. What a great goal to start off the new year – happy new year!

Dr. Jacquelyn Kung is the CEO of Activated Insights, which is identifying and tackling the biggest challenges in senior services. With over two decades of experience in senior living and care, Dr. Kung has been a longtime author, speaker, and innovator in our industry. Previously, she was an operator of one of the largest CCRCs in the U.S., served Fortune 500 companies as the U.S. aging expert at McKinsey & Co, and started a technology which now serves over 1M seniors and caregivers. Her book was featured on the Today Show. She lives in San Francisco with her husband and daughter.

2018 Predictions from Continuing Care Actuaries

By Brad Paulis, A.S.A., F.C.A., M.A.A.A., Partner at Continuing Care Actuaries

1.) Increased Demand

The number of seniors leaving their homes and moving into Senior Housing will continue to increase as the demographics are just starting to overwhelm the industry. The oldest baby boomers are now in their early 70's and starting to consider senior housing. Are you prepared for the increased demand and can you capture it?

2.) Expansion of the @Home Concept

With the number of seniors dramatically increasing, services for those who desire to stay in their home will also need to increase. There is a significant increase in the number of communities exploring at Home Programs. Expect exponential growth in this market segment.

3.) Increased Competition

The for-profit segment understands this demographic change. Expect increased competition on the rental side as for-profits see an opportunity. Additionally, expect more for-profits to enter the entry-fee model retirement community.

4.) Increased Use of Technology

Technology, both within communities and in homes will enable individuals to stay in independent settings longer. Healthcare utilization long-term will permanently decline over time, and acuity levels of your independent living will likely increase.

5.) Pricing Pressures

The increased pressure from for-profits and increased utilization of technology in homes will be the primary challenge in the ability of not-for profits to capture the increased demand. Maintaining competitive fees and implementing operational changes with the use of technology may be necessary and ultimately result in increased occupancy.

BB&T Capital Markets' Predictions for 2018

By Roger E. Randall, II, Senior Vice President of BB&T Capital Markets

For-profit providers will continue developing rental communities – market fundamentals support it.

Non-profit organizations have long been the dominant provider of senior care in Life Plan Communities. Because of the Lifecare pricing model (large one-time entrance fee plus an ongoing monthly service fee), they are only affordable to (roughly) the top 25% of local residents who have both the assets and income to afford entry. The other 75% of the senior population has to look elsewhere for the care they need.

Rental communities offer an alternative, particularly for people with few net assets (life-long renters, as we will see). For-profit organizations (whether family-owned or publicly held) tend to avoid the full continuum, providing care in stand-alone communities offering one level of care or possibly Independent and Assisted Living on one campus, through a rental-pricing model.

According to a report by The Joint Center for Housing Studies of Harvard University, entitled "Projections & Implications for Housing a Growing Population: Older Households 2015-2035," as the population of this country continues to age, we will see the highest growth occur in the low income and middle market income levels. People tend to vote with their checkbooks so we will continue to see for-profit rental communities enter markets traditionally served by non-profit senior living providers.

Consider the Demand-side of the business:

- 9 million homeowners age 65 and older have less than $50,000 in net assets beyond the value of their home, amounting to average net assets of $267,000.
- Savings by senior households that rent is a whopping 98% lower (totaling just $6,100 average net assets).

The Supply-side is also compelling:

Rental communities with one or two levels of care tend to be far simpler to develop than the Life Plan Communities. Fewer levels of care mean:

- Simpler building design
- Faster development timelines
- Lower debt burden

Moreover, since we are talking about for-profit organizations, driven by return on investment and delivering that return to shareholders, these projects are easier to sell for a quick investment return.

Rental communities serve a needed purpose in the senior care market. For-profit owners and operators will continue to identify new and existing markets to disrupt. The opportunity is simply too great to ignore.

Non-profit providers will respond to the increased competition from For-Profits – Focusing on the Middle Market and Urban Developments.

Executives of non-profit providers look at their current senior care offerings, and because of history, mission and/or economics, they mostly see entrance fee-based Life Plan Communities and possibly some low-income housing, but too often, the middle market is left unserved or underserved. Those feeling pressure from for-profit start-ups or those who want to stay ahead of them will increasingly look for ways to enter new markets and defend existing ones. Here are a couple interesting ways they may choose to do so.

Serve the middle market

To serve the middle market senior, non-profit providers will likely need to embrace the rental model, as the typical mid-market senior does not have the assets to afford living in a Life Plan Community. Fortunately, the benefits for-profit companies enjoy from the rental model are the same benefits non-profit organizations can enjoy, and they offer business diversification (achieved by offering different pricing models and different levels of products, services, etc.); and another way to further the organization's mission and serve more people.

However, for providers used to operating Life Plan Communities, the rental business has less room for error. Here are just a few examples:

- Resident turnover is approximately twice as fast;
- The lack of entrance fees means rental communities typically do not have as much liquidity (cash); and
- There is no buffer if occupancy declines in the level of care you offer, whereas in a Life Plan Community, while one level of care is having occupancy challenges the other levels of care can support the community.

Develop in an urban environment

Today's senior increasingly eschews the country club-style retirement of prior generations. Instead, retirement is seen as an opportunity to reinvent one's self, not the time to rest after a lifetime of hard labor and toil. This is not a new observation, but its implications are important for senior living providers. Empty nesters and younger seniors are moving to vibrant cities where anything and everything is within a short distance.

As people age, they do not want to leave the city behind. Senior living organizations (for-profit and non-profit alike) will need to develop communities in urban areas. Urban communities allow providers to:

Serve a new group of seniors who likely would not relocate to suburban or rural campuses;
Help urban seniors fight the increasing loneliness and isolation brought on by cities unable to meet their specific needs;
Take advantage of existing city resources to reduce the need to develop them inside the walls of the senior community itself – dining venues, activities, movie theaters, swimming pools, etc.; and
Raise awareness of the organization and enhance its profile.

Urban development offers a high barrier of entry. Depending on what stage you are in likely determines if you view this as a pro or con. If you have not entered the market, these high barriers are onerous, time-consuming and costly. However, if you have a successfully operating urban community, you enjoy this barrier for the exact same reasons.

Developing in an urban environment comes with a unique set of challenges:

Limited site opportunities, with prime locations commanding premium pricing
Extended entitlement and permitting processes
Construction costs alone are substantially higher in the tight confines of city streets
Cities are increasingly requiring new projects to have "green" elements and may require attainment of a particular level of LEED certification

Urban development will often have longer timelines:
Pre-finance period (the time from start of development to close on permanent financing) is often longer as entitlements, architectural work and engineering are more complex
Urban communities tend to have more units (to cover the higher development costs) which leads to longer pre-sale and fill-up periods

To help manage these risks, consider (a) developing your senior community as part of a mixed-use project; and/or (b) forming a joint venture with a likeminded organization. In each of these, you will give up degrees of control in return for spreading these risks across organizations.

Potential Changes to Capital Formation for Non-Profit Life Plan Communities – Tax Reform and LIBOR Replacement

Perhaps the easiest prediction of all is that tax reform will affect each of us – how, and to what degree, remain to be determined. Non-profit senior living organizations dodged a bullet as the private activity bonds used to finance these projects remain tax-exempt (the House bill proposed removing this provision). Here are two changes that will affect non-profit senior living financings:

Elimination of Tax-exempt Advanced Refunding Bonds

Non-profit organizations can no longer advanced refund(i) their debt with tax-exempt bonds. Many other industries lost this ability when Ronald Reagan enacted tax reform in 1986. Advanced refundings are a financing tool allowing borrowers to take advantage of lower prevailing interest rates. It can also be used to remove or amend covenants, which may be necessary to achieve certain strategic goals.

For new offerings, there are ways to mitigate the effects, including:

- Shortening the no-call period(ii)
  - Most non-profit senior living fixed-rate bond transactions have a 10-year no-call period.
  - Shortening this to 5 years would allow borrowers to refinance their debt with tax-ex-

empt debt within 5 years of closing on the financing, instead waiting 10 years.
  - Doing this, at least in the short-term, will likely result in borrowers paying a premium as a shorter no-call period increases the reinvestment risk of fixed-rate bondholders, for which they will expect to be compensated.
- Utilizing taxable debt
  - Borrowers can still advance refund debt using taxable debt, but this would prove to be costly.
- Options and other derivative instruments can be used to mimic a fixed-rate bond, but maintain the call-ability of variable-rate bank debt.

There are other strategies that can be used, but each of these options carry a cost that likely would not exists if tax-exempt advanced refundings were still allowed. Borrowers will need to weigh this cost against their strategic goals, recognizing these goals could change in the interim.

Planned elimination of LIBOR

The regulator that oversees the London Inter-bank Offered Rate ("LIBOR") has indicated the world needs to find a replacement. LIBOR is the base rate that serves as a foundation for credit cards, mortgages and other securities totaling $350 trillion (with a 't') worldwide, including $3.8 trillion ("t") of tax-exempt municipal debt (which includes variable rate senior living debt). In 2017, BB&T Capital Markets published a Capital Markets Update entitled "Possible Elimination of LIBOR could Impact Senior Living Communities" exploring this topic in detail.

The body responsible for selecting the new benchmark rate has voted to use an index determined by the interest rates that large financial institutions charge each other to borrow money overnight, secured by US Treasuries (also known as "repo" transactions). This new index must go through a public comment period before it is formally accepted as the index to replace LIBOR. Voluntary use of a new rate is planned to begin in 2018, with full replacement targeted for 2021.

Financings are still occurring while lenders and borrowers are waiting for the change to become official. In the meantime:

- Bankers and attorneys involved in new financings have developed a number of provisions for how to handle this situation.
- Borrowers with outstanding variable rate debt should review their existing documents and talk with counsel to determine exposure to the replacement of LIBOR.

It would be great to know with confidence which of these predictions will prove correct. The one thing we can reliably expect is the senior living industry will have to adapt to new challenges in 2018. Those that will thrive in 2018 and beyond will need to be proactive and not let the market determine their future.

i An Advanced Refunding is a refinancing of existing debt performed more than 90 days before the date at which the bonds are "callable." Bonds are "callable" at the end of the no-call period (see note ii). Tax reform does not affect the use of tax-exempt debt for "Current Refundings", which are refinancings that occur within 90 days of the end of the no-call period.

ii The "no-call" period is the length of time the bonds must be outstanding before they can be called for refinancing.

Six Senior Living Trends for 2018 and Beyond

By Tom Mann, Principal, Executive Vice President, Love & Company

If you are a regular reader of The Leaders' Board, you've had the opportunity to read predictions of some of the brightest minds in senior living. Now, it's my turn.

Last year, I wrote a well-received white paper titled Senior Housing Trends, which covered key senior living trends on demographics, prospect expectations, technology, transportation, nanotechnology and more. Interestingly, all of the trends I wrote about have and continue to play out as I predicted, which can only mean one thing: I played it too safe.

This year, I plan on stepping out a little further on the branch with six bold predictions.

1.) Offering truly varied food options will become the number one driver of success for early adopter retirement communities.

"You say you want a revolution!" More than two and a half million boomers (including Paul McCartney, Bill Clinton, Al Gore, and Martina Navratilova) now identify as vegetarians, and that number is rapidly growing thanks to the Boomer generation's desire to ward off chronic conditions and consume in an environmentally responsible way.

According to [Northwest Earth Institute](), "the word "vegan" has steadily increased in Google searches—it is now up to 36 million hits. Chipotle offers vegan burritos. Even White Castle is testing veggie sliders in selected markets. And Kaiser Permanente, the country's largest HMO, recommends that its members eat a plant-based diet. The vegan trend has also impacted the dairy industry. Cow milk consumption is down, while the sales of soy, almond, and other milk substitutes are up." One book that will increase this trend within the senior living space is Dr. Valter Longo's The Longevity Diet, which studies the dietary habits of centenarians around the globe in Blue Zones.

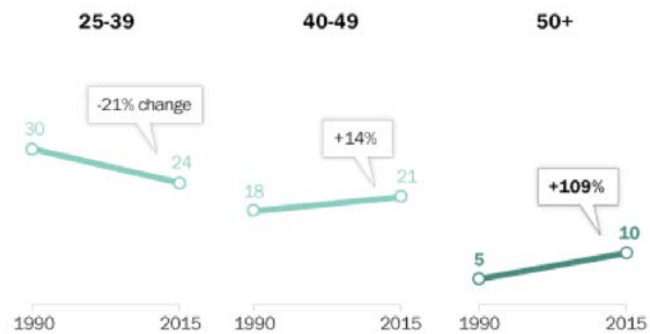
While vegetarians are far from the majority, the push for a more plant-based, organic, farm-to-table approach to dining is becoming mainstream. Communities that don't offer a varied approach to food options will quickly be reduced to eating their competitors' leftovers. Educated consumers are now asking where and how their food is sourced.

Forward-looking communities like Garden Spot Village have introduced innovative ways to supply their own vegetables and fruits through the use of an aeroponic greenhouse. Whether you are sourcing the food yourself, like Garden Spot, or purchasing through local vendors, varied food choices are no longer optional. Put another way, David Koelling of Strategic Dining Services says, "*Ability to adapt is the key to the modern kitchen... either taking advantage of seasonal opportunities and regional sourcing or adapting to the ever-changing expectations of our residents and potential residents. The focus has to be on building a team that is not only capable of adapting but has the resources, training and the support of leadership to do so.*"

2.) Retirement communities will work harder to attract younger singles.

Divorce rate for adults ages 50 and older has roughly doubled in the past 25 years

Number of persons who divorced per 1,000 married persons in given age group



Note: Divorce rate is the number of persons who divorced per 1,000 married persons in the year prior to the survey among adults in that age group. Percent change calculated before rounding.
Source: Pew Research Center analysis of the 2015 American Community Survey (IPUMS) and 1990 Vital Statistics following the methodology in Brown and Lin's "The Gray Divorce Revolution: Rising Divorce Among Middle-Aged and Older Adults, 1990–2010."

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While divorce is currently on the decline for younger couples, divorce among Americans 50+ has more than doubled since the 1990s. This trend called "Gray Divorce" will shape how senior living communities think about floor plan sizes, service options and social opportunities on and off-site.

While these sheer numbers might look relatively low in comparison to other age groups, the jump in percentages is startling. In addition, the boomers divorced at a higher rate than previous generations and many of them never remarried. The composition of senior households has shifted dramatically over the past two decades as more seniors are living alone. While only 29.5% of senior households age 65 and older were living alone in 2000[1], this had increased 43.2% in 2016[2].

Several factors that likely contribute to this increase are higher divorce rates, an increase in the percentage of people who have never been married and an increase in widows/widowers.

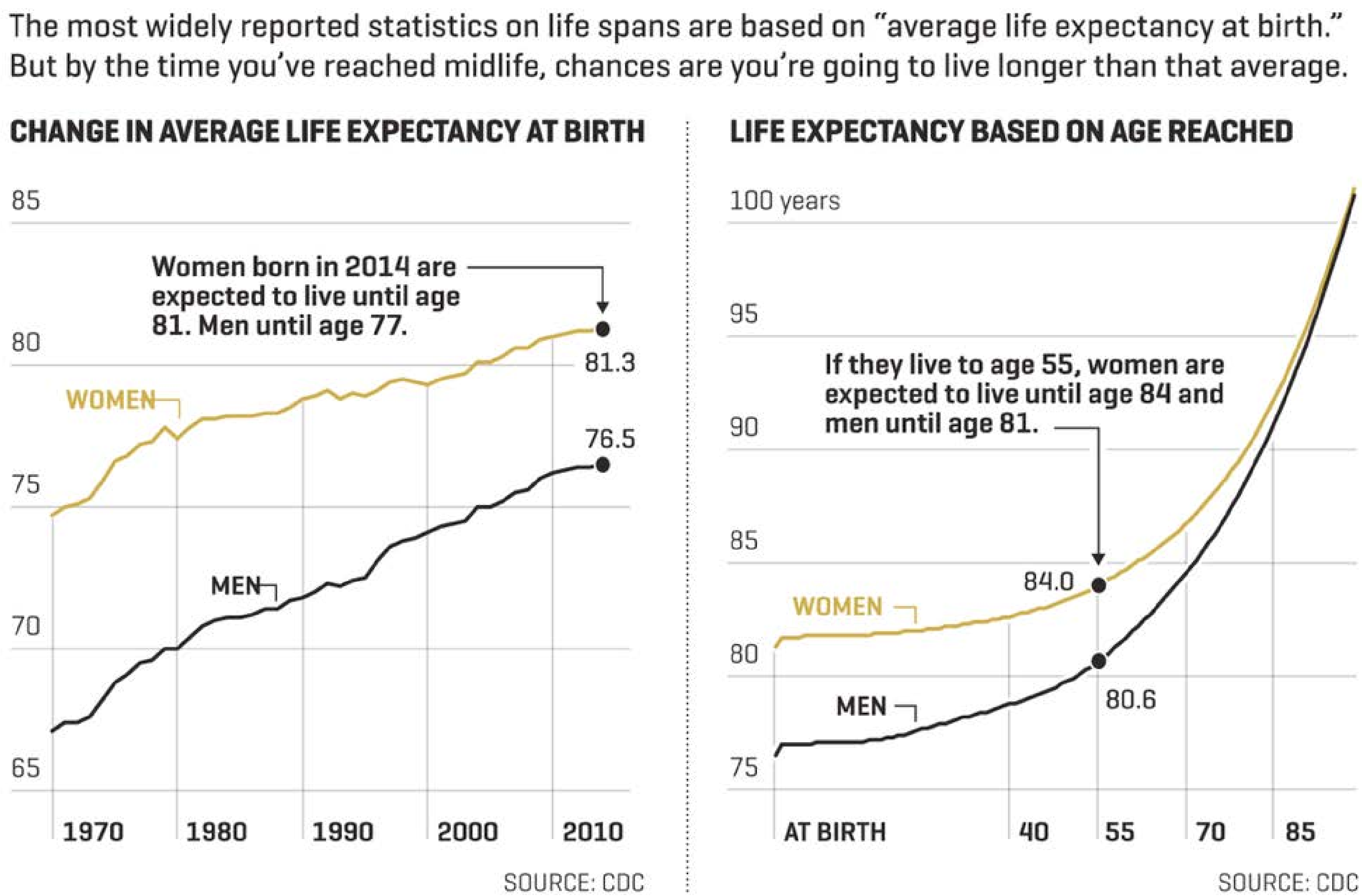
3.) Total transparency will reach into every corner of senior living and healthcare.

CEOs need look no further than [United Airlines to see how social media](#) changes everything. Smart senior living organizations will accept the new norm that there are no secrets. Thanks to the far-reaching tentacles of Facebook, Twitter, Yelp, LinkedIn, Instagram, Google reviews, etc., prospects can now easily peek beyond the gates of your community. They can see the residents, the staff, your organization's processes, pricing and values. While they might not have the whole story, they are catching glimpses of your organization.

Social media enables those that have been wronged (or feel they have been wronged) to voice their displeasure, and allows unhappy customers and staff to unite together, thus magnifying their voice. All of which means that your internal culture is becoming the most important part of your brand. [Online reviews will become a key driver of your business.](#)

4.) Seniors will choose to stay employed ... both for money and engagement.

Two of my favorite books, *Blue Zones* and *The Purpose Economy*, talk about the importance of having meaningful, daily engagement. For many people, that connection and purpose comes from vocational activities (whether they be paid or volunteer).



In addition, as seniors live longer, they are seeing the need for increased saving. This is particularly true for the upper-middle class, the demographic that typically moves into retirement communities.

The most frequently quoted stats about life expectancy (American men born today can expect to live to 76.5 years, and women 81.3) are misleading. For those of us in our fifties, we have already outlasted those who have passed away (they skewed the average downward). Thus, we "survivors" can expect to live much, much longer than the average expectancy. This is particularly true for the upper middle-class that have access to quality healthcare and healthcare information. Take a look at the CDC chart below, along with this article in Fortune magazine to get a sense of the implications.

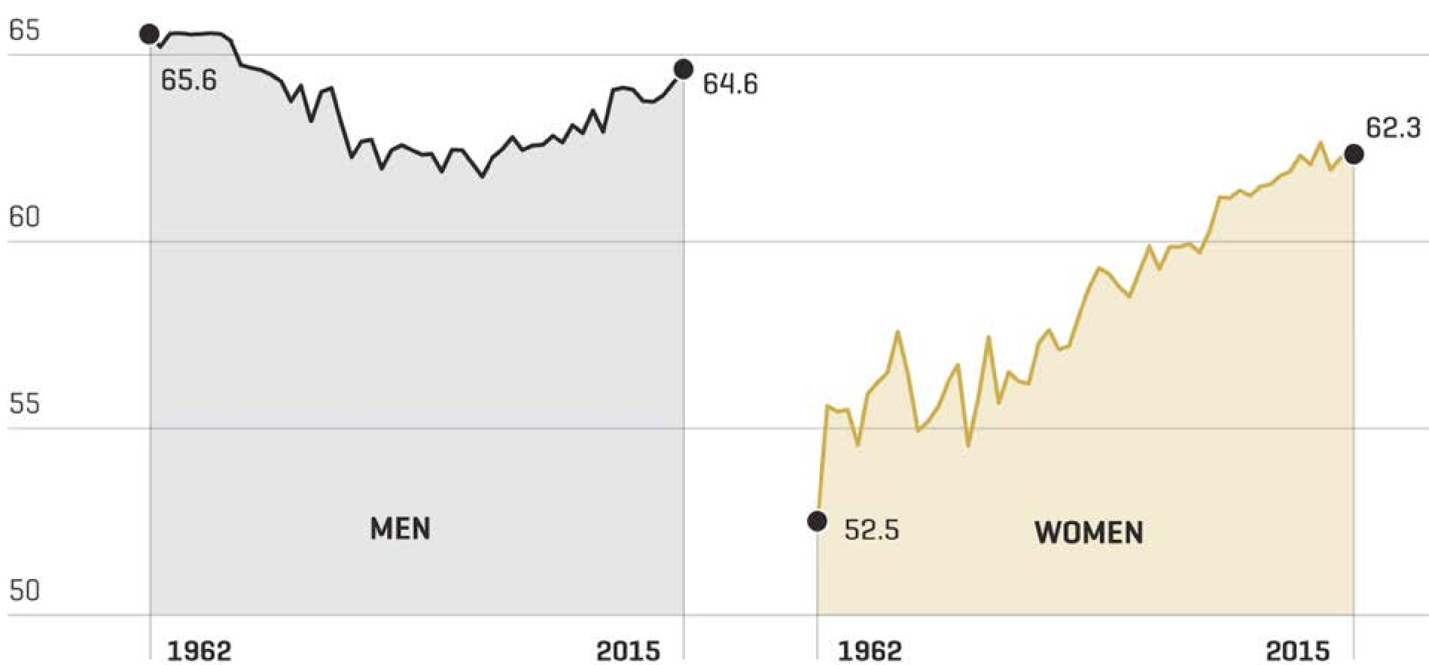
So, what are the implications of lifetime employment to your Life Plan Community?

- We are going to have to modify how we financially qualify people, taking into account current income potential.
- On-site co-working spaces that allow residents and non-residents of multiple disciplines to share office space and ideas will become the norm for progressive communities looking to attract younger, more vital people. For an excellent article on this topic, check out the Harvard Business Review.
- The concept of *Live Where You Work, Eat, Play* will become a competitive advantage for communities that truly understand the power of this positioning.
- You will need to drop the term "retirement" community from your community's descriptor.

PUTTING OFF THE PARTY

Americans are retiring later, in some cases because they're staying healthier longer, in others because they need to save more for their nest eggs.

AVERAGE U.S. RETIREMENT AGE SOURCE: CENTER FOR RETIREMENT RESEARCH



5.) Residents will be active participants in their wellness as opposed to patients.

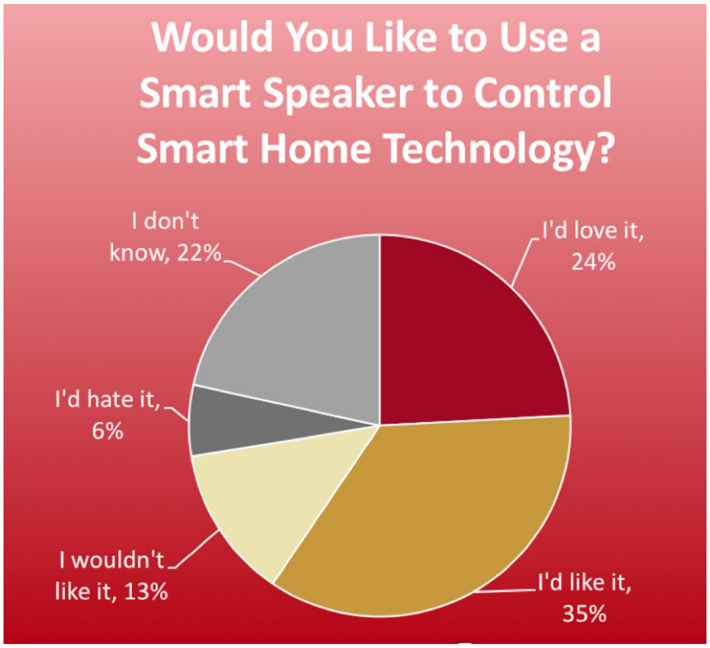
Boomers want to take care of themselves (spiritually, physically, intellectually, emotionally, and financially) rather than be taken care of. The communities that grasp this paradigm shift are the ones that will separate themselves. While many communities say they want to provide this environment, few have succeeded (less than 1%). The first sign that you have succeeded is when your community's average move-in age is in the mid-60's to early 70's.

How do communities get there?

- Communities will model their wellness programs after Canyon Ranch. As a benefit of living at the community, residents will receive a complete "executive" fitness exam like those given at the Cleveland Clinic. The community's medical, fitness and dining services team will be a well-coordinated part of each resident's wellness team.

- The Quantified Self digital trend will continue to gain traction with boomers. These digital interventions (perhaps every resident receives an Apple Watch or Gear S2 smartwatch as part of their move-in package) will create positive inventions. We'll see everything from fitness to sleep, to glucose monitoring, ideally improving wellness and empowering residents to be the champions of their own health. Residents will be enabled to attack and manage health issues that are either chronic or acute. I predict that insurers such as Kaiser Permanente and Humana, that are already studying digital health interventions, will soon partner with progressive communities to improve success rates for resident treatments and lowering readmissions. In addition, all of this personal healthcare information now being collected will be compared with larger data sets of people with similar medical backgrounds (both genetic similarities and medical history) in new ways to improve treatments.

- Residents will become more aware of on-site and off-site activities (and thus, more engaged) as smart speaker technology like K4Connects becomes the norm due to ease of use. With one of the fastest adaptation rates of any technology in history, smart speakers will soon be ever present in retirement communities. In 2016 there were less than 10 million smart speaker users. By 2019, it is projected that there will be nearly 60 million! Love & Company recently did a study for Michigan State University, a potential sponsor of a university-based retirement community (UBRC), with age and income qualified seniors and found that a whopping 59% of the seniors interviewed would "like" or "love" the opportunity to use a smart speaker.



6.) Communities will continue to reduce the number of available long-term care beds.

As in-home and on-site therapy treatments continue to improve, communities will continue to service residents as long as possible in their apartments and cottages.

As Eric Krull, Executive Vice President of THW Design states, "We all have seen both senior living communities and hospitals decreasing the number of available long-term care beds. The question they are asking is how do we shift our positioning and what do we do with the skilled beds that are so costly to operate? With the cost continuing to rise to maintain skilled nursing units, we have continued to reposition and transform LTC wings/buildings into Transitional Care Units used for short-term rehabilitation and therapy services with "Smart Gym Technologies." This helps the provider find new avenues of income. In the past year, we completed the master plan for a large heath system that has expanded this concept to include housing and "Light Surgical Procedures" to serve a rural community. This new concept integrates LTC beds, post-acute beds, memory care, psychiatric care, urgent care and MOB service needs to a whole new level under one roof. Imagine creating "Concierge Care" in a "Life Style Village" in less than 100,000 square feet, in a one-story building shaped and formed in a residential hospitality ambience, with a focus on healing and resident-centered care. All of this integrated into a senior housing campus with IL and AL serving not just the internal community but the greater community ... perhaps this will redefine what our Life Plan Communities will be in the future."

I hope you have enjoyed our series on senior living trends. I'd be interested in your thoughts and ideas.

Footnotes:

[1] According to the 2000 census, 29.5% of senior households age 65 and older who were not living in group quarters were living alone.

[2] According to the 2016 American Community Survey, 43.2% of senior households age 65 and older who were not living in group quarters were living alone.