ABSTRACT

Operators and developers of seniors housing have been speculating for some time about the extent, if any, of competition for prospects and new residents between Active Adult Communities (AACs), Continuing Care Retirement Communities (CCRCs), as well as anecdotal data obtained from the authors’ work in this field over more than two decades.

Comparing Active Adult and Continuing Care Retirement Communities: Competitors or Complements?

Susan B. Brecht; Anthony J. Mullen, C.P.A., M.S.

CONCLUSION

Nursing home care is changing throughout the United States to include increased resident choice and staff empowerment. This culture change began as a grassroots movement developing from theory to practice, as facilities began to understand its transformative power to enhance quality of life among residents and staff. While culture change is becoming a common approach, it is still in its infancy. This study of nursing homes indicates that culture change has been making inroads in some Illinois facilities. The research indicates increased educational efforts, staff training and involvement, and industry information will benefit facilities incorporating organizational culture change.

REFERENCES


ACKNOWLEDGEMENTS

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INTRODUCTION

As the baby boomers have started to “come of age,” the generation being served by continuing care retirement communities (CCRCs) has shifted, and housing for the mature market has entered an era of expansion. This expansion has been fueled further by a housing market that produced resale values that, in some cases, have increased the net worth of many 55+ households as they sell their homes and cash out. In the 1990s, during the boom in assisted living development, the industry began to experience the blurring of lines between independent living and assisted living communities, both of which laid claim to older residents (Mullen, 2003). Now that this challenge to CCRCs has begun to work itself out, with assisted living communities tending to care for frailer residents than originally anticipated, CCRCs are wondering if the newest housing product, the active adult community (AAC), will erode the younger, more active and independent segment of the market that they hope to attract to their apartments and cottages.

How much overlap is there in the seniors housing market for CCRCs and AACs? Mullen (2003) hypothesized competition between AACs and CCRCs (and other independent living) for residents, and that part of the drop in occupancy for CCRCs in the period 1999 to 2003 was due to competition from the many AACs introduced to the market during that time. Other authors have noted the difference between “younger seniors” and “older seniors” in the types of retirement communities they move to, and that younger seniors tend to be pulled into more amenity-rich communities, while older seniors tend to be pushed into more care-oriented communities; but these authors did not note the level of competition between the different types of senior housing communities (Gibler et al., 1998).

While Mullen (2003) did not speculate on the percentage of residents of AACs who originally considered a CCRC but then chose an AAC, he did note that an AAC usually offers overlapping components of a CCRC: outdoor property maintenance, one-floor living, social and recreational activities, and programming. Further, an AAC affords a resident the financial benefits of homeownership, which the vast majority of CCRCs do not include.

This paper addresses the question of crossover competition between the two types of communities in an exploratory fashion, recognizing that further research is necessary. For the purposes of this paper, the authors define AACs as communities whose residents are aged 55 and over, common grounds maintenance is provided, and in most cases, amenities include a clubhouse or common gathering area. Most residents of AACs purchase their residential unit either on a fee-simple or condominium basis. CCRCs feature a combination of independent living, assisted living, and skilled nursing units. This type of community typically draws residents in their mid- to late-70’s. There are several types of contracts defining how the resident pays for residency and the provision of services (i.e., extensive care, modified, fee-for-service, and rental contracts) (AAHSA, et al., 2005). Although a comprehensive presentation of the history of CCRCs is beyond the scope of this brief report, the interested reader is referred to Gordon (1998) or Brecht (2002).

THE PRODUCTS: SIMILARITIES AND DIFFERENCES

Once limited, for the most part, to the Sunbelt, AACs are now being developed throughout the United States. Pioneered by Del Webb, the original model of a large (1,000 units or more) golf course-centered AAC is also changing, with the largest number of new active adult communities eliminating the golf course completely and being designed on a significantly smaller scale. The diminished land requirements resulting from the changing model has allowed many new communities to be developed. Many may have 200 to 400 residential units designed around a clubhouse, and others are even smaller, without any centralized amenities. Residences in AACs range from single-family-clustered homes and townhouses, to apartments in multi-family structures. While most are offered on a for-sale basis, the rental model is beginning to surface in some markets. The greatest commonality across the ever-increasing AAC community models is what these communities do not provide: hospitality and health care support services such as a structured meal program, housekeeping, home care, and assisted living and nursing care. Considered anathema to the marketing of an AAC, only a small number have added components of a “care” model to their communities as they look to the future needs of aging residents.

By contrast, the CCRC is defined around the hospitality and health care support services eschewed by AACs. CCRCs have emphasized care rather than real estate in selling to older consumers. Typically, CCRCs offer three types of housing and service models including independent living, assisted living, and nursing care. Although the Fair Housing Act now prohibits CCRCs from requiring that residents move through the continuum as their needs change, most communities do have policies that require such movement when services can no longer be delivered into the independent apartments and cottages or when residents become a danger to themselves or others.

The vast majority of CCRCs are more than 10-years-old. According to Continuing Care Retirement Communities 2005 Profile, a study that presented data on 162 CCRCs offering three levels of care, the median age of these communities was 21 years, with the middle half of these communities between 14 and 40 years old (AAHSA et al., 2005). These communities are now starting to serve a new generation of seniors who are much more discerning and demanding than their predecessors (Howe & Strauss, 1991). This change has resulted in a wave of renovation, expansion, and repositioning as CCRCs scramble to keep from becoming oversized assisted living communities unable to attract the well elderly. One of the most significant changes in CCRCs over the last 10 years has been the increasing size of independent living units. The 2005 study referenced above, which reported on existing communities, indicated that the median size of two-bedroom units was 1,100 square feet and the median size of one-bedroom and studios was 700 and 450 square feet, respectively. The 2004 study, From Start-Up to Success (AAHSA, Herbert J. Sims & Co., 2004), revealed the mean size of an independent living unit (including all types of units) in CCRCs developed between 1999 and 2004 was 1,176 square feet, an increase of 13% from its similar study of those communities developed between 1994 and 1999. In addition to the reduction or complete elimination of small studio and one-bedroom units, CCRCs are, when possible, adding cottages, villas, townhomes, and cluster and single-family housing. Emulating their AAC counterparts, CCRCs frequently offer units that start at 1,500 to 1,600 square feet and go well beyond the 2,000-square-foot mark. At a recent conference for CCRC marketing and public relations staff, a random selection of photos of AACs and CCRCs were shown to the audience and almost no one correctly identified which product they were looking at.¹ The similarities and differences between AACs and CCRCs are illustrated in Exhibits 1 and 2.

THE SURVEY

The survey results described in this paper stem from research completed in 2004² of 400 telephone surveys conducted with participants in Phoenix, Arizona; Montgomery County, Maryland; and Middlesex and Ocean Counties in New Jersey. These areas were selected specifically because they

¹Marketing and Public Relations Society of Seniors Housing and Service Professionals, Annual Membership Meeting and Program,
²Choices, Choices…Active Adults Redefining Housing and Services, November 18, 2005
²Sponsored by Brecht Associates and Presbyterian Homes of New Jersey
Comparing Active Adult and Continuing Care Retirement Communities: Competitors or Complements? Susan B. Brecht; Anthony J. Mullen C.P.A., M.S.

RESULTS
How Residents/Buyers View Themselves and the Products
Data from the survey indicate residents of AACs view themselves and their community of choice as being quite different from CCRCs and the people they attract. Only 11% of the telephone survey respondents had considered both an AAC and a CCRC when they made the decision ultimately to move to the AAC. By contrast, 30% of respondents who lived in CCRCs had also considered AACs when making the decision to move (see Exhibit 3). When asked why they had decided to move to an AAC rather than a CCRC, the survey participants responded in equal proportion saying they were too young, wanted to remain independent, or didn’t want to pay for services they didn’t use. Exhibit 4 summarizes these responses. It should be noted that the survey sample was purposive rather than scientific, and was targeted to specific providers and regions, thus findings may not be generalizable.

DISCUSSION
An Overlapping Market
After examining all these considerations, there appears to be some overlap between the market for both the AAC and the CCRC. Notably, factors such as location, the desire to downsize, and a maintenance-free lifestyle are common to both types of products and decision-drivers. Arguably, with the upgrades and enhancements available in new and remodeled CCRCs, the importance of the type and size of the home also may be a component in making a decision for both types of communities. Until recently, one of the most significant differences between AAC buyers and those who choose CCRCs has been the desire to continue to own a home. CCRCs contained both AACs and CCRCs. An additional 97 mail-based surveys were completed by residents of two CCRCs located in Middlesex and Ocean Counties, New Jersey. Sixty-five percent (N=324) of total respondents were AAC residents and 20% (N=99) were CCRC residents. It should be noted that respondents were permitted to select all comments that apply and therefore, the percentages will not add to 100.

Real estate features ranked highest when survey respondents living in AACs commented on what they liked about their current community. The three top factors included community location, homeownership opportunities, and the type and size of the home. Of less importance were social factors such as having friends live there or the social activities offered at the community. The single most important factor influencing the decision to move to an AAC was the desire to downsize, although when the top three factors were considered, the most frequently mentioned was the desire for a maintenance-free lifestyle. Exhibit 6 illustrates the top reasons residents chose to live at an AAC, and Exhibit 7 shows top reasons residents chose to live at a CCRC.

Exhibit 3. Choices considered when moving

| AAC residents who considered CCRCs | 11% |
| CCRC residents who considered AACs | 30% |

Exhibit 4. Reasons why AAC residents chose AAC as opposed to CCRCs

| Too young for a CCRC | 17% |
| Want to be independent | 17% |
| Don’t want to pay for services | 17% |
| Too active to live in a CCRC | 14% |
| Don’t want to live with all of those old people | 11% |

Exhibit 5. Impressions of AACs among their residents

| AACs for much more active people | 33% |
| AACs offer totally independent lifestyle | 33% |
| AACs are not for people who are sick/frail | 8% |
| AACs are not regimented | 8% |
| AACs are not institutional | 3% |

Exhibit 6. Top reasons AAC residents chose to live at an AAC

Exhibit 7. Top reasons CCRC residents chose to live at a CCRC

Exhibit 8 shows a sizeable proportion of AAC residents who considered CCRCs 11%

Exhibit 9. Similarities between AACs and CCRCs

May be on either a campus or in-fill site
May include apartments, townhomes, and single-family homes
May include custom upgrades and features
May include wellness centers (fitness, pool, etc.)
Usually offer outdoor amenities such as walking trails
May include clubhouse for social functions
Usually offer organized social and recreational activities
Usually services include lawn care, snow removal, trash removal, and exterior maintenance

Exhibit 1. Differences between AACs and CCRCs

<table>
<thead>
<tr>
<th>AACs</th>
<th>CCRCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positioning for Active Lifestyle</td>
<td>Positioning for Lifetime Care</td>
</tr>
<tr>
<td>Open to 55+</td>
<td>Open to 62+</td>
</tr>
<tr>
<td>Targets Age 55+</td>
<td>Targets Age 70/75+</td>
</tr>
<tr>
<td>Typical Age 60-75</td>
<td>Typical Age 75+</td>
</tr>
<tr>
<td>Does Not Include Health Care</td>
<td>Always Includes Health Care</td>
</tr>
<tr>
<td>Almost Always For-Sale Product</td>
<td>Rarely For-Sale Product</td>
</tr>
<tr>
<td>More Outdoor Activity Amenities</td>
<td>More Popular Outdoor Amenities</td>
</tr>
<tr>
<td>Attracts Mostly Couples</td>
<td>Typically Less Active</td>
</tr>
<tr>
<td>For-Profit Developers</td>
<td>Mix of For-Profit/Non-Profit (mostly)</td>
</tr>
<tr>
<td>Many Public Companies</td>
<td>Almost No Public Companies</td>
</tr>
<tr>
<td>Resident Pays Property Tax</td>
<td>Usually No Property Tax</td>
</tr>
<tr>
<td>Tax Deduction for Property Tax</td>
<td>Tax Deduction for Health Care Component (lifecare)</td>
</tr>
<tr>
<td>Hospitality Services Are Not Provided</td>
<td>Availability of Hospitality Services (meals, housekeeping, etc.)</td>
</tr>
<tr>
<td>Resident Pays Utilities</td>
<td>Utilities Usually Included in Fee</td>
</tr>
</tbody>
</table>
Comparing Active Adult and Continuing Care Retirement Communities: Competitors or Complements? Susan B. Brecht; Anthony J. Mullen C.P.A., M.S.

Will CCRCs Be Part of the Future Continuum?

As greater numbers of the 55+ segment move to AAC communities, what will happen 10 to 15 years down the road? Are the challenges perceived by CCRCs today likely to become communities of opportunity? As long as AACs continue to make no provisions for an aging population base, residents will eventually begin to need to look elsewhere, particularly for health-related services. A greater sense of “community” may occur within an AAC than in the community at large, fostering internal, informal support systems that will emerge naturally to help frailer residents stay in the community. But what will be the tipping point when the burden of communal and self-care becomes too great? Will those in AACs continue to think ahead and make the move to a CCRC before it is a totally need-driven decision?

The data indicate those who would consider a move would do so before needing health care services. Nearly one-third could envision a future move to a CCRC (more than 50% would consider a move to independent living with support services), while in contrast, 38% thought they might move when they needed assisted living services. Survey results indicated that those who would consider moving to a CCRC tended to favor apartments over cottages. A change in health care status was the top reason people felt they would move to a CCRC in the future. Respondents cited a desire for more care services as the probable reason they would need to make such a move, indicating how real estate-related factors would no longer take precedence in their decision-making.

Several markets support the notion that AACs and CCRCs form a natural complement or continuum rather than being highly competitive. The New Jersey counties surveyed in the current study revealed nearly 50% had moved from an AAC and 62% had lived in an AAC at some time previous to their move to the CCRC.

So what differentiates the AAC consumer from the benefit offered by most AACs and very few CCRCs. Recognizing the continued value in homeownership, some CCRCs, even those owned and operated by not-for-profit organizations, are now beginning to offer equity or equity-like arrangements to residents. Condominium and cooperative structures are emerging across the country, as are financial structures offering shared appreciation when a resident leaves the community, even if the other benefits of actual ownership are not made available. The difference in the age of those attracted to AACs versus CCRCs is of interest as well. Although the minimum age differs legally (55+ for AACs versus 62+ for most CCRCs), the experience of AACs varies. Many new AACs report attracting younger residents, particularly those targeting a luxury market. In addition, we believe new AACs in the Sunbelt draw buyers an average age of four to five years younger than new AACs outside the Sunbelt. Yet, we have observed through visits and discussions with developers that a fairly significant number of communities are attracting those in their mid- to late-60s and early 70s—where the crossover begins to occur with CCRCs. Some of the larger CCRCs, such as those being developed by Erickson Retirement Communities (Boston, Detroit, and Chicago metro areas, for example) and Shannonell of Valley Forge in the Philadelphia area, are success-
Understanding the experience of people cared for in dementia care settings is crucial for improving dementia care practice. To this end, we have developed a new observational tool, OQOLD (Observing Quality of Life in Dementia Settings: A New Tool for Improving Dementia Care Practice).

ABSTRACT
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Observing Quality of Life in Dementia Settings: A New Tool for Improving Dementia Care Practice

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Limitations and Future Directions
For those in the seniors housing industry, the findings of the survey may help guide the marketing efforts of their sales teams in recruitment of new residents. While we are able to summarize the data, we are aware that the small sample size may not be truly representative of the current state of the seniors housing market. A further assessment of the AAC and CCRC housing climate with a larger, representative sample size of prospective residents is necessary to lend credence to the trends described here.

Will the age differential remain a key factor in the selection of an AAC versus a CCRC, or will functionality and lifestyle dictate the choice? Will AACs delay, or perhaps eliminate, the move to the CCRC? More research is needed in this important area, as residents of both types of communities now exceed one million people.

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