

Actuarial Profiles and Needs of Residents

Gary Mohn
CEO/President
Alexian Village
of Milwaukee



Why it is Important to Alexian
Village of Milwaukee and Why it
Should be Important to You



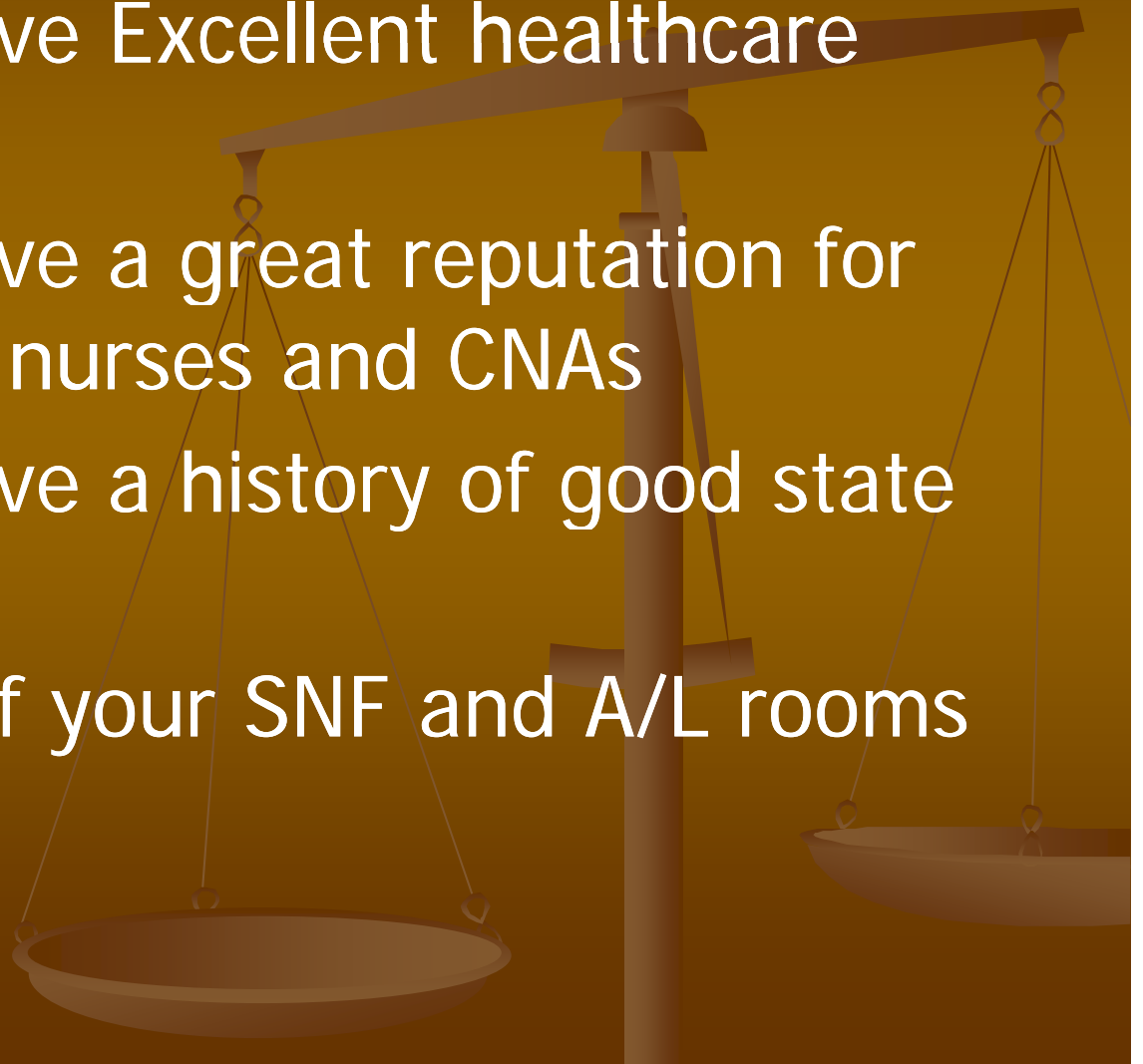


ALEXIAN
BROTHERS

Alexian Village of Milwaukee

Why Does Someone Choose Your Independent Living?

- Because you have Excellent healthcare facilities
- Because you have a great reputation for kind and caring nurses and CNAs
- Because you have a history of good state surveys
- Because most of your SNF and A/L rooms are private



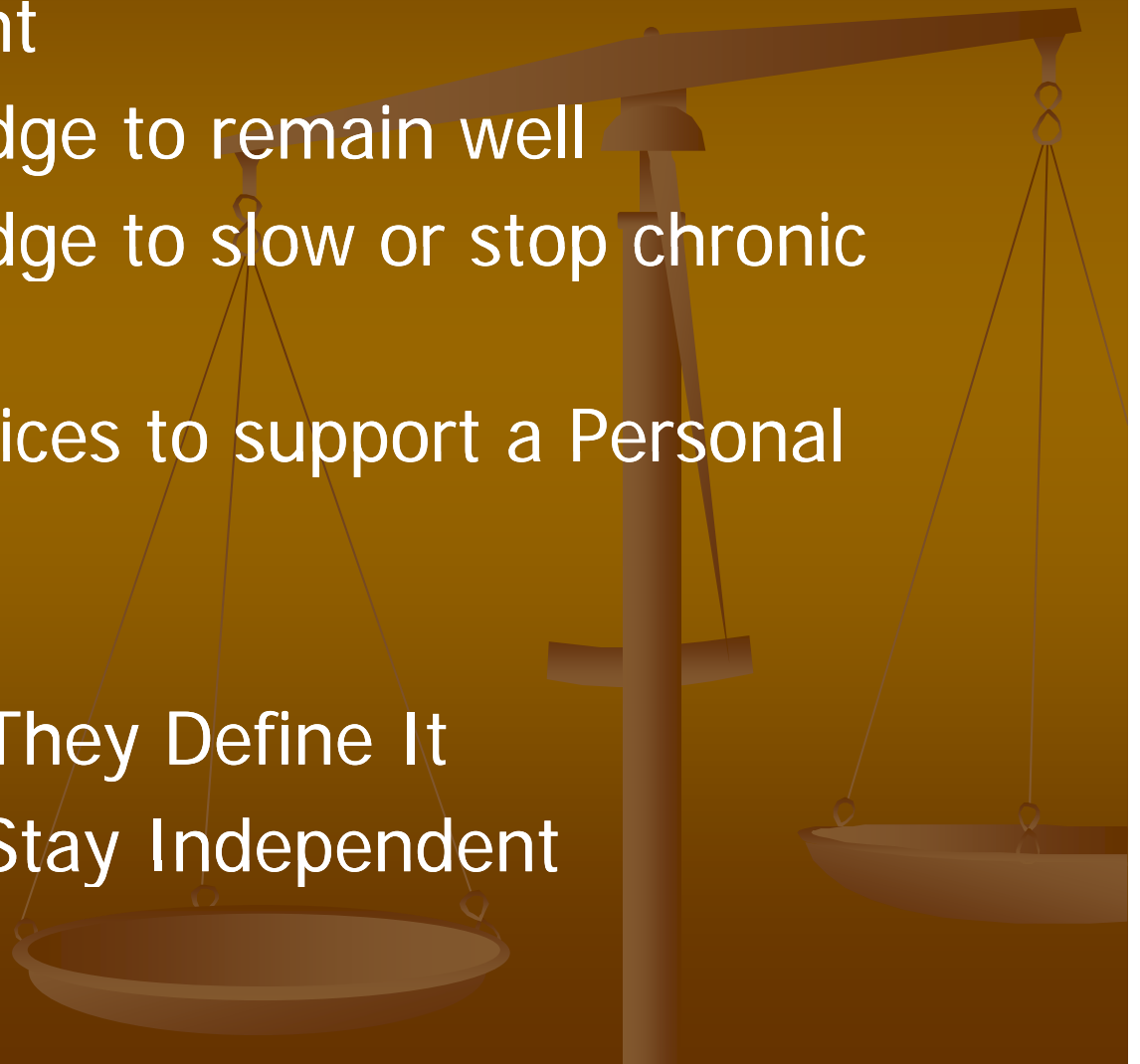
Be Honest

- These things are important and could be barriers if not in place, but;
- They move to your Independent Living because they **Expect You** to help them to never experience your or anyone else's healthcare institutions



What are the Needs of our Residents

- Holistic assessment
- Tools and knowledge to remain well
- Tools and knowledge to slow or stop chronic disease declines
- Availability of services to support a Personal Wellness Plan
- Purpose in Life
- Quality of Life as They Define It
- Feel Healthy and Stay Independent



What are Our Goals

- To Keep People at the Most Independent Level of Living Arrangement
- Create and Maintain a Healthy State of Mind



How Does All of This Improve Operations

- Meets your Mission
- Improves Satisfaction to Residents
- Can legitimately market positive and satisfying aging
- Less turnover of units
- Allows community admissions to SNF & A/L
- Generates new Revenue
- Reduces Costs for Lifecare Community through Reduced Utilization



Case Study of Alexian Village

- 260 Independent Living Units
(290 individuals)
- 82 A/I Units
- 108 SNF



What is an Actuarial Profile?

Projection of Future Healthcare Service Needs
based on the Following

- Age
- Sex
- Marital Status
- Current Health
- Current Level of Care
- Facility Specific SNF & A/L Admission Assumptions



12-31-2000 Actuarial Projections for Alexian Village



	SNF	A/L
SNF & A/L Census		
■ 2001	42	49
■ 2002	46	49
■ 2003	48	50
■ 2004	50	51
■ 2005	51	51
■ 2006	52	52
■ 2007	53	53
■ 2008	53	53

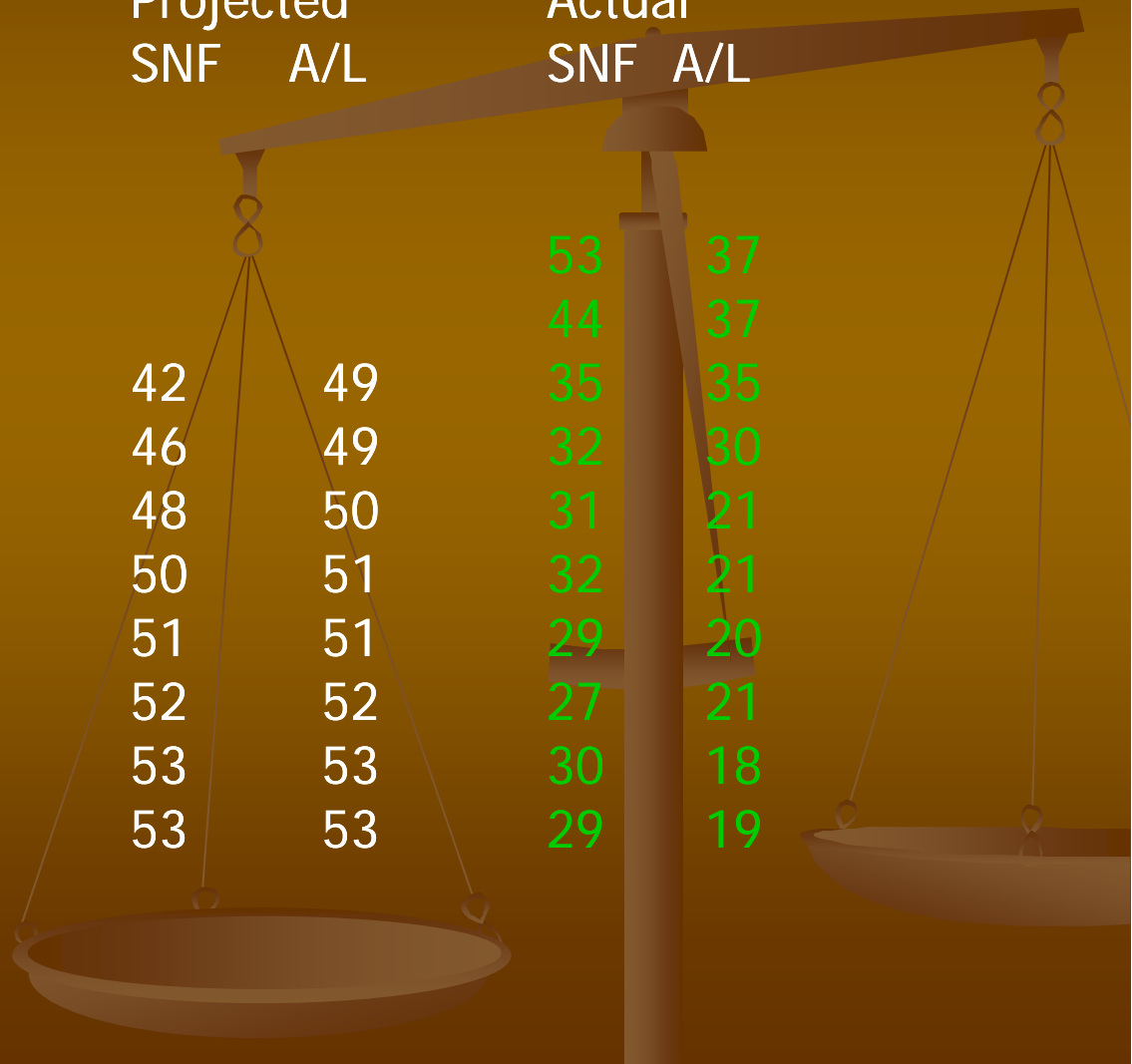
12-31-2000 Actuarial Projections & Actual Experience for Alexian Village

SNF & A/L Census

- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008

Projected		Actual	
SNF	A/L	SNF	A/L

		53	37
		44	37
42	49	35	35
46	49	32	30
48	50	31	21
50	51	32	21
51	51	29	20
52	52	27	21
53	53	30	18
53	53	29	19



Financial Improvement Due to Course Alteration

- Revenue Improvements due to New Direct Admissions in SNF And A/L Creating a Total Financial Improvement for 8 Year Period- **\$11,171,537**



Average Annual Rate Increases 2000-2008

ILU Average Annual Rate Increase Over 8 Years - 3.99%

ILU \$ Amount from 1% of Annual Rate Increase= **\$65,000**

Our Current Rates Would Need to be 25% Higher Than Current to
Achieve Our Current Financial Picture

This Would Have Likely Pushed Alexian Village Outside of the Market
Tolerance in Rates



Cash Needs Included in 10 Year Budget

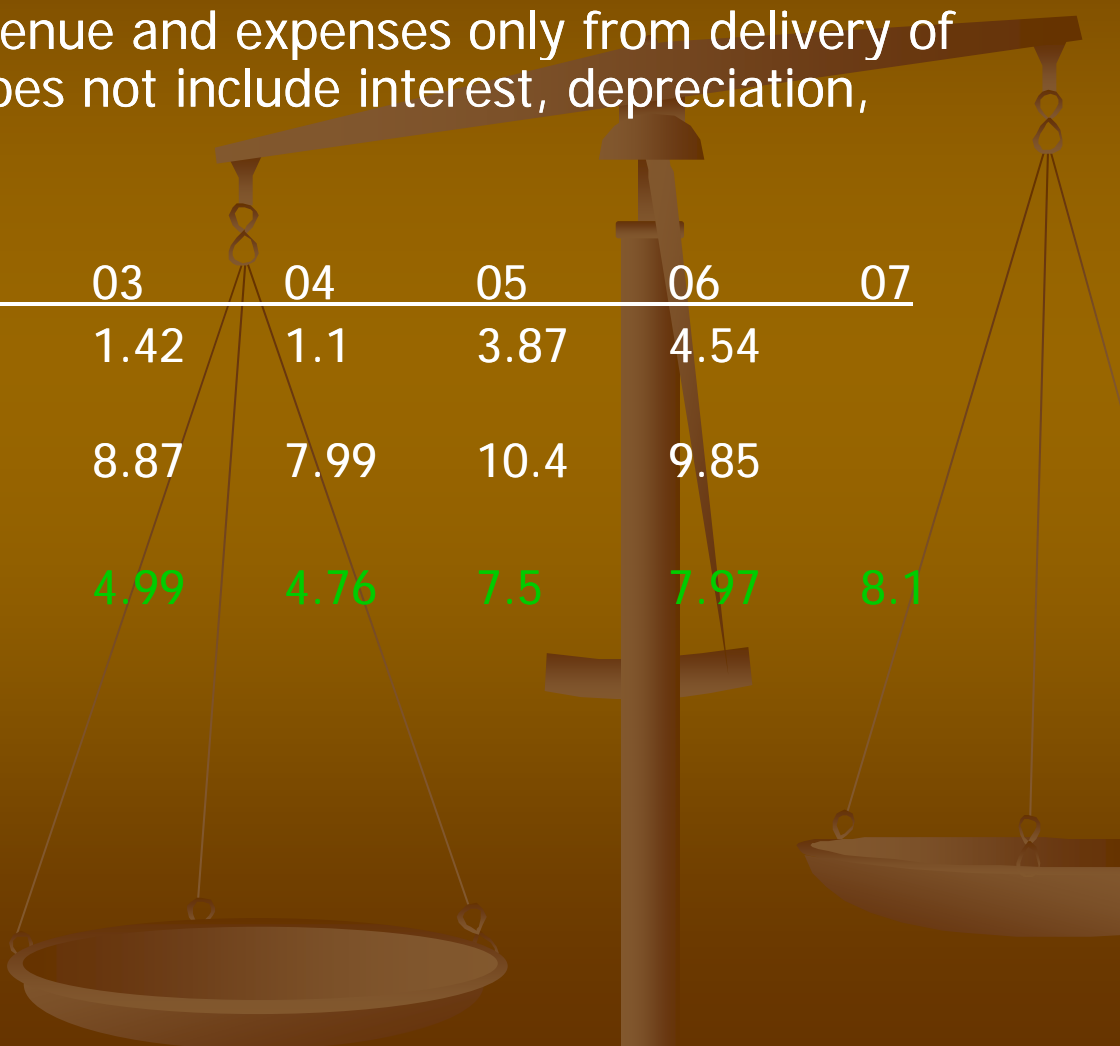
Total Capital Improvements for 8 Year Period **\$13,900,000**



CCAC Benchmark Improvements

Net Operating Margin Ratio

- This ratio looks at the revenue and expenses only from delivery of service to residents. It does not include interest, depreciation, amortization or taxes.



	<u>2000</u>	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>
50%	.25	.04	2.68	1.42	1.1	3.87	4.54	
75%	8.51	6.95	7.33	8.87	7.99	10.4	9.85	
AVM	1.3	4.8	4.3	4.99	4.76	7.5	7.97	8.1

CCAC Benchmark Improvements

Operating Ratio

- This ratio measures whether current cash operating revenues are sufficient to cover cash operating expenses. The ratio should be less than 100%; however many facilities rely on life care fees to cover part of the expenses and, therefore, have a ratio over 100%.

	<u>2000</u>	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>
50%	100%	102.24	101.71	102.09	100.93	99.3	100	
75%	95.12	96.34	96.74	96.6	95.42	93.9	94.1	
AVM	102.8	97.1	97.7	95.44	95.96	90.6	93.4	90.9

CCAC Benchmark Improvements

Debt Service Coverage Ratio-Revenue Basis

- This is a stringent measure of the CCRC's ability to meet debt obligation through revenue alone. It doesn't include life care fees. A desirable ratio by credit analysis is anything over .75.

	2000	01	02	03	04	05	06	07
50%	1.0	.81	.62	.63	.66	.84	.95	
75%	1.64	1.38	1.2	1.2	1.14	1.43	1.43	
AVM	.38	1.17	.95	1.49	1.56	2.16	2.18	1.93

CCAC Benchmark Improvements

Unrestricted Cash and Investments to Long Term Debt Ratio

- This ratio is a key measure of a facilities ability to withstand annual fluctuations in cash. Credit analysts place a high degree of reliance on this as an indicator of a facilities debt capacity.

	2000	01	02	03	04	05	06	07
50%	50.58	52.22	51.62	50.55	60.4	57.7	60.31	
75%	99.12	94.83	89.42	85.06	102.6	95.6	96.16	
AVM	27.4	31.8	28.2	43.65	52.7	83.2	102.6	113.7

CCAC Benchmark Improvements

Days Cash on Hand

- This ratio measures the ability to meet operating expenses from cash reserves. Liquidity is a key trait of successful CCRCs.

	<u>2000</u>	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>
50%	258	274	261	285	332	312	334	
75%	478	438	395	424	490	493	528	
AVM	110	120	100	143	158	228	239	244

What Outcomes Improved Other Than Financial

More vibrant and Active Community



What Outcomes Improved Other Than Financial

Happy and Satisfied Residents due to:

- Feeling Healthy and Staying Independent
- Improved Campus Spaces



What Outcomes Improved Other Than Financial

- Broadened Availability of Ministry to Larger Community through Direct Admissions to SNF and A/L
- Enhanced exposure to Community
- Increased Volunteerism
- Improved Mission Image



What Outcomes Improved Other Than Financial

- It has Assisted Leadership to Look at Strategic Growth Beyond the Insular Silo of Just a CCRC
- We can Take What We Have Learned and Expand to a Larger Community



Possible Pitfalls

- Provide too Much Care to Keep Within the ILU and Become a Quasi Institution
- Be Perceived to Provide too Much Care Even if Not
- Have Frail Looking Residents that Impede Marketing



Pitfalls Avoidance

- Don't Provide anything Beyond Homemaker Services—Work Instead to Anticipate and Avoid Threats to Independence
- Communicate Your Philosophy to Residents and Prospective Residents to Avoid Misinterpretations
- Use the Age In Place Aspect as Positive Aging to Marketing—Accommodations such as Electric Scooters and Even Walkers Recognize that Supports to Remain Active are in Place



How Collage Can Assist

- Provides Holistic Assessment
- Assists in Development of Resident Need Priorities
- Compares to Other Similar CCRC Environments
- Provides Longitudinal Look at Measurements and Provides Future Priorities
- Supports The Philosophy of Promoting Independence through Focused Wellness and Intervention Strategies
- Provides Opportunity for Inter-Community Sharing of Best Practices
- Provides Empirical Support for Doing the Right Things

