LeadingAge

expanding the world of possibilities for aging

Larry Letter

Bankruptcy or Bullish on CCRCs

Recently, Deer Meadows, a continuing care retirement community (CCRC) in Philadelphia, and Sears Methodist, a multi-campus system with CCRCs, skilled-nursing centers and senior housing, filed for Chapter 11 bankruptcy.

While I won't go into detail about the causes of their financial difficulties, each organization had distinctly different circumstances.

Both Deer Meadows and Sears Methodist are long-standing members of LeadingAge with strong reputations and decades of service to their communities.

Over the last couple of years, both organizations worked hard to overcome a variety of challenges, including residual effects of the recent recession. But ultimately, each decided they needed the time and the protections of a reorganization bankruptcy under Chapter 11.

We won't second guess their decisions.

So far, no residents have been hurt financially, nor have any failed to receive the services for which they contracted.

Is This A Trend?

The Deer Meadows and Sears Methodist filings are noteworthy. However, while several dozen CCRCs have experienced recession-related financial stress resulting in missed bond covenants, bankruptcies certainly are not a trend.

Bankruptcy is an absolute last resort used only when all other avenues have been explored.

Recently, CCRC occupancy is up across the country, and home values in many markets have improved, allowing more prospective residents to sell their homes and move to CCRCs. This is leading to improved financial performance, and to an increase in new financing for expansions and renovations.

5 Strategic Questions for CCRCs

Bankruptcies of any kind raise these 5 strategic questions:

1. Is your strategic plan and vision up-to date? Do you have action steps to remodel and re-position to respond to changes in your geographic location and customer needs? Are you prepared to relocate, to renovate, to reposition?

2. Are you tracking your market so you can adapt and change your programs and services as the marketplace changes? Or, are you redoubling your efforts to sell increasingly outdated products?

3. Do you have a dashboard system in place to monitor performance and actions to take for areas that may need improvement?

4. While you must be progressive in your planning, are you trying to do too much at once? Stretched too thin? Expecting your current operational leaders to do development work as well as operate your current program?

5. Are you waiting too long to face reality, to ask for help or to partner with a fellow member that could help you before it is too late?

Bullish

LeadingAge is bullish on the future for CCRCs.

CCRCs are the longest serving and one of the most successful models in coordinated and complex aging services.

CCRCs have even greater potential to meet the changing demands of consumers for both on-campus settings as well as in-home services.

There may be a few CCRCs that are not yet out of the woods, but this model has stood the test of time, and it will continue to be an attractive option for seniors for many years to come.

Be vigilant. Bankruptcies are tough business with long-standing and far-reaching impact on you and on our entire field.

Larry Minnix
LeadingAge President and CEO

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LeadingAge * 2519 Connecticut Avenue NW Washington DC 20008 * 202-783-2242
info@LeadingAge.org