ALFs Lead The Way In New Loans

Nearly 90 percent of the $12 billion in outstanding debt held by long term care companies was "performing" in the first quarter of 2002, according to the key financial indicators for the first quarter of 2002 published by the National Investment Center for the Seniors Housing and Care Industries (NIC), Annapolis, Md. "Performing" means the debt was not in foreclosure, delinquent, or restructured.

CONSTRUCTION STARTS, FIRST QUARTER 2002

Setting	Construction Starts	*Avg. Capitalization Rates
Assisted living	71 properties (3,897 units)	11.2 percent
Nursing facilities	23 properties (1,011 beds)	12.4 percent
CCRCs	3 properties (440 units)	10.8 percent

**Average capitalization rate is defined as predicted earnings divided by the price paid for the property.*
Source: NIC Key Financial Indicators

However, 5.7 percent of outstanding loans were restructured, 4.5 percent were delinquent, and 0.5 percent were foreclosed.

New loans placed during the first quarter totaled $444 million. Of that, assisted living received the bulk: about $313 million—$178 million short-term and $135 million permanent (more than 10-year-term) debt. Nursing facilities lagged far behind, receiving $18.8 million, all of it short-term debt.

NIC's key financial indicators also detail occupancy and move-in rates. Of freestanding facilities, assisted living averaged 84 percent occupancy and nursing facilities averaged 82.5 percent. Continuum of care retirement communities' (CCRCs) nursing and assisted living units had higher first-quarter average stabilized occupancy at 87 percent and 86.5 percent, respectively.

The net move-in rate was 4.1 beds per month for nursing facilities, 4.4 units per month for CCRCs, and just 1.9 units for assisted living centers not yet stabilized.

Iowa Restructures Assisted Living Oversight

Shifts Responsibility To New Department

When Iowa's Gov. Tom Vilsack moved additional oversight responsibilities to the state's Department of Investigations (DIA) and Appeals in response to a *Des Moines Register* article, the implications for Iowa's 147 assisted living facilities seemed like a foregone conclusion: DIA would employ skilled nursing survey standards to judge assisted living facilities.

Not so, says DIA Director Steve Young. "Assisted living is a markedly different service than skilled nursing," he says. "We're not even using the same terminology." For example, Young says, complaint investigations and certifications are completed by "monitors" rather than inspectors or surveyors, and assisted living facilities are referred to as "programs." The assisted living division is being set up as a separate unit within the department.

> 'Assisted living is a markedly different service than skilled nursing. We're not even using the same terminology.'

According to Young, DIA is working with the Robert Wood Johnson Foundation to revive a pilot project that originated under the state's Department of Elder Affairs. That project garnered national attention by incorporating the consumers' point of view into the regulatory process.

The *Des Moines Register* article, which was published in April, alleged that Elder Affairs failed to respond to consumer complaints and provided consumers with sanitized reports on the facilities in question. In response, Vilsack announced that Elder Affairs had failed in its role as advocate for the state's seniors. He then moved the complaint investigation, certification, and recertification responsibilities to DIA and appointed a task force to restructure Elder Affairs.

In July, the *Des Moines Register* ran a second series of articles examining assisted living, entitled "In Harm's Way." "The thrust of the articles seemed to be that there was not enough enforcement or regulation of assisted living," says Cindy Haverkamp, director of the Iowa Center of Assisted Living (ICAL). "The series built a case for more regulation, but some proposals were already in the works," she says, adding that the original rules, written in 1996, needed more clarification and detail to help providers and regulators to do a better job.

By 1997 Elder Affairs began its oversight of a small but growing number of assisted living facilities. Today the state has 147 facilities with 4,000 units.

On July 1, the new requirements for dementia care and staff training that ICAL, AARP, and the state Alzheimer's Association had collaborated on went into effect. The state legislature also passed another measure that more clearly defined the appropriate levels of care and when an assisted living resident should be discharged.

Whether the regulation is based ➤

on social or medical models makes no difference to Young. "Frankly, I don't know what a social or medical model of regulation is," says Young.

"What I do know is we need a system that ensures fairness, quality, and accountability."

Since April, DIA has developed specialized survey protocols that will be used during the recertification processes. Most assisted living facilities obtain a two- or three-year certification. A specially trained team of monitors, consisting of one social worker and one registered nurse, will conduct the surveys. Another new policy states that assisted living facilities applying for initial certification must have their operations monitored by the state 60 days after opening.

Under the prior policy, new facilities presented their plans for operations to Elder Affairs before the facility opened.

Although DIA will conduct the certifications, its recommendations are submitted to Elder Affairs, which will determine whether to certify or recertify a facility.

—Lisa Gelhaus

Washington State Puts Assisted Living Consultancy On Hold

QI Specialists Fall Prey To Budget Woes

By July 1, 2003, Washington state's assisted living providers will no longer be able to tap into a unique state-funded agency that sent consultants, rather than inspectors, to help providers comply with assisted living regulations.

Due to state budget shortfalls, the governor ordered cutbacks and layoffs of more than 400 state employees, including eight consultants working in the Quality Improvement Specialist program. The state will stop funding the Department of Residential Care Services' Quality Improvement Specialist program by July 1, 2003, according to program Director Pat Lashway, who estimated the program cost the state \$1.2 million annually for the eight full-time consultants. Lashway says the consultants are being absorbed into other state government positions.

"The program is not being shut down, it's been targeted for a reduction in workforce," she says. "At a point where we can fund the system again, the program will be revived."

Washington is the only state that has sent state regulatory experts to help assisted living facilities meet state standards. The program, more commonly known as the QIC, is also one of the few state programs that keeps the consultant's records from being included in a state survey of that facility. Assisted living providers fought hard for that separation, Lashway says.

"This program was built on trust," says Lashway. "There is a clear legislative direction that the consultants and the records cannot be involved in a quality inspection."

But there was a mechanism for consultants to report egregious conditions such as elder abuse to the licensing and inspection division, the state's enforcement arm.

Each consultant was responsible for helping providers in one of the state's six regions. The agency had not yet begun to compile statistics about the program's effectiveness, says Lashway, who declined to release the number of facilities that had participated in the program.

"It's disappointing that the state has decided to put this program on hold. This pioneering program was the first of its kind to be built on the premise that the assisted living providers and a state government would work as partners to ensure quality," says Dave Kyllo, president of the National Center for Assisted Living. "The program provided an innovative model that other states could follow. Unfortunately, it has fallen victim to the state's budget woes. Even though the shutdown might be temporary, it will slow down progress on how to perfect such programs. Hopefully, another state will step in and pick up where Washington left off."

—Lisa Gelhaus