

September 07, 2010

For nursing homes, 'it's diversify or die'

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MIAMI — Seniors amble the nursing home's halls, while children from around the world visit for biofeedback treatments. One floor down from the hospice, middle-aged workers fill its pain management clinic. A rehabilitation center attracts people of all ages.

For decades, the mission at Miami Jewish Home and Hospital was simple: To care for the old. But like nursing homes around the country, the facility is changing how it does business because of consumer demands and the economic realities of selling a service nearly no one wants.

“This is a place of life. This isn't a place of impending death,” said Blaise Mercadante, chief marketing officer at Miami Jewish. “And that's fundamentally the mindset change.”

Other companies whose core business has been housing the elderly are also coming up with new ways to make money, but Miami Jewish has taken the innovation further than most. While similar providers have expanded senior-related offerings like in-home care or assisted living, the South Florida home took a gamble in recent years by hiring specialists in fields that attract younger patients.

The moves are paying off: Miami Jewish expects to break even in 2011 after several years of losses.

“Nursing homes are waking up more and more to the reality that their old model of doing business is not going to hold up in the 21st century,” said Elinor Ginzler, an expert on long-term care at AARP.

Another provider that's changed its mix of services is Ecumen, which operates 70 senior communities in Minnesota, Wisconsin, Iowa, North Dakota and Idaho.

In 2004, Ecumen derived more than 80 percent of its \$99 million in revenues from traditional nursing homes. Five years later, revenues climbed to \$126 million while nursing homes' share fell to less than 60 percent, as Ecumen markedly expanded assisted living complexes that allow seniors to be more independent. A \$2.5 million loss in 2005 became a \$937,000 profit last year.

“We were heavily invested and reliant on a product that wasn't very popular,” said Mick Finn, one of the company's a vice presidents. “That's a no-win proposition for any business.”

Meanwhile, managers of its facilities were challenged to find new ways to make money off their existing services.

One began offering meals from its cafeteria pickup service to community members. Another started an online business selling incontinence products. A third opened its fitness classes to nonresidents.

“It was either diversify or die,” said Eric Schubert, another Ecumen vice president.

Even as the number of older Americans surges with the aging of the massive baby boom generation, demand for nursing homes is decreasing. The Centers for Disease Control and Prevention estimate that the number of nursing home residents fell from 1.63 million in 1999 to 1.49 million in 2004, the last year for which data is available. Meanwhile, the number of nursing homes decreased by nearly 16 percent over the two decades ending in 2004.

Demand for services like assisted living, in-home care and adult day care, meanwhile, is booming. Nursing homes have expanded their offerings to cope with shortfalls after finding that in many cases they are unable to provide care for less than the amount they are reimbursed under Medicaid, the main governmental provider of long-term care.

Brian Williamson, an analyst for Standard & Poor's who follows nursing homes, said facilities have been branching out to deal with lower occupancy rates. “Where before you may have been able to keep your facility 97 percent full, now maybe it's 92 percent,” he said. “You have to figure out how do I compensate for that lost percentage of beds.”

While some facilities have shuttered, observers say there will always be a need for nursing homes. Neil Kurtz, CEO of Golden Living, one of the largest nursing home operators in the U.S., said the emphasis has shifted from providing a place where seniors can grow old and die, to a place where seniors can recover from illness or surgery before moving back home or elsewhere.

“The concept where we're just warehousing patients and this is where they go to die is just the furthest from the truth,” Kurtz said.

Nancy King, who oversees home and community programs for Ohio Presbyterian Retirement Services, said demand has roughly doubled in the past five years for services it offers outside its nursing homes, including transportation, meal delivery and home health care. Those services now account for about one-fifth of revenues, which were once wholly generated by onsite services.

At Miami Jewish, the broadening of services began when its executives' saw a market for services such as pain management and biofeedback, which uses electrodes to increase mobility in paralyzed limbs. The hospital built a staff of experts in those areas mostly from scratch, adding more than 50 specialists to staff its pain, biofeedback and rehabilitation centers.

It even changed its name last year — to Miami Jewish Health Systems — to reflect its broader focus.

CEO Jeffrey Freimark estimates the \$35 million deficit of 2009 will fall until it reaches the break-even point next year. For the fiscal year that ended June 30, the facility posted a loss of about \$12 million.

The center's success with patients of all ages is evident in a tour of its buildings. At the pain center, 101-year-old Tilly Harris receives therapy a few feet from 54-year-old Tony Pukewitz, who has traveled from Cape Town, South Africa, for treatment.

Harris is a resident, but says it doesn't feel like a nursing home to her. And for those who think of Miami Jewish as just a place for the old, Pukewitz has some simple advice.

“Look deeper,” he said.