



**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

---

Senior Living News InContext | June 2008

## **IS YOUR COMMUNITY READY FOR A RECESSION?**

Rising unemployment and sub-prime mortgage, credit, oil and dollar crises are all signs of a severe economic recession in this country. We may see gasoline reach \$5 per gallon, record numbers of home foreclosures, bank closures and lost accounts, and many other devastating effects.

*How does the current economic climate affect our Continuing Care Retirement Communities? Our clients are experiencing some or all of the following:*

- Declining occupancy
- Longer sales cycle for potential residents
- Higher average age of residents
- Increased costs for food, supplies and service contracts

*How can CCRCs respond to the current economic situation? It may be impossible to totally recession-proof your community, but you can take proactive steps to prepare your community. The professionals in the Dixon Hughes PLLC Senior Living Practice offer the following tips:*

- **Update Market Research** – With potential residents delaying the decision to move into CCRCs it is even more important for you to understand where your community stands in the competitive market on product, price and perceived value. Understanding where your potential residents are drawn from (your Primary Market Area) will allow you to concentrate marketing efforts and associated costs.
- **Refresh Marketing Plans** – Stale and/or repetitive marketing campaigns may no longer attract the attention of prospective residents. While a new set of collateral materials may not be the best use of funds during tough times, other areas of your marketing efforts can be refreshed such as direct mail pieces, newspaper ads, article submissions, radio or billboard advertising, etc.
- **Understand Expenses** – Analyze your expenses to ensure you are fully aware of the cost of running your community. Prepare a benchmark analysis to understand how your expenses compare to other CCRCs. This can identify areas where you may have opportunity for savings.
- **Utilize Group Purchasing** – Most national or state organizations have group purchasing opportunities for members. If you are not in a group purchasing arrangement, find one. If you have a group purchasing agreement, contact your representative to review the history of your account and opportunities for further savings. Ensure all department managers are following the group purchasing guidelines and evaluate their participation during annual performance appraisals.
- **Review Service Contracts** – Service contracts for grounds maintenance, HVAC maintenance and service, kitchen equipment repair, etc., may have been renewed with standard cost of living increases for years. Understand what services are provided for each major contract and whether they can be performed in-house. Putting current

contracts out to bid or renegotiating pricing and terms gives opportunity for cost savings.

- **Manage Inventory Levels** – Keep inventory for food, medical supplies, chemicals, etc., at the legal or required minimums. Most vendors deliver within a number of days so avoid stockpiling and utilize inventory stores if current levels are too high.
- **Become An Advocate** - With the ever present danger of Medicare and Medicaid rate cuts in CCRC health centers, it is imperative to become or stay active in the advocacy role. Join the efforts of state and national group campaigns by calling local congressional representatives, writing letters and asking residents to play a part.

For more information about the services offered by Dixon Hughes' Senior Living Practice, contact us at [info@dixon-hughes.com](mailto:info@dixon-hughes.com). Or to contact Alexia Pozar, the author of this article, please contact [apozar@dixon-hughes.com](mailto:apozar@dixon-hughes.com). You may also call **1.800.850.5199** or visit [www.dixon-hughes.com/seniorliving](http://www.dixon-hughes.com/seniorliving).

Dixon Hughes' Senior Living Practice collectively possesses more than 150 years of experience in a broad range of financial, marketing, development and operational disciplines. Tailoring our services to meet the unique needs of each client, we provide insight, guidance and proactive approaches to the ever-changing senior living industry.

*To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.*

© 2008 Dixon Hughes PLLC | [www.dixon-hughes.com](http://www.dixon-hughes.com)

---