



The Perfect Storm is Coming: A Unique Approach to Survive It

By Susan Saldibar

I recently spoke with Gustavo Sapiurka, Senior VP of OneSite, the property management solution provided through [RealPage](#) (a Senior Housing Forum partner). He wanted to talk about what he was calling “the perfect storm” for affordable senior and assisted living. I braced myself for visions of reeling boats with challenges that brought more questions than answers. Boy was I wrong!

The Perfect Storm -- The Wave

But before I get to why I was wrong, let’s look at Gustavo’s perfect storm. He describes it as four parts of the “wave” as follows:

- **First part -- Age:** Here’s why. In 2015 there were 50 million American residents aged 55+. In 2055 that number will be over 90 million. And, the age of folks over 85 will more than double. For ages 75-84 it triples! And, guess what? We are living longer as well. That creates a huge increase in demand for senior care.
- **Second part -- Income:** There is a dramatic annual income drop, from an average of \$60k between the ages of 50-64, down to an average of \$25k after age 85.
- **Third part -- Savings:** According to Gustavo, 33% of Americans do not have any retirement savings. Only 13% have \$30k or more. Even more depressing is that 56% have less than \$10k saved. So we have an affordability crisis today that may get even worse in the future.
- **Fourth part -- Caregiver Shortage:** Families are getting smaller. That means fewer children and relatives are part of the care circle. In 1990, there was a ratio of 6:6 for people who need care. By 2015 that ratio will be 2.9:6.

Put this all together and combine it with pressure on state budgets with the Medicaid expansion and shrinking Medicaid allotments, and you have the perfect storm.

To help quell this storm, Gustavo has proposed a private/public partnership. This partnership is being tested, as part of an on-going “experiment,” by RealPage’s customers and industry partners. And they are seeing good results when they handle the rent side of their communities through HUD subsidies or tax credits, and handle the care piece through either private pay or Medicaid—if there is eligibility.

Private/public relationships make sense. But you need to do it right.

Interesting. But how does it all come together?

Gustavo tells me, “You take a layered approach. So instead of looking for one source to pay for everything you have two or three sources,” he says. In a nutshell:

1. Break your housing and services cost within your assets.
2. All those that fall under “rent” can be subsidized by HUD, low income tax credit, state subsidies (if they still exist) and help from family.
3. All those that fall under “services” will be paid by Medicaid or through private pay.

Gustavo notes that you can still supplement with third party or private pay, but, by doing the above, it becomes a much smaller number.

Underpinning this strategy, of course, is the understanding that no single entity is going to pay for everything. According to Gustavo, “If you try to get HUD to pay for your services, they are going to say ‘no’. If you try to get Medicaid to pay for your housing, they are going to say ‘no.’ But break them apart and layer them together, and you get a ‘yes’ and a ‘yes.’ At least, potentially.”

Basically, as Gustavo tells it, by taking this approach, community operators will hopefully be able to survive, or at least stand up to the perfect storm.

He also suggests taking a look at other cost savings programs available to you, such as the RAD program from HUD, and other tax credit programs to help re-cap some of your assets. And he urges operators to bring in some private capital to rehab buildings and make them eco-sustainable. Doing so can lower operating costs, provide additional federal funding and promote a healthier environment.

Wait a minute. How do you manage all this stuff?

Gustavo acknowledges that creating an infrastructure that allows this layered approach requires resources. As he points out, 54% to 58% of cost is labor. And with additional federal and state funding there will be additional requirements to report to various agencies across the board. Costs will be higher unless you have systems in place. That’s why RealPage is preparing to roll out a new platform that will automate many of the pieces he’s described here.

Is this a solution that can work? Gustavo believes this strategy will help keep operators reasonably profitable, with occupancy levels where they need to be. And, he believes that this is a model that can continue to work. We need to do something. Keeping status-quo is not the answer.

This is an imperfect industry in an imperfect world. There is no silver bullet. But kudos to folks like Gustavo at RealPage for working to promote dialogue and continually search for viable solutions. “We can’t address this perfect storm unless we unify and look holistically at what we can do, together as an industry and a community,” he says.



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