October 21, 2014

Legacy Foundation of Sierra Vista

Feasibility Assessment of Sierra Vista Older Adult and Veterans Future Needs - Final

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Phase 1
Market Demand Analysis Results

Overview of Research

Health Dimensions Group (HDG) used both quantitative and qualitative research methods to conduct the market demand analysis:

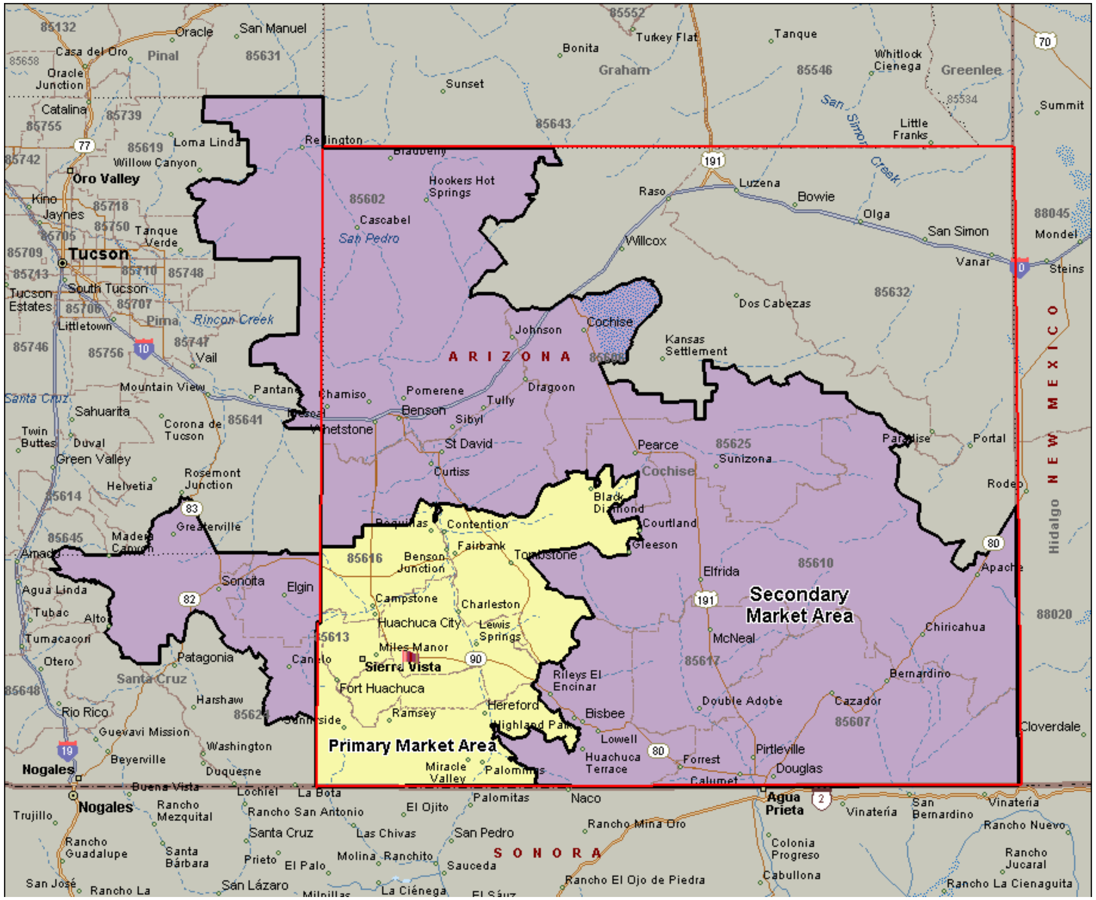
- The quantitative research encompassed an analysis of current and future supply for both nursing home beds, veteran nursing home beds, and behavioral health nursing home beds.
  - Additionally, HDG analyzed demand for domiciliary care and memory care assisted living services.
- The qualitative research encompassed a series of stakeholder interviews to cultivate insight and understanding of the long-term care needs of both the older adult and veteran populations.

Interview areas of focus included:

- Availability and accessibility of services to aging veterans and general aging population in Sierra Vista
- Gaps in services to aging veterans and general aging population in Sierra Vista
- Gaps in services to female veterans
- Current and future demand for nursing home care
- Perceptions and support of opening a veteran nursing home or an additional nursing home in Sierra Vista

The Market Area

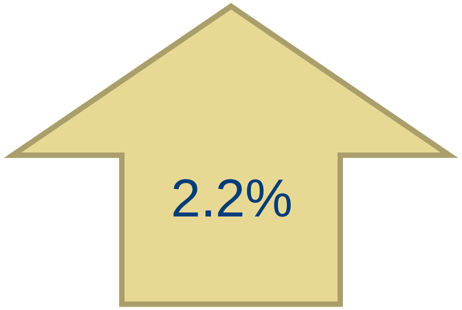
- Legacy Foundation supplied primary and secondary market areas
- Primary market area consists of six ZIP codes mostly within a 45-minute drive from the property
- Secondary market area consists of 11 ZIP codes which are almost entirely located more than an hour from the property



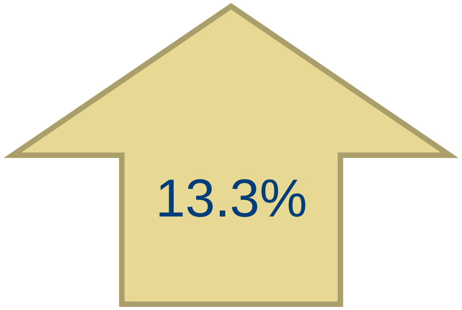
Market Research – Total Population Demographics 2014-2019

Primary Market Area Population

Total Population


2.2%

Senior Population


13.3%

Veterans account for 28% of senior population

Primary Market Area Households

> **Median Incomes**
Greater than state and national indicators

> **Home Ownership**
Greater than state and national indicators

> < **Housing Value**
Greater than state indicator,
Less than national indicator

Market Research – Total Population Demographics 2014-2019

Secondary Market Area Population

Total Population

↑ 0.5%

Senior Population

↑ 12.0%

Veterans account for 28% of senior population

Secondary Market Area Households

< Median Incomes
Less than state and national indicators

≥ ≥Home Ownership
Greater than or equal to state and national indicators

< Housing Value
Less than state and national indicators

Veteran Population Demographics and Future Growth for Cochise County

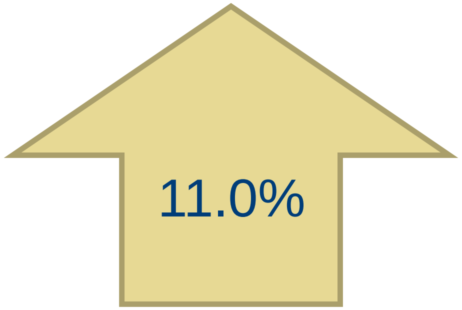
Age Cohort	2014	2019	Percent Change
17-44	7,437	8,128	9.3%
45-64	8,617	10,175	18.1%
65-84	6,180	6,353	2.8%
85+	1,015	1,153	13.6%
Total	**23,249**	**25,809**	**11.0%**

- Overall senior growth is minimal, but highest users of services (85+ age cohort) increasing significantly
- Increase in “older” seniors indicates the need for services will also increase

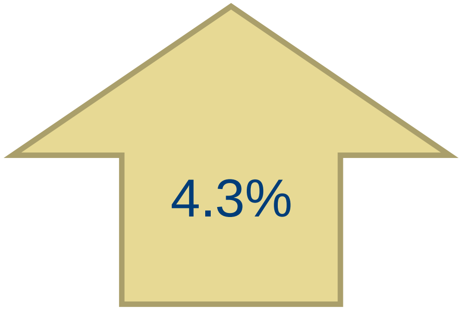
Source: United States Department of Veterans Affairs

Market Research—Veteran Demographics for Cochise County 2014-2019

Total Veteran Population (age 17+)



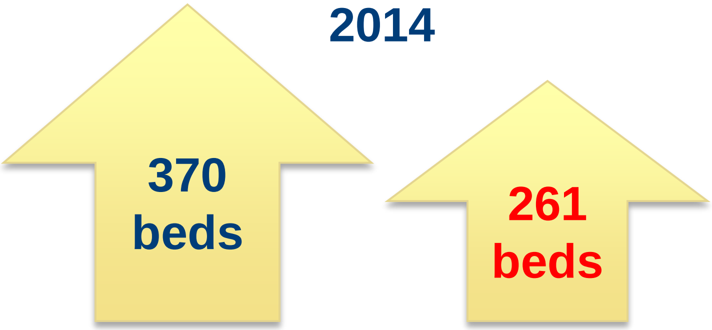
Senior Veteran Population (age 65+)



- Veteran demographics are available by county; not ZIP codes
- Total veteran population is increasing faster than total general population for age 18+ age cohort (11.0% and 1.5%, respectively)
- Veteran senior population is increasing slower than general senior population (4.3% and 13.3%, respectively)
- Veterans account for 28% of the overall senior population in the total market area

Findings: Current Nursing Home Bed Demand Total Population

Nursing Home Bed Demand Sierra Vista Market



2014

370 beds

261 beds

Supply

Demand

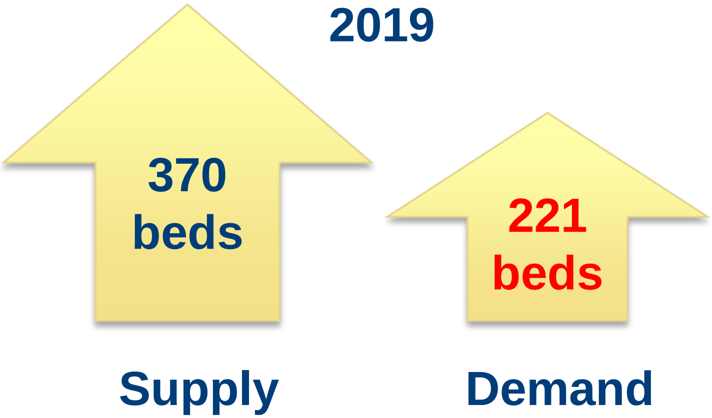
The market currently has **an oversupply of 109 beds**

Most interviewees feel Sierra Vista is currently meeting the demand for nursing home care.

Interviewees indicated that present day, there is not enough demand for nursing home beds and that the two nursing homes in Sierra Vista have an average occupancy of 62% which is considered very low.

Findings: Future Nursing Home Bed Demand Total Population

Nursing Home Bed Demand Sierra Vista Market



Left unchanged, in 2019 the market will have **an oversupply of 149 beds**

Several interviewees felt confident that future demand for nursing home care will increase significantly.

Other interviewees expressed concern about adding another nursing home when there are existing openings in both nursing home and assisted living settings.

Findings: Behavioral Nursing Home Bed Demand Total Population

Behavioral Nursing Home Bed Demand

Continued decline in need
2014=37
2019=31

Subset of total nursing home bed demand. Behavioral bed need is not enough to support a dedicated nursing home for behavioral patients

Interviewees indicated a need for more behavioral health services in general but not necessarily behavioral health services provided in a nursing home setting.

Findings: Demand for Veteran Nursing Home Beds and Behavioral Health

Veteran Nursing Home Bed Demand

Continued decline in need
2014=67
2019=57

Veteran Behavioral Nursing Home Bed Demand

Continued decline in need
2014=10
2019=9

Interviewees liked the *idea* of a veteran nursing home, and felt it would be a benefit to the community based on their perception of a large veteran population in Sierra Vista.

Several interviewees indicated a need for more behavioral health services for veterans in outpatient settings, indicating counseling for PTSD and mental health programming in particular.

Interviewees stated that veterans are commonly referred to Tucson for behavioral health services.

Overview of Domiciliary Care and Memory Care Assisted Living Demand

Domiciliary Care

- Domiciliary Care need calculated only for veteran population for Cochise County
- Care level would be most similar to assisted living for the general population, but is limited to veterans only
- There are no existing domiciliary care units in Arizona

Memory Care Assisted Living Demand

- Demand calculated for overall population within the total market area
- Largest growth in nation for memory care settings is within memory care assisted living facilities

Findings: Demand for Assisted Living/Domiciliary Care, and Memory Care Assisted Living

Domiciliary Care Demand

Cochise County veterans could support between 7 and 8 units steadily over the next five years

Memory Care
Assisted Living Demand

Market could support between 27 and 40 additional units with projected need declining to 26-38 units in 2019

Interviewees consistently cited demand for Alzheimer’s and dementia care identifying this as an area of great need. In addition, some interviewees shared that Sierra Vista is lacking neurologists with dementia expertise.

In addition, interviewees mentioned assisted living services should be expanded.

Additional Findings from Stakeholder Interviews

- Interviewees cited a lack of transitional services and housing options available for homeless veterans and considered the vacant hospital facility as a means of housing for homeless veterans.
- Meals and transportation were identified as gaps in the service continuum.

"One of the gaps in services that is most glaring is transportation."

"We have some resources but are overwhelmed with demand and not enough resources exist to expand transportation and meal services."

- There is a shortage of geriatric professionals which results in an increased reliance on Tucson for senior specific medical needs.

"We certainly need more gerontologists in the community. You have to go all the way to Tucson or further to find one."

Market Demand Analysis: Conclusions and Recommendations

Conclusions and Recommendations

- Based upon the results of both quantitative and qualitative analyses, HDG findings indicate:
  - Insufficient demand to support the conversion of the vacant hospital into a single use specifically as a general population nursing home or a veteran specific nursing home.
  - Limited opportunity for nursing level behavioral health however interviews indicate an unmet demand for outpatient mental health services and PTSD counseling
  - Opportunity for dementia care programming
  - Housing and supportive services for homeless veterans
  - Elder focused medical clinic with geriatric specialists
- HDG recommends consideration of a mixed use facility incorporating a mental and physical health care clinic for elders with a separate transitional housing and service program for homeless veterans.

Appendix I
Market Research and Demand Analysis

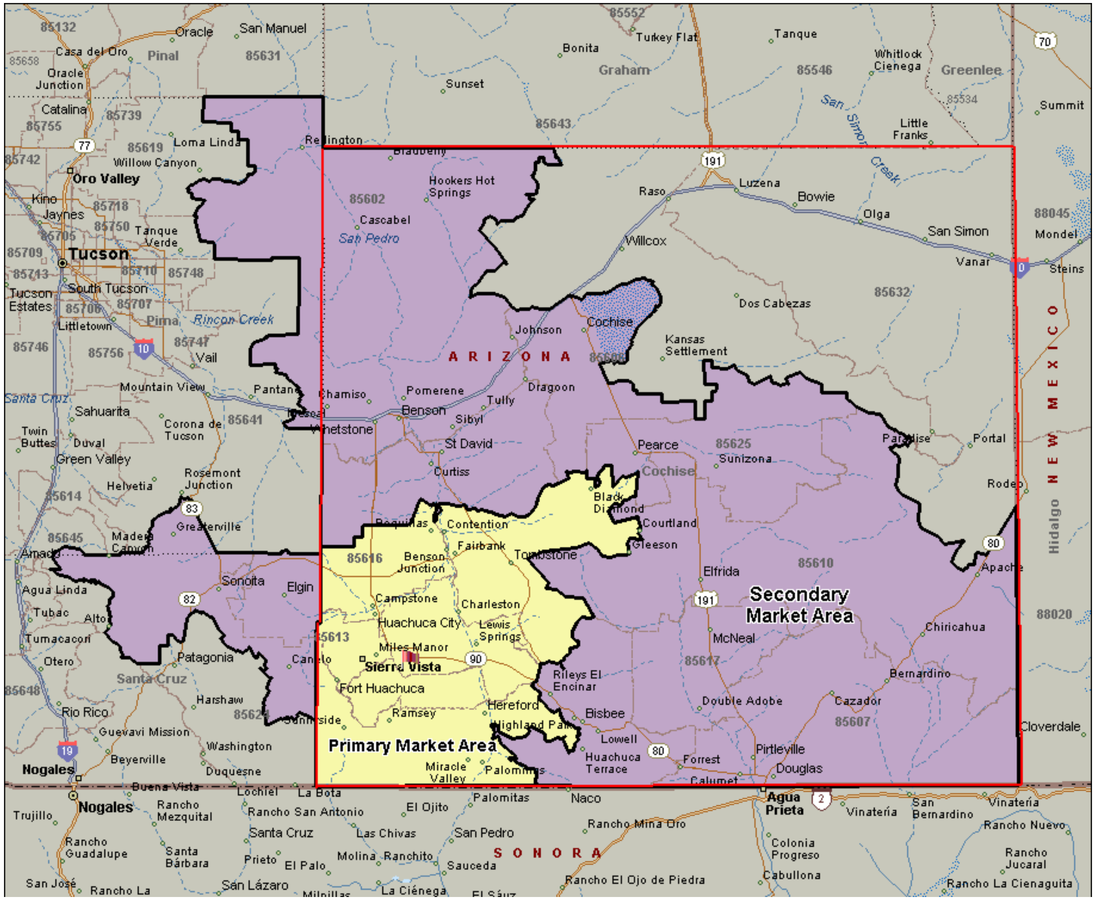
Demographics

Long-Term Care

Assisted Living

The Market Area

- Majority of residents would come from the primary market area, which is mostly within a 45-minute drive time of property
- Secondary market area is very large and distant from primary market area; Tucson market is closer for some of the secondary market area, indicating minimal penetration would be expected from secondary market area



Demographics

Findings and Results

- Findings: 75+ population increasing moderately over next five years; primary market area and secondary market area household incomes and homeownership percentages vary greatly from one-another
- Results: Continued need for senior services into the near future, but moderate growth. Will see larger impact in 10 years when Baby Boomers begin to become age 75+.

Total Population Demographics and Future Growth

- Target population (75+ years) is growing slower than state and national indicators
- Overall population increasing minimally

Older “Baby Boomers” do not reach age 75 until 2021

1964

1946

Target Population

Age Cohort	Total Market Area Percent Change 2014-2019	PMA Percent Change 2014-2019	SMA Percent Change 2014-2019	State Percent Change 2014-2019	National Percent Change 2014-2019
0-4 Years	2.2%	1.3%	3.5%	4.1%	0.7%
5-9 Years	2.7%	3.8%	1.2%	2.9%	0.2%
10-14 Years	0.6%	5.9%	-6.4%	2.5%	-0.1%
15-17 Years	-1.3%	2.0%	-5.2%	5.9%	2.0%
18-20 Years	1.6%	2.0%	0.9%	5.4%	2.1%
21-24 Years	5.7%	2.3%	11.1%	4.7%	2.8%
25-34 Years	-0.2%	-5.2%	8.7%	3.2%	0.9%
35-44 Years	4.4%	8.2%	-1.4%	4.9%	1.2%
45-54 Years	-11.6%	-9.2%	-15.2%	0.1%	-4.6%
55-64 Years	-4.9%	-1.8%	-8.7%	6.0%	7.3%
65-74 Years	17.7%	17.0%	18.5%	19.1%	24.6%
75-84 Years	3.8%	6.2%	0.9%	12.8%	10.7%
85+ Years	9.4%	11.6%	6.8%	9.9%	6.1%
Total	**1.5%**	**2.2%**	**0.5%**	**5.6%**	**3.5%**
65+ Years	12.7%	13.3%	12.0%	16.1%	18.0%
75+ Years	5.3%	7.6%	2.5%	12.0%	9.3%
85+ Years	9.4%	11.6%	6.8%	9.9%	6.1%

Source: The Nielsen Company and HDG analysis

Total Population
Median Household Income—2014

- Primary market area within range of State and National indicators for 65+ population, but secondary market area is significantly lower, impacting ability to pay privately for services
- Incomes growing slower than the cost of services over next five years, which will negatively impact the percentage of the population able to pay privately for services

Age of Head of Household	Total Market Area	PMA	SMA	Arizona	United States
45-54 Years	$50,199	$62,409	$38,507	$59,569	$67,780
55-64 Years	$44,170	$53,668	$35,011	$51,093	$59,907
65-74 Years	$44,915	$53,872	$36,171	$45,150	$45,061
75-84 Years	$31,375	$37,997	$25,859	$31,450	$30,351
85+ Years	$24,548	$29,597	$21,005	$24,882	$23,851

Source: The Nielsen Company and HDG analysis

Total Population
Home Ownership—2014

- Home ownership is high in both primary and secondary market areas, particularly for the 85+ population
- High home ownership indicates large percentage of seniors remain in their own homes, but also would have assets from the sale of the home to help pay for services

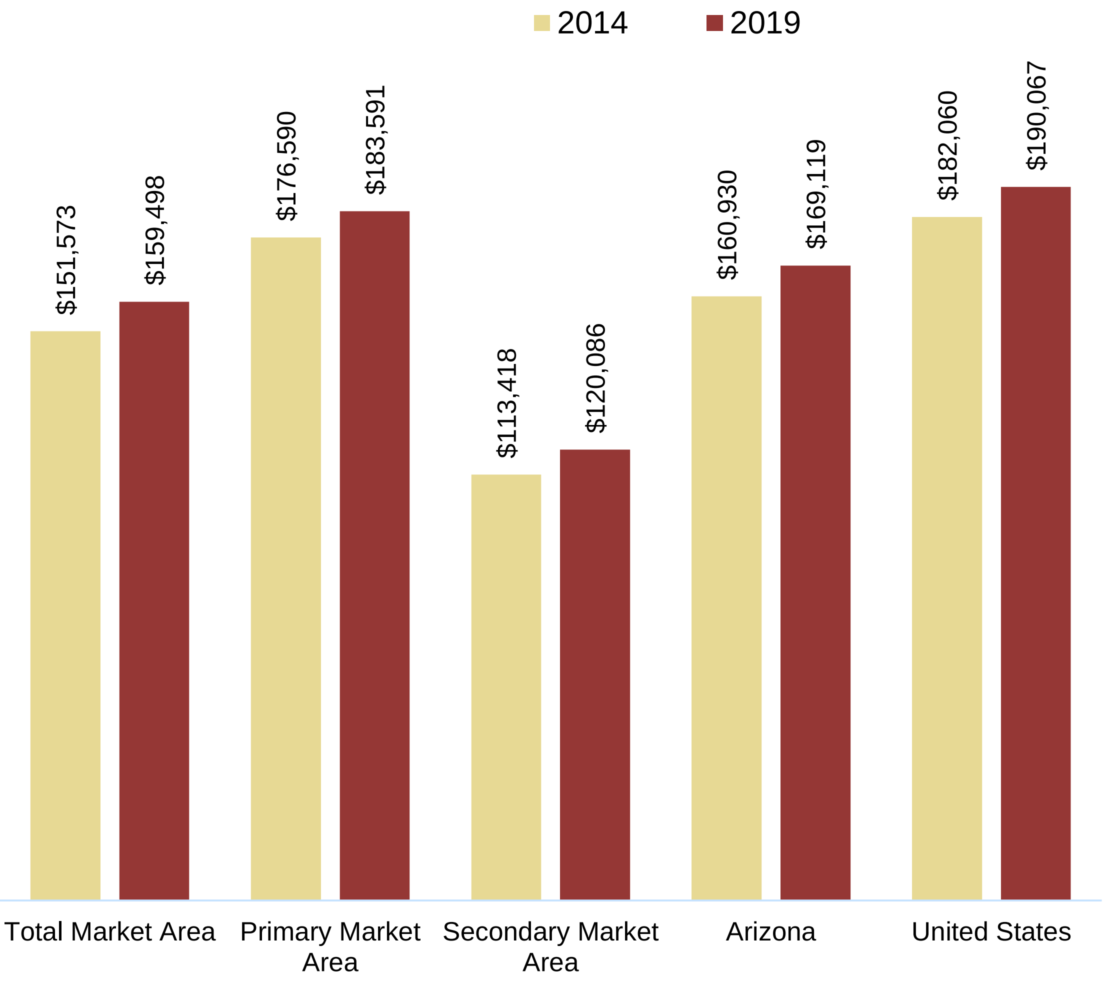
Age of Head of Household	Total Market Area	PMA	SMA	Arizona	United States
55-64 Years	80.0%	81.1%	78.8%	78.1%	77.0%
65-74 Years	85.1%	87.2%	82.7%	84.4%	79.9%
75-84 Years	83.4%	83.4%	83.4%	83.4%	77.4%
85+ Years	75.7%	71.0%	80.7%	66.9%	64.1%

Source: The Nielsen Company and HDG analysis

Total Population Median Housing Value

- Median housing value increasing similar to State and National indicators; secondary market area increasing fastest but has lowest median value

Median housing value is high in the primary market area, but low in the secondary market area. Median housing value impacts the proceeds from the sale of the home to help pay for services



Source: The Nielsen Company and HDG analysis

Long-Term Care

Findings and Results

- Findings: 4 nursing homes in total market area (370 beds)
- Results: Projected decline in utilization of nursing homes and moderate population growth results in decline in future need for nursing home beds

Long-Term Care Providers

- Low occupancy indicates many excess beds currently in market area, particularly the primary market area
- On average, 99 empty beds on any given day between four facilities, indicating sufficient supply currently serving market area

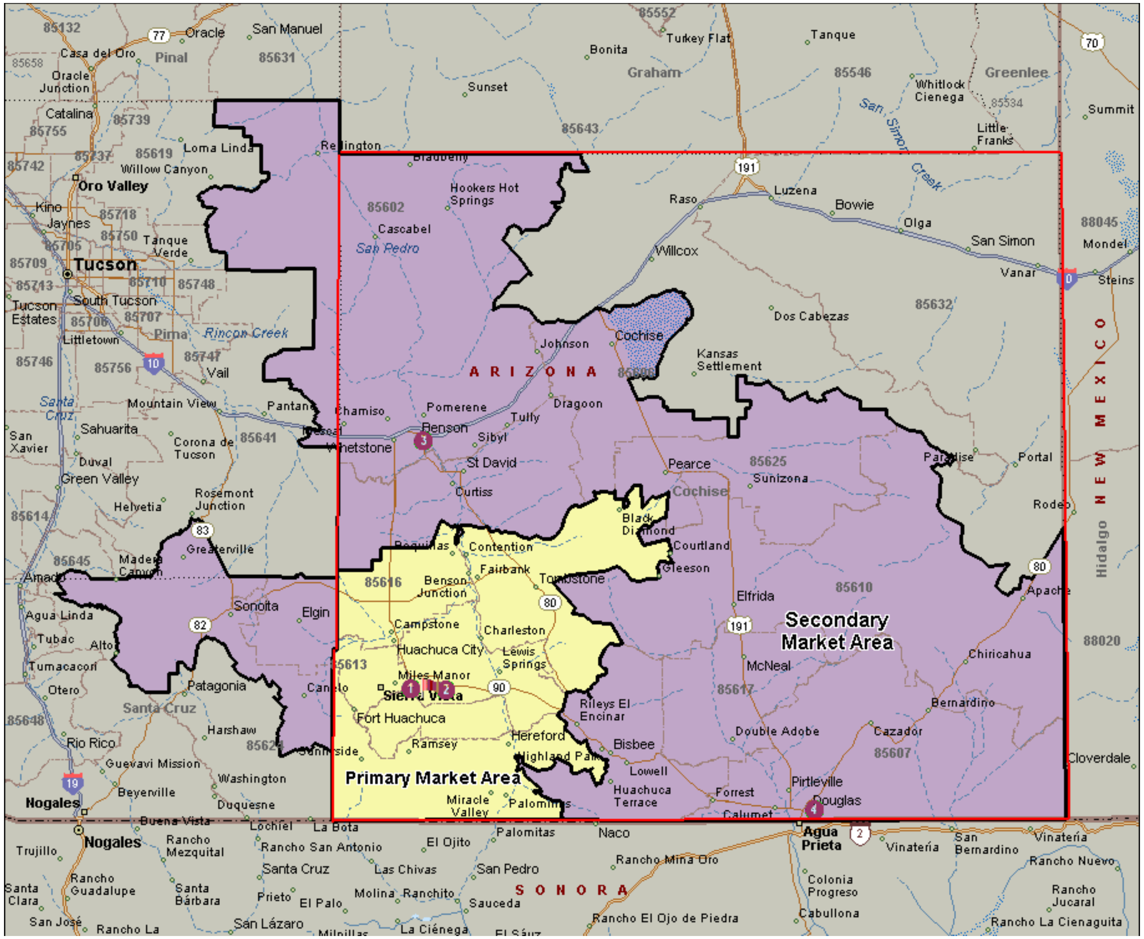
Map Key	Facility	Average Daily Census	Total Beds	Occupancy
1	Kindred Nursing and Rehabilitation - Hacienda 660 South Coronado Drive, Sierra Vista, AZ 85635	72.6	100	72.6%
2	Life Care Center of Sierra Vista 2305 East Wilcox Drive, Sierra Vista, AZ 85635	97.0	152	63.8%
Total Primary Market Area		**169.6**	**252**	**67.3%**
3	Good Samaritan Society - Quiburi Mission 850 South Highway 80, Benson, AZ 85602	53.0	58	91.3%
4	Haven of Douglas, LLC 1400 North San Antonio, Douglas, AZ 85607	48.5	60	80.9%
Total Secondary Market Area		**101.5**	**118**	**86.0%**
Total		**271.1**	**370**	**73.3%**

Source: The Nielsen Company and HDG analysis

Nursing Home Market Competitors

- 4 nursing homes in the market with 370 licensed capacity
- 2 nursing homes located near property, both of which have excess beds

Overall low occupancy and continued decline in utilization indicates market has excess beds, with continued anticipated decline in census



Long-Term Care Provider's Payor Distribution

- Typical as most markets, majority of beds filled by Medicaid payors
- New developments would not increase Medicare or "other" payor census, but compete for existing supply, which is minimal

Facility	Medicare	Medicaid	Other	Total
Kindred Nursing and Rehabilitation - Hacienda	13.7	37.7	21.2	72.6
Life Care Center of Sierra Vista	24.0	57.6	15.3	97.0
Total Primary Market Area	**37.8**	**95.3**	**36.5**	**169.6**
Good Samaritan Society - Quiburi Mission	4.0	41.1	7.8	53.0
Haven of Douglas, LLC	3.3	40.0	5.1	48.5
Total Secondary Market Area	**7.4**	**81.2**	**12.9**	**101.5**
Total	**45.2**	**176.5**	**49.4**	**271.1**

Source: Snfdata.com

Long-Term Care Provider's Historical Census

- Although senior population has increased since 2008, nursing home census has declined
- Nursing home census will continue to decline as funding sources are increasingly focused on less costly options than institutional settings

Facility	2013	2012	2011	2010	2009	2008
Kindred Nursing and Rehabilitation-Hacienda	26,494	27,665	29,306	31,535	31,567	31,162
Life Care Center of Sierra Vista	35,403	37,498	38,654	41,461	43,057	44,726
Total Primary Market Area	**61,897**	**65,163**	**67,960**	**72,996**	**74,624**	**75,888**
Good Samaritan Society-Quiburi Mission	19,338	20,298	20,374	20,025	20,654	20,976
Haven of Douglas, LLC	17,710	23,424	19,016	20,364	19,099	18,301
Total Secondary Market Area	**37,048**	**43,722**	**39,390**	**40,389**	**39,753**	**39,277**
Total Patient Days	**98,945**	**108,885**	**107,350**	**113,385**	**114,377**	**115,165**
Total Average Daily Census	**271.1**	**297.5**	**294.1**	**310.6**	**313.4**	**314.7**

Source: Snfdata.com

Nursing Home Bed Demand

- HDG determined demand for overall nursing home beds by considering current nursing home utilization in market as compared to national and select regional trends
  - Our utilization forecasts consider current and predicted future bed demand, segregated by age cohort
  - Utilizations are, in turn, applied to market area population to determine specific bed demand and adjusted for existing beds in market area
- Analysis includes total bed use (short-stay and long-term care)

Analysis indicates primary market area utilizes beds lower than state average, while secondary market area utilizes beds greater than state average. The amount of excess beds in the overall market area will continue to increase.

Nursing Home Bed Demand Total Market Area

- Demand estimates indicate the market is 109 beds oversupplied, which is similar to cost report information showing 100 empty beds on average
- Market is projected to require 40 fewer beds in 2019 than 2014
- Veterans account for approximately 28% of the total senior population; veteran bed need is 67 in 2014 and declining to 57 in 2019

Age Cohort	2014 Bed Demand	2019 Bed Demand
0-21 Years	1	0
22-30 Years	1	1
31-64 Years	39	30
65-74 Years	49	45
75-84 Years	71	58
85+ Years	80	69
Overall Bed Demand	**241**	**204**
General Population Bed Demand	**174**	**147**
Veteran Population Bed Demand	**67**	**57**
Total Bed Need 92% Occupancy	**261**	**221**
Beds Serving the Market Area	**370**	**370**
Unmet Demand (Excess)	**(109)**	**(149)**

Source: HDG Analysis

Nursing Home Behavioral Bed Demand
Total Market Area

- 24.33% of nursing home census in Arizona had behavior symptoms in 2013
- 62.83% of nursing home census in Arizona with behavior symptoms received behavior management in 2013
- An estimated 37 beds would need behavioral management in the market area, which is not enough to support a stand-alone nursing home specializing in behavioral management

Age Cohort	2014 Bed Demand	2019 Bed Demand
0-21 Years	1	0
22-30 Years	1	1
31-64 Years	39	30
65-74 Years	49	45
75-84 Years	71	58
85+ Years	80	69
Bed Demand	**241**	**204**
% with Behavior Symptoms (24.33%)	**59**	**50**
% Behavior Symptoms Receiving Behavior Management (62.83%)	**37**	**31**
Veteran Bed Demand	**10**	**9**
General Population Bed Demand	**27**	**22**

Source: HDG Analysis and Cowles Research Group's 2013 Nursing Home Statistical Yearbook

Domiciliary Care

Findings and Results

- Findings: No domiciliary care units located in Arizona
- Results: Little demand for domiciliary care in Cochise County

Domiciliary Care

- Demand calculated for Cochise County since demographics of veteran population limited to county-level
- Calculated demand using veteran administration formula
- County demand for 7 units in 2014 and increasing to 8 units in 2019
- Demand is too small in Cochise County; any development would need to attract veterans state-wide to fill the building

Memory Care Assisted Living

Findings and Results

- Findings: Five assisted living centers in market area (215 capacity) of which 60 are dedicated memory care units
- Results: Minimal quantitative potential development for memory care assisted living units in the market area, but redevelopment of an existing hospital into these services would be challenging to attract private pay clientele

Assisted Living Centers

- Only assisted living centers included in the analysis; assisted living homes have additional capacity for 104 residents, but would not be competitive
- Excluding Via Elegante, which opened in August 2014, units were 90.3% occupied, which indicates market is about right-sized for overall assisted living

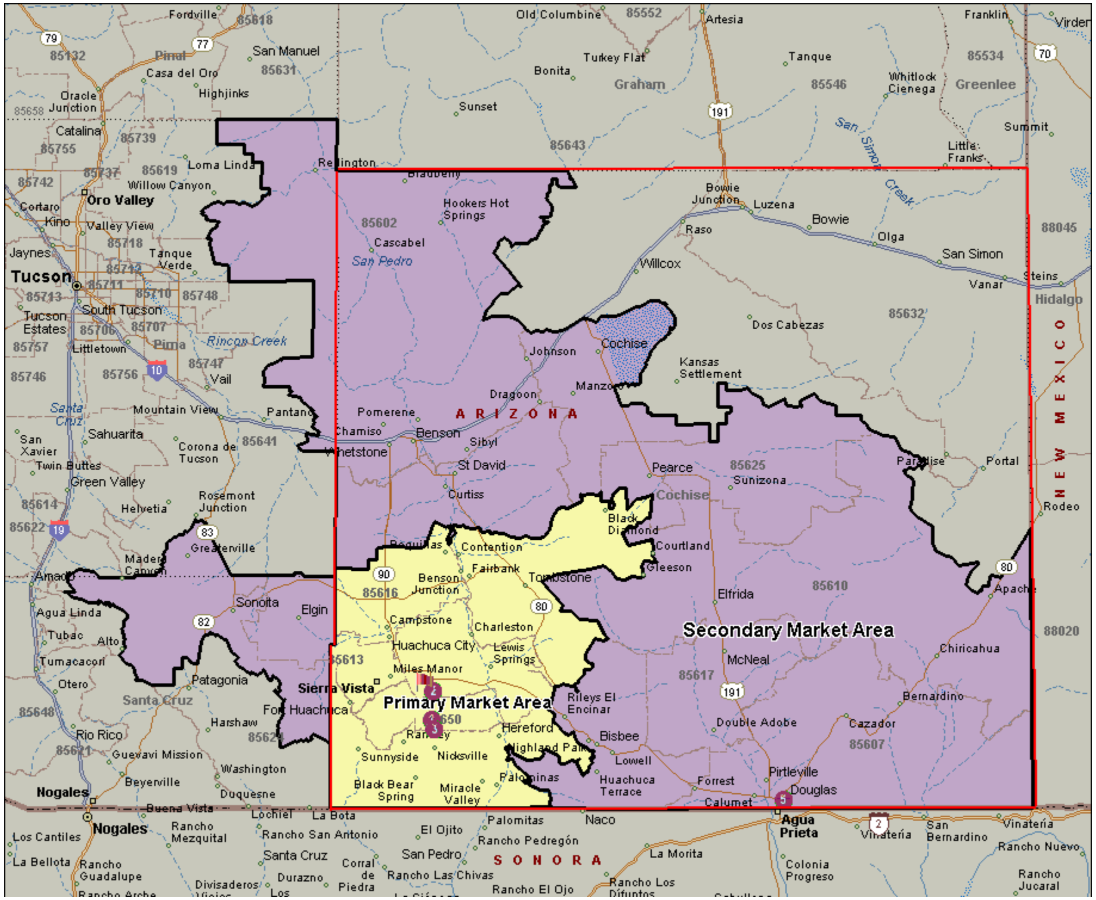
Map Key	Facility	AL Units	MCAL Units	Total Units
1	Bee Hive Homes of Sierra Vista 4110 East Anderson Street, Sierra Vista, AZ 85650	16	0	16
2	Prestige Assisted Living at Sierra Vista 4400 Avenida Cochise, Sierra Vista, AZ 85635	42	22	64
3	Via Elegante, Sierra Vista 4120 East Ramsey Road, Hereford, AZ 85615	61	0	61
4	Villa Vista Alzheimer's Care Facility 4255 Calle Vista, Sierra Vista, AZ 85635	0	38	38
Total Primary Market Area		**119**	**60**	**179**
5	Cypress Inn Assisted Living Center 757 12th Street, Douglas, AZ 85607	36	0	36
Total Secondary Market Area		**36**	**0**	**36**
Total		**155**	**60**	**215**

Source: Arizona Department of Health Services, Division of Licensing Services

Assisted Living Market Competitors

- 4 provide “general” assisted living services and have capacity of 155
- 2 with dedicated memory care units and have capacity of 60

  Via Elegante is a new facility and will be very competitive to any new development; in two months, 20 of 61 units have been leased. Although not a dedicated memory care facility, the facility will compete for lower acuity memory impaired residents



Memory Care Assisted Living Demand Total Market Area

- Estimated demand of 27-40 additional units in 2014; decreasing to 26-38 units in 2019
- Income qualified households used in the analysis were age 75+ head of households with incomes of $40,000+ in 2014 and $45,000+ in 2019
- Further analysis would be required to qualify demand and likelihood of repurposing building to compete for age-and income-qualified residents

Memory Care Assisted Living	2014		2019	
Households	6,500		6,892	
Income Qualified Households	2,281		2,161	
Need (10% age 75-84 and 28% age 85+)	309		298	
Existing Memory Care Assisted Living Units	60		60	
Target Market	249		238	
Capture Rate 10-15%	25	37	24	36
Occupancy 93%	27	40	26	38
Demand (Excess)	**27**	**40**	**26**	**38**

Source: HDG Analysis