

# An Overview of the Current and Future State of Post-Acute Long-Term Care

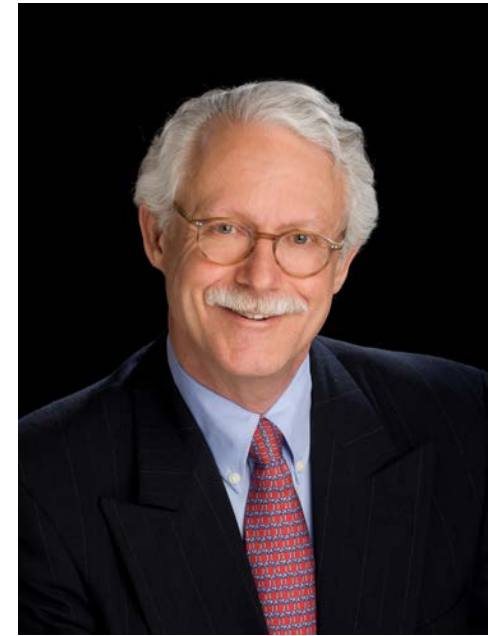
## Facility Assessment and Capital Replacement Planning



# John H. zumBrunnen

CEO zumBrunnen, Inc.

Atlanta, GA – Charlotte, NC



- 46 years construction experience
- Founded zumBrunnen, Inc. 1989
- Founded FacilityForecast, Inc. 1995
- Extensive experience in:
  - Construction quality control
  - Construction administration
  - Facility assessment and management
  - Capital replacement budgeting
  - Strategic planning
- Past and current affiliations:
  - APRA: Association of Professional Reserve Analysts
  - LeadingAge: National and various state associations
  - CAI: Community Associations Institute (HOA)
  - NCAIS and SAIS: Education
  - UNT Faculty – CLAS: Senior Living



## Discussions:

- 1. How clinical vs. hospitality approaches to short and long-term planning differ*
- 2. How facility condition assessments and 20-year capital replacement budget studies are performed to address:*
  - Repairs*
  - Routine capital replacements*
  - Long-term strategic planning*

# Clinical Approach to Planning

*“Primary focus for both provider and patient is to heal”*

Most often the client/patient needs the service vs. opting for a totally discretionary service or move

Therefore, the focus/drivers:

- First is on technology – often cutting edge
  - MEP and other specialty systems
  - Best medical equipment
- Secondary focus is on environment
  - Pleasant, comfortable and safe
  - Functional design for employees and services
  - Short vs. long term stay

# Hospitality Approach to Planning

*“The primary focus is on the resident as to their comfort, health and safety.”*

The provider must provide a new home and services for residents that are better than their current situation

For most, this is a discretionary move...

Therefore, the focus/drivers:

- First is to create a safe and home-like environment
  - Comfortable and functional
  - Current technology
- Food service
- Amenities and programs
- Services provided with a “customer first” mentality
- Service is for remaining life – goal is for this to be the last move

# Facility Condition Assessments and Capital Budget Plans aka “Reserve Study”

## The 4 Components of:

### 1. Facility Condition Assessment

- Deferred maintenance
- ID deficient design and execution
- Life safety and code violations
- **Repair Budget**
  - to bring the facility to par condition

### 2. Recommended Improvements

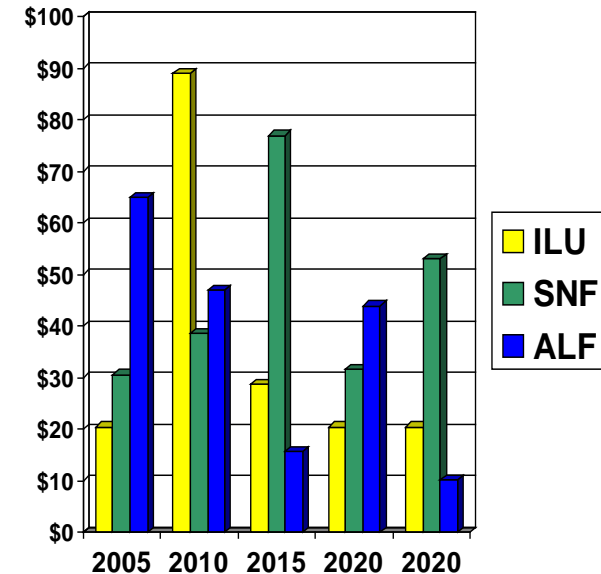
- Improve curb-side appeal - marketability
- Increase efficiency - reduce operating costs

### 3. Capital Replacement Budget

- Long-term capital replacement needs
- \$1,000 or more with a life of more than 1 year

### 4. Reserve Funding Plan

- Establish the plan to meet *your* business model
- Look long-term – minimum of 30 years



# Why Commission Professional Reserve Studies?

- **Time and expertise**
- **Be proactive - avoid catastrophic / premature failures - “30x” expenses**
- **Financial analysis/model for future projects**
- **Fund Cap X**
- **Simplify annual budgeting process**
- **Unit price and collective purchase agreements**
- **Combine smaller capital projects with a major project**

# Reserve Study: Process & Methodology

- **Manage by either the ED, CFO, COO or Facilities Engineer/Manager**
- **Engage the department heads**
- **Use independent (objective) experienced profession**
  - Facility Condition Assessment Consultant
  - Geotechnical and Environmental Engineer
  - Roof & Waterproofing Engineer
  - MEP Engineers
  - Specialty Consultants – Sound – Efficiency
  - Integrate with your strategic planning team
- **Structure data for reporting needs/goals**
  - Building and per unit cost analysis
  - Collective purchasing and master purchasing
  - Benchmarking, etc.
  - Project financing
  - Capital project and repair staging
- **Define “Capital Replacement”**
  - Life expectancy over one year
  - \$1,000 (or greater)?
  - Model major renovations/reposition?
  - Do you include moveable asserts (FF&E)?
  - Non-reoccurring operating expenses (repairs, overhauls/tune-ups)





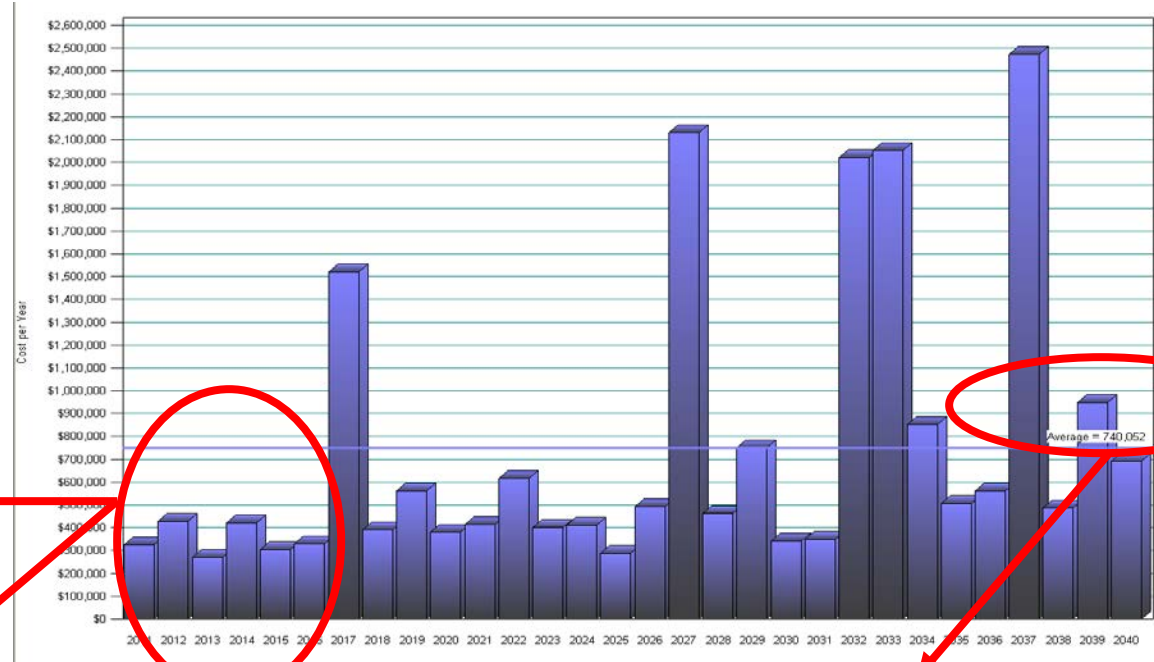
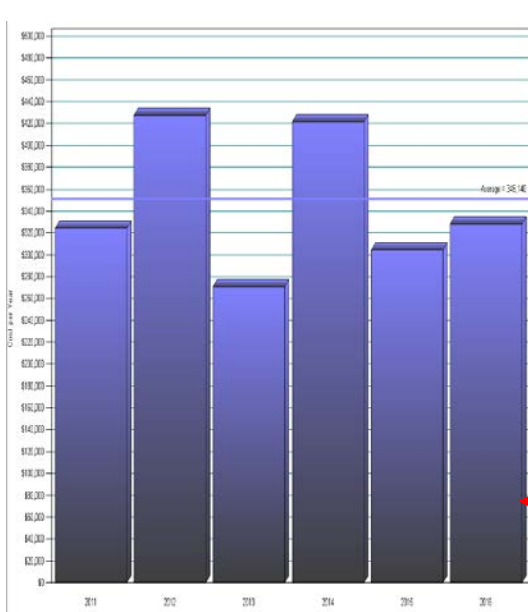
# Reserve Study: Process & Methodology

- **Take ownership/consensus – remain involved in the process**
- **Note everything has a life**
- **Cost and Life Data should be based on**
  - Historical records
  - Vendor budgets/quotes
  - Business model
- **Fundamental Tools**
  - Understanding of Reserve Study Standards
  - Non-invasive inspection per ASTM 2018-15
- **Optional Tools**
  - Thermal imaging and moisture meter
  - Technicians to test, operate or measure
  - Invasive/destructive testing (as last resort)
- **Develop based on your business model**
  - Must be able to execute and fund



# How Far To Look Head

47% delta in a 6-year average vs. a 30-year average



Avg. over 6 Yrs = \$346,140/year

Avg. over 30 Yrs = \$740,052/year

**Each case is unique. However, the minimum look ahead recommended is 30 years assuming it includes the longest remaining life items and the worst years**

# Annual Budgeting Process Simplified!

**With a *dynamic* 20+ year budgeting process and a fully funded replacement reserve...**

- Print out the next 5 years - pass around to the various department heads
- Inspect/evaluate major systems and equipment forecasted in the next 5 years
  - Look for repairs/tune-ups to extend life
  - Make price/schedule adjustments
- Submit for executive officer review
- **Assuming no new major items required outside of the budget, it should be approved!**
  - If replacement reserves are funded, the money is there
- CFO will review and adjust funding levels
- Every 3<sup>rd</sup>/4<sup>th</sup> year, have your consultant review and update



# Reserve Study Standards

*Not just anybody is qualified to do Reserve Studies...*

**ANSI** - American National Standards Institute

- Requirements per ASTM -2018-15 (America Society of Testing & Materials)

**APRA** - Association of Professional Reserve Analysts per NRSS

**NRSS** - National Reserve Study Standards

- Established standards for Community Associations Institute (CAI)

**AICPA** - American Institute of Certified Public Accountants

**GASB** - Government Accounting Standards Board

**HUD** – Fully Funded Plan for R&R



