The "graying" of America has been headline news for 20 years or more. Today more people are approaching the "golden age" than ever before, and the health care industry is pressured to keep up with their needs. Options available to seniors as they begin to lose their independence and the ability to care for themselves include independent-living facilities, assisted living facilities (ALFs), congregate-living facilities, and the traditional nursing home.

ALFs are designed for individuals seeking companionship, security, and assistance with the activities of daily living in an environment that promotes and enhances independence as long as possible. Assisted living is ideal for those who are not ready for the expense and intensive level of care found in a nursing home. ALFs range in size from small homelike environments of three to 12 residents to large full-service communities with hundreds of residents. However, there is a right size for each resident based on personal likes and dislikes. For example, large ALFs have never-ending activities and outings, while smaller ALFs offer a more specialized activities program. The level of assistance can be minimal to comprehensive. Custom-tailored assistance with routine activities prevents residents from paying for more care than they need, while enjoying all the advantages of a caring environment.

These facilities are designed to meet the needs of the senior population, from active 60-year-olds to frail 85-year-olds. Not surprisingly, the majority of consumers for these centers are women. On average, women in the United States live longer than men do, and elderly women are much more likely to live alone than are elderly men. These factors make older women a prime market for senior living programs. Other market-related factors that ALF planners also should consider are income levels, existing living arrangements, and type of community.

As the assisted living concept becomes more popular, a number of entities have begun to establish these types of facilities. The growth in supply has led to unprecedented competition for assisted living residents. While limited market research and planning was required in the past, ALF developers now must carefully examine the market for their services along with the existing and potential competition.

This case study examines the approach taken by Project Market Decisions (PMD), a Phoenix-based market research firm, in researching the market for ALFs in the Nashville area. This work was carried out on behalf of Brentwood, Tenn.-based GerAssist Inc., a PMD client. GerAssist has established several different nursing-oriented programs, including home health programs, medically based senior fitness centers, and ALFs. GerAssist engaged PMD for research support for their expanding ALF network by determining the location of potential ALF residents and subsequently recommending potential locations for new facilities.

PMD analysts were interested in two related population categories with regard to the market for ALFs. The obvious target population would be the prospective residents themselves who become the actual end users of these facilities. The less obvious population includes the children of prospective residents who, in many cases, will make the decision for their elderly parents. Both of these groups must be considered in the market research.

The typical resident of a GerAssist ALF is 75 years or older with an annual income of at least $18,800. From previous experience, GerAssist staff realized people who decide to move into an ALF prefer to stay close to home in order to remain in a familiar setting. This usually translates into a five-minute to 10-minute drive, or as far as the distance to an adult child's residence.

PMD began analyzing census data in terms of age and income to find out where people with these characteristics currently live within the Nashville metropolitan area. The distribution of the population in terms of these dimensions was depicted in map form using ArcView Geographic Information System (GIS) software. Based on the map, PMD analysts could determine that a significant portion of the population with these age and income characteristics lived in the suburbs surrounding Nashville. They were particularly concentrated in two ZIP codes southwest of the city.
WHERE THEY WANT TO STAY

PMD’s analysts next used available census data to create a map showing the residential location of people who are likely to have parents age 75 and older. Again using ArcView GIS, the analysts identified and highlighted the ZIP codes with large percentages of middle-aged (45-64) and high-income (more than $75,000) households. It was found that this population also is concentrated in the suburbs of the metropolitan area and particularly those south of Nashville. This information underscored the importance of these southern suburbs as a potential market.

Not all seniors will need care as they grow older, and some of those who do will choose to receive it in their homes or with family members. In fact, only about 14% of seniors age 75 and older will have the need and will choose to move into an ALF. Using the GIS package, the analysts were able to adjust the potential senior population based on known utilization rates. A similar adjustment had to be made regarding the children of prospective residents. Not all middle-aged individuals have living parents, of course, and not all of those who do will relocate their parents close to their homes. PMD’s analysts used the combination of these two variables to quantify demand for assisted living services.

EVALUATING THE COMPETITION

Having identified the concentrations of prospective ALF residents (and their caregivers), PMD analysts needed to determine the location of existing ALFs that might compete with any of their proposed centers. Not only did they need to identify any existing centers, but also they had to go the extra step to identify any ALFs on the drawing board. The analysts integrated data from state agencies and from data sets developed by PMD into the GIS application and generated a table showing the names, locations, and characteristics of existing and planned ALFs.

Using ArcView functions, the analysts were able to delineate the market areas for each ALF based on population density. The total number of ALF beds was allocated to various market areas based on location. The distribution of ALF beds was then overlaid with the distribution of prospective residents. This allowed PMD analysts to identify any gaps between documented needs and available services.

EXPLOITING THE GAPS

This information allowed PMD analysts to subsequently identify areas with high concentrations of prospective ALF residents that were not served in any significant manner within a five-mile radius. They used the GIS software to refine the gap analysis by reducing the size of the prospect population by the existing number of assisted living beds. Performed at the ZIP-code level, this process allowed the analysts to identify areas with no beds or too few beds to meet the needs of the target population. The areas with gaps in available facilities were targeted for further analysis.

The final report prepared for the client identified the ZIP codes within the Nashville metropolitan area with the greatest potential for new ALFs. The report included not only information on the current markets, but projections in the market for the next five to 10 years. Based on the PMD analysis, GerAssist opened two new facilities and has two more in the planning stages.

ABOUT THE AUTHOR

David Shuey, is vice president of Data & GIS Services for Phoenix-based Project Market Decisions. Specializing in geographic information systems (GIS), database design, and data analysis, he has developed many innovative data and software tools used by industry professionals.