



Considering Quality Before Making an Investment

Q&A with Formation Healthcare executives examines an approach to managing risk in acquisitions

By Debbie Reslock

In the post-acute space, there's an evolution taking place of services and the residents being cared for, said Trissie Farr, managing director of Formation Healthcare Group, a clinical consulting group that assesses and monitors quality and regulatory performance in senior housing. With the transformation in the post-acute environment, the inherent risk for these investments has increased.

In an interview with Farr and Formation Healthcare's senior vice president of clinical informatics Jessica Curtis, they highlighted some considerations when contemplating a senior living asset as an investment.

How does Formation Healthcare assess potential investments, monitor portfolios, and capture and share benchmark data with clients?

"Our value proposition includes conducting comprehensive diligence for potential investments and a collaborative relationship with operators to provide oversight on behalf of the investors and relevant information resulting in proactive strategies for all stakeholders. As an advisory group, we utilize various systems, data analyses, onsite visits to properties, and the experience of our teams," Farr said.

"Our experience in the senior housing environment for many years has provided the platform on which we built several proprietary database systems. CarePrepare™, our new assisted living and memory care tool, allows us to assess a property's clinical performance, identify strengths and

weaknesses, as well as benchmark against their competitors' operations," said Farr. "Sharing this information using data and narrative reports provides the 'so what's' an investor and/or operator requires to understand performance and mitigate potential risks."

Why is quality assurance so important in acquisitions?

"Quality is measured in almost every industry today. Since the care of patients and residents is the ultimate 'product' being offered in senior housing, the quality of that care should be the focus of this market as well," said Farr. "It's one of the most important considerations in an acquisition and includes services being provided, customer and family satisfaction, survey and regulatory compliance, and the reputation that a property may have."

"Should quality be challenged, communities are exposed to the potential for complaints and subsequent survey scrutiny," Curtis said. "Whether it stems from a resident, family member, or staff complaint, a community risks negative publicity, regulatory enforcements, and interruptions to their ability to deliver high-quality care. Any or all of these may contribute to financial risk and may compromise the investment."

What are the financial risks for acquiring a community that is deficient?

"Some risk is dependent on the investment's location or on the types of services offered, such as whether operations are based on a

clinical or hospitality model. But when a community is cited for deficient practices, there can be fines or limits on admissions, both affecting occupancy and reputation. Of course, the worst-case scenario would be the revocation of a license and closing the doors, often as a result of quality care related issues," Farr said. "When a property has experienced a negative survey history and reputational issues, staffing can also become a difficult challenge, including hiring and retaining strong leadership," added Curtis.

Tips when expanding your portfolio by acquisition

- "Understand the market where you're looking to acquire, the operators available in that market, and how they compare to the competition," Curtis said.
- "Take advantage of available tools. Utilizing CarePrepare™ can help evaluate the actual and relative performance and risk of a property," Curtis said.
- "Be proactive in analyzing your quality of care, regulatory compliance, associated systems, and resulting trends so as to impact the best likelihood of success in securing a loan," Farr said.

And finally, when evaluating underperforming assets, look at all areas that can impact the investment. "It's important to understand the potential for risk but also the upside opportunities. Identify strategies for improving a property's success, both clinically and financially," said Farr. "The balance between the two results in enhancing care and improving value." ■