Financing your wellness initiative

Discover tactics for financing wellness initiatives in retirement housing (some tactics work for other settings, too), and consider which will meet your organization's goals

by John Rude, MS

This article is based substantially on consulting experiences within the nonprofit retirement housing sector. Proprietary businesses in this field have different incentives and thus may choose other vehicles to finance their wellness initiatives. However, there are common denominators, which apply to both types of business. Readers may pick and choose the financing options that fit their organizational objectives.

In a perfect world, individuals, organizations and even primary care physicians would receive financial incentives for preventing ill health and chronic disease. The current reality is often just the opposite, however. Disease management remains the name of the game in the United States, as well as other countries.

Although we now have the research, tools and evidence-based programs to influence optimum health well into the eighth and ninth decades of life, many in the aging business struggle to fully embrace prevention and wellness. Why? A lack of financial resources is often the barrier, but other obstacles may preempt an initiative.

Decades of healthcare conditioning pose a significant barrier, for example. The retirement housing industry grew out of the medical model, as most communities began with a nursing home, added a few apartments, and eventually included assisted living and dementia care. Over time, many of these developments became continuing care retirement communities (CCRCs). This sophisticated

product provides several levels of housing and healthcare all on one campus.

The healthcare side of the CCRC business has always demanded more attention for several reasons:

- initially healthcare created the business
- regular federal and state inspections are threatening
- healthcare is a need-driven market
- organizations get systematic reimbursements through Medicare, Medicaid and private insurance

The above dynamics tend to drive decision-makers to pay more attention to the "sick" people than the "well" people. This focus, coupled with the disease model of healthcare (which is reactive in nature), creates vulnerability among independent living residents because they are often overlooked until an episode occurs—a fall, an illness, a disease, or a dysfunction. Yet, 60–80% of the CCRC campus population may consist of independent living consumers—the majority!

With today's market demand, increased competition and noninvasive healing modalities that work with older adults, retirement housing providers are being challenged to focus on health and well-being from the proactive, preventive model. A wellness initiative supports this focus.

Where to start

Before we address financing an initiative, a few words to the wise: Unless your project is a completely new development, spend your time, energy and money initially on personnel and programming prior to brick and mortar. By applying this tactic, you will develop consumer demand, generate meaningful outcomes, and motivate different publics to respond favorably to fundraising appeals. Remember, buildings don't make a program; people do!

Many retirement communities have achieved success through several phases. They begin with qualified program leadership and use an assortment of multipurpose spaces. Some retrofit dedicated program space until the time they have the resources to develop a much more comprehensive facility. This scenario may extend over three to five years, or longer.

With that being said, how do you finance a preventive/wellness initiative? There are no magic bullets, with one exception: an entrepreneur who comes out of nowhere to foot the bill. Don't count on that one donor though, because this situation occurs infrequently. Generally, financing an initiative takes a lot of *organizational creativity,* coupled with a motivated board of trustees (or owners), an enlightened and motivated management team, and consumers (residents) who embrace the notion.

Financing options

The tactics outlined in this section are currently being used to finance wellness initiatives in retirement communities. Some may focus on capital expense such as buildings and equipment, whereas others may target personnel and direct program expense. Because each organization has its unique characteristics and may approach this process differently, the list appears below in no particular order.

Membership fee(s)
Increasing the entrance fee and/or the monthly fee is one of the first considerations for many organizations. This tactic tends to receive a negative response, though. Why? Individuals in this consumer group are on fixed incomes and perceive this increase as a threat to their personal finances. We must remember that most 70–90 year-old adults did not grow up with fitness or wellness, so they often *do not perceive value* in this investment.

Resources

Age Dynamics, Inc.
www.agedynamics.com

American Association of Homes and Services for the Aging (AAHSA)
www.aahsa.org

Charity Village
Sources of Funding
www.charityvillage.com/cv/ires/fund.asp

User fee
Most CCRCs require a sizable entrance fee at the time of membership. In addition, they also charge a monthly fee. Mid- to upper-income consumers don't want to be "nickel and dimed" after paying big bucks on the front end, so user fees tend to be ineffective. Further, this tactic brings up a key question: Now that we have the expertise to optimize health and well-being for older adults, shouldn't we make that part of the product and service package? Prevention and wellness programs shouldn't be viewed any differently than a high-quality food service venue or transportation program. Seek other ways to finance wellness.

Capital campaign
Assuming you move forward with a capital campaign, who will be your target audience? Your board of trustees is a good beginning. These individuals are already committed to your organization and eager to leave a legacy with something they truly believe in. Beyond the board, you may choose to target vendors, organizations you partner with, family trusts of deceased residents, the community at large, and current residents.

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Do not overlook the financial giving power of the resident population. This tactic is particularly promising *after residents have experienced a program* and discovered measurable and meaningful results—they will have a clear understanding of *value.*

Once you choose this pathway, you will most likely select a campaign committee to lead the charge. Not all retirement communities have a fund development department, so you may need to seek a consulting firm to structure and implement the campaign. Many local and national organizations specialize in fund campaigns. Google "capital campaign leadership" or contact a trade association such as the American Association of Homes and Services for the Aging (see "Resources" on page 55 for website details).

Endowment
A possible subset to the capital campaign, the endowment tactic can also stand alone. Essentially, endowments are established for a specific purpose—in this case, to fund wellness center operations. With an endowment, the finances of other departments will not impact the wellness center, and the facility will be assured a continuous source of operating income.

Foundation grants
To qualify for foundation grants, your organization must be a nonprofit organization. Further, foundations do not support private interests, so they will require a nonprofit entity to perform community outreach work. Community outreach may come in two forms:

- taking programs into the community at large and using facilities such as churches, seniors centers, and parks and recreation facilities
- inviting the community at large onto the retirement housing campus

Either approach will satisfy foundations. There are several hundred thousand foundations in the United States, many of which are located in your city, state or region. Google "[your state]" with "foundation" to find their names. When looking at foundation priority lists, you will discover that many list the words *aging* and *wellness,* which are hot topics among foundations these days.

[**Ed.** Readers in other countries may also find information online about foundations and funding agencies. The Charity Village website in Canada, for example, has links to online databases and directories of these funding sources (see "Resources" on page 55 for website information).]

Seek local grants, as opposed to regional or national grants. Why? National grants are very competitive. Your application may go up against those of huge universities or large hospital systems, both of which seek grants on a full-time basis. Further, national foundations don't know your organization; local foundations do. You may even have representatives in your resident population or on your board of trustees who serve or have served on a local foundation board. This connection will provide the local foundation with immediate awareness and a strong interest in keeping programs and dollars local.

Do you have personnel on staff with expertise in grant writing? If not, there are resources in most communities and, in particular, college towns. Google "grant writing" or "craigslist" for a start. Fees will vary according to expertise and your project's scope and nature.

Private gifts and bequests
Most nonprofit retirement communities have established systematic ways over the years to receive financial gifts. Often, these gifts go into a foundation to directly benefit the resident population, or towards some special project as directed by the giver. By educating the trustees of this foundation on how support for wellness may provide immediate benefits to the residents, you may be able to influence them to provide gifts toward the wellness center, equipment or even personnel.

Partnerships
During the past 15–20 years, more and more businesses have started catering to older adults—the same market you reach in retirement housing. By doing your homework, you may discover local organizations that are not direct competitors, but indirectly serve a similar market. Explore ways that you can bring your organizations together for a win-win result. One example occurred between an athletic club and a credit union. After analyzing its consumer base, the credit union discovered that 80% of its membership consisted of age 50-plus consumers, who controlled 70% of the financial institution's investments. The credit union wanted to provide more services to this market segment and chose to align with the athletic club, which had a ready-made program targeting older adults.

Nonresident fees
While most nonprofit retirement communities focus on their internal populations, you may have opportunities to reach out to the external community and offer monthly memberships. Advice: Keep a governor on the number of outside users, so the on-campus residents don't feel that their privacy and safety are compromised.

Package wellness with an expansion
Retirement communities want to stay current and be competitive. Many are repositioning themselves today by expanding and/or replacing older structures. Such a transformation gives you an excellent opportunity to explore the possibility of wrapping a new wellness center into the development with long-term financing.

Fee for services
In addition to the basic program, you may seek revenue sources from specialized services. Examples include massage therapy, acupuncture, personal training, watsu (warm-water massage therapy), nutritional consulting, and the like.

Indirect ways to finance wellness

Beyond the above tactics for financing wellness initiatives, your organization may choose indirect ways to support wellness. These options allow you to see and tap your resources differently.

Reallocating resources
Retirement communities have several departments that provide programming for their residents (e.g., resident services and/or activities), which provides an opportunity to integrate personnel and programs. Cross-hire and cross-train when employing personnel to fill these posts, so the wellness program has backup and multiple skill sets to lead specific programs. Several of these positions are already in the budget, so they won't add financial pressure on your organization.

Keeping residents healthy longer
A CCRC setting assumes that as residents age in place, they will need additional services such as assisted living and healthcare. Assuming that wellness initiatives may compress morbidity, your residents will live longer, healthier lives in an independent setting. What does this mean? Less turnover; less refurbishment of living quarters; and less time, energy and money put into marketing and sales. Further, a healthier population will put less pressure on the healthcare side of the business. These outcomes add up to less cost to the provider, which is essentially internalized financing.

The future is now!

Organizations that are serious about integrating a prevention and wellness model into their retirement communities are positioning themselves for a bright future. Perhaps the greatest opportunity lies within a shifting paradigm regarding reimbursements.

The Centers for Medicare and Medicaid Services (which is part of the US Department of Health and Human Services) announced in July 2006 that the agency was endorsing *preventive* cardiac programs designed by Dean Ornish, MD, and Herbert Benson, MD. This marked the first time that Medicare agreed to pay for these kinds of interventions. No doubt, this development will be the precursor for other American insurers to follow suit.

Governments and funders, both in the US and other nations, increasingly recognize the benefits of preventive or lifestyle interventions. Yes, paradigm change takes time and continued effort. But those who develop evidence-based programs today will be first in line to receive reimbursements for prevention. The future is *now!* Go out and make something happen.

With advanced degrees in both business and gerontology, John Rude has an unusual blend of expertise, which spans more than 30 years of experience working directly with mature adults. Rude is president of Age Dynamics Inc., a national leader in developing wellness centers and award-winning programs in retirement housing communities. He is a frequent author for business and professional journals, and a popular speaker at national conferences. Because he explores the potential side of aging, Rude is recognized by the fitness and wellness industry as a visionary. He can be reached at john@agedynamics.com.

Choosing tactics: some questions to consider

Not sure what financing tactics will meet your organization's objectives? Here are a few tips to help you qualify tactics, spark your thinking, and move forward:

- **Budgets.** What's the current fiscal health of your organization? Is your organization willing to take on new line items related to prevention and wellness?
- **Timing.** Is the overall economy ripe for a capital campaign? Are other organizations in your community competing for the same dollars at this point in time?
- **Expertise.** Does your organization have expertise on staff to lead a campaign? If not, do you know consultants who can?
- **Track record.** Has your organization had success with capital campaigns in the past? If so, has adequate time gone by, so past contributors don't feel pressured?
- **New additions.** Is your organization contemplating an expansion? Are you able to influence others to include a dedicated wellness facility in this new environment?
- **Community outreach.** Is your organization willing to serve the public? If so, grants may work for you.
- **Grant writer.** Do you have a viable resource to perform this task?