

Managing Customer Relationships at Sunset Point: The Role of Ethics in Marketing Strategy¹

Background

Jenny Kingsley plopped into her chair after giving her fourth informational tour of the day. For a Tuesday, the day had been extraordinarily busy with families walking in, gathering information and wanting to view Sunset Point, the assisted living community for which Jenny served as marketing director. Like most months, Sunset Point's occupancy was full at 100%. Therefore, it was critical that Jenny kept meticulous records about the families interested in the community and potentially wanted to reserve a spot on the waitlist. She began to enter the notes she had taken on the structured intake forms provided by the corporate office into the CRM system when her boss, Brynn Fuhrman, the executive director burst into her office. She handed Jenny three folders.

"You've been busy today. This is great," beamed Brynn. Jenny forced a smile but always struggled to balance a totally full building with the more hard-sales tactics prescribed by the corporate office. Most people who had really liked the building for themselves or a family member were not content to remain on a long waitlist without seeking another options. Many would be forced into one of these other options by a health event that mandated they could no longer live independently well before Jenny had an opening.

"I want you to take a look at these," Brynn continued, referring to the three folders. Jenny's stomach turned. Whenever the building was at 100% occupancy, she knew these folders would be those of current residents that Brynn considered to be candidates for move-out. Although technically Jenny's primary role was marketing, she also knew the state admissions requirements well from leading and overseeing the move-in process. There were many health conditions for which the state required Sunset Point to facilitate a move-out. However, the state also gave an assisted living community executive director the discretion to dismiss a resident for any reason.

Jenny greatly disliked the move-out process, as it was often upsetting and unsettling for both the resident and her/his family. Brynn failed to understand Jenny's trepidation since she only received bonuses for new move-ins. In fact, Enviva, the corporate office, structured their compensation system for both the executive directors and marketing directors of a community so that bonuses were only paid for new move-ins. This incentive structure was designed to encourage managers at low-occupancy buildings to work hard to fill apartments. Enviva was based in Costa Mesa, California, and many of the California properties were in highly saturated markets with extremely low occupancies. Of course, this incentive structure did not translate as well to places like Sunset Point that were almost always full. Although sometimes a resident truly needed greater care than Sunset Point could provide, Jenny thought that Brynn occasionally created turnover in response to Enviva's bonus system.

¹ This case was prepared as an example of a business situation and is not intended to represent effective or ineffective management practice. All companies and people are fictitious, and any resemblance to actual people or events is purely coincidental.

As Brynn hurried out to take a phone call, Jenny put the folders aside and went back to her notes. She thought about how different the marketing for an assisted living community was than what she had envisioned for herself as an undergraduate marketing major. Her curriculum had been heavily based in business ethics, with relevant content provided in nearly every course she took. Yet she still felt unprepared to manage the current situation she found herself in.

Company Profile and Background

Enviva Assisted Living is a publicly-traded company that owns 22 assisted living communities across California, including three in Nevada (two in Las Vegas and one in Reno). The company was founded by John C. Escherle in 1996 in Costa Mesa, located in Orange County, California. When Escherle's mother, Betty, became unable to live independently after a serious fall, he began looking for housing and care options for her. Assisted living was just beginning to gain the traction it now enjoys, and at that time, Escherle found no options for her that he thought were suitable. With a background in hospital management, he started his own assisted living community called The Grove at Orange Oaks. Over the years, he acquired properties he believed to be "worthy of his mother" across California and, eventually, the corporate entity Enviva was born to manage the various properties. Enviva eventually went public and quickly grew to a multimillion dollar company. In spite of the rapid growth, the company consistently embodied Escherle's original founding premise of providing housing and care that was "worthy of mom." In fact, this became a mantra for important corporate decisions, and a large portrait of Betty Escherle still hangs in the Costa Mesa headquarters.

In 2003, Toni McManus became CEO following Escherle's retirement. Ms. McManus also deeply embodied the founder's philosophy of making communities worthy of one's mother, but she also sought a more aggressive growth strategy. It was under her leadership that the company acquired 7 new northern California properties, one in Sacramento, and all three of the Nevada properties. McManus was a very hands-on CEO, regularly visiting her communities and engaging executive directors and marketing directors in frequent trainings and sharing of best practices.

Assisted Living

Assisted living is part of the broader category of retirement community living. Although the exact services offered vary from state to state, in accordance with regulations, assisted living typically bridges independent living in one's own home and skilled nursing care. The ability to prolong one's independence and make a more gradual transition to levels of greater assistance is much of the appeal of this industry to seniors and their families. Indeed, the assisted living industry is healthy and growing, largely due to its philosophy of respect for the autonomy, choice, and competence of the individual through the aging process. Exhibit 1 provides an example of how seniors might progress through these various care options as they age.

The assisted living industry provides senior apartment-style residences and also offers a limited portfolio of personal care services for elderly persons who are mostly able to care for themselves. As people age and require some capacity of extra assistance, known in the industry as activities of daily living or ADLs, they may begin receiving various forms of extra help as needed. Assisted living communities were designed with the theme of "aging in place" allowing people to grow old

more comfortably, make the transition to greater levels of care more gradually and on their own terms. Extra assistance with ADLs may include medication management, assistance with bathing, dressing and grooming, travel to and from medical appointments, housekeeping services and others. Assisted living facilities have full time nursing staff and supervision, but differ in many ways from skilled nursing facilities in the nature and scope of care provided.

Importantly, through their licensure terms, most states limit the forms of care that may be provided by an assisted living facility. Should a person require care beyond that which is offered by assisted living, he or she would require a move to a more skilled nursing or memory care facility. For example, many states necessitate a person be able to transfer from bed to wheelchair with limited assistance as a minimum requirement for assisted living. If this cannot be done, he or she would be eligible for a skilled nursing facility. Likewise, given the independent nature of assisted living communities, many do not have secure entry/exit measures in place like those found in specialized memory care facilities. This trend is changing, however, as an estimated 42% of assisted living residents have some form of dementia. Nonetheless, in many states when a person's dementia progresses to a point that it poses a safety risk, he or she also may be found inappropriate for assisted living and advised to move to a dedicated memory care facility. Whether a person requires care beyond the scope of the assisted living facility is typically determined by the executive director in conjunction with a registered nurse, any other medical caregivers, and the family.

One exception to these requirements for advanced stage care involves hospice care. Again, state regulations vary, but typically when hospice has been prescribed by a medical team it has been determined that a person's condition is chronic and in the end stages (i.e., life expectation of six months or less). A hospice team would work in conjunction with assisted living staff to allow the resident to "die in place," and to be as comfortable as possible in his or her remaining days. Thus, he or she may stay in the assisted living facility but are considered to be under the care of the hospice team for regulatory purposes. For this reason, hospice must be prescribed by a qualified medical professional.

Typical Resident Profile

Approximately 750,000 people nationwide call an assisted living community home. According to a study by the American Association of Homes and Services for the Aging, the typical assisted living resident is about 87 years old and relies on two or three of the ADLs noted in Exhibit 2. Most residents are mobile, and statistically speaking, most are female (74%). The typical resident also suffers from two or three of the chronic medical conditions listed in Exhibit 3.

According to the National Center for Assisted Living (NCAL), most people moved into assisted living from their own home or apartment (70%). The remaining 30% of the population is comprised of people who came from a nursing or rehabilitation facility (9%), a retirement community (9%), a family residence such as living with an adult child (7%), or another assisted living community or group home (5%). The median length of stay in assisted living is close to two years. Most residents eventually move on to more skilled care (59%), or pass away within the community (33%). The remaining percentage will return home or move to another similar location.

The NCAL also notes that residents place high priority on their 1) right to privacy, 2) freedom of religion, 3) to be treated with respect and dignity, 4) to control their personal finances, possessions, and their health care plan, and finally 5) to interact freely with others outside and within the community, including 6) the ability to organize resident groups and councils.

Industry Outlook

An aging population that makes up an increasingly greater percentage of the United States demographic implies heightened demand for assisted living and other long term care options for the elderly. Indeed, the population aged 65 and older has increased at an annual rate of 2.5% to 44 million Americans, and the population aged 85 and older is expected to grow at about three times the national population growth rate, due to medical advancements in prolonging life. Growth in the population of adults aged 65 and older will strengthen industry demand. Moreover, an improving housing market (approximately 80% of the elderly must first sell a house to finance a move to assisted living) will release pent-up industry demand. This coupled with other economic improvements, the growing aging population, and increased supplements from healthcare reform lead industry analysts to predict an industry growth rate above 3% per year to total \$53.9 billion in revenues. Longer term (5+ year projections), analysts forecast revenue of \$69.8 billion representing a growth rate of 5.3%.

Competition in the assisted living industry is considered high. The industry is characterized as having low entry barriers and low degrees of technological change. Furthermore, the industry has experienced a number of mergers and acquisitions, as in this mature phase of the life cycle, industry players compete fiercely for market share. The regulatory environment also plays a focal role in this industry. Strict regulations affect how Medicare and Medicaid can reimburse assisted living providers. Indeed, these government programs tend to reimburse at a much lower rate for assisted living services than for skilled nursing facility services. Therefore, much of the population in assisted living communities possess greater than average private wealth and finance their residency with the sale of a home, retirement funds, or other family private wealth.

Independent Senior Living

Senior living options have become more varied and accessible in response to the demands of an aging population. In the initial stages of aging, many people find senior apartment living to be a suitable option. These apartments often have minimum age requirements and boast more shared and communal space than traditional apartments. This type of living arrangement offers no medical or ADL care, and residents provide their own food and housekeeping. Alternatively, some independent living communities extend meal, transportation, and activity services to residents, but like senior apartments, do not provide any ADLs or medical services. Independent living options such as these do not represent a strong competitive threat to assisted living as they often are lifestyle moves rather than medically necessitated moves. Moves to independent living situations are even more contingent upon a strong housing market and the ability for one to sell his/her current home.

In-Home Health Care

For many seniors, the desire to stay in their home can outweigh other considerations. Likewise, the inability to sell a home in order to finance assisted living or independent senior living can constrain people's options. In-home health care or home-nursing options can become viable ways for seniors to receive a range of medical care, assistance with ADLs, and even meals and transportation. The previously stagnant housing market saw increased use of in-home health care options with proportional declines in new assisted living admissions. Even with the return to a strong housing market, in-home health options that truly allow one to "age in place" are strong and enduring competitive threats to assisted living.

Memory Care

Much of the growth in the assisted living category has been focused in the area of dementia care or, more specifically, Alzheimer's disease care. Known more generally as memory care, many assisted living facilities and skilled nursing facilities have scrambled to increase residential space for those needing memory care assistance. State and federal regulations imply separate certification and licensing for memory care, often requiring enhanced security and protective measures for these residents who can be prone to wandering outside community boundaries and sometimes pose security threats to themselves and others. Assisted living facilities that do not have dedicated memory care wings or divisions are required by state and federal law to transfer patients with dementia whose care exceeds the boundaries of their services provided. Many assisted living communities added these new memory care-certified facilities because of industry demand and also to lessen the need to transfer residents who want to age-in-place in a single facility. Not surprisingly, such transfers can be traumatic to aging residents and often represent a hardship for both the elderly resident and their families.

Skilled Nursing

Aside from memory care, when an assisted living resident requires greater medical care than what the community can provide through their ADL menu, he or she typically is advised to seek full-time skilled nursing care. An example of this progression might be when a person can no longer get out of bed with some assistance. Other reasons for the progression might include an injury that requires rehabilitation or an advanced health condition that requires constant medical supervision. Skilled nursing facilities provide living quarters as well as full-time nursing, medical supervision, rehabilitation, and other therapeutic services. The skilled nursing home population is typically comprised of residents who do not need full-time hospitalization, but need greater levels of care than what assisted living or more independent senior living options provide. Likewise, skilled nursing facilities are heavily regulated and have traditionally had more formalized reimbursement agreements with Medicare and Medicaid. It follows that reductions in these programs pose a significant threat to this industry. In addition, the growth of in-home nursing and assisted living options have cut into the profits of skilled nursing by providing seniors a greater range of options. In response, many skilled nursing businesses have broadened their portfolio of services. Many have begun to cater to a more independent population. Some have even created hybrid forms of senior living within the scope of a single campus. For example, these hybrid communities may have independent senior apartments, assisted living, and skilled nursing all on one site that allows a person to age in place even as they require increasingly sophisticated medical care programs.

Community Profile: Sunset Point

Sunset Point is located in Reno, Nevada, situated in the northwest part of the state near Lake Tahoe. The city of Reno has a population of 225,221, but the Reno-Sparks-Truckee Valley combined population approaches 500,000. Its mild climate and reasonable cost of living combined with its close proximity to more populous areas of California (e.g., Sacramento, San Francisco Bay Area) make it a popular retirement destination.

Sunset Point has 74 units comprised of 40 studio apartments and 34 one-bedroom apartments. The one-bedroom units can accommodate a double occupancy to allow married couples the ability to stay together in their own apartment. The basic rates for the rooms are featured in Exhibit 4, as are the fees for the levels of care available. Sunset Point is one of four assisted living communities in the city. Reno has an expanding aging population and because of the limited number of assisted living options, Sunset Point is almost always near capacity with a healthy waiting list of prospective residents.

As with all assisted living facilities, the care provided at Sunset Point is regulated by the State of Nevada. Residents who can no longer transfer from bed to wheelchair with limited help from nursing staff are considered to be beyond assisted living care, and by law, must go to a skilled nursing facility. Residents with dementia who require care in a supervised and locked facility also require a different level of care. Sunset Point is not a secure facility, which would put severe dementia patients at risk. The full list of move-in/move-out requirements as mandated by the state as follows:

“A resident must be at least 18 years of age. Facilities may not admit or retain persons who:

- 1) Are bedfast;
- 2) Require chemical or physical restraints;
- 3) Require confinement in locked quarters;
- 4) Require skilled nursing or other medical supervision on a 24-hour basis;
- 5) Require gastronomy care;
- 6) Suffer from a staphylococcus infection or other serious infection; or
- 7) Suffer from any other serious medical condition.”

In addition, “there are other medical conditions that are specified in the regulations that, unless a resident is able to self-manage the condition, require the resident move out of the facility. A resident may be discharged without his/her approval if:

- 1) He/she fail to pay his bill within five days after it is due;
- 2) He/she fails to comply with the rules or policies of the facility; or
- 3) The administrator of the facility or the Bureau determines that the facility is unable to provide the necessary care for the resident.” Source: *NCAL, State Regulation Review 2013*.

Costs are significant to operate Sunset Point. In addition to a large staff of caregivers, including two rotating certified nurse assistants (CNAs), there is a large kitchen staff, a custodial and housekeeping staff, and many volunteers who run activities or assist in various capacities on a weekly basis. The management team is led by an executive director and a marketing/admissions director. They are supported by an administrative assistant, an activities director, and a medical

director who also is a registered nurse. The management team is paid on salary, with the executive director and marketing director earning additional bonuses based on new move-ins.

Competition

The Crescendo

The Crescendo is located less than two blocks from Sunset Point, also boasting the beautiful views of the Sierra Nevada Mountains and the valleys to the west of Reno. Owned by the Caremark Group who has assisted living and memory care facilities in 35 states, the Crescendo has 77 units. The building is comprised equally of studio apartments, one-bedroom apartments, and two-bedroom apartments. In addition to having two-bedroom units, which Sunset Point does not have, the square footage of the Crescendo's apartments exceeds those at Sunset Point. Because of the larger accommodation capacity, the overall occupancy in the building can nearly double that of Sunset Point. As such, it has a much bigger and less intimate feel than Sunset Point. Many residents who choose Sunset Point over the Crescendo comment on its less personal and inviting feel. Their ADL menu, activities, amenities and other offerings closely mirror Sunset Point's. One differentiating aspect of the Crescendo is its 15-unit memory care facility, which is considered state of the art in the northern Nevada region. Residents suffering from dementia in the Crescendo's Assisted Living community can transition to their memory care unit and remain there regardless of the severity of their memory care needs, if space is available. Rates for the Crescendo's Assisted Living begin at \$3095 and the Memory Care begin at \$3550.

La Playa Ridge

La Playa Ridge is a small assisted living community that is part of the larger South Meadows Medical Center. It is located on the hospital campus, giving residents easy access to medical appointments and a range of health services beyond what the assisted living community offers. La Playa Ridge has 40 studio style apartments, provides meals, transportation, ADLs and all other typical assisted living amenities. La Playa Ridge was built in 2005 making it the newest assisted living facility in the area. Its Spanish architecture and modern décor make its apartments visually appealing and comfortable. Because of its proximity to the Medical Center, many residents arrive after an accident or health emergency, who spend some time at the Center's rehabilitation facility and simply transfer to assisted living for a longer-term stay. La Playa Ridge's rates begin at \$3400.

The Prestige

The Prestige communities typically offer independent senior living apartments adjacent to their assisted living communities. Owned by the Prestige Living Company, with senior and assisted living in 27 states, Reno's The Prestige community is no different. In addition, however, Reno's the Prestige also offers a memory care community and skilled nursing facility nearby, making any needed life transitions close in proximity. In spite of its name, The Prestige is typically considered to be on the lower end of quality. Their buildings are often older and their staff is paid on the low-end of competing communities. While base rates are a bit lower, extra charges often apply to a number of amenities and basic activities that are offered for free at other communities. The Reno the Prestige offers studio apartments, three different layout options for the one-bedroom apartments, and a 1.5 bedroom option that includes a small den. Base prices at the Prestige's assisted living community begin at \$2700. More than two-thirds of the residents at the Prestige at least partially finance their rent through Medicaid.

Marketing

Products and Positioning

Because Sunset Point focuses solely on assisted living, unlike many of its competitors that have multiple lifestyle communities and health care options, it strives to be the best in that area. Its services, pricing, building, and grounds position it as a high quality assisted living community with an intimate, homey feel. The look and feel of the rooms and common areas provide a luxurious appearance, but the warm friendly nature of the staff make it cozy and inviting. Many families who have toured the community grounds echo these themes and observations when providing feedback. All marketing materials, typically informational packets and brochures, are heavily visual and contain messaging that “welcomes people home.”

Outreach and Referrals

The management team at Sunset Point places great value on outreach to various organizations in the Reno community. Nearly 80% of all inquiries are generated via referral or word of mouth. Accordingly, the marketing director attends all senior informational events and trade fairs with a Sunset Point booth, talking with seniors and the other vendors to make both personal and community connections. Jenny is also responsible for outreach by regularly visiting various health care providers in the community and providing information packets and other marketing materials. An example of this type of outreach might be for Jenny to visit rehabilitation centers that often treat elderly patients who, for injury or other health reasons, will not be able to go back to living independently and will most likely require a move to assisted living. The outreach visit can keep Sunset Point at the top-of-mind by the referring party at the rehabilitation center, and lead to new move-ins.

Advertising

Because Sunset Point is consistently at capacity with a long wait list, and because the outreach/referral network has been so fruitful, the marketing manager does little to no advertising. Exceptions to this include local senior magazines and resource guides that are published on a biannual basis. Just as with in-house marketing materials, all themes center on the high quality amenities with the warm, welcoming feel.

Customer Profiles

The three folders that Brynn passed on to Jenny contained the profiles of the following residents. A brief synopsis of each follows.

Ruby Green

Ruby is 86, and has been at Sunset Point for two years. She rents a studio apartment, and requires help with medication management (Level 1). She has frequent complaints to the administration about the food, the caregiving staff, and what she perceives as a lack of activities that she enjoys. She is in good health, but some caregivers say that she has been getting to be more forgetful. Ruby takes a prescription blood thinner, and thus, she uses the bus service frequently to have her blood checked by her doctor. Ruby grew up in Reno. She has a large family and network of friends still living in the area. Her friends come to visit her often, usually staying for dinner as Sunset Point

provides complementary guest meals. Lately, Ruby's complaints have become more frequent and often are highly critical of individual staff members. In a recent note in her file, Shirley, the medical director mentions her serious concern that Ruby is having a negative effect on caregiver morale.

The Blackwells

Howard (91) and Mildred Blackwell (87) rent a one bedroom apartment. Mildred requires no assistance with ADLs, but Howard recently had a stroke and requires the maximum level of care (Level 4). The staff spends a great deal of time with the Blackwells, particularly because Howard's condition is so bad, but also because Mildred loves to talk. Howard and Mildred each page the staff frequently, requesting their help throughout the day. This is usually for minor issues, but sometimes they call for critical help that Howard needs. Originally from San Diego, the Blackwells have no family or friends in the area. They frequently tell the administration how happy they are at Sunset Point. Mildred often volunteers to show visitors and new residents around, and praises the community. However, the significant staff time they require is raising costs and is annoying the other residents who sometimes must wait longer for services.

Jeanette Albright

Jeanette Albright (90) has been at Sunset Point for three years, and has gradually progressed through the levels of care to a Level 3. She requires help with most ADLs, but can still feed herself and enjoys mealtime and the social outlet it provides. She participates in most of the activities Sunset Point provides, and especially loves those involving music or flower arrangement. Jeanette is originally from Shreveport, Louisiana, but moved to Reno to live with her son and his family after her husband passed. Jeanette's family is still highly involved in her care and day-to-day activities in spite of her son's increasingly busy schedule (he is COO of one of Reno's biggest employers, a gaming technology company). Jeanette has a sweet disposition, is typically quite positive, and is well-liked by all the staff. Lately she has been having small episodes called mini-strokes, that can somewhat mimic a traditional stroke very temporarily. Her primary care physician has reported that they are not of immediate concern, but increasingly she can be found sitting in the lobby with a blank look on her face. Her caregivers suspect these blank looks are increasing occurrences of the mini-strokes.

Decisions to Make...

As Jenny finished entering the final information from her morning tours into the CRM systems, she sat back and looked again at the three folders. She knew that she would need to provide feedback on the three cases to Brynn soon. As she closed the CRM software screen she glanced at her calendar, only to be reminded that Enviva's CEO Toni McManus would be visiting next week. Toni always set aside an hour with Jenny to talk frankly about the marketing for Sunset Point—just the two of them. Jenny knew she would need to respond to Brynn, but that she also would potentially need to defend her suggestions when she met with Toni. Jenny took a deep breath and opened the first file.

Exhibit 1

Senior Living Options and Sample Progression/Transitions

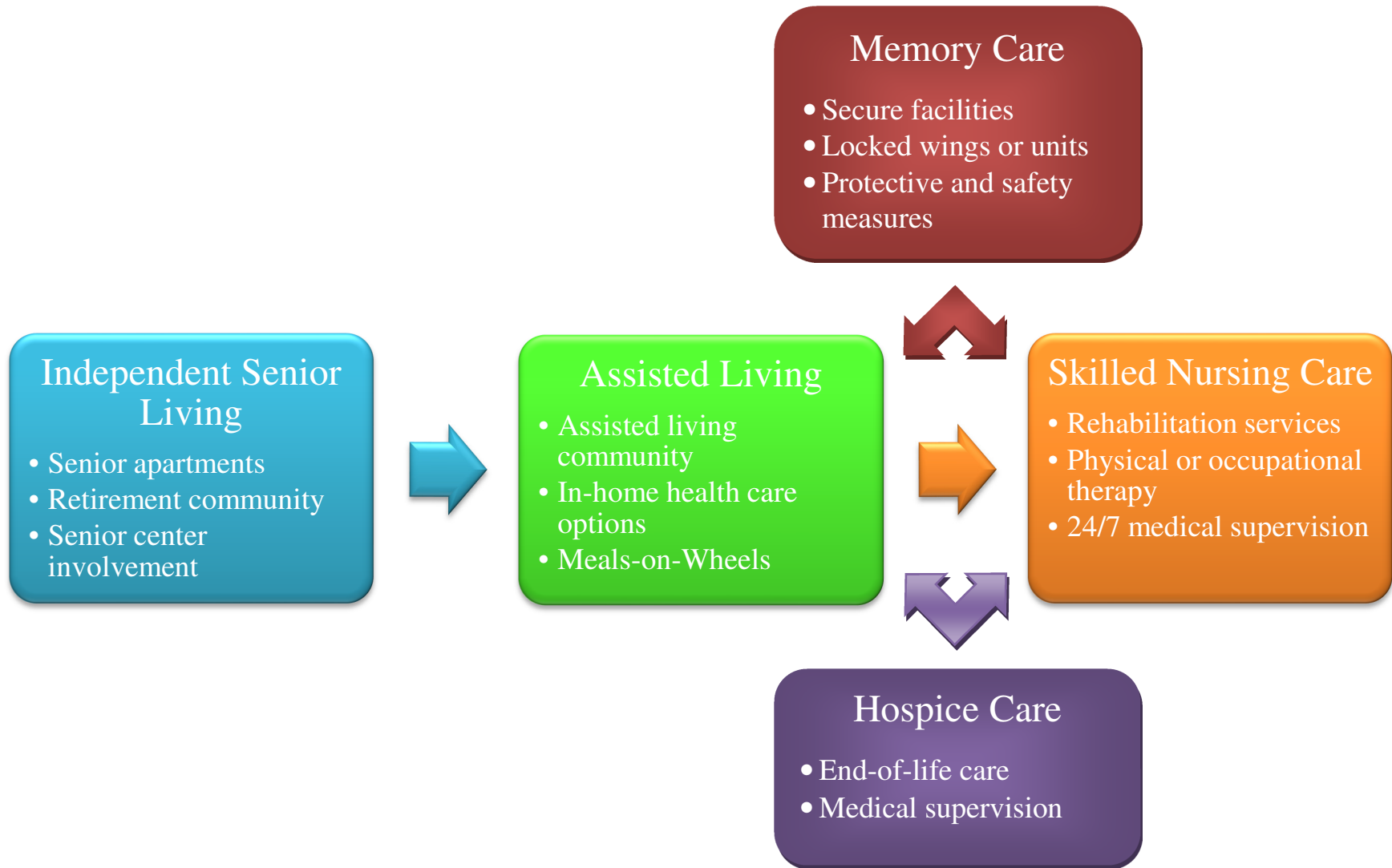


Exhibit 2**Common Activities of Daily Living (ADLs) and Usage***

Activities of Daily Living	Percentage of Residents Needed Help
Medication management	81%
Bathing	72%
Dressing	52%
Toileting	36%
Transferring	25%
Eating	22%

*Source: National Center for Assisted Living (ahcancal.org)

Exhibit 3**Top 10 Chronic Conditions Experience by Assisted Living Residents***

Health Condition	Percentage of Residents Suffering from Condition
High blood pressure	57%
Alzheimer's/other dementias	42%
Heart Disease	34%
Depression	28%
Arthritis	27%
Osteoporosis	21%
Diabetes	17%
COPD and related conditions	15%
Cancer	11%
Stroke	11%

*Source: National Center for Assisted Living (ahcancal.org)

Exhibit 4

Sunset Point Rate Sheet 2014

<p>Accommodation Options and Rates: Studio Apartment: \$3300 per month One-bedroom apartment: \$3750/month One-bedroom apartment with two occupants: \$4000/month</p>
<p>Levels of Care Provisions and Rates: Level 1 (includes dispensing and storage of medications): \$500/month Level 2 (includes meds, assistance with dressing and grooming): \$750/month Level 3 (includes meds, all hygiene-related care): \$1000/month Level 4 (includes all of the above, meal delivery and assistance): \$1250/month</p>
<p>Other: One-time administration fee for paperwork, processing, and admitting medical examination: \$1500</p>

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Teaching Note:

Managing Customer Relationships at Sunset Point:

The Role of Ethics in Marketing Strategy

Synopsis

This case is set in a fictional assisted living community called Sunset Point, which is structured very similarly to any assisted living community in the United States. Parent company Enviva owns 22 assisted living community properties in California and Nevada. Jenny Kingsley, the marketing director for the Reno, Nevada facility is facing tough choices, some of which are imposed by Enviva's bonus structure that rewards a building's executive director and marketing director with bonuses solely for new move-ins. We learn that Reno has a shortage of supply for assisted living and as a result, Sunset Point is almost always at 100% occupancy. Therefore, new move-ins require move-outs that are largely at the discretion of the executive director.

Executive director, Brynn Fuhrman must follow State of Nevada regulations to prescribe move-outs for current residents. These regulations are provided in the case on page XXX, and we learn that although there are many health conditions outlined, the executive director retains the power to dismiss someone for any reason. It is not surprising that Jenny is uneasy with this practice given the arbitrary nature of some of these decisions. Brynn frequently calls on Jenny to evaluate case files for potential move-out. At the time of the case, Jenny has been given three such folders, and we meet those residents later in the case. Jenny will need to report back to Brynn with her recommendations on the three resident cases. We also learn that Enviva's CEO, Toni McManus will be visiting the Sunset Point community next week, leaving the door open for Jenny to perhaps voice some of her concerns during her regularly scheduled private meeting with Toni.

There are several issues worthy of discussion in the case, with most grounded in business ethics concerns. Given the highly customer-oriented nature of assisted living, there are also a number of marketing themes intertwined with the ethical issues in the case. Below are a few questions to provide to students in advance to shape class discussion. This teaching note material that follows is organized around these five themes.

Suggested Discussion Questions:

1. If you were Jenny, how would you evaluate the residents featured in the three folders? What criteria would you use for evaluating each? How should she respond to Brynn?
2. What issues would you recommend Jenny discuss with Toni McManus during her visit?
3. How would you suggest that assisted living communities such as Sunset Point make ethical decision making more central to their operations, as well as customer recruitment and retention?

4. Evaluate Sunset Point's competitive position. Is it sustainable given current industry trends?
5. How do you view the long-term industry outlook for assisted living? For the other senior housing/care options?

Teaching Notes:

1. *If you were Jenny, how would you evaluate the residents featured in the three folders? What criteria would you use for evaluating each? How should she respond to Brynn?*

The case focuses on the central question about whether any of the three resident cases should be considered candidates for move-out. In reality, we would have extensive information on each case, as well as our own personal knowledge through interactions with each. The brief summaries of each give us a flavor for their backgrounds and what might be driving Brynn's motivation toward move-out recommendations.

The second part of this question asks the student to advance some criteria for evaluating the three cases. If the case is used in an advanced marketing class, students could calculate customer lifetime value (CLV) by using the fee schedule in the case, and taking the average data provided in the resident profile section. A second criteria could be each resident's actual medical state, or whether they approach greater levels of care than the community can legally provide. A third criteria might be the potential for negative word-of-mouth generated by a move-out. We know that referrals and recommendations are the driving marketing forces for new clients. Negative stories of forced move-outs will no doubt travel in a small city such as this.

Ruby Green

We learn that Ruby seems increasingly dissatisfied with the services provided at Sunset Point and complains frequently to staff and caregivers. Her negative behavior has escalated to the point that the community medical director has made a note in Ruby's file that she is having a negative effect on caregiver morale. Caregivers in assisted living do not necessarily need to be highly trained, aside from CNAs and more specialized staff. Therefore, they are not paid highly and these positions typically experience great turnover. Any additional threat to morale is of great concern to a place like Sunset Point, who competes with the other communities in town in filling these positions.

Another concern is Ruby's extensive network of family and friends locally. A forced and unexpected move-out would not likely sit well with her or her large network. Many of these people also likely would be candidates for assisted living themselves in the near future which could jeopardize potential new client relationships. Given the small population of the city, negative word-of-mouth spread by Ruby's people could have far-reaching effects. However, we do learn that Ruby is increasingly forgetful. As with any other resident, if her dementia were to progress to a point where she required full time secure care, Brynn would have to help her find a memory care facility. A frank conversation with Ruby and her family about this situation may help ease any transition that may be needed later.

The Blackwells

The Blackwells have no family in the area, according to the case. Although Howard is advancing in his need for care, Mildred is in good health and could potentially stay in the community for some time. If Howard does need more skilled nursing, however, the question would be whether Mildred would want to leave with him or stay at Sunset Point. If Howard is worsening quickly, he may transition to hospice care and stay in the community. At the time of the case, with Howard's need for a Level 4 care and the double occupancy of their apartment, they are quite profitable for the community.

Jeanette Albright

Jeanette appears to be the ideal resident with her sweet personality and enjoyment of the community. She has family locally, and we learn that her son has an influential position at a large local company. The possibility that Jeanette is having mini-strokes more frequently is worrisome, and should be evaluated by the community medical director. Greater communication between the community medical staff, her primary physician, and her family should be structured so that everyone is aware of new developments in Jeanette's condition and can respond more quickly with appropriate interventions.

Ideally, at this point in the case questions about ethics have already surfaced. This is a perfect segue to the Daniels Principles featured in Exhibit 5 of the case. Ultimately, many students will draw from these to say that no residents should move out. Others may weigh the Daniels Principles against some other evaluative criteria. These divisions might present discussion opportunities to divide the class, and perhaps have each defend their ideas about what Jenny should say to Brynn.

2. *What issues would you recommend Jenny discuss with Toni McManus during her visit?*

The previous discussion focused on the Daniels Principles and ethical decision making also transition nicely into the question of what Jenny will discuss with Toni during her upcoming visit. We know that Toni likes to be very hands-on with her leadership staff at her various communities. Perhaps this is a great opportunity to outline some of the problems and ethical contradictions imposed by the current compensation system. Perhaps Jenny could present alternative compensation structures that might better incentive fully occupancy buildings. Such plans might reward stability and retention rather than making move-outs the only way to managerial bonuses. One could argue that rewards based on retention are more ethical, and force the staff to strive to keep residents happy and satisfied with their care. These measures would likely have positive ripple effects, including positive word-of-mouth.

Of course, Jenny reports to Brynn so she may worry that her discussion with Toni will create tension with her and Brynn. Given Brynn's predisposition to dismiss residents at will, Jenny will no doubt have the same concerns about her own employment in talking too deeply with Toni about these issues.

3. *How would you suggest that assisted living communities such as Sunset Point make ethical decision making more central to their operations, as well as customer recruitment and retention?*

Once again, this question is a great way to integrate the Daniels Principles to describe measures that would make ethical decision making more focal to the daily operations of a community like Sunset Point. Students are likely to have a range of ideas about this, and many will draw from their past work experience to do so. Challenge them to attach one or two of the principles to their idea to get them thinking about the ethical concept underpinning their more practical and applied ideas about ethics.

This is also a good place to talk about ethical outcomes. What is the end goal for greater ethical decision making in an assisted living community? What do students hope to achieve with such suggestions? What other industries or business models might benefit from the ethical programs suggested?

4. *Evaluate Sunset Point's competitive position. Is it sustainable given current industry trends?*

If themes of Sunset Point's competitive position have not already emerged, this is an appropriate time to discuss how they fit relative to the other assisted living options in the city. We learn that Sunset Point is the only community in town that just offers assisted living. All others have additional offerings such as memory care units, skilled nursing, independent senior housing, or rehabilitation facilities on site. Enviva has pursued a focused differentiation strategy that emphasizes assisted living as their specialization. This can be a clear strength if done well, however, frequent need to move residents out to advanced care facilities threatens to erode that strength. If seniors do not view assisted living at Sunset Point as a true "age in place" community, their enrollments will suffer.

5. *How do you view the long-term industry outlook for assisted living? For the other senior housing/care options?*

Assisted living is in a strong, sustainable position given that it has traditionally held a private-pay model with little reliance on Medicare or Medicaid. As these programs continually experience cuts, assisted living faces less threat to profitability as do skilled nursing facilities highly dependent on this form of financing. One more indirect effect, though, is that to spread their risk, more and more skilled nursing facilities are adding the more profitable assisted living services and even communities to their portfolios. Thus, the already saturated markets in some areas may become even more so.

In any case, the demographics of the United States suggest an exploding aging population who will require a wide variety of care options. Companies that are known for their care, respect, and sensitivity, and of course, their ethical values, will be well-poised to succeed in this marketplace. With the continual expansion of new offerings, those who are not known to be ethical will find it increasingly difficult to compete.