



Georgia-ALFA
*The State Affiliate of the
Assisted Living Federation of America*

September 13, 2005

Daniel W. Rahn, MD, Chair
The State Commission on the Efficacy of the Certificate of Need Program
State of Georgia

Dear Chair Rahn and Commission Members:

Thanks for the opportunity to provide an update on the assisted living industry and to present Georgia-ALFA's position on current Certificate of Need plans and rules that govern the development of personal care homes in Georgia.

Georgia-ALFA, the state affiliate of the Assisted Living Federation of America (ALFA), is a non-profit trade association incorporated in 1998 representing Georgia's senior living industry and the growing population it serves. Members range from freestanding assisted living residences (licensed personal care homes) to retirement campuses where assisted living may be a component.

While Georgia-ALFA membership is diverse, our mission is shared by all. Georgia-ALFA wants to insure the right of every Georgia senior who needs daily assistance to receive quality care in a choice-driven, dignified, safe and clean residential environment. We believe that our senior residents should feel like they are living "in their own home," not in an institution. Georgia-ALFA represents roughly 200 for-profit and not-for-profit providers of assisted living serving over 10,000 consumers.

OUR RECOMMENDATION

Georgia-ALFA was part of the committee that drafted the current Personal Care Home Component Plan and Rules in August 2001. While we would prefer to have the market drive the process, we recognize that we, in fact, operate under the CON process. We've monitored the process over time and will continue to do so. At this time, we recommend no changes to the Certificate of Need plans and rules.

ADDITIONAL BACKGROUND INFORMATION

CON APPROVALS

The current methodology still demonstrates the need in all planning areas. In 2003, four CONS were approved, in 2004 ten CONS were approved, and three CONs are pending for 2005. Most of these were from existing providers wanting to expand.



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CAPITAL

We expect continued growth in assisted living both here in Georgia as well as throughout the country. Funding is still tight for new investors. Mergers and consolidations will continue. Some who invested in the business when funding was plentiful have decided they want out. As a result, we're seeing good properties sold at attractive prices and acquired by experienced owners from professionally managed companies.

OCCUPANCY

Occupancy rates are good throughout the state. Results from a recent survey of Georgia-ALFA members indicate that occupancy rates are generally running in the low to mid 90s, up from high 80s and low 90s in 2004.

STAFFING

Staffing continues to be a challenge for the industry. Employee turnover remains one of the toughest nuts to crack in assisted living, especially when it comes to recruiting and retaining the best and the brightest frontline employees.

GENERAL LIABILITY INSURANCE

While the rising cost of insurance continues to be a challenge, we are beginning to see some stabilization as additional carriers are entering the Georgia market. Providers are still able to find coverage. However, professional liability premiums are running over \$300-\$400 per licensed bed in Georgia.

RISK MANAGEMENT PROGRAMS

Providers have been able to control costs by instituting risk management programs. Some insurance companies provide a credit at the end of each year for implementing risk management programs. The maximum credit we've seen is five percent. Implementing risk management programs has the added benefit of helping staff members protect our residents by providing better quality of care.

WORKER COMPENSATION

The cost of worker compensation coverage is continuing to increase as medical costs increase. One insurance company will insure small businesses if premiums don't exceed \$50,000. In the assisted living industry, that means a company with three or four communities. For mid-size companies, obtaining coverage is more difficult. As a result, many of our members have found some relief in outsourcing some of the HR functions. In doing this, worker compensation coverage is included.

PROPERTY INSURANCE

Last year, we saw property premiums coming down. However, we feel sure that Hurricane Katrina is going to have an impact on future premiums probably starting as early as next year.



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CONCLUSION

As indicated above, we recommend no changes to the Certificate of Need plans and rules at this time.

On behalf of Georgia-ALFA, I'm available to assist in any way that would help the Commission in carrying out its responsibilities by producing results that will benefit Georgia's senior citizens.

Sincerely,

Genia Ryan

Genia Ryan, CAE
Executive Director/CEO