

Longevity healthcare systems, inc case analysis essay

[Business](#), [Industries](#)



I. STATEMENT OF THE PROBLEM Longevity Healthcare Systems, Inc is an institution that provides services such as basic (nursing home) health care, rehabilitation therapy, Alzheimer's care, institutional pharmacy services, sub-acute care and home health care. Longevity has four health care areas; Nursing Care, Subacute care, Rehabilitation services and Institutional pharmacy. The business emerged when Kathryn Hamilton, in 1972, was searching for a nursing home for her mother. Kathryn together with her husband leased a small, outdated 40-bed hospital in a nearby suburb and converted it into long term care facility.

By 1979, Longevity was incorporated and Kathryn became the President. For the past years, they've built and acquire nursing homes and institutional pharmacies in Grand Rapids, Michigan and Toledo, Ohio. Currently, Longevity does not have a corporate marketing strategy. Each of Longevity's health care units (nursing care, subacute care and pharmacy) has its own marketing method and strategy and do not collaborate at any level. The only corporate marketing effort undertaken by Longevity is to distribute promotional materials underlying its philosophy of care, services and quality. Direct selling to referral sources was also used to promote the pharmacy services. As Kathryn reviewed the financial statements of Longevity, she was somehow satisfied that the sales exceeded the expectations.

But she was thinking way beyond that. Currently, Longevity is looking into further expansion opportunities. The Longevity's management has to decide the direction of the company and make a decision and which expansion opportunity to undertake. All growth opportunities will further expand

Longevity's reach, but given the limited resources and the new marketing strategy, management has to choose between these projects. Faced with all these concerns and plans, the group has come up with the problem: What corporate marketing strategy should Longevity health care Systems, Inc adopt and implement that would match its financial resources? II.

OBJECTIVES • Increase private pay customers by 20% in one year • Increase customer satisfaction and loyalty by 20% in one year • To increase occupancy by 20% in one year. III. CASE FACTS (SWOT ANALYSIS) Strengths

- Longevity's current sales and earnings exceeded expectations.
- The use of various marketing tools (e. g. telemarketing, direct contact, promotional tools) to promote high occupancy and expand percentage of private pay residents.
- Longevity offers a wide variety of nursing home services (e. g. room and board, dietary services, recreation and social activities, housekeeping, and laundry services and other numerous specialized services, rehabilitation therapy) • High profit margin in subacute care operations • Longevity's prices were substantially lower for comparable services (nursing care and rehabilitation) -competitive prices of its nursing care services • Acquisition of a retail pharmacy in Grand Rapids which was converted into an institutional pharmacy to provide prescriptions, medical equipment and supplies and consulting services to longevity facilities By providing a wide range of services, Longevity provides its customers with a lot of choices. There would be no need for the customers to find for another healthcare institution or nursing home that will offer them the service they wanted. The expanded

services of Longevity will prove to be extremely helpful tools to promote Longevity products.

It is important for Longevity to maintain all of its services and at the same time assuring the customers the quality of its care and services. Longevity's current sales and earnings exceeded expectations which mean that Longevity has a lot of customers. Weaknesses •Constant profit margin on sales for the past two years since 1989 - 1993 - The net income did not increase since the return on sales has no improvement. • Longevity's recent acquisition of seven nursing homes in Toledo, Ohio was proving to be an unprofitable venture -Because the residents were on Medicare and Medicaid health insurances program Opportunities •Geographic expansion of the firm's nursing and subacute care facilities •Increasing demand for Longevity's subacute care Industrial consolidation was making it possible to acquire nursing homes and unprofitable hospitals that could be converted to health care facilities •An aging population created a strong demand for long-term care in nursing homes •Improve customer satisfaction - In improving customer satisfaction, Longevity will be able to gain the loyalty of the customers. •Increasing market for long-term health care •The institutional pharmacy in the markets served by Longevity has no dominant competitor - Competitive advantage: fast, customer-oriented service, price, and the ability to provide consulting and information management services to customers. Favorable demographic trends -Growth in the elderly segment of the population will increased the demand for health care and the services of nursing homes. •Increasing demand for Longevity's subacute care - Due to

the growing recognition that treating patients requiring subacute care in low overhead nursing facilities was a cost effective alternative •Opportunities to expand existing businesses - The acquisition of a pharmacy (since to date, pharmacy had been very profitable.

It is also due to the demand for specialized nursing and medical care expansion. •Alzheimer's disease was becoming more common. ? Longevity could put up a specialized facility for Alzheimer's treatment (Alzheimer centers treatment) Threats •Increasing competition •National Health Reforms ? Health reforms will drive insurance company to make health insurance more price competitive and affordable The increasing competition in Healthcare and nursing home institutions have pushed the thrust towards the development of an effective and efficient marketing strategy that would stabilize or strengthen the company's position in their industry. With the conversion of a large hospital in Grand Rapids, Michigan into a long-term care facility, Longevity has to take on an aggressive marketing campaign so as not to lose its market share in the area. IV. ALTERNATIVECOURSES OF ACTIONS Alternative #1: Establish an Alzheimer's wing in two of the Grand Rapids' nursing home which served areas near older community residents. Future projections in Health and Human Services indicated that there is an increasing market for Alzheimer's care yet the development of a drug or a cure for the said disease was progressing slowly.

Each unit would serve 30 patients, and it would be self-contained and secured so that the patients will be protected from their wandering habits. Establishing a separate unit that would specifically cater to the needs of

Alzheimer patients would be attractive for the families of the prospective patients since they would be assured that skilled nurses, health care staff and other medical practitioners could focus their efforts in the care and rehabilitation of their family member diagnosed with Alzheimer's disease.

Alternative #2: Geographical Diversification Buy the five nursing homes in South Bend, Indiana •Expand sub-acute care facilities in Toledo Nursing homes are important providers of long-term health care. With the favorable population demographic trends which are continually increasing up to 2010, acquiring the five nursing homes with a total of 450 beds in South Bend, Indiana for \$5, 000, 000 is an attractive opportunity to geographically diversify Longevity Healthcare Systems Incorporated.

Sub-acute care was viewed as an attractive marketing opportunity because of the profit margins. With this, Longevity could expand its business by converting and upgrading part of an 80-bed nursing home facility to a sub-acute care. Alternative #3: Acquisition of an institutional pharmacy in Toledo The marketing opportunity in Toledo, Ohio offers an institutional pharmacy serving 15 nursing homes with 700 beds. Its profitability is quite high with an average profit margin of 12.5 percent over the past five years. The reported approximate annual revenue is \$1, 450 per bed. New health care reforms could also hamper this possibility. As the next year is foreseen to be focused on control costs and universal access to a quality health care, long term care providers as well as institutional pharmacies are greatly affected.

President Clinton's Health Security Act called for the addition of prescription drug coverage to the Medicare program. This would decrease prices of the

prescription drugs by regulation of pharmaceutical manufacturers. Most nursing homes in Toledo cater to Medicare and Medicaid patients. Because of this, reimbursement rates for prescription drugs and medical supplies could decline and their sales could plummet.

V. ANALYSIS OF ALTERNATIVE COURSES OF ACTIONS Alternative #1:

Conversion of the Grand Rapids' nursing home into an Alzheimer's wing which served areas near older community residents. PROS: Converting one of Grand Rapids nursing homes into an Alzheimer's wing would provide additional income for Longevity since most of the Alzheimer's units typically had occupancy levels above 95 percent and patients were almost always private pay and averaged a three-year length of stay. This strategy would also increase the perception of prospective patients since the company would offer specialized service for a specific market segment. CONS: If the company would decide to engage in opportunity, it would be costly to convert one of the company's nursing homes in Grand Rapids into an Alzheimer's wing since they have to invest on the furniture and fixtures to meet the needs of Alzheimer's patients.

The company also has to spend on building separate activity and dining space for the Alzheimer's patients. Much time would also be devoted in positioning and marketing the Alzheimer units. The management of Longevity would have to build good relations with different Alzheimer's associations, Alzheimer support groups and church groups to build an effective marketing for the Alzheimer's units. Alternative #2: Geographical Diversification •Buy the five nursing homes in South Bend, Indiana •Expand

sub-acute care facilities in Toledo PROS: Adding more nursing homes to the business is a good marketing strategy since the revenues for the industry are expected to increase from 12% up to the next years.

Indiana has favorable demographic information (significant population of the retirees) very suited for the expansion of the business. Competition would not be a problem since it's not as saturated with nursing facilities as Toledo. Aside for being cost-effective for having lower overhead, sub-acute care could generate higher profit margins. The facility will not only limit to the elderly but would cater to younger patients discharged from hospitals. The prices also were substantially lower for comparable services based on an average rate of \$1000 per day charged by acute care hospitals. This move would continue amalgamate their existing Healthcare operations and it would provide an additional incremental source of earnings from their stagnant Toledo market. CONS: The acquisition of a nursing home either in South Bend or Toledo with a sub-acute emphasis could be a problem because Longevity does not have good relationships with these groups, so they would be forced to revamp their marketing positions to better direct them toward new relationships and how to get positive referrals.

When relying on government reimbursement it's not always bad, they know they will get paid, however, with the increasing chances of healthcare reform it could be too risky to depend too heavily on government assistance. It seems as if this acquisition could result in a large amount of revenue however, this comes with an extreme amount of variability and risk. The

conversion would cost close to \$25, 000 a bed but raise revenues for those units from \$147/day to ~\$250-750/day.

They are increasing their occupancy rate yet they are too heavily relying on Medicare and Medicaid as primary payment. Alternative #3: Acquisition of an institutional pharmacy in Toledo PROS: According to Kathryn Hamilton's assumption, obtaining this would probably support the Longevity facilities in Toledo and retain 60% of the nursing home beds it presently served. CONS: Granting that Longevity Healthcare Systems pursue this opportunity, at the end of the year, they would have a net loss. With an approximated annual revenue of \$1, 450 x 700 beds, the total revenue would result to \$1, 015, 000. This would not be enough to recompense the cost of acquiring the property at \$1, 050, 000 alone, other than further expenses. Their first year of operation would not be relatively cost-effective.

Key Results Area Objectives Alternative #1 Alternative #2 Alternative #3

Increase private pay customers 40 25 30 30 Increase customer satisfaction and loyalty 30 25 10 20 Increase occupancy 30 30 20 25 Total weight 100% 80 %60 %75%

VI. RECOMMENDATION The group recommends Alternative #1:

Conversion of the Grand Rapids' nursing home into an Alzheimer's wing which served areas near older community residents. The market for Alzheimer's care is increasing yet the development of a drug or a cure for the disease progresses lowly. This made the conversion of one of the nursing homes in Grand Rapids in to an Alzheimer's wing an attractive and profitable opportunity to take advantage of. Establishing a separate unit that would specifically cater to the needs of Alzheimer patients would be attractive for

the families of the prospective patients since they would be assured that skilled nurses, health care staff and other medical practitioners could focus their efforts in the care and rehabilitation of their family member diagnosed with Alzheimer's disease. Although the establishment of a different unit for Alzheimer patients would require quite a huge amount of capital investment which would result to revenue losses, the company could guarantee that they would have a good return of their investments.

Revenue losses in their first few months of operation would be offset by the average monthly revenues of \$3400 per patient, owing from the fact that almost all of the Alzheimer's patients are private pay residents. This implies that their families who signed them up in the Alzheimer units are willing and able to pay for the specialized services offered by the health care institutions. Aside from that, the management could expect that they would have 15% lower cost compared to the nursing home residents since Alzheimer's patients are of younger age, better health and they tend to use fewer services. To assure customer satisfaction and loyalty, longevity has to invest on the renovation of the rooms which would include the use of softer paint colors, more subdued lighting, a separate nurses' entrance and a secured entrance. Aside from this, the Alzheimer unit would hand out forms to families of their prospective customers.

The forms would be used as an instrument to gather personal information of the patient which would be used to customize the rooms. From the information, if the patient loved flowers, an Alzheimer's unit staff would be assigned to regularly put fresh flowers on the patient's room. More than that,

services that would be rendered by skilled nurses and medical practitioners would be customized according to the specific needs of the Alzheimer patients. This would be done through dividing the work shifts of the professionals employed in the Alzheimer unit to provide a round-the-clock service to the patients who have lost their ability to live independently. The unit's continuous improvement of its good service would serve as their competitive edge.

Potential customers could also sign-up and enlist through the Alzheimer unit's web page. Information about the Alzheimer units' services and activities would be posted on their web site. The web site would also contain questionnaires wherein families of the diagnosed patient in the Alzheimer units could put their feedbacks regarding the unit's services, facilities, accommodation and the employees. Feedback questionnaires would also be available in printed forms in the Alzheimer's units. These would be handed out to the families of the diagnosed patient when they visit their family member in the Alzheimer's units. From the company's financial statement, its current ratio indicated that its assets could easily be converted into cash to cover up the company's current liabilities.

Not implementing the said marketing strategy would not allow the longevity to increase its revenues and take advantage of a profitable opportunity. The company would continue the operation of its unprofitable units, thus resulting to additional costs that would have little returns and would not be beneficial to the company in the long-run. Their assets would remain idle and tied up with certain operations and facilities with lean marginal profits.

Target market: families categorized under social classes A and B with relatives or members diagnosed with Alzheimer's disease who doesn't have facilities and a know-how in taking care o their family members diagnosed with Alzheimer's disease Positioning Statement: Alzheimer's unit center that has the best-quality customized? services and facilities for the rehabilitation of your loves ones? Marketing mix: Product:: Place: Grand Rapids, Michigan Price: Promotion: print ads, direct selling through building contacts with Alzheimer's Asociations, Alzheimer's support groups