

Assisted Living in Croatia: An Unexpected Opportunity

Moving to someplace warm, like Dubrovnik, is not an unusual step once retirement has come to pass, but what of those later years? We can't all stay sprightly indefinitely, after all. As labour and infrastructural costs rise across Europe an opportunity has arisen, and perhaps it's one that Croatia should grab with both hands, and then some.

by Lee Murphy

Retirement can ever be a contentious issue, and not just for the couple/singleton/widow/widower who has reached an age when he or she can now claim whatever state pension has been earned. In the current economic crisis, a state pension may well not suffice, and more and more 60-somethings are seeking to remain in employment as a result. Indeed, the idea of a mandated retirement age is equally contentious, with plans being drawn up to scrap such notions, thus allowing workers to remain in posts so long as they are able to perform whatever it is that they do, taking pressure off of global, and ever dwindling, pension funds.

First World Problems

European demographics are of some concern to legislators across the continent; for all the destruction and poverty that this globe has witnessed since the turn of the last century, the total population of the planet has quadrupled. In the past 30 years alone there has been a 50% increase in population, and within the next 40 years there is to be a further projected 50% increase.

The problem with these figures is that the vast majority of this increase, some 95%, is going to occur within the less developed world, meaning that the First World will see its base population remain relatively unchanged, at 1.2 billion people, with some minor increases on account of migrant workers. To put these changes into context, in 2005 Europe's population was 7.5% of the total population, and estimates suggest that this percentage will drop to 6.4% by

2020, and 5.2% by 2050. So, what then do these numbers mean for our weighty topic? For assisted living?

Assisted Living, as a concept (and in whatever sense), is already changing throughout Europe due to the high costs involved – mainly the rising costs of personnel. Globally speaking, not

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only is the birth rate on the rise; life expectancy is also ever improving. Over the last half century the world average has moved from approximately 52 years to 70, a jump of 18 years, and here, in Croatia, that rise has seen the average move from 66 years to 76.5. In short, more and more people are surviving to retirement age, but, furthermore, within the developed world the ratio of working people to retired people is altering, rapidly: by 2050, across Europe, almost half of the population will be over the age of 60. If state pension

funds are under pressure now, you can imagine the sort of calamity which will befall the taxpayer in the future.

Fail to prepare, prepare to fail

This is not meant to alarm, of course, merely to highlight that our approach to retirement should change, just as the regional demographic changes. Already families, irrespective of financial means, are choosing to take care of their parents and grandparents within the family home, rather than packing them off to some care home. As property prices increase, and as labour costs increase, so too will the intrinsic cost of care. This is evident by the actions of a number of medical insurers based in Germany, who are now asking their clients to accept places (for the purposes of retirement) in Spain, or even as far away as Thailand. This should not surprise: students from Western Europe often choose places like Thailand, and other South-East Asian states, as summer destinations, where living costs are considerably lower than back home.

The World Health Organisation draws attention to the situation in The Netherlands, where more and more retirees prefer to remain within their own domiciles rather than be a burden on their families, or on the state; this pattern is also being repeated across Western and Northern Europe. Assisted Living is a compromise, where apartments are modified for reduced mobility, and it also allows for a rapid response in the advent of any medical emergency, such as a serious fall, or worse. This results in an added level of independence, and

many people can carry on well past retirement and enjoy their newfound time as they choose.

Needs must

This all sounds awfully grand, but it is rather symptomatic of the wider problem: under current trends we can expect to see more and more nursing homes of the traditional variety closing, possibly signalling the end of the welfare state as we've known it. Ultimately this will mean that the elderly population will find themselves paying more out of their own pocket – spending the family silver if you will – but that also happens to be the current situation within Croatia and the wider region. This is where the opportunity arises for those willing to put the work in.

We've already mentioned that more and more elderly are wanting to remain at home, and that family members more often than not are responsible for primary care – yet with the changes in demographics this is no longer a task which might take a number of years, but now decades instead. Unfair or not, this is becoming less and less a palatable option for today's younger generations. To be blunt, for many it is seen as being too much of a hassle, and certainly too expensive – we are, after all, some way from the dystopian future presented in Logan's Run, where those who have turned thirty are of no more use to a society with limited resources.

Assisted Living is not a new concept: in the United Kingdom Assisted Living communities exist as well and follow an expected model – self contained residential units which revolve around a community centre. The Netherlands, Germany, and any other number of countries are the same, though minor details might differ: in the end most of the medical assistance, which may or may not be required, will come from, or more accurately will be paid for by, regular insurance. When we say 'not required', we mean to note that medical assistance is being paid for by insurance on an ongoing basis, such as the provision of a care nurse or junior doctor, irrespective of the immediate need for one or not. Often residents (we may as

well call them clients in some cases) find themselves paying for a service which they will not use for many years. What can change, however, is the approach to Assisted Living, and the administrative (though that term in this example might unfairly sound draconian) aspects of managing such properties.

In situations where these types of properties are being used by people with severe disabilities, be they long term or brought on by the travails of old age, there can be no doubt that a more comprehensive care system must be in place. For instance, Fokus Living, in The Netherlands, provides a dedicated care station within their residential zone, offering Care on Demand via push button or personal alarm systems, and this is 24/7. Such systems are also available for families who have disabled children and who cannot adequately care for them in a traditional home environment.



Opportunity knocks

There is scope for similar project being implemented in Croatia, and of course the wider region; companies such as Rezidenција 55 are already involved with providing customised accommodation, and they feel it's very possible to expand or begin any operation to offer Assisted Living, to a high standard, which would be of benefit not only to the indigenous population, but to retirees coming from abroad.

There already exist any number of specialised associations and organisations

which provide support to people with disabilities, and are experienced and familiarised with the regional health system – this is important when one realises that health and medical provision differs from country to country, with equally differing systems of funding that provision.

The regional benchmark is Starački dom, which provides accommodation either on a permanent basis, or temporary basis during periods of convalescence or even when an existing resident looks to go on holiday. The costs involved, however, vary between 3000 and 9000 Kuna per month, and for properties which are often just one or two rooms in size. While these costs include care specialists and general sustenance, they are somewhat steep for the level of the local economy. This is the 'in', so to speak, which can offer the real opportunity to an innovative developer.

The provision of self-contained residential dwellings, roughly 35 m² in size, is possible for a similar pricing structure, with a 'Meals on Wheels' system in place to provide full meals for residents on a daily basis – this would obviate the need for residents to cook for themselves, and while some retirees might prefer to be more independent, there will always be those for whom time in the kitchen would be problematic and arduous.

While the need for a self contained community is important, it must also be noted that fencing these residences away from general society should be avoided where possible. The European Union at-risk-of-poverty rate for persons over the age of 65 is higher than that of the rest of the population, and while a retiree might have his actual retirement funded through a series of pensions and/or insurance, often the income/cost ratio is extremely rigid, allowing little flexibility in activity.

A roof over your head and a hot meal on the table is to be expected in any advanced society, but a human being needs more than that, just as they required more throughout their working life. The establishment of Assisted Living communities within easy reach of already existing amenities should be considered, especially those amenities which would have a natural client base in the wider



community: physical therapists, coffee shops, internet cafes, and perhaps a market where fresh produce might be sourced.

Affordability

The main difficulty which awaits any innovator in Assisted Living is that the Government will not be involved. It is expected that, when it comes to health care provision, the State is involved and that the fate of the retiree/client is not left in the hands of the private sector. The thinking, like elsewhere, is "I have paid my taxes to the state, and now I expect to be looked after in my twilight years". This, of course, is a very simplistic approach, and many people have been paying into insurance funds for decades so that they would be well provided for once retirement, or injury, loomed.

For those who have the resources to spend on Assisted Living the costs can be quite competitive within the region, approximately 1350 Euros per m², which is generally cheaper than standard accommodation within the larger urban areas. Alternatives exist, naturally, where the Government can provide the resources necessary for the support of an elderly

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or disabled person, but that comes at the cost of a percentage of future inheritance – spending the family silver, again. It should be possible to develop Assisted Living domiciles with a Rent to Buy scheme in mind, whereby the new tenant pays a higher than average rent, but this money is at least utilised towards ultimately acquiring the property from the operator. This frees up resources for the innovator, while also conferring an added amount of independence upon

residents, in theory making them feel better about themselves.

A solid partnership will be required, between initiator (who possesses the business model and the know-how), the landowner, and a banking partner. Seeking to develop an ever renewing model, such as where the residents purchase back the property, as mentioned above, allows for the operator to carefully control end prices and costs, guaranteeing affordability, care, and quality.

While Assisted Living projects can be profitable, it is important to realise that the clients are not large and faceless corporations or nameless Government officials, but rather your grandmother, and grandfather, looking to retire with dignity, without being an undue burden on their family. It would be wise for anyone reading this seriously to consider the implications; within the next three decades European finances will be under incredible strains because of the projected changes in the demographic balance. Economic and social disparity is only going to increase the closer we get to 2050, and you owe it to yourself, your family, and your progeny, to be more responsible with your, and by proxy their, future... ■