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INDUSTRY INSIGHT

Senior living operators, facing unsustainable rate increases, are shifting towards ancillary service offerings to enhance revenue and resident value. Juniper Communities and others are launching affiliated businesses, public-facing membership models, and value-based care initiatives. This shift requires rethinking staffing models and managing expenses while maintaining service quality to improve operating margins.

Senior Living Operators Pivot from Resident Rates to Ancillary Services to Boost Revenue

Senior living operators have relied on resident rate increases to recoup margins lost over the last four years, but the days of pushing steep increases onto consumers is coming to a close.

Instead of pushing through big rate increases, providers are expanding ancillary service offerings in ways that include launching affiliated businesses and standing up public-facing membership models.

The deepening of offerings to senior living residents has also forced operators to rethink staffing models alongside making sweeping changes to improve resident lifestyle and wellness options. But the challenge remains in controlling expenses while upholding the value of senior living services.

These efforts to drive ancillary revenue in lieu of lofty rental rate increases show that some operators are realizing the ceiling on rate, making adjustments and succeeding in growing withered operating margins.

"The last three years of rate increases aren't sustainable," Juniper Communities CFO Chuck Hastings told Senior Housing News.

That is why Juniper is moving ahead with its home health and private physician practice to drive new revenue, alongside its value-based care efforts through the Perennial Consortium.

Improving margins with new models, steep rate increases 'unsustainable'

Senior living providers have seen truncated margins in recent years as challenges like rising resident acuity and elevated costs in all levels of operations.

For Bloomfield, New Jersey-based Juniper Communities, the operator has moved to within single-digit percentage points of pre-pandemic operating margins, according to Hastings.

"We should get there by the end of the year and in the last 24 months we've crept much closer to pre-pandemic margins," Hastings said in an interview with Senior Housing News.

In the last four years, operators have pushed through more steep rate increases than prior to the pandemic, ranging from market-rate increases based on the consumer price index (CPI) to double-digit increases.

But now, Hastings said Juniper doesn't feel "like we can push further" on growing resident rates.

"Our feeling is this year we're not going to get away with it," Hastings said of future, elevated rate increases.

That's meant Juniper is building various ancillary business entities to drive new revenue, including a home health care business and a private physician practice. That is along with Juniper's involvement with the value-based care entity Perennial Consortium, through which it offers Medicare Advantage and other payment plans.

"We don't have a short-term window, we have a long-term approach," Hastings said.

In 2021, Revel Communities, a portfolio of 13 independent living communities owned by the The Wolff Company., launched a program called Revel Seasonal Residences allowing residents to travel to other Revel communities while still maintaining their home community residency.

Fast-forward to today and the program is leading to higher permanent move-ins at multiple Revel communities, according to Senior Vice President of Operations Ginni Ryan.

Through transparency on rates, Ryan said Revel has also been able to maintain move-ins. With the lighter acuity flexibility, Revel is able to manage rate increases in a more nimble way rather than rely on the once-annual increase as is common across the industry.

“We’re very dynamic in terms of timing, scale of increase and when renewals occur,” Ryan said.

At a handful of Revel communities, the company is rolling out a tiered membership program as it relates to the points accrued over time.

As part of the basic offering at Revel communities, residents receive two meals daily, with the option of using accrued “points” for various dining venues,salon services, massages and other wellness-focused offerings. If a resident chooses, they can purchase additional points outside of their allotment, something that drives ancillary revenue generation, Ryan added.

“What we find though is that people that move in under the lower tier end up buying more points anyway because they see the value,” Ryan said. “Once they move in they tend to purchase more.”

Holbrook Life, with a portfolio of communities in the Southeast, also has seen marked success in driving ancillary revenue and bringing new value to residents through unique amenity structures and membership-based offerings.

The Holbrook Club — pioneered by Jack Miller, vice president of business development and strategy — has centered on creating and driving the new membership-based program for the public to participate.

The program is tiered for single members and households to drive revenue, and additional brand awareness, to Holbrook’s core offerings as part of its active adult neighborhoods. Public-facing offerings as part of the membership includes saltwater and hydrotherapy pools, high-end fitness centers, salon and spa services, along with access to community events and Holbrook’s slate of full-service restaurants.

"It's been amazing to see the club explode with interest, and how it brings in additional ancillary revenue and exposure to our variety of business units, and how the additional business units existing audiences such as our Spa at Holbrook and Holbrook Events, are joining the club," Miller said. "It's all of these business units working together in harmony to grow our brand awareness and exposure within the greater communities."

Holbrook's country club model represents approximately 10% of its overall ancillary revenue, of which a majority at-present is generated from its main location at its Woodstock community by non-residents. The Holbrook Club also offers prospects on the company's waiting lists a glimpse into life at Holbrook communities as "pre-transition," which has extended the amount of time Holbrook can interact with prospects and new consumers.

"The biggest factor we have seen is that all of these ancillary revenue streams create subliminal, cost-effective marketing for our core offering [of] active adult living," Miller said. "We knew our businesses, such as The Spa at Holbrook, had to have a flawless customer experience with it's own unique branding to fight the stigma of operating within an active adult community."

With a renewed focus on operational excellence, leading to repeat client visits and word-of-mouth exposure, Holbrook has realized a ten-fold increase in revenue growth, with its Woodstock spa and salon being the highest locally-rated spa and salon in a 30-mile radius of Woodstock, Georgia with hundreds of positive reviews, Miller added.

"We knew that we had to make sure our experiences were 110% consistent and quality every time," Miller said, which resulted in hundreds of positive reviews online to aid in that brand awareness campaign through organic word-of-mouth and online referrals.

Managing expenses, evolving staffing challenges

Early in the pandemic, operators relied on agency staffing to fill vacancies left due to turnover. While agency has slowly exited communities in the last four years, new challenges on staffing arise.

With Juniper, that meant focusing on cutting down on overtime costs in key positions and implementing new software that captures payroll and scheduling in a deeper way.

Senior living operators nationwide deal with a lion's share of their operating budget going towards staffing and food costs. Within staffing, reducing turnover appears to be another way in which operators are attempting to cut expensive employee onboardings and limit short-term spending on staffing.

Some key positions still tough for operators to fill are in licenced nursing positions and medical technicians.

"It's more competitive now than it's been in my 28 years of working in the industry," Hastings said. "Everyone in Silicon Valley has to pay a premium for software engineers. We have to do the same for good caregivers and med tech positions."

Retention of team members is also a focus for Revel, Ryan said, with turnover and resident move-outs being an expensive pill to swallow.

"Our goal is always trying to increase that retention rate and we've made some improvement on turnover," Ryan added.

That improvement comes in the form of implementing updated staff onboarding and training, blended with follow up from leadership.

Going forward, Miller said Holbrook, along with all senior living organizations, must work to shift public perception of senior living as it relates to public-facing services, regardless of offering to break the stigma within the industry and craft unique revenue streams that serve local communities at-large.

To that end, Holbrook communities with public-facing revenue streams will be able to access a contingency fund if a department wants to explore new ways of bringing in new revenue.

"I think the relief on expenses for our industry is going to come from a global economic perspective," Hastings said of what lies ahead. "Nobody predicts it, but I think that's what it could be driven by."

Original Article:
https://seniorhousingnews.com/2024/05/13/senior-living-operators-pivot-from-resident-rates-to-ancillary-services-to-boost-revenue/