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INDUSTRY INSIGHT

This article focuses on the current efforts of senior living communities to increase revenue and profitability by retailing meals and services. The article also provides specific figures to demonstrate the increase in sales (through a la carte or spend-down-type accounts).

Flexible Spending, New Senior Living Revenue Sources Pay Off for Discovery, Watermark, HRA —— Part II

Senior living a la carte

HRA is not the only senior living operator pricing out dining and services to boost revenue.

About a year ago, Discovery Senior Living launched a new program called FlexChoice that allows IL residents to choose and pay for certain services on an a la carte basis. The program is structured around three tiers: Classic, premium and supreme.

Bonita Springs, Florida-based Discovery Senior Living is the nation’s eighth largest provider, according to Argentum, with 120 communities, two projects under construction and four communities under development and pre-construction.

In the first FlexChoice tier, IL residents pay a flat monthly rate and receive services typically included in the care setting, from housekeeping to continental breakfast.

Premium and supreme-tier residents receive all of the classic tier’s services, with added salon services, food or drinks in restaurant-style dining venues, opera tickets or chauffeurs. Residents in both the premium and supreme tiers get FlexChoice dollars, with supreme tier residents getting more to spend each month –and at a discount.

In addition to revenue, the FlexChoice program is paying dividends in one unexpected area: occupancy growth.

Communities with FlexChoice programming have seen “an accelerated move-in velocity” since 2021. By comparison, a FlexChoice community was able to reach stabilized occupancy 30% faster than a non FlexChoice community in the same market, Discovery Senior Living Vice President of Operations Gottfried Ernst told Senior Housing News.

On average, FlexChoice communities produce an average of 47% more ancillary revenue per resident day than other IL communities within the program in place. This speaks to the strength of the program, Ernst added.

“It’s all about customization, allowing our residents to choose what they want, when they want it,” Ernst said. “FlexChoice is helping us be that value proposition in the senior living marketplace.”

Ernst added the ability to generate ancillary revenue within Discovery communities is also a major help with optimizing operating margins during a time when doing so is tough.

Ancillary revenue within Discovery communities is currently about 2% of the company’s gross revenue, with a goal of pushing ancillary revenue to 4%, something Ernst said would “make a huge difference” in offsetting cost inflation. Resident satisfaction has also risen in communities with the FlexChoice offering.

Ernst cited a recent customer satisfaction survey that showed resident satisfaction is above both internal and industry standards. One community recorded satisfaction levels as high as 93%, with a FlexChoice approval rating of 91%. The survey also showed 80% of customers indicated that FlexChoice was the reason why they chose to move in.

Watermark Retirement Communities takes a similar approach to a la carte options within its growing portfolio of upscale, luxury-focused Elan and Elite communities. Residents in these communities also wield spend-down accounts, with cards that can be used for a range of dining options and are refilled monthly.

The flexible spending approach was aimed at finding the right balance between allowing freedom of resident choice and cost of services. By using a spend-down approach, the company can ensure revenue streams and better facilitate multiple dining venues, according to Watermark Chief Investment Officer Bryan Schachter.

"It's a learning curve, we're still getting better at it each month," Schachter said. "It's certainly the direction we think the industry is heading."

Schachter referenced Watermark's Hacienda at the Canyon community that's furthest along in this ancillary revenue effort, noting the community's IL component is 84% occupied (204 units) and was "really seeing success" from the spend-down account program.

"Not only are we driving a really high margin in that community given the high rates," Schachter said. "But we're also delivering higher ancillary revenue than we underwrote based on what we would expect from a traditional dining experience for residents."

The ancillary revenue generated from the program is like an added bonus for a community's bottom line while improving upon how residents interact with amenities offered by Watermark, he added.

Since its launch, 87% of Watermark's spend-down program has been used on food; 8.4% on alcohol and 4.4% on salon services, Schachter noted. Other services that are available include fitness offerings, housekeeping, and a tech concierge. On average, residents spend 82% of their monthly alloted dollars with 18% being forfeited, data provided by Schachter shows. Usage in excess of residents going over their monthly amount is approximately 5%.

"If we can meet or exceed expectations and deliver high quality resident experiences around fitness and wellness, while potentially capturing a bit more revenue, that's a win-win for us," Schachter said.

<u>Future full of choice</u>

For HRA, Bateman said the future of its Taste of HarborChase program rests in how residents interact with the program, mixed with the culminating changes in the restaurant industry.

"Our residents coming in will dictate how it evolves," Bateman said. "We need to listen to the residents, their families and outside customers on what they're seeing."

"As restaurants evolve with new concepts and new ways of doing things, that's what we will be watching," Bateman said. "Because we know that the residents coming in have been enjoying those things before coming to our communities, and we want them to have that seamless transition from life at home to life at a HRA community."

At Watermark, Schachter said the company would look to refine its offerings through its spend-down program and potentially expand those offerings in feasible markets.

"Some of those things are going to continue to evolve," he added. "It's all about execution and offering better quality of delivery and better quality services because it's really something very different for the industry."

With its FlexChoice program, Ernst said he feels confident that in time, additional tiers and offerings will emerge as residents continue to customize their experiences to fit their lifestyles.

Discovery's FitCamp fitness programming, for example, could also take a more central role in resident amenities, with the ability to drive future ancillary revenue through fitness classes and other health-related programs.

"Having that ability to add services as our customer demand changes, is certainly a huge plus," Ernst added.

Original Article:
https://seniorhousingnews.com/2022/10/28/flexible-spending-new-senior-living-revenue-sources-pay-off-for-discovery-watermark-hra/

Stony Plain Project Update

Stony Plain Active Adult Lifestyle Community is located just west of Edmonton, Alberta. When complete, the residence will be a 6-storey apartment building with 85 Active Adult Lifestyle Community suites. It will offer In-suite 24-hour emergency call systems, a recreation facility, housekeeping, laundry services, on-site management and maintenance. A main floor of commercial and retail space will provide residents with easy access to amenities such as a doctor’s office, pharmacy, bistro or coffee shop. Below is the progress update and pictures from the site.

- The management team celebrated the New Year with their residents!

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