

Leadership Series

Executive Highlights:

Ancillary Services

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Communities



THE LEADERSHIP SERIES

WHAT'S INSIDE:

What are
ancillary services?

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ancillary services?

Ancillary services
and the bottom line.

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There's no doubt about it: the average senior living resident is changing. With rising acuity of residents being a major observation among senior housing providers in recent years, those providers are also preparing simultaneously for another shift: the resident who wants it all.

Today's successful senior living operators and their executive teams are adapting to meet this need, and they're doing it in part by one major initiative: the addition of services.

From on-site rehabilitation to home health, dentistry and even hair salons, these ancillary services provide a one-stop experience for residents. On the provider side, business gains are realized through longer lengths of stay, and in some cases, additional revenue channels.

PointClickCare realizes the changing nature of senior living. In our work with operators across North America, we strive to help providers adapt to the new resident and to view ancillary services as an opportunity.

We are proud to have partnered with Senior Housing News to bring you the Leadership Series. In this eBook, we hear from today's executives on their experiences with ancillary services. We hope it sheds light on the opportunities you are experiencing in your business.

Travis Palmquist
Vice President and General Manager, Senior Living
PointClickCare

What are ancillary services?

Leadership Series Executive Highlights

Justin Hutchens
President / HCP Inc.



With acuity rising across the senior living landscape, today's independent living resident looks a lot like yesterday's assisted living resident based on the care needs the average resident requires. Providers report residents are moving in older and frailer than they did pre-recession, and they're apt to be more demanding as a result. While providers are building and updating their communities to accommodate these rising needs, they are also doing so in an increasingly competitive environment. To both meet the needs of today's resident and to distinguish themselves from the competition, providers are betting big on services.

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The most important differentiator in an assisted living, independent living, or a memory care community is the quality of the service that you deliver.

”

- Justin Hutchens
President / HCP Inc.
(to-be CEO of HC-One)

What are ancillary services?

Many senior living providers have tested the waters with ancillary services, from clinical services like rehabilitation, to convenience services such as salons and on-site transportation.

In senior living, ancillary services are known as any services that fall outside of the normal definition of assisted living. Often they are billed separately and can be requested and utilized in an a la carte fashion. Some providers opt to bring the services in house, while others provide them through third parties. There are realized benefits to both models.

“We’ve been in the rehab and pharmacy services areas, which are the two main clinical suppliers to a facility — the highest cost areas,” says Phil Fogg Jr., CEO and President of Marquis Companies, a Milwaukie, Oregon-based senior living provider with more than 25 locations. “It’s been a real asset to us because we’ve been able to collaborate with providers to help meet their goals. How does a rehab company or pharmacy help with hospital readmissions? How do they help with Five Star and quality measures? How do they help with the customer experience and improving functional improvement scores? I have found it to be quite beneficial that those groups are working together with my operations team and they’re not some separate vendor outside.”

But providers agree that focusing on core competencies is paramount. Independent living and assisted living operators need to first focus on their key business components and then look to services to enhance that model.

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Greg Roderick
CEO & President / Frontier Management



Rod Burkett
President & CEO / Gardant

“The most important differentiator in an assisted living, independent living, or a memory care community is the quality of the service that you deliver, and to have a culture centered around being responsive to residents, responsive to families, communicating as a team and focused on care delivery,” says Justin Hutchens, president of senior housing owner HCP Inc. “Quantity of services is great as long as you’re doing them all well. First priority is the quality of the service delivery and satisfaction of families and residents that are involved with the community.”

Why pursue ancillary services?

There are several reasons why senior living providers add ancillary services: to respond to higher acuity residents, provide a one-stop shop for residents and their family members, improve length of stay and drive new business.

Increasing length of stay and reducing transfers to higher acuity health care settings is one reason Bradley, Illinois-based Gardant Management has implemented services such as pharmacy, therapy, visiting physicians, home care and even podiatry.

“If we don’t do it directly ourselves, but we want to have coordination and collaboration with all caregivers and we know the more acuity the more therapies we can offer in the building, the better it is for the resident and family and the longer they can stay or their exodus to a hospital or nursing home gets shorter,” says Gardant CEO and President Rod Burkett. “Not that we do so much of it directly in the businesses that we own, but we always coordinate it with trusted partners.”

Allowing residents to remain in their current care setting is one objective. Taken a step further, the senior housing and care industry also recognizes the benefit to providing ancillary services outside the community walls as a means to connect with future prospective residents.

The first question most executives consider is whether to offer the services in house, or partner.

“When you have [these services], it also offers an opportunity to go beyond your four walls into the community,” says Robert Kramer, founder and CEO of the National Investment Center for Seniors Housing and Care, based in Annapolis, Maryland. “...Home care is [seen as] competition, but it’s a misunderstanding of what’s actually at the core of seniors housing. This is your home and so enhanced primary care delivery at home should be something we’re bringing into our buildings. It doesn’t mean that you have to directly deliver it yourself because you may rightly say, ‘I don’t want to get involved,’ but you don’t need to.”

Ancillary services and the bottom line.

There are different philosophies around services in senior living, but the most prudent operators are incorporating services and they’re tracking outcomes more closely through ownership of these services.

The first question most executives consider is whether to offer the services in house, or partner.

“I’ve invested in pharmacy. I’ve invested in interior design, in my own companies,” says Greg Roderick, president and CEO of Portland, Oregon-based Frontier Management. “I see it being more of a challenge for myself to launch a home health care company, when I can utilize friends in the skilled nursing space with hospice companies, home health [and] rehabilitation programs and just bring them in. They are true experts. I’d rather partner.”

Some businesses such as home care and hospice are known for having challenging operating environments due to government reimbursements and other factors, for example.



Robert Kramer
Founder & CEO / National Investment Center
for Seniors Housing and Care



Terri Cunliffe
CEO / Covenant

Covenant Retirement Communities, based in Skokie, Illinois, introduced Covenant Care at Home in 2008, and encountered challenges across the variety of states where the company operates due to lack of regional presence and support.

Ancillary services can create new sources of business

Financial performance of freestanding home health agencies in 2015

	Medicare Margin
All	15.6%
25th	0.5%
75th	24.5%
Majority Urban	16.0%
Majority Rural	13.2%
For-Profit	16.7%
Non-Profit	12.1%
Marginal Profit	18.1%

Source: Home health cost reports from the Centers for Medicare and Medicaid Services

“The ultimate goal was to have a Covenant Care at Home agency in every one of our communities, or near one of our communities,” says CRC CEO Terri Cunliffe. “It’s a great service, it’s a great revenue generator or at least brings some diversity to our revenue, but it is harder I think than it seems to get one started up in every one of your local footprints.”

Yet with the right infrastructure, companies are seeing success. At Marquis, the company's leadership has not only implemented a network of services including home health, private duty care, rehab services, physical, speech and occupational therapy, but it has been able to lean on big data analysis of those services to further improve the care provided.

"Having all those services together in addition to developing data analytics...have now enabled us to develop kind of a network of services to manage these populations," Fogg says. "We take those services and underneath those we've built a big analytics solution. All of those groups work together on best practices, clinical practices and I think culturally we've aligned all those groups not only from a leadership standpoint but why we do what we do."

Why ancillary services are good for business.

Ancillary services are rising as a key differentiator for many providers in an increasingly competitive senior housing landscape. Whether they are offered as an additional convenience factor or they are targeted as a way to increase length of stay, these services can serve multiple business functions. As providers have noted, the implementation of technology with these services not only enables businesses to identify how ancillary services are adding to the bottom line, but also how residents are thriving in a measurable way through these additional care offerings.



Phil Fogg Jr.
CEO & President / Marquis Companies

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