Senior Living Facilities: Using FP&A to Increase Profitability

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Inside this document

Introduction

Economic uncertainty affects every industry as organizations worry about a potential recession in the not-to-distant future. Senior living facilities are no exception as they deal with inflation, increased costs for medical supplies, labor shortages that necessitate enlisting workers from expensive agencies, and higher costs per resident day.

Financial planning and analysis (FP&A) can be a daunting, time-consuming, and a highly manual task for senior living communities, especially when there are multiple locations. Even in an age where technology is the answer to many burdensome, manual processes, many senior living facilities are still operating using cumbersome and error-prone Excel spreadsheets. If senior living facilities wish to become more profitable, then they will need to become more agile with the ability to quickly pivot to address operational changes.

Let's break down the steps you can take to plan for different scenarios more accurately so you can improve forecasting abilities, resulting in a more agile and profitable organization.

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Tackling FP&A Challenges Specific to Senior Living Facilities

Many senior living facilities, particularly those with multiple locations and different building administrators, struggle with FP&A because they haven't yet implemented procedures that could make budgeting, planning, forecasting, reporting, and analysis easier, more accurate, and more efficient. Without it, senior living facilities face multiple challenges when it comes to cost planning, revenue planning, and property profitable analysis, making these types of tasks difficult and labor-intensive.

Challenges specific to senior living communities include:

- **Prolific use of spreadsheets, which is time- and labor-intensive, prone to errors, and affects decision-making and profitability.** This is compounded when there are multiple facilities and you are sending spreadsheets to individual facility's building administrators via email, which can result in broken or deleted formulas as they are passed from operator to operator. Because accurate forecasting is at the heart of effective decision-making, decisions made using spreadsheets will only be as good as the data that is used to create them.

- **Lack of technology, which would simplify FP&A processes and provide a single source of truth (SSoT) for all building administrators.** A single platform that caters to analysis and planning provides a SSoT, and makes analysis and decision-making easier and more accurate.

- **The risk associated with data security and protecting data integrity, which can lead to the incorrect planning of costs.** How can you ensure that the data you are using is correct or that every operator is seeing the same data and interpreting it in the same way? Without integrated and centralized data sources, it can be difficult to get a complete view into all areas of your operation.

Effective cost, revenue, and profitability management requires a foundation of understanding, awareness (of the problem), and the ability to act based on your data. There are certainly some measures you can take today to increase your senior living community's profitability.

5 Ways to Increase Profitability

There are several ways you can increase the profitability of your senior living community that center on more careful planning.

1. Scenario Planning

Scenario planning is a strategic planning model that helps you look at different possibilities and trends to help reduce errors. By looking at different scenarios, you can avoid under- and over-predictions of costs associated with operations, resources, and resident care.

Trends are particularly important in scenario planning. You'll need to look at situations such as:

- A tight labor market and having to use higher-cost agencies to fill in staffing gaps

- Overtime costs associated with having staff work longer hours

- Uncertainty that may be associated with unpredictable events such as a pandemic

Looking at what could happen can help with awareness of potential challenges, warning signs, and even opportunities, such as potential acquisitions. You can easily pivot from one outcome to another to make better decisions using scenario planning and "what-if" analysis.

Why Spreadsheets No Longer Work for FP&A

- Spreadsheets are time- and labor-intensive.

- Spreadsheets are error-prone since formulas can easily break or become deleted as they are forwarded from facility to facility.

- Reporting is difficult using spreadsheets.

- Spreadsheets prevent you from being agile.

- Spreadsheets can hinder the data analysis needed for sound decision-making.

2. Collaboration

Collaboration between the facilities that make up your senior living community is important to ensure that all building administrators are working with a SSoT in terms of workflows, data entry, and forecasting.

For each facility to be profitable and for overall community profitability, every building administrator needs to be working with a single version of a report or template vs. multiple versions to ensure accurate data.

Collaboration among facilities also builds trust, encourages group problem-solving, and helps multiple locations to become more efficient, thereby increasing productivity and profitability.

3. Revenue Analysis and Planning

An accurate and agile revenue planning process can maximize profits across the business. Increasing the accuracy and frequency of revenue planning allows you to adjust costs and revenue assumptions as market and regulatory conditions change. When it comes to revenue planning, everything starts with the resident – the type of room they occupy, their medical needs, dietary restrictions and meal plans, and the support staff they require.

Analyzing your data from multiple angles helps to determine opportunities for additional revenue. For example, you can look at how many hours staff spend on each individual resident's care. Then, calculate the costs involved, as well as the projected additional costs, which can translate to additional revenue. Even activities that involve staff assistance, such as helping residents to make their beds, bathe, or supervising them when they are smoking, adds time to resident care. All that time becomes an opportunity for income when documented properly and figured into revenue.

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4. Census Planning

Senior living communities thrive when they continue to grow their census and, therefore, their revenue. In the face of inflation and the proliferation of facility options, increasing community census is a priority for every community. There are a several ways to increase your census, including:

- Partnering with local hospitals to provide resident referrals

- Identifying opportunities to provide additional services that will keep residents in-house, rather than sending them to hospitals

- Ensuring that residents are satisfied with their care so that they and their families become referral sources

- Keeping up with facility appearances by modernizing resident rooms, dining areas, and community spaces so that potential residents and their families view your facility as modern and state-of-the-art

- Holding events where prospective residents can meet and greet current residents and staff to gain a better perspective on care

- Focusing on your differentiation and what makes you the best choice in senior living

- Using census planning technology to optimize occupancy and maximize billings

The bottom line is that to increase profitability, you need to have maximum occupancy rates, which can be achieved by attracting additional residents.

5. Use of Technology

You may not even be aware that technology currently exists that can help your operation become more streamlined and efficient, helping you to make decisions more quickly and confidently and better manage the costs and profitability of your community.

Managing your operations with spreadsheets involves collaborating with multiple departments, which increases the probability of errors. The time involved in sending spreadsheets to multiple building administrators and collecting and parsing the data is time-consuming, and mistakes are all too often an inevitable outcome.

Understanding the profitability of each facility and maximizing billings while minimizing costs and risk are paramount to longevity in the senior living industry. Using manual processes and spreadsheets limits visibility and agility because they are difficult to manage and update on a regular basis.

Benefits of Using a Technology Solution to Increase Profitability

- Standardized operations across finance and accounting
- Streamlined FP&A and financial close activities
- Standardized data and workflows
- Increased user productivity
- Self-serve capabilities for each operator and location
- Greater efficiencies
- A single source of truth (SSoT)
- Improved business agility
- Increased profitability

The use of technology to increase profitability for senior living communities has the following benefits:

- Centralized workflows that facilitate the planning process by using only one data-entry template for all facilities and locations

- Centralized modeling that can reduce or eliminate overly complex spreadsheets

- Ability to run different scenarios to assess various potential outcomes

- Historical data combined with census data that allows you to easily plan for the future

- Facilitates collaboration among building administrators and management to build more profitable plans

- Ability to track and manage profits more frequently than with manually produced reports, with visibility into data from all systems and the ability to track vital KPIs related to profits, staffing, per resident day costs, staff hours, revenue, and cash flow

- Daily analytics that help to identify cost increases and staffing issues early on

- Ability to prevent potential staffing shortages, which can lead to state fines and higher agency costs

- Centralized data from all sources to minimize having to go back and forth between systems

- Meaningful dashboards that help you run your communities more effectively

- Integrated data sources that provide a complete view of all areas of your operation, including:

  - Financial health by facility
  - PRD costs
  - Occupancy
  - Staffing levels (past and future)
  - Modeling potential outcomes
  - Regulatory changes
  - Pay increases
  - Material and equipment cost increases

Optimizing patient care, billing, and staffing are critical to running a profitable senior living community. Because the industry is highly regulated, it requires regulatory reporting in addition to internal and private equity reporting. Because of regulations, you need to have daily or monthly analysis into the number of Hours Per Patient Day (HPPD). If regulators decide to audit you, you will need to provide supporting reports to prove you are allocating appropriate time to each patient.

A corporate performance management platform, like Prophix's financial performance platform, empowers effective decision-making because it facilitates accurate forecasting, which is critical to achieving greater profitability.

What's Ahead for Senior Living Communities

There are several challenges and opportunities ahead for senior living facilities, coming out of the pandemic with staff shortages and inflation. Hiring the right people and keeping them is critical to both your brand reputation and to continuity of care for your residents.

According to Senior Housing News, 77% of assisted living providers said the staffing crisis is getting worse, providing more evidence that the senior living industry is in a "historic staffing crisis". This is causing fear of closures, the inability to add more residents, and reliance on costly agency staff assistance and staff overtime. Offering competitive benefits and pay that are akin to other health care settings, such as hospitals, may help to attract skilled staff and caregivers.

Another key consideration is the aging Baby Boomer population; everyone in this demographic will reach the age of 65 by 2030. Many of them will be potential senior living facility residents, so facilities will need to have the staff, space, and funding for expansion to meet the needs of this aging population.

Innovative technology platforms will be a critical investment and well worth the expense if it helps to reduce the cost of your operations, optimizes staffing and resident care, and makes spreadsheets and manual tasks obsolete. If you're looking to improve profitability, this is an effective solution to help with FP&A forecasting, scenario planning, and revenue planning and analysis. The right technology will help you plan for tomorrow, today, so you can be agile and meet the needs of your growing resident population.

Ready to get started?

See how you can improve your agility and profitability with Prophix.

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