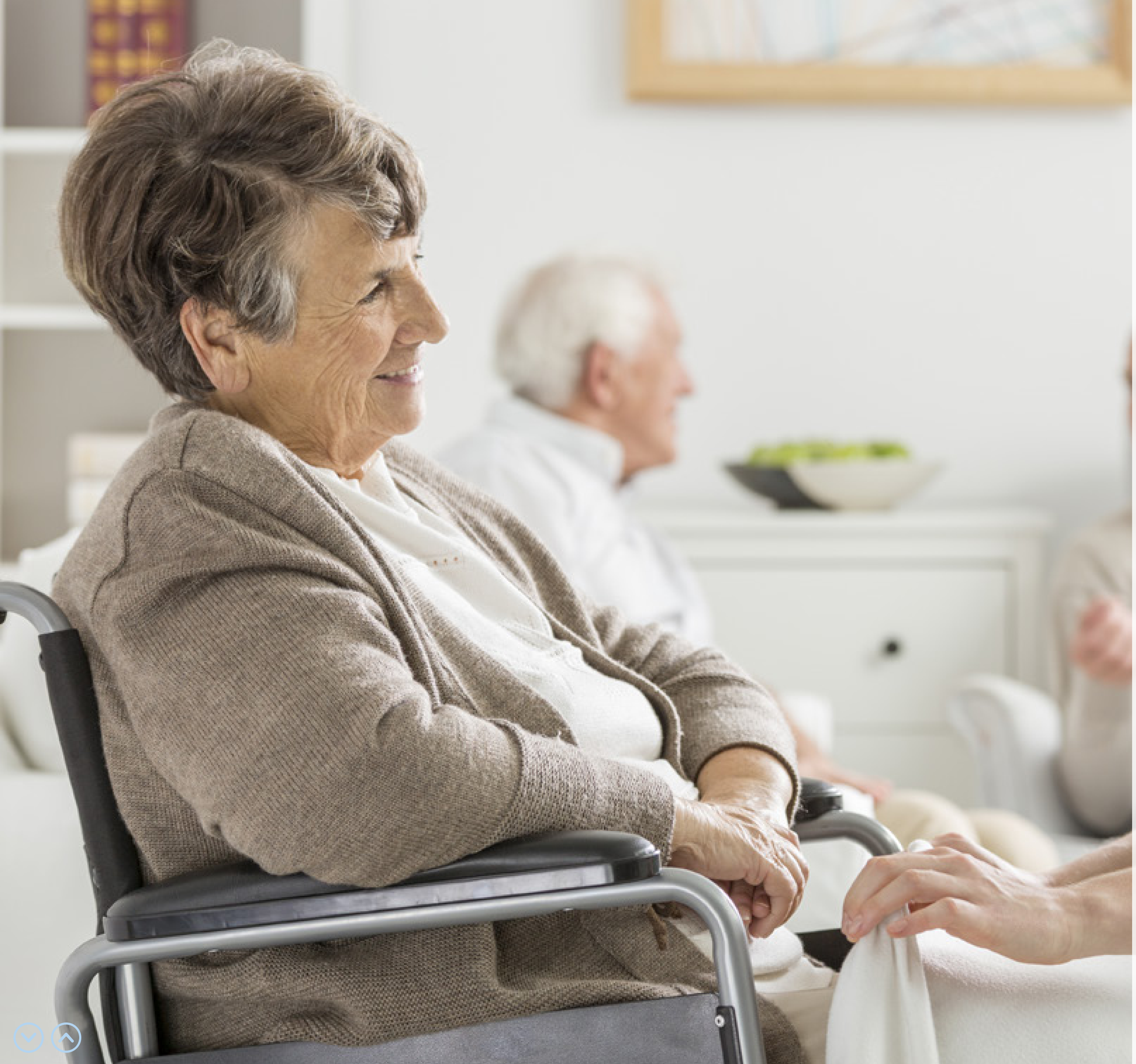
Prophix®

5 Factors Affecting Your Profits

Get Better Visibility into Your Costs & Plan with Agility for Senior Living



Introduction

Over the past few years, the senior living industry has faced momentous change.

With rising costs, a limited labor supply, and weak guidance on future best practices, many senior living leaders struggle to determine their next steps.

In order to mitigate the affects of changing conditions on profits and cash flow, senior living providers need a holistic view of each of their communities at any given moment—that's where Prophix comes in.

5 Factors Affecting Your Profits

1. Inflation
2. A Rise in Agency Spend
3. Aging Population
4. Interest Rates
5. Recession

1

Inflation

Senior living providers are under immense pressure as the cost of operations increases rapidly. At the time of this guide, inflation has reached 9.1% in the United States. For producers of goods and services, the PPI (Producer Price Index) has increased to 11.3%!

Beyond the increase in food and energy prices, the rise of CPI (Consumer Price Index) has also incentivized employees to demand higher wages. A need for increased wages is particularly true in the senior living space, where many caregivers have left the profession due to burnout.

Our Tip

Proactively account for price fluctuations—as this could just be the beginning. We encourage you to use various scenario plans (what-if analysis) to account for wage increases and the impact they could have on your bottom line.

2

A Rise in Agency Spend

If rising wages weren't challenging enough, a rise in agency spending has also impacted the bottom line. In 2021, senior living and healthcare providers contributed to a 130% increase in agency spending. In some cases, agency spending can be up to 50% more than in-house labor. In-house labor overtime hours also increased by 52%. Overall, it's safe to say that service margins have taken quite a hit.

Our Tip

To reduce your agency costs, we suggest forecasting your labor hours and using visual analytics to track variances between actuals and planned labor. Labor forecasts will help signal whether you're sufficiently staffed and give you ample time to increase headcount, reducing your reliance on reactive agency spending.

3

Aging Population

In case you weren't aware, the population is aging faster than it is getting younger. By 2050, 16% of the world's population will be over 65. Senior care providers must start planning more strategically for the long term to prepare themselves for the not-so-distant future.

Our Tip

Many senior care providers only create yearly plans and take them month-by-month. Many senior living leaders don't bother with longer-term plans because of forecast inaccuracies. However, forecasting technology has come a long way in the past few years, and so has its accuracy. Accounting for external variables like an aging population and the impact it could have on the demand for senior care services is critical to building the foundation you need for tomorrow.

4

Interest Rates

Since the pandemic in March 2020, interest rates have been at historically low levels. These rates prompted many senior care providers to raise their debt capacity to acquire other properties or communities. While this yielded short-term benefits, interest rates are rising again—and providers are seeing the pinch in their monthly interest expenses.

As senior living organizations look to take on less debt in the coming months, the industry will slow down and re-adjust to a lower growth rate.

Our Tip

Stay positive, and don't see this as a negative outcome! This time will allow inflationary pressures to level off until there is market equilibrium.

5

Recession

As of today, we haven't officially fallen into a recession. However, many argue that a recession is a lagging indicator of the current state of the market. Many companies have already started planning for a recession and making decisions to prepare for such an event.

Our Tip

Be proactive and plan. In senior care, a recession could mean employee layoffs (despite being short-staffed), lower revenues, and residents moving out (affordability). Proper pre-planning before a recession can help protect your business during tough times.

As much as senior care providers are concerned with the challenges they face today, it's important not to lose sight of external factors beyond your control. Planning for uncertainty is the key to not just surviving—but thriving.

About Prophix

Your business is evolving. And the way you plan your business activities and report on them should evolve too. To empower mid-market companies to achieve their goals, Prophix provides an integrated, cloud-based platform to the Office of Finance; one that delivers planning, budgeting, reporting, forecasting and consolidation solutions. With Prophix, finance leaders improve profitability and minimize risk and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovations that adapts to meet your strategic realities, today and tomorrow. Over 2,500 active customers around the globe rely on Prophix to transform the way they work.

NORTH AMERICA

CANADA

350 Burnhamthorpe
Road West,
Suite 1000
Mississauga, Ontario
L5B 3J1
1 (800) 387-5915
+1-905-279-8711

UNITED STATES

707 SW Washington St.
Suite 1100
Portland, OR 97205
1 (800) 387-5915

UNITED KINGDOM

Davidson House
The Forbury
Reading
RG1 3EU
+44 (0) 118 900 1900

EUROPE

BELGIUM

Lenniksebaan 451
1070 Brussels
+32 (0) 2 456 89 60

DENMARK

Sankt Knuds Vej 41
1903 Frederiksberg C
+ 45 7023 2375

FRANCE

Roosevelt House 6
avenue Franklin Roosevelt
75008 Paris
+33 1 88 86 00 24

GERMANY

Messeturm
60308 Frankfurt am Main
+49 69 509 565 607

ITALY

Via Paracelso, 26
20864 Agrate Brianza (MB)
+39 039 890 1574

LUXEMBOURG

22, rue de l'Industrie
L-8399 Windhof
+352 27 02 01 20

THE NETHERLANDS

De Boelelaan 7, 7th floor
1083 HJ Amsterdam
+31 (0)85 400 01 30

PORTUGAL

Av. D. João II n°35
Edificio Infante 11°A
1990-083 Lisbon
+351 308 806 770

SPAIN

Consell de Cent 394
08009 Barcelona

ASIA

INDONESIA

Jl. Letjen S. Parman Kav. 28
West Jakarta 11470
+6221 5021 2222

MALAYSIA

No. 2A, Jalan Sepadu
Off Jalan Klang Lama
58200 Kuala Lumpur
+603 7972 9129

SINGAPORE

Blk 18 Boon Lay Way #07-109
Singapore 609966
+65 6316 8681

SOUTH AMERICA

BRAZIL – SÃO PAULO

Rua André Ampére,
153/7o andar
Novo Brooklin – SP
04562-080
+55 11 3583-1678

BRAZIL – RIO DE JANEIRO

Av. Marechal Câmara 160 cj 932
Centro – RJ
20.020-080
+55 21 3094-3900

FIND US ONLINE

prophix.com

info@prophix.com