



Simplify medication administration with a senior living eMAR solution



## More Service, Please

September 12, 2018   Written by   Published in [Features](#), [From The Magazine](#), [Operations](#)   [Permalink](#)



A senior gets help from a worker for home care company Honor, a startup with a tech platform that makes scheduling easy.

***With consumers wanting more ancillary services brought to their door, senior living providers are trying to figure out the best and most profitable way to make that happen.***

### By Jane Adler

As occupancy softens and new residents move in at older ages and with more chronic conditions, ancillary services are playing a growing role in seniors housing. Providers are looking for ways to extend the stay of their residents and offer the kinds of extras that keep them happy and healthy. At the bottom line, too, providers are looking for ways to improve their bottom line. They are creating dedicated spaces for ancillary services. Modern therapy gyms allow residents to receive professional treatments on site. Home health providers may have offices in the building, making it easy for residents to schedule and receive the healthcare they need. Extras like salon and valet services are the kind of perks that can help make a building stand out from the competition.

Meanwhile, seniors housing providers are getting creative. One assisted living building, for example, features a special floor or concierge level with its own attendant, similar to those in fancy hotels. Another has an in-house team available to accompany the senior to the doctor or the opera.

Technology is making ancillary services easier to deliver (*see sidebar*). Seniors can schedule a ride, get a meal delivered, or visit the doctor via a telehealth conference using portable devices.

While ancillary services are important to the success of a seniors housing property, they can also be difficult to manage. They don't always result in a big increase in net operating income, either.

"Ancillary services have become more important over the last five years," says Alan Fairbanks, executive vice president at Bickford Senior Living based in Olathe, Kansas. "We have more frail individuals who need those services than in the past."

Ancillary services fall into two broad categories: those related to healthcare and home care, or what's called private duty care or personal care; and extras such as individual transportation, or special programs.

Most ancillary services fall into the first category. These personal and healthcare services also have the most potential to generate revenue.

George Mason University in conjunction with the American Seniors Housing Association (ASHA) recently conducted a groundbreaking survey to determine the extent to which providers are offering coordinated access to ancillary health services. The online survey was completed by 50 senior living providers representing a total of about 1,500 seniors housing communities.

Among survey respondents, 78 percent indicated they offer residents access to at least one ancillary health service. The most commonly reported available service was rehab, offered by 88 percent of assisted living communities and 84 percent of independent living communities. Other popular services included home care, home healthcare, primary physician care and pharmacy.

Anecdotally, operators say the services help increase the length of stay. This is especially true with independent living residents who pay for extra help because they prefer not to move to assisted living.

Juniper Communities of Bloomfield, New Jersey, conducted a research study in 2017. The intent of the study was to gauge the results of its Connect4Life program, which provides ancillary health services on-site along with an on-site health navigator at the company's 21 senior living communities. Results showed that the length of stay among Juniper residents was 12 percent higher than it was before the program was implemented.

Of note, there is no extra charge for the service and rents have not been increased to cover the cost of the service. Company CEO and President Lynne Katzmann says the costs have been covered by rearranging staff patterns in most cases.

### Ancillary services are a big business

The home care/personal care and home healthcare industries are valued at about \$93.4 billion, according to IBISWorld Industry Research, a business information and market research firm. The size of the market for these ancillary services makes them an attractive target for senior living operators.

In the first quarter of 2018, Brookdale Senior Living (NYSE: BKD) tallied revenue of \$110.5 million from its in-house ancillary services, including home health, hospice and outpatient therapy. Operating income after expenses was \$8.3 million.

Despite the promise of added revenue, the complexity of ancillary services makes this niche business tricky to navigate. Medicare reimburses some services, but many senior living operators avoid that part of the business. The recent growth of managed care has further complicated the payments system.

Many operators opt to partner with third-party providers.

"Why go through the red tape to start a physical therapy or hospice business?" asks Maribeth Bersani, COO at Argentum, the assisted living association based in Alexandria, Virginia. "It's just as easy to use an established provider, especially if you are a multi-state operator."

Bickford Senior Living outsources its home healthcare and hospice services to a third party. The company operates 65 properties in 10 states. Bickford owns 10 of the buildings and leases the remainder, many of which are owned by NHI, a REIT headquartered in Murfreesboro, Tennessee.

For now, each Bickford building makes its own local arrangements for home healthcare and hospice services. But the company is considering whether to contract with one national provider.

"A national provider could offer more consistency of care and oversight," says Bickford's Fairbanks. He adds that it will become more and more important for assisted living operators to have input and control over ancillary services as the frailty of residents increases.

Bickford recently purchased ValuMed Pharmacy of Sioux City, Iowa. The company provides medications to residents at all Bickford buildings. "ValuMed will add to our bottom line," says Fairbanks.

But a new revenue stream was not the primary motivation for the purchase, he adds. Instead, the ValuMed acquisition allows Bickford to control the management and delivery of pharmacy services.

"Medications are such a key component of assisted living," he explains. "We wanted to have a say in how that happens in our branches."

### How to manage third parties

Balfour Senior Living offers home healthcare and home care to residents through outside providers, which are tightly managed by Balfour. Headquartered in Louisville, Colorado, Balfour is a developer, owner and operator.

Six Balfour properties are open and three are under construction. All of the properties are located in Colorado, except for one under construction in Ann Arbor, Michigan.

Last year, Balfour initiated a strict list of requirements for outside service providers. The new rules reflect an effort to address a problem faced by many assisted living providers — that they can be held responsible for the work of third-party companies. Complaints or problems with outside providers can also reflect poorly on the assisted living company, sources say.

"We work with 15 home health companies," says Michael Schonbrun, founder and CEO at Balfour. He admits the company had previously been somewhat lax about who was working in the buildings. Now outside providers must pass drug tests and criminal background checks. A certain level of insurance is also required. "If they want to serve our resident, they must live by these standards," says Schonbrun. "We allow zero exceptions."

Balfour generates no revenue from the services. A rehabilitation service rents space in several communities, which produces a small income, says Schonbrun.

Friendship Senior Options, a nonprofit owner and operator based in Schaumburg, Illinois, offers an in-house home care service. The organization operates two continuing care retirement communities (CCRCs): Friendship Village and Greenfields of Geneva, both in the Chicago area.

Home healthcare, therapy and hospice services are provided by third-party companies. Friendship Senior Options partners with Amita Health, which leases space at the property for a geriatric clinic that is open to the public.

The in-house home care agency works mostly with residents of the independent living apartments, providing help with the activities of daily living. The services are only available to residents of the two Friendship campuses, which together have a total of about 600 residents.

Approximately 100 to 120 residents purchase home care services. Residents pay for the services they receive.

Like many other senior living providers, Friendship Senior Options doesn't consider ancillary services to be a revenue driver. "We just cover our costs," says Ben Gilchrist, vice president of operations at Friendship Senior Options. "It's a service to maintain quality of life so independent living residents can stay in their apartments."

### Creativity boosts bottom line

About 18 months ago, Kensington Senior Living launched a private duty team. Kensington is based in Reston, Virginia. The company operates five properties and has another building under construction in Redondo Beach, California.

The private duty aides provide additional support for residents — accompanying residents to the hospital, taking them on outings, and providing the extra help that's needed at times. The aides are also cross-trained to fill in for the everyday assisted living staff.

The team consists of 15 to 20 aides. About 60 percent of the private duty aides work full time and the remainder are employed part time. Residents pay an hourly rate that varies by market for the service. At Kensington's Virginia property, for example, the rate is \$26 an hour.

Revenues from the private duty team average anywhere from about \$40,000 to \$100,000 a month per building, according to Tanya Walker, vice president at Kensington. Newer buildings tend to generate less revenue because the residents are generally younger and need less help with the activities of daily living.

"The program is a win-win for us," says Walker, adding that it's a great source of new revenue.

What's more, an in-house private duty care team gives the provider better insight into a resident's condition. "We are providing care to a family and giving them a promise to care for their loved one," says Walker. "When you use an external company, they may not be giving the care you would want your residents to receive."

Exclusive apartments with special services can generate higher rents as evidenced by the strategy of Brandywine Living based in Mount Laurel, New Jersey.

Brandywine Living's new buildings feature a concierge level similar to that of an upscale hotel. At its new property in Virginia — Brandywine Living at Alexandria — the entire 6th floor of the building is branded as Serenade by Brandywine.

A dedicated employee is available 12 hours daily from 7 a.m. to 7 p.m. Services provided by the concierge can vary depending on resident requests. One resident might want breakfast in bed. The concierge can also provide companionship, shop for residents or act as another set of eyes to check on the resident.

The concierge does not provide help with activities of daily living. Instead, the certified nursing assistants perform those duties. Nurses are available to all building residents around the clock.

Brandywine's Alexandria property is the company's 29th location. The community opened in June and features 116 suites, including 28 for memory care residents.

The Serenade level features 22 suites and includes its own dining room where residents can eat or host a family event. Afternoon high tea is served along with a daily cocktail hour.

The upgraded suites are larger than those in the other sections of the building. A studio apartment in the Serenade section is 350 square feet, compared with a typical assisted living studio apartment of 315 square feet.

The rent for an apartment in the Serenade section of the building can cost upwards of \$2,000 a month more than that of a typical assisted living apartment. Brandywine residents also system to determine the level of care needed.

Residents select an apartment on the Serenade level usually for three reasons, says Samantha Tricoli, director of community relations at Brandywine Living at Alexandria. "They may need a little extra care, or perhaps the resident liked to travel and was already accustomed to concierge services."

Also, residents without family in the area may want the extra attention that comes with the concierge service. "That can be difficult to find at other assisted living communities," says Tricoli. "This fills that need."