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Metrics in Long-Term Care
Balancing the financial and operational impact of your facility

According IDC Health Insights, a fact-based research consulting firm, the number of Americans over the age of 65 is expected to nearly double by 2030. Question: how can long-term care providers plan for this anticipated population spike and simultaneously balance existing facility needs? Answer: preparation is key.

Struggle to Remain Profitable

Despite the ever-increasing number of those in need of long-term care, long-term care providers often struggle to sustain financial profitability. Many Americans do not adequately prepare to fund their long-term care needs, and government programs, including Medicare and Medicaid, and taxpayer monies must cover the majority of long-term care funding. The complexities of these programs will not be addressed here, but what is important to state is their significant impact on long-term care providers' finances and economic stability. Funding and reimbursement are not generally timely, and providers are therefore forced to capitalize significant monies to cover both physical (buildings) and operational (staffing) costs, leaving little room for profit.

Increase in Bed Count = Increase in Revenue?

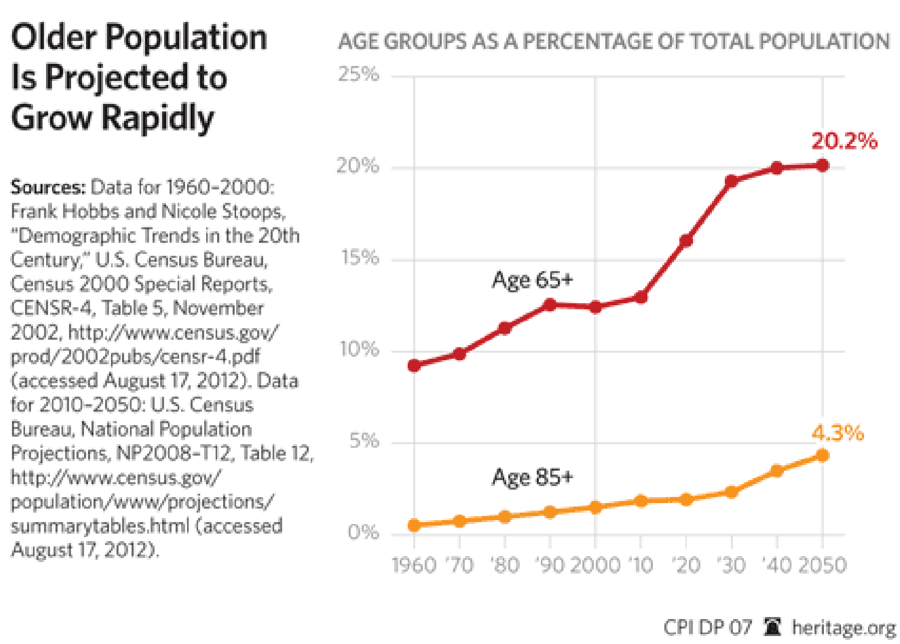
Increasing a long-term care facility's revenue may seem as simple as increasing the facility's bed count. This is not necessarily the case. Ideally, an increase in bed count results in an increase in residents, but additional staff members are often needed to care for this new population or service, which increases a facility's operational costs. If the cost of employing additional staff members outweighs the anticipated revenue generated by increasing the bed count, the facility should reconsider pursuing this option. Furthermore, we recommend that providers enlist the assistance of a market and/or financial proforma consultant to determine their respective communities' demand for services and need for long-term care. It's possible that an increase in bed count may increase revenue, but only if these beds are filled. If the beds remain unoccupied, potential revenue is lost, and the provider must cover additional operational and staffing costs without additional revenue.

Build New or Renovate?

It's the age-old question facing aging facilities: do we renovate our existing facility or build a new replacement facility? Demand for long-term care may be increasing, but the economy is unstable. Capital is limited, and many organizations too frequently focus on initial construction costs without analyzing the long-term implications. All costs and factors (i.e. market share, growth and adaptability, services, etc.) need to be considered, and capital and operating budgets should be integrally linked. Ultimately, the solution must be financial feasible for it to be a viable option.

Case Study: Facility No. 1

A long-time client of PRA retained our team to renovate the existing serving kitchen at its independent living facility. The recent addition of a residential care apartment complex (RCAC) to the independent living facility led to an increase in residents served, and the existing kitchen could not adequately accommodate this new population. The goal was to increase the number of meals offered without increasing the operational costs of the facility. PRA installed more efficient equipment and upgrades, which allowed the number of staff members required to operate the kitchen to remain the same. Operational costs for the facility didn't increase, but the number of meals served rose. PRA also upgraded the interior



finishes throughout both the dining room and kitchen, enhancing the resident dining experience. Metrics include:

- 25% increase in meals served per day
- Additional service revenue of $50,000
- Reduction in energy consumed and staffing required resulted in an annual savings of more than $20,000

Acuity on the Rise

When adding beds to their facilities, some long-term care providers choose not to add staff to accommodate this population increase. Quality of care offered may be jeopardized, especially given the increasing acuity of long-term care residents. The increased acuity seen in patients admitted to long-term care facilities leads to a greater strain on an already lean staff, but facilities are often hesitant to add new staff members, as labor costs currently account for the highest costs incurred by long-term care providers. Higher acuity patients require more skilled and experienced staff members, who are more costly to hire and retain. The challenge of employing a qualified (and happy!) workforce while maintaining a culture of resident-centered care is a balancing act.

Resident-Centered Care

Revenue and profitability aside, resident satisfaction should be a long-term care provider's top priority. Residents and their families are a facility's most valuable resource. Satisfied residents are more likely to recommend a facility to others, and referrals are one of the most inexpensive ways for a facility to secure new residents and increase market share. It is important to remember that culture change requires strong leadership and must be integrated into all business and operational practices. Staff, administration and resident support are essential, and PRA has assisted numerous organizations in shifting their models of care to a more resident-centered model, as such shifts sometimes require renovating their existing facilities.

The Importance of Master Planning

To best accommodate facility and resident needs and also plan for the future, it's imperative that long-term care providers update their Master Plan every three to five years. Buildings age, operational costs rise and market share and demand shift. A Master Plan creates a "road map" for the facility's future and assists in ensuring it remains successful and, in an ideal world, profitable.

What we know for sure is that an exponential rise in those needing long-term care is imminent. The demand will be present, but a proper plan on how to accommodate this demand is vital. Proper preparation is key. Interested in learning more? Contact me directly or visit www.prarch.com.

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Gregg is the Partner in Charge of PRA's Long-Term Care Studio. He is passionate about planning and designing long-term care facilities that enhance resident-centered care and promote cost-effective and efficient operations.