

SESSION #: R02

More Science than Art:

How to Properly Price Rent & Services for your Property

{Price Point}
Revenue Optimization Exercise

PLANTE MORAN
LIVING forward

The next level of senior living development – from concept to completion

LEARNING Objectives

- Identify how to accurately price the rent and services that are provided to residents;
- Identify which services should be provided and other that should be avoided in an effort to manage expenses and enhance revenue;
- Identify and evaluate the correlation between the cost to provide a service vs. the revenue that is being generated;
- Evaluate and compare pricing structures as it relates to the specific market demand in your community.

HISTORICAL PRICING Rent & Services

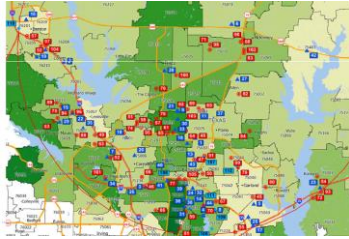
Determining the Monthly Rental Fee:

1. Market Area Analysis
2. Competitor Comps
3. Organization Pricing Structure Approach
 - Luxury - High End
 - B+ Product
 - Affordable Housing
 - Niche Housing



MARKET STUDY Identifying Competition

1. Identify market
 - ✓ Existing residents
 - ✓ Account for barriers: physical and psychological
2. Competitors
 - ✓ Market over/under supplied
 - ✓ Comparable Community – affordable, luxury, or outdated.
3. Analysis of demographics and affordability for senior living



COMPETITIVE ANALYSIS

Competitor Research:

1. Distance and year built
 - ✓ 62% of seniors relocate within 5-10 miles of existing residents.
 - ✓ 60% relocate within 10 miles of adult child
2. Ownership and owners – 57.7% and 94.3% IL and AL are FP
3. Unit break down – affordable units, waivers, memory care
 - ✓ Square footage
4. Occupancy
5. Rates
 - ✓ Levels of care, packages, point system, etc.
6. Amenities
7. Services included in Levels of Care

Amenities

- Pool
- Movie Theater
- Social Room
- Workout Center
- Community Center
- Walking Paths
- Beauty Shop

Rent Includes

- 2 Meals/Day
- Housekeeping
- Laundry
- Activities
- Transportation

Facility	Zip Code	Miles from	Year Original	Owner / Sponsor	Number of Assisted Living Units	Number of Memory Care Units	Square Footage	Occupancy Percent	Assisted Living Monthly Fees		
									One Bedroom	Two Bedroom	Memory Care Monthly Fees
4026	1999	48	-	395 - 393	79%	\$3,121	\$4,397	\$4,389 - \$5,204			
4026	2007	52	0	130 - 1,000	60%	\$3,157*	-	\$3,912**	\$5,700		
4017	1977	90	-	360 - 754	94%			\$2,000 - \$4,000			
Existing AL Count	3			Total Market Area	170	0	354	Weighted Avg. Occupancy*	88%		
				Total Assisted Living & Memory Care	230	0	354	Weighted Avg. Occupancy*	89%		

MARKET STATISTICS Columbus MSA

	MAJORITY IL	IL - SECONDARY MARKET	MAJORITY AL	AL - SECONDARY MARKET
Occupancy	91.7%	92.2%	93.3%	91.5%
Average Rent	\$2,855	\$2,633	\$4,160	\$3,896
% Annual Rent Growth	1.0%	1.4%	1.0%	1.9%
Median Units per Property	140	164	66	65
Property Count	26	748	35	1,726
Construction Units	276	3,938	389	7,686

Source: National Investment Center (NIC) 4Q 2014. Columbus MSA is made up of: Delaware, Fairfield, Franklin, Hocking, Licking, Madison, Morrow, Perry, Pickaway, and Union Counties

CLIENT CASE STUDY Revenue Optimization

(LIVING FORWARD) Senior Housing
Costing out your services

Service to be provided	Escort	
Service Provided By	Aide	@ Per Hr \$ 13.77
Benefits % =	25%	
Hourly Wage with Benefits	\$ 17.70	
Wage Cost per Min	\$ 0.30	

How long to complete this task? (include travel time, charting time and other)
Time directly related to this service = 10

Staff Cost for task based on per min costs	\$ 2.95
Percentage mark up from other costs	79%
Cost per incident for private pay	\$ 5.27
Mark up for profit Margin	17%
Total Charge per service	\$ 6.17

Escort Package – This service provides escorts within the building to and from lunch, dinner, mass. It does not include activities.

Use below to determine monthly package price

Times per month the service is provided	183
Total monthly price individually	\$ 1,128.20
Package price	\$ 1,128.20

Times per day	6	30.50	183.00
Times per week	4.33		
Total hours provided per month		30.50	

CLIENT CASE STUDY

(LIVING FORWARD) Senior Housing
Costing out your services

Service to be provided	Meal Mgmt & Admin Level 1	
Service Provided By	AN	@ Per Hr \$ 33.08
Benefits % =	25%	
Hourly Wage with Benefits	\$ 41.26	
Wage Cost per Min	\$ 0.69	

How long to complete this task? (include travel time, charting time and other)
Time directly related to this service = 30

Staff Cost for task based on per min costs	\$ 11.20
Percentage mark up from other costs	79%
Cost per incident for private pay	\$ 27.88
Mark up for profit Margin	17%
Total Charge per service	\$ 46.48

Use below to determine monthly package price

Times per month the service is provided	4.33
Total monthly price individually	\$ 200.30
Package price	\$ 156.34

Times per day	0	0.00	0.00
Times per week	4.33		
Total hours provided per month		2.17	
Total package hours per month			25.68

Service Provided By	Aide	@ Per Hr \$ 13.77
Benefits % =	25%	
Hourly Wage with Benefits	\$ 17.70	
Wage Cost per Min	\$ 0.30	

Time directly related to this service = 31

Staff Cost for task based on per min costs	\$ 4.48
Percentage mark up from other costs	79%
Cost per incident for private pay	\$ 7.90
Mark up for profit Margin	17%
Charge per service	\$ 10.25

Use below to determine monthly package price

Times per month the service is provided	6.5
Total monthly price individually	\$ 66.63
Package price	\$ 48.61

Times per day	0	0.00	0.00
Times per week	4.33		
Total hours provided per month		22.88	

CLIENT CASE STUDY

(LIVING FORWARD) Senior Housing
Costing out your services

Service to be provided	Escort with Wheelchair	
Service Provided By	Aide	@ Per Hr \$ 13.77
Benefits % =	25%	
Hourly Wage with Benefits	\$ 17.70	
Wage Cost per Min	\$ 0.30	

How long to complete this task? (include travel time, charting time and other)
Time directly related to this service = 36

Staff Cost for task based on per min costs	\$ 10.68
Percentage mark up from other costs	79%
Cost per incident for private pay	\$ 19.27
Mark up for profit Margin	17%
Total Charge per service	\$ 22.57

Use below to determine monthly package price

Times per month the service is provided	61
Total monthly price individually	\$ 137.67
Package price	\$ 100.07

Times per day	4	30.50	122.00
Times per week	4.33		
Total hours provided per month		30.17	
Total package hours per month			34.50

Service to be provided	Wheelchair Push	
Service Provided By	Aide	@ Per Hr \$ 13.77
Benefits % =	25%	
Hourly Wage with Benefits	\$ 17.70	
Wage Cost per Min	\$ 0.30	

Time directly related to this service = 46

Staff Cost for task based on per min costs	\$ 13.77
Percentage mark up from other costs	79%
Cost per incident for private pay	\$ 24.52
Mark up for profit Margin	17%
Charge per service	\$ 28.59

Use below to determine monthly package price

Times per month the service is provided	4.33
Total monthly price individually	\$ 160.17
Package price	\$ 100.17

Times per day	0	0.00	0.00
Times per week	4.33		
Total hours provided per month		4.33	

CLIENT CASE STUDY

Base Package - Services				
Service	Cost		Per Month	
			Price	Hours
Escort to Whirlpool Bath + Whirlpool Bath	\$ 458.32	\$	536.23	14.50
Linen Change Level 1	34.22		40.04	1.08
Laundry Level 1	273.79		320.34	8.66
One Hour Assist	964.27		1,128.20	30.50
Escort	964.27		1,128.20	30.50
Housekeeping 1	17.22		20.15	0.54
Med Mgmt & Admin Level 1	887.64		1,038.54	25.04
Total Level 1	\$ 3,599.75	\$	4,211.70	110.82
	Per day	\$	138.02	\$
			138.09	3.63
Base Package - Rent				
Service	Cost		Per Month	
			Price	
Rent	\$ 651.14	\$	651.14	
Lunch	106.75		195.00	
Dinner	193.07		298.50	
Transportation				
Activities				
Utilities	114.53			
Base Package Rent	\$ 1,065.48	\$	1,144.64	
Total Base Package Rent + Services	\$ 4,665.23	\$	5,356.34	

Client Case Study - Breakout by Sq. Ft.

Actual Charges	Per pricing sheet	2nd Person	Rent & Service Gain (Loss)*
One Bedroom with One Occupant	\$ 3,604.00		\$ (957.37)
One Bdrm with Two Related Couples - One receiving services	\$ 4,104.00	\$ 500.00	\$ 200.19
One Bdrm with Two Related Couples - Two receiving services	\$ 6,170.00	\$ 2,566.00	\$ (1,333.56)

Unit Type	# of Units	Unit SF	Liveable SF	LOSS OR GAIN IS CALCULATED AS FOLLOWS:
1- Bedroom	162	500	95,580	Actual Base Charge Less • Lunch • Dinner • Utilities • Services • Rent based on Unit SF
2- Bedroom	54	860	46,440	
Suite	4	1,400	5,800	
Memory Care Suite	1	1,700	1,700	
Total Liveable SF			149,520	
Total P&B Expense			\$ 138,892	
Cost per SF			\$ 0.93	

Rental Rates Based on SF	
1- Bdr Rent	\$ 547
2- Bdr Rent	\$ 795
Small Suite Rent	\$ 1,345
Large Suite Rent	\$ 1,577

EXAMPLE	
1 Bedroom w/1 Occupant	
Actual Base Rent	\$3,694.00
Lunch	(\$106.75)
Dinner	(\$193.07)
Utilities	(\$114.53)
Service Package	(\$3,599.75)
Rent based on Unit SF	(\$547.00)
Gain (Loss)	(\$957.37)

CLIENT CASE STUDY

A La Carte Services

Service	Net Gain or Loss
Housekeeping	\$1.79
Foot Care Diabetic	(\$31.04)
Foot Soak & Nail Care	(\$3.62)
Linen Change	\$12.10
Laundry	(\$18.62)
Ironing	\$1.85
Personal Services	\$4.19
10 Minute Escort	(\$0.27)
30 Minute Escort	(\$10.81)
Bathing in Apartment	(\$2.62)
Whirlpool Bath with Escort	(0.27) Escort \$1.38 Bath
Med Mgmt. w/1 Reminder	(\$1.02) Set up \$2.10 Reminder
Dressing and Grooming Assist	\$1.85
Dressing Change	\$7.49
Dressing Change Simple	(\$2.51)
New Tenant Welcome	(\$68.08)



TAKE-AWAYS

- Accurate Time Study Analysis
- Pricing based on time to deliver a service: Minimums and Maximums
- Opportunity for improved delivery of service.
- Allows for a discussion about which services to provide and others to avoid.
- Allows for meaningful conversations with State/County for better Medicaid contracts and payments.
- Opportunities for additional services or expansion of service lines that have better profit margins.





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