What is Your Best Revenue Model for 2018

By Susan Saldibar

The nexus between the impending influx of boomers, major cultural changes in senior care and advances in technology brings with it a lot of unknowns. What kinds of care models will emerge? What demands will boomers make? What used to work that won't work anymore?

The next ten years will put a full court press on traditional care and revenue recognition models due to several factors, including the demand for top quality care and options for ancillary services. And, speaking as a baby boomer myself, we'll want full visibility over everything we pay for!

Revenue Recognition Strategies

PointClickCare (a Senior Housing Forum partner) recently took a deep dive into revenue recognition strategies at their annual SUMMIT conference in Orlando. Bobbie Tiedt Donohew, CEAL and Associate Director of Consulting Services for Richter Healthcare Consultants, tackled this topic and others during her presentation at the meeting.

The first part of her presentation focused on the challenges posed by tomorrow's residents: the aging boomer population. Bobbie discussed the need for long term care providers to find a revenue recognition model that enables them to attain desired occupancy levels in their communities, while optimizing profitability. Key to that, of course, is identifying the best method of revenue recognition for resident acuity charges, along with associated assessment tools.

Three Recognition Methods

Bobbie took a look at the pros and cons of three revenue recognition methods. Here is my highly abridged version:

1. **All inclusive pricing - a single monthly rate per resident.** Basically a one price fits all approach. It's appealing in that it is predictable, leaving little room for negotiating from nit-picking baby boomers. The problem is that, in its simplification, it requires less acute residents to pay for those requiring more assistance.

2. **Base rate plus acuity charges, using a traditional tiered structure.** This model assigns a factor to reflect the level of assistance needed for Activities of Daily Living or "ADLs". This is certainly more fair than the all-inclusive model. However, as Bobbie points out, communities may lose money in circumstances where a resident is assigned to a lower tier but ultimately requires more assistance than anticipated. This can result in an inaccurate reflection of actual service hour cost. In other words, more services out, less money coming in.

3. **Pricing by service hours, with a weight added to each traditional ADL tier.** What Bobbie likes about this model is that it affords greater accuracy by measuring service hours in conjunction with the level of the task. It also provides a natural framework to add on ancillary services. And, it is potentially easier, with the right tools, to track and benchmark. Finally, this model provides a clear record to present to the resident and families if there is any question as to services rendered and time spent.

The third method, Bobbie points out, tackles the issues with the first two and may be the most viable for community operators to meet the demands for higher quality of care. As mentioned, it is also a good fit for the addition of ancillary services. Yet even this option has plenty of room for error. If service hours are not properly logged and billed accordingly, revenue may still slip through the cracks.

Error Proof is Possible, Accuracy is Key

The key, as Bobbie points out, is to have an automated, error-proof method for conducting assessments, assigning weighted scores and tracking tasks and time spent by personnel. After all, this is a multi-dimensional process that must be tightly coordinated and integrated with accounts receivable systems. Accuracy is key. It must also be mobile to allow staff to log Point of Care "POC" information while they are with the resident.

Bobbie recommends PointClickCare's EHR (Electronic Health Records) platform, which provides for a high level of accuracy and flexibility. It can also integrate directly with billing systems to provide more accuracy in billing.

What should communities take away from this presentation? Maybe it should be a commitment to re-evaluate their current pricing models in accordance with a changing senior care landscape. Because by now one thing should be evident; the old ways are clearly inadequate and will only become even more so.