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## Negotiated Risk Agreements: What Are They and Why Do They Matter?

Many families do not realize that placing their loved one in your care is not the same as choosing a nursing home. Your adult residential care facility gives residents something they cannot find in a nursing facility, their independence. As you prepare to add new residents to your adult residential care family, it is likely that you have questions about negotiated risk agreements. It is also likely that potential residents and their families will have questions too. Use this article as a guide to understand and explain negotiated risk agreements.

### What is a negotiated risk agreement?

A negotiated risk agreement (NRA) is a legal agreement between an adult residential care facility and a resident (or their power of attorney, when applicable). Negotiated risk agreements identify changes in a resident's care needs that are outside the framework of their initial care plan. In some cases, the new care needs may also be outside the scope of the typical services offered by an adult residential care facility. Any changes in health or care needs open doors to different risks including falls, skin breakdown, wandering, etc.

### Why is a negotiated risk agreement important?

Negotiated risk agreements are a strong way to document resident changes and conversations about the changes with their family or power of attorney. By clearly documenting health changes, care changes, and recommendations, you protect your adult residential care facility from potential lawsuits.

Many adult residential care facilities have been accused of poor care because they failed to document and notify the family about changes in a residents' health. It is important to notify families of these changes in writing and request their signature stating they have reviewed and understand the changes and associated risks.

### Sample scenarios of when a negotiated risk agreement is valuable

Knowing when to use the negotiated risk agreement is difficult at times. You do not want to upset your resident or their family. The purpose of the negotiated risk agreement is to better protect your residents and your adult residential care facility. Here are 2 scenarios where you may want to consider using one:

Resident 'A' has been in your care for the past five years. You have a great relationship with them and their family. One day, you start to notice that they are not as stable on their feet and have the tendency to fall. If the resident's care plan didn't originally include fall prevention or management techniques, you need to re-evaluate their needs. A negotiated risk agreement gives you a way to evaluate, recommend, and communicate changes with the family giving them a choice to allow the resident to continue in your care or move their family member to a higher level of care.

Resident 'B' was admitted 30 days ago. You haven't had enough time to establish a strong relationship with the family, but the resident is showing wandering tendencies that you were not previously aware of. A negotiated risk agreement can be used to communicate your new observations, recommendations for care, and risks associated with the changes. The family can review and make the best decision for their loved one's future.

### Where can I find a negotiated risk agreement?

Personal Care & Assisted Living Insurance Center, LLC (PCALIC, LLC) offers a sample negotiated risk agreement in the member's only section of our website. Download this sample and have your attorney review for necessary changes to abide by state laws and protect your adult residential care facility.

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## How to Manage Adult Residential Care Profits

For your adult residential care facility to see success and continue providing care for residents, you need to make a profit. Profit is a topic not often discussed in adult residential care for two reasons. First, the main goal for many adult residential care owners is to provide quality care for residents; second, some owners quickly realize their original financial projections don't become their reality. Why do so many adult residential care facilities struggle? Managing revenue and cash flow is a tricky task.

Since you are limited on the number of residents you can care for, it is easy to think your current profit is as good as it gets. Here are six tips on how to manage your adult residential care revenues and profits:

### 1. Review your expenses monthly.

Unnecessary expenses quickly deplete profits. It is valuable to your bottom line to set aside time and review expenses line by line each month. Ask yourself if each expense was necessary, did it add value to your services, and is there a way to get the same results for less. By doing this consistently, you can eliminate costly expenses quickly.

### 2. Invest in your business.

It is tempting to limit your expenses so your bottom line remains where you want it. But it is also important to look for ways you can improve your adult residential care facility. Do any of your appliances or equipment need updated or maintenance to increase efficiency? Investing in these items early prevents you from having to spend a lot more in the future, ultimately reducing expenses.

### 3. Hold your team accountable.

Employees are one of your biggest expenses, so it is important that you hold them accountable. Audit their performance, create and enforce policies, and communicate your expectations often. When employees know what you expect, they perform better, and your profits aren't impacted by inefficiency or laziness.

### 4. Set up quarterly tax payments.

As a small business owner, you are required to pay taxes quarterly to the IRS. Failing to set up these payments opens the doors to additional penalties and fines at tax time. Schedule an appointment to review your tax options with your business accountant to avoid penalty charges.

### 5. Create a reserve account.

A reserve account is your business's rainy day account. It is impossible to predict future events, and if you don't have money set aside for unexpected expenses, you can deplete your bank account. Transfer a certain amount of money monthly to the reserve account and use this money for emergency purchases.

### 6. Simplify the payment process.

Make it easier for families and residents to pay you each month. Create an online payment process that sends responsible parties a monthly email with a link to pay online. This eliminates late payments from individuals that overlook the stack of mail on their desk.

Just like in any business, a profitable adult residential care facility won't happen overnight. It requires time and commitment to review and analyze monthly revenue sources and expenses. These six tips will help you pinpoint what works and may need to be fixed moving forward.

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## Fun Facts About December!

**Fact 1- The birthstone for December is Turquoise.**



**Fact 2 -The birth flower for December is the Narcissus.**

**Fact 3 -Poinsettia Day, National Chocolate Day, National Read a New Book Month, National Stress Free Family Month, and Universal Human Rights Month.**

## Top Expense Versus Top Savings: Why Insurance Matters for Your Adult Residential Care Facility

Running an adult residential care business comes with risks. Most owners and administrators know they need insurance to protect their adult residential care facility from these risks. Many consider the monthly payment to be an unnecessary expense because there is no immediate return on investment. Whether you are a new or long-time adult residential care facility owner, it is important to take a 360-degree look at insurance and the potential savings it provides.

### **Understanding the value of insurance**

Investing in the right insurance for your adult residential care facility is more than a monthly expense. It's a way to pay covered costs associated with a lawsuit, property damage, or injury to a third-party. Alternatively, it also saves money, time, and stress in additional ways.

### **Saves Money**

Buying insurance protection for your adult residential care facility does cost money, but it also has the power to save you money. The best insurance companies offer their customers risk management solutions and tools. Every business faces some risk and specialized tools are the key to efficiently implementing steps in your adult residential care facility to minimize falls, wandering, medication administration, and other errors. All of which can result in medical, defense, and settlement expenses, as well as, employee time off work and possible public relations damage.

### **Saves Time**

Having access to ready-to-implement risk management tools keeps you from investing hours in creating them yourself. Insurance protection also means you get access to an experienced team of attorneys, so you don't have to worry about researching, interviewing, and hiring counsel when a claim occurs. When you receive notice of a potential lawsuit, the only step you should have to take is to contact your insurance agent.

Free Risk Management tools are available to the member insureds of PCALIC on the PCALIC website at [www.PCALIC.com](http://www.PCALIC.com). Watch the video after you log in to learn about the specialized tools available to only member-insureds of PCALIC.

### **Reduces Stress**

Having the right insurance protection plan in place for your adult residential care facility means you can worry less when a claim does occur. Insurance companies and agents that specialize in and understand the unique business model of adult residential care facilities ease the stress associated with a lawsuit. You can rest assured that the experienced attorney team is looking out for your best interests. They research the incident, interview those involved, minimize negative publicity, and work for the best outcome for your adult residential care facility. All of which provide relief and time to focus on caring for your residents.

### **When does price matter?**

As an adult residential care facility owner, you know that every dollar matters. Minimizing costs is an important part of any business strategy. Cutting insurance costs is a risky business decision. In some cases, companies promise to slash your rates – which sounds great! But are they failing to tell you that you are buying less coverage or receiving a policy with a long list of exclusions.

It is vital that you review insurance proposals and make sure you read the fine print. Compare the limits of coverage, types of coverage, exclusions, and other clauses to make a well-informed decision. Most importantly, look to the future. Which insurance policy will protect your adult residential care facility when a resident's family alleges negligent care? Which company will be there with you leading the way?

Chances are, if there is a drastic difference in price, there is also a drastic difference in protection and experience of the agent/broker in the adult residential care industry.

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## 5 Questions to Ask New Residents

Adult residential care homes are a popular solution for individuals who need help with daily activities. These individuals spend time researching available options before they make a choice on which home best suits their needs. As an adult residential care home director, it is also important that you make sure potential residents are a good match for the services you offer. The best time to do that is during the initial meeting with the resident and their family.

Here are five questions to ask every new resident before they transition to your care.

**1. Why are you seeking care?**

Some residents need temporary care after spending time in a rehabilitation center, and others need permanent care. It's important you know up front how long the individual plans to reside in your care. This gives you insight into particular struggles the resident may be experiencing and why they no longer want to live on their own.

**2. Have you lived in an assisted living setting before?**

It is possible that the new resident is coming from another residential care home. If so, ask them why they are leaving the previous home. This helps you understand what might have gone wrong previously and identify any potential red flags on why you can't meet their care needs.

**3. Are there any medical conditions we need to know about?**

Sometimes families need to move loved ones into an assisted living environment because they can no longer care for their needs. To be able to provide the proper care, you need to know these medical conditions up front. The tendency to fall and Dementia residents require different care plans than individuals who simply no longer want to live alone. If there is a medical condition, ask the individual or their family to provide medical records from doctors or previous homes for you to review.

**4. Do you have any concerns about assisted living care?**

Moving to a new home is scary for residents and their family. Knowing their concerns before they move in helps you make the transition easier for them to endure. Take the time to address each and how your assisted living model helps alleviate concerns.

**5. What are your expectations?**

Some individuals understand the difference between adult residential care homes and nursing homes while others do not. Hearing their expectations up front tells you if they fully understand what you offer. It gives you a chance to let them know if you can't meet any expectations, so there are fewer surprises later.

Welcoming a new resident into your adult residential care home is an exciting time for you and the rest of your residents. Make the most of it by asking these questions, in the beginning, to be sure you can provide the quality care they expect.