Maintain Your EDGE®

2024 Skilled Nursing Facility Benchmarking Report

Based on 2019 – 2022 data

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Contents

Introduction

Our benchmark report provides unparalleled information on the SNF industry to providers, investors, and other capital sources.

For the past 20 years, the Plante Moran EDGE® reports have benchmarked Medicare-certified SNFs to key operating revenue and expense indicators to competitor facilities and local, state, and national averages. This year's report also includes a look at some of the key trends influencing SNF operators and factors to consider when contemplating your organization's strategy.

Our reports incorporate clinical and financial metrics associated with the Patient-Driven Payment Model (PDPM) implemented on Oct. 1, 2019, for services provided to Medicare Part A beneficiaries. The 2019 - 2022 data represents over 12,000 nursing facilities across the United States and contains the impact of the COVID-19 pandemic, staffing challenges, and inflationary expense increases that providers have been faced with.

The following benchmark report provides a summary of important indicators of SNF operating and financial health, such as:

- **Overall SNF margins and financial metrics**
- **Profitability for post-acute services, as measured by Medicare results**
- **Revenue drivers, including occupancy, payor mix, and length of stay**
- **Operating efficiency, as measured by staffing, ancillary, and other costs of care**

For additional benchmarks and a facility-specific analysis, contact us to request your custom Plante Moran EDGE® report. Benchmarks are also available by ownership type, allowing proprietary, nonprofit, and governmental organizations to obtain meaningful comparison data to support operational efficiency and strategic planning initiatives.

Executive summary

After years of disruption, there is light at the end of the tunnel for skilled nursing facility (SNF) operators. Operations improvements and continued occupancy gains are sources of hope. However, challenges remain, and SNF operators need a clear strategy and meaningful information to protect their missions, ensure long-term viability, and support timely decision-making.

The United States has more than 18,700 active skilled nursing facilities, and the market was estimated to be worth $179 billion in 2022, according to Grand View Research. The United States Census Bureau reports about 54 million adults aged 65 and up in the United States, accounting for around 16.5% of the population. This represents a significant percentage of the overall population and is expected to continue to rise until 2050 when the total number of adults aged 65 and more is expected to reach 85.7 million, or roughly 20% of the total population of the United States. SNFs are residential health facilities that serve two essential roles in our healthcare ecosystem — providing episodic short-term rehabilitation and nursing and rendering long-term supportive care. Each of these models of care faces immense pressure resulting from increased competition and consumerism, inadequate revenue sources, and a diminishing workforce. These factors exist across all regions of the United States. Still, there is significant geographical variation in how they impact a local healthcare economy, so SNF operators must develop a strategy that carefully contemplates regional dynamics.

State of the skilled nursing industry

- Occupancy has begun to recover but remains below pre-pandemic levels. To increase occupancy and relieve margin pressure, we advise clients to adjust their strategy to target a specific segment of their overall market. They can capture more market share and ensure financial stability and sustainability by defining their niche and differentiating themselves.
- Staffing costs continue to soar amid a labor shortage, resulting in many providers turning to agency staffing to meet resident care needs. Operators will need to address workload, compensation, and job satisfaction issues to boost workforce numbers in 2024.
- Outside of increased direct care costs due to the pandemic, we found providers also incurred additional accounting and legal fees to meet the compliance requirements for provider relief reporting and other regulatory requirements at the national and state levels.
- As measured by Medicare operations, the profitability of post-acute services has increased across regions due to increases in Medicare rates associated with the transition to PDPM on Oct. 1, 2019, outweighing the increase in routine expenses for Medicare Part A residents.
- Lastly, the financial viability of long-term care services correlates directly to Medicaid funding, and negative operating margins in many regions of the United States that without rate increases, more facilities may be forced to close.

Executive summary

The Administration on Aging estimates that at least 70% of people who are 65 today will require access to care in some context, and with Americans living longer, the demand for long-term care and services will likely increase with age. As SNF leaders head into 2024 and look to accelerate margin recovery, we can help identify creative ways to increase profitability and growth by right-sizing service offerings, shrinking physical footprint, and understanding how market changes impact day-to-day operations. We believe there are significant opportunities for long-term and sustainable success for organizations that:

Develop individual strategies for post-acute and long-term care services that contemplate regional influences, including consumer and family preferences.

Establish robust revenue cycle processes and procedures to regain control over balance sheets, prevent unintentional losses, and maximize efficiency.

Build cultures that promote employee engagement and retention. A strong culture can help prevent burnout, relieve stress, and create a sense of cohesion across your facilities. And a healthy, nurturing workplace environment helps staff provide higher levels of patient care.

Assume financial risk related to clinical outcomes and cost-effective management of services.

Key industry trends

Senior care will continue to face elevated levels of uncertainty and risk in 2024. The themes that will dominate throughout the year are financial constraints, workforce disruption, and keeping up with changing regulatory requirements. There is a clear bifurcation of post-acute and long-term care services within a SNF, and it's becoming increasingly difficult to achieve financial success in both service lines.

Overall, SNF net margins indicate that most facilities are just breaking even financially, suggesting that long-term financial viability is uncertain. The growing number of facility closures reported are mainly in rural areas — those that have felt the impact of the pandemic on their business, from finances to the workforce. Since 2020, there have been over 500 nursing home closures. Many providers have downsized their number of beds due to the challenges of the labor shortage, inflation, and lack of funding.

National average SNF occupancy was at a low point in 2021 at just under 70%. National average SNF occupancy trended up in 2022 to 73%, but still below the pre-pandemic 2019 national average of 80%. SNFs are still in recovery mode from the effect of the COVID-19 pandemic. Through Dec. 31, 2023, according to data submitted by providers for the CDC's National Healthcare Safety Network, which tracks COVID-19 infection, national average occupancy has approached 78%.

Post-acute care

- While post-acute services remain profitable in most regions, Medicare Advantage influences on referrals, length-of-stay, and rates have eroded profits in some areas causing providers to place less emphasis on these services and focus on long-term care. The financial viability of this strategy is directly correlated to adequate state Medicaid funding.
- The number of Medicare beneficiaries who go home without a post- acute care (PAC) service is holding constant at about 43%, but there are continuing shifts in PAC location, with decreases in inpatient rehabilitation facilities (IRFs) and SNF utilization, offset by increases in home health services (HHA).
- The implementation of PDPM on Oct. 1, 2019, has shifted Medicare reimbursement from therapy minutes to managing and documenting patient acuity.

Long-term care

- SNF stays related to long-term and chronic care management continue to face competition from home and community-based alternatives. Medicaid funding for nursing home alternatives varies significantly between states.
- The Program of All-Inclusive Care for the Elderly (PACE) continues to grow with over 52,500 older adults participating in 30 states. PACE entities provide comprehensive health and long-term care benefits and services to dually eligible beneficiaries that meet nursing home level of care. The majority of PACE beneficiaries live at home in the community or in non-SNF residential services.
- Several non-SNF residential settings and assisted living operators are evaluating the opportunity to establish IE-SNPs that, like PACE, allow healthcare service providers to have more control and flexibility related to patient care. This strategy does have risk, and providers should also consider establishing IE-SNPs in partnership with other providers or payors.

Data sources & limitations

The benchmarks are based on data compiled from 2019–2022 year-end Medicare cost reports provided by CMS.

Most facilities have all their beds certified for Medicare. As a result, the per diem costs, as reported on the Medicare cost report, represent the average cost for all patients. The actual per diem costs for Medicare patients are usually higher than average due to the staffing costs associated with elevated acuity for short-term patients and a higher per diem cost for admissions, discharge planning, and case management of post-acute patients.

To facilitate success with managed care and value-based models, providers are encouraged to invest in accounting and information systems that can determine individual patient costs.

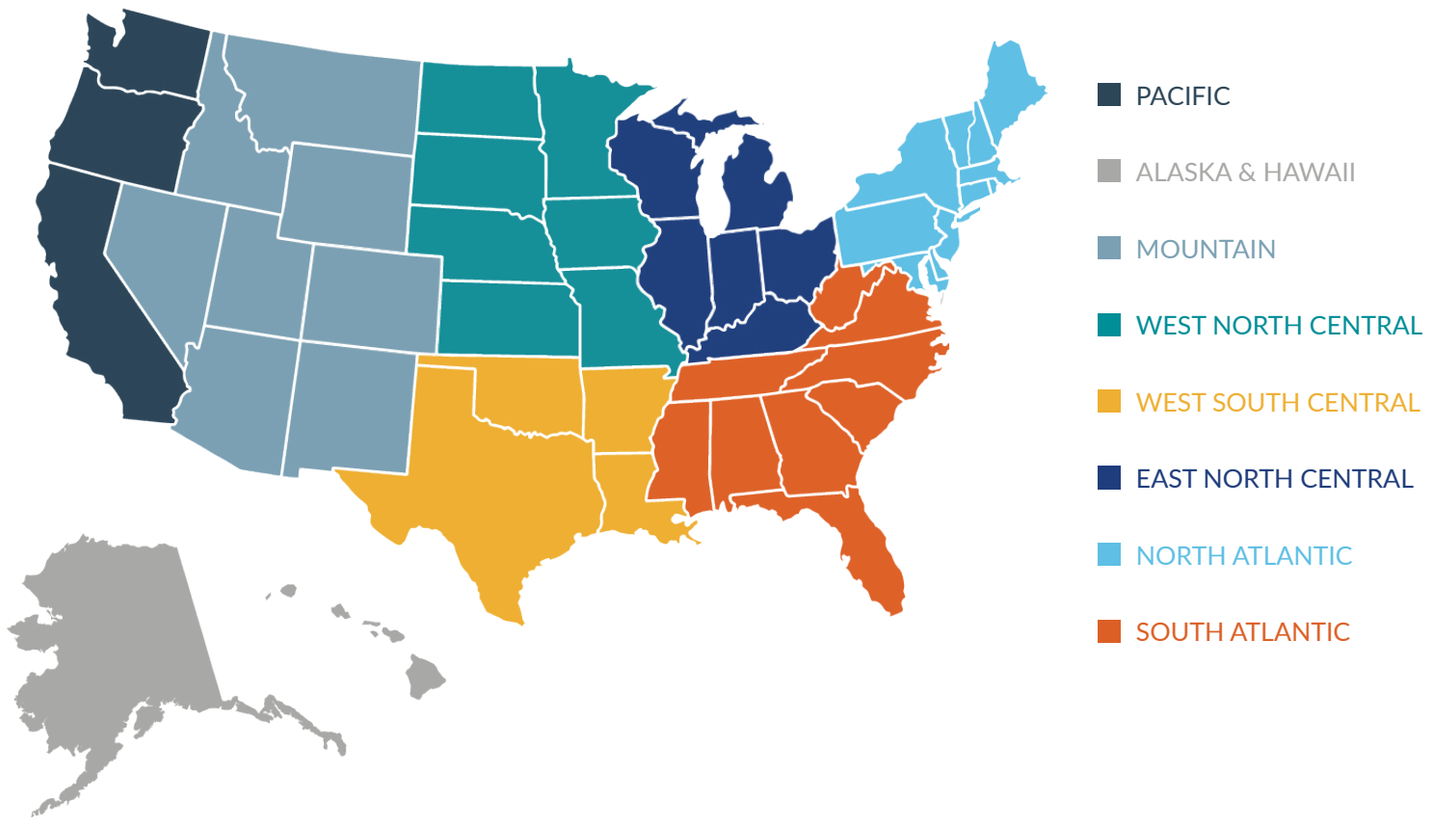
The data represents

over 12,000 nursing facilities

across the United States.

Definition of regions

The benchmarks provided are based on regions of the United States. We have sectioned the United States into eight regions, which are defined below:



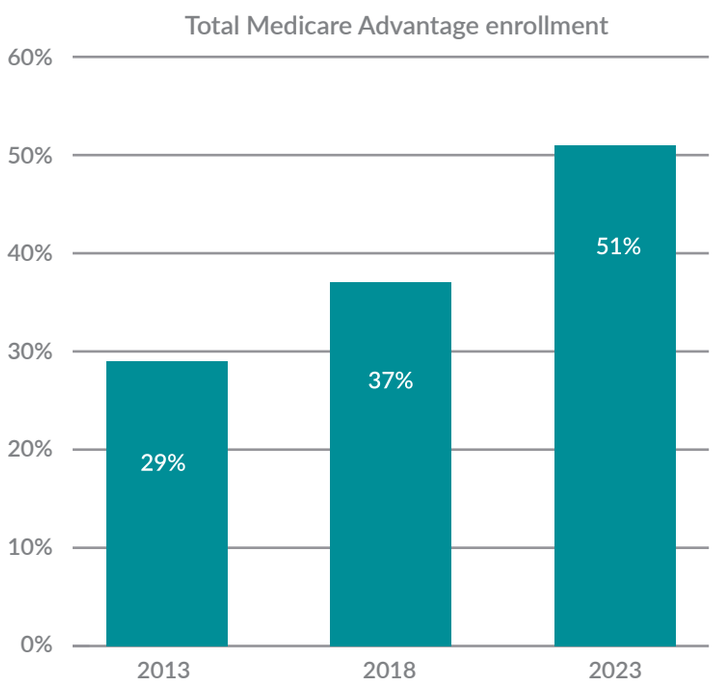
Medicare & Medicare Advantage trends

Influencing PAC services

Medicare Advantage enrollment has surpassed 50% of eligible Medicare beneficiaries in 2023. SNF operators continue to see an increase in Medicare Advantage residents in their buildings as compared to traditional Medicare Part A. CMMI has stated their commitment to eliminate Medicare Fee-For-Service by 2030. Centers for Medicare & Medicaid Services (CMS) continues to increase the flexibility of plans to provide additional benefits, and more than two-thirds offer dental, fitness, and vision benefits, while also controlling out-of-pocket expenses as compared to traditional Medicare — significant factors in consumer choice of these plans. Sixty-four percent of Medicare Advantage enrollees are enrolled in individual plans; 18% are in employer-sponsored plans; and 19% are in special-needs plans (SNPs).

From a provider payment perspective, the spread between the Medicare Advantage rates and Traditional Medicare Part A rates has widened over the past decade. This is resulting in significantly reduced margins on short-term rehab stays as Medicare Advantage plans, on average, can pay one quarter to one-third less than traditional Medicare Part A. This places more pressure on the Medicaid programs as Medicare Part A has historically subsidized inadequate Medicaid payments. CMS doesn't have a required reporting for Medicare Advantage plans.

In response to reduced revenue associated with lower lengths of stay and payment transitions, many SNFs are exploring opportunities for new revenue streams by establishing SNPs. I-SNPs are for enrollees that meet institutional (nursing home) levels of care. IE-SNPs are for enrollees that require an institutional equivalent level of care but reside in the community setting (assisted living). D-SNPs are for dual-eligible enrollees. These plans require SNFs to assume risk related to hospitalization and other healthcare expenditures.



Source: KFF Analysis of CMS Medicare Advantage enrollment files, 2023.

Industry trends to watch:

- ↑ in provider-owned I-SNPs and IE-SNPs
- ↑ reimbursement increasingly being tied to quality outcomes

MEDICARE ADVANTAGE PENETRATION, BY STATE, 2023

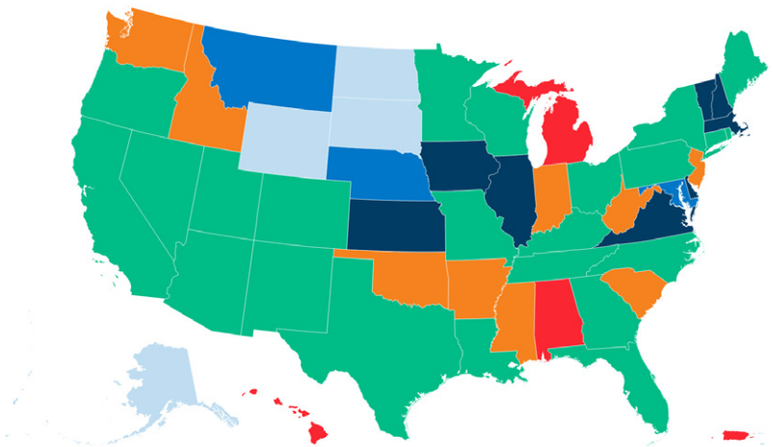
Figure 6

Share of Beneficiaries Enrolled in Medicare Advantage in 2023, by State

Click on the buttons below to see enrollment data for 2013 and 2023:

2013 2023

< 20% 20%–30% 30%–40% 40%–50% 50%–60% ≥ 60%



NOTE: Includes only Medicare beneficiaries with Part A and B coverage.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files and March Medicare Enrollment Dashboard, 2013 and 2023.

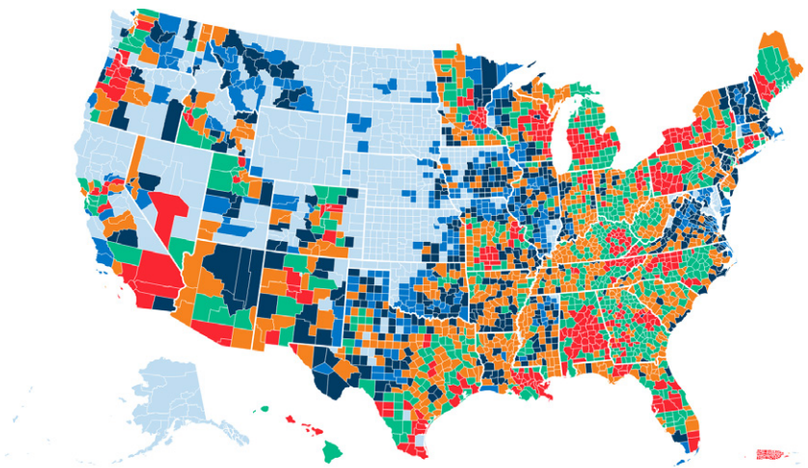
KFF

MEDICARE ADVANTAGE PENETRATION, BY COUNTY, 2023

Figure 7

Medicare Advantage Penetration, by County, 2023

< 20% 20%–30% 30%–40% 40%–50% 50%–60% ≥ 60%



NOTE: Includes only Medicare beneficiaries with Part A and B coverage.
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2023 and March Medicare Enrollment Dashboard, 2023.

KFF

Kaiser Family Foundation has analyzed CMS Medicare Advantage Enrollment Files from 2010–2023. In August 2023, Kaiser Family Foundation published their analysis, which showed that in 2023, Medicare Advantage enrollment has surpassed traditional Medicare. The national average Medicare Advantage penetration in 2023 is 51%. This compares to 37% in 2018 and 29% in 2013. Alabama, Hawaii, and Michigan are the states with the highest penetration at 60%. Within each state, there continues to be wide variations in enrollment that are often associated with employer-/union-sponsored group plans, which make up 18% enrolled beneficiaries. Discharge data for Medicare eligible individuals show that 42% of applicable hospital discharges relate to MA patients.

Enrollment is highly concentrated among a small number of insurers. Enrollment for 2023 is as follows: United Healthcare 29%; Humana 18%; Blue Cross Blue Shield Plans 14%; CVS Health 11%; Kaiser Permanente 6%; Centene 4%; Cigna 2%; all other insurers 16%. United Healthcare's market share has grown from 22% in 2013 to 29% in 2023.

The number of beneficiaries in SNPs has grown from 1.64 million in 2013 to 5.74 million in 2023. In 2023, D-SNPs represent 89%, C-SNPs represent 9%, and I-SNPs represent 2% of Medicare beneficiaries enrolled in SNPs.

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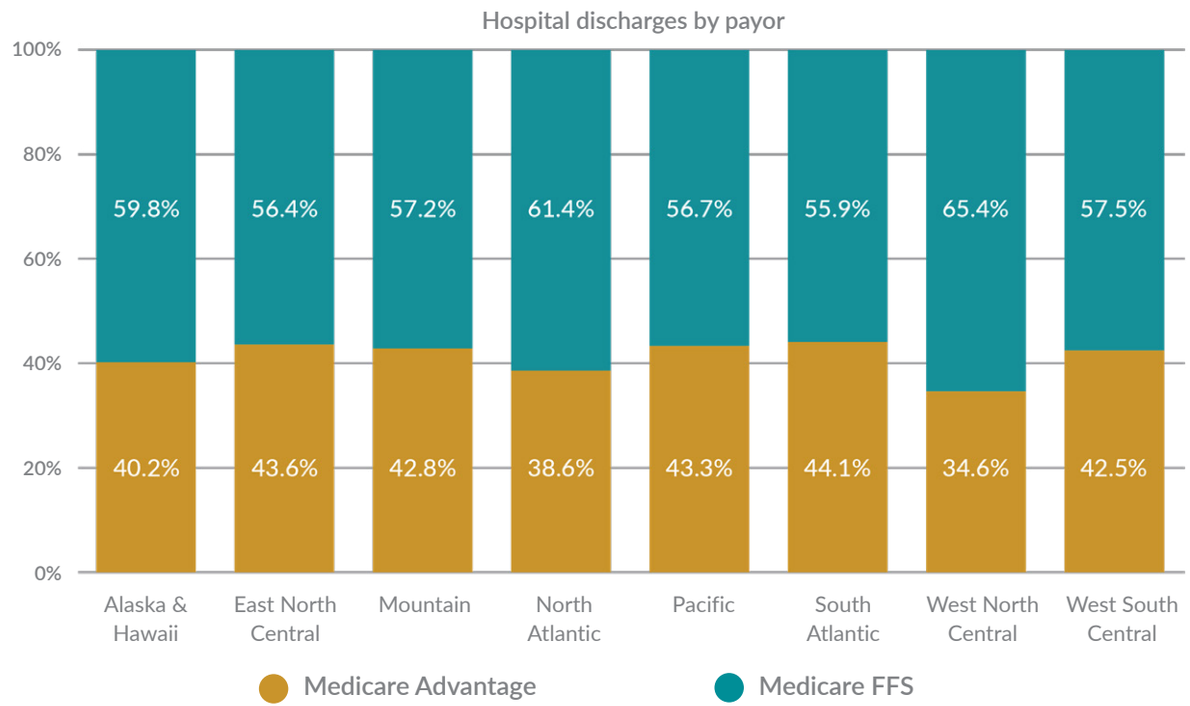
Medicare Advantage hospital discharges as a percentage of total Medicare eligible

In 2022, the national average for Medicare Advantage discharges as a percent of total Medicare eligible was 42.1% This is a 12% increase from 2018.

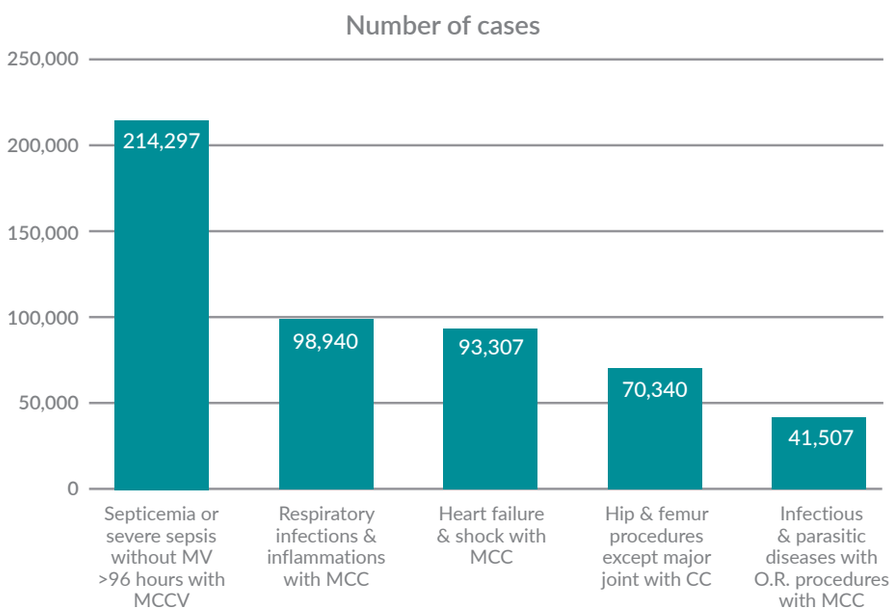
Most Medicare Advantage health plans typically require authorization for SNF services and may limit beneficiaries' choice to preferred network providers. As such, SNF utilization tends to be lower for Medicare Advantage beneficiaries as compared to Medicare Fee-for-Service (FFS). A growing number of FFS beneficiaries are managed by accountable care organizations (ACOs) or under other risk-based models that may also result in reduced SNF utilization and shorter SNF length of stay.

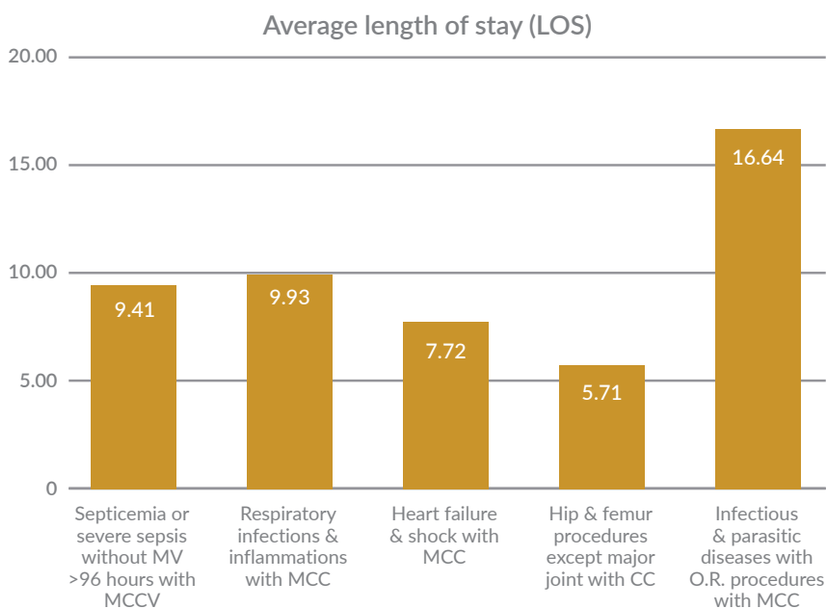
Medicare Advantage plans are having a growing influence on hospital referrals. Our market integration analysis provides market-specific data on Medicare Advantage enrollment and the flow of referrals in terms of the number of hospital discharges to individual SNFs.



Top five DRGs discharged to SNF and average length of stay in hospitals

Compared to 2018, major hip and knee joint replacement or reattachment and simple pneumonia were replaced from the top five DRGs discharged to SNF by respiratory infections and inflammations and infectious and parasitic diseases in 2022.





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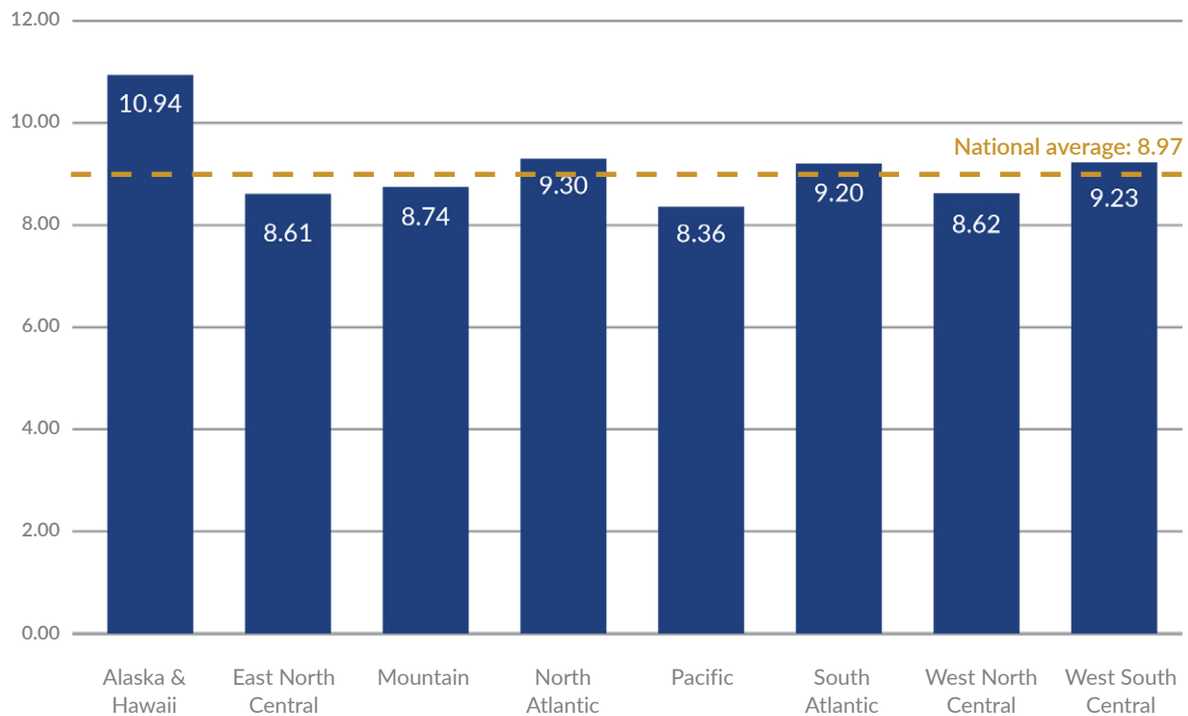
Average hospital LOS for discharges to SNF

National average hospital length of stay for discharges to SNF has increased by 17% from 7.64 in 2018 to 8.97 in 2022.



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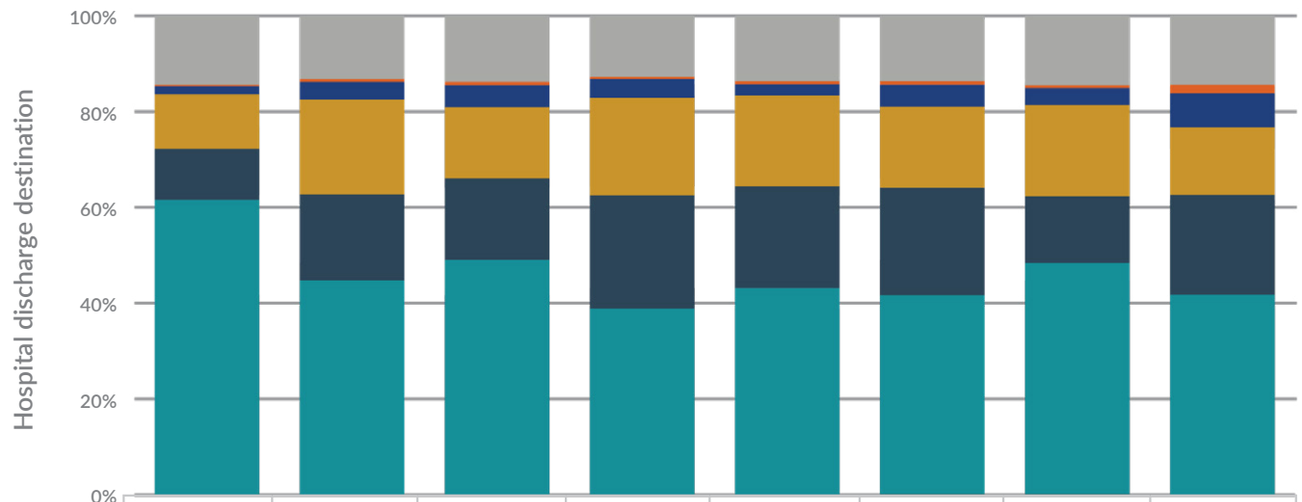
Utilization of PAC services by Medicare beneficiaries in 2022

The utilization of post-acute (PAC) services by Medicare beneficiaries varies widely across regions. PAC services are highest in the North Atlantic region and lowest in Alaska and Hawaii, with nearly two-thirds of Medicare beneficiaries discharging directly to home without a PAC service. The national average discharge to SNF across regions was 18% with the highest regions being North Atlantic, East North Central, West North Central, and Pacific all surpassing 19%.



	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central
Other discharges	14.4%	13.2%	13.8%	12.7%	13.7%	13.7%	14.5%	14.4%
Discharge to LTAC	0.3%	0.6%	0.7%	0.5%	0.6%	0.7%	0.6%	1.8%
Discharge to IRF	1.7%	3.7%	4.6%	3.9%	2.3%	4.6%	3.5%	7.1%
Discharge to SNF	11.4%	19.8%	14.8%	20.4%	19.0%	16.9%	19.1%	14.1%
Discharge to HHA	10.6%	17.9%	17.0%	23.6%	21.2%	22.4%	13.9%	20.8%
Discharge to home	61.6%	44.8%	49.1%	38.9%	43.2%	41.6%	48.3%	41.9%

1 in 5
Medicare beneficiaries are discharged to a SNF

1.7 million
covered stays in 2021

24.3 billion
in payments to SNFs in 2021

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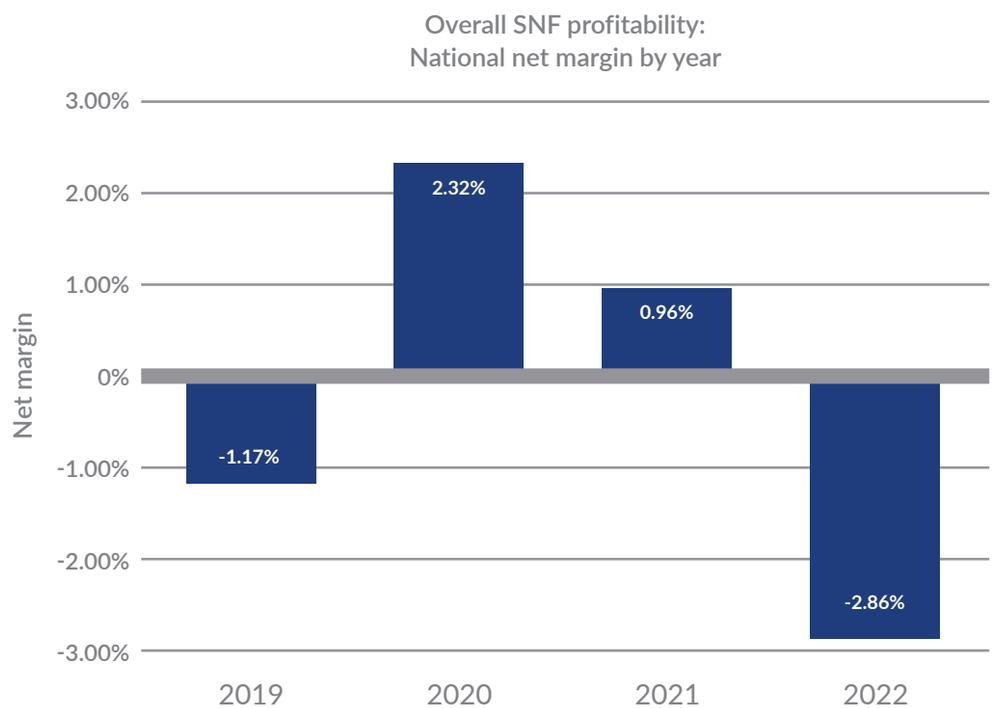
Overall SNF profitability

National net margin by year

SNFs are still recovering from occupancy and facing workforce challenges exacerbated by the COVID-19 pandemic. This calculation includes COVID-19 Public Health Emergency Provider Relief Funds received and recognized as revenue as reported by providers on their Medicare cost reports. This funding provided much needed relief to support operations during 2020 and 2021. Distribution of provider relief funding was reduced in 2022. Additionally, occupancy, staffing shortages, and historical inflationary increases resulted in the national net margin to fall nearly 3%.



Overall SNF profitability: Net margin

The net margin measures the overall profitability of a SNF by computing net income as a percentage of all revenue sources. The national average net margin for 2022 was -2.86%, a low point since 2019. The poor results are reflective of occupancy challenges, inadequate Medicaid rates, and growing revenue cycle issues associated with bad debts, contractual adjustments, and post-payment clawbacks.

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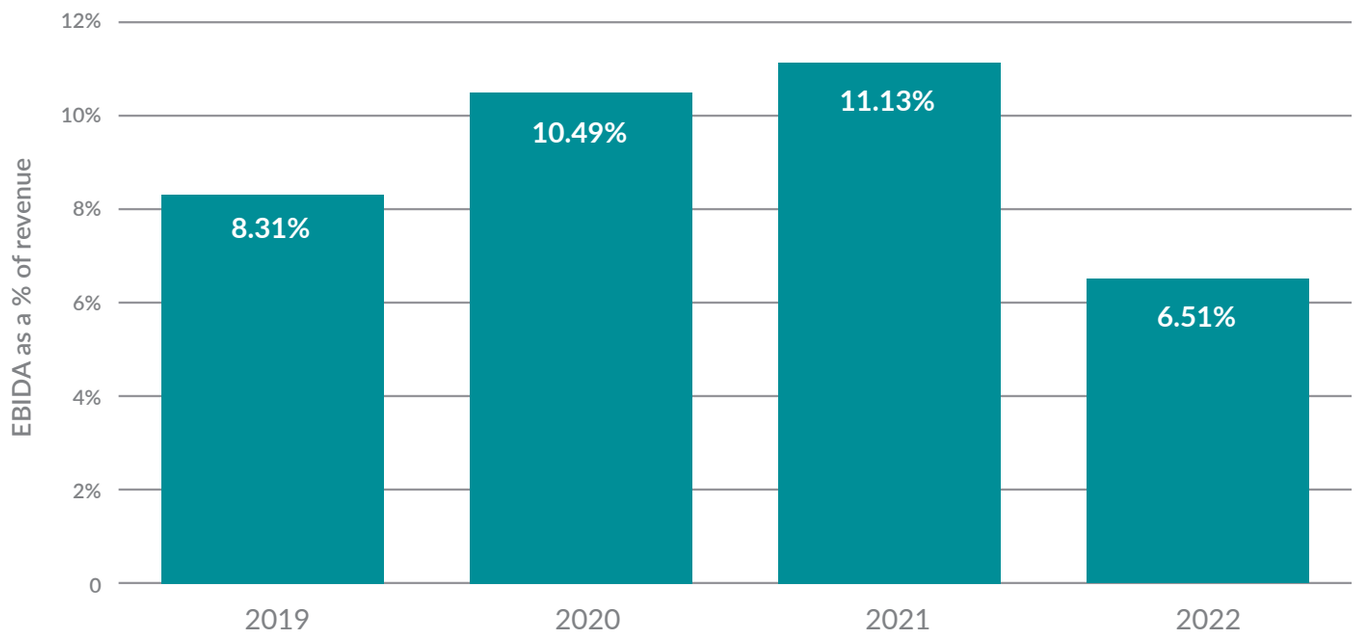
National SNF EBIDA margin by year

There was a decline in EBIDA margin from 11% in 2021 to 6% in 2022. This may be in part due to the reduction in available provider relief funding available to providers still enduring the COVID-19 pandemic.



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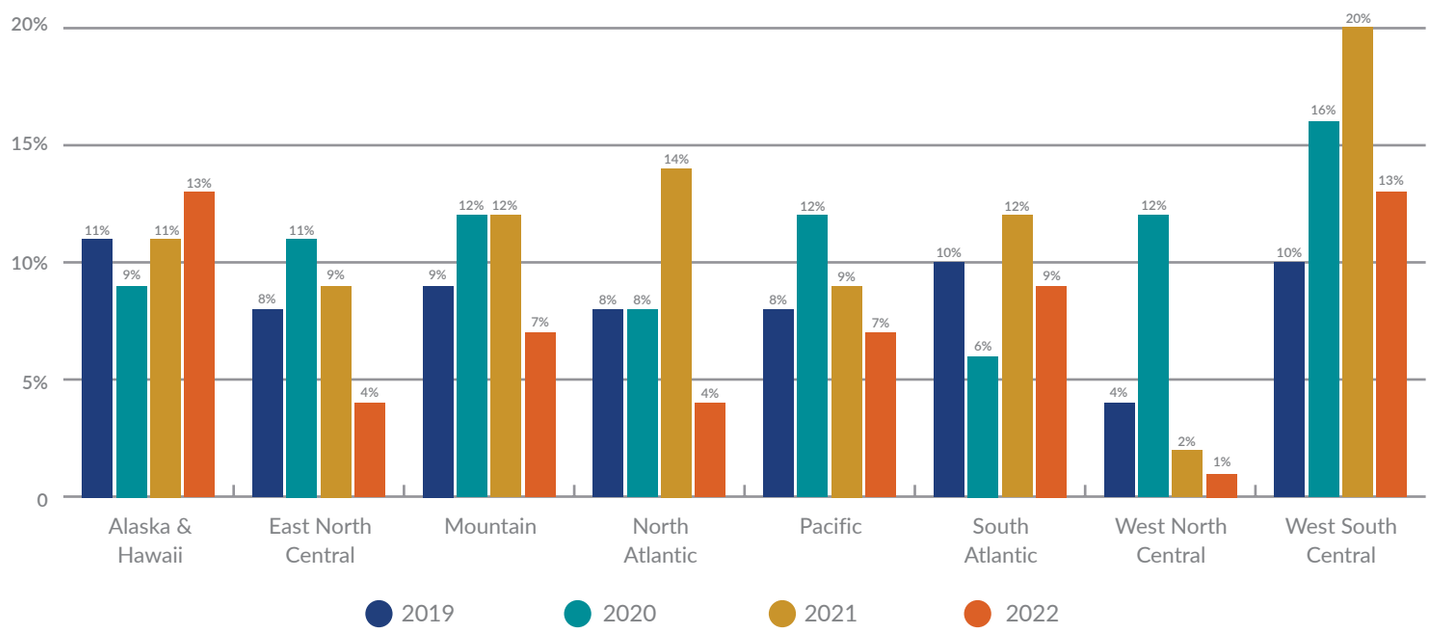
Overall SNF EBIDA margin

Earning before interest, depreciation, and amortization (EBIDA) is a commonly used profitability measure that's an important driver of facility values. The national average EBIDA for 2022 was approximately 6.5% meaning operators only have 6.5% of their revenue rates available to cover their capital costs and provide profits. This calculation includes other income, including COVID-19 PHE funding as reported on Worksheet G-3 Line 24.5 on the Medicare cost reports. EBIDA margin is calculated as EBIDA divided by total revenue.

Low EBIDA margins are contributing to a lack of investment in physical plant. The age of plant is often measured by dividing accumulated depreciation by annual depreciation expense. A growing number of SNFs are operated by tenants that don't own the real estate and report rent expenses, rather than depreciation on the annual cost report.



Medicare profitability

Medicare profitability measures the operating results of caring for a Medicare Part A resident at a SNF.

Medicare continues to be the primary payor for short-term post-acute rehabilitation and nursing services in SNFs. However, Medicare Advantage utilization has increased significantly, and in some regions, outpaces Medicare. Strong financial performance in PAC services is imperative for long-term financial viability in states where Medicaid funding for long-term care services is inadequate to cover costs.

While this report looks at Medicare profitability, SNFs face a funding shortfall in state Medicaid reimbursement systems. An analysis by MacPac published January 2023, showed that the average Medicaid base payment as a share of costs was 84% in 2019. Our analysis of Medicare cost report data shows routine costs have increased 33% from 2019 to 2022. Additionally, enhanced federal matching funds began phasing out from April to December 2023.

National average SNF Medicare Part A profitability has increased from $94 per patient day in 2019 to $117 per patient day in 2022. From 2019 to 2020, providers saw an 8% increase in Medicare revenue and an 18% decrease in therapy expense from the transition to PDPM. This trend has persisted through 2022. However, routine costs have increased by 33% from $226 in 2019 to $300 in 2022, mainly due to staffing challenges.

Across the regions, SNF Medicare Part A profitability ranges from $69 – $213 per patient day in 2022.

The Pacific region continued to significantly outpace the national average with a profit of $213 per patient day, with a net margin of 27%. Even though expenses in this region do exceed other areas of the United States, the wage indices that drive the Medicare revenue rates more than adjust for this trend.

Conversely, in other areas such as the Mountain region, along with Alaska and Hawaii, operating costs are higher and the Medicare rates don't appear to compensate for this trend, resulting in a lower Medicare profitability.

National average Medicare Part A Profit:

-$2.00 | - 1%

per patient day from 2021 to 2022

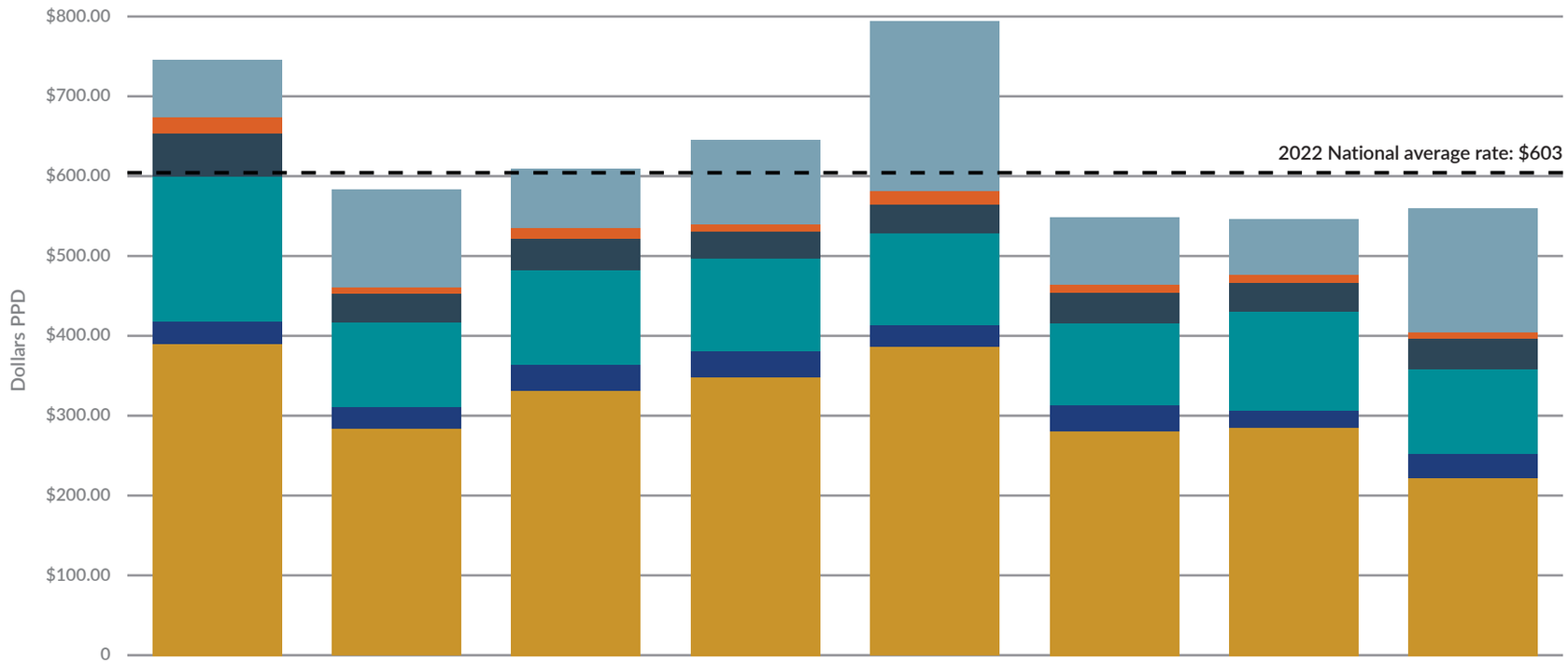
Medicare net profit (loss)

Pacific	$213
Alaska & Hawaii	$72
Mountain	$74
West North Central	$69
West South Central	$155
East North Central	$122
South Atlantic	$84
North Atlantic	$102
2022 National average	$117
2021 National average	$119
2020 National average	$138
2019 National average	$94

REVENUE DRIVERS TO WATCH:

- During FY 2022 and 2023, providers received either 0.992 or 1.0 for VBP. Effective with FY 2024, return to facility-specific calculation based on baseline period FY 2019 and performance period FY 2022 SNF 30-Day All-Cause Readmission Measure (SNFRM).
- SNF sequestration for Medicare Part A reimbursement was temporarily suspended effective May 2020 and phased back in at 1% effective April 2022 and then back to 2% effective July 2022.
- Changes to SNF Value-Based Purchasing Program, including adoption of new measures starting with FY 2026 and replacement of SNFRM starting with FY 2028.
- PDPM parity adjustment part two effective Oct. 1, 2023

Medicare profitability (PPD)



	Alaska & Hawaii 2022	East North Central 2022	Mountain 2022	North Atlantic 2022	Pacific 2022	South Atlantic 2022	West North Central 2022	West South Central 2022
Net profit (Loss)	$72.21	$121.70	$74.39	$102.16	$212.52	$84.32	$69.27	$155.07
Other ancillary costs	$20.07	$8.46	$13.94	$8.56	$16.44	$9.66	$9.98	$8.50
Pharmacy costs	$53.51	$36.06	$38.48	$33.29	$35.71	$38.70	$36.36	$37.72
Therapy costs	$182.24	$105.36	$118.25	$116.87	$114.61	$102.64	$123.82	$106.20
Capital costs	$27.40	$27.78	$32.44	$31.98	$28.03	$31.85	$20.69	$30.18
Routine costs	$389.57	$283.76	$331.13	$347.92	$385.66	$280.63	$285.22	$221.73
Medicare revenue	**$744.99**	**$583.13**	**$608.63**	**$640.78**	**$792.97**	**$547.80**	**$545.34**	**$559.40**

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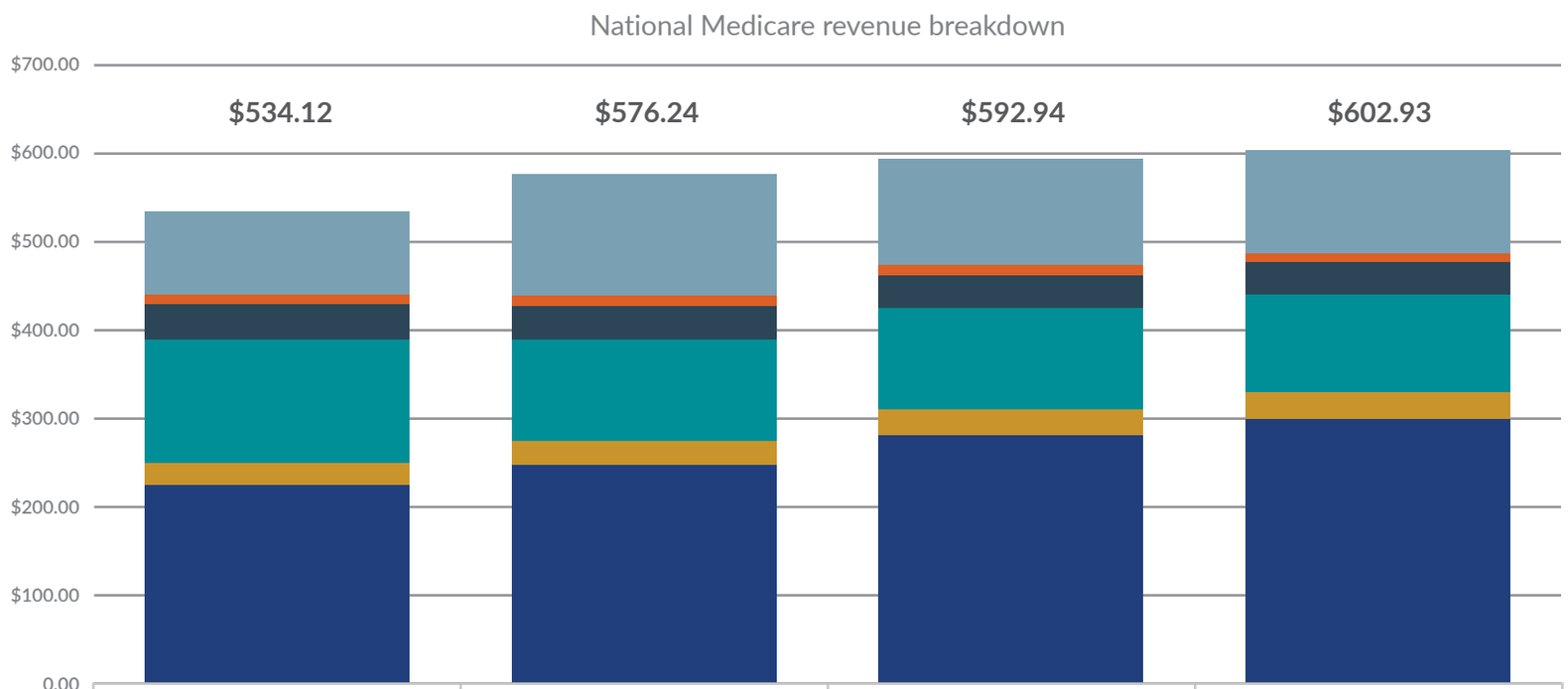
National averages: Medicare operating revenues & expenses



	2019	2020	2021	2022
Net profit (Loss)	$93.57	$137.71	$119.32	$116.51
Other ancillary costs	$10.75	$11.92	$11.51	$9.98
Pharmacy	$40.89	$37.20	$37.56	$36.41
Therapy costs	$139.08	$114.43	$114.10	$110.96
Capital costs	$24.21	$26.73	$29.45	$29.18
Routine costs	$225.63	$248.26	$281.01	$299.89
Revenue	**$534.12**	**$576.24**	**$592.94**	**$602.93**

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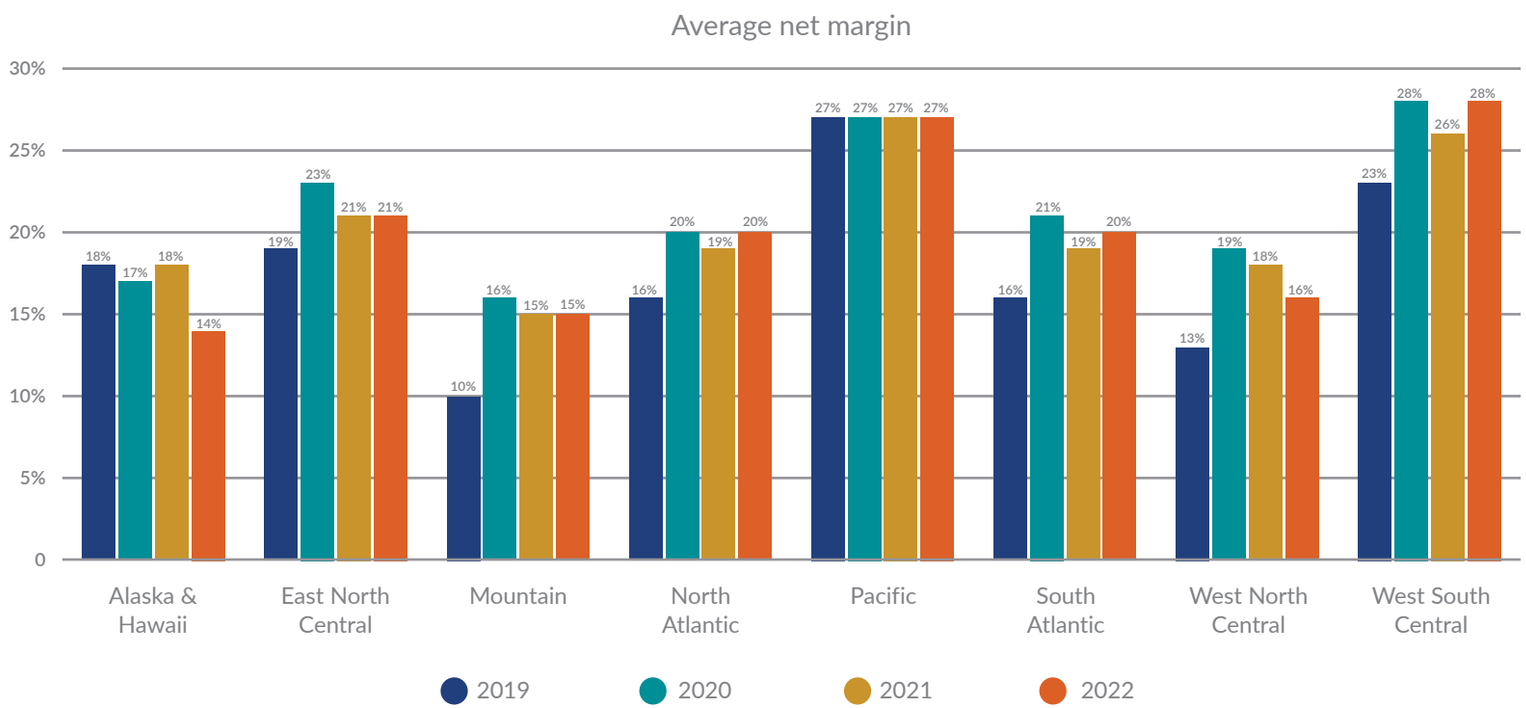
Medicare Part A net margin

Net margin is computed as Medicare profit divided by Medicare revenue. Medicare profitability has increased slightly over the last several years. On Oct. 1, 2019, SNFs transitioned to the PDPM. Under PDPM, payment rates are determined using primary diagnosis and clinical characteristics of the patient, rather than the amount of therapy delivered. CMS anticipated that the implementation of PDPM would be budget-neutral and significant variations will likely result in modifications to PDPM payment drivers in future years.

Although Medicare Part A net margin has increased with the transition to PDPM, nursing facilities overall patient margins have suffered due to staffing shortages resulting in premiums paid for direct care and combatting record inflation over the past several years.



National average:

2019: 17.5%

2020: 23.9%

2021: 20.1%

2022: 19.3%

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Census & occupancy

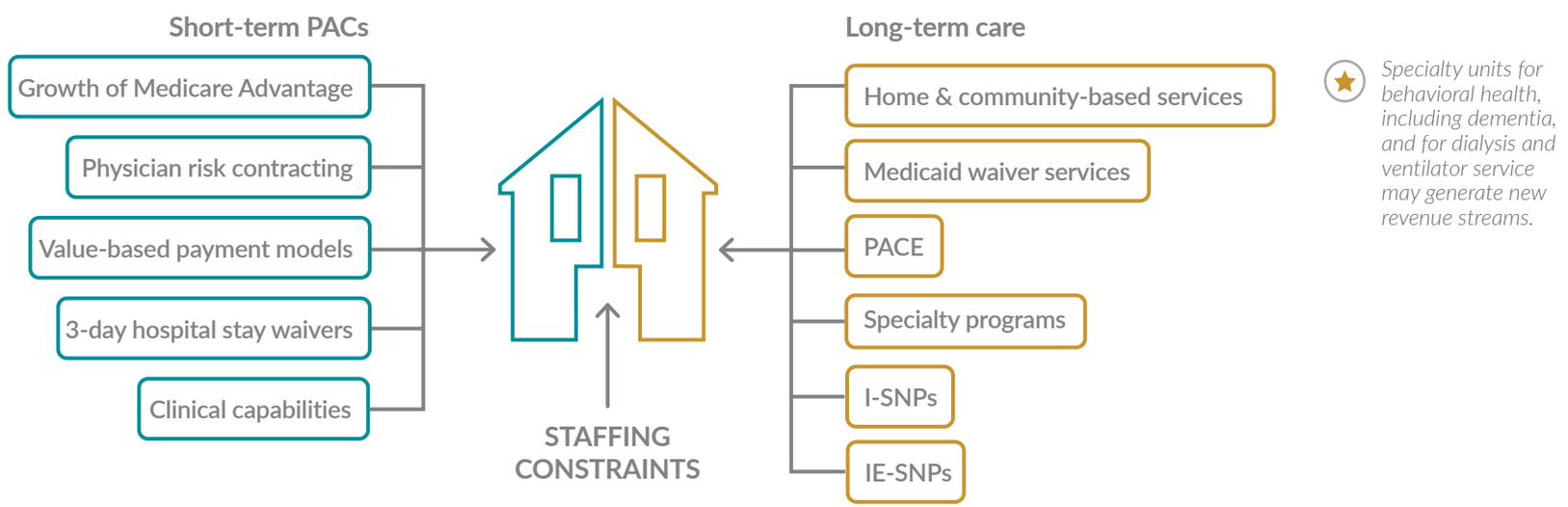
Occupancy is defined as the number of residents over the total number of beds available, as reported on Medicare cost reports.

The calculation doesn't take into account beds that may have been removed from service.

Occupancy declined to all time low of 70% as a result of the COVID-19 pandemic

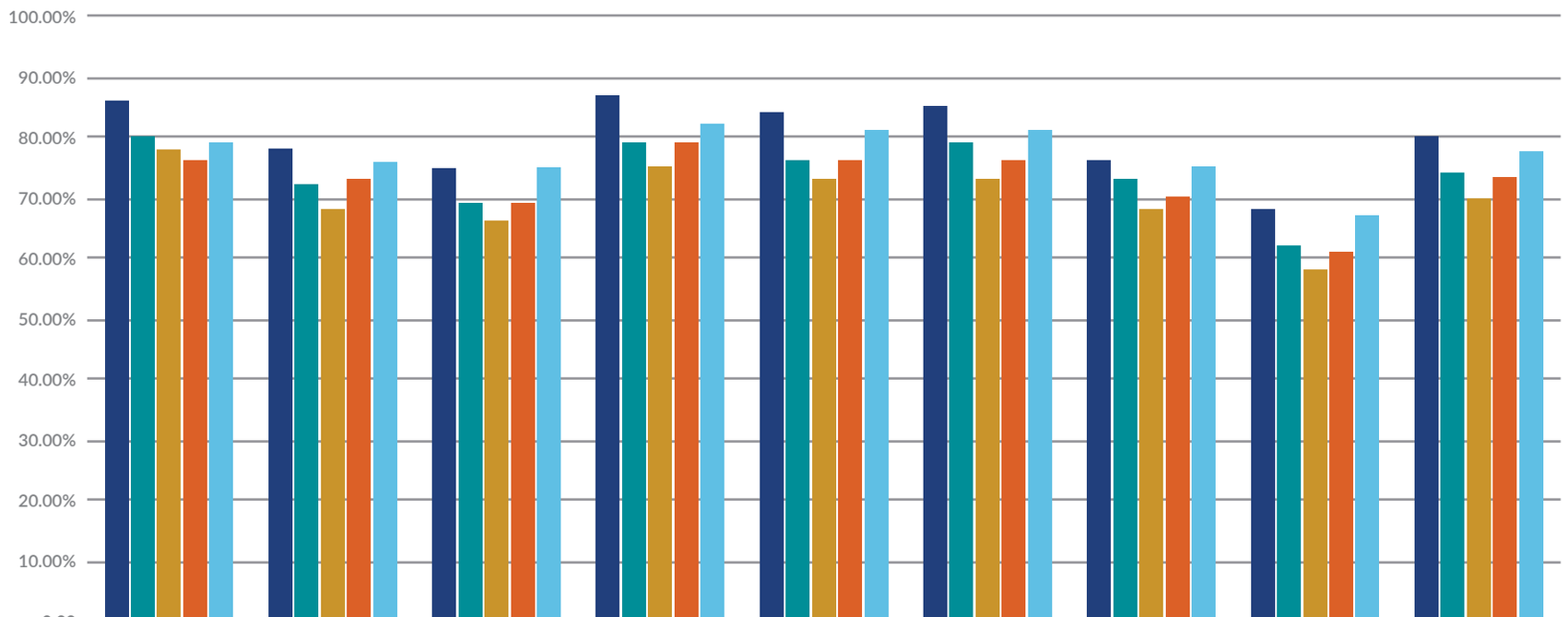
As occupancy continues to recover, through Dec. 31, 2023, all regions, except for Mountain, are below the pre-pandemic 2019 occupancy percentages. West South Central is within 1% of pre-pandemic levels. Alaska & Hawaii region has the furthest spread of over 6% to hit their 2019 occupancy of 86%.

KEY INFLUENCES ON OCCUPANCY



Occupancy percentage

Occupancy percentages from 2019 through 2022 are shown as reported on the Medicare cost report. Nursing facility providers national average occupancy dropped to 74.1% in 2020 and then to 69.8% in 2021. There was an increase in occupancy reported in 2022 to 73.3%.



	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central	National average
2019	85.90%	78.30%	74.70%	86.80%	83.90%	85.00%	76.60%	68.20%	80.00%
2020	80.10%	72.80%	69.20%	79.00%	76.40%	79.50%	73.60%	62.80%	74.10%
2021	77.80%	68.70%	66.60%	75.10%	73.20%	73.80%	68.50%	58.20%	69.80%
2022	76.00%	73.20%	69.50%	79.10%	76.60%	76.90%	70.70%	61.60%	73.30%
2023 YTD*	79.52%	76.04%	75.04%	82.23%	81.73%	81.77%	75.65%	67.61%	77.65%

*The 2023 occupancy presented is year-to-date through Dec. 31, 2023, based on CDC's National Healthcare Safety Network (NHSN), which tracks COVID-19 infections. Data is reported weekly by nursing facilities. Occupancy recovery to pre-pandemic levels has continued through 2023. Additionally, the shortfall is now less than 3 percentage points.

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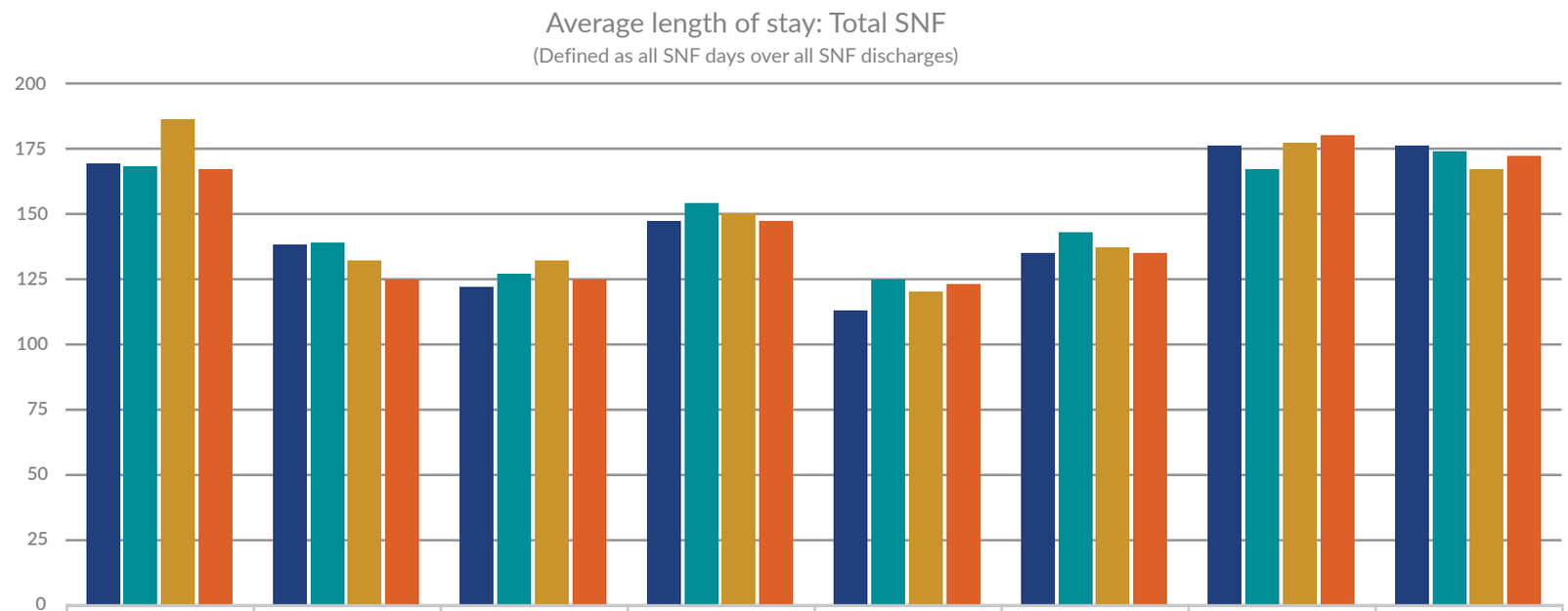
Overall SNF average length of stay



	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central
2019	169	138	122	147	113	135	176	176
2020	168	139	127	154	125	143	187	174
2021	186	132	132	150	120	137	177	167
2022	167	127	125	147	123	135	180	172

Slight decrease

The average LOS for all payors in a SNF declined by 2 days.

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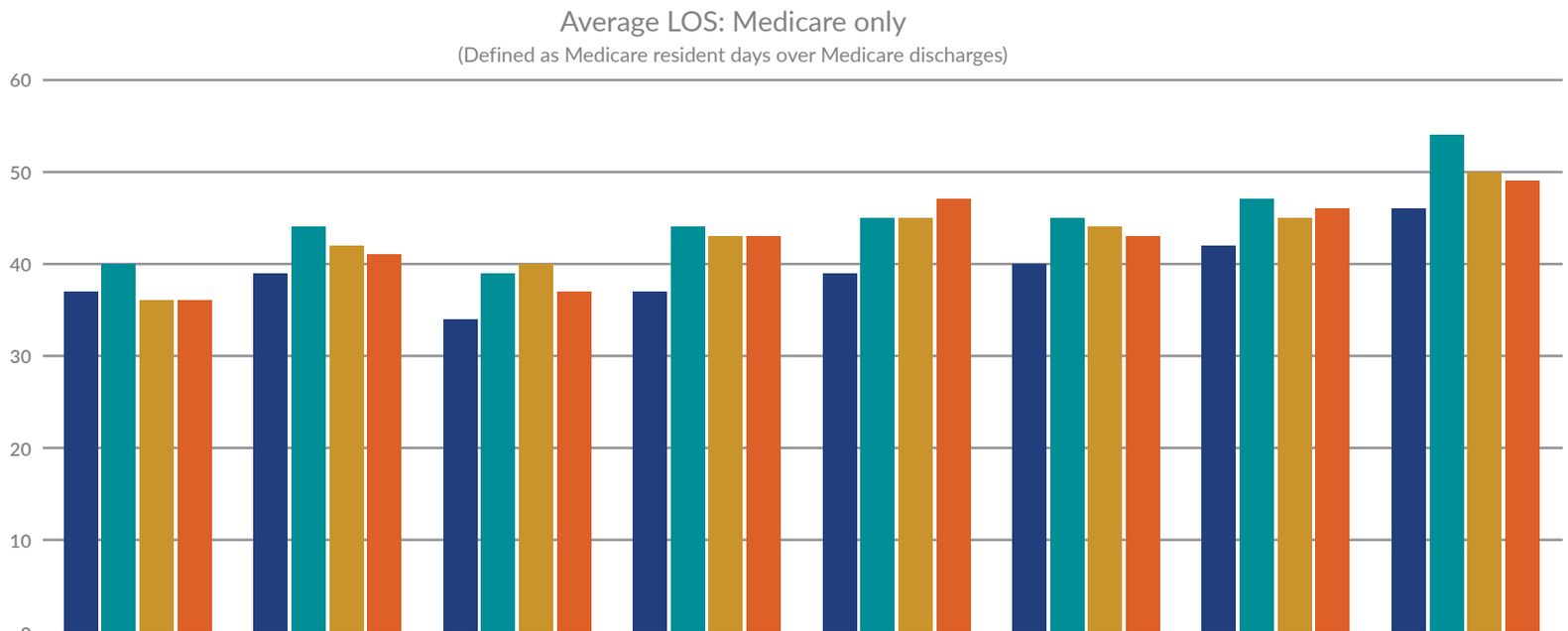
Medicare average length of stay

Likely the increase in LOS could be attributed to COVID-19-related skilled stays that resulted in higher acuity and longer LOS.



	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central
2019	37	39	34	37	39	40	42	46
2020	40	44	39	44	45	45	47	54
2021	36	42	40	43	45	44	45	50
2022	36	41	37	43	47	43	46	49

Four-day increase

A four-day increase in LOS was noted for Medicare beneficiaries.

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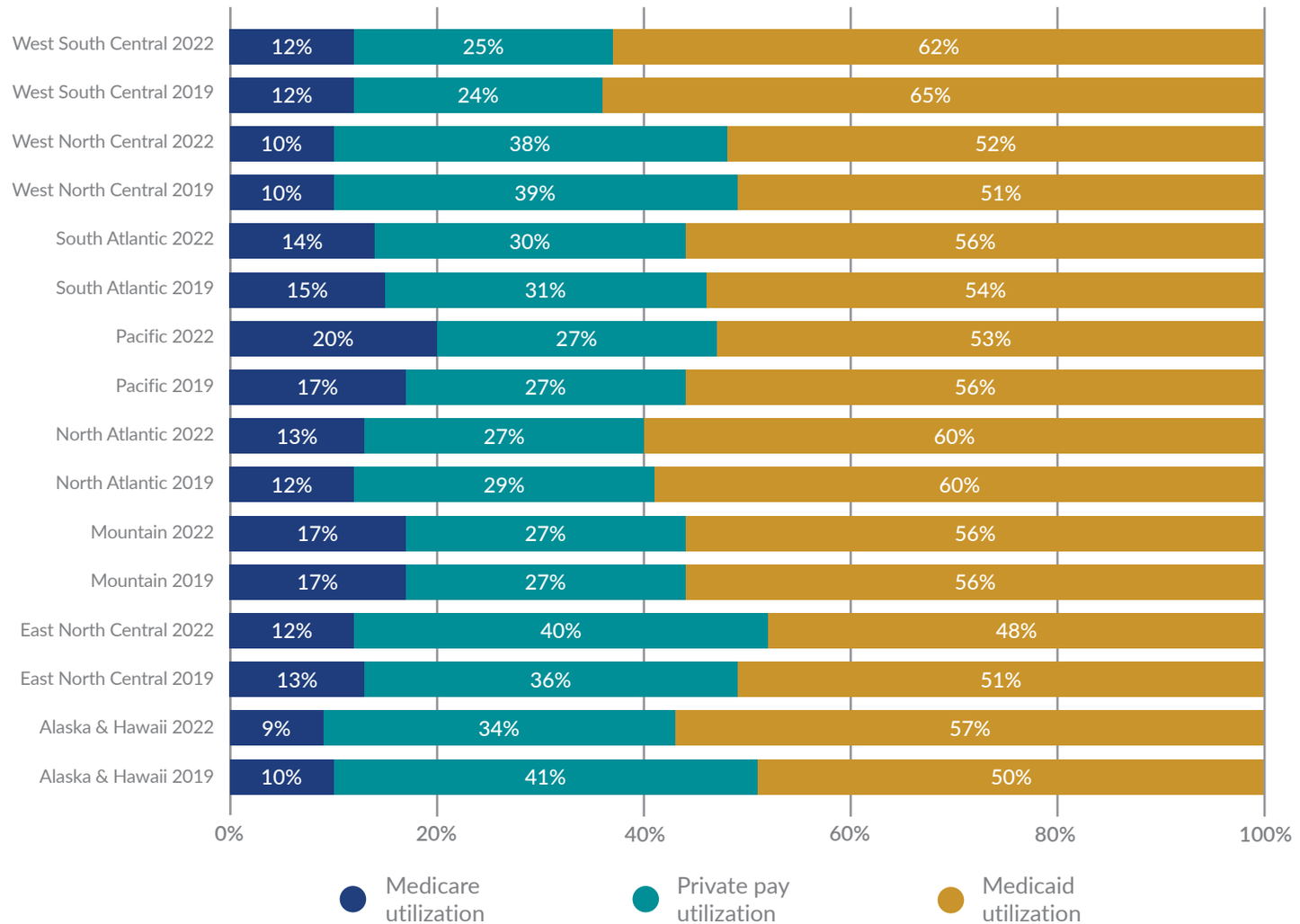
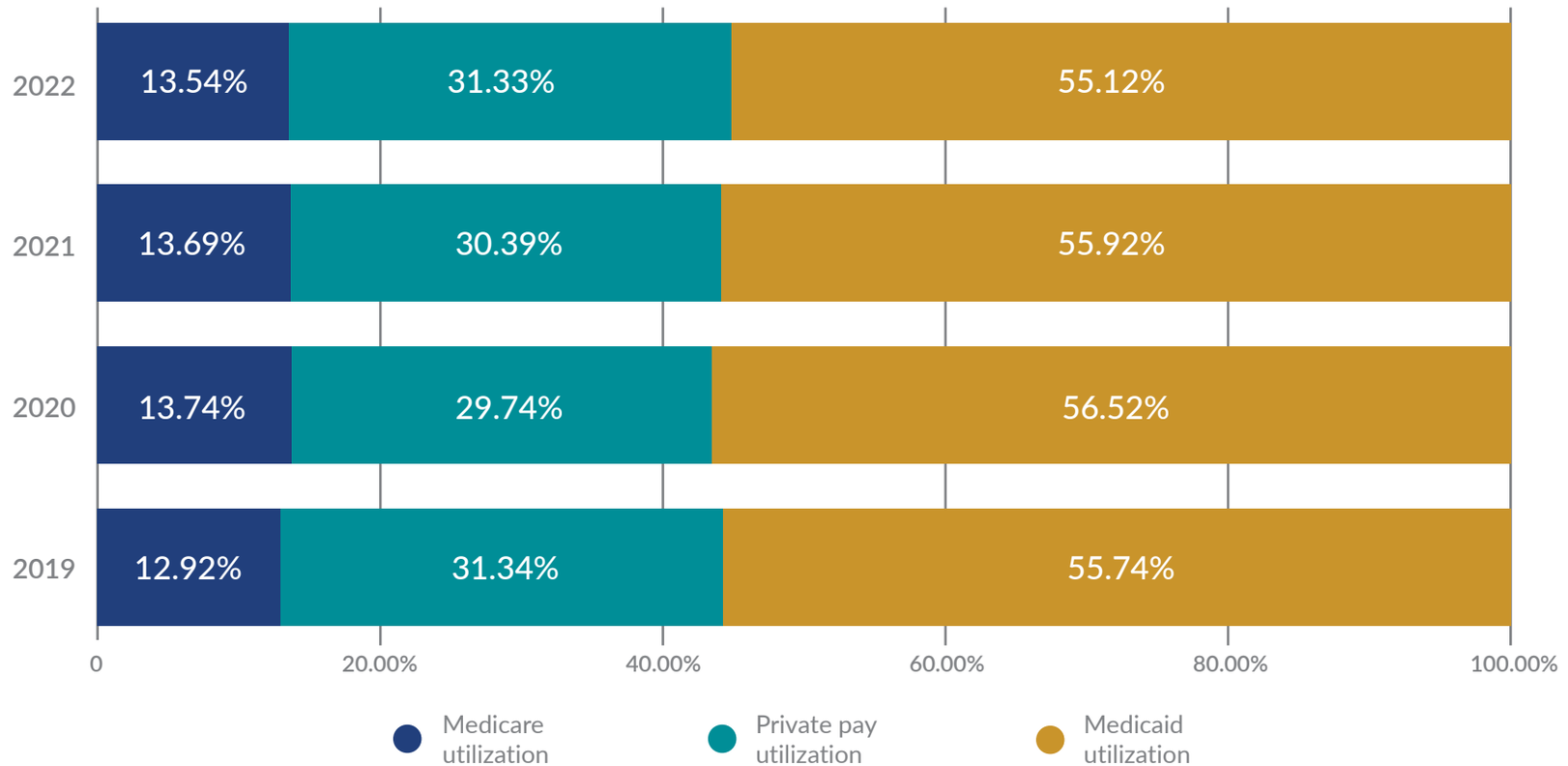
SNF payor mix by region



SNF payor mix national averages



Over the past four years, private pay utilization remained constant, while Medicare gained about .5% from Medicaid. This is likely due to the COVID-19 pandemic driving skilled Medicare stays and the waivers in place during this time.

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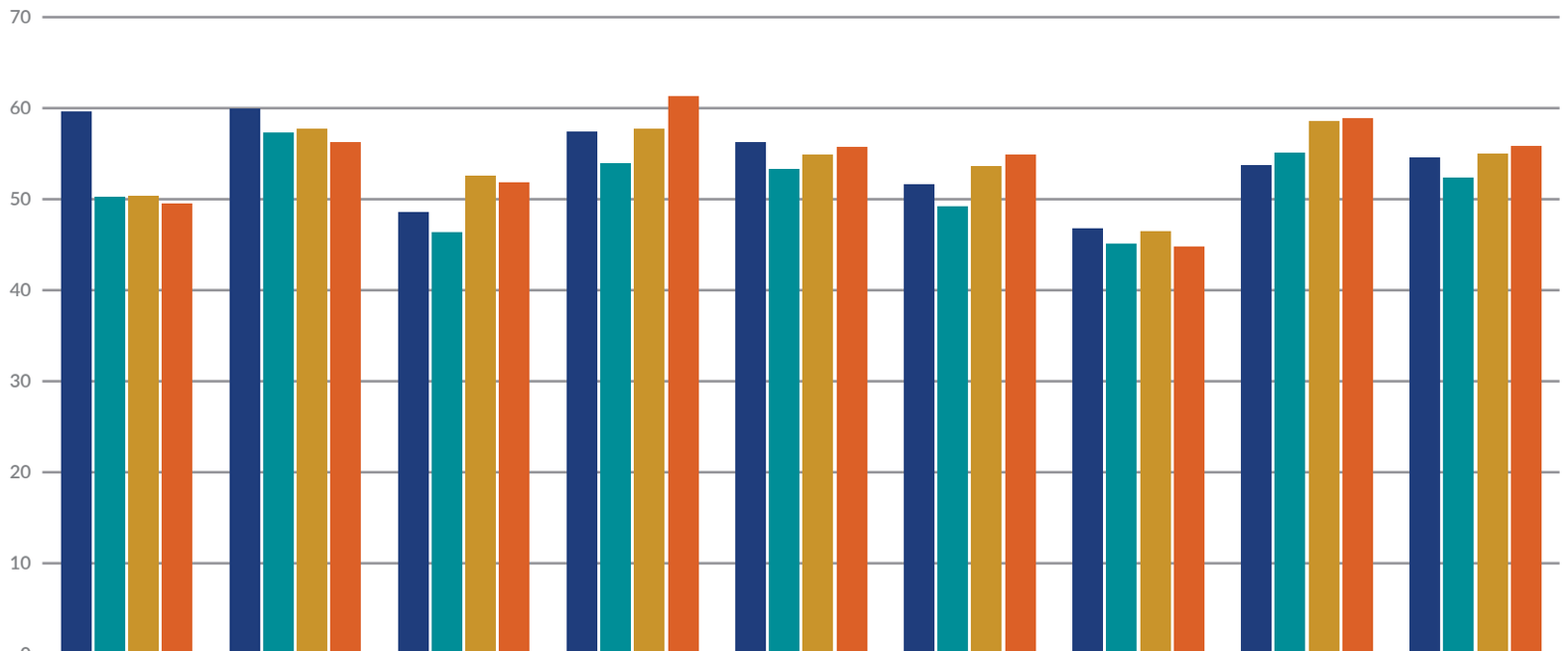
Days revenue in accounts receivable (A/R)

Days revenue in accounts receivable (A/R) is calculated as (total accounts receivable / net patient revenues) x 365 days. This calculation is subject to the balance sheet reported on the Medicare cost report. There has been a slight increase in Days revenue in A/R across Mountain, North Atlantic, South Atlantic, West South Central, and the National Average in 2022 compared to 2019. Much of this can be contributed to the increase in managed care and the collection challenges with those payors.



	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central	National average
2019	59.6	59.9	48.5	57.4	56.2	51.6	46.8	53.7	54.5
2020	50.2	57.3	46.3	53.9	53.3	49.2	45.1	55.1	52.3
2021	50.3	57.7	52.5	57.7	54.8	53.6	46.4	58.5	55.0
2022	49.5	56.2	51.8	61.3	55.7	54.9	44.8	58.8	55.8

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Growth of managed care payors is driving up accounts receivable

There is significant variability in contract terms, authorization requirements, billing timeliness time frames, and post-payment review between health plans, and many organizations don't have the appropriate resources — resulting in growing accounts receivable balances. Occupancy challenges have also caused many facilities to relax preadmission financial assessment procedures. Organizations should establish targets for overall days in A/R that are determined based on consideration of the underlying payors and other local influences.

REVENUE CYCLE CONSIDERATIONS

Red flags and warning signs:

- *+A/R balance*
- *+A/R over 120 days*
- *Unexplained shifts or variances in revenue or contractual allowance accounts*
- *+Bad debt expense*

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Cost per patient day

33%

Routine cost per patient day has increased $74, or 33% from 2019 to 2022. Around 50% of the increase each year was related to direct care staffing and other direct expenses. The average annual increases were 10% in 2020, 13% in 2021, and 7% in 2022.

171%

Direct care contract cost per patient day has increased $20, or 171% from 2019 to 2022. SNFs were forced to rely upon agency nursing to care for residents throughout the pandemic. As a percent to total direct care, contract staffing has increased from 13% in 2019 to 25% in 2022. The average growth in cost to providers was 43% per year from 2019 to 2022.

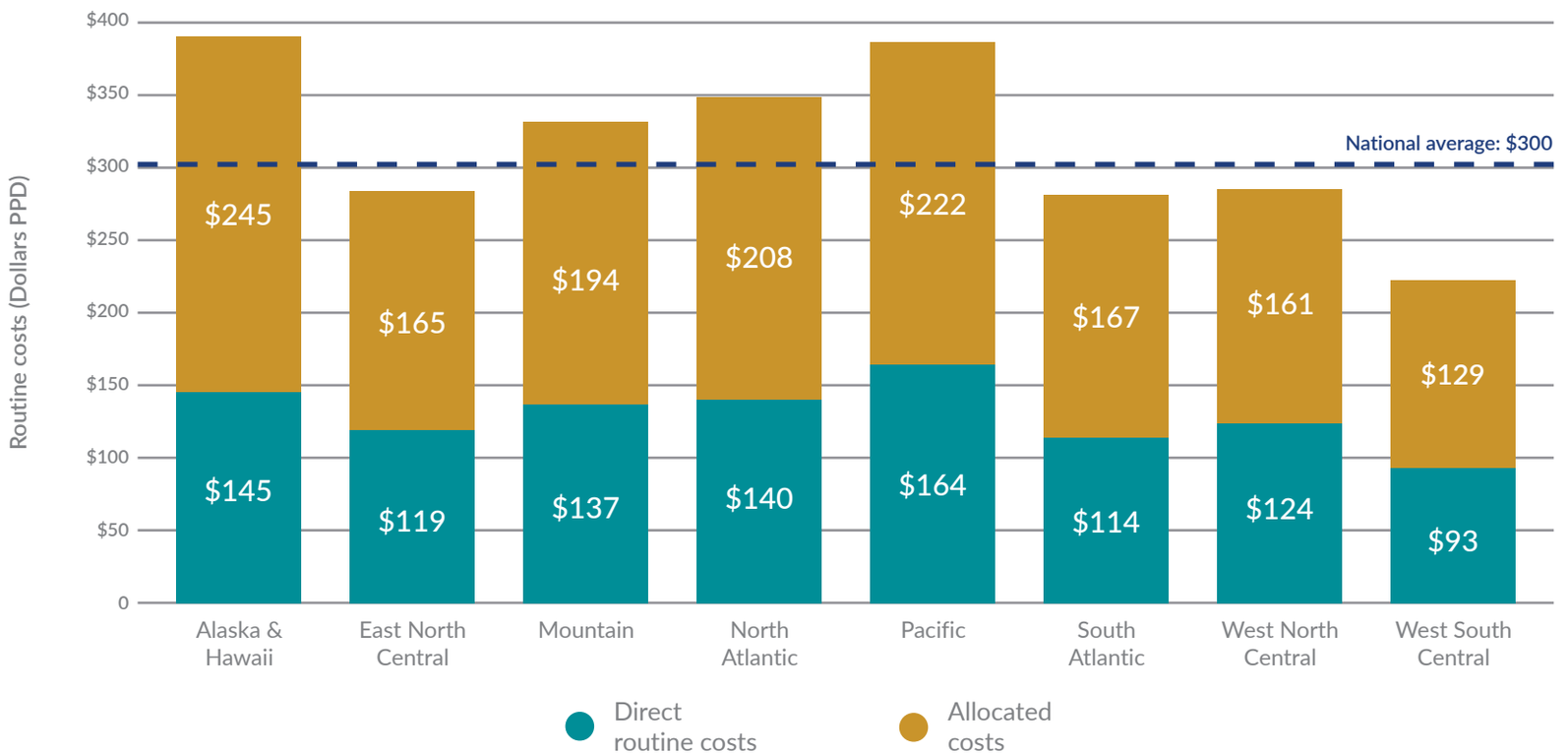
25%

Therapy expense has decreased on average $28 per patient day, or 25% from 2019 to 2022 with the transition on Oct. 1, 2019 to PDPM.

0-1%

Other ancillary costs have remained around 0-1% of total Medicare expense, or $10–$12 per patient day from 2019 to 2022.

2022 total routine cost by region



Direct routine nursing wage (excluding benefits) and supply costs represent 41% of the total routine cost of care. Nursing administration represents an additional 5%.

Exploring creative and innovative ways to recruit and retain staff while eliminating agency usage is key.

Total routine cost by region trend

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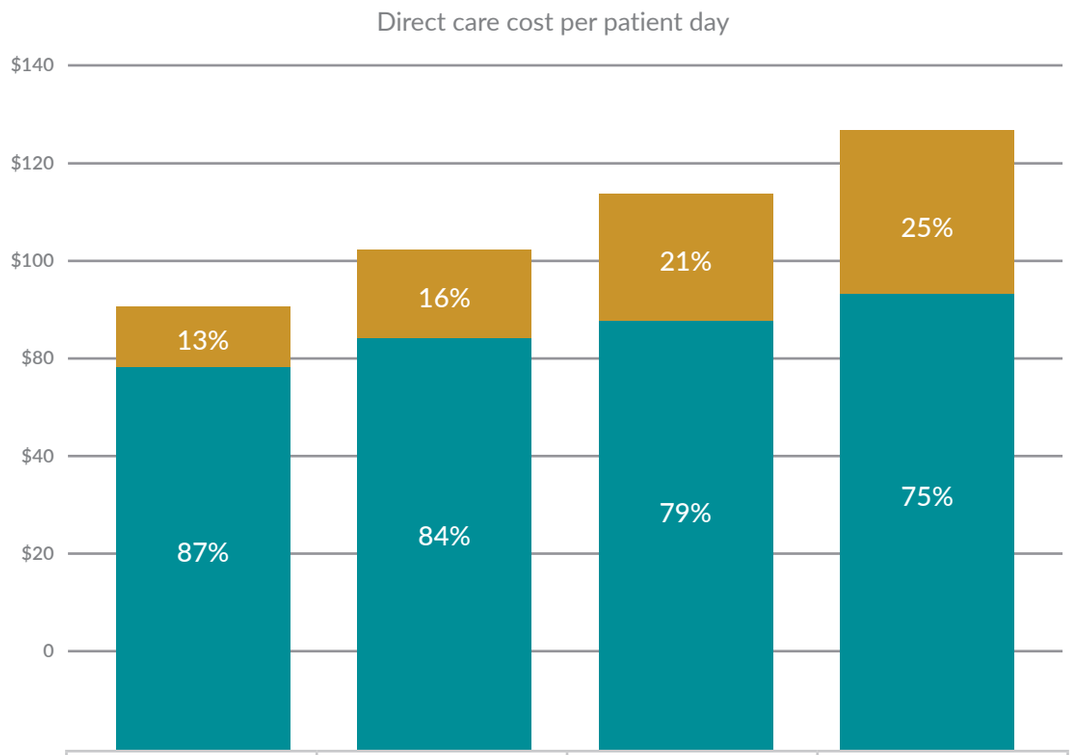
Total routine cost by year

Costs related to direct routine nursing wages (excluding benefits) and supplies now represent 2% more of the total routine costs than in 2019. Total routine cost per patient day has increased on 33% from 2019 to 2022, with an average increase of 10% in 2020, 13% in 2021, and 7% in 2022.

Inflation continues to contribute to the rising operating costs for SNFs in 2023. The Bureau of Labor Statistics consumer price index report for the 12 months ending December 2023 shows the percent change for nursing homes and adult day services of 4.9%. This compares to 4.7% for the 12 months ending December 2022.

Direct cost by year

Total direct care cost per patient day has increased on average 10% per year from $89.86 in 2019 to $124.51 in 2022. Throughout the pandemic, there was a shift in direct staffing to an increased reliance on agency nursing to care for residents. This is evident in the growth of direct care other cost per patient day, which comprises mostly of these agency expenses. Direct care other cost per patient day has increased on average 43% per year from $11.58 in 2019 to $31.43 in 2022. The percentage of direct care other to total direct care has increased from 13% in 2019 to 25% in 2022. Direct salaries per patient day increased on average 5% per year from $78.28 in 2019 to $93.08 in 2022.



	2019	2020	2021	2022
Direct other PPD	$11.58	$15.79	$23.27	$ 31.43
Direct salaries PPD	$78.28	$85.61	$90.03	$93.08
Total direct PPD	$89.86	$101.40	$113.30	$124.51

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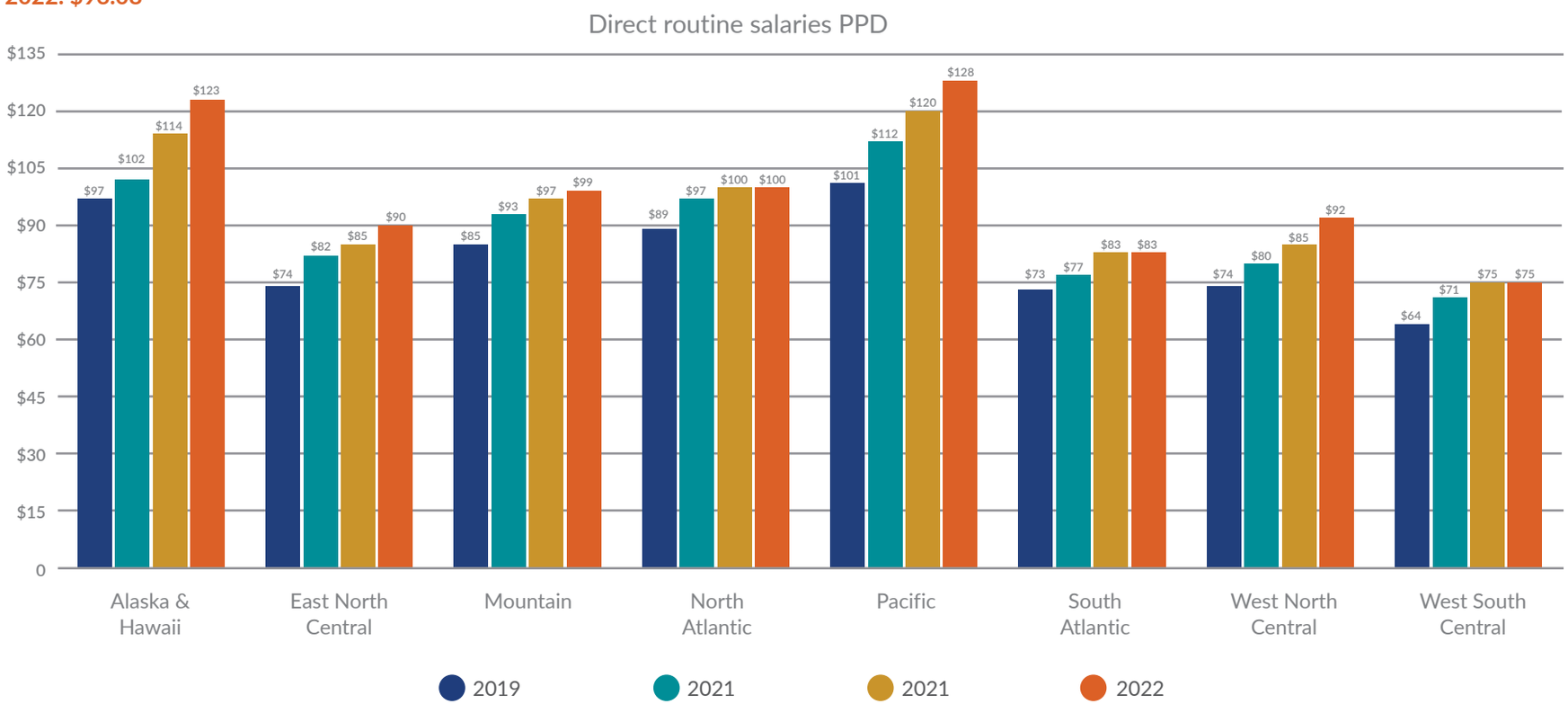
Direct routine salary cost (PPD)

Direct routine salary cost has increased $15 per patient day, or 19% from 2019 to 2022, with an average increase of 9% in 2020, 5% in 2021, and 3% in 2022.

National averages:
2019: $78.28
2020: $85.61
2021: $90.03
2022: $93.08



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Routine expenses by region

Average costs	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central	2022 Avg	2021 Avg	2020 Avg	2019 Avg
Direct routine salaries	$123	$90	$99	$100	$128	$83	$92	$75	$93	$90	$86	$78
Other direct expenses	$22	$29	$37	$40	$36	$31	$32	$18	$31	$23	$16	$12
Employee benefits	$45	$28	$29	$38	$34	$22	$28	$16	$28	$28	$25	$23
Administrative/ General	$85	$53	$70	$64	$87	$54	$48	$50	$59	$57	$50	$44
Plant operations	$24	$19	$18	$25	$21	$21	$19	$15	$20	$18	$15	$15
Laundry	$5	$3	$3	$4	$5	$3	$3	$3	$3	$3	$3	$3
Housekeeping	$11	$8	$9	$12	$11	$9	$8	$7	$9	$9	$8	$7
Dietary	$36	$27	$31	$35	$34	$29	$30	$22	$30	$27	$23	$23
Nursing admin	$24	$14	$17	$15	$13	$16	$13	$9	$14	$14	$13	$11
Central service supply	$3	$3	$2	$3	$2	$2	$1	$1	$2	$2	$3	$2
Pharmacy	$0	$0	$0	$1	$0	$0	$0	$1	$0	$0	$0	$0
Medical records	$3	$1	$3	$1	$4	$2	$2	$1	$2	$2	$1	$1
Social service	$4	$5	$7	$4	$8	$5	$6	$3	$5	$5	$5	$4
Activities	$5	$3	$4	$5	$2	$2	$2	$1	$3	$2	$2	$2
Total routine costs	**$390**	**$284**	**$331**	**$348**	**$386**	**$281**	**$285**	**$222**	**$300**	**$281**	**$248**	**$226**

$74

per patient day since 2019

Providers are working hard to manage costs while still dealing with staffing challenges and inflationary increases.

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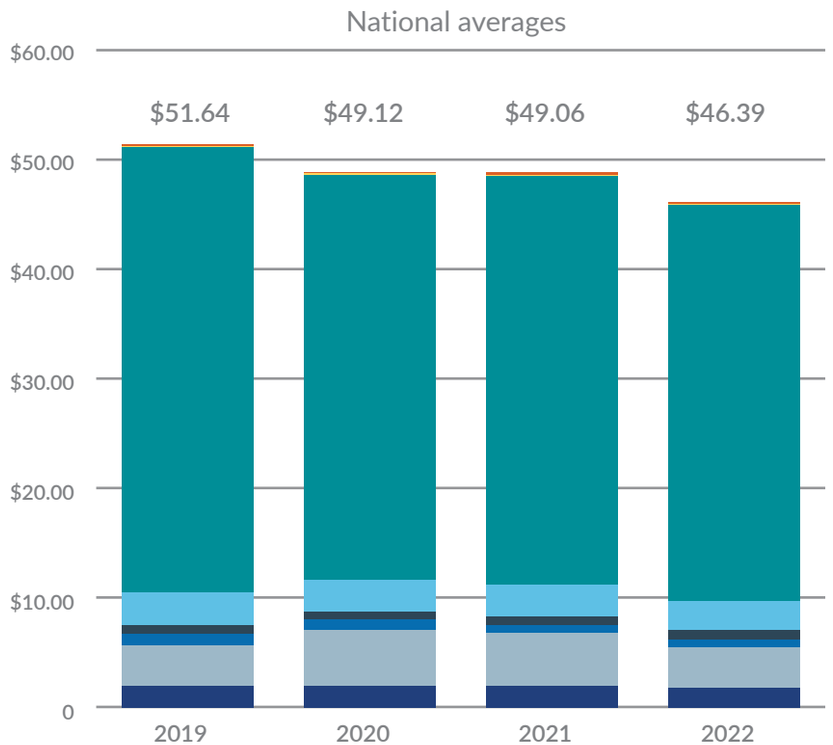
Other Medicare ancillary costs (PPD)

The Medicare cost report calculates Medicare Part A ancillary expense by imputing cost by cost to charge ratio. If providers don't include these ancillary charges on their Medicare Part A claims, then Medicare assumes no Medicare expense for that service. Providers are likely not including these costs on their claims, which drives down the ancillary costs on the cost report data.



	2019	2020	2021	2022
Other	$0.16	$0.17	$0.20	$0.17
Support surfaces	$0.11	$0.11	$0.13	$0.13
Pharmacy	$40.89	$37.20	$37.56	$36.41
Medical supplies	$2.99	$2.91	$2.89	$2.58
Oxygen therapy	$0.74	$0.71	$0.74	$0.94
Intravenous therapy	$1.05	$0.92	$0.79	$0.71
Laboratory	$3.69	$5.14	$4.75	$3.63
Radiology	$2.01	$1.96	$2.00	$1.82

Other Medicare ancillaries are presented as national averages. The cost of providing ancillary services has decreased from $51.64 in 2019 to $46.39 in 2022.

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Medicare expense category as a percentage of total Medicare revenue

From 2019 to 2022, there has been a 4% increase in direct care expenses as a percentage of Medicare revenue.

	2019	2020	2021	2022
Direct care salaries	14.7%	14.9%	15.2%	15.4%
Direct care (other)	2.2%	2.7%	3.9%	5.2%
Employee benefits	4.3%	4.3%	4.7%	4.7%
Administrative/General	8.3%	8.6%	9.6%	9.7%
Plant operations	2.8%	2.6%	3.1%	3.4%
Laundry	0.6%	0.6%	0.6%	0.6%
Housekeeping	1.3%	1.4%	1.5%	1.5%
Dietary	4.2%	4.1%	4.5%	4.9%
Nursing admin	2.1%	2.2%	2.3%	2.3%
Central service supply	0.3%	0.4%	0.4%	0.4%
Pharmacy	0.1%	0.1%	0.1%	0.1%
Medical records	0.3%	0.3%	0.3%	0.3%
Social service	0.8%	0.8%	0.8%	0.8%
Activities	0.4%	0.4%	0.4%	0.5%
Capital costs	4.5%	4.6%	5.0%	4.8%
Therapy costs	26.0%	19.9%	19.2%	18.4%
Pharmacy costs	7.7%	6.5%	6.3%	6.0%
Other ancillary costs	2.0%	2.1%	1.9%	1.7%
Total expense	82.5%	76.2%	79.9%	80.7%

Medicare expense category as a percentage of total Medicare expense

From 2019 to 2022, there has been a 5% increase in direct care expenses as a percentage of total Medicare expense.

	2019	2020	2021	2022
Direct care salaries	17.8%	19.5%	19.0%	19.1%
Direct care (other)	2.6%	3.6%	4.9%	6.5%
Employee benefits	5.3%	5.7%	5.9%	5.8%
Administrative/General	10.1%	11.3%	12.0%	12.0%
Plant operations	3.3%	3.3%	3.9%	4.2%
Laundry	0.7%	0.7%	0.7%	0.7%
Housekeeping	1.6%	1.8%	1.8%	1.9%
Dietary	5.1%	5.3%	5.7%	6.1%
Nursing admin	2.5%	2.9%	2.9%	2.9%
Central service supply	0.4%	0.6%	0.5%	0.5%
Pharmacy	0.1%	0.1%	0.1%	0.1%
Medical records	0.3%	0.3%	0.3%	0.3%
Social service	1.0%	1.1%	1.1%	1.0%
Activities	0.5%	0.5%	0.5%	0.6%
Capital costs	5.5%	6.1%	6.2%	6.0%
Therapy costs	31.5%	26.1%	24.1%	22.8%
Pharmacy costs	9.3%	8.5%	7.9%	7.5%
Other ancillary costs	2.4%	2.7%	2.4%	2.1%
Total expense	100.0%	100.0%	100.0%	100.0%

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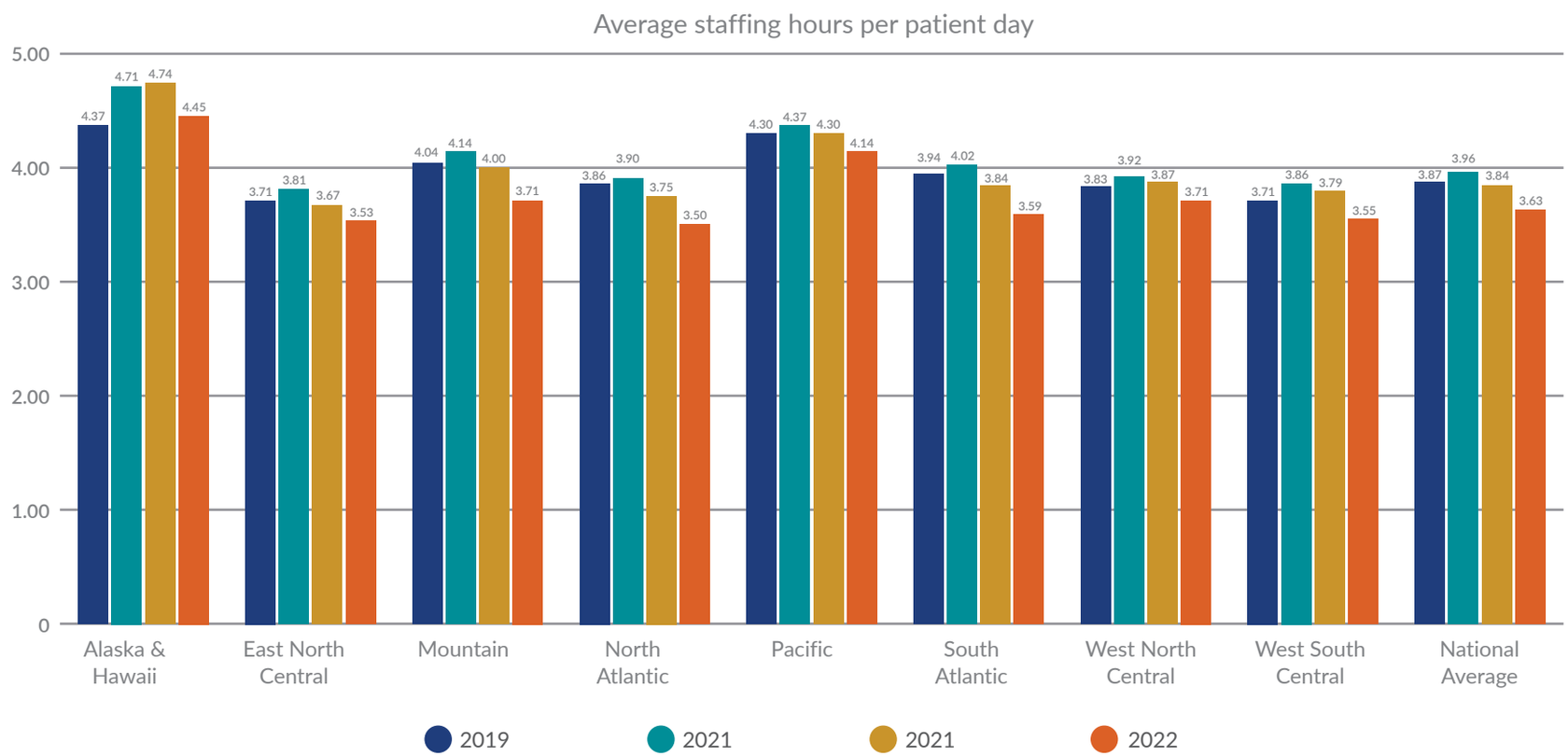
Staffing & wage trends

Direct staffing hours paid

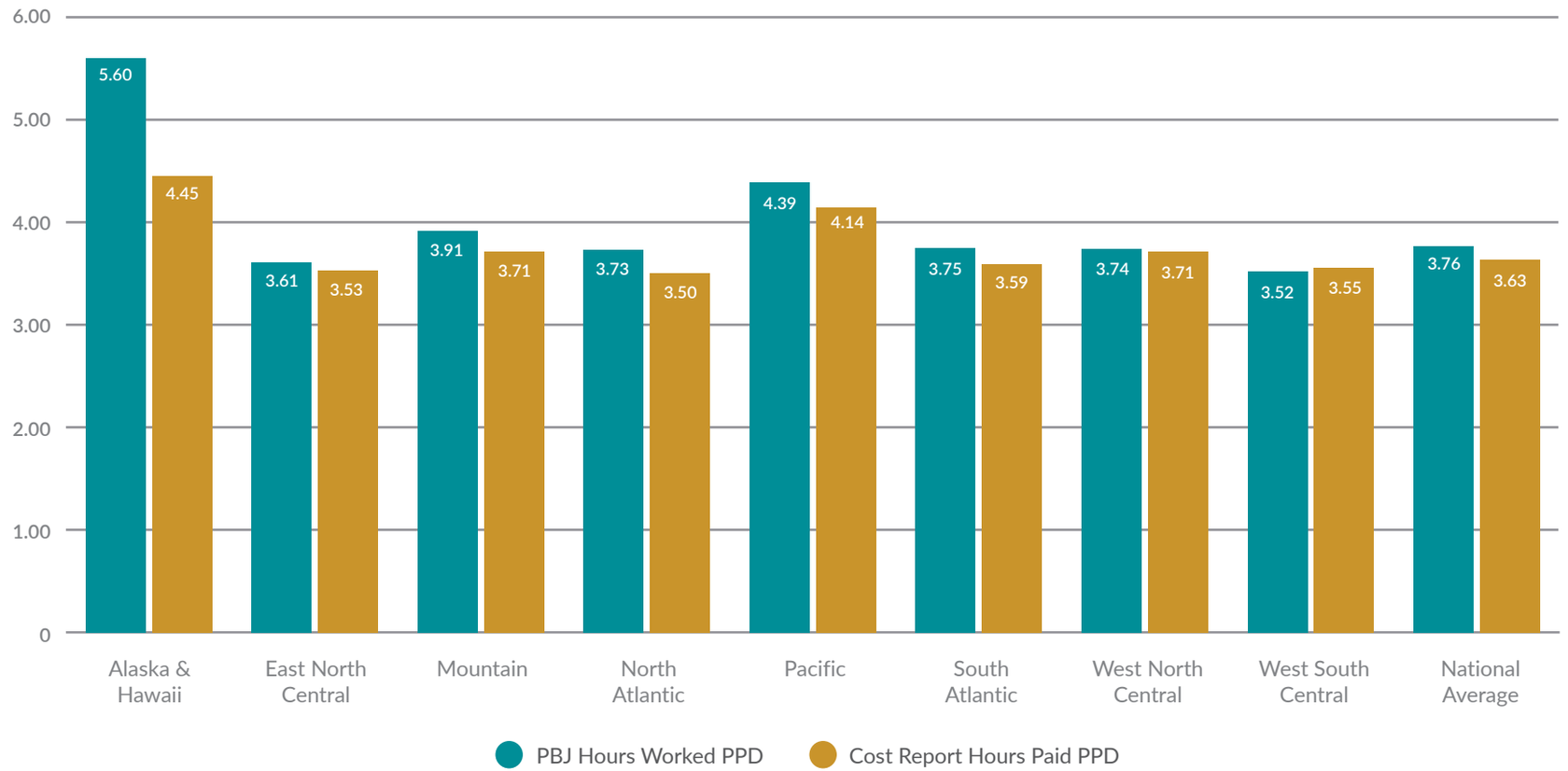
While it appears that direct care staffing hours appear to have decreased, keep in mind providers have been forced to use contract nursing due to ongoing staffing shortages.



Source hours paid is from CMS Medicare cost report data

2022 Direct staffing hours comparison

This table is comparing the direct care staffing hours from CMS Payroll Based Journal (PBJ) reports to the Medicare cost report data for 2022. There are important distinctions between the two data sources. PBJ reporting includes actual hours worked compared to the Medicare cost report, which also includes nonworked hours. Additionally, PBJ reporting includes contract hours and staff allocated for direct care staffing handled at a regional or corporate office level.



Source hours worked is: CMS Payroll Based Journal Reports
Hours paid as calculated from Medicare cost reports

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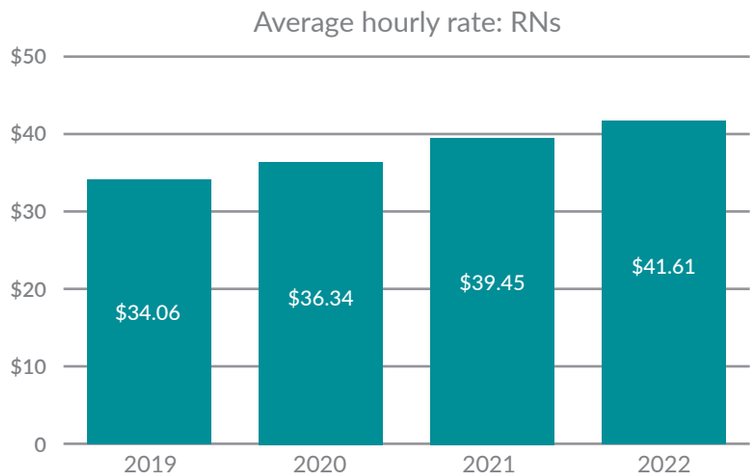
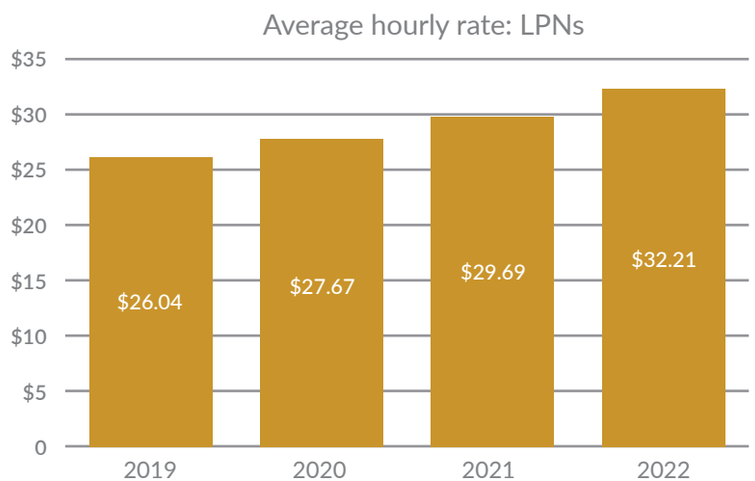
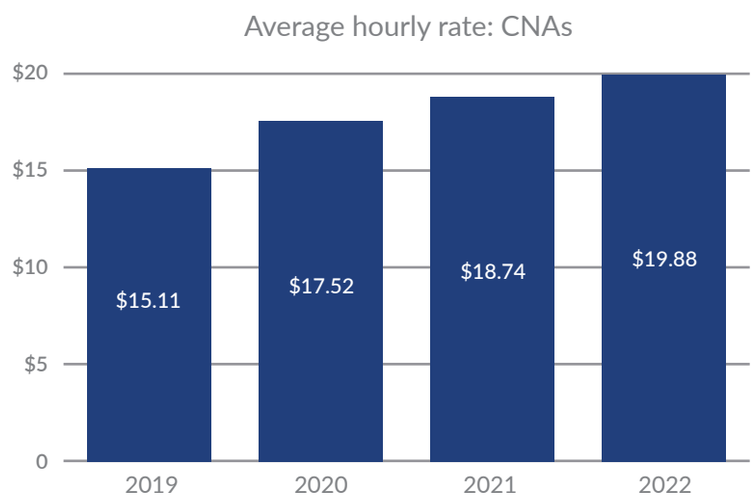
Direct staff: 2022 Average wage rates per hour as reported on the Medicare cost report







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Direct staff: National average wage rates trend as reported on Medicare cost report

Average wage rates	Registered nurses	Licensed practical nurses	Certified nursing assistants
2019	$34.06	$26.04	$15.11
2020	$36.34	$27.67	$17.52
2021	$39.45	$29.69	$18.74
2022	$41.61	$32.21	$19.88

Percent change	Registered nurses	Licensed practical nurses	Certified nursing assistants
2019 – 2020	6.69%	6.28%	15.90%
2020 – 2021	8.56%	7.31%	6.96%
2021 – 2022	5.46%	8.48%	6.12%
2019 – 2022	22.15%	23.71%	31.55%

Average wage rates have increased significantly across all direct care positions since 2019, reflective of increases in base wages, bonuses and overtime utilization

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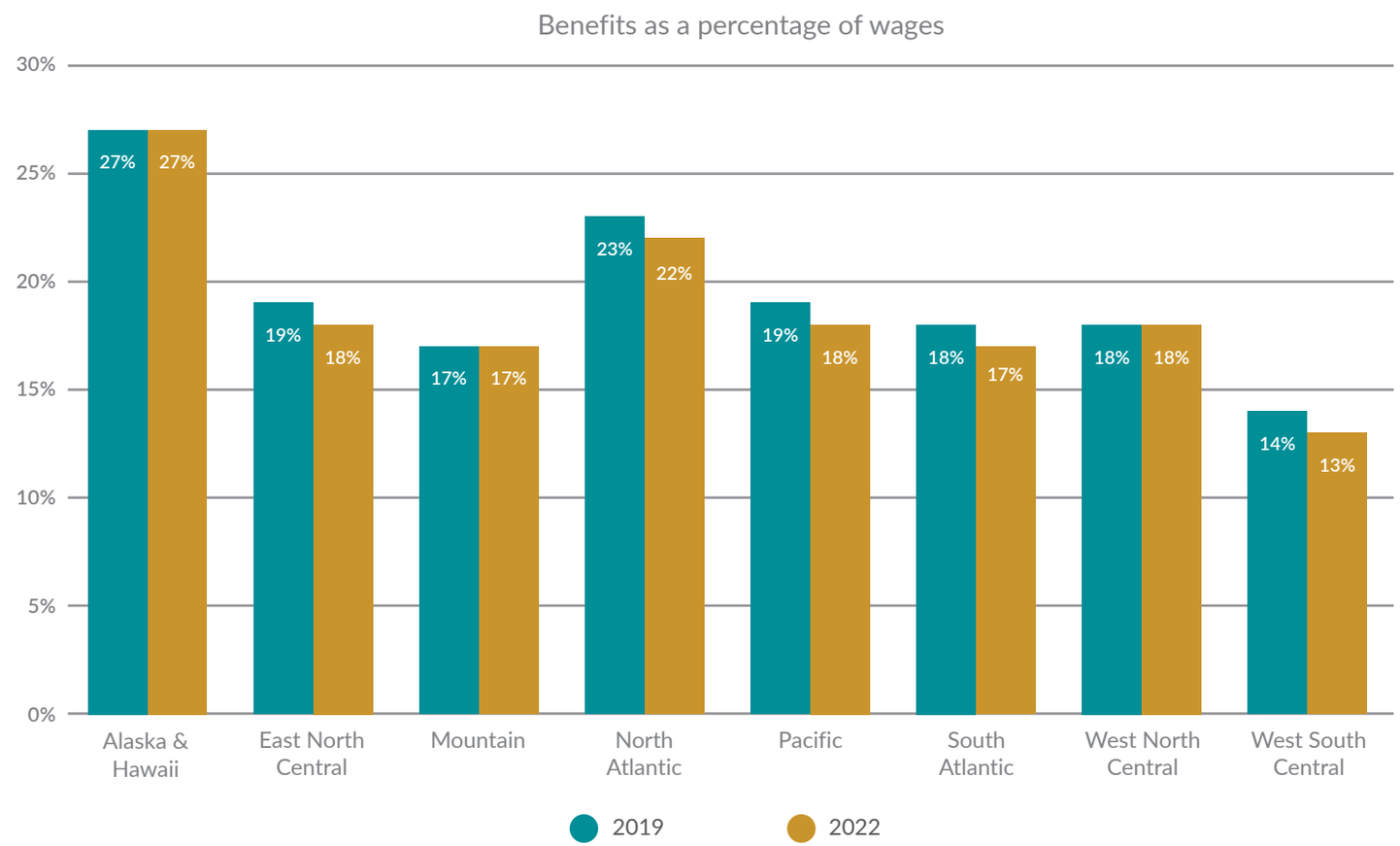
Benefits as percentage of wages



National average:

2019: 18.67%

2020: 18.31%

2021: 18.64%

2022: 17.74%

Benefits as a percentage of wages has remained constant at around 18%.

Support staff: Average wage rates

Average wage rates	Alaska & Hawaii	East North Central	Mountain	North Atlantic	Pacific	South Atlantic	West North Central	West South Central	2022 Nat. Average	2021 Nat. Average	2020 Nat. Average	2019 Nat. Average
Employee benefits	$29.06	$28.91	$26.14	$33.56	$30.38	$28.32	$25.70	$34.07	$30.25	$28.12	$25.35	$25.25
Administrative/ General	$39.09	$31.69	$32.83	$37.70	$41.72	$32.86	$31.64	$31.05	$34.07	$32.72	$31.94	$30.34
Plant operations	$23.64	$23.60	$27.22	$25.54	$26.88	$22.65	$22.46	$21.45	$23.87	$22.50	$21.52	$20.49
Laundry	$16.66	$15.22	$15.92	$17.16	$17.42	$13.64	$15.65	$14.77	$15.57	$13.87	$13.07	$12.27
Housekeeping	$18.03	$15.17	$16.00	$17.59	$17.95	$14.24	$15.56	$12.42	$15.48	$14.15	$13.35	$12.98
Dietary	$20.33	$17.31	$18.16	$20.16	$20.81	$16.20	$16.85	$17.70	$18.10	$17.17	$15.04	$14.26
Nursing admin	$48.65	$43.28	$49.41	$47.52	$62.94	$41.58	$39.82	$43.54	$45.97	$43.35	$42.73	$39.76
Central supply	$25.66	$22.22	$20.89	$20.94	$22.45	$20.73	$20.67	$18.50	$21.19	$22.62	$18.36	$18.60
Pharmacy*	-	$44.28	$52.65	$35.64	-	$37.14	$74.10	$58.88	$40.04	$42.70	$45.79	$48.25
Medical records	$22.94	$22.75	$22.41	$23.16	$27.22	$22.06	$22.73	$19.50	$22.83	$20.77	$20.27	$19.27
Social service	$28.78	$23.93	$26.35	$31.69	$30.09	$24.41	$22.98	$24.86	$26.24	$24.96	$23.42	$22.47
Activities	$19.14	$18.02	$18.96	$20.46	$21.26	$18.72	$18.19	$16.66	$18.86	$20.04	$17.03	$16.30
Total facility	$27.04	$24.51	$26.32	$27.92	$29.21	$23.82	$23.41	$21.55	$25.07	$23.35	$21.62	$20.23

No data points for 2022 data for Alaska, Hawaii, and the Pacific region available.

Facility average wage rates have increased on average 7% per year from 2019 to 2022.

Maintain your EDGE®

Now that you've read the data, consider this. Do you have a solid strategic plan in place to address decreased occupancy? How will you handle a shift to value-based payments while the acuity of your residents is increasing? Do you know how your cost and quality value proposition compares to your competitors, or how to quantify the operational efficiency?

A custom EDGE® report can help.

Using our proprietary benchmarking process and analysis, our experienced senior care team will help you position for success. When you partner with us, you'll discover how to improve your market position, increase occupancy rates, and generate your desired financial results. Request your custom EDGE® report — your path to operational and financial stability is as easy as 1-2-3.

STEP 1
Gather data & make observations

We'll combine information from your cost reports with our observations of your market share; overall operations; diversity and innovation; and degree of collaboration.

STEP 2
Prepare reports

Plante Moran EDGE® SNF Market Integration Report:

- Analyzes the hospital referral relationships in your market and identifies important payers for you to contract with.
- Quantifies your market share and benchmarks your key performance indicators against peers and industry standards.

Plante Moran EDGE® Financial Analysis Report:

- Highlights opportunities to improve your bottom line.
- Uses information from Medicare cost reports to analyze cost and efficiency metrics, and then compares your organization to other facilities in your market.

STEP 3
Put insights into perspective

Based on the insights generated by these reports, we'll help you implement the changes that will have the most impact and best align you with your strategic plans. Action items could include case mix optimization, bad debt, reimbursement, operational improvements, and billing and collections, among others. We're excited to help you take these next steps toward a stronger future.

Our senior care & living experience

Our experts are ready to consult with you on the best way to navigate policy and achieve your strategy, financial, and operational priorities.

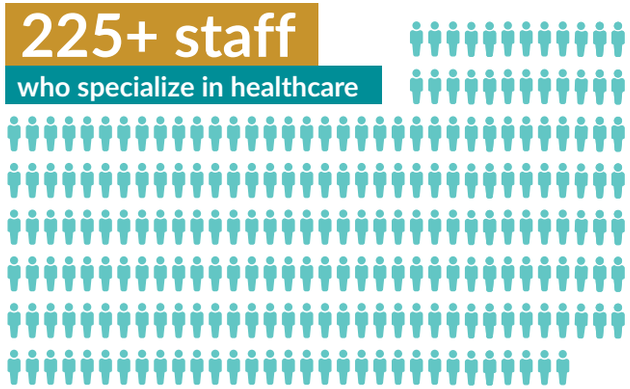
1,000+
post-acute care providers

400+ Not-for-profit post-acute care clients served

20+ of the top 150
Not-for-profit senior care and living providers in the nation served

- life plan communities and continuing care retirement communities (CCRCs)
- home health and hospice agencies
- skilled nursing facilities
- independent and assisted living facilities
- PACE organizations

225+ staff
who specialize in healthcare



OUR EXPERIENCE

80+ years in the healthcare industry as a firm

26+ years of experience possessed by our healthcare partners on average

About Plante Moran

Plante Moran is among the nation's largest certified public accounting and business advisory firms.

We provide clients with audit, tax, business consulting, and wealth management services. Whether you have a single, specific need or require comprehensive services on a worldwide scale, we have the knowledge, experience, and resources to meet your goals. Our professionals specialize by industry. This means our clients benefit from the expertise and advice of teams that know their specific challenges and how to combat them. We bring the full resources of the firm to every client.

Firm at a glance

1924
year founded

50
states

23
offices in the United States and abroad

150+
countries where we've serve clients

3,800+
professionals

20,000+
clients

Your one-stop shop

Our audit, tax, and consulting professionals have a deep understanding of the risks, trends, and growth strategies impacting senior care and living providers today. Our clients benefit from our experience serving organizations of all sizes and structures all across the healthcare continuum.

60+ years of experience in the healthcare industry as a firm

400+ trained professional staff who specialize in healthcare

26 average years of healthcare industry experience per partner

2,500+ senior care and living providers across the continuum


AUDIT

TAX


CONSULTING


DEVELOPMENT

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