

4 CREATIVE WAYS SNFs Can Increase Profitability & Improve Care



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When financial recovery is elusive, good care often is too.

With the nursing home industry continuing to struggle with its post-pandemic financial recovery, the drag on financial recovery comes from three primary factors, none of which are a surprise: low census, the labor shortage and the impact both have on the revenue cycle.

These challenges have led to an industry that is widely over-bedded. According to a Kaiser Family Foundation analysis of U.S. nursing homes, the ideal SNF occupancy level is 93%. At that level there are over 370,000 excess beds in the skilled nursing industry based on current occupancy levels.

SNF leaders are now using four creative solutions to address their financial recovery:



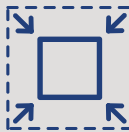
More selective patient pre-screening



Increase billing-admissions communication



Embrace non-clinical staff



Shrink your physical footprint

With higher acuity and delayed admissions across the industry, operators may need to shift their strategies to contend with low Medicaid and Medicare rates and inflation.



NAVIGATING TODAY'S SNF LANDSCAPE

The 3 key skilled nursing challenges of 2024

A variety of factors are impacting the bottom line for SNF operators, says Patrick McCormick, partner at certified public accounting and business advisory firm Plante Moran, and they break into three main categories: census, labor and revenue cycle. Census levels are down, as are collection efforts. This decline is straining operators.

"They're just not generating the same amount of cash flow, and it's taking longer to collect the revenue than what they did previously," McCormick says. "It just adds to the financial strain."

With SNFs nationwide receiving Medicaid and Medicare reimbursement rates that don't always match the level of care they provide, revenue cycle management is harder, too. And in light of the current staffing crisis, operators may need to find new ways to adjust to the current skilled nursing landscape.

Being strategic about staffing and admissions can help in the big picture, McCormick says.

"Making sure that you have a facility appropriately staffed while recognizing that acuity levels are higher in the buildings than they ever have been," he says.



The 3 Key Skilled Nursing Challenges of 2024

Census – With lower length of stay and delayed admissions, skilled care residents continue to have higher acuity. That higher acuity along with resident turnover is preventing facilities from making meaningful change to their overall census levels.

Labor – The workforce challenges from low unemployment, with nurses and aides vacating the labor market, resulted in a spike in agency costs. Meanwhile existing employees continue to drive above inflation increases.

Revenue cycle – From lower managed care reimbursement to Medicaid and Medicare rates continuing to lag behind inflation, SNF revenue pressures are even more acute with lower census. If that was the only story it would be bad enough, but rising accounts receivable balances, managed care slow to pay, co-insurance authorization issues and families slow to get on Medicaid makes the revenue cycle process even more exposed.



THE NEXT ERA OF SKILLED NURSING SUCCESS

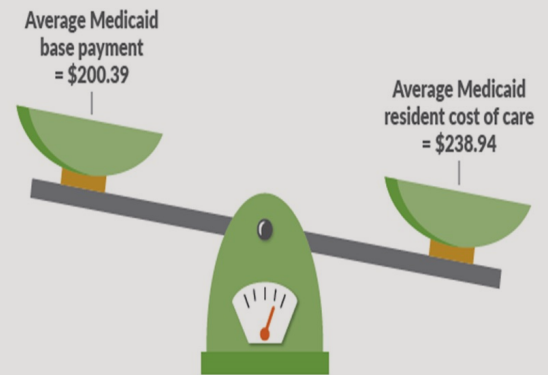
4 creative ways SNFs can increase profitability and improve care

Today's over-bedding is a problem. It's also an opportunity. Here are four creative solutions SNF operators are using to address today's post-COVID challenges and right-size their operations.



Medicaid base payment vs. average cost of care

In January 2023, Medicaid and CHIP Payment and Access Commission (MACPAC) released data showing Medicaid's payment shortfall: nearly \$39 per resident.



Source: MACPAC, January 2023. Data is based on 2019 costs and payments.



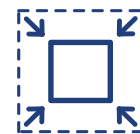
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METHOD #1

More selective patient pre-screening

A SNF operator must keep in consideration a variety of factors in patient pre-screening, including:



whether the patient is coming from a hospital, rehab or other clinical setting



their pharmacy drug usage level



their clinical progression

“If they’re on a traditional Medicare plan or a managed care plan, pharmacy costs can be a big, dollar amount,” McCormick says. “Depending if they can use a generic drug, or if their physicians are prescribing something very specific, the cost of those drugs can be vastly different.”

For SNFs, working through costs upfront and understanding the kind of alternatives patient’s physicians are comfortable with is important. The other piece is understanding patients’ clinical needs and capturing their reimbursement items from their hospital stay.

“Sometimes there’s a mismatch between what the managed care plans will reimburse for and really what the care needs really are,” he says.



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Patrick McCormick

Partner
Plante Moran



METHOD #2

Increase billing and admissions communication

Making sure families understand managed care plans and the pre- authorizations that exist is crucial, McCormick says.

“A lot of times people come into a skilled nursing facility and don’t really understand coinsurance or what happens after their Medicare stay is completed,” he says. “So, I think gathering all the right information and making sure everybody understands is really important, and not just assuming anything.”

Many facilities lose money in the Medicaid pending process, especially if families just do not understand their financial obligations or the speed in which they need to complete next steps. Plante Moran works with providers to start introducing billing and business office staff into the admission process.

“We’re calling them a financial concierge,” he says. “It takes away a little bit of fear for the families just helping them in navigating their financial responsibilities and just being a resource for them to move through it so they’re not surprised by a bill or not qualifying for something.”



How solutions play long-term vs. short-term

Diane Liliestedt, President and COO of Menorah Park, says her team begins focusing on discharge planning on day one, immediately assessing where a patient might fit best.

“We start that financial planning right away with the patient and the family,” she says. “We have somebody from the finance team and we call her a Medicaid liaison, so she can start working with the families and getting all the paperwork in.”

For the long-term, the marketing team determines which facility they might be a good fit for.

“We’re now really starting on day one saying you know, here’s where we think you would fit,” she says. “Is it at the skilled nursing facility? Is it assisted living? Would you go over to independent living?”

Liliestedt said that for more sick patients, she prioritizes having them stay long-term in the nursing home, and works with her team to figure out what needs to be done.

“We frequently see that the patients will be here, and we have this plan where they were going to go home from the beginning, but by the time they’re ready to leave, everybody wants to stay,” she says. “We’re now really starting on day one saying you know, here’s where we think you would fit.”



METHOD #3

Embrace non-clinical staff

Plante Moran works with operators to ramp up their volunteer programs, many of which were strained or discontinued due to the pandemic. The increased census happening during the post covid recovery has brought the need for more volunteers to help clinical staff focus on patients' medical needs, McCormick says.

"Patients want somebody to talk to, or they need help getting something they want, or they need something positioned differently in their room," he says. "It's just personal interaction that many are craving, and, frankly, our clinical and licensed staff are just too busy. I think there can be really good outcomes by extending those volunteer programs."

Plante Moran also helps operators identify community resources.

"A lot of operators are close to a high school and these students are always looking for volunteer hours or ways to give back to the community. The same can be said for social groups at the collegiate level," he says. "Many times there's other seniors who have retired that are just looking for ways to help."

When volunteers aren't available, unlicensed and lower paid assistants can bridge the gap.

"Just having somebody that can troubleshoot for the families or the residents themselves can be a great add," he says. "Particularly if it's a volunteer program, it doesn't really cost you anything, but the advantages are huge."



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METHOD #4

Shrinking your physical footprint

Before partnering with Plante Moran, the three-story Montefiore skilled nursing at the Menorah Park campus placed residents on all three floors. That meant staff had to, in turn, cover all three floors, stretching them thin. Plante Moran guided Menorah Park to move all residents to just the first and second floors.

“It created more efficiency for staff,” McCormick says. “There’s less transport for dietary and there’s less housekeeping. There’s efficiency from a clinical perspective. It really is all based on the right staffing ratios.”

In other words, in senior living, less is often more. By determining their optimal space arrangement, operators can help their staff members become more efficient with greater job satisfaction. Care improves. And the bottom line is bolstered.

“Facilities have been struggling in the 60% or 70% occupancy,” McCormick says. “It’s probably a good indicator that they need to do something different.”



Operators have a unique opportunity to transform their business. To learn more on how Plante Moran can help, contact us at:

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