

Skilled Nursing News

<https://skillednursingnews.com/2019/02/average-skilled-nursing-facility-loses-money-on-each-resident-every-day/>

Finance

Average Skilled Nursing Facility Loses Money on Each Resident, Every Day

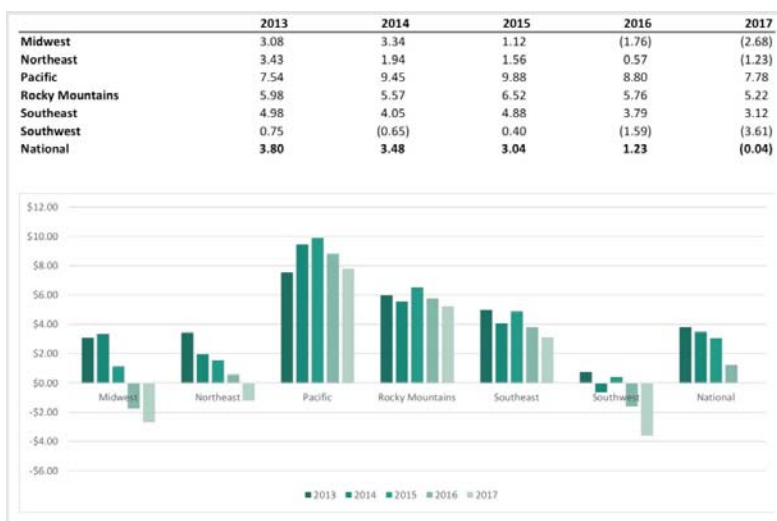
By Alex Spanko | February 26, 2019February 26, 2019

The average nursing home in the United States lost four cents per patient day in the year 2017, according to a new analysis from a national accounting firm — down sharply from making \$3.80 per resident every day just four years before.

While the exact figure varied by region, with some areas seeing per-day net income as high as \$7.78, the national average shows the impact of persistent industry stressors, accounting and advisory company Marcum LLP [concluded in its report](#).

“In addition to the lower occupancy levels, many residents have enrolled in managed care programs, which typically pay at lower rates than standard programs,” Marcum noted in the analysis, released this week. “Both of these factors have had an impact on revenue, which for most regions has been an area growing at a much lower rate than expenses.”

Specifically, providers across all regions saw average revenue declines of 2.64% in 2017, with expense increases of about 8.24% over the previous five-year period.



Confirming a bleak picture

There was very little upbeat news about overall nursing home finances in the report, the first nationwide benchmarking study conducted by the New York City-based Marcum. Providers' liquidity ratios — or the relationship between an individual provider's assets and liabilities — dropped about 8.6% between 2013 and 2015.

“Consequently, providers' ability to meet their current financial obligations has diminished and is somewhat challenged,” Marcum observed. “While providers may meet their minimum obligations, the ability to react to unexpected circumstances and costs or to invest in technology and innovations either does not exist or is very restricted.”

Debt-to-equity ratios increased across the board from 4.56 to 4.64, while the days that pending payments stay in accounts receivable either remained the same or increased across the board as providers struggle with a changing payment environment.

“Third-party billing has become increasingly complex due to the introduction of new offerings and changes in existing practices,” Marcum noted. “Thus, the gains from technological advances have been offset by additional complexities.”

The accounting firm used Medicare and Medicaid cost reports, along with its clients' self-reported financial information, to develop its benchmarks, with the exact size of the sample varying from year to year during the analysis period — reaching a high of 15,254 facilities in 2015 and a low of 12,440 in 2017.

Marcum isn't the only independent firm to find significant financial strain at skilled nursing facilities: CliftonLarsonAllen last fall pegged the [median operating margin for SNFs at zero](#) in 2017.

Pockets of optimism

Despite the dark clouds surrounding the nationwide numbers, there were some pockets of optimism in the data, reflecting the notion that skilled nursing is a highly localized business — and that national trends don't always strike individualized markets. Operators in the Pacific region saw average per-patient-day net income of \$7.78 in 2017, with providers in the Rocky Mountain region logging \$5.22.

And even though Northeast operators saw a per-day loss of \$1.23 per patient day in 2017, Marcum principal Matthew Bavalack noted that occupancy in the region remains high at 88.06% — with certain individual areas, such as his home state of Connecticut, exceeding 90% in recent quarters. As the baby boomer demographic gradually ages into nursing home services, Bavalack said, they may find current SNF bed availability lacking in the Constitution State.

“There’s areas in the state where, if any more facilities were to close, it would be an access issue,” Bivolack, who serves as the national health care practice leader for Marcum, told SNN.

In 2015, for instance, there were about 47.8 million Medicare-eligible Americans 65 and older, as compared to about 1.7 million skilled nursing beds. While nursing home usage doesn’t really accelerate until consumers reach their mid-80s or older, that works out to available SNF penetration of just 3.62%, with the need only poised to grow amid the greater U.S. demographic shift.

“Eventually they’re going to have to be in a nursing home, and on the home care side, the definition of home care is skilled, intermittent care,” Bivolack said. “It’s not 24-hour supervision. That’s going to be a challenge.”