Skilled Nursing Data Report

Key Occupancy & Revenue Trends

Based on Data from January 2012 through December 2019

NIC

Data · Analytics · Connections

Table of Contents

Key Takeaways

» **The occupancy rate for skilled nursing continued to stabilize as the year closed out in 2019.** Occupancy was essentially flat from the third to the fourth quarter, decreasing by only 4 basis points and ending the fourth quarter at 83.8%. This was an increase of 24 basis points from December 2018, when occupancy was 83.6%. Notably, the occupancy rate is up 48 basis points from the time-series low set in June 2018. The fourth quarter occupancy trend varied by geographic area, with urban areas experiencing a slight decrease of 3 basis points, while rural areas decreased 26 basis points and urban cluster areas increased 4 basis points from the third to fourth quarters of 2019. The occupancy rate ended 2019 at 82.2% in rural areas and 85.0% in urban areas, representing a difference of 283 basis points. That difference was larger one year ago in the fourth quarter 2018, when it was 297 basis points.

» **Skilled mix increased 41 basis points to 25.0% in the fourth quarter of 2019 from the prior quarter.** This increase from the third to the fourth quarter is not unexpected as historical data has shown skilled mix to hold relatively steady this time of year, even though there has been continued pressure on skilled mix since 2015. Skilled mix declined, albeit slightly, from December 2018 (25.1%), but the fact that there was only a decrease of 5 basis points is somewhat of a positive given the prior yearly comparison showed a decline of 48 basis points. The 40-basis point increase to 6.6% in managed Medicare patient day mix from the prior year suggests managed Medicare is preventing a larger year-over-year decline in skilled mix, since Medicare patient day mix continued its overall downward trend by decreasing 82 basis points from the prior year to 11.3%. The skilled mix trend varied by geography as it decreased in rural areas from the prior quarter and the prior year. Urban areas, however, were flat from the prior year but up compared to the third quarter of 2019.

» **Medicare revenue per patient day (RPPD) increased in the fourth quarter of 2019 by 4.6%, ending the year at $544.** This was expected for many operators given the new Patient Driven Payment Model (PDPM) that began October 1, 2019 because the new payment reimbursement model is structured for the total care of patients, therefore potential for more reimbursement, instead of a therapy-driven payment model. It is important to keep in mind that this increase was seen in the first quarter that PDPM became effective and it remains to be seen if this is a one-time adjustment or the beginning of a trend. We will have to wait to see how the operating expense part of the equation evolves before making general conclusions. Medicare RPPD also increased from the prior year, with the 3% increase mostly driven by the fourth quarter 2019 new payment model. The increase was consistent across geographies, as both rural and urban areas saw quarterly and yearly increases in RPPD. Meanwhile, managed Medicare RPPD showed some stabilization from the third to the fourth quarter of 2019 and increased 0.9% to end the year at $441.

» **Medicare revenue mix increased 74 basis points from the third quarter of 2019 to end the year at 21.5%.** It also increased from the prior year, suggesting the increase in Medicare RPPD from PDPM played a role as Medicare patient day mix decreased from the prior year. However, Medicare revenue mix is down 504 basis points from January 2012, with competition from other care settings, growth in managed care, and length of stay pressure challenging the Medicare fee-for-service business. Meanwhile, Medicaid ended 2019 with over 50% of revenue mix as managed Medicare revenue mix decreased 95 basis points to end the year at 9.9%.

> **Occupancy continued to stabilize showing an increase from the prior year. In addition, there was positive news as Medicare RPPD increased by 4.6% given the implementation of PDPM. Although this is a positive for now from a revenue standpoint for many operators, it remains to be seen how the operating expense side of the equation evolves.**
>
> — Bill Kauffman, Senior Principal, NIC

National Skilled Nursing Trends

Data through December 2019

Occupancy
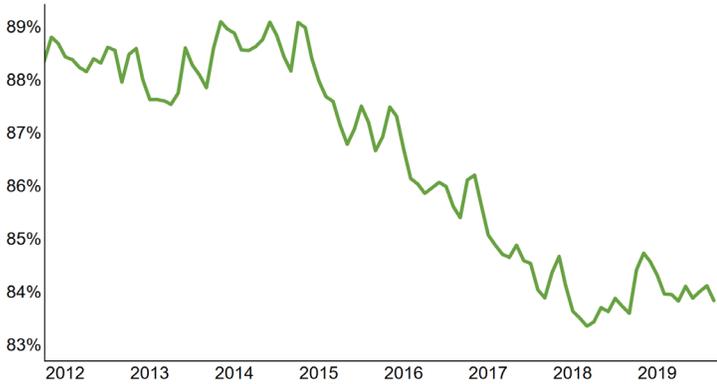
### Quality / Skilled Mix
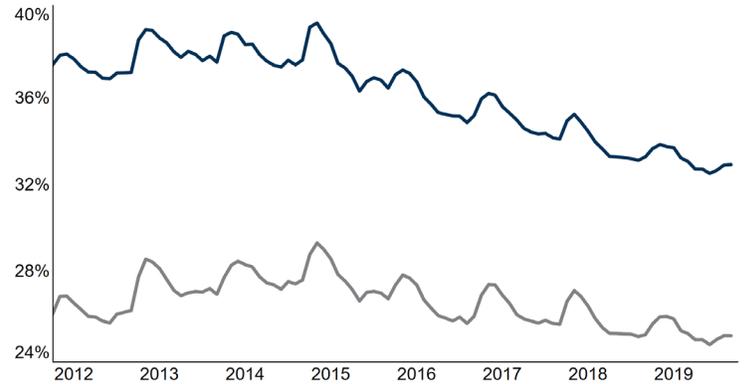
## Patient Day Mix

### Medicaid
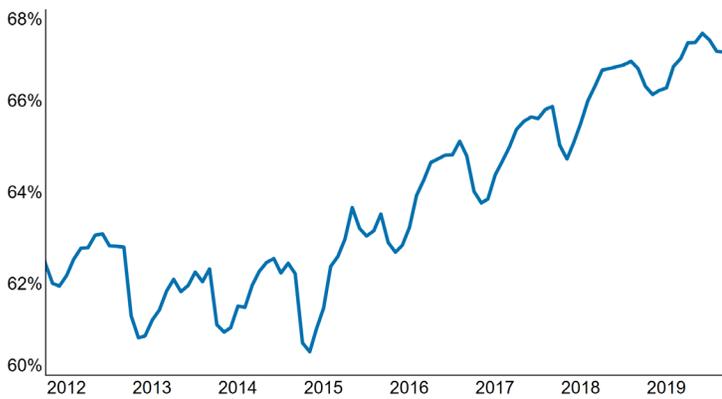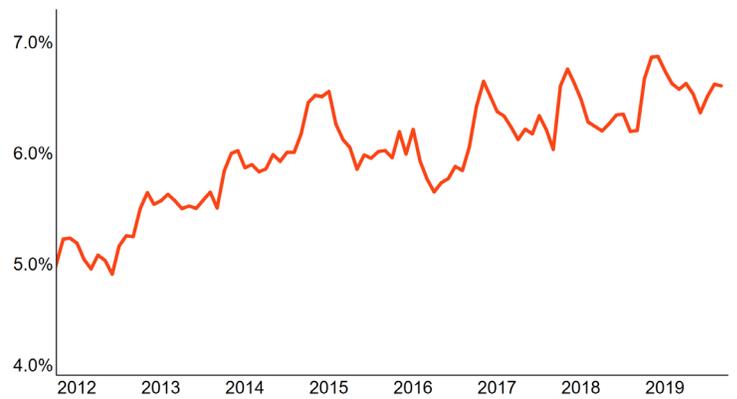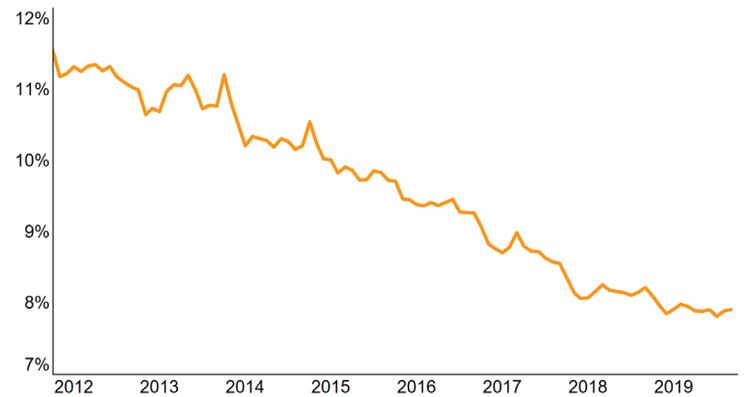
Managed Medicare

Medicare

Private

National Skilled Nursing Trends
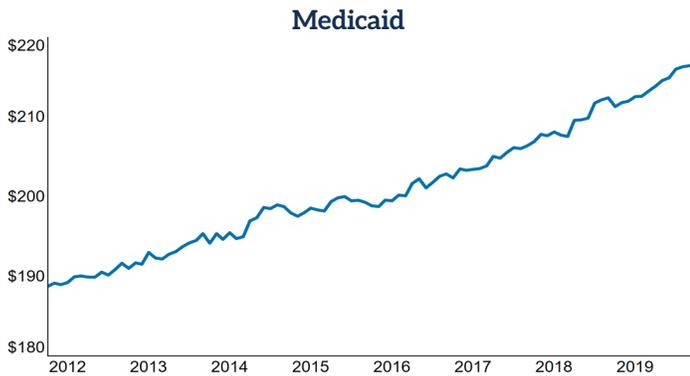
Data through December 2019

Revenue Per Patient Day

Medicaid

Medicare

Managed Medicare

Private

Revenue Mix
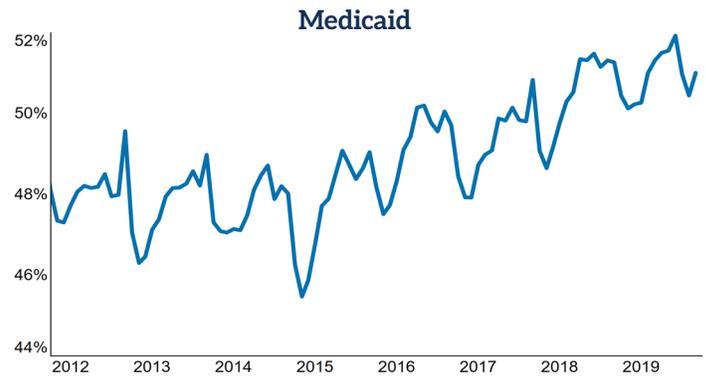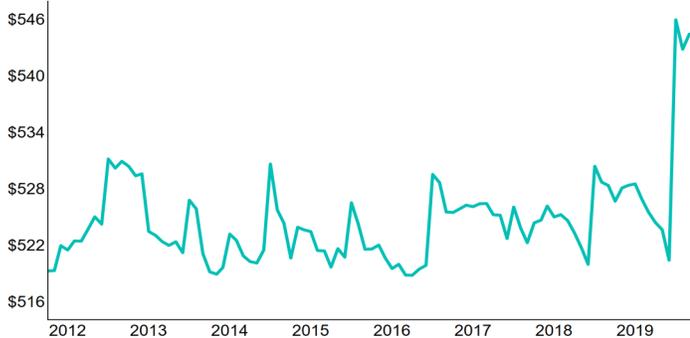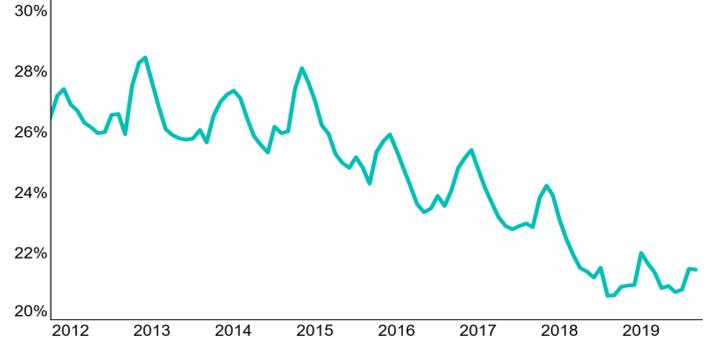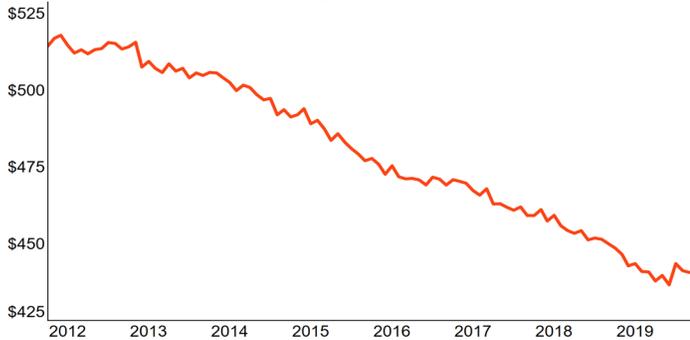
Medicaid

Medicare
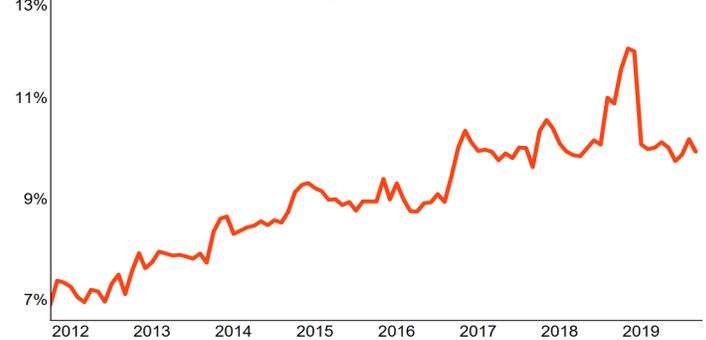
Managed Medicare

Private

Skilled Nursing Coverage

Data through December 2019

Property Count
2 ▭ 185
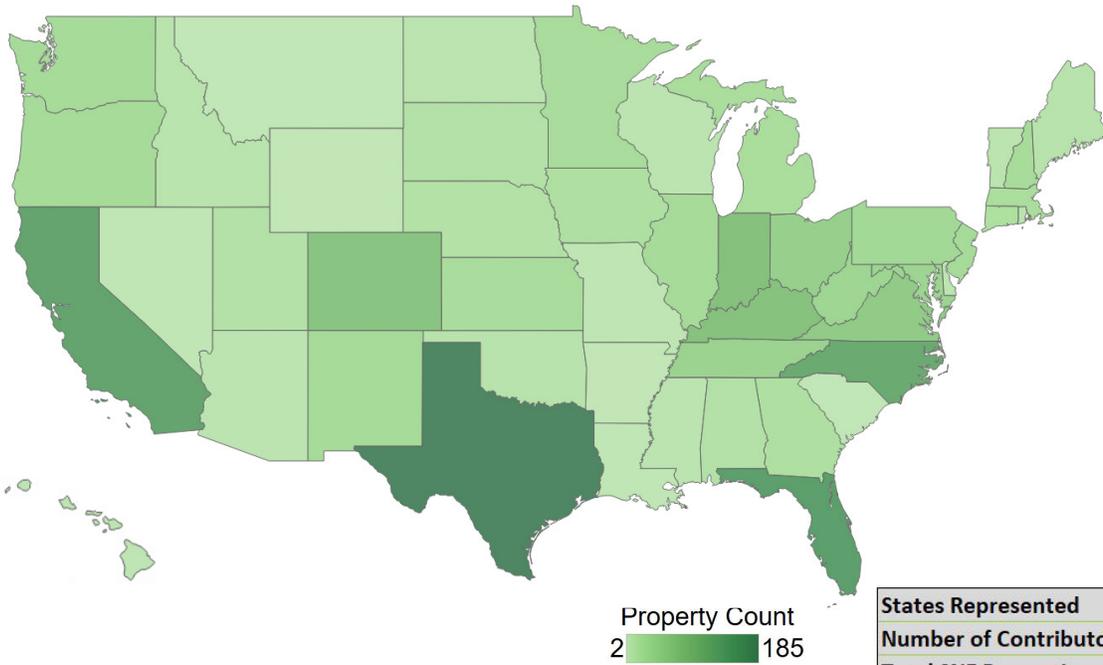
	November	December
States Represented	48	48
Number of Contributors	29	29
Total SNF Properties	1,571	1,572

Key Indicators

Data through December 2019

	National		Rural		Urban Cluster		Urban Area	
	Current Month	M/M	Current Month	M/M	Current Month	M/M	Current Month	M/M
Occupancy	83.8%	-28 bps	82.2%	-38 bps	80.2%	-2 bps	85.0%	-33 bps
Quality Mix	32.9%	2 bps	36.6%	-17 bps	33.5%	39 bps	32.3%	-4 bps
Skilled Mix	25.0%	0 bps	22.3%	-9 bps	23.4%	45 bps	25.8%	-10 bps
Patient Day Mix								
Medicaid	67.1%	-2 bps	63.4%	17 bps	66.5%	-39 bps	67.7%	4 bps
Medicare	11.3%	-3 bps	10.3%	-10 bps	11.7%	11 bps	11.4%	-6 bps
Managed Medicare	6.6%	-1 bps	3.4%	-5 bps	3.7%	12 bps	7.8%	-4 bps
Private	7.9%	2 bps	14.3%	-7 bps	10.1%	-6 bps	6.5%	5 bps
Revenue Per Patient Day								
Medicaid	$216	0.1%	$200	-0.3%	$208	-0.2%	$220	0.2%
Medicare	$544	0.3%	$528	-0.3%	$541	0.4%	$548	0.4%
Managed Medicare	$441	-0.1%	$427	0.4%	$441	-0.4%	$442	-0.1%
Private	$269	-0.1%	$236	0.3%	$247	0.7%	$287	-0.5%
Revenue Mix								
Medicaid	51.0%	56 bps	48.5%	59 bps	51.0%	48 bps	51.3%	57 bps
Medicare	21.5%	-3 bps	20.2%	-9 bps	22.8%	-24 bps	21.3%	3 bps
Managed Medicare	9.9%	-25 bps	5.3%	-12 bps	5.7%	14 bps	11.5%	-35 bps
Private	7.3%	1 bps	12.5%	3 bps	8.8%	2 bps	6.2%	1 bps

Urban and Rural Trends

Data through December 2019

Occupancy

Legend:
- Rural
- Urban Area
- Urban Cluster
- National

Quality Mix

Skilled Mix
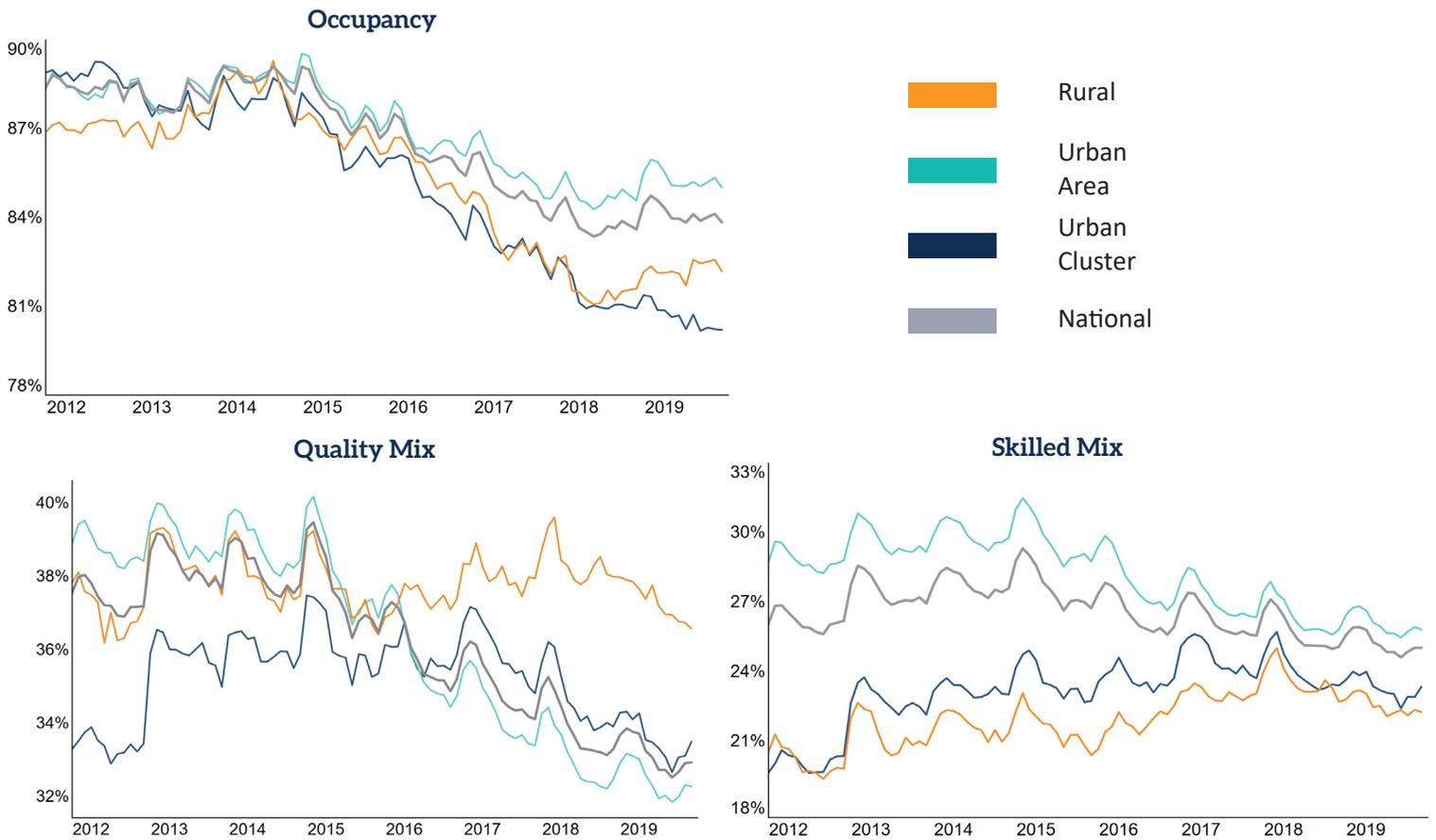
Geographic classification is based on the 2010 US Census Bureau. All properties not considered Urban Area or Urban Cluster are classified in this report as Rural. According to the US Census Bureau:

For the 2010 Census, the Census Bureau classified as urban all territory, population, and housing units located within urbanized areas (UAs) and urban clusters (UCs), both defined using the same criteria. The Census Bureau delineates UA and UC boundaries that represent densely developed territory, encompassing residential, commercial, and other nonresidential urban land uses. In general, this territory consists of areas of high population density and urban land use resulting in a representation of the "urban footprint." Rural consists of all territory, population, and housing units located outside UAs and UCs.

For the 2010 Census, the urban and rural classification was applied to the 50 states, the District of Columbia, Puerto Rico, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

Urbanized Areas (UAs)—An urbanized area consists of densely developed territory that contains 50,000 or more people. The Census Bureau delineates UAs to provide a better separation of urban and rural territory, population, and housing in the vicinity of large places.

Urban Clusters (UCs)—An urban cluster consists of densely developed territory that has at least 2,500 people but fewer than 50,000 people. The Census Bureau first introduced the UC concept for Census 2000 to provide a more consistent and accurate measure of urban population, housing, and territory throughout the United States, Puerto Rico, and the Island Areas.

Patient Day Mix

Medicaid

Managed Medicare

Medicare

Private
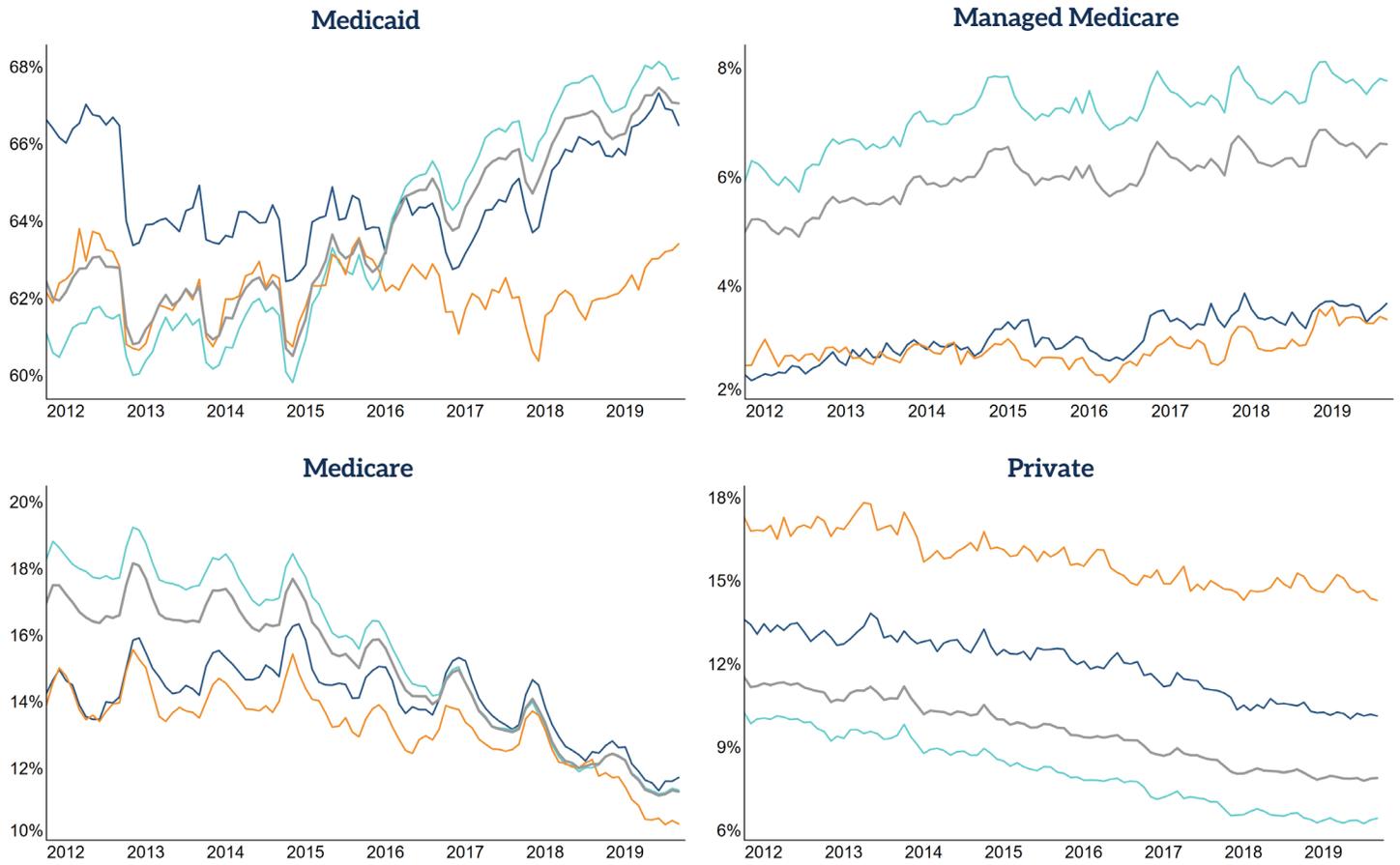
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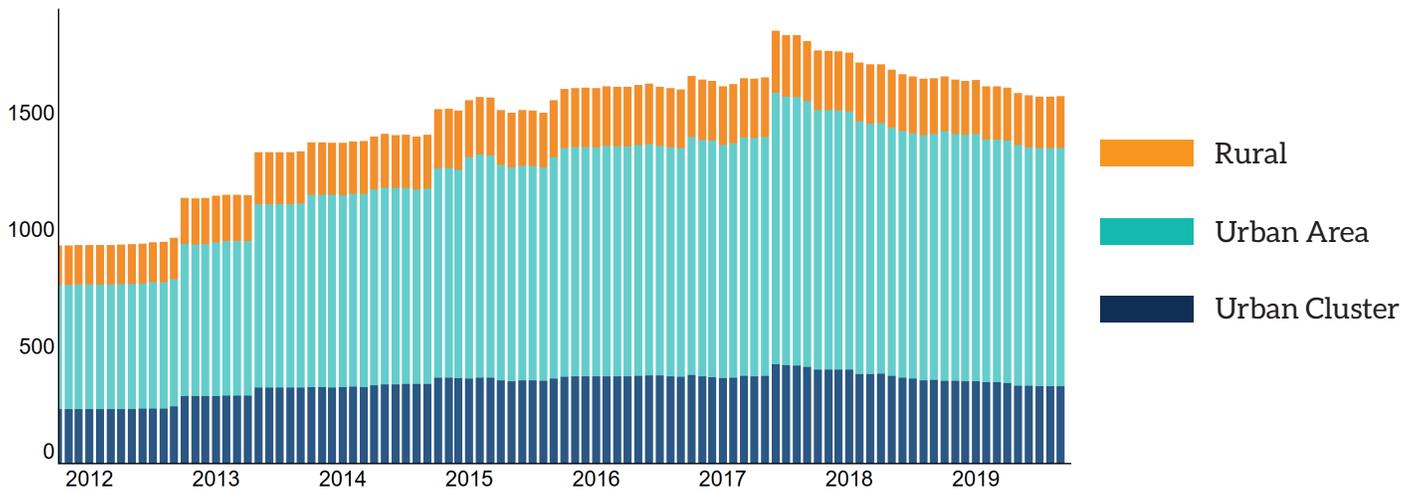
Legend:
- Rural
- Urban Area
- Urban Cluster

Data through December 2019

Revenue Per Patient Day

Medicaid

Managed Medicare

Medicare

Private

Legend: Rural — Urban Area — Urban Cluster — National
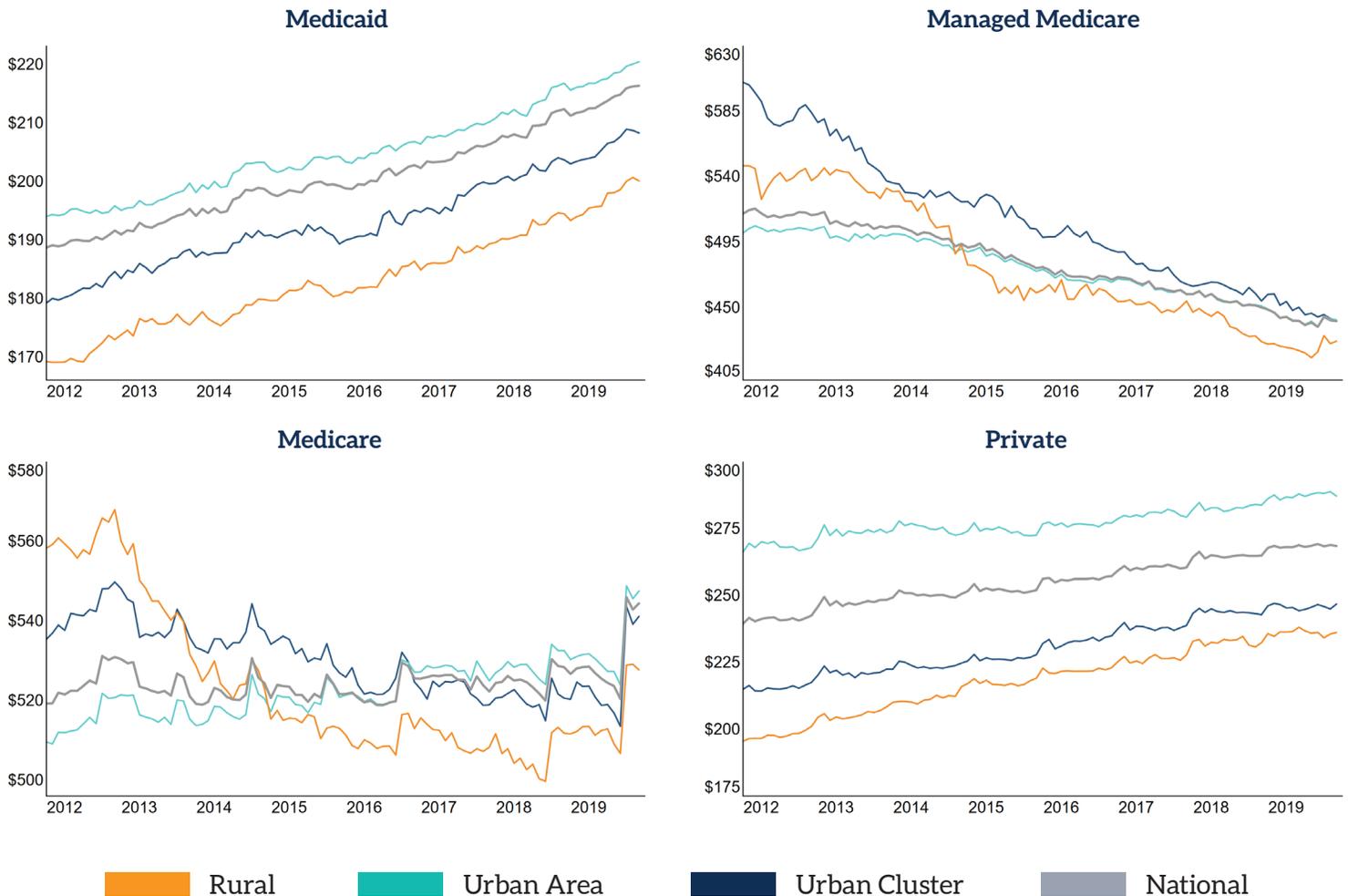
> **Although we saw Medicare revenue mix increase in the fourth quarter, the Medicare fee-for-service revenue is likely to continue to be challenged given the competition from other care settings, lower length of stay, and the growth in managed care.**
>
> — Beth Mace, Chief Economist and Director of Outreach, NIC

Data through December 2019

Revenue Mix

Medicaid
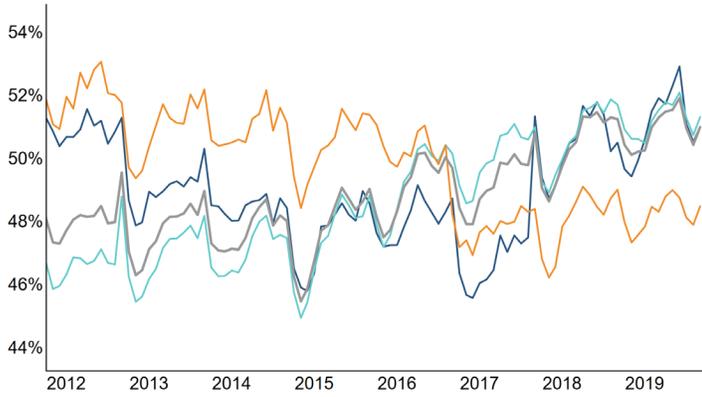
### Managed Medicare
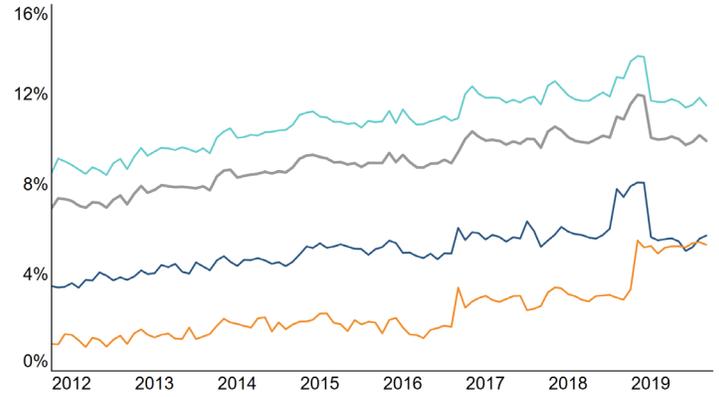
Medicare
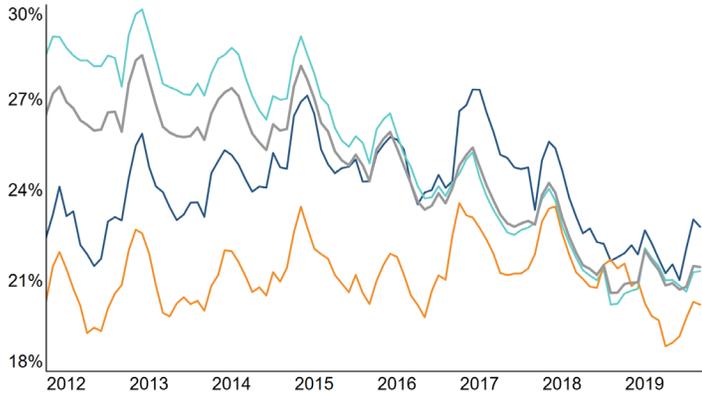
Private
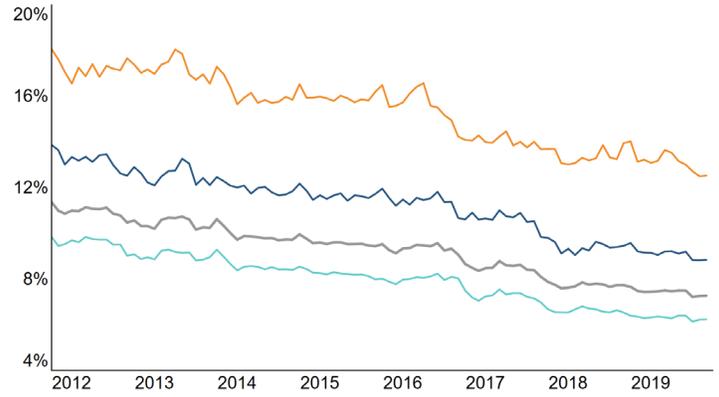
Rural Urban Area Urban Cluster National

Glossary of Terms

Occupancy: Actual patient days divided by total days.

Patient Day Mix: Actual patient days of each payor source divided by the total actual patient days.

Quality Mix: Actual Medicare, managed Medicare/other, and Private patient days divided by the total actual patient days.

Revenue Mix: Total revenue for each payor source divided by the total revenue.

Revenue Per Patient Day (RPPD): Total revenue divided by actual patient days for each payor source.

Skilled Mix: Actual Medicare and managed Medicare/other days divided by total actual patient days.

Urban Area/ Urban Cluster/ Rural: See Page 7.

Explanation of Data

This data and its output is based on the sample population collected each month by NIC and the sample collected on an historical basis. The historical data/time-series data and month/month figures are calculated using same-store analysis. Current month includes all contributors' data to date. Historical data is deflated using same-store month-month changes.

This data should not be interpreted as a census survey for the skilled nursing properties within the United States, but only a representation of the property count and state count as shown on Page 6.

National Skilled Nursing Trends are only reflective of the data from the current sample size within the NIC Skilled Nursing Data Initiative.

[1] Patient Day Mix and Revenue Mix may not add up to 100% because "other patient days and revenue" that cannot be attributed to Medicaid, Medicare, managed Medicare, or Private are omitted from the tables and charts in this report. Other patient days and revenue may include but are not limited to additional benefit types such as veteran's benefits, community programs, and ancillary services.

About NIC

The National Investment Center for Seniors Housing & Care (NIC) is a 501(c)(3) organization whose mission is to advance access and choice in seniors housing and care—from independent living, assisted living, and memory care, to skilled nursing and post-acute care. NIC provides research, education, and increased transparency that facilitate leadership development, quality outcomes, and informed investment decisions with respect to seniors housing and care. Since 1991, NIC has been the leading source of research, data and analytics for owners, operators, developers, capital providers, researchers, academics, public policy analysts and others interested in meeting the housing and care needs of America's elders.

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