

Skilled Nursing Data Report

Key Occupancy & Revenue Trends

**Based on Data from October 2011
through June 2018**

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Key Takeaways

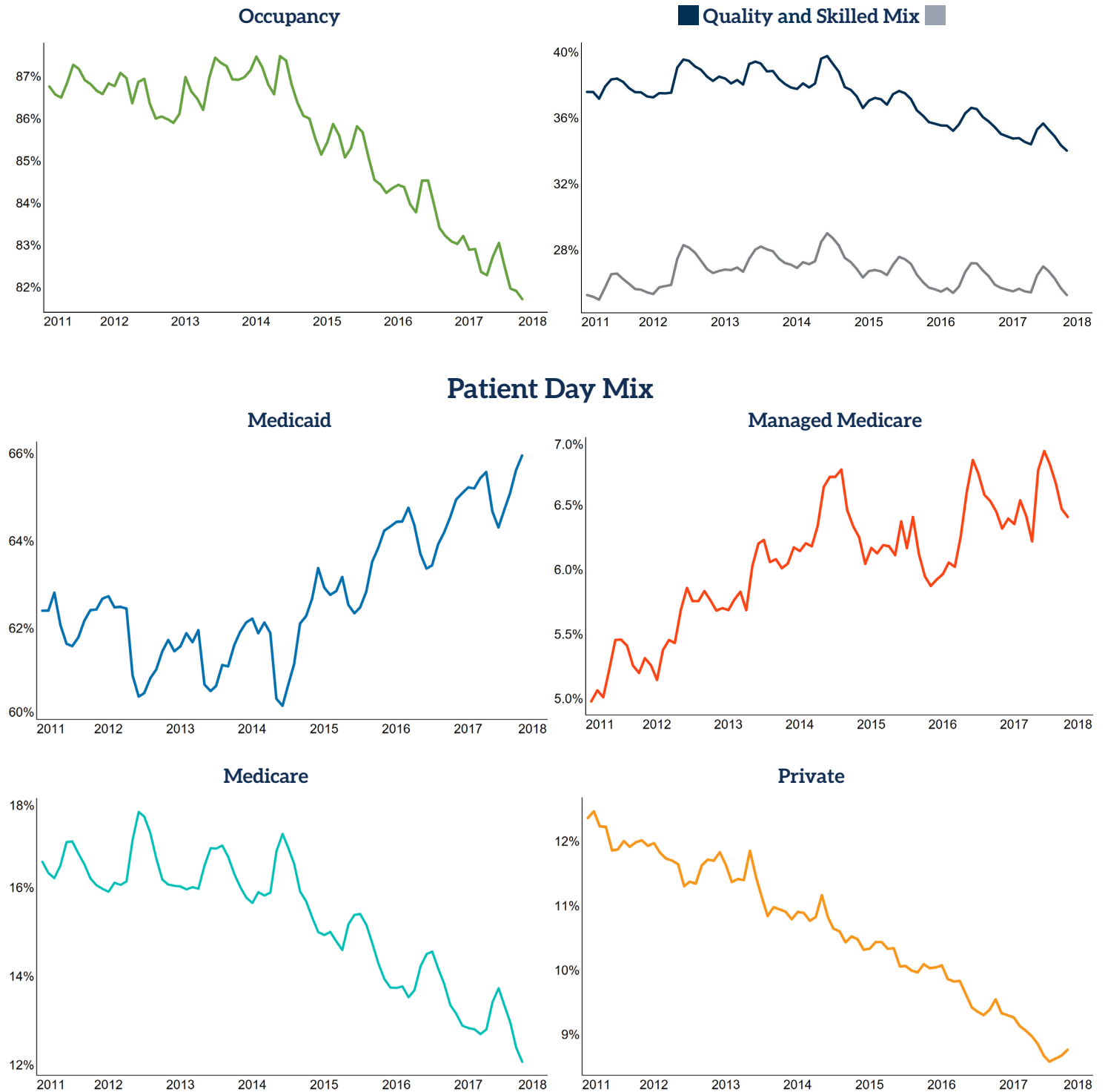
- » **Pressure on skilled nursing occupancy continues.** Occupancy decreased 79 basis points to a new low at 81.7% as of the second quarter 2018. Year-over-year occupancy decreased 137 basis points from 83.1%. The decline in occupancy is not unexpected as the data has shown a decrease from the first quarter to the second quarter in past years as well. The second quarter decrease, although evident across all geographic areas, saw the sharpest decline in rural markets, which dropped 89 basis points quarter-over-quarter.
- » **Quality mix declined 127 basis points at the national level,** ending the second quarter at 34%, the lowest level within the time-series data, which goes back to October 2011. Year-over-year quality mix decreased 142 basis points from 35.4% in June of 2017. The main driver of the decrease in quality has been the decline in Medicare patient day mix which was down 129 basis points quarter-over-quarter and now stands at a time-series low of 12.1%. Medicare patient day mix has declined 452 basis points since October 2011. However, the trends in quality mix can be completely different when looking across geographic areas as quality mix has increased 135 basis points in rural areas since October 2011.
- » **Managed Medicare patient day mix also saw an expected seasonal dip from the first quarter to the second quarter 2018,** decreasing 41 basis points to end at 6.4% at the national level. When comparing to a year ago the data shows that the growth in managed Medicare patient mix has been relatively flat with a 4 basis point decrease - an interesting trend considering the discussions about the increase in managed Medicare throughout the sector. This could be reflecting increasing pressure on length of stay from managed Medicare, resulting in lower overall patient days. This recent trend also shows up when looking at managed Medicare revenue mix year-over-year, which decreased 11 basis points to 9.9%. Although the data shows a drop quarter-over-quarter in managed Medicare across all geographic areas, managed care penetration varies in urban vs. rural areas. Rural market managed Medicare patient day mix stands at 3% whereas urban markets are at 7.7% as of the second quarter 2018. Managed Medicare plans can choose to operate in more densely populated and/or more affluent and healthier areas which could explain the lower penetration in rural areas.
- » **Private patient day mix at the national level increased slightly from the first quarter to the second quarter 2018.** However, the longer-term trend continues downward with a year-over-year decline of 78 basis points to 8.8%. This downward trend persists across all geographic areas but the level of private day mix is considerably different in urban vs. rural areas. Private patient day mix is highest in rural areas at 15.4%, reflecting the fact that there are fewer options for private pay in rural areas. Revenue mix also reflects the importance of private pay for rural skilled nursing properties, with 13.9% of their revenue coming from private pay as of the second quarter 2018.

“ Overall we see occupancy trends persist downward. However, we have noticed managed Medicare patient day mix stabilize over the past year, which is different than the upward pressure we have seen over the past few years. We do have to keep in mind that these are the overall trends and most local markets have different characteristics throughout the country and different areas can reflect very different trends, as we see with the urban vs. rural area comparisons in the data. ”

- Bill Kauffman, Senior Principal, NIC

National Skilled Nursing Trends

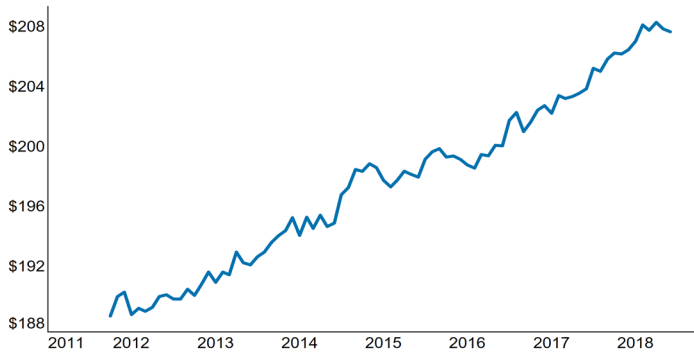
Data through June 2018



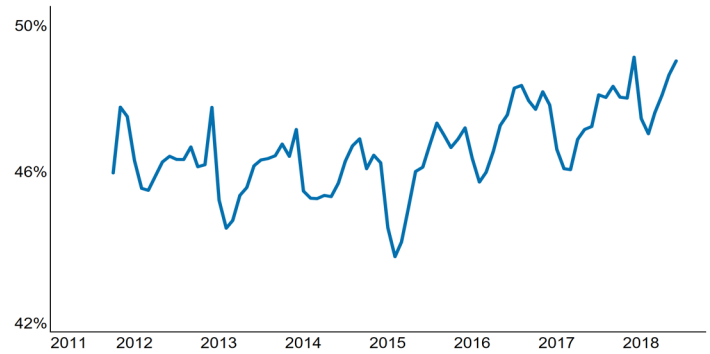
National Skilled Nursing Trends

Data through June 2018

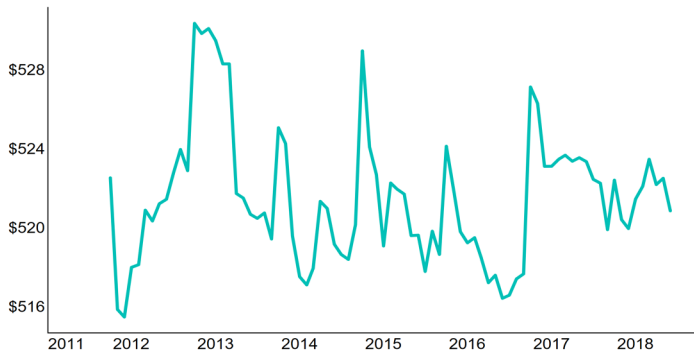
**Revenue Per Patient Day
Medicaid**



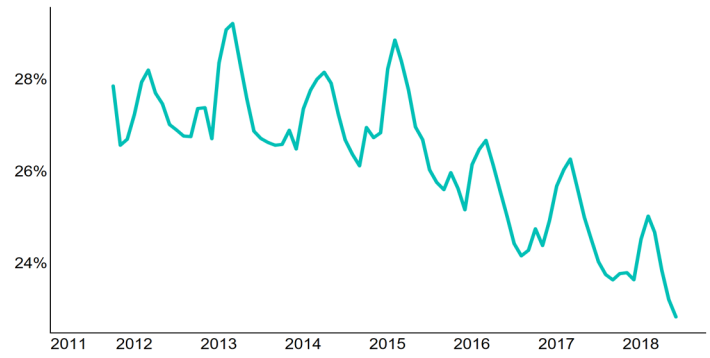
**Revenue Mix
Medicaid**



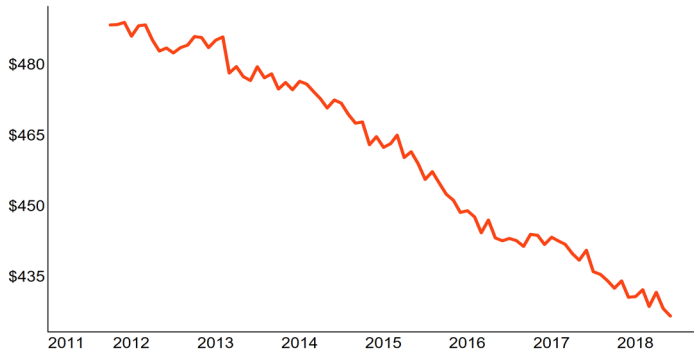
Medicare



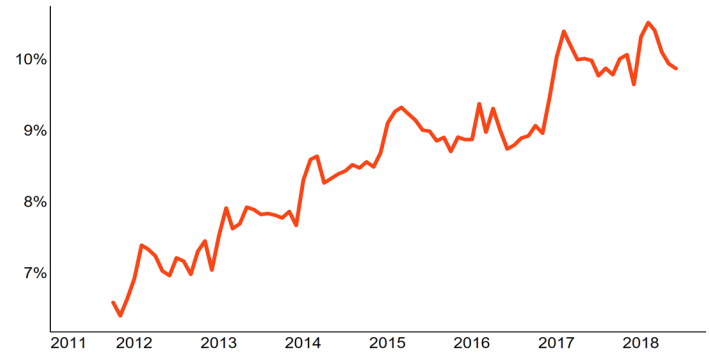
Medicare



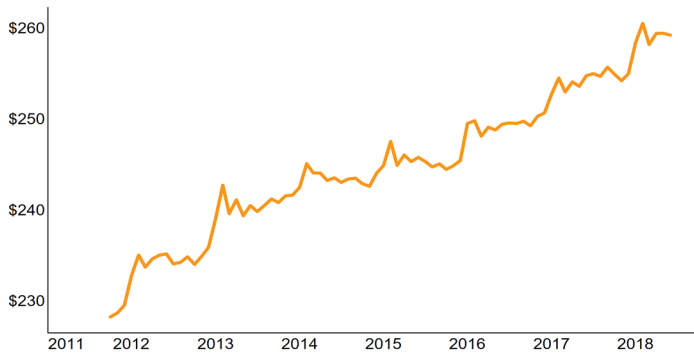
Managed Medicare



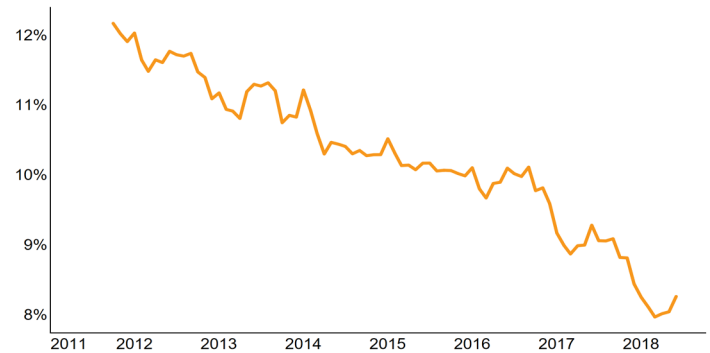
Managed Medicare



Private

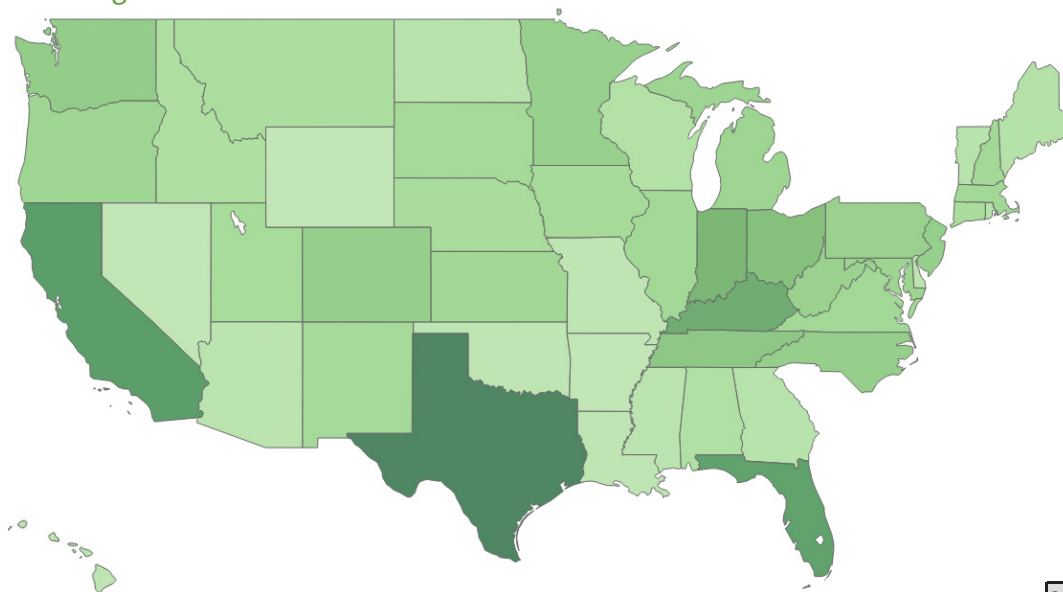


Private



Skilled Nursing Coverage

Data through June 2018



Property Count
2 148

	May	June
States Represented	47	47
Number of Contributors	24	24
Total SNF Properties	1,431	1,426

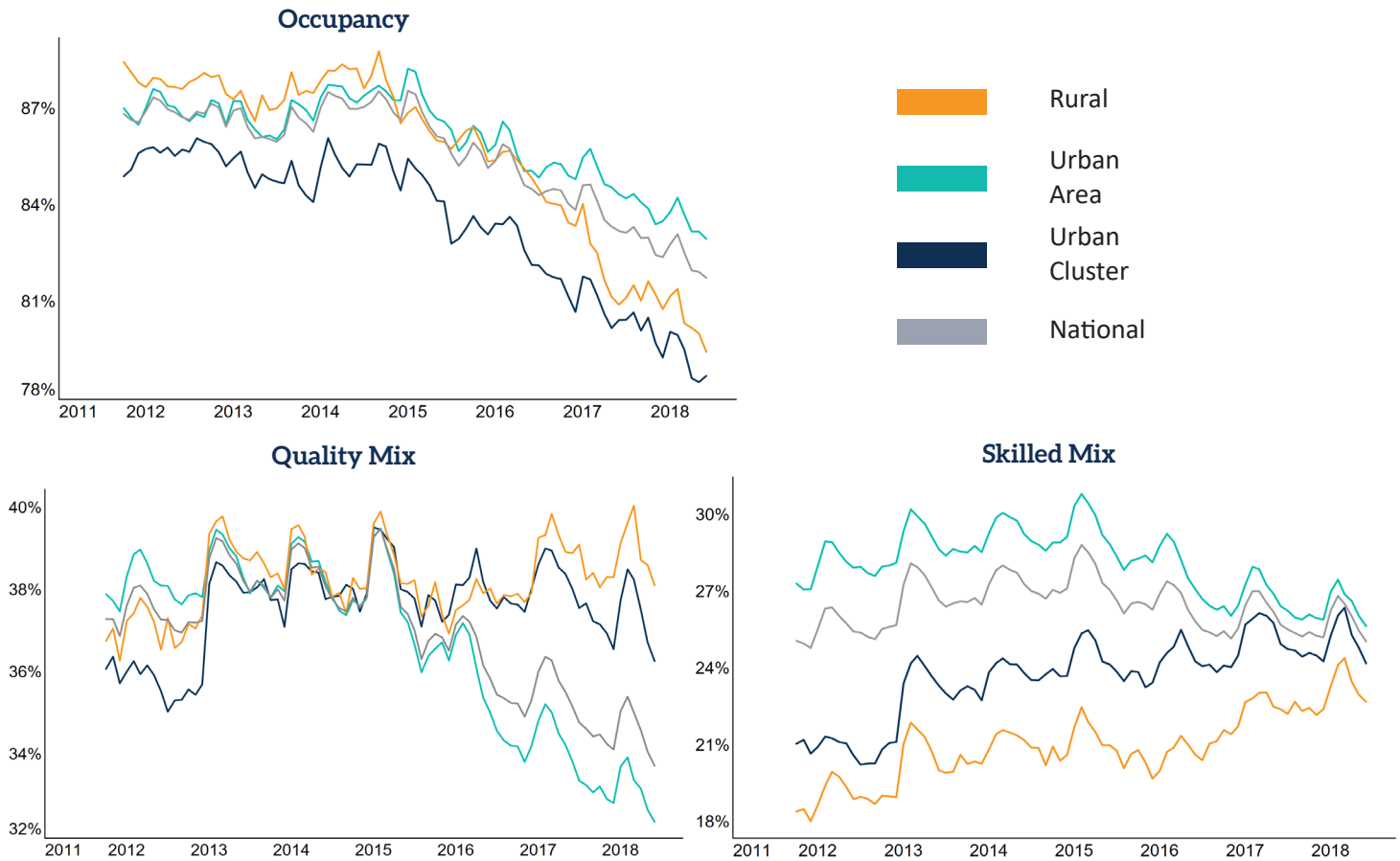
Key Indicators

Data through June 2018

	National		Rural		Urban Cluster		Urban Area	
	Current Month	M/M	Current Month	M/M	Current Month	M/M	Current Month	M/M
Occupancy	81.7%	-19 bps	79.4%	-57 bps	78.7%	20 bps	83.0%	-23 bps
Quality Mix	34.0%	-32 bps	38.1%	-49 bps	36.3%	-45 bps	32.4%	-29 bps
Skilled Mix	25.3%	-42 bps	22.7%	-27 bps	24.2%	-61 bps	25.7%	-40 bps
Patient Day Mix								
Medicaid	66.0%	34 bps	61.9%	49 bps	63.7%	35 bps	67.6%	29 bps
Medicare	12.1%	-32 bps	11.3%	-35 bps	13.0%	-55 bps	11.8%	-25 bps
Managed Medicare	6.4%	-6 bps	3.0%	8 bps	3.4%	1 bps	7.7%	-10 bps
Private	8.8%	9 bps	15.4%	-22 bps	12.1%	15 bps	6.7%	11 bps
Revenue Per Patient Day								
Medicaid	\$208	-0.1%	\$193	-0.1%	\$204	0.1%	\$212	-0.1%
Medicare	\$521	-0.3%	\$477	-0.2%	\$498	-0.9%	\$535	-0.2%
Managed Medicare	\$427	-0.4%	\$421	-0.3%	\$410	-0.4%	\$430	-0.3%
Private	\$259	-0.1%	\$230	0.6%	\$242	0.3%	\$280	-0.5%
Revenue Mix								
Medicaid	49.4%	41 bps	46.9%	58 bps	48.0%	56 bps	50.5%	35 bps
Medicare	22.8%	-38 bps	21.1%	-46 bps	24.1%	-92 bps	22.5%	-20 bps
Managed Medicare	9.9%	-7 bps	5.0%	10 bps	5.2%	-1 bps	11.7%	-10 bps
Private	8.3%	22 bps	13.9%	7 bps	10.8%	41 bps	6.7%	17 bps

Urban and Rural Trends

Data through June 2018



Geographic classifications of Urban Areas and Urban Clusters are 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.

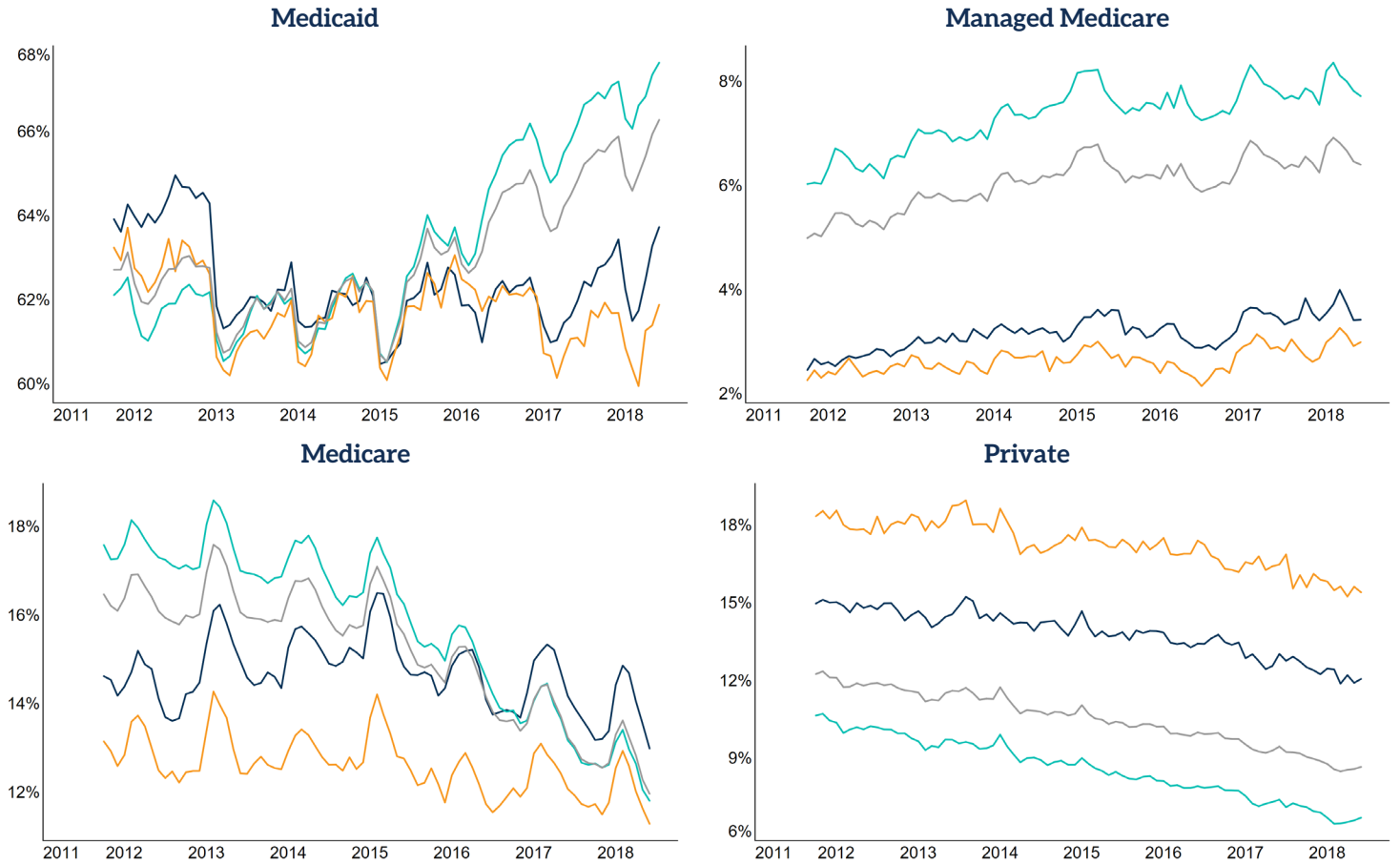
Urbanized Areas (UAs)—An urbanized area consists of densely developed territory that contains 50,000 or more people. The Census Bureau delineates UAs to provide a better separation of urban and rural territory, population, and housing in the vicinity of large places.

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.

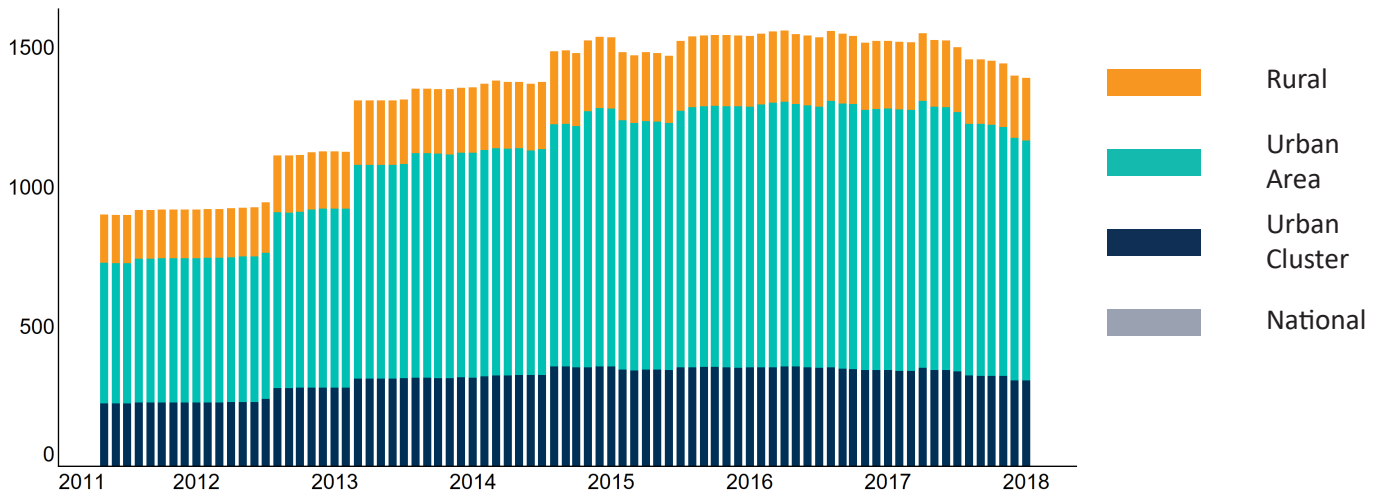
Urban and Rural Trends

Data through June 2018

Patient Day Mix



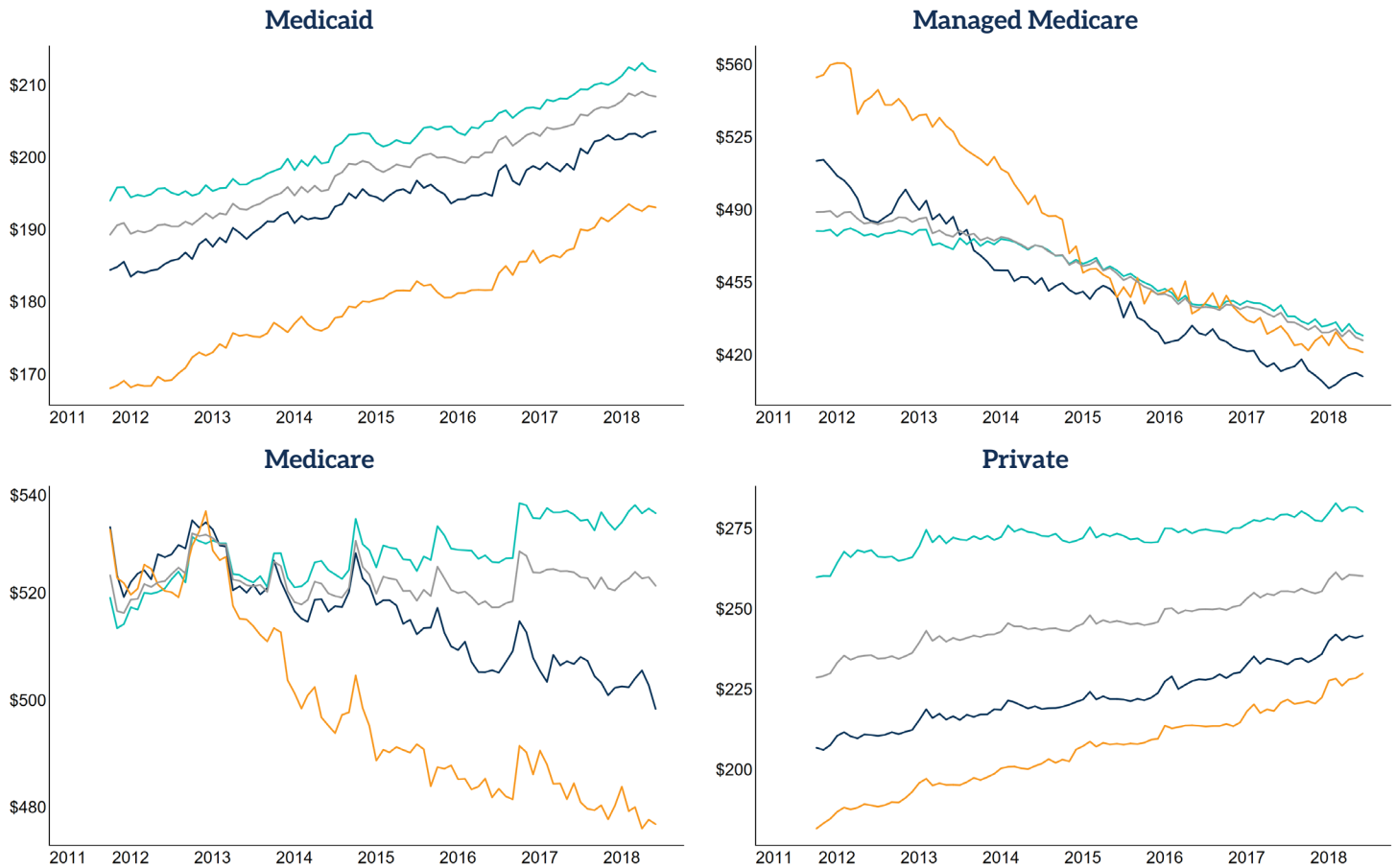
Reporting Property Distribution



Urban and Rural Trends

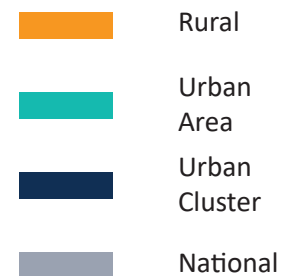
Data through June 2018

Revenue Per Patient Day



“ The number of contributors to the data initiative grew by 20% since the last quarterly release. This fact alone demonstrates the value - and timeliness - of the data, especially at this juncture when some in the industry face uncertainty in the wake of steadily decreasing occupancy. ”

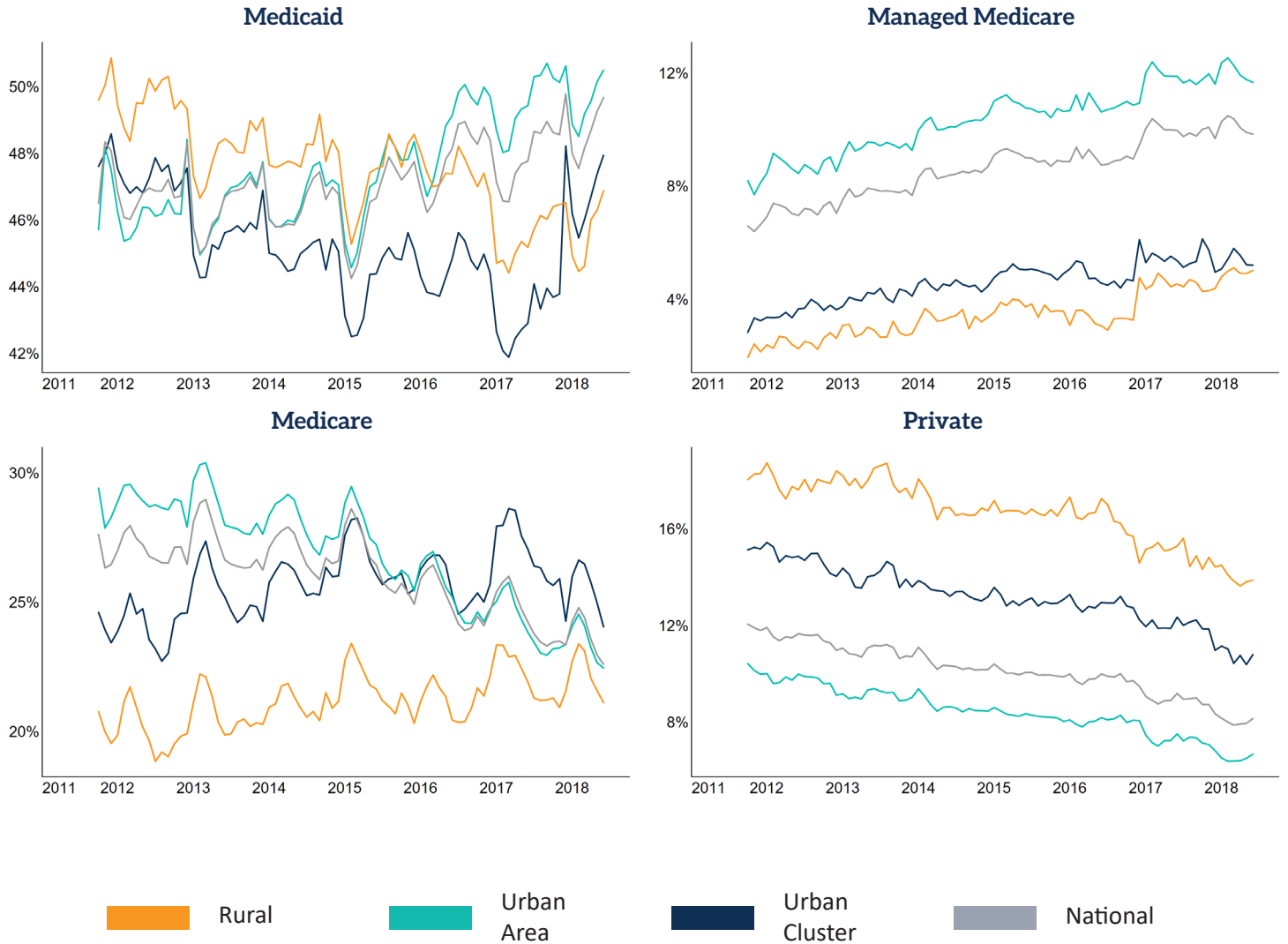
- Liz Liberman, Healthcare Analyst, NIC



Urban and Rural Trends

Data through June 2018

Revenue Mix



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 as footnoted in the report.

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.

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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