Skilled Nursing Data Report

Key Occupancy & Revenue Trends

Based on Data from October 2011 through December 2017

NIC

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Key Takeaways

- **Occupancy continued to decrease in the fourth quarter of 2017 despite an early and severe flu season.** Historically, occupancy experiences an uptick in the fourth quarter if flu season was both early and relatively severe, as has been the case this year. Occupancy decreased 66 basis points from the third quarter of 2017 to end the fourth quarter at 81.9%. Compared to a year ago, occupancy declined 159 basis points from 83.5% in the fourth quarter of 2016.

- **Differences in occupancy trends in rural and urban settings were pronounced over the last 12 months, with rural occupancy rates declining more sharply than urban.** This difference may reflect a number of influential factors, including demographics, competition from home healthcare and telehealth, and reforms to the healthcare system. With the introduction of this new geographic perspective on NIC's skilled nursing data, more research is needed to shed light on the drivers of occupancy in the rural and urban sectors.

- **Managed Medicare revenue per patient day (RPPD) pressures were again evident in the latest data as it reached a new low at $433.** However, an analysis of urban vs. rural areas suggests that the pressures of managed Medicare are more prevalent in urban areas than rural areas, as the managed Medicare patient day mix currently stands at 7.3% in urban areas and only 2.7% in rural areas.

- **Medicaid revenue mix now represents essentially half of all revenue at skilled nursing properties at 49.3% as of the fourth quarter of 2017.** That percentage is up 70 basis points from the prior year in the fourth quarter of 2016. Meanwhile, revenue mix has decreased for Medicare, the highest payor, to 22.8% which is down 98 basis points from the prior year. This trend presents a challenge to the traditional skilled nursing business model as Medicaid, the lowest payor, is growing in revenue mix as the highest payor, Medicare, is decreasing in revenue mix.

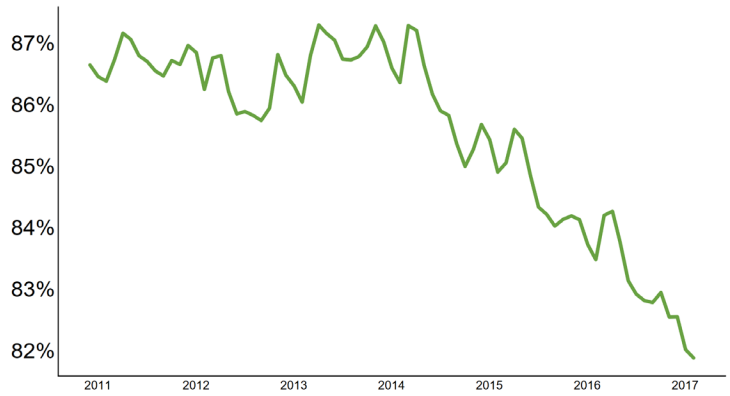
- **Private patient day mix in rural areas was more than that of urban areas at 15.6% compared to 6.5%, respectively.** One possible explanation for the differences among geography types is that urban skilled nursing properties may face higher competition for market share, in part because of a greater supply of similar products such as home care and other seniors housing types.

> **"The addition of urban and rural comparisons in the release of this report provides many noteworthy observations and trends for operators and investors. For example, rural areas have a higher exposure to private pay patient day mix in addition to less exposure to Medicaid patient day mix. Coupled with the fact that growth in managed Medicare patient day mix has been essentially flat in rural areas but growing in urban areas, this data suggests there are different risk profiles between the geographic areas."**
>
> - Bill Kauffman, Senior Principal, NIC

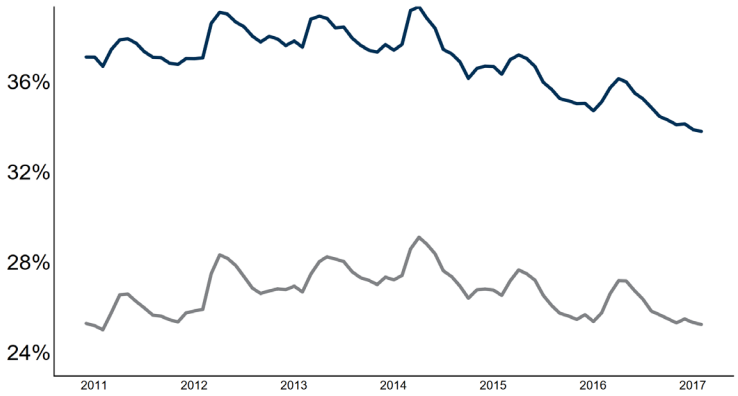
National Skilled Nursing Trends

Data through December 2017

Occupancy

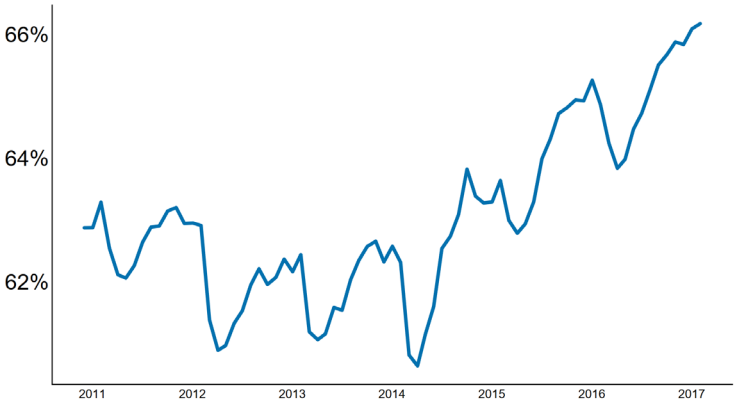


Quality and Skilled Mix

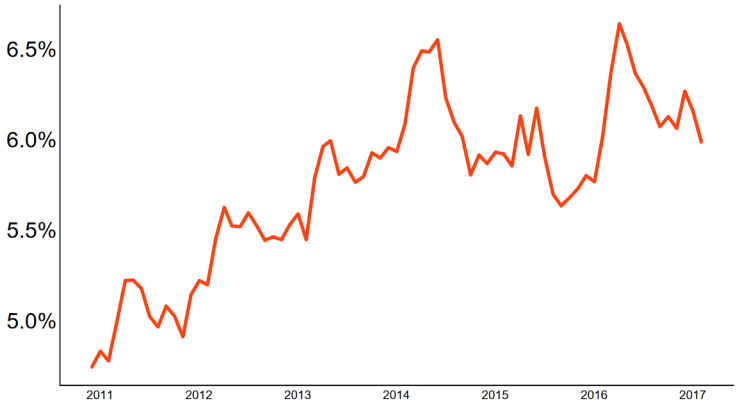


Patient Day Mix

Medicaid



Managed Medicare



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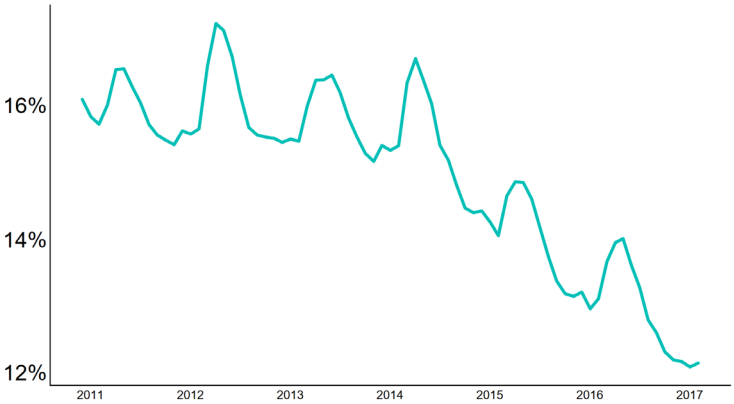

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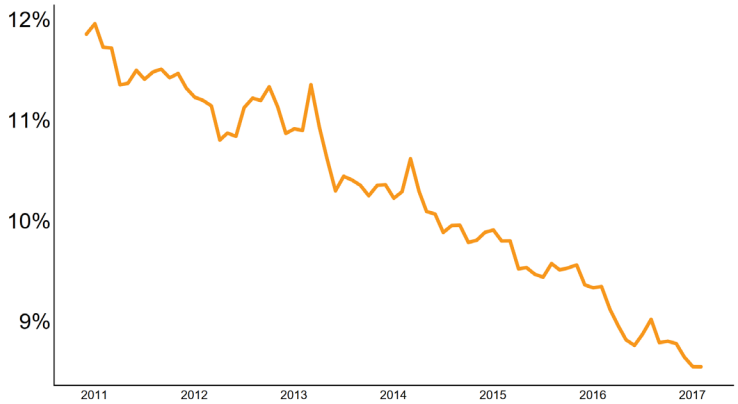
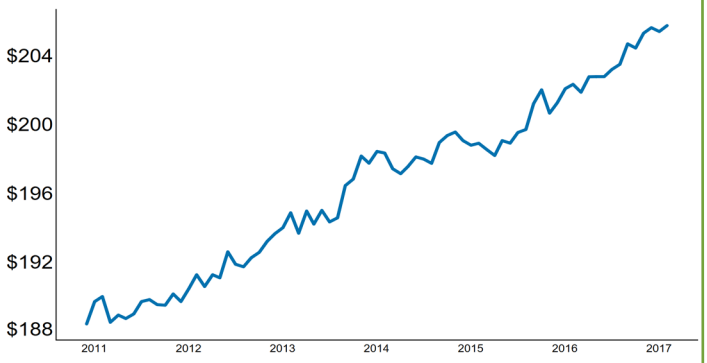


National Skilled Nursing Trends

Data through December 2017

Revenue Per Patient Day

Medicaid



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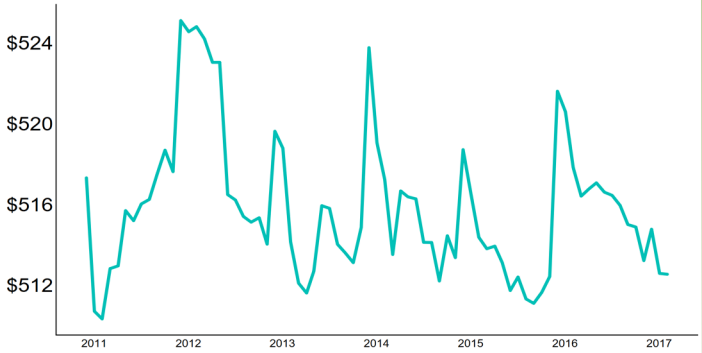
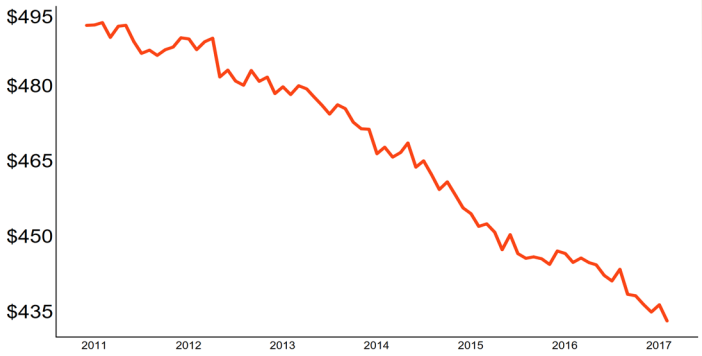


Managed Medicare



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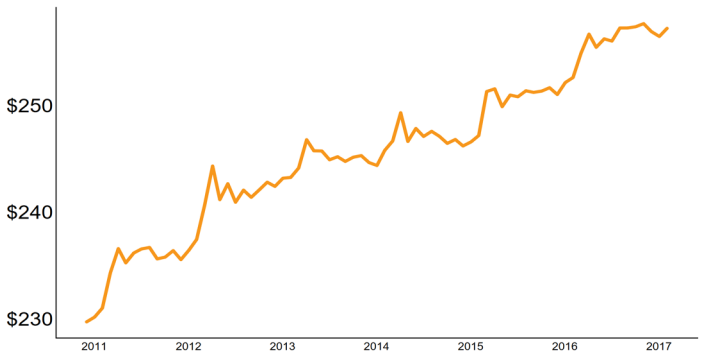
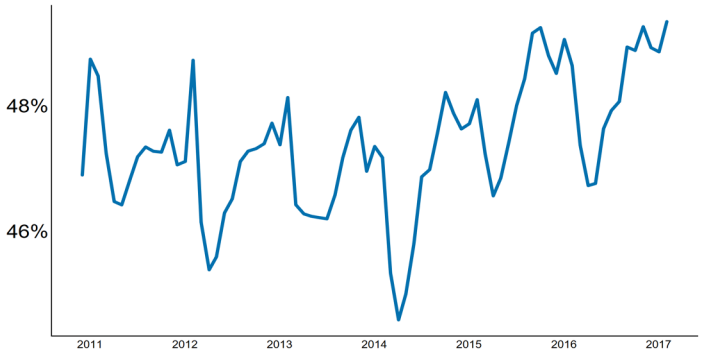


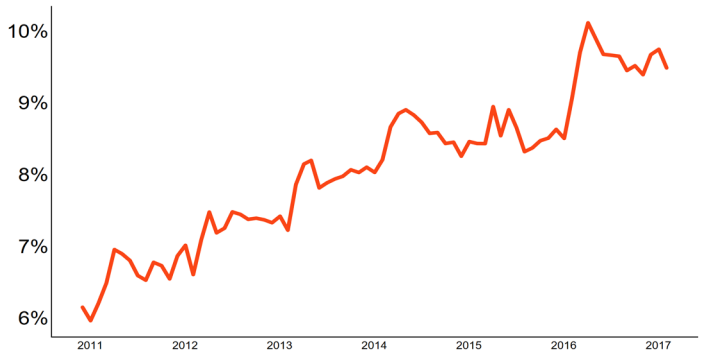
Revenue Mix

Medicaid



Medicare

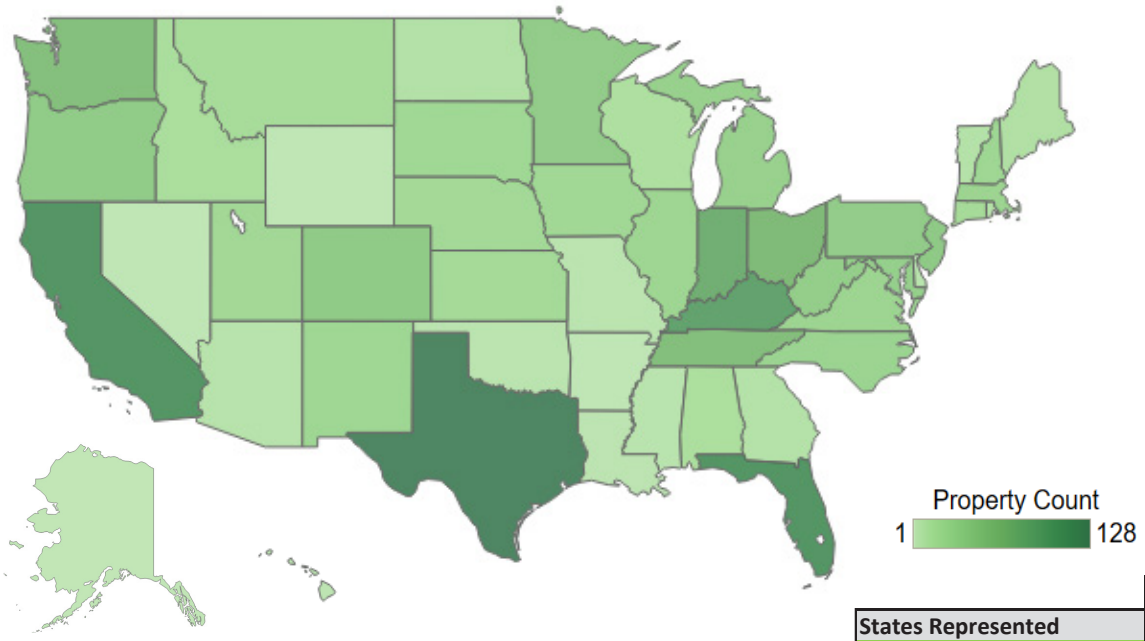
Managed Medicare



Private

Skilled Nursing Coverage

Data through December 2017



	November	December
States Represented	48	48
Number of Contributors	21	21
Total SNF Properties	1,472	1,447

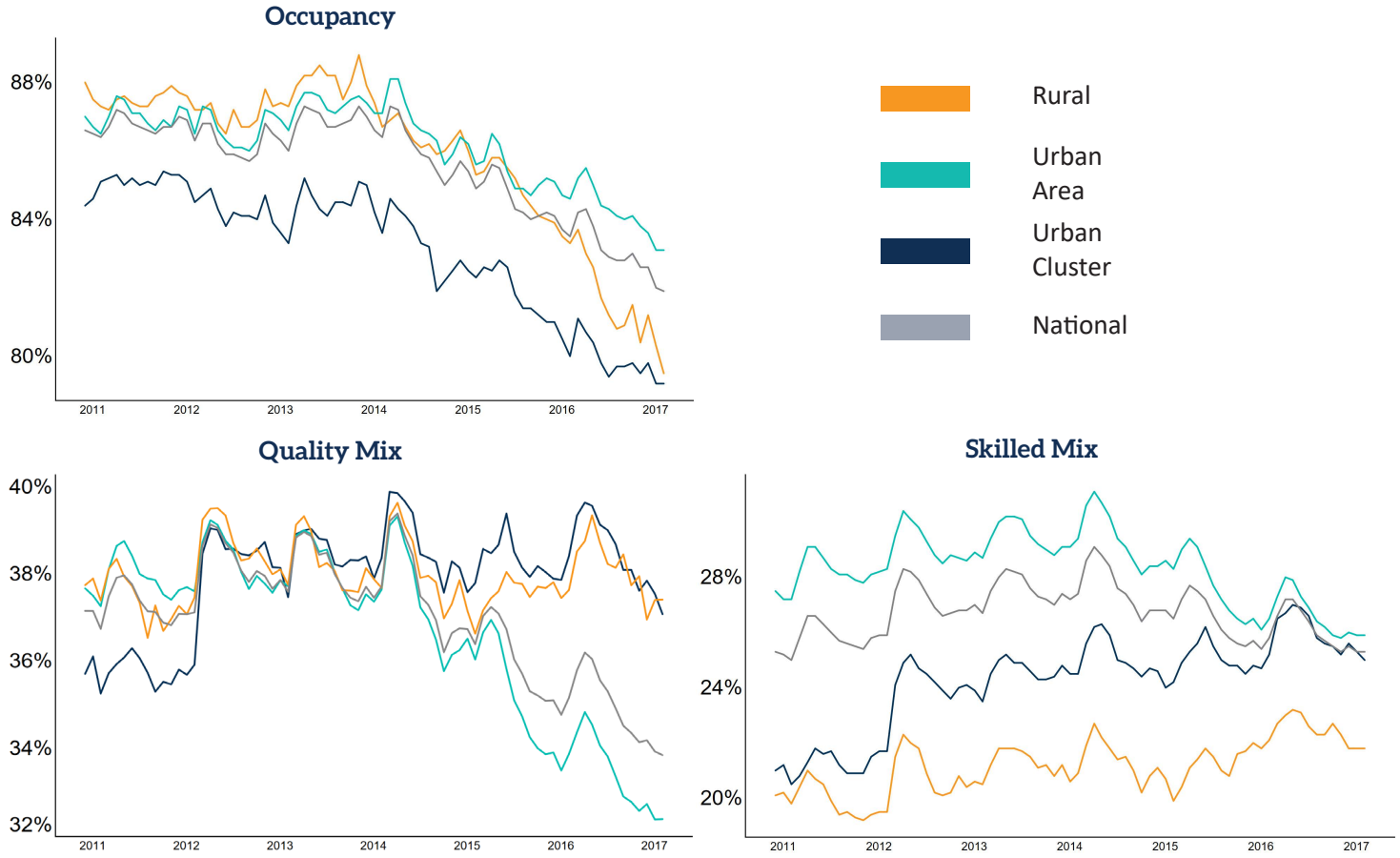
Key Indicators

Data through December 2017

	National		Rural		Urban Cluster		Urban Area	
	Current Month	M/M	Current Month	M/M	Current Month	M/M	Current Month	M/M
Occupancy	81.9%	-14 bps	79.5%	-87 bps	79.2%	-5 bps	83.1%	-4 bps
Quality Mix	33.8%	-8 bps	37.4%	1 bps	37.1%	-47 bps	32.4%	1 bps
Skilled Mix	25.3%	-8 bps	21.8%	7 bps	25.0%	-34 bps	25.9%	-3 bps
Patient Day Mix								
Medicaid	66.2%	8 bps	62.6%	-1 bps	62.9%	47 bps	67.6%	-1 bps
Medicare	12.2%	6 bps	11.5%	36 bps	12.7%	-11 bps	12.2%	6 bps
Managed Medicare	6.0%	-17 bps	2.7%	10 bps	3.3%	5 bps	7.3%	-27 bps
Private	8.6%	0 bps	15.6%	-6 bps	12.1%	-12 bps	6.5%	4 bps
Revenue Per Patient Day								
Medicaid	$206	0.2%	$193	0.4%	$199	-0.3%	$209	-0.8%
Medicare	$513	0.0%	$469	-0.1%	$495	0.4%	$524	0.2%
Managed Medicare	$433	-0.7%	$425	0.5%	$428	-0.9%	$434	-0.1%
Private	$257	0.3%	$225	0.5%	$234	0.4%	$282	0.0%
Revenue Mix								
Medicaid	49.3%	48 bps	47.8%	21 bps	46.9%	67 bps	50.2%	47 bps
Medicare	22.8%	23 bps	21.4%	67 bps	23.6%	21 bps	22.7%	18 bps
Managed Medicare	9.5%	-26 bps	4.7%	5 bps	5.4%	-12 bps	11.3%	-34 bps
Private	8.3%	-28 bps	13.9%	-28 bps	11.0%	-43 bps	6.8%	-25 bps

Urban and Rural Trends

Data through December 2017



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:

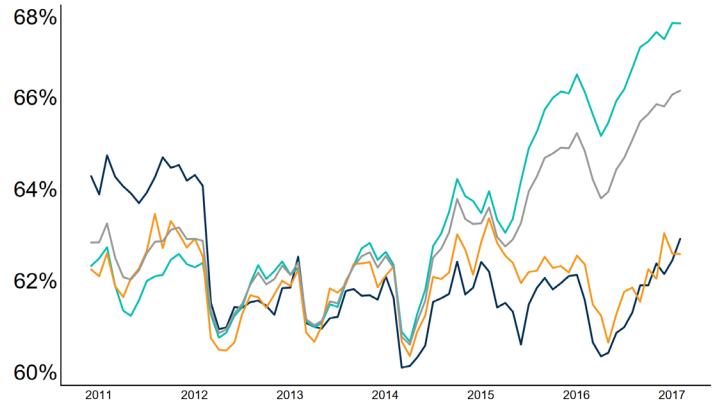
> For the 2010 Census, the Census Bureau classified as urban all territory, population, and housing units located within urbanized areas (UAs) and urban clusters (UCs), both defined using the same criteria. The Census Bureau delineates UA and UC boundaries that represent densely developed territory, 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

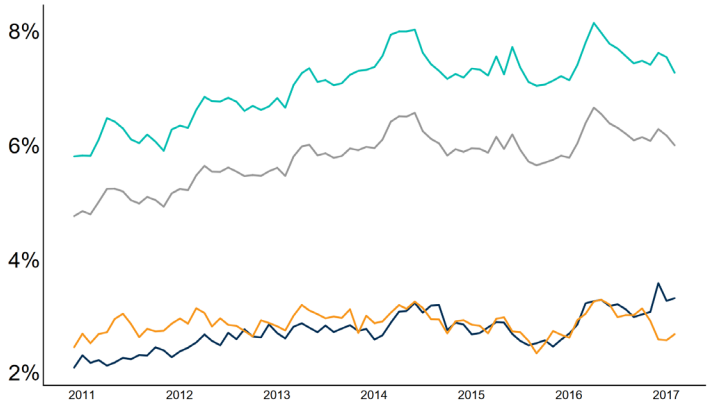
Data through December 2017

Patient Day Mix

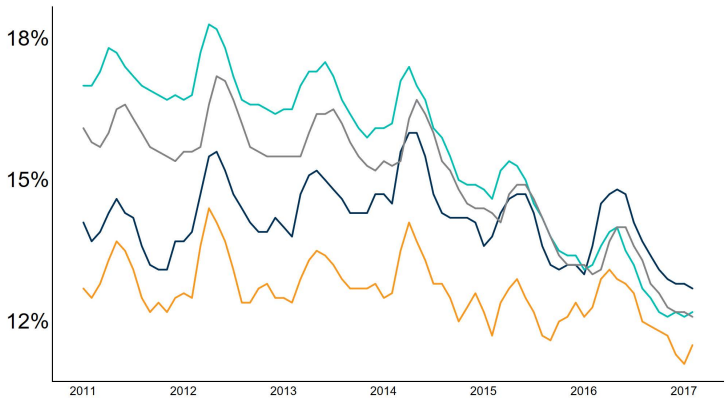
Medicaid



Managed Medicare



Medicare



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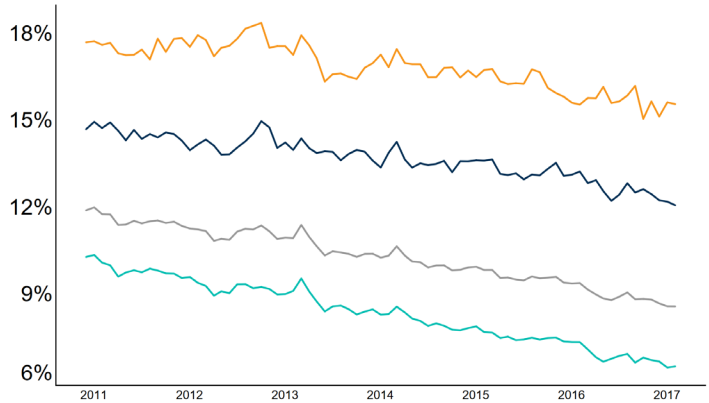
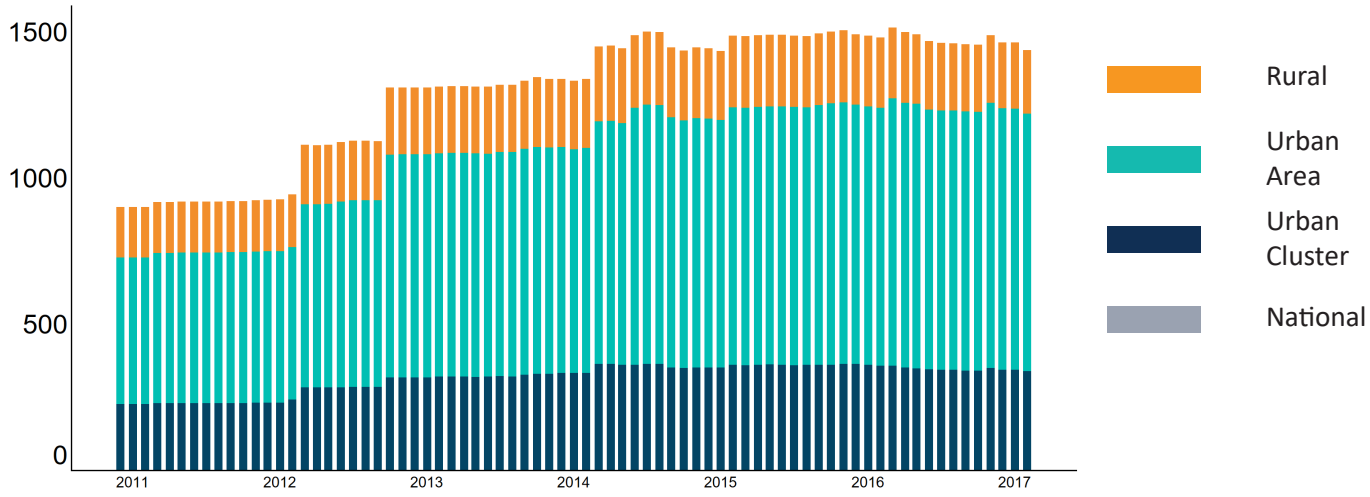


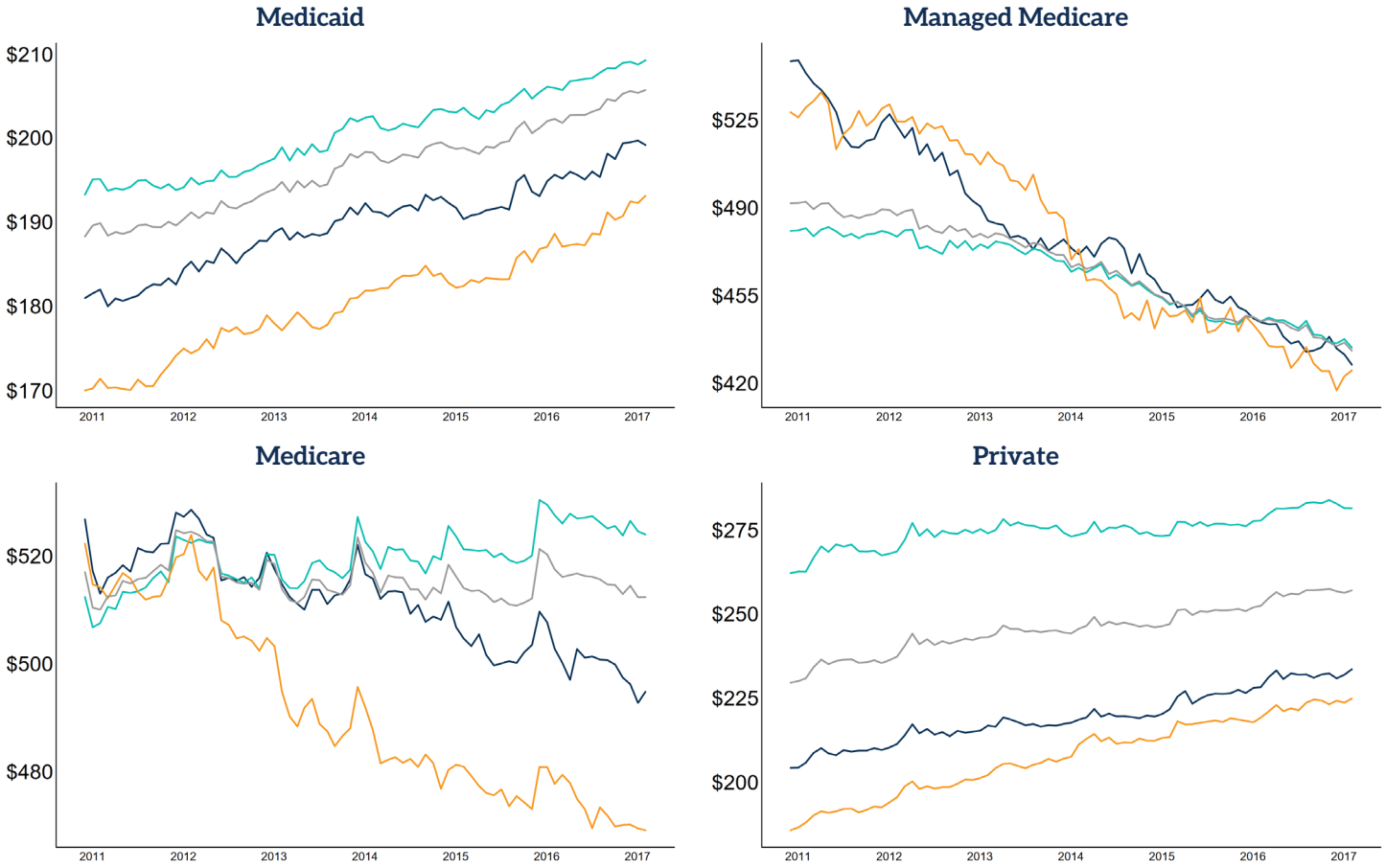
Reporting Property Distribution



Urban and Rural Trends

Data through December 2017

Revenue Per Patient Day



"By splitting the data into Urban Area, Urban Cluster, and Rural, we see that some trends vary by geography. Compared to rural areas and urban clusters, managed Medicare patient day mix in urban areas is more prominent and growing at a faster pace than in rural areas and urban clusters. This payor type also makes up a higher share of revenue mix than in the other settings. Providers located in urban areas may need to adapt more quickly to this payor type to maintain market share and remain competitive in an era where pressures on occupancy and reimbursement rates are palpable."

- Liz Liberman, Healthcare Analyst, NIC

Urban and Rural Trends

Data through December 2017

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 days.

Quality Mix: Total number of Medicare, managed Medicare/other, and Private days divided by total number of actual patient days.

Revenue Mix: Total revenue for the payor type divided by total revenue for all four payor types

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

Skilled Mix: Total number of Medicare and managed Medicare/other divided by total number of 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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