

# FUTURE OF SKILLED NURSING

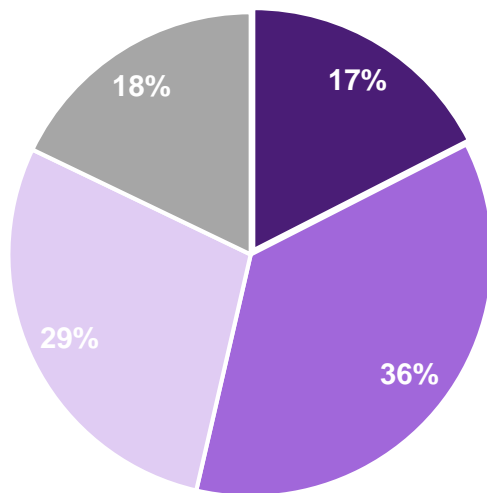
ZIEGLER CFO HOTLINE<sup>SM</sup>

In July 2021, a *Ziegler CFO Hotline<sup>SM</sup>* survey gathered feedback related to the future of skilled nursing (SN) and the impact of the pandemic, among other pressures, on skilled nursing providers. Nearly 270 organizations participated in the survey. Roughly 60% were single-site senior living providers, while the remaining 40% represented multi-site providers. The respondent pool is heavily weighted towards Not-for-Profit Life Plan Community organizations.

### *Skilled Nursing Occupancy and Reductions*

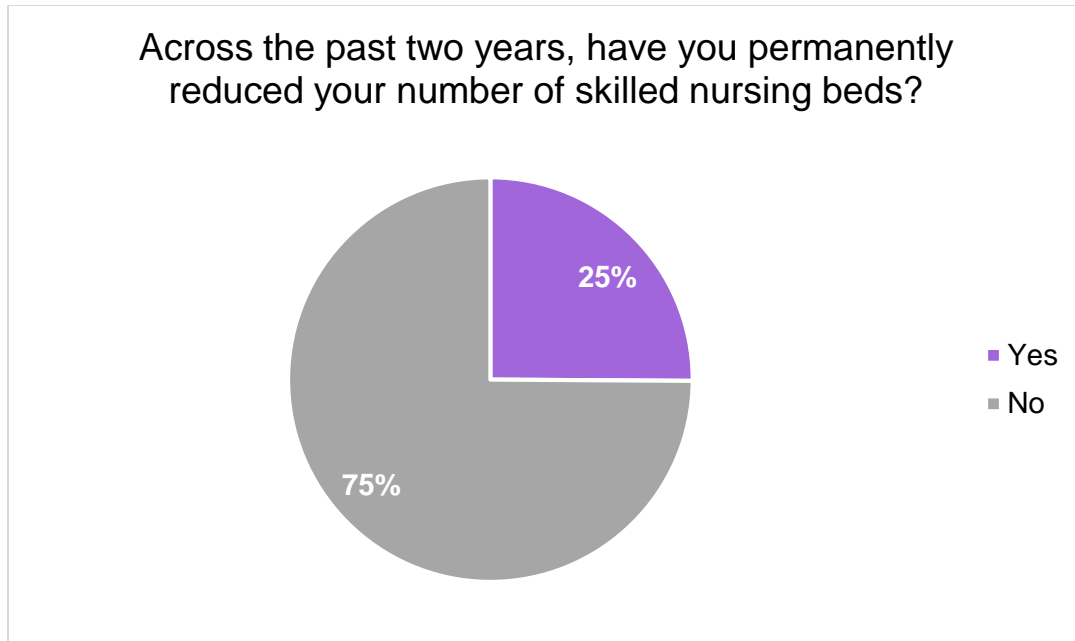
The first several questions asked about the number of skilled nursing beds offered by each community and the associated occupancy rates. These questions focused primarily on changes within the last two years, especially in relation to the COVID-19 pandemic. The table below details the reported improvement in SN occupancy in relation to each provider’s respective pandemic “low-point.” Over 80% of providers had seen improvements, though some only slightly. The remaining providers had not seen material improvement in their SN occupancy following the pandemic’s initial onset.

Are you seeing improvements in your skilled nursing occupancy compared to your pandemic low-point?

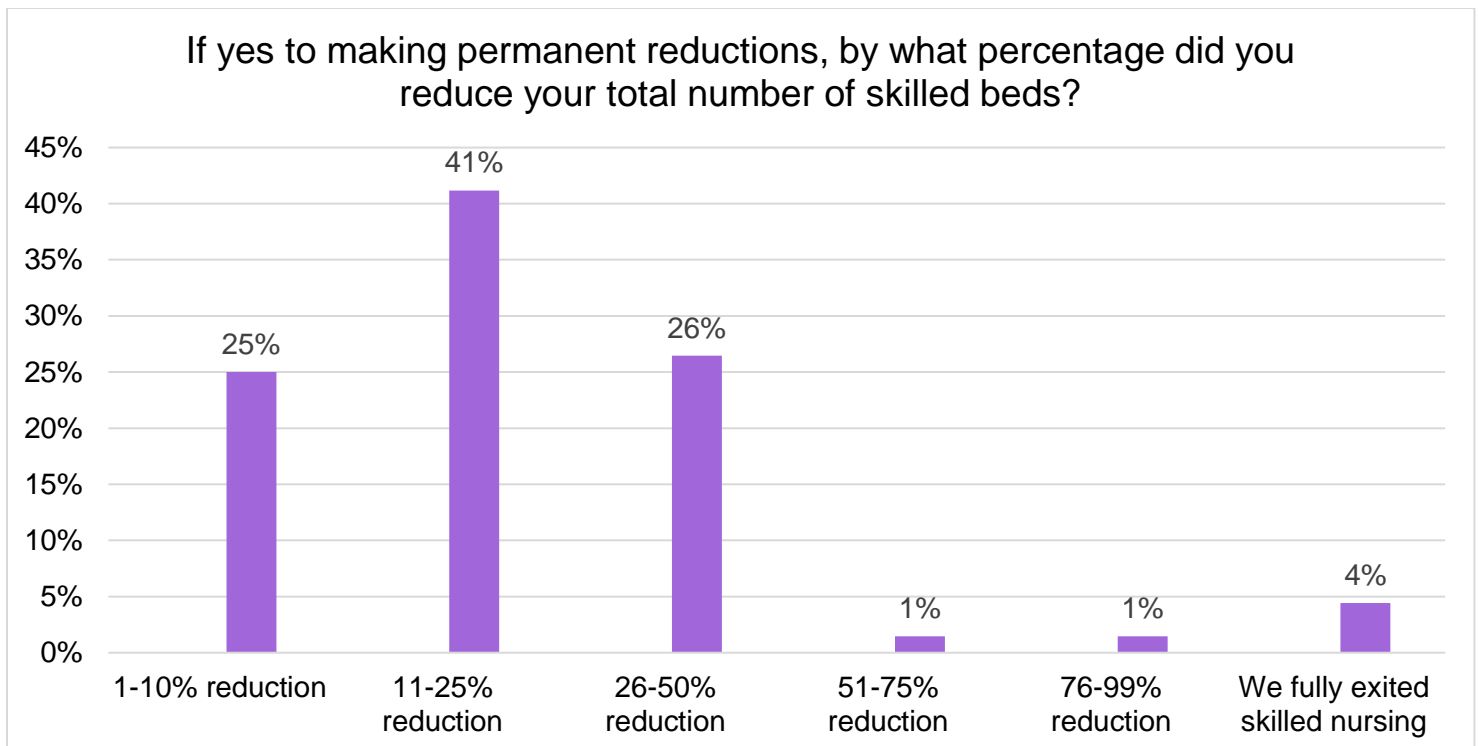


- Yes, significant improvement
- Yes, moderate improvement
- Yes, but only slight improvement
- Not seeing material improvement in SN occupancy

Questions were also asked regarding the reduction of SN units. As shown below, a quarter of providers surveyed indicated they had made permanent reductions in the number of beds across the past two years.

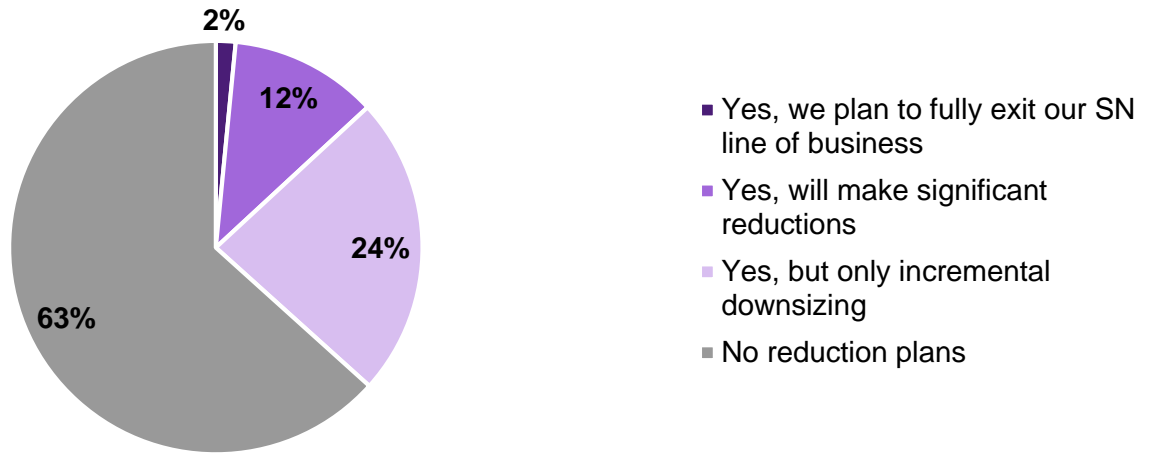


Among those who answered “yes” to the above question, there were varying levels of reduction. While most providers who reduced their number of SN beds did so by fewer than half, a small number reduced their beds by 51-99%, and a few providers reported they had exited the skilled nursing industry entirely.



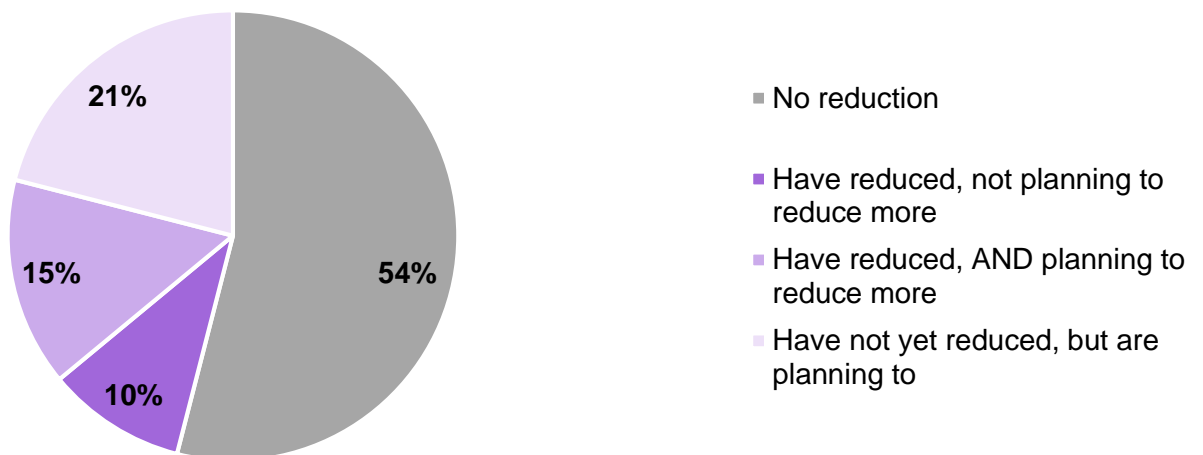
When asked whether they intended to reduce their number of SN beds in the near future, the largest proportion of providers stated they had no such plans. However, over a third of respondents indicated they expect to make at least incremental reductions in the next two years, including some who plan to exit skilled nursing entirely.

### Do you plan to make reductions in the number of skilled nursing beds within the next two years?



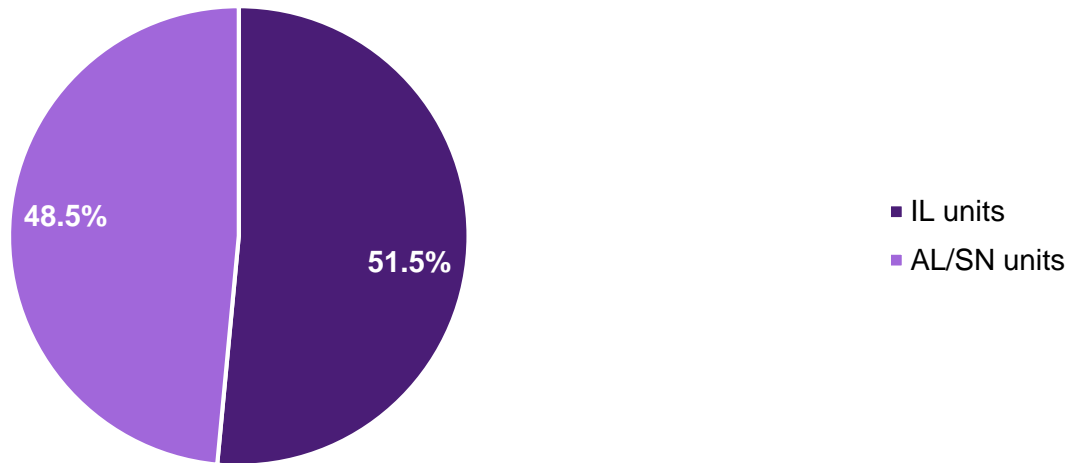
When looking at the total percentage of respondents who have recently reduced their number of SN units and the percentage who plan to do so in the near future, this adds up to nearly half (46%) of survey respondents.

### Roughly Half of Providers Have Already or Plan to Reduce SN Units (2019-2023)

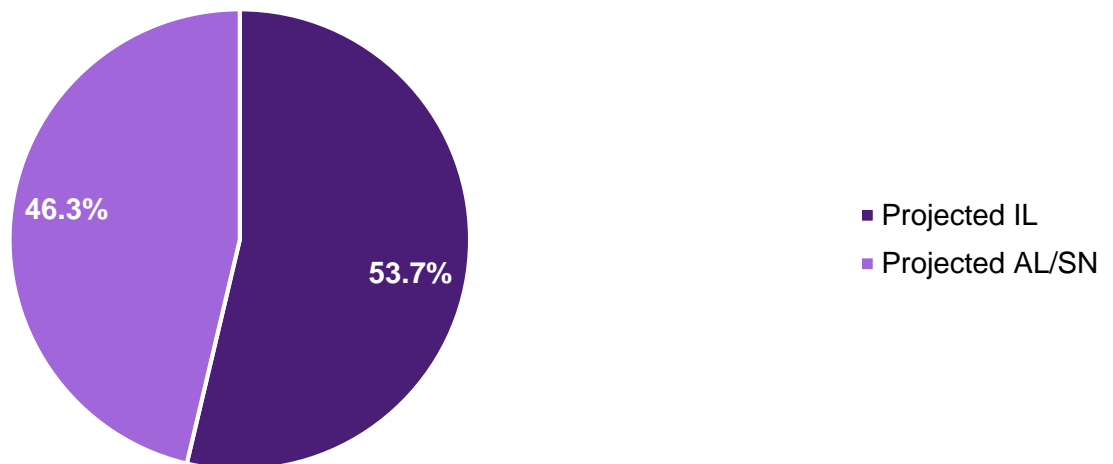


The first chart below details the average breakdown of independent living (IL) units vs assisted living (AL) plus skilled nursing units. While most providers tend to favor either IL or AL/SN, across all providers the unit types average out to about 50/50. Some providers surveyed indicated they were looking to reduce their number of SN beds. When asked their *projected* breakdown of IL and AL/SN units their answers again were split nearly 50/50, with a slight edge given to IL units, seen in the second chart below.

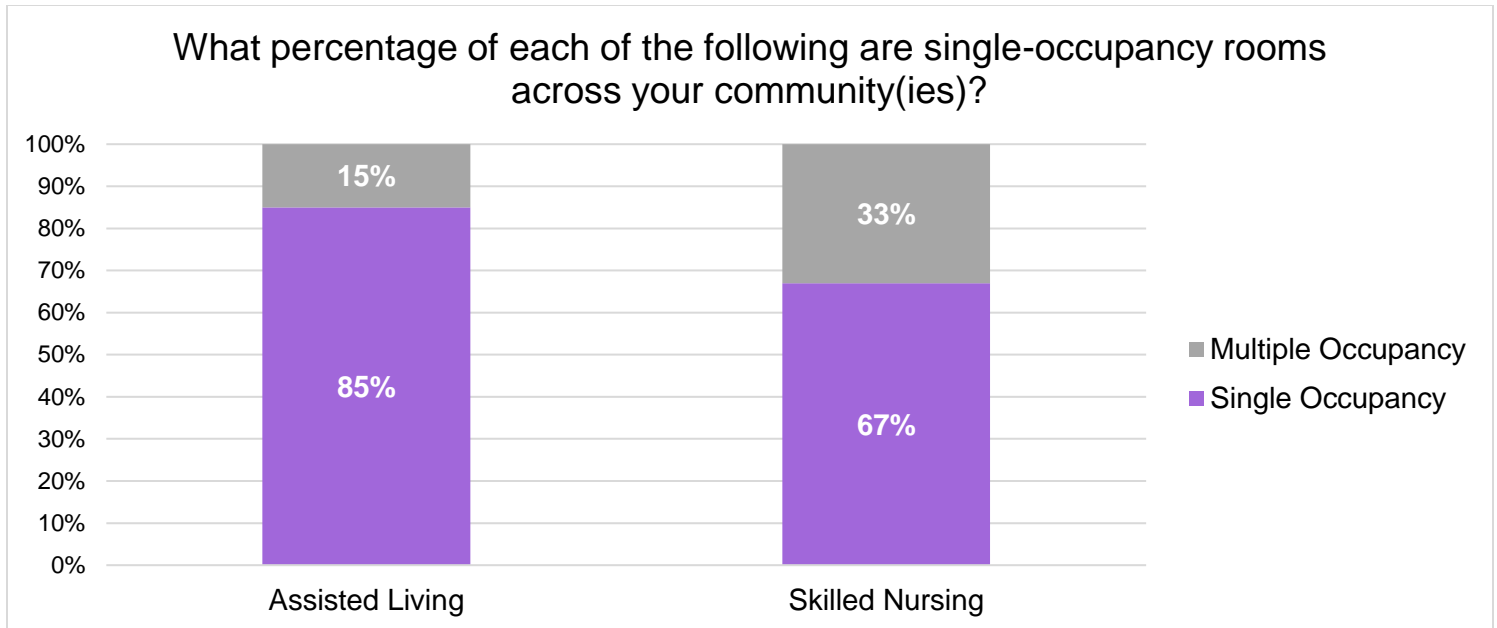
**Of your total market-rate units, what is the current percentage breakdown of your IL versus AL/SN units?**



**If looking to make reductions in SN, what is the projected percentage breakdown of your market-rate IL and AL/SN units?**



When asked about unit occupancy, providers reported that the majority (85%) of assisted living rooms were single occupancy, while two-thirds of skilled nursing rooms were the same.



***Biggest Struggles and Further Comments***

Providers were presented with seven different “pressure points” facing the skilled nursing industry today. Of these options, they were asked to identify their top three concerns in regards to their practice. While each pressure point was selected by multiple providers, “Staffing” proved to be the biggest issue by a wide margin. The results are detailed in the table below.

Concern	Number of Mentions
<b>Staffing</b>	247
<b>Regulatory Environment</b>	118
<b>Reimbursement Challenges</b>	109
<b>Consumer Preference (to avoid SN)</b>	69
<b>Changes in Hospital Referral Patterns</b>	67
<b>Dated Physical Plant and Offerings</b>	62
<b>Increasing Acuity of Residents</b>	41

Lastly, the survey allowed for open-ended comments regarding skilled nursing. Below is a sampling of those comments:

- *We could take more residents if we had the staff. We are only now looking into possibly downsizing the nursing home.*
- *I am more concerned with the future of short-term post-acute than LTC.*
- *If we could enhance federal and state reimbursement of AL beds, many of our LTC residents could be more properly cared for in this setting (staffing differentiation based on level of care, greater perceived independence by resident with safety net in place).*
- *Hard for a single site.*
- *Changes in the regulatory environment and reimbursement are making it difficult for a LPC to run a large single-site SNF. Market conditions are necessitating more At-home and Aging-in-place services.*
- *While no decision has been made, our board is strongly considering significantly reducing or exiting skilled nursing.*
- *Coming out of the pandemic, the right direction is to convert all SNF beds to private rooms.*
- *We are likely to reduce SN beds by moving them to AL, so no change to the ratio of AL + SN to total units including IL.*
- *Staffing is a significant concern. We post for open positions but cannot find people to apply. It is extremely difficult to find staff to fill call outs as many have other jobs or don't want the overtime.*
- *We don't have plans to close skilled nursing, but may be forced to if staffing, wages and increased regulations in our industry don't change. Regulators cannot force us to be closed to admissions for over two weeks every time a staff member tests positive for COVID-19 and expect us to survive.*
- *Raised rates and still having challenges with staffing.*
- *Recent articles of nursing facilities closures may result in an opportunity for us.*
- *The skilled need is not rebounding and there is an increased need for long term Medicaid services. Without a significant change in governmental funding for this population, the viability to provide nursing services is quickly declining.*
- *The labor challenges are causing us to turn down admissions as we cannot staff units. We increased our wages across the board by \$1.00 an hour. We need additional reimbursement from Medicare and Medicaid to offset increasing labor costs.*
- *We are increasing our beds, opening March 2022.*
- *Problems such as workforce and reimbursement challenges existed prior to COVID-19, but they are now at a crisis point. The pathway forward is very uncertain.*

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