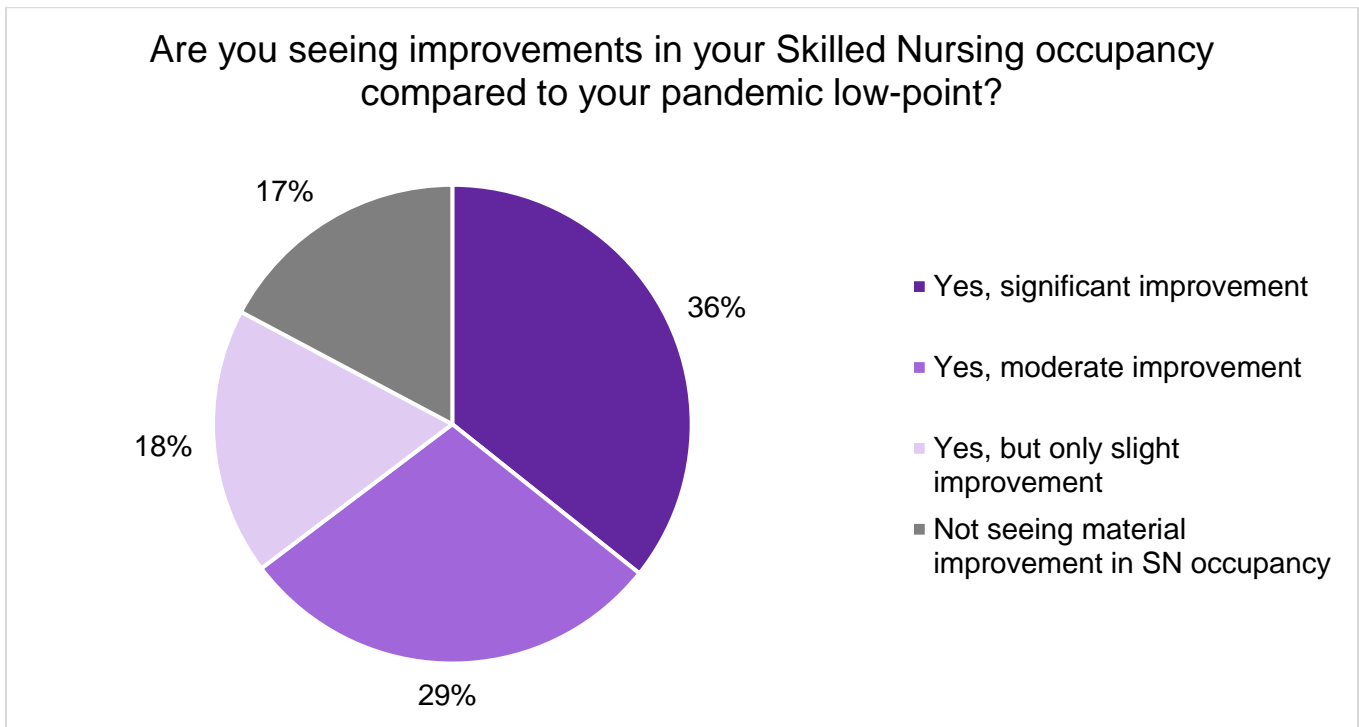


FUTURE OF SKILLED NURSING

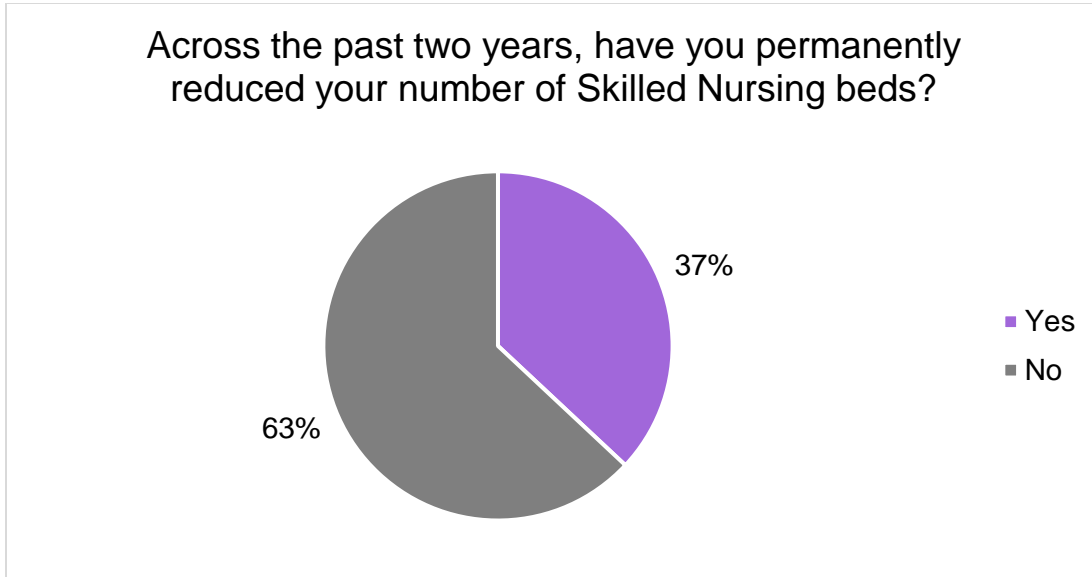
ZIEGLER CFO HOTLINESM

In mid-November 2023, a *Ziegler CFO HotlineSM* survey gathered feedback related to the future of Skilled Nursing (SN). Over 240 organizations participated in the survey. Approximately 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. Please note this survey only collected responses from organizations that offer Skilled Nursing units.

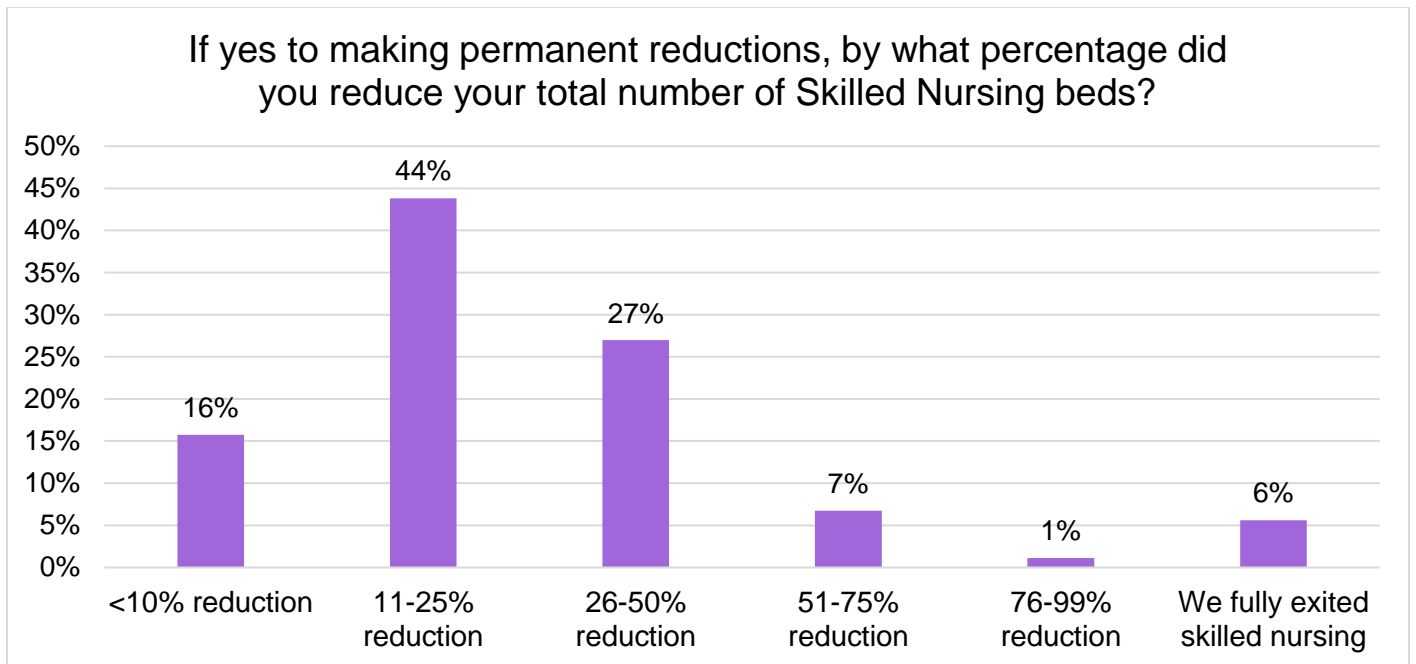
The first several questions asked about the number of SN beds offered by each community and the associated occupancy. These questions focused primarily on changes within the last two years, especially post-pandemic. The table below details the reported improvement in SN occupancy in relation to each provider’s respective pandemic “low-point.” Over 80% of providers had seen improvements, though some only slightly. The largest portion of respondents (36%) reported they were seeing significant improvement. Only 17% had not seen any material improvement in their SN occupancy following the pandemic’s initial onset.



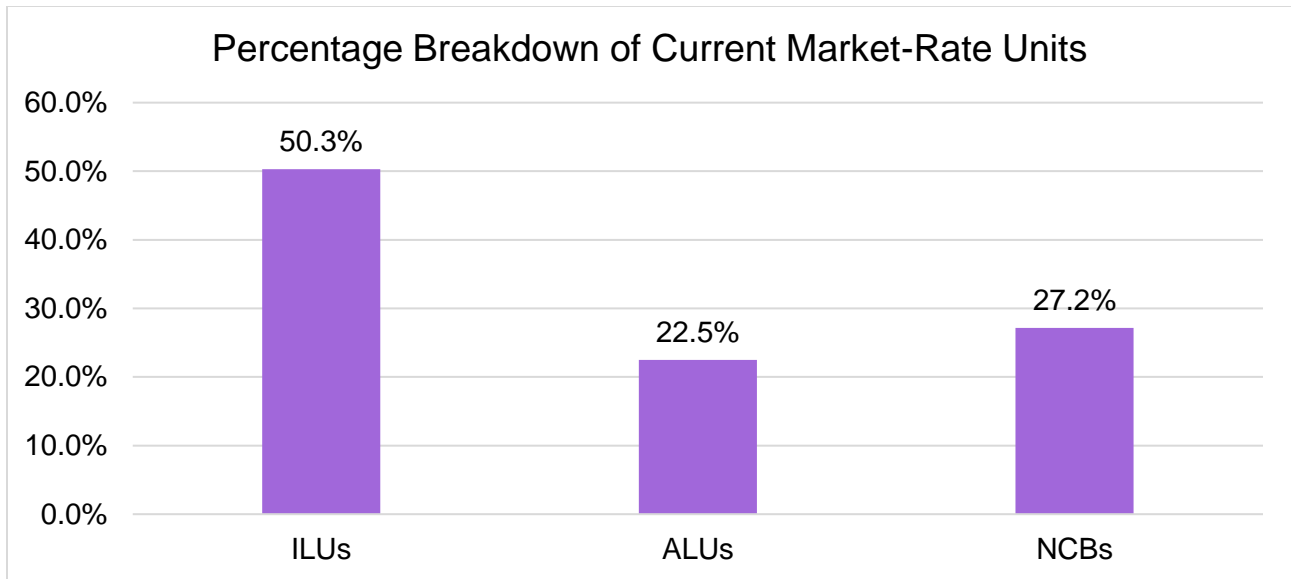
Questions were also asked regarding the reduction of SN units. As shown below, over one third of providers surveyed indicated they had made permanent reductions in the number of beds across the past two years.



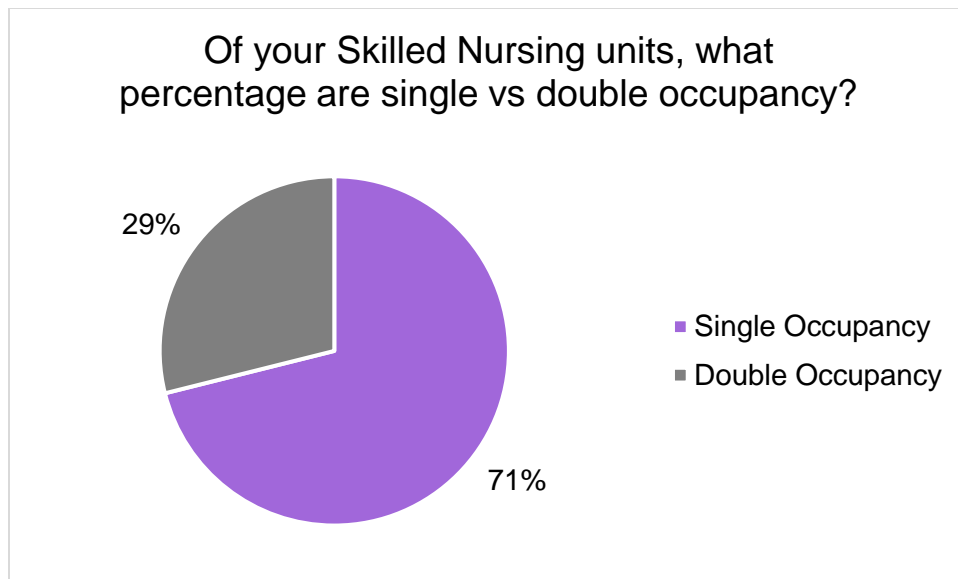
Among those who answered “yes” to the above question, there were varying levels of reduction. While most providers who reduced their number of SN beds did so by fewer than half, a smaller number reduced their beds by 51-99%, and a few providers reported they had exited the Skilled Nursing industry entirely. Of those, two closed their Skilled Nursing facility, another two repositioned their Skilled Nursing units to Assisted Living units, and one sold to a for-profit.



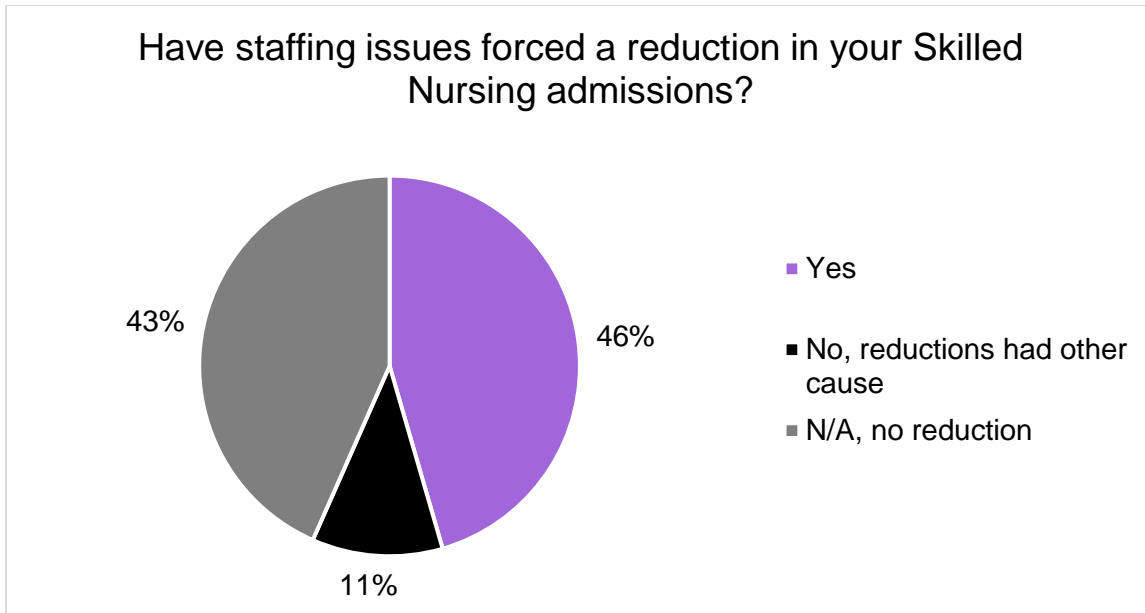
Providers indicated that on average, nursing care beds make up 27% of total units offered. They dedicate 50% of their units to Independent Living and the remaining units to Assisted Living. Please note this does not represent organizations that do not have Skilled Nursing units as they were disqualified from the survey.



When asked whether resident rooms were single vs double occupancy, providers reported that the majority (71%) of SN rooms were single occupancy, the remaining units were double occupancy.



Many *CFO Hotline*SM reports from recent years point to staffing as a key pressure point for senior living providers. When asked whether staffing issues had caused reductions in Skilled Nursing admissions, nearly half (46%) said yes. Around one in ten providers said there were reductions but not because of staffing, giving reasons such as a lack of referrals from hospitals, a general decrease in demand, and repositioning Skilled Nursing units for other uses. Another 43% indicated they hadn't seen reductions in admissions at all.



Providers were presented with eight different “pressure points” facing the Skilled Nursing industry today. Of these options, they were asked to identify their top three concerns regarding 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
Staffing	166
Reimbursement Challenges	96
Regulatory Environment	95
Inflation	60
Consumer Preference (to avoid SN)	43
Changes in Hospital Referral Patterns	35
Dated Physical Plant and Offerings	34
Increasing Acuity of Residents	31

Bonus Question

Other than increased wages, providers were asked what strategies they have found successful in retaining staff. Below is a breakdown of each strategy that was mentioned over five times. Please note providers could list more than one strategy.

Strategy	Number of Mentions
Bonuses (including hiring, retention, referral, and shift differentials)	26
Culture/Employee Appreciation	26
Benefits	24
Flexible Scheduling	23
Training, Mentorship, Career Advancement	19
Scholarships/Tuition Assistance	9

Lastly, the survey allowed for open-ended comments regarding Skilled Nursing. Below is a sampling of these comments, which may be edited for length or minor grammatical errors.

- *Tough business and seems to get tougher every day.*
- *We budget a loss on Skilled Nursing and if it were not for our other lines of business, we couldn't sustain it. As a non-profit continuing care facility, we want and need to keep skilled care part of our continuum, but the long-term sustainability is concerning.*
- *Along with staffing, the growth in Managed Medicare is killing us!*
- *We are expanding and adding beds, which is ironic as the rest of the world is looking to reduce.*
- *We are probably the anomaly in the industry. Skilled Nursing has been a foundational element of service offerings from the beginning. Instead of decreasing SNF beds/revenue, we have chosen to add other revenue streams for diversification.*
- *The demand for our SNF Services is rising at a rate significantly higher than our labor force allows.*
- *Need to reduce reliance on agency.*
- *Skilled Nursing census is directly tied to lack of care staff. If we could fill open nurse and CNA positions, we could be full. The hospital demand is there in our area.*
- *State staffing mandates with no means to improve reimbursement have made it extremely difficult, and in order to comply, significant fee increases are often necessary.*
- *The Medicaid process and rates and staffing challenges are by far the most challenging part of our Skilled Nursing environment.*
- *New state & federal staffing regulations causing us to think whether SNF is needed.*
- *We added SNF - occupancy and reimbursement is good at this point in time.*
- *If we don't hang in there the quality will wane.*
- *I believe there will always be a place for it.*

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