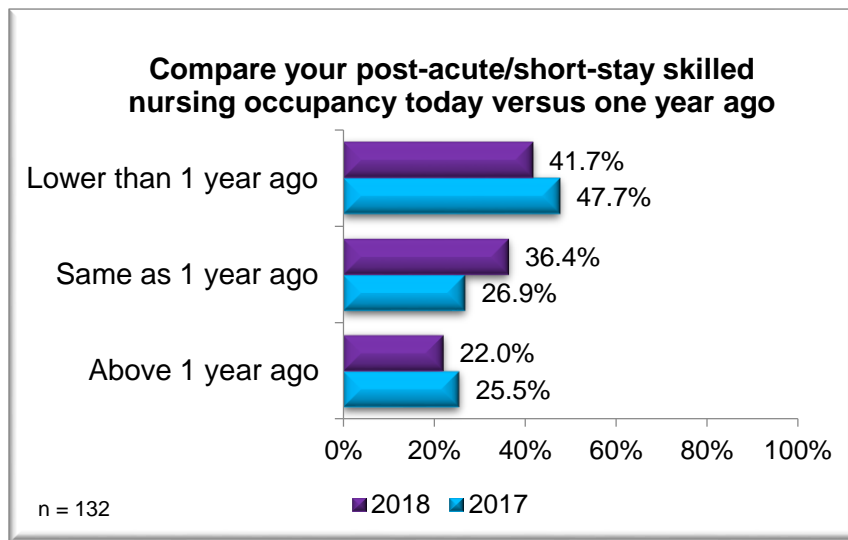


# POST-ACUTE ACTIVITY

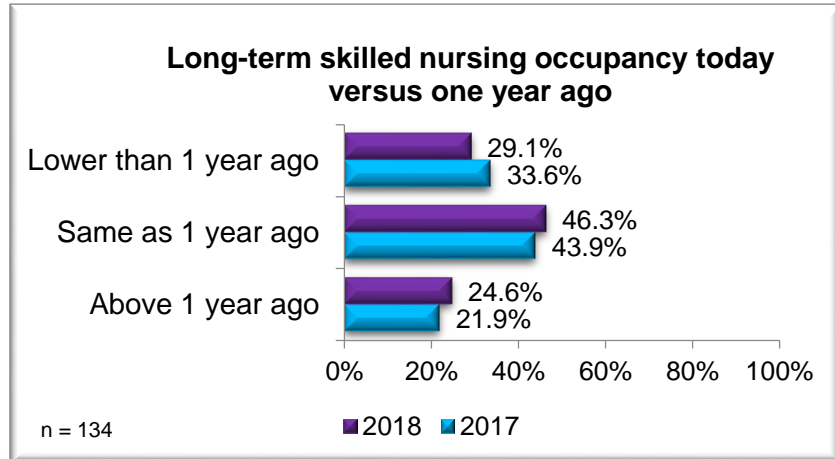
ZIEGLER CFO HOTLINE<sup>SM</sup>

The Ziegler *CFO Hotline*<sup>SM</sup> survey for August focused on the level of post-acute activity among senior living providers as well as observations of changes in the sector. A total of 134 CFOs and finance professionals responded to the survey, which asked questions about occupancy, changes being observed in their skilled nursing units, Medicare Advantage, and their estimates of competitiveness in the future. Roughly 62% of the respondents were from single-site organizations and the remaining 38% represented multi-site provider organizations.

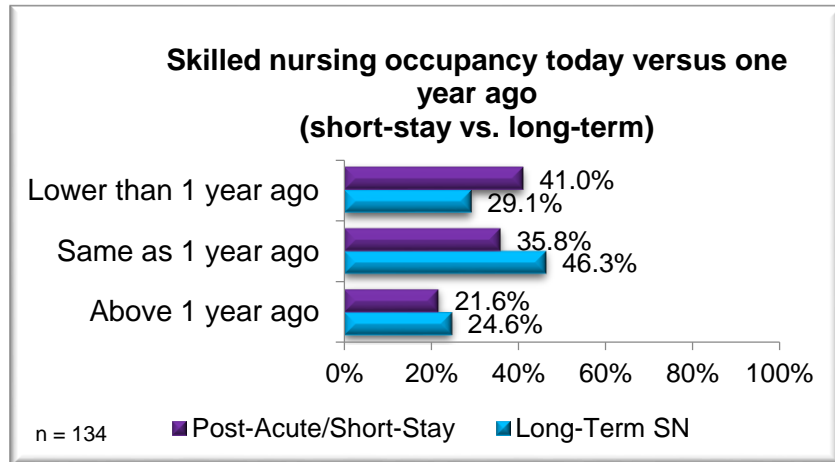
The initial questions gathered feedback on skilled nursing occupancy, both short-stay and long-term. About 42% of providers said that compared to a year ago, their short-stay post-acute occupancy is lower. This decline is 6% below those reporting a decrease one year ago. About 36% said occupancy is the same as a year ago – an increase of roughly 10% over 2017 survey results – and another 22% said post-acute/short-stay occupancy has increased, which is similar to last year’s response.



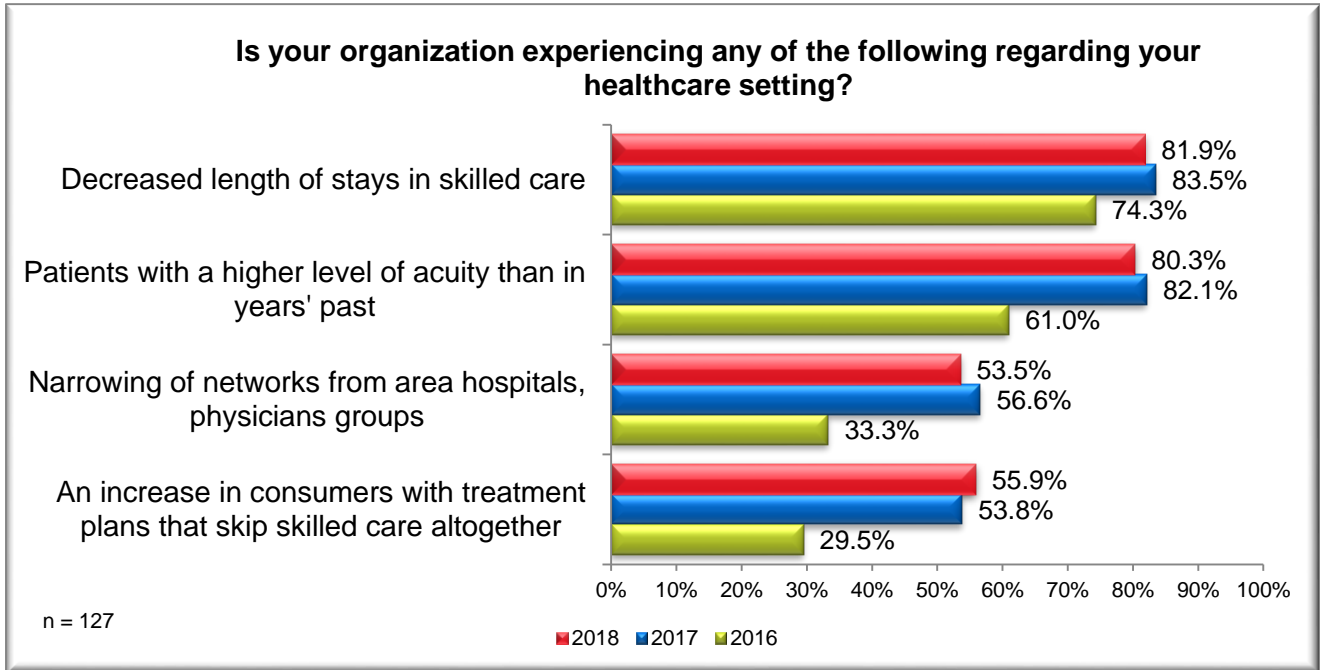
For long-term skilled nursing, 29% of providers said occupancy is the lower than a year ago, with another 46% reporting that occupancy is the same as last year. About one quarter said it is above 2017 levels.



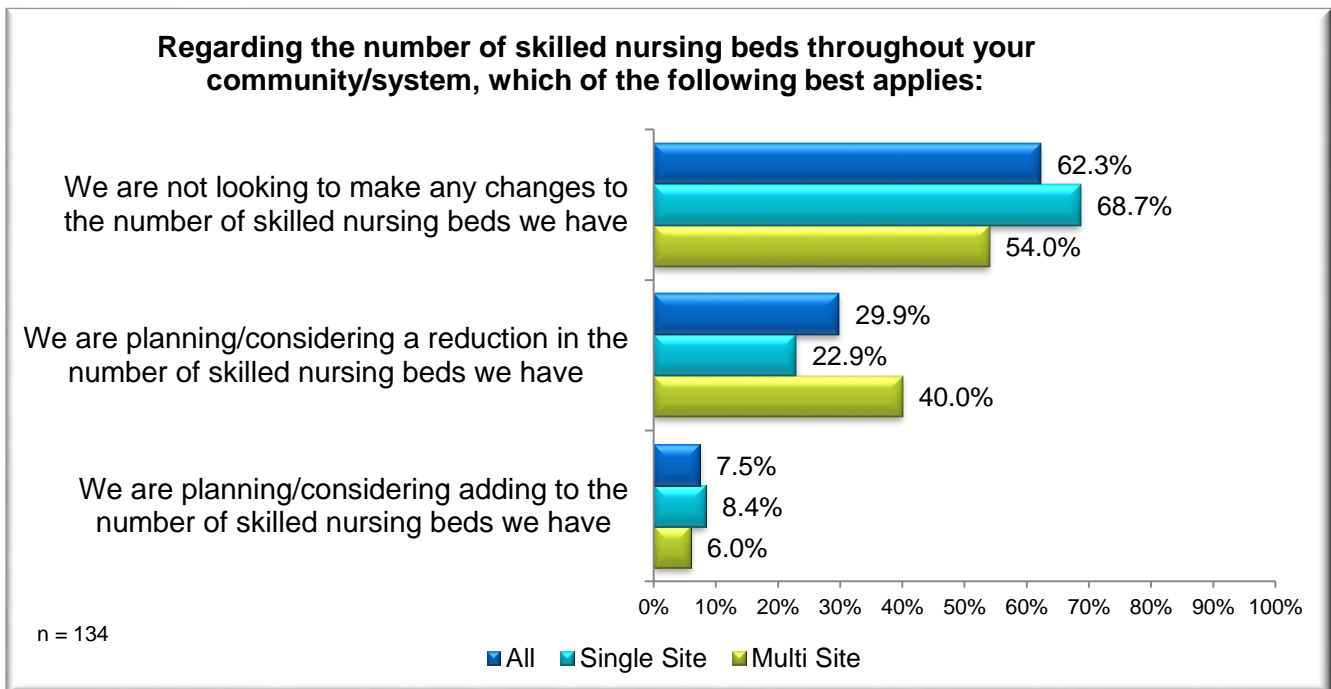
The chart below shows skilled nursing occupancy today versus one year ago, comparing short-stay and long-term responses.



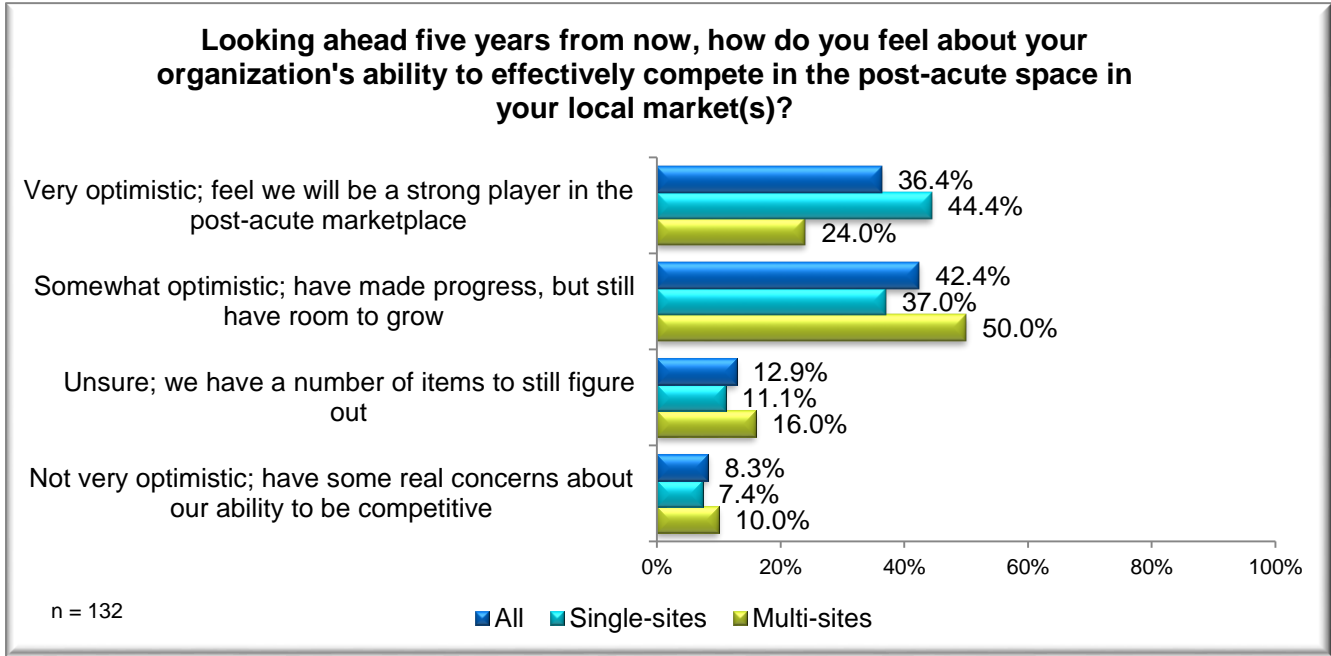
Respondents were asked to give feedback on what their organizations have been experiencing in their healthcare settings. Providers are most likely to be experiencing decreased length of stays (82%) and individuals with more acute needs than in the past (80%). More than half indicated that they are experiencing a narrowing of networks from area hospitals and physician groups, and that more treatment plans avoid skilled care altogether. The chart below shows comparisons for the past three years.



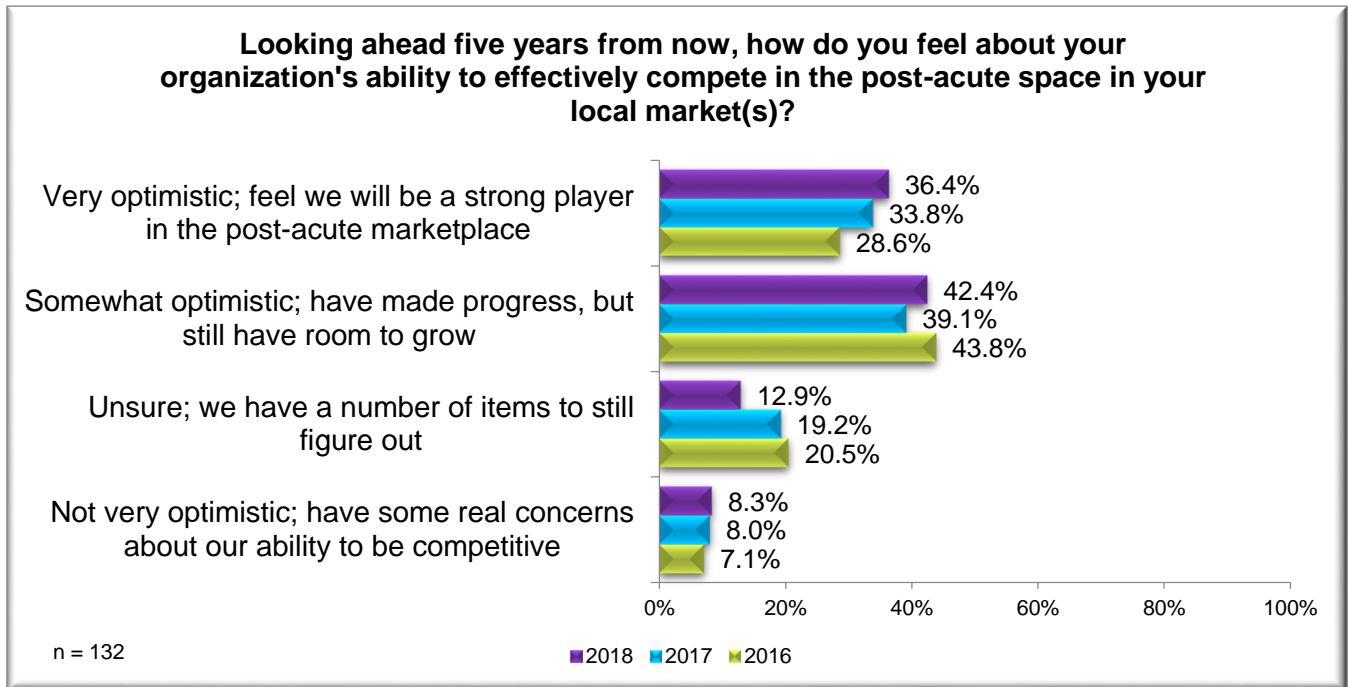
Providers were asked about changes they anticipate making in the number of skilled nursing beds throughout their communities or systems. More than 60% said they are not looking to make any changes. About three in ten said they are planning a reduction in the number of beds, while about 7% said they are planning/considering additions to the number of skilled beds they have. A few differences between multi-site and single-site providers were identified and are shown in the chart below.



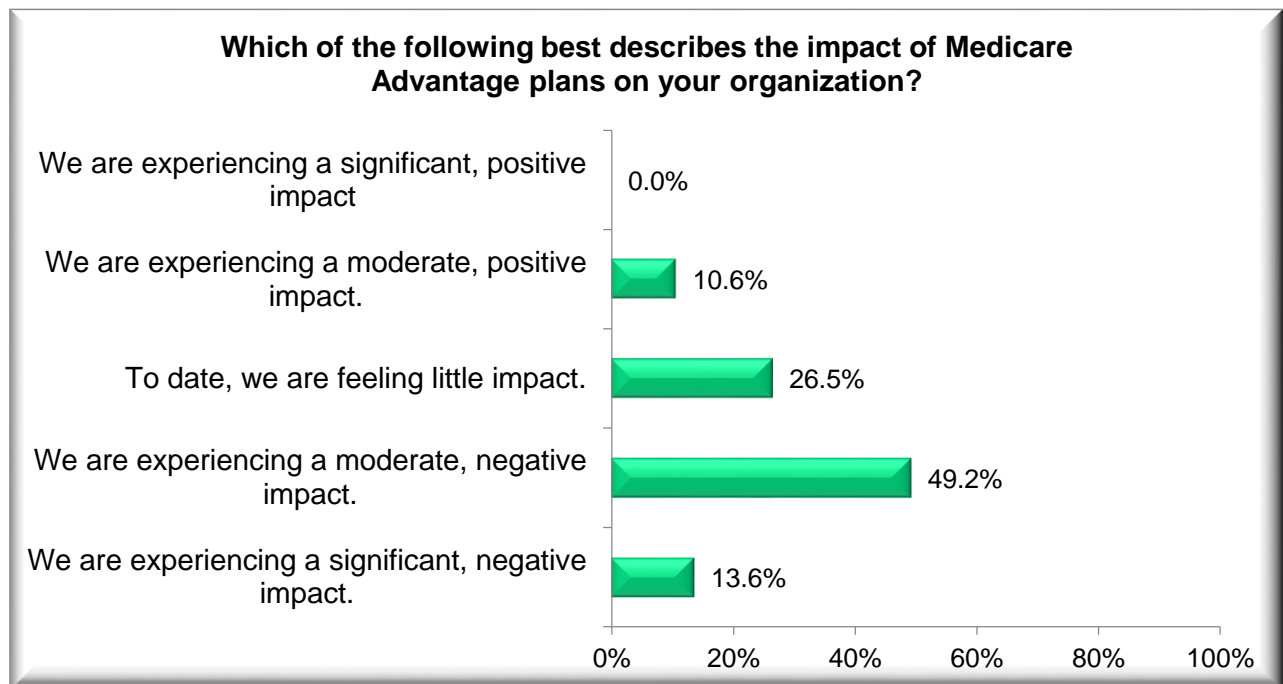
Organizations report feeling optimistic about their ability to compete in the post-acute space in their local markets, with nearly 8 out of 10 indicating they are somewhat or very optimistic about their organization’s ability to effectively compete. There were slight differences between the multi-site and single-site organizations and their perceptions of future success in post-acute, with single-sites more optimistic overall. Roughly 81% of single-site organizations said they were somewhat or very optimistic compared to 74% of multi-site organizations.



Compared to the 2016 and 2017 surveys, providers report feeling higher levels of optimism, with nearly 80% reporting very or somewhat optimistic outlooks in 2018, up from about 72% in both 2016 and 2017.



A new question this year focused on the impact of Medicare Advantage plans on organizations. Roughly half of the organizations reported a moderate, negative impact, while just over 10% report a moderate, positive impact. More than one in four reported feeling little impact of Medicare Advantage plans.



Additionally, the survey asked CFOs for any additional comments regarding the topic of post-acute activities. Below is a subset of these comments.

- *Rapidly changing compliance and insurance environment requires an efficient and scalable internal process supported by current technology.*
- *Because of shorter stays and higher census, we have had to streamline our admission process.*
- *There are many significant challenges facing the industry such as dramatic reimbursement methodology changes, privatization of Medicare and Medicaid, occupancy declines, reduced lengths of stay, increased billing audits, a hostile regulatory environment, and tort actions. However, the single greatest threat that will only serve to fuel all the other challenges is the inadequate supply of nursing staff.*
- *With the unknowns of the new Medicare payment model reform there is uncertainty how it will impact our operations. Additional analysis will need to be done to determine impact. With the increase of replacement plans this has created operational challenges impacting overall performance.*
- *Medicare Advantage plans are making it much more difficult to get paid a fair price for the services provided. They continue to add cumbersome processes making it more difficult for people needing services to receive those services. Adds additional costs and huge amounts of frustration.*
- *We feel that we are very prepared for the upcoming changes in post acute care, but are far from optimistic. there are too many major factors beyond our control, so not sure how this will shake out.*
- *Residents do not understand their Medicare Advantage Plans at all...they pick the lowest monthly fee but do not understand the reduction in the benefits. They think they are getting the same benefits as Medicare but at a cheaper price; they do not realize the increased out of pocket expenses through most Advantage Plans.*
- *We decertified from Medicare A in 2017. The number of covered days declined from 700+ in 2014 to around 250 in 2016 (Almost all of our patients are life care residents). We no longer have to do the full MDS or any of the other time consuming Medicare requirements so have more time for hands on patient care.*
- *Hospitals often have an "incestuous" relationship with their preferred post-acute providers that they refer to. Often, they have the same owners or religious affiliation. It's hard to made in-roads when those relationships exist.*
- *We are getting out of skilled nursing all together. We decertified late last year- not enough referrals (we are under 50 bed in skilled). Just not worth the cost of compliance and we feel the marketplace is moving away from traditional SNF referrals and more towards assisted.*
- *Our general thinking is to have enough skilled nursing beds to serve our Life Plan Residents and not look for many community admissions for the SNF. In addition, keep expanding HCBS to care for community referrals through waiver, homecare, rehab and hospice programs.*
- *Medicare Advantage plans networks are limited and hard for single site organizations to participate.*
- *We are experiencing more Medicare C admits and less straight Medicare covered stays. Which is both good and bad. Medicare C generally pays us less per diem but the co-pays are generally less so we aren't chasing the co-ins days which Residents still don't get. It's crazy how many people think that Medicare covers 100% of skilled care.*
- *We are currently a 100% private pay facility but are adding Medicare beds in late 2019.*
- *Residents are signing up for Medicare Advantage without understanding that we are not in network so they are impacting either their out of pocket cost or their ability to stay in their CCRC to be treated.*

*The senior living organizations' responses included in this report have been collated without verification of the accuracy of the data/comments therein. The results provided do not express an opinion of nor can they be guaranteed by Ziegler.*

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