

McKnight's Long Term Care News

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Dwindling reimbursement, occupancy numbers chipping away at skilled nursing margins, new analysis finds

[Marty Stempniak](#)

The decline in nursing home beds has been even worse than previously believed, according to a new analysis.

Marcum LLP on Monday [issued](#) its inaugural statistical analysis of nursing home trends between 2013 and 2017. The 72-page book is aimed at providing a practical tool for operators to establish baselines and compare themselves against the competition.

Overall occupancy percentages declined from 83.07% at the beginning of the study down to 80.24% in 2017. Almost all U.S. regions experienced decreases in patient days, driven partially by patients turning to other care options, such as home health and assisted living, [the report found](#).

“We always know that there are sales and consolidations in the industry, but I think the shrinking reimbursement and lower occupancy levels have really caused the non-chain or the smaller nursing home groups to pause and say, ‘what am I doing here? I can’t compete in the marketplace anymore,’” Matthew Bivolack, national healthcare services leader for the firm, told *McKnight's*. “You’re seeing a lot of single-entity operators either close or sell off their operations.”

The good news: Given the current population trends, the lull in nursing home census numbers will only be temporary. Still, “the nursing home of tomorrow will not operate, look or feel anything like the nursing homes of today,” the report notes. For instance, boomers will not want to share rooms and will expect hotel-like amenities.

“The industry is not going anyplace. As a matter of fact, there is going to be such a need for skilled care with an increasing number of Alzheimer’s and dementia patients and the aging population that nursing homes will have a very strong place and a strong foothold in the

continuum of care. I think that's a really important factor to take away from this," Bovolack told *McKnight's*.

Shrinking reimbursements, coupled with rising labor costs, have led to dwindling operating margins for operators, the report notes. Those pressures have subsequently diminished providers' cash on hand and "hindered the industry's ability to remain nimble and respond to changes in an environment that is experiencing substantial shifts." Across the country, the days cash on hand decreased from about 18 in 2013 to 17 in 2017, a decrease of about 6%.

The report also offers nursing home operators three tips to begin preparing for what's next, including (1) have a strong marketing team and aggressive marketing plan to attract Medicare and private-pay residents (2) offering specialty programs, such as Alzheimer's care, to stand out from the competition and (3) modernize their environments to provide the "new style of living" expected by today's residents and their family members.