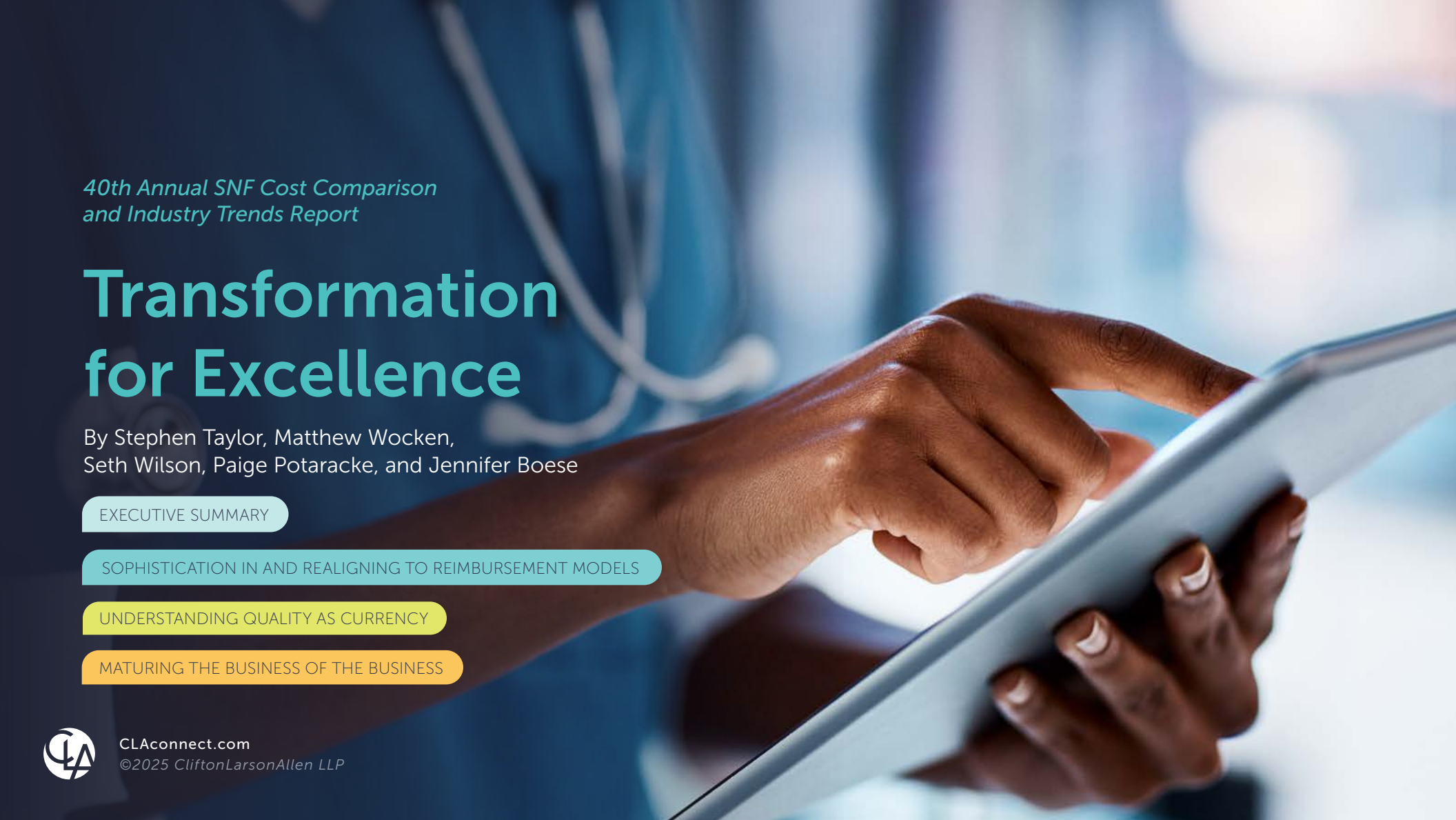

40th Annual SNF Cost Comparison and Industry Trends Report

Transformation for Excellence

By Stephen Taylor, Matthew Wocken, Seth Wilson, Paige Potaracke, and Jennifer Boese

EXECUTIVE SUMMARY

SOPHISTICATION IN AND REALIGNING TO REIMBURSEMENT MODELS

UNDERSTANDING QUALITY AS CURRENCY

MATURING THE BUSINESS OF THE BUSINESS

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Executive Summary

This year marks a pivotal moment for the skilled nursing facility (SNF) industry — where demographic pressure, policy reform, and digital advances converge to redefine the industry's future. The 2025 edition celebrates our 40th SNF Cost Comparison and Industry Trends Report and celebrates four decades of guiding providers through change while also delivering a framework that positions us for the future: transformation for excellence. Our hope is that this year's report will assist you as you lead the charge for this transformation with the three topics to the right.

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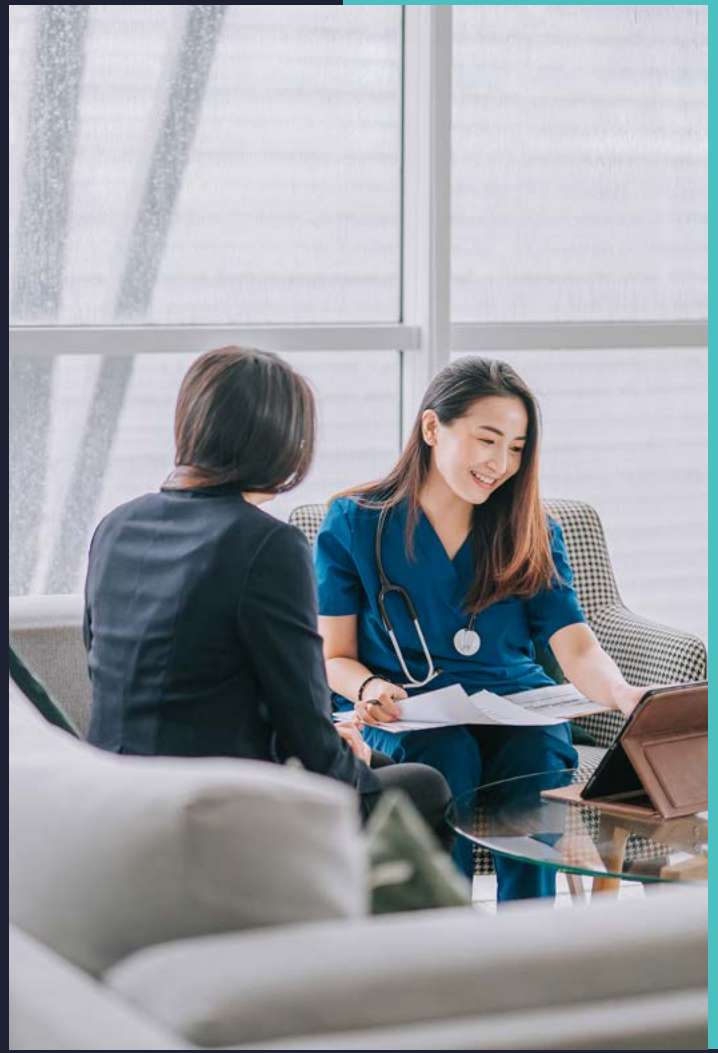
Methodology

This publication provides benchmarks and ratios calculated using annual SNF cost report data released by the Centers for Medicare & Medicaid Services (CMS) as of July 2025. That release included approximately 11,700 cost reports for fiscal years ended 2024, representing more than two-thirds of Medicare-certified nursing facilities. For purposes of comparability, amounts presented for 2019 through 2023 only include the performance of facilities with a 2024 cost report.

Each SNF's data was ranked numerically and stratified into percentiles. These summary statistics and our perspectives are intended to provide a general understanding of financial and operational trends. This report is not intended to provide any conclusions about correlation and dependence within the data. This publication also uses data sources for trending beyond fiscal year 2024, which includes the Payroll Based Journal (PBJ) Nurse Staffing for contract labor utilization and Claritas for population.



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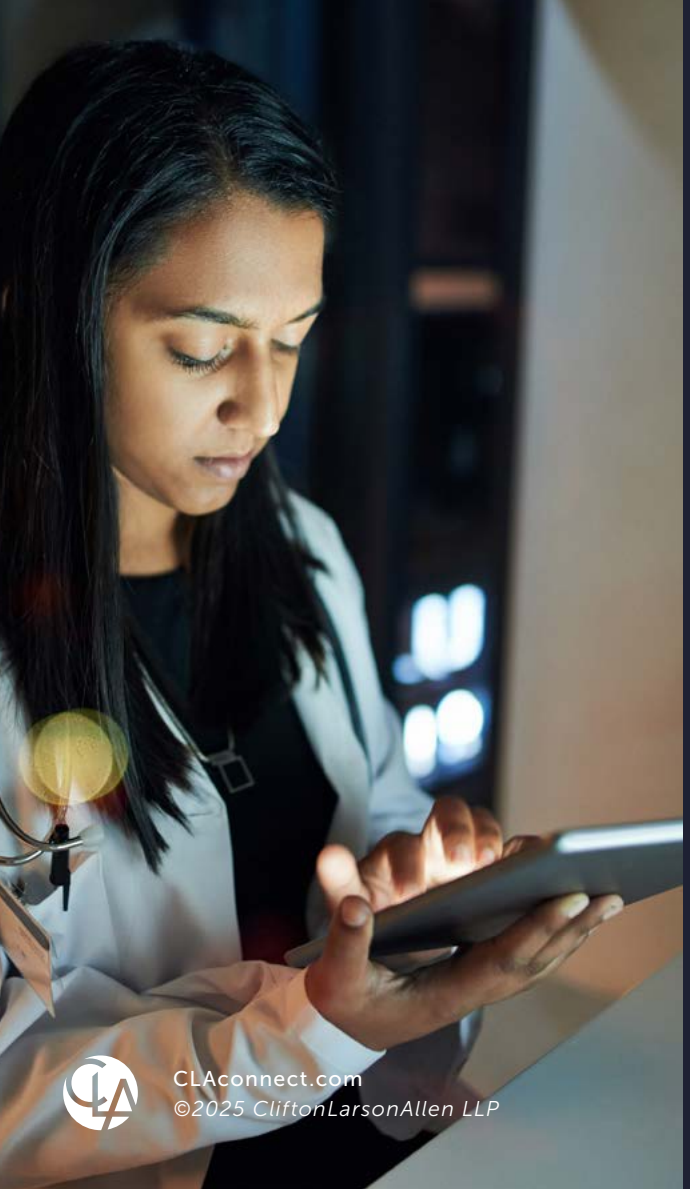

Introduction

CLA's first SNF Cost Comparison report launched in 1985. Over four decades, we've tracked inflection points that reshaped the industry. We've watched skilled nursing go from convalescence care to higher-acuity, short-term care. On the reimbursement side, we've weathered shifts from cost-based payment in the 1980s to prospective payment in the 1990s to risk-bearing contracts in the 2000s. The SNF industry has undergone seismic transformation — evolving through sweeping reimbursement reforms, heightened regulatory scrutiny, workforce challenges, technological revolution, and public health crises. But amid all the change, the fundamentals have shown remarkable durability.

Consider this: in 2000, national SNF occupancy stood at 85.8%, in 2010 87.8%, and in 2024 that number is 83.3%. Over the same period — despite two decades of payment shifts, regulatory complexity, and operational disruption — margins have remained relatively steady, ranging between 0.3% in 2000, 2.8% in 2010 and 1.8% in 2024 nationally.

This tells a powerful story: while the landscape evolves, the core value of skilled nursing care endures.

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At CLA, we've walked this journey alongside our clients — not as spectators, but as advisors addressing the problems that come with each new era. For 40 years, we've helped SNFs navigate inflection points and emerge stronger.

1980s and 1990s

- SNFs under cost-based reimbursement
- Nursing Home Reform Act imposes quality standards for Medicare and Medicaid-certified nursing homes
- Americans with Disabilities Act enacted
- REITs begin institutional investment in senior living and care
- Balanced Budget Act creates Medicare PPS and Medicare Advantage (MA), recognizes PACE, launches Nursing Home Compare

2000s

- Emergence of machine learning and deep learning
- REIT Modernization Act policies take effect
- Medicare Modernization Act creates specialized needs plans (SNP)
- First SNP offered
- Nursing Home Star Comparison Reporting System launched
- HITECH Act funding spurs use of EHRs

2010s

- Affordable Care Act (ACA) enacted
- Minimum data set implementation
- First Baby Boomers turn 65
- First ACA Accountable Care Organization launches
- Improving Medicare Post-Acute Care Transformation Act enacted
- Patient Driven Payment Model

2020s

- COVID-19 pandemic hits
- ChatGPT launches
- Majority of Medicare beneficiaries select MA plans for the first time
- Budget reconciliation act (the One Big Beautiful Act) enacted

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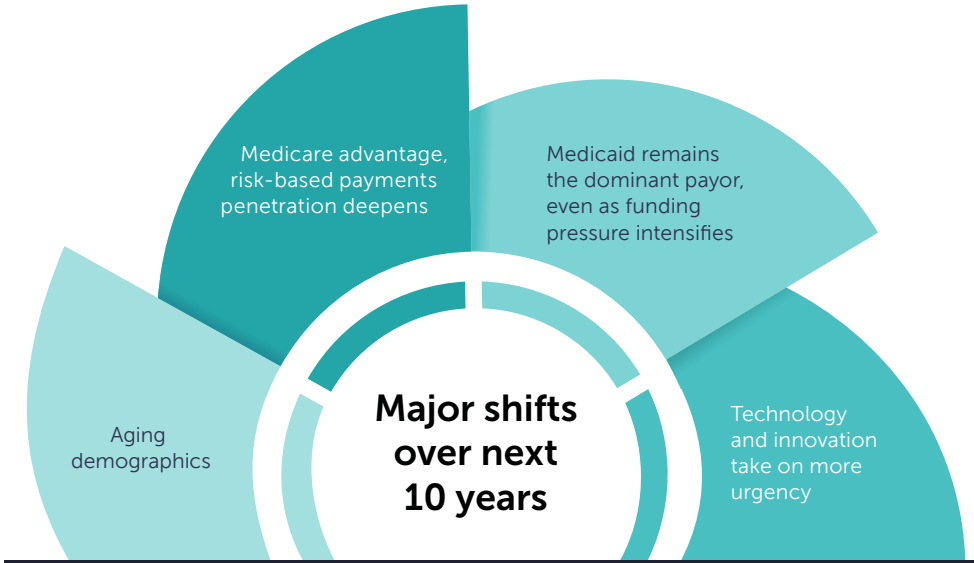

In the coming years, transformation will be required. Operators will need to care for patients who are even more complex while navigating the most consequential Medicaid policy trajectory we've seen in years, confronting the full scope of Baby Boomers' long-term care needs, and harnessing the ways AI and technology are fundamentally altering how businesses function.

It's the beginning of a sustained period of pressure and opportunity unlike anything seen in recent U.S. senior care history.

"To truly understand the senior living and care industry is to understand the stories of individuals — residents, caregivers, families that are at the heartbeat of every senior living and care community. Communities look different today than they did 40 years ago and will continue to look different 40 years from now. I have no doubt the industry will successfully transform itself again in the future, just as we've done over these past 40 years."

- Mike Siegel, Managing Principal of Industry - Health Care and Life Sciences, CLA

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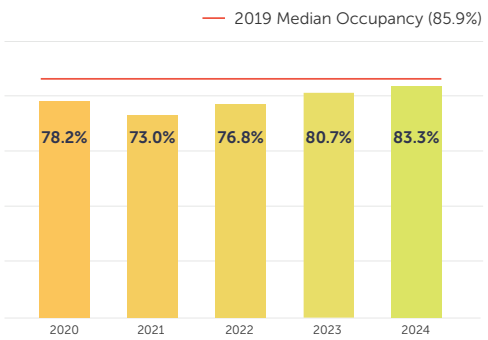
MENU

2024: SNFs stabilized, improving

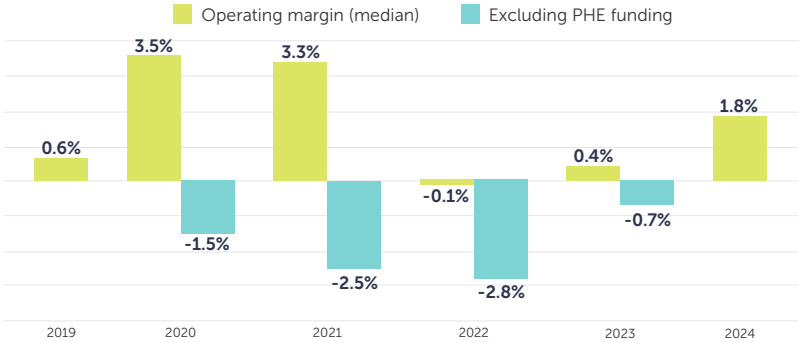
Post-COVID recovery has stabilized occupancy in many markets with a national median occupancy for 2024 rates at 83.3%. Operating margins have increased to a median of 1.8% while paid nursing hours per resident day remains stable over the last three years at 3.8 hours per resident day.

That said, the industry faces new pressures requiring attention and swift action.

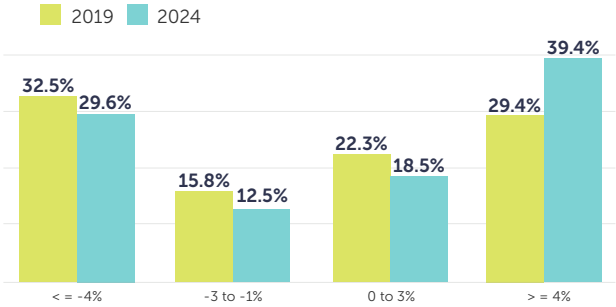
Median Occupancy Rate



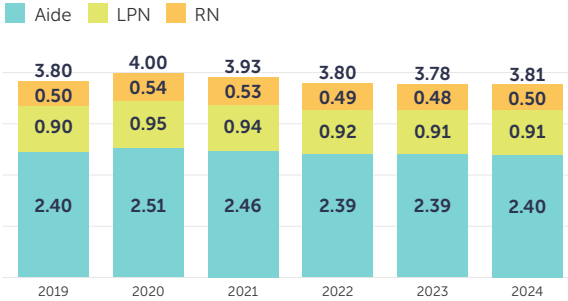
Median Operating Margin



Provider Distribution by Operating Margin Bin



Median Paid Nursing Hours Per Day



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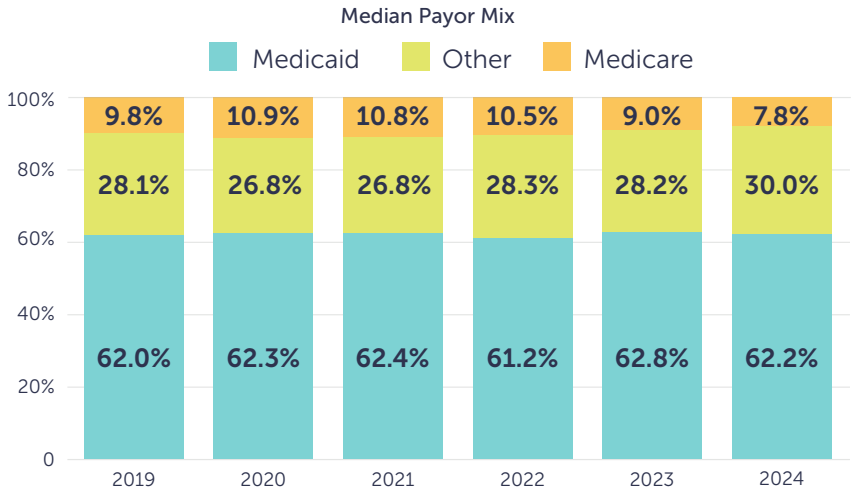
Reimbursement and payment transformation

Medicaid remains the only payor for long-term custodial care. This requires cost efficiency and extended care management capabilities. On average, Medicaid is at least 62.2% of a SNF's payor mix. Medicare, on the other hand, creates a focus on skilled nursing and rehabilitation services for short-term stays. This creates pressure for high-intensity and specialized care delivery.



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OBBBA: Medicaid financing cuts could shock system

The new tax law known as the One Big Beautiful Bill Act (OBBBA) **represents the most consequential Medicaid policy shift in decades**. It pairs short-term relief from staffing mandates with long-term funding pressures and eligibility changes.

Highlights

- $900 billion federal Medicaid reductions over 10 years
- 10-year moratorium on new federal nursing home staffing mandates
- Tighter Medicaid eligibility (e.g., work requirements and enrollment scrutiny)

Implications for SNFs:

- Expect intensified rate pressure, especially in Medicaid-heavy SNFs and states, with uneven state responses to OBBBA
- Monitor HCBS policy developments to anticipate shifts in referral patterns
- Quality and efficiency will be critical for maintaining network inclusion

Several **tax implications** within **OBBBA impacting SNF owners and operators**:

- 20% qualified business income (QBI) deduction made permanent for pass-through entities, such as partnerships, LLCs, and S corporations, which are common structures for SNF ownership.
- Restores and permanently **extends 100% bonus depreciation** for qualified property, allowing full expensing of new and used equipment and assets acquired and placed in service after January 19, 2025.
- Amortization and depreciation are permanently removed from the calculation of adjusted taxable income for purposes of the interest deduction limit.
- For nonprofit SNF operators, excise tax on compensation above $1 million is expanded — impacting executive compensation strategies for tax-exempt organizations.

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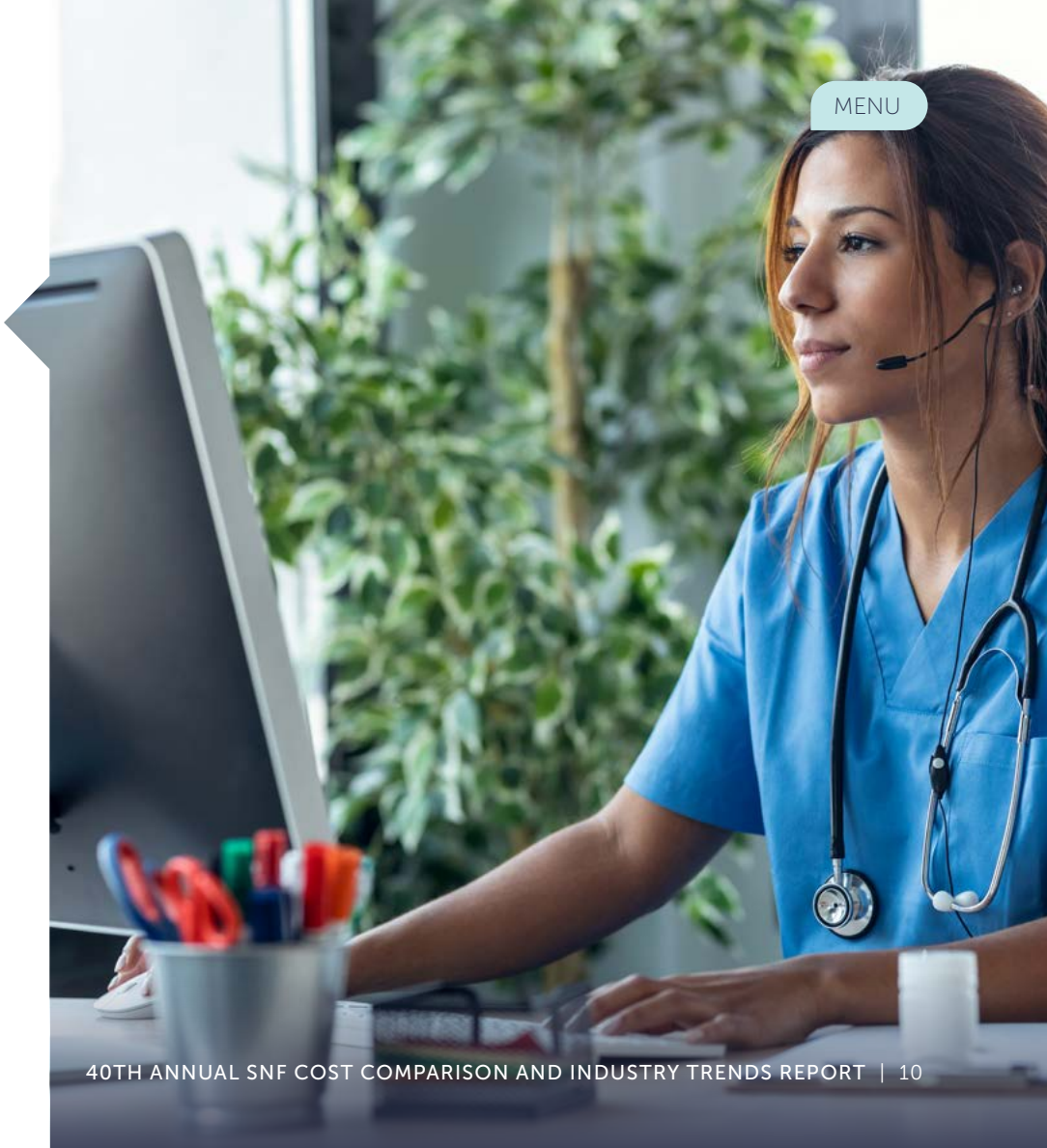
No SNF can ignore the potential of these changes and should be planning now. Positioning for the future will require a deeper knowledge of your state's Medicaid reimbursement. This presents opportunities for ongoing advocacy.

This is also about telling the industry's story — quantitatively and credibly — to policymakers, stakeholders, investors, and the public. Effective data narratives influence capital allocation and policy.

Action step: Advocacy and nursing homes

As changes unfold across the industry, one step everyone can take is advocacy — for your residents and for your industry.

1. **State advocacy:** Discuss the budget reconciliation (OBBBA) law's potential impact on nursing homes
2. **State advocacy:** Discuss with the state health department and state legislators the role nursing homes play in the rural health care safety net and how OBBBA's $50 billion rural transformation fund can assist the industry
3. **Federal advocacy:** Regular discussions of OBBBA's impact on nursing homes as the new law rolls out



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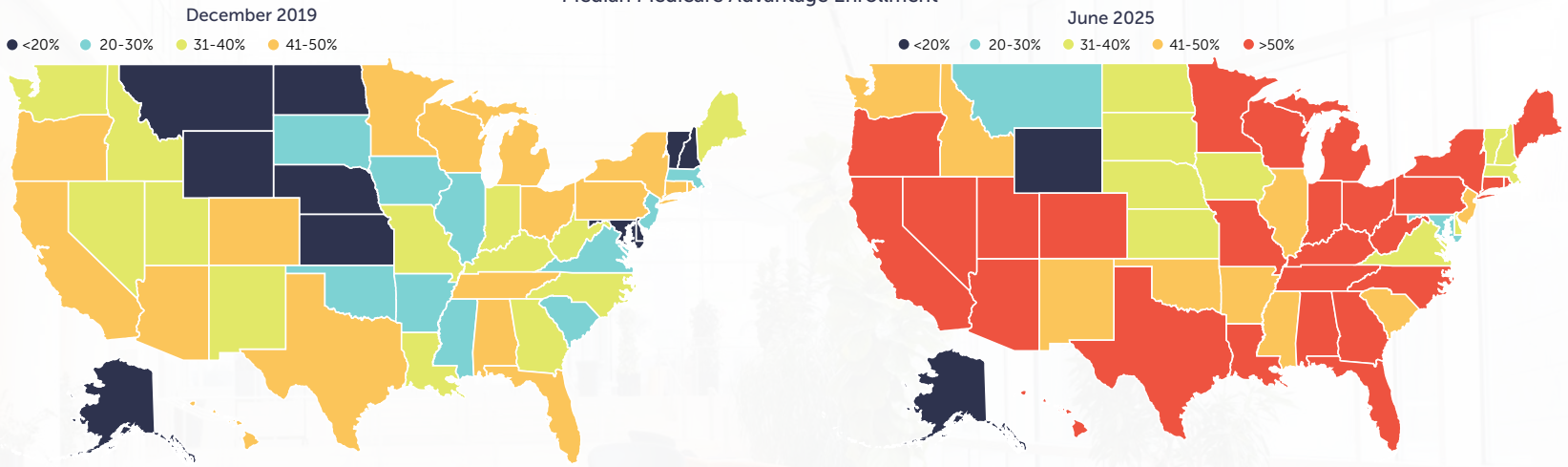
Dominance of Medicare Advantage, value models

Operators will need to become more sophisticated in their understanding of Medicare Advantage plans and how to provide value to them to serve your residents. On the flip side, the evolution toward value-based care may represent the industry's most promising pathway to controlling their own financial futures.

High-performing facilities achieving preferred provider status with Medicare Advantage plans will be better positioned for value-based models — allowing more opportunities for financial improvement. One approach some have taken is to create their own Medicare Advantage Institutional Special Needs Plans (I-SNPs) or join an I-SNP. The arrangements enable SNFs to invest in clinical resources such as nurse practitioners and care model technologies that improve resident outcomes while capturing financial benefits from improved and enhanced performance.

Median Medicare Advantage Enrollment



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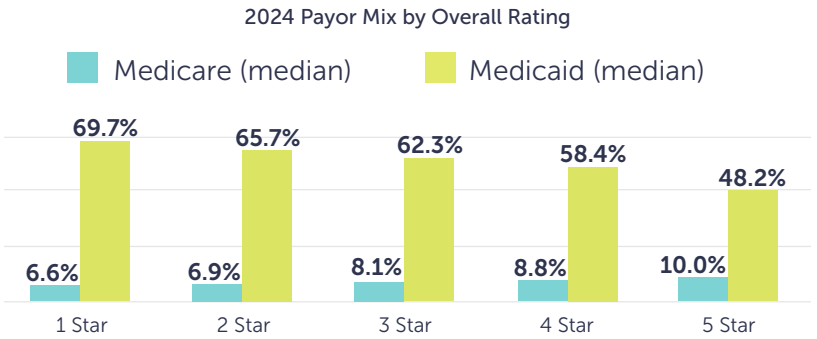
Along the same lines, Medicare's overall move to value-based payments will impact SNFs. One example is the **Transforming Episode Accountability Model (TEAM)**, effective January 1, 2026. Since hospitals are responsible for the cost and quality of a **30-day surgical episode of care** — including any post-acute services you may provide during that time — they will want to work with or contract with high quality, cost efficient SNFs. Of key importance to hospital partners will be reducing unnecessary readmissions and emergency department visits while maintaining appropriate lengths of stay.

This is also where elevating your quality performance serves as the foundation for payments and outcomes. The correlation between 5-star ratings and financial performance has intensified, with quality care driving referral relationships, staff retention, and reimbursement rates across all payor types.



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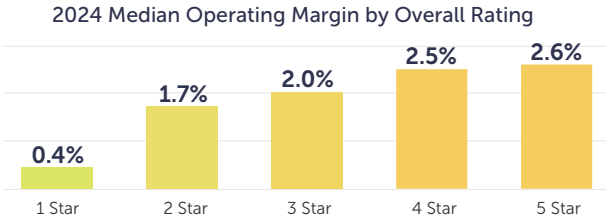
Quality as currency

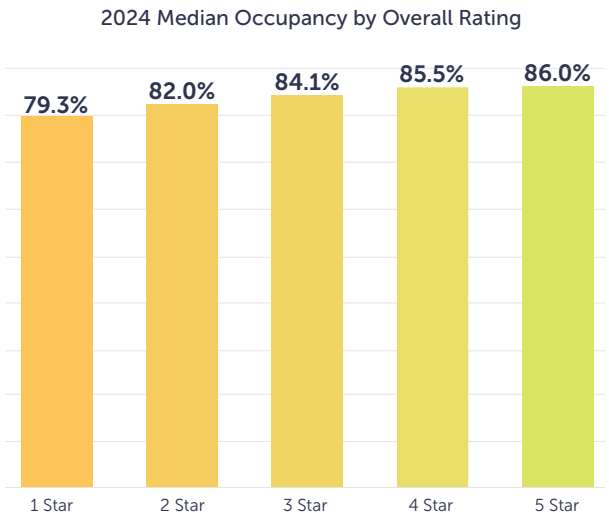
High quality is now the foundation of economic sustainability. Facilities with 5-star ratings consistently outperform peers with lower star ratings in occupancy, margin, and their relationships with hospitals and health plans — underscoring quality as the new currency in SNF economics.

In an outcomes-driven ecosystem, quality is no longer a differentiator, it's the conduit to referrals and payor partnerships. The alignment between CMS 5-star ratings, occupancy stability, and margin performance has never been stronger. And increasingly, states are incorporating some quality component as part of their SNF Medicaid rates.

CMS star ratings now shape underwriting, contracts, staffing, industry public relations, and reputation. Quality = margin, market power, and access to partnerships and payors. As an industry, we need to do a better job of telling our story, elevating PR, and inviting capital providers into the discussion.

2024 Median Operating Margin by Overall Rating quantifies the financial impact of quality in skilled nursing facilities. Operating margins rise steadily with each increase in CMS star rating — from 0.4% at 1-star to 2.6% at 5-star — demonstrating that even modest improvements in quality can yield meaningful returns. Similarly, the 2024 Median Occupancy by Overall Rating chart reveals a parallel trend in occupancy, climbing from 79.3% at 1-star to 86% at 5-star. Together, these measures reinforce the idea that quality is not just a strategic lever but a reliable driver of profitability.





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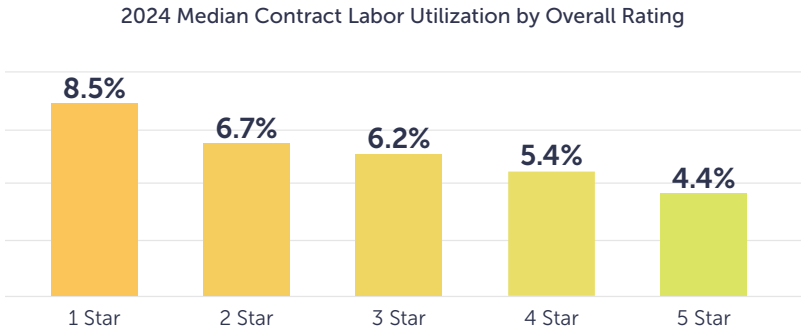
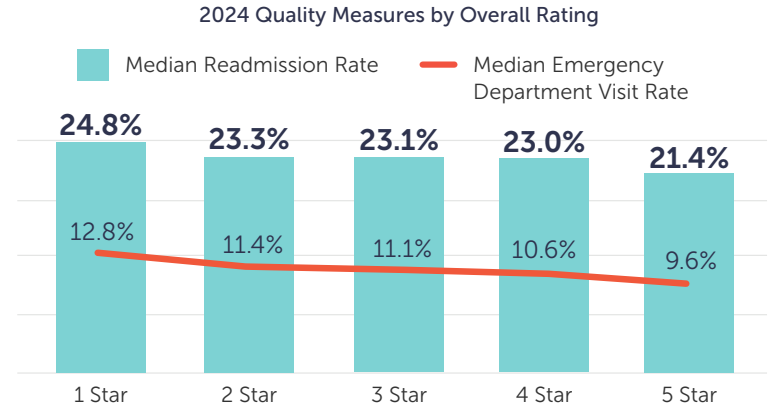
2024 Median Contract Labor Utilization by Overall Rating shows a clear decline in contract labor use as overall rating increases. Facilities rated 1-star use 8.5% contract labor, while 5-star facilities use just 4.4%, suggesting higher-rated facilities rely more on stable, permanent staffing — supporting better care continuity and stronger operational performance.

2024 Quality Measures by Overall Rating shows facilities with higher CMS star ratings deliver better clinical outcomes. As ratings increase from 1-star to 5-star, readmission rates drop from 24.8% to 21.4%, and emergency department visit rates fall from 12.8% to 9.6%. These improvements reflect stronger care coordination and fewer complications — key factors that build trust with hospitals, payors, and the market.

Quality providers with strong infrastructure are most likely to succeed. Know what matters most to your partners — hospitals, ACOs, Medicare Advantage plans, and capital providers — and build the infrastructure to consistently deliver and document it.





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Modernizing Business Operations

In the late 1990s, the internet moved from novelty to necessity. Today, AI, advanced analytics, and integrated platforms are producing a similar step-change — especially in how organizations run the business of the business. The greatest return on investment typically comes from modernizing core operations: dashboards, data integration, workflow automation, and cybersecurity.

Modernizing SNF business operations includes transformation priorities

- Develop clearly defined IT strategic plan/roadmap aligned to overall strategic plan
- Consolidate siloed systems and build data interoperability
- Automate repetitive workflows to unlock scarce clinical and administrative capacity
- Strengthen cybersecurity and privacy by design
- Decide where to own, develop, or rent technology solutions

How AI is transforming business operations and how to **assess your organization's preparedness** are topics covered on our CLA **Go Digital** website.

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"Skilled nursing will continue to find its place in the continuum of health care. We're seeing an amazing transformation … this metamorphosis even while the alternates arise. There will always be a place [for skilled facilities]. They won't look like they did before, but the smart operators will make adaptions."

CLA's John Richter in 2015

Technology alone will not solve the industry's challenges, but operators integrating digital tools into strategy and execution can create leverage, improve performance, and scale more predictably.

As skilled nursing operations and business practices become increasingly complex, there is a need for increased business acumen to respond to and address these pressures for future sustainability and transformation. Building the skills to understand and negotiate the nuances and financial drivers of Medicare Advantage contracts, strong and timely accounts receivable collection processes, accurately capturing data to display your value proposition, and efficiently handling new regulatory requirements will all be essential abilities of skilled nursing facility operators and collectively underscore the need for the development of a more sophisticated approach to operations and management.

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Facing the Future: Transformation for Excellence

Success in this environment will require transformation. We believe the path to excellence in that transformation must include three areas: reimbursement sophistication, keen focus on quality, and deep business acumen. The industry has always been resilient but there are hard truths to face:

Oldest members of Baby Boomer generation (born 1945) begin turning 80 — sharply elevating care needs for SNFs, memory care, and assisted living.

The industry faces critical supply, workforce, and economic gaps.

Medicaid remains the dominant payor, accounting for more than 60% of patient days.

Medicare Advantage is not going away — it's accelerating — with more than 50% of eligible Medicare beneficiaries enrolled in advantage plans.

Reimbursement pressure is real across payors, affecting margins while claims processing is affecting cash flow.

Industry consolidation will continue as organizations seek the benefits of scale provided by centralized administrative and technology resources and cross-utilization of direct-care staff.

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The “Why” Behind the Report

“We are simply aligning ourselves with where we thought the industry was going,” CLA’s Mike McConnell reflected in 2015 on the reason behind CLA’s first SNF cost comparison report in 1985.

The same belief is what guides our work today and our annual release of this report. As we celebrate 40 years of data-driven insight dedicated to the senior living and care industry, we are also using this year’s report to help chart the path for the next decade of skilled-nursing success.

Over the decades, our report has become a foundational tool for SNF leaders, reflecting CLA’s deep commitment to supporting long-term care providers through data, context, and future foward strategy.

The release of our original report was one of a kind. Our clients loved having early access to our insights on cost report data — which they would otherwise have to wait years to see from Medicare — to help benchmark cost performance and cost drivers with their peers.

At the core, the 2025 edition builds on our legacy and our commitment to you - to help the industry decipher key ratios while providing insights into how those ratios reflect industry trends.

From CLA’s first cost comparison report:
“As accountants and reimbursement consultants we are often asked by our long term care clients how their facility’s operating costs compare to others. With the advent of Rule 50, the annual cost report took the shape of a computer input form that resulted in a high degree of standardized cost reporting not required previously. In an effort to put this standardized information to meaningful use we have developed a series of computer reports utilizing the cost data from the annual reported filed for the reporting year ended September 30, 1983.”

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About CLA

At CLA, we're experienced in delivering integrated wealth advisory, outsourcing, audit, tax, and consulting services to help you succeed professionally and personally. With a virtual headquarters, our team approach allows us to have professionals conveniently located in communities across the country. For more information visit **CLAconnect.com**.

218k+
clients CLA is helping with what matters most to them

9k
nearly 9,000 people come to work each day to create opportunities

130+
more than 130 locations with global reach through CLA Global

Thank you for making CLA your trusted advisor in skilled nursing care.

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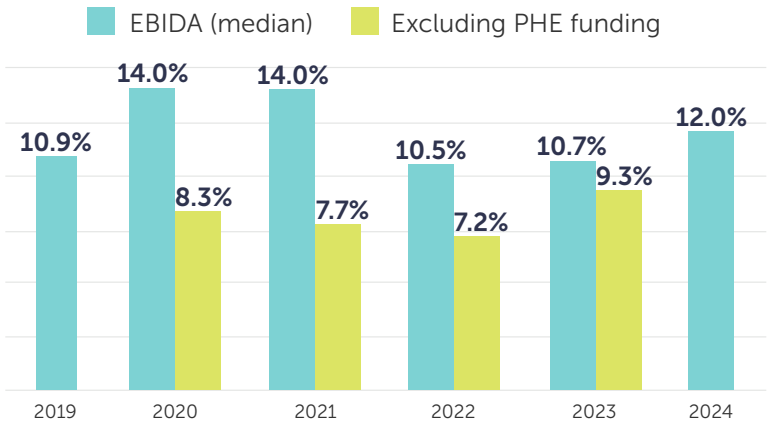
Appendix

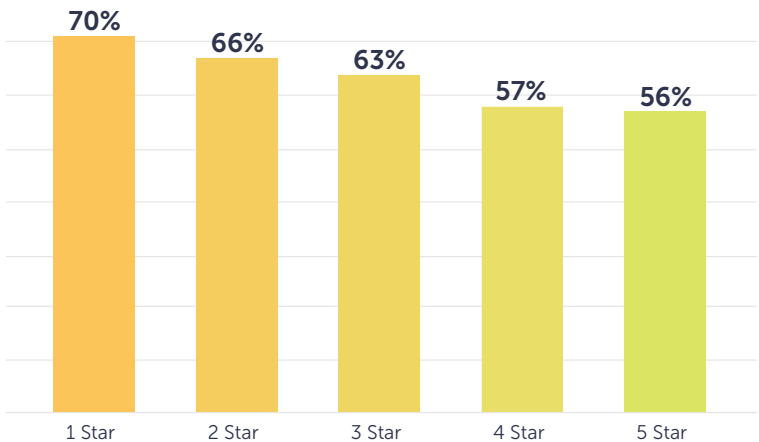
Earnings before interest, depreciation, and amortization (EBIDA)

EBIDA is a commonly used profitability measure because it eliminates capital-related costs. It's a rough measurement of cash flow for skilled nursing operators, so changes measured in this ratio provide a sense for how providers generate cash. The 2020 through 2023 numbers present the EBIDA margin both including and excluding the impact of public health emergency (PHE) funding recognized by SNFs.



% of Providers Using Contract Labor by Star Rating

The following graphic displays the percentage of providers in 2024 using contract labor by overall star rating.



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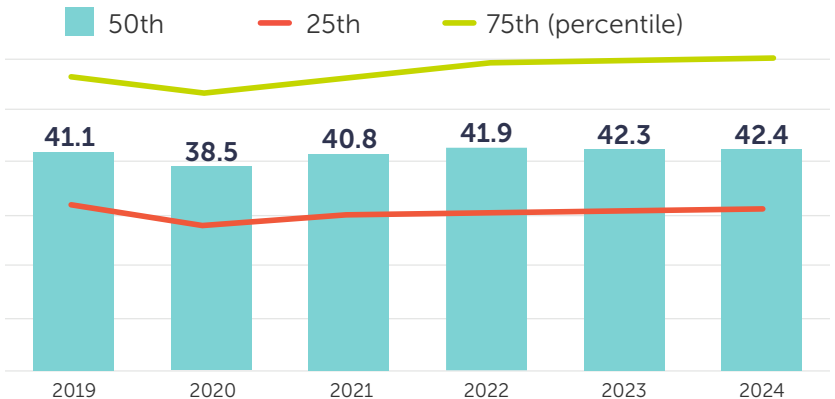
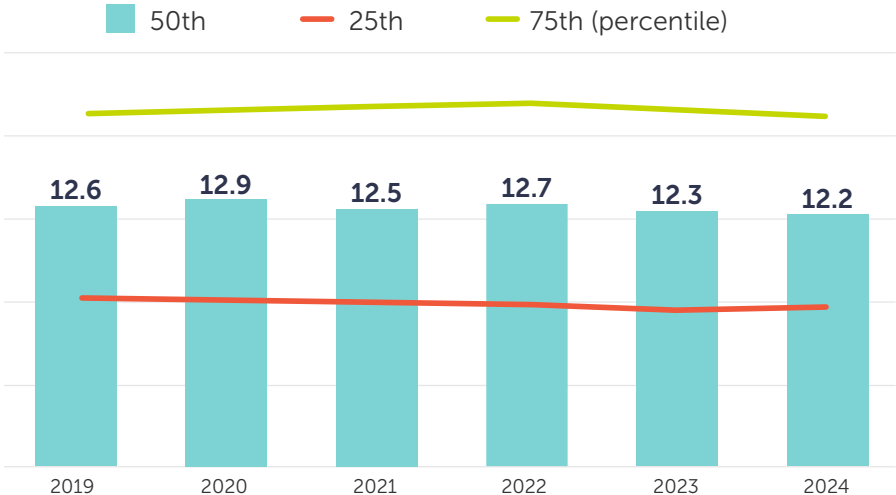
Days revenue in accounts receivable

This ratio calculates the average number of days receivables are outstanding, or how quickly a facility converts receivables to cash. A lower value of days revenue in accounts receivable is desirable, as it indicates a facility takes less time to convert receivables to cash.



Average age of plant

This ratio measures the average age of a facility by estimating the number of years depreciation has been realized for a facility by dividing accumulated depreciation by depreciation expense.



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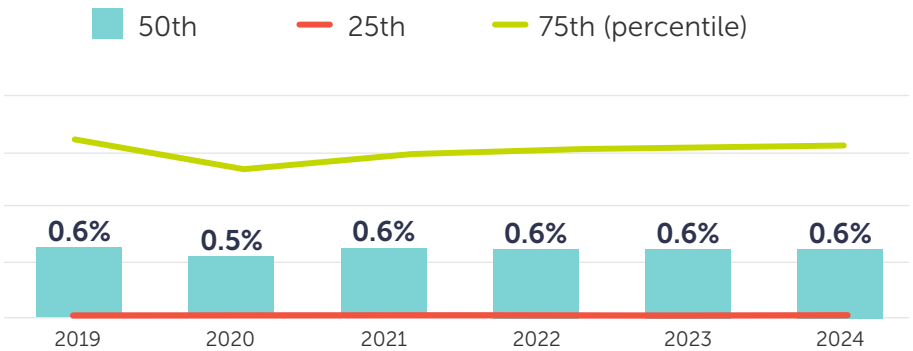
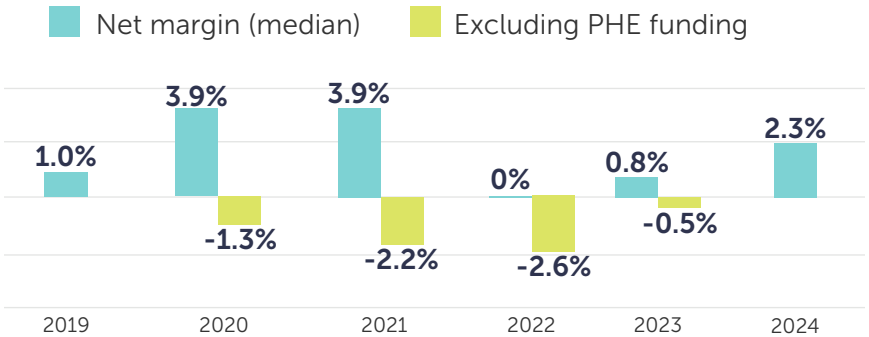
Capital spending ratio

This ratio measures the capital spending of a facility as a percentage of annual operating revenues and indicates how aggressively a facility reinvests its revenue back into its facility.



Net margin ratio

This ratio measures a facility's efficiency in controlling costs, calculated by comparing a facility's net income or loss to its total revenue. An organization's ability to maintain its net margin ratio is vital for long-term sustainability. The 2020 through 2023 numbers present the net margin ratio both including and excluding the impact of PHE funding recognized by SNFs.



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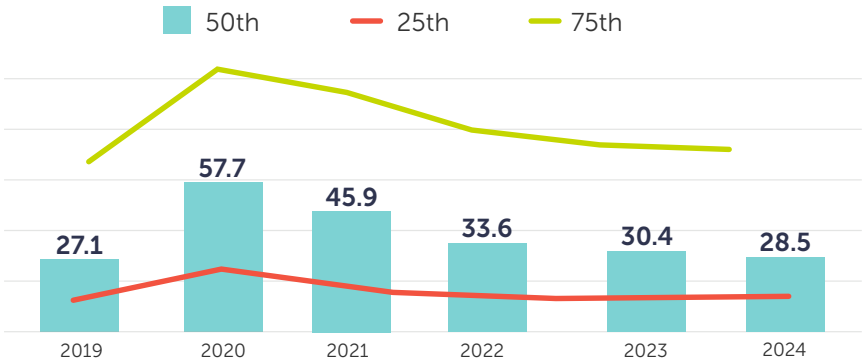
Days cash on hand

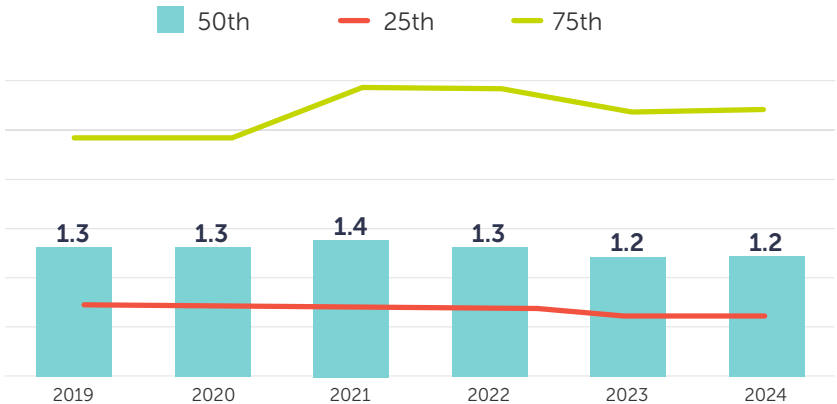
This ratio measures how long an organization's cash on hand will cover average expenses. Like the current ratio (defined below), a high number of days cash on hand is considered favorable. However, an extremely high ratio may indicate a facility could earn a higher rate of return through longer-term investments.

The PHE funding for SNFs provided temporary cash infusions during the pandemic. The continued strain on operations throughout 2021 and 2022 caused SNFs to burn through this one-time cash infusion rather quickly.



Current ratio

The current ratio measures a facility's liquidity. It demonstrates the degree to which current liabilities are covered by current assets or the ability to pay short-term obligations when due.



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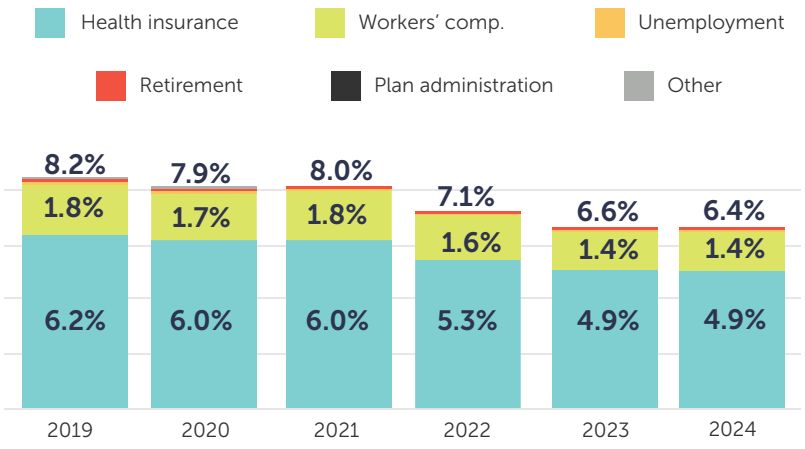
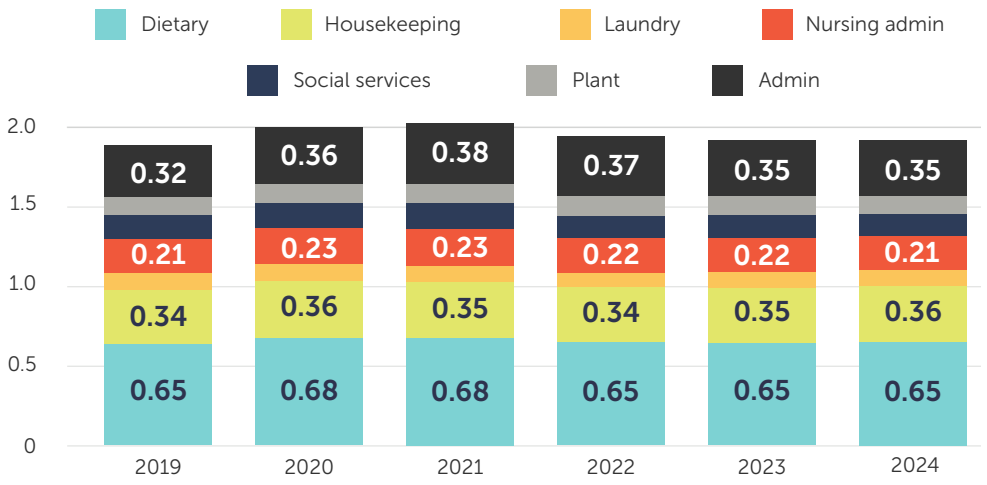
Fringe benefits

This ratio measures the relative percentage of fringe benefits. In addition to direct payroll costs, fringe benefits are additional labor costs. Fringe benefits include:

- Medical, life, and other group insurance
- Workers' compensation insurance
- Pension or retirement contribution
- Uniform allowance
- Miscellaneous employee benefits



Median paid nursing hours per resident day



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Total costs per resident day

Percentile	Nursing	Social services	Ancillary	Plant	Housekeeping	Laundry	Dietary	Admin	Benefits
25th	$104.74	$2.50	$14.68	$10.78	$5.85	$2.09	$20.38	$46.47	$15.73
50th	$131.03	$4.09	$20.77	$13.60	$7.68	$3.24	$24.04	$62.14	$23.01
75th	$164.09	$6.75	$29.85	$17.41	$9.94	$4.61	$29.49	$79.47	$34.59

Salaries per resident day

Percentile	Nursing	Social services	Plant	Housekeeing	Laundry	Dietary	Admin	Total
25th	$86.71	$2.25	$2.30	$3.57	$0.00	$9.01	$9.78	$113.62
50th	$107.81	$3.86	$3.16	$6.27	$1.52	$12.42	$13.02	$148.05
75th	$136.56	$6.49	$4.62	$8.64	$2.76	$16.58	$18.81	$194.47

Salaries per compensated hour

Percentile	Nursing admin	RN	LPN	Aide	Total nursing	Social services	Plant	Housekeeping	Laundry	Dietary	Admin
25th	$40.59	$42.96	$34.27	$20.69	$26.16	$22.64	$21.98	$14.38	$13.78	$16.30	$30.10
50th	$46.27	$49.19	$39.29	$24.39	$29.49	$27.21	$25.13	$16.56	$16.18	$18.68	$35.38
75th	$54.24	$56.49	$44.83	$28.10	$32.73	$32.38	$28.72	$18.73	$18.46	$21.20	$41.83

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