



# Skilled Nursing Facilities: Shaping an Evolving Landscape

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# Introduction

The skilled nursing facility (SNF) industry is undergoing a transformative shift. The substantial pressure the SNF industry faces is undeniable — from compliance with existing regulatory standards and forthcoming minimum staffing requirements to navigating new regulatory reforms and addressing micro and macroeconomic factors — all while striving for excellence in quality and financial performance.

The SNF business is evolving, demanding adaptability. Seizing strategic opportunities allows SNFs to shape the industry, enhance patient care, and unleash value for stakeholders. In the following sections, we explore key themes that demand attention and discuss actionable strategies to drive enterprise value and position for a viable future.



# Reducing or Eliminating Agency Staffing

## Building a strong workforce and improving margins

Reducing or eliminating agency staffing can positively impact margins and improve continuity of care, team morale, and culture. While occupancy has historically been the primary indicator when analyzing SNF operational success, contract agency nursing utilization is now the leading key performance indicator (KPI).

Extensive resources, such as [CLA's 37th SNF Cost Comparison and Industry Trends Report](#), delve into the economics and trends on contract nursing and labor overall. Other labor trends and topics are covered in detail through various reports such as the [Staffing Mandate Analysis In-Depth Analysis on Minimum Nurse Staffing Levels](#), commissioned by the American Health Care Association (AHCA).

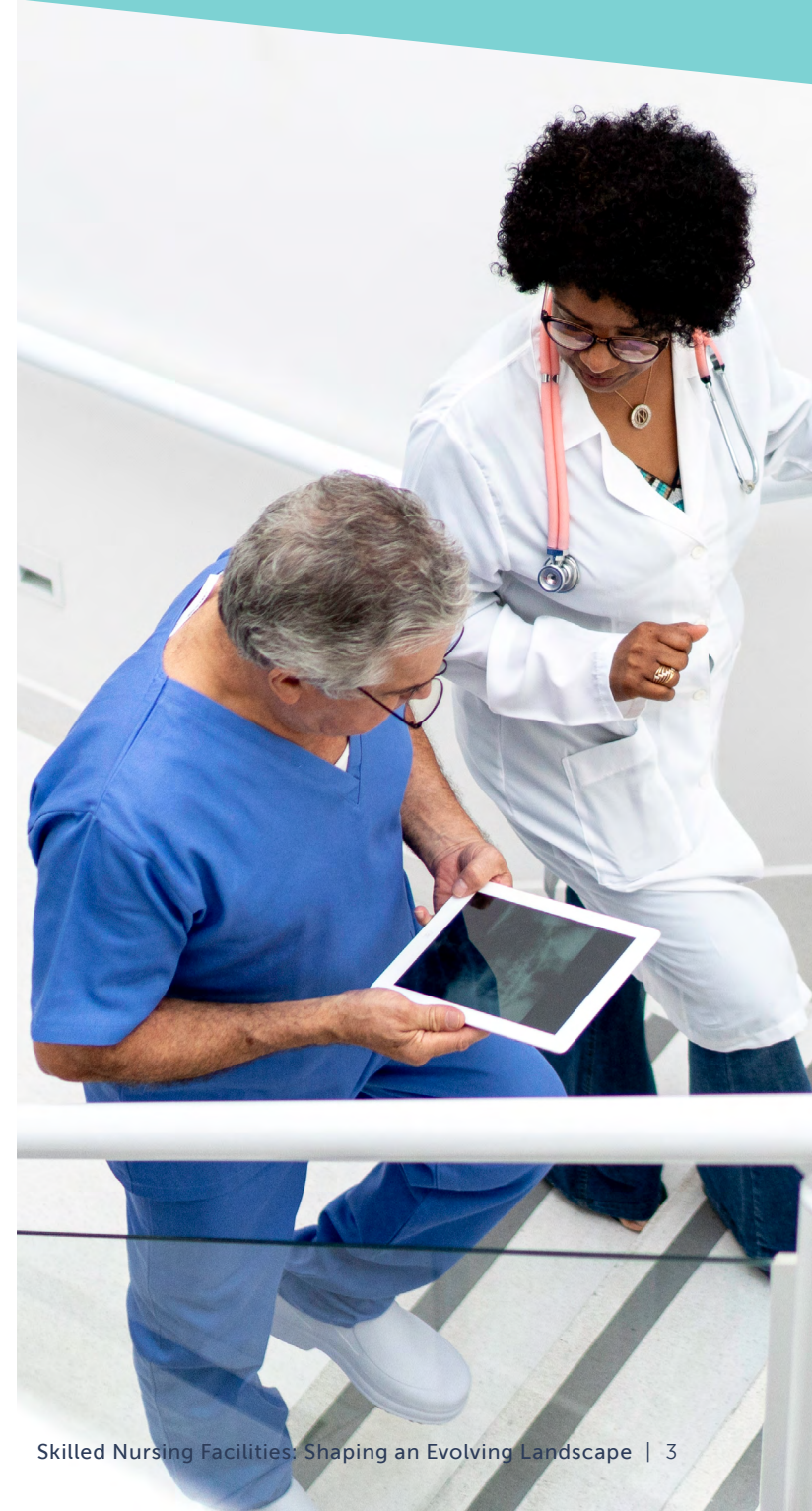
High premium pay rates associated with contract nursing can strain operating budgets and contribute to margin pressure. To reduce reliance on agency staffing, focus on actionable steps:

### Recruitment and retention

Actively recruit skilled and experienced nurses to build a strong in-house team. Offer competitive salaries, benefits, and career development opportunities. Utilize data to drive hiring decisions and identify areas for retention improvement and develop effective retention strategies.

### Training and education

Invest in ongoing training and education programs to enhance the skills and knowledge of your nursing staff, enabling them to operate at their licensed levels of proficiency.





## Reducing or Eliminating Agency Staffing (continued)

### **Culture and clinical environment**

Foster a positive work environment encouraging collaboration and respect. Leadership should emphasize the vital role of each team member in achieving strategic success. Cultivating a collaborative culture and promoting respect among different clinical license levels can greatly improve job satisfaction and, ultimately, lead to better outcomes for patients and residents.

### **Internal talent pool**

Develop an internal talent pool of nurses who can fill temporary vacancies or provide additional support when needed. Identify and invest in potential leaders within your nursing team.

### **Data analysis**

Regularly review data on staffing mix, nurse turnover, hours per patient day (HPPD), agency HPPD, patient acuity, market census share, and quality metrics. Compare your data to industry peers to identify areas of improvement. Analyzing this information can help you prioritize specific areas and develop strategies to reduce reliance on external agencies.

By implementing these strategies, SNF operators can effectively reduce their dependence on agency staffing, enhance workforce utilization, and position themselves as industry leaders.

Interested in what data analysis tools and resources CLA uses with our SNF clients?

[Reach out today.](#)





# Adapting to Changing Dynamics

## Population health and the maturing I-SNP market

One area offering significant growth potential is adopting a population health focus. By establishing a payor mindset and forging a new path, SNFs can help create long-term value for their organizations.

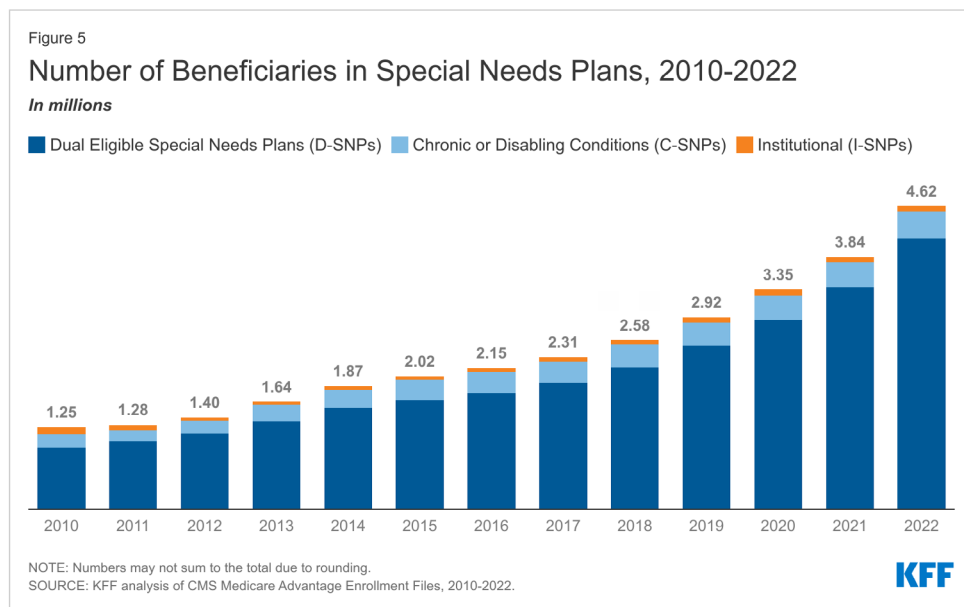
As the healthcare landscape moves toward value-based models, payors are increasingly focused on driving outcomes through medical utilization. SNFs can align themselves as valuable business associates by understanding and tracking clinical KPIs. By actively participating in value-based care focused clinical models, SNFs can negotiate capitated Per Member Per Month (PMPM) reimbursement rates, gain access to plan risk pools, and explore ownership in plans.

One notable development in the SNF industry is the rapid maturity of Institutional Special Needs Plans (I-SNPs), a specific type of Medicare Advantage (MA) plan. These plans, which have surged significantly in recent years, are designed specifically for eligible individuals who require institutional level care for 90 days or longer.

Enrollment among all types of SNPs as a whole has also seen substantial growth, reaching [4.6 million beneficiaries in 2022](#), compared to 3.8 million in 2021. SNPs now account for approximately 16% of total MA enrollment, a significant jump from 11% in 2011, according to KFF\* (see next page). The extent of SNP enrollment varies across states and counties.



## Adapting to Changing Dynamics (continued)



\*[Meredith Freed, Jeannie Fuglesten Binie, Anthony Damico, and Tricia Neuman], *[Medicare Advantage in 2022: Enrollment Update and Key Trends]*, (KFF, [August 25, 2022]) [<https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2022-enrollment-update-and-key-trends/>] (June 21, 2023)

In an MA plan, premiums are based on each member's risk adjustment factor (RAF), determining their respective premium. By creating conduits to more directly access the insurance premium, SNFs can create value by delivering high-quality care and managing the medical utilization of the MA plan's members. If they produce quality outcomes that reduce unnecessary utilization of the overall premium, they can capture the benefits of that value creation.

This approach offers a more direct route to securing fair compensation for the care SNFs provide. As the traditional fee-for-service (FFS) Medicare system continues to evolve, it becomes increasingly critical for SNFs to transition into the value-based care game.





## Adapting to Changing Dynamics (continued)

There are two primary ways SNFs can participate in I-SNPs:

1. Create a Medicare Advantage company (I-SNP Plan)
2. Join an existing I-SNP through a collaboration with an existing insurance company

Take time to evaluate and understand how shifting from FFS to value-based reimbursement can impact your organization. For example, established I-SNP plans typically aim for approximately 300 inpatient utilizations per 1,000, whereas non-I-SNP lives tend to average around 500. Anticipate the potential disruption to your revenue expectations due to the clinical and procedural shifts in your SNFs.

When considering participation in I-SNPs, SNFs should carefully evaluate associated risks and opportunities. Each method of participation has opportunities, potential outcomes, and considerations — and SNFs must align their long-term goals with the chosen approach. In each of the above paths, there are different ways to position your organization.

Other value-based models — such as Accountable Care Organizations — may provide on-ramps into value-based care approaches, as well.



# Behavioral Health

## Develop and implement a robust clinical plan at scale

Behavioral health needs are growing, and it will be increasingly important to develop and implement a strong approach to more integrated and coordinated care.

### **Behavioral health is a nationwide push**

There is a nationwide push to expand behavioral health care, including for older adults in SNFs — many of whom have a behavioral health diagnosis.

### **Increased focus from federal policymakers**

Federal policymakers are increasingly focused on the need for geriatric behavioral health care, and Centers for Medicare and Medicaid Services (CMS) has released a proposed rule calling for increased behavioral health access for MA plan members.

### **Higher-acuity care will step into the spotlight**

Mental health has come into the limelight since the COVID-19 pandemic, and billions of dollars have poured into new behavioral health startups and initiatives.

### **Integration of primary care and behavioral health**

To provide better-integrated care, some providers are testing new models, including practices that integrate primary care and behavioral health. This more holistic model allows for continuous coordination of care.

### **Quality of mental health care for SNF residents**

Recent data indicate the proportion of new SNF admissions with mental illness other than dementia, including major depression and anxiety disorders, is increasing.





# Regional Density Focus

## Elevating clinical competency and unleashing strategic potential

In the realm of healthcare, regional density holds immense significance for SNFs aiming to thrive. You can help unlock your organization's strategic potential by investing in elevated clinical competency.

As states such as Pennsylvania, Illinois, and Missouri embark on Medicaid reform and rate adjustment journeys, understanding your local market becomes increasingly important. Further, SNFs with advanced clinical competency are more attractive (and more successful) to value-based payers.

[Tap into the power of data](#) and couple it with specific knowledge to identify opportunities and gain a deep understanding of your market. SNFs are a complex business, and data points are mere fragments. By triangulating data, strategy, and understanding, you can gain a profound perspective that directs your strategic path.

Hospitals are looking for trusted referral sources capable of handling increasingly medically complex cases. As the industry trends towards lower-cost settings like assisted living, embrace this shift and seize the opportunity to build relationships that accommodate the medically complex. This can propel your value proposition ahead of the curve and add value to other strategies.

Specialty programs are a gateway to success. Analyze the pain points of hospitals, assess local market needs, and track outcomes. Armed with this knowledge, create targeted programs that address challenges head-on and foster seamless coordination of care. Forge relationships and networks around shared opportunities and collaborative problem-solving, cementing your position as a leader in the region.



# Enhancing Your Value Proposition

## Create reimbursement opportunities

The Patient Driven Payment Model has undoubtedly been a step in the right direction for SNFs. However, some may say it is still an imperfect system when it comes to capturing the evolving landscape of medical complexity and the value proposition that SNFs provide in the marketplace. SNFs are increasingly being tasked with caring for patients with higher levels of medical complexity, yet the reimbursement they receive does not always align with patients' severity.

Effective June 5, 2023, [Medicare Administrative Contractors will initiate a sampling process in SNFs](#) to address potential improper payment rates. The most recent Comprehensive Error Rate Testing (CERT) report for 2022 reveals that SNFs account for the highest improper payment rate among healthcare providers, amounting to 15.1% or \$5.8 billion, constituting approximately 18% of all improper payments.

In comparison, hospital outpatient settings follow with a 5.4% improper payment rate and roughly 14% of overall improper payments. Although hospice shows a 12% error rate, it contributes to less than 10% of total errors, while home health stands at 10.2% and approximately 5% of the overall errors.

Investing in minimum data set training and conducting regular reviews is crucial to proper reimbursement. Even seemingly insignificant details can impact reimbursement outcomes. Merely having "best practices" is not sufficient; they must be diligently followed and frequently updated, reviewed, and tested. Emphasize patient characteristics, improve functional scores, and maintain accurate coding.





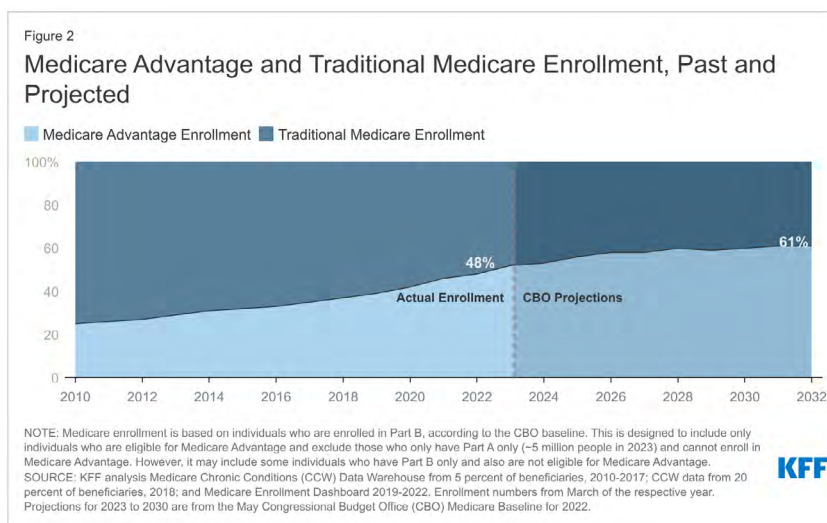
## Enhancing Your Value Proposition (continued)

To effectively gauge performance, utilize data analysis to compare trends, identify opportunities, and pinpoint any outliers in relation to both your own expectations and those of your peers and the market. Consider having a mock audit of your claims and provide ongoing training for key staff.

Be aware of [changes coming October 1, 2023](#), such as the removal of Section G and [proposed modifications to the Value-Based Payment and Quality Reporting programs](#). Having a trusted reimbursement advisory partner can prove invaluable in navigating these complexities as you adapt and comply with these changes.

## Creating value with Medicare Advantage market maturity

The MA market is maturing rapidly, with enrollment numbers steadily increasing. [As of 2022, over 28 million individuals have chosen an MA plan, accounting for almost half \(48%\) of eligible Medicare beneficiaries](#), and this trend of enrollment penetration for MA plans is projected to continue. However, the penetration of MA plans varies significantly across different states and counties.



*\*[Meredith Freed, Jeannie Fuglesten Binie, Anthony Damico, and Tricia Neuman], [Medicare Advantage in 2022: Enrollment Update and Key Trends], (KFF, [August 25, 2022]) [<https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2022-enrollment-update-and-key-trends/>] (June 21, 2023)*



## Enhancing Your Value Proposition (continued)

Considering UnitedHealthcare and Humana together make up nearly half ([46% in 2022](#), according to KFF\* (see previous page)) of all MA enrollments, it is important to tailor your strategy and seize opportunities based on your specific market. If you operate in a less mature market, collaborating with organizations in more mature markets can provide valuable insights for developing a strategy that aligns with your desired outcomes and market position.

To establish a niche in your market and cater to payors' needs, identify the challenges faced by hospitals when discharging patients to SNFs. Determine the specific types of discharges they struggle with and focus on effective strategies for those cases. Additionally, analyze the primary MA plan in your market and understand its priorities and values, as this can enable you to align with their needs and secure appropriate reimbursement.

In the current landscape, there is a continued shift moving long-stay resident care toward assisted living facilities and lower acuity discharges to home health, essentially moving lives to the lowest cost setting. SNFs should consider specializing in more complex cases that cannot be discharged to home health or develop care plans that outperform both assisted living and home health options. The key is to consistently outperform — both on quality care and financially — the alternatives and create alignment with the payors in your market.

To effectively demonstrate your value to payors, you must fully understand your KPIs — results matter. Define your value proposition and emphasize both quality and financial performance. Identify and assess specific areas where you offer value to payors and consider renegotiating or terminating unprofitable contracts.





# Elevating Business Acumen

## Empower local leaders for success

It's time to move away from top-down directives and embrace a new approach that empowers local leaders in the SNF industry. The business landscape is growing increasingly complex, presenting both challenges and opportunities that require a sophisticated problem-solving type of mindset. Here are a few options to consider.

[Digital dashboards](#) and decentralized command can empower facility leadership and foster autonomy at scale. Imagine a scenario where everyone — from leaders to caregivers and support teams — shares a clear strategic vision and acts on insights provided by a unified dashboard. Close month-end financials within eight days and promote extreme transparency by sharing financial information with administrators and executive directors. If these tasks prove challenging, consider [outsourcing](#) or automating manual processes to streamline operations.

Consider utilizing an [operations advisor](#), not as someone who merely identifies flaws or repeats what you already know, but as a collaborator and source of insightful knowledge. This enables faster progress, increased efficiency, and effective leverage of skills and capacity.

Develop a strategic [financial model](#) that aligns with your vision. Use a balanced approach to prioritize and test risks, evaluate long-term impacts, and measure the compounding effects of initiatives. By running scenarios, stress-testing assumptions, and communicating concisely across your team, you can gauge success and make informed decisions.

Investing in your Administrator-in-Training program is essential. Consider exploring alternative recruitment areas and providing training on credentialing. To attract top talent, offer competitive pay commensurate with the responsibilities. Some organizations are offering significant compensation packages, including six-figure salaries with additional incentives and bonuses. These emerging models challenge traditional expectations, and their popularity should be considered.

In the SNF industry, success is measured by achieving quality outcomes, increasing patient and resident satisfaction, and delivering high-caliber care. Just like any other business, positive margins should be a priority. Set a clear vision, establish financial conduits to achieve it, provide incentives for desired outcomes, celebrate successes, and reinvest in continual growth.



# How CLA can help

One of the key drivers behind all the transformation is the fact that seniors are the highest consumers of health care services, accounting for the most significant health care costs. As CMS seeks to shift the risk associated with senior health care to MA plans, entrepreneurs are responding — and SNFs have an opportunity to participate and create value in the senior living and health care ecosystem.

The inherent diversity across markets in the SNF industry presents its own distinct opportunities and challenges. Understanding the opportunities and trends of the SNF industry is crucial, but what truly counts is the actions taken based on the knowledge. Approach the themes and challenges with a problem-solving mindset, and remember industry-focused business support is available. Rather than trying to acquire the necessary skills alone, supplement and acquire additional resource support when needed.

At CLA, we understand the intricacies of the senior living and care industry. We have a track record of providing strategic guidance and professional services to help our clients navigate these transformative times. Contact us today to explore what we can do for your organization.

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