McKnight's Senior Living
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COVID-related changes in nursing home healthcare delivery 'just starting to manifest': report

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The pandemic forever changed the nursing home industry, according to Marcum LLP's three-year benchmarking analysis of skilled nursing operations, released Tuesday.

Using full-year (12 month) data from the Centers for Medicaid & Medicare Services, the analysts examined cost reports and removed data where the cost reports were improperly disclosed. More than 38,000 Medicare cost reports were reviewed for the 2019-2021 analysis.

"We believe COVID-19 has changed the delivery of healthcare permanently, and that these changes are just starting to manifest. The 'great resignation' has shown not only the operators but also the regulators that there is continued need for qualified people," Matthew Bavolack, a Marcum advisory principal and national leader of the firm's healthcare services practice, said in a statement. "This year's analysis illustrates how COVID-19 has dramatically impacted overall spending."

Key takeaways:

- Hourly nursing wages trended upward in all three years covered in the study, increasing by 7.63% from 2019 to 2020 and 9.87% from 2020 to 2021. In 2021, contract nursing costs doubled per patient day compared with pre-pandemic, 2019 levels.
- Total operating costs increased 9.27% nationally from 2020 to 2021, almost double the PPD revenue increase of 4.73%.

- Average occupancy declined both nationally and regionally.
- The Medicare payer mix percentage increased each year covered by the study and was 1.27% between 2020 and 2021.

Balance sheet analytics

The current ratio is calculated by taking current assets and dividing them by current liabilities, the analysts said. It is used to help assess the liquidity of an organization and its overall financial health.

Marcum found that in the three years studied, the current ratio stayed relatively consistent on a national basis. It’s no small thanks to federal subsidies in 2020 program loans.

“Without that additional funding, it is very likely the industry would have experienced a significant downturn,” they said.

Accounts receivable / accounts payable

The days in accounts receivable ratio is a measure of the average number of days it takes to collect payment after a service has been performed. The national average of days in accounts receivable increased one day for each year analyzed.

“The Pacific region continues to suffer from the slowest payors at 44 days or nearly a month and a half. The Rocky Mountain region, on the other hand, continues its positive collections history at just over one month on average,” according to the report. “Overall, the data does not seem to suggest there was a significant slowdown in collections due to the COVID pandemic.”

The days in accounts payable ratio is a measure of the average number of days it takes a provider to pay its operating expenses.

“The days in accounts payable ratio has decreased significantly from prior years. This is a positive sign as it shows that the industry as a whole had enough liquidity to pay the bills through the pandemic,” according to the experts.

The analysts noted that, again, that the dollars providers were afforded through COVID-19 stimulus funds in 2020 kept the ratio lowered in that year.