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Nursing Home Revenue Per Patient Day Falls 14.45% From Pre-Covid Level

By **Shelby Grebbin** | March 7, 2023

Nursing homes are facing increasingly severe financial disruption, with revenue per patient day down more than 14% from pre-Covid levels as of 2021.

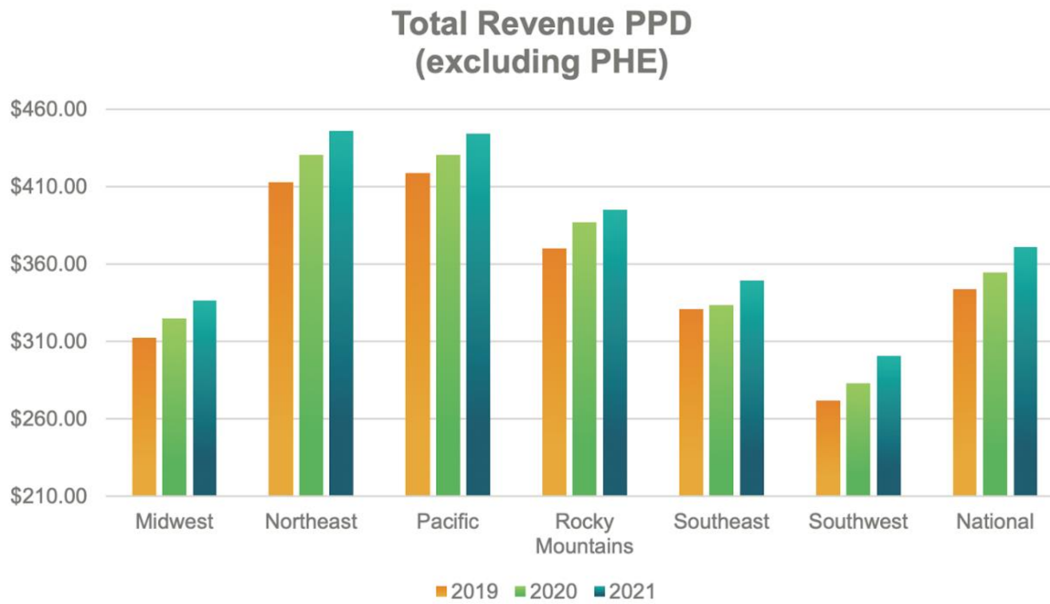
That's according to analysts at Marcum LLP, a national accounting and advisory services firm, which on Tuesday released its 2023 annual nursing home statistical analysis. In addition to painting a picture of financial challenges, the report was more upbeat on potential staff and census improvements.

The analysts examined data from 2019 to 2021, calling the period an "unprecedented and deeply challenging" time for the industry.

The analysis was divided into three categories — the pre-COVID environment, the "heart of COVID," and the beginning of COVID recovery.

"This year's analysis will illustrate how changes in people have dramatically impacted overall spending and continues to this day," Matthew Bavolack, principal of the national healthcare group said.

Revenue per patient day declines



Marcum LLP

Indeed, the analysis shows that the charts for total revenue per patient day (PPD), excluding COVID-19 public health emergency (PHE) funding, illustrates an increase that varies from 3% to 6% across the different regions, with a national increase of 4.73%.

However, revenue PPD declined 5.54% nationally from 2020 to 2021. And compared to the pre-COVID year of 2019, revenue PPD fell by 14.45%.

"Nationally, the percentage increase for reimbursement has been consistently between 3% and 4%; it is also critical to look at the bottom line to understand the impact of the rising costs of resident care," analysts wrote.

Nationally, the net loss PPD is $12.51, excluding COVID-19 PHE funding, which operators are bracing for the conclusion of come May.

Although every region across the nation incurred a net loss PPD, the Midwest was hit the hardest at a loss of $19.65. The Pacific fared the best with a loss of $1.74.

Providers' efforts to increase infection control measures combined with net losses resulted in a 19.85% increase in total cost PPD from 2019 to 2021.

Analysts wrote that the cost increase is ‘not surprising’ given the efforts to control the spread of COVID-19, including the purchase of PPE, the enforcement of additional compliance training, and the designation of infection control wings at facilities.

Impact of PDPM conversion

Analysts also explored the impact of the 2019 conversion of the Medicare payment model from Resource Utilization Groups (RUGS) to the Patient Driven Payment Model (PDPM).

Every region saw an increase in their average Medicare gross reimbursement after the conversion, with the pandemic likely having an impact on rates. The Midwest region saw the largest percentage increase of 9.30%, or an average increase of $47.15 PPD. Meanwhile, the Southwest region saw the smallest increase of 6.86%, with the average daily increase still being $35.90 PPD.

“It is difficult to determine how COVID-19 affected these statistics,” analysts said. “With PDPM going into effect on October 1, 2019, and the pandemic affecting nursing homes by March 2020, it would be expected that COVID-19 did in fact play some role in the rates shown.”

Staffing shortages

Analysts confirmed that staffing shortages within nursing homes caused a greater need for use of nursing agencies across the nation — significantly contributing to the rising PPD cost.

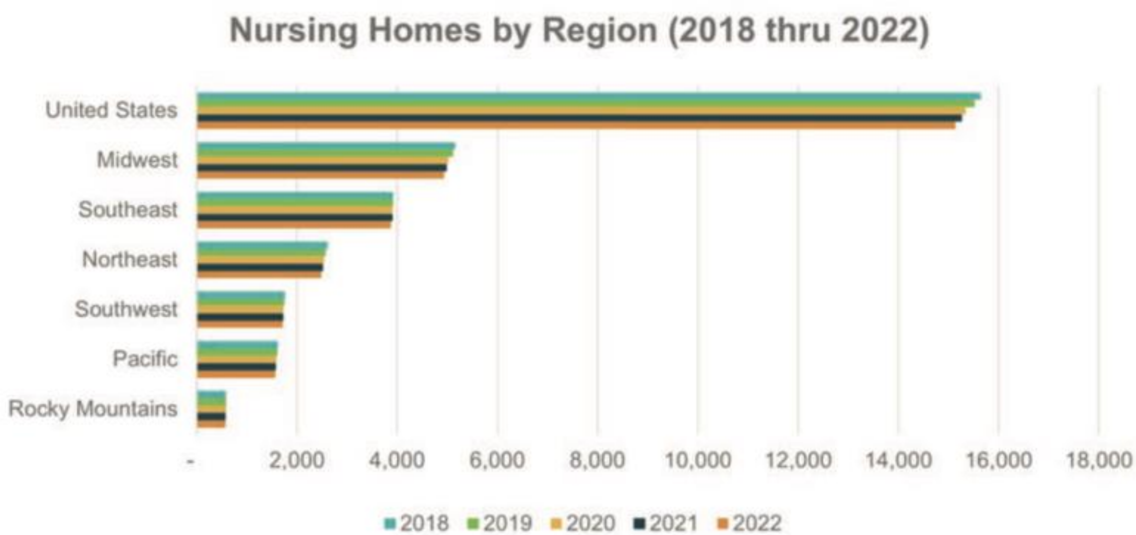
In 2021, the nursing contract cost PPD doubled in comparison to 2019.

Analysts reported that the national hourly rate for contract registered nurses (RNs) increased by 19% compared to pre-COVID. Wages for contract licensed practical nurses (LPNs) and certified nurse aides (CNAs) also increased 22% and 27%, respectively, in comparison to pre-pandemic hourly rates.

“Contract nursing costs combined with staff nursing wages poses an ongoing issue within the skilled nursing facilities,” analysts noted. “With nursing homes struggling with staffing shortages, increasing hourly rates, occupancy declines, and climbing overall operating costs, gross revenue has not been able to cover total cost PPD."

However, Bavolack said that despite the hardships, the census has begun to rebound and in some instances is back to pre-pandemic levels. And staff, perhaps due to a combination of wage increases and economic pressures, are beginning to return after the Great Resignation.

"The people are returning, and we believe they will continue to do so," he said.



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