
Skilled Nursing Facilities in Pennsylvania: Analysis of Total Profit Margins for Freestanding Facilities

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EXECUTIVE SUMMARY

The Pennsylvania Health Care Association (PHCA) asked Avalere Health to perform an independent analysis of total profit margins for freestanding skilled nursing facilities (SNFs) in Pennsylvania using publicly available Medicare cost reports submitted annually to the Centers for Medicare and Medicaid Services (CMS) for fiscal years (FY) 2007 and 2014.

Among the key findings:

- o Avalere's analysis found that total profit margins for freestanding SNFs in Pennsylvania decreased 28 percent between FY 2007 and FY 2014, from 3.2 percent to 2.3 percent. (Chart 1 and Chart 2)
- o In general, those SNFs with higher Medicaid occupancy rates have lower total profit margins. (Chart 1)
- o In 2014, while the overall average margin for all SNFs analyzed was 2.3 percent, the margin for those facilities with 75 percent or higher Medicaid occupancy was only 1.2 percent.
- o During 2014, the average Medicaid occupancy statewide was 65 percent and for the facilities above that average the overall margin was 1.8 percent.

Chart 1: Aggregate Statewide Total Profit Margin Results

Total profit margins for freestanding SNFs in Pennsylvania decreased 28 percent between FY 2007 and FY 2014, from 3.2 percent to 2.3 percent. In general, those SNFs with higher Medicaid occupancy rates have lower total profit margins.

Total Profit Margin:

- FY 2007 (based on 617 SNFs¹): 3.2%
- FY 2014 (based on 645 SNFs²): 2.3%

Total Profit Margins Stratified By Medicaid Occupancy Rates

Year	Total Profit Margin	Medicaid Occupancy Rate Ranges	
		0-74%	75-100%
2007	3.2%	4.1%	1.4%
2014	2.3%	2.9%	1.2%

1 Overall, 647 SNFs submitted FY 2007 cost reports but 30 did not have values in the fields necessary for margin computation or had outlier values defined as 2 standard deviations from the mean.

2 Overall, out of the initial 654 SNFs for the FY 2014 analysis, 9 did not have values in the fields necessary for margin computation or had outlier values defined as 2 standard deviations from the mean. Out of 645 SNFs analyzed, 436 submitted FY 2014 cost reports and 209 submitted FY 2013 cost reports.

Chart 2: Pennsylvania SNF Total Profit Margins, 2007-2014

In FY 2014, the overall average margin for all SNFs analyzed was 2.3 percent, a 28 percent decrease from FY 2007 when the margin was 3.2 percent.

Total Profit Margins in 2007 and 2014

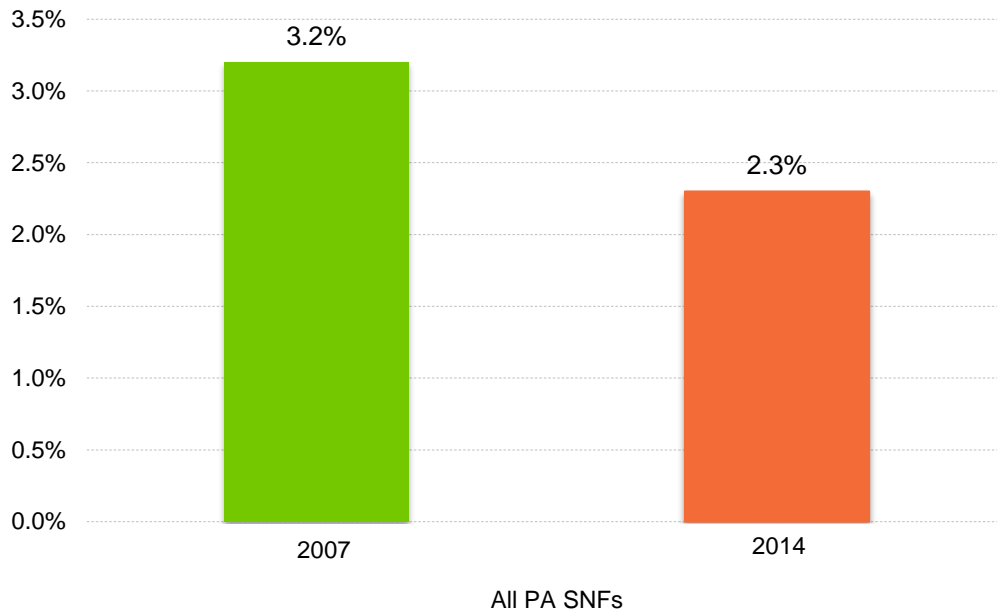
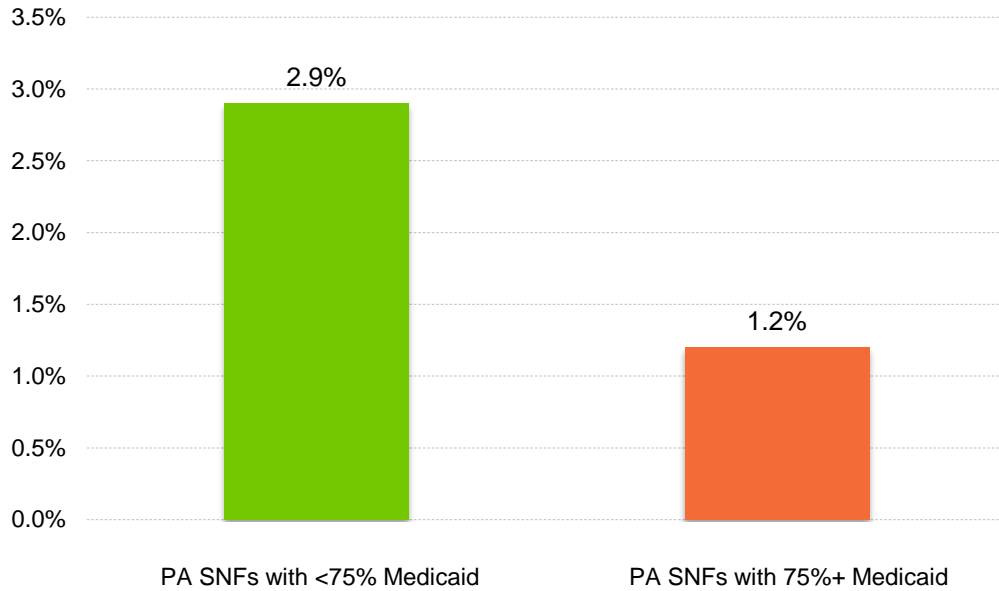


Chart 3: Pennsylvania SNF Total Profit Margins by Medicaid Occupancy Rate

In FY 2014, the margin for facilities with >75 percent Medicaid occupancy was only 1.2 percent.

Total Profit Margins by Medicaid Occupancy Rate in 2014



METHODOLOGY

- Avalere identified 654 freestanding skilled nursing facilities (SNFs) in Pennsylvania for the FY 2014 cost reporting cycle.
- Although the most recent cost reports available are for FY 2014, not all facilities have yet submitted these data; therefore, Avalere estimated the overall statewide FY 2014 margins as outlined in the footnote below.³
- Out of the 654 SNFs, 9 did not have accurate data necessary for the analysis.
- For comparison purposes, Avalere also calculated total profit margins for the selected base year of FY 2007.
- Avalere computed total profit margins by comparing operating expenses and other expenses reported by SNFs to net patient revenue and other income from non-patient revenue sources.
- Additionally, Avalere stratified statewide total profit margins by different Medicaid occupancy rate ranges calculated as Medicaid-days-to-total-days ratio from the Pennsylvania Department of Health's Annual Long-Term Care Facilities Surveys, which are publicly available data.⁴

³ Avalere used FY 2014 cost reports for 436 SNFs and projected FY 2014 values for 209 SNFs that have only submitted FY 2013 cost reports to date; the projection was based on the percentage of the average cost and revenues increase between FY 2013 and FY 2014 for facilities with the two years of data.

⁴ <http://www.statistics.health.pa.gov/HealthStatistics/HealthFacilities/NursingHomeReports/Pages/NursingHomeReports.aspx#VoQrP4wo7L8>

About Us

Avalere is a vibrant community of innovative thinkers dedicated to solving the challenges of the healthcare system. We deliver a comprehensive perspective, compelling substance, and creative solutions to help you make better business decisions. As an Inovalon company, we prize insights and strategies driven by robust data to achieve meaningful results. For more information, please contact info@avalere.com. You can also visit us at avalere.com.

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