

2026 Annual PADONA  
Conference



*The Business of Nursing: The Art of  
Good Financial Stewardship in Your  
Day-to-Day Decision-Making*



PENNSYLVANIA ASSOCIATION OF  
DIRECTORS OF NURSING ADMINISTRATION





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# Agenda

Current State of the Industry

Payer Source and Revenue Streams

Expense Management

Operating Budget

Understanding Financial Statements

Financial Ratios and Benchmarking



# Current State of the Industry



# Nursing Home Climate - 2026

1. Demand is strong and growing (aging population), but capacity is artificially constrained by workforce and financial limitations.
2. Labor remains the chokepoint – The workforce crisis has shifted from acute shortage → chronic instability. Persistent issues of high C.N.A. and LPN turnover, reliance on agency staff, continued shortages in rural areas.
3. Financial performance remains stressed with 45% of SNFs operating at a loss in recent years. Key cost drivers are labor (wages + agency), compliance/regulatory burden, and inflationary pressures forcing providers to right-size operations, pursue case-mix optimization, and evaluate “right client / right contract.



# Nursing Home Climate - 2026

4. Payer Mix & Revenue Shifts – Heavy growth of Medicare Advantage penetration with increasing complexity in prior authorization, length of stay management, and denials and payment delays. Medicaid dominates long-stay population.
5. Regulatory Compliance remains dynamic and politicized. Regulation is in flux (federal staffing requirements), but enforcement intensity remains high. Survey and enforcement and increased scrutiny on ownership, and strong focus on quality performance measures.
6. Resident acuity continues to increase with shorter hospital stays → sicker SNF admissions. There is a clear correlation between lower staffing and higher deficiencies. There is ongoing pressure on infection control, behavioral health, and complex care management.



# Nursing Home Climate - 2026

7. Industry Consolidation & Market Restructuring - ongoing closures and consolidations since COVID. Underperforming buildings face:
  7. Sale
  8. Downsizing
  9. Conversion (behavioral health, specialty units)
8. Compliance Focus Areas – documentation to support PDPM components, denial prevention, and tie-outs between clinical notes, MDS, and billing
9. State minimum staffing – challenges in meeting the 3.2 NHPRD and /or required ratios.



# Nursing Home Closures

30+ nursing homes have permanently closed in Pennsylvania since the pandemic.



# Revenue Drivers



# Factors that Impact SNF Financial Performance

Occupancy

Inflation

Labor Costs

Medicaid Rates

Medicare Advantage Penetration and Payment Rates



Trend	Details
<p><b>Decline in utilization before COVID-19</b></p>	<p>Between 2010 and 2019, utilization per Fee-for-Service (FFS) Medicare beneficiary of SNF care saw a steady decline:</p> <ul style="list-style-type: none"> <li>• Admissions per FFS beneficiary fell ~18.5%</li> <li>• Days per FFS beneficiary fell ~25.2%.</li> </ul>
<p><b>Sharp drop during COVID-19</b></p>	<p>In 2020-2021, SNF use dropped significantly:</p> <ul style="list-style-type: none"> <li>• Between 2019 and 2021, admissions per FFS beneficiary fell about 12%, days per beneficiary fell about 6%.</li> <li>• Also, SNF spending and utilization (in some studies of post-acute care) dropped sharply in early pandemic months.</li> </ul>
<p><b>Partial recovery post-2021</b></p>	<p>In 2022, utilization rose again. For example, in 2022 the number of SNF stays and covered days increased nearly 7% over 2021. Admissions per FFS beneficiary in 2022 increased more than 10% vs 2021 to ~54 per 1,000 FFS beneficiaries.</p> <p>But still, some metrics (e.g. admissions) remained below pre-pandemic levels.</p>
<p><b>Occupancy rates</b></p>	<p>Prior to the pandemic (2019) median occupancy of freestanding SNFs was approx. <b>85%</b>. During the pandemic, occupancy dropped significantly, hitting a low point (~69%) in early 2021.</p> <p>Since then, there's been a gradual recovery.</p>

# Key Primary Payer Sources

## *Room and Board Payers*

- Medicare
- Medicare Advantage / Skilled HMO
- Medicaid
- Private Pay

## *Ancillary Revenue*

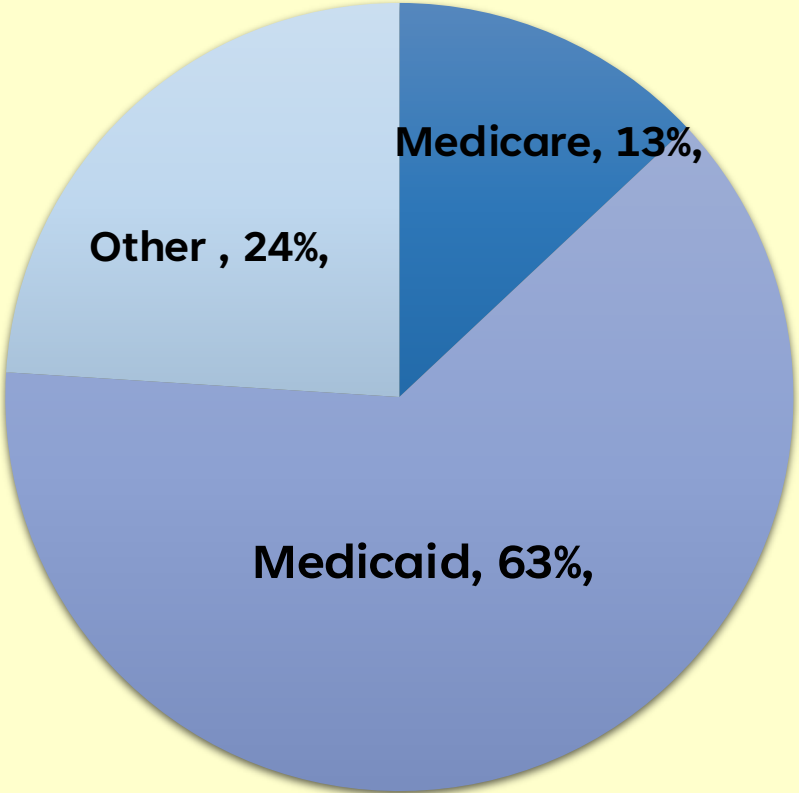
- Medicare Part B



# National Payer Mix

■ Medicare ■ Medicaid ■ Other

*Other: Insurance, Private Pay, etc.*



Source: KFF State Health Facts (July 2024)



# Medicare Part A

Medicare Part A provides short-term, post-acute coverage following a qualifying hospital stay

Medicare reimburses SNFs under a prospective per diem system, called PDPM (implemented October 1, 2019). Payment is driven by resident characteristics and clinical complexity—not therapy minutes

SNFs must bill Medicare for most services provided during the stay under **consolidated billing**

Form of Managed Care and as such service delivery **MUST BE MANAGED**

**Medicare FFS Rates average 27% higher than Medicare Advantage**

**MedPAC projects a 16% Medicare FFS margin for SNF's in 2024**

***BEST PAYER SOURCE***



# PDPM

New clinical-financial / case-mix classification model effective Oct. 1, 2019

Intended to improve payments made under SNF PPS

- Improves payment accuracy and appropriateness by focusing on the patient, rather than the volume of services provided

75 payment classifications

5 case-mix adjusted components

PT

OT

ST

Nursing

NTA

Focuses on the unique, individualized needs, characteristics, and goals of each patient

Each resident receives one classification per component

The final per diem rate is a combination of all 5 components- each resident has a 5-part payment profile, not one bucket.

A prospective, clinically driven per diem system where payment is determined early (via MDS), accuracy and documentation are critical, and financial performance depends on clinical coordination and compliance.

MedPAC report found that average payments per day were 7% higher under PDPM model.

# 2026 Medicare Payment for Nursing Homes –

Payment Increase FY2026:

- +3.2% net increase in Medicare Part A rates for FY 2026

## Payment Model (PDPM) – Continued Refinements

The Patient-Driven Payment Model (PDPM) remains the core structure.

34 ICD-10 mapping changes were finalized

***Goal: Improve coding accuracy and clinical categorization***

### ***Operational impact:***

Continued emphasis on:

- Diagnosis coding accuracy
- Clinical category assignment
- Documentation integrity



# Medicare Advantage / Skilled HMO

Medicare FFS rates 27% higher than Medicare Advantage  
Increasing in prevalence, it comprises 45% of Medicare beneficiaries,  
with an estimated 50% penetration rate by 2030.

## Level of Care vs. PDPM Payment Categories

Highmark  
Security Blue  
Freedom Blue  
Aetna  
UPMC  
Geisinger  
Humana

## More difficult to manage

Case Management  
Pre-authorizations required for service  
Routine authorizations required  
Length of Stay is typically shorter



# Value Based Purchasing (VBP)

## What It Is

The SNF VBP program, administered by the **Centers for Medicare & Medicaid Services (CMS)**, is a **pay-for-performance program** that adjusts Medicare Part A payments to skilled nursing facilities based on **quality outcomes rather than volume of services**.

In simple terms:

Facilities can **earn back money—or lose money—based on how well they perform on specific quality measures**.



## How It Works (Big Picture)

Only 50–70% of that is redistributed  
based on performance

**Estimated: ~\$208 million in payment  
reductions tied to VBP**

**CMS withholds 2% of Medicare  
Part A payments to SNFs**

**Facilities can earn back some,  
all, or more than 2% depending  
on performance**

**Payments are redistributed  
based on:**

**\* Achievement** (how you  
compare to others)

**\* Improvement** (how much you  
improved over time)

# Financial Impact

**Top performers** → earn back more than the 2% withheld

**Average performers** → earn back ~2%

**Low performers** → lose part of the 2%

*Important:* This is budget-neutral—CMS redistributes the withheld funds across providers.



# Medicaid Reimbursement

## *Managed Medicaid –Community Health Choices (CHC – MCO)*

Mandatory managed care program for individuals who are dually eligible for both Medical Assistance and Medicare

### Three Providers

AmeriHealth Caritas Pennsylvania

PA Health & Wellness

UPMC Community HealthChoices

# Transition to PDPM in PA Medicaid

Pennsylvania's adoption of PDPM is specific to Medicaid rate-setting and distinct from the federal implementation that governs Medicare reimbursement.

Creates a fundamental shift in how resident care is documented, assessed and financially supported.

## *Key Operational Changes*

- resident function plays a pivotal role in classification-both a cultural and educational shift for frontline caregivers
- a shorter lookback window than RUGs, placing greater emphasis on real-time documentation and current clinical status.

# Rate Setting

**Base Rate** – prior year's target becomes next year's base

**Annual Target Rate** – base plus statewide increase approved by legislature funds

**Budget Adjustment Factor** – PA applies this each quarter so that total Medicaid payments fit within the appropriated funds – budget control mechanism **not a quality or cost-based adjustment** – *approximately 80.365%*



# Medicaid Payment Gap

2025 PA Average Medicaid Per-Diem: \$256

2025 PA Average Cost of Care Per- Diem: \$400

Difference **(\$144)**



***Pennsylvania's Medicaid QI Program  
rewards facilities that can  
demonstrate strong clinical  
outcomes, consistent staffing, and  
regulatory compliance—and it  
requires a data-driven, system-  
based approach to succeed.***



# Medicare Part B

Ancillary Revenue Source

Typically aim for 30-40% of non-skilled population as a benchmark

Percentage of skilled residents will impact your Part B service delivery

Communication between nursing and therapy is critical

Unlike Part A, there is no fixed “minutes target,” but common patterns:

- 2–5 visits per week depending on condition
- Shorter, targeted episodes vs. Part A rehab

👉 Key difference:

- Part B = maintenance + decline prevention
- Part A = intensive rehab episode



# Average Nursing Home

Payor Source	Net Income Per Resident Day	MedPac
Other/Private Pay	\$0-\$80	29%
Medicaid	(\$144)	57%
Medicare/Skilled	\$75-150	14%

***Managing the 14% Medicare/Skilled Residents is Critical to the Success of the Average Nursing Home!***



# “Efficient” SNF

MedPAC’s definition of an efficient SNF include comparisons of SNF to other SNFs that had:

Successful discharge to community:	15% higher
Hospitalizations:	21% lower
Standardized cost per day:	7% lower
Payments per day:	4% higher



# Overview

Medicare continues to be the *BEST PAYOR* – *SNF profile shifting from traditional rehab patients towards those with complex clinical conditions*

rehab-oriented diagnoses accounted for only 25% of hospital discharges to SNFs.

the most common diagnoses for patients discharged to SNFs were those related to septicemia (38%), whose patients have the longest hospital stays at 8.25 days.

Success requires *DILIGENT MANAGEMENT*

Census and Admissions Process

Medicare reimbursement system

Ancillary Service Contracts and Delivery

Expense Monitoring and Management

***Medicare/Skilled Care is the Key to  
Most SNF's Operational Success***



# Effective Management Strategies

## *Expense Management*

### Review Ancillary Service Provider Contracts

Pharmacy

Therapy

Laboratory

Ambulance

XRAY/Diagnostics



# Pharmacy Management

Pre-admission cost of medications

Daily management of medication ordering

Review pharmacy contract

Track average cost per skilled resident

Benchmark: \$35-45 per Medicare resident day



# Therapy Services Management

## Contract

- Per Minute

- Fixed daily rate tied to PDPM categories

- % of total PDPM rate or a % of therapy component (PT/OT/SLP portion only)

## Operations

- In-house / Self-Op

- Contracted Service

Advantages and Disadvantages to Each

Part B percentage of fee schedule charge



# Therapy Services Management Outcomes Management

Outcome	Industry Benchmark
Therapy Costs Per Medicare Day	\$70 - \$75 per day
Average Length of Stay*	12-22 days
Average Medicare/Skilled Per Diem	\$615

\* Depends on your mix of Traditional Medicare vs. Managed Care



# Where's your Margin?

Medicare Margin Sample Calculation		
Average Skilled Per Diem	\$	615
<b>Costs:</b>		
Resident Care	\$	385
Therapy	\$	78
Pharmacy	\$	40
Radiology	\$	3
Lab	\$	3
Transportation	\$	3
Other	\$	3
Total Skilled Cost Per Day	\$	515
Net Profit	\$	100
<b>Average Profit Margin</b>		<b>16%</b>

*MedPAC forecasts +16% Medicare Margin in 2025*



# Medicare Margin Reports

- General Ledger (GL) has to be set up correctly
- Track Medicare Part A expenses separately from other payer sources
- May need to manipulate data to get information you need
- Critical piece information to the success of the skilled nursing facility



# Cost Per Day Calculations

- Required to evaluate true efficiency of your expense management systems
- Removes changes in total costs associated with census fluctuations
- Helps you to drill-down into expense management and identify opportunities for improvement



# Admissions Process

Staffing is the biggest obstacle to admission – post-pandemic

Many facilities have readjusted capacity because of staffing

Some of our Pre-Pandemic practices still apply:

- Direct impact on financial success
- The number of “reviewers” slows down the process
- Adopt a “clinical capabilities” list – rethink
- Establish targets for time periods between referral receipt and referral decision (15 minutes)
- Competition amongst providers is fierce especially for Medicare / Skilled residents
- Track denials and monitor referral to admission ratios (65% ratio)



# ***Reimbursement Management***

## ***How well do you manage the Medicare/Skilled Care Reimbursement?***

Assess RNAC/MDS Team knowledge and understanding

Evaluate (through management tools) opportunities for improvement

Look closely at your communication systems

Management Tool Monitoring

- Average Medicare Rate

- PDPM payment category distribution and benchmarking

- Short Term vs. Longer Term Skilled Residents



# Strategic Focus of Successful Operators

- ❖ Workforce stabilization
  - Internal staffing models
  - Career ladders
  - Reduced agency reliance
- ❖ Clinical specialization
  - Vent, cardiac, behavioral health, high-acuity programs
- ❖ Data-driven operations
  - QAPI tied to financial outcomes
  - Real-time KPI dashboards
- ❖ Diversification
  - Assisted living / IL / home-based services
  - Partnerships (e.g., therapy, ACOs, hospitals)

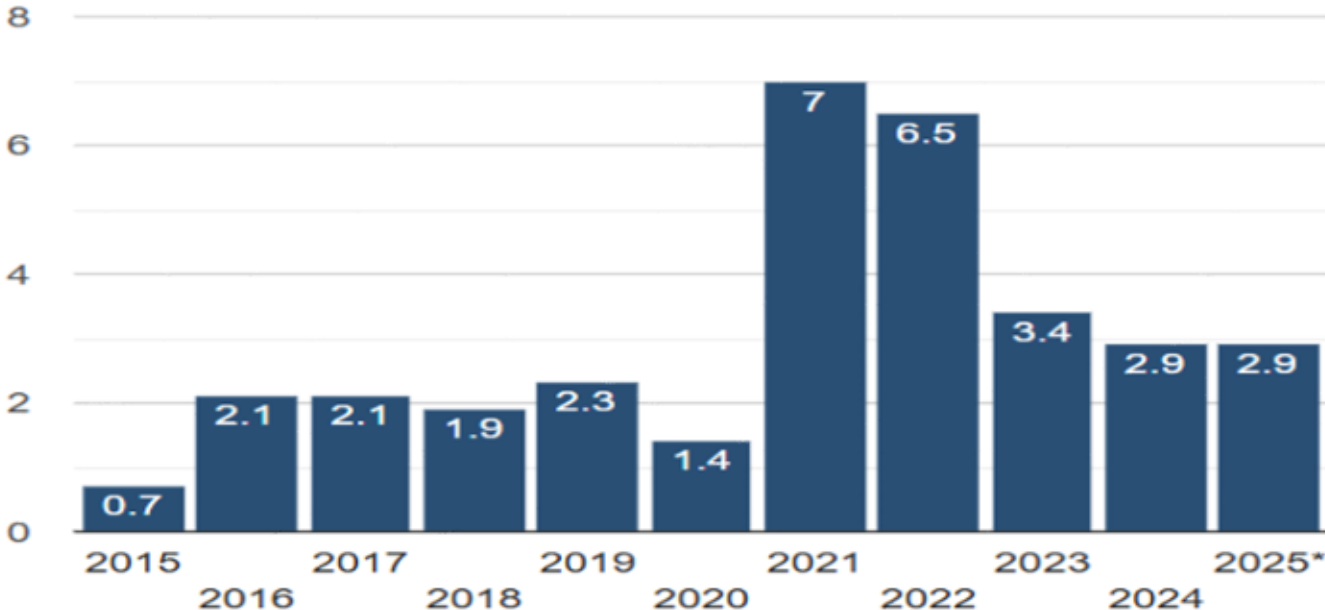


# Expense Implications

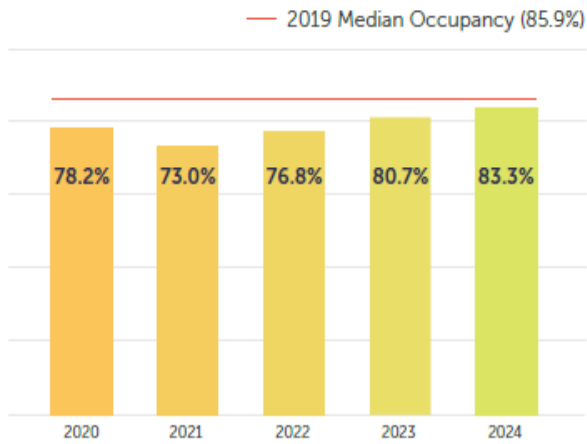


# Inflation Trends

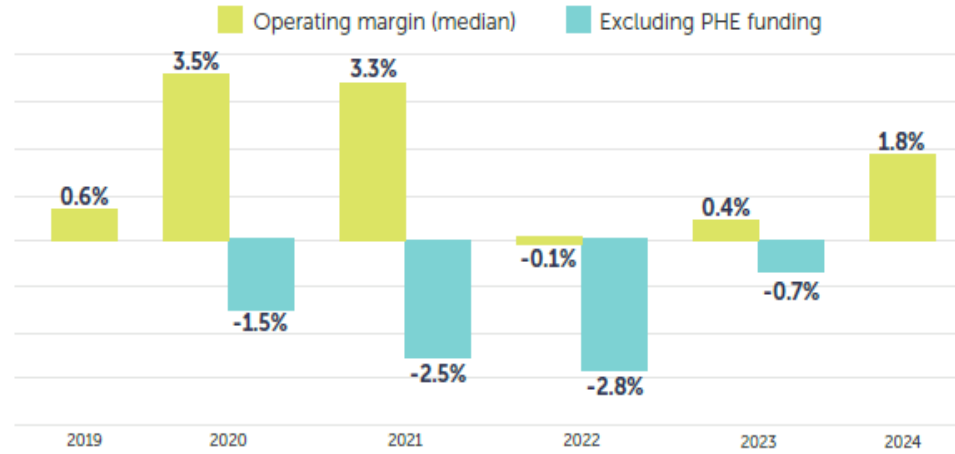
Chart: United States Annual Inflation Rates (2015 to 2025)



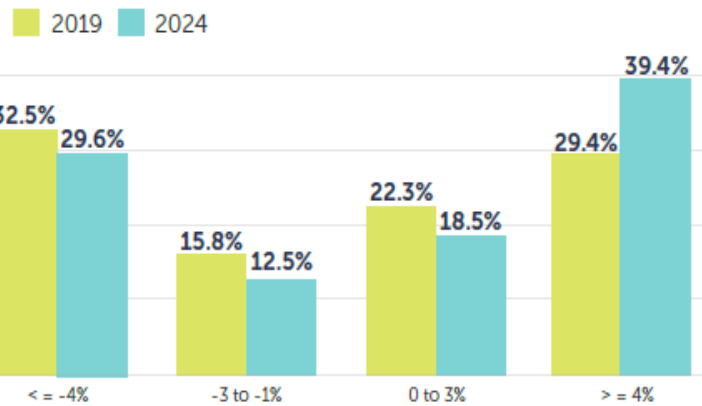
Median Occupancy Rate



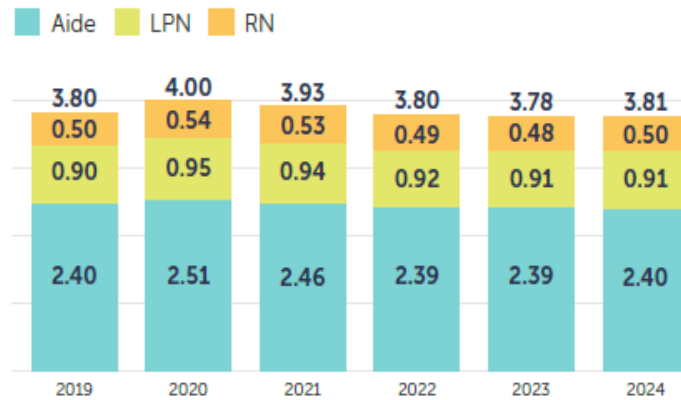
Median Operating Margin



Provider Distribution by Operating Margin Bin



Median Paid Nursing Hours Per Day



**2024  
Stabilization  
and  
Improvement**



Obtained from CLA – 40<sup>th</sup> Annual SNF Cost Comparison and Industry Trend Report

# Key Nursing Department Expense Categories

Nursing Hours Per Resident Day

Productive versus Non-Productive Paid Time

Cost of Benefits

Agency

Overtime



# Nursing Hours

How you fill hours is critical

Regular Time

Overtime / Double Time

Bonus Incentives

Per Diem

Agency

Sticking to your budgeted labor hours is essential



# Nursing Department Impact

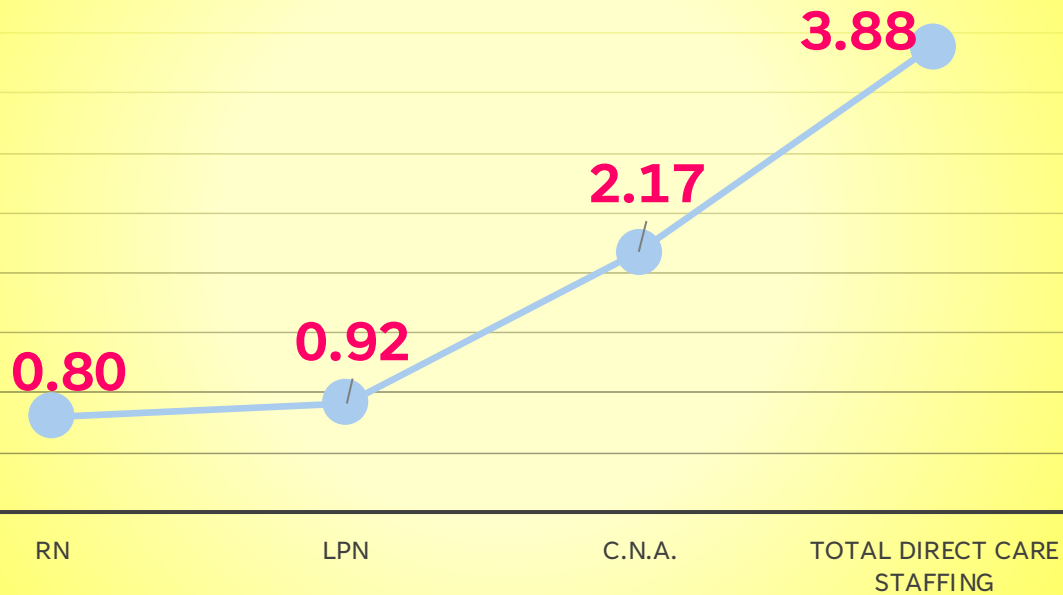
*50-55% of Total OPERATING EXPENSES*

Whether you know it or not...everyone is watching the nursing department performance!!

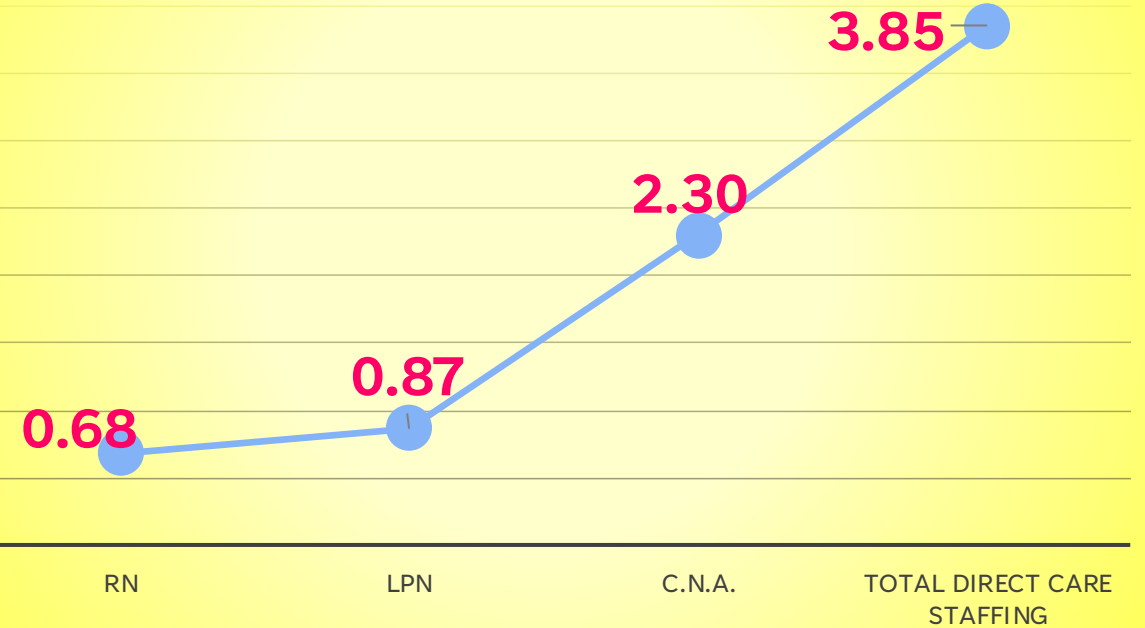


# Staffing Benchmarks

## State Average



## National Average



*\*Information obtained from CMS Nursing Home Compare Website – September 2025*



# Staffing Considerations (flows into facility assessment)

PPD

Staff to resident ratios

Unit

Shift

Special needs of the unit

Diagnoses / Treatments

High acuity

Dementia

Physical layout of the unit

Size of unit



# Staffing can be perplexing!

## Nursing hours Per Patient Day

- Know what positions it includes
- Know why you are over/under budget
  - Who here completes a budget variance report for labor hours/costs?
- Light duty, FMLA, PTO, restorative, therapy transports, hospitality aides, nurse aide training costs – do these belong in nhppd - no
- Overtime
- Agency



# The value of a financial analysis

When things just don't add up

What really is your NHPPD?

When the budget variance report  
doesn't make sense



# NURSING HOURS VALIDATION

## DIRECT NURSING HOURS PER PATIENT DAY

CALENDAR YEAR ENDED 12/31/2025

DEPARTMENT	TOTAL GROSS HOURS
<b>Employed Staff</b>	
Nursing Dept	170,419
Nursing Dept - CNA	720
<b>Total Direct Care Staff</b>	<b>171,139</b>
<b>Agency Nursing</b>	
RNs	896
LPNs	11,330
Aides	15,791
<b>Total Agency Nursing</b>	<b>28,017</b>
<b>Total Direct Care Hours</b>	<b>199,156</b>
<b>Total Patient Days</b>	<b>48,990</b>
<b>DIRECT CARE HOURS PER DAY</b>	<b>4.07</b>
Nursing Admin Dept	13,370
<b>Total Nursing Care Hours</b>	<b>212,526</b>
<b>TOTAL NURSING HOURS PER DAY</b>	<b>4.34</b>



# Productive vs. Non-Productive Hours

- Productive hours factor into your PPD
- Non-Productive hours are not as easily monitored
- They reflect in your financial statements because they are dollars paid
- Includes FMLA, Workers Comp/Light Duty, Vacation, Sick, Holiday (not worked), nurse aide training, orientation
- See increase in utilization around holidays and summer-time



# Non-Productive Time

- Managing employee benefit time is critical to your department's success
- Establish guidelines for time off approval
- Weekend programs
- Build PRN Pool
- Evaluate Light Duty Job Functions



# Impact of Benefits

- Benefits awarded according to employee handbook and/or union contract (CBA)
- Typically, Full-Time employees eligible for benefits
- But sometimes Part-Time employees are eligible
- Take benefit factor into account when hiring staff and evaluating your positions



# Benefit Factor

Benefit Costs can add an additional 25-50% in costs on top of salary costs

- Health Insurance
- Paid Time Off Package
- Retirement /pension
- Paid Lunch Break
- Other benefits in which facility contributes
- Payroll Taxes and other required expenses



# True Cost of Full-Time Employees

Job Classification	Hourly Rate of Pay	Annual Wage	Benefit Factor	True Cost of Employee
<i>RN</i>	\$ 45	\$ 93,600	30%	\$ 121,680
<i>LPN</i>	\$ 35	\$ 72,800	30%	\$ 94,640
<i>C.N.A</i>	\$ 20	\$ 41,600	30%	\$ 54,080



**Can we talk  
agency?**



# Agency Factors

Rates

Shift rates

Overtime calculation

Holiday Calculation

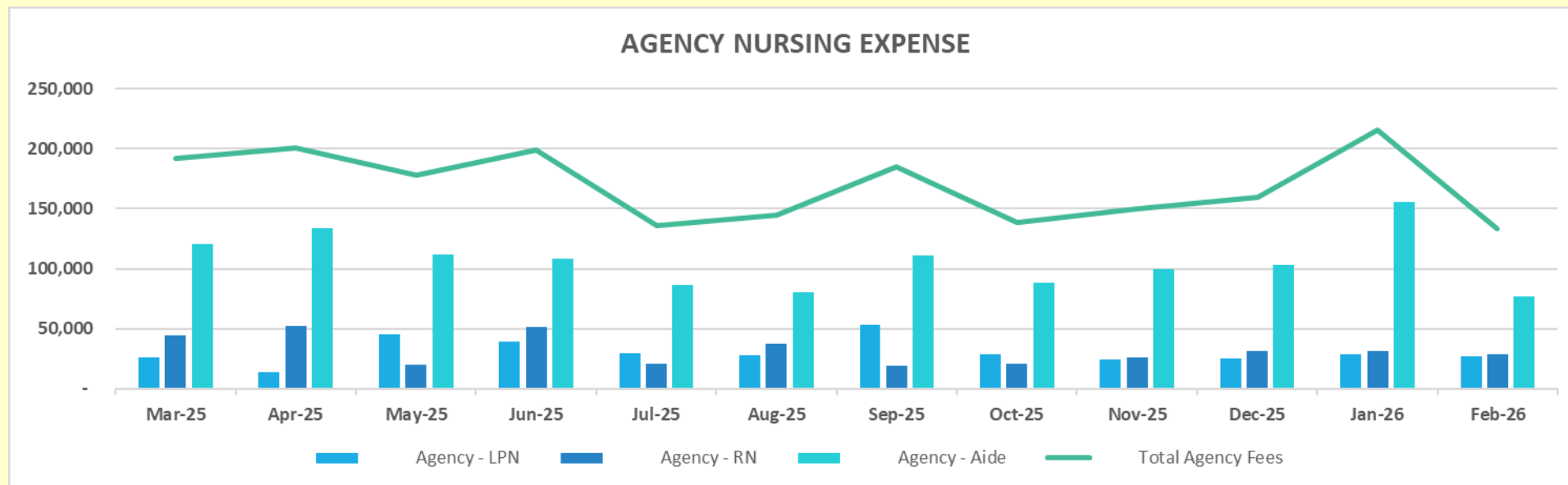
Call-Off Provisions

Ease of Scheduling – partnership vs vendor

Block Scheduling – guaranteeing hours

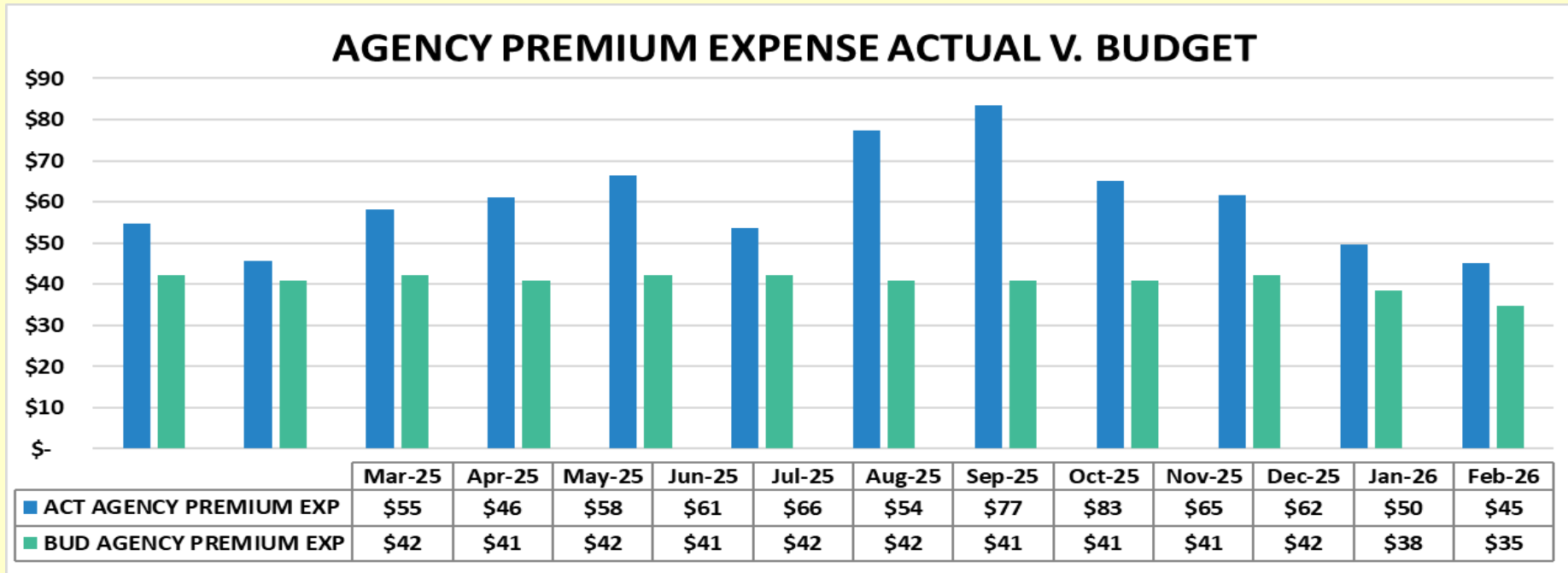


# Agency Trend Report



# Agency

*can and will destroy financial performance*



# Agency vs No Agency

## Use or not to use

**Scenario:** What census can I achieve without agency?

**Costs:** Calculate cost of agency – calculate loss in revenue

**Benefits:** Financial gain or financial loss depending on census, mix and amount of agency



**Can we talk  
overtime?**

**\$\$\$**

**Burnout**



# Overtime Trend Report

Department	January	February	March	April	May	June	July	August	September	October	November	December	Total
Administration Dept	\$ 37	\$ 68	\$ 23	\$ 234	\$ 121	\$ 263	\$ 57	\$ 271	\$ 877	\$ 3,226	\$ 885	\$ 122	\$ 6,185
Dietary Dept	\$ 1,658	\$ 2,588	\$ 2,386	\$ 4,714	\$ 3,023	\$ 2,030	\$ 2,002	\$ 3,492	\$ 4,686	\$ 10,023	\$ 4,637	\$ 5,138	\$ 46,378
Housekeeping Dept	\$ 1,555	\$ 2,172	\$ 3,145	\$ 3,492	\$ 5,680	\$ 3,983	\$ 4,827	\$ 4,736	\$ 4,803	\$ 6,811	\$ 4,957	\$ 3,859	\$ 50,020
Life Enrichment	\$ 991	\$ 2,185	\$ 2,774	\$ 2,642	\$ 4,029	\$ 1,678	\$ 2,343	\$ 2,569	\$ 3,007	\$ 5,387	\$ 1,958	\$ 1,499	\$ 31,062
Maintenance Dept	\$ 917	\$ 1,188	\$ 1,303	\$ 1,300	\$ 1,484	\$ 701	\$ 748	\$ 1,239	\$ 2,057	\$ 3,935	\$ 1,635	\$ 1,237	\$ 17,744
Marketing Dept	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nursing Admin Dept	\$ 552	\$ 138	\$ 151	\$ 308	\$ 4,079	\$ 3,314	\$ 4,438	\$ 4,493	\$ 4,033	\$ 9,796	\$ 5,862	\$ 2,143	\$ 39,305
Nursing Dept	\$ 76,167	\$ 73,417	\$ 78,699	\$ 78,039	\$ 123,459	\$ 80,276	\$ 88,537	\$ 97,051	\$ 93,264	\$ 137,347	\$ 81,191	\$ 85,802	\$ 1,093,249
Nursing Dept - CNA	\$ 607	\$ 1,223	\$ 948	\$ 688	\$ 714	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 4,190
Social Services Dept	\$ 62	\$ 35	\$ 150	\$ 256	\$ 212	\$ 9	\$ 18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743
<b>Grand Total</b>	<b>\$ 82,546</b>	<b>\$ 83,013</b>	<b>\$ 89,579</b>	<b>\$ 91,673</b>	<b>\$ 142,800</b>	<b>\$ 92,255</b>	<b>\$ 102,971</b>	<b>\$ 113,861</b>	<b>\$ 112,726</b>	<b>\$ 176,525</b>	<b>\$ 101,125</b>	<b>\$ 99,801</b>	<b>\$ 1,288,875</b>



# Payroll System and Tools for managing hours, overtime, punch management

- ▶ PAY COM
- ▶ ADP
- ▶ Paychex

Phone Payroll System and  
Tools for budget variance  
App

Easy Access

- ▶ List out overtime by department
- ▶ List by employee
- ▶ Include in variance report
- ▶ Create a benchmark for OT %



# Labor Key Performance Report

## KEY PERFORMANCE INDICATORS

Metric	Current Period	Previous Period	Change	% Change	YTD Total
Total Labor Cost	\$ 375,958.76	\$ 347,812.65	\$ 28,146.11	8.09%	\$ 5,751,511.98
Regular Hours	7,349	7,164	185	2.59%	114,371
Overtime Hours	1,414	1,261.00	153	12.11%	18,267
Overtime Earnings	\$ 58,075.79	\$ 51,744.48	\$ 6,331.31	12.24%	\$ 742,912.71
Overtime %	19.24%	17.60%	1.63%	9.28%	15.97%
Bonus Pay	\$ 4,350.00	\$ 8,650.00	\$ (4,300.00)	-49.71%	\$ 83,410.00
Staffing Bonus	\$ 1,353.72	\$ 2,373.17	\$ (1,019.45)	-42.96%	\$ 164,723.55

## OVERTIME THRESHOLD ALERTS

Alert Type	Current Status	Threshold	Actual Value	Risk Level	Action Required
Overtime Percentage	⚠️ EXCEEDED	5.0%	19.2%	HIGH	Review staffing levels

## PAY PERIOD ANALYSIS

Pay Date	Total Labor Cost	Regular Hours	Overtime Hours	Overtime %	Alert Status
08/07/2025	\$ 375,958.76	7,349	1,413.75	19.24%	⚠️ ALERT
07/24/2025	\$ 347,812.65	7,164	1,261.00	17.60%	⚠️ ALERT
07/10/2025	\$ 363,532.90	6,837	1,263.75	18.49%	⚠️ ALERT
06/26/2025	\$ 341,315.95	7,185	1,217.50	16.95%	⚠️ ALERT
06/12/2025	\$ 355,133.54	6,986	1,089.25	15.59%	⚠️ ALERT
05/29/2025	\$ 365,523.89	7,614	1,265.75	16.62%	⚠️ ALERT
05/15/2025	\$ 416,727.55	7,619	1,118.75	14.68%	⚠️ ALERT
05/01/2025	\$ 362,085.67	7,086	981.75	13.85%	⚠️ ALERT



# Operating Budgets



# Budget

Forecast / Projection of the upcoming year

Roadmap to follow

Expenses are directly linked to Census

When census increases...total costs will increase

When census decreases...total costs should decrease

Important to be involved in budget formation

Nursing costs are biggest component of operating budget



# Budget Prep

- Staffing Patterns per unit
- Staffing by discipline/category
- 7 day per week positions vs. 5 day per week positions
- Understand how hours are filled
  - Regular
  - Overtime
  - Double Time
  - Per Diem Positions
  - Agency



# Monitoring Performance

## Budget Variance Reports

- Compares projected amounts to actual amounts
- Addresses significant variances in under-spending or over-spending
- Rule of thumb: 5% variance between actual and budget
- Identify Favorable / Unfavorable trends
- Affords manager opportunity to identify unfavorable trends and respond accordingly



# Tools

Labor is 80% of the nursing department expense budget

Capturing labor accurately is critical

Payroll data vs Schedule

Deployment Sheets

Labor Hours Reports



# Sample Deployment Sheet

A-Wing      Census: \_\_\_\_\_

C--Wing      Census: \_\_\_\_\_

1st Floor      Census: \_\_\_\_\_

LPN (4) 3-7P \_\_\_\_\_

LPN (4) 3-7P \_\_\_\_\_

LPN (4) 3-7P \_\_\_\_\_

Total Census: \_\_\_\_\_

LPN (4) 3-7P \_\_\_\_\_

LPN (4) 3-7P \_\_\_\_\_

LPN (4) 7-11P \_\_\_\_\_

LPN (4) 7-11P \_\_\_\_\_

LPN (4) 7-11P \_\_\_\_\_

Desired Hours

RN      \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

LPN      \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA      \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

Actual Hours

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

RN      \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

LPN      \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA      \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

NA (8) \_\_\_\_\_

RNP (3) \_\_\_\_\_

# Deployment Sheets

Visual inspection of nursing hours and staffing patterns

Give staffing coordinator and/or RN Supervisors direction on the hours needed per shift

Establish minimums and maximums

Staff to census

Working tool for management team

Scheduler

RN's

Nursing Administration



# Labor Hours Reports

Should reflect time clock / payroll hours worked

Assists in identifying additional hours worked by staff in addition to scheduled shift

True reflection of PPD

Should be reviewed at least weekly

If used correctly, you should be able to make necessary adjustments



# Understanding Financial Statements



# 3 Components of a Financial Package

1. Balance Sheet
2. Profit and Loss
3. Cash Flow



# Financial Statements

Should be generated MONTHLY

Should be based on ACCRUAL system of accounting

Revenue is recorded in time period earned

Expenses are recorded in the time period expensed

Variances should be investigated and able to be explained

*Did we bring in more than we spent this month/quarter?*



# Balance Sheet

Represents the current state of the business at a single point in time that it is created – what we own and what we owe

Includes:

## **Total Assets**

Cash, property value, equipment value, inventory, receivables

## **Total liabilities**

Outstanding debts to employees, suppliers, and creditors; accrued payroll, taxes, interest payments, accounts payable

**Equity / Net worth of organization = Assets – Liabilities**

# Income Statement (P&L)

- Referred to as profit and loss statements, P&L, earnings statement
- A report that reflects revenues and expenses recognized for a specific period of time
- Should be prepared MONTHLY
- Should show monthly performance and year to date performance
- Used to determine whether a company made or lost money during the time period being represented

$$\text{Revenue} - \text{Expenses} = \text{Operating Margin}$$

# Cash Flow Statement

## Cash IN / Cash OUT

- Tells you how much cash you have generated/lost during the reporting period
- Important for capital purchases
- Most organizations purchase capital through cash generated from operations



# Keys to Evaluating Income Statement

Understand where expenses are coded

Isolate

Revenue generated purely from operations

Expenses related specifically to operations

These are the items that the facility has direct control over

Typically, do not include:

Interest expenses

Depreciation expenses

Amortization



# Sample Income Statement

	Month	Month	Month	YTD	YTD	YTD
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Resident Care Income</b>						
Resident Care Revenue	\$ 1,409,144	\$ 1,315,089	\$ 94,055	\$ 2,972,656	\$ 2,770,314	\$ 202,342
Ancillary Revenue	203,002	180,040	22,962	441,056	379,369	61,687
Nursing Home Assessment / MDOI	36,050	19,726	16,324	54,600	39,452	15,148
Less: Contractual Allowance	<u>(158,009)</u>	<u>(152,833)</u>	<u>(5,176)</u>	<u>(339,941)</u>	<u>(322,042)</u>	<u>(17,899)</u>
Net Resident Care Revenue	1,490,187	1,362,022	128,165	3,128,371	2,867,093	261,278
	-11.2%	-11.6%		-11.4%	-11.6%	
Other Revenue	12,650	23,728	(11,078)	25,121	47,670	(22,549)
Total Revenue	1,502,837	1,385,750	117,087	3,153,492	2,914,763	238,729



# Sample Income Statement

	<u>Month</u>	<u>Month</u>	<u>Month</u>	<u>YTD</u>	<u>YTD</u>	<u>YTD</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Operating Expenses</b>						
Nursing Services	843,126	739,458	(103,668)	1,705,816	1,563,851	(141,965)
Therapies	116,763	97,188	(19,575)	244,388	204,133	(40,255)
Pharmacy	31,466	20,454	(11,012)	62,132	43,099	(19,033)
Other Ancillaries	4,034	4,884	850	11,481	10,293	(1,188)
Life Enrichment	43,367	50,269	6,902	92,623	105,465	12,842
Dietary	146,836	137,784	(9,052)	299,976	290,653	(9,323)
Housekeeping	46,175	47,303	1,128	92,194	99,613	7,419
Maintenance	129,331	93,363	(35,968)	232,525	195,763	(36,762)
Administration	260,805	219,076	(41,729)	497,570	445,473	(52,097)
<b>Total Operating Expenses</b>	<b>1,621,903</b>	<b>1,409,779</b>	<b>(212,124)</b>	<b>3,238,705</b>	<b>2,958,343</b>	<b>(280,362)</b>
<b>Operating Revenue over Expenses</b>	<b>(119,066)</b>	<b>(24,029)</b>	<b>(95,037)</b>	<b>(85,213)</b>	<b>(43,580)</b>	<b>(41,633)</b>
<b>Operating Margin</b>	<b>-7.9%</b>	<b>-1.7%</b>	<b>-6.2%</b>	<b>-2.7%</b>	<b>-1.5%</b>	<b>-1.2%</b>



# Sample Income Statement

	<b>Month Actual</b>	<b>Month Budget</b>	<b>Month Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Variance</b>
<b>Non Operating Revenue</b>						
Cares Act/Stimulus	-	-	-	-	-	-
PPP 2 Loan Forgivness	-	-	0	-	-	0
Grant Income	-	-	0	-	-	0
Other Income - Memberships	510	10,625	(10,115)	14,834	21,250	(6,416)
Interest Income	10,468	1,833	8,635	12,161	3,667	8,494
Dividends	50,815	83	50,732	50,815	167	50,648
Donations	105	4,167	(4,062)	389	8,333	(7,944)
Non Operating Income (Expense)	1,135,331	459	1,134,872	1,134,077	916	1,133,161
<b>Total Non Operating Revenue</b>	<b>1,197,229</b>	<b>17,167</b>	<b>1,180,062</b>	<b>1,212,276</b>	<b>34,333</b>	<b>1,177,943</b>
<b>Capital Expenses</b>						
Depreciation	62,873	62,973	100	125,746	125,946	200
<b>Total Capital Expenses</b>	<b>62,873</b>	<b>62,973</b>	<b>100</b>	<b>125,746</b>	<b>125,946</b>	<b>200</b>
<b>Revenues over/(under) Expenses</b>	<b>\$ 1,015,290</b>	<b>\$ (69,835)</b>	<b>\$ 1,085,125</b>	<b>\$ 1,001,317</b>	<b>\$ (135,193)</b>	<b>\$ 1,136,510</b>
Net Margin	67.6%	-5.0%	72.6%	31.8%	-4.6%	36.4%



# P&L Categories with Direct Nursing Impact

<i>P&amp;L Line</i>	<i>What It Is</i>	<i>Nursing Levers (daily actions)</i>
<b>Net patient revenue</b>	What payers pay for care	Document skillable care; accurate ICD-10 cues; capture PDPM/NTA drivers; clarify start/stop times, services rendered; timely MDS and signatures
<b>Labor – Nursing</b>	Regular, OT, agency, benefits	Schedule to <b>HPPD target</b> ; right <b>skill mix</b> ; pre-shift census huddle; flex up/down; OT approval rules; cross-train
<b>Labor – Therapy/Ancillary</b>	Therapy, activities, social work	Coordinate care plans; avoid missed/duplicated services; optimize therapy minutes per plan
<b>Medical supplies</b>	Dressings, enteral, catheters, etc.	PAR levels; substitution lists; wound formulary; reduce waste; return/credit unopened items
<b>Pharmacy (facility-paid)</b>	Non-Part D, stock meds	Follow protocols; reconcile returns; deprescribing coordination with provider
<b>Other direct</b>	Lab, x-ray, transport	Bundle orders; confirm medical necessity; avoid repeats
<b>Bad debt/denials</b>	Revenue lost from denied claims	Triple-check before billing; correct documentation gaps in real time; track top denial reasons

# Budget vs. Actual - Playbook

- 1. Define the Variance** (what changed: census, acuity, payer mix?).
- 2. Identify the Lever** (staffing hours, skill mix, OT/agency, supplies, denials).
- 3. Choose a Targeted Countermeasure** (below) and assign owner/date.

## Countermeasure examples

- HPPD 0.3 above target → move 0.3 hours/PPD by trimming an NA mid-shift on low-acuity days; cross-cover with huddle.
- OT% > goal → implement shift-swap board + OT pre-approval + weekend incentive that's cheaper than agency.
- Supply PPD spike → lock med-room PAR; wound nurse weekly cart audit.
- Denials uptick (sepsis/CHF) → documentation refresher (skillable services language), add provider template prompts.

# Accounts Receivable

- Represents the amount of money that is due to be received/collected as of the date the report is prepared.
- Typically displayed according to how long of a time period has gone by and the amount is still uncollected.
- Rule of thumb: the longer the amounts are uncollected, there is a decrease in the chance of collecting.
- Must evaluate uncollected accounts according to the payer source



# Days Cash on Hand

- How many days can your organization continue to operate without any additional revenue
- Based on current expenses
- Shows how healthy the organization's cash position is
- Benchmark: 50 days cash on hand—freestanding SNF



# Cost Per Resident Day

- Important data to evaluate true costs independent of fluctuations in census
- Should be familiar with your cost PPD budget and your actual performance for those departments under your control
- Total costs divided by resident days



# Revenue Per Patient Day (PPD)

	Month Actual	Month Budget	Month Variance	YTD Actual	YTD Budget	YTD Variance
<b>Resident Care Income</b>						
Room & Board Skilled	\$ 367.02	\$ 342.26	\$ 24.76	\$ 365.00	\$ 341.05	\$ 24
Room & Board garden Terrace	352.00	351.75	0.25	369.16	350.33	18.83
Nursing Home Assessment	5.73	5.22	0.51	5.96	5.60	0.36
Less: Contractual Allowance Medicare	98.65	233.98	(135.33)	99.79	224.95	(125.16)
Less: Contractual Allowance Medicaid	(88.90)	(81.55)	(7.35)	(85.56)	(80.31)	(5.24)
Less: Contractual Allowance Other	(11.96)	2.84	(14.80)	(41.46)	4.11	(45.57)
Net Room & Board Revenue	335.18	321.98	(131.96)	332.75	319.74	(132.84)
Ancillary Revenue Skilled	64.05	95.62	(31.57)	69.99	92.00	(22.01)
Less: Contractual Allowance Medicare	(200.71)	(278.21)	(77.50)	(228.96)	(283.21)	54.25
Less: Contractual Allowance Medicaid	(0.56)	(1.81)	(1.25)	(0.82)	(1.92)	1.11
Less: Contractual Allowance Other	(268.90)	(496.31)	(227.41)	(273.28)	(496.31)	223.03
Total Resident Care Revenue	9.15	12.24	(337.73)	14.90	12.37	256.38
Other Revenue	1.17	0.46	0.71	1.24	0.47	0.77
Total Operating Revenue	345.50	334.68	10.82	348.89	332.58	16.31



# Operating Expense Per Patient Day

			Month	Month	Month	YTD	YTD	YTD
			Actual	Budget	Variance	Actual	Budget	Variance
0	<b>Operating Expenses</b>							
1								
2	Activities		6.52	6.01	(0.51)	6.10	5.97	(0.13)
3	Administration - Skilled		25.43	22.84	(2.59)	25.56	23.62	(1.94)
4	Management Fee - Skilled		6.62	7.79	1.17	6.81	7.48	0.68
5	Dietary - Skilled		35.39	32.14	(3.25)	34.59	32.66	(1.94)
6	Laundry - Skilled		5.15	5.01	(0.14)	5.48	5.30	(0.19)
7	Housekeeping - Skilled		7.71	9.45	1.74	9.46	9.44	(0.02)
8	Maintenance - Skilled		14.00	16.65	2.66	15.48	17.46	1.98
9	Natural Gas		1.52	0.90	(0.62)	0.99	0.97	(0.02)
0	Nursing - Skilled		209.67	191.22	(18.45)	209.85	196.39	(13.47)
1	Social Services		4.65	3.77	(0.87)	3.98	3.82	(0.15)
2	Marketing Services - Skilled		4.33	3.14	(1.19)	2.96	3.19	0.24
3	Ancillary & Other - Skilled		3.93	4.23	0.31	3.82	4.25	0.43
4	Speech Therapy		2.29	3.69	1.41	2.78	3.64	0.86
5	Physical Therapy		11.65	10.65	(1.00)	10.76	10.35	(0.41)
6	Occupational Therapy		9.73	10.07	0.35	9.76	9.87	0.10
7	Respiratory		0.60	0.35	(0.25)	0.45	0.34	(0.12)
8	Pharmacy		10.69	6.91	(3.78)	10.14	6.70	(3.44)
9								
0	Total Operating Expenses		359.86	334.84	(25.03)	358.98	341.44	(17.54)
1								
2	Net Operating Income		(14.36)	(0.16)	(14.20)	(10.09)	(8.87)	(1.23)
3		Margin %	-4.2%	0.0%	-4.1%	-2.9%	-2.7%	-0.2%
4	<b>Non Operating Revenue</b>							

# Key Performance Indicators – KPI

## Unit-level KPIs nurses should know (with formulas)

KPI	Formula
ADC (Average Daily Census)	Total resident days ÷ days in period
Payer mix %	Payer days ÷ total days
HPPD (Hours Per Patient Day)	Total nursing hours (RN+LPN+NA) ÷ resident day
Skill mix %	RN (or licensed) hours ÷ total nursing hours
OT %	OT hours ÷ total hours
Agency %	Agency hours ÷ total hours
Supply PPD	Nursing supply expense ÷ resident days
Avoidable readmission rate (30-day)	Hospital returns meeting facility-defined “avoidable” criteria ÷ discharges

# Key Take-Aways



Measure Current Performance

Understand Current Performance

Compare Current Performance with Industry Standard Performance

Evaluate opportunities for improvement

*Invest in Improvement = Return on Investment*

