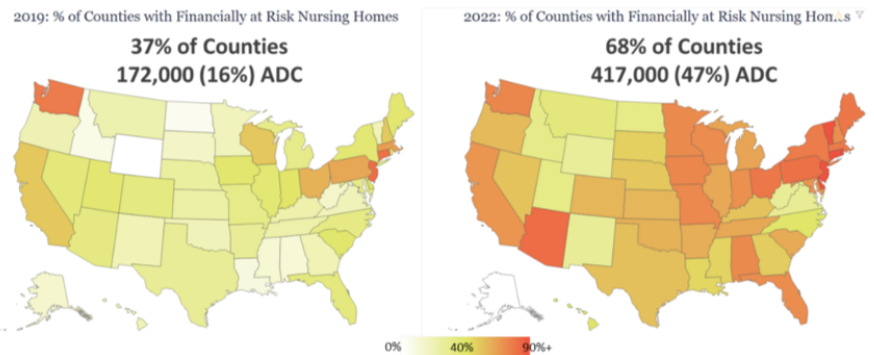


# SNF Funding Cuts and Inflation Threaten Access, Quality and Impact Health Equity

CLA (CliftonLarsonAllen) conducted an independent study funded by the American Health Care Association. CLA identified an array of potential access, quality and health equity issues associated with Skilled Nursing Facilities (SNFs) at financial risk. "At financial risk" is defined as having a negative operating margin 7.5% or greater.

## Potential Reductions in Revenue & Impacts on Access

In 2019, 16% of SNFs fell into the at-risk category among 37% of counties across the country. Trending forward to 2022 and assuming a Medicare parity adjustment as well as the loss of Medicaid PHE-related payments, the percentage of residents in at-risk buildings jumps to 47% among 68% of US counties. When considering impacts on people in these buildings, if these buildings closed then approximately 417,000 people likely would be forced to find a new place for post-acute care or a new residence.



## Fixed Costs Increases Escalate Risk of Closure

SNFs are almost entirely reliant upon public payers and must deliver care 24/7. Raising rates and reducing care hours are not options. At the same time labor and goods and services fixed costs have grown significantly.

### In-House Labor Costs

	CNA	LPN	RN
Average Employee Hourly Rate	\$ 25.13	\$ 45.40	\$ 54.33
Average Contracted Hourly Rate	\$ 41.94	\$ 66.81	\$ 77.30
Percentage Difference	66.9%	47.2%	42.3%

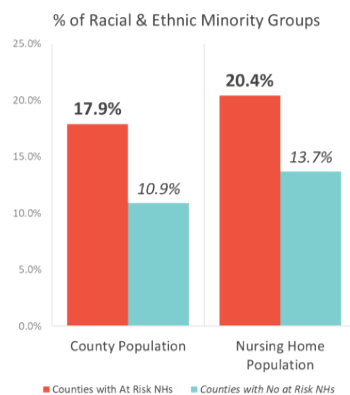
### In-House Labor Costs Compared to Contractor Labor Costs

	CNA	LPN	RN
2020	\$ 19.10	\$ 34.01	\$ 42.31
2022	\$ 25.13	\$ 45.40	\$ 54.33
Percentage Change from 2020 to 2022	31.6%	33.5%	28.4%

General inflation, which includes goods and services (e.g., medical supplies, meals, general building operation costs), has increased to 8.5% between March 2021 – March 2022. However, between just February 2022 and March 2022 inflation increased by 1.3% – a significant jump in a single month and economists expect continuing increases.

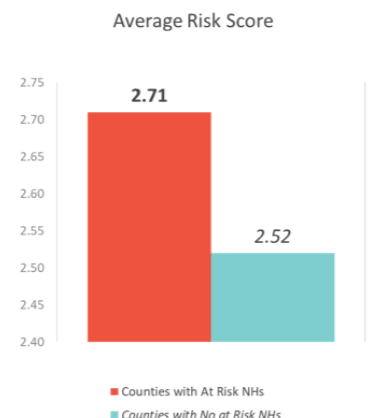
## Health Equity Issues Align with Presence of At-Risk SNFs

CLA examined several health equity challenges. Below are two highlights from their work.



**Racial and Ethnic Disparities** – Counties with facilities at financial risk have a materially higher percentage of racial and ethnic minority nursing home residents than counties with no facilities at financial risk. This data suggests the potential for a disproportionate impact on racial and ethnic minority populations should facilities at financial risk reduce bed capacity due to staffing availability and costs, closure or other environmental risks.

**Clinically Complex Patients** – The Average Risk Score or Beneficiary risk score is a measure of the relative clinical complexity of residents. Nationally, counties with facilities at financial risk have a somewhat higher average risk score for nursing home residents than counties with no facilities at financial risk. As the risk score increases, the likelihood an individual resident will experience a negative outcome increases.



## Revenue Reduction and Fixed Operating Costs Threaten Access to Quality Care

In an earlier report, CLA found that 4 and 5 Star SNFs may also be at risk. In 2019, 15% of 4 and 5 star buildings fell into the financially at risk category. In the 2022 simulation, 42% of 4 and 5 Star buildings fell in the at-risk category.

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