Labor Management
SENIOR LIVING TRENDS & REIMBURSEMENT

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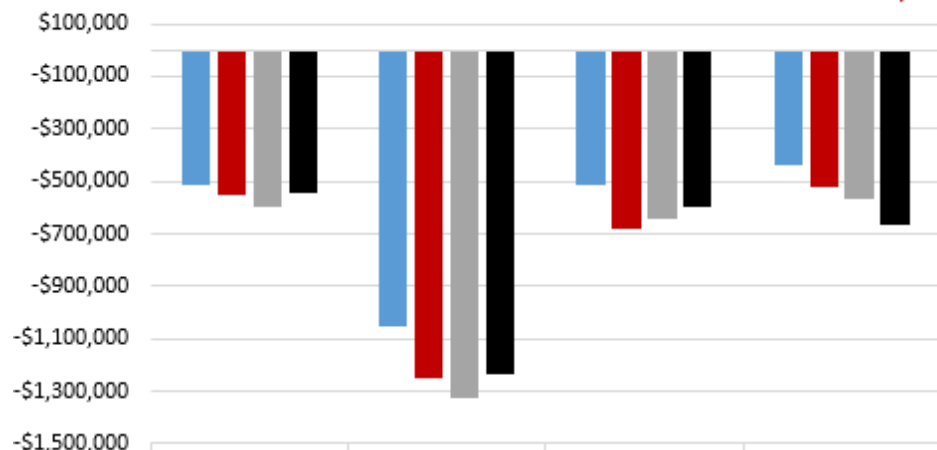# Presentation goals

1   **Gain an understanding** of labor management fundamentals and impact on the facility's financial performance

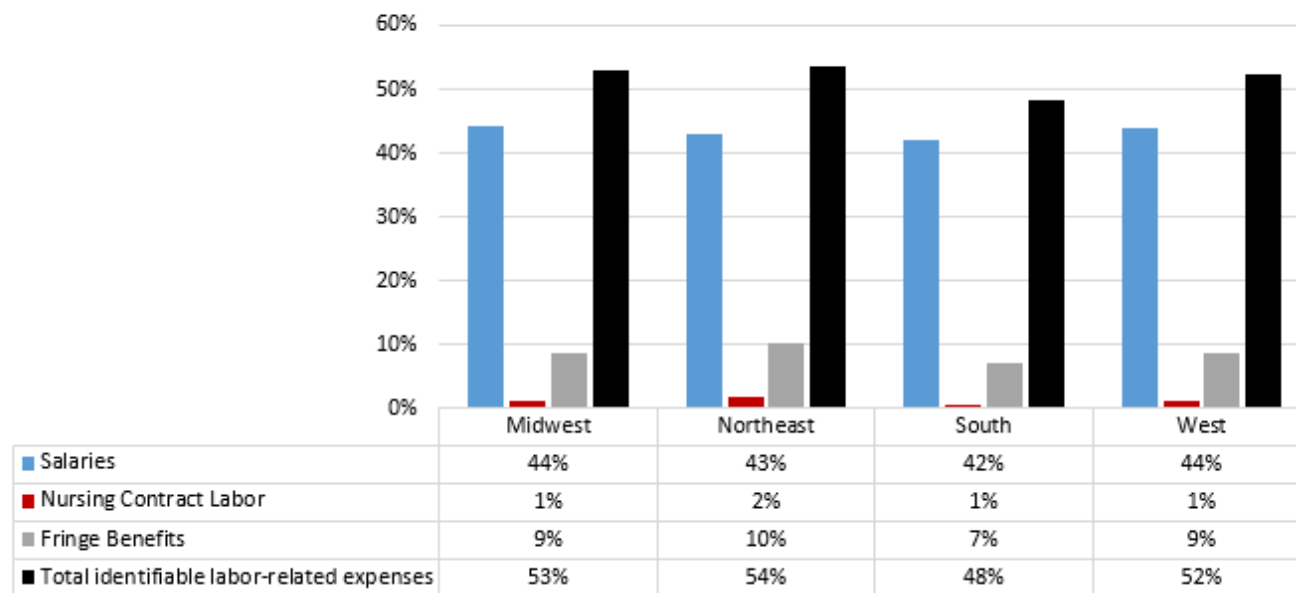**2**   **Gain insight** into how the facility's labor statistics compare to industry benchmarks

Why is labor management important to your facility?

AVERAGE US SENIOR LIVING NET INCOME FROM PATIENT SERVICES, 2016-2020

	Midwest	Northeast	South	West
2016	-$510,752	-$1,051,156	-$514,671	-$435,734
2017	-$552,082	-$1,247,869	-$680,430	-$520,301
2018	-$601,134	-$1,328,172	-$644,151	-$565,854
2019	-$542,860	-$1,237,532	-$597,616	-$666,362

AVERAGE IDENTIFIABLE LABOR-RELATED SENIOR LIVING FACILITY COSTS, AS PERCENTAGE OF TOTAL COST, 2019

	Midwest	Northeast	South	West
Salaries	44%	43%	42%	44%
Nursing Contract Labor	1%	2%	1%	1%
Fringe Benefits	9%	10%	7%	9%
Total identifiable labor-related expenses	53%	54%	48%	52%

Polling question #1

Labor Management – Impact on your Facility

Reimbursement and finance
- Medicare cost report – consider utilization review costs
- Medicaid cost reports – know your rate setting or settlement drivers
- Other uses
  - COVID-related reimbursement
  - Regulatory compliance costs, such as paid leave laws
  - Legislative efforts
  - Marketing and admissions, public relations

Other factors
  - Recruitment and retention – pay rates and benefits
  - AHCA Quality Award applications

Labor Management – Fundamentals

Labor Management Considerations

- Ability to deliver core service

- Your facility's mission

- Regulations

- Care Compare ("star" ratings – searchable database)

- Prospective planning and retrospective review

- Community demographics and economy

You are in control of your facility's strategy and outcomes

Labor Management – Fundamentals

Common Senior Living Industry Language and Measurements

METRIC/STANDARD	CALCULATION	USES
Full time equivalent (**FTE**)	May vary based on industry standards: ▪ 40 hours per week x 52 weeks = 2,080 hours (administration and management) ▪ 56 hours per week x 52 weeks = 2,912 hours (direct care and positions needed to provide care 7 days per week)	FTEs are frequently used in budget and actual performance reports, regulatory compliance statements, and open positions reporting. FTE does not represent actual number of staff employed, as facilities frequently use a mix of full, part-time, and per diem employment options.
Per patient day (**PPD**)	Common way to show and compare expenses or revenues as well as work hours. Any given metric is divided by a number of total census days for the unit/facility during corresponding period of time.	Expressing a metric in PPD format allows comparison of facilities of various bed size/licensed capacity, as well as comparison of income and expenses based on projected and actual census and payer type.
Case-mix index (**CMI**) adjusted	Case mix index is a numerical representation of patients' clinical complexity during a period of time. Case mix index is assigned based on the standard Minimum Data Set (MDS) assessment required for SNF, NF (nation-wide), and Residential Care facilities (in Maine).	As more complex patients require more care, CMI adjustment is a great tool to realign budgeted hours or expenses based on actual needs of patients. Adjusting direct care costs and labor hours to CMI=1 allows to compare facilities with different clinical specialties.

Labor Management

Sources of data

- Care Compare (former nursing home compare)

- Schedules and time cards

- Monthly/quarterly financial statements

- Payroll based journal (PBJ) submissions

- MDS reports (for case mix index)

- BerryDunn's proprietary cost report database

- Other reports available from payroll software or vendor

Polling question #2

CMS Labor Benchmarks

PBJ and the Star Ratings:

- https://www.medicare.gov/care-compare/#search
- Currently staffing "stars" are reported based on Q4, 2019 due to COVID waivers
- Waivers going away – have to resume reporting
- Searchable database

CMS Labor Benchmarks

PBJ and the Star Ratings – The Good, The Bad And The Ugly

PBJ Labor Benchmarks – Nursing
Select States

Source: PBJ data - daily nursing staffing, Q 1 CY 2020

State	Average total nursing hours PPD	Average total licensed nurse (RN and LPN) hours PPD	Average CNA and Medication Aide hours PPD	Average nursing administration percent of total clinical hours	Average nursing contract labor utilization
AL	3.89	1.54	2.35	7.35%	0.33%
MA	3.79	1.64	2.15	7.63%	2.96%
MD	3.97	1.75	2.23	7.55%	4.41%
ME	4.47	1.57	2.91	5.69%	14.22%
NH	3.87	1.51	2.35	6.52%	7.29%
NM	3.60	1.36	2.24	6.98%	6.75%
OK	3.81	1.29	2.52	5.39%	1.82%
Average	**3.88**	**1.55**	**2.33**	**6.99%**	**3.87%**

https://data.cms.gov/Special-Programs-Initiatives-Long-Term-Care-Facili/PBJ-Daily-Nurse-Staffing-CY-2020Q1/gem2-d34y/data

PBJ Labor Benchmarks – Non-nursing
Select States

Average Hours PPD, non-nursing positions, Q1 2020

Row Labels	Average census	Administration	Physical Therapy	Occupational Therapy	Speech Therapy	Activities / Recreation Therapy	Social Services
AL	99.54	0.17	0.13	0.11	0.07	0.12	0.08
MA	99.39	0.12	0.18	0.16	0.04	0.22	0.09
MD	102.56	0.12	0.20	0.17	0.05	0.19	0.10
ME	68.89	0.12	0.19	0.18	0.04	0.20	0.13
NH	89.57	0.10	0.14	0.13	0.04	0.24	0.10
NM	76.94	0.09	0.18	0.15	0.04	0.26	0.11
OK	59.37	0.11	0.09	0.09	0.03	0.10	0.06
Average Selected States	**87.57**	**0.12**	**0.15**	**0.14**	**0.04**	**0.17**	**0.09**

https://data.cms.gov/Special-Programs-Initiatives-Long-Term-Care-Facili/PBJ-Daily-Non-Nurse-Staffing-CY-2020Q1/d74e-d5mb

Contract Labor Utilization
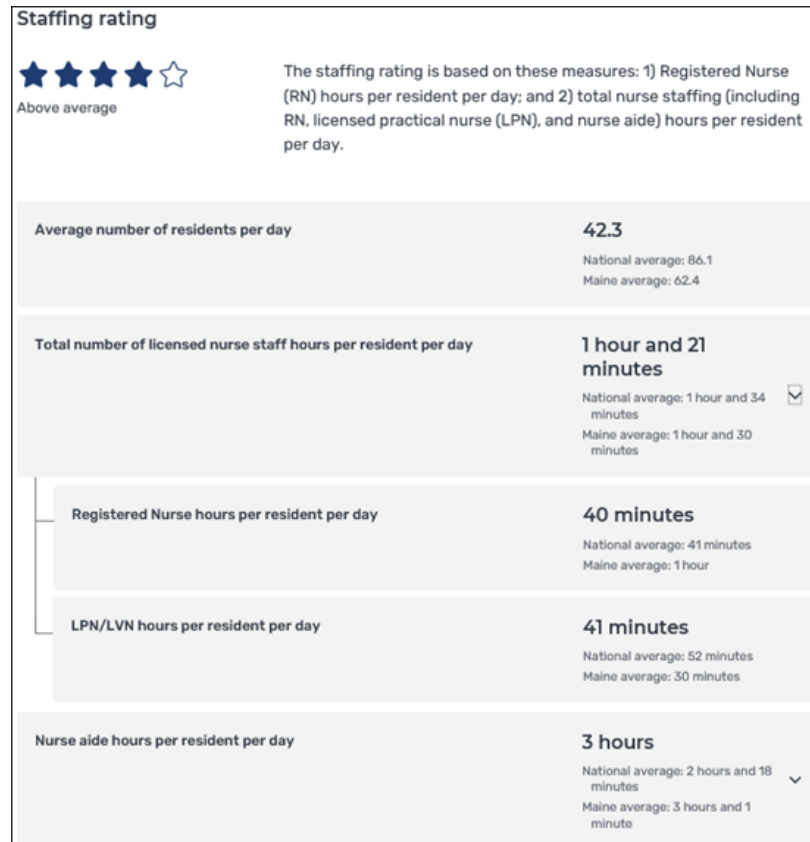## Staffing Agency Considerations

Source: PBJ data - daily nursing staffing, Q 1 CY 2020

| State	Average contract labor utilization	Average RN contract hours as % of total RN hours	Average LPN contract hours as % of total LPN hours	Average C.N.A contract hours as % of total aide hours
AL	0.3%	1.0%	0.6%	0.1%
MA	3.0%	4.8%	4.7%	2.2%
MD	4.4%	2.6%	3.1%	6.1%
ME	14.2%	11.1%	23.4%	14.2%
NH	7.3%	6.4%	16.0%	5.4%
NM	6.7%	15.3%	6.4%	5.1%
OK	1.8%	1.7%	1.3%	2.1%

https://data.cms.gov/Special-Programs-Initiatives-Long-Term-Care-Facili/PBJ-Daily-Nurse-Staffing-CY-2020Q1/gem2-d34y/data

CMS Labor Benchmarks – Case Mix and Star Ratings

PBJ and the Star Ratings

180 min / CMI 1.37 =
CMI-adjusted 131 min PPD (2 h 11 min)
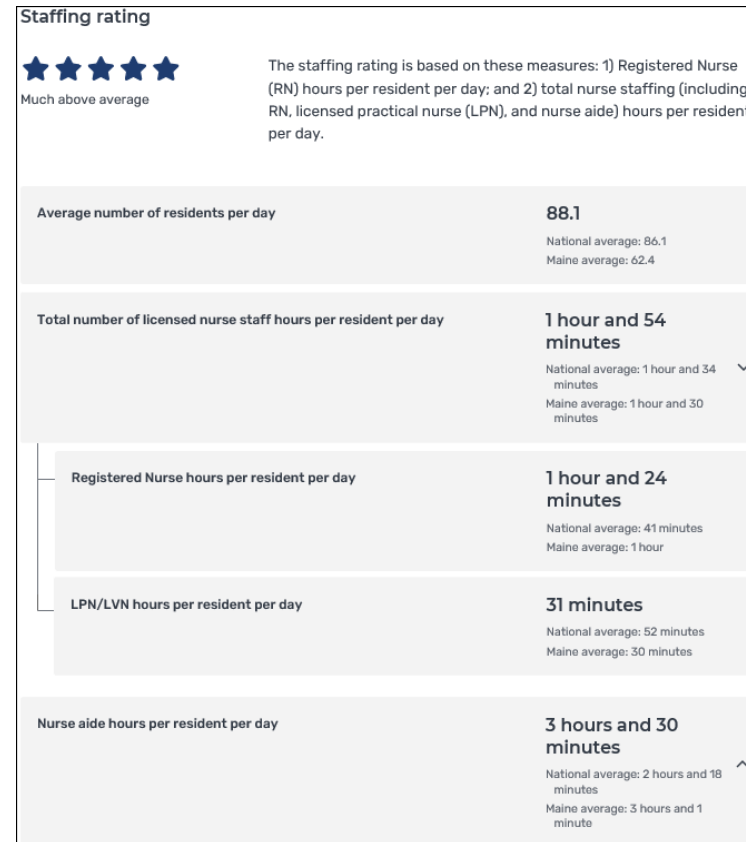
210 min / CMI 1.826 =
CMI-adjusted 115 min PPD (1h 55 min)

Labor Benchmarks – Summary

Do not

x "Chase stars" for CMS reporting

x Assume that labor crisis will resolve on its own

x Ignore alarming labor trends

x Assume your scheduler will manage staffing well enough

Do

✓ Know what your labor statistics are, review data regularly

✓ Have a short-term and long-term strategy

✓ Understand your comparison group benchmarks

✓ Provide talking points to your admissions and public relations teams

✓ Discuss reimbursement opportunities and data tracking needs with advisors

Polling question #3

Questions

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