



# U.S. Nursing Homes: Key Concepts

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## Number of U.S. Nursing Homes

- 15,500 nursing homes.
- 1.5 million available beds. Or about 100 beds per facility on average.
- \$160 billion in revenue, or 6 cents of the U.S. health care dollar.
- 5,500 U.S. hospitals.

# U.S. Nursing Home Residents

- Resident characteristics:
- Average age, 79 years.
- 71% of residents are female.
- 60% cannot perform at least three activities of daily living (bathe, walk, toilet, transfer, eat, dress).
- 40% have a cognitive impairment.



# U.S. Nursing Homes Are Businesses. Largely For-Profit.

- Two thirds of nursing home revenue comes from public sources.
- Nationwide, about 7 in 10 nursing homes is **for-profit**.
- In California, 86 percent of SNFs are for-profit.
- For-profit corporations are legally organized to optimize revenue and minimize expense.

# Think Like a Nursing Home Owner

## *Priorities.....*

- Avoid federal prison.
- Maximize cash flow.
  - Often by collecting management fees.
- Cherry on top: Own the real estate.

# Nursing Home Finance 101

- Optimize revenue.
- Minimize expense.
- (Except rental expense, if a related party also owns the building and land.)
- (Except management fees, if a related party also provides management services.)

# Which Patients Are Sought?

- High-revenue patients.
- For nursing homes, **Medicare** provides the highest revenue on average. Up to \$1,300/day. Average \$500-800/day.
- **Medicaid** provides the lowest revenue on average. Around \$230/day.

# What Is Every Nursing Home's Highest Expense?

- **Staff**. ("Labor.")
- 60 to 80 percent of expenses.
- The majority of hands-on care is provided by nursing aides, who have about two weeks of training.
- Aides make about \$24,000/year (\$11.54 per hour).



## Nursing Homes: Key Operational Concepts

1. Try to own the land/building.
2. Pay monthly management fees to a related party.
3. Admit high-revenue patients.
4. Closely monitor labor expense.

# Nursing Homes: Key Operational Concepts

*Within the context of business goals:*

- Try to comply with the **regulations**.
- Try to provide care that meets **professional standards**.
- Vigorously defend against **lawsuits**.
- Attempt to get every patient/legal agent to sign a pre-dispute **arbitration** agreement.