September 2016

SKILLED NURSING FACILITIES

CMS Should Improve Accessibility and Reliability of Expenditure Data

Why GAO Did This Study

Medicare paid $28.6 billion to SNFs for nearly 1.7 million beneficiaries in 2014. About 15,000 SNFs provide short-term skilled nursing and rehabilitative care after an acute care hospital stay. As of 2014, 70 percent of SNFs were for-profit, 24 percent were nonprofit, and 5 percent were government-operated. About three-fifths of the SNFs were affiliated with chains. The average SNF Medicare margin was 12.5 percent. Some researchers have questioned whether SNF margins come at the expense of patient care in the form of low nurse staffing levels.

GAO was asked to provide information on how SNFs spend their Medicare and other revenues. GAO examined (1) the extent to which the expenditure data CMS collects from SNFs and provides to the public are accessible and reliable, (2) how SNF costs and margins vary by facility characteristics, and (3) how SNF nurse staffing levels vary by facility characteristics and the relationship between SNF nurse staffing levels and margins. GAO analyzed Medicare cost report data for fiscal years 2011 through 2014, the most recent years with complete data available. GAO also interviewed CMS officials, researchers, and beneficiary advocates.

What GAO Recommends

GAO recommends that CMS (1) improve public stakeholders' ability to locate and use SNF expenditure data and (2) ensure the accuracy and completeness of the data. HHS concurred with the first but not the second recommendation, citing resource considerations. GAO continues to believe that CMS should provide reliable SNF expenditure data.

View GAO-16-700. For more information, contact James Cosgrove at (202) 512-7114 or cosgrovej@gao.gov.

What GAO Found

The Centers for Medicare & Medicaid Services (CMS)—the agency within the Department of Health and Human Services (HHS) that administers Medicare—collects and reports expenditure data from skilled nursing facilities (SNF), but it has not taken key steps to make the data readily accessible to public stakeholders or to ensure their reliability. SNFs are required to self-report their expenditures in annual financial cost reports, and CMS posts the raw data on its website. However, CMS has not provided the data in a readily accessible format and has not posted the data in a place that is easy to find on its website, according to public stakeholders and GAO's observations. In addition, CMS does little to ensure the accuracy and completeness of the data. Federal internal control standards suggest that agencies should make data accessible to the public and ensure data reliability. Until CMS takes steps to make reliable SNF expenditure data easier to use and locate, public stakeholders will have difficulty accessing and placing confidence in the only publicly available source of financial data for many SNFs.

GAO found that, for each fiscal year from 2011 through 2014, direct and indirect care costs were lower as a percentage of revenue, on average, at for-profit SNFs compared with nonprofit and government SNFs. Direct and indirect care costs were similarly lower at chain SNFs compared with independent SNFs. In addition, the median margin, which measures revenue relative to costs, was higher for for-profit and chain SNFs than for other SNFs in each of the 4 years.

The relationship between SNFs' nurse staffing levels (hours per resident day) and their margins varied by ownership type in each fiscal year from 2012 through 2014, the 3 years with complete staffing data. For-profit SNFs generally had lower nurse staffing ratios than did nonprofit and government SNFs. Examining each fiscal year separately, GAO estimated that a SNF's margin had a small, but statistically significant, effect on its case-mix adjusted (that is, adjusted for residents' health care needs) nurse staffing ratios. For example, for each percentage point increase in a for-profit SNF's margin in fiscal year 2014, GAO estimated that the SNF's total nurse staffing ratio (including registered nurses, licensed practical nurses, and certified nursing assistants) decreased by 4.1 minutes per resident day after controlling for other factors. However, in GAO's analyses, these other factors, such as geographic location, were more important predictors of a SNF's case-mix adjusted nurse staffing ratios.

SNFs' Average Nursing Time and Median Margins, by Ownership Type, Fiscal Year 2014			
	Reported average nursing time per resident day		Median margin
Ownership type	**All nurses**	**Registered nurses**	
For-profit	3 hours, 53 minutes	34 minutes	19%
Nonprofit	4 hours, 7 minutes	38 minutes	15
Government	3 hours, 59 minutes	32 minutes	13

Source: GAO analysis of Medicare cost report data. | GAO-16-700

Note: All nurses include registered nurses, licensed practical nurses, and certified nursing assistants. A margin is the difference between revenues and costs, divided by revenues, and expressed as a percentage.