



# Industry & Regulatory Update

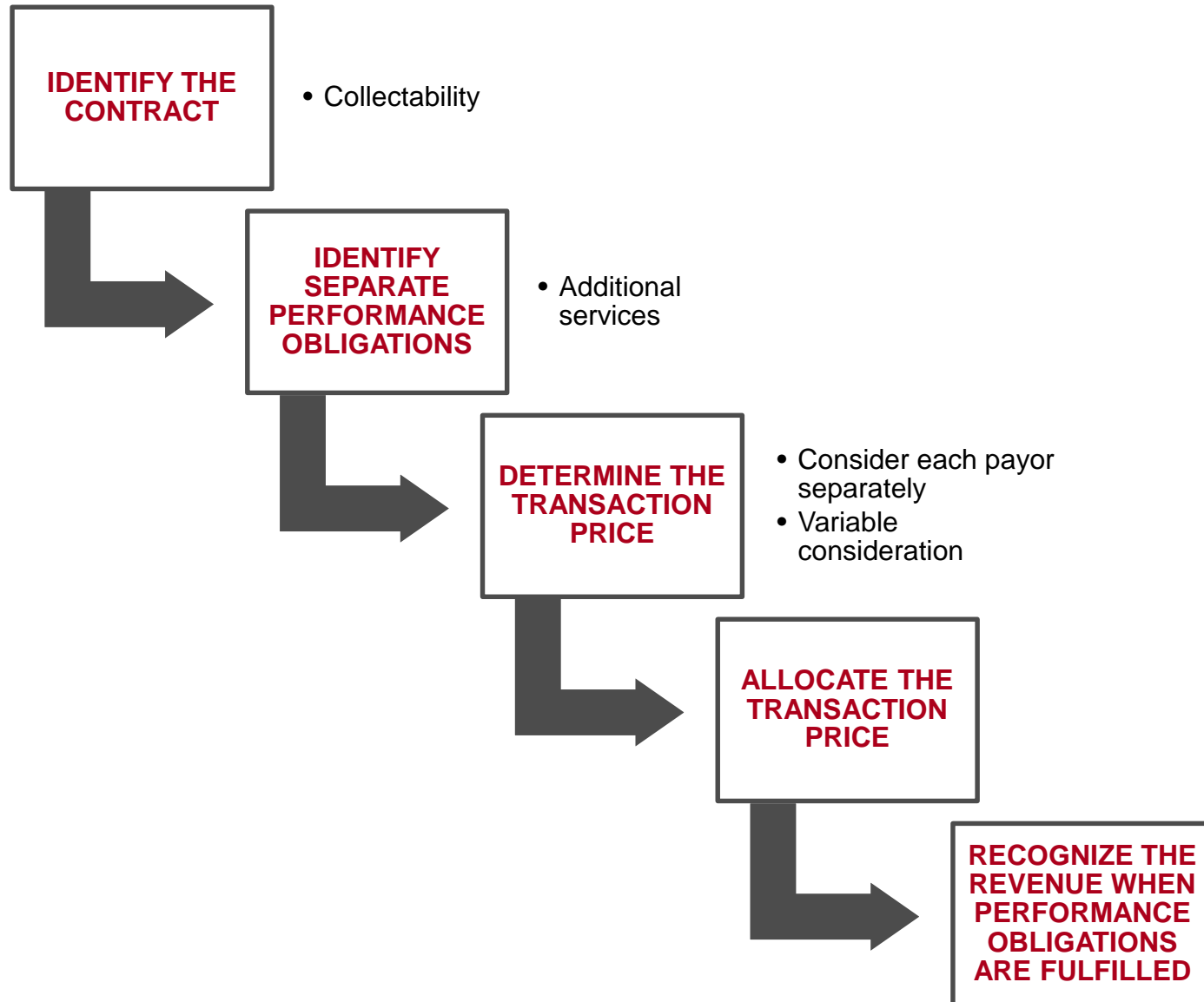
ASU  
2014-09

REVENUE  
RECOGNITION IMPACT  
TO THE INDUSTRY



# ASU 2014-09

## FIVE STEPS TO DETERMINE REVENUE RECOGNITION



ASU  
2016-02  
LEASES

**TOPIC 842**

A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.



# Leases

## EFFECTIVE DATE

### **PUBLIC ENTITIES\***

Fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (CY 2019; FY 2019-2020).

### **ALL OTHER ORGANIZATIONS**

Fiscal year beginning after December 15, 2019 and interim periods beginning after December 15, 2020 (CY 2020; FY 2020-2021).

### **EARLY APPLICATION**

Permitted for all organizations.

*\* “Public Entities” refers to the following: (1) public business entities, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (3) an employee benefit plan that files or furnishes statements with or to the SEC.*

# Financing Leases

TYPE 1



# Operating Leases

TYPE 2





ASU  
2016-14  
NOT-FOR-PROFIT  
ENTITIES







# Overview

## **KEY CHANGES:**

- Net asset classes
- Expense reporting
- Investment return
- Statement of cash flows
- Liquidity and availability

**EFFECTIVE FOR ANNUAL FINANCIAL STATEMENTS  
ISSUED FOR FISCAL YEARS BEGINNING AFTER  
DECEMBER 15, 2017.**

**SHOULD BE PRESENTED RETROSPECTIVELY IN THE  
YEAR THE UPDATE IS FIRST APPLIED.**

# Donor Restrictions

WITH AND WITHOUT

**CURRENT GAAP**

Unrestricted

Temp. Restricted

Perm. Restricted

**FUTURE GAAP**

Without donor restrictions

With donor restrictions



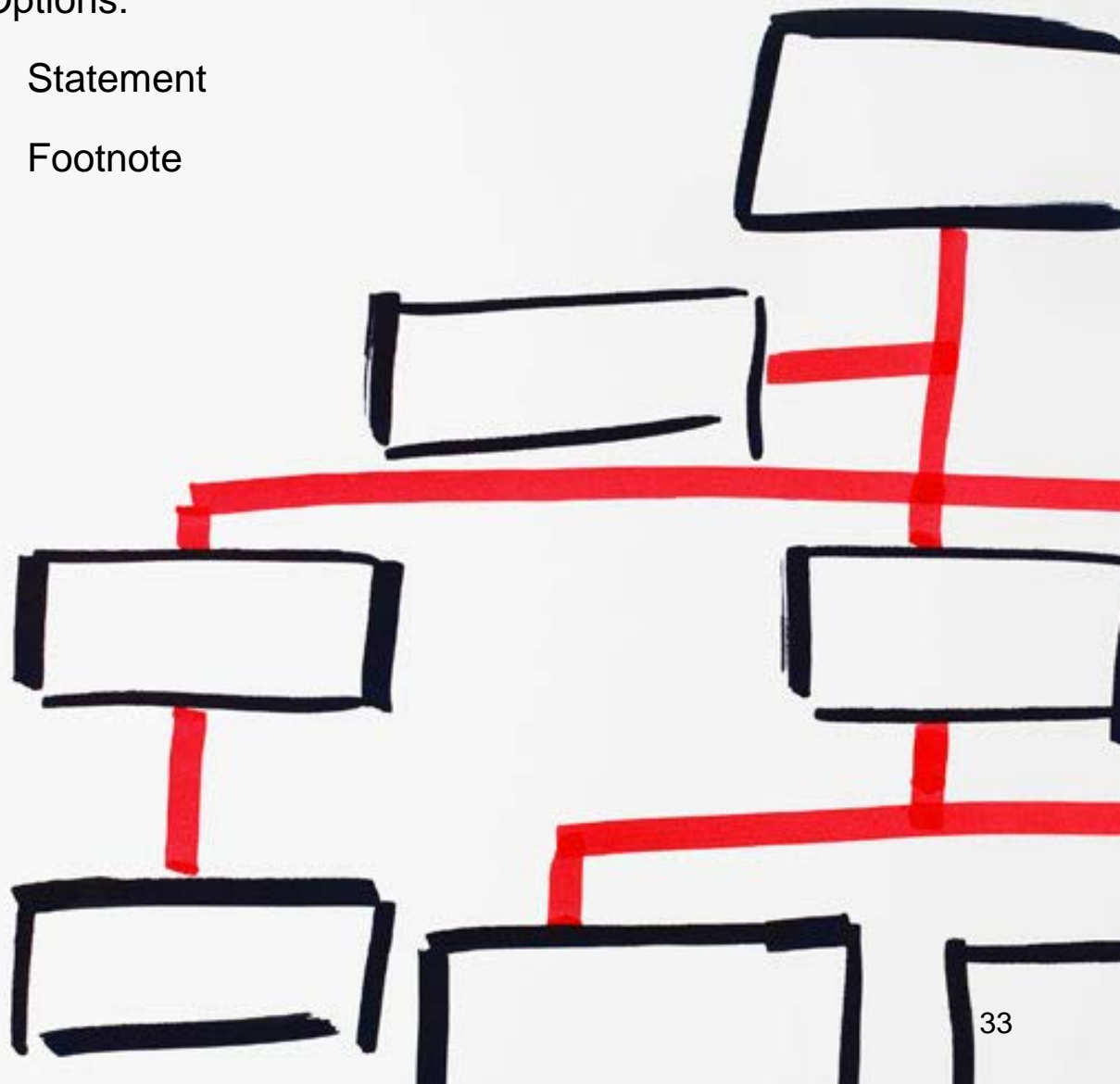
**DISCLOSURES**

Amount, purpose, and type of board designations

Nature and amount of donor restrictions

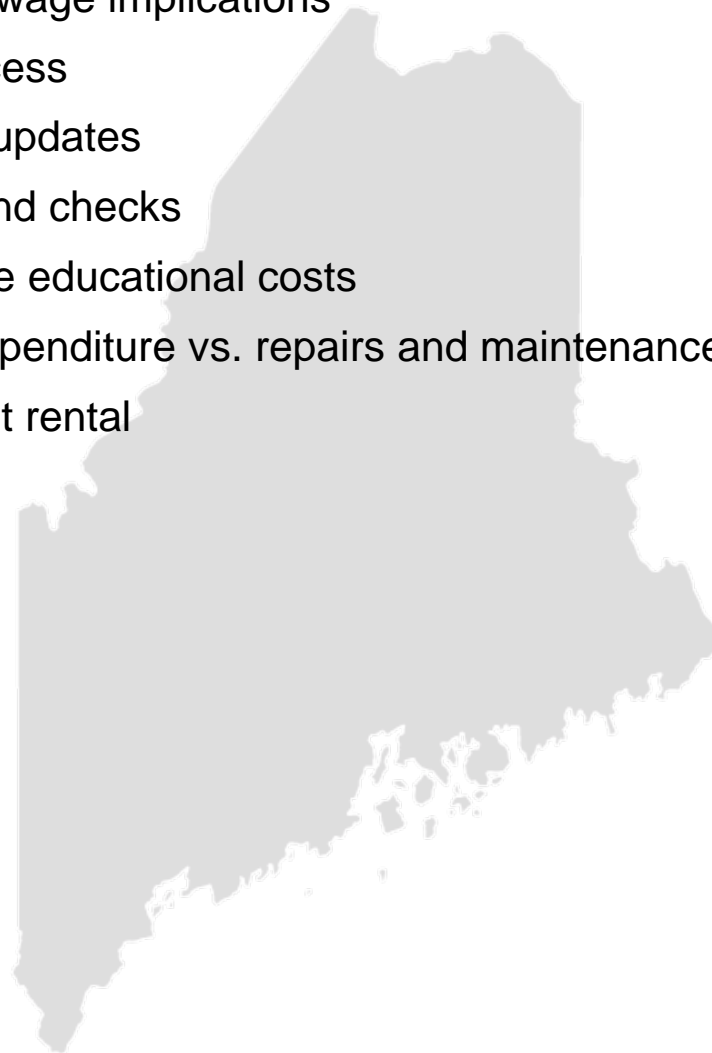
# Expense Reporting

- By nature and function
- Options:
  - Statement
  - Footnote



# State Initiatives

- Minimum wage implications
- Audit process
- Software updates
- Background checks
- Direct care educational costs
- Capital expenditure vs. repairs and maintenance
- Equipment rental






# National Update

## **2017 WHAT A WHIRLWIND!**

### **COST REPORTING REQUIREMENT**

### **2018 SNF PPS FINAL RULE**

- FY2018 Medicare Rate
- Value Based Purchasing Reporting Requirements
- SNF Quality Reporting Program Revisions
- Payment Reform



# Value Based Purchasing

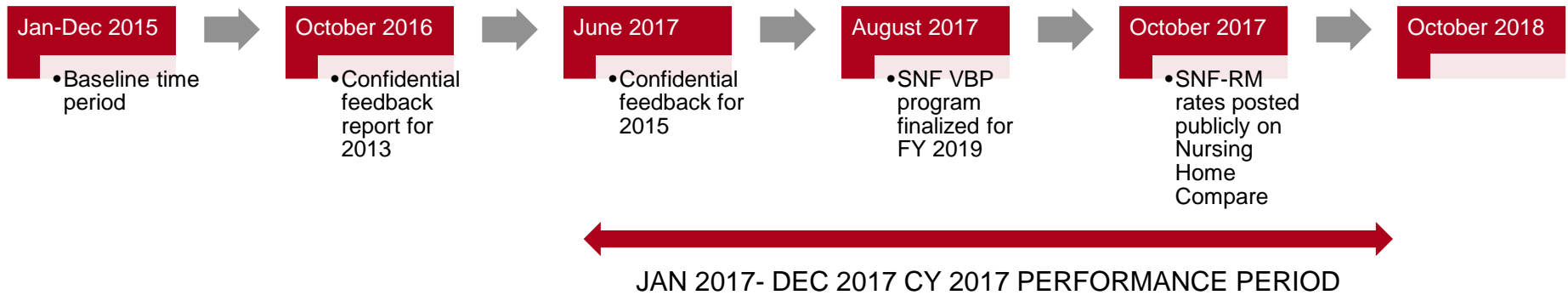
## PAMA ACT OF 2014


Links financial outcomes to quality performance.

## HOW THE PROGRAM WORKS

- Starting October 1, 2018, Medicare Part A payments will be cut 2% to fund an incentive payment pool.
- 60% of the pool will be returned to providers as an incentive payment.
- Incentives based on managing hospital readmissions.

# Value Based Purchasing Timeline





# Value Based Purchasing

## WHAT SHOULD YOU KNOW NOW?

- CMS is tracking readmission performance rates for stays between January 1, 2017 through December 31, 2017,
- Looking for improvements in readmission rates between CY 2015 and 2017, and
- Readmissions from October 2017 through December 2017 will help determine Medicare cuts assessed for both Fiscal Years 2019 and 2020.



# IMPACT Act

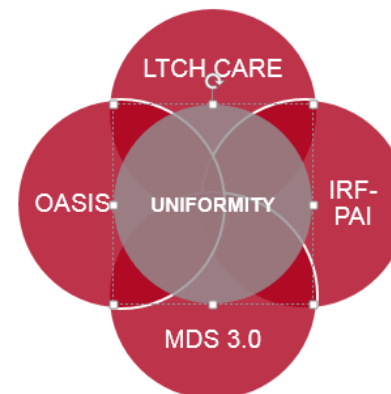
## IMPACT ACT OF 2014

Requires submission of standardized quality data.

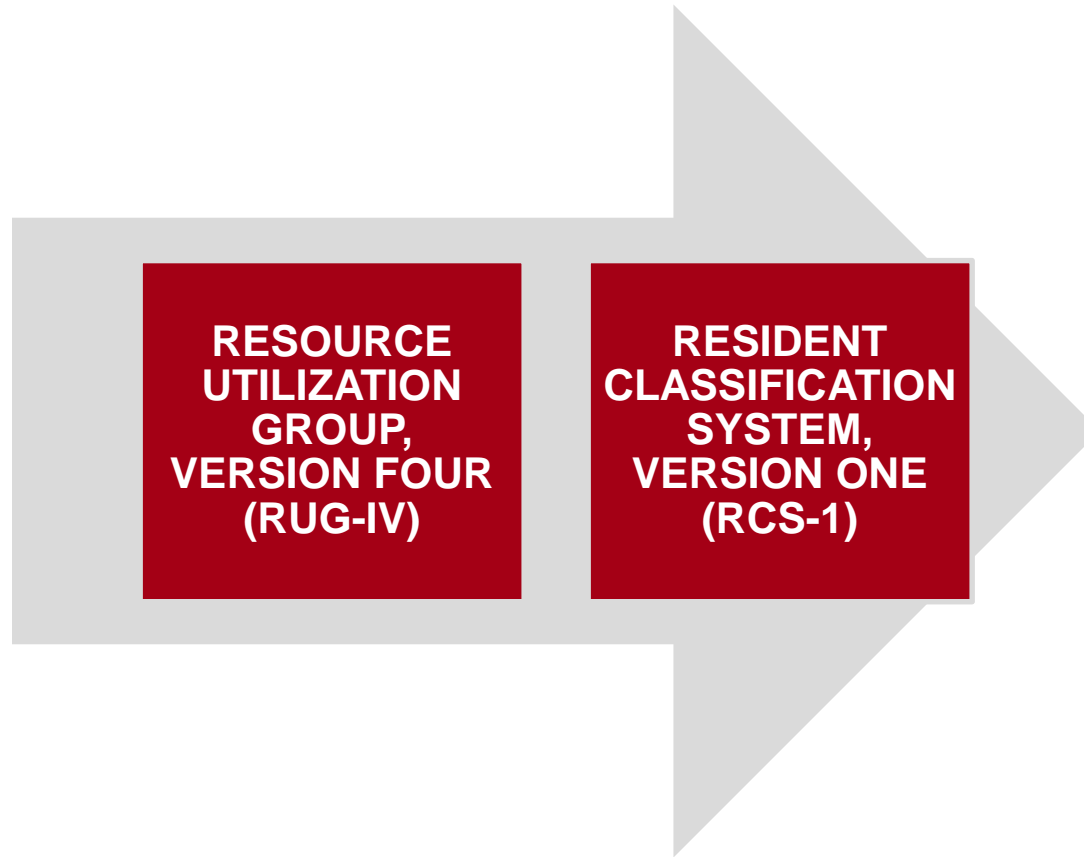
## INCLUDES:

- Long-Term Care Hospitals
- Skilled Nursing Facilities
- Home Health Agencies
- Inpatient Rehabilitation Facilities

## STANDARDIZATION



# CMS 1686-Advanced Notice of Public Rule Making (ANPRM) REVISIONS TO CASE-MIX METHODOLOGY



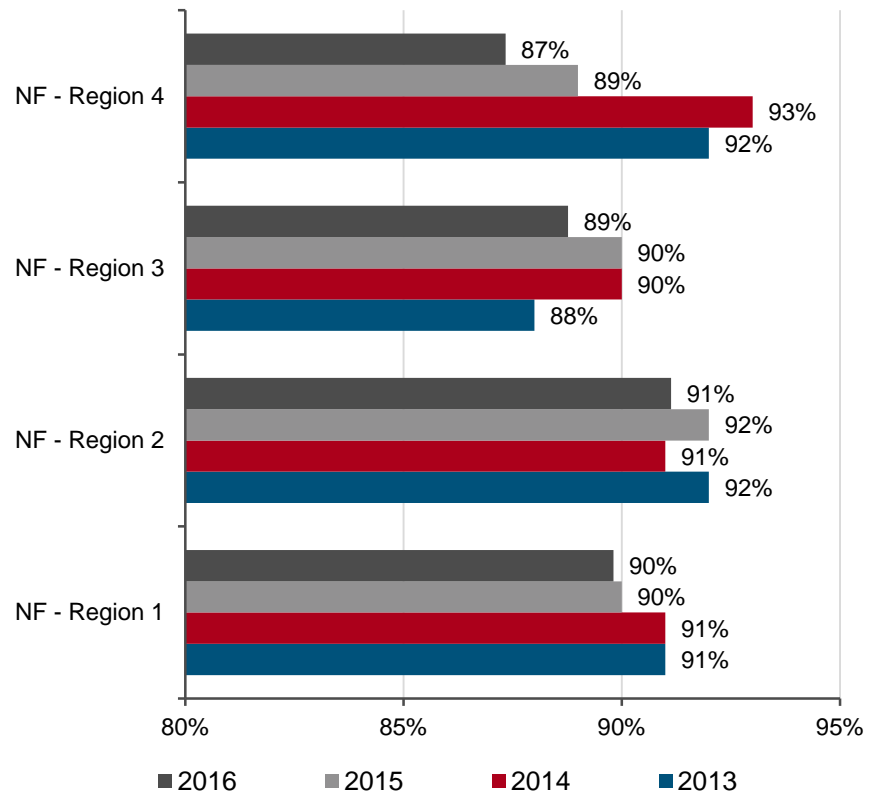
[HTTPS://WWW.CMS.GOV/MEDICARE/MEDICARE-FEE-FOR-SERVICE  
PAYMENT/SNFPPS/THERAPYRESEARCH.HTML](https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/SNFPPS/TherapyResearch.html)

# Key Financial Ratios

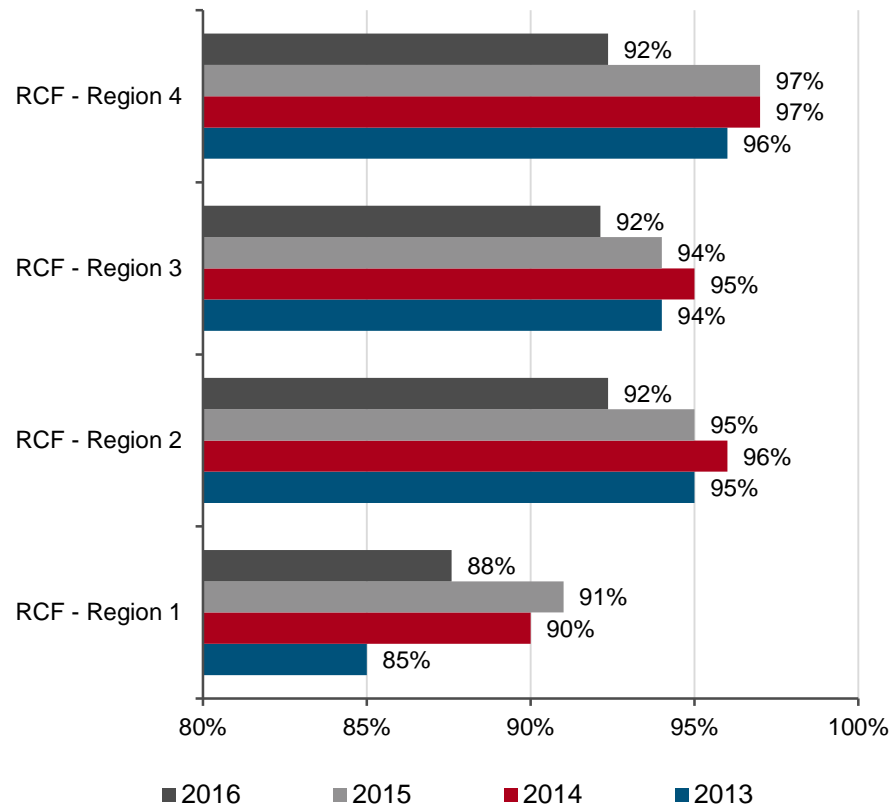
Ratio	2013	2014	2015	2016
Current Ratio	1.58	1.32	1.36	1.31
Days in Accounts Receivable	44	35	38	36
Days Cash on Hand, Non-Restricted Sources	37	36	35	27
Debt Service Coverage	4.59	5.91	6.71	2.46
Total Margin	(.93)%	1.70%	2.47%	(.46)%
Bad Debts Per Patient Day	2.91	3.48	2.29	3.14

# Occupancy Percentages

## NF Unit

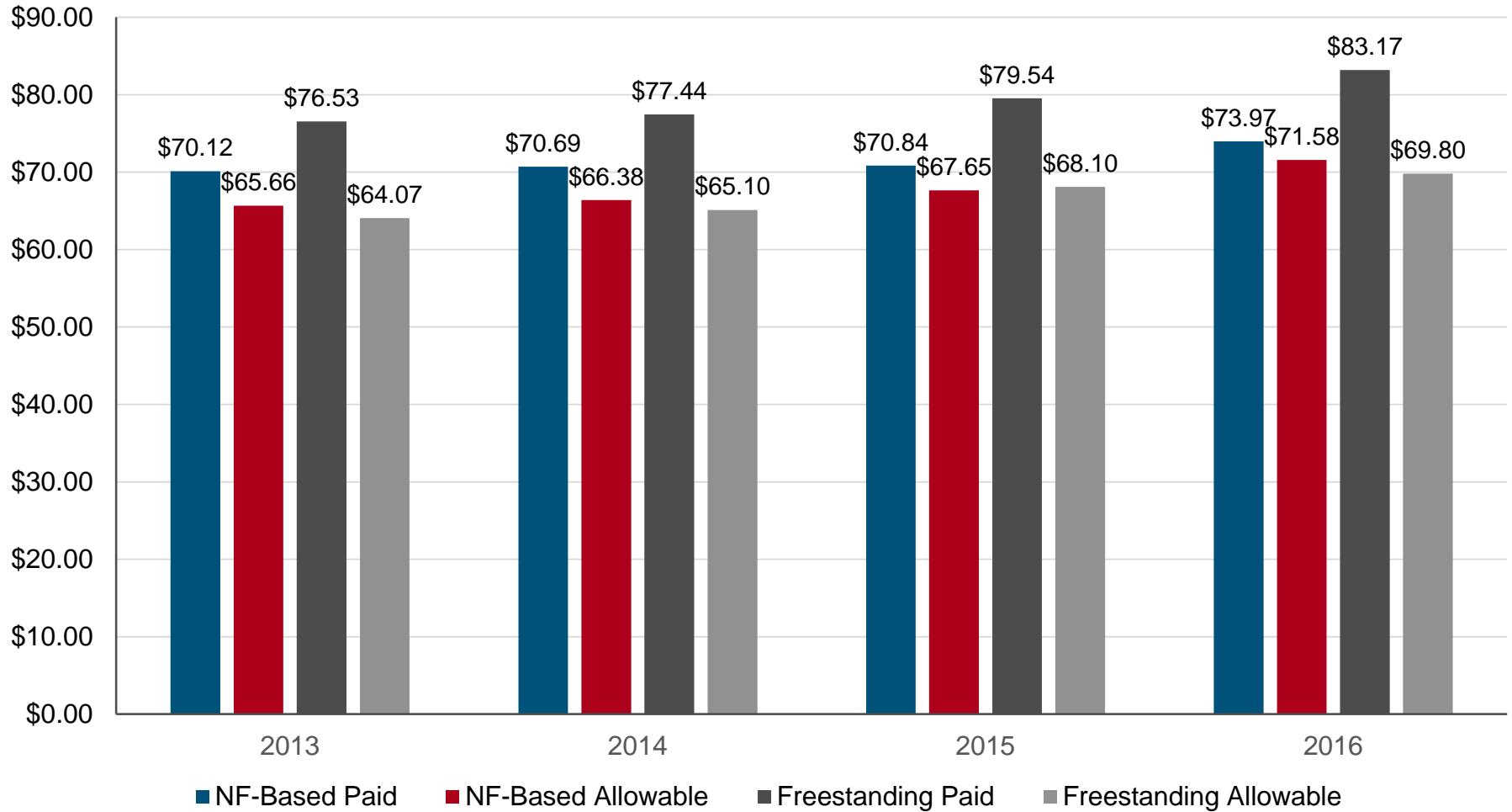


## RCF Unit



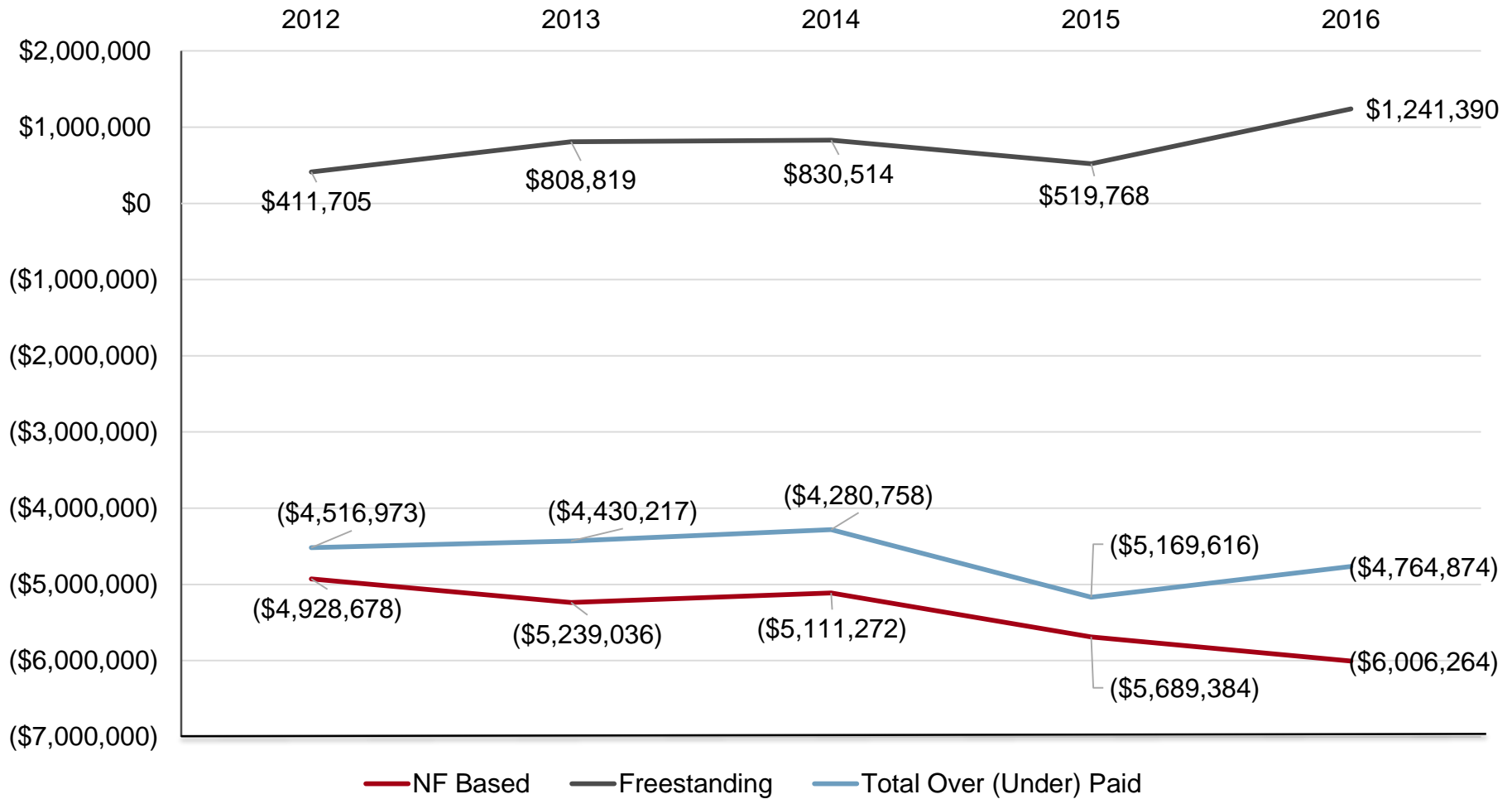
# MaineCare RCF

## AVERAGE PNMI DIRECT ALLOWABLE COST VS. PAID PER DAY



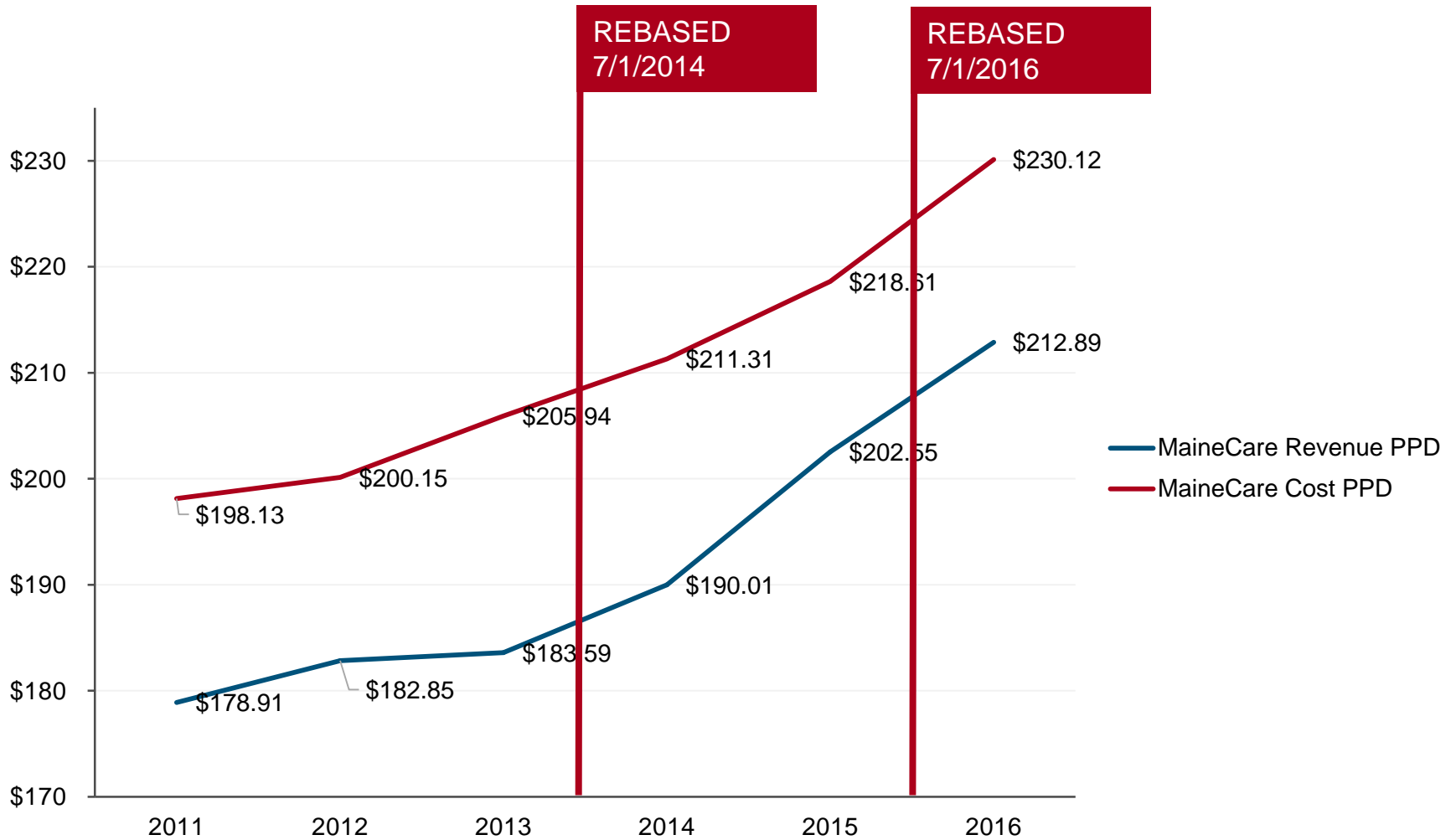
# Trending

## MAINECARE SHORTFALL - RCF



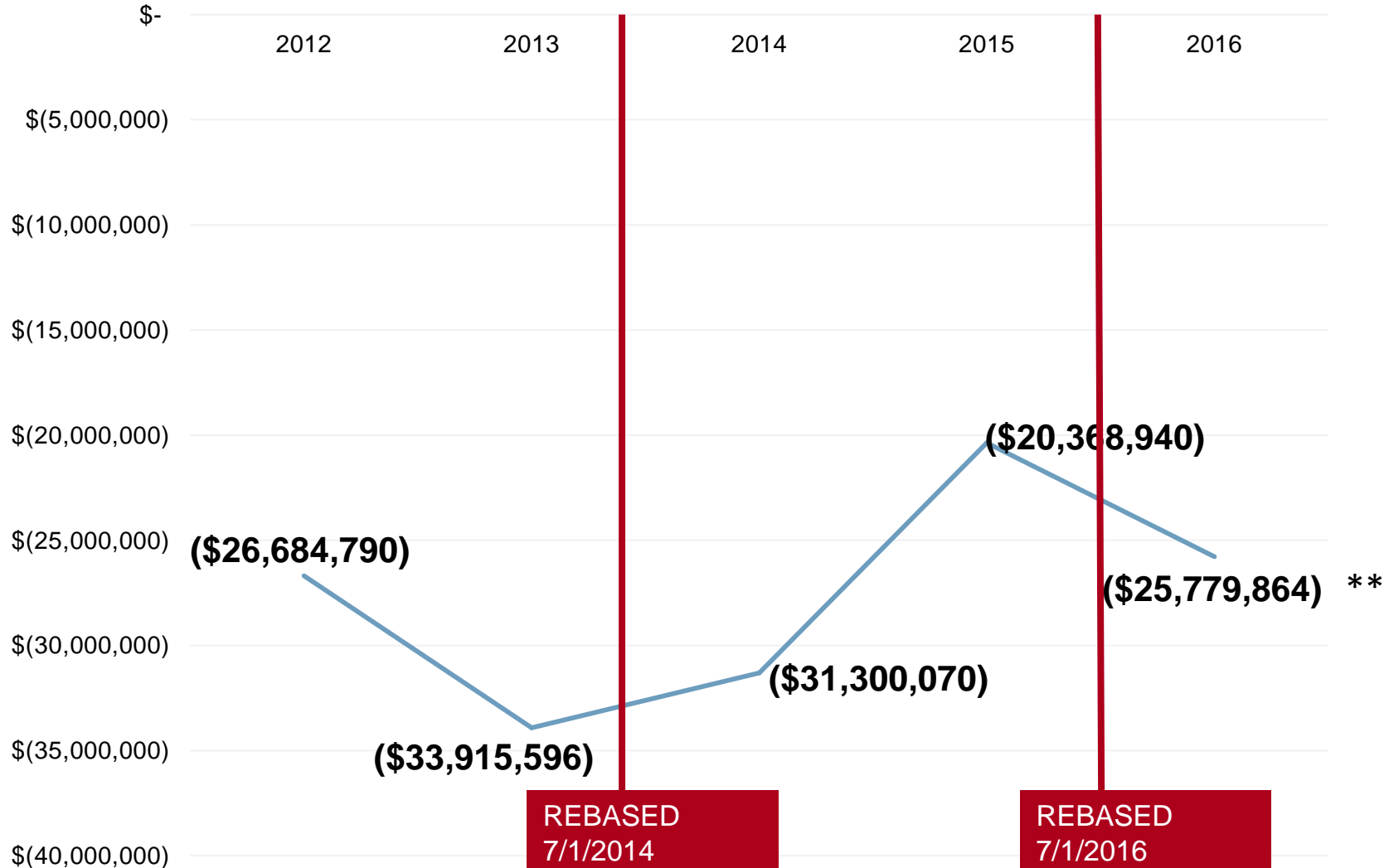
# Trending

## MAINECARE REVENUE PPD & MAINECARE COST PPD



# Industry Trends

## NURSING FACILITY SHORTFALL – MAINECARE ALLOWABLE COSTS VS MAINECARE PAYMENT

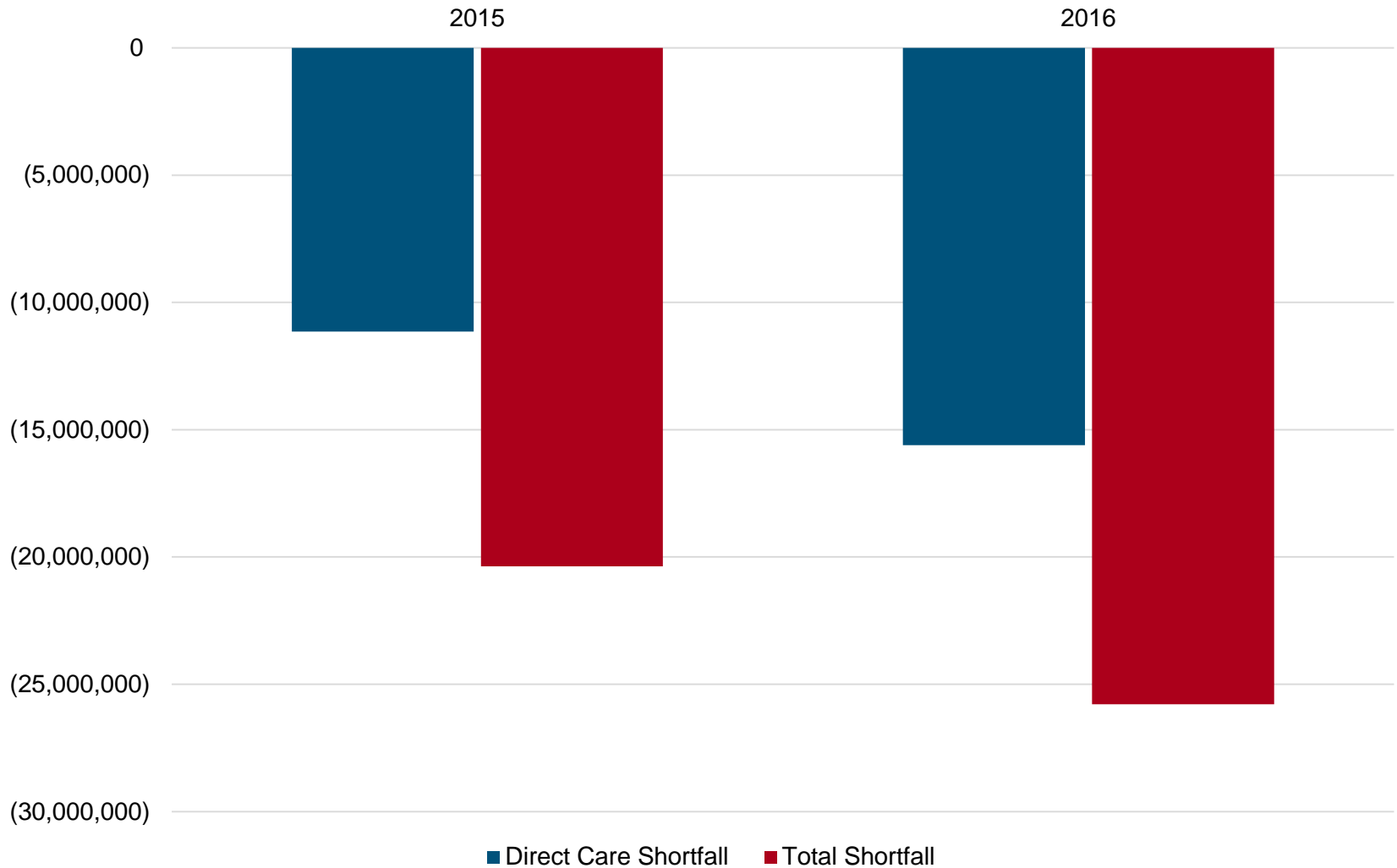


\*\* REPRESENTS 8.09% OF TOTAL MAINECARE DOLLARS.



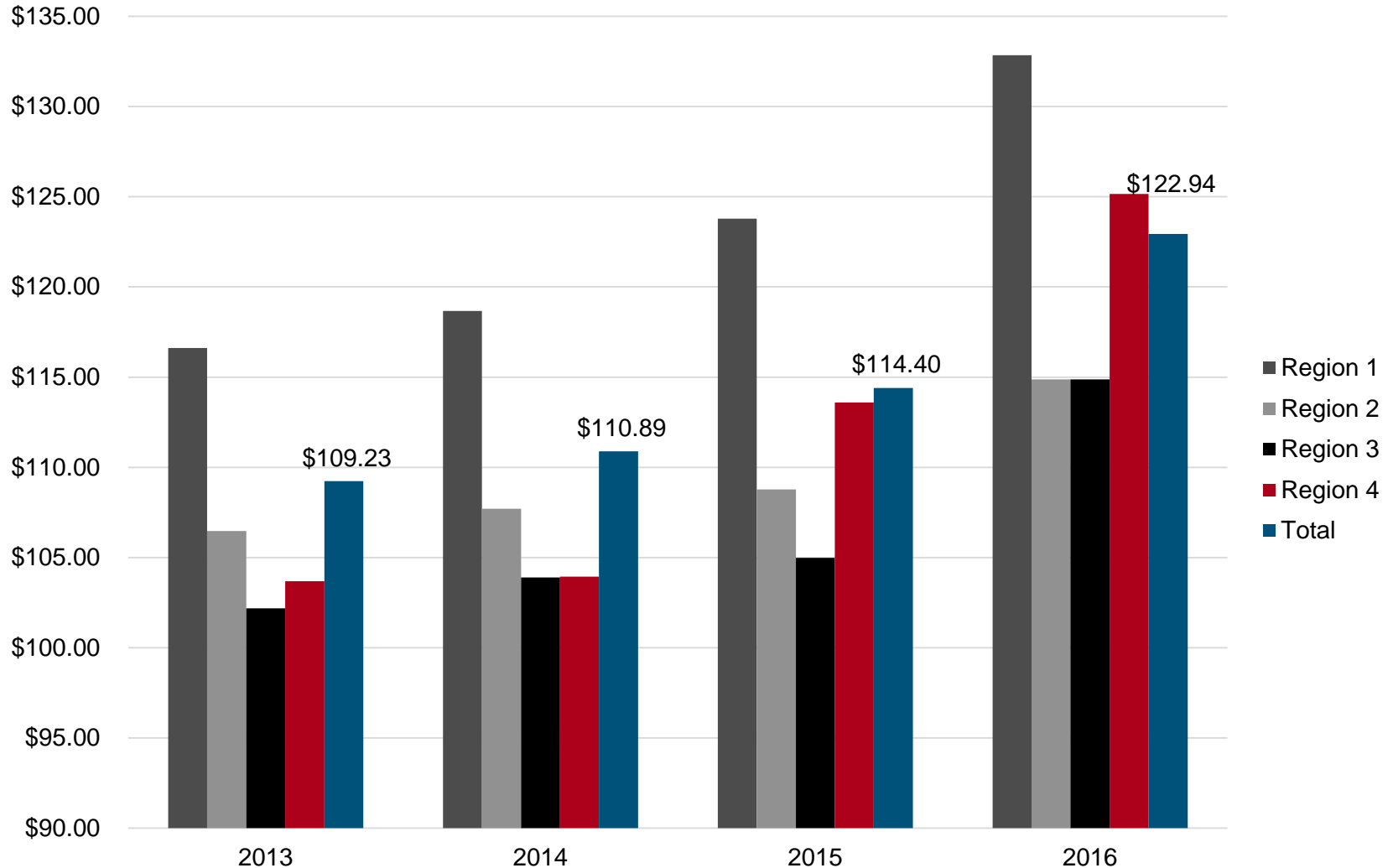
# Industry Trends

## DIRECT CARE SHORTFALL GROWTH AND TOTAL MAINECARE SHORTFALL GROWTH



# Industry Trends

## NURSING FACILITY AVERAGE ALLOWABLE DIRECT CARE COST PPD BY REGION AND STATE-WIDE



CONTRACT LABOR COST PER PATIENT DAY INCREASED 285% FROM 2013 TO 2016.

## NF UPPER LIMITS &

# Median Costs

(1) DIRECT CARE UPPER MEDIAN LIMITS HAVE BEEN CASE-MIX AND WAGE ADJUSTED.

(2) DIRECT CARE UPPER MEDIAN COSTS HAVE NOT BEEN CASE-MIX AND WAGE ADJUSTED.

	2013 UPPER LIMITS (1)		2015 MEDIAN COSTS (2)	2016 MEDIAN COSTS (2)
<b>DIRECT CARE</b>				
PEER GROUP 1	\$76.07		\$111.42	\$117.91
PEER GROUP 2	80.29		120.10	134.21
PEER GROUP 3	88.36		156.60	187.00
<b>ROUTINE</b>				
PEER GROUP 1	\$76.78		\$76.00	\$79.38
PEER GROUP 2	75.41		75.26	78.38
PEER GROUP 3	94.46		130.34	157.84