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Fitch: Life Plan Communities Able to Manage Nursing Staff Requirements

Fitch Ratings-New York-20 September 2023: Nursing home minimum staffing standards proposed by the federal government will add to life plan community (LPC) staffing pressures but will not affect ratings, given the LPC sector's diverse service lines, which include independent living (IL) and assisted living (AL), and LPCs' ability to flex the number of skilled nursing beds in service, Fitch Ratings says. Private pay IL units, which are a key driver of financial performance and generally comprise the largest number of units at Fitch-rated LPCs, are not subject to the proposed staffing requirements.

Under the rule proposed by the Centers for Medicare and Medicaid Services (CMS), long-term care facilities that receive Medicare and Medicaid would need to have a registered nurse on site at all times, with facilities allowed two years to implement (three years in rural areas). At a minimum, facilities would also need to provide 0.55 registered nurse hours per resident per day (HPRD), or 33 minutes, and 2.45 certified nurse aide HPRD within three years after the publication of the final rule (five years in rural areas).

While a handful of states, such as California, have nursing home staffing standards close to or more stringent than the proposed federal regulations, many states' rules are below the proposed standards, including 15 states that currently have no minimum HPRD requirements. Many of Fitch's rated LPCs are four or five star skilled nursing centers as rated by CMS (five stars is the highest rating), which indicates good clinical staffing levels and a high quality of care. Quality skilled nursing care is an important marketing component for LPCs and a differentiating competitive characteristic on which LPC management teams focus.

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