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MARCUM LLP
BENCHMARK ANALYSIS

A Three-Year Nursing Home Statistical Review

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OVERVIEW FOR 2020

Welcome to the new edition of the Marcum Nursing Home Statistical Analysis, covering the period 2018 to 2020.

In the past, our annual report on the trend lines shaping the long-term care industry has covered five-year periods, in an effort to provide you with as much historical context as possible for our findings. Our goal has always been to deliver actionable insights to aid your strategic planning. This year, however, based on your feedback, we narrowed our focus from five years to three. Our hope is that this will enable you to benchmark your planning against a more manageable set of contemporary data.

With the ongoing impact of COVID-19 throughout the world and the newest Omicron variant, we find the winter of 2022 to be a repeat discussion from the winter of 2021. However, while COVID-19 case rates surged in late December-early January, as of this writing the spike is showing signs of leveling off, the severity of infection has diminished, and we find ourselves with a better arsenal for fighting the disease than a year ago.

The advent of numerous vaccines and therapies has dramatically slowed the progression of the virus in senior living communities. However, census has not yet rebounded to pre-pandemic status. In fact, while the Northeast currently leads the nation with the highest increase in overall occupancy, occupancy remains significantly lower than pre-pandemic levels.

Moving forward, the pandemic will continue to present numerous challenges for the industry beyond census. At Marcum, we believe occupancy could be significantly higher if not for staffing

shortages. “I could fill my beds if I had the staff” is the common complaint we hear from our clients throughout the country. Together with runaway inflation and limited further financial support from government, staffing shortages look to be a continued bedevilment for long-term care facilities for the foreseeable future.

If there is a silver lining, we believe it is that the need for quality care for seniors remains and, if our demographic indications are correct, will grow as the population continues to age in place.

At a time when we need to be all that more attuned to the impact of change, the following analysis should provide a valuable tool to identify areas for both financial and operational change. Providers should be asking themselves: “How do we compare to these norms and what areas can be changed to achieve process improvements?” We encourage you to work with your Marcum LLP professional to seek answers to these questions. Healthcare and the related payment systems are joined by a common theme: they will always change. Navigating these changes can dramatically influence operating results.



Matthew Bavalack

PRINCIPAL, NATIONAL
HEALTHCARE INDUSTRY
GROUP LEADER



QUALIFICATION OF DATA

Medicare-certified skilled nursing facilities are required to submit an annual cost report (Form 2540-10) to a Medicare administrative contractor (MAC). After the cost reports are filed, the data is congregated by the Center for Medicaid and Medicare Services (CMS) in the Healthcare Provider Cost Reporting Information System (HCRIS). The fiscal and calendar year-end “as filed” Medicare cost reports for skilled nursing facilities are then made available by CMS. The database is updated quarterly throughout the year and the cost reports are subject to change based on compliance audits and/or provider amendments. Marcum LLP obtained

the data from the CMS database for the years 2018 through 2020 for this publication.

In order to provide an accurate depiction of the industry, Marcum LLP utilized the data regarding full-year (12 months) cost reports and removed data where the cost reports were improperly disclosed. In addition, the data for 2019 was updated with the full available database since additional files were made available after our previous publication. Marcum LLP utilized the normal distribution (bell-shape curve methodology) to calculate the statistics shown in this publication.

	PREVIOUS PUBLICATION	CURRENT PUBLICATION
2018	13,382	13,382
2019	10,070	13,356
2020	N/A	11,345

Marcum LLP grouped states into the following six regions:

MIDWEST	NORTHEAST	PACIFIC	SOUTHEAST	ROCKY MOUNTAINS	SOUTHWEST
Illinois	Connecticut	Alaska	Alabama	Colorado	Arizona
Indiana	Maine	California	Arkansas	Idaho	New Mexico
Iowa	Massachusetts	Hawaii	Delaware	Montana	Oklahoma
Kansas	New Hampshire	Oregon	District of Columbia	Nevada	Texas
Michigan	New Jersey	Washington	Florida	Utah	
Minnesota	New York		Georgia	Wyoming	
Missouri	Pennsylvania		Kentucky		
Nebraska	Rhode Island		Louisiana		
North Dakota	Vermont		Maryland		
Ohio			Mississippi		
South Dakota			North Carolina		
Wisconsin			South Carolina		
			Tennessee		
			Virginia		
			West Virginia		

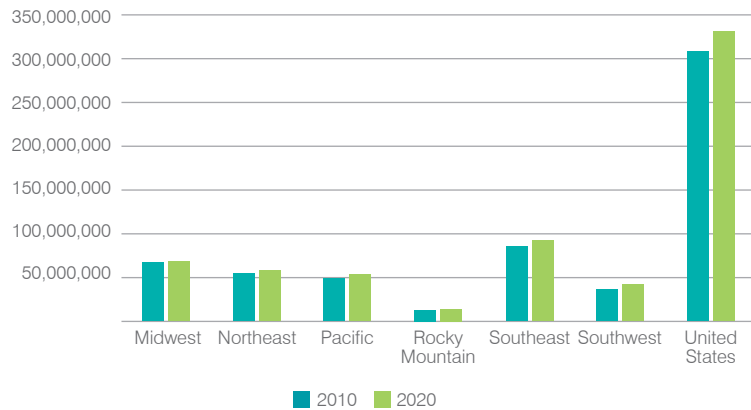
Marcum LLP has not audited the data presented herein and is unable to issue an opinion in terms of accuracy and reasonableness. The purpose of this publication is to present a national and regional overview of the industry.

DEMOGRAPHICS

The population of the United States continues to grow and age. The 2021 estimated population is 333.8 million compared to 331.2 million in 2020. This represents a 0.79% increase in the U.S. population between 2020 and 2021. According to the United States Census Bureau, the population between 2010 and 2020 in the United States grew by 7.4%. The Rocky Mountain region had the largest growth in the 10 years, with a rate of 14.95%. The Midwest had the slowest growth at 3.08%. The states with the highest growth between 2010 and 2020 were Utah, Idaho, and Texas at 18.37%, 17.32%, and 15.91%, respectively. Three states had a decrease in their population over these 10 years. Those were West Virginia at -3.2%, Mississippi at -0.2%, and Illinois at -0.14%.

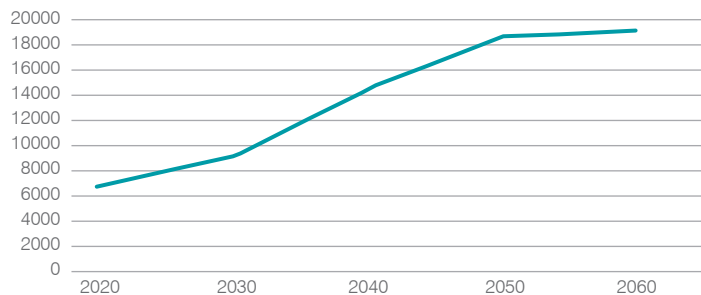
In addition, people continue to live longer. The percentage of those aged 65 and above was 16.63% in 2020 compared to 12.98% in 2010. This percentage is expected to continue to increase in the years to come as the remaining baby boomers enter this age group by 2029. The number of people age 85 and older is projected to triple between 2020 and 2060, from 6.7 million to 19.0 million. This is the group most likely to need long-term care services.

Regional Population Growth



Source: U.S. Census Bureau

Projected Population Growth of 85+ (in thousands)



Source: U.S. Census Bureau

The median age in the United States is increasing as the life expectancy increases and people live longer. The lowering birth rate in the United States also contributes to the increase in the median age. The median age reached 38.5 years in 2020, up from 38.4 years in 2019. The Northeast has the highest median age at 41.3. Included in the Northeast is Maine, which has the highest median age of all 50 states at 45.1 years. The Rocky Mountain region has the lowest median age at 36.7. Utah has the lowest median age in the country at 31.2 years.

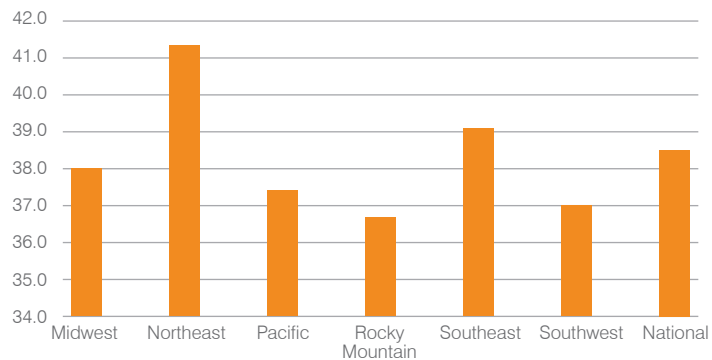
Per the Centers for Disease Control and Prevention’s National Center for Health Statistics, the life expectancy in 2020 dropped to its lowest level since 2003 at 77.3 years. This is 1.5 years less than the 2019 expectancy. The most notable cause of this decline is the COVID-19 pandemic. We have not seen a decrease of this magnitude since World War II.

To summarize the above:

- The U.S. population continues to grow
- Our population is aging, with a consistent rise in the 65 and over population, including those 85 and over
- The median age of Americans is still on the rise
- Life expectancy dipped in 2020

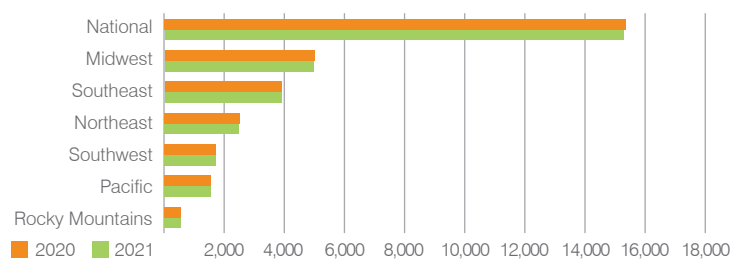
All of these points would suggest that there will be a greater need for long-term care beds in the years to come. Due to COVID-19, there has been a financial strain on facilities due to decreased census, resulting in decreased revenue. In addition, facilities were faced with mounting operating costs due to staffing shortages and increased cost of personal

Regional Median Age



Source: worldpopulationreview.com

Nursing Homes by Region

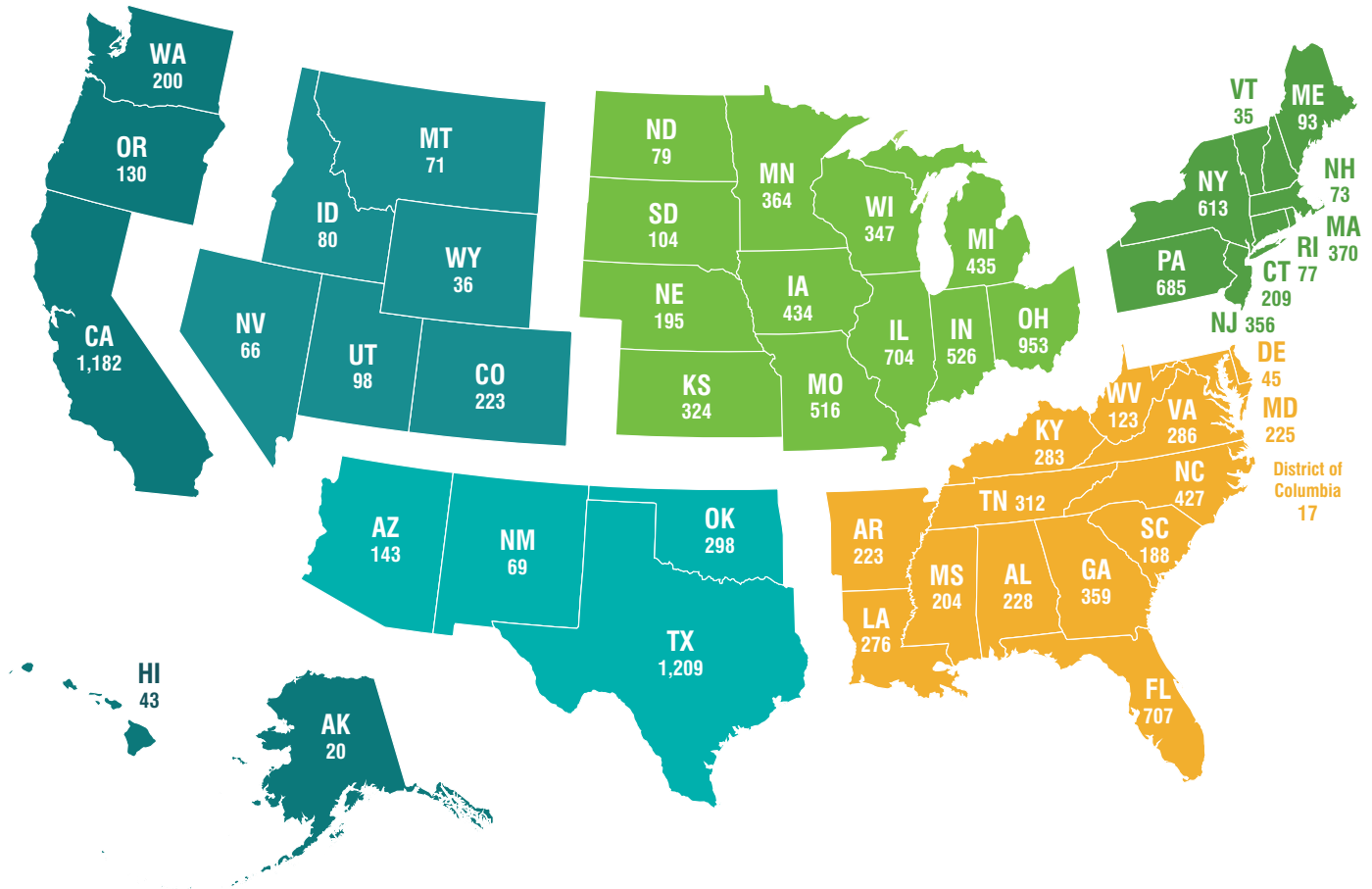


Source: CMS.gov

protective equipment (PPE), just to name a couple. Many facilities were able to stay afloat due to funding from the CARES Act Provider Relief Fund. As these funds are exhausted, it is feared that facilities may be forced to close their doors.

In past years, we noted that the number of nursing homes was dropping nationally. This trend continued into 2021 and could potentially continue into 2022. In 2021, there were 78 fewer nursing homes than in 2020, with 31 states having fewer homes in 2021 than the previous year. The Midwest lost 36 facilities, which was the largest decline. Illinois had the largest decline of any state, with nine fewer facilities. The smallest decrease in facilities was in the Rocky Mountain region, with a decrease of two facilities. There were seven states with more nursing facilities in 2021 than 2020. Florida saw the largest increase with six additional homes in 2021.

NUMBER OF SKILLED NURSING FACILITIES BY STATE



15,263 TOTAL FACILITIES IN U.S.

● PACIFIC	1,575
● ROCKY MOUNTAINS	574
● SOUTHWEST	1,719
● NORTHEAST	2,511
● SOUTHEAST	3,903
● MIDWEST	4,981

OCCUPANCY AND PAYOR MIX

Over the past years, nursing facilities have been experiencing a slow decrease in their average occupancy. It is with no surprise that in 2020 the decrease accelerated as a result of COVID-19. Based on 2020 Medicare cost reports, the average nursing home occupancy in the United States dropped to 74.33%, compared to 81.22% in 2019. The Southwest region had the lowest occupancy of 62.75% while the Northeast region had the highest of 78.82%.

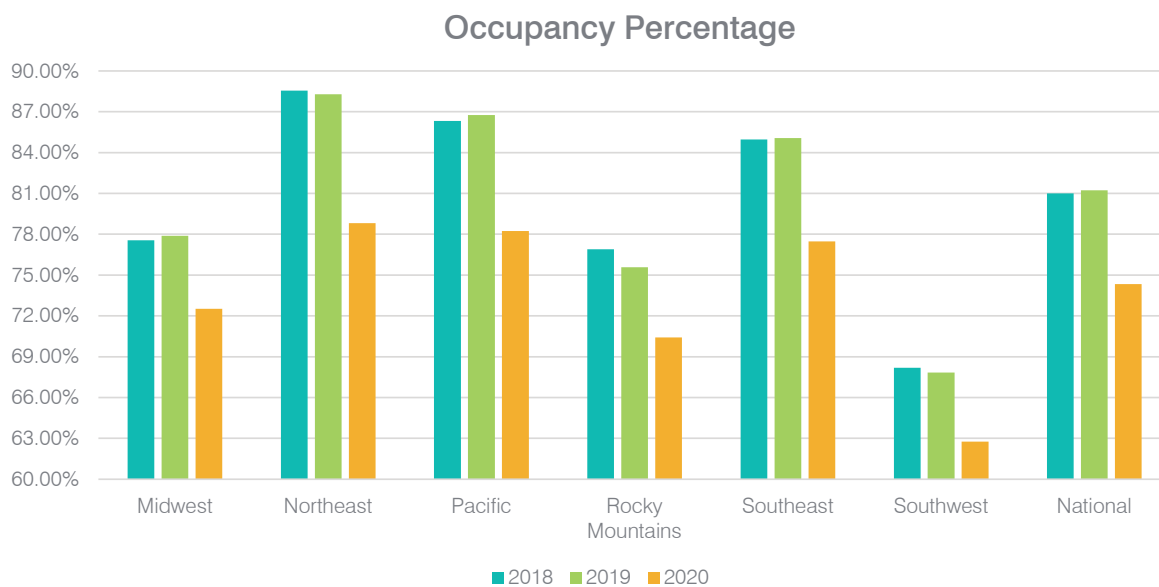
Since these percentages reflect the average occupancy for the 12-month period of the cost report, we wanted to share with you a more detailed look at the occupancy trends throughout the pandemic and illustrate the recovery that nursing facilities are experiencing beyond the end of 2020. Looking at the numbers on a quarterly basis from the “National Investment Center COVID-19 Tracker,” all regions hit their low at the end of 2020, with the Southwest region having the lowest occupancy in the nation of 56.5% at December 31, 2020, and the Northeast having the highest percentage at December 31, 2020, of 72.5%. This low point matches the timing of the second wave of COVID-19 in the United States. The occupancy numbers began to recover in 2021 and have been improving throughout the year. By September 30, 2021, the average occupancy in the nation recovered to 71.9%, which is up from the average of 67.8% at December 31, 2020. Also at September 30, 2021, the Northeast region again had the highest occupancy at 77.5%, and the Southwest region had the lowest at 59.8%. As we continue to emerge from the pandemic, we expect this percentage to continue to improve.

In 2019, we saw a decrease in the percentage of Medicare days to total nursing home days, but in 2020, there was a significant increase in Medicare days. Every region in the United States saw their Medicare days increase in 2020. There are several factors that would contribute to this.

- The waiver of three-day prior hospitalization for coverage of a skilled nursing facility (SNF) stay
- Renewed SNF coverage without having to begin a new benefit period for certain beneficiaries who had exhausted their SNF benefits
- Longer spells of illness for those who contracted COVID-19

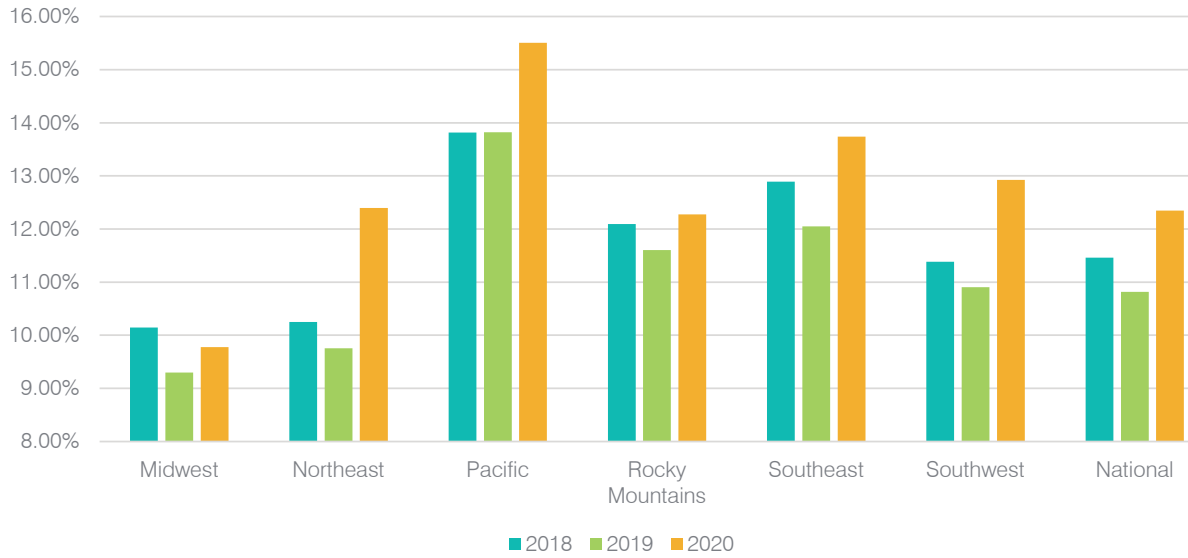
The percentage of Medicaid days to total nursing home days in the United States rose slightly in 2020 from 55.12% in 2019 to 55.76% in 2020, although four of the six regions saw a decrease in this percentage. The percentage of Medicaid days in the Midwest region increased by 2.74% between 2019 and 2020, while the Southwest region experienced a decrease from 61.13% in 2019 to 59.51% in 2020.

In 2019, the percentage of other payers (non-Medicare and non-Medicaid) was on the decline. There was a further decrease in 2020 as a result of the pandemic, which caused the increase in Medicare days in 2020, as discussed above. In 2020, the percentage of other payor to total patient days decreased to 31.89%, down from 34.07% in 2019 in the United States. The Northeast region decreased by 3.47% between 2019 and 2020, which was the largest drop in the country. The Rocky Mountain region saw the smallest decline of 0.38% in 2020.



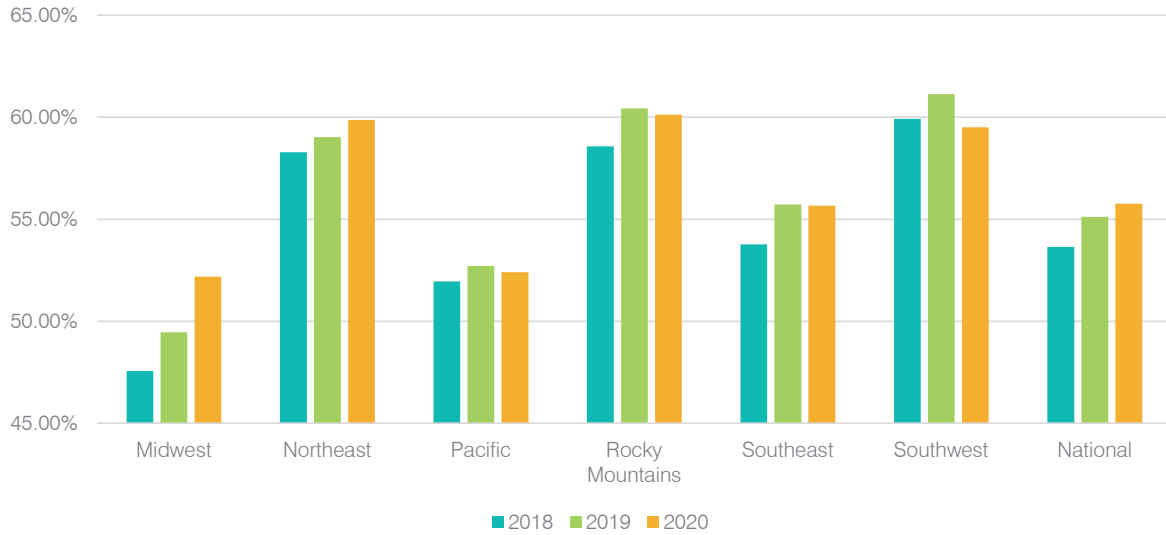
	2018	2019	2020
Midwest	77.55%	77.89%	72.52%
Northeast	88.56%	88.29%	78.82%
Pacific	86.32%	86.77%	78.23%
Rocky Mountains	76.89%	75.57%	70.42%
Southeast	84.97%	85.06%	77.48%
Southwest	68.18%	67.84%	62.75%
National	81.01%	81.22%	74.33%

Payor Mix – Medicare



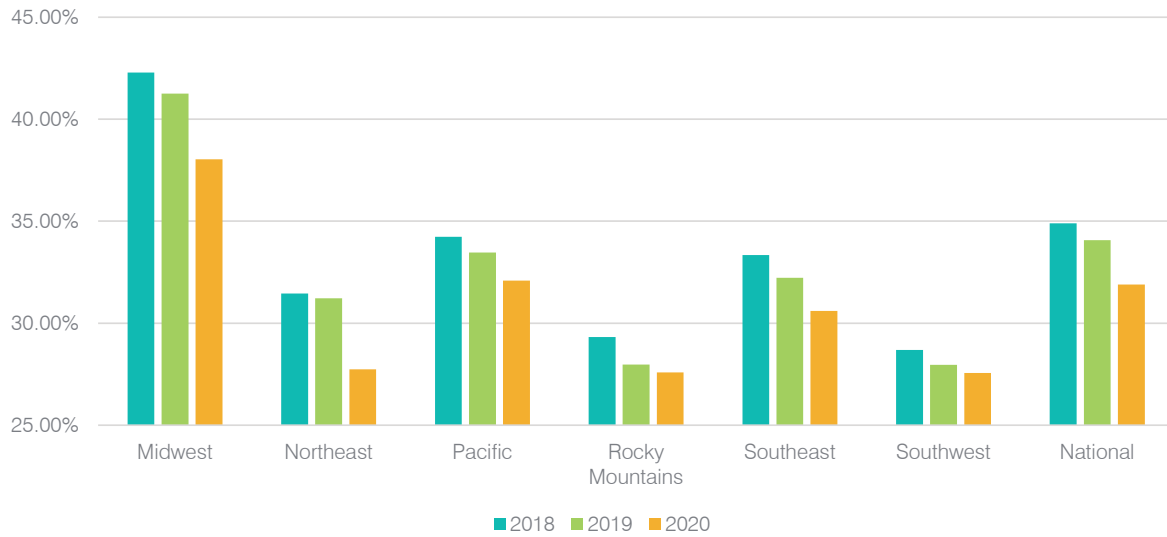
	2018	2019	2020
Midwest	10.14%	9.30%	9.78%
Northeast	10.25%	9.75%	12.40%
Pacific	13.82%	13.82%	15.51%
Rocky Mountains	12.09%	11.60%	12.28%
Southeast	12.89%	12.05%	13.74%
Southwest	11.39%	10.91%	12.93%
National	11.46%	10.82%	12.35%

Payor Mix – Medicaid



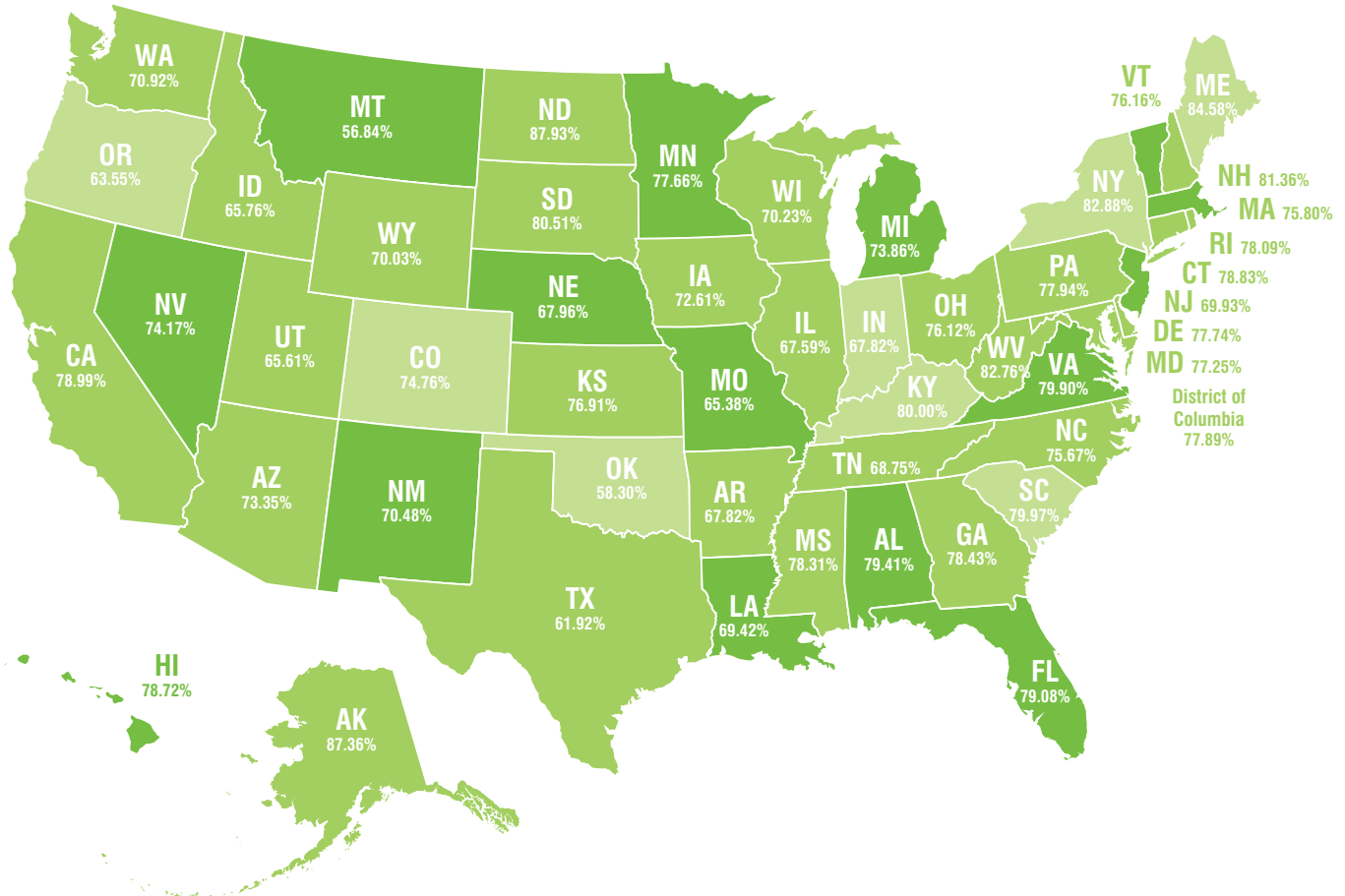
	2018	2019	2020
Midwest	47.57%	49.46%	52.19%
Northeast	58.29%	59.03%	59.86%
Pacific	51.96%	52.71%	52.41%
Rocky Mountains	58.58%	60.43%	60.13%
Southeast	53.76%	55.73%	55.66%
Southwest	59.92%	61.13%	59.51%
National	53.64%	55.12%	55.76%

Payor Mix – Other



	2018	2019	2020
Midwest	42.29%	41.25%	38.03%
Northeast	31.46%	31.22%	27.74%
Pacific	34.23%	33.47%	32.08%
Rocky Mountains	29.33%	27.97%	27.59%
Southeast	33.34%	32.22%	30.60%
Southwest	28.69%	27.96%	27.56%
National	34.90%	34.07%	31.89%

OCCUPANCY PERCENTAGE BY STATE



NORTH DAKOTA	87.93%
ALASKA	87.36%
MAINE	84.58%
NEW YORK	82.88%
WEST VIRGINIA	82.76%
NEW HAMPSHIRE	81.36%
SOUTH DAKOTA	80.51%
KENTUCKY	80.00%
SOUTH CAROLINA	79.97%
VIRGINIA	79.90%
ALABAMA	79.41%
FLORIDA	79.08%
CALIFORNIA	78.99%
CONNECTICUT	78.83%
HAWAII	78.72%
GEORGIA	78.43%
MISSISSIPPI	78.31%

RHODE ISLAND	78.09%
PENNSYLVANIA	77.94%
DISTRICT OF COLUMBIA	77.89%
DELAWARE	77.74%
MINNESOTA	77.66%
MARYLAND	77.25%
KANSAS	76.91%
VERMONT	76.16%
OHIO	76.12%
MASSACHUSETTS	75.80%
NORTH CAROLINA	75.67%
COLORADO	74.76%
NEVADA	74.17%
MICHIGAN	73.86%
IOWA	72.61%
WASHINGTON	70.92%
NEW MEXICO	70.48%

WISCONSIN	70.23%
WYOMING	70.03%
NEW JERSEY	69.93%
LOUISIANA	69.42%
TENNESSEE	68.75%
ARKANSAS	68.02%
NEBRASKA	67.96%
ARIZONA	67.82%
INDIANA	67.82%
ILLINOIS	67.59%
IDAHO	65.76%
UTAH	65.61%
MISSOURI	65.38%
OREGON	63.55%
TEXAS	61.92%
OKLAHOMA	58.30%
MONTANA	56.84%



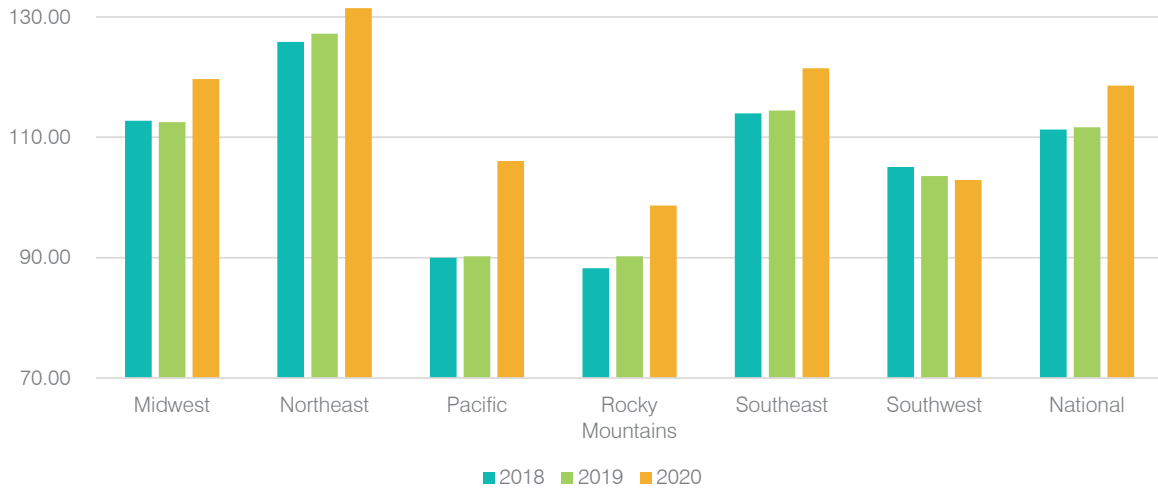
AVERAGE LENGTH OF STAY

The average length of stay (ALOS) of residents within a nursing home is a meaningful statistic to monitor payor source trends and revenues. The ALOS is calculated by dividing the total census days by the total facility discharges. This results in the average number of days a resident was in the facility. ALOS can also be calculated for the different payor types utilized within the facility.

ALOS remained steady among most regions from 2018 to 2019 with only minor increases and decreases. Nationally, the average length of stay increased by only 0.31% during this time period. In 2020, ALOS increased in all regions except the Southwest, which saw less than a 1% decrease.

Nationally, the ALOS increased by 6.24%; we believe this is directly attributable to the ongoing pandemic. The Pacific region saw the largest increase of 17.55%. It almost seems counterintuitive that in 2020, when occupancy sharply decreased, that the average length of stay increased. COVID-19 may explain the anomaly as family members may have feared moving family members might put them at greater risk. Additionally, as elective and other hospital procedures were deferred, there may have been fewer short-stay patients in skilled nursing facilities. This left facilities with a higher percentage of the long-stay patients.

Average Length of Stay – Overall



	2018	2019	2020
Midwest	112.74	112.52	119.67
Northeast	125.86	127.25	131.45
Pacific	89.96	90.20	106.04
Rocky Mountains	88.23	90.24	98.63
Southeast	113.97	114.46	121.49
Southwest	105.05	103.57	102.88
National	111.30	111.65	118.61



NURSING

The first full calendar year of the Medicare reimbursement system referred to as the “Patient Driven Payment Model” (PDPM) began at the start of 2020. Only three months of PDPM are included in the 2019 data; 2020 would be the year to see if all the training and preparation readied skilled nursing facilities (SNFs) for the new system.

The role of the nurse expanded in many ways during 2020 and not only because of PDPM. COVID-19 required nurses to become experts in infection control. In addition, due to COVID staffing shortages, nurses experienced staffing adjustments while facing many more challenges.

This section will focus on changes that have occurred in the nursing department and specifically related to the following: nursing administration, registered nurses (RNs), licensed practical nurses (LPNs), certified nursing aides (CNAs), and contract related services.

Nursing is an essential component to SNF care. Hourly wages in all categories increased from 2018 to 2019 and again from 2019 to 2020. Due to COVID-related pay premiums, nursing costs increased more in 2020. Nationally, nursing average hourly wages increased by 3.81% from 2018 to 2019 and by 7.68% from 2019 to 2020. Regionally, the highest increase from 2019 to 2020 was the Midwest, with a 7.85% increase, and the smallest increase was the Rocky Mountains, with a 5.19% increase.

Registered nursing average hourly rates also increased in every region from 2018 to 2019 and from 2019 to 2020. Nationally, the average hourly wage increased from \$32.97 in 2018 to \$33.86 in 2019, which is a 2.69% increase. The registered

nursing average hourly rates then increased to \$35.72 in 2020, for a 5.48% increase. Regionally, the lowest hourly wage in 2020 was in the Southeast at \$33.12 while the Pacific had the highest at \$42.64.

Licensed practical nursing average hourly rates also increased in every region from 2018 to 2019 and from 2019 to 2020. Nationally, the average hourly wage increased from \$25.09 in 2018 to \$25.90 in 2019, which is a 3.21% increase. The LPN average hourly rates then increased to \$27.49 in 2020, for a 6.17% increase. Regionally, the lowest hourly wage in 2020 was in the Southeast at \$25.49 while the Pacific had the highest at \$31.59.

Similar to those of RNs and LPNs, CNA average hourly rates also increased in every region from 2018 to 2019 and from 2019 to 2020. Nationally, the average hourly wage increased from \$14.46 in 2018 to \$15.11 in 2019, which is a 4.53% increase. The CNA average hourly rates then increased to \$16.36 in 2020, for an 8.28% increase. Regionally, the lowest hourly wage in 2020 was in the Southwest at \$14.16 while the Northeast had the highest at \$18.55.

Contract nursing costs increased during 2019 and increased significantly during 2020. Nationally, the average hourly contract registered nurse cost increased from \$53.65 in 2018 to \$55.19 in 2019, which is a 2.88% increase. The contract RN average hourly rates then increased to \$61.46 in 2020 for an 11.35% increase. Regionally, the lowest RN hourly rate in 2020 was in the Southeast at \$57.35 while the Pacific had the highest at \$66.62. Licensed practical nursing contract hourly rates increased in every region from 2018 to 2019 and from 2019 to 2020.

Nationally, the average hourly contract cost increased from \$42.26 in 2018 to \$44.07 in 2019, which is a 4.28% increase. The LPN average hourly contract rates then increased to \$49.58 in 2020, for a 12.52% increase. Regionally, the lowest hourly contract rate in 2020 was in the Southeast at \$47.09 while the Pacific had the highest at \$53.30.

CNA average hourly contract rates also increased in every region from 2018 to 2019 and from 2019 to 2020. Nationally, the average hourly contract cost increased from \$26.32 in 2018 to \$27.60 in 2019, which is a 4.9% increase. The CNA average hourly contract rates then increased to \$32.11 in 2020 for a 16.34% increase, which is the largest increase in hourly rates of any of the direct care nursing types. Regionally, the lowest hourly wage in 2020 was in the Southwest at \$30.82 while the Pacific had the highest at \$35.24.

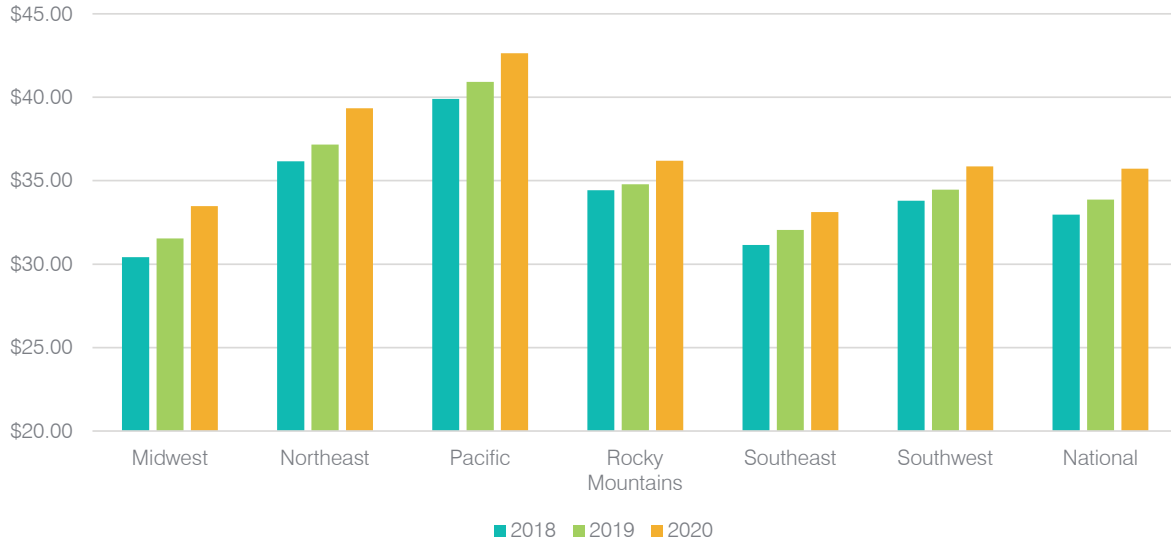
Nationally, nursing hours per patient day increased by 2.82% from 2019 to 2020. The ability to recruit and retain nursing personnel has been problematic for SNFs across the country, which has been further compounded by COVID-19. Staffing shortages resulted in the closing of some facility wings and affected the ability to accept new admissions. The overall shortage of workers in many industries has SNFs competing with many other sectors of the economy for CNAs. Average hourly wage increases are expected to continue into at least 2022 in an attempt to continue to attract all levels of nursing staff.

Nursing Hourly Wage



	2018	2019	2020
Midwest	19.73	20.62	22.24
Northeast	23.05	23.94	25.58
Pacific	22.90	23.91	25.51
Rocky Mountains	21.94	22.50	23.67
Southeast	18.66	19.37	20.59
Southwest	18.79	19.52	20.85
National	20.31	21.09	22.71

Registered Nurse Hourly Wage



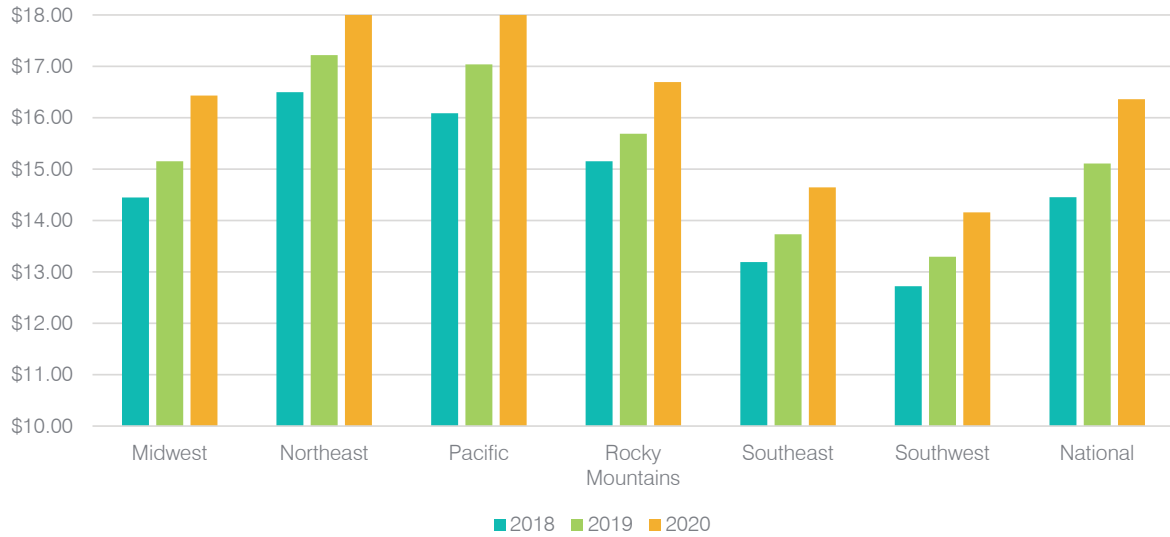
	2018	2019	2020
Midwest	30.42	31.54	33.47
Northeast	36.16	37.17	39.34
Pacific	39.91	40.93	42.64
Rocky Mountains	34.43	34.79	36.20
Southeast	31.15	32.04	33.12
Southwest	33.79	34.46	35.87
National	32.97	33.86	35.72

Licensed Practical Nurse Hourly Wage



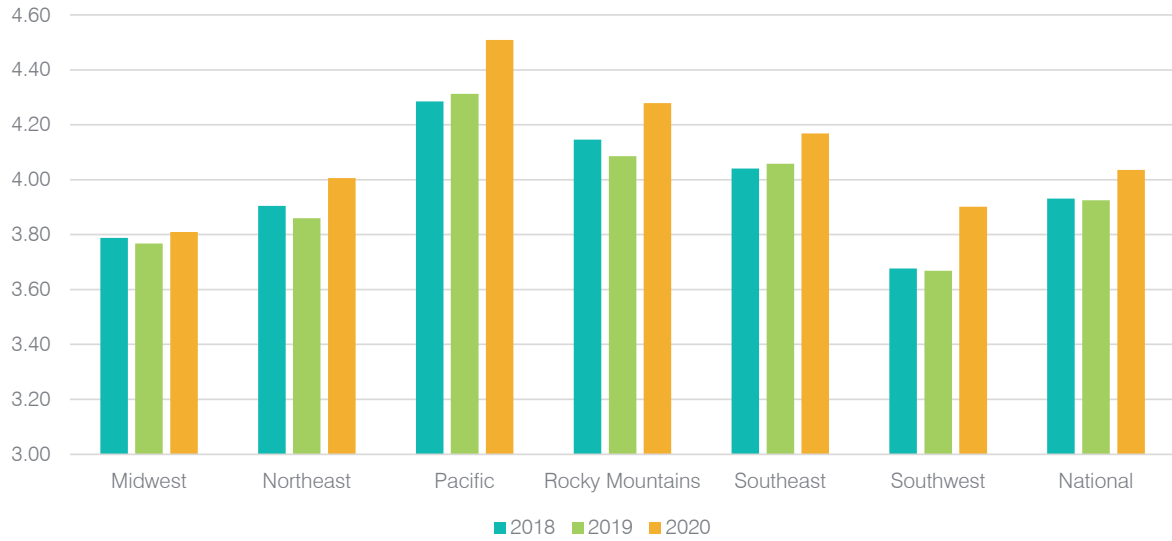
	2018	2019	2020
Midwest	24.16	25.11	26.72
Northeast	27.48	28.27	29.88
Pacific	28.99	29.95	31.59
Rocky Mountains	26.86	27.18	28.31
Southeast	23.42	24.19	25.49
Southwest	24.38	25.19	26.63
National	25.09	25.90	27.49

Certified Nursing Assistant Hourly Wage



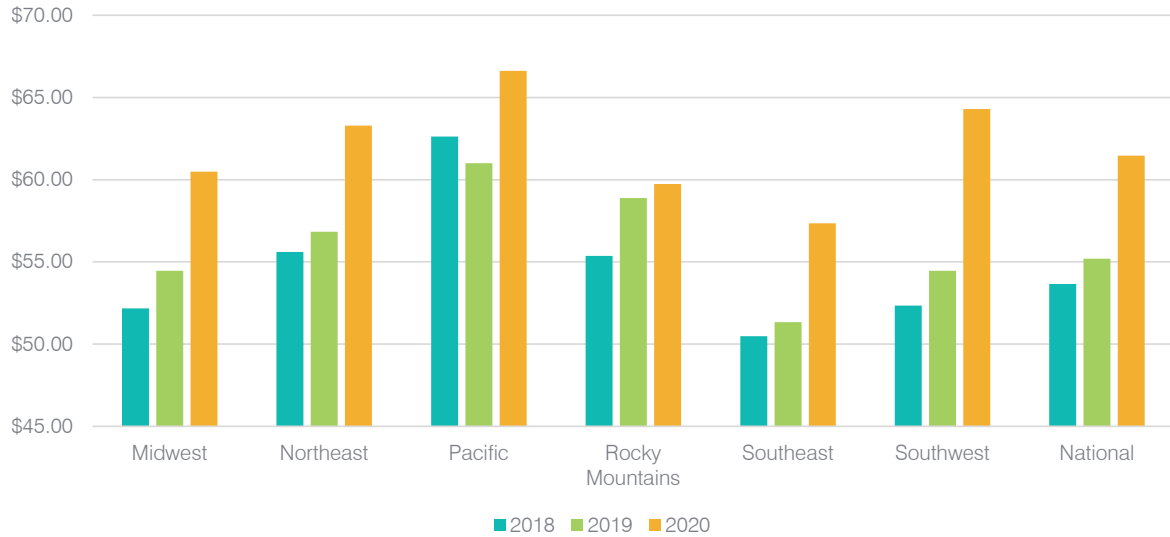
	2018	2019	2020
Midwest	14.45	15.16	16.43
Northeast	16.50	17.22	18.55
Pacific	16.09	17.04	18.40
Rocky Mountains	15.16	15.69	16.70
Southeast	13.19	13.73	14.65
Southwest	12.72	13.30	14.16
National	14.46	15.11	16.36

Staff Nursing Hours PPD



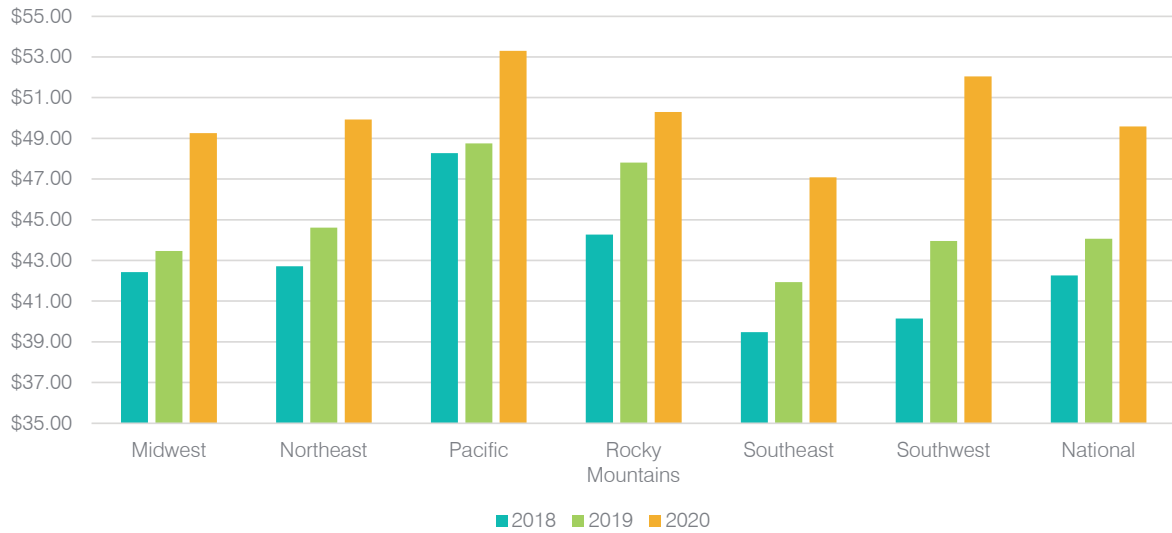
	2018	2019	2020
Midwest	3.79	3.77	3.81
Northeast	3.90	3.86	4.01
Pacific	4.29	4.31	4.51
Rocky Mountains	4.15	4.09	4.28
Southeast	4.04	4.06	4.17
Southwest	3.68	3.67	3.90
National	3.93	3.93	4.04

Contract Registered Nurse Hourly Rate



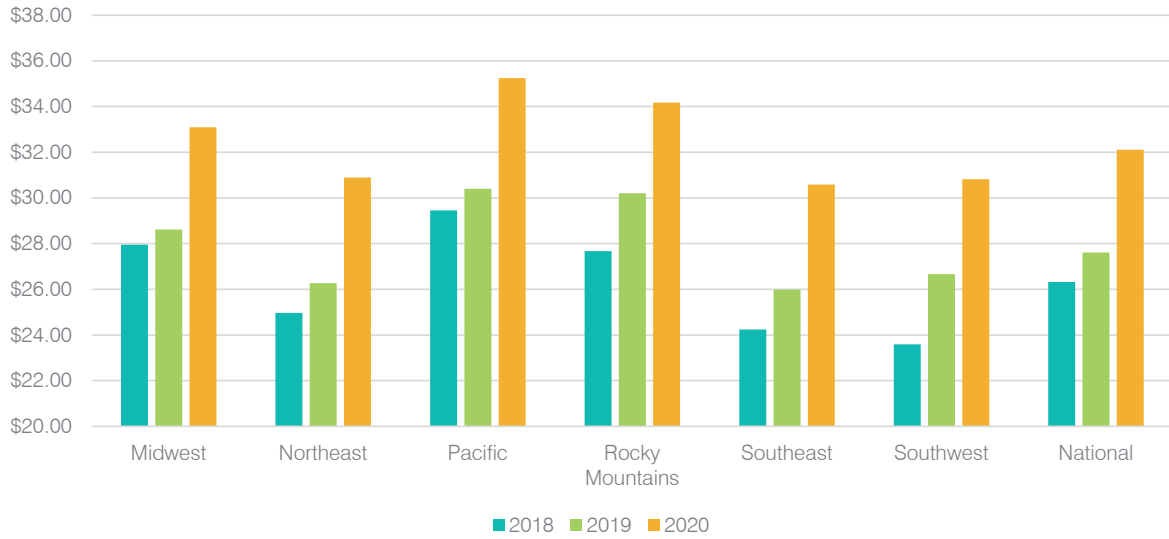
	2018	2019	2020
Midwest	52.17	54.46	60.48
Northeast	55.60	56.83	63.29
Pacific	62.62	61.00	66.62
Rocky Mountains	55.37	58.88	59.74
Southeast	50.47	51.33	57.35
Southwest	52.35	54.46	64.30
National	53.65	55.19	61.46

Contract Licensed Practical Nurse Hourly Rate



	2018	2019	2020
Midwest	42.42	43.46	49.25
Northeast	42.71	44.61	49.92
Pacific	48.27	48.75	53.30
Rocky Mountains	44.26	47.81	50.29
Southeast	39.47	41.93	47.09
Southwest	40.15	43.95	52.04
National	42.26	44.07	49.58

Contract Certified Nursing Assistant Hourly Rate



	2018	2019	2020
Midwest	27.95	28.61	33.09
Northeast	24.96	26.26	30.89
Pacific	29.46	30.40	35.24
Rocky Mountains	27.67	30.21	34.17
Southeast	24.24	25.99	30.58
Southwest	23.59	26.66	30.82
National	26.32	27.60	32.11



DIETARY

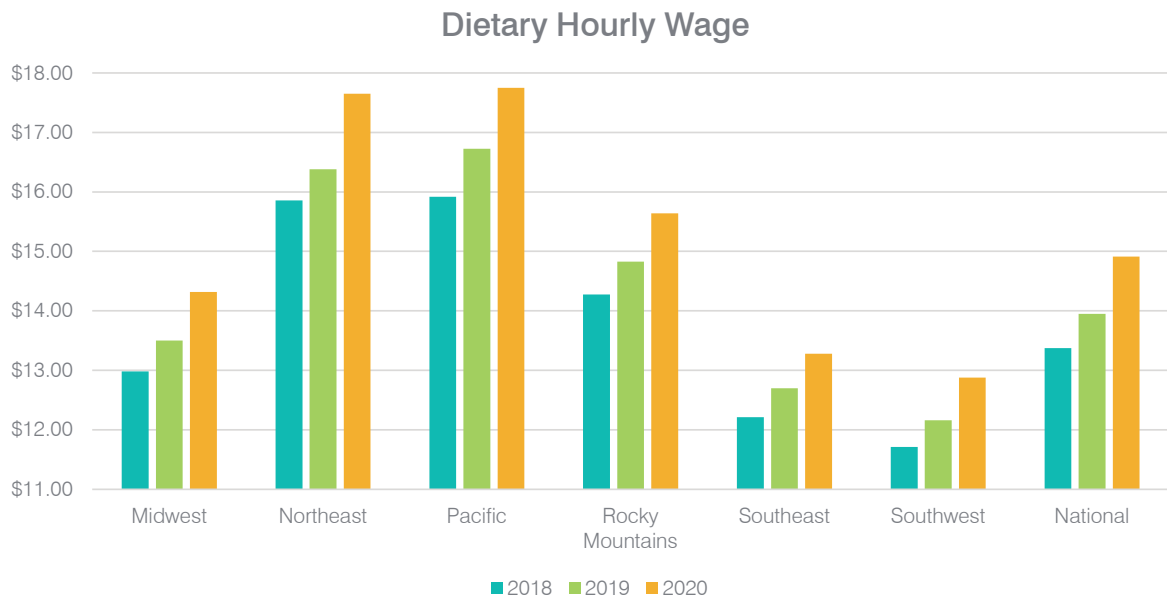
Over the past three years, dietary expenses have risen within nursing homes, particularly during the pandemic. This can be attributed to the fact that most nursing homes had gone from communal dining to solitary dining during the peak of the pandemic in 2020. Therefore, more time and effort had to be put into delivering meals to the residents. Dietary average hourly wage, salary per patient day (PPD), and nonwage costs PPD have all increased within every region over the past three years.

The average hourly wage of the dietary department has increased nationally by 6.9% from 2019 to 2020. The range of percentage increase from 2019 to 2020 does not vary much by region; the Pacific region had the highest increase of 7.75% and the Southeast region had the lowest increase of 4.57%. The national salary PPD increased 11.17% from 2019 to 2020.

The nonwage cost PPD has been rising slightly every year for the past three years. The national increase of nonwage cost PPD was only 0.2% from 2019 to 2020. However, the Pacific region experienced an increase of 6% from 2019 to 2020 in nonwage cost PPD.

Even though occupancy percentages decreased nationally, dietary expenses rose in every category in 2020. This can be attributed to the rise in hourly wages required to retain staff, along with COVID-19–related bonuses, the extra time and supplies needed for food preparation and delivery, and the current surge in food prices.

Because it was a pandemic year, 2020 can be recognized as an anomaly. Therefore, it is important to normalize cost PPD from 2019 to 2020. As previously stated, the occupancy and census decreased, which can be reflected in the normalized nonwage cost PPD. National nonwage cost PPD decreased 0.10% from 2019 to 2020. Every region also experienced a decrease between 0.05% and 0.09%. The normalized national salary PPD had no change from 2019 to 2020.



	2018	2019	2020
Midwest	12.98	13.50	14.32
Northeast	15.86	16.38	17.65
Pacific	15.92	16.73	17.75
Rocky Mountains	14.27	14.83	15.64
Southeast	12.21	12.70	13.28
Southwest	11.71	12.16	12.88
National	13.37	13.95	14.91



LAUNDRY

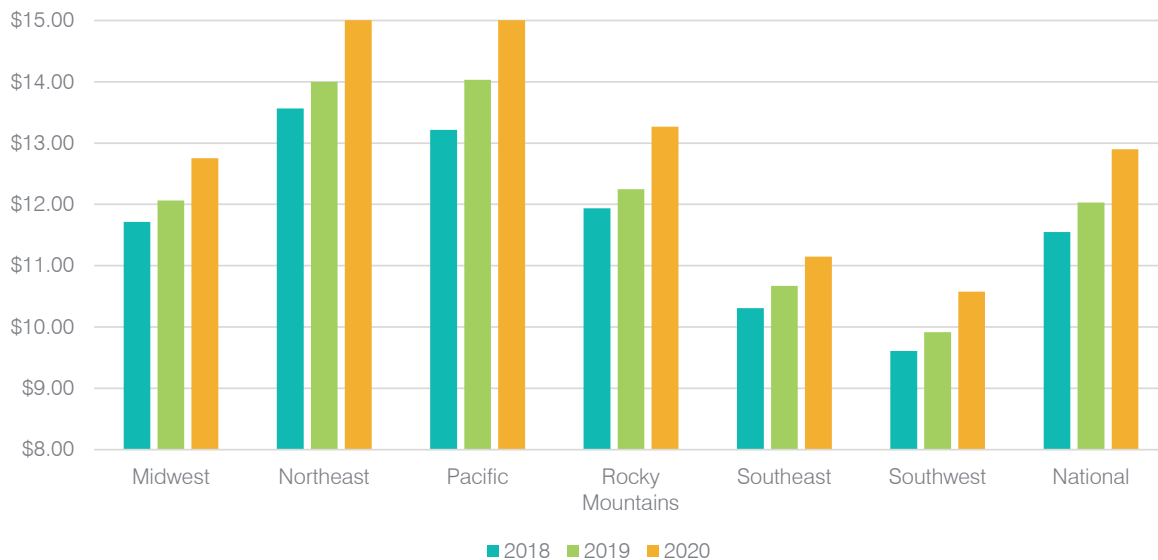
Throughout the pandemic, laundry services as part of infection control efforts have proved to be essential in preventing the spread of the disease through linens, clothing, etc. The national increase in laundry salaries and nonwage costs per patient day (PPD) supports this idea.

The national laundry salary PPD and hourly wage have increased steadily over the past three years. This can also be seen across every region. The Northeast region experienced the largest increase in salary PPD, increasing 14.02% from 2019 to 2020. Overall, the national salary PPD increased 11.88% from 2019

to 2020. The Northeast region also had the highest increase in hourly wage, increasing 9.88% from 2019 to 2020, while the hourly wage increased 7.21% nationally.

The national laundry nonwage cost PPD increased 5.2% from 2019 to 2020. However, not every region had an increase in nonwage cost PPD. Both the Rocky Mountains and the Southwest regions saw decreases from 2019 to 2020; 7.79% and 4.90%, respectively. The Pacific region had the largest increase in nonwage cost PPD, increasing 9.56% from 2019 to 2020.

Laundry Hourly Wage



	2018	2019	2020
Midwest	11.71	12.06	12.75
Northeast	13.56	14.00	15.38
Pacific	13.22	14.03	15.19
Rocky Mountains	11.93	12.25	13.27
Southeast	10.31	10.67	11.15
Southwest	9.61	9.91	10.58
National	11.55	12.03	12.90

HOUSEKEEPING

Housekeeping was crucial during the COVID-19 pandemic, where infection control is one of the main ways to prevent the spread of the virus.

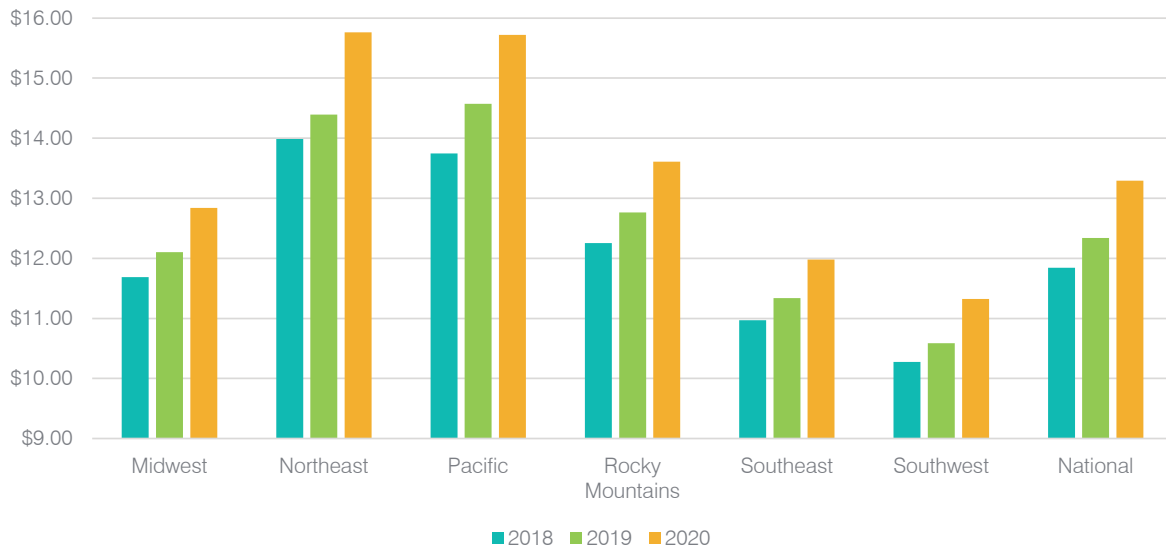
Housekeeping average hourly wage, salary per patient day (PPD), and nonwage cost PPD all increased nationally from 2019 to 2020, consistent with the fact that housekeeping is a key factor in infection control.

Over the past three years, the housekeeping hourly wage and salary PPD have increased nationally and across every region. The Northeast region had the largest increase in hourly wage and salary PPD from 2019 to 2020. The hourly wage increased 9.52%, and

the salary PPD increased 19.61%. The national hourly wage increased 7.72% from 2019 to 2020, and the salary PPD increased 13.82%.

Even though several regions experienced decreases in housekeeping nonwage cost PPD from 2018 to 2019, every region had an increase in nonwage cost PPD from 2019 to 2020, most likely the result of additional cleaning supplies and sanitizing measures due to the pandemic. The Midwest region saw the largest increase from 2019 to 2020, increasing 24.03%. Nationally, housekeeping nonwage cost PPD increased 17.64% from 2019 to 2020.

Housekeeping Hourly Wage



	2018	2019	2020
Midwest	11.69	12.10	12.84
Northeast	13.98	14.39	15.76
Pacific	13.75	14.57	15.72
Rocky Mountains	12.25	12.76	13.61
Southeast	10.97	11.34	11.98
Southwest	10.28	10.59	11.33
National	11.84	12.34	13.29



GENERAL SERVICE COST PER PATIENT DAY

In addition to direct nursing expenses, facilities incur significant general service costs to provide support for their patients. General service costs are detailed in the following table below:

ADMINISTRATIVE

MAINTENANCE

LAUNDRY

HOUSEKEEPING

DIETARY

General service costs, which include both salary and nonwage expenses, have accounted for about 37% of a facility's total cost over the past three years. In the past, these additional expenses allowed facilities to stand out from their competitors through enhanced building design, including upgraded dining experiences. In 2020, these general service costs also played a significant role during the pandemic. Facilities had to put additional safety measures into place to protect both the residents and personnel. When an individual tested positive with COVID-19, social isolation procedures had to be followed. Cleaning and infection control were more

CENTRAL SERVICE

PHARMACY

MEDICAL RECORDS

SOCIAL SERVICES

significant in 2020 to ensure safety and compliance with COVID-19 protocols. As a result, the national percentage increase of general service costs from 2019 to 2020 more than quadrupled (13%) compared to the percentage increase from 2018 to 2019 (3%). This is consistent across each region as they all incurred more than a 10% increase from 2019 to 2020. As guidance changed frequently during 2020 due to the pandemic, facilities had to incur additional general service expenses relating to both patients and staff as the pandemic affected every individual in the building.

General Service Cost Per Patient Day



	2018	2019	2020
Midwest	94.81	97.87	110.27
Northeast	114.82	117.95	134.93
Pacific	124.79	130.16	151.39
Rocky Mountains	118.42	121.56	130.66
Southeast	97.20	98.47	108.78
Southwest	78.95	81.85	95.49
National	101.48	104.21	118.41



THERAPY

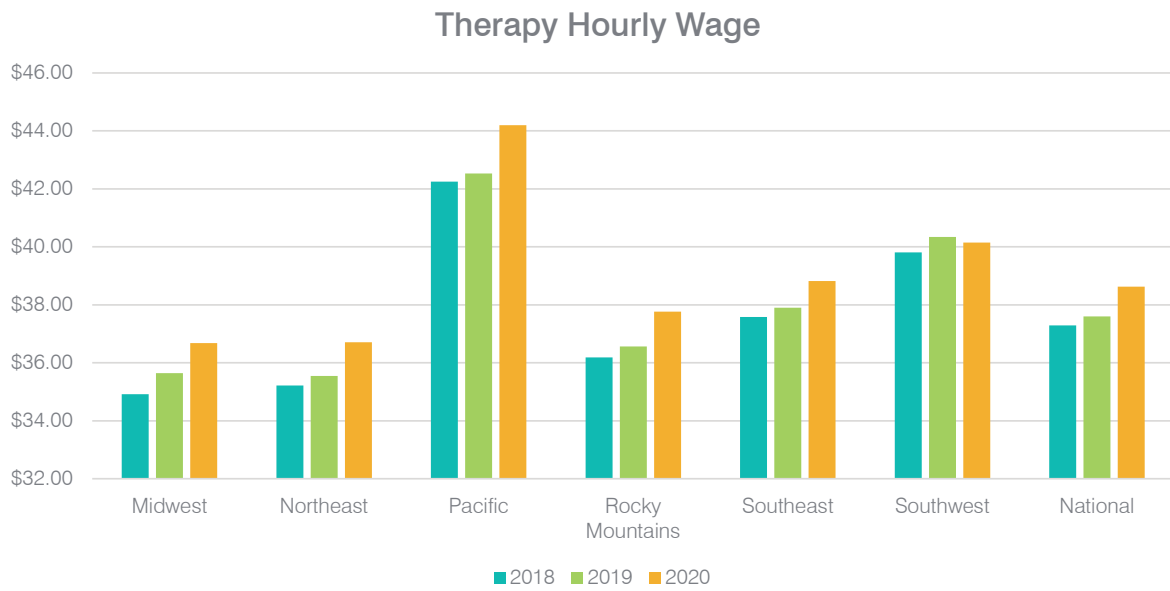
Calendar 2020 was the first full year of cost report data under the Patient Driven Payment Model (PDPM). Since this new reimbursement program began on October 1, 2019, the 2019 data used in our analysis includes both PDPM and PPS-RUGS (Prospective Payment System Resource Utilization Group) activity; the 2018 data is entirely from PPS-RUGS data.

PDPM reimbursement removed therapy minute thresholds tied to reimbursement and changed the group therapy policy. Our analysis of the database provides therapy statistical data for therapy hourly wages and therapy hours per patient day (PPD).

Hours PPD provide the total amount of physical, occupational, and speech therapy provided on a per diem basis to all patients in the facility. Nationally, the hours provided decreased from 0.45 hours PPD in 2018 to 0.43 hours in 2019, or a 3.62% decrease. In 2020, the 0.41 hours PPD was a 4.45% decrease

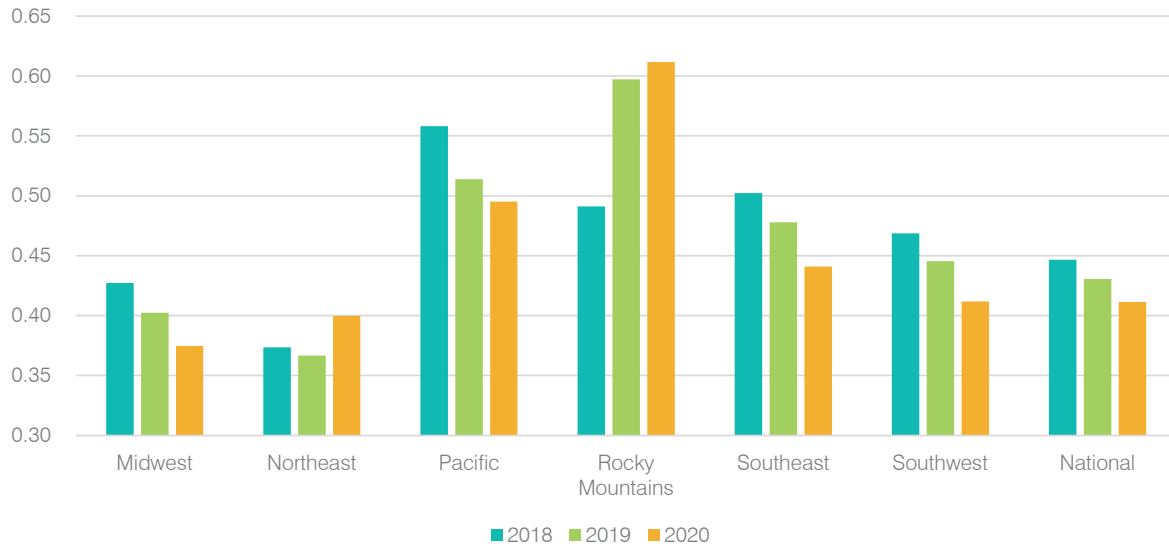
from 2019. This will be a key statistic going forward in tracking the impact that PDPM has had on therapy services. It is difficult to determine if the decrease in hours in 2020 is due to PDPM, COVID-19, or some combination of both.

Hourly wage rates provide a good indication of therapy expense for both staffed and contracted therapy services. From 2018 to 2019, hourly wage rates increased nationally and in all regions. The national increase was from \$37.30 in 2018 to \$37.60 in 2019, an increase of just 0.82%. The hourly wage increased to \$38.62 in 2020, or a 2.73% increase. PDPM appears to have an effect on hourly wages. The relatively modest hourly wage increases are small compared to hourly wage increases in other skilled nursing facility departments. Going forward, hourly wage rates will be monitored to see the effects from PDPM.



	2018	2019	2020
Midwest	34.92	35.65	36.68
Northeast	35.22	35.55	36.71
Pacific	42.25	42.53	44.20
Rocky Mountains	36.18	36.56	37.76
Southeast	37.59	37.90	38.82
Southwest	39.81	40.34	40.15
National	37.30	37.60	38.62

Therapy Hours Per Patient Day



	2018	2019	2020
Midwest	0.43	0.40	0.37
Northeast	0.37	0.37	0.40
Pacific	0.56	0.51	0.50
Rocky Mountains	0.49	0.60	0.61
Southeast	0.50	0.48	0.44
Southwest	0.47	0.45	0.41
National	0.45	0.43	0.41

AVERAGE HOURLY WAGE

The average hourly wage statistic can be an extremely useful tool, which allows operators to determine whether they are paying competitive wages. This is an important factor when considering staff retention and recruiting, which is critical given the current staffing shortage the industry is experiencing.

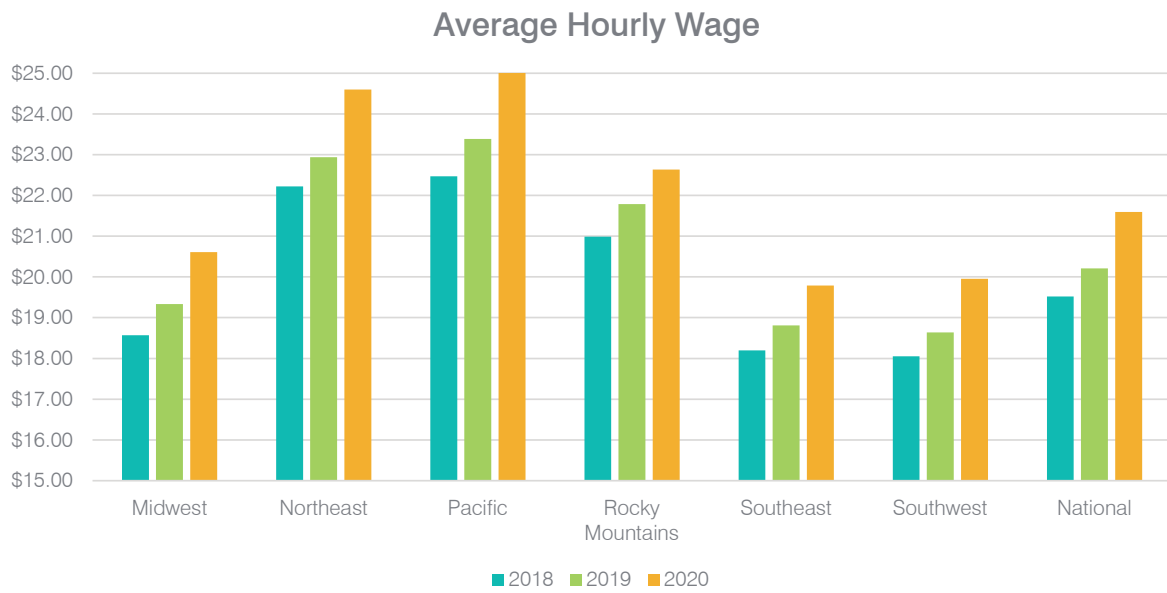
The average hourly wage represents the total compensation for all facility employees divided by the total number of hours paid, including hours for paid time off. Per the charts, the average hourly wage between 2018 and 2020 increased by 10.61% across the country. We believe this is attributable to the numerous factors that include but are not necessarily limited to the following:

- First and foremost, rate increases for frontline workers during COVID
- Various state-funded wage enhancement programs
- Increases in the minimum wage rate
- Increases in the living wage rate

Maintaining staff affords nursing facility operators the best opportunity to provide consistent high-quality service to their residents. However, this has also been a challenge over the past three years and more noticeably in 2020 due to the ongoing COVID-19 pandemic.

The national average for nursing home hourly wages increased \$1.38 from \$20.21 in 2019 to \$21.59 in 2020, for a 6.84% increase, which was at a higher rate than the 3.52% average increase from 2018 to 2019. The Northeast region experienced the largest dollar per hour and percentage increases between 2019 and 2020 at \$1.66 per hour and 7.25%, respectively. However, over the three-year report period, the Pacific region – at an increase of \$2.57 per hour and 11.45%, respectively – has been experiencing the greatest total hourly rate and percentage increases since 2018.

The Southeast and Southwest regions continue to be on the low end of the average hourly wage rate, at \$19.79 and \$19.55, respectively. These two regions are more than \$5.25 less than the Pacific region, which has the highest average hourly wage rate at \$25.04. The Midwest region is ranked in the middle, with an average hourly wage rate of \$20.61 per hour for 2020. The average hourly wage will continue to increase as the demand for staff becomes greater due to the COVID-19 pandemic and workforce shortages.



	2018	2019	2020
Midwest	18.57	19.33	20.61
Northeast	22.22	22.93	24.60
Pacific	22.47	23.38	25.04
Rocky Mountains	20.99	21.79	22.63
Southeast	18.20	18.81	19.79
Southwest	18.05	18.64	19.95
National	19.52	20.21	21.59

EMPLOYEE BENEFITS TO TOTAL SALARY

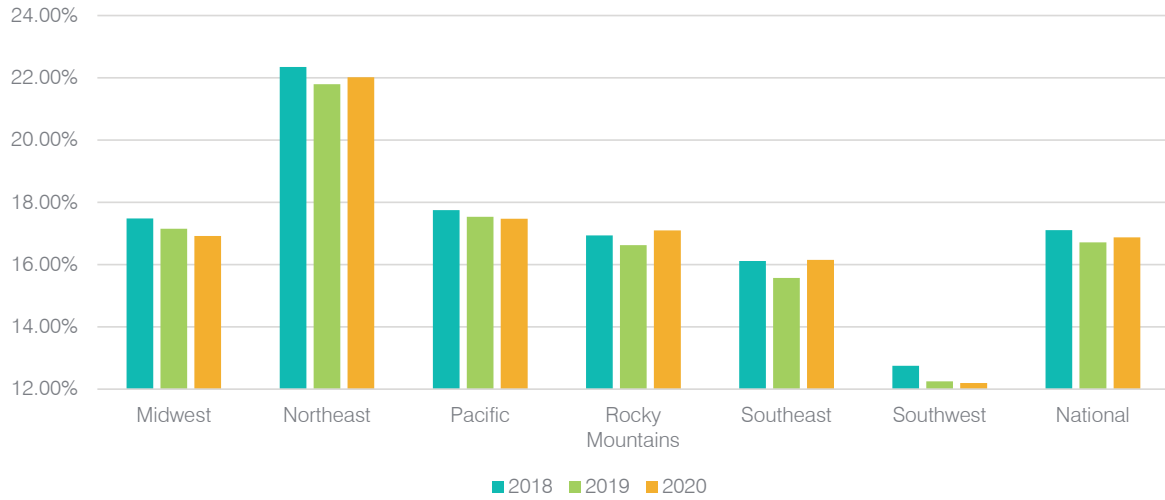
Employee benefits are a large portion of the operating expenses for all long-term care providers. In our study, employee benefits include health insurance, workers compensation insurance, 401(k) expenses, payroll-related taxes, and other miscellaneous items.

Unlike in previous years, where the percentage of benefits to total salary was decreasing, 2020 brought a small increase in this national percentage. The Midwest, Pacific, and Southwest regions experienced a decrease in the employee benefit to salary percentage between 2019 and 2020 while the remaining three regions experienced an increase. The Northeast region historically sees the highest percentage (22.02% in 2020) and the Southwest region experiences the lowest (12.19% in 2020). The remaining four regions of the United States had a very similar benefit to salary percentage, ranging from 16.15% (Southeast) to 17.47% (Pacific) in 2020. Following are some possible reasons for the national increase in benefits to total salaries:

- To promote employee retention, facility operators may have been adding benefits
- Operators may have increased their share of the cost of the benefits, again as an effort to retain employees
- Possible higher health and workers compensation insurance premiums due to COVID-19

Finally, in looking at salaries combined with employee benefits as a percentage to total revenue, the results differ greatly from our prior year study. Whereas our analysis in the past showed this percentage to be stable over a five-year period, our current comparison shows that there has been a 6.81% increase in this ratio overall for the entire nation. The amount of the percentage ranges from 41.66% in the Southeast to 47.71% for the Midwest region with the remaining regions experiencing a range between 45.31% and 47.05%. Overall, the fluctuations in any region from year to year are very minimal, which suggests that salaries and benefits are very closely tied to the revenue of a facility.

Benefits to Salary Percentage



	2018	2019	2020
Midwest	17.48%	17.15%	16.92%
Northeast	22.35%	21.79%	22.02%
Pacific	17.75%	17.53%	17.47%
Rocky Mountains	16.94%	16.63%	17.09%
Southeast	16.11%	15.57%	16.15%
Southwest	12.74%	12.25%	12.19%
National	17.11%	16.71%	16.87%



REVENUE ANALYTICS

Total Revenue Per Patient Day

Total revenue PPD, excluding COVID-19 public health emergency (PHE) funding, increased 3% nationally. The 2020 increase is the result of a decline in patient days, a full year of the Patient Driven Payment Model (PDPM) reimbursement, along with various effects as facilities dealt with COVID-19 in their buildings. Additionally, many states have issued Medicaid rate increases for various wage enhancement programs, which are a direct result of the federal increase in minimum wage. Patient days experienced a 9.05% decline from 2019 to 2020. It may take a couple more years to understand the true Medicare revenue impact of PDPM as the industry continues

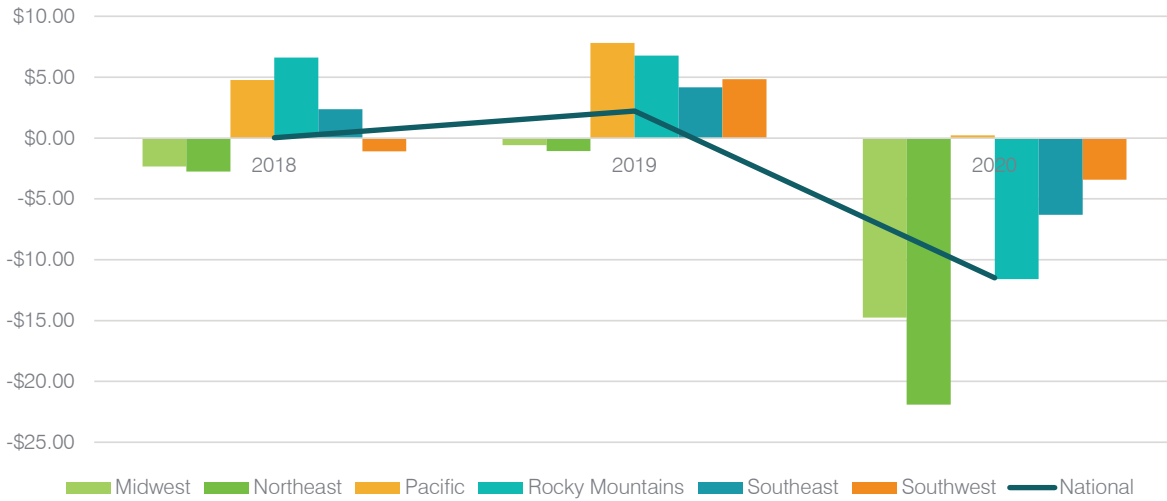
to navigate through the pandemic. In 2019, only the Midwest and Northeast experienced an average loss PPD. In 2020, excluding the COVID-related financial assistance provided by the federal and state governments, the industry incurred an average loss of \$11.50 PPD nationally. Every region except for the Pacific incurred an average net loss PPD in 2020. The Northeast region suffered the highest net loss of \$21.91 PPD. The Pacific region was the only region which had a net income of \$0.23 PPD, but it also saw a decrease of \$7.58 PPD comparing 2019 to 2020 (a 97% decrease).

Total Revenue Per Patient Day (excluding PHE)



	2018	2019	2020
Midwest	304.01	312.52	321.82
Northeast	403.88	412.73	434.60
Pacific	403.66	418.83	431.89
Rocky Mountains	360.30	370.21	374.01
Southeast	325.30	330.93	336.55
Southwest	267.63	271.91	281.44
National	335.60	343.88	355.48

Net Income/Loss Per Patient Day (excluding PHE Funding)



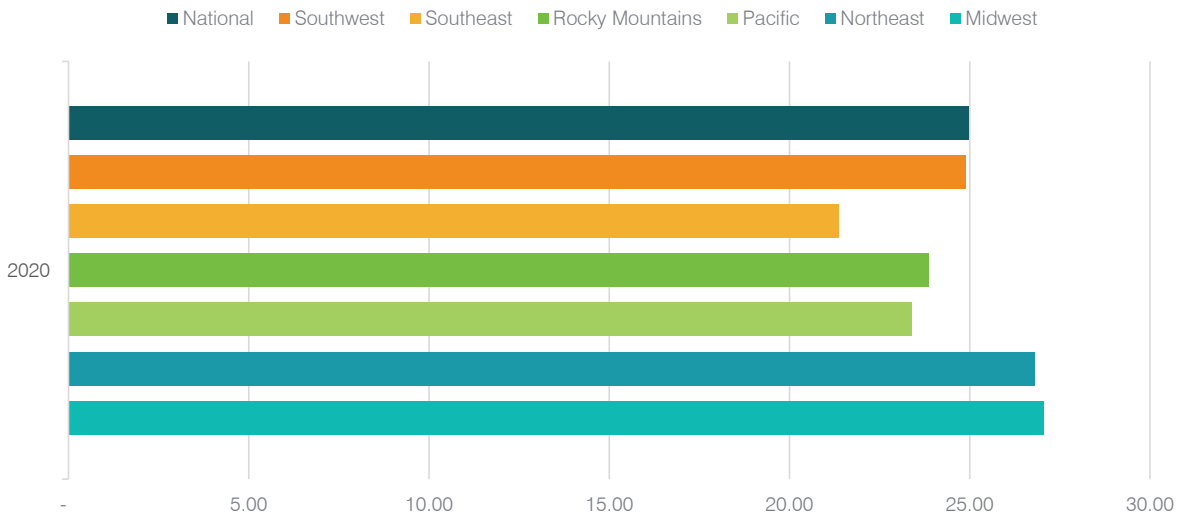
	2018	2019	2020
Midwest	(2.33)	(0.59)	(14.76)
Northeast	(2.75)	(1.08)	(21.91)
Pacific	4.77	7.81	0.23
Rocky Mountains	6.60	6.77	(11.58)
Southeast	2.36	4.16	(6.31)
Southwest	(1.10)	4.83	(3.42)
National	0.02	2.21	(11.50)

COVID-19 PUBLIC HEALTH EMERGENCY FUNDING

COVID-19 PHE funding includes federal and state government financial assistance that began being disbursed in April 2020. This funding per patient day (PPD) averaged \$24.98 nationally in 2020. The Midwest and Northeast regions received the highest PPD at \$27.06 and \$26.80, respectively, and the Southeast region had the lowest average at \$21.38 PPD. This financial assistance was intended to reimburse a portion of the additional costs incurred by facilities as they battled COVID-19 and to

compensate for the lost revenue they incurred, also as a result of COVID-19. The financial assistance was greatly needed as the industry increased all infection control efforts and was forced to pay a premium for personal protection equipment (PPE) due to low supplies from vendors, as well as having to pay premium wages to retain staff. The following section illustrates the significant increase in expenses in 2020 that left a financial burden on providers.

COVID-19 PHE Funding per Patient Day



	2020
Midwest	27.06
Northeast	26.80
Pacific	23.38
Rocky Mountains	23.87
Southeast	21.38
Southwest	24.88
National	24.98



TOTAL COST PER PATIENT DAY

The percentage increase for total cost PPD more than quadrupled when comparing 2019 to 2020. From 2018 to 2019, total cost PPD averaged a 3% increase, but from 2019 to 2020, the industry incurred a 13% increase. Two reasons for the spike are the pandemic-related costs incurred and the dramatic decrease in census in 2020. As guidance for safety policies and procedures were updated constantly from March through December 2020, facilities had to incur additional costs for compliance education and training. All protocols such as testing applied to

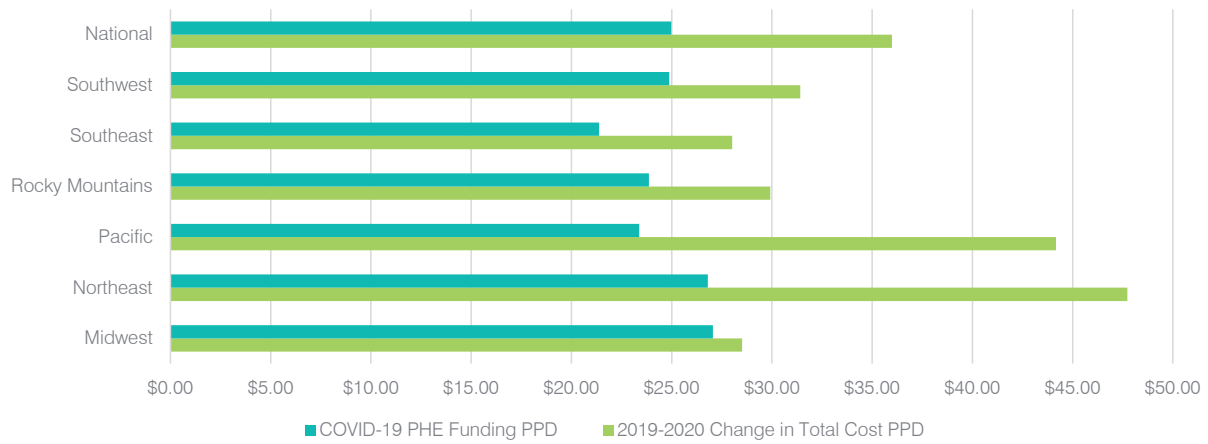
every individual in the building. The staff had to learn new protocols and stay up to date with guidance that changed on a weekly basis. The industry was already dealing with staffing shortages prior to the pandemic; the pandemic amplified the situation even more throughout the year. Facilities paid bonuses and “hero pay” to their staffs in appreciation for the work provided and in hopes of retaining and attracting new employees.

COVID-19 PHE FUNDING PPD VS. 2019–2020 CHANGE IN TOTAL COST PPD

Both the federal and local state governments provided financial assistance for the industry through their provider relief funding programs. However, the industry still faced a significant gap between the COVID-19 PHE funding and the change in total cost from 2019 to 2020 on a per patient day (PPD) basis. As noted in the section “COVID-19 Public Health Emergency Funding,” the national average of PHE funding PPD in 2020 is \$24.98. The national increase in total cost PPD from 2019 to 2020 is \$35.98. This \$11.00 PPD difference represents the gap between the financial assistance the industry received and the additional cost that was incurred in 2020. The highest gaps occurred in the Northeast and Pacific regions, which had a \$20.93 and \$20.78 PPD gap, respectively.

The Midwest region received the highest PHE funding PPD and still incurred a \$1.46 gap when compared to the year-over-year change in total cost PPD. To expand on the national \$11.00 gap between 2020 funding and increased expenses, the gap between the financial assistance and additional cost annualizes to more than \$3.8 billion when factoring the total patient days in 2020. Although Midwest has the lowest gap, at \$1.46, this still annualizes to more than \$146 million in 2020. The intention of the funding payment is to cover COVID-19–related expenses and lost revenue; however, this represents the struggle that the industry is still facing between high-rising costs and limited reimbursements on a PPD basis.

COVID-19 PHE Funding PPD vs 2019-2020 Change in Total Cost PPD



	2019-2020 CHANGE IN TOTAL COST PPD	COVID-19 PHE FUNDING PPD
Midwest	28.52	27.06
Northeast	47.73	26.80
Pacific	44.17	23.38
Rocky Mountains	29.92	23.87
Southeast	28.02	21.38
Southwest	31.41	24.88
National	35.98	24.98



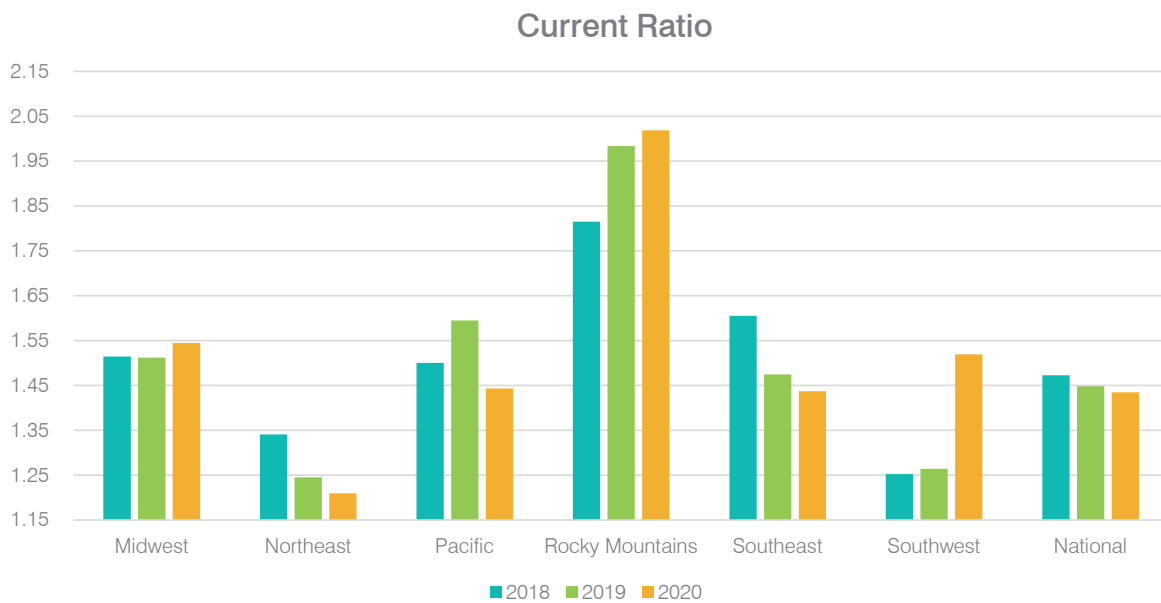
BALANCE SHEET ANALYTICS

Current Ratio

The current ratio is calculated by taking current assets and dividing them by current liabilities. This ratio can help assess the liquidity of an organization and its overall financial health. This ratio can also be misleading at times depending on entities' financing structures.

On a national basis, the current ratio stayed relatively consistent in all three years presented. The largest change from 2019 to 2020 was in the Southwest,

which increased from 1.26 to 1.44 while the Pacific region experienced the largest decline, going from 1.60 to 1.44. It is important to note that the 2020 figures are almost certainly impacted by provider relief funding from the Department of Health and Human Services (HHS) and paycheck protection program loans. Without that additional funding, it is very likely the industry would have experienced a significant downturn.



	2018	2019	2020
Midwest	1.51	1.51	1.54
Northeast	1.34	1.25	1.21
Pacific	1.50	1.60	1.44
Rocky Mountains	1.82	1.98	2.02
Southeast	1.61	1.47	1.44
Southwest	1.25	1.26	1.52
National	1.47	1.45	1.43

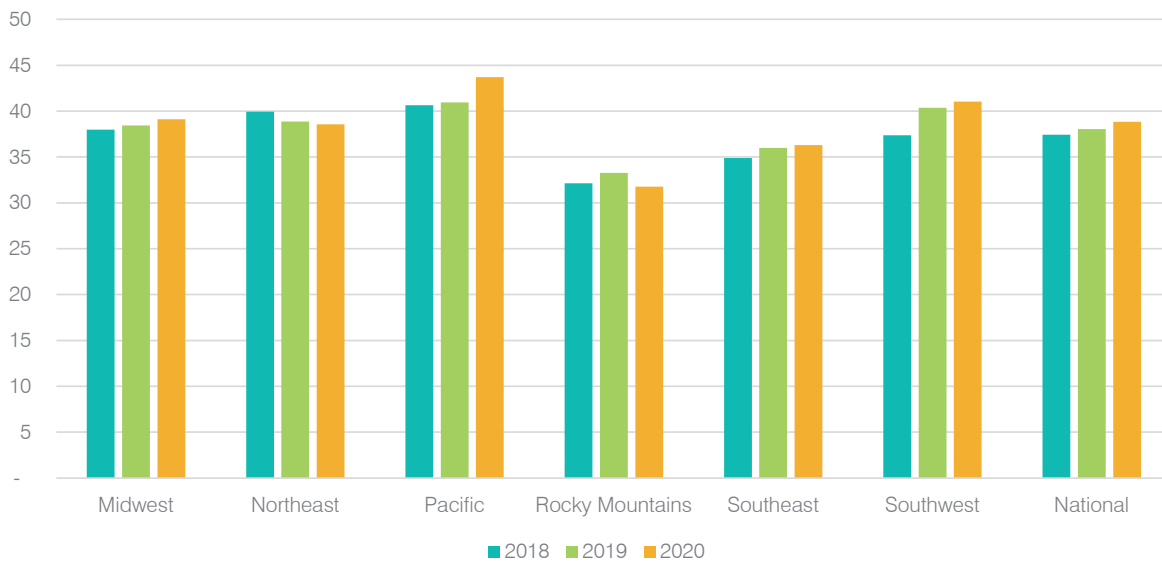
DAYS IN ACCOUNTS RECEIVABLE

The days in accounts receivable ratio is a measure of the average number of days it takes to collect payment after a service has been performed. In general, a lower number for this ratio is better for providers as it indicates quicker collections on patient billings.

The national average of days in accounts receivable has increased one day for each year presented in our

analysis. The Pacific region continues to suffer from the slowest payors at 44 days or nearly a month and a half. The Rocky Mountain region, on the other hand, continues its positive collections history at just over one month on average. Overall, the data does not seem to suggest there was a significant slowdown in collections due to the COVID pandemic.

Days in Accounts Receivable



	2018	2019	2020
Midwest	38	38	39
Northeast	40	39	39
Pacific	41	41	44
Rocky Mountains	32	33	32
Southeast	35	36	36
Southwest	37	40	41
National	37	38	39

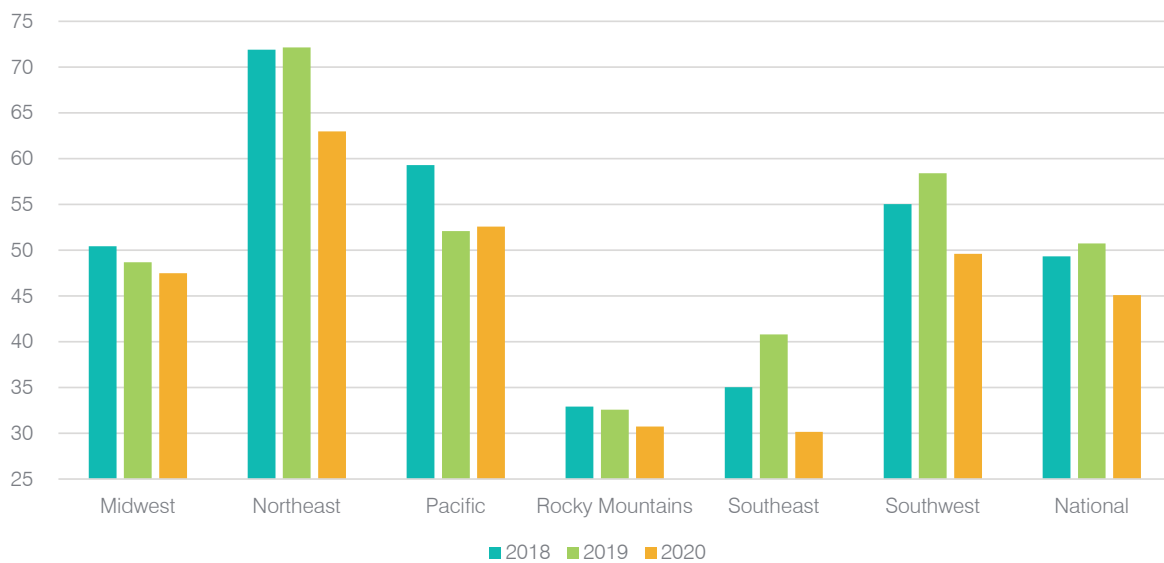
DAYS IN ACCOUNTS PAYABLE

The days in accounts payable ratio is a measure of the average number of days it takes a provider to pay its operating expenses. In general, a lower number for this ratio is better for providers as it indicates the ability to keep vendor payables current.

The days in accounts payable ratio has decreased significantly from prior years. This is a positive sign as it shows that the industry as a whole had enough liquidity to pay the bills through the pandemic. The

favorable decrease in days could be due to liquidity providers that were afforded through COVID stimulus funds. Although there was an improvement, the Northeast ratio is still astronomically high at 63 days, showing that it is still taking those providers more than two months on average to pay their vendors. The Rocky Mountains once again had the lowest days in accounts payable, which is no surprise as it correlates with having the lowest days in accounts receivable as well (see separate chart).

Days in Accounts Payable



	2018	2019	2020
Midwest	50	49	47
Northeast	72	72	63
Pacific	59	52	53
Rocky Mountains	33	33	31
Southeast	35	41	30
Southwest	55	58	50
National	49	51	45

APPENDIX

DATA REFERENCE TABLE

	NURSING HOURLY WAGE	RN HOURLY WAGE	LPN HOURLY WAGE	C.N.A HOURLY WAGE	NURSING CONTRACT COST PPD	LAUNDRY HOURLY WAGE	HOUSE- KEEPING HOURLY WAGE	DIETARY HOURLY WAGE	THERAPY HOURLY WAGE	THERAPY CONTRACT COST PPD	TOTAL HOURLY WAGE
2018											
Midwest	19.73	30.42	24.16	14.45	5.53	11.71	11.69	12.98	34.92	16.52	18.57
Northeast	23.05	36.16	27.48	16.50	7.47	13.56	13.98	15.86	35.22	15.77	22.22
Pacific	22.90	39.91	28.99	16.09	3.97	13.22	13.75	15.92	42.25	20.42	22.47
Rocky Mountains	21.94	34.43	26.86	15.16	5.99	11.93	12.25	14.27	36.18	12.30	20.99
Southeast	18.66	31.15	23.42	13.19	5.00	10.31	10.97	12.21	37.59	17.40	18.20
Southwest	18.79	33.79	24.38	12.72	1.61	9.61	10.28	11.71	39.81	20.21	18.05
National	20.31	32.97	25.09	14.46	5.43	11.55	11.84	13.37	37.30	17.27	19.52
2019											
Midwest	20.62	31.54	25.11	15.16	6.60	12.06	12.10	13.50	35.65	16.70	19.33
Northeast	23.94	37.17	28.27	17.22	9.62	14.00	14.39	16.38	35.55	15.77	22.93
Pacific	23.91	40.93	29.95	17.04	4.87	14.03	14.57	16.73	42.53	20.75	23.38
Rocky Mountains	22.50	34.79	27.18	15.69	8.10	12.25	12.76	14.83	36.56	13.28	21.79
Southeast	19.37	32.04	24.19	13.73	5.56	10.67	11.34	12.70	37.90	17.38	18.81
Southwest	19.52	34.46	25.19	13.30	2.83	9.91	10.59	12.16	40.34	19.51	18.64
National	21.09	33.86	25.90	15.11	6.65	12.03	12.34	13.95	37.60	17.29	20.21
2020											
Midwest	22.24	33.47	26.72	16.43	6.82	12.75	12.84	14.32	36.68	16.03	20.61
Northeast	25.58	39.34	29.88	18.55	11.70	15.38	15.76	17.65	36.71	14.86	24.60
Pacific	25.51	42.64	31.59	18.40	4.25	15.19	15.72	17.75	44.20	19.32	25.04
Rocky Mountains	23.67	36.20	28.31	16.70	7.96	13.27	13.61	15.64	37.76	11.00	22.63
Southeast	20.59	33.12	25.49	14.65	6.14	11.15	11.98	13.28	38.82	17.74	19.79
Southwest	20.85	35.87	26.63	14.16	3.40	10.58	11.33	12.88	40.15	18.66	19.95
National	22.71	35.72	27.49	16.36	7.10	12.90	13.29	14.91	38.62	16.57	21.59

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Marcum LLP is a national accounting and advisory services firm dedicated to helping entrepreneurial, middle-market companies and high net worth individuals achieve their goals. Since 1951, clients have chosen Marcum for our insightful guidance in helping them forge pathways to success, whatever challenges they're facing.

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THANK YOU

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