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**SNF occupancy down despite 'significant' flu season and Medicaid admissions up, report shows**

Medicaid mix growth is "significant" as officials propose changes to the program, Kramer says.

Skilled nursing occupancy rates hit their lowest level on record in the fourth quarter of 2016, according to a report released Wednesday.

The National Investment Center for Seniors Housing & Care's [Skilled Nursing Data Report](http://www.nic.org/news-press/new-nic-data-skilled-nursing-properties-show-occupancy-rates-continue-decline-despite-early-significant-2016-flu-season/) shows the national occupancy rate fell from 82.6% to 81.8%, the lowest level since the organization began collecting data in 2011. Occupancy rates also experienced their largest ever year-over-year drop during the fourth quarter.

The occupancy decline came amid an “early and significant flu season,” said Bill Kauffman, NIC's senior principal. While occupancy didn't experience a boost from the flu, the season likely helped boost skilled mix, Kauffman noted. That uptick in skilled mix due to flu season may also show in data from January and February, he added.

Providers “must adapt quickly and aggressively” when facing downward pressure on occupancy, according to Kauffman.

“We think having programs in place to improve the cost structure of the highest expense categories, like staffing, would be time well spent,” Kauffman told *McKnight's*. “To gain market share, providers should make sure they are the best in their particular markets in terms of their service expertise, which may require additional investments into their operations. They should also make sure they have good relationships with their managed care reps in their markets.”

Medicaid remained the top source of patient volume in the fourth quarter of 2016, and continued to cover a growing percentage of total patient days, the report found. Medicaid represented 66.2% of patient days, a 1.3% increase from the fourth quarter of 2015. Medicaid revenue also increased to hit $200 revenue per patient day.

“The growth in Medicaid mix is significant as federal officials consider proposals to make [major changes to the Medicaid program](http://www.mcknights.com/news/providers-republicans-aca-replacement-bill-would-destroy-medicaid-system/article/642635/), which is the primary funding source for frail seniors in nursing homes,” said Robert Kramer, NIC's founder and chief executive officer.

The percentage of patient days covered by traditional Medicare dropped to 12.9% — its lowest point in the past five years, the report showed. That's likely due to the shift to value-based payments, growing enrollment in managed Medicare and drops in length of stay, according to Kauffman.

The NIC report also found that declines in managed Medicare revenue continued to slow in the fourth quarter of 2016, dropping $9 year-over-year compared to a $19 decreased between late 2014 and 2015.