

# IN PLAIN SIGHT

## A POWERFUL APPROACH FOR ASSESSING SNF STAFF PERFORMANCE

In the competitive field of Skilled Nursing Facility (SNF) acquisitions, a valuable piece of information embedded within the CMS' Five Star Rating program and Nursing Facility Care Compare database remains largely unnoticed by most SNF investors. A data point, which if effectively understood and utilized, has the potential to significantly influence the outcome of a SNF transaction.

Though the CMS Five Star program was initiated to help consumers evaluate the quality of skilled nursing facilities (SNFs), it is also utilized by SNF investors as part of their due diligence efforts. However, most investors only superficially engage with the data unaware of the extensive insights available beyond the Five-Star summary rating scores. The Nursing Facility Investment Risk (NFIR™) program, developed by GeroTrend Research, exemplifies the comprehensive information that can be derived from the Five-Star / Care Compare data.

Most SNF investors superficially engage with the CMS Five Star program as part of their due diligence efforts unaware of the extensive insights available beyond the Five-Star summary rating scores

### Clinical Efficiency

Staffing is a critical factor affecting the clinical performance of Skilled Nursing Facilities (SNFs). While the Five-Star program includes “Staffing” and “Quality” rating scores, these scores do not address the relationship between the **amount** of care residents receive and the **outcome** of the care delivered (a.k.a. “staff productivity”). Fortunately, the publicly available Care Compare database provides all the data needed to calculate SNF *productivity* and more importantly, *clinical efficiency*.

While the concept of staff productivity may initially appear straightforward (total output divided by labor input), the complexity of this calculation quickly becomes evident when applied to the SNF industry. From an input standpoint, SNFs use Registered Nurses (RNs), Licensed Practical Nurses (LPNs), and Certified Nursing Assistants (CNAs) in the care of residents. As such, we need to measure the varied impact different types of skilled labor have on the quality of resident care. Likewise, with respect to outputs, we not only need to consider the multiple quality measures impacted by the staff's intervention, but the inconsistency in the “direction” of the output (high quality scores are desired in some QMs while low quality scores are desired in others). The calculation becomes even more challenging when comparing the clinical productivity of one SNF to another, given the varied ways SNFs deploy RNs, LPNs and CNAs.

Given the complexity of the calculation, it is understandable that many SNF investors hesitate to incorporate clinical efficiency into their due diligence assessments.

## The NFIR™ Model, Score and Matrix

GeroTrend Research has solved this problem via our proprietary NFIR™ model and score.

Leveraging the staffing and quality data available in CMS' publicly available Care Compare database, our model uses a well-accepted, statistically sophisticated procedure (Data Envelopment Analysis) to calculate the efficiency of SNF staff (Hours Per Resident Day of RNs, LPNs, and CNAs) to positively impact the 15 quality measures used in a SNF's Five-Star QM rating (e.g., percentage of short stay residents re-hospitalized; percentage of long-stay residents with a UTI; etc.). With NFIR™ scores ranging from 0.0 to 1.0, SNFs with an NFIR™ score of 1.00 reflect the most efficient SNFs (meaning they are getting the maximum amount of quality output for the amount of labor used).

But being the most efficient SNF in a cohort does not necessarily mean the SNF delivers the highest quality of care. It just means the SNF achieves the highest quality of care possible for the mix of staff used.

To identify the **most efficient** SNFs delivering the **highest quality of care** in a cohort, we can use the SNF's Five-Star QM-Rating score. Highly efficient SNFs (SNF's with an NFIR™ score of 1.00) with a QM-rating of 5, are

SNF's with an NFIR™ score of 1.00) with a QM-rating of 5 set the staffing standard for what is possible in delivering the highest quality of care in the most clinically efficient manner

defined as top performing SNFs. The SNFs in this grouping set the staffing standard for what is possible in delivering the highest quality of care in the most clinically efficient manner.

Furthermore, by partitioning the NFIR™ score into set efficiency ranges (e.g., 0.7 to 0.8), and pairing with the QM-rating, we create the NFIR™ matrix (see Chart 1) allowing us to categorize SNFs by their rank proximity to the top performing SNFs (where "1" = top performing SNFs).

**Chart 1: NFIR™ Matrix**

		QM Rating				
NFIR™ SCORE		5	4	3	2	1
1.0	1.0	1	2	3	4	5
0.9	1.0	2	3	4	5	6
0.8	0.9	3	4	5	6	6
0.7	0.8	4	5	6	6	6
0.6	0.7	5	6	6	6	6
0.5	0.6	6	6	6	6	6
0.0	0.5	6	6	6	6	6

## The Tennessee Experience

So how does this play out in the real world?

Chart 2 provides a window into the clinical efficiency distribution of Tennessee SNFs. Using the June 2025 release of the Care Compare database, we calculated the NFIR™ score for 295 of the 304 SNFs (97%) in Tennessee (SNFs with missing labor data were excluded from the analysis). Our findings reveal nearly **13%** of Tennessee SNFs had an NFIR™ score = 1.

But when the NFIR™ score is paired with QM-rating data, we discover that only **4.4%** of SNFs in the state qualify as a top performing SNF (NFIR™ score = 1 and QM-rating = 5). The 13 SNFs in the state fitting into this box of the NFIR™ Matrix, set the standard for what is possible from a clinical efficiency standpoint, and is something SNF operators / investors should want to aspire for the SNFs within their portfolio.

**Chart 2: 2025 Distribution of TN SNFs within NFIR™ Matrix**  
QM Rating

NFIR™ SCORE		QM Rating					% of TN SNFs
		5	4	3	2	1	
	1.0	4.4%	4.4%	1.7%	2.0%	0.3%	12.9%
0.9	1.0	4.7%	4.4%	3.4%	2.7%	0.7%	15.9%
0.8	0.9	5.4%	4.7%	7.8%	6.8%	1.7%	26.4%
0.7	0.8	4.1%	5.8%	8.1%	5.1%	4.1%	27.1%
0.6	0.7	2.4%	3.4%	0.7%	3.1%	2.7%	12.2%
0.5	0.6	0.7%	0.7%	1.0%	1.0%	0.7%	4.1%
0.0	0.5	0.7%	0.0%	0.3%	0.3%	0.0%	1.4%

The 2025 profile of clinical efficiency of SNFs in Tennessee is an improvement from 2017 (Chart 3) where only 1.3% (N= 4) of SNFs met the criteria to be classified as a top performing SNF (NFIR™ score = 1 and QM-rating = 5).

The clinical efficiency of SNFs in Tennessee improved from 2017 to 2025... this should be celebrated.

**Chart 3: 2017 Distribution of TN SNFs within NFIR™ Matrix**  
QM Rating

NFIR™ SCORE		QM Rating					% of TN SNFs
		5	4	3	2	1	
	1.0	1.3%	2.9%	2.3%	2.6%	1.3%	10.3%
0.9	1	2.3%	3.2%	1.9%	3.2%	1.3%	11.9%
0.8	0.9	8.4%	4.8%	4.2%	7.4%	6.1%	30.9%
0.7	0.8	3.9%	8.7%	6.1%	5.1%	1.6%	25.4%
0.6	0.7	3.5%	2.6%	3.5%	5.1%	1.9%	16.7%
0.5	0.6	1.6%	0.0%	1.0%	0.6%	0.3%	3.5%
0.0	0.5	0.6%	0.3%	0.3%	0.0%	0.0%	1.3%

Drilling further into the 2025 data, we can compare the average staffing mix of NFIR™ Matrix 1 SNFs to the entire cohort of SNFs analyzed. Our findings (Table 1) reveal top clinically efficient Tennessee SNFs generally lean more on RNs than their peers, and scale back on their use of LPNs and CNAs.

**Table 1: Average Adjusted HPRD**

Staff Type	Average Adjusted HPRD	
	All SNFs	Top Clinically Efficient SNFs
RNs	0.5769	0.7467
LPNs	1.0364	0.8335
CNAs	2.0203	1.6631

## The So-What

Understanding the clinical efficiency of SNF staff, if even only at the NFIR™ Matrix level, provides valuable insight for investors, potentially impacting transaction decisions.

Here are practical ways the NFIR™ score and matrix can be used by investors:

1. **Identifying and Evaluating Acquisition Targets:** The NFIR™ program flags facilities that underperform despite high staffing, suggesting potential acquisition turnaround opportunities.
2. **Leveraging as a Valuation Data Point:** A SNF's position within the NFIR™ Matrix can be used as a robust, objective barometer of the staff as an asset when establishing and negotiating a SNF's valuation. The closer a SNF's position to "1" within the NFIR™ Matrix, the stronger the SNF's staff is as an asset in the valuation assessment.
3. **Justifying Capital Allocation:** Tracking a SNF's NFIR™ score and mapping their NFIR™ Matrix position over time, identifies whether increasing staff or investing in training/tech improves clinical efficiency allowing Investors to prioritize capital for facilities within their portfolio where marginal input increases can result in significant output improvements, and builds a predictive model of which facilities will likely generate sustainable returns.
4. **Assessing the Impact of a Staffing Mix Before Potentially Compromising Resident Care:** The NFIR™ score can model different combinations of staff types (e.g., more RNs vs. CNAs) and their impact on quality outcomes, allowing Investors to identify the cost-effective potential of varied staffing mixes and operating models before making any changes and potentially compromising the quality of care delivered.
5. **Investor Insight and Accountability:** Pairing the NFIR™ program with financial performance post-acquisition, shows where money spent on staff actually boosts performance versus just increasing cost, adding a data-driven performance layer to board reporting and accountability mechanisms.

## GeroTrend Research

With over 10 years of service to the SNF community using DEA, GeroTrend Research stands ready to support investors / brokers in their SNF investment efforts. Contact Lorren Pettit to start leveraging our robust NFIR™ program for you today.