FEATURE STORY

Navigating Skilled Nursing Finance in 2025: A Test of Expertise

BY TIM PETERS

Discover why 2025 marks a turning point for skilled nursing facilities in the U.S. This article reveals how shifting demographics, new reimbursement challenges, and operational pressures are transforming the industry's financial landscape.

Skilled nursing facilities (SNFs) have long been a cornerstone of the U.S. healthcare system, providing post-acute care, rehabilitation, and long-term support for some of the nation's most vulnerable populations. Their financing needs are not new. What is new in 2025 is the way demographic demand, reimbursement dynamics, and operational challenges have converged, elevating the visibility of skilled nursing transactions in secured finance.

For lenders, this does not signal an untapped growth sector. Instead, it highlights that skilled nursing is among the most complex industries to underwrite. Financing in this space requires years of healthcare fluency, a depth of operational understanding, and disciplined structures that few can execute effectively.

Converging Pressures in 2025

Several forces have shaped skilled nursing for decades, but their current intensity is reshaping the financial conversation:

- **Medicare Advantage penetration has reached a tipping point.** In 2025, more than 54 percent of Medicare beneficiaries are enrolled in Medicare Advantage, according to the Kaiser Family Foundation. Payments for SNF care under these plans are typically about 25 percent lower than fee-for-service rates, based on analyses from MedPAC and Penn's Leonard Davis Institute. Combined with more complex prior authorization requirements, this reimbursement gap is placing sustained pressure on facility margins.
- **Medicaid eligibility delays are compounding**. Although federal law requires states to process applications within 45 to 90 days, in practice, many states take longer. Disability-related applications often exceed 110 days, according to the American Health Care Association/ National Center for Assisted Living (AHCA/NCAL). During this "Medicaid pending" period, facilities provide care without reimbursement, building receivable balances that can distort cash flow. Even a 10 percent Medicaid pending rate can represent hundreds of thousands of dollars in delayed revenue each month.
- **Operating costs remain elevated.** Staffing shortages continue in many markets, driving reliance on contract labor. Wages have risen faster than reimbursement adjustments, eroding margins even as the Centers for Medicare & Medicaid Services announced a 4.2 percent increase in Medicare Part A payments for fiscal year 2025.
- **Managed care has further infiltrated state Medicaid programs**, creating an environment of lower reimbursement rates, increased denials, stricter pre-authorization requirements, and extended payment timelines. AHCA/ NCAL reports that these trends are leading to higher days accounts receivable outstanding across much of the sector.

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Each of these factors has long been familiar to SNF operators. What makes 2025 notable is the way they are occurring simultaneously, creating structural volatility that financing partners must evaluate with precision.

From Background to Visibility

SNFs are not new to secured finance. Receivables-backed facilities have supported operators for decades. But in 2025, more transactions are surfacing in portfolios and market conversations. This visibility is not because SNFs suddenly discovered secured lending, but because capital requirements are growing under the weight of reimbursement complexity and demographic demand.

Liquidity facilities are being sought to cover payroll and vendor costs as reimbursements stretch months beyond service delivery. Ownership transitions are creating interim financing needs during regulatory approval periods. Nonprofit and community-based operators, historically reliant on local support, are increasingly turning to private credit as reimbursement delays strain operating budgets.

The result is a steady flow of transactions that reflects systemic pressures, not opportunistic activity.

Receivables and the Reality of RCM

For secured lenders, the presence of receivables is not enough. In skilled nursing, the quality of collateral is inseparable from revenue cycle management (RCM). Denial trends, payer concentration, and eligibility processes determine whether receivables convert into cash or stall in administrative cycles.

- Denials are rising. The U.S. Office of Inspector General has reported that 13 percent of prior authorizations are improperly denied. Appeals succeed in more than 80 percent of cases, but only after weeks or months of delay.
- Payment-to-cost ratios are misaligned. MedPAC data shows that Medicaid reimburses SNFs at an average of $198 per diem, against an average cost of $253, covering just 82 percent of expenses.
- Payer concentration increases risk. In states where Medicaid managed care or Medicare Advantage dominates, operators may face reimbursement shortfalls across a majority of their census.

These realities mean that collateral evaluation must extend beyond aging schedules. Field examinations now probe billing accuracy, denial management systems, and documentation practices. Receivables are only as strong as the operational infrastructure behind them.

Expertise as the Barrier to Entry

The visibility of SNF financings in 2025 may tempt new entrants to consider the sector, but this is a space where a lack of specialization can create significant missteps.

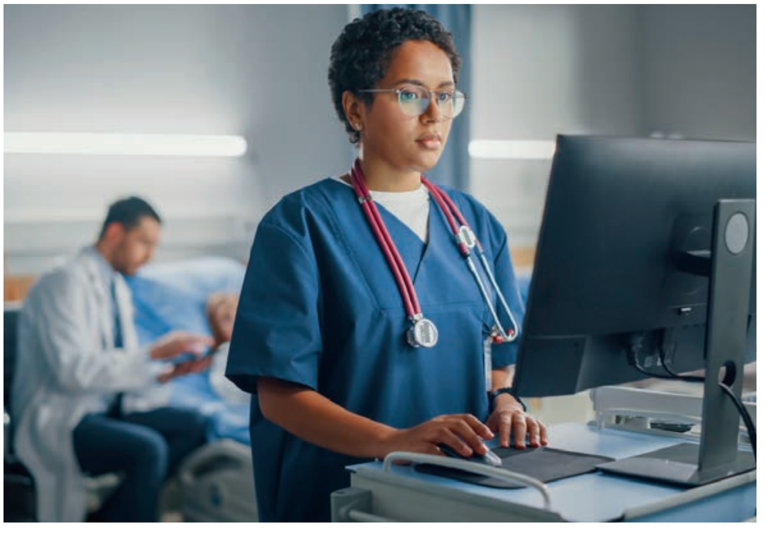
Transactions demand more than knowledge of secured lending mechanics. They require years of immersion in healthcare, familiarity with state-level Medicaid variability, and an ability to interpret operational signals that are invisible in financial statements alone. Advance rates, covenants, and eligibility definitions must be tailored to reflect payer dynamics. Controls such as lockbox structures and conservative valuation are not optional; they are safeguards aligned with the cadence of reimbursement.

For secured lenders with healthcare depth, skilled nursing transactions can be structured responsibly. For those without it, the risks of mispricing and operational surprises are considerable.

Looking Ahead

The demographic trends underpinning skilled nursing are not slowing. According to the U.S. Census Bureau and the Population Reference Bureau, the population aged 65 and older is projected to increase by nearly 50 percent between 2022 and 2050, reaching close to 95 million people. Growth is even more pronounced among those aged 85 and older, the group most likely to require skilled nursing, whose numbers are expected to nearly triple over the same period. At the same time, the Kaiser Family Foundation projects Medicare Advantage enrollment will surpass 60 percent of beneficiaries within the next decade, while state Medicaid programs continue to expand managed care participation.

This trajectory ensures that skilled nursing will remain central to the healthcare system and increasingly visible in secured finance. The question is not whether capital will be needed, but who will provide it responsibly.



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The Takeaway

Skilled nursing is not a new industry. It has been a critical part of American healthcare for decades, serving millions of residents with complex care needs. What makes 2025 different is that the financial realities shaping this sector, demographic demand, reimbursement compression, and operational pressures, are bringing it into sharper view for secured finance.

In that sense, skilled nursing is "emerging" not because it suddenly exists, but because systemic forces have pushed its financing needs to the forefront. For secured lenders, this does not create an open opportunity. It creates a proving ground where only those with years of healthcare expertise and disciplined underwriting can responsibly participate.

Skilled nursing is both established and newly visible. That tension is what defines its place in secured finance today, and why the sector is testing the depth of industry specialization more than ever.

Takeaways

1 Financing Skilled Nursing Requires Expertise: Skilled nursing finance is highly complex and demands deep healthcare knowledge.

2 Reimbursement and Cost Pressures Intensify: Medicare Advantage, Medicaid delays, and staffing costs put heavy strain on margins.

3 Receivables Depend on RCM Strength: Receivables are risky—quality depends on revenue cycle management and denial handling.

4 Rising Transactions Reflect Systemic Stress: More financing needs stem from demographic and reimbursement pressures, not sector growth.

5 Specialization Is Critical for Lenders: Only experienced healthcare lenders can navigate increasing risks in skilled nursing finance.

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Tim's background includes impressive managerial and entrepreneurial experience and he has been consistently active over his career in trade groups such as the Secured Finance Network, Turnaround Management Association, and American Bankruptcy Institute. Prior to joining eCapital Healthcare, Tim was the Founding Principal of Lakeside Capital Advisors LLC and Principal at CardinalPointe Capital Group LLC, which owned and managed multiple finance companies in the healthcare, automobile, and hospitality industries.

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