

# Economic feasibility of adding a nursing home as a healthcare profitable

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Determining the economic feasibility of adding a nursing home as a healthcare profitable operation is complicated and difficult. In analyzing the need, the company must determine if there is sufficient need for nursing home slots in the region to fill the beds and if there is a continuing need. Then, the administrator must determine what the ratio of private pay or insurance pay patients to Medicare and Medicaid patients will be and if the population numbers will support this ratio. Finally, the administrator must determine basic operating costs for the market, including costs of true health professionals and sub-professionals and their availability.

The first factor in determining whether to build a nursing home should be an evaluation of the aged population in the region. This should be both an immediate analysis and a long-term analysis to determine if there is currently a need and if that need is short term or if there will be a continuing need. To make this determination, the administrator will have to look at population trends and census data and predict the relative need for nursing home care. The administrator should also take into account changing health care trends including the tendency toward longer life expectancies and later need for nursing home care.

The second issue that needs to be considered is the ratio of private pay patients to patients receiving Medicare benefits or public assistance. If the majority of patients are going to be government funded, then the administrator needs to take into account the delay that often accompanies government payment for medical services. The company must be able to operate without payments from Medicare or Medicaid for months without

jeopardizing its ability to pay bills. The plan must also account for situations when the private pay to public pay ratio slips toward more public pay patients and how to effectively manage the budget when this occurs.

Finally, administrators considering construction of a nursing home facility should research the local job market and determine if there are sufficient local professionals to staff the facility without having to resort to staffing agencies or outrageous bonuses to attract staff. With a national nursing shortage, it is possible that the cost of acquiring appropriate medical staff could make the cost of the project prohibitive.