

# 2025 Top Trends in Aging Services: Seizing Opportunities Amid Transformation

January 16, 2025



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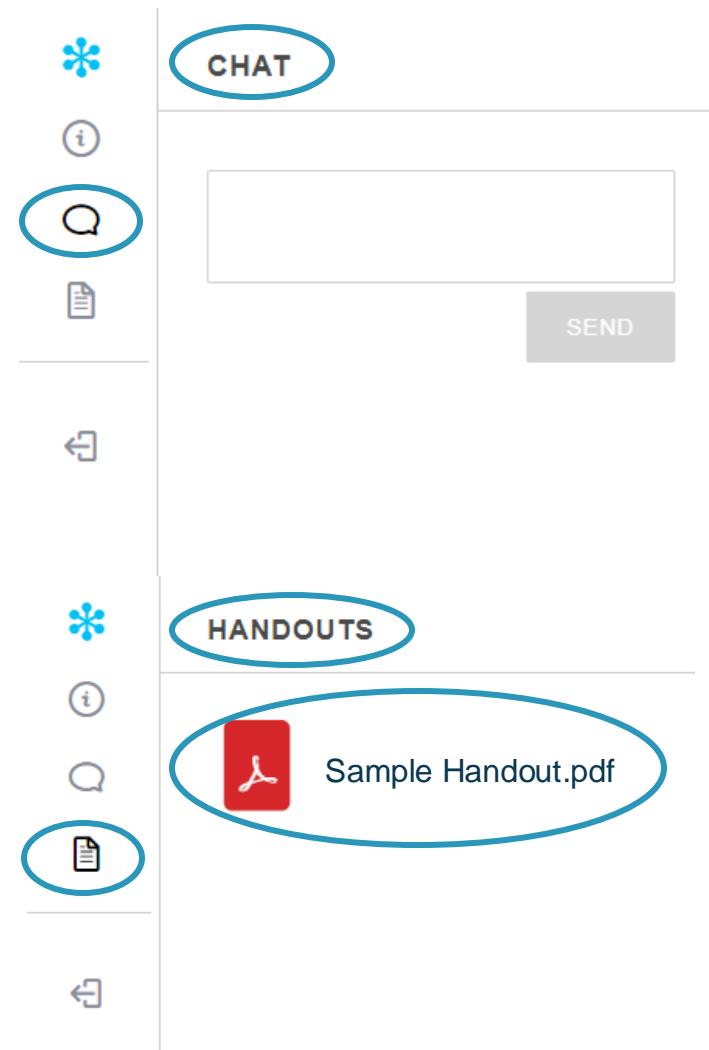
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# Discussion Topics

- About HDG®
- Presenter Introductions
- 2025 Top Trends
- Q & A

# Who We Are

# Who We Are

Health Dimensions Group® (HDG) is a leading management and consulting firm, providing services to senior living, post-acute, and long-term care providers, as well as hospitals and health systems, across the nation



# HDG Services

- Management Services
  - Full-Service, Start-Up & Temporary Oversight
- Consulting Services
  - Strategy
  - Operational & Clinical
  - Workforce Solutions
  - Development & Opening Support
  - PACE Technical Assistance Center
  - Turnaround & Receivership Transition
- Interim Leadership & Executive Search



# Presenters

# **Erin Shvetzoff Hennessey, MA, NHA, CPG**

## **CEO and Principal**

Erin has more than 20 years of experience in senior health care, with expertise in advising post-acute care providers in the areas of operational performance, financial improvement, and health care strategy development. She serves on the LeadingAge Minnesota board of directors and was recognized by Modern Healthcare as one of the Top Women Leaders in Healthcare for 2023.



# Brian Ellsworth, MA

## VP of Public Policy and Payment Transformation

Brian has more than 35 years of experience in health care financing, delivery, and policy. He is responsible for strategy projects and keeping abreast of the latest regulatory and market trends. He has served on numerous policy and technical advisory panels and is a respected thought leader and frequent speaker.



## **Tom Stitt, CPA, CHFP**

### **SVP of Consulting Services**

Tom has over three decades of experience in health care finance and reimbursement, covering all segments of the health care continuum. He has become nationally known for his Program of All-Inclusive Care for the Elderly (PACE) expertise, with over 20 years of experience in the PACE industry as a consultant and a finance director.



## Sarah Friede, MBA

### **SVP of Recruitment Services**

Sarah has 20 years of experience in management and human resources in the senior living setting. With her expertise, she developed, initiated, and implemented the centralized recruiting model for HDG's managed communities for which she also provides human resources oversight.



# Paul Branin

## VP of Business Development

Paul develops and implements sales and business growth strategies to position HDG as the leading consulting firm among health systems, hospitals, post-acute, and senior services organizations. With more than 25 years of operational leadership experience in the senior care sector, he has held a wide variety of titles at the community, regional, and national level.



# 2025 Top Trends

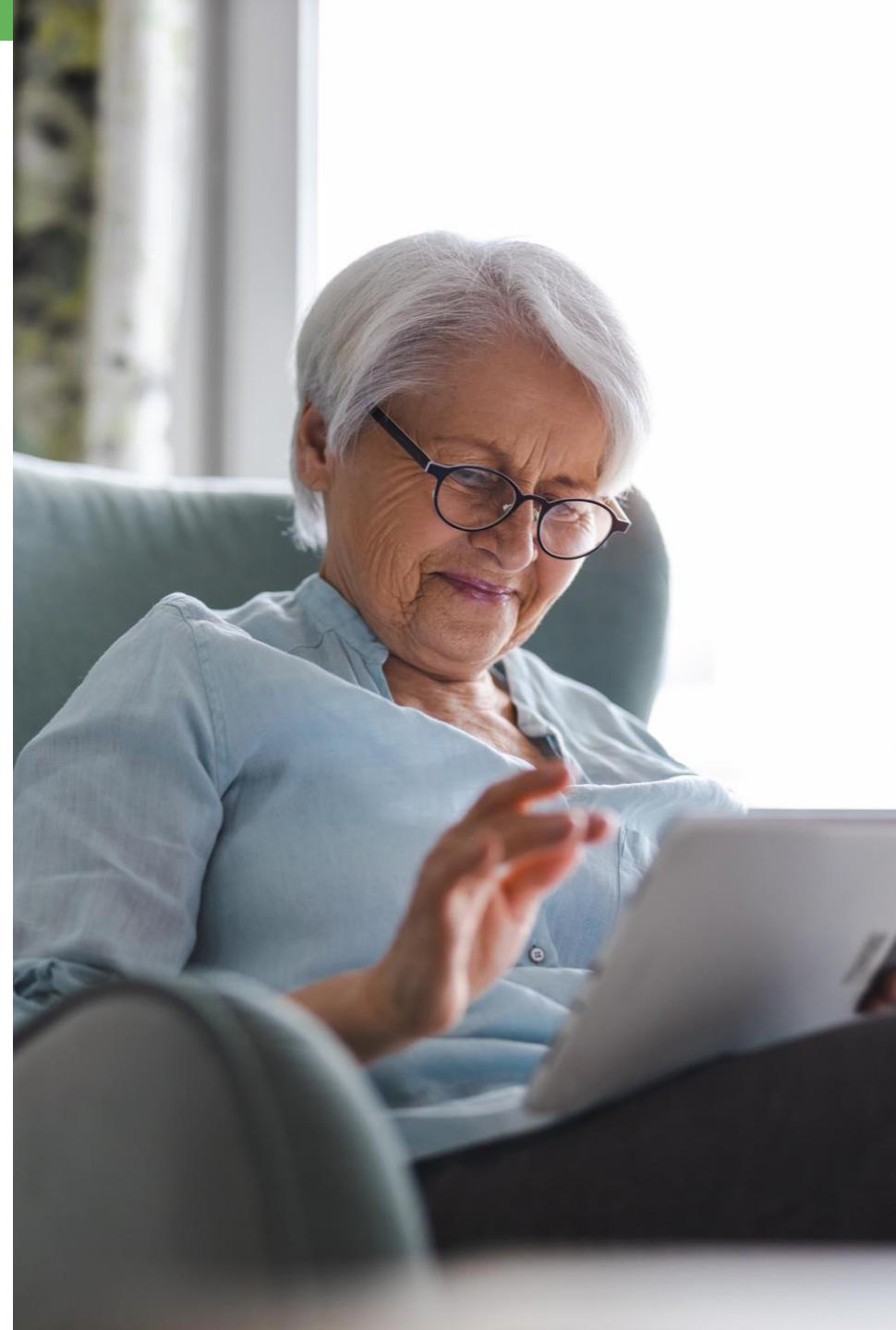
- **Trend 1:** AI and Technology Expansion Moving at Warp Speed
- **Trend 2:** Regulatory Climate—Change Is in the Air
- **Trend 3:** PACE Gaining Momentum as Gold Standard of Care
- **Trend 4:** The GUIDE Model for Alzheimer's/Dementia Care
- **Trend 5:** Culture and Innovation Are Key for Workforce Woes
- **Trend 6:** Projected Recovery in Capital Markets
- **Trend 7:** Most Providers Rebounding, But Some Left Behind

# Trend 1: AI and Technology Expansion Moving at Warp Speed

# 2025 Will Propel Tech and AI Forward

Factors driving adoption of AI and tech solutions include:

- Workforce challenges
- Need for improved care and service
- Resident, family, and team member expectations
- Increasing regulatory scrutiny



# AI Overview and Examples

## Predictive Analytics

Provides data or information to support or inform caregivers in advance of an adverse event

## Improved Care Integration

Synthesizes and analyzes lengthy, complex, and/or diverse medical information from multiple providers

## Generative AI

Supports the care team in taking notes or other documentation, increasing organization's efficiency and direct time spent with residents

# How Should I Prep for AI Growth?

## Be open-minded yet cautious

- It's important to take the time to understand possibilities and limitations (e.g., OpenAI and security in technology use)

## Appoint a task force

- Carefully evaluate AI technologies used in your organization
- Include perspectives of operations, clinical/nursing, IT, sales/marketing, and HR

## Develop and disclose organizational guidelines

- Have clear and frequently updated policies and procedures around use
- Evaluate technology at a corporate level, streamlining pricing, use, and security

## Stay up-to-date on state and federal regulations

- Some may specifically dictate the way AI can be used in clinical care or health care delivery

# Trend 2: Regulatory Climate—Change Is in the Air

# Watch for Increased Focus on Efficacy of Regulations, Government Efficiency

- Expect a spotlight on the staffing mandate for nursing homes, scheduled to go into effect on a phased-in basis starting in 2026, with many predicting this may not come to fruition
  - Even if the federal mandate is repealed, some states have mandates and the federal “sufficient” staffing standard is likely to remain, however
- The new administration will focus on illegal immigration and shutting the border, requiring providers to look at long-term immigration strategies and be a part of legal immigration advocacy
  - The recent debate about H-1B visas is the first skirmish in the broader discussion about legal immigration
- The scope of the Department of Government Efficiency (DOGE) with respect to entitlement reform is as yet unclear

# Challenges to Staffing Mandate

AHCA and LeadingAge are co-plaintiffs in a lawsuit against CMS and the U.S. Department of Health and Human Services (HHS)

- They “exceeded their statutory authority in issuing” the final rule
- Also, there is now a lawsuit filed by 20 state attorneys general that makes many similar claims

Supreme Court decision in June 2024 repealed 40 years of administrative law precedent known as the “Chevron doctrine”

- Previously, administrative agencies such as CMS were entitled to deference in interpreting broad statutes
- Instead, this decision said that courts are the proper venue to interpret regulatory controversies

# Facility Assessments and Surveys

- One part of the nurse staffing rule has already gone into effect—the expanded facility assessment rules, effective August 8, 2024
  - Rules require that the facility assessment be periodically updated and that providers use evidence-based methods to make staffing decisions
  - SNFs are advised to make the facility assessment a living document
- Regarding surveys in general, CMS announced 3 major focus areas for 2025: nurse staffing, unnecessary psychotropic medication, and facility-initiated discharge; also expect a continued focus on infection control
  - Review the recently released interpretative guidance scheduled to go into effect February 2025
  - Consider mock surveys—such as a Positive Review and Evaluation Process (PREP) survey from HDG—as well as in-depth training

# What Changes Are in Store for AL?

- One pandemic by-product is an even higher emphasis on “aging in place,” which has led to a change in acuity levels and services provided
  - Not just the look and feel of AL that has changed, but the regulatory requirements as well
  - These variations and regulatory scrutiny can have a great impact on providers that operate in multiple states



# What Changes Are in Store for AL? *(continued)*

- A 2023 NCAL report noted that “Twenty states (31%) reported regulatory or legislative changes from July 1, 2022, to July 1, 2023, that impacted assisted living residents, staff, and facility operations”
- The report identified 3 new review categories—requirements for infection control, emergency preparedness, and quality—and noted that, while approximately 86% of states have requirements for infection control, only 47% have them for quality measurement, data collection, or quality management
- Expect the changes to continue as more states adopt laws and requirements aimed at the promotion of person-centered planning and ensuring the health, safety, and well-being of AL residents

# Trend 3: PACE Gaining Momentum as Gold Standard of Care

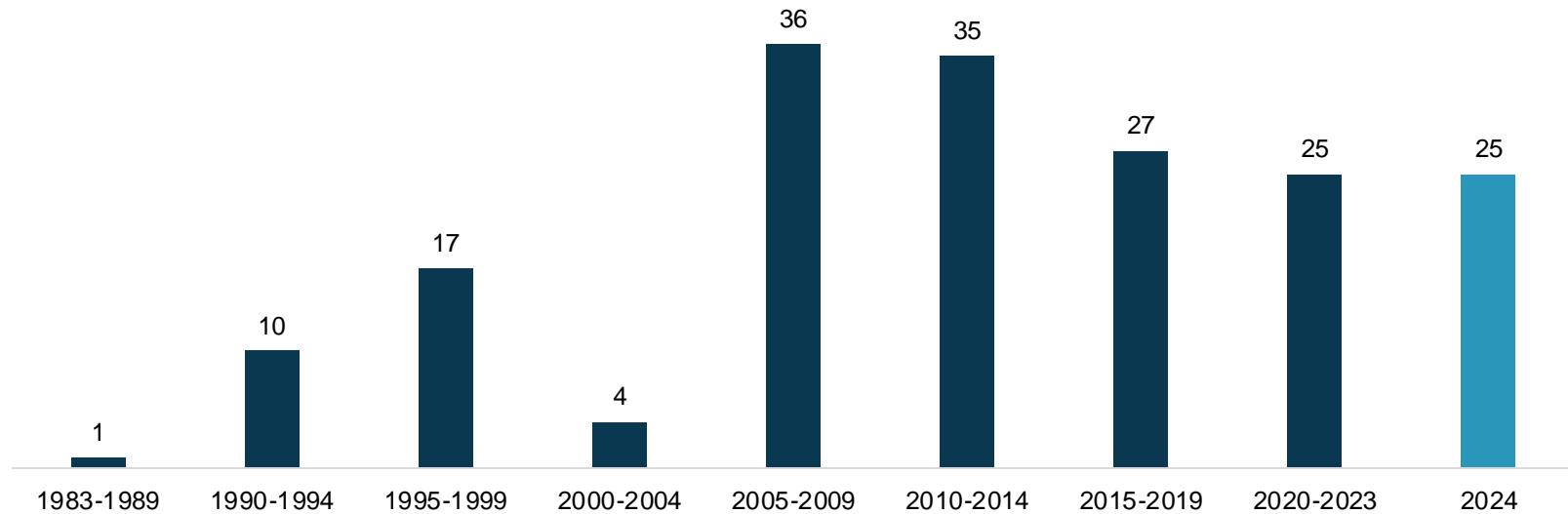
# What Is PACE?

**Program of All-Inclusive Care for the Elderly (PACE)** is designed to provide the entire continuum of care and services to frail seniors while being able to maintain their independence in their own home and community for as long as possible.

- Provider of services through interdisciplinary team (IDT)
- Health plan that's focused on a frail, disabled, and complex elderly population
- Complete and comprehensive care
- Full integration of services and benefits
- Community-based



# 2024: Unprecedented Year for PACE Growth



- 25 new programs opened in 2024, nearly 4 times the annual average since 2005
- Similar growth is expected in the next couple years
- PACE has over 79,000 enrollees in 180 programs in 33 states, as well as the District of Columbia

# PACE Growth Drivers and Opportunities

## Drivers

- Increased awareness of PACE model
- Introduction of for-profit PACE sponsors
- Improved access to capital
- American Rescue Plan Act (ARPA) funds

## Opportunities

- Expansion within existing PACE states
- Expansion into states that have plans to establish PACE for the first time
- More states allowing competition within service areas

# PACE Growth Challenges and Success Factors

## Increased Competition, Overlapping Service Areas

- Competition for enrollment
- Recruiting and retaining quality workforce
- Financial and operational challenges

## Critical Success Factors

- Strong leadership
- Positive workforce culture
- Efficient and cost-effective operational model
- Well-functioning marketing and intake team

# Trend 4: Continued Implementation of the GUIDE Model for Alzheimer's/Dementia Care

# A Growing Concern

- 6.9 million older Americans are currently facing life with Alzheimer's disease
- There are not enough staff and resources to provide complete care for an Alzheimer's or dementia patient in today's world
- Total number of older Americans with Alzheimer's will only continue to grow, reaching as high as 12.7 million by 2050



# What Does the GUIDE Model Look Like?

- The Guiding an Improved Dementia Experience (GUIDE) Model arrived in 2024—the first of 2 waves rolled out in July 2024, with the second to follow in 2025—bringing with it a new framework for dementia care and payment
- The model “aims to improve quality of life for people with dementia, reduce strain on their unpaid caregivers, and enable people with dementia to remain in their homes and communities”
- The GUIDE Model considers not only those with dementia, but also their caregivers, whom it seeks to aid through education, respite care, and a 24/7 “support line”
  - Potential to create a real difference for families facing an impactful diagnosis or debilitating symptoms

# Looking Forward

- The GUIDE Model is an 8-year test for limited facilities and organizations, but it's an example of a fresh approach to Alzheimer's and dementia care that may provide a better quality of life for patients and critical support for caregivers
- Senior living providers, particularly assisted living, would do well to identify innovative programs in their area and participate—where possible, as a key partner



# Trend 5: Culture and Innovation Keys to Solving Workforce Woes

# Some Good News on Workforce Front

- We have seen a sustained increase in labor force participation, from the pandemic low of 60.1% in April 2020 to 62.6% as of October 2024
- This rebound has been a welcome shot in the arm for many markets, as it is an instant source of more workers
- According to a March 2024 report citing Congressional Budget Office (CBO) numbers, immigration may have also surpassed expectations

**“In 2019, CBO projected that net immigration in 2023 would total 1.0 million people; Now, the agency estimates that net immigration last year was 3.3 million.”**

**— The Hamilton Project**

# Medium-Term Outlook Remains Challenging

- Over the next 5 years, the working age population is projected to grow nationally by 2.3%
- While that sounds good, the age 75+ population is expected to grow by over 15%, worsening the imbalance between supply and demand for labor



# Today's Workers Are Looking for New Things

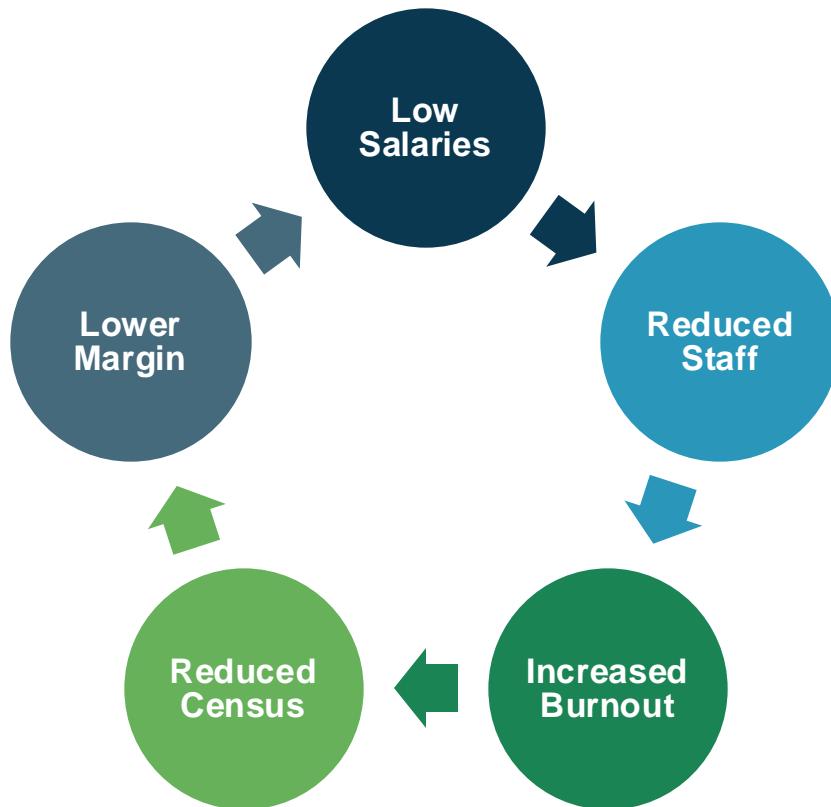
Top Opportunities for Organizational Investment (14)	
Prior research	Today
Competitive salary	Competitive salary
Health insurance and coverage	Health insurance and coverage
Digital, technology, and analytics	Digital, technology, and analytics
DEI	DEI
Professional growth opportunities	<b>Paid time off</b>
Transportation benefits	<b>Workload</b>
Feeling valued	<b>Work-life balance</b>
Leadership experience	<b>Scheduling flexibility</b>
Role alignment	<b>Competitive annual bonus and financial incentives</b>

Gray text = no longer highly important to staff

**Bold** = new factor highly important to staff



# Breaking Complex Workforce Cycles: Identify Root Causes and Address Them



## Solutions to Break the Cycle

- Improve operating culture
  - Employee surveys and feedback
  - Engaged leadership
- Frequent wage review, with targeted compensation and benefit strategies
- Market studies
  - New service lines that are less labor intensive or higher margin

# Trend 6: Projected Recovery in Capital Markets

# Ready to Bounce Back

- The senior living and care capital market appears poised for a rebound as indicators continue to show recovery from the rapid escalation of the federal funds effective rate that began in March 2022
- Taking occupancy and labor recovery, combined with the recent rate reductions, as well as demographics indicating substantial increases in the demand for senior living and care, the industry can expect to see significant increase in new development, as well as in mergers and acquisitions
- The fourth quarter of 2024 may eventually be viewed as the genesis of senior living and care being once again considered as a premium investment instrument

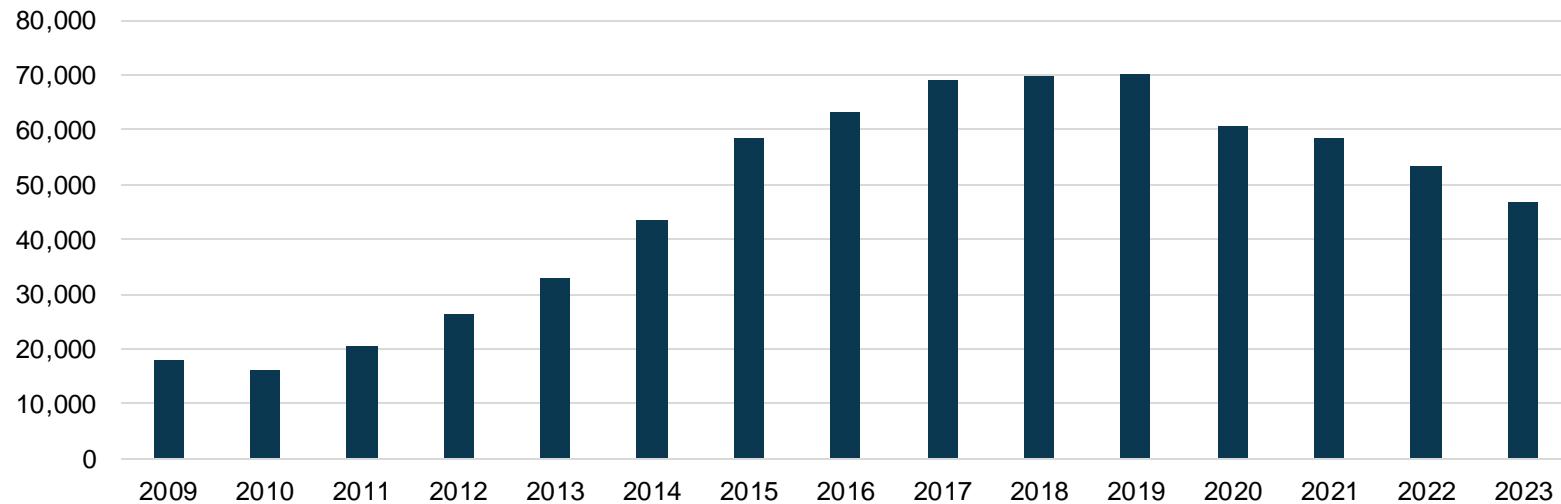
## Housing Needed

- A 2024 NIC MAP Vision report estimates that, beginning in 2025, the number of new senior housing units needed each year to maintain 90% occupancy across the continuum of care will not dip below 60,000 until 2045
- The number of new units needed becomes even more staggering when you consider that the most senior housing units ever delivered in a 12-month period was 56,000

Source: NIC MAP Vision



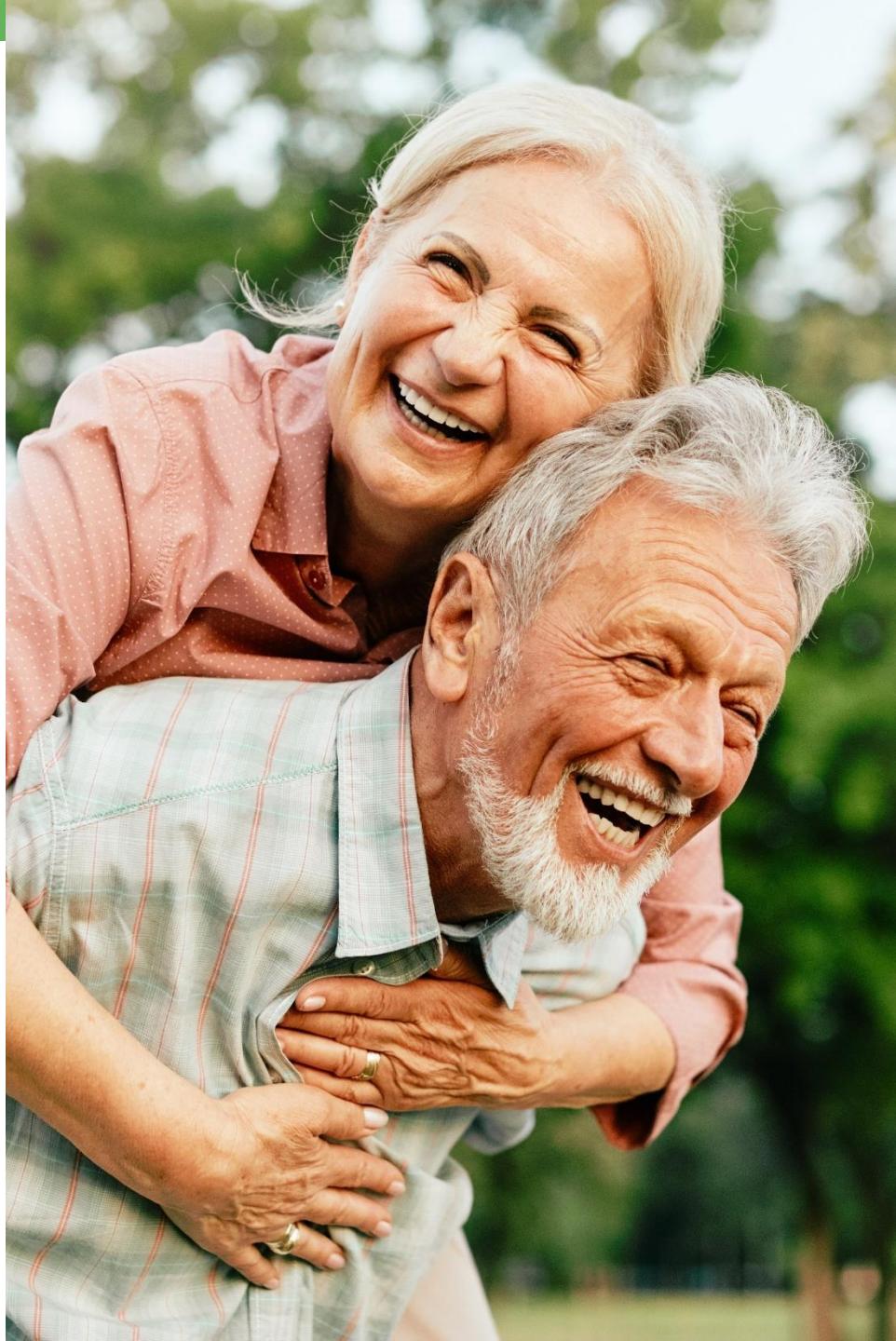
# Senior Housing Units Under Construction



- Senior housing development has lagged in recent years, largely due to high interest rates, inflationary costs and access to building supplies, and capital deployment to existing assets
- A lower cost to capital is welcome news to investors, developers, and operators, which will likely accelerate new development in 2025

## Active Adult Attracts Interest

- The appeal of the lifestyle that active adult affords has caused a significant shift in the mindset of consumers—i.e., *desirability*
- Mirroring more of a multifamily or hospitality design, it is capturing a more regional market where a resident can continue to live in the same community, granting them continued access to family, friends, and a familiar lifestyle



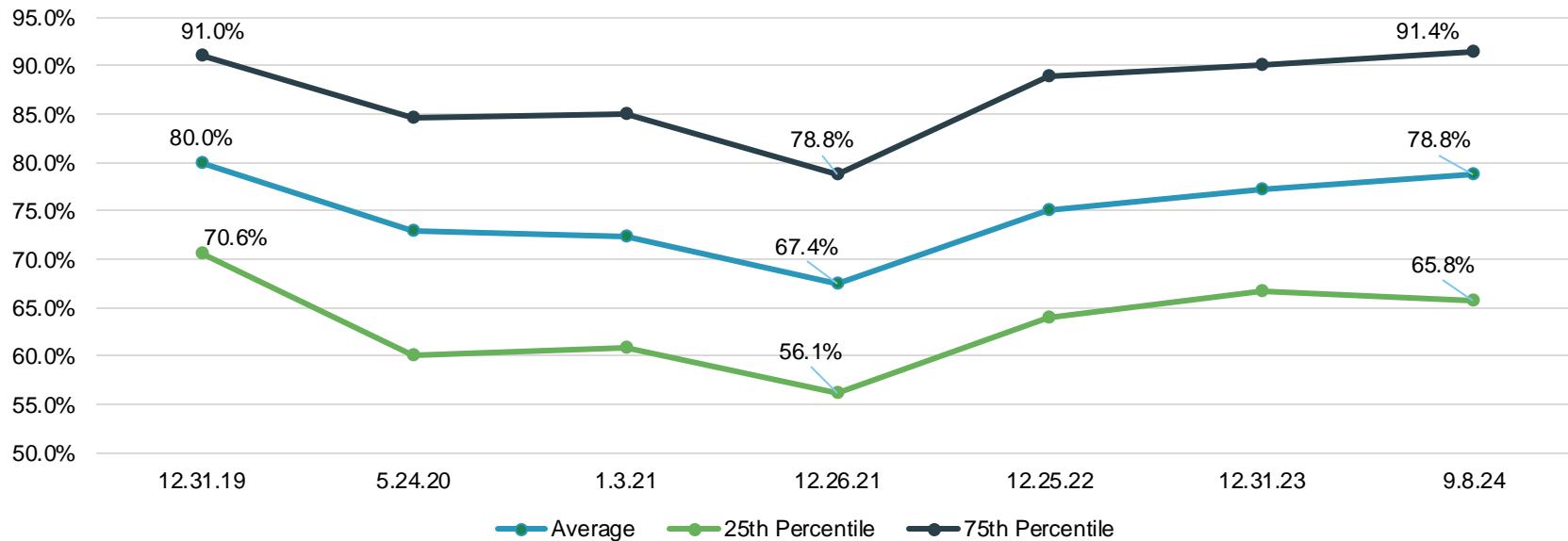


## Planning to Grow? Exercise Caution

- For existing operators and investors, challenges will include:
  - Competitive bidding and price escalation
  - Entrants into the space that lack industry knowledge
- Possibility of bad outcomes due to inexperience and overvaluation of assets should be a warning to proceed strategically and cautiously

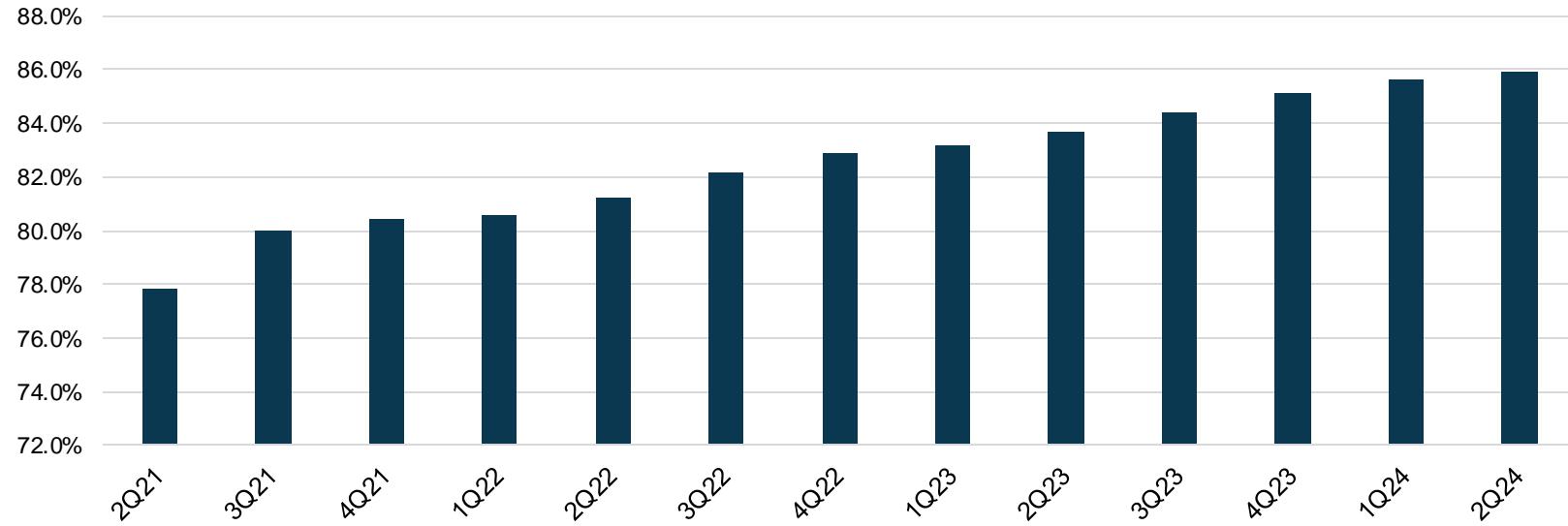
# Trend 7: Most Providers Rebounding, But Some Left Behind

# Skilled Nursing Occupancy, 2019–2024



- Average occupancy for skilled nursing has almost reached pre-pandemic levels
  - The top 75th percentile of skilled nursing has already exceeded pre-pandemic occupancy levels, whereas the 25th percentile group has lagged
- However, overall use rate of SNFs has declined by about 15% on a per Medicare beneficiary basis since the onset of the pandemic

# Senior Housing Occupancy



- Senior housing has rebounded in occupancy to almost pre-pandemic levels
- While senior housing entered the pandemic in a stronger position, they were not immune to the labor challenges, consumer preferences, and broad economic issues

# Successful Operators Share Similar Characteristics

Not being in rural markets

Newer or improved physical plants

Strategically repositioned size and service lines

Aggressive managed care strategies

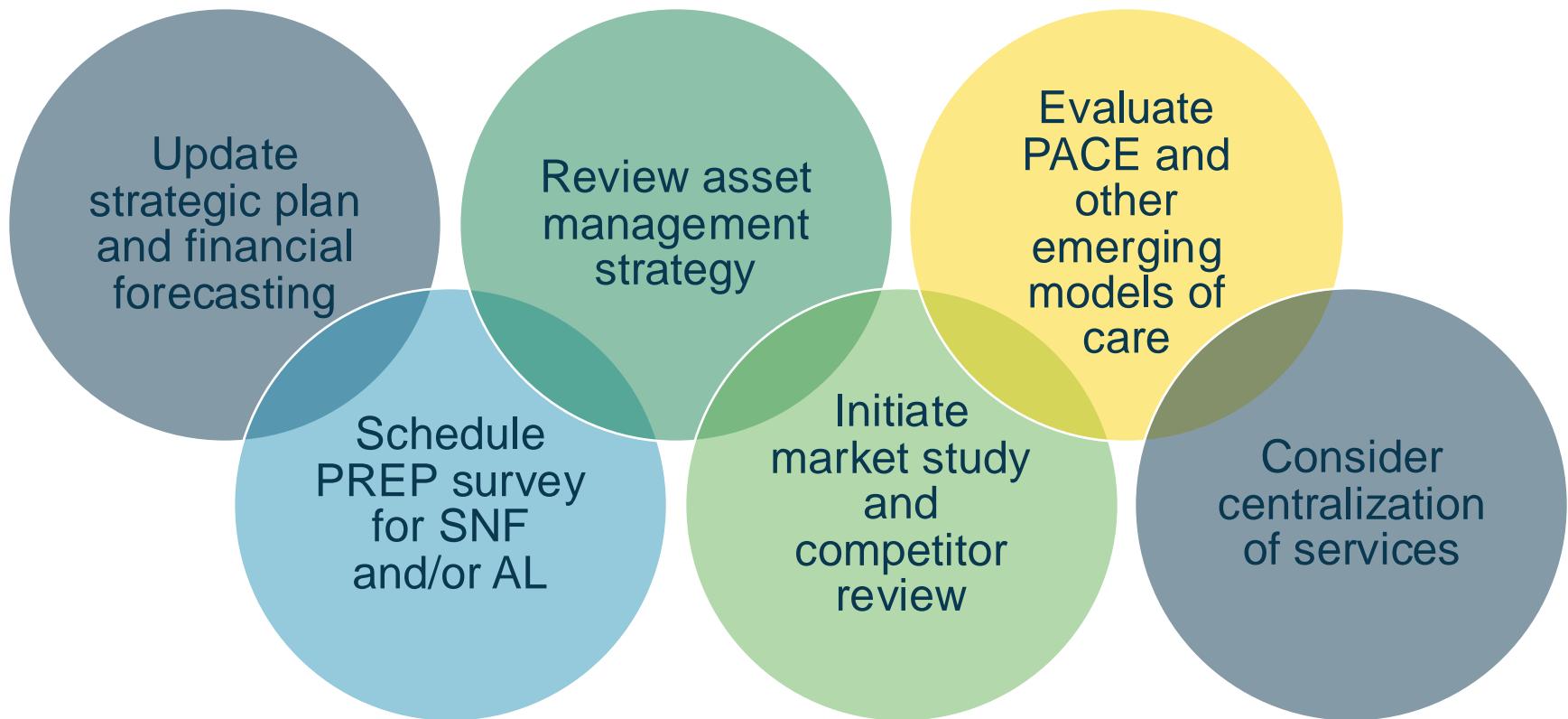
Promotion of staff engagement to maximize unit availability

# For the Future

- Use your market intelligence to reevaluate your position in the marketplace
- Look externally at your competitors and partners, but also internally at streamlining operations, boosting employee engagement, and enhancing sales and marketing skills
- The strong are surviving through purposeful and multifaceted strategy execution
- Those who prevail will see unprecedented demand as the demographics become powerful tailwinds for strong providers who were not left behind



# Next Steps



# Questions



## For More Information

For 25 years, HDG has helped senior living and care providers not only survive but thrive. Whether you're planning for growth, seeking a partner to guide your regulatory compliance efforts, or reinvigorating your recruiting initiatives, HDG is here to help. Contact us at [763.537.5700](tel:763.537.5700) or [info@hdgi1.com](mailto:info@hdgi1.com).

A decorative background featuring a bokeh effect of warm, glowing yellow lights, possibly from Christmas lights, creating a festive and celebratory atmosphere.

thank you

# Why Work With Us

# Why HDG

## Knowledge born from hands-on experience.

As managers and consultants in senior living, post-acute, and long-term care, we are familiar with the challenges our clients face every day.

## Senior living, post-acute, and long-term care experts.

Aging services are our focus, resulting in an unparalleled depth of knowledge. Our seasoned professionals and highly skilled specialists ensure customized solutions.

## Values-driven and established partner.

Guided by an unwavering commitment to our values of hospitality, stewardship, integrity, respect, and humor®, we have served the nation's leading providers and industry partners for 25 years.

# Disclosure

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