



Competition, Labor and Costs Challenge High Growth of Senior Living Market

The aging of Baby Boomers is fueling a soaring senior living market. The number of senior citizens in the United States is expected to grow from about 60 million today to 80 million by 2040 and exceed 95 million by 2060, resulting in a market for senior living that could expand from more than \$90 billion today to [\\$100 billion by 2027](#).

A growing number of senior living facilities want to secure a share in this market by offering “continuing care” — independent living, assisted living and full nursing — under one roof. These continuing care retirement communities are catering to a generation of people who want to stay independent for as long

as possible and then tap into quality health care in their own community without needing to make another major move.

But operators of senior living facilities face several challenges that could hamper their ability to continue recruiting and retaining residents. To overcome these hurdles, they need to get creative, embracing everything from new hiring and staff-training techniques to technology advances using AI that will not only improve how they run their facilities, but also the features they can offer potential new residents.

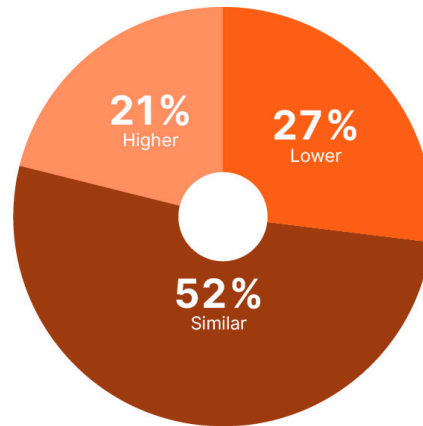
For the past four years, starting in mid-2020, the [Deerfield Institute](#), a division of Deerfield Management Company, an affiliate of Cure, surveyed close to 200 administrators and directors of U.S.-based senior living facilities on a quarterly basis.

In every quarter the survey was conducted, between 22 and 32 percent of respondents reported that referral and/or move-in rates fell below expectations. More than half said quarter over quarter that they

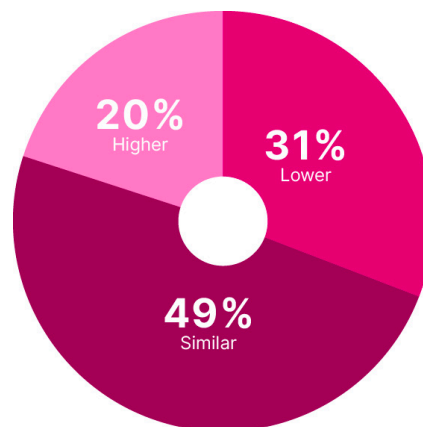
anticipated no change in occupancy over the upcoming three months.

Impacts on the referral rates included people receiving at-home services or staying in their homes longer, but many noted three major challenges facing the senior living industry. We review them here — and potential solutions that could help professionals in that market better capitalize on the rapid growth of their potential customer base.

How does your current rate of referrals compare to your 2024 business plan expectations?



How does your current move-in rate compare to your 2024 business plan expectations?



Challenge 1: Increased Competition

Many surveyed senior living executives reported facing intense competition from neighboring facilities. Some of these facilities had a leg up because they were newly constructed and, therefore, more attractive to customers hoping to get more up-to-date features for their money. At the same time, a slowdown in the real estate market in some communities caused many seniors to delay planned moves to senior living facilities.

"Customers are more budget conscious than in prior years," one senior facility administrator commented. "Lots of competition out there," said another.

Investing in new technology is one way directors of senior living communities can make their facilities more attractive to both prospective employees and residents. Recent [research](#) shows that after controlling their spending during the COVID-19 pandemic, many senior living centers are investing in five major technology categories: high-speed internet connectivity, electronic health records, electronic care-documentation systems, staff-scheduling systems and "wander management" technology that helps medical staff monitor patients with dementia.

A recent survey by [Senior Housing News](#) found increasing interest in adopting wearable health monitors for residents of senior living facilities, as well as improved telehealth services and remote monitoring of medical conditions. Artificial intelligence solutions were cited by 64 percent of those surveyed as an area of likely future investment. More than half of those surveyed said they expected a return on their investment in new technology, and 43 percent cited resident satisfaction as a prime reason for embracing new tools.

Among the AI-assisted solutions generating strong interest at the Consumer Electronics Show 2024, according to the [National Council of Aging](#), were hearing devices imbedded in eyeglasses to improve targeting of sound for amplification, wearable neural input technology to control devices like lamps with just finger or hand gestures, and motion detection technology that adjusts room lighting to improve vision while alerting staff to check residents who may be on the move.

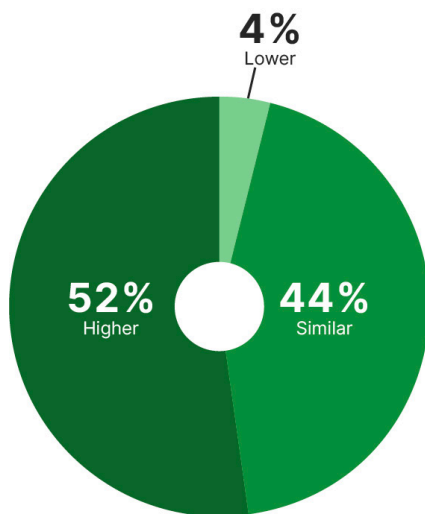


Challenge 2: A shrinking labor pool

Many of the senior living executives who Deerfield surveyed reported struggling to deal with a shortage of qualified workers. More than half of respondents said that labor costs were higher than expected, with some reporting they were forced to raise their pay rates and shoulder high overtime costs due to a shortage of skilled workers.

The need for more qualified workers is expected to intensify over time. The U.S. Health Resources and Services Administration [projected](#) that the demand

for nursing assistants, home health aides, personal care aides and psychiatric aides would grow between 46 percent and 55 percent by 2030. Many senior living communities also face a shortage of non-health staff, such as food-service professionals. In the first quarter of 2024, 52 percent of participants in Deerfield’s survey reported that labor costs were higher than expected. This was an improvement from the same period in 2023, in which 64 percent reported higher-than-expected labor costs. Still, the comments reflected



significant concerns.

How do your current labor costs compare to your 2024 business plan expectations?

“Not enough qualified staff available in the marketplace,” one executive reported. “There is more demand for higher [salaries] due to decreased workforce. We must pay more for quality employees,” said another.

Many executives in the senior living industry are looking for innovative technologies to help alleviate the staffing crunch. Some are testing [robotic food-delivery](#) systems, for example.

Improving employee morale is also a priority. A recent [report](#) by senior services firm Argentum

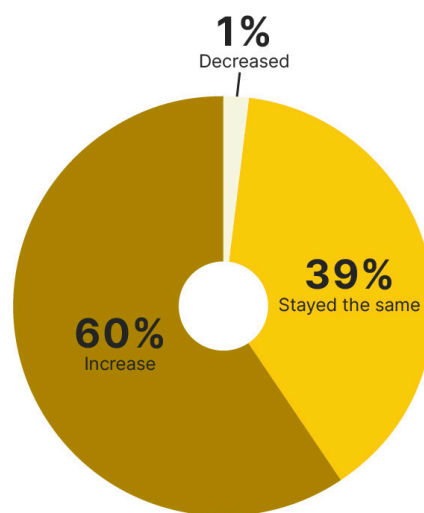
found that senior living communities are prioritizing training, development and apprenticeship programs to attract skilled healthcare workers. More than 45 percent of executives surveyed said leadership development would be a priority.

Challenge 3: Rising costs

Labor is far from the only source of rising costs for senior living communities. Most are facing increasing insurance rates and rising food and utilities costs, as well. The average annual inflation rate for food, for example, reached 11 percent in mid-2022 — the highest annual increase since the late 1970s, according to an [analysis](#) of data from the U.S. Labor Department’s Bureau of Labor Statistics. (Food inflation rates cooled in 2023 but still averaged a high 5.8 percent for the year.)

Rising costs are forcing facilities to hike rates for residents: 60 percent of executives surveyed by Deerfield said they raised rates for residents at the beginning of this year, and 52 percent said they expect to further increase rates next year.

How have your resident fees changed in 2024, when compared to 2023, if at all?



One respondent reported raising residents' rates 11 percent this year — double its typical rate increase. "Fees raised to keep up with the cost-of-living increases all across the board," commented another. A third participant bemoaned that the "cost of everything has increased."

Still, many respondents expressed optimism that positive trends will ultimately relieve some of the stress on operators of senior living facilities. A growing number of states are updating regulations to improve infection-control, emergency preparedness, quality measurement and other issues of importance to seniors. In addition to investing in those areas,

many senior living facilities are boosting their marketing efforts to better compete with newer facilities and to attract more private-pay residents.

Those efforts are already starting to pay off for some operators of senior living communities, Deerfield's research shows. "We are at full capacity, and keep getting referrals," said one respondent who reported higher-than-expected occupancy in the first quarter of 2024.

Another who reported positive occupancy trends expressed the reason for the improvement in just three words: "Greater customer satisfaction."

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