Welcome to Illuminate, our next-gen, interactive educational platform designed to inform professionals and key decision makers about the most important issues facing the industry today by shedding light on an ever-growing body of knowledge.

In brief:

Diversification efforts on pause *as industry battles pandemic*

As the senior living industry began to find a comfort level with the evolutionary Patient Driven Payment Model (PDPM) and braced for the first big wave of baby boomers, skilled and non-skilled providers pondered a future defined by as much promise as uncertainty. Questions loomed about sweeping changes in reimbursement, realigning priorities around community-based care … essentially re-thinking the entire way they provide care while trying to find the financial wherewithal to do it.

Emerging care models began to emerge while "old" ones, including telemedicine, were getting a second, albeit guarded, look.

In the early days of 2018, Chicago based investment banker Ziegler issued recommendations aimed at helping struggling nursing facilities minimize risks while diversifying their revenue streams – a move most in the financial services sector saw as reasonable and prudent.

Among Ziegler's recommendation were tapping into the growth in independent living and home and community-based services, third-party management, marketing in-house expertise, sub-populations and specialty care and joint ventures.

Financial services firms found many facilities with appetites for shoring up anemic margins – everything from experimenting with profitable independent living to consulting. Popular emerging strategies included mixed use and asset repurposing, which led some skilled facilities to dabble in tiered services that included memory care and assisted living. Others considered conversion alternatives like low-income or market rental apartments, specialized care around conditions like brain injuries, diabetes, obesity, mental health and substance abuse treatment.

Most found the going rough, but soldiered on in the hopes of striking a workable balance between the kinds of care in their natural bailiwick and unchartered areas of highly concentrated acute care. Many successful ventures had a few things in common, including proximity to large hospitals and various mainstream medical care.

When the World Health Organization declared a global pandemic, the momentum hit a brick wall. Many plans were mothballed.

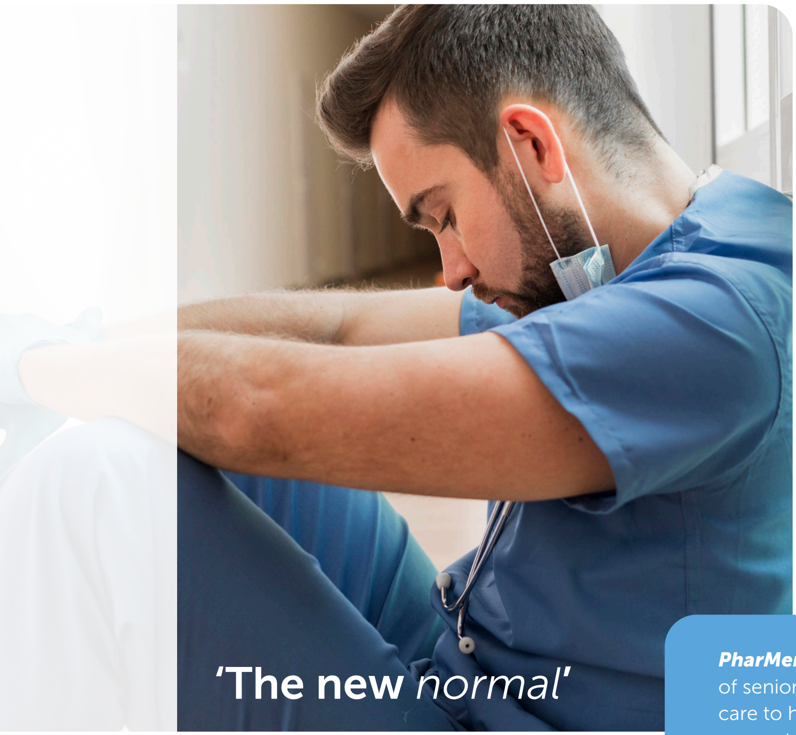
The skilled nursing sector was hardest hit. Occupancy plunged to record low levels in the second quarter and healthy rebounds weren't quick to come. Many providers actually declared moratoriums on move-ins to stave off infection risks. The assisted living side fared a little better, but not enough.

The sounds of saws and hammers were silenced as new construction ground to a halt. Net operating income plunged. Most facilities' finances took a direct hit – from unforeseen expenses like skyrocketing staffing costs related to overtime and time off to personal protective equipment acquisition, which one financial expert estimated at $10,000 per day for an average 100 bed skilled nursing facility.

"Diversification would just muddy the waters right now won't really be a big priority until COVID calms down," one senior housing executive said. One Harvard economist painted an even bleaker short-term picture.

"I don't see a lot of innovation in the next six months," he said. "Facilities right now are in survival mode."

One furnishing company switched from nursing home remodels to outfitting pop-up testing clinics, while other firms were hammered by forced lockdowns in certain states.



'The new *normal*'

*"Providers are **laser focused** right now on dealing with the pandemic."*

As SNF administrators and assisted living managers alike scrambled to find light at the tunnel's end, they found themselves staring at a coming flu season. In late August, a new COVID-19 rapid test system showed promise. Still, a vaccine seemed months away.

As summer turns to fall, many are left wondering what the new "normal" will look like.

One observer believes COVID could lead to a host of positive developments – from exciting innovations in infection control to new delivery models that could transform nursing homes into facilities equipped to provide services approaching acute level care.

Some experts say the industry could see an investment surge in alternative housing like home and community-based care settings.

Most predictions will hinge of whether reimbursement systems keep pace with these kinds of systemic changes. Most experts see telemedicine finally becoming a mainstream care delivery system.

Meanwhile, diversification efforts in area such as short-term rehab may actually help the long-term industry recover from the direct hit COVID-19 has inflicted. In its report, "Top 5 Trends Impacting Therapy Providers in 2020," Optima concludes, "While therapy may not be a direct driver of reimbursement in the world of managed care, it will continue to be a driver of outcomes, particularly as SNFs look to specialize their services and target patient populations."

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