



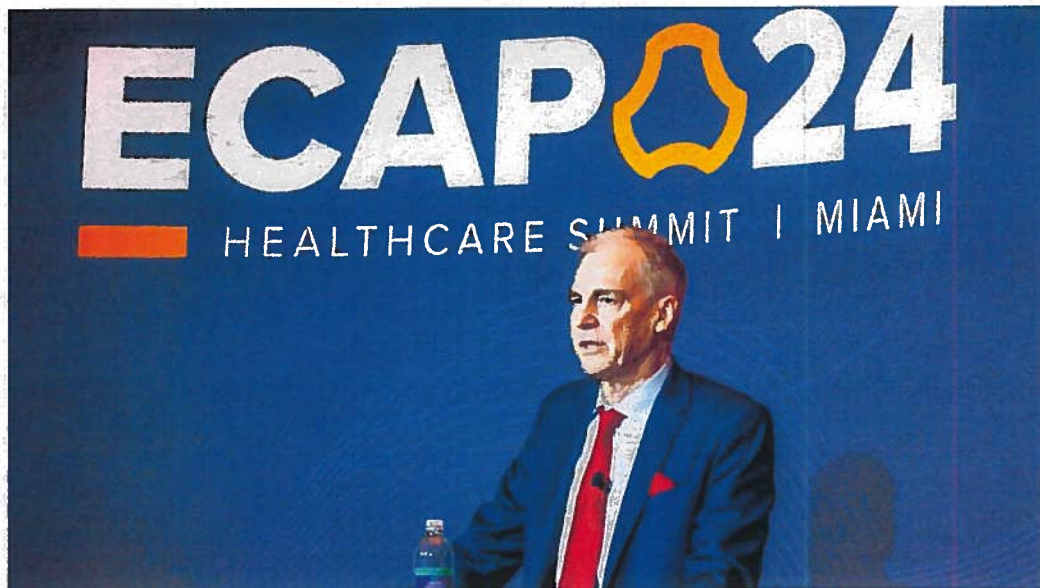
NEWS

# Parkinson forecasts record occupancy, 'massively good news' for sector



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MIAMI — A significant drop in new nursing home construction is adding to the woes of a shrinking sector that will soon be tasked with caring for a rapidly aging US population, American Health Care Association President and CEO Mark Parkinson told a group of investors and owners at the eCap Summit Tuesday.

But, he said, good news awaits providers who can find a way to manage a coming demographic crisis.

Parkinson noted that only 30 nursing nursing homes were built last year, with about 65 in each of the two preceding years. Prior to COVID, annual construction averaged about 200 new buildings. In addition, nearly 600 nursing homes have closed since 2020, and hundreds more have reported limiting admissions due to staffing shortages.

As of last summer, an [AHCA report found](#) there were 45,217 fewer nursing home beds available today compared to pre-pandemic times, and that's ahead of the first wave of Baby Boomers hitting age 80.

"From 2025 to 2030, we go from 6.5 million to about 8 million [80- to 84-year olds], and for the next five to 10 years, we grow another 2.5 million, and this is at a time when there are virtually no nursing homes being built," Parkinson said. "Guess what happened during COVID? People thought, I'm not so sure I want to be building nursing homes. ... I would be willing to bet for the next two or three years, the numbers will stay really, really low.

"If you combine the fact that we have a stagnant or slightly declining number of nursing home beds and we have this going on in terms of people turning 80, that's why I think we're not just going to get back to 80% [occupancy], I think we're going to go to 81, 82, 83. It's not going to be all at once. It's going to be very gradual ... but it's going to bring enormously beneficial ramifications to the sector."

Parkinson said it was critical that providers and regulators approach the demographic shift with realistic expectations, given that the birth rate has declined precipitously – leaving far fewer younger, workforce-aged people to take on jobs in nursing homes and elsewhere.

As of January, the skilled nursing sector was still down 131,900 workers (or negative 8.3%) from January 2020. But Parkinson said average monthly gains of 7,000 to 10,000 workers were starting to be felt in some buildings that have been able to take on more patients again.

Should the sector be able to grow census to record levels, a possibility Parkinson noted given a falling number of family members able to care for their aging loved ones, it would be great financial news indeed.

"We're now only 1% below where we were at with pre-pandemic occupancy," Parkinson said, citing federal data reported last Thursday. "For this group of investors, this is massively good news. That's because the way the long-term care business works, our costs are essentially the same, whether we're at 78% or 82% or 87% occupancy. All of that additional occupancy, 90% to 95% of it goes to the bottom line."

Each additional occupancy point represents about \$2 billion added revenue based on the Medicare payment rate, Parkinson said.

## Ramifications for providers, policymakers

Outlining two key megatrends for the eCap crowd of about 1,400, Parkinson noted that preparation and policymaking must go hand-in-hand in coming years. He said most providers remain unaware that the aging shift will be offset by population losses that will make current workforce issues persistent long into the future.

"This has enormous ramifications for how we are going to get workers to take care of all the people that need our help," he said. "You're going to have to be world-class employers."

Parkinson said provider organizations "hyper-focused" on leadership and retention "are going to kill it."

In addition, he said, vendors need to continue developing solutions that help with recruitment and workplace efficiencies and regulators will need to accept the reality of fewer workers.

"Instead of doing something that's a 1970s solution like a minimum staffing proposal, they need to be figuring out, 'How can we take care of all these people in the whole healthcare spectrum with less nurses and less technicians, less radiologists?'" he said. "The policymakers are going to have to figure it out."

eCap is an annual event designed to connect lenders and skilled nursing operators. It runs through Wednesday.

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