



INSIGHTS FROM THE BDO CENTER FOR HEALTHCARE EXCELLENCE & INNOVATION

REIMAGINING ELDER CARE

Creating a More Financially Sustainable, Community-Focused Model

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Elder care is in a race against time.

In 2016, there were approximately 45 million Americans over 65. This cohort represents 16 percent of the population, but an astounding 36 percent of overall healthcare spending. At nearly \$18,000 per person, we spend [five times](#) more on older Americans than we do on children.

Further, the senior population continues to grow rapidly—forecast to reach more than 80 million individuals, or nearly double, by 2050. The math is simple—today's way of caring for the elderly is unsustainable.

Healthcare organizations, especially those in [parts of the Midwest](#) with larger proportions of seniors, must reimagine the way they care for them...now.

The industry needs to place greater emphasis on investment in empathy- and community-based care focused on preserving and improving quality of life. Seniors are already demanding such care, fuelled by five industry forces that will shape the future of elder care:

1. **Convergence of genetic and computer code:** Molecular biology and computer science have allowed the development of new therapies to repair DNA “software defects” that cause many cancers. These innovations are creating the ability to reprogram immune systems to fight off broader diseases and enabling the use of stem cells to repair and regrow body parts. Notably, once the outcomes-based reimbursement of gene therapy becomes regular practice, innovations in gene therapy will be sustainable.

2. **Infiltration of technology into daily life and healthcare:** Devices like internet-connected door locks, smoke alarms, thermostats, at-home cameras, self-driving cars, wearables that transmit and escalate concerning health data, virtual assistants and drone delivery services will make it possible for more seniors to stay healthier and in the home.
3. **Evolving distributed care model:** Driven by healthcare workforce scarcity and enabled by advancing virtual health technologies, physicians, advanced practice providers and nurses are increasingly focused on remote care management of multiple communities, and they can virtually oversee care executed by health aides and family members. Senior care is moving away from hospitals and traditional nursing homes and toward home-based models, with healthcare executives focusing more resources in that area, according to BDO's [Candid Conversations on Elder Care](#). Much like Netflix and Amazon proved to the entertainment and retail industries, healthcare organizations will have to focus less on bricks-and-mortar strategy and more on how to extend their workforce and services beyond physical investments.
4. **Shift to value-based care:** In the past, most healthcare businesses were safe, money-making investments, but the industry's move to value-based payments has raised the specter of negative returns on capital—particularly for those who are unable to successfully transform their operations. The move to value-based care amid broader industry consolidation has presented new opportunities to private equity in the senior housing space. In fact, in 2018, the [most attractive elder care sectors](#) included independent living (36 percent), assisted living (23 percent) and active senior living (13 percent). We expect that there are trillions of dollars to be created, but also trillions to be lost.
5. **Integrated supply chains are becoming the norm:** The development of integrated supply chains—which we anticipate will be cemented by blockchain's transformation of the medical records and revenue cycle management functions—will replace traditional single-shingle approaches to healthcare delivery. We've seen individual healthcare silos disappear, and healthcare providers are having to rethink their management of care. They're now fully responsible for patients' outcomes not just while they're staying in their specific facility, but also when they move to the facility of a partner on the continuum. As the Centers for Medicare and Medicaid Services (CMS) continues expanding reimbursement for services provided at outpatient facilities instead of the traditional hospital-centric settings, we'll see more and more hospitals and other facility-based providers either shutter or pursue creative capital strategies to repurpose underperforming assets and generate revenue.

ELDER CARE'S FUTURE

With the five forces in mind, it's not difficult to reimagine an elder care model that puts seniors in the driver's seat. Already, it's becoming more common for seniors who are unable to remain in their own homes to create their own communities. For example, according to the [National Shared Housing Resource Center](#), at least 16 states offer a home-sharing program—many of them targeted toward seniors wishing to preserve independence and a sense of shared community. Ten years ago, such a transformation in approach would have seemed far-fetched.

With the advent of ride-sharing services, seniors are already regularly using technology to meet friends and family, attend community events or run errands. As tech adoption by seniors continues to grow, more of them will feel comfortable using these tools.

Through digital health tools like e-visits or e-consults, mobile applications, wearables and sensors, and virtual reality, seniors can also better manage chronic care conditions and virtually visit with family and friends living across the country. They can even gain access to free translation services needed to best understand the care they need. Such technologies could also be crucial to helping seniors overcome the social determinants of health that [we have found](#) will be most crucial to improving elder care: familial support and access to transportation.

TRANSFORMING YOUR ORGANIZATION NOW

Those providers who don't proactively disrupt themselves today will soon be disrupted by competitors or new entrants. To lead in this changing elder care environment, healthcare organizations must consider the following operational steps:

- ▶ **Optimize resources:** This could mean removing certain physical assets that take up unnecessary space and require unnecessary spend, redesigning or repurposing other physical assets to improve patient experience and flow, or refocusing services offered at certain locations. It also might mean shedding certain physical assets to instead pay for added social and community-building activities, which are known to improve the overall wellness of seniors. The pervasive theme is a pivot from facility investment to technology, which optimizes a stratified workforce to coordinate care across diverse care settings.
- ▶ **Refresh your organization's strategic vision:** Consider rethinking your funding plan to meet future capital needs for both talent and physical asset transformation, creating and executing on a clear community engagement plan, and re-evaluating R&D credits available to you.

- ▶ **Create innovative ways of raising capital:** Consider divestitures and sales of non-strategic assets, the creation of a joint venture or strategic partnership, or more creative means like pooling assets to fuel new innovations across the health ecosystem or seeking the Commercial Property Assessed Clean Energy (C-PACE) financing structure.
- ▶ **Invest in change management:** Think through how to position your organization for continued industry disruption and ensure that internal transformations have a chance of success.

Transform your healthcare organization to thrive in the reimagined elder care landscape.

[Learn more](#) about how we can help.

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