EPIC Senior Living

SENIOR LIVING OUTLOOK

2026 AGING SERVICES INSURANCE & RISK LANDSCAPE

RISING TO MEET THE GROWTH GAP

The senior living industry enters 2026 at a critical moment. Population aging is not new, but the pace at which demand is accelerating, combined with historically limited new development, is creating a structural gap the industry can no longer defer. There are now more than 61.2 million adults aged 65 and older, representing 18% of the U.S. population,[1] and the cohort most likely to need housing and care—the 85+ population—is expected to nearly double by 2040.

At the same time, new senior housing construction remains at its lowest level in more than a decade, even as occupancy and absorption continue to rise. Assisted living occupancy reached 87.2% in the third quarter of 2025, while fewer than 1,500 new units were added across primary markets—just 0.7% year-over-year supply growth, the lowest on record since tracking began in 2006.[2] Nearly 60% of markets now have no active senior housing development underway.[2] These conditions underscore a widening supply-demand imbalance that will shape operational, workforce, and capital decisions for years to come.

As these pressures converge, senior living organizations are reevaluating how they operate, invest, and plan for the next decade. The question is no longer whether demand will rise, but whether the industry can expand staffing, infrastructure, and operational capacity fast enough to meet it. At the same time, the insurance landscape is shifting in ways that create opportunity. Several lines of coverage are entering a softening market, creating potential cost savings and improved terms that can be reallocated toward workforce investment, technology adoption, capital improvements, or growth initiatives.

However, growth without protection introduces risk. Staffing models, acquisitions, construction activity, and technology adoption all bring new exposures that must be assessed, transferred, and managed. In 2026, four trends—staffing, M&A, construction, and technology—are shaping how senior living organizations close the gap between demand and capacity while protecting the organization through growth.

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[1] U.S. Census Bureau "Older Adults Outnumber Children in 11 States and Nearly Half of U.S. Counties," June 26, 2025.
[2] NIC MAP "Senior Housing: Five Key Trends to Watch in 2026," Accessed January 8, 2026.

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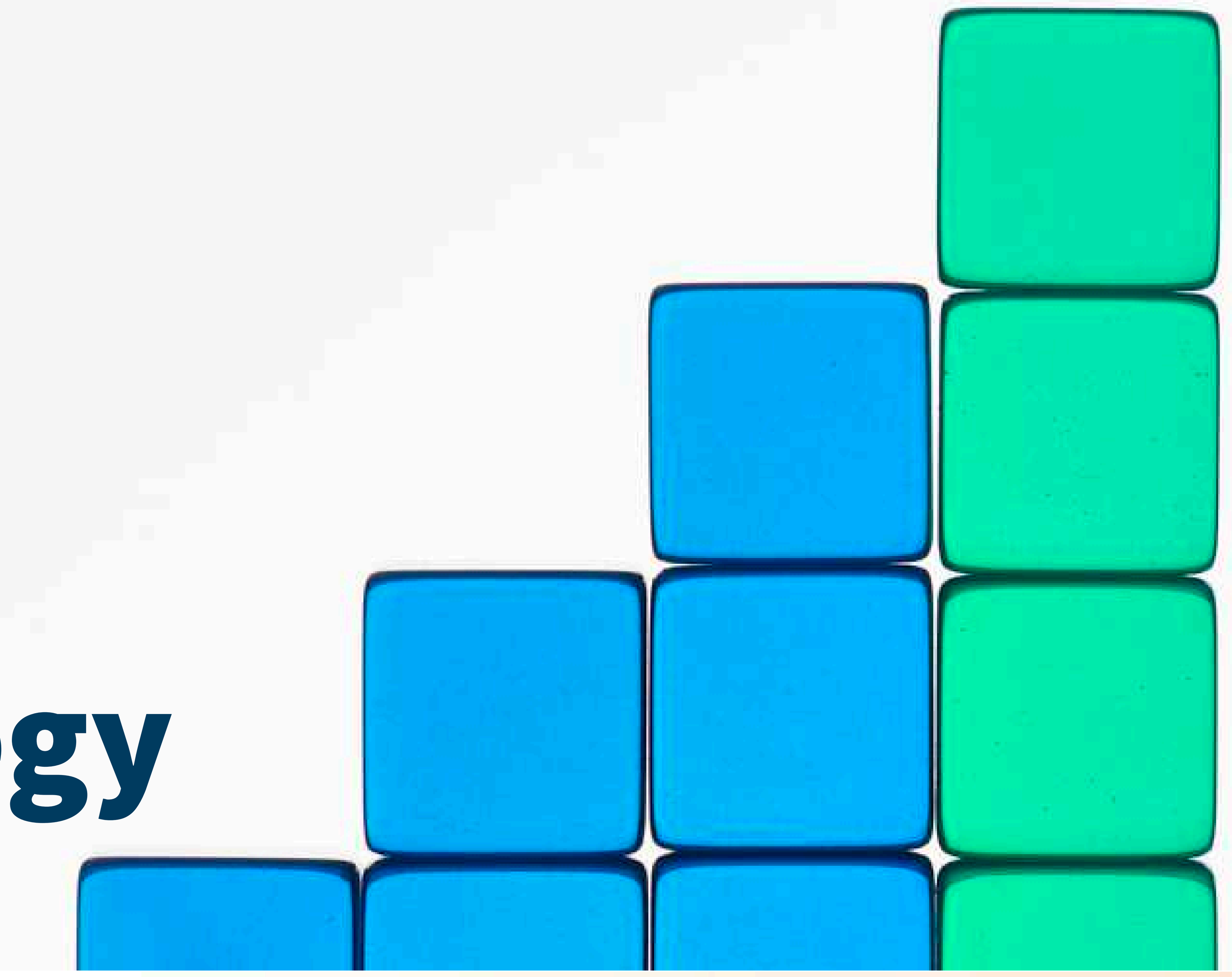
MERGERS & ACQUISITIONS
Scale as a Stability Strategy



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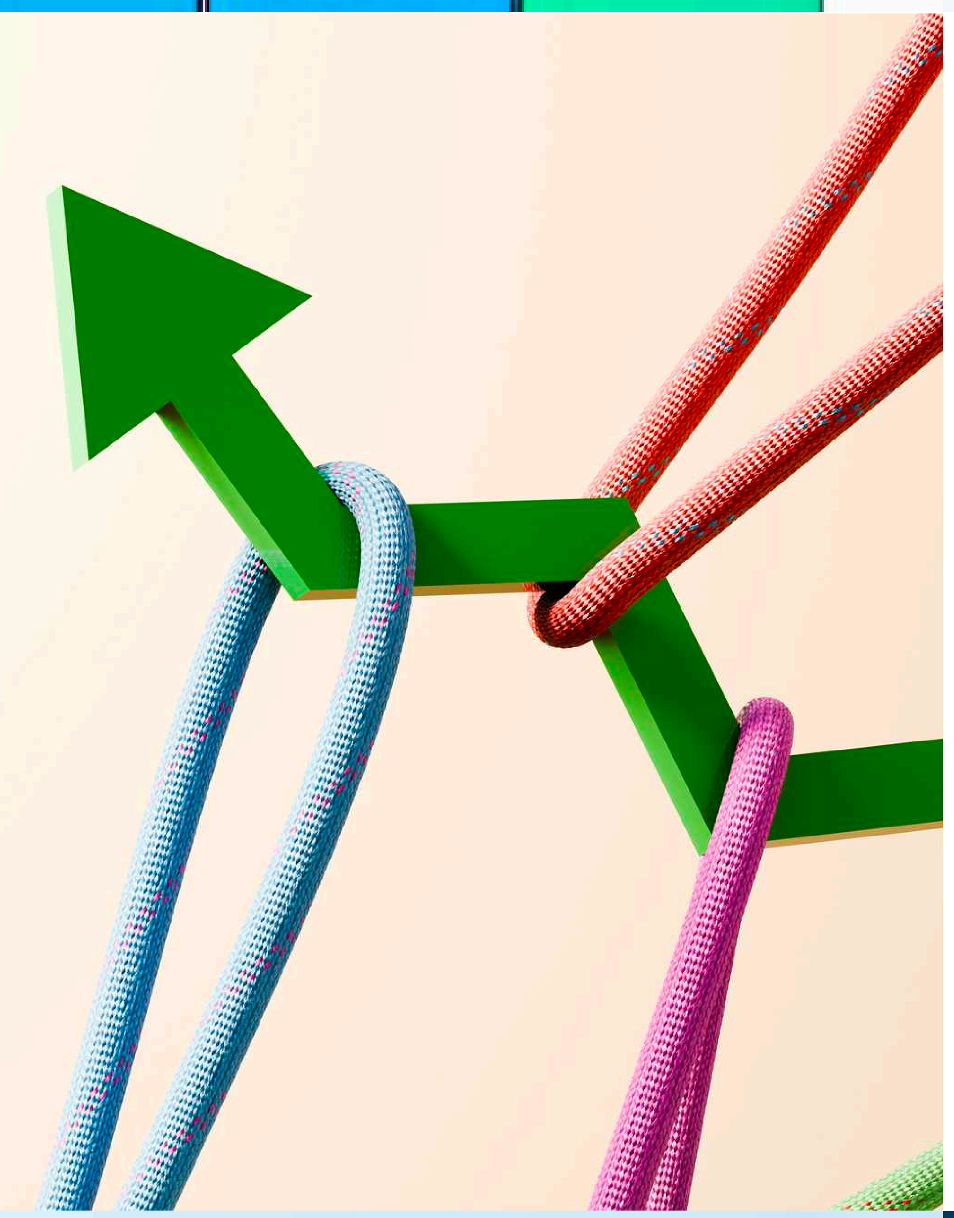
The Persistent, Systemic Constraint



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SCALE AS A STABILITY STRATEGY

PERSISTENT REIMBURSEMENT PRESSURES ARE ACCELERATING SECTOR CONSOLIDATION

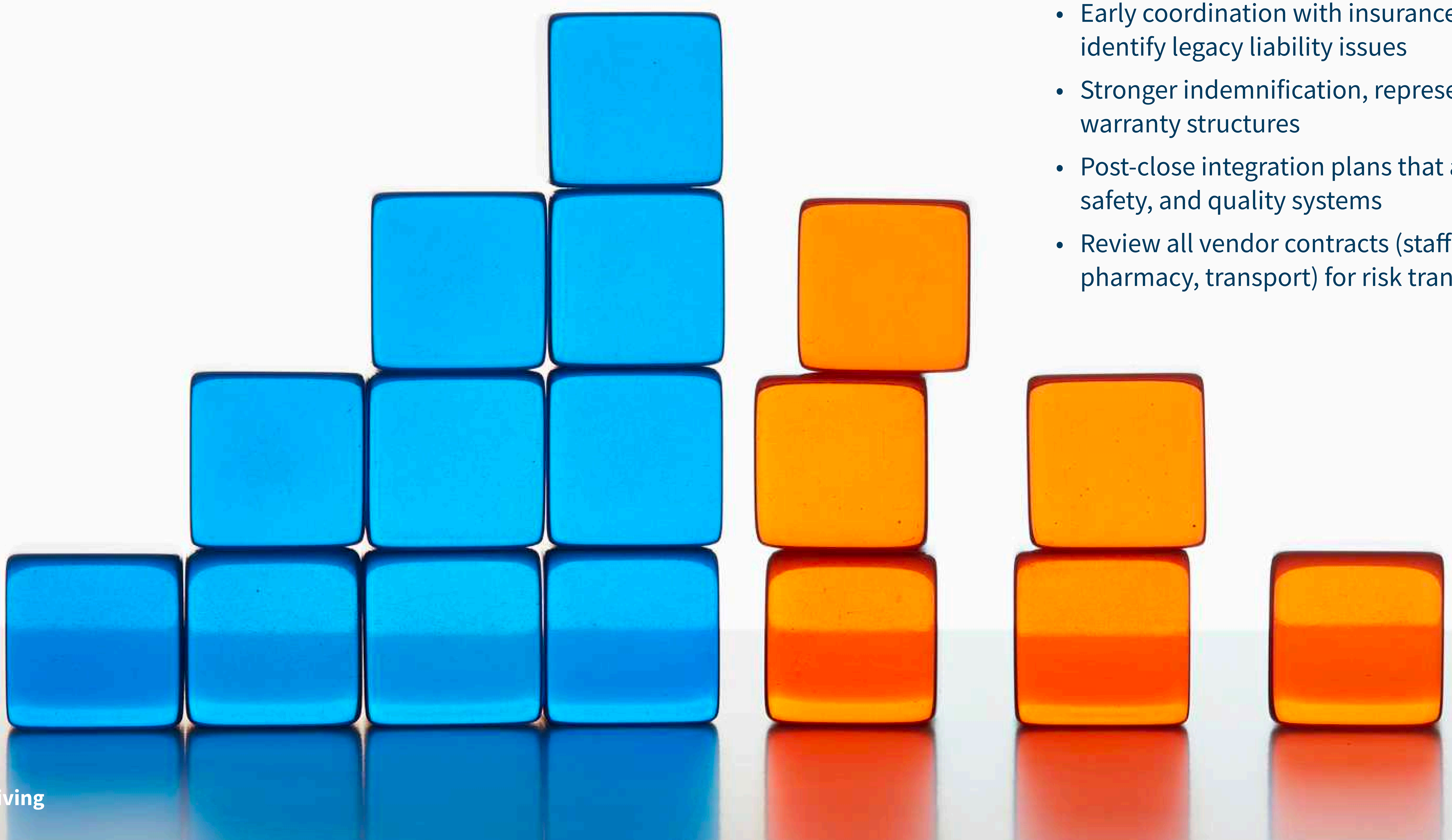
Consolidation continues across the sector, driven especially by financial pressure on skilled nursing facilities. Medicaid margins remain deeply negative nationwide.[3] These reimbursement pressures are driving nonprofit divestitures and operator exits, creating openings for for-profit groups and mission-driven regional operators to acquire and reposition assets. Reimbursement pressure is also expected to persist. The One Big Beautiful Bill Act includes provisions that would reduce federal Medicaid spending by an estimated $900 billion over the next decade,[4] further constraining margins for providers that rely heavily on Medicaid reimbursement and reinforcing the financial pressures driving consolidation.

[3] MedPAC "March 2024 Report to the Congress: Medicare Payment Policy," March 15, 2024.
[4] CliftonLarsonAllen LLP "40th Annual SNF Cost Comparison and Industry Trends Report," Accessed January 8, 2026.

Scale offers meaningful advantages: centralized staffing, purchasing power, expanded clinical capabilities, and capital access. But it also introduces integration risk, inherited liabilities, and contractual complexity.

Strong due diligence during the M&A process is critical across clinical operations, regulatory history, litigation exposure, and workforce practice:

- Early coordination with insurance advisors to identify legacy liability issues
- Stronger indemnification, representation, and warranty structures
- Post-close integration plans that align culture, safety, and quality systems
- Review all vendor contracts (staffing, tech, pharmacy, transport) for risk transfer

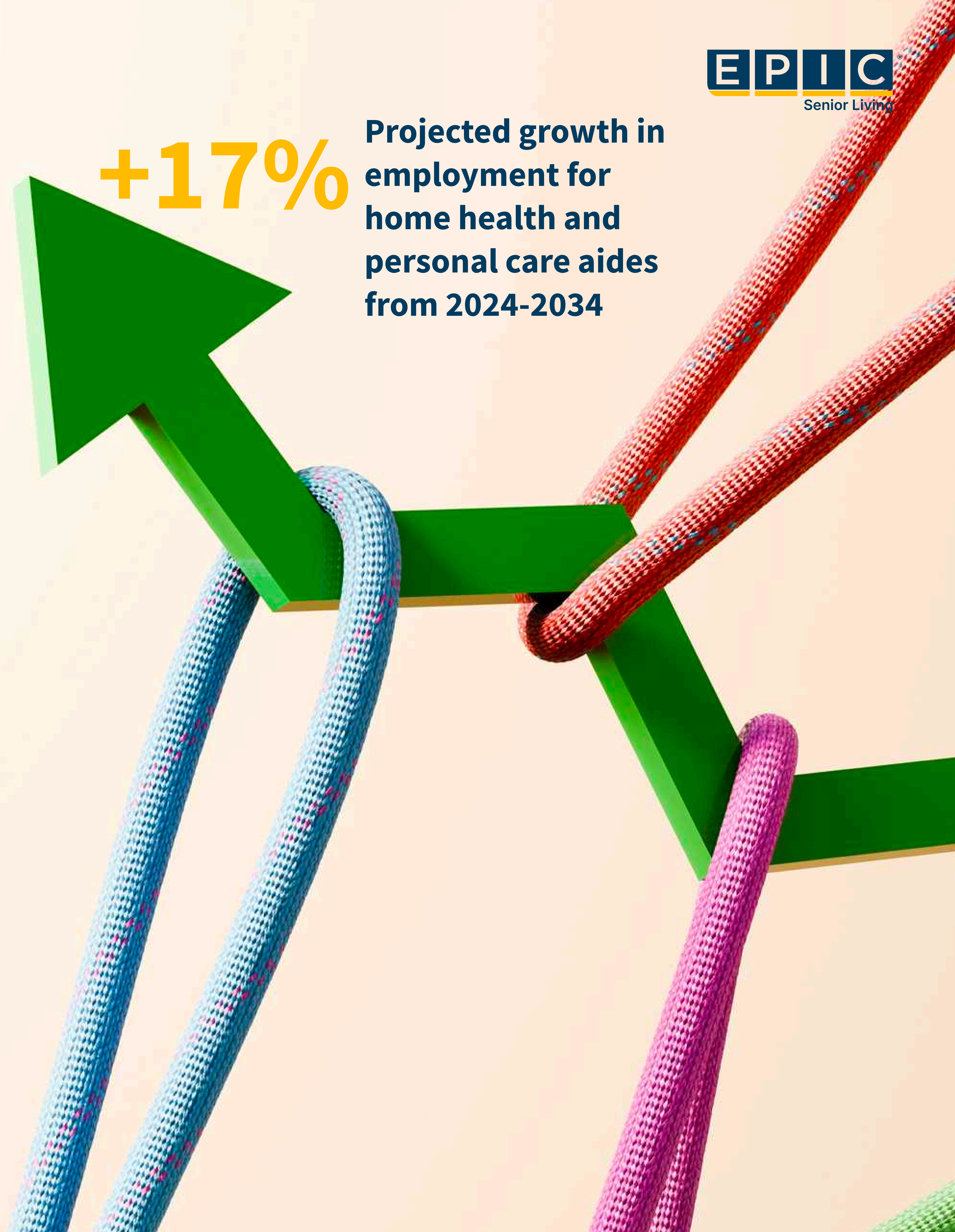


THE PERSISTENT, SYSTEMIC CONSTRAINT

FRONTLINE LABOR SHORTAGES REMAIN STRUCTURAL, INTENSIFYING QUALITY RISKS

Staffing shortages stretch across the care continuum, but the most acute pressure is at the frontline. Employment of home health and personal care aides is projected to grow 17% from 2024 to 2034, with approximately 765,800 openings per year driven by both growth and high turnover.[5] Demand for nursing assistants and other direct care roles is also expected to remain elevated, as aging demographics continue to increase care needs across senior living and long-term care settings.

+17% **Projected growth in employment for home health and personal care aides from 2024-2034**



[5] U.S. Bureau of Labor Statistics, "Home Health and Personal Aides," Accessed January 8, 2026.

STAFFING

Rural markets face the steepest challenges. Fewer local applicants, wage competition from non-healthcare employers, and rising benefits costs make retention difficult. The labor pressure is structural, tied directly to demographics. There are simply fewer younger workers available to replace retiring staff.

Recent regulatory changes may offer operators additional flexibility as they navigate workforce constraints. In late 2025, CMS repealed the proposed minimum staffing requirements tied to hours per resident day and a 24/7 on-site registered nurse mandate for skilled nursing facilities.[6] While quality and oversight expectations remain in place, removing prescriptive federal thresholds gives organizations more discretion to design staffing models that reflect local labor realities, support care continuity, and incorporate technology and role redesign to address ongoing shortages.

Providers reliant on temporary staffing agencies to maintain coverage create additional operational exposures. Communities report higher risks tied to inexperienced or short-term workers, which can affect both resident outcomes and market reputation. Analysis from CLA shows a clear relationship between staffing stability and quality: In 2024, facilities rated one star relied on 8.5% contract labor, compared with just 4.4% among five-star facilities, indicating that higher-rated organizations depend less on temporary staffing and more on permanent teams to support continuity of care and stronger operational performance.[4]

Emerging strategies include:

- Build out training and mentorship programs and cross-functional roles
- Expanding home- and community-based services (HCBS) to absorb rising demand
- Invest in technology that reduces documentation burden and supports new hires
- Create a recruitment strategy that resonates with Gen Z, highlighting tech tools, training pathways, and modern workflows
- Remain competitive in compensation and benefits benchmarking in tight labor markets

[6] Federal Register "Medicare and Medicaid Programs; Repeal of Minimum Staffing Standards for Long-Term Care Facilities," December 3, 2025.

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BUILDING TOWARD DEMAND

RISING DEMAND AND CONSTRAINED NEW SUPPLY ARE DRIVING STRATEGIC, RISK-AWARE DEVELOPMENT AND REDEVELOPMENT

As the aging population grows so does the demand for beds. As of the third quarter of 2025, NIC MAP data reports assisted living occupancy at 87.2% across primary markets, reflecting continued demand growth amid historically limited new supply.[7] But despite the growing need, new construction has not kept pace. High interest rates, elevated materials costs, and narrower margins have slowed development, even as communities prepare for a historic surge in aging adults.

80 Million

Projected size of the 65+ population by 2040

For groups positioned to build, the Builder's Risk insurance market remains favorable for most construction classes, particularly non–stick-frame designs.

In this environment, providers are pursuing both new development and redevelopment strategies. Updating older buildings, repurposing underperforming SNFs, and designing flexible care models that offer opportunities to increase capacity without committing to ground-up construction.

Risk-aware development practices include:

- Early carrier engagement during design and contractor vetting
- Verification of contractor safety programs and clear contractual indemnification
- Evaluating owner-controlled or contractor-controlled insurance programs
- Maintaining higher deductibles that helped secure capacity during harder markets

[7] NIC MAP "Insights on 3Q25 Senior Housing Key Indicators," Accessed January 8, 2026.

61.2 Million

Americans aged 65+ as of 2024 — now 18% of the total U.S. population

EXPANDING CAPACITY
WITHOUT EXPANDING STAFF

SENIOR LIVING PROVIDERS MUST PROACTIVELY ADOPT AND GOVERN ADVANCED CARE TECHNOLOGIES

Technology adoption has evolved from a long-term aspiration to an immediate operational necessity. AI-enabled documentation tools, predictive analytics for fall risk and health events, wound care monitoring software, and sensor-based observation systems are expanding care capacity and mitigating risk exposures, without expanding staff.

32% of Aging Services organizations plan to implement automatic fall detection technology in the next 12 months

Wearables and monitoring devices are especially promising, offering real-time health insights and automated alerting. While these tools reduce the likelihood and severity of traditional claims such as falls and wound care, they simultaneously increase technology and system failure risks for the organization. If a device fails and a resident is harmed, liability may fall on the operator, the vendor, or both, depending on contract terms and monitoring expectations.

Senior living communities implementing or expanding technology should review:

- Vendor warranties, service levels, indemnification, and cybersecurity terms
- Alert-response protocols and assigned responsibilities; develop fail-safe protocols for outages
- Carrier notification when adopting high-impact technologies
- Train staff on documentation workflows to avoid gaps between human and automated systems

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2026 INSURANCE MARKET COVERAGE CONDITIONS

SOFTENING INSURANCE MARKETS ARE CREATING MEANINGFUL OPPORTUNITIES FOR SENIOR LIVING OPERATORS TO IMPROVE COVERAGE, ENHANCE TERMS, AND OPTIMIZE COSTS ACROSS MOST LINES

Many lines of coverage are entering a soft or softening phase, creating new opportunities for senior living operators to reevaluate limits, costs, exclusions, and more.

- **Property** – Moderate relief is emerging, with potential for flat or decreasing rates in non–CAT-prone areas. Higher deductibles will likely remain.
- **GL/PL and Excess** – Assisted living and independent living with favorable loss histories are seeing increased carrier appetite and more stable pricing. Skilled nursing remains more cautiously underwritten but benefits from softer market conditions.
- **Workers' Compensation** – Remains one of the softest lines, with strong carrier participation and competitive pricing.
- **D&O, EPL, Crime** – Conditions remain soft with opportunities for improved terms.
- **Cyber** –Multi-factor authentication, endpoint detection, and continuous monitoring are now minimum requirements. Smaller senior living operators remain prime targets for cybercriminals, but soft market remains.
- **Auto** – Rates continue to rise due to nuclear verdicts and sustained severity trends.
- **Builders Risk** – Favorable capacity continues for most construction types except the lowest-quality classifications.

CONCLUSION

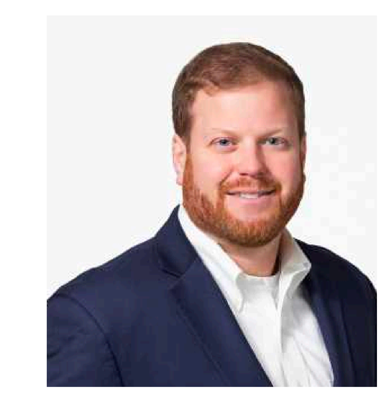
PREPARING FOR THE DECADE AHEAD

The demographic wave is here. Rising demand, constrained staffing, and uneven reimbursement will continue to shape senior living. But these challenges also present significant opportunities. Organizations that proactively build workforce strategies, invest in technology, pursue disciplined growth, and leverage favorable insurance conditions will be best positioned to meet the needs of the next generation of aging adults.

CONTACT US

EPIC Senior Living is the broker and program administrator of Aging Services Insurance, a LeadingAge & EPIC insurance program, exclusive to LeadingAge members.

Contact us for an evaluation of your insurance program and access to our carrier panel, built to reduce your costs.



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