2026 healthcare trends outlook part 1:

Preparing care facilities for the changing workforce and regulatory landscape

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Turning signals into strategy

As we look toward 2026, care facilities stand at the intersection of demographic upheaval, tightening labor markets and a shifting regulatory environment. Last year we anticipated how facility leaders would harness data-driven decision-making, rethink workforce models and deepen community connections. Those themes remain, but the stakes are higher.

A generational retirement wave, policy uncertainty and evolving reimbursement models mean that operators must transform from reactive managers into proactive strategists. This first installment of two surfaces the signals that matter most—and offers practical moves you can use now.

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Workforce and skills: Navigating a generational shift

An exodus of property management experience

The facilities building management workforce is aging. Analysts warn that as many as 40% of building managers will retire by 2026, creating a shortage of more than 158,000 positions across the sector. The average facility building manager is nearly 50 years old, many of whom carry decades of institutional knowledge about building systems, regulatory compliance and crisis management. Losing them means losing on-the-job expertise at a time when senior-care occupancy is rising and facilities are under pressure to do more with less.

Recruiting and upskilling for a digital age

Replacing retiring workers isn't as simple as posting jobs. Demand for property managers who can blend traditional building operations with modern technology is surging. Industry observers note that managers who embrace automation and data analytics can transform repetitive tasks into value-added insights.

The shift toward smarter buildings requires leaders who understand Internet-of-Things (IoT) sensors, predictive maintenance, telehealth infrastructure and energy-management systems.

Investing in training and credentials for existing workers around cyber hygiene and infection-prevention protocols is essential, particularly because **72% of healthcare organizations that experienced cyberattacks reported disruptions to patient care.** Up-to-date cyber security training ensures your team can safely implement new digital tools while meeting regulations and care requirements.

Cooling labor markets and tightening talent pools

The overall U.S. labor market is still growing, but at a slower pace than in previous years. Economists surveyed by Bloomberg project that employment will expand by about 71,000 jobs per month through the end of 2026, a drop of roughly 20,000 jobs from earlier forecasts. Senior-housing occupancy continues to climb: 88.7% in Q3 2025, the 17th consecutive quarterly increase, and industry experts expect it to surpass 90% by the end of 2026.

Skilled nursing shows the same upward trend, with SNF occupancy reaching 85.3% in August 2025, the highest level since early 2020, according to NIC. These rising census levels signal tighter labor conditions ahead and heighten the need for cross-training, local pipeline development and flexible access to credentialed professionals.

A tight labor market means fewer available caregivers at a time when demand for long-term services is growing. Facilities should cultivate local talent pipelines, invest in mentorship programs for younger workers and embrace flexible workforce models that include independent professionals. This is not about replacing full-time team members; it's about building resilience so that residents receive consistent care even when gaps occur.

Harnessing independent professionals and data-driven scheduling

Independent professionals, including licensed nurses, certified nursing assistants and other specialists, are an important part of the LTC workforce. Their flexibility allows facilities to address short-term surges. During the pandemic and in natural disasters, ShiftKey's marketplace connected facilities with credentialed clinicians when and where they were needed.

As noted in a 2024 blog post, we believe empowering facilities to make strategic, data-driven workforce decisions is essential for sustaining quality care. Modern scheduling platforms can see supply and demand in real time, facilitating adequate coverage while providing transparency around cost. Leaders who harness these platforms can turn workforce management from a chronic pain point into a strategic advantage.

Recommendations for facility leaders

Start succession planning now. Identify key positions likely to be vacated in the next three years and develop internal talent pipelines. Capture institutional knowledge through mentorship, job shadowing and digital documentation.

Invest in continuous training. Prioritize certifications in cybersecurity, infection prevention and modern building systems. Continuous learning is not optional; it is required for staying ahead.

Leverage flexible workforce models. Partner with trusted marketplaces to access independent professionals, and access a pool of untapped talent.

Promote a culture of innovation. Encourage those on the frontline to suggest process improvements and be transparent about how technology will support their roles, not replace them. According to a 2025 survey, the percentage of nurses who believed AI would negatively impact their jobs fell from 64% in 2024 to 38% in 2025, and 85% actually indicated they want more AI training. Engagement begins with education.

Policy and regulation: Staying ahead of a shifting rulebook

The future of the independent-contractor rule

Early in 2025, the U.S. Department of Labor announced it would stop enforcing its 2024 independent-contractor rule and revert to pre-2024 guidance while developing a new standard. The agency signaled that a more balanced rule is coming that will likely combine elements of the economic-reality test and the 2021 rule.

The current environment has expanded the options available to facilities. Innovative workforce models that allow professionals to choose when and where they work are becoming increasingly recognized and normalized in public policy discussions, especially as leaders look for sustainable solutions to persistent workforce shortages. For operators, this means greater room to adopt models that support continuity of care, empower professionals and meet shifting patient needs, all while staying aligned with the evolving regulatory landscape.

Payroll-Based Journal (PBJ) enforcement intensifies

The Centers for Medicare & Medicaid Services (CMS) updated its PBJ Manual in June 2025, introducing stricter reporting requirements: Facilities may not report more than 22.5 hours of work per day per individual, and only hours worked on-site may be submitted. These caps eliminate inflated hour reporting and underscore CMS's emphasis on transparency.

The manual also clarifies that nursing hours must align with earnings paid and encourages facilities to maintain detailed workforce records for audits. As PBJ data becomes a leading indicator for survey scrutiny and enforcement, operators should validate timekeeping systems, reconcile schedules with payroll and consider third-party audits to ensure accuracy.

Sustainability mandates and ESG expectations

Sustainability isn't just an investor expectation; it's increasingly aligned with the changing physical-plant demands of today's patients. Residents entering SNFs and senior-care communities have higher acuity, greater mobility-support needs and more complex clinical requirements than a decade ago. That shift places pressure on HVAC systems, ventilation, infection-control design and energy load. Modernizing physical plants now supports both clinical safety and operational resilience.

Federal ESG initiatives have stalled, but many states continue to adopt environmental mandates tied to energy efficiency and emissions reductions. A recent PwC survey also found that **79% of institutional investors say a company's handling of ESG risks and opportunities is important** to their investment decisions.

The encouraging news for operators is that the 2025 BBBA tax package expanded several capital-investment incentives, including accelerated depreciation, energy-efficient building deductions and bonus-depreciation extensions for qualifying upgrades. These provisions help reduce after-tax costs for HVAC improvements, high-efficiency lighting, insulation and smart-facility systems.

Integrating sustainability efforts directly into capital-planning cycles, tracking energy and water usage, and using available tax incentives to modernize aging infrastructure are improvements that enhance resident safety, reduce utility costs and determine access to capital and competitive positioning.

A proactive compliance strategy

Regulatory uncertainty demands focus, but under the current administration, operators have more flexibility and clearer pathways to demonstrate good-faith compliance when they stay aligned with CMS's highest-priority clinical standards.

Elevate discharge planning. CMS has renewed its attention on safe, person-centered transitions. Facilities should ensure discharge plans are updated in real time, include caregiver input and reflect each resident's post-acute needs. Stronger discharge practices not only improve outcomes but also reduce readmission risk and build trust with referring hospitals.

Strengthen medical director engagement. Recent CMS guidance underscores that the medical director's role is central to oversight of clinical policies, quality programs and the implementation of evidence-based practices. Facilities should ensure the medical director is actively involved in care reviews, QA initiatives and interdisciplinary meetings.

Sharpen unnecessary-drug reduction efforts. CMS continues to target inappropriate antipsychotic medication use, encouraging non-pharmacological interventions. Operators can lean into behavioral health training, root-cause analyses after every medication review and partnerships with psychiatric specialists. Demonstrating a thoughtful, documented approach goes further today than rigid compliance checklists.

Simply, CMS is asking for intentionality, transparency and thoughtful alignment with resident-centered care. When operators use regulatory guidance as a framework instead of a burden, they create safer environments, stronger clinical partnerships and more resilient organizations.

One Big Beautiful Bill

The One Big Beautiful Bill Act (OBBBA), signed July 4, 2025, reshapes financial expectations for skilled nursing. While operators watch for Medicaid pressure as federal contributions tighten, OBBBA also creates meaningful tax advantages that can strengthen liquidity. As McKnight's noted in a recent article, it opens "one of the most significant tax planning windows we've seen in years."

The law makes the 20% Qualified Business Income deduction permanent, improving long-term planning and after-tax cash flow for pass-through SNFs. It also restores 100% bonus depreciation, allowing full expensing of new equipment and building improvements, an advantage for capital-intensive providers modernizing aging plants. Finally, interest-deduction reforms may lower borrowing costs by allowing operators to deduct more of their interest expense.

These incentives help offset some of the uncertainty tied to slower Medicaid rate growth and increased coverage churn. Operators who use this tax window to reinvest in facilities, technology and quality-of-care improvements while modeling payer mix shifts will be better positioned to navigate the next phase of reimbursement volatility.

Action items for financial resilience

Negotiate value-based contracts. Engage MA plans to create mutually beneficial agreements that reward quality outcomes and share risk. Track star-rating performance metrics and partner on improvement initiatives.

Audit Medicaid supplemental payments. Ensure that state-directed payment agreements are thoroughly documented and meet federal guidelines.

Model various reimbursement scenarios. Conduct sensitivity analyses to understand the impact of potential federal spending cuts or enrollment shifts. Use those insights to adjust capital plans and workforce strategies.

Reimbursement and payment trends: Preparing for financial headwinds

Medicare Advantage (MA) continues to expand

CMS projects that about 54% of all Medicare beneficiaries will be enrolled in Medicare Advantage (MA) plans in 2026, reflecting continued growth in managed-care participation. The agency finalized an average 5.06% increase in plan payments for 2026, driven by a 9.04% effective growth rate and technical adjustments to the risk-adjustment model.

For quality measurement, CMS will reduce the weight of patient-experience and access measures from four to two in the 2026 Star Ratings and begin incorporating a Health Equity Index Reward that emphasizes outcomes and disparities reduction. For long-term-care operators, these shifts mean that future contracts with MA plans will hinge even more on measurable clinical results, equity metrics and data transparency, making early alignment on reporting and care-coordination strategies essential.

Medicaid state-directed payments under scrutiny

CMS's 2025 guidance on state-directed payments (SDPs) revealed a dramatic escalation in these supplemental payments: from just two states using SDPs in 2016 to 39 states in 2025, with projected spending of **$124.3 billion** in FY 2025 and **$144.6 billion** in FY 2026.

While SDPs provide much-needed funding for Medicaid providers, they are now subject to heightened federal oversight to ensure transparency and alignment with Medicare fee schedules. Operators receiving SDPs must maintain meticulous documentation of provider agreements and demonstrate that supplemental payments support access and quality improvements.

Time for optimistic realism

The challenges of retirement waves, regulatory flux and financial headwinds are formidable. Yet they also present an opportunity to reimagine how senior-care facilities operate. Technology can play a central role, but it can't solve every problem. Success will come from those who blend innovation with empathy, who invest in people as much as in systems and who aren't afraid to question longstanding assumptions.

In my conversations with facility operators, I often urge a balance of optimism and realism. We should be optimistic about our ability to leverage data, partnerships and new models to improve care. We must also be realistic about the demographic and fiscal pressures we face.

By planning ahead (training workers, embracing flexible workforce models, staying ahead of regulatory changes and understanding evolving reimbursement), care leaders can navigate the coming year and build a foundation for sustainable growth.

Stay tuned for Part Two of our 2026 trends outlook, where we'll dive into technology transformation, cybersecurity, climate resilience and building maintenance innovations shaping the long-term care landscape.

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