



Medical Fitness Industry Update



In early 2020 a novel coronavirus, COVID-19, caused a global pandemic. Populations in industrialized nations like the United States were particularly impacted with hospitalizations and mortalities. To mitigate the virus's spread most states ordered public places - from parks to “non-essential” businesses, such as restaurants, and gyms - closed.

As of May 2020, most of the United States' 40K commercial fitness facilities remain closed, impacting 80 million consumers and 900,000 employees. The industry's \$32 billion in annual revenue will be significantly reduced, leaving many locations no option but bankruptcy or permanent closure. The future of commercial fitness operations is uncertain.

While bolstered by larger institutional ownership, the medical fitness industry is facing similar challenges in uncharted territory, while their core business financials have also been significantly impacted. To help find a way forward, Power Wellness surveyed medical fitness professionals in March 2020.

BACKGROUND & RESULTS

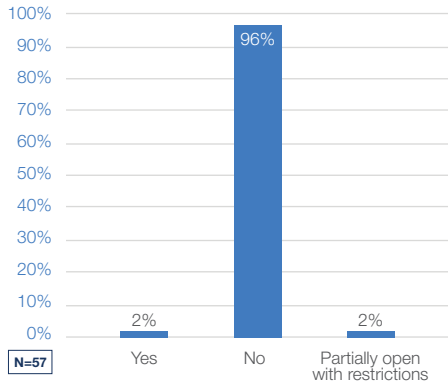
Survey responses were received from 57 locations across 12 states addressing:

- Center Status (Open / Partially Open / Closed)
- Workforce and member engagement strategies and tactics
- Plans for handling pre-paid memberships
- Weekly estimated annual losses
- Planned re-opening timeline

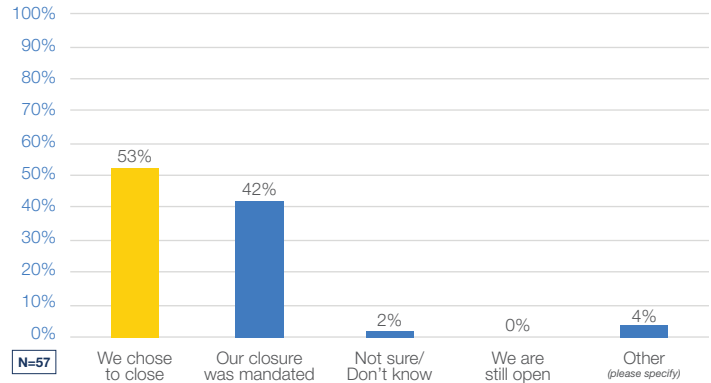
Key Findings:

- Medical fitness centers prioritized safety by closing earlier than the industry. 53% chose to close prior to government / public health mandates.

1. IS YOUR FITNESS CENTER OPEN?

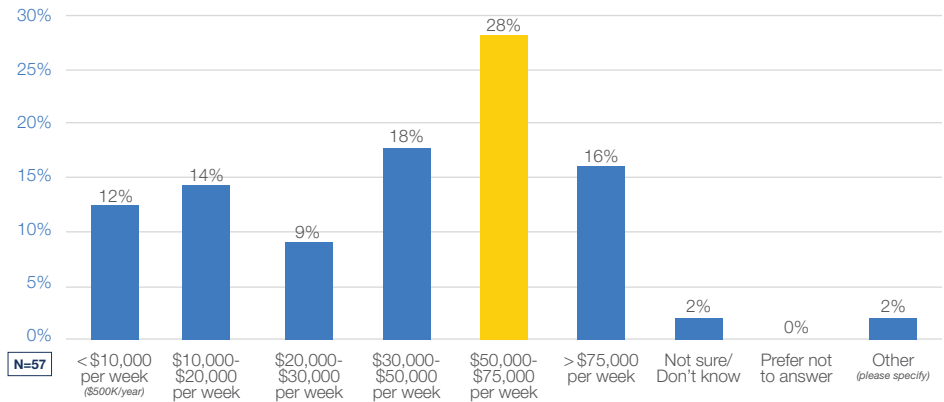


2. WHAT PROMPTED YOUR CLOSURE?



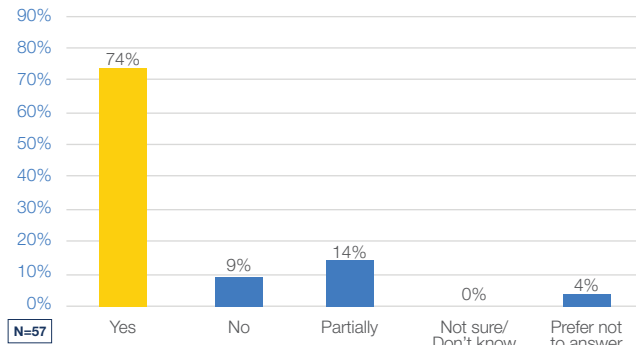
- All centers are losing revenue, and the largest group (28%) reported \$50K - \$75K in weekly losses. Most locations did not know if losses would be reimbursed by Business Interruption Insurance.

3. DURING THIS CLOSURE, WHAT ARE YOUR EXPECTED LOST REVENUES PER WEEK?

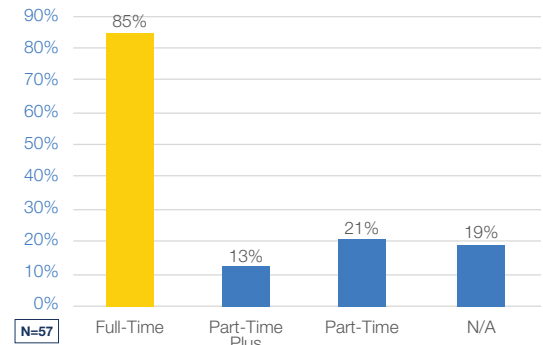


- Despite lost revenues, 74% continued to compensate at least some (most likely full-time) employees while closed.

4. ARE YOU COMPENSATING EMPLOYEES WHILE CLOSED?

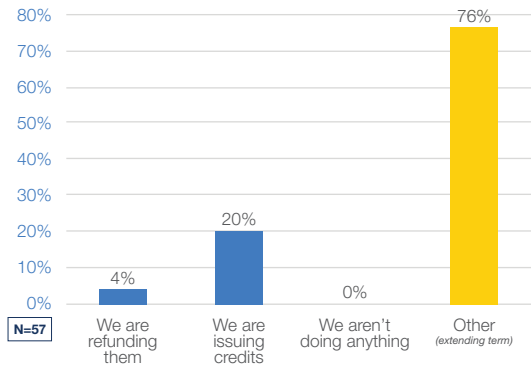


5. WHICH EMPLOYEE GROUPS ARE BEING COMPENSATED?

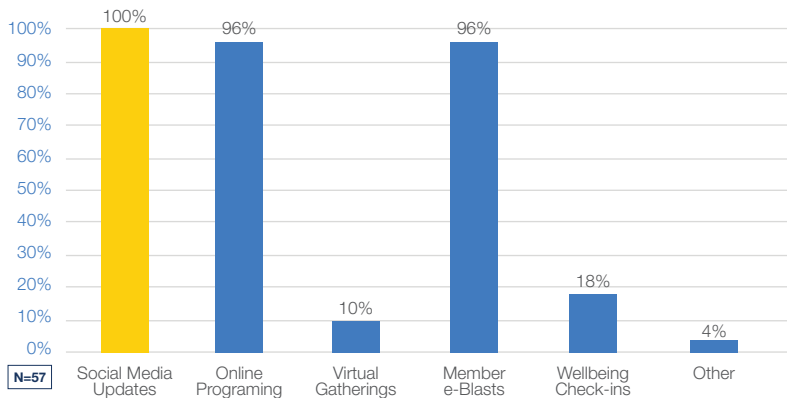


- Member engagement while closed included offering dues credits, digital media and online fitness programming.

6. HOW ARE YOU HANDLING PRE-PAID MEMBERSHIPS WHILE CLOSED?

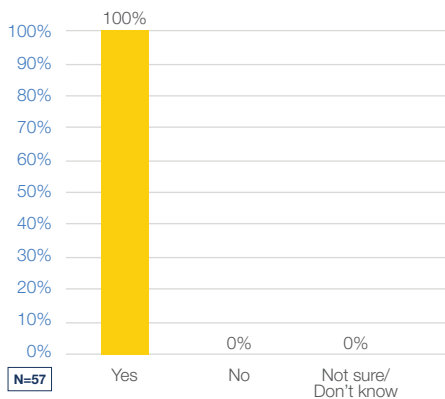


7. WHAT MEMBER ENGAGEMENT STRATEGIES ARE DEPLOYED WHILE CLOSED?



- Centers all plan to reopen once it is safe to do so prioritizing member safety and following public health / governmental timing guidelines.

8. DO YOU PLAN TO REOPEN?



To summarize:

- Centers prioritized member and staff safety by voluntarily closing during the COVID-19 pandemic.
- Centers quickly pivoted to digital channels, offering online fitness programming and frequent social media updates to keep people engaged.
- Centers are primarily concerned about long term lost revenue, maintaining membership and re-staffing under the “new normal”.

PUTTING IT ALL TOGETHER: WHAT MIGHT THE FUTURE HOLD?

Medical Fitness Centers offer many of the same amenities as a commercial gym – cardio and strength training equipment, group exercise, lap pool and locker rooms; however, that’s where the similarities end:

Medical Fitness Centers Offer More, For More People

- Focus on the at-risk, deconditioned population or 75% not enrolled at a commercial fitness center
- Particular attention paid to the 50% living with at least one chronic condition
- Operations emphasize the highest levels of quality and safety

Dedicated to Measurably Improving Population Health

- Standards based on the Medical Fitness Association and/or American College of Sports Medicine (ACSM)

- Physician champions drive programming via a Medical Advisory Committee
- Connected with Electronic Health Records systems to improve patient care pathways
- Data managed within a HIPAA compliant environment

Promotion and Communication

- Leverage sophisticated consumer segmentation models to target at-risk, deconditioned population
- Rely on physician and healthcare provider referrals based on data-driven outcomes
- Integrated with 3rd party payors including Medicare Advantage Plans to improve health

No one knows how – or when - the COVID-19 pandemic will end. Epidemiologists and public health experts have modeled a variety of scenarios. We do know that our world has fundamentally changed. The public will be asked to follow preventive activities (social distancing, wearing face masks, crowd avoidance, etc.) until a vaccine is developed, or an effective treatment becomes available, and widespread testing is administered.

Health and Wellness Rise to the Forefront

There are numerous lessons to be learned from this pandemic, many of which will create permanent and positive shifts in our perceptions of health and wellness. Now, more than ever, medical fitness centers have an important role to play:

- Based on information from the CDC, it is clear that people with chronic conditions were more significantly impacted by COVID-19. Prescriptive

fitness programs under physician referrals can help improve these individuals physical and mental preparedness for this and future, inevitable new viruses.

- Our most vulnerable populations (seniors, minorities, economically disadvantaged, preexisting conditions, immunocompromised) are also the most at risk for chronic illnesses. Medical fitness centers integrate fitness and wellness into these communities, offering gathering places for educational offerings and providing programs, both physical and virtual.
- A focus on prevention and wellness will save individuals and insurance companies from more costly and often preventable procedures, and improve quality of life. Properly programmed, physician-driven medical fitness centers must be part of the healthcare system.

To learn more about

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