McKnight's

Dealmaker's 2019 Handbook

Your essential guide to capital

Optimism on account

Investors poised at the cusp of a huge wave of demand

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MARKET INSIGHT

Opportunities ahead

Rewards await disciplined, patient investors

Photo: Hinterhaus Productions/Taxi /Getty Images Plus

By Lois A. Bowers

Second-quarter occupancy in senior living — including independent living and assisted living — was at its lowest point since the second quarter of 2011, according to the National Investment Center for Seniors Housing & Care.

Look only at assisted living and the current picture seems even more bleak: Occupancy was at its lowest point since NIC began collecting data in 2006. Skilled nursing occupancy, meanwhile, was basically flat, dropping very slightly, from 86.8% to 86.7% in the quarter, according to numbers released in July.

The news is enough for any operator, developer or investor to reach for the aspirin. A look at other NIC data, as well as discussions with experts from NIC and elsewhere, however, give hope.

The skilled nursing sector continues to be leveraged in many ways by Centers for Medicare & Medicaid Services and certificate of need requirements, bed moratoriums and the growth of managed care. It also is feeling pressure from other parts of the care continuum, said NIC Senior Principal Bill Kauffman. But "over the past year, and specifically since June 2018, we've seen some stabilization, and we've actually seen an uptick in occupancy," he noted.

Nursing home occupancy had its first year-over-year increase since January 2015 in the first quarter, according to NIC's latest Skilled Nursing Data Report, which was released in June.

"Most likely, the demographics are at play somewhat, because for a couple of years, the demographics were not growing like they were over the past year," Kauffman said.

Skilled nursing and senior living industry players are eagerly anticipating the "silver wave" of baby boomers, although the oldest boomers are "only" turning 73 this year, and the youngest are turning 55. That anticipation, however, is thought to have been a contributor to inventory growth that resulted in oversupply in some markets, especially in assisted living. But construction starts appear to be slowing now in independent living and especially in assisted living.

"In the next seven to 10 years, we're going to see that demographic growth expand tremendously, knowing that we've got a good 20 years of strong demographic growth ahead of us," said NIC Senior Principal Lana Peck. It's so strong "that if we continue inventory growth at the same rate that we've been recently, even though it's been strong, we still probably will not be able to have enough units to really serve all

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Photo: Pattanaphong Khuankaew / EyeEm/Getty Images Plus

Some experts predict today's strong inventory growth rate won't be enough to serve the oncoming surge of seniors.

those seniors who are coming through the pipeline," she added.

Near-term steps

Shorter term, "we should start to see occupancy rates starting to rise in some of those markets that have seen some of the highest levels of construction," she said.

Many factors go into predicting when demand will peak, Green Street Advisors Senior Analyst Lukas Hartwich pointed out.

"Realistically, the demand wave is more likely to gradually filter in over several years as opposed to step function up in a given year," he said. "That being said, we should start to see larger percentage gains in demand by the mid-2020s."

NIC's one-year forecast, through the middle of 2020, shows independent living occupancy remaining fairly flat, with a slight uptick in assisted living occupancy, noted NIC's Chuck Harry.

Long-term opportunities

The industry needs to determine whether and how to change to serve the baby boomers in the coming aging wave, Peck said.

"We know that they are more diverse than previous generations," she said. "They've saved less than previous generations. Their tastes and interests are different than previous generations. We don't really know exactly the right product mix — with the right setting, the right price points, the right design, the right partnerships — that it's going to look like in the next 10 to 20 years. It's an evolving industry."

Some continuing care retirement communities have seen success attracting "younger old" adults through various efforts.

"Some of them are still able to draw in a slightly younger crowd — in the upper 70s," Peck said.

Efforts have included renovating, changing programming or adding single family homes or cottages or different types of apartment designs that are more independent, as opposed to apartment buildings.

Some of those communities, Peck said, focus their marketing efforts more on lifestyle aspects of senior living rather than on "care."

Urban development also increasingly is being looked at by investors, developers and operators as a potential growth area, Peck explained.

Eighty percent of baby boomers who live in large cities want to keep living there after they turn 80 — either in their current homes or someplace nearby, according to the results of the 2017 Aging in Cities survey commissioned by real estate investment trust Welltower.

"There are lots more opportunities for mixed use than there were before in more urban areas," she said. Rather than entitle an office building, Peck said, "[a] lot of municipalities would prefer to entitle mixed-use properties, which may include some retail, some intergenerational housing, some seniors housing and medical."

The good news, Harry predicted, is that boomers will look more favorably on congregate housing than predecessors did.

"The vast majority of [senior living] residents continue to be women, and it was the boomer generation where the women entered universities and colleges with a great vengeance," he said. "So this is a generation that is more acclimated to communal living, by a long shot, as compared to prior generations. I would imagine that presents the sector great opportunity."

At least in principle, Peck added.

Seeking middle ground

"We have the issue of current price points in seniors housing that will need to be addressed, and the sector will have to find profitable ways to serve that


Photo: Lucy Lambriex/Taxi/Getty Images Plus

Developers and service providers must find the right service mix.

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whole generation," she said.

A recent NIC-funded study estimated that 54% percent of the 14.4 million middle-income older adults in 2029 in the United States will lack the financial resources to pay for senior housing and care. A combination of public and private efforts will be needed to address the potential crisis, said the researchers, who published their findings in the journal *Health Affairs*.

"Certainly technology and home health can help a little bit with that," Peck said. "But these folks are more social, and they're more apt to be interested in living among like-minded people and staying very active in life."

Active adult communities may provide one answer.

Such lifestyle-focused communities represent a "significant disruptor" to traditional senior housing, said Zach Bowyer, senior managing director at CBRE. Independent living and assisted living are the segments of senior housing and care that are most appealing to investors right now, according to CBRE's Summer 2019 U.S. Seniors Housing & Care Investor Survey, but interest in active adult communities is increasing.

Bowyer defines "active adult" as the space between 55+ communities and independent living. Such communities, he said, are designed similarly to independent or assisted living communities in terms of percentage of common space and unit designs, but they have flexible space instead of commercial kitchens and full dining.

Another difference is that services — transportation, laundry, meals, assistance with activities of daily living, and care — are outsourced, so residents pay only for what they need. From a psychological and financial perspective, the difference may make it easier for people to move before they need services. That's good news for independent living especially.

Photo: DivVector/ DigitalVision Vectors/Getty Images Plus

Baby boomers will supply tailwind to demand projections, but investors are cautioned to temper expectations because of possible offsetting factors.

> **"We should start to see larger percentage gains in demand by the mid-2020s."**
>
> Lukas Hartwich, Green Street Advisors

"That is resulting in people moving in three to five years earlier" than they otherwise might move into an independent living community, Bowyer said. "But it's typically the same person. They're getting them a little bit early, but it is for the most part what would otherwise be an independent living resident."

Active adult communities may represent an opportunity as well as a challenge for traditional senior living, however, as their potential is attracting traditional multifamily investors who like that active adult communities are less "operationally intensive," he said.

"I think what's working the best is when they're partnering," Bowyer said, referring to multifamily developers and senior housing operators. "They really get a great understanding of the various components."

A caveat to senior housing operators, however, is that returns from services may not be realized if those services are outsourced, he said.

Managing expectations

Green Street Advisors' Hartwich recommended that those in traditional senior housing and care "continue to focus on its strengths, which include cost efficiency for an equivalent level of care, as well as the health benefits that come from the social aspects of communal living."

They also should temper financial expectations because much new demand will be met with supply, he predicted.

"While senior housing is likely to enjoy strong secular demand tailwinds as baby boomers age, it's important for the industry to be realistic about the impact on financial returns," Hartwich said.

Regardless of housing models that may emerge or evolve, and regardless of new technology that may be developed to make it easier for older adults to age in place and receive care and services at home, the need for residential senior housing and care settings will continue for the foreseeable future, NIC experts predict.

"There's a portion of that demographic now, and most likely in the future, that's going to need some kind of care," Kauffman said. "They're going to have too many conditions to be able to be taken care of in the home, even though they would certainly love to be."

Some of that advanced-level care will be provided in skilled nursing facilities, he said. Senior housing could be able to serve at least some of those needs as well, Peck explained, citing changing rules for Medicare Advantage plans and moves by senior living operators to form or join such plans.

"The idea is to be providing care in the right setting in the right amount in order to really start to reduce costs across the system," Peck said. "It's still pretty early to say how it's all going to shake out with Medicare Advantage and seniors housing, but I do think there are some indications … we'll be providing more care in people's homes, which can include the assisted living or independent living level." ■

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Here's what I'm telling my members ...

"The seniors housing and care sector continues to evolve in response and anticipation of major economic, regulatory and demographic shifts. NIC sponsored a groundbreaking independent study conducted by NORC at the University of Chicago. It found that fewer than half of America's middle-income seniors will be able to afford the $60,000 average annual costs of seniors housing and out-of-pocket medical costs in 2029.

At the same time, changes in healthcare payment models are driving new partnerships with health systems, healthcare providers and payors. As we continue to move toward value-based care, the seniors housing and care sector can be part of the solution in lowering healthcare costs while creating value for residents, owners and partners.

These trends present chances for those who choose to adapt, forge new partnerships and reimagine the sector's role in American life."

— **Brian Jurutka**, *president and CEO, National Investment Center for Seniors Housing & Care*

"This is a time of both great opportunities and challenges for skilled nursing providers. Payment models are changing. Length of stay has declined. Population growth trends have not been in our favor. Knowing all that, I'm optimistic for our profession. In just a few more years, the demographics will shift and we will see a wave of people who need skilled nursing care. My advice for providers is to seek inclusion in every market and be willing to take on risk. Provider-owned plans are growing and will continue to expand in the next several years.

With the shift to the Patient-Driven Payment Model, every provider should also ensure they are ready to succeed under that payment model. Last, but certainly not least, I've always told members to be relentless in their commitment to quality. We have made significant progress in almost every quality metric, but we can't let up now."

— **Mark Parkinson**, *president and CEO, American Health Care Association and National Center for Assisted Living*

"The Holy Grail of healthcare is better care coordination. The challenge to its achievement includes rapidly growing costs – healthcare costs today comprise 18% of GDP. Some of those costs, to be fair, are the result of more effective treatment for previously unmet needs. But others are the result of inefficiency.

All of us in aging services recognize that the delivery of post-acute care is changing. Partnering with others in the care continuum is a necessity. So is interoperability, or achieving the technical ability to exchange information between providers, whether in shared care or in transitions of care. Better care coordination depends upon interoperability. We've made progress, but more can, and must, be done so that someday soon it is ubiquitous. The key to interoperability? Technology. It will undoubtedly be the most critical factor defining healthcare innovation and improved care coordination in this century."

— **Katie Smith Sloan**, *president and CEO, LeadingAge*

"With the growth of senior living as a successful model for caring for our nation's seniors, the industry is increasingly coming under scrutiny from policy makers, regulators, and media — both at the state and federal levels. The consequences of this increased attention, such as negative media or publicity and onerous regulatory oversight, will impact all senior living stakeholders. And while the heightened interest was inevitable, the outcome has yet to be defined. We can tell the real story of senior living — that we put resident safety above all else.

We need to take action now and collaborate on solutions to mitigate the risk to our industry and the seniors we serve. That's one of the reasons Argentum is developing a voluntary standards program, leading with resident safety.

We can't defer this responsibility to others. The industry needs to take the lead."

— **James Balda**, *president and CEO, Argentum*

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SNFs and PDPM, ready ... or not?

PDPM's implementation day may catch many skilled nursing managers unprepared

By John Hall

Few can argue that stakeholders have worked hard to get up to speed on the Patient-Driven Payment Model.

The Centers for Medicare & Medicaid Services has conducted a helpful awareness blitz leading up to PDPM's October 1 implementation, according to Jennifer Richter, president and CEO of Richter Healthcare Consultants.

This includes the agency's dedicated landing pages for on-demand, free PDPM education and resources.

Too few staff at the nation's nursing homes, however, may have capitalized on them.

"These resources and educational opportunities are more than likely taken advantage of by higher level positions within the provider community and not made fully available to the facility staff," Richter says. "It falls on the selected few to educate the rest of the staff."

For these and other reasons, the SNF community is ill-prepared, according to Leah Klusch, RN, BSN, FACHCA, executive director of The Alliance Training Center.

"They're not ready at all," said Klusch, who at press time claimed many of her clients in 41 states and over 3,000 facilities "literally did not have core information on PDPM."

Richter is concerned "most educational opportunities have not included change management strategies or project management road maps for providers to put to use" in the interim. Consequently, "providers without the staff to provide these strategies may struggle with the transition."

Klusch asserts most SNFs have a great deal of catching up to do before October 1. Their ability to code correctly depends on it.

"There are items we're coding in 2019 routinely and some of those items are not being coded accurately because people did not pay the appropriate amount of attention to the updates last October," she says.

The consequences for providers can be serious, she explains: "They're not going to have the right coding and therefore not the opportunity to have appropriate reimbursement. They may not be coding the items aggressively enough or with the right documentation and, consequently, their reimbursement rates may be lower."

Klusch urges facility leadership to get a grasp of the exponential increase in MDS items and evaluate staff competency in data collection and verification so "the payment will be appropriate for the care we are delivering."

Richter advises SNF leadership to create a plan for completion of IPA assessments at the time of the transition, and to perform a PDPM Readiness Assessment that focuses on diagnosis management so that current diagnoses map correctly to the new PDPM categories. "Readiness checklists should include items for all staff training, outreach to hospitals, physicians and other community partners, and a review of the provider's current software for technological readiness," she says.

Richter also urges management to rev up staff education on PDPM immediately.

"Staff education is paramount for a successful transition," she says. "Education should not be limited to PDPM but should include fundamentals of clinical assessments and documentation."

While the word "catastrophic" is not a word any expert observer is using when forecasting the PDPM implementation fallout, there definitely will be winners and losers from the start.

"Providers who are already doing well with managing quality measures and documentation requirements should continue to do well, and even thrive under PDPM," says Richter. "The poor performers will continue to struggle out of the gate, and may fail completely if they do not have a plan for the transition.

"To paraphrase [AHCA Senior Vice President of Government Relations] Clifton Porter of AHCA, the 20/60/20 rule to PDPM implementation means 20% will do quite well, 60% will muddle through and 20% will fail." ■

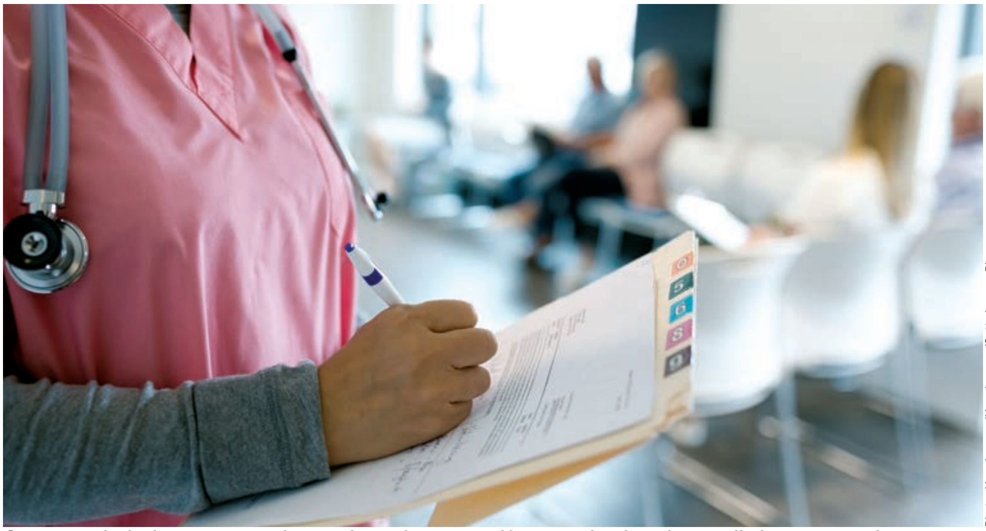

Photo: Hero Images/Hero Images/Getty Images Plus

One expert feels that many providers might not be prepared because they have been pulled in too many directions.

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Photo: Alex Wong / Staff/Getty Images News

Janet Yellen, a former Federal Reserve chairwoman, recently said the "odds have clearly risen" for a recession.

Yellen to be heard at NIC

Group's annual fall conference gathers operators, capital players

By James M. Berklan

There's a good reason attendance has doubled at the fall meeting of the National Investment Center for Seniors Housing & Care in recent years. Well, actually two reasons.

The first is the way organizers have matched attendees with activities they desire. The two stated sub-tracks are Managing Margins — for leaders on the operational side of the equation — and Realizing Returns, which is aimed at capital providers and those who need them.

The second reason for the growth is NIC leaders have removed the artificial limits they had placed on attendance. Once falling under a "no more than 1,500!" mantra, attendance is expected to rise to 3,000 or more from September 11-13 at the Sheraton Grand Chicago.

NIC takes its annual meetings seriously, and it shows. Two-thirds of the attendees are senior executives, many of whom spend more time discussing potential business deals at eight sanctioned networking events and numerous others in customized rooms than attending any of the 14 educational breakout sessions.

> "There are so many trends to talk about that really impact senior housing."
> Brian Jurutka, NIC

"At the end of the day, attendees look at this as a way to get fantastic content and fantastic opportunities to meet with who they want to," said NIC President and CEO Brian Jurutka.

The latest in market and economic data, trends and operational strategies also are parsed at two highly anticipated general sessions and eight so-called NIC Talks, brief deliveries by stakeholders from various niches of the seniors housing and care slice.

Janet Yellen, Ph.D., the Federal Reserve's first female board chairwoman, headlines this year's speakers with an address at the opening general session on September 12, "The U.S. and global economic landscape."

Currently a Distinguished Fellow in Residence at the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution, Yellen served as chair of the Board of Governors of the Federal Reserve System from 2014 to 2018, under the Obama and Trump administrations.

In 2014, she was named by Forbes as the second most powerful woman in the world, and in 2015, Bloomberg Markets ranked her No. 1 on its annual list of the 50 most influential economists and policymakers.

"We're very excited about her talk. It's traditional of the kind of caliber that you come to expect from the NIC conference," Jurutka said. "Almost by definition, Federal Reserve folks are going to be cautious and moderate in what they say, but we're excited. She'll discuss things relevant to our audience. There are so many trends to talk about that really impact seniors housing."

Subjects are expected to include President Trump's tariffs, interest rates, unemployment and others, all of which could justify individual sessions.

"With all the pressure that's been going on, she can argue whether something's warranted or unwarranted," Jurutka pointed out. "All of her public statements about what the Fed should do will be fascinating."

The featured speaker Friday will be Joseph Coughlin, Ph.D., the founder and director of the AgeLab at the Massachusetts Institute of Technology. His luncheon address is titled "Demographics, consumer behaviors and the longevity economy." It will cover the impact of global demographic change, social trends and technology on consumer behavior, innovations in

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business, and public policy.

Another highlight of the meeting will be the handful of NIC Talks sprinkled into the proceedings. Styled after the popular TED talks, which tackle meaty subjects in short segments, the 12-minute NIC Talks will consist of eight speakers each addressing the question "How am I changing the future of aging?"

The roster includes:

• **Patricia Boyle, Ph.D.,** a professor of Behavioral Sciences and Neuropsychologist with the Rush Alzheimer's Disease Center at Chicago's Rush University Medical Center. Her studies examine age-related changes in cognition, financial and health decision making, and psychological well-being, with an emphasis on identifying factors that promote health and resilience as individuals age.

• **Marc Freedman**, the president and CEO of Encore.org, who is one of the nation's leading experts on the longevity revolution. The Wall Street Journal named his newest book, "How to Live Forever: The Enduring Power of Connecting the Generations," one of the year's best on aging well.

• **Terry Fulmer, Ph.D., RN, FAAN,** the president of the John A. Hartford Foundation, an organization dedicated to improving the care of older adults. A nurse who has held teaching appointments at numerous universities, she is best known for conceptualization and development of the national NICHE program and research on the topic of elder abuse and neglect, work that has been funded by the National Institute on Aging and the National Institute of Nursing Research.

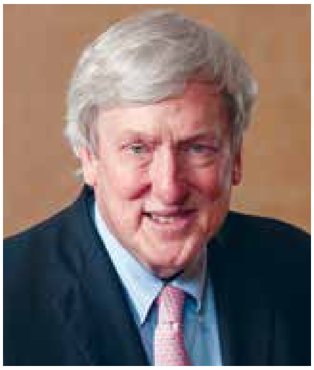
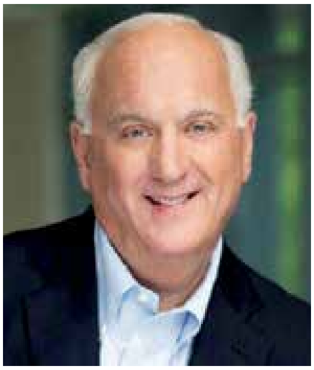
• **Thomas H. Grape,** founder, chairman and CEO of Benchmark Senior Living, a leading provider that operates 58 senior living communities offering independent living, assisted living, memory care and skilled nursing in eight Northeast states. He is a founder and past chairman of Argentum, as well as the founder and past chairman of its state affiliate, the Massachusetts Assisted Living Federation of America.

• **David Inns,** CEO of GreatCall Inc., a 1,200-employee company dealing in connected health solutions for active aging. Since its inception in 2006, GreatCall has developed a complete portfolio of products and services that help enable independent aging, including telehealth services, medication adherence programs, emergency response, fall detection and activity monitoring. He was named the EY Entrepreneur of the Year 2016 nationally in the Services category.

• **Robert Kramer,** an NIC founder and strategic advisor. He directed NIC from its inception in 1991 until July 2017. A former Maryland state legislator, he was a leader on health and environmental issues while representing the state capital of Annapolis in the 1980s. Educated at Harvard and Oxford Universities, he also holds a Master of Divinity degree from Westminster Theological Seminary.

• **Tim Woods,** a founding partner of POCO labs, a Product Development and Consumer Research Company. He is also the General Manager of the Autonomous Vehicle Alliance a 501C-6 research organization focused on consumers, businesses and cities and the potential opportunities around L4 and L5 Autonomous Vehicles. ■



Clockwise from upper left: Patricia Boyle, Marc Freedman, Tom Grape, Robert Kramer, four of the featured NIC Talks speakers.

SCHEDULE AT A GLANCE

WEDNESDAY, **SEPTEMBER 11**	7:00 AM - 9:00 AM Networking Breakfast	4:00 PM - 5:00 PM NIC Talks
8:00 AM - 6:30 PM Registration	8:00 AM - 9:30 AM Opening General Session	5:30 PM - 7:00 PM Networking Reception
1:15 PM - 2:15 PM First-time Attendee Power Hour	9:45 AM - 11:00 AM Concurrent Sessions	**FRIDAY, SEPTEMBER 13**
2:15 PM - 3:30 PM Breakout Session	10:45 AM - 11:15 AM Networking Break	7:00 AM - 12:00 PM Registration
3:15 PM - 4:30 PM Breakout Session	11:15 AM - 12:30 PM Concurrent Sessions	7:00 AM - 9:00 AM Networking Breakfast
4:00 PM - 5:15 PM Concurrent Sessions	12:30 PM - 2:00 PM Luncheon General Session	8:00 AM - 9:00 AM Newbie Morning Meet Up
5:30 PM - 7:00 PM Welcome Reception	2:15 PM - 3:30 PM Concurrent Sessions	9:00 AM - 10:15 AM Concurrent Sessions
THURSDAY, SEPTEMBER 12	3:30 PM - 4:00 PM Networking Break	10:15 AM - 10:45 AM Networking Break
7:00 AM - 5:30 PM Registration	3:45 PM - 5:00 PM Concurrent Sessions	10:45 AM - 11:45 AM NIC Talks
7:00 AM - 8:00 AM Newbie Morning Meet Up		

MARKET INSIGHT

Photo: Lisa Abitbol

Researcher Grabowski: In favor of tax incentives for seniors housing.

Middle muddle

Investors eye margins, developers explore affordable options

By John Hall

Entrepreneurs and investor groups are understandably nervous about a large group of middle-income level seniors eyeing their living options over the coming decade.

The harsh realities, enumerated in painful detail by a recent report by the National Investment Center for Seniors Housing & Care (NIC), paint a grim picture of a demographic with dwindling financial options to pay for the places they most want to live in if illness or infirmity make aging in place unworkable.

The gist of the mammoth challenge ahead is this: In less than 10 years, more than half of the 14.4 million middle income older adults will lack the financial wherewithal to pay for senior housing and care.

But if early efforts are any indication, a few industrious developers are finding success making the non-skilled senior living market an affordable choice for cash-strapped retirees.

Getting the requisite number of "heads in the beds," however, is going to require multiplying those efforts on a grand scale — on both private and public sector fronts.

Managing expectations

To ensure this coveted middle market continues to thrive, investors will need to lower their expectations of returns, says David Grabowski, Ph.D., professor of healthcare policy in the Department of Health Care Policy at Harvard Medical School, and an author of the NIC-funded study.

Grabowski believes many good ideas are now on the table, including charging cheaper rents, lowering profit margins, developing mixed income communities (in which higher-paying residents subsidize costs for lower-income residents) and offering more basic and less expensive housing service products.

Still, there is a limit to how much profit those investors are willing to forego, says Steve Kennedy, senior managing director of Lancaster Pollard: "Financial stakeholders require an acceptable rate of return."

Other factors can make conditions palatable.

"While middle market projects will typically not offer the opportunity for a home run, they can provide more dependable market returns due to the high occupancy of such facilities," Kennedy notes. "Additionally, the relatively quick fill up to stabilization can generate additional return on equity."

Grabowski says other efforts can go far toward ensuring a reasonable investor return. These include technology solutions "to reduce operating costs, increase staff efficiency, or make residents more self-sufficient," as well as à la carte pricing models that break out service and care expenses from housing.

Finding cheaper ways to build senior housing also is a goal.

"Construction costs need to be controlled, the operator should ideally be proven in the middle market space, and the cost of debt capital should be as low as possible," Kennedy says.

"This latter characteristic makes FHA/HUD financing — long-term, low fixed rate and non-recourse — appealing, whether for new construction funding or take out of private sector funding. "

Kennedy says a number of positives are working in favor of these efforts, including the low cost of debt capital, surplus of cash seeking yield, and the private-public partnership opportunities available via tax-credits and agency financing.

Government could play a significant supporting role.

Grabowski proposes offering tax incentives for builders and operators of seniors housing to serve middle-income seniors, an option Kennedy says is already being successfully used in Illinois' Supportive Living Program, which offers a Medicaid waiver to build assisted living facilities. ■

MY TURN

Three tips to secure financing for a successful community turnaround

By Steven Caligor

As an operator or sponsor, you most likely are currently assessing a variety of turnaround opportunities. In fact, 50% to 60% of financing in the senior housing and skilled nursing sectors involves turnarounds.

If you're seeking a loan to implement a turnaround strategy, then you'll need to meet multiple criteria for your banker to say yes.

The prevailing market trends continue to favor turnarounds. According to data released in April by the National Investment Center for Seniors Housing & Care, overall senior housing demand and occupancy rates were up, with construction starts and inventory down; however, occupancy rates vary across primary markets.

Based on first-quarter NIC data, the occupancy rate for senior housing increased 0.1%, to 88.1%, compared with the fourth quarter of 2018. This figure was up 20 basis points over the third quarter of last year. Construction as a share of existing inventory for seniors housing was 6.7%, versus a high of 7.5% at the end of 2017. The absorption rate in the first quarter was 3%, an increase of 0.7% from a year earlier.

Second-quarter numbers didn't prove to be as encouraging in the short term, but demographics and other related trends favor senior living in the long term.


Photo: Pattanaphong Khuankaew/EyeEm/Getty Images Plus

A lender should be a partner for the future, beyond a single transaction.

Ten thousand baby boomers are retiring daily. With new development slowing and older adults with higher-acuity needs seeking care and services via independent and assisted living, it makes sense to scrutinize the turnaround of an existing property.

So if you need financing to snap up that deal, how do you make your lender happy? Here are three tips:

1. Prepare a comprehensive package.

You'll need to demonstrate how you're going to execute your turnaround with a detailed and concrete plan. Your banker also will want to see proof of your prior experience and your history as an operator of senior housing and care facilities. Be specific on details of both projected revenue and expense enhancements.

2. Present your entire portfolio to your lender.

Your banker will want to examine the complete picture of your properties. Present your entire portfolio broken down by income, Centers for Medicare & Medicaid Services rating and/or other similar rating (if applicable) and debt service. Your banker needs to understand the full scope of your operation and how well you run your global portfolio of facilities.

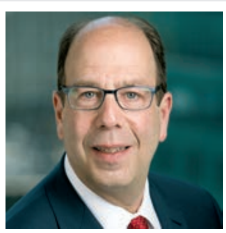
3. Be up-front about the future expansion plans for your portfolio.

You may be seeking funding for a turnaround in one market and simultaneously pursuing turnaround acquisitions elsewhere. You also may have contacted multiple financing sources. Discuss your future plans in depth with your lender. Bankers are evaluating a set of specific factors in the review of your portfolio.

It also helps to work with a full-service bank experienced in all aspects of financing. Ideally, you should find a financial institution that will take a more personal approach and develop a long-term relationship with you. Your lender should be your partner as you grow.

Turnarounds are a fact of life in the senior housing sector, and the potential is great. According to June data from the National Reverse Mortgage Lenders Association, housing wealth among people aged 62 or more years reached a record $7.14 trillion in the first quarter of 2019.

Over time, it's highly likely that seniors' equity in their current homes will find its way into independent and assisted living. Work carefully and diligently with your lender and both of you could benefit. ■



Steven Caligor is executive vice president and division executive for healthcare, real estate, corporate finance and investment services at BHI, a commercial bank based in New York.

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$26,648,000

Term Loan
Administrative Agent

CP COLUMBIA PACIFIC ADVISORS

$242,700,000

First Mortgage
Administrative Agent

prevarian

$9,277,000

Fannie Mae Seniors Term Loan

HOLIDAY RETIREMENT

$65,000,000

First Mortgage
Administrative Agent

Visit **capital.one/healthcare** and discover what our team of financing specialists can do, when it matters most.

Capital One

Company Profile

Capital One® Healthcare is a leading provider of financial services in the industry, specializing in customized financing solutions that help clients fuel their organization's growth. Over the last 10 years, our experts have provided more than $75 billion in financing to companies across a broad array of healthcare sectors, including seniors housing and long-term care facilities. We leverage the power of a top 10 U.S. bank to provide customized healthcare real estate financing solutions, including bridge financing, acquisition or re-financings, agency financing, real-estate-based revolving lines of credit, and syndications capabilities for a wide range of healthcare owners and operators.

Capital One Healthcare has been active for more than 20 years and acquired GE Capital's Healthcare Financial Services business in December 2015. Today we have national scale, although our history of banking experience has roots in local communities such as New York, New Jersey, the Mid-Atlantic, Texas and Louisiana.

Our Philosophy

Capital One is committed to excellence and building long-term relationships with our customers. Our dedicated team of experts takes a proactive, individual approach to each one of our clients, understanding their business priorities and needs in order to help them meet their goals.

Our approach to financial services:

- Helps our customers succeed and maximize investments
- Delivers a consistent and responsive client experience
- Gathers data and technology to reimagine our business
- Practices strong risk management

What We Offer

Our team of experts identifies and delivers competitive products to help meet your financing objectives. Whether you need agency or balance sheet financing – or a bridge between the two – rely on a top 10 U.S. bank, with the capabilities to create healthcare financing solutions for your specific needs.

Long-term care and seniors housing facilities served:

- Assisted living facilities
- Continuing care retirement communities
- Independent living facilities
- Long-term acute care hospitals
- Memory care facilities
- Skilled nursing facilities

Loans and structures:

- Loan-to-value (LTV) ratios up to a maximum of 85%
- Fixed and floating rates
- Terms of up to 10 years
- Variable pricing based on LTV
- Syndications and capital market capabilities

Financing options:

- Real estate term loans for acquisitions or refinancing of stabilized or repositioned facilities
- Bridge to agency, including Fannie, Freddie and HUD
- Direct to agency, including Fannie, Freddie and HUD
- REIT financing

Banking solutions:

- Payables solutions to simplify initiation and processing of payments
- Online banking with sophisticated account management and reporting tools

With more than $9 billion of financing commitments across the spectrum of healthcare real estate, we also can deliver a complete end-to-end banking strategy with our Treasury Management, Capital Markets and Institutional Asset Management Solutions.

A Successful Partnership

We pride ourselves on providing excellent customer support to help clients succeed in providing quality care in their communities. We are passionately focused and committed to providing an exceptional customer experience on which we consistently deliver. Whether you are looking to expand our banking relationship, looking for a new banking partnership, or exploring different business opportunities – we are here to help and look forward to partnering with you.

FastFacts

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Eligible properties: ■ Skilled nursing ■ Assisted living ■ Retirement Communities ■ Hospital ■ Rehab hospital ■ Medical office

Lancaster Pollard

Your Success Simplified

When we contribute to our clients' success through our deep sector expertise and comprehensive capabilities, we try to keep things simple.

The universe of capital solutions across seniors housing and healthcare real estate can be extraordinarily complicated. From the first engagement letter to the long-term servicing of a loan, we demystify the financing process and provide a simplified client experience every step of the way.

We use our national expertise, local market knowledge, regulatory astuteness and creative problem solving to reduce the load on our client's shoulders, allowing them to focus on fulfilling their mission and running their business. The result is not only success, but, more importantly, an eased mind.

Because contributing to our client's success is not enough. We strive to simplify it.

Who We Are

Lancaster Pollard Mortgage Company, a division of ORIX Real Estate Capital (OREC), helps healthcare and senior living providers expand and improve their services by delivering financial advice and financing solutions. Lancaster Pollard, together with its affiliates, offers a full range of investment banking, mortgage banking, private equity, balance sheet financing and M&A advisory services.

OREC is a Fannie Mae DUS®, Map- and Lean-Approved FHA, and Freddie Mac Optigo Small Balance lender. OREC is headquartered in Columbus, OH, and is a wholly owned subsidiary of ORIX Corporation USA. The OREC companies have financed approximately $100 billion in total transaction amount and originate $6 billion annually, with a servicing portfolio of $25 billion. The company has approximately 330 employees in offices nationwide. Securities, investment banking and advisory services are provided through OREC Securities, LLC, a member of FINRA/SIPC.

Broad Range of Services

Our breadth and depth of knowledge allows us to consider every viable option. Clients have significantly altered their courses of action after we have had a thorough discussion about all of their financial options, which include:

- Acquisition financing and equity recapitalization
- Sale-leaseback financing
- Mergers and acquisitions
- Agency financing
- Loan syndications and placements
- Public bond offerings

Lancaster Pollard's knowledgeable associates:

- Are supported by one of the largest groups of underwriters and analysts to achieve successful and timely outcomes while minimizing the burden on our clients' executive leadership
- Offer more options, flexibility and streamlined processes because our investment banking and mortgage banking services are under one roof
- Diligently negotiate the best and most flexible terms possible in the current marketplace

FastFacts

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Eligible properties: ■ CCRC ■ Skilled nursing ■ Assisted living ■ Retirement communities ■ Congregate care ■ Hospital ■ Rehab hospital ■ Medical office

Options: ■ Construction ■ Substantial rehab ■ Acquisition ■ Refinance ■ Exit

Product base: ■ Bridge Loans ■ Fannie Mae ■ FHA/HUD ■ M&A Advisory ■ Term loans

THEY TRUST YOU TO BE THEIR GUARDIAN.

YOU CAN TRUST US TO BE YOURS.℠

We personally empower you and your team to be the best.

We get to know you and your residents and deliver customized pharmacy solutions that meet the needs of your individual community.

We treat you and your residents with honesty, respect, and kindness.

So that together, we can provide the best, personal service to those who matter most: our mothers and fathers, grandparents and friends.

Guardian Pharmacy Services

Company Profile

Guardian Pharmacy Services is one of the fastest-growing long-term care pharmacy companies in the U.S., providing a wide range of services to assisted living communities, skilled nursing homes, CCRCs and behavioral health groups through our national network of pharmacies.

We conduct business according to the Golden Rule, treating our customers, residents and each other fairly and honestly. Guardian's commitment to excellence and to providing outstanding customer service defines our corporate character and inspires us every day.

What We Do

Guardian pharmacies work hard to understand each customer and the specific needs of their community. We develop meaningful relationships with community staff, residents and families to create fine-tuned, customized pharmacy solutions that ensure safety, accuracy and resident satisfaction.

Our Mission

Guardian aims to personally empower our customers with the resources they need to provide the best service to their residents. We maintain the highest level of service and sensitivity required to meet the individualized needs of each community.

The Guardian Way

Guardian Pharmacy Services has a unique business model that allows us to offer both the personalized services of a local pharmacy and the resources of a large corporation.

Each Guardian Pharmacy is vested with ownership and the authority to make day-to-day decisions at the local level. Assisting our pharmacies is the corporate Guardian Pharmacy Services team in Atlanta, who provide support in areas such as Accounting, IT, Recruiting, etc. This support allows the local pharmacy team to focus on customers and the specific needs of their market.

We believe this business approach leads to better customer service, greater accuracy and efficiency of medication distribution.

FastFacts

Website: www.guardianpharmacy.net
Phone: (888) 535-4779
E-mail: answers@guardianpharmacy.net
Address: 171 17th Street, Suite 1400, Atlanta, GA 30309

Servicing:
- CCRC
- Skilled nursing
- Assisted living
- Memory care
- Retirement communities

What We Offer

Clinical Support
Guardian streamlines processes and helps integrate multiple eMAR/eHAR technologies to make sure medication management is efficient and error-free.

Our pharmacies regularly meet with community staff through on-site visits, and host continuing education and training courses to help lower the risk of medication error and enhance the level of resident care.

Simplified Billing
Medication billing can be challenging for any long-term care provider, but it doesn't have to be. All billing, dispensing, consulting and customer service are handled by the local pharmacy, not from a remote hub — no frustrating 800 numbers.

We educate residents and families on Medicare Part D plans that best fit their needs and help reduce costs. From pre-authorizations and noncovered medications to the "donut hole," our local experts take the extra steps and make the extra time to ensure there are no billing issues or questions.

Seamless Pharmacy Transition
Guardian offers hands-on support to new customers making a pharmacy switch. We work hard to ease the transition process by coordinating timelines that reduce burden on the community and save staff time.

Move As One.

The right technology partner helps your staff operate as one smooth, efficient team.

In a world of accelerating staff turnover, referral partner dependencies and regulatory change, MatrixCare's integrated platform for active care management keeps every member of your team focused on optimal outcomes:

- One personal health record enables warm hand-offs through care transitions.
- One intuitive, touch-driven user interface reduces staff time spent on documentation.
- One consistent, reliable data set provides superior decision support.
- One clinical solution reduces readmissions and costs under patient-driven payment models.

What do racing performance and fall risk have in common?

MatrixCare is leveraging AI to predict behavior and enhance outcomes for both.

See the video at the link below

MatrixCare
Integrated Care. Better Outcomes.

Ranked Best in KLAS for Long-Term Care Software

Upgrade to MatrixCare for team performance that can help you win in a fast-paced healthcare environment.

Visit **MatrixCare.com/MoveAsOneMS**
or call **866-469-3766** today.

MatrixCare

Company Profile

MatrixCare, a wholly owned subsidiary of ResMed (NYSE, RMD, ASX: RMD), is the complete solution for growing organizations that need to successfully manage risk in care delivery outside of a hospital. Current and multi-time winner of the prestigious Best in KLAS for Long-Term Care Software award, MatrixCare solutions are trusted by thousands of organizations across the spectrum of out-of-hospital care. ACOs, skilled nursing facilities, senior living organizations, life plan communities (CCRCs), and private-duty, home health and hospice organizations depend on MatrixCare to help them connect, collaborate and prosper as we migrate to a fee-for-value healthcare system. In addition to purpose-built EHR components for any long-term, post-acute care setting, MatrixCare also includes solutions to systematically increase clinical quality: Enterprise Analytics, robust Clinical Decision Support and the industry's first Care Coordination platform to create a true, person-centric, e-longitudinal health record and enable providers to efficiently manage the populations under their care. MatrixCare is a registered trademark of MatrixCare.

Our Philosophy

MatrixCare's philosophy is to deliver solutions that will help our clients be the most valuable provider in the healthcare networks strategic to their success. In the rapidly changing healthcare landscape, high-growth provider organizations require HIT solutions that not only meet their needs today but also position them to meet the regulatory, interoperability and scalability requirements of tomorrow.

What We Offer

The MatrixCare architecture for long-term care includes product suites to help providers deliver person-centered care while maintaining high occupancy rates, maximizing revenues, reducing readmissions, and integrating with partners and physicians across the entire spectrum of care. MatrixCare delivers the elements necessary to successfully provide value-based care: enterprise-wide clinical decision support, interoperability, sophisticated data analytics, enterprise business intelligence and highly scalable technology to service thousands of facilities with a low total cost of ownership. Built on the Microsoft Azure hypercloud, MatrixCare solutions provide the tools necessary to compete and thrive in the LTPAC market. MatrixCare delivers superior service to its clients, resulting in better business outcomes for their organizations. MatrixCare is the only true full-spectrum solution that provides:

- Integrated, real-time analytics for an organization-wide view of outcomes and the cost of care
- Embedded Clinical Decision Support driven by evidence-based best practices and industry-accepted protocols
- CareCommunity™ — Innovative care coordination tools to drive care team engagement and produce better outcomes across the entire spectrum of care

FastFacts

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Eligible properties:
- CCRC
- Skilled nursing
- Assisted living
- Retirement communities
- Congregate care
- Home Care

A Successful Partnership

Ranked best in KLAS for Long-Term Care Software in 2017, 2018 and 2019 by our customers, MatrixCare values our client partnerships and actively engages with them to ensure we continue to be their technology provider of choice. We strive to actively listen to our clients and serve as a trusted partner and advisor.

The TV your residents deserve.

Entertainment solutions custom-made for your senior living community, and their visiting families.

Great Entertainment

Give your residents and their families a custom channel lineup or let them choose their packages.

Innovative Technology

Offer a range of solutions, from an HD channel lineup without a set-top box to the award-winning Hopper® 3 HD DVR.

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Custom, scalable deployment to your property, with limited interruptions to your residents and staff.

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With DISH Business you get the same great technology and pricing no matter where your property or properties are across the country. One contract, one provider, zero hassle.

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