



ZIEGLER INVESTMENT BANKING

# PREDICTIONS FOR A POST-PANDEMIC ERA

March 3, 2021 | CHHSM VIRTUAL ANNUAL GATHERING

## PRESENTED BY

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# TABLE OF CONTENTS

Introduction

Observations from the Past Year

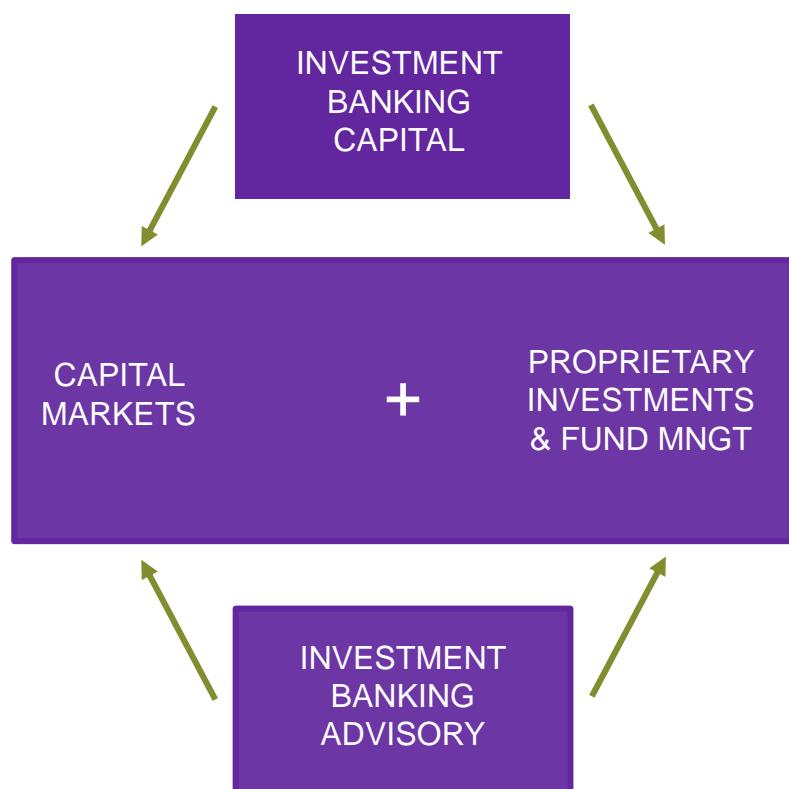
Pivoting to a New Era for Not-for-Profits

Financial Preparedness for 2021

- PPP loans; government stimulus funds

# ABOUT ZIEGLER

**ZIEGLER** is a privately held, national boutique investment bank, capital markets and proprietary investments firm. Specializing in the healthcare, senior living and education sectors, as well as general municipal and structured finance, enables us to generate a positive impact on the communities we serve.



## INVESTMENT BANKING

Strategic advisory, financing and capital planning solutions in healthcare, senior living and educational sectors as well as general municipal and structured finance

## CAPITAL MARKETS

Active participant in municipal sales and trading including public, tax-exempt, taxable, private placement and preferred trading markets

## PROPRIETARY INVESTMENTS & FUND MNGT

Providing opportunities for investors in senior living, healthcare services & technology solutions

# NATIONAL FOOTPRINT

**HEADQUARTERED** at One North Wacker Drive in Chicago with regional and branch offices throughout the U.S., Ziegler provides its clients with capital raising, strategic advisory services, fixed income sales & trading and research.



## SEATTLE, WA

520 Pike Street  
Suite 1505  
Seattle, WA 98101



## MINNEAPOLIS, MN

333 South 7th Street  
Suite 2440  
Minneapolis, MN 55402



## MILWAUKEE, WI

735 North Water Street  
Suite 1000  
Milwaukee, WI 53202



## CHICAGO, IL Headquarters

One North Wacker Drive  
Suite 2000  
Chicago, IL 60606

# 1902

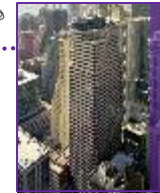
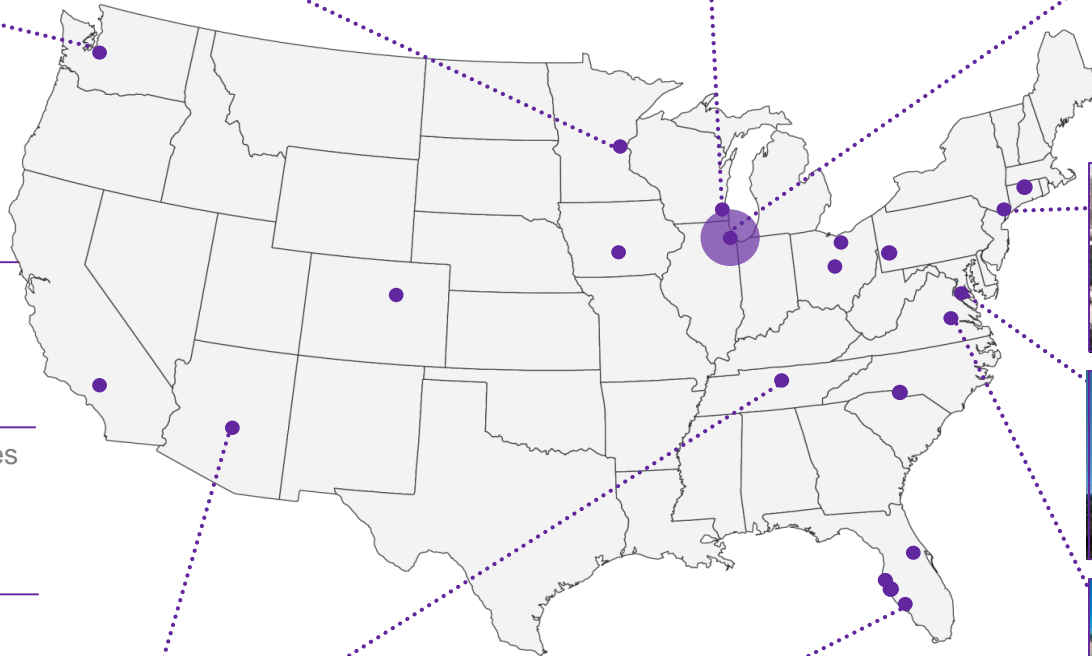
established

# 185+

number of associates

# 21

Registered offices



## NEW YORK

2 Grand Central Tower  
140 East 45th Street  
Suite 2200  
New York, NY 10017



## BETHESDA, MD

7500 Old Georgetown Rd  
Suite 750  
Bethesda, MD 20817



## RICHMOND, VA

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Suite 200  
Richmond, VA 23226



## SCOTTSDALE, AZ

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Suite 350  
Scottsdale, AZ 85254



## NASHVILLE, TN

150 3rd Avenue South  
Suite 1150  
Nashville, TN 37201

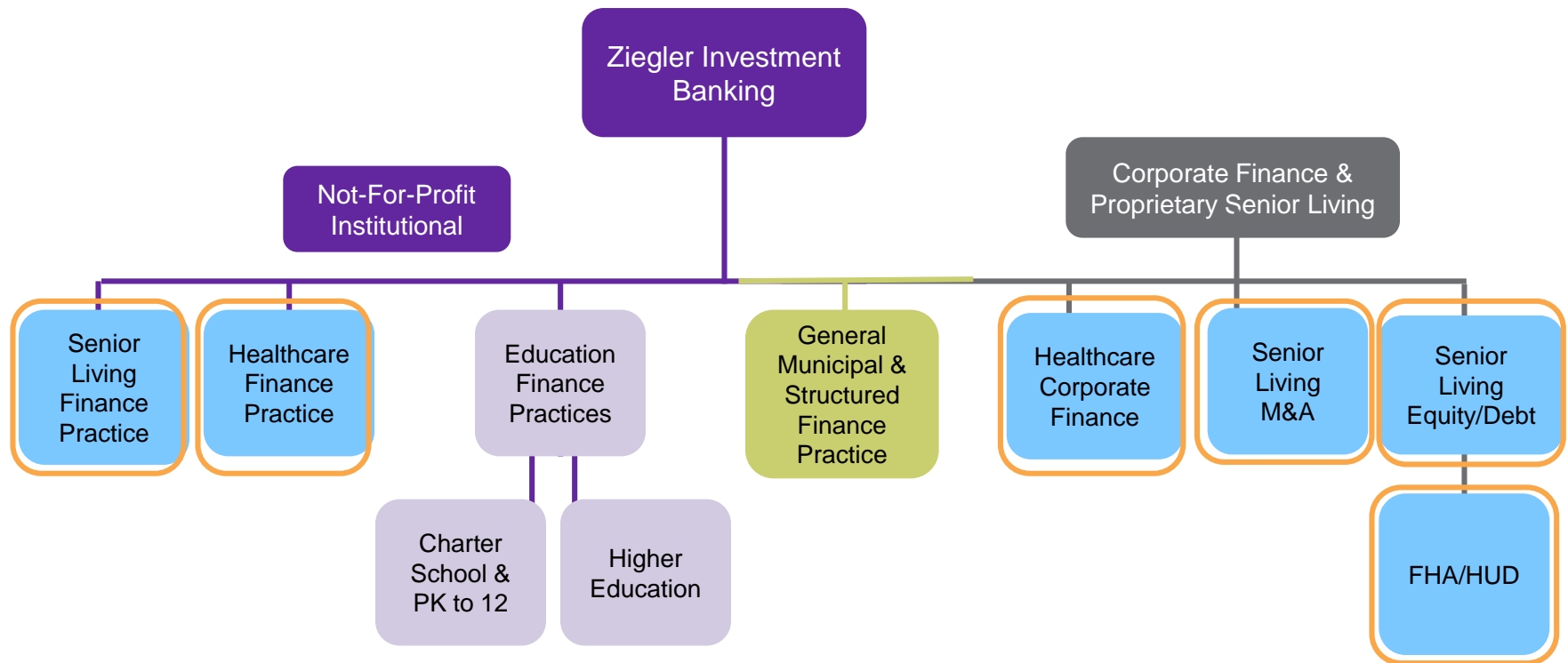


## SARASOTA, FL

1605 Main Street  
Suite 1020  
Sarasota, FL 34236

# ZIEGLER INVESTMENT BANKING – FLOW CHART

- Ziegler brings a multidisciplinary approach to addressing the issues facing healthcare and senior living providers in today's economy



- 180+ Associates committed to Ziegler Investment Banking Healthcare and Senior Living Related Markets & Sectors

# ZIEGLER SENIOR LIVING FINANCE PRACTICE



Dan Hermann Senior President & CEO, Head of Investment Banking Chicago, IL



Brandon Powell Managing Director Richmond, VA



Aaron Schroeder Director Milwaukee, WI



Patrick Moran Analyst Chicago, IL



Rich Scanlon Senior Managing Director St. Petersburg, FL



Amy Castleberry Managing Director Chicago, IL



Tyler Simons Senior Vice President Scottsdale, AZ



John Evans Analyst Chicago, IL



Tom Meyers Senior Managing Director Chicago, IL



Sarkis Garabedian Managing Director Seattle, WA



Genia Weeks Senior Vice President Richmond, VA



Mary Muñoz Senior Managing Director Scottsdale, AZ



Mark Landreville Managing Director Minneapolis, MN



Mackenzie Welch Vice President West Hartford, CT



Will Carney Managing Director Chicago, IL



Chad Himel Director West Hartford, CT



Matt Mulé Vice President Scottsdale, AZ



Stephen Johnson Managing Director Chicago, IL



Jennifer Lavelle Director Chicago, IL



Jason Choi Vice President Chicago, IL



## SENIOR LIVING RESEARCH & DEVELOPMENT

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Tommy Brewer Managing Director Richmond, VA



Terry Herndon Director Chicago, IL



Christie Rappl Vice President Minneapolis, MN



Cathy Owen Vice President Senior Living Research Chicago, IL



Keith Robertson Managing Director West Hartford, CT



Daren Bell Director Seattle, WA



Adam Vanucci Associate Scottsdale, AZ



Susan McDonough Catholic Elder Care & Post Acute Specialist Chicago, IL



Tad Melton Managing Director Richmond, VA



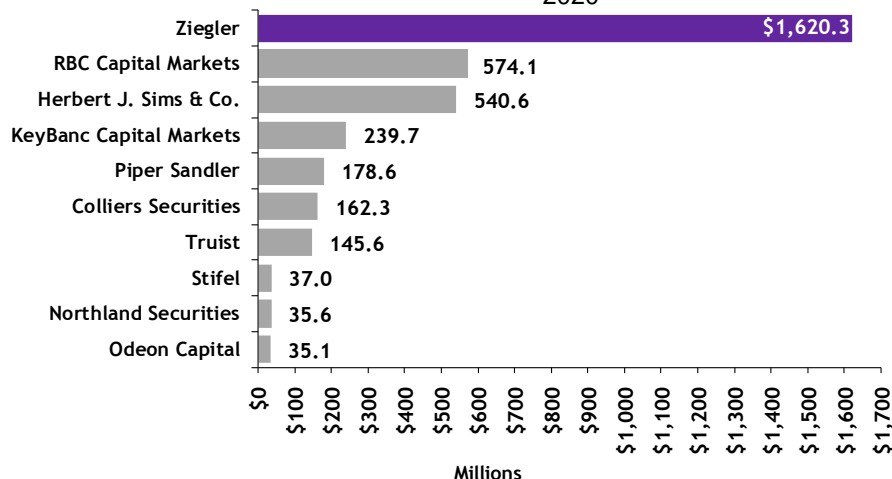
Adam Garcia Director Richmond, VA



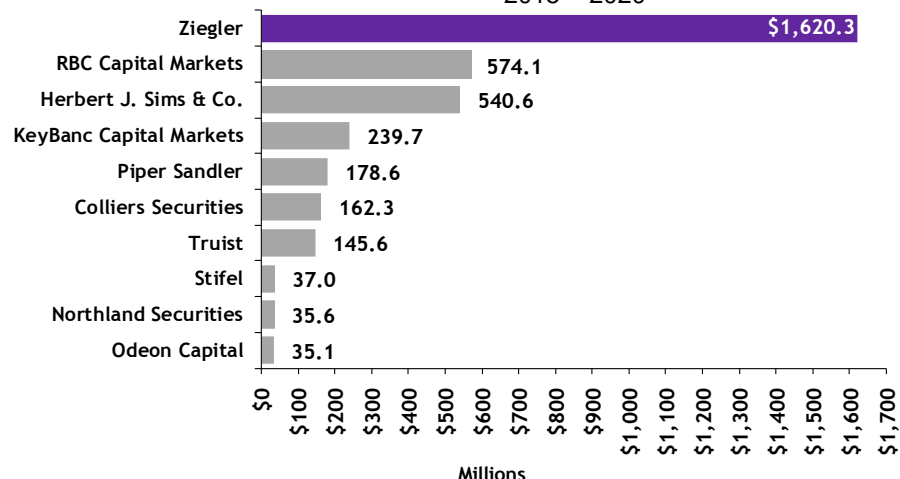
Caroline Robertson Analyst Chicago, IL

# ZIEGLER: DECADES OF MARKET LEADERSHIP

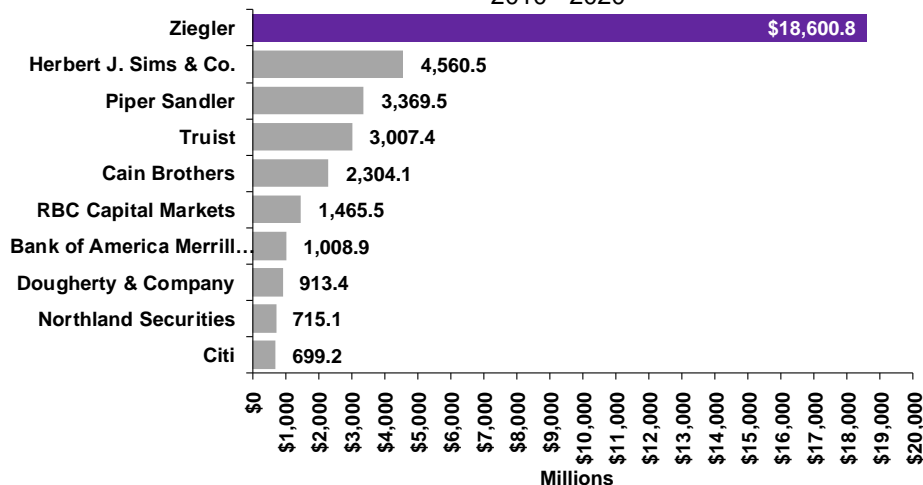
Top Lead Managing Underwriters  
Senior Living Finance Issues  
2020



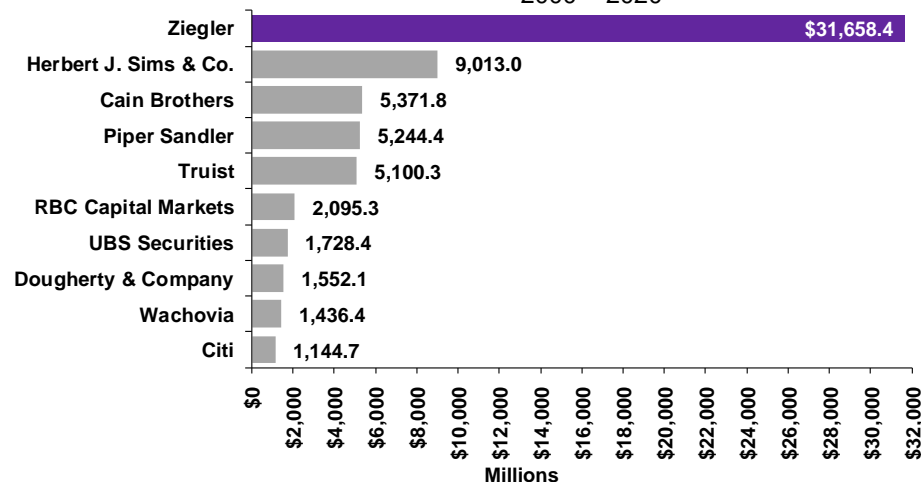
Top Lead Managing Underwriters  
Senior Living Finance Issues  
2015 - 2020



Top Lead Managing Underwriters  
Senior Living Finance Issues  
2010 - 2020



Top Lead Managing Underwriters  
Senior Living Finance Issues  
2000 - 2020



Note: Ranking totals include: Senior Living not-for-profit tax-exempt bond financings, and 142(d)/145(d) rental (not-for-profit and for-profit tax-exempt) bonds financings.

Based on full credit given to senior manager of lead-managed underwriting principal volume for senior living transactions completed nationally. Rankings and amounts through Refinitiv data as of 12/31/20

# OBSERVATIONS FROM THE PAST YEAR



# WHAT A YEAR!



**Stock market rally pushes Dow Jones to record high of 30,000**

**The  
Guardian**

- Dow rallies by 450 points to close above 30,000 for first time
- Investors cheer hopes of vaccine and smooth Biden transition

Before I agree to 2021, I need to watch the trailer first.

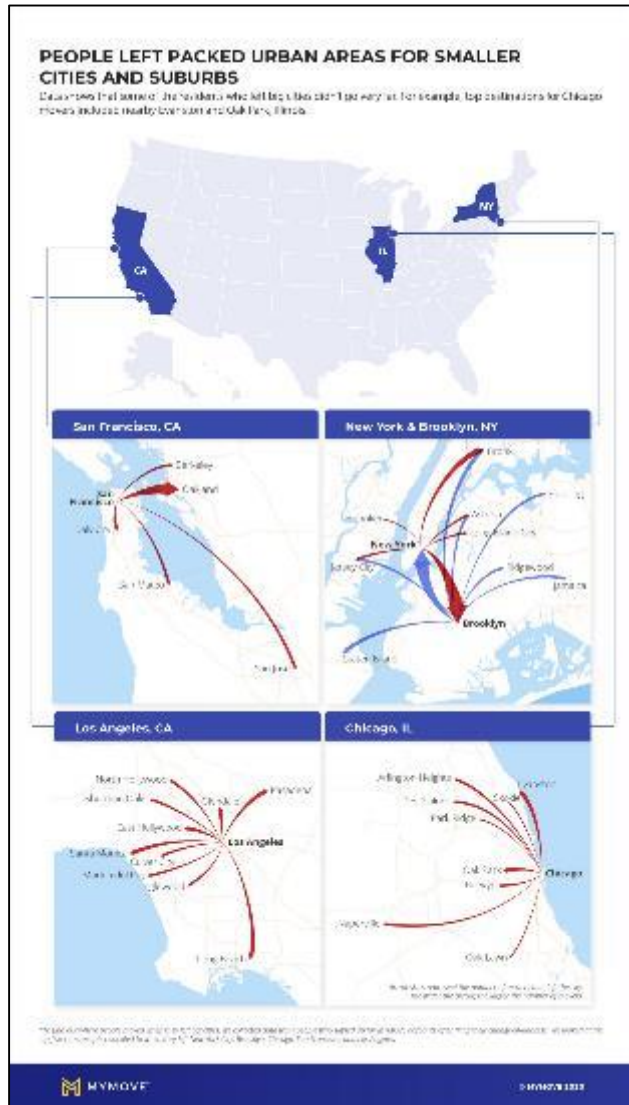
# KEY THEMES

- COVID-19: Significant variation of impact across organizations
  - Sector bifurcation: Stronger vs. Weaker
- The ability to be nimble with flexible business models was advantageous (e.g. *those who had already integrated some form of telehealth, telemedicine*)
- It is hard to go it alone (need for ongoing consolidation)
- Our workforce is (or should be) our greatest asset
- We have a pressured, and permanently changed, healthcare environment
- Pandemic increased the need for social services, mental health support
- Economic disparities (high unemployment, yet record levels in the stock market and very healthy housing market)
- Technology...the silver lining of COVID-19?

# NATIONAL MORTALITY STATISTICS: IMPACT OF COVID-19

- 2020 is a record year in the U.S. for:
  - Overall deaths...15% above 2019
    - Increase of roughly 400,000 over 2019
    - Typical annual increase is 20-50K
    - Largest single-year increase in deaths since 1918 (which saw 47% increase compared to 1917)
  - Suicide deaths dropped from 2018 to 2019, but early information suggests an increase in 2020
  - Drug overdose deaths up significant in 2020
    - From May 2019 to May 2020, CDC reported more than 81K drug overdose deaths; highest number ever recorded in one-year period

# POPULATION MIGRATION IN THE U.S.



- Nearly 16 million people have moved during the pandemic
- Urban density has turned into a negative
- Outmigration from many of the country's most expensive cities
- A number of temporary housing moves have become permanent
- Low-income, homeless in urban and rural areas less likely to have these options

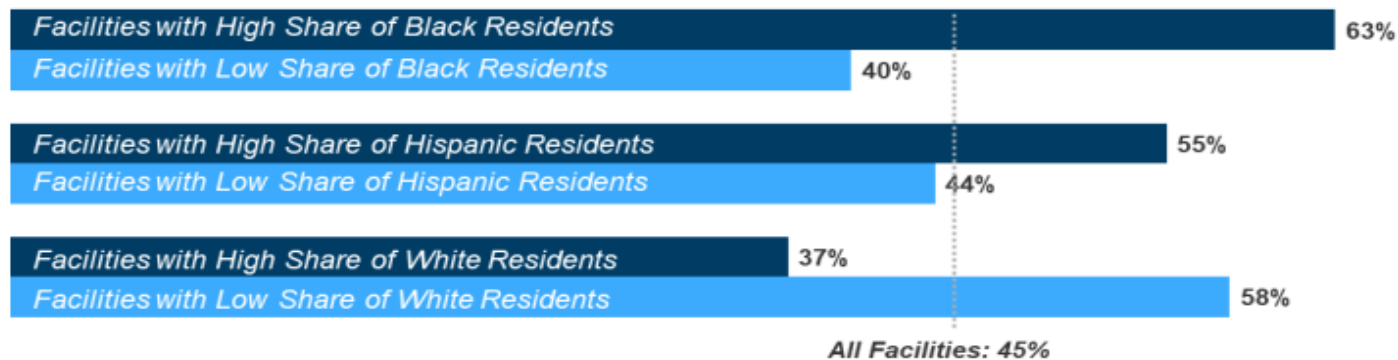
# PIVOTING TO A NEW ERA FOR NOT-FOR- PROFIT HEALTHCARE & SOCIAL SERVICE MINISTRIES

# DIVERSITY, EQUITY & INCLUSION

- Increased focus on inequities (healthcare, the workplace, education)

## Nursing Homes With Relatively High Shares of Black or Hispanic Residents Were More Likely To Have At Least One COVID-19 Death

Share of Nursing Homes With At Least One COVID-19 Death (as of October 11, 2020):



NOTES: Includes 13,982 nursing homes for which race/ethnicity data were available for all groups and for which resident cases or deaths were not > total number of beds. High share of Black residents or Hispanic residents refers to 20% or more. High share of White residents is 80% or more. Facilities may fall into more than one of these groups.

SOURCE: KFF analysis of Shaping Long Term Care in America Project at Brown University funded in part by the National Institute on Aging (1P01AG027296), CMS COVID-19 Nursing Home Data (as of October 11, 2020)

**KFF**

# TECHNOLOGY ACCELERATED

- The need to invest in and adopt technology has only increased during COVID-19 pandemic
  - Goal of 2020 was speed of adoption
  - 2021 will be year of refinement and innovation
- We have shifted to a multi-modal, on-demand society
  - Multiple devices (mobile, smart TV, tablet, watch)
  - On-Demand (wherever, whenever)
- Living in a telepresence world
  - Healthcare
  - Education
  - Social connectedness
  - Workplace
  - Church/Religious



# CONTINUED DEMAND FOR SERVICES IN THE HOME

- COVID-19 has forced alternative means of providing services
- Rise of telehealth solutions (and reimbursement) in 2020 is here to stay
  - Specialty care
  - Behavioral health/mental health
  - Post-acute care

Home Care

Home Health

Hospice

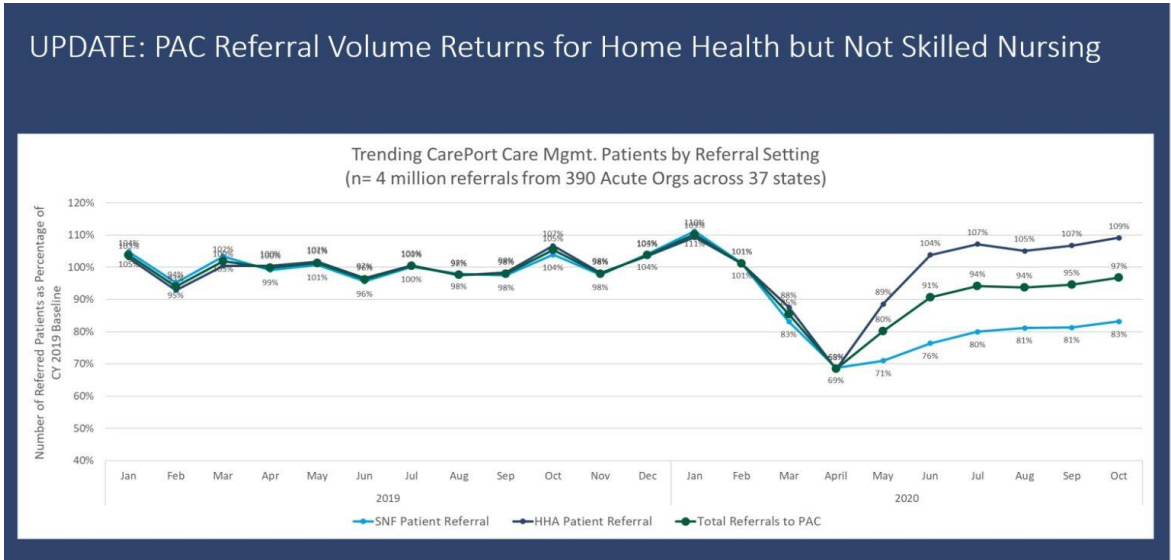
Behavioral Health

Social Services

Concierge

Companion Services

UPDATE: PAC Referral Volume Returns for Home Health but Not Skilled Nursing





# CONSOLIDATION WILL CONTINUE ACROSS MULTIPLE SECTORS



- The pandemic exposed the vulnerabilities of organizations with scarce resources and limited scale
- Financial pressures coming out of COVID-19 pandemic
- C-Suite retirements; leadership burnout
- Inability to be competitive on the workforce front
- Will vary regionally and across markets
- Strategic mergers and affiliations will continue

# THE WORKPLACE

- Do you need all of that office space?
- Higher employee costs?
  - Minimum wage hikes
  - Cost of benefits
  - Recruitment & retention strategies
- Concern about workforce burnout
- C-Suite retirements
- The firm, professional handshake will be a thing of the past for some time

“We need to stop glamourizing overworking. Please. The absence of sleep, good diet, exercise, relaxation, and time with friends and family isn’t something to be applauded. Too many people wear their burnout as a badge of honour. And it needs to change.”



Katy Leeson, Managing  
Director, Social Chain  
November 2020

# ADDITIONAL PREDICTIONS FOR 2021

- Robust wellness models that focus on prevention will help define healthcare models moving forward
  - Bringing healthcare to the consumer (specialists, primary care)
- Social isolation can have dramatic negative consequences
  - Seniors living alone
  - Children with remote learning have limited social interactions
  - Unfortunate consequences for special needs populations
- Caregiving is difficult...and dwindling
  - Ratio of unpaid, family caregivers drops dramatically in the coming years
  - Boomer cohort has a higher proportion of individuals with no children; also less likely to be married
  - COVID-19 Baby Bust (U.S. estimated to have 500,000 fewer births in 2021)\*

# EVOLVING FUNDRAISING & DEVELOPMENT

- Have had to adapt strategies during pandemic
- Annual in-person fundraisers replaced by virtual events
- Redefining what outreach looks like in 2021
- COVID-19 has presented some opportunities
  - Certain proportion of donors giving more than usual
  - Donations to NFPs and healthcare organizations greater appeal now than a year ago
  - Results vary
- Recurring giving will be more important than ever
- Be creative with partnerships
- Need to “meet your supporters on their turf.”\*
  - Social media platforms (Facebook, Instagram, LinkedIn, Twitter, TikTok)
  - Livestreaming content
- Change is inevitable...need to be nimble



# FINANCIAL PREPAREDNESS FOR 2021

# FORECASTING FOR 2021

How soon will the economy recover from COVID-19? A panel of 48 top experts is getting optimistic.

By STAN CHOE  
ASSOCIATED PRESS | DEC 08, 2020 AT 7:41 AM



- How are organizations budgeting for 2021?
- Are more government stimulus funds anticipated in 2021?
- How does the threat to state and local budgets trickle down to others?

# STIMULUS MOST APPLICABLE TO NFP PROVIDERS

- Accelerated/Advanced Payment for Medicare Providers and Suppliers
- Families First Coronavirus Response Act
- Deferral of employer payroll tax
- Business interruption insurance
- **Paycheck Protection Program**
- **Provider Relief Fund**
- FEMA Assistance
- Main Street Lending Program
- State Specific Programs

# OVERVIEW OF STIMULUS PROGRAMS

## *PAYROLL PROTECTION PROGRAM*

- **Payroll Protection Program**

[www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp](https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp)

- **Qualification** – Generally for organizations with less than 500 employees
- **Structure** – All/portion of loan forgiven should certain conditions be met
- **Amount Provided** – 2.5 times average monthly payroll
- **Other Considerations/Stipulations**
  - Requires certifications, most applicable likely being “Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant”
  - Proceeds must be spent on payroll, rent, interest on loans and utilities



# PPP LOAN FORGIVENESS

- Two forms of application for loan forgiveness:

- Standard Application (form 3508)

- <https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>

- EZ Application (form 3508EZ)

- <https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf>

- Most banks now accepting forgiveness applications

- As of late November, 11% of those that received a loan have filed for forgiveness
  - Banks have 60 days to review application and submit to SBA

- SBA has 150 days upon receipt from bank to provide forgiveness approval

- Many loans under \$2 million that have been submitted by banks have been approved quickly by SBA
  - We are unaware of any loan greater than \$2 million that have been either approved or denied by SBA

# FORM 3510 – JUSTIFY ECONOMIC NEED

- On November 4<sup>th</sup> SBA released a **draft** of Questionnaire asking PPP borrowers of \$2M or more to justify economic need
  - Form states that SBA is reviewing loans to maximize program integrity and protect taxpayer resources and that SBA's determination will be based on the totality of borrowers circumstances
- Form 3510 is broken down into two sections
  - Non-profit activity assessment
    - Gross revenues and expenses for second quarter 2020 compared to same 2019 period
    - Has borrower significantly altered operations or voluntarily ceased or reduced operations
  - Liquidity assessment
    - Cash, savings and endowment funds on last day of quarter before application submitted
    - Provide amount of funds received from any CARES Act program other than PPP
  - Both assessment sections allow borrower to provide additional comments
    - Likely very import for senior living providers to explain impact on operations due to COVID

# OVERVIEW OF STIMULUS PROGRAMS

## *PAYROLL PROTECTION PROGRAM 2*

- **Payroll Protection Program 2**
  - President has signed into law \$284 billion in PPP2
  - For the first time 501 (c) 6 eligible (includes chambers of commerce)
  - SBA required to provide by January 8th (10 days of enactment of Act)
- **Qualification** – Generally for organizations with less than **300** employees, have used or will use FULL amount of first PPP AND demonstrated at least a 25% reduction in gross receipts in any 2020 quarter compared to 2019
- **Structure** – All/portion of loan forgiven should certain conditions be met
- **Amount Provided** – 2.5 times average monthly payroll capped at \$2 million
- **Other Considerations/Stipulations**
  - Requires same certifications as first PPP loan
  - 60% of eligible cost must still be spent on payroll with rent, interest on loans and utilities making up remaining 40%

# OVERVIEW OF STIMULUS PROGRAMS

## *PROVIDER RELIEF FUND*

- **Public Health and Social Services Emergency Fund – Provider Relief Fund**  
[www.hhs.gov/provider-relief/index.html](https://www.hhs.gov/provider-relief/index.html)
- **Qualification** – \$175 billion to hospitals and healthcare providers on front lines of coronavirus. Senior living distributions enhanced to include non Medicare fee-for-service providers on September 1<sup>st</sup>
- **Structure** – Payments, not loans, and will not need to be repaid if conditions met
- **Amount Provided to Date** – \$125.6 billion
- **Other Considerations/Stipulations**
  - Payments received by direct deposit
  - Within **90** days of receiving funds, providers must sign attestation confirming receipt of fund and agreeing to terms and conditions
  - \$49.4 billion remaining with new targeted distributions possible

# PROVIDER RELIEF FUND

## *DISTRIBUTIONS TO DATE*

- **General Distribution Phase 1 (April 10<sup>th</sup> and 24<sup>th</sup>)**
  - \$50 billion to providers who bill Medicare fee-for-service in order to provide financial relief during the COVID-19 pandemic
  - Two rounds totaling 2% of net patient revenues (including **ALL** revenue under TIN)
- **Target Distribution (May 22<sup>nd</sup>)**
  - \$4.9 billion to skilled nursing facilities
  - Fixed distribution of \$50,000 plus \$2,500 per Medicare licensed bed
- **General Distribution Phase 2 (June 9<sup>th</sup>)**
  - \$18 billion to Medicaid providers, **opened to Assisted Living facilities Sept 1**
  - Payment equal to 2% of net patient revenues
- **Targeted Distribution (August 27<sup>th</sup>)**
  - \$2.5 billion to skilled nursing facilities
  - Fixed distribution of \$10,000 plus \$1,450 per Medicare licensed bed
  - \$2 billion in four installments (September – December 2020) based on performance measures
- **General Distribution Phase 3 (October 1<sup>st</sup>)**
  - \$20 billion true up to eligible providers who have yet to receive 2% of net patient revenues with any remaining funds to providers with excess COVID expenses

# PROVIDER RELIEF FUND

## REPORTING REQUIREMENTS

- On September 19<sup>th</sup> and October 22<sup>nd</sup>, HHS released new guidance on reporting requirement
  - Recipients that received more than \$10,000 will be required to submit reports than demonstrate compliance with terms and conditions
  - First report required by February 15, 2021 on expenditures made through the period ending December 31, 2020
    - Portal not opened until January 15, 2021, change from October 2020
  - Recipients with unexpended proceeds as of December 31, 2020 must submit second and final report for activity through June 30, 2021 by July 31, 2021

# ZIEGLER ONGOING RESOURCES

<https://www.ziegler.com/covid-19/>



- Summary documents on the CARES Act (PPP updates, Main Street lending program)
- Links to key sources of information
- Webinars that Ziegler has hosted for various audiences re: COVID-19
- Z-News updates

www.ziegler.com

**ZIEGLER INVESTMENT BANKING**  
**SENIOR LIVING FINANCE Z-NEWS**

Page 1 | Week of December 14, 2020

**FEATURED ARTICLE**

## SENIOR LIVING TECHNOLOGIES: ADOPTION & INNOVATION DURING COVID-19 AND THE YEAR AHEAD

During the first week of December, Ziegler and LinkAge hosted the 3rd Annual Ziegler LinkAge Funds Symposium. More than 300 individuals participated in virtual sessions that focused on the latest trends related to technology solutions and innovations in the senior living and care sector. Subject-matters experts spoke on topics such as the growing telehealth field, leveraging technology for workforce challenges, and remote monitoring among others.

The symposium closed with a facilitated panel discussion entitled, "Advancing Innovation & Technology Adoption: COVID-19 As A Catalyst?" Much of the accelerated rate of adoption this past year, which many have called a silver-lining to the COVID-19 pandemic, has been around speed of adoption and putting solutions in place that have assisted with navigating the pandemic. What in the past may have been more of a choice to adopt a particular technology or platform, quickly became a necessary implementation.

**KEY THEMES FOR 2020**

There are several key areas where adoption increased and where COVID-19 exposed vulnerabilities in the sector that can be addressed through technology solutions. A number of these key trends are outlined below.

- **Consumer Acceptance:** Without a doubt, the number of older adults utilizing technologies during the COVID-19 pandemic has increased from prior years to the pandemic's onset. This includes the use of tablet devices to talk with family members that were unable to visit in-person, to telehealth appointments with medical specialists, to ordering groceries online and having them delivered to their front door. Additionally, adoption of technologies by staff in the workplace has increased as well.
- **A Telehealth Revolution:** It is difficult to envision a future healthcare system without telehealth playing a prominent role in the delivery model. The government's support for expanded telehealth reimbursement early on in the pandemic helped to quickly accelerate the use of a wide variety of telehealth options. It is widely agreed upon that telehealth solutions are here to stay.
- **Dangers of Social Isolation:** We have known for years that social isolation is a threat to mental, emotional and physical health, especially among the elderly. The COVID-19 pandemic has exposed this vulnerability even greater. Resident engagement and family member communication solutions have played a central role during the pandemic in trying to minimize social isolation and the mental and physical decline that often follows.
- **Remote Monitoring/Virtual Care:** There is no doubt this overlaps somewhat with telehealth, but the intent is to think more along the lines of prevention and wellness. As many seniors have been in quarantine or living with restrictions around movement outside of their apartment or cottage, the ability to monitor a resident's physical and mental health by staff has been more limited. There may not have been the daily check-in at dinner or conversations in the hallway. Many providers adopted technologies that allowed them to securely monitor movement within the apartments, perhaps for compliance with a medication regimen or even mental wellness check-ups.
- **Workforce Solutions:** If there is a solid tech-enabled solution out there to support the senior living & care workforce, I can assure you that people are exploring

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QUESTIONS?



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# ABOUT ZIEGLER

Ziegler is a privately-held investment bank, capital markets and proprietary investments firm A registered broker dealer with SIPC & FINRA Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research  
Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance