



# 2023 KEY TRENDS INFLUENCING NFP SENIOR LIVING & CARE

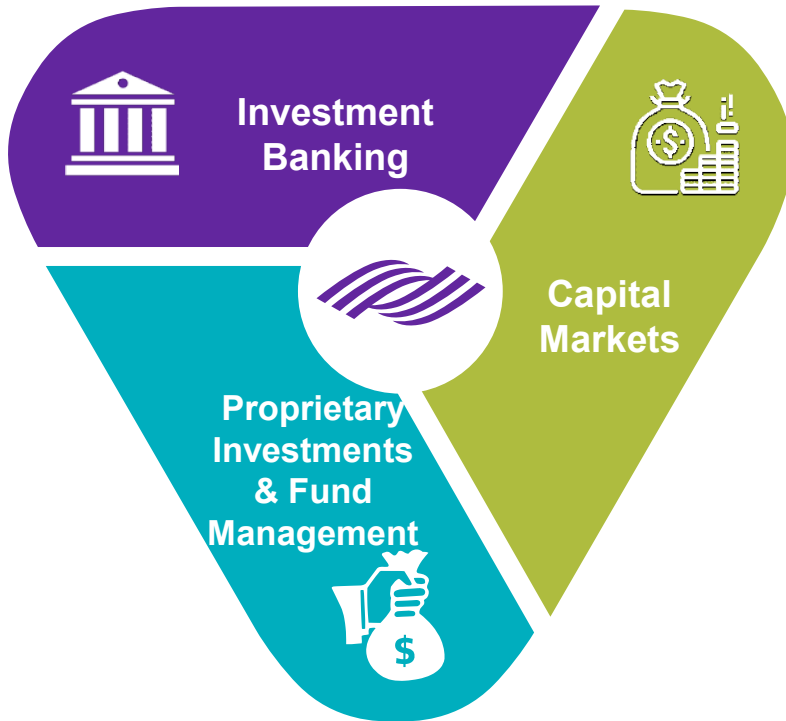
CHHSM Annual Meeting  
March 2023

**Tom Meyers**  
Senior Managing Director  
Ziegler

**Lisa McCracken**  
Director  
Ziegler

# ZIEGLER INVESTMENT BANKING PLATFORM

**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 Management

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 2170  
Minneapolis, MN 55402



## MILWAUKEE, WI

790 North Water Street  
Suite 2275  
Milwaukee, WI 53202



## CHICAGO, IL Headquarters

One North Wacker Drive  
Suite 2000  
Chicago, IL 60606

# 1902

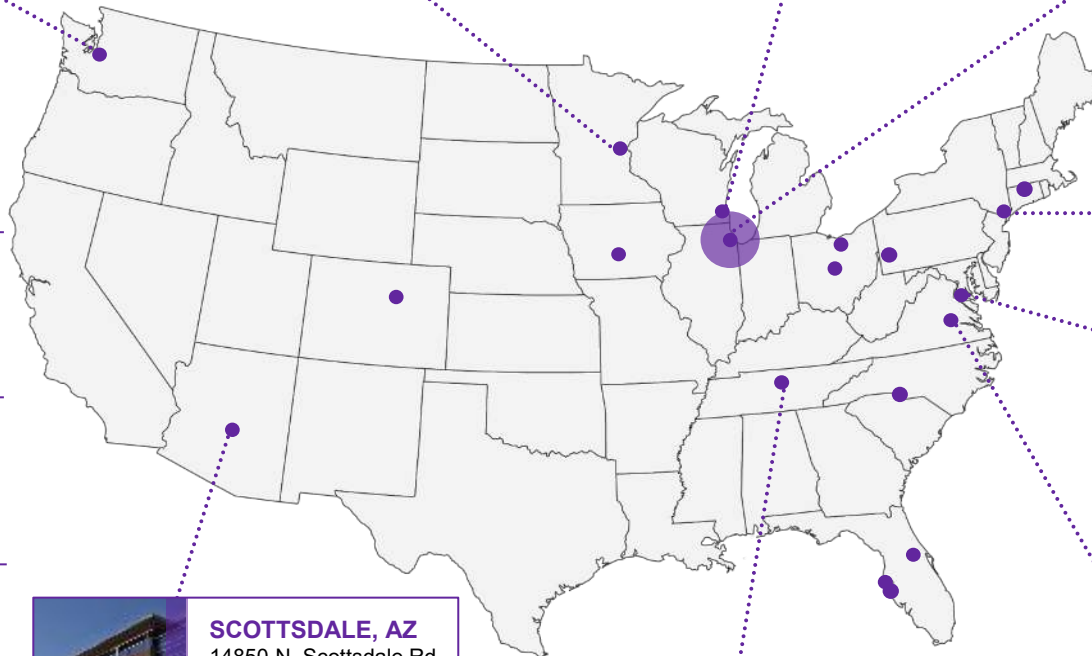
established

# 190+

number of associates

# 19

Registered offices



## SCOTTSDALE, AZ

14850 N. Scottsdale Rd  
Suite 350  
Scottsdale, AZ 85254



## NASHVILLE, TN

150 3rd Avenue South  
Suite 1810  
Nashville, TN 37201



## NEW YORK

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



## BETHESDA, MD

7500 Old Georgetown Rd  
Suite 950  
Bethesda, MD 20817



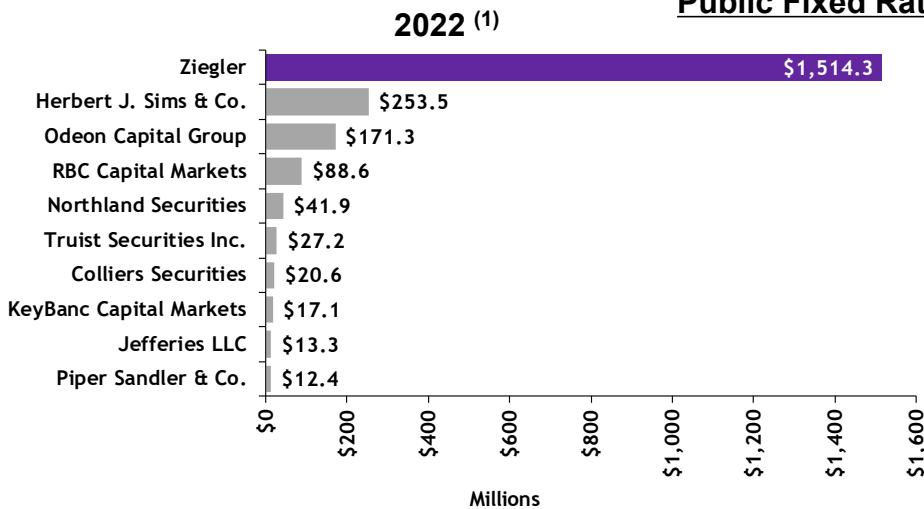
## RICHMOND, VA

5701 Patterson Avenue  
Suite 200  
Richmond, VA 23226

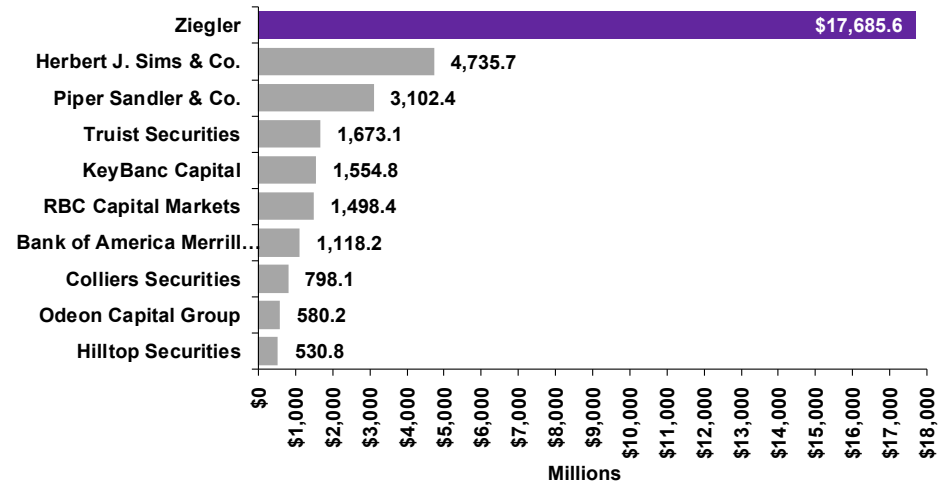
# ZIEGLER INVESTMENT BANKING

## NATIONAL SENIOR LIVING EXPERIENCE

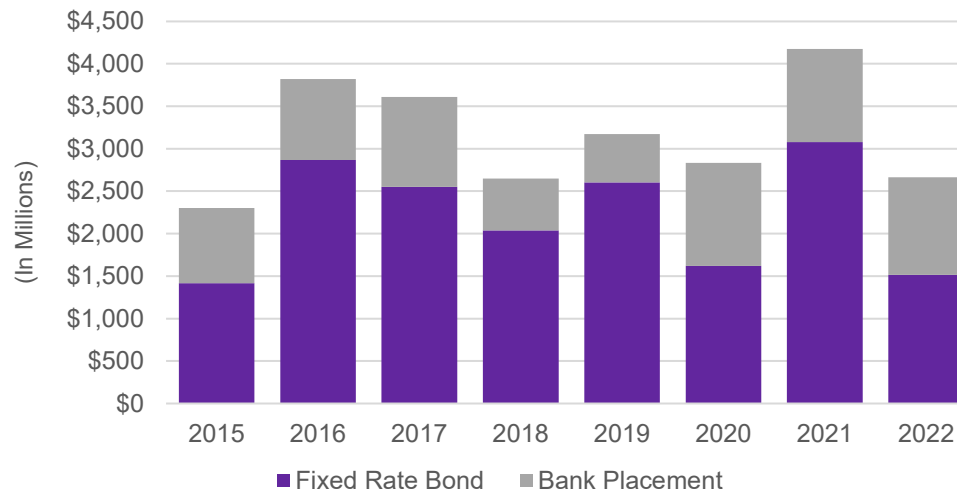
### Public Fixed Rate Bond Experience <sup>(1)</sup>



### 2015 - 2022 <sup>(1)</sup>



### Senior Living Direct Bank Placement Experience <sup>(2)</sup>



(1) 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 12/31/2022

(2) Ziegler Investment Banking as of 12/31/2022

# COMMITMENT TO STRATEGIC INSIGHT - RESEARCH, EDUCATION & THOUGHT LEADERSHIP

## Routine Industry-Wide Communication

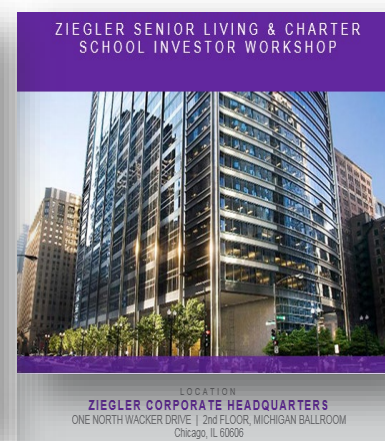
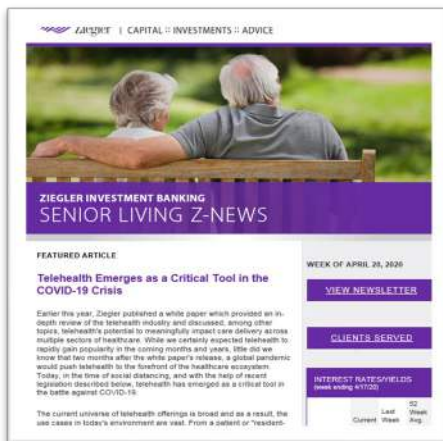
- Z-News
- CFO Hotline <sup>SM</sup>
- Topical Webinars
- Industry Whitepapers

## Industry Education & Communication

- Ziegler Senior Living Finance + Strategy Conference
- LeadingAge - Ziegler CFO Workshop <sup>SM</sup>
- CEO Symposiums
- Ziegler National Senior Living Investor Workshop <sup>SM</sup>

## External Industry & Market Research

- LeadingAge Ziegler 200
- CARF Financial Ratios & Trends Analysis (in conjunction with Baker Tilly, CARF)
- National LPC/LPC listing and characteristics
- Ziegler Credit Surveillance and Analytics
- [www.zieglercreditsurveillance.com](http://www.zieglercreditsurveillance.com)
- Example tracking of: new campus development, Green House development, sponsorship transition activity, for-profit development, bank lending activity, rating agency activity



# AGENDA

Faith-Based NFP Senior Living & Care

Key NFP Senior Living & Care Trends

Discussions, Q&A

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## KEY NFP SENIOR LIVING & CARE TRENDS

# WHAT WE ARE SEEING AND HEARING



## OPPORTUNITIES

- Demographic growth
- Demand for diversified services
  - Residential
  - HCBS
- Technology and innovation
- Not-For-Profit success in partnership



## HEADWINDS

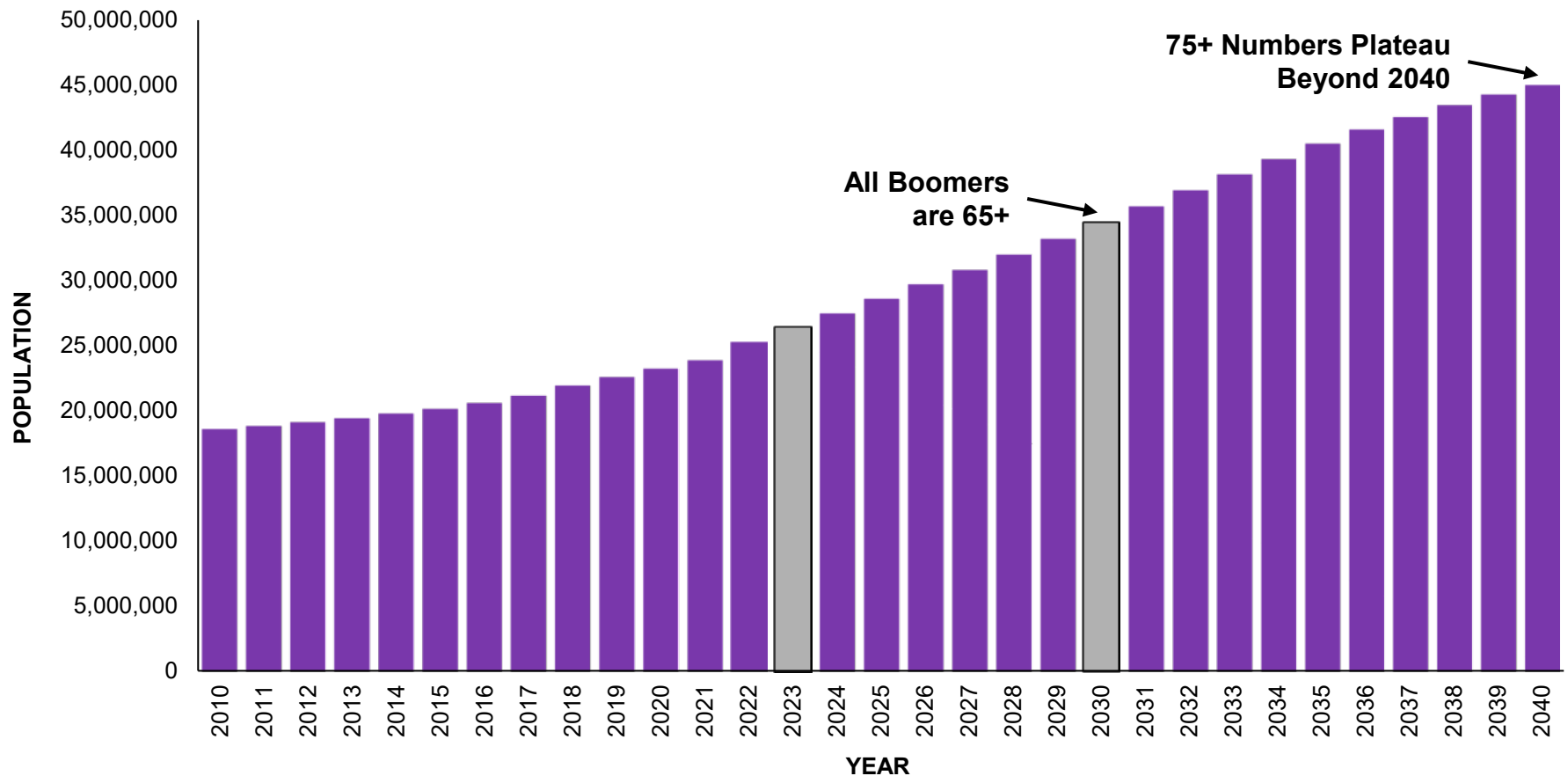
- Workforce challenges
- Expense pressures
- Construction-cost inflation
- For-Profit competition impacting demand
- Uncertainty with skilled nursing
- Occupancy and Financial pressures (for some)



# DEMOGRAPHICS DRIVING DEMAND

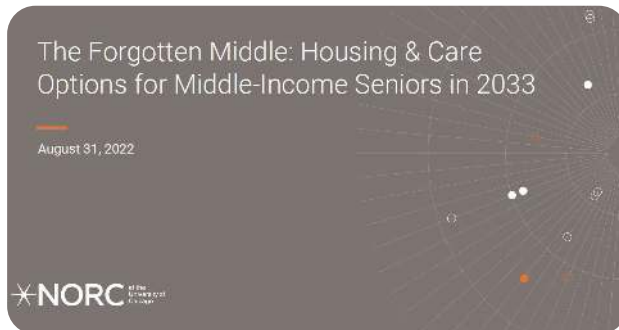
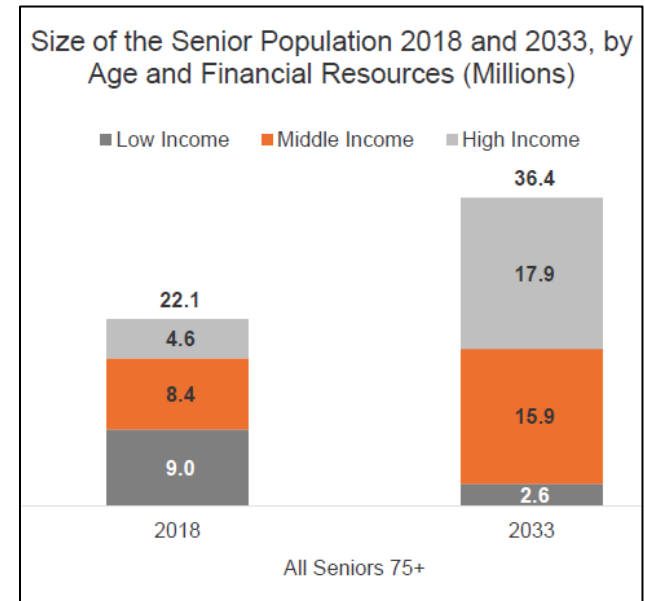
## U.S. POPULATION 75+ (2010 – 2040)

**Over the next 10-years, there will be an additional 11.7 million adults 75+**



# AFFORDABILITY THE “MIDDLE MARKET” SENIOR

- Financing options are a challenge without meaningful equity of 15-30%
- Although limited, options remain for government-subsidized housing in the form of tax-credits
  - Very competitive
  - Requires expertise
- Focus on the “middle market” senior
- Home-based programs will be key



# AFFORDABLE HOUSING & MIDDLE-MARKET GROWTH

- Low Income Housing Tax Credits remain primary source of federal funding for affordable housing growth
- Some NFP provider senior living providers are partnering with developers for their expertise
- Creative joint ventures, partnerships between provider organizations to develop middle-market opportunities



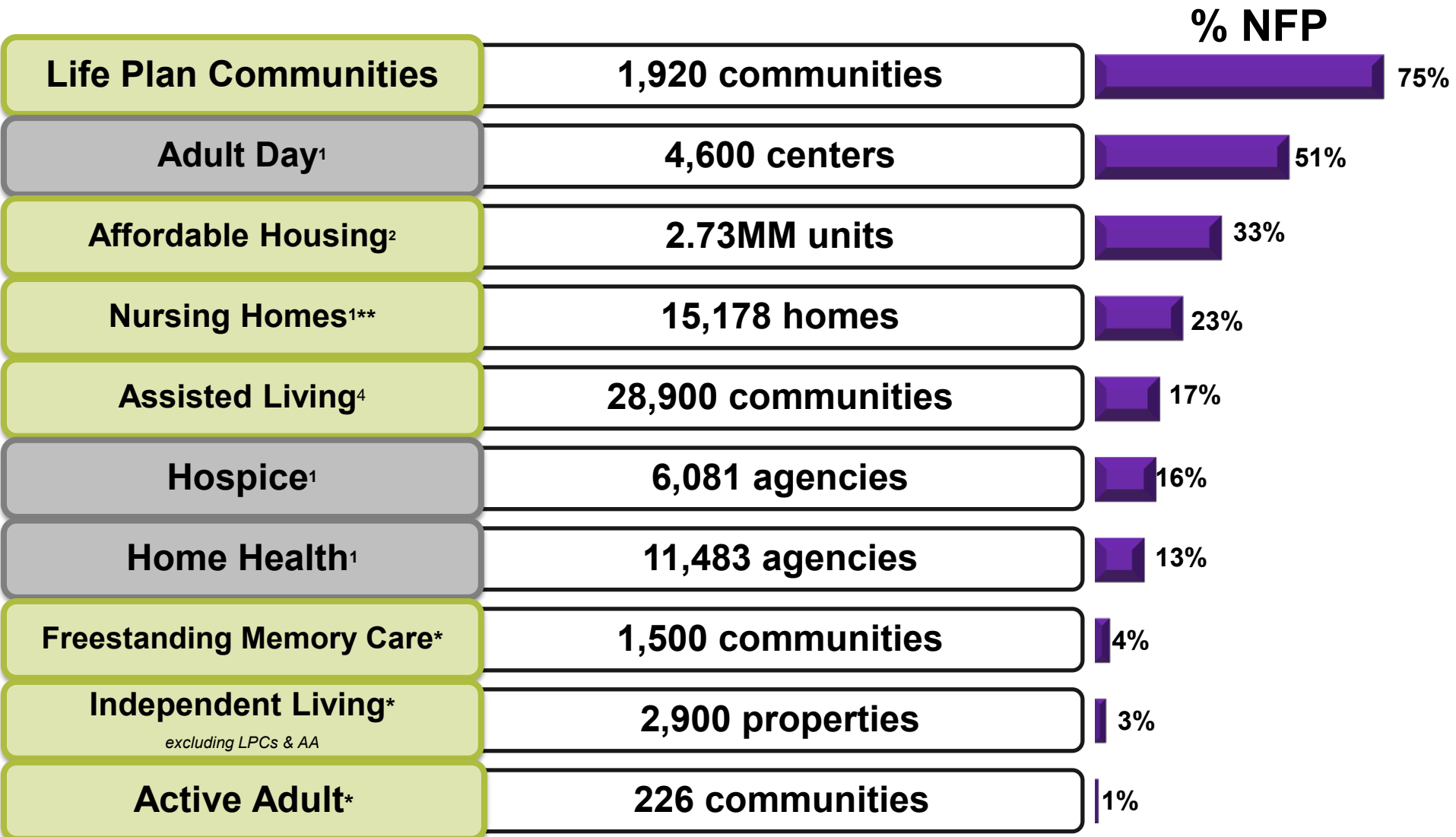
# COMBATTING WORKFORCE CHALLENGES

## PROMISING PRACTICES

- Empathy: The pandemic has caused people to reevaluate what they want from a job...and from life
- Designing environments for staff
- Specialty leadership positions (recruitment; talent; retention)
- Unbundling of benefits; substituting benefits for pay
- Discounts at local businesses
- Internal staffing agencies; international recruitment
- Expanding recruitment pool (retirees; high school students; alumni; refugees)
- Commitment to Diversity, Equity & Inclusion
- Utilization of technology (recruitment, retention, payment strategies, efficiencies)
- Development of/participation in training programs
- Workforce housing (develop or partner)

# TODAY'S RETIREMENT OPTIONS

## A LOOK AT SENIORS HOUSING & SERVICES SUPPLY



\*REPRESENTS NIC 140 MARKETS \*\*Nursing Home data includes both freestanding SN and those within a larger continuum

Sources: Ziegler National LPC/CCRC Listing & Profile (Dec. '22), \*National Investment Center for Seniors Housing & Care

<sup>1</sup>Centers for Medicare and Medicaid Services (Aug. 2022); <sup>2</sup>NCAL, LeadingAge 2019 Market Snapshot

## RENEWING & REBUILDING: GROWTH DEFINED

**New Community Development**

**Satellite Campuses**

**Unit Expansions**

**Affiliations, Acquisitions,  
Mergers**

**Home & Community-Based  
Services**

**Services (Third-Party Mgmt.; IT  
Solutions)**

- Affordable
- Market Rate
- Middle Market

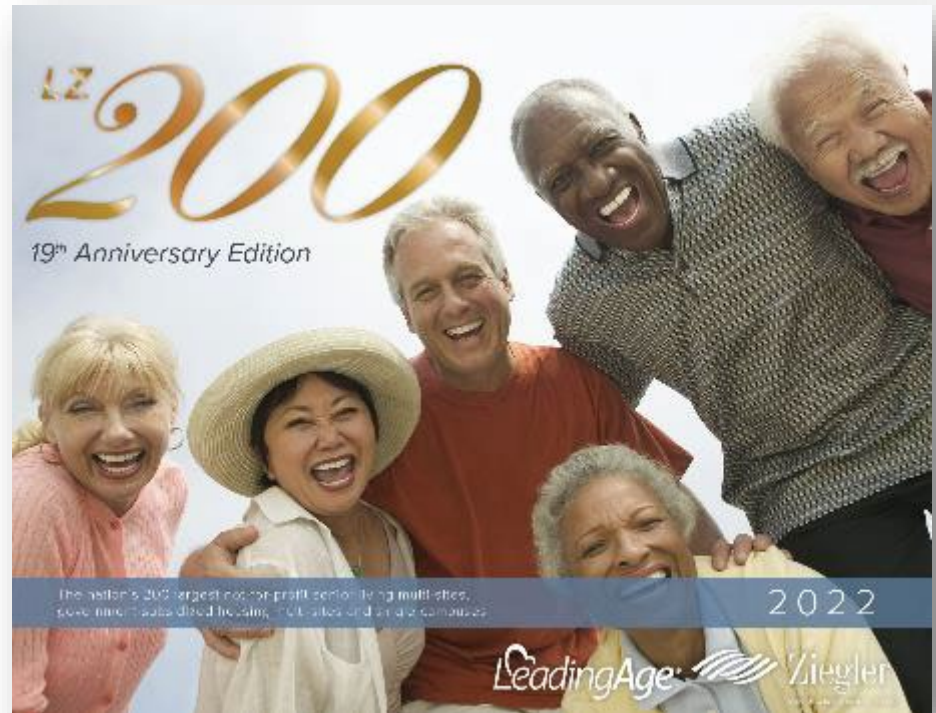
### GROWTH HIGHLIGHTS

- Some new community growth but with low/no skilled nursing
- Significant investments in existing campus
- Affiliations, Acquisitions, Mergers activity is high
- Home and community based service expansion

# SYSTEM TRENDS 2022

## LZ 200 PUBLICATION: BACKGROUND AND METHODOLOGY

- Size not quality
- Not-for-profit multi-site senior living organizations primary focus
- Descriptive information on each system
  - state, size (by type of unit),
  - classification of system, rating,
  - accreditation, addition of 2<sup>nd</sup> community.
- Statistics related to affiliation, employees, residents and more
- Excludes affordable units and managed units when computing size; excludes primarily acute/post-acute/health care systems
- Comparable to other listings of largest organizations (i.e., Fortune 500)



# 2022 LEADINGAGE ZIEGLER 200

## THE NATION'S LARGEST NOT-FOR-PROFIT MULTI-SITE SENIOR LIVING ORGANIZATIONS

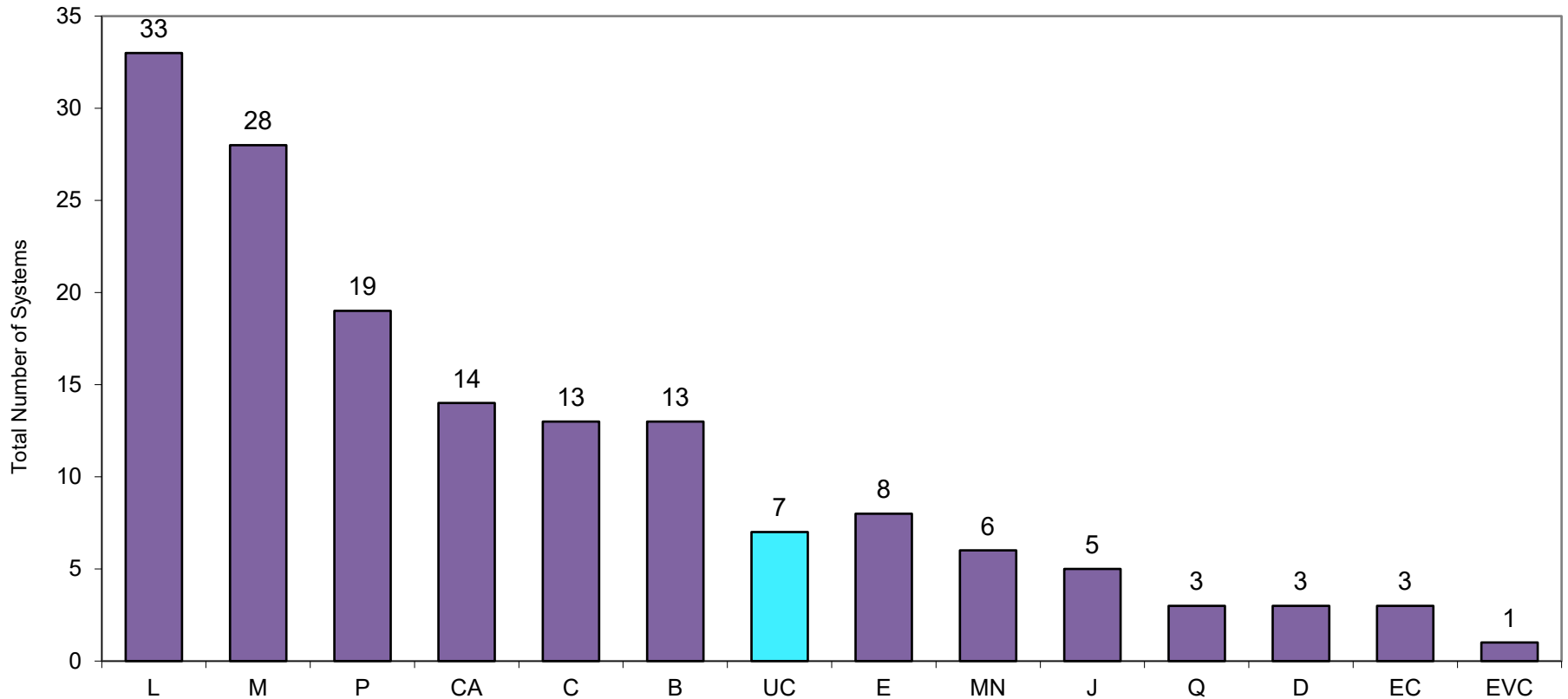
2022 Rank	2021 Rank	System Name	State	Units (as of 12/31/21)				Communities (as of 12/31/21)				
				Total	ILU	ALU	NCB	Total	LPC	IL	AL	NH
1	1	National Senior Campuses, Inc.	MA	21,753	19,026	1,720	1,007	16	16	0	0	0
2	2	The Evangelical Lutheran Good Samaritan Society	SD	15,447	4,795	2,110	8,542	141	53	8	9	71
3	3	Acts Retirement Services, Inc.	PA	9,404	6,739	1,139	1,526	26	26	0	0	0
4	4	Presbyterian Homes and Services	MN	9,391	5,027	2,792	1,572	55	16	36	0	3
5	5	Ascension Living	MO	6,692	1,800	1,203	3,689	35	9	5	2	19
6	6	HumanGood	CA	5,821	3,586	1,138	1,097	22	21	1	0	0
7	9	Covenant Living Communities & Services	IL	5,432	3,499	906	1,027	18	14	2	1	1
8	8	Lifespace Communities, Inc.	IA	5,279	3,635	672	972	14	14	0	0	0
9	7	Trinity Health Senior Communities	MI	5,136	1,942	1,165	2,029	33	6	10	2	15
10	10	Benedictine	MN	4,576	879	1,569	2,128	33	10	3	3	17
11	11	Westminster Retirement Communities of Florida	FL	4,224	2,924	519	781	10	10	0	0	0
12	12	Retirement Housing Foundation	CA	4,139	2,642	886	611	18	9	8	1	0
13	22	Front Porch	CA	4,136	3,323	159	654	19	10	9	0	0
14	14	Lutheran Senior Services	MO	3,704	1,825	792	1,087	11	9	0	1	1
15	16	Asbury Communities, Inc.	MD	3,686	2,215	562	909	9	9	0	0	0
16	15	Cassia	MN	3,509	0	2,129	1,380	47	0	0	30	17
17	13	The Kendal Corporation	PA	3,505	2,321	697	487	11	9	1	0	1
18	18	Pacific Retirement Services	OR	3,364	2,561	398	405	10	10	0	0	0
19	17	Presbyterian Senior Living	PA	3,186	1,831	556	799	16	11	3	2	0
20	20	Otterbein SeniorLife	OH	3,182	1,353	699	1,130	18	9	0	0	9
21	23	Concordia Lutheran Ministries	PA	2,965	1,038	1,264	663	15	6	0	7	2
22	19	Ohio Living	OH	2,898	1,620	454	824	12	9	1	0	2
23	21	The Carmelite System, Inc.	NY	2,898	51	498	2,349	15	1	0	3	11
24	24	Masonic Villages of the Grand Lodge of Pennsylvania	PA	2,576	1,624	269	683	5	3	1	0	1
25	27	Transforming Age	WA	2,543	1,759	706	78	18	3	7	8	0



## LZ 200- FAITH BASED AFFILIATIONS

### 2022 LeadingAge Ziegler 200

FAITH-BASED AFFILIATIONS, BY TOTAL NUMBER OF SYSTEMS

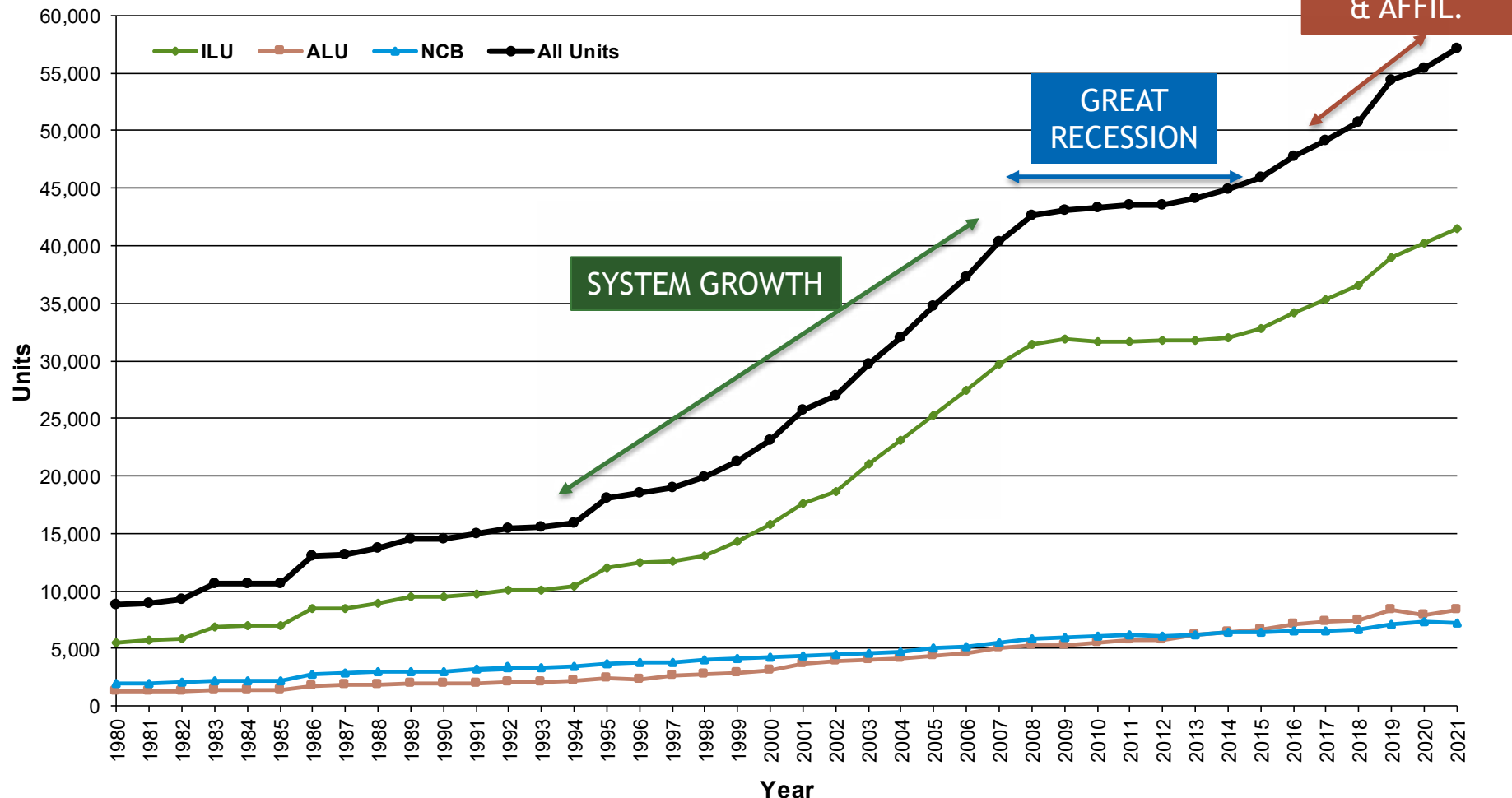


*Note: Due to a number of interfaith mergers and affiliations, some organizations fall into more than one category.*

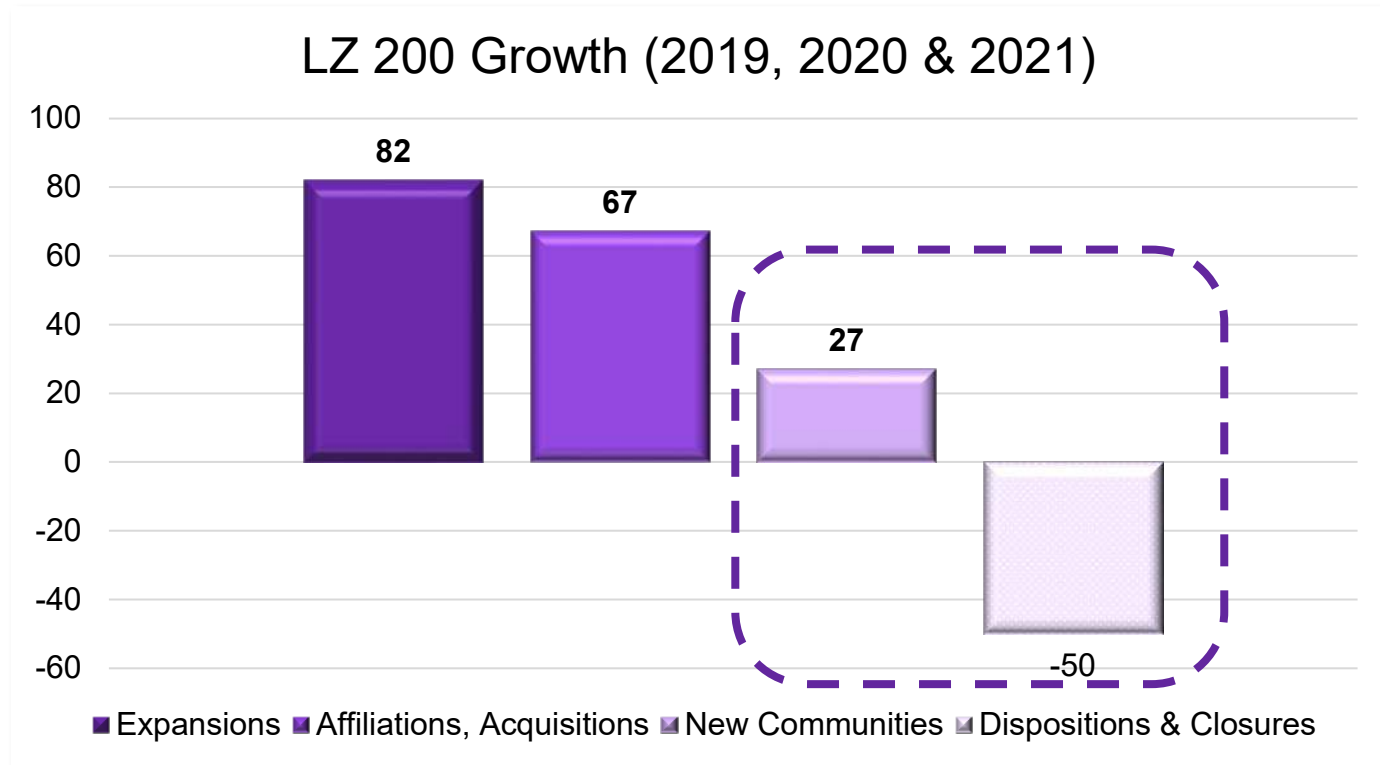
# 2022 LeadingAge Ziegler 200

## Growth: Growth of Largest 10 Systems, Combined Unit Mix

**FROM 1980** (Excludes Evangelical Lutheran Good Samaritan Society, Trinity Health Senior Communities, Ascension Senior Living, Benedictine Health System)



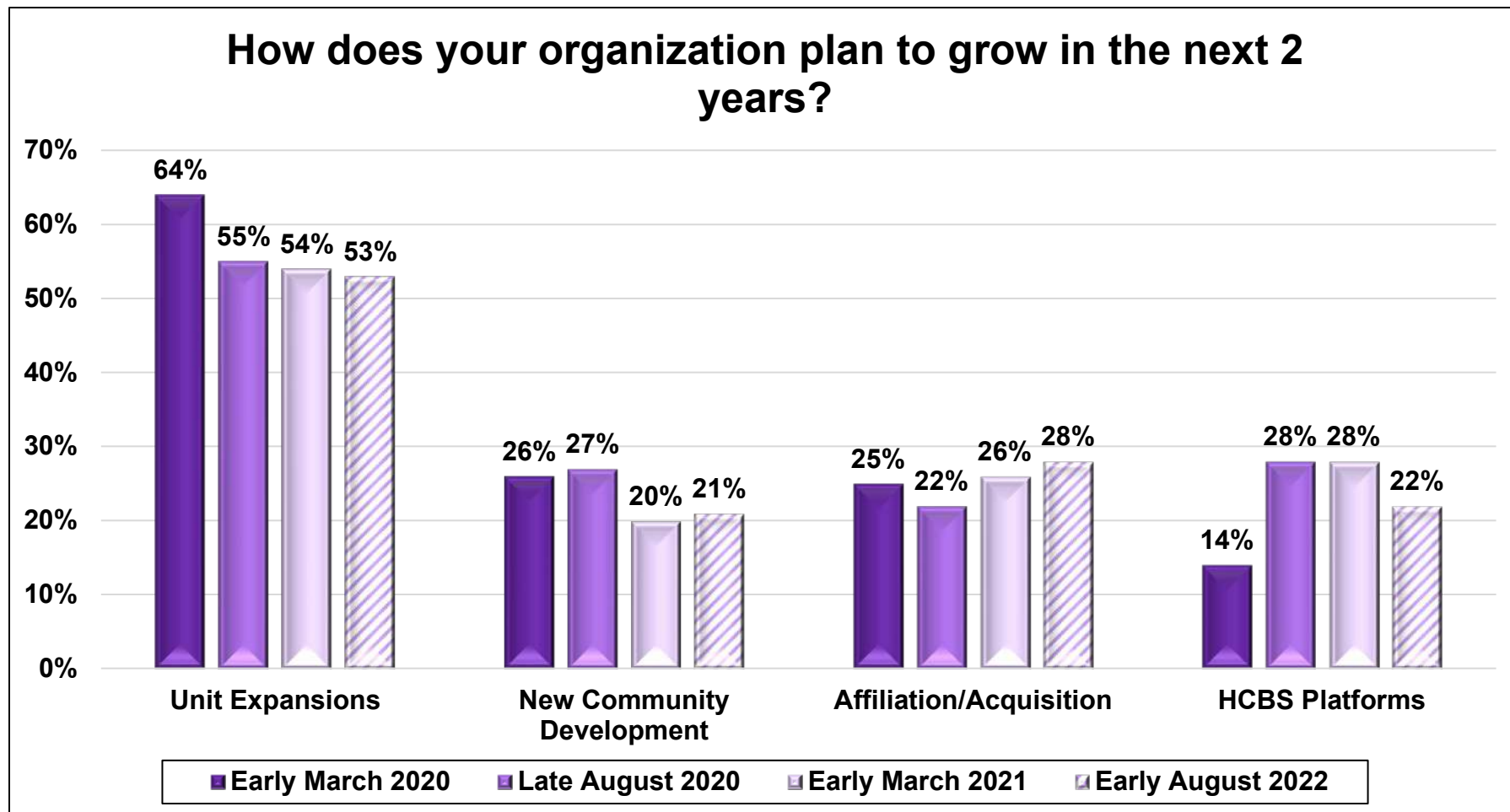
# NFP SENIOR LIVING GROWTH OVER THE PAST THREE YEARS



## TRENDS












- Nearly all NFP growth is coming from existing providers
- Number of NFP closures and dispositions outpacing the number of new campus developments
- Increasingly, new developments without SN component

# FUTURE NFP GROWTH PLANS: NEXT TWO YEARS



More aggressive growth plans for multi-sites vs. single-sites

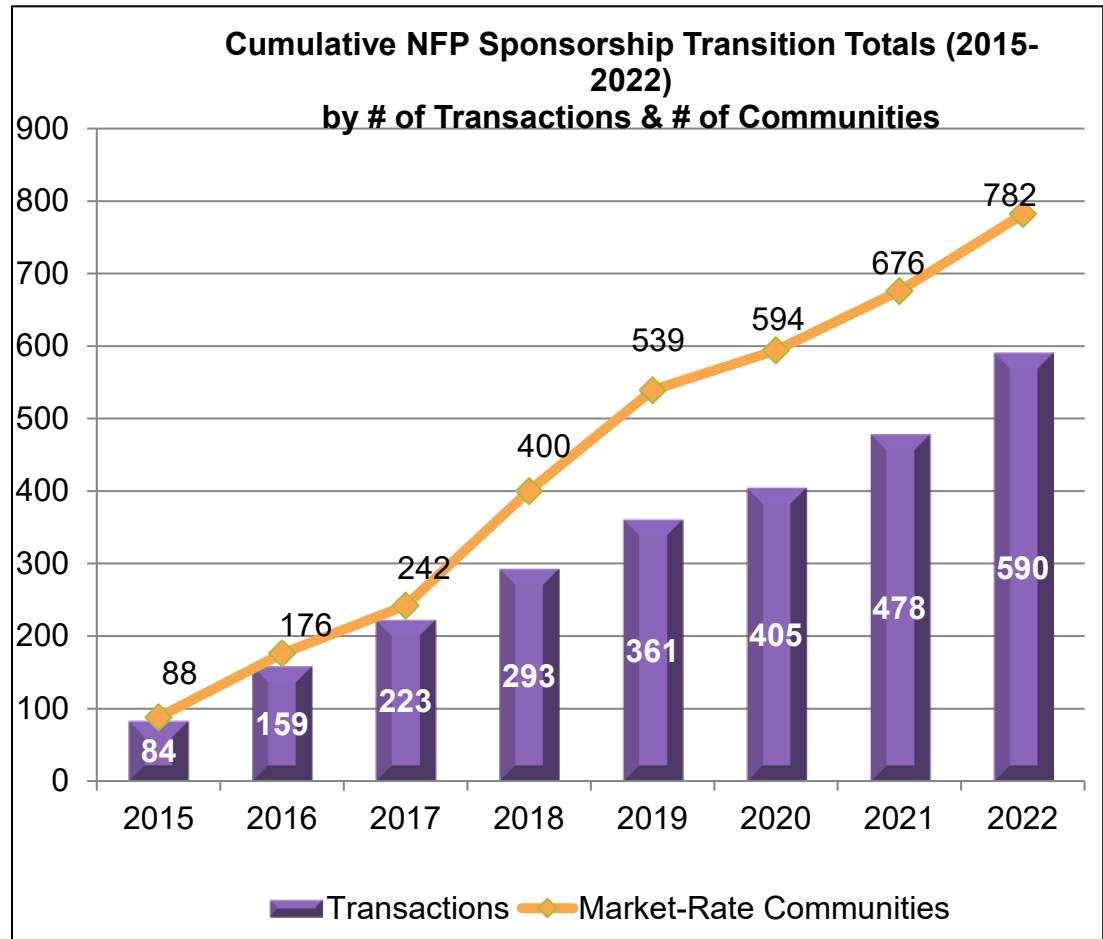
# PRIMARY DRIVERS OF NFP SENIOR LIVING CONSOLIDATION

COVID-19 ACCELERATED	1990	2000	2010	2023
 Ability to Attract & Retain Talent		✓	✓	✓
 Complexities of Healthcare		✓	✓	✓
 Financial Pressures			✓	✓
 Leadership Turnover		✓	✓	✓
 Competition	✓		✓	✓
 Board Strength				✓
 Technology Demands		✓	✓	✓
 Access to Capital	✓		✓	✓
 Reinvestment Requirements				✓
 Health System Consolidation		✓	✓	✓
 Diversify Service Lines				✓

# NFP SECTOR CONSOLIDATION BY YEAR

## (2015-2022)

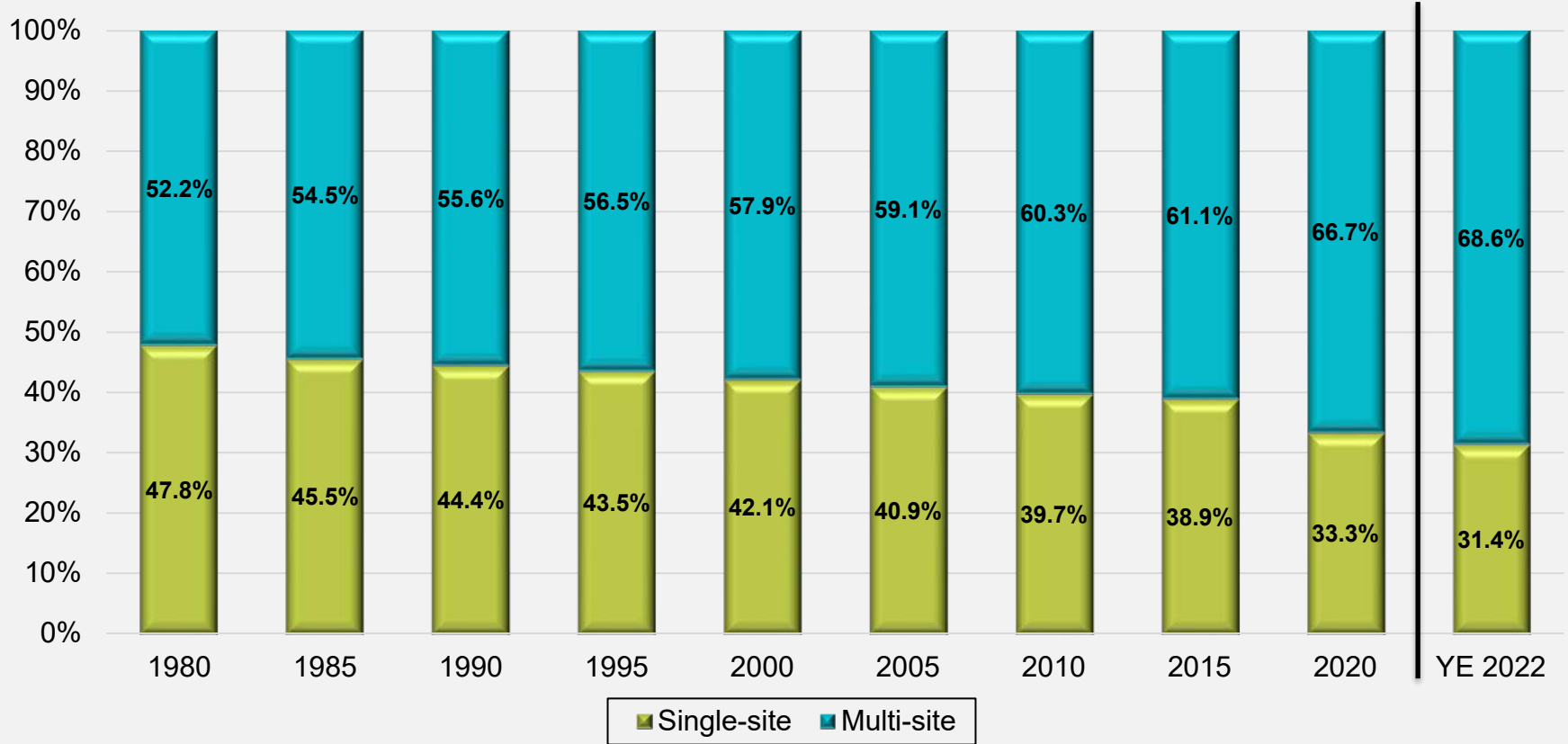
- More than 725 NFP communities have changed hands since 2015
  - 46% to the FP sector
- Since 2010, 38 NFP communities in NJ have changed hands
- Increase in closures the past two years (heavy nursing)
- NFP providers increasing conversations with one another to explore partnership and/or affiliation opportunities
- Opportunities for NFPs to acquire FP communities
  - Family-owned
  - Assets outside of core regional presence



# LIFE PLAN COMMUNITY CONSOLIDATION

BOTH FP AND NFP

Percentage Single-Site vs. Multi-Site Since 1980



# THE STATE OF THE HEALTHCARE ENVIRONMENT

- Pressured by **workforce shortages** and **reimbursement shortfalls**
- **Occupancy being hindered** by workforce pressures
- Increasing **bifurcated market** between continuum-based SN (NFP dominated) and freestanding SN (FP dominated)
- Among NFPs: what is the **right unit mix**?
  - 52% have downsized in past two years or have plans to do so<sup>1</sup>
  - Semi-private to private room conversions
  - Nursing care inventory for both LPCs and non-LPCs decreased by 3.4% and 1.0%, respectively<sup>2</sup>
  - Modernization of offering; small-house models



# OUTLOOK FOR THE YEAR AHEAD IN SKILLED NURSING

## What are your biggest concerns heading into 2023?\*

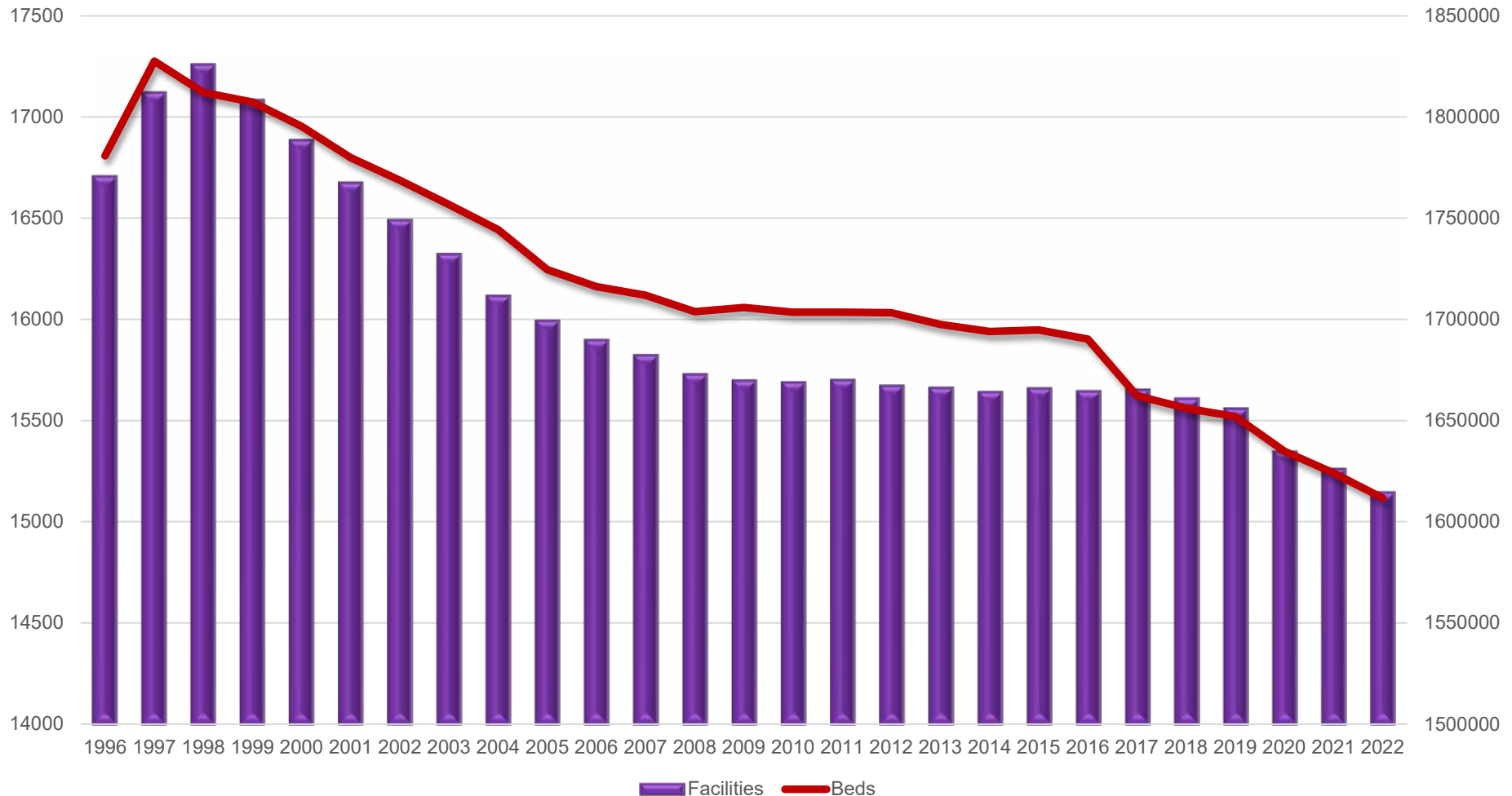
### Owners/C-Suite/Administrators



\* Respondents could select four options.

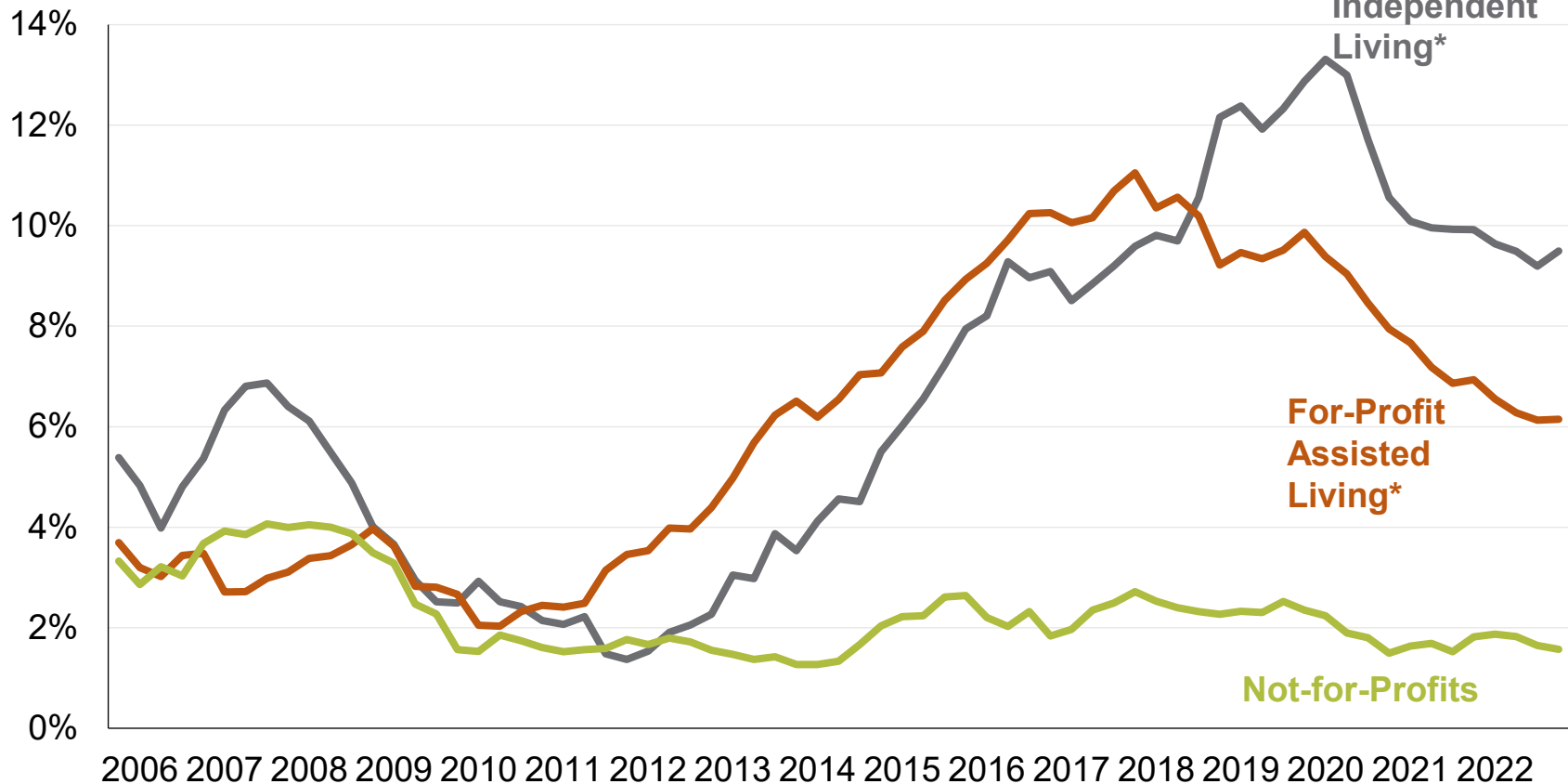
**Overall,  
optimism  
increased  
compared to  
the 2022  
outlook**

# TOTAL NUMBER OF SKILLED NURSING PROPERTIES AND BEDS 2015 – Q3 2022

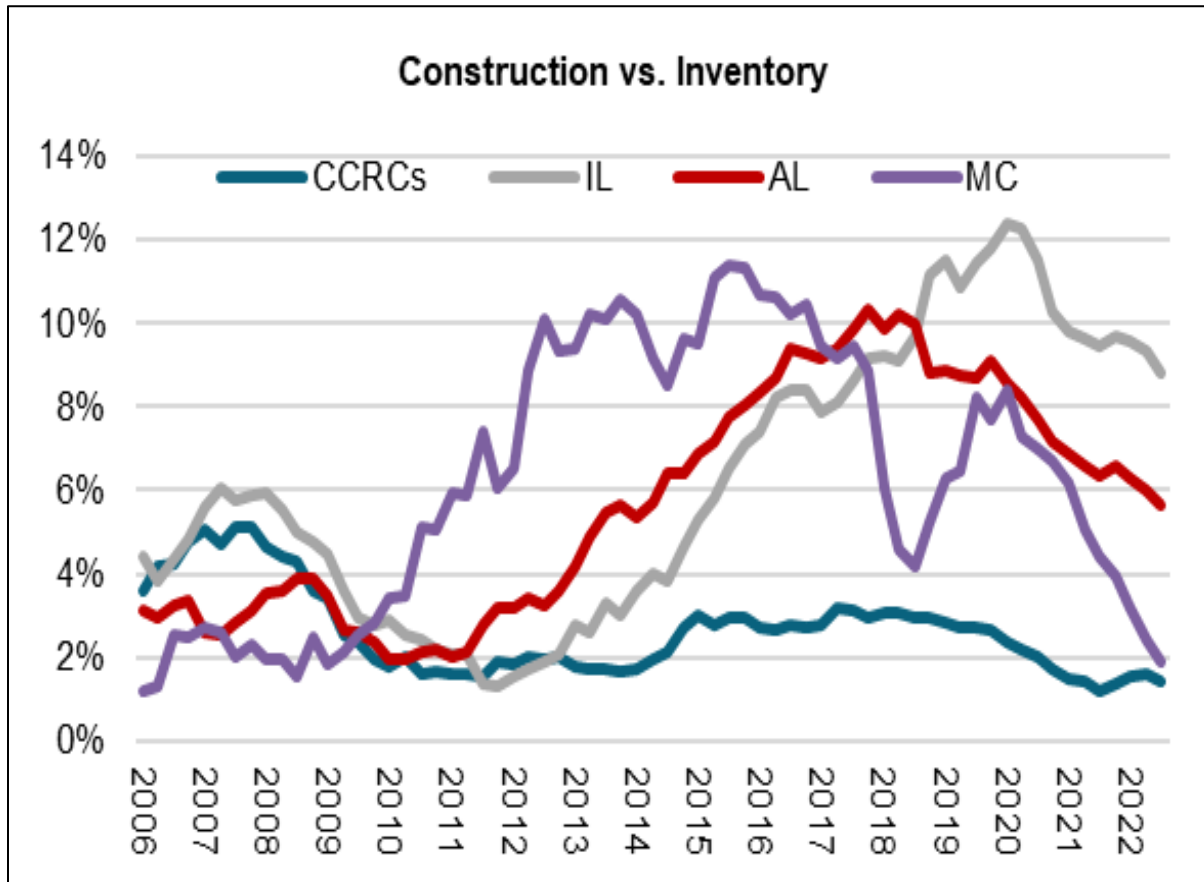


# GROWTH FROM THE PRIVATE SECTOR

## Construction vs. Inventory; MAP31 Seniors Housing | 4Q05 – 4Q22



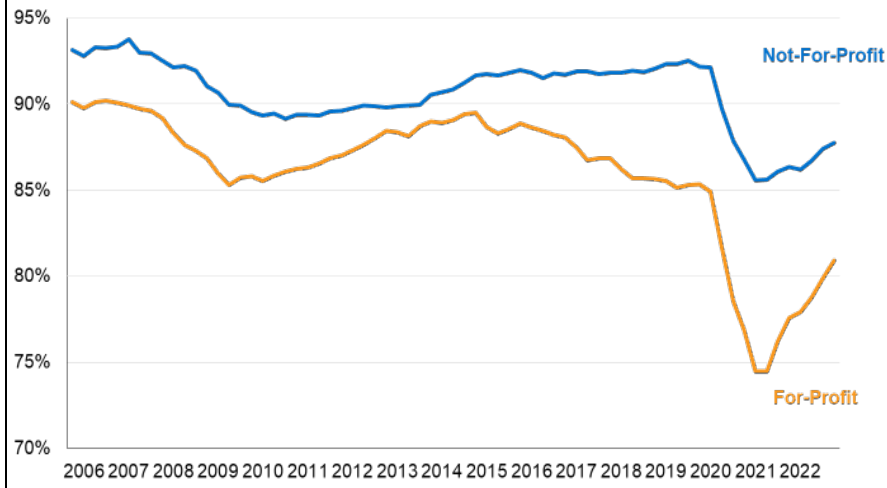
# GROWTH BY PROPERTY TYPE



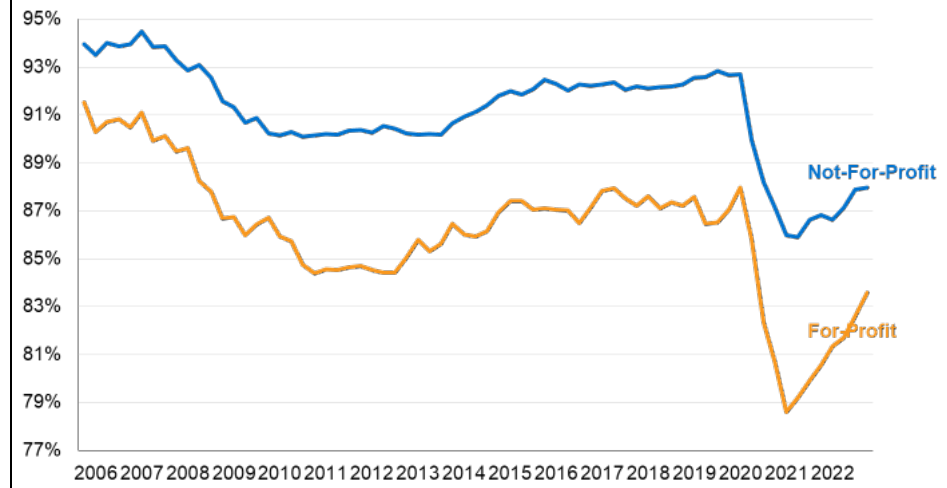
- General decline in freestanding memory care facilities in recent years
- Majority of new Memory Care part of continuum (IL/AL/MC)

# OCCUPANCY – THE CURRENT STORY

Seniors Housing Occupancy by Profit Status; MAP31  
4Q05 – 4Q22



CCRC Occupancy by Profit Status; MAP31  
4Q05 – 4Q22



Q4 2022 Occupancy	Northeast	National
Seniors Housing	85.7%	83.6%
LPCs/CCRCs	89.7%	87.2%
Independent Living	89.0%	85.8%
Assisted Living	82.1%	81.4%
Nursing Care	83.9%	80.1%

# DEFINING THE HOME & COMMUNITY-BASED SERVICES (HCBS) LANDSCAPE

## HCBS TRENDS

- Consumer preference to age-in-place
- Affordability: middle-market seniors
- Changing hospital discharge patterns for rehab
  - Home health referrals for post-acute care are at 123% of 2019 levels<sup>1</sup>
- Reimbursement for in-home care growing; federal support for growing home-based care and services

## EMERGING MODELS

**HOSPITAL AT HOME**

**SNF AT HOME**

**PACE**

**CONTINUING CARE AT HOME**

**HOME HEALTH**

**HOME CARE**

**HOSPICE & PALLIATIVE CARE**

**CARE NAVIGATION**

**CONCIERGE SERVICES**

# THE RATIONALE FOR DIVERSIFICATION

## THE WHY

- Financial gain: Additional revenue
- Risk management: Benefit to not having 'all your eggs in one basket'
- Ancillary business lines can often support primary service lines
- Mission enhancement:
  - Ability to expand services across a larger continuum
  - Ability to serve consumers within different economic cohorts
- Fosters new, creative partnerships
  - Joint ventures are not uncommon in this space

# EXAMPLES: POTENTIAL LINES OF DIVERSIFICATION

## More Traditional

HOME CARE

HOME HEALTH

HOSPICE

PACE

CONTINUING CARE AT HOME

## Emerging

PHARMACY

BEHAVIORAL HEALTH

REHAB

TECHNOLOGY-RELATED

MANAGEMENT SERVICES

PRIMARY CARE

OTHER SERVICES (Consulting,  
Development Advising, etc.)



# KEY “SMART AGING” TECHNOLOGY SUBSECTORS



## Ziegler Resources



Note: The listing of companies in this section is not intended to be fully inclusive and does not represent Ziegler's endorsement of a particular company, solution or platform.  
Source: Ziegler Investment Banking.



ZIEGLER LINK•AGE FUNDS

**\$110M+**

COMMITTED CAPITAL

**30+**

PORTFOLIO  
INVESTMENTS

**150+**

SENIOR LIVING  
PROVIDER INVESTORS



### EXPERIENCED

With over 60+ years combined experience, Ziegler and Link-Age launched the first fund in 2014



### FOCUSED

Investing in technology and service companies with innovative solutions focused on aging and post-acute service and care



### STRATEGIC

Fostering collaboration and innovation between strategic investors and entrepreneurs to advance awareness and adoption of new innovations

## ZIEGLER LINK•AGE FUNDS

Venture capital funds seeking to generate both financial and strategic returns for investors across the healthcare and aging services landscape by uniting providers and entrepreneurs in **ADVANCING INNOVATION** and driving independence, and improved quality and cost of care for older adults.



Generating financial returns for investors



Fostering collaboration between strategic investors and portfolio companies

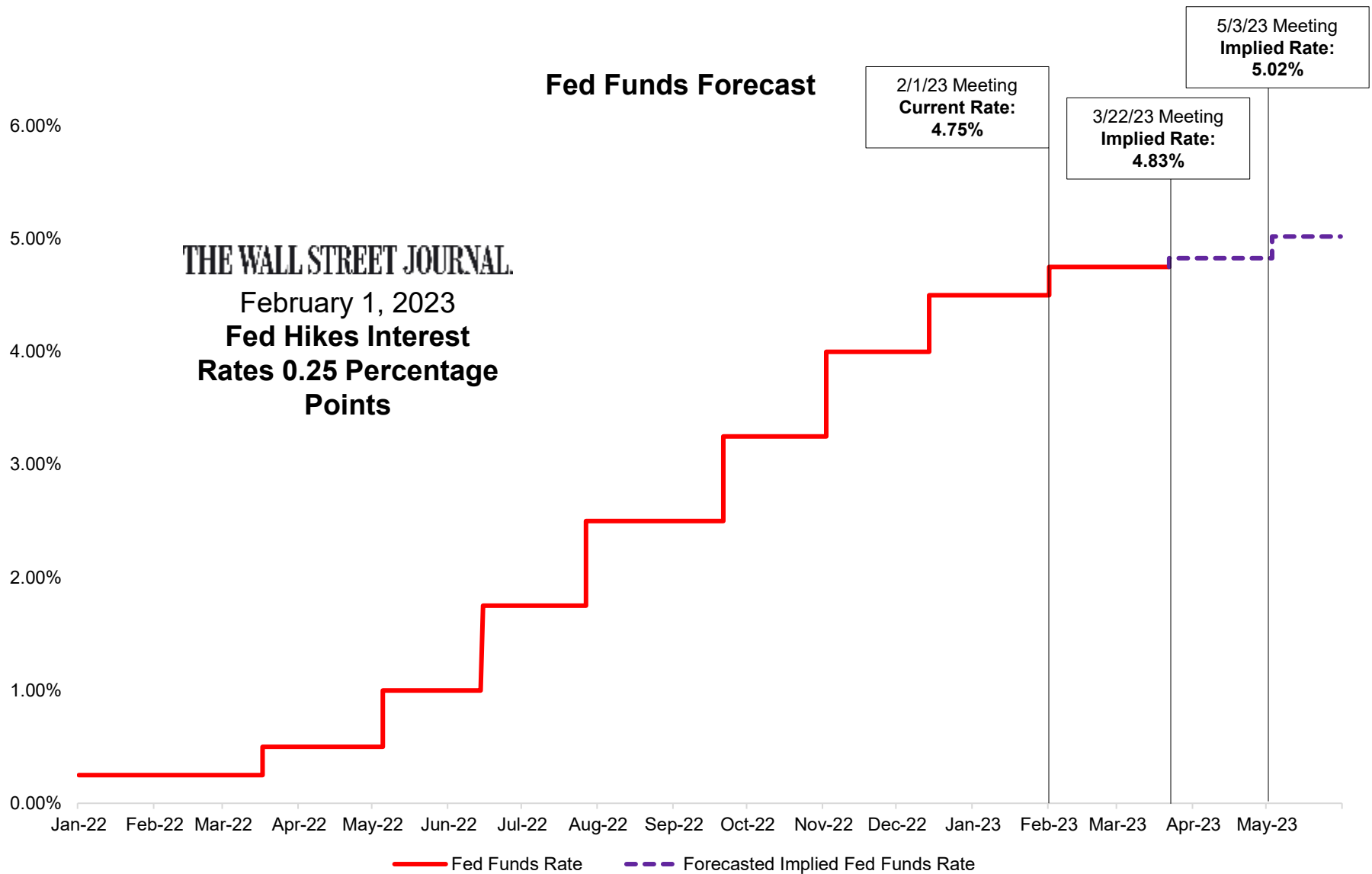


Positively impacting the lives of seniors and improving the healthcare experience

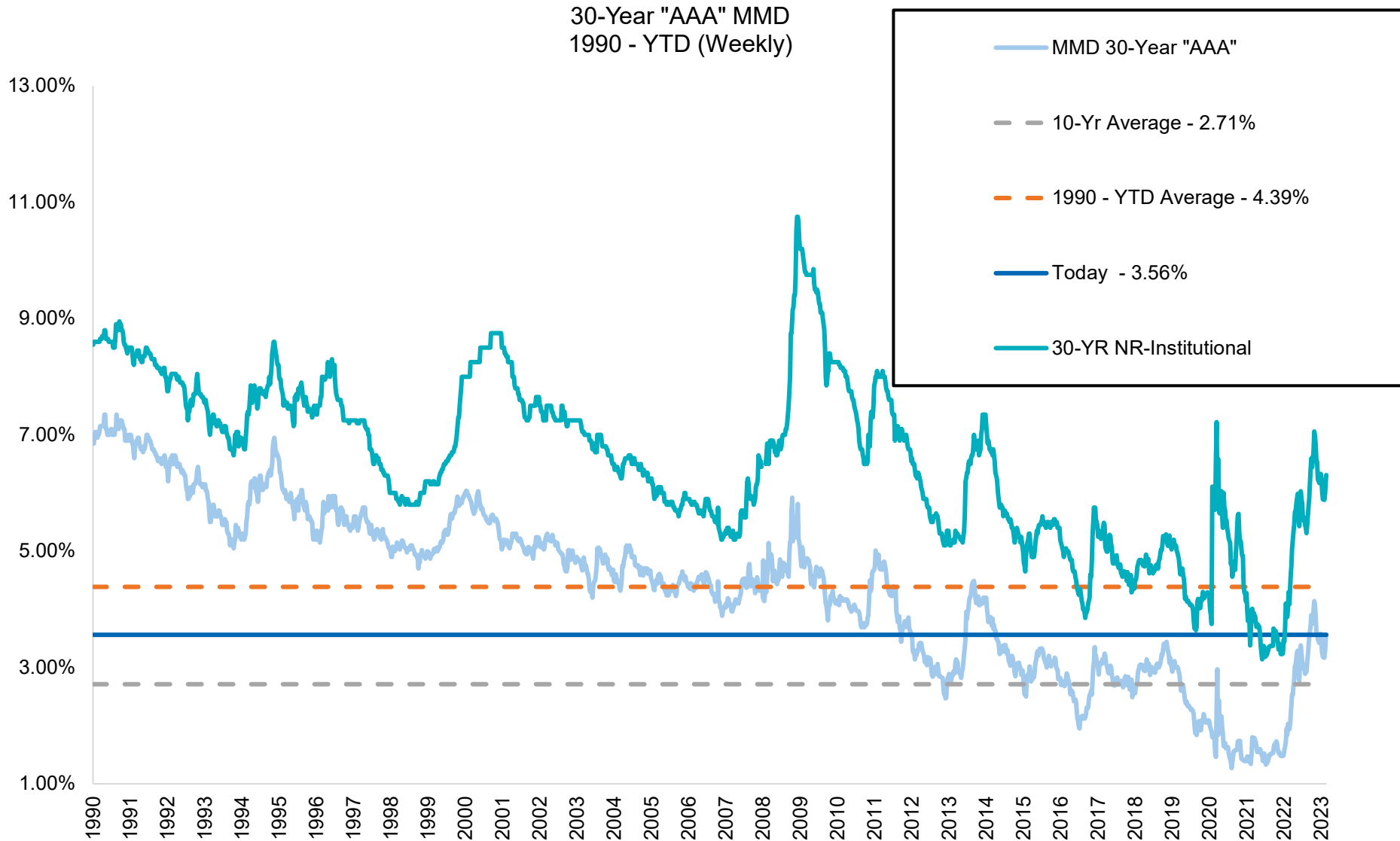
# OBSERVATIONS ON THE CAPITAL MARKETS & FINANCE-RELATED ENVIRONMENT

- Inflationary pressures remain
  - Workforce
  - Overall expense increases (food, supplies, etc.)
  - Construction costs
- Record increases being observed with monthly fees
- Breakdown of the current environment for lending
  - Fixed-rate bonds
  - Bank marketplace
  - Strong credits versus weaker

# FEDERAL FUNDS RATES – HISTORICAL AND PROJECTED



## HISTORICAL TAX-EXEMPT INTEREST RATES (WEEKLY, 1990 YTD)



## CONCLUDING THOUGHTS

- Demographic growth is powerful; know your markets
- Scale and sophistication will increasingly matter
- Provider organizations are actively looking at current service lines, unit mix, revenue streams
- Workforce pressures to continue for foreseeable future
- Skilled nursing environment will continue to face headwinds; exploration of “right-sizing”
- Smart technology adoption is a significant strategic advantage
- Boards need to be actively engaged in strategic planning efforts to ensure long-term stability

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DISCUSSION, QUESTIONS

# 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

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