



THE 2023 STATE OF SENIOR LIVING AND THE SENIOR LIVING CAPITAL MARKETS

Presented By

Stephen Johnson
Managing Director
Ziegler

Will Carney
Managing Director
Ziegler

MOMENTUM 2023 ANNUAL MEETING & EXPO

Renaissance Schaumburg
Convention Center - Schaumburg, IL



OBJECTIVES

- Explain key senior living-specific trend data from the past year and predictions for what lies ahead.
- Discuss the implications for changes taking place in the not-for-profit senior living sector.
- Examine the current lending environment and senior living capital markets

A MIXED SENIOR LIVING & CARE ENVIRONMENT



OPPORTUNITIES

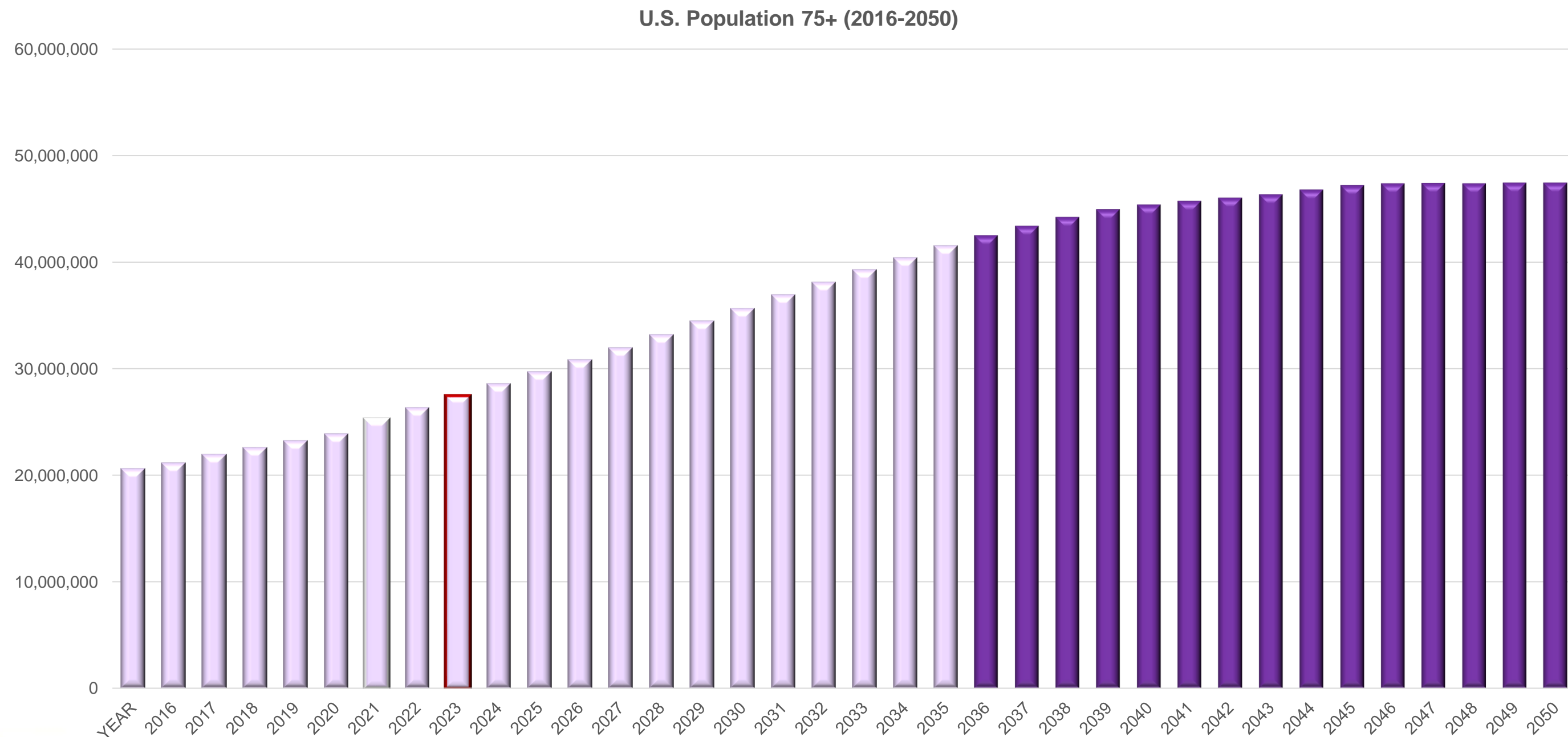
- Demographic growth
- Demand for diversified services
 - Residential
 - HCBS
- Technology and innovation
- NFP success in partnership



HEADWINDS

- Workforce challenges
- Expense pressures
- Impact of construction-cost inflation
- For-profit competition impacting demand in certain markets
- Uncertainty with skilled nursing
- Financial pressures (for some)

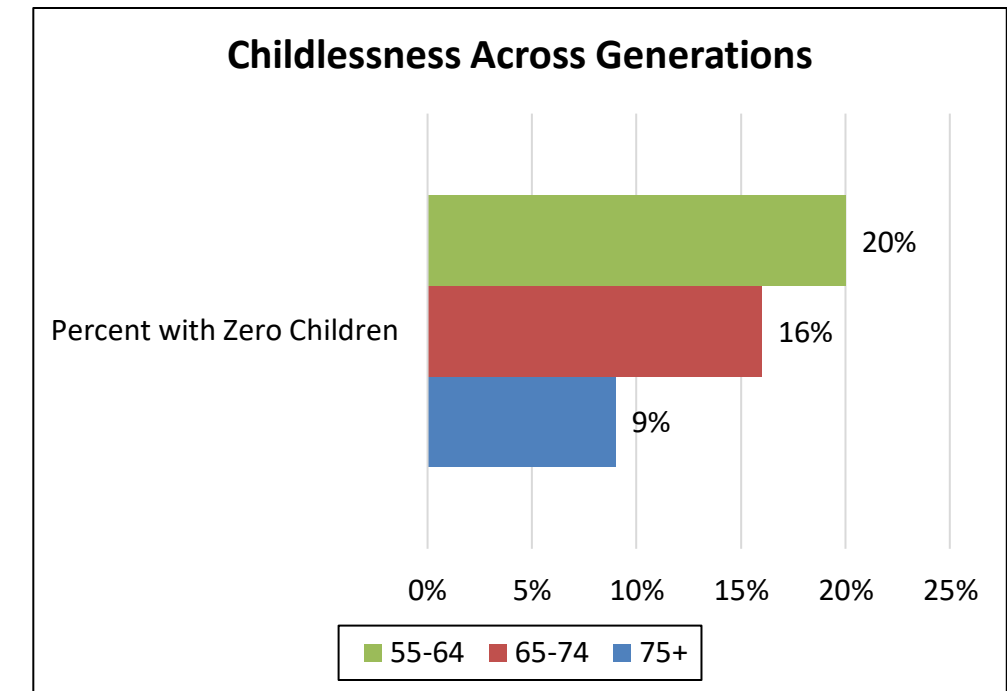
DEMOGRAPHICS: AGING US POPULATION = OPPORTUNITY



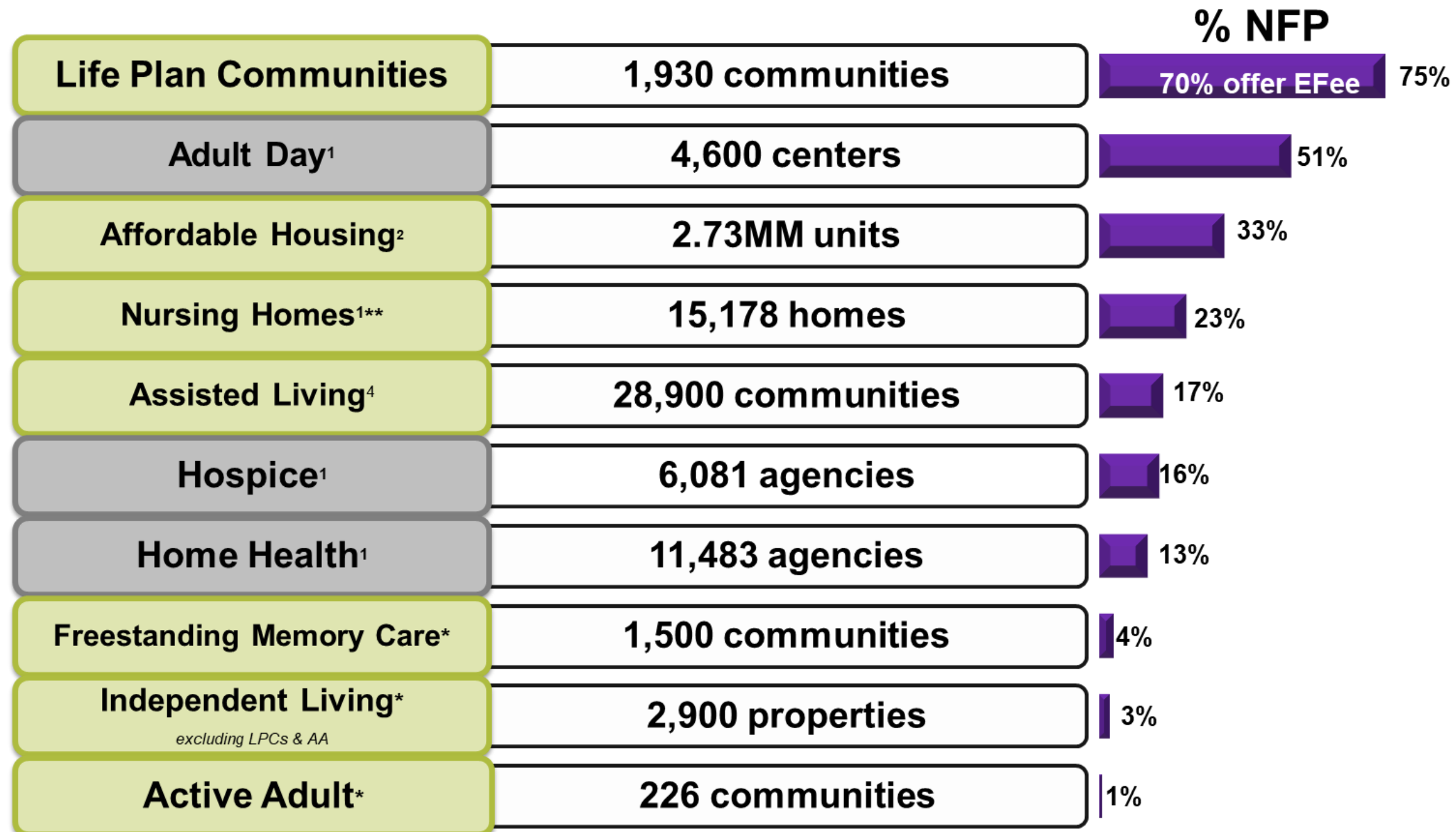
DEMOGRAPHICS: ADDITIONAL NOTES & TRENDS

Consumer Preferences:

- Need to market an **individualized** experience
- They need to embrace you, not dread you
- **Choice**, flexibility
- **Sustainability and activism** (social, environmental)
- **Middle-market** needs
- **“Next chapter” – “Second act”**
 - Terminology matters!
 - Trend in name changes throughout the NFP senior living sector
 - Examples of recent name changes in the sector:



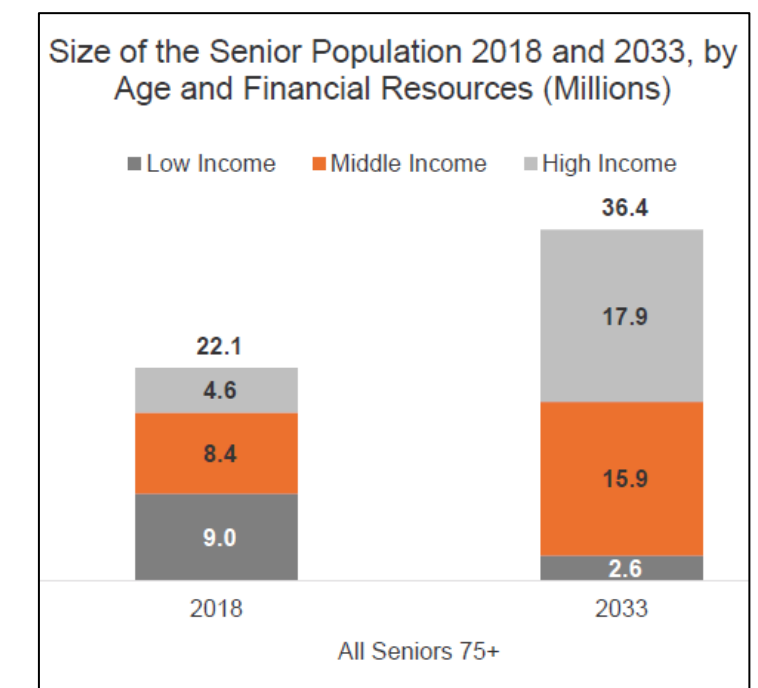
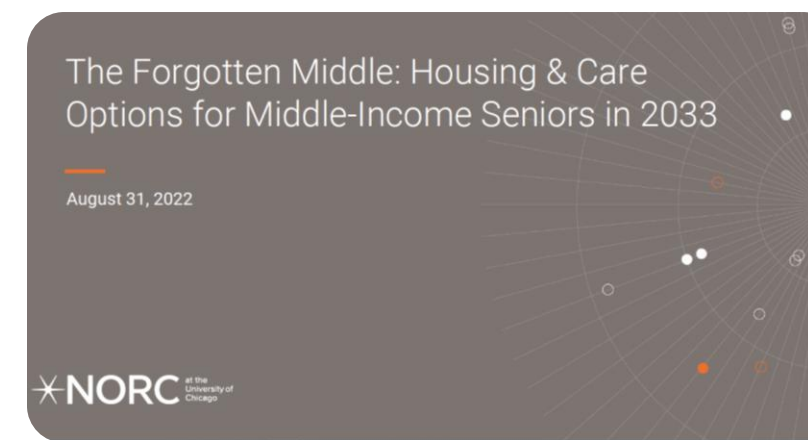
TODAY'S RETIREMENT OPTIONS



*REPRESENTS NIC 140 MARKETS **Nursing Home data includes both freestanding SN and those within a larger continuum
Sources: Ziegler National LPC/CCRC Listing & Profile (Aug. '22), *National Investment Center for Seniors Housing & Care
¹Centers for Medicare and Medicaid Services (Aug. 2022); ²NCAL, LeadingAge 2019 Market Snapshot

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



SENIOR LIVING & CARE GROWTH

Growth Strategy	NFP Level of Activity	FP Level of Activity
New community development (with nursing)	LOW	LOW
New community development (no nursing)	MODERATE	HIGH
Community expansions & reinvestment	HIGH	LOW
Affiliations, Acquisitions	HIGH	HIGH
Home & Community-Based Service Lines	MODERATE	HIGH / LOW
Ancillary Business Lines	MODERATE	LOW / HIGH

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 2nd 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)

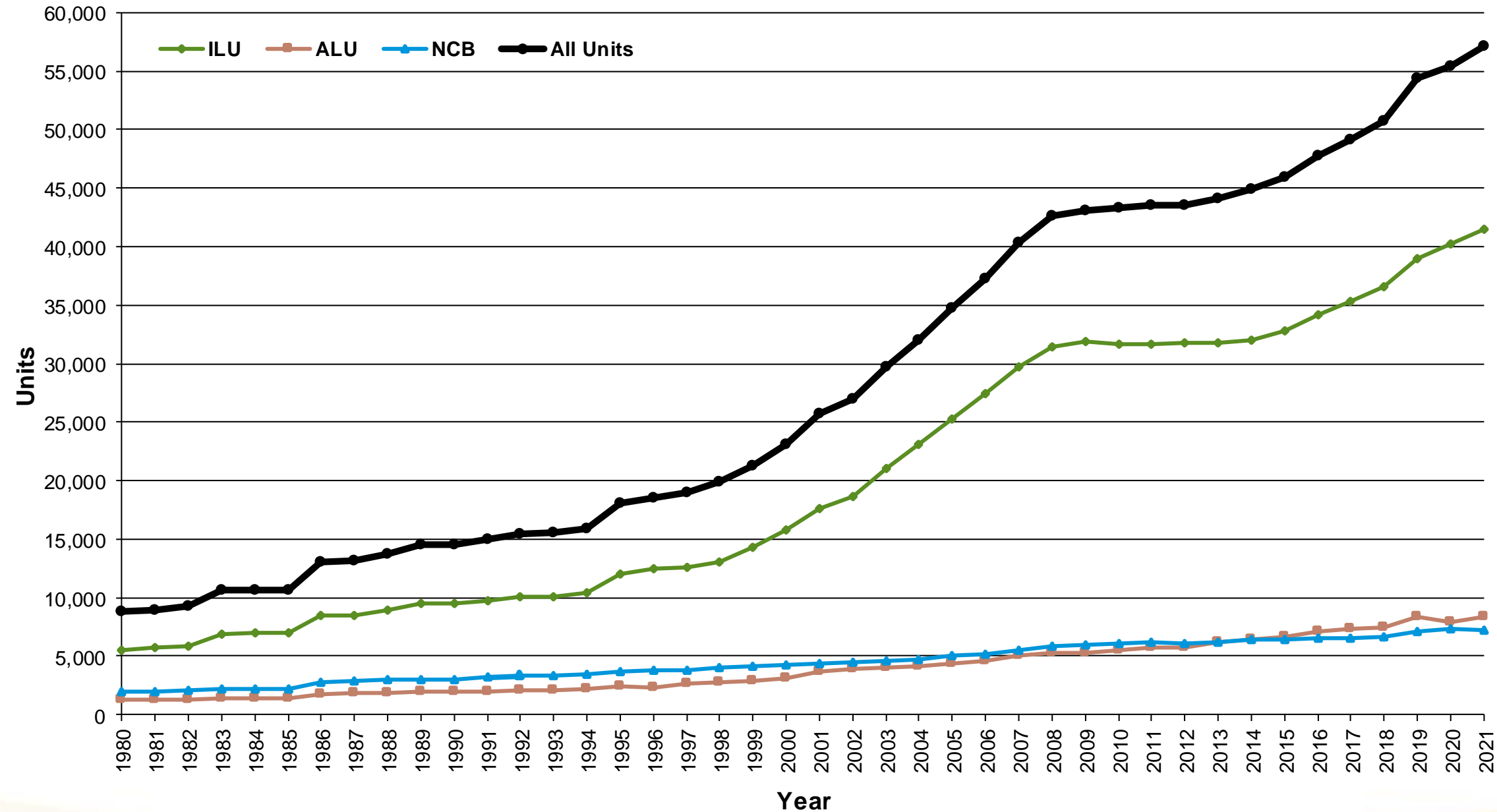


SYSTEM TRENDS 2022

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)



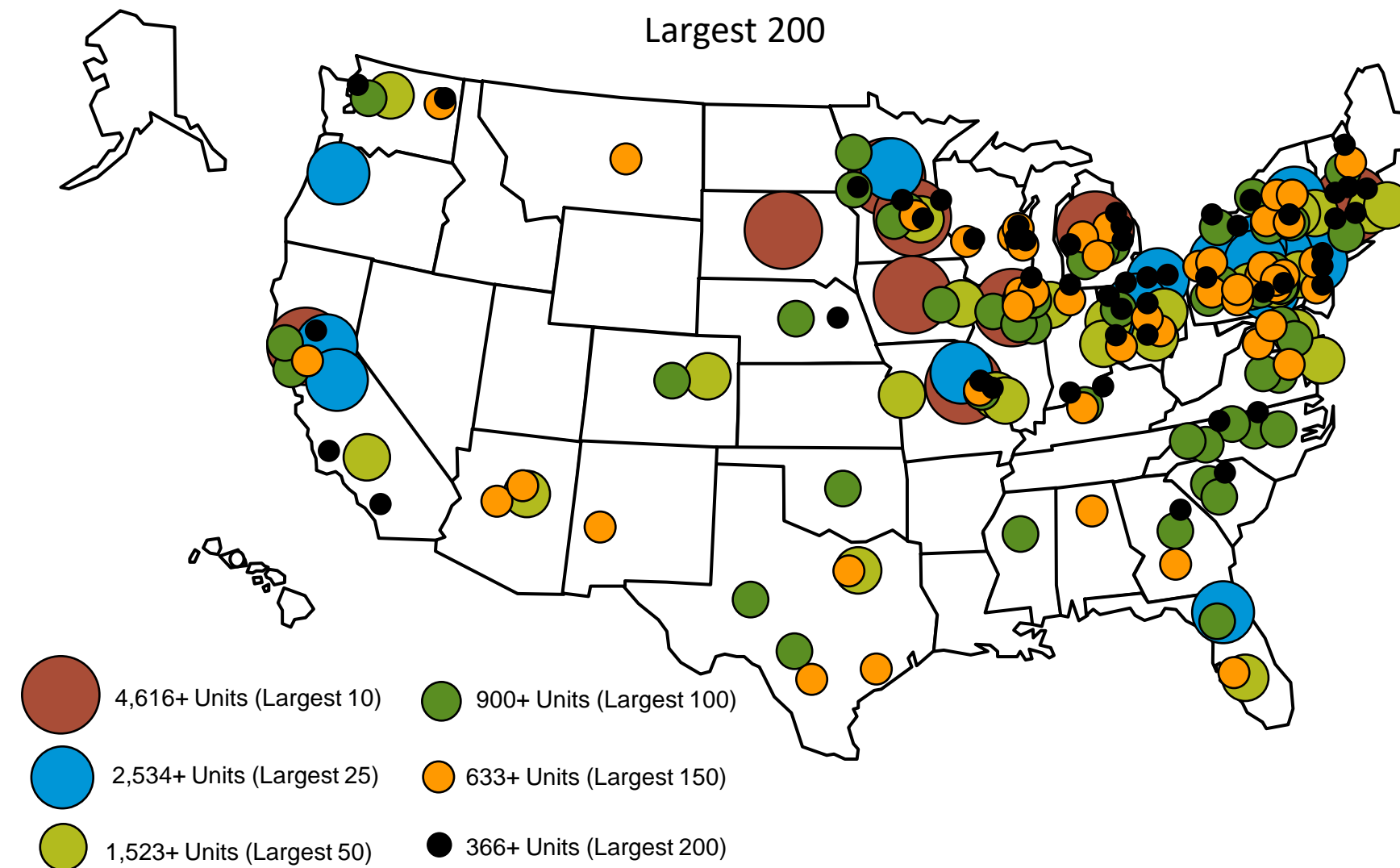
2022 LEADINGAGE ZIEGLER 200

The Nation's Largest NFP Multi-Site Senior Living Organizations: Ranked by Total Senior Living Units

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 Communities and Services & Covia Communities	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

2022 LEADINGAGE ZIEGLER 200

Organizational Characteristics: System Headquarters



RENEWING & REBUILDING: GROWTH DEFINED

New Community Development

Satellite Campuses

Unit Expansions

**Affiliations, Acquisitions,
Mergers**

**Home & Community-Based
Services**

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

- Market Rate
- Middle Market
- Affordable

GROWTH HIGHLIGHTS

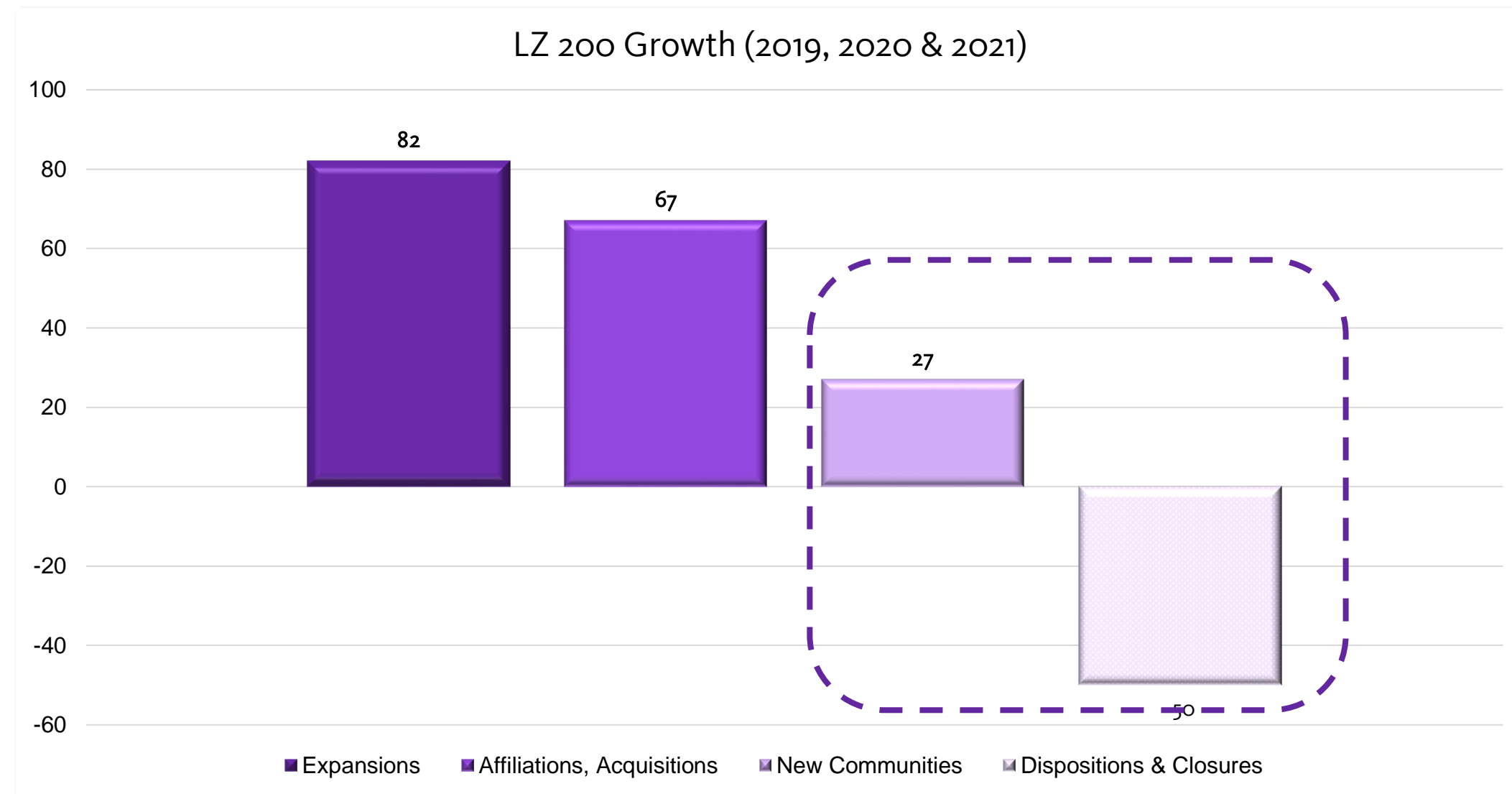
- Some LPC growth but with low/no skilled nursing
- Significant investments in existing campus
- Affiliations, Acquisitions, Mergers activity is high
- Home and community based service expansion

WHY THE GROWING POPULARITY OF SATELLITE CAMPUS CONCEPT?

- Alternative to the full-continuum; eliminates risk of additional SN beds
 - Few new campuses in recent years include skilled nursing
- Often geared toward Baby Boomer consumer and their shifting preferences (e.g. urban concepts)
- Smaller scale than full Life Plan Community generally allows for faster development timeline
- Can build upon brand in existing market
- Ability to leverage resources in the local market from the parent



NFP SENIOR LIVING GROWTH OVER THE PAST 2 YEARS

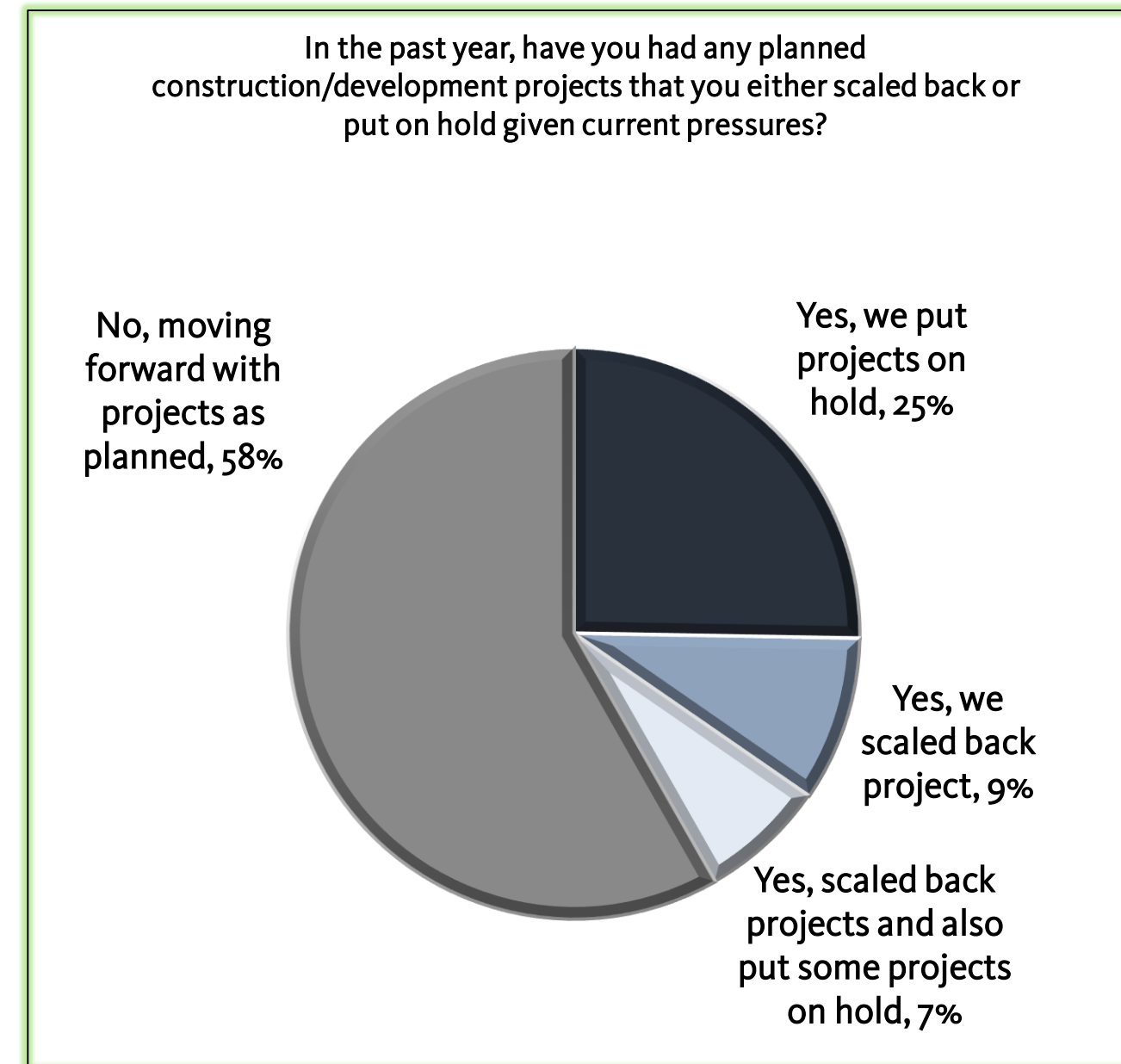


TRENDS

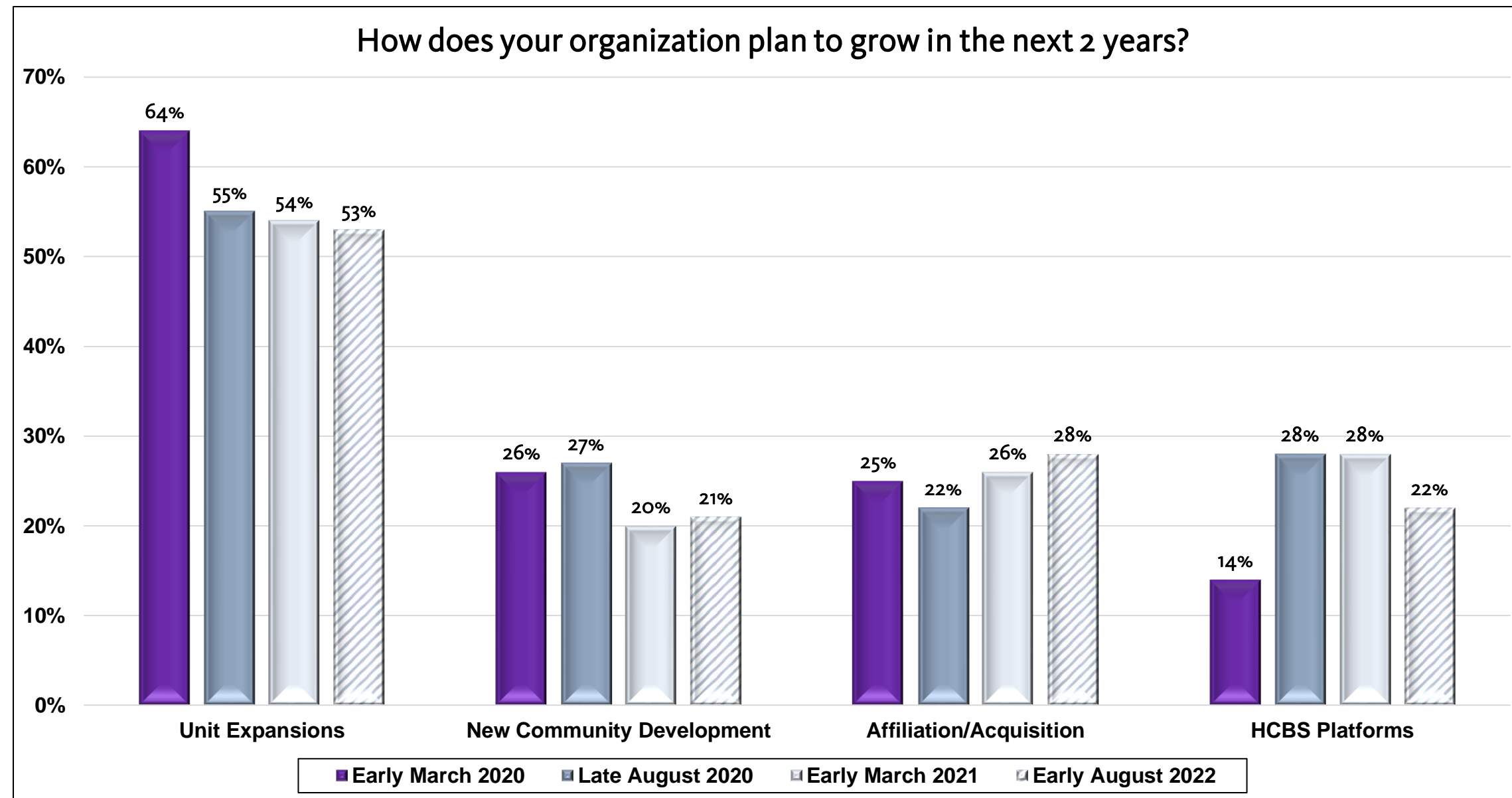
- Nearly all NFP growth is coming from existing providers
- Number of NFP closures and dispositions outpacing the number of new campus developments
- Increasingly, new developments without SN component

CONSTRUCTION EXPENSE PRESSURES

- Escalating costs are impacting project feasibility in a number of instances
- Increase in multi-phased projects, with initial phases scaled back
- Very important to have the right development partner to keep projects on-target, manage construction process
- Built-in contingencies, forecasting of costs and value-engineering key



FUTURE NFP GROWTH PLANS: NEXT 2 YEARS

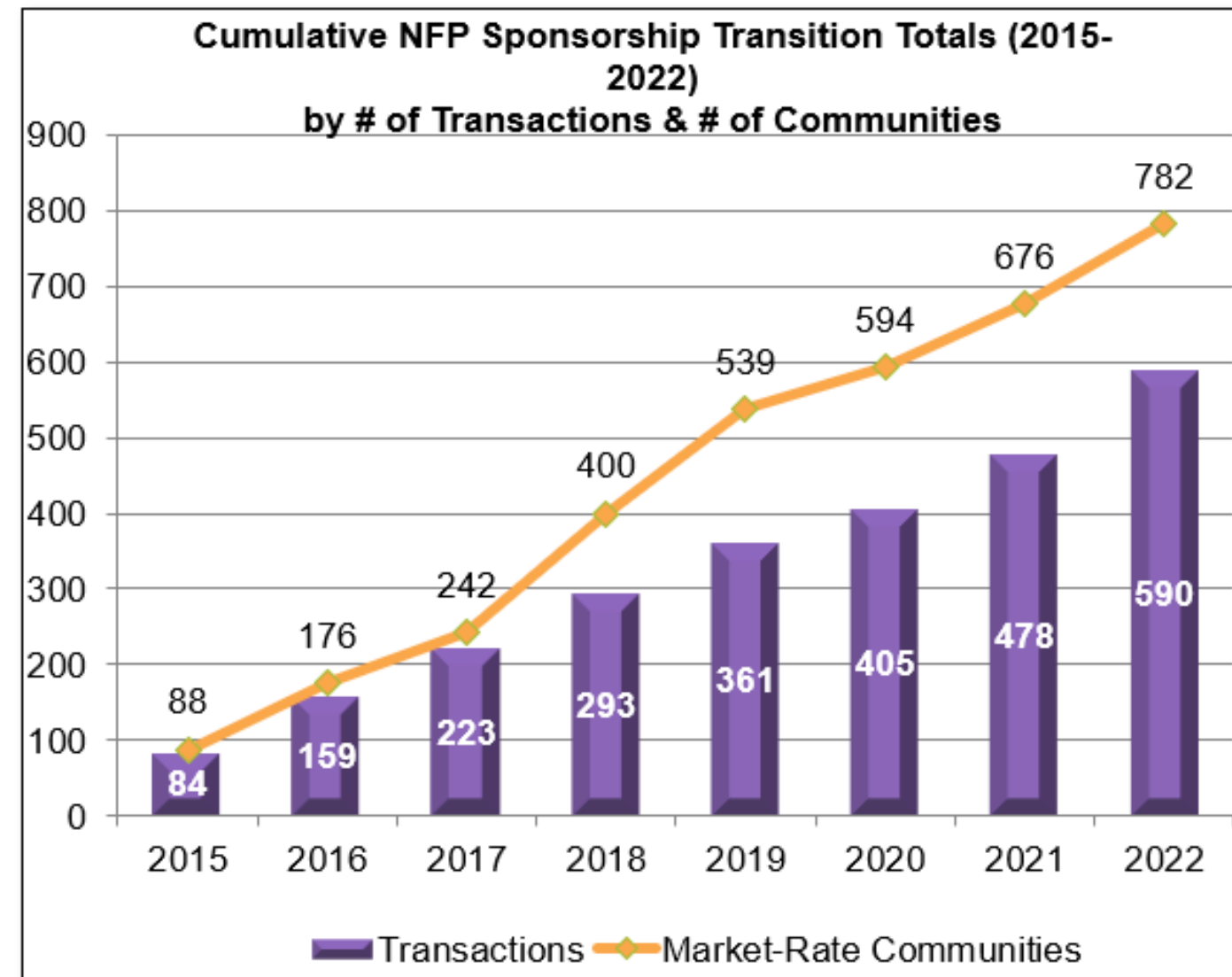


More aggressive growth plans for multi-sites vs. single-sites

NFP SECTOR CONSOLIDATION BY YEAR

(2015 – AUG 2022)

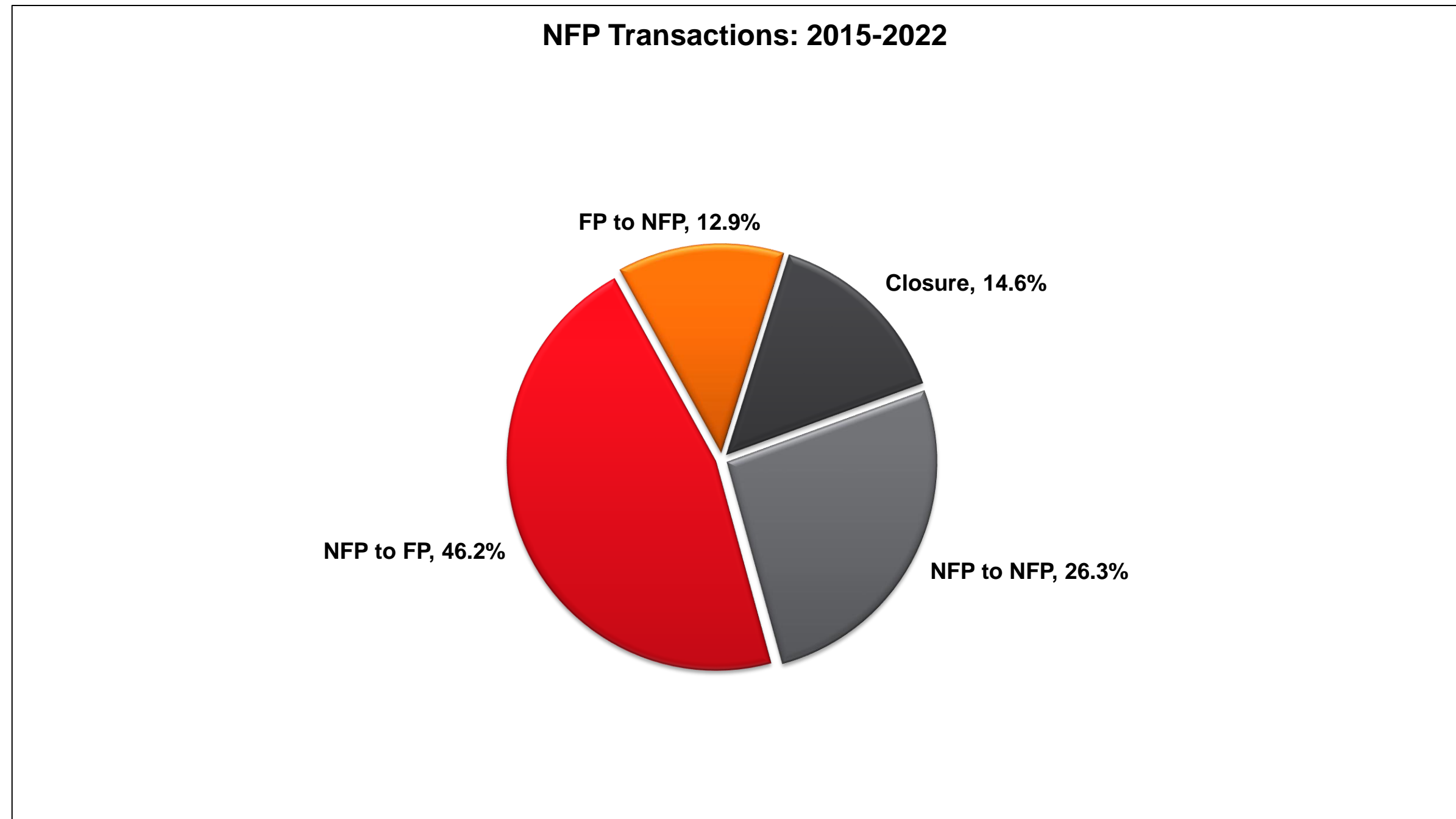
- More than 725 NFP communities have changed hands since 2015
 - 46% to the FP sector
- Increase in closures the past two years
 - Freestanding nursing
- NFP providers increasing conversations with one another to explore partnership and/or affiliation opportunities
- Opportunities for NFPs to acquire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



CAPITAL :: INVESTMENTS :: ADVICE

Note: Includes market-rate communities; excludes government subsidized; The ELGSS community count is also excluded from the community count (represents 160+ communities); Source: Ziegler Investment Banking 12/31/2022

SPONSORSHIP TRANSITION NFP CHANGE OF OWNER TRANSACTIONS














EXAMPLES OF RECENT NFP SPONSORSHIP TRANSITION







Announced, not final

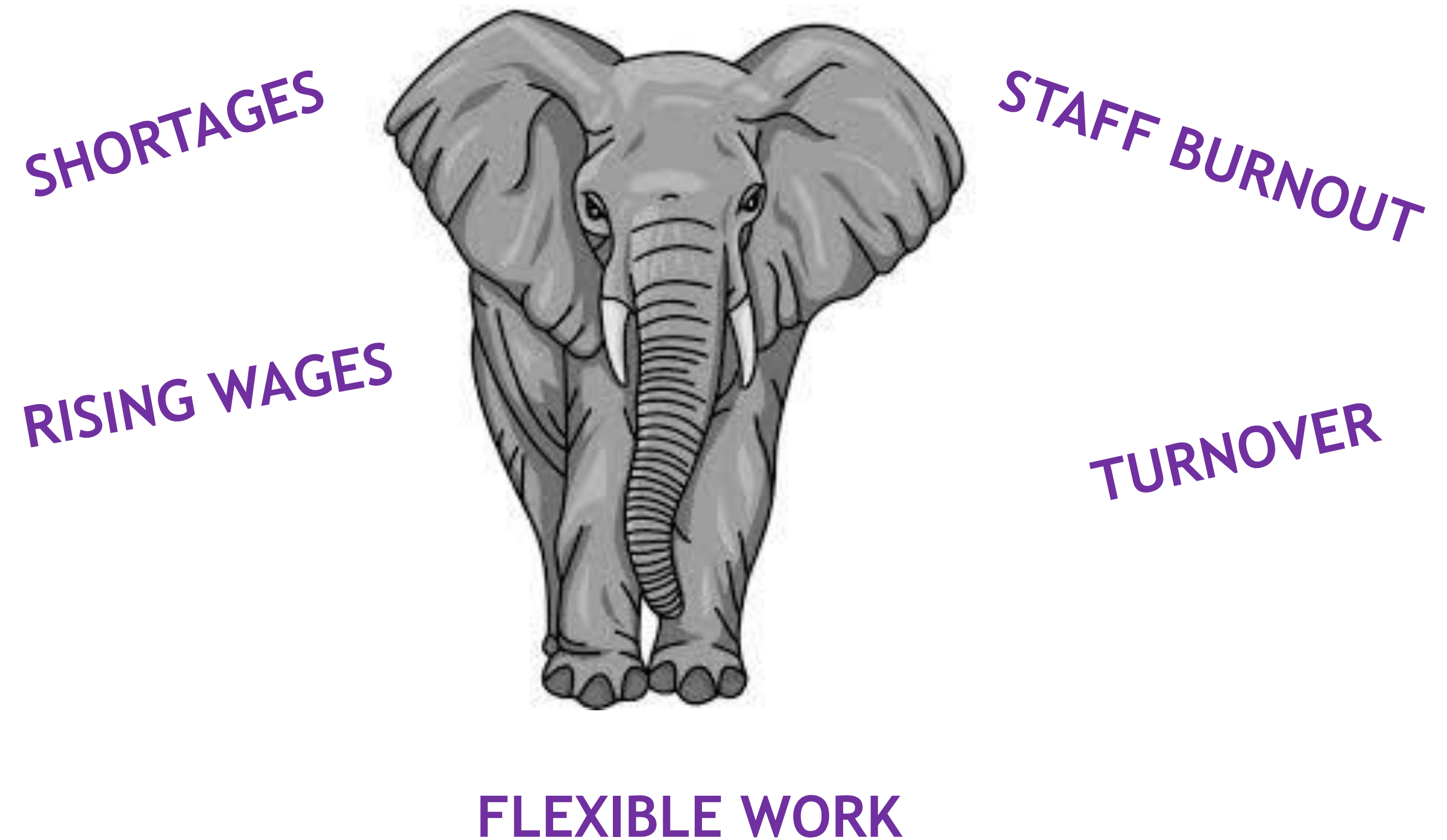
PRIMARY DRIVERS OF NFP SENIOR LIVING CONSOLIDATION

COVID-19 ACCELERATED	1990	2000	2010	2022
 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				✓

PRIMARY DRIVERS OF NFP SENIOR LIVING CONSOLIDATION IN 2022

	YOY Trend
 Ability to Attract & Retain Talent	↑
 Complexities of Healthcare/Skilled Nursing	↑
 Financial Pressures (Pressure from lenders)	↑
 Leadership Turnover	=
 Strategic Opportunities for Growth & Enhanced Scale	↑
 Increasing Competition	=
 Access to Capital	↓
 Technology Demands	=
 Board Strength	=
 Reinvestment Requirements	=
 Health System Consolidation	=
 Diversify Service Lines	=

THE ELEPHANT IN THE ROOM: WORKFORCE PRESSURES

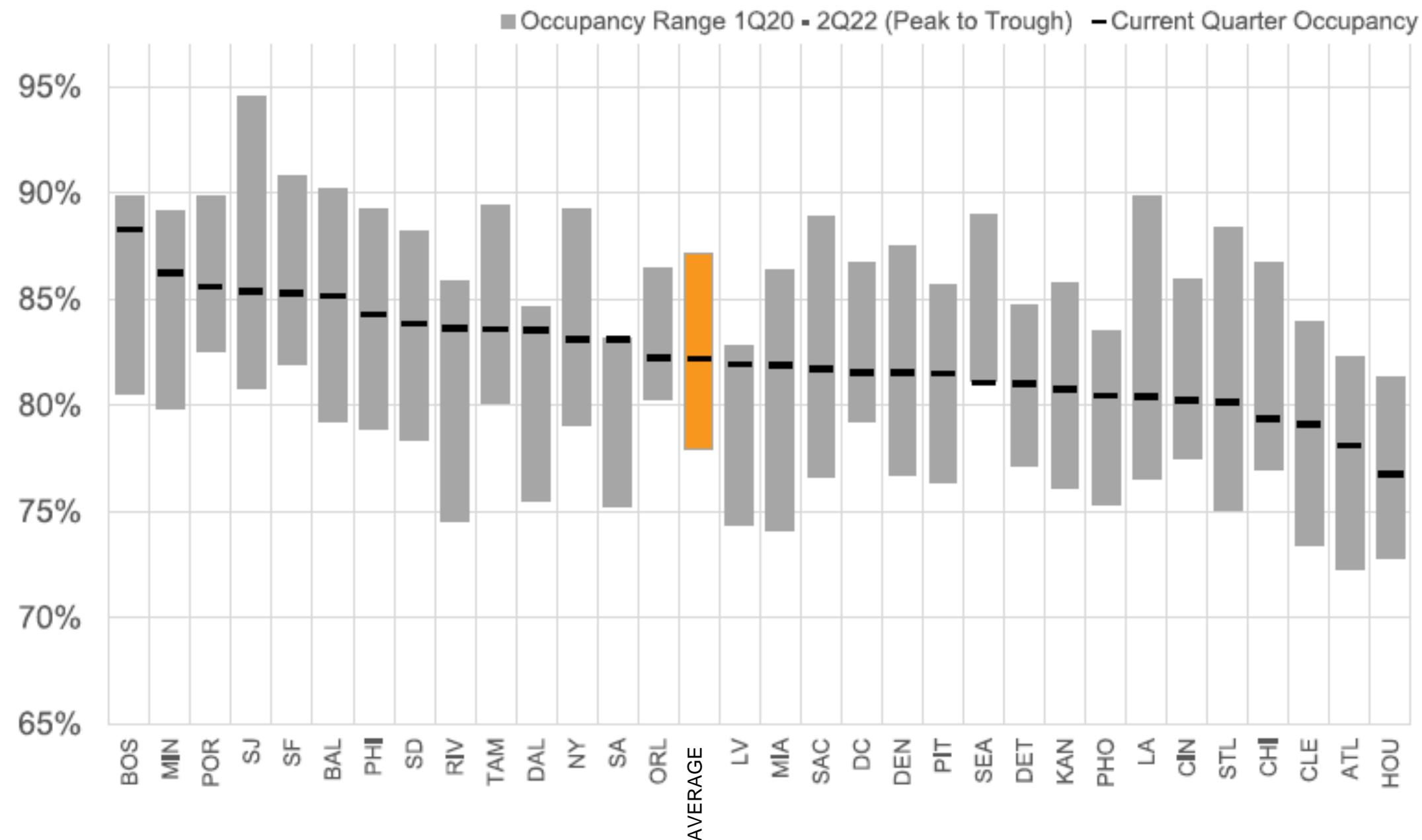


WORKFORCE STRATEGIES

PROMISING PRACTICES

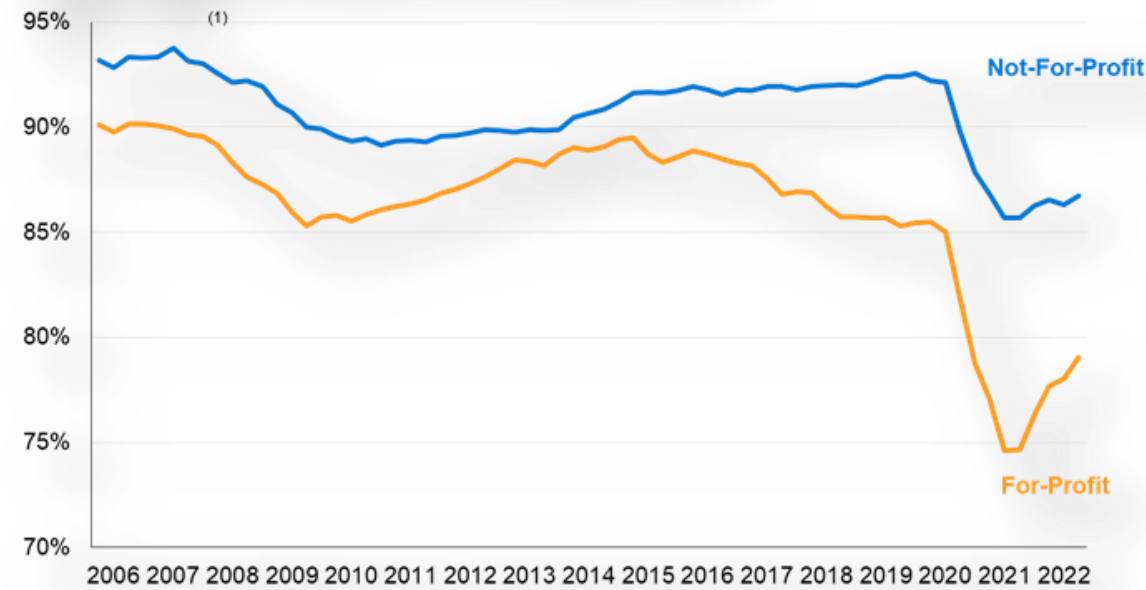
- Empathy: The pandemic has caused people to reevaluate what they want from a job...and from life
- Designing environments for staff
- Specialty leadership positions (recruitment; talent; retention)
- Unbundling of benefits; substituting benefits for pay
- Discounts at local businesses
- Internal staffing 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)

SENIOR HOUSING OCCUPANCY UP FROM PANDEMIC LOW IN MOST MARKETS

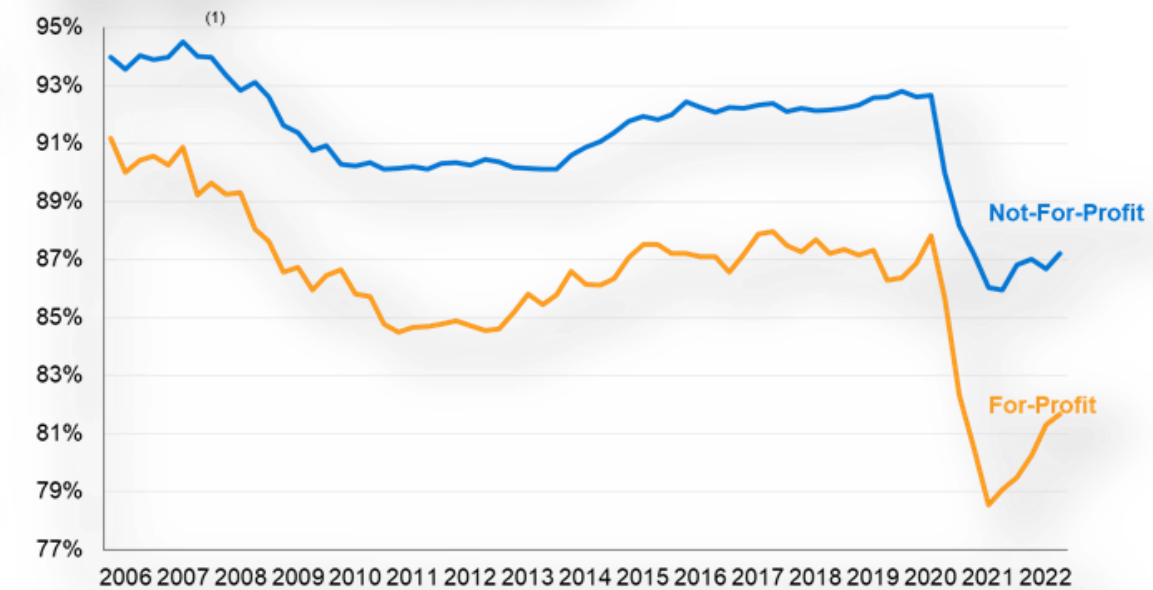


OCCUPANCY – THE CURRENT STORY

Seniors Housing Occupancy by Profit Status; MAP31
4Q05 – 2Q22



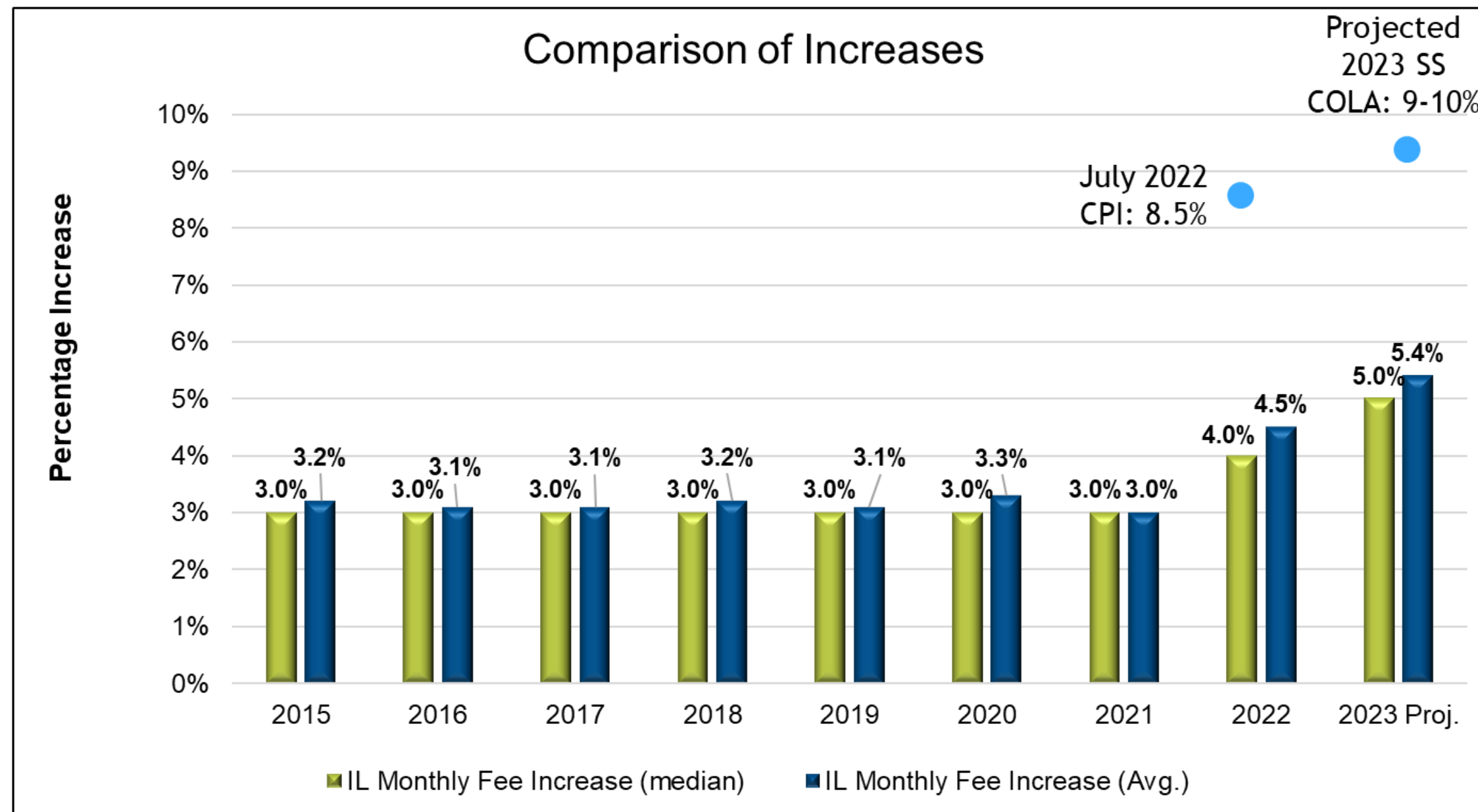
CCRC Occupancy by Profit Status; MAP31
4Q05 – 2Q22



Q2 2022 Occupancy	LPC	Non-LPC
IL Segment	89.1%	81.4%
AL Segment	84.8%	79.3%
MC Segment	84.0%	78.9%
SN Segment	80.5%	78.3%

Q2 2022 NFP LPC Occupancy	LPC
Mid-Atlantic	89.7%
West North-Central	89.5%
Southeast	88.1%
Southwest	86.6%
Mountain	85.4%
Northeast	85.2%
Pacific	84.8%
East North Central	83.9%

PASSING ALONG EXPENSE INCREASES TO RESIDENTS

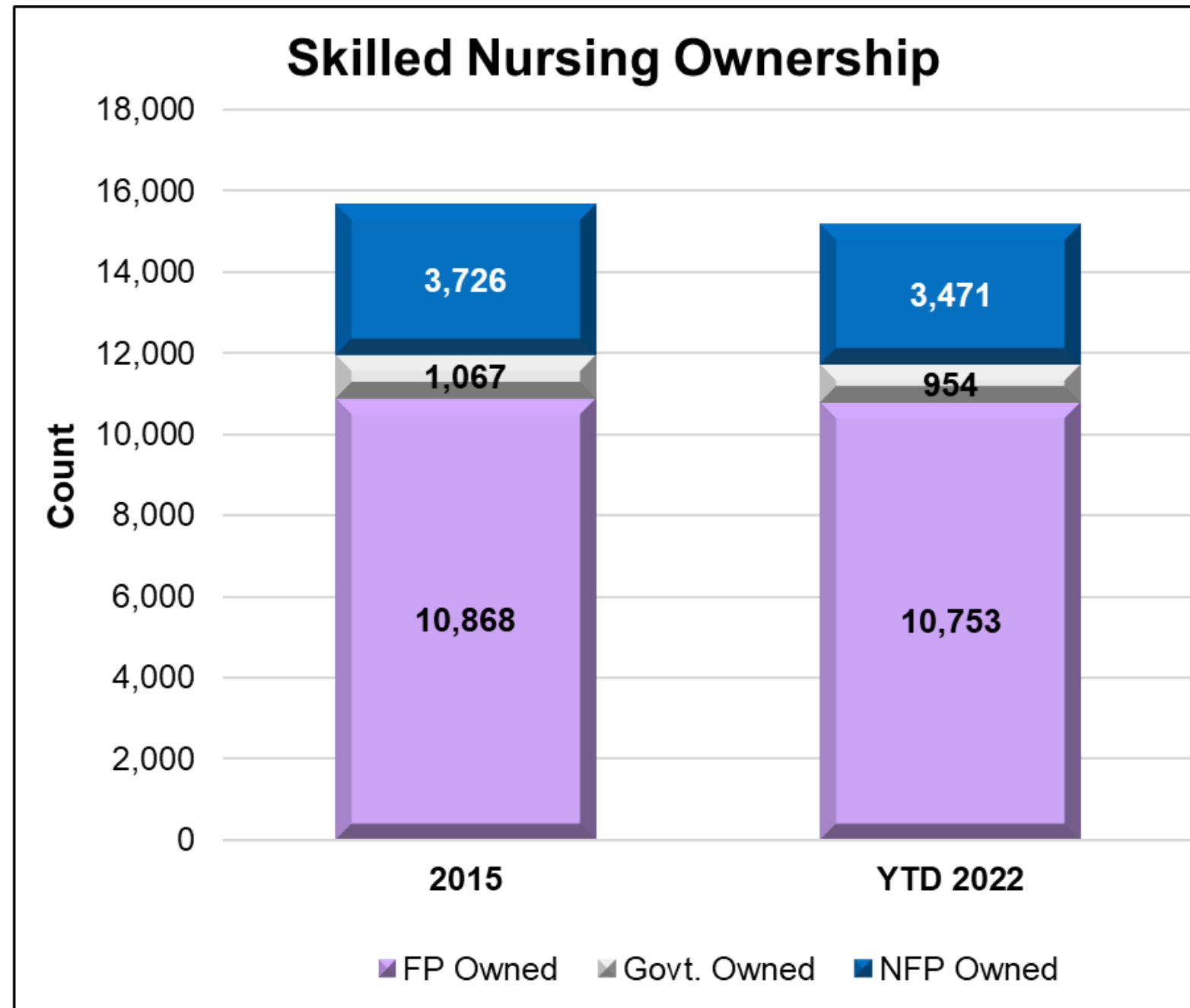


- In April and May 2022, majority AL asking rate growth reached 9.2% YOY. Similarly, majority independent living (IL) also reached its record high year-over-year asking rate growth at 8.5% in June 2022. -NIC MAP Vision Actual Rates Report Q2 2022

STIMULUS FUNDS: NFP SENIOR LIVING PROVIDERS

- Accelerated/Advanced Payment for Medicare Providers and Suppliers
- Deferral of employer payroll tax
- Business interruption insurance
- Paycheck Protection Program – heavily utilized with most already receiving forgiveness
- Provider Relief Fund – heavily utilized with on-going report and single audit
- FEMA Assistance – not overly utilized initially but recent renewed emphasis
- Main Street Lending Program
- State Specific Programs
- Employee Retention Credit – not overly utilized initially but recent renewed emphasis

THE SKILLED NURSING LANDSCAPE



Source: Centers Medicare & Medicaid Services, July 2022

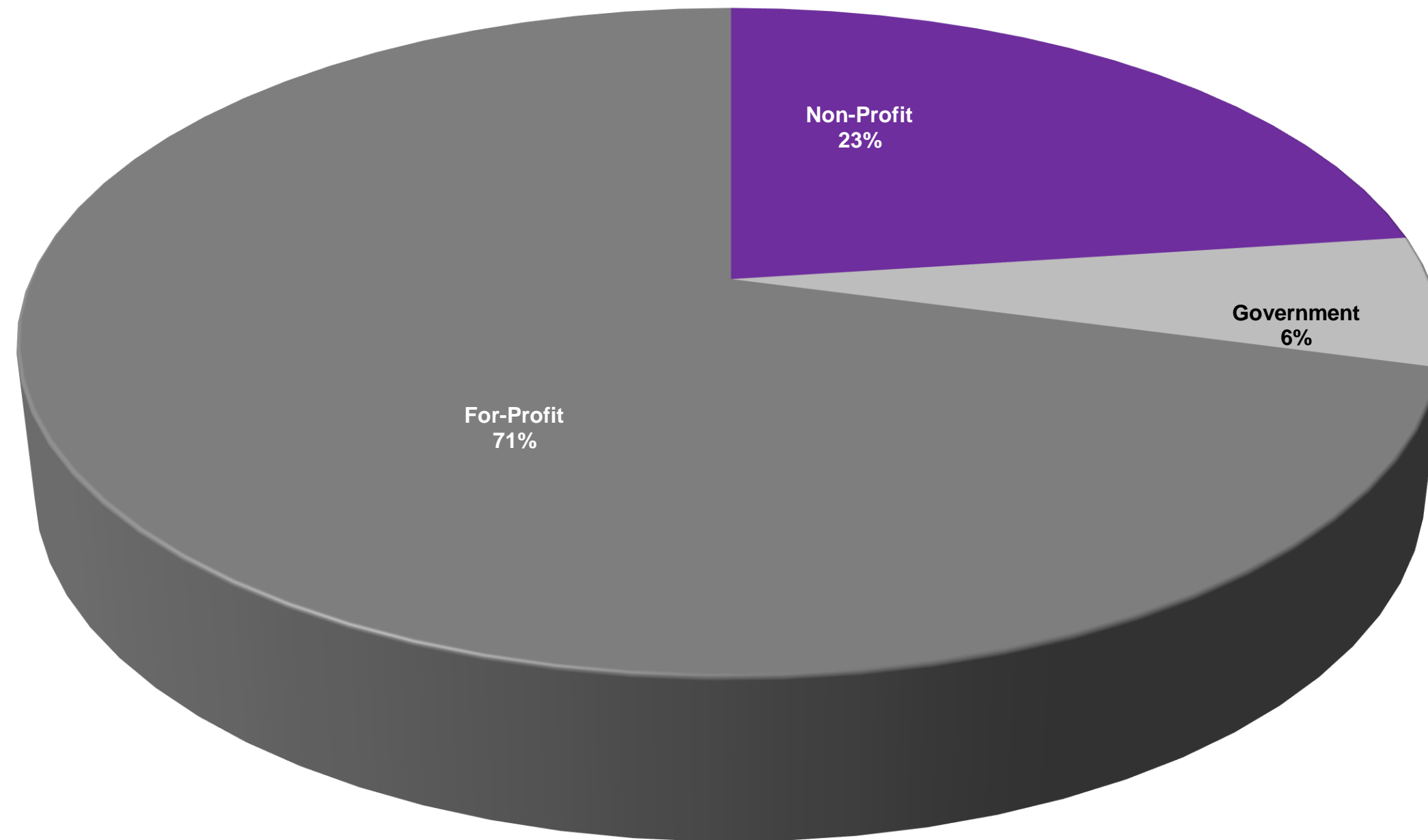
- Roughly 1,930 of the NFP counts attributed to LPCs
 - Changing IL:SN ratio (currently about 10:1)*
- Since 2015, greatest decrease among NFPs (-6.8%) and Govt. owned (-10.6%)
- New locations rare; usually replacement

THE STATE OF THE SKILLED NURSING ENVIRONMENT

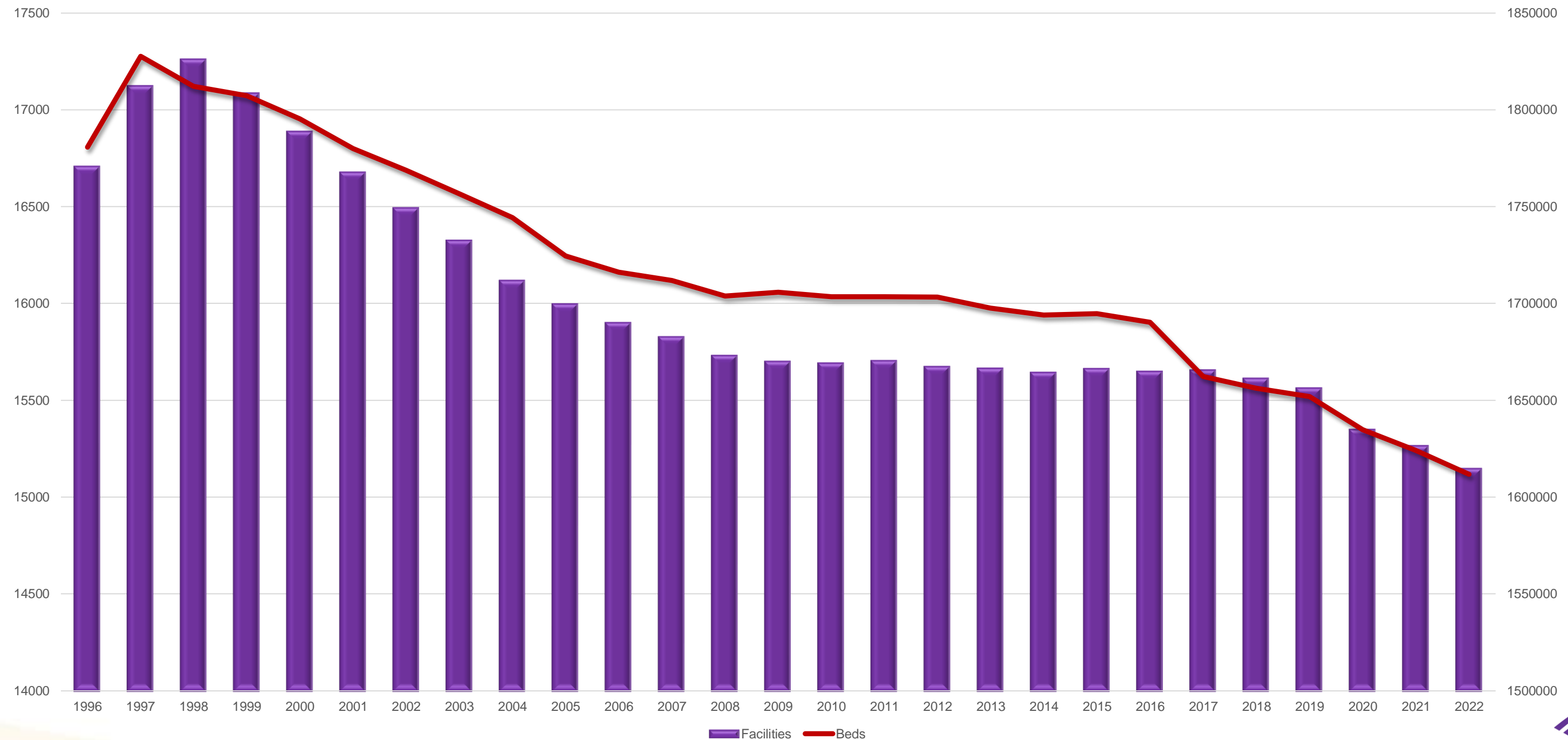
- Pressured by **workforce shortages** and **reimbursement shortfalls**
- **Occupancy being hindered** by workforce pressures
 - Demand exceeding the ability to offer service in many markets
 - Rural markets have unique difficulties
- Increasing **bifurcated market** between continuum-based SN (NFP dominated) 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 so¹
 - Semi-private to private room conversions
 - Nursing care inventory for both LPCs and non-LPCs decreased by 3.4% and 1.0%, respectively²
 - Modernization of offering; small-house models
- **Medicaid** dominant payor among FP nursing homes
 - There are currently 7.2 Million seniors enrolled in Medicaid³
 - Average annual growth of 5.6% is projected for Medicaid spending for 2021-2030³



SKILLED NURSING OWNERSHIP MIX (2022)



TOTAL NUMBER OF SKILLED NURSING PROPERTIES AND BEDS (1996 – Q3 2022)



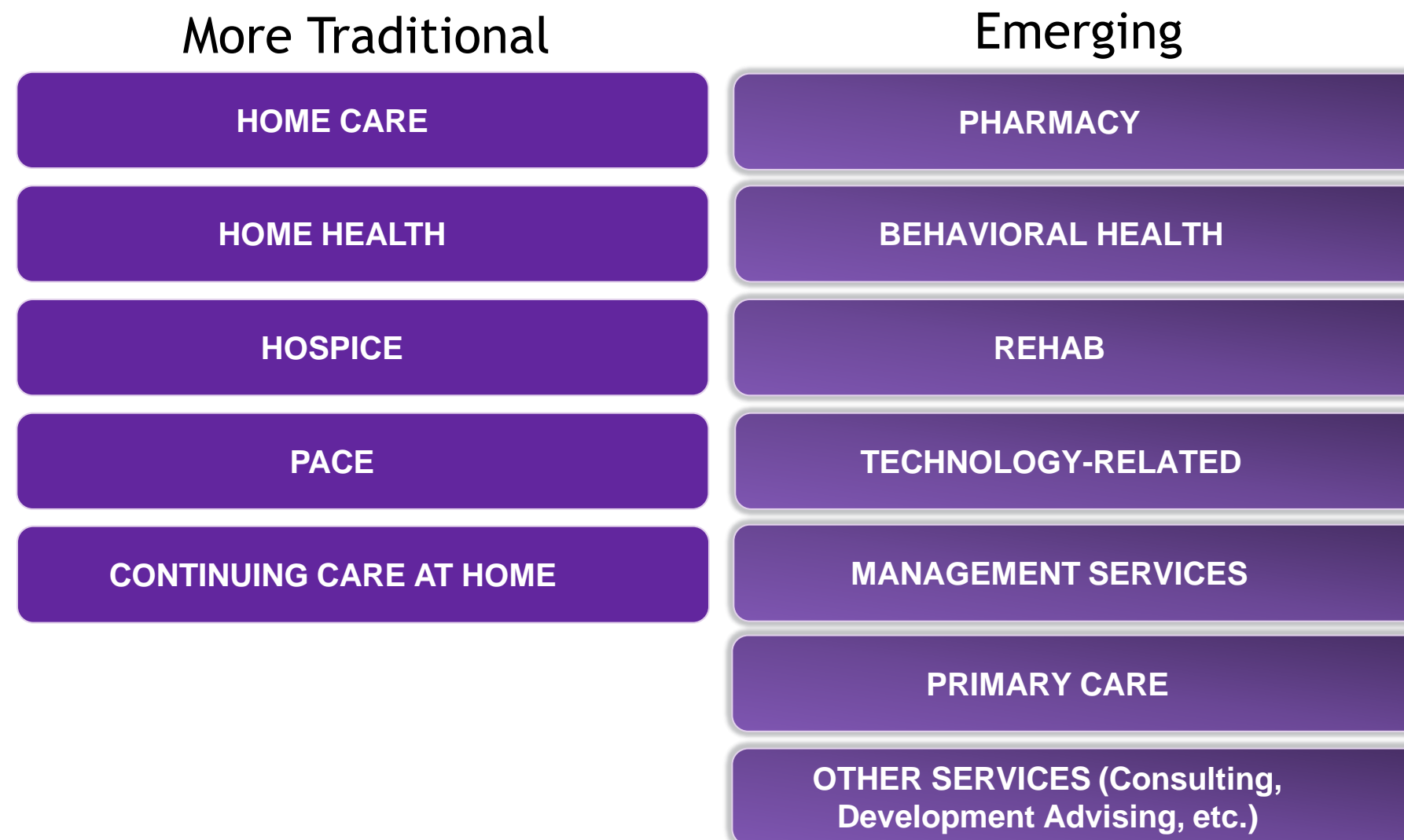
Source: cms.gov data 1996-11.2022, [Data Finder - Health, United States \(cdc.gov\)](#), [Nursing Home Data Compendium 2015](#)

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

EXAMPLE: POTENTIAL LINES OF DIVERSIFICATION



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 levels¹
- 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

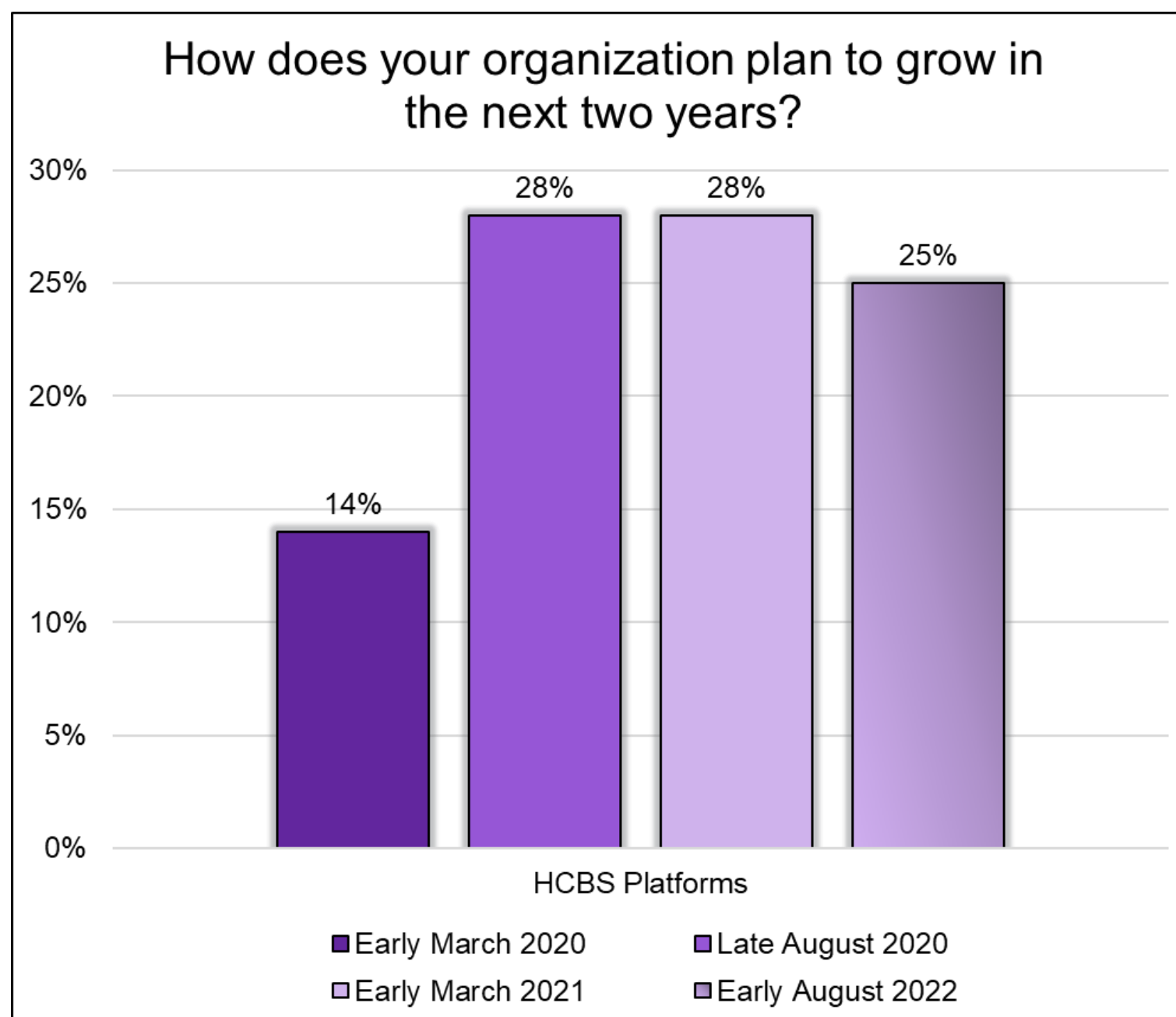
HOME CARE

HOSPICE & PALLIATIVE CARE

CARE NAVIGATION

CONCIERGE SERVICES

INCREASED INTEREST IN GROWING HCBS AMONG NFP PROVIDERS



- Interest in HCBS doubled after onset of the COVID-19 pandemic
- Planned HCBS growth higher among Multi-sites
 - Multis: 35%
 - Singles: 15%

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.

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

ZIEGLER LINK•AGE FUNDS

THE ZIEGLER LINK•AGE FUNDS ARE INVESTED IN PROMINENT COMPANIES IN AGING & CARE



QUESTIONS & ANSWERS

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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MOMENTUM

2023 ANNUAL MEETING & EXPO

MARCH 7-8, 2023

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