



## THE STATE OF SENIOR LIVING 2016

94G | Wednesday, April 6 | 2:45 - 3:45 pm & 4:00 - 5:00 p,

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### 10 Trends Impacting our Industry

A panel discussion with leading senior living executives and industry experts



Moderated by:  
Stephen Johnson,  
Managing Director  
Ziegler

## DISCUSSION OBJECTIVES

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- Hear how single-site as well as multi-site senior living providers are continuing to evolve in sophisticated ways, adapting to changing times
- Get up to speed on current lending environment and senior living capital markets; technology best practices and innovations in workforce development
- Review the current senior living specific trend data and changes that have taken place over the past year

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- Full service financial services firm
- Founded in 1902 with a focus on healthcare since 1928
  - Over 250 professionals and support staff dedicated to serving our clients
- National presence, demonstrated execution expertise and broad-based experience
- Strong underwriting and sales & trading capabilities.
  - Primary and secondary market efforts focused exclusively on muni sector
- Ziegler's mission is to provide tailored financial solutions
- Ziegler's goal is to be our client's trusted advisor and partner

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## STATE OF SENIOR LIVING 2016:

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### *Macro Trends Impacting Your Business Today . . .*

- TREND 1: Your Changing Customer
- TREND 2: Grow or Die?
- TREND 3: Industry Consolidation is Here
- TREND 4: For-Profits Are Everywhere
- TREND 5: Marketing, Sales & Occupancy in 2016

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## STATE OF SENIOR LIVING 2016:

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### *Other Key Industry Influencers Not to be Ignored. . .*

- TREND 6: Continuing Impact of the ACA
- TREND 7: Demand for At-Home Services
- TREND 8: Talent, Wages & Succession
- TREND 9: Tech is Changing the World
  
- TREND 10: Accessing Capital in Today's Market

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SECTION 1



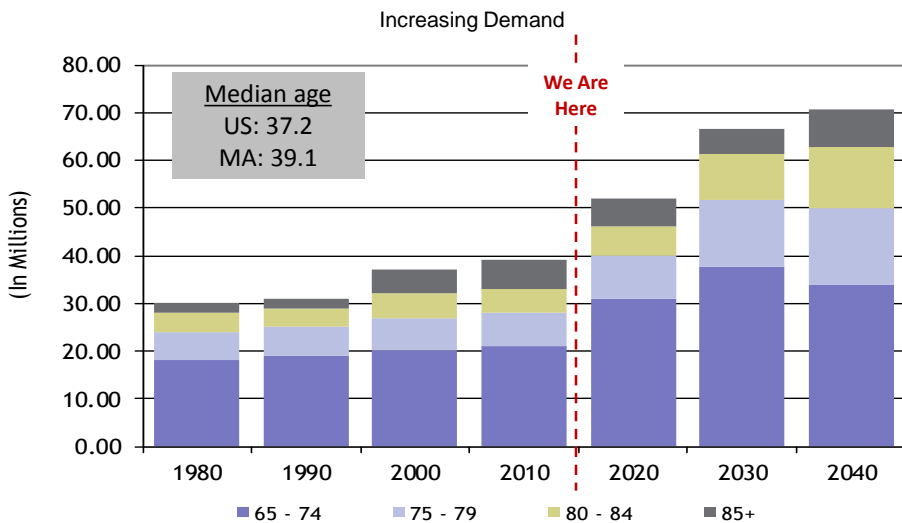
YOUR CHANGING CUSTOMER

**STEPHEN JOHNSON**  
 Managing Director  
 Ziegler



**DEMOGRAPHICS DEFINE THE MARKET**

FORECASTED U.S. SENIORS POPULATION (1980 TO 2040) (MILLIONS)



Source: Urban Land Institute

## THE SENIOR LIVING CONSUMER

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- **Average age of entry** of the IL resident now sits around 82
  - Oldest Baby Boomer is now 70 years old
- Consumers have **more choices than ever**
- We know that the consumer of tomorrow will be different than in the past...how are you preparing?
  - **Community name changes**
  - **Resident input** and involvement
  - **Transparency** and accountability on the rise
  - Amenities and **hospitality**
  - **Community engagement**

Source: Ziegler Senior Living Research

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## WHAT DO WE KNOW ABOUT THE BOOMERS?

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- More educated than previous generations
- Rich and poor
- Under-planners and over-spenders
- Generous (to kids and parents)
- Workaholic
- Entrepreneurial
- Young at heart
- Not so happy
- Divorced
- Health conscious (but not necessarily healthier)
- Tech-savvy
- Socially-minded
- Pet- and movie-lovers
- Particular penchant for luxury travel and cars, and adventure



Source: Sabi, The Boomer Report 2015

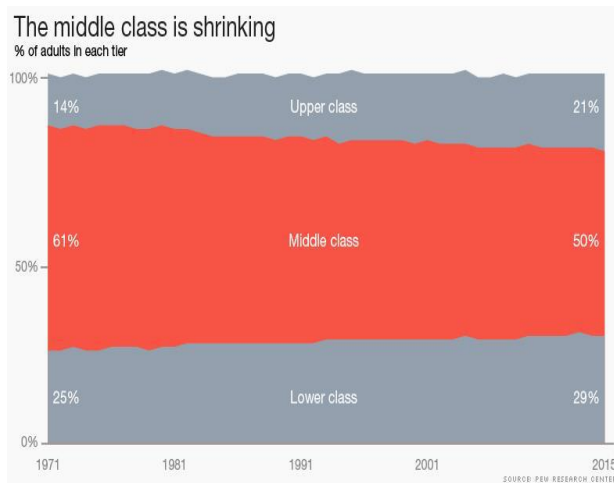
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## WHAT ABOUT ILLINOIS BABY BOOMERS?



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## ANALYZING THE “MIDDLE CLASS”



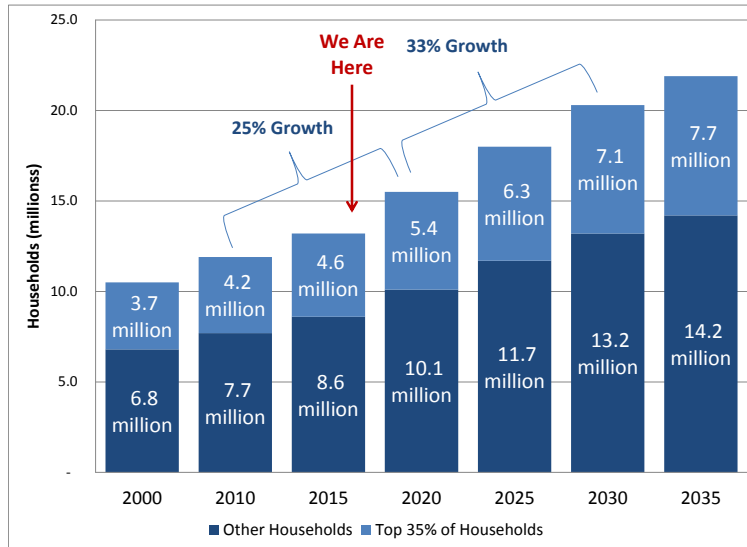
- Those 65+ were most likely to have shifted into upper class since 1971
- Share of Americans 65+ in upper bracket increased roughly 27%

Source: Pew Research Center

Source: CNN Money, “Middle class no longer dominates in the U.S.” (December 9, 2015)

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## PROJECTED 75+ HOUSEHOLDS BY INCOME LEVEL



Source: Greystone: 2014 ZGES Finance & Development Workshop; U.S. Census, Claritas

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## YOUR CUSTOMER IN SUMMARY

- Today's seniors have more options than previous generations - CCRC, rentals, home services
- Diversification is smart...the Boomer generation is not all homogeneous
- Pay careful attention to the demographics in your local market - Chicago, suburbs, exburbs, downstate
- You must be willing to adapt your model and brand to stay relevant, but how . . .

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## YOUR CHANGING CUSTOMER DISCUSSION

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- How have your customers changed in the last decade? Since the crisis? How are you responding?
- What strategies are you employing to adapt to future generations of residents? Timing?
- What keeps you awake at night? New opportunities?
- Other Questions or insights?

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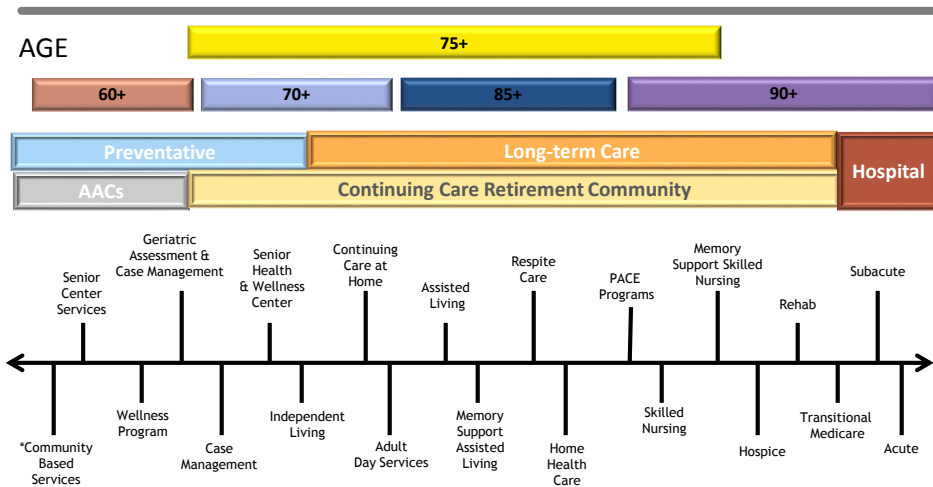
SECTION 2



GROW OR DIE?



## THE SPECTRUM OF CHOICES FOR SENIORS

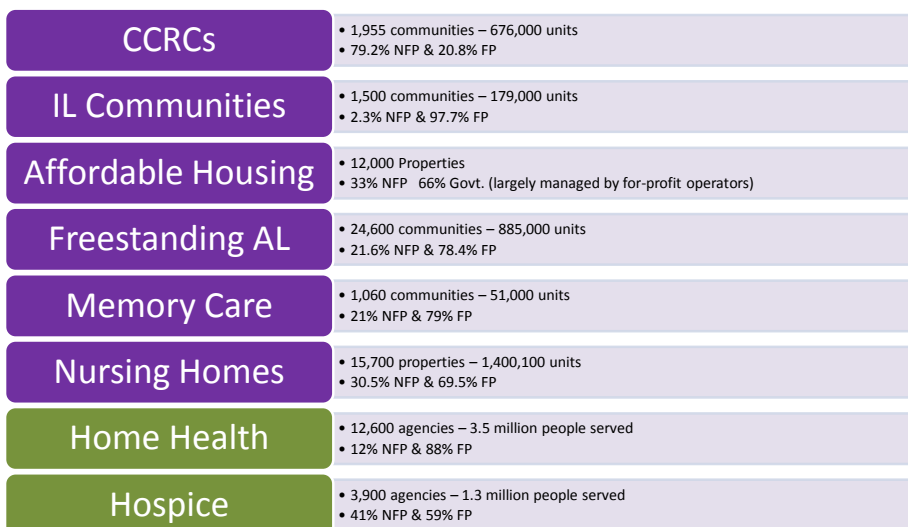


\*Transportation; Information/Referral; Counseling; Meals-on-Wheels; Integrated Day Care; Homemaker/Chore/Housekeeping; and Emergency Response System

Adapted from Greystone Communities' Continuum of Care Chart

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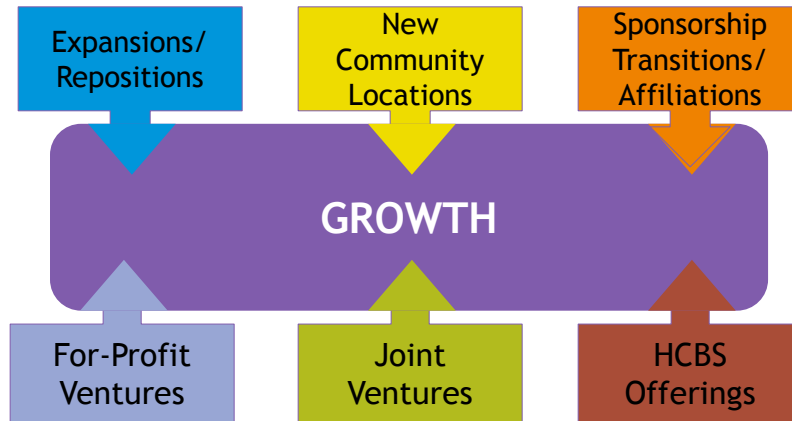
## TODAY'S RETIREMENT OPTIONS A LOOK AT SENIORS HOUSING SUPPLY



Sources: Ziegler National CCRC Listing & Profile, LeadingAge, NIC MAP® Data and Analysis Service, The National Center for Health Statistics, Centers for Medicare and Medicaid Services

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## GROWTH & EVOLUTION DEFINED



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## THE 2015 LZ 150 PUBLICATION BACKGROUND AND HIGHLIGHTS

- Ranks the largest multi-site NFP senior living organizations by total number of market-rate units
- **National Senior Campuses** now ranks first with a total of **18,122 market-rate units**
- The LZ 150 range from **18,122 units to 550 total market-rate units**
- The LZ 150 represent **1,141 market-rate locations** with the largest proportion (51.8%) being CCRCs
- Forty-six percent (46%) of the LZ 150 also offer **affordable housing** for seniors with over 73,000 total affordable housing units
- Full report available on the Ziegler and LeadingAge websites

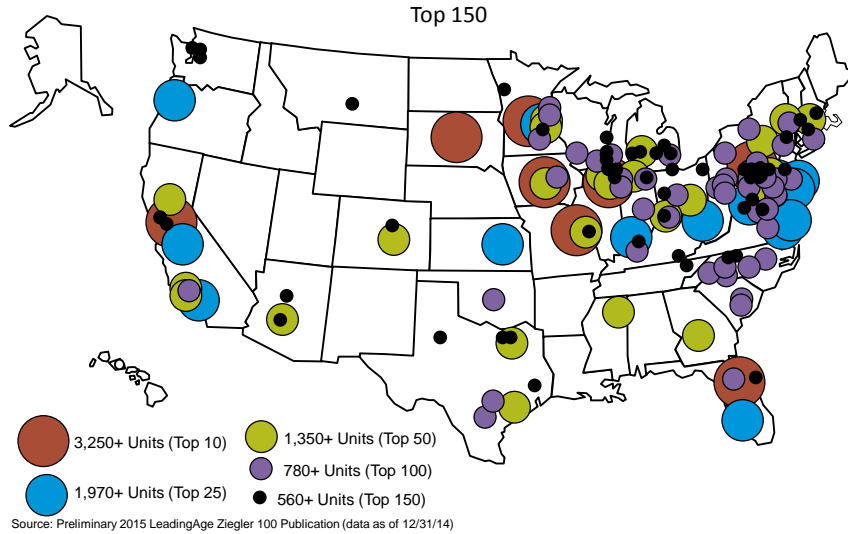


Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

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# 2015 LZ 150 ANALYSIS OF THE DATA: SYSTEM HEADQUARTERS

## HEADQUARTERS' LOCATIONS BY SIZE (TOTAL UNITS)

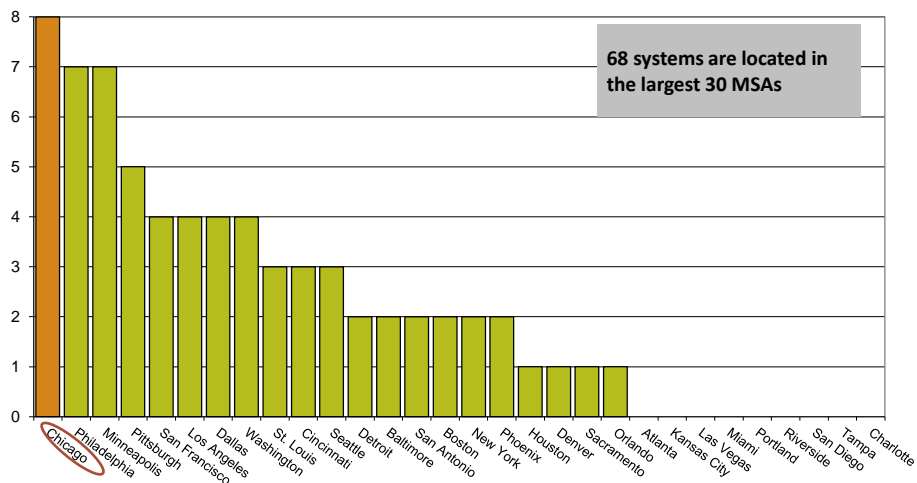


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## 2015 LeadingAge Ziegler 150

Organizational Characteristics: Metropolitan Statistical Areas (MSAs)

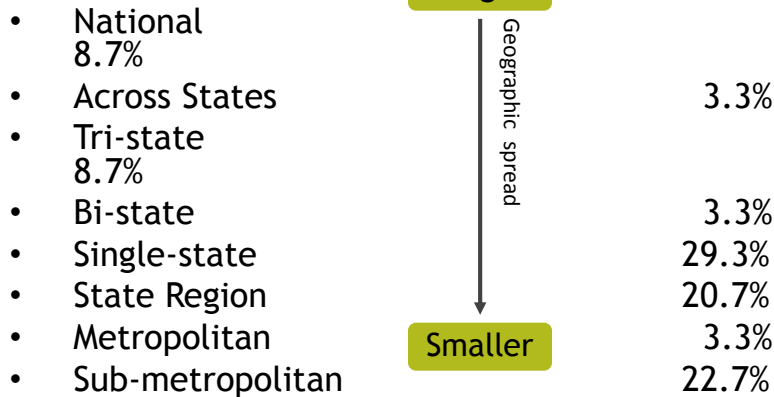
### NUMBER OF HEADQUARTERS LOCATED IN THE LARGEST 30 MSAs



Source: 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)

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## 2015 LZ 150 SYSTEM DESCRIPTIONS & CLASSIFICATIONS



Source: 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)

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## ILLINOIS LZ 150 ORGANIZATIONS

2015 Rank	System Name	State	Units (as of 12/31/14)				Communities (as of 12/31/14)				
			Total	ILU	ALU	NCB	Total	CCRC	IL	AL	NH
5	Covenant Retirement Communities, Inc.	IL	4,865	3,098	818	949	15	13	1	1	0
22	Christian Homes, Inc.	IL	2,167	387	306	1,474	13	11	0	1	1
26	Franciscan Communities, Inc.	IL	1,944	736	433	775	8	4	1	3	0
35	Providence Life Services	IL	1,603	665	360	578	9	1	4	1	3
44	Presbyterian Homes	IL	1,445	855	225	365	5	3	1	1	0
53	Lutheran Life Ministries	IL	1,271	233	291	747	5	5	0	0	0
60	Friendship Senior Options	IL	1,213	783	182	248	2	2	0	0	0
111	Mather LifeWays	IL	741	624	46	71	3	2	1	0	0
115	Wesley Willows	IL	706	445	170	91	2	1	1	0	0
138	Smith Senior Living	IL	615	325	144	146	2	2	0	0	0
2	Evangelical Lutheran Good Samaritan Society	SD	18,048	5,032	2,262	10,754	170	71	7	8	84
7	Lifespace Communities, Inc.	IA	4,069	3,086	154	829	12	12	0	0	0
8	The Kendal Corporation	PA	3,732	2,522	649	561	15	13	2	0	0
9	Lutheran Senior Services	MO	3,406	1,665	752	989	11	9	0	1	1

System	Communities in Illinois
ELGSS	Carroll County GS Center, Genese GS Village, Prophets Riverview GS Center
Lifespace Communities	Beacon Hill, Oak Trace
The Kendal Corporation	The Admiral at the Lake
Lutheran Senior Services	Concordia Village, LLS at Meridian Village, Lutheran Hillside Village

Source: 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)

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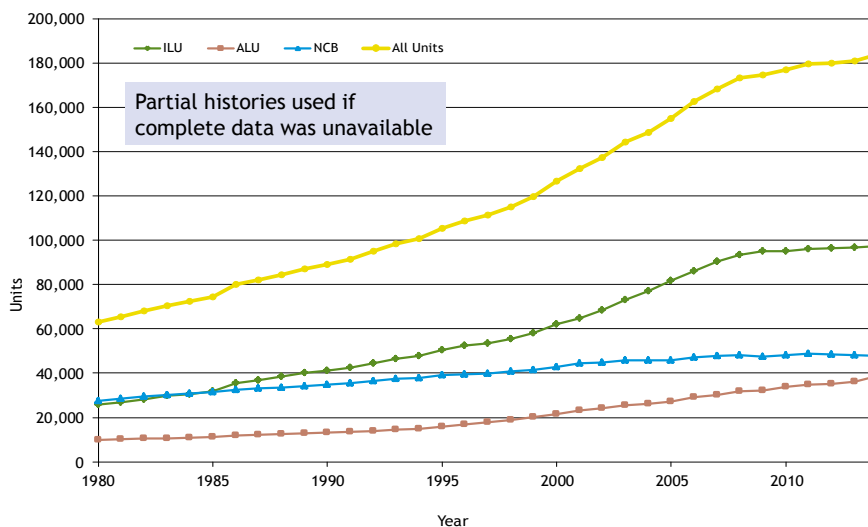
## NEW LOCATION DEVELOPMENT & EXPANSION OF EXISTING CAMPUSES

- A number of factors have caused slow-down in new locations
  - Focus on impact of the **Affordable Care Act**
  - Commitment to growth through **affiliations and acquisitions**
  - Substantial construction from **for-profits impacting demand**
- Organizations demonstrating continued commitment to existing campuses
  - **Expanding IL**
  - Carving out **memory care**
  - **Healthcare repositioning**
  - Acquisition of **adjacent land** for development
- Beginning to observe increase in construction costs

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### 2015 LZ 150

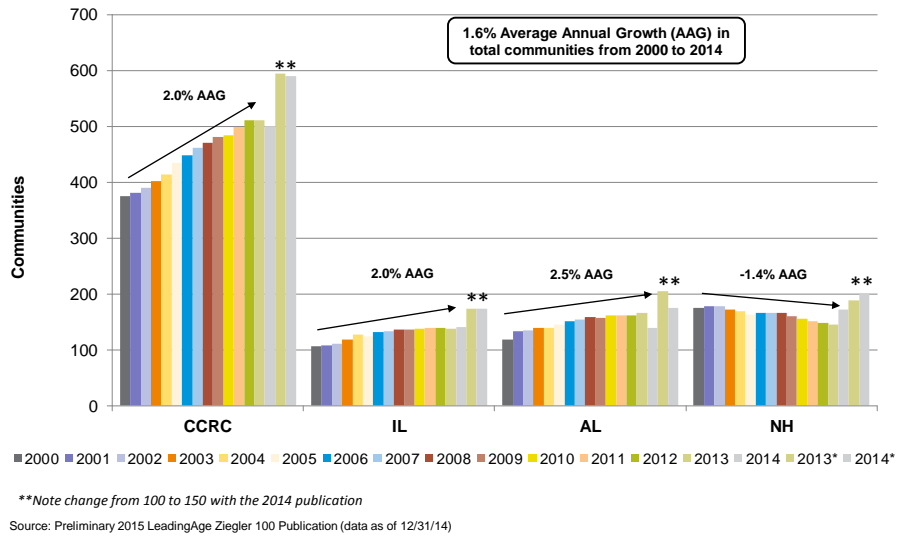
GROWTH: GROWTH OF LARGEST 100 SYSTEMS, COMBINED UNIT MIX FROM 1980 (EXCLUDES EVANGELICAL LUTHERAN GOOD SAMARITAN SOCIETY)



Source: Preliminary 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)

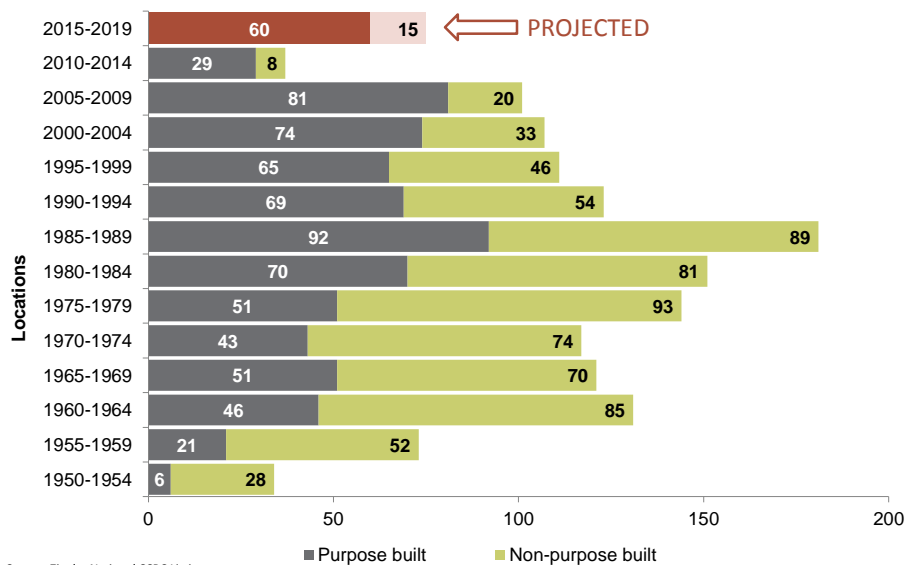
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## 2015 LEADINGAGE ZIEGLER 150 ORGANIZATIONAL CHARACTERISTICS COMMUNITY TYPE COMPARISON, 2000 THROUGH 2014 FOR 2015 LZ 150



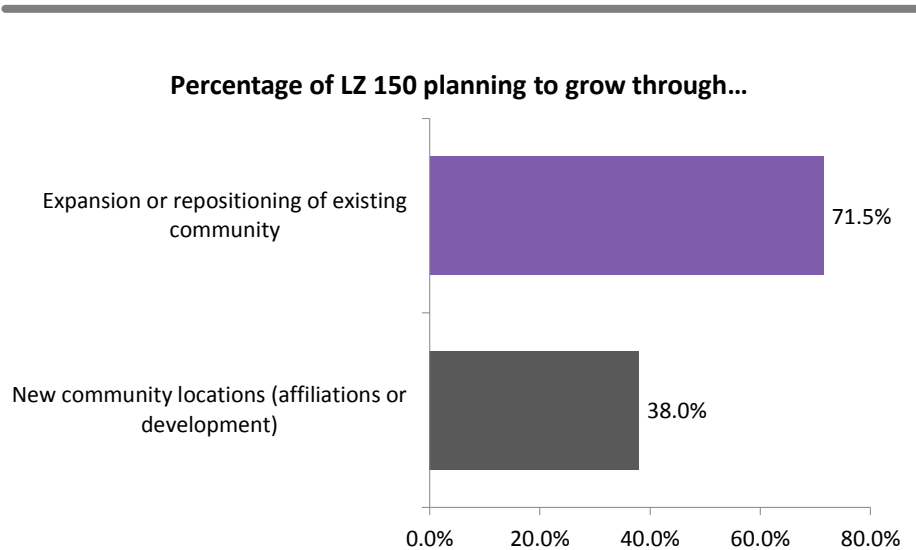
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## CCRC GROWTH BY TYPE (1950 TO PRESENT)



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## GROWTH PLANS OVER THE NEXT TWO YEARS

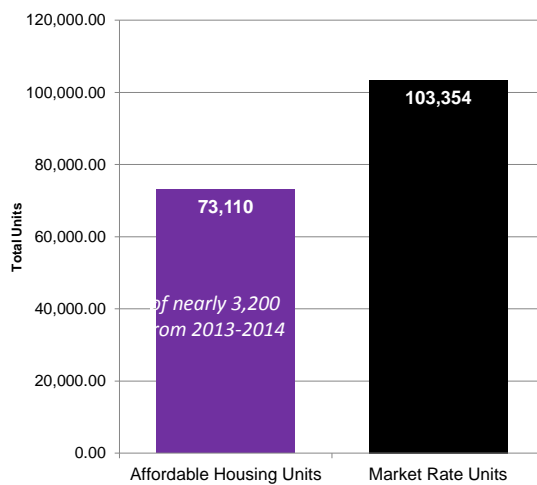


Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

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## CONTINUED GROWTH IN AFFORDABLE HOUSING

- Forty-six percent (46%) of LZ 150 have affordable housing units
  - Largest growth in tax-credit developments and acquisitions of existing HUD properties



Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

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## 2015 LEADINGAGE ZIEGLER 150 LARGEST PROVIDERS OF MARKET-RATE AND AFFORDABLE UNITS

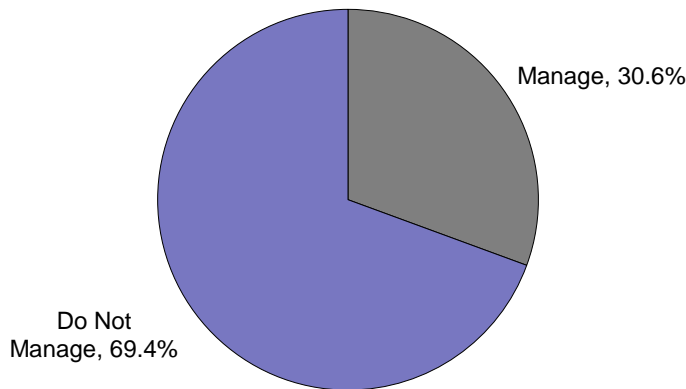
Rank	2015 LZ 150 Rank	System Name	State	Units (as of 12/31/14)				
				Total	ILU	ALU	NCB	AFF
1	30	National Church Residences	OH	23,673	778	535	542	21,818
2	2	Evangelical Lutheran Good Samaritan Society	SD	19,399	5,032	2,262	10,754	1,351
3	1	National Senior Campuses	MD	18,122	15,503	1,270	1,349	0
4	6	Retirement Housing Foundation	CA	15,296	2,642	861	595	11,198
5	21	Volunteers of America	VA	12,274	480	707	1,148	9,939
6	3	ACTS Retirement Services, Inc.	PA	7,993	5,652	904	1,437	0
7	4	Presbyterian Homes and Services	MN	7,160	3,332	2,077	1,458	293
8	12	Cornerstone Affiliates	CA	5,603	1,858	557	682	2,506
9	NR	Mercy Housing Inc.	CO	5,455	0	0	0	5,455
10	10	Westminster Communities of Florida	FL	5,285	2,031	471	751	2,032
11	NR	Christian Church Homes of Northern California	CA	5,052	0	0	0	5,052
12	5	Covenant Retirement Communities, Inc.	IL	4,865	3,098	818	949	0
13	NR	Senior Housing Assistance Group	WA	4,628	0	0	0	4,628
14	11	Presbyterian Senior Living	PA	4,097	1,503	498	1,119	977
15	7	Lifespace Communities, Inc.	IA	4,069	3,086	154	829	0
34	22	Christian Homes, Inc.	IL	2,297	387	306	1,474	130
42	26	Franciscan Communities, Inc.	IL	2,083	736	433	775	139
52	35	Providence Life Services	IL	1,764	665	360	578	161
58	NR	Consecre Housing Network	IL	1,617	0	0	0	1,617
62	44	Presbyterian Homes	IL	1,553	855	225	365	108
73	NR	Catholic Charities of Chicago	IL	1,372	0	0	0	1,372
79	53	Lutheran Life Ministries (fka Lutheran Life Communities)	IL	1,271	233	291	747	0
82	NR	Lutheran Social Services of Illinois	IL	1,255	0	0	0	1,255
87	60	Friendship Senior Options	IL	1,213	783	182	248	0

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

\*\* NR: No Rank. Not in the 2014 LZ 150 Primary Ranking

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## INCREASE IN PROVIDERS AS THIRD-PARTY MANAGERS 2015 LZ 150 ORGANIZATIONS WHO MANAGE ANOTHER COMMUNITY



Source: Ziegler LeadingAge 150, data as of 12/31/14

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## GROW OR DIE? DISCUSSION

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- Tell us about your organizations growth plans, if any?  
Redevelopment? Expansion? New campus? New services?
- How are your markets changing? How do you find and define new market opportunities? Defensive moves?
- What resources do you bring to the table when opportunities arise?  
Internal? External? Partners?
- How do you decide to pull the trigger? Decision drivers?  
Management & Board alignment?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

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### SECTION 2



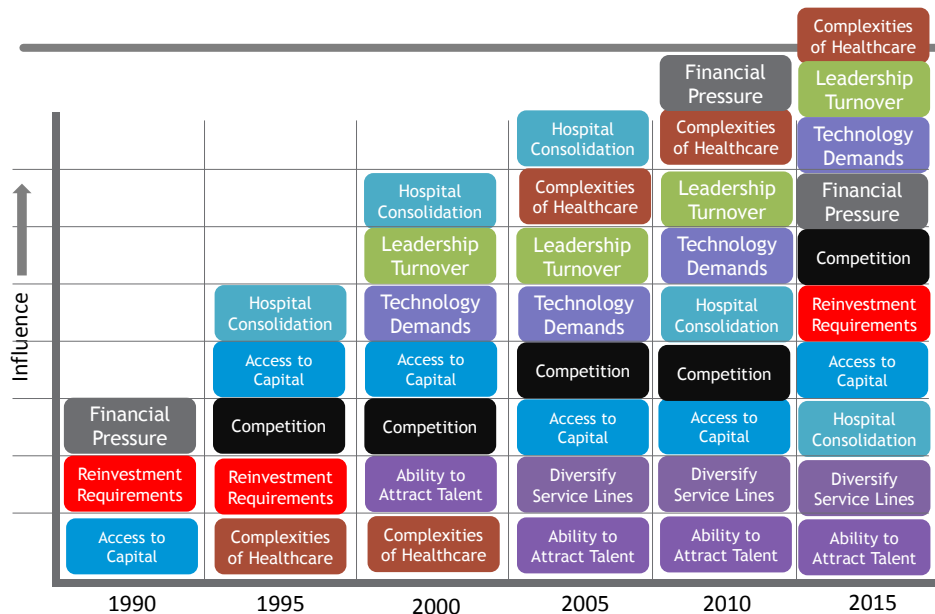
INDUSTRY CONSOLIDATION IS HERE

## NFP SENIOR LIVING CONSOLIDATION DRIVERS

Driver	Definition
Complexities of Healthcare	Service delivery complexity has increased. Bundled payments, HIPPA, regulatory environment, managed care pressure, star ratings
Leadership Turnover	Largely CEO turnover, but greater influence when no clear successor among C-suite team. Retirement of the Boomers.
Technology Demands	Used to be just enterprise-related technologies, then healthcare-related, now consumer technologies are an added element
Financial Pressure	Includes occupancy-related as well as exposure related. Higher expenses, liability, personnel & benefits.
Competition	For-profit competition, consumer choice is greater than ever
Reinvestment Requirements	The need to devote capital to campus reinvestment and repositioning
Access to Capital	Greater scale generally means greater access to capital for growth
Hospital Consolidation	Hospitals growing into regional systems looking for regional partners
Diversification of Business Lines	Ability to expand service lines (affordable housing, HCBS, etc.)
Attracting Talent	Strong leaders are looking for upward mobility and professional development opportunities. Competitive compensation packages.

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## DRIVERS FOR NFP SENIOR LIVING CONSOLIDATION



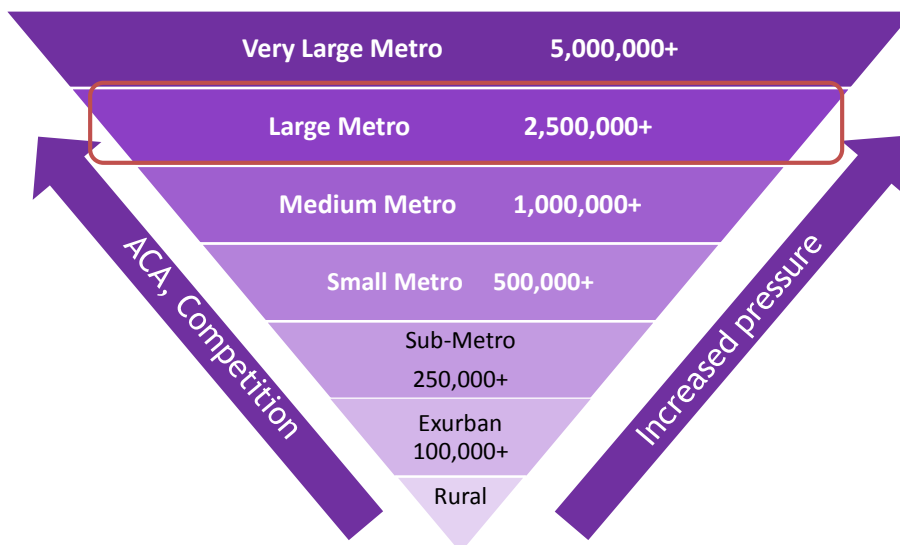
Source: Ziefler Senior Living Research

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## INDUSTRY CONSOLIDATION: BEST PRACTICES

<b>Breadth of Services</b>	<ul style="list-style-type: none"> <li>Expanding &amp; broadening communities</li> </ul>	<ul style="list-style-type: none"> <li>Adding services &amp; locations (Hub &amp; Spoke satellites)</li> </ul>
<b>Financial Standing</b>	<ul style="list-style-type: none"> <li>Continuing to improve operationally</li> <li>Stronger as a general rule</li> </ul>	<ul style="list-style-type: none"> <li>Greater access to capital</li> <li>More likely to have growth capital</li> </ul>
<b>Healthcare Reform</b>	<ul style="list-style-type: none"> <li>Disclosure &amp; transparency</li> <li>Key-metrics tracking; outcomes</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships, ACOs, Joint Ventures</li> <li>Cultivating SNF Referral Sources</li> </ul>
<b>Growth: Strategic/Mission</b>	<ul style="list-style-type: none"> <li>Maximize existing real estate assets</li> <li>New Communities, Sponsorship Transitions, Affiliations, JVs</li> </ul>	<ul style="list-style-type: none"> <li>HCBS; CCaH</li> <li>System pace varies (culture, market, etc.)</li> <li>Understand FP Market Growth</li> </ul>
<b>Management &amp; Board</b>	<ul style="list-style-type: none"> <li>Advancing governance quality</li> <li>Leadership development</li> </ul>	<ul style="list-style-type: none"> <li>Succession Planning</li> </ul>
<b>Corporate Strategies</b>	<ul style="list-style-type: none"> <li>[Re]Branding, [Re]positioning, [Re]structuring</li> </ul>	<ul style="list-style-type: none"> <li>Innovation: new models, programs, services, partnerships</li> </ul>
<b>Marketing Focus</b>	<ul style="list-style-type: none"> <li>Revisit entire sales process</li> <li>Robust staff training</li> </ul>	<ul style="list-style-type: none"> <li>Develop market intelligence</li> <li>Strategic relationships w/HC partners</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Strategic focus: invest in technology platforms (EMR/EMS/Other)</li> </ul>	<ul style="list-style-type: none"> <li>Emphasis on data dashboards, internal decision-making tools, monitoring technologies</li> </ul>

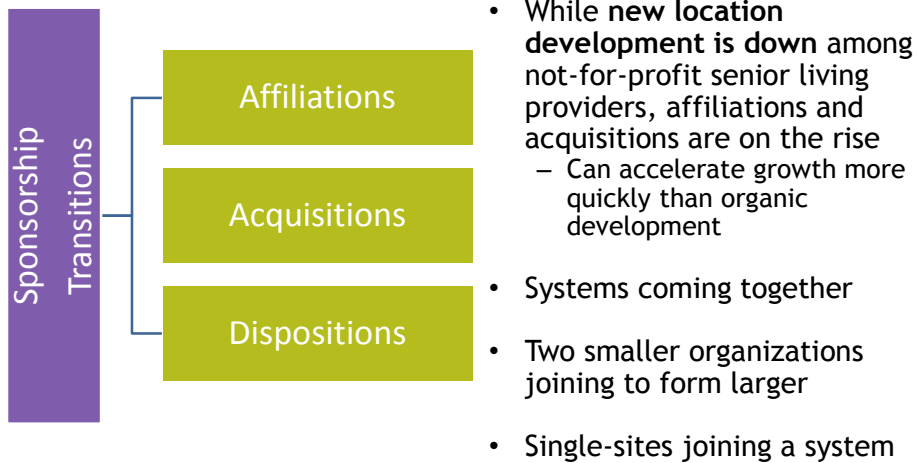
## CONSOLIDATION PRESSURE BY POPULATION DENSITY



Source: Ziegler Senior Living Research

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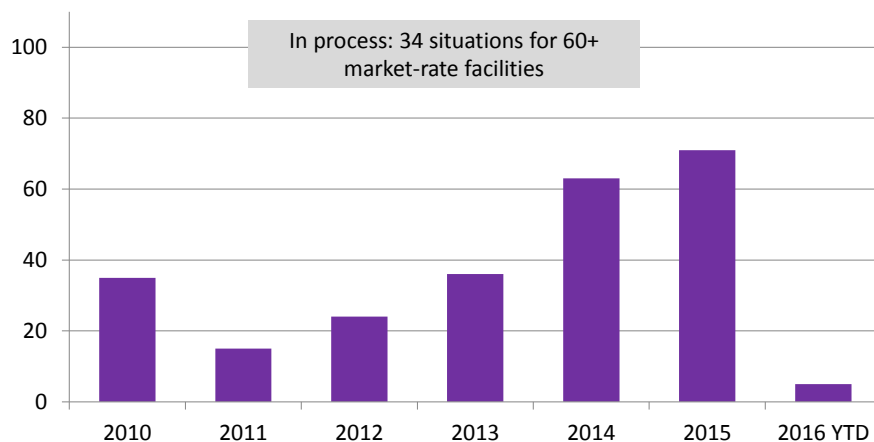
## GROWTH THROUGH SPONSORSHIP TRANSITION



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## INCREASING ACTIVITY IN NOT-FOR-PROFIT AFFILIATIONS, DISPOSITIONS, SPONSORSHIP TRANSITIONS

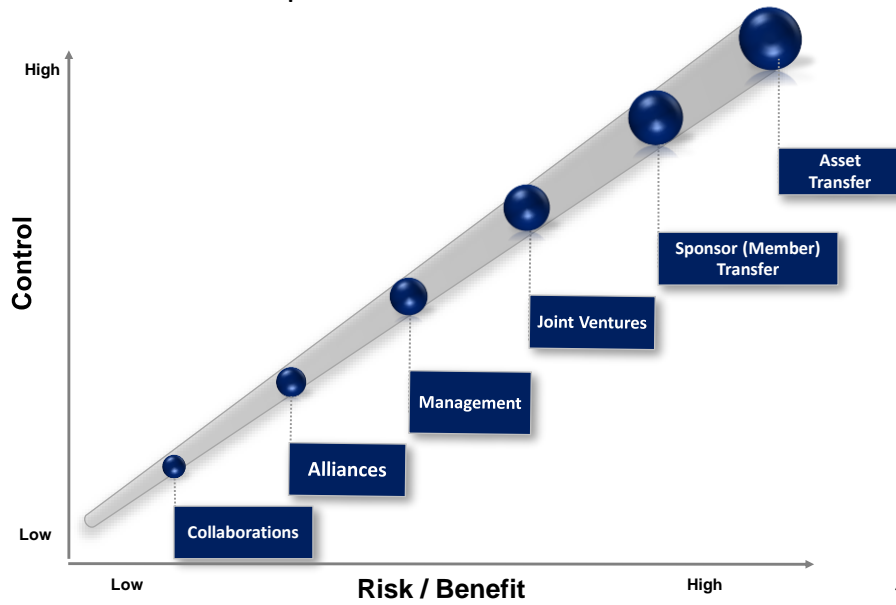
**Total NFP Owner/Sponsor Transactions**



Source: Ziegler Investment Banking 2/17/16; each count represents one community/facility



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## Sponsorship Structures - Not for profit organizations Relationship of Benefit and Control to Risk



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## SPONSORSHIP TRANSITION EXAMPLES

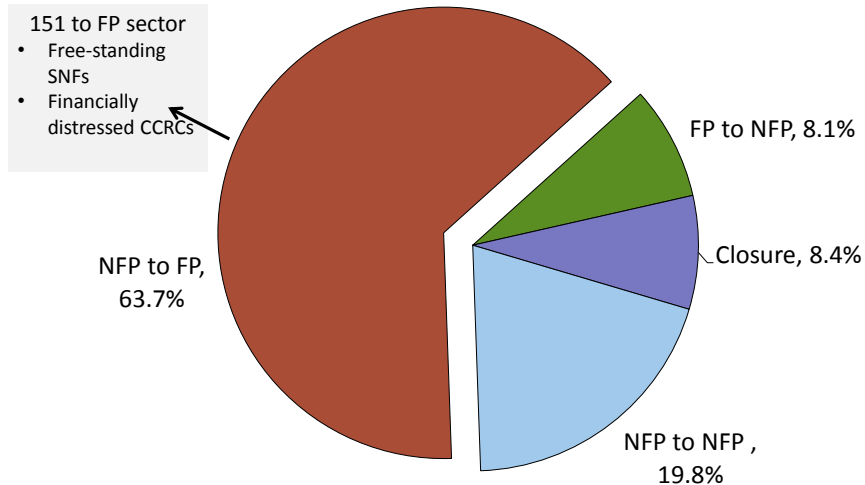
Providers		State(s)	Year	
 ABHOW	 be.group	CA	In process	
 NCPHS NORTHERN CALIFORNIA PRESBYTERIAN HOMES & SERVICES	 EPISCOPAL SENIOR COMMUNITIES	CA	In process	
 LUTHERAN SENIOR SERVICES	 The CEDARS of Town & Country	MO	2016	
 GREENCROFT COMMUNITIES	 Golden Years HOMESTEAD	 Great Lakes CHRISTIAN HOMES	IN	2015
 PRESBYTERIAN SENIOR LIVING	 Cathedral Village A Continuing Care Retirement Community	PA	2015	
 Presbyterian SeniorCare Positively Living	 Presbyterian Homes	PA	2015	

Source: Ziegler Investment Banking

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## SPONSORSHIP TRANSITIONS BY CATEGORY

### NFP CHANGE OF OWNER TRANSACTIONS: 2010-2015YE



Source: Ziegler Investment Banking, 12/31/15

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## SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

### YEAR: IN PROCESS



- **Location:** Pleasanton, CA
- **Type:** Multi-site organization
  - 12 CCRCs
  - 33 Affordable Housing
- **Size<sup>1</sup>:** 3,097 market-rate units  
2,506 affordable units
- **Revenue<sup>2</sup>:** \$208,400,000
- **Driver:** Growth of regional platform. CEO nearing retirement age



- **Location:** Glendale, CA
- **Type:** Multi-site organization
  - 3 CCRCs
  - 1 Assisted Living
  - 26 Affordable Housing
- **Size<sup>1</sup>:** 1,352 market-rate units  
2,694 affordable units
- **Revenue<sup>2</sup>:** \$95,800,000
- **Driver:** Growth of regional platform

- **Process:** The two organizations had preliminary conversations for five years. Renewed discussions with ABHOW succession planning and be.group coming out of a phase focused on improving financial and operational performance.
- **Result:** The two organizations will combine through a formal affiliation. CEO of be.group will be CEO of overall organization.

<sup>1</sup> 2015 LeadingAge Ziegler 150

<sup>2</sup> Revenue obtained from 2015 LZ 150 submission; figures rounded; Revenue figures are prior to affiliation.

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## SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

### YEAR: IN PROCESS



- **Location:** San Francisco, CA (Bay Area)
- **Type:** Multi-site organization
  - 3 CCRCs
  - 1 IL Community
  - 1 AL Facility
  - 3 Affordable Housing
- **Size<sup>1</sup>:** 949 market-rate units  
599 affordable units
- **Revenue<sup>2</sup>:** \$90,700,000
- **Driver:** Retirement of CEO; CFO and COO also near retirement age.



- **Location:** Walnut Creek, CA (Bay Area)
- **Type:** Multi-site organization
  - 6 CCRCs
  - 6 Affordable Housing
- **Size<sup>1</sup>:** 1,550 market-rate units  
626 affordable units
- **Revenue<sup>2</sup>:** \$132,400,000
- **Driver:** Growth of regional platform

- **Process:** In addition to doing a CEO search, the board of NCPHS also considered affiliation as a means for succession planning.
- **Result:** The two organizations will combine through a formal affiliation.

<sup>1</sup> 2015 LeadingAge Ziegler 150

<sup>2</sup> Revenue obtained from 2015 LZ 150 submission; figures rounded; Revenue figures are prior to affiliation.

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## SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

### YEAR: 2015



- **Location:** Goshen, IN
- **Type:** Multi-site organization
  - 6 CCRCs
  - 2 Affordable Housing
- **Size<sup>1</sup>:** 1,409 market-rate units  
352 affordable units
- **Revenue<sup>2</sup>:** \$65,000,000
- **Driver:** Looking to expand regional platform.



- **Location:** Fort Wayne, IN
- **Type:** Multi-site organization
  - 2 CCRCs
- **Size<sup>1</sup>:** 350 market-rate units
- **Revenue<sup>3</sup>:** \$10,000,000
- **Driver:** Pending retirement of CEO. Board recognizing need to affiliate and increasing complexity of business.

- **Process:** Two organizations had known one another for a number of years. Christian Ministries CEO introduced affiliation concept to the board as part of succession planning.

- **Result:** Golden Years and Great Lakes affiliated with Greencroft Communities. Christian Ministries CEO retired.

<sup>1</sup> 2015 LeadingAge Ziegler 150

<sup>2</sup> Revenue obtained from 2015 LZ 150 submission; figures rounded; Revenue figures are prior to affiliation.

<sup>3</sup> Revenue obtained from IRS 990

46

## INDUSTRY CONSOLIDATION IS HERE DISCUSSION

---

- How is consolidation impacting your organization, if at all? Driving strategy?
- Are you or others gaining competitive advantage or disadvantage from consolidation? Scale? Recruiting/retention of talent? Branding?
- What types of opportunities are you seeing? What might you consider? Have you defined a strategy?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

47

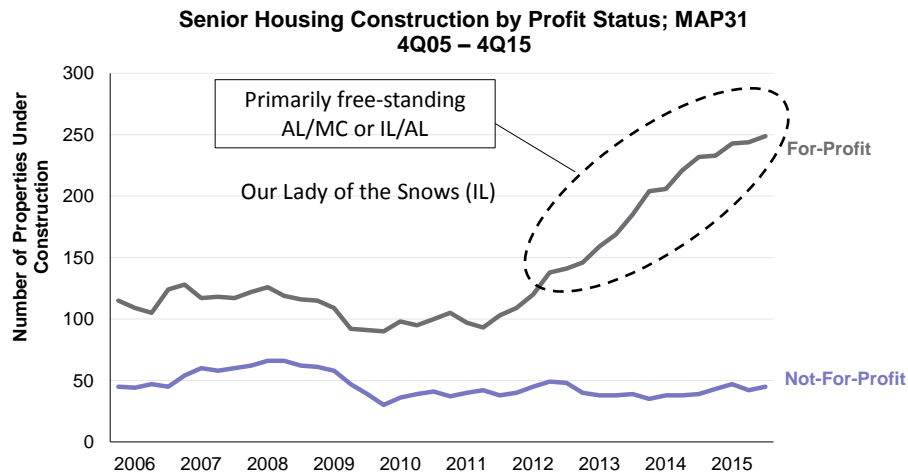
SECTION 2



FOR-PROFITS ARE EVERYWHERE



## PACE OF FOR-PROFIT GROWTH IS IT SHOWING SIGNS OF A SLOW-DOWN?



Source: NIC MAP® Data & Analysis Service, as of 12/31/15 © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org

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## 15 LARGEST SENIOR LIVING OWNERS

Company	Headquarters	Properties	Units
Brookdale Senior Living Inc.	Brentwood, TN	976	82,356
Ventas Inc.	Chicago, IL	785	69,708
Health Care REIT Inc.	Toledo, OH	611	59,786
HCP Inc.	Irvine, CA	491	49,731
Senior Housing Properties Trust	Newton, MA	297	34,772
Boston Capital	Boston, MA	486	29,741
NorthStar Healthcare	New York, NY	209	17,514
Senior Lifestyle Corporation	Chicago, IL	176	16,685
New Senior Investment Group	New York, NY	124	14,838
Holiday Retirement	Lake Oswego, OR	114	13,768
Harrison Street Real Estate Capital	Chicago, IL	107	12,359
National Health Investors (NHI)	Murfreesboro, TN	103	8,678
Highridge Costa Companies	Gardena, CA	84	8,402
ACTS Retirement-Life Communities	West Point, PA	21	7,982
Enlivant	Chicago, IL	177	7,829

Source: 2015 American Seniors Housing Association, "ASHA 50"; Note- properties w/ >30% SNF excluded

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## 15 LARGEST SENIOR LIVING OPERATORS

Company	Headquarters	Properties	Units
Brookdale Senior Living Inc.	Brentwood, TN	1,138	110,443
Holiday Retirement	Lake Oswego, OR	308	37,657
LCS	Des Moines, IA	123	32,172
Five Star Senior Living	Newton, MA	272	31,267
Sunrise Senior Living, LLC	McLean, VA	245	22,561
Erickson Living	Baltimore, MD	17	20,517
Senior Lifestyle Corporation	Chicago, IL	201	20,334
Atria Senior Living, Inc.	Louisville, KY	153	17,958
Capital Senior Living Corporation	Dallas, TX	118	11,632
Elmcroft Senior Living	Louisville, KY	101	8,874
ACTS Retirement-Life Communities	West Point, PA	21	7,982
Enlivant	Chicago, IL	177	7,829
Watermark Retirement Communities, Inc.	Tucson, AZ	38	7,483
Meridian Senior Living	Hickory, NC	130	7,026
American House Senior Living Communities	Bloomfield Hills, MI	61	7,002

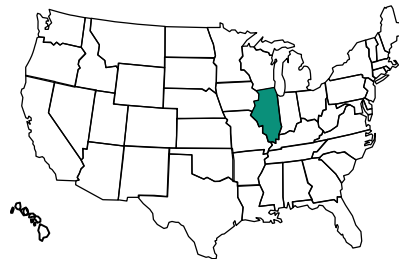
Source: 2015 American Seniors Housing Association, "ASHA 50"; Note- properties w/ >30% SNF excluded

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## SENIOR LIVING SECTOR: FOR-PROFIT

### Gardant Management Solutions (BMA Management Ltd) Bradley, IL

- 39 Communities in Illinois - such as Heritage Woods of Batavia
- 3,684 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care



Source: www.bma-mgmt.com

[www.gardant.com](http://www.gardant.com)

Source: ALFA 2014 Largest Senior Living Providers

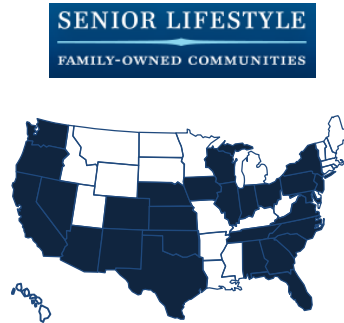
52

## SENIOR LIVING SECTOR: FOR-PROFIT

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### Senior Lifestyle Corp, Chicago, IL

- 117 Communities in 26 States
  - AL, AZ, CA, CO, FL, GA, IL, IN, IA, KS, MD, NE, NM, NV, NJ, NY, NC, OH, OK, OR, PA, SC, TN, TX, VA, WA, WI
- Such as Senior Suites of Bridgeport & Breakers at Edgewater Beach
- 14,563 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care



[www.seniorlifestyle.com](http://www.seniorlifestyle.com)

[www.seniorlifesyle.com](http://www.seniorlifesyle.com)

Source: ALFA 2014 Largest Senior Living Providers

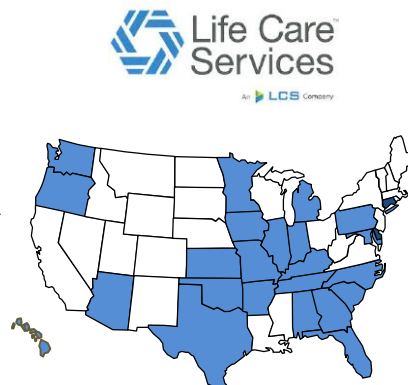
53

## SENIOR LIVING SECTOR: FOR-PROFIT

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### Life Care Services, Des Moines, IA

- 110 Communities in 25 States
  - AL, AR, AZ, CT, DC, FL, GA, HI, IA, IL, IN, KS, KY, MD, MI, MN, MO, NC, OR, PA, SC, TN, TX, WA
- Wyndemere in Winfield
- 25,989 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care



[www.LCSNET.COM](http://www.LCSNET.COM)

Source: ALFA 2015 Largest Senior Living Providers

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## FOR-PROFITS ARE EVERYWHERE DISCUSSION

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- Tell us about any new, for-profit competition in your market(s)? Impact upon your organization?
- Any insights or perspectives on the increased competition? Good? Bad? Otherwise?
- What strategies are you employing to maintain and/or build market share in this environment?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

55

### SECTION 2



## MARKETING, SALES & OCCUPANCY IN 2016

## CCRC OCCUPANCY

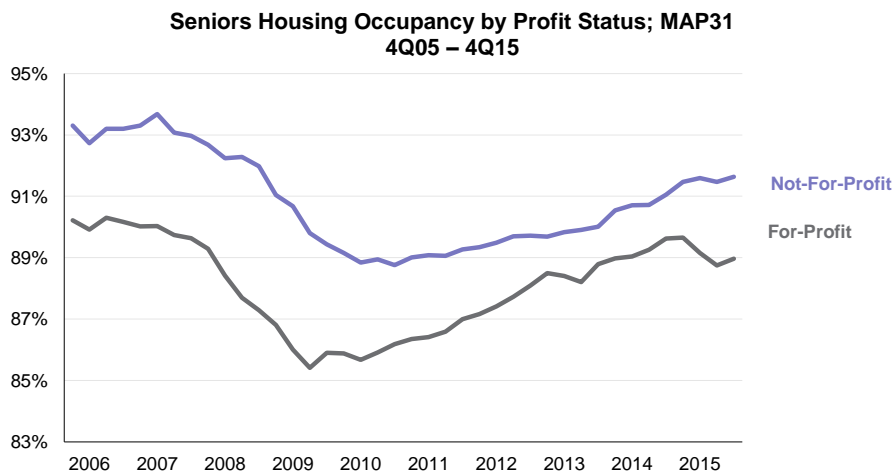
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- Overall, CCRCs, especially entry-fee communities, have largely recovered from the great recession in terms of occupancy
- 65% of all CCRCs have occupancy at or above 90%
- Not-for-profit CCRC occupancy remains well above the for-profit CCRC occupancy
  - Q4 2015 revealed the largest gap yet, with NFPs 5% above FPs

57

## NOT-FOR-PROFITS HAVE MAINTAINED HIGHER OCCUPANCY

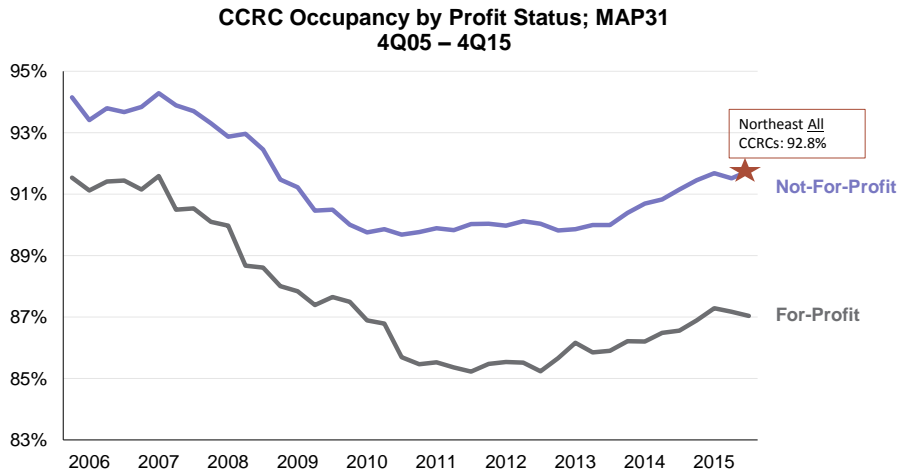
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Source: NIC MAP® Data & Analysis Service, as of 12/31/15 © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org

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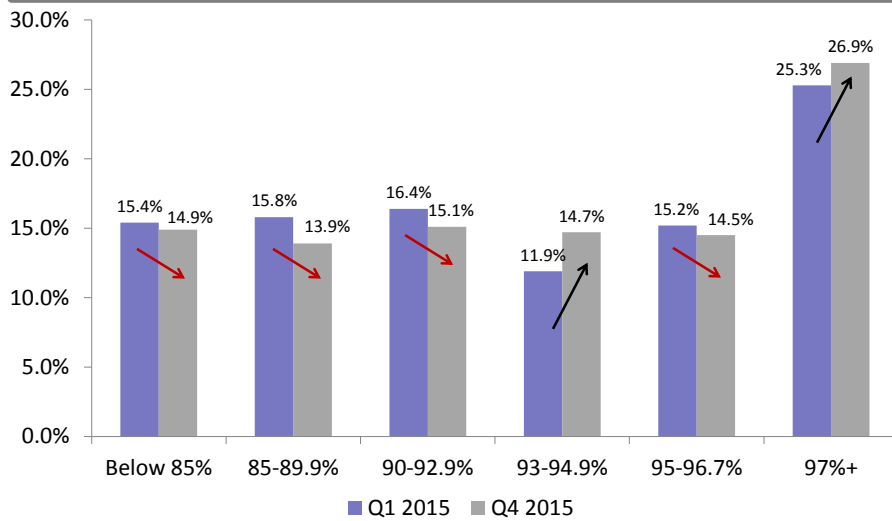
## NOT-FOR-PROFIT CCRCs MAINTAIN HIGHER OCCUPANCY



Source: NIC MAP® Data & Analysis Service, as of 12/31/15 © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org

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## NOT-FOR-PROFIT CCRC OCCUPANCY



Source: NIC MAP® Data & Analysis Service, as of 12/31/15 © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org

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## MARKETING, SALES & OCCUPANCY IN 2016 DISCUSSION

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- Any thoughts or insights on your organization's occupancy trends by level of service: IL, AL, MC, Rehab, SNF
- Where are you feeling the most pressure? Why? How are you responding? Successes?
- How has your marketing/sales changed since the Great Recession?
- What strategies are you employing to maintain and build occupancy?
- What keeps you awake at night? New Opportunities?
- Other questions or insights?

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### SECTION 1



## CONTINUED IMPACT OF THE AFFORDABLE CARE ACT

**STEPHEN JOHNSON**  
Managing Director  
Ziegler



## THE IMPACT OF THE AFFORDABLE CARE ACT

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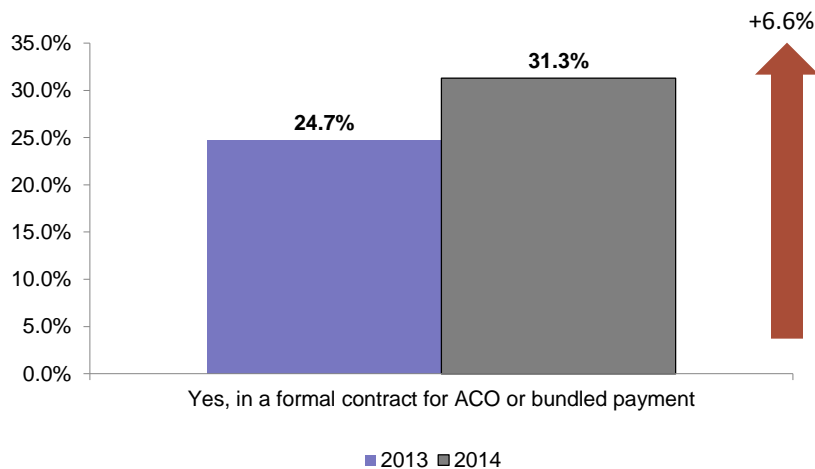
- **Providers differing in commitment to growing and evolving post-acute space**
  - Can be **market specific**; major metropolitan areas feeling greatest pressure
  - Can be driven by current **payor mix** in SNF
- Percentage of NFP senior living providers engaged in an **ACO or bundled payment contract has risen**
- **New collaborations underway** to better navigate the post-acute sector
- Providers are **partnering together** to create new models of care
  - Less costly alternatives to nursing home care

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## 2015 LEADINGAGE ZIEGLER 150

### LZ 150 ORGANIZATIONS IN AN ACO OR BUNDLED PAYMENT CONTRACT

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Source: 2015 LeadingAge Ziegler 150 Publication

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## THE IMPACT OF THE AFFORDABLE CARE ACT DISCUSSION

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- What impact are you seeing in your markets? ACO's? Bundled payments? Partnerships?
- How is your organization adapting? Strategy? Technology?
- What do you see on the horizon? How are you preparing?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

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### SECTION 1



## DEMAND FOR AT HOME SERVICES

**STEPHEN JOHNSON**  
Managing Director  
Ziegler



## HOME & COMMUNITY-BASED SERVICES

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- Another significant element of **ACA**
- Among the LZ 150, nearly **57% offer some type of HCBS** to individuals in the greater community
- **For-profit competition** is significant
- **Consolidation** is a key theme in HCBS as well
  - Many are choosing to grow through acquisition (home health & home care)
- Great opportunity for **partnerships**
  - Increase size and scope
  - Bring in partners with specific expertise you do not currently have

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## THE ROLE OF HCBS IN SENIOR LIVING & NOTABLE TRENDS

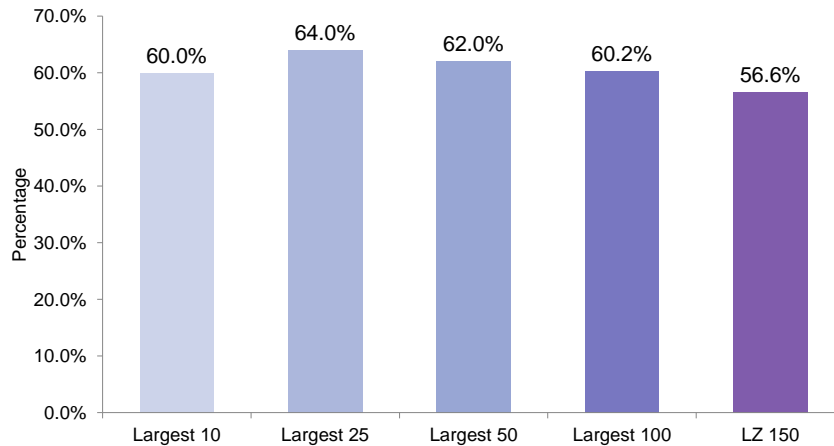
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- Responding to **consumer preferences** to age in their own homes
- **Less costly alternative** to skilled care
- Reimbursement and funding increasingly going toward **non-facility based healthcare**
- **Healthcare reform** is a significant influencer in this space
  - rewards for managing populations across the continuum of care
- **Merger and acquisition activity** in home health and home care industry has been notable
- **New models** are emerging as providers look ahead to the aging population and increasingly “supply”

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## PERCENTAGE OF PROVIDERS THAT OFFER HCBS TO NON-RESIDENTS

2015 LEADINGAGE ZIEGLER 150

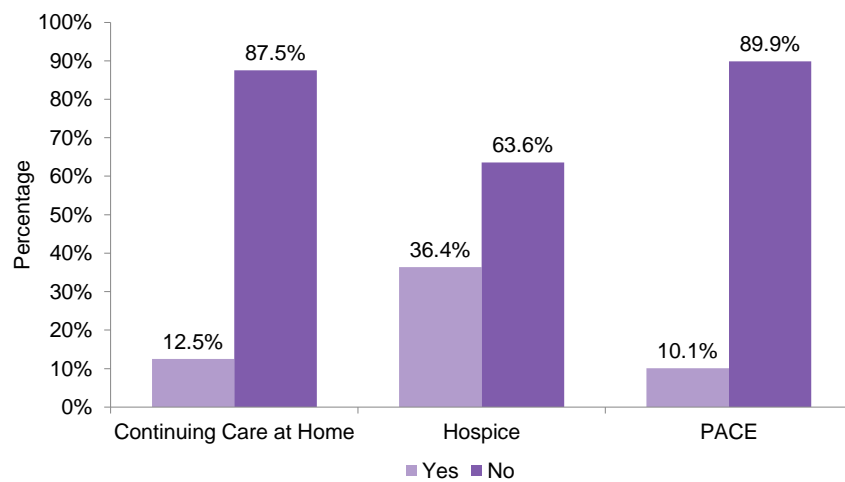


Source: 2015 LeadingAge Ziegler 150

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## PERCENTAGE OF PROVIDERS THAT OFFER ...

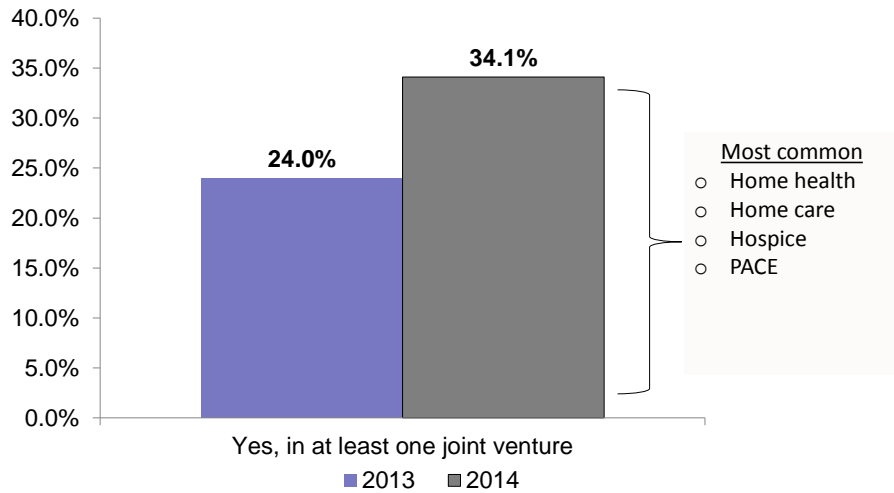
2015 LEADINGAGE ZIEGLER 150



Source: 2015 LeadingAge Ziegler 150

70

## JOINT VENTURING FOR POST-ACUTE 2015 LZ 150 ORGANIZATIONS ENGAGED IN A FORMAL JOINT VENTURE

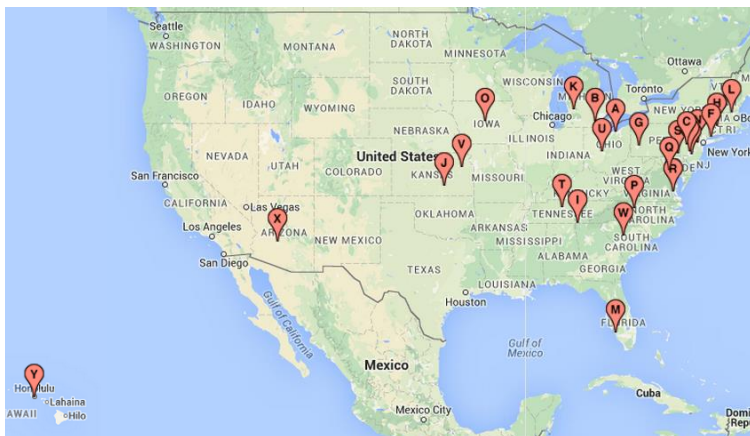


Source: 2015 LeadingAge Ziegler 150 Publication

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## CONTINUING CARE AT HOME (CAAH) UPDATE

- Currently 25 programs across the U.S.
- Anticipate another 6 to 7 new programs in 2016



Sources: Ziegler and CliftonLarsonAllen

72

## DEMAND FOR AT HOME SERVICES DISCUSSION

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- What, if anything, is your organizations strategy for HCBS? Business strategy? Growth plans? Any urgency?
- Has your organization implemented any HCBS services to date? What have you learned?
- What do you see on the horizon? How are you preparing?
- Anything keep you awake at night? New opportunities?
- Other questions or insights?

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### SECTION 1

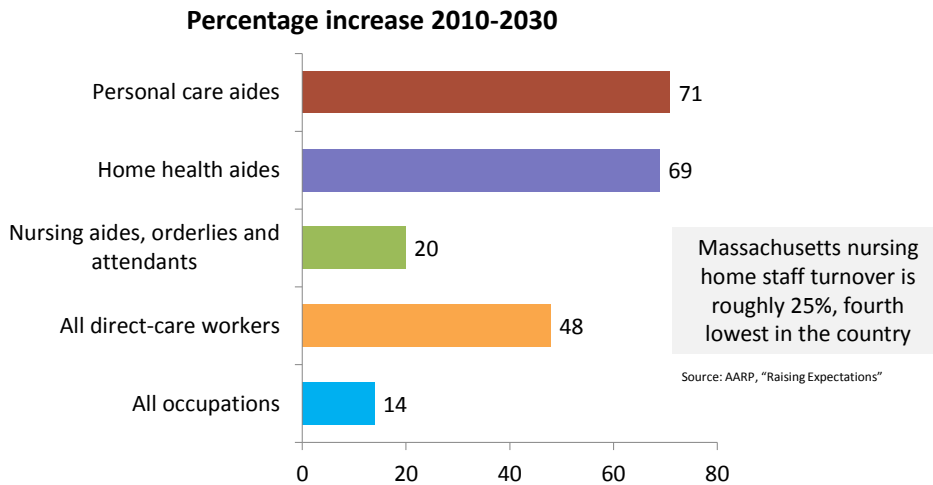


## TALENT, WAGES & SUCCESSION

**STEPHEN JOHNSON**  
Managing Director  
Ziegler



## GROWING DEMAND FOR DIRECT-CARE WORKERS IN THE US, 2010-2030



Source: Paraprofessionals Healthcare Institute

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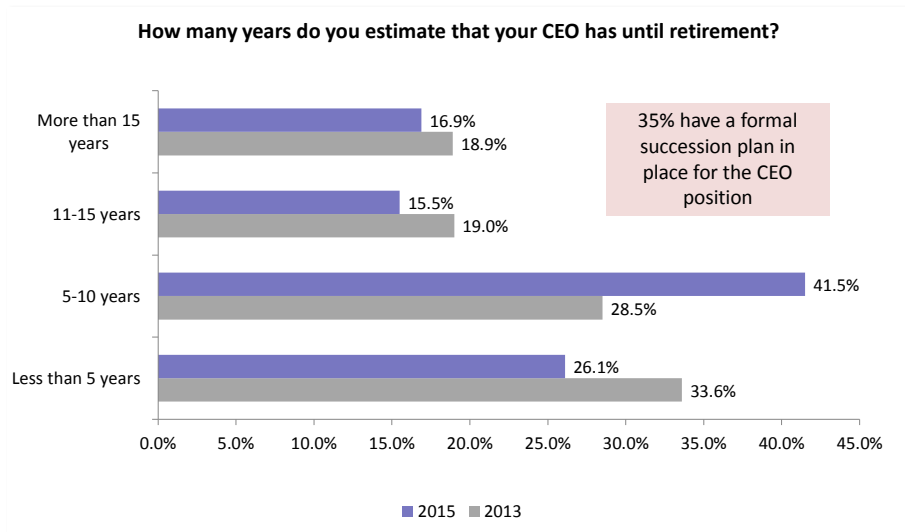
## LABOR CHALLENGES: WAGES & TALENT



- Labor organizing for increased Minimum wage
- Impact on ability to attract labor
- Impact upon resident fees
- Competition for talent from for-profits & others

76

## CEO RETIREMENT & SUCCESSION PLANNING



Source: Ziegler CFO Hotline, July 2015

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## TALENT, WAGES & SUCCESSION DISCUSSION

- How is your labor market changing? What are the drivers? Biggest challenges?
- What strategies is your organization employing to recruit and retain quality talent?
- What do you see on the horizon? How are you preparing?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

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## SECTION 3



## TECH IS CHANGING THE WORLD

### PACE OF TECHNOLOGY GROWTH AT THE PROVIDER LEVEL

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- The external pace of growth in the technology sector is impacting providers
  - Adoption of electronic medical records
  - Need to have staffing expertise to keep up
  - Can feel overwhelming
- Sophistication in care coordination, prevention technologies are becoming a key differentiator
  - Outcomes are key, with the data to back it up
  - Communication with all parties involved in managing the residents
- Opportunity for innovative partnerships



## DEFINING TECHNOLOGIES IN SENIOR LIVING



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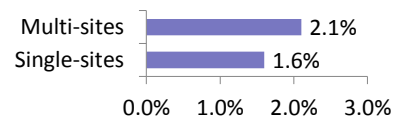
## PLANNING FOR TECHNOLOGY NEEDS

- Increasing need for sophistication and individuals who can think strategically about IT
- Providers varied between building internal capacity and outsourcing
- Across the past year, CAST has put forth a number of resources on IT strategic planning and IT selection guides

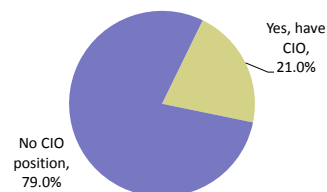


Source: Ziegler CFO Hotline; LeadingAge Ziegler 150

### IT Spending as % of Overall Budget



### Does your organization have a Chief Information/Technology Officer?



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## HEALTHCARE IT: ZIEGLER CFO HOTLINE POLL

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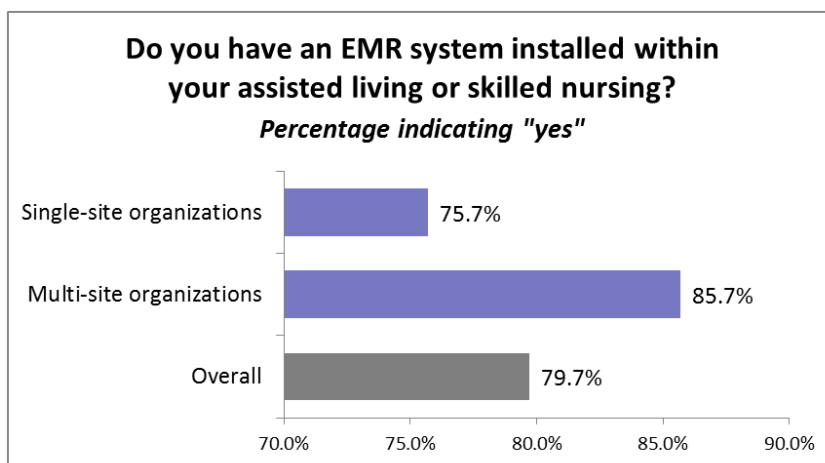
- A Ziegler CFO Hotline poll was conducted in August to gather feedback on the current technology adoption within the not-for-profit senior living sector
- Nearly 180 CFOs participated
- Topics included:
  - EHR/EMR adoption
  - Preferred vendors and technology partners
  - Use of mobile devices by staff and residents



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## EMR ADOPTION

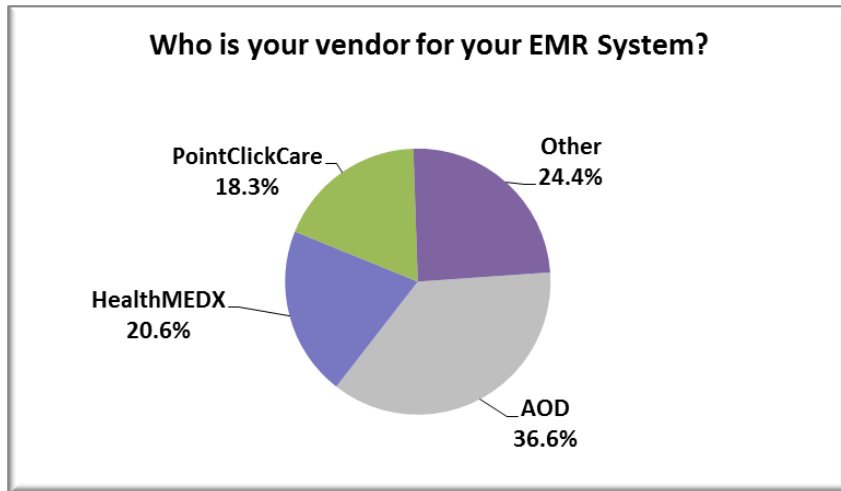
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Source: Ziegler CFO Hotline<sup>SM</sup>, 2015 Healthcare IT Survey Results

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## MOST COMMON EMR VENDORS

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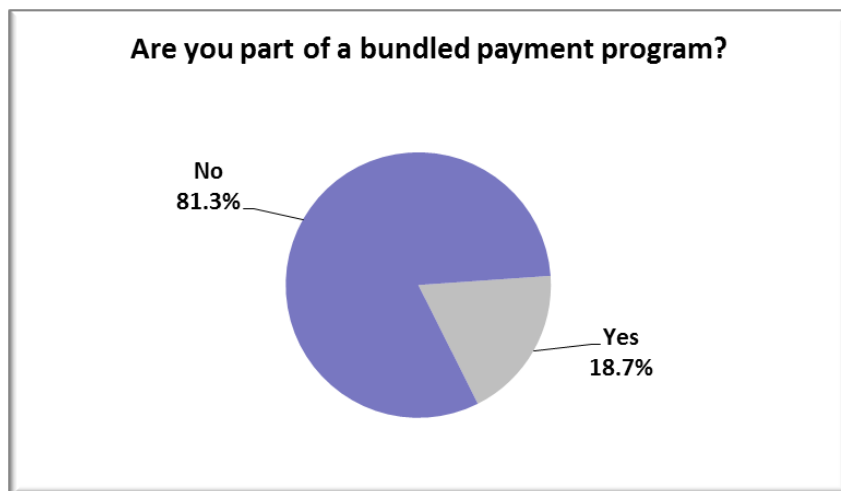


Source: Ziegler CFO Hotline<sup>SM</sup>, 2015 Healthcare IT Survey Results

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## BUNDLED PAYMENT PROGRAMS

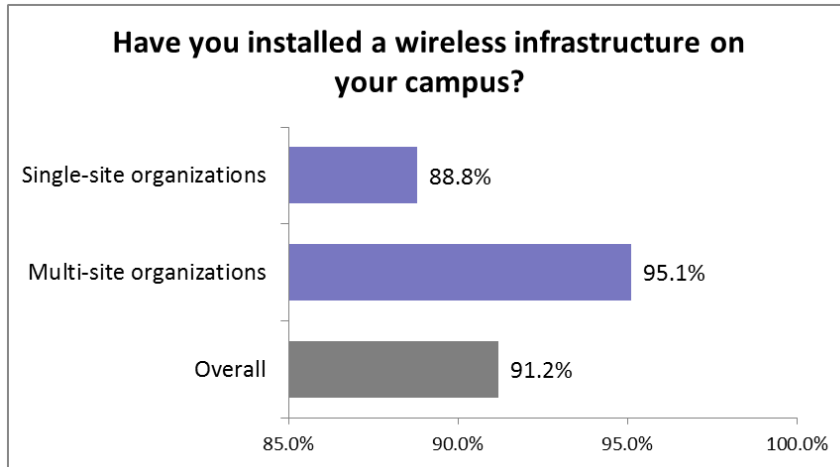
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Source: Ziegler CFO Hotline<sup>SM</sup>, 2015 Healthcare IT Survey Results

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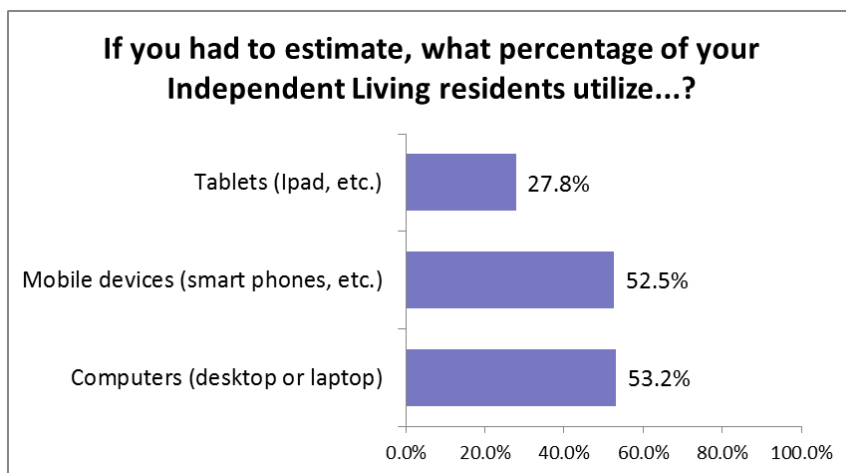
## WIRELESS INFRASTRUCTURE



Source: Ziegler CFO Hotline<sup>SM</sup>, 2015 Healthcare IT Survey Results

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## RESIDENT UTILIZATION OF TECHNOLOGY



Source: Ziegler CFO Hotline<sup>SM</sup>, 2015 Healthcare IT Survey Results

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## WHAT ARE THE IMPLICATIONS FOR PROVIDERS?

---

- Technology Infrastructure
  - Redundant WAN Connections
  - Wi-Fi
  - Cloud vs. On-Premise Hosting
- Electronic Health Records
  - Paperless Clinical Record
  - Physician Order Entry, eMAR, eTAR
- IT Staffing & Support
  - IT Governance, 24x7 Support, EHR Support
- Technology Policies & Procedures
  - HIPAA / HITECH

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## ZIEGLER LINK•AGE LONGEVITY FUND INVESTMENT THEMES



- Fund closed June, 2014; **70 investors are non-profit senior providers**
- Specialty fund targeting multi-stage equity investments
- Meaningful introductions to high profile, innovative companies

Aging in Place	Coordination of Care	Chronic Disease Management
Reduction of Hospitalizations and Readmissions	Prevention and Wellness Strategies	Government Funded Programs / Public Health Related Matters
Representative Business Models		
Healthcare Services	Healthcare IT	Other
<ul style="list-style-type: none"> <li>• Behavioral Change Management</li> <li>• Capitated Physician Models</li> <li>• Concierge Medicine</li> <li>• Homecare 2.0</li> <li>• Hospice and Palliative Care</li> </ul>	<ul style="list-style-type: none"> <li>• Clinical Decision Support</li> <li>• Medication Management</li> <li>• Population Analytics</li> <li>• Remote Monitoring</li> <li>• Telehealth</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional Pharmacy</li> <li>• Medicare Advantage / Dual Eligible Plans</li> <li>• Post-acute Care Diagnostics and Therapeutics</li> </ul>

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## ZIEGLER LINK•AGE LONGEVITY FUND INVESTMENTS

**ACTIVE INVESTMENTS**

**BREEZIE**  
Breezie has developed a tablet service that makes it easy for seniors and others to get online by removing clutter, jargon and confusion from the internet.

**INGENIOS**  
Ingenios leverages on-site personal assessments, conducted both in person and electronically, to develop personalized prevention plans for its customers' patients. Ingenios was acquired by Almost Family in July 2015.

**CARELIX**  
The CareLinx team helps navigate the process of finding a caregiver, matching users' specific needs and budgets, and then provides assistance with interviewing, hiring, paying and processing taxes for each user through its web-based platform.

**PRODIGO**  
Prodigo Solutions provides software for healthcare organizations to better manage their supply helping providers gain control of supply chain spend through contract compliance and automation.

**CAREMERGE**  
Caremerge created a software-as-a-service platform for independent living and assisted living facilities that includes care coordination, staff workflow efficiency, family engagement and resident focused modules.

**HEALTHPRO® / HERITAGE**  
Providing health care reform and compliance consulting in addition to therapy services across the continuum of care.

**ACTIVE INVESTMENTS**

**CIVICHEALTH**  
CivicHealth is a leader in providing community-based information technology solutions for healthcare and social services organizations

**TRUE LINK**  
True Link increases the independence and financial well-being of vulnerable individuals. The company provides financial tools that can be self-managed or administered by family members, trusted friends, or professionals.

**INCLUDE FITNESS**  
Include Fitness developed fitness and rehabilitation equipment that is accessible to all individuals, and is paired with integrated software that eliminates barriers and provides an equal platform of fitness for all.

**VYNCA**  
Vynca is a comprehensive solution for advance care planning and addresses critical unmet needs in end-of-life care, allowing care preference with care provision.

Source: Ziegler Link.age Longevity Fund, 2/18/16

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## TECH IS CHANGING THE WORLD DISCUSSION

- How is technology changing the way you do business?
- What's most important? How do you prioritize? Capital budgeting/spending? Staffing?
- Where do you go for advice? Staffing? Outsourcing?
- What do you see on the horizon? How are you preparing?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

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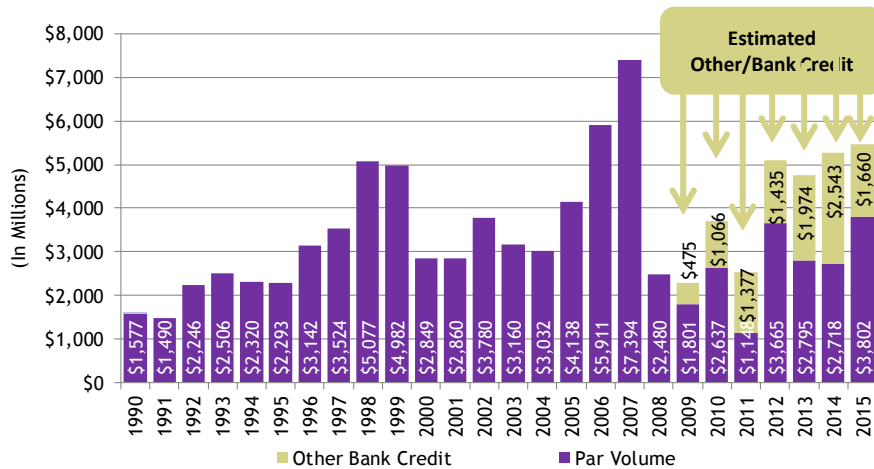
SECTION 4



ACCESSING CAPITAL

NOT-FOR-PROFIT SENIOR LIVING FINANCINGS

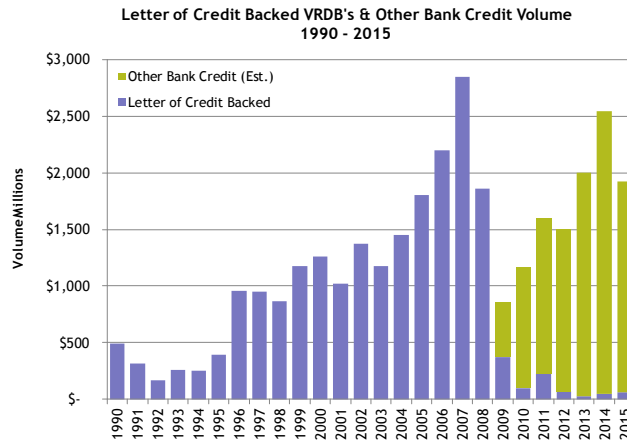
- Very few financings completed in the 12 months from July 2008 to July 2009
- 2010 & 2009 volume focused on relieving pent-up demand created during the crisis



SOURCE: Thomson Financial Securities Data, as of 12/31/15, Ziegler Investment Banking, Volume & Other Bank Credit Estimates thru 12/31/15

## BANK CREDIT A RAPIDLY GROWING PART OF MARKET

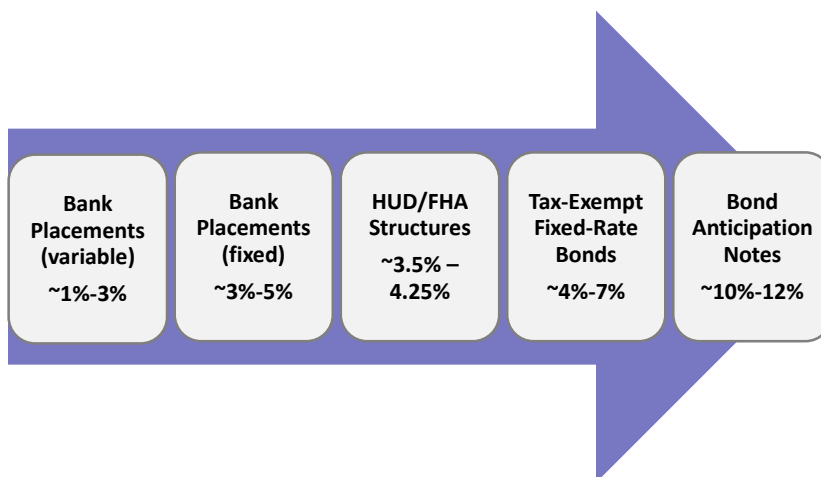
- Letters of credit backing tax-exempt VRDB's predominated through 2008
- Financial crisis in 2009 significantly reduced LOC volume (BASEL III/regulatory issues, bank credit allocation considerations, rating downgrades, etc.)
- Since 2009, direct bank purchases of tax-exempt debt, taxable construction loans have replaced VRDB's



SOURCE: Thomson Financial Securities Data, as of 12/31/15, Ziegler Investment Banking, Other Bank Credit Estimates thru 12/31/15

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## TODAY - RARE PERIOD WHERE MOST DEBT STRUCTURES NEAR ALL-TIME LOW COST

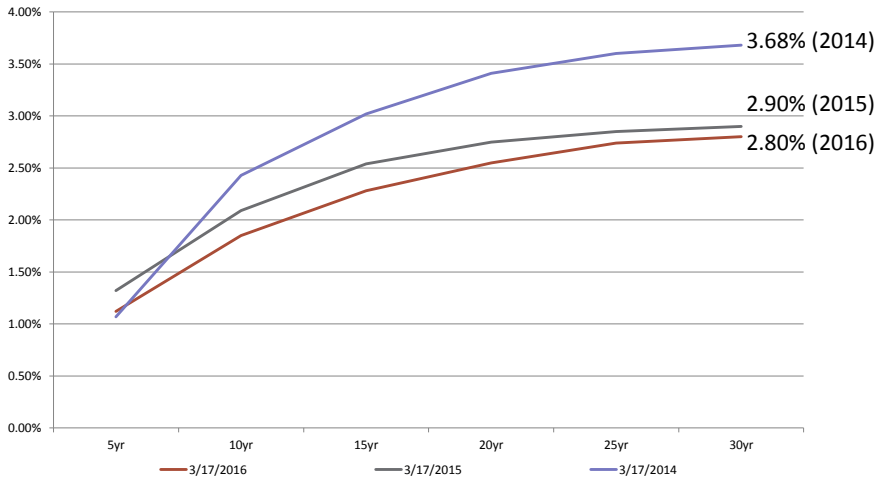


Source: Ziegler Investment Banking

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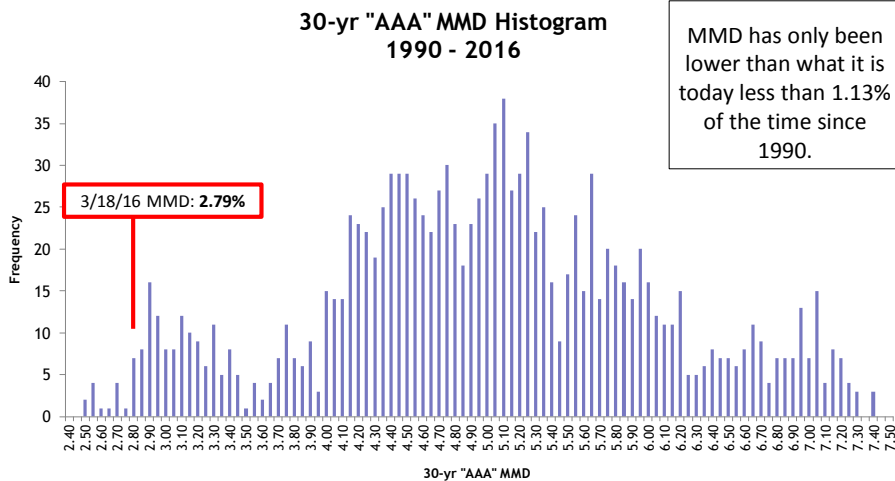
## HISTORICAL INTEREST RATES MMD YIELD CURVE - YEAR OVER YEAR



Source: Thomson Financial Municipal Market Monitor, as of 3/17/16

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## HISTORICAL INTEREST RATES UNIQUE MARKET OPPORTUNITY



Source: Thomson Financial Municipal Market Monitor, as of 3/18/16

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## ACCESS TO CAPITAL IN TODAY'S MARKETS DISCUSSION

---

- Any thoughts on today's capital markets? Interest rate trends? Future borrowing?
- Thoughts on floating rate vs. fixed rate exposure?
- Any interesting structures, terms or covenants your organization has employed?
- Any innovative ideas or capital sources you have effectively employed?
- What keeps you awake at night? New opportunities?
- Other questions or insights?

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QUESTIONS & ANSWERS

## ABOUT ZIEGLER

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

\*Investment banking services offered through B.C. Ziegler and Company. FHA mortgage banking services are provided through Ziegler Financing Corporation which is not a registered broker/dealer. Ziegler Financing Corporation and B.C. Ziegler and Company are affiliated and referral fees may be paid by either entity for services provided.

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