

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Rockin' ORCF Production Updates

With Wayne & Garth



Panelists



Scott Thurman
“Wayne”

Head of FHA Lending
CBRE



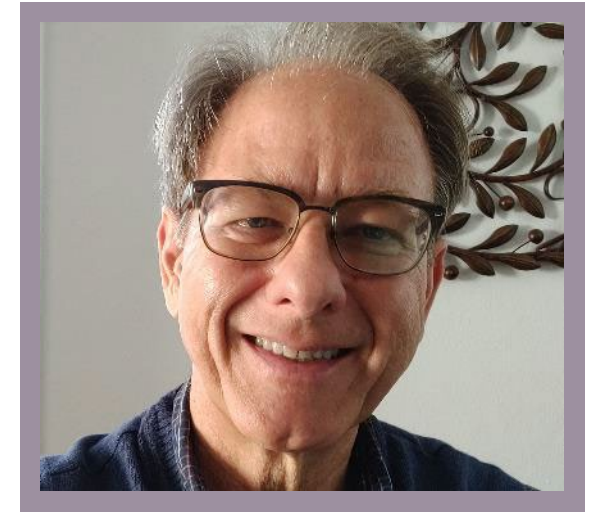
Tim Gruenes
“Garth”

Director, Production
ORCF



Susan Gosselin
“Supremes”

Deputy Director, Production
ORCF



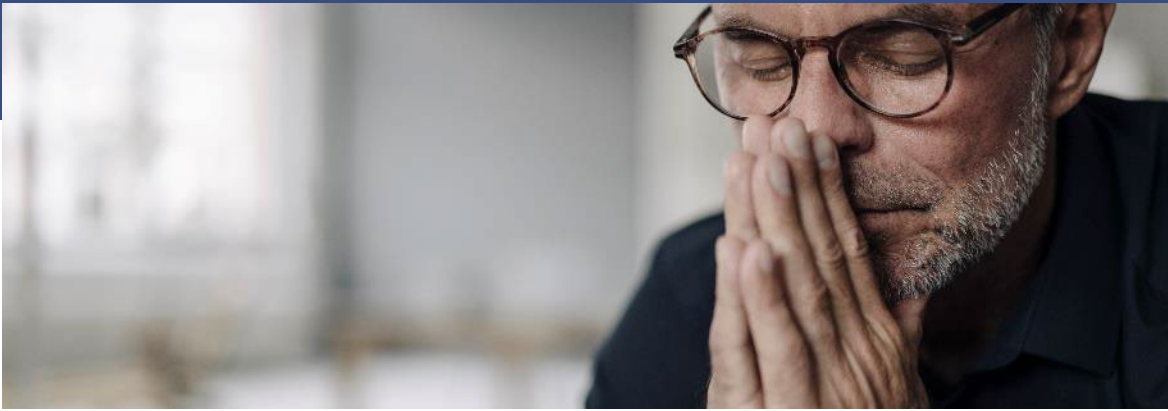
John Hartung
“Bon Jovi”

Director, Policy, Risk Analysis
and Lender Relations Division
ORCF

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LEAN THINKING



Today

- A longstanding tool through which you can get responses to your sometimes complex questions, typically before application.
- Can get environmental questions/process started completed
- Needs some procedural changes (not substantive)



Tomorrow

- In a session tomorrow we'll talk about what those changes are and why, and more importantly...
- We'll discuss how to use LT most effectively to get info to best position you to submit an application



BATHROOM RULE

- 24 CFR 232.7 (The “Bathroom Rule”) has long required “one full bathroom” for every four residents, access to which does not require passing through public corridor
- ORCF had long processed CFR waivers for existing facilities for wings catering to memory care residents (“bathroom waivers”).
- In 2020, HUD amended the Bathroom Rule, adding an exemption for “existing projects providing memory care” meeting the four (4) conditions to the right →
- These conditions are generally consistent with numerous waivers HUD issued before the amendment took effect.

Four Conditions:

1. MC residents are in a separate, secured, and locked area of the facility;
2. Any bathroom access from a MC resident's bedroom or sleeping area that passes through a public corridor or area is in a separate, secured, and locked area of the facility
3. Memory care residents receive full assistance or supervision while bathing; and
4. Memory care residents reside in wards that contain no more than two beds per unit and have a half-bath in each unit.

These conditions are generally consistent with numerous waivers HUD issued before the amendment took effect.





State Risks

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State Risk



Olmstead (Longstanding)

- Applying ADA, Olmstead limited states' ability to condition services on institutional setting.
- Compliance efforts (MFP, litigation, etc.) impacted many SNFs
- Olmstead is a continuing concern, particularly as to SNFs serving residents with mental/behavioral care needs



HCBS Regulations (more recently)

- ALFs using Medicaid waiver funds must be in "home and community based" setting
- Broader than Olmstead since resident acceptance of/acquiescence is irrelevant
- "Home and community based" setting relates to:
 - physical facility itself
 - How residents are provided care and access to services
- States make determinations and implement a "transition plan" but CMS has oversight
- For ALFs with Medicaid waiver funding, lenders must discern and confirm HCBS compliance status

State Risk



Medicaid Funding (still more recently)

- Medicaid rate increases tied to staffing increases (e.g., Illinois [here](#))
- Medicaid rate increases tied to use of revenue (e.g. New York requiring that X% of revenue be used for resident-facing staffing, [here](#))



Mandated Wages (even more recently)

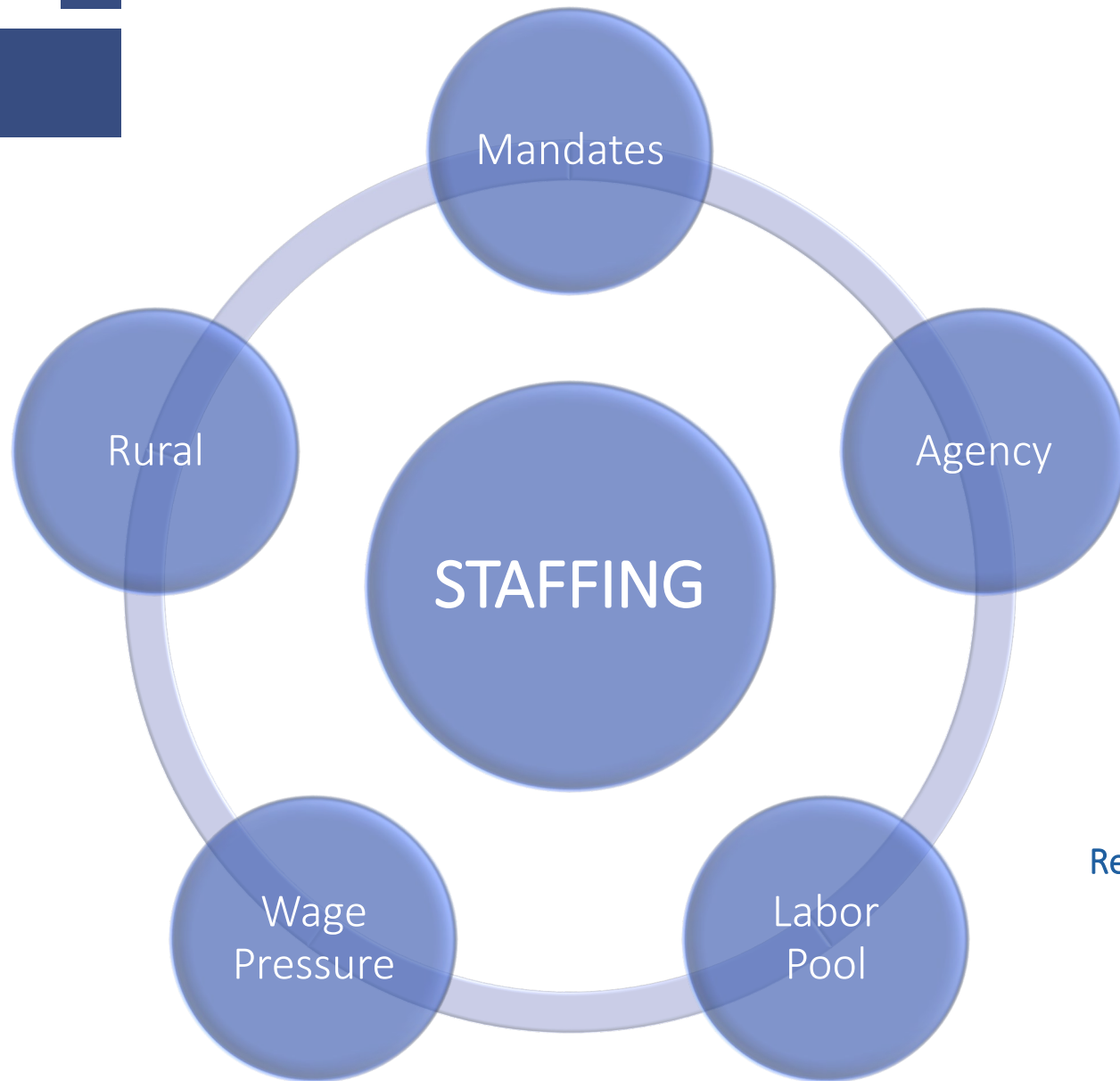
- State-mandated wage increases for specified staffing groups (e.g., California)

Additional State Risks

Additionally, your client (and their state-level associations) will be aware of potential emerging risks in a particular state, for example:

- A CT bill proposes financially penalizing SNFs that don't have more than 90% of their beds filled over a 12-month period.
- Where underwriting a facility that would be impacted by a proposed state change, consider whether it poses any genuine and material risk.





Relate staffing factors to the NOI/Operating Margin and Quality of Care.



Quality of Care



Star ratings of subject
& overall ratings for
owner/operators

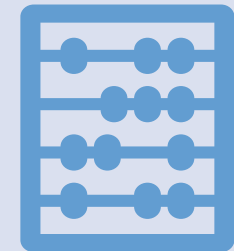
Overall analysis tools
(e.g., ORCF uses para-
scope, Quality-In-Cite
& CarePrepare)



Explanation of
facility/operator
programs

Risk Mitigation

- One-Time Risk Assessment
- Ongoing Third-Party Risk Management Plan
- DSRE



Experience

Experience is of the utmost importance. Principals of the Borrower, Operator, and Management Agent should have 3+ years of like-kind experience for their proposed role in a **similar facility** (type and size) with **similar resident profiles** (type and acuity) in a **similar regulatory environment**.

For new construction, lease up experience is also imperative.

3+ years

Licensing

Residents

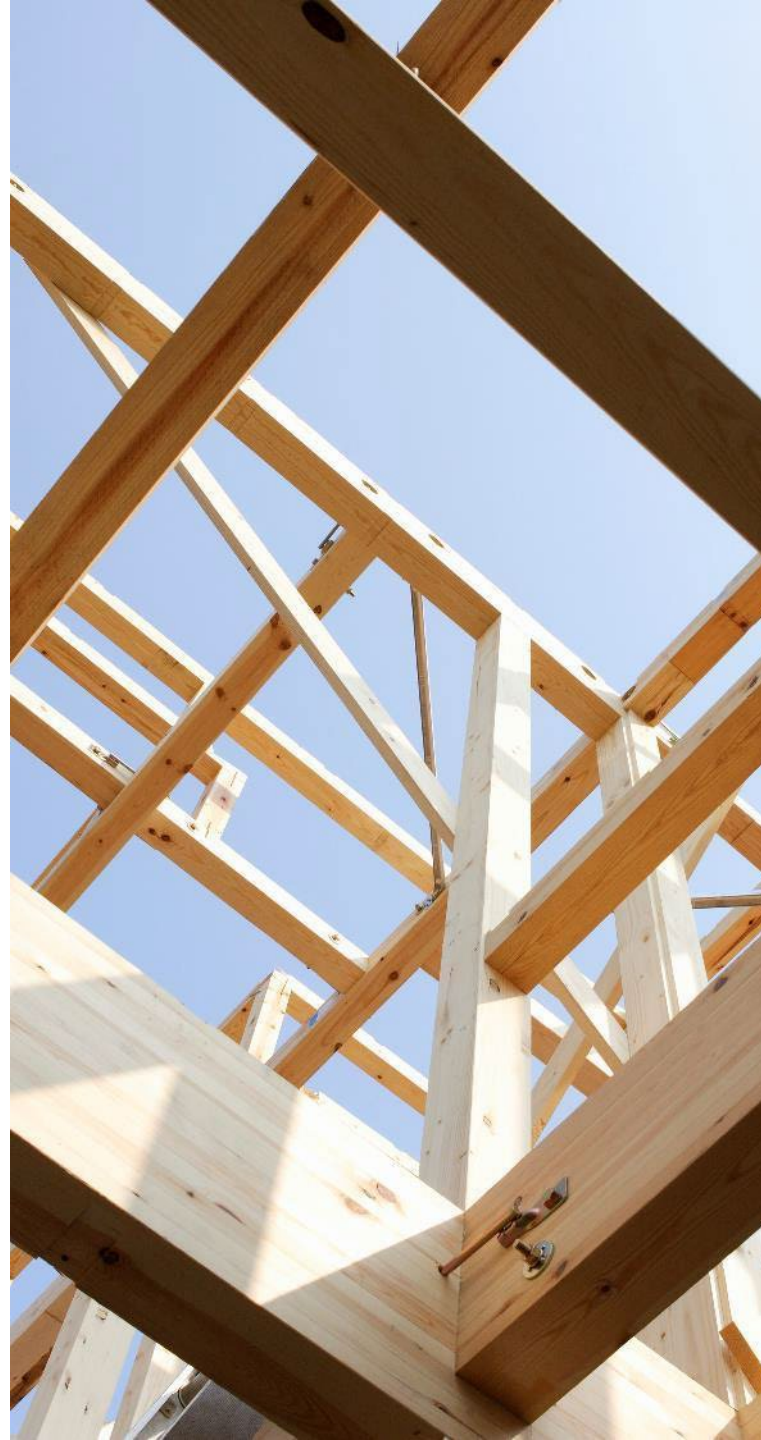
Size

Regulatory
Environment

Market



CONSTRUCTION



- Demand – most markets rebounded, but caution for areas where there are closures.
- Experience – 3+ years is a minimum; now more than ever we want to see strong experience of the participants to get the project up and running; if joint venture – evidence of working together previously, or in other similar ventures.
- Expenses – make sure to capture increased costs from staffing, insurance, inflation, etc.
- Riskiest deals – should be conservative.
- Environmental issues – still trip projects up, give this piece enough attention.
- Green MIP





GREEN MIP

Through this initiative you can help your client save substantial upfront and annual MIP while:

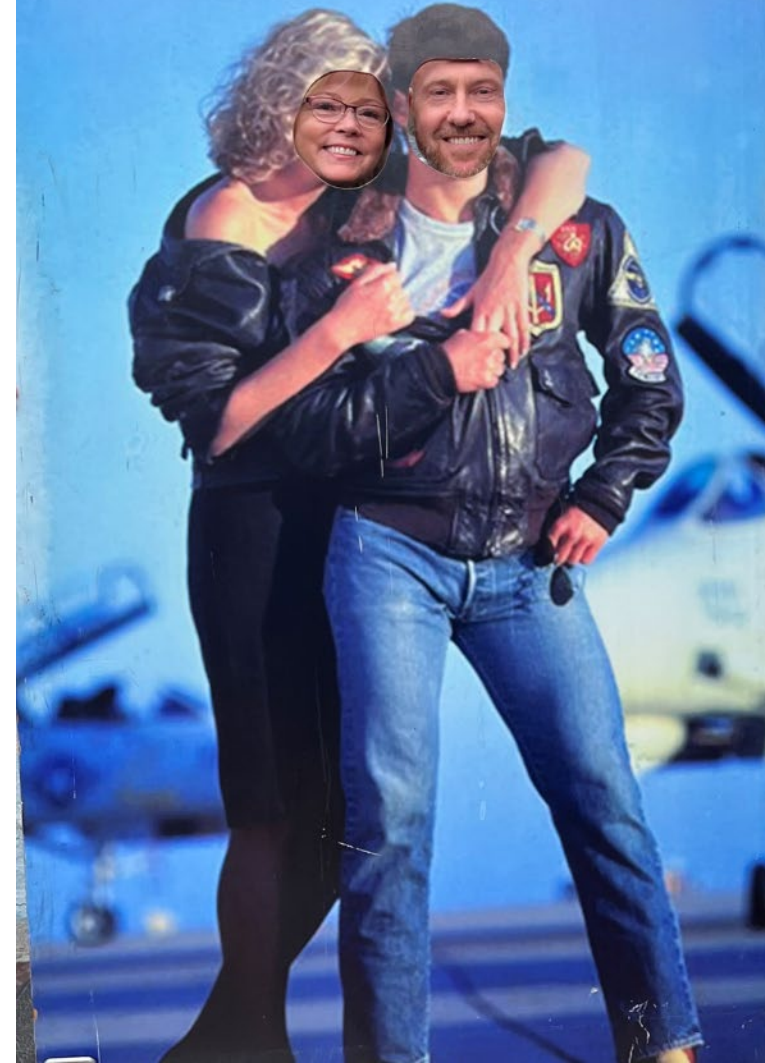
- Lowering their ongoing energy and water costs
- Improving their property's value
- Improving marketability

In tomorrow's session you'll hear from...

- a lender who has successfully used this
- consulting firm that work in this endeavor, and
- HUD

Learn how to navigate the process (finding a Green Cert that fits, etc.) so it will work for your client.

Kansas City
BARBEQUE
#TOPGUNBAR



Other “Top Gun” Topics

- Corporate Credit Review
- Queue Screening
- Handbook Update





Loan Committee



Check out the “Heart of the Matter” panel to hear how Loan Committee considers these items.