

HEALTHCARE MORTGAGEE ADVISORY COUNCIL

Financing Seniors Housing for America

Operator Hot Topics

Living on a Prayer



MEET THE PANEL



Jeff Kagan, Esq., is the President of Sterling Senior Care, a healthcare company that currently owns and operate nine healthcare communities in Maryland, which include eight skilled nursing facilities and two assisted living facilities. Jeff oversees the day-to-day operations of the facilities as well as handling the acquisitions and financing of new facilities and refinancing with HUD.

Jeff is also a licensed nursing home administrator and has been Certified in Healthcare Compliance. Jeff received his J.D. from Columbia Law School in 2000.



Colleen H. Blumenthal, MAI, has been appraising real estate and consulting owners and investors for over 30 years, specializing in seniors housing and healthcare since 1992. She has developed HealthTrust's agency (offering both appraisal and consultant reports) and HUD platforms.

In addition to her duties as the Chief Operating Officer of HealthTrust, she has served as the task force lead on the American Seniors Housing Association's *State of Seniors Housing* for the last 16 years; is a member of ULI's Senior Housing Council; speaks regularly on the seniors housing industry and valuation; coordinated research and written studies with the American Seniors Housing Association and other seniors housing organizations; and has authored several seminars and white papers on seniors housing and care properties.



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Operator Challenges

Main challenges since COVID

Operator Challenges

- **Staffing Challenges**
 - History from 1980s
 - How does that differ from now?
- **Wages**
 - What are current challenges?
 - Increased Pay
 - Labor Shortages
 - State Requirements
 - Rural areas vs. Urban areas
 - Solutions
 - Agency Nursing
 - Staffing software
 - Traveling Nurses

More Operator Challenges

- **State Surveys**

- Changes since COVID
- Taking more time and resources
 - Hire more people or increase overtime

- **CMS Issues**

- Rural Definition
 - Staffing mandate
 - Rural vs. Urban
- Staff total
 - RNs vs. LPNs – which counts – AHCA is working on with CMS
 - Limited RNs

More Operator Challenges

- **Risk Management**

- Under Microscope
- How important is digital data?
- Types of technology used
- Risk segregation – group residents/patients according to acuity and need
- Demographics – accurate and complete and timely resident profiles
- Detailed assessments
- Time incident reporting

- **Profit Misconception**

- Balancing Bad Press vs. Financial Stability and Profitability
- NY Limits Profitability



Valuation Standpoint

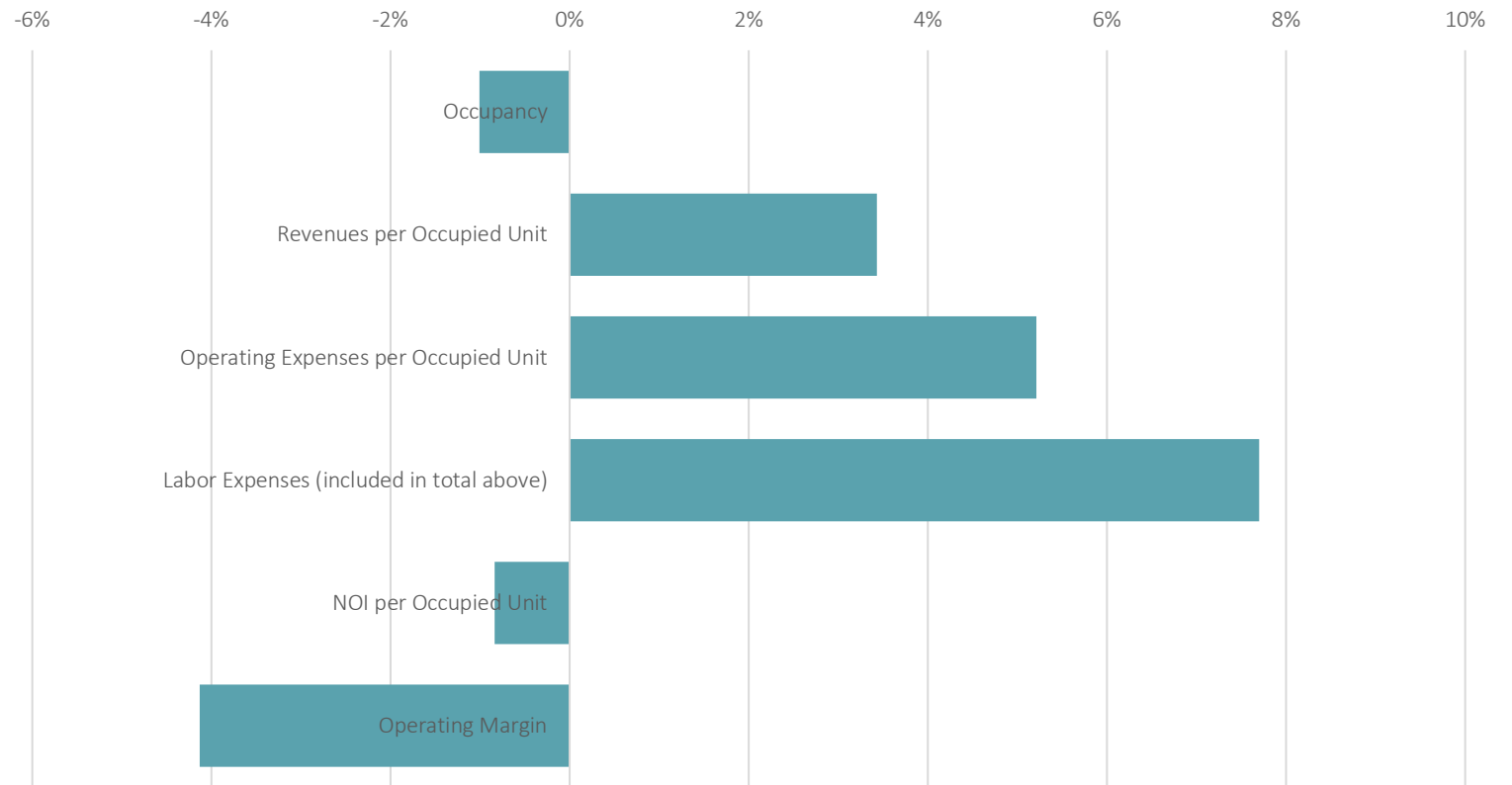
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Valuation Standpoint continued

- Margin Compression
 - What are current challenges?
 - Shrinking Margins
 - Reimbursement Issues
 - States that are worse
 - Pay For Performance

Peak to Trough Performance (2016 vs 2022)

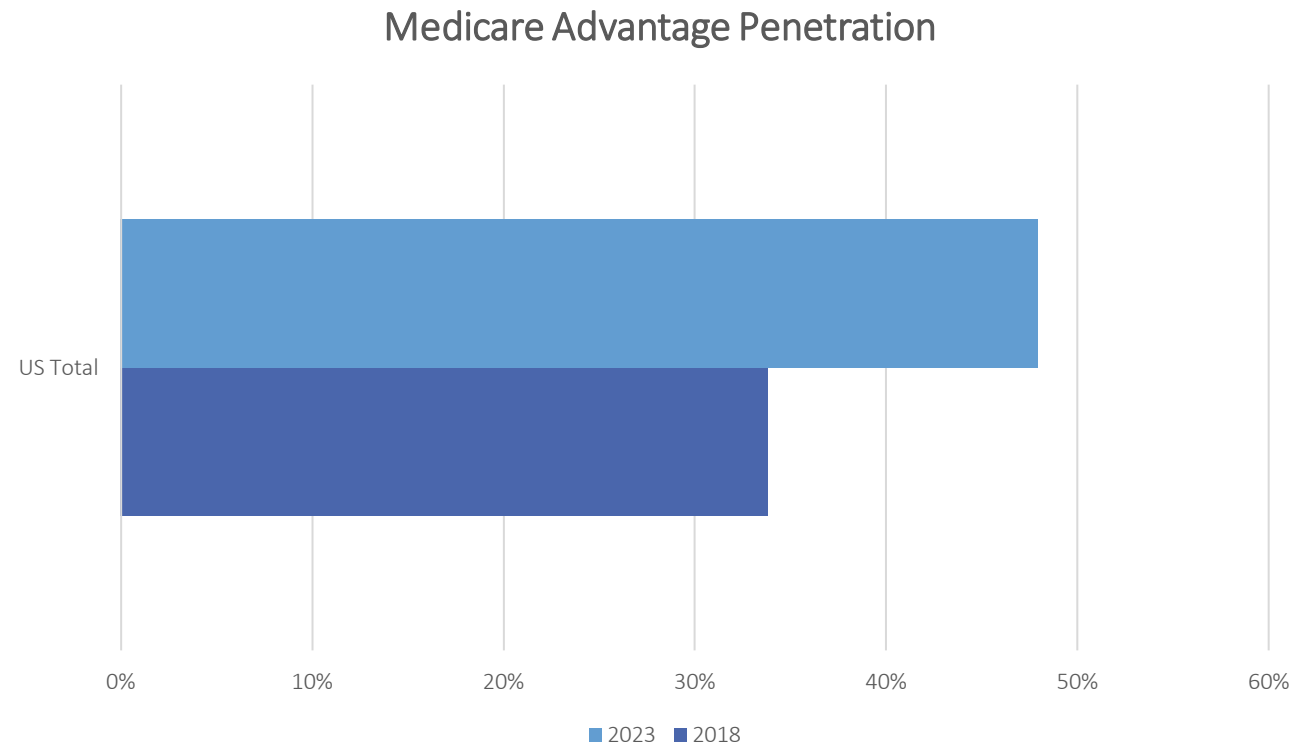


Source: HealthTrust, The State of Seniors Housing database

Valuation Standpoint continued

- Margin Compression

- Where is census trending?
 - Where does this lead revenue?
 - Medicare
 - Medicaid Plus
 - Managed Care Advantage Plan
 - Private Rooms



Source: CMS

ORCF Perspective

- Strong Operator is Very Important to Project Success
- Operator needs to adapt to changes quickly
- Operator should be able to provide strong resident care and financial performance without HUD intervention



Positive Outlook

Each Prospective

Operator Perspective

- Providing the highest level of quality care
 - High level clinical care (Providing specialty providers to enhance the resident's clinical care such as)
 - Palliative Medical Director
 - Nephrologist
 - Cardiologist
 - Psychiatrist
 - More advanced now than we were (Advancement of acceptance of Clinically complex residents)
 - High level cognitive activities to increase and challenge resident cognition
 - Speech and Occupational therapy to support the resident's cognition
 - Social Service Department

Operator Perspective continued

- Hospitality business
- Providing each resident with an Ambassador
- Providing the resident with a Concierge service
- Rehab Components
- Beautiful Private Rooms

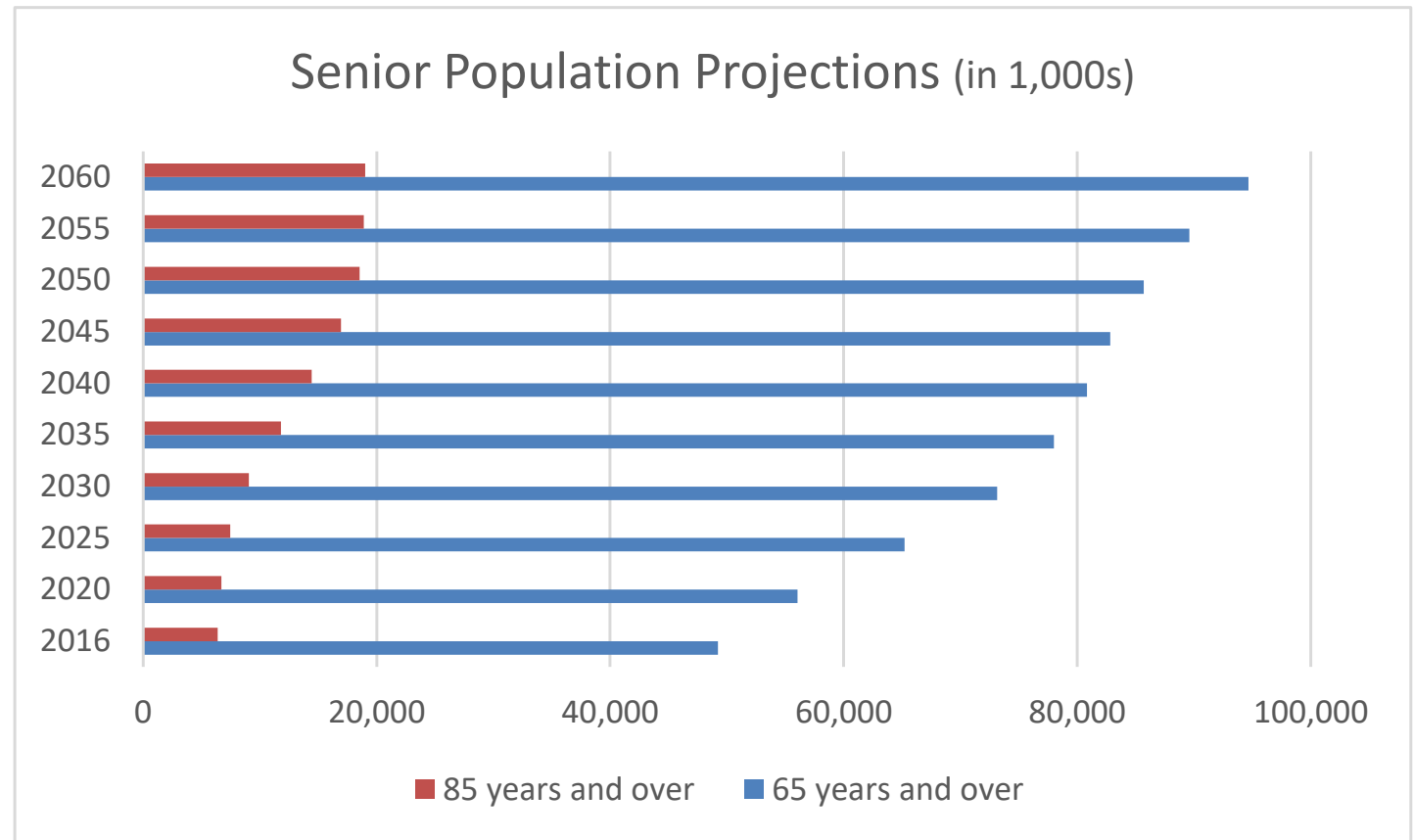
Valuation Perspective

- **Baby Boomer Statistics**

- How many beds needed?
- Living Healthier Longer
 - More technology savvy
 - Entering at an older age

- **Population Demographics**

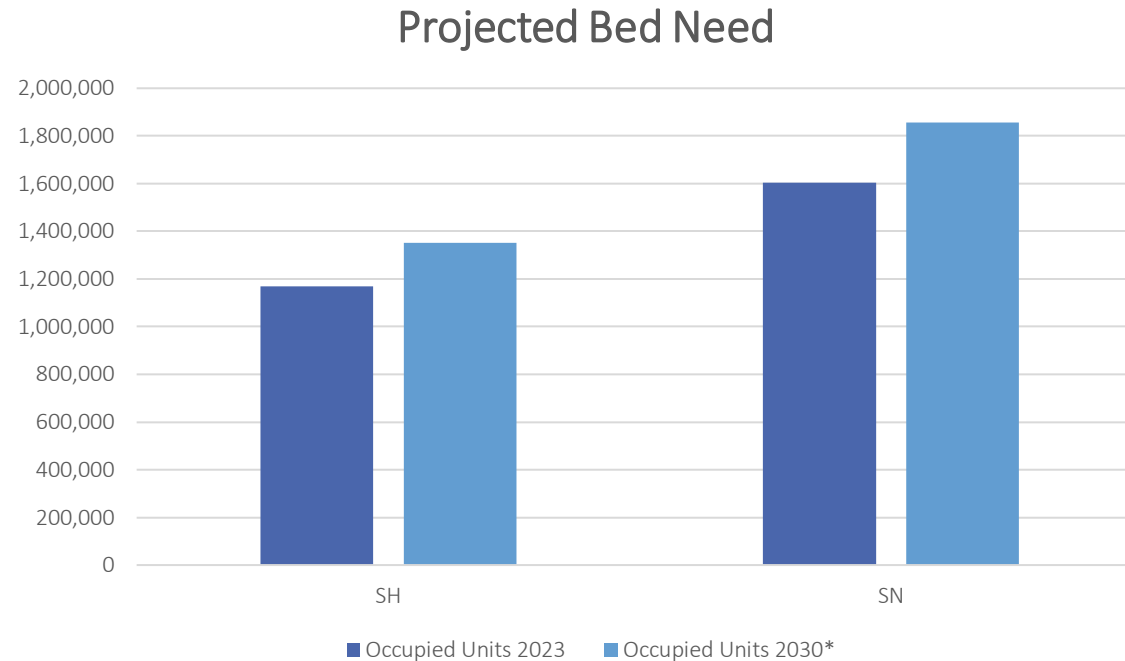
- Rural vs. Urban
 - Difference in valuations
 - Demand



Source: US Census Bureau

Valuation Perspective continued

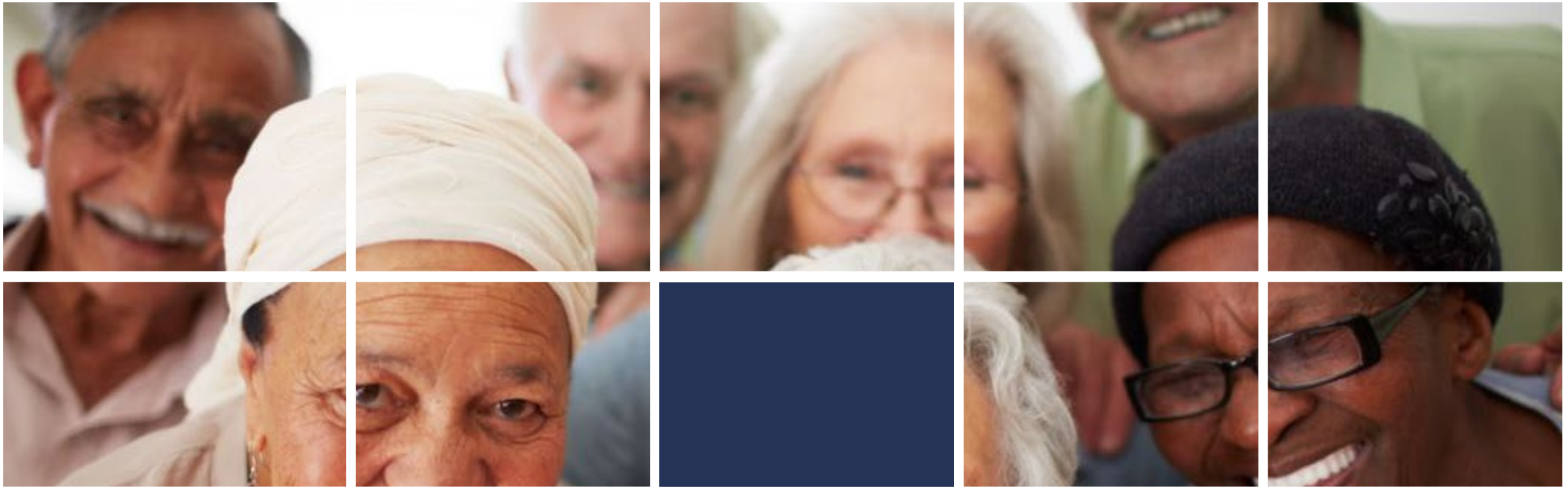
- Skilled Nursing and Assisted Living
 - Most efficient delivery of care
- Number of current beds vs. what beds are needed
 - Need new construction
 - Rehab existing stock



Source: Census Bureau, NIC MAP Vision, CMS & HealthTrust

ORCF Perspective

- In general, are seeing a trend toward recovery from COVID.
- Loan Volume in FY 2023 was better than we expected.
- CMS Data is helpful, but there is a lot of noise
- We are seeing a lot of Medicaid Rate Increases
- Strong Operators have generally been able to recover from COVID-19



Questions?

Thank you!

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