

ZIEGLER'S SENIOR LIVING RESEARCH, EDUCATION & THOUGHT LEADERSHIP

- Education
 - 2019 will host a total of 13 Conferences/ Symposiums
 - Annual Ziegler Senior Living Finance + Strategy Conference
 - LeadingAge Ziegler National CFO Workshop
 - Ziegler National Senior Living Investor Workshop SeriesSM
- External research
 - LeadingAge Ziegler **200**
 - CARF Financial Ratios and Trends Publication (*Baker Tilly, CARF*)
 - Statewide CCRC Reports (MD, VA, TX) (*My LifeSite*)
- Industry communication
 - Z-News
 - White papers
 - Ziegler CFO HotlineSM
- Internal information and research
 - Ziegler CCRC National Listing & Profile
 - Client-requested research
 - Client education sessions
- Secondary Market Investor Research
 - Surveillance updates on current credits
 - Supports active secondary trading
- Investor Market Research
 - ZieglerResearch.com
- Databases
 - Industry Trends (e.g. CCaH, Rental CCRCs)
 - All Senior Living Financings
 - All New Communities (CCRCs) since 1990
 - Senior Living Rated Organizations



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2019 ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE

SAVE THE DATES
SEPTEMBER 25-27, 2019

OMNI AMELIA ISLAND PLANTATION RESORT
39 Beech Lagoon Road | Amelia Island, FL 32034



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AGENDA

1: Understanding the Growth of the Sector

2: Disruptors & Catalysts in Senior Living

3: The Changing Role of the NFP Senior Living Board

QUESTIONS & ANSWERS

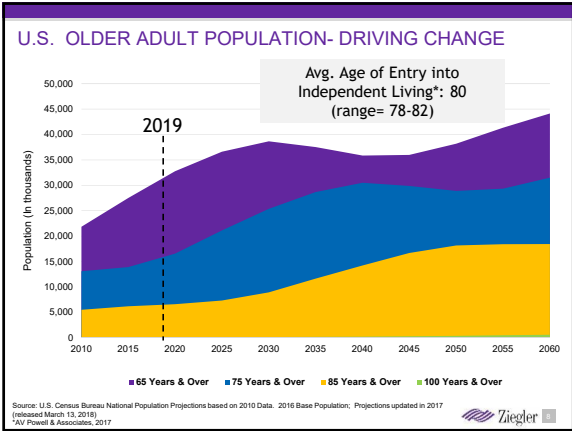


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Item 1

UNDERSTANDING THE GROWTH OF THE SECTOR

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A CHANGING CONSUMER

- Delivering both quality of life and care (longevity vs quality of life)
- Opportunity for niche communities
 - College/University affiliations
- Increased focus on urban influx
 - 4% of Boomers moving into "urban core", translates into 400 a day among 65+
- Branding and image are incredibly important
 - Name changes
- Future generations have more information at their fingertips
 - Transparency; Pricing
- Choice = Control
- Growing need for housing options among seniors with limited income

Source: Ziegler Investment Banking

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DEMOGRAPHICS ARE DRIVING GROWTH

- Significant new development among for-profit owners and operators
 - Significant Shift to Independent Living development
- Not-for-profits largely growing through expansions and affiliation activity
- Continued growth in HCBS and home-based models
- A number of joint ventures and partnerships are developing



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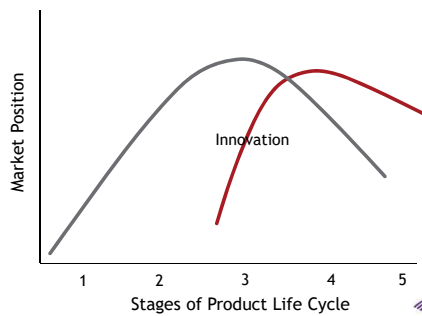
WHY GROW? WHY CHANGE?

- Allows for greater **promotion of mission**
- **Diversification in services** insures long-term financial stability
- Additional programs and services **enhance current customer experience**
- Greater ability to generate **economies of scale**
- Attract better **talent & leadership**
- Defensive move against **competition**
- Increased ability to **borrow capital**
- **Greater ability to expand** into underserved markets

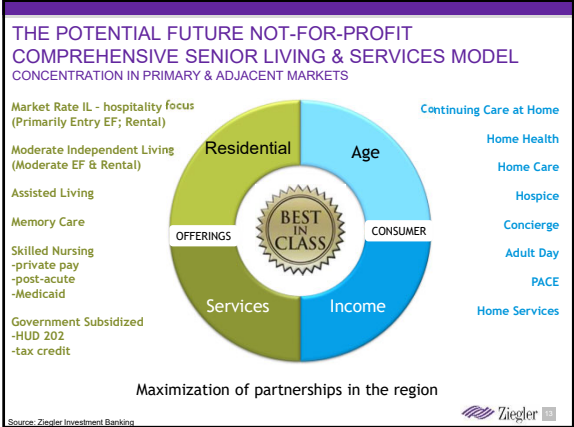


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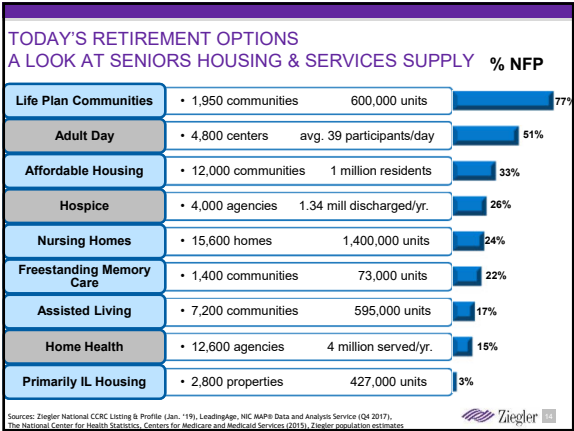
REPOSITIONING & GROWTH BUSINESS MODEL INNOVATION OPPORTUNITY



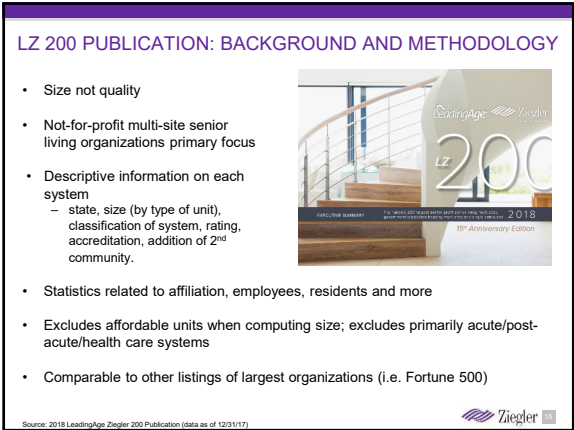
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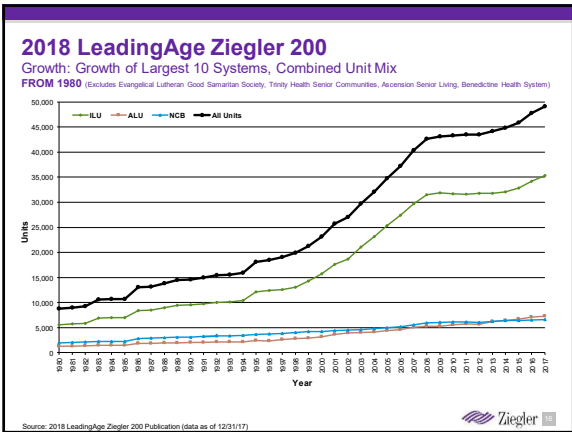
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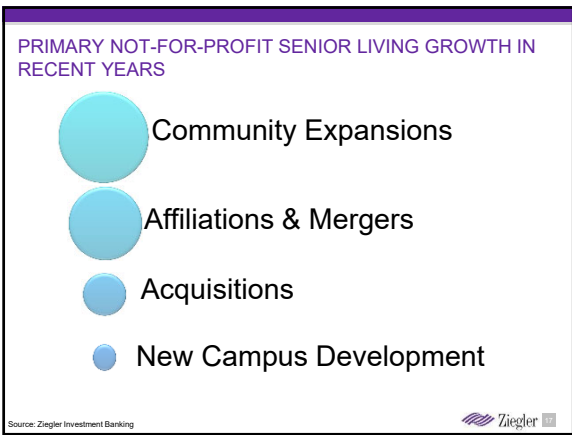
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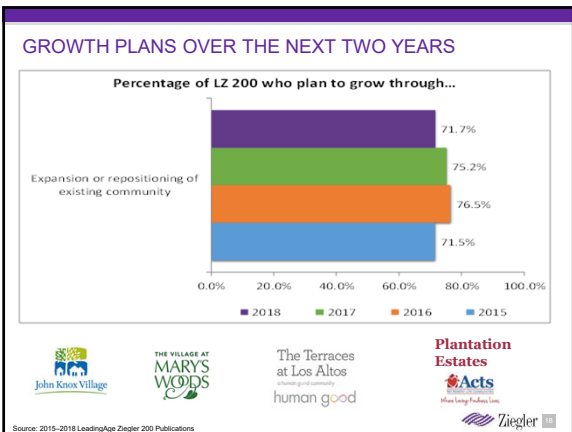
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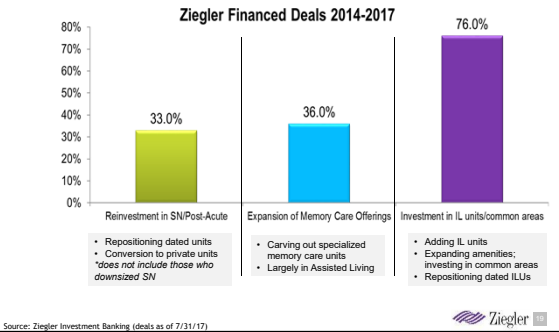


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**COMMUNITY EXPANSION & REPOSITIONINGS:
TRENDS 2014-2017**



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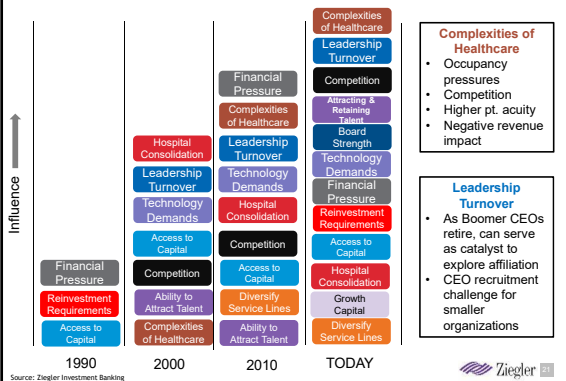
POST-RECESSION NEW ENTRANCE FEE LPCS

• An average of 4 new LPC locations financed annually since 2009, versus 10 new campuses per year from 2000-2008

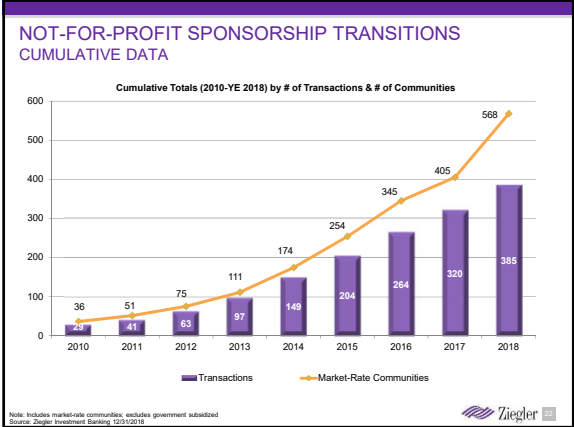


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DRIVERS FOR NFP SENIOR LIVING CONSOLIDATION



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SPONSORSHIP TRANSITION TRENDS

- Of the nearly 600 not-for-profit communities that have changed owner/sponsor since 2010, roughly 54% have been dispositions to the for-profit sector
 - Waiting too long
 - Lack of board strength
 - Heavy skilled nursing exposure
- We are seeing an increase in system affiliations/mergers
- "Merger of equals" trend is on the rise

Source: Ziegler Investment Banking; public sources

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HOME & COMMUNITY-BASED SERVICES DEFINED

Source: Ziegler Investment Banking

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**HOME & COMMUNITY-BASED SERVICES REVENUE
LARGEST PROVIDERS OF HCBS**
THOSE WITH REVENUE >\$10MILLION

2018 Rank	System Name	State	HCBS Annual Revenue
6	Trinity Health Senior Communities	MI	>\$50 million
40	VirtCare	NY	>\$50 million
2	The Evangelical Lutheran Good Samaritan Society	SD	>\$50 million
35	Concordia Lutheran Ministries	PA	>\$50 million
51	Masonicare	CT	>\$50 million
58	Holland Home	MI	>\$50 million
8	Ascension Senior Living	MO	>\$50 million
17	Providence Life Connections	IL	>\$50 million
67	Presbyterian Villages of Michigan	MI	\$25-\$50 million
18	Ohio Living	OH	\$25-\$50 million
109	The New Jewish Home	NY	\$25-\$50 million
96	Scott Trust Lutheran	PA	\$25-\$50 million
44	National Church Residences	OH	\$25-\$50 million
5	Government Retirement Communities	IL	\$10-\$24 million
4	Presbyterian Homes and Services	MN	\$10-\$24 million
89	United Church Homes and Services	NC	\$10-\$24 million
74	Lutheran SeniorLife	PA	\$10-\$24 million
27	Summa	MN	\$10-\$24 million
75	Lutheran homes of South Carolina, Inc.	SC	\$10-\$24 million
57	WestleyLife	IA	\$10-\$24 million
194	Chelsea Jewish Lifecare, Inc.	MA	\$10-\$24 million
3	Acta Retirement-Services, Inc.	PA	\$10-\$24 million
120	Lutheran Social Ministries of New Jersey, Inc.	NJ	\$10-\$24 million
41	Providence Life Services	IL	\$10-\$24 million
46	Hebrew SeniorLife, Inc.	MA	\$10-\$24 million
198	Krusa Nelson	MN	\$10-\$24 million
38	Transforming Age	WA	\$10-\$24 million

Source: 2018 LeadingAge Ziegler 200 Publication

- Can be very market-specific
- Competition and state reimbursement framework plays role in growth
- 70% of providers have HCBS revenue less than \$10million

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ADVANCING THE COMMITMENT TO GROWTH

- NFP senior living organizations are increasingly creating strategy and business development positions to drive growth and innovation initiatives

Corporate Positions Added in Past Year	Number of LZ 200 adding the position
Chief Clinical/Health Officer	18
Business Development/Strategy Officer	12
Chief Information/Technology Officer	9
Marketing & Sales Officer	8
Regional Leadership Positions	6
Chief Financial Officer	4
Chief Operating Officer	4
Chief Talent/Human Resources Officer	4
Chief Compliance Officer	3
Philanthropy/Foundation Director	3

Source: Ziegler Investment Banking, 2018 LeadingAge Ziegler 200 Publication







Estimated that roughly 20% of LZ 200 organizations have allocated a full or half FTE to this role


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PROVIDER EXAMPLES – COMPREHENSIVE SENIOR LIVING & SERVICES MODEL (HOUSING, SERVICES, AGE, INCOME)

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NFP PROVIDER CASE STUDIES: GROWTH

Provider	Type of Growth	Growth Examples
Acts Retirement Communities (PA) 	Horizontal	Type-A, CCRC Organization; growth through affiliations, expansions, new campus development; eastern U.S.
Holland Home (MI) 	Vertical & Horizontal	Significant expansion into HCBS (PACE, home care, hospice, Tandem 365, joint ventures); campus expansions
BHI Senior Living (IN) 	Horizontal	Primarily a CCRC organization; growth through affiliations and acquisitions; new development (satellite campuses)
Concordia Lutheran Ministries (PA) 	Vertical & Horizontal	Significant growth through acquisitions (both communities & home health, hospice agencies)
The RiverWoods Group (NH) 	Horizontal	Growth through development of satellite campuses and new CCRCs; affiliation activity as well
Ohio Living (OH) 	Vertical & Horizontal	Affiliation activity, expansions; significant HCBS platform; developing I-SNP plan

Source: Ziegler Investment Banking 


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CATALYSTS & DISRUPTORS

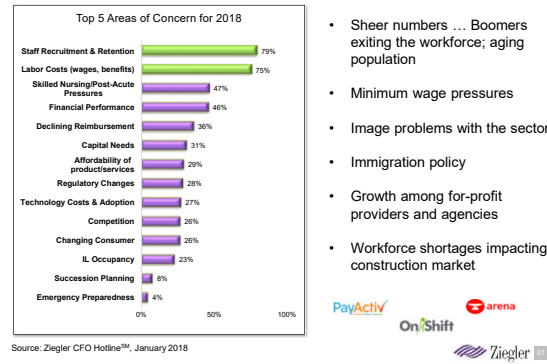
- Older adults have **more choices** than ever
 - Multiple residential housing options
 - Ability to "age in place" in own home
- Workforce** recruitment and retention pressures continue
- Healthcare payment reform** is moving fast
 - Pressures on post-acute providers
 - Skilled nursing occupancies are at record lows
 - Vertical integration of healthcare providers may be a game changer
- Technology** as a solution and stimulator of change

Source: Ziegler Investment Banking 



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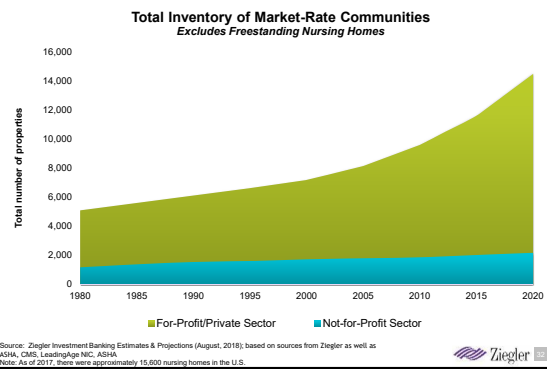
VIEWING YOUR STAFF AS YOUR CUSTOMER



- Sheer numbers ... Boomers exiting the workforce; aging population
- Minimum wage pressures
- Image problems with the sector
- Immigration policy
- Growth among for-profit providers and agencies
- Workforce shortages impacting construction market

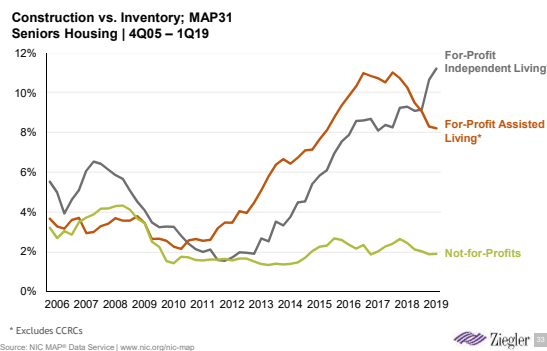
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OVERALL SENIORS HOUSING INVENTORY



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FOR-PROFIT DEVELOPMENT SLOWING, BUT LEVELS REMAIN SIGNIFICANT



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SKILLED NURSING & POST-ACUTE DISRUPTION

- Occupancies at all-time lows nationally
 - Dramatically varies by state and market
- Shortages of caregivers impacting operations
 - Ability to staff to census
 - Some providers shutting down units
 - Rural areas significantly impacted (telehealth solution)
- Payment reform squeezing providers
 - Discharges to the home
 - Growing Managed Medicare
- Consumer preference to 'age in place'

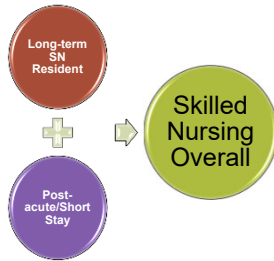
Source: Ziegler Investment Banking



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UNRAVELING THE SKILLED NURSING MARKETPLACE

- Changing preferences among consumers to stay in AL or IL with services
- Future of private pay?
- "Skip the SNF" trend
- Decreasing LOS
- Referral networks narrowing
- FP up-scale development



Source: Ziegler Investment Banking



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SKILLED NURSING


- Some NFP communities exiting skilled nursing entirely, largely western U.S.
 - Replace with high acuity assisted living
 - Replace with home care and home health
 - Refer off-site



Source: Ziegler Investment Banking



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Item 3
THE CHANGING ROLE OF THE NFP SENIOR LIVING BOARD

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EXAMPLES OF NFP SENIOR LIVING ORGANIZATIONS WHO HAVE EVOLVED GOVERNING BOARDS



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SENIOR LIVING GOVERNANCE TRENDS

- ➔ Smaller boards
- ➔ Fewer standing committees
- ➔ More adaptable structures/procedures
- ➔ Fewer meetings
- ➔ Greater delegation to management
- ➔ Vigilant monitoring of key performance indicators

Source: Rick Stiffney, Mennonite Health Alliance, 2017



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SENIOR LIVING GOVERNANCE TRENDS (CONTINUED)

- ➔ Greater engagement in strategic /generative work
- ➔ Greater diversification on boards
- ➔ Monitoring of progress on strategic priorities/
- ➔ More rigorous board-driven evaluation and growth

Source: Rick Stiffney, Mennonite Health Alliance, 2017



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ADDITIONAL DISCUSSION / Q&A

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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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