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2020 Dealmaker's Handbook

Your essential guide to capital



Not business as usual

The pandemic has taken a toll, but the industry is hanging tough

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Down but not out

The hard-hit sector is looking beyond COVID-19



Photo: Steve Smith/Getty Images Plus

By Kimberly Bonvissuto

Despite the significant effect of COVID-19 on older adults, dramatic growth in the 65-plus senior population suggests continued demand across the board for senior living and care, as well as home-based services, industry experts say.

According to specialty investment bank Ziegler, the 75-plus age cohort will grow by another 27 million people through 2050, based on U.S. Census Bureau data. And according to a SageAge Strategies market research survey, the COVID-19 pandemic has not diminished prospective residents' interest in moving to senior living communities, with on-site access to care and services and socialization among the main perceived benefits.

But the pandemic may significantly change the look of long-term care in the long run.

The COVID-19 influence

"The pandemic has been pervasive for all of us, regardless of where you are, what you do or where you live," said Beth Burnham Mace, chief economist for the National Investment Center for Seniors Housing & Care.

In understanding customer behavior, preferences and expectations, Ziegler executives say COVID-19 has not changed the fact that the U.S. population is aging; the recognition of the potential dangers of social isolation among older adults; the fact that family caregiving is difficult; or the reality that financial resources affect available options. COVID-19 also hasn't changed the security that senior living and care bring, nor the growing demand for home-based care and services.

What the pandemic has altered is public perception about skilled nursing and consumer acceptance of technology, experts say.

And services added by operators during the pandemic will be difficult to take away.

Senior living and skilled nursing providers are under pressure due to increasing expenses, Mace said. Labor costs are up due to staff illness; the use of temporary agencies for staffing; and hazard, or "hero," pay. Throw in the added COVID-19 costs of personal protective equipment and testing, along with the reduced turnaround time for testing results, and it's a lot of stress on operators to break even.

Ziegler executives anticipate that the pace of change within the industry will continue to accelerate to the ever-changing

MARKET INSIGHT



Photo: Jackyepphotography/Moment/Getty Images Plus

COVID-19 has had a direct effect on the demand for general senior housing and on move-in rates.

“new normal,” and the disruption to healthcare will force changes to the skilled nursing model.

Thanks to the pandemic, skilled nursing occupancy in June fell 41 basis points to 74.8% — a record low, NIC said.

Eyes on occupancy

Likewise, senior housing (independent and assisted living, including memory care) occupancy in the second quarter hit its lowest level on record since NIC began reporting data in 2006. Occupancy for assisted living fell 3.2 percentage points to 82.1% in the second quarter, and independent living occupancy fell 2.4 percentage points to 87.4%, said Mace, citing NIC MAP Data Service figures.

COVID-19, she added, has had a direct effect on the demand for general senior housing and on move-in rates. Move-ins slowed and, in some cases, stopped due to the pandemic. Move-out patterns also changed but were more so related to people with greater needs moving to other settings.

According to CBRE National Senior Housing's Senior Housing Market Insight Q1 2020 supplemental report, the pace of total inventory growth in the first quarter of 2020 expanded from the fourth quarter of 2019, specifically in the independent living and assisted living segments.

The industry has a record level of occupied seniors housing units, with almost 118,000 new units added since 2005, NIC data found. Before the pandemic, an oversupply of units was creating competition, and occupancy rates were declining. Mace said overdevelopment is less of a threat now because some development programs are not progressing or operators can't access financing.

Chris Taylor, managing director at Capital One Healthcare, said another issue affecting occupancy is affordability. Most of the new product coming online, particularly in the past 24 to 36 months, is high-end senior housing, because it's a “product that works.”

Taylor said a “silver lining” of the pandemic is that a lot of new

development slated for 2020 has been shelved, or at least slowed.

“Some of the supply demand imbalance, once COVID is behind us, could actually push occupancy up sooner than anticipated in 2021,” Taylor said.

Capital and finance

As national occupancy has declined, it has affected cash flow and the financial health of organizations. Revenue is down and expenses are up for most providers.

“We are watching the key financial indicators for organizations,” Ziegler President and CEO Dan Hermann said. “We will continue to watch the occupancy figures and how providers respond on the expense management side of things.”

Taylor said that other expense items affecting operators are general liability and professional liability insurance. Operators, he said, have told him that insurance is “extraordinarily hard to get and costs twice as much as last year.” In addition, he said, real estate taxes have a good chance of going up, expanding challenges for facility owners.

Investors are having a difficult time knowing how to value assets, Taylor added. Questions remain about what operating expenses are going to look like down the road due to wages, insurance and taxes.

“Having some idea where operating margins are going to stabilize is causing a little pause in the market,” Taylor said, adding, however, that the demographics and the aging population leave many people “very bullish” on the sector.

Workforce issues worsen

Workforce challenges are another

concern. Some of them have been accelerated by the COVID-19 pandemic. Staff benefits and compensation became significant areas of focus in the midst of COVID-19, Ziegler research says.

For respondents to an April 2020 Ziegler CFO Hotline survey, top areas of workforce priorities included the ability for certain positions to accommodate working from home (82.3%), flexible work schedules (49.6%), free meals (49.6%), bonus pay (43.6%), additional paid time off and paid sick leave (38.2%), childcare services (18.6%), increases in base pay (13.6%) and expanded overtime pay (13.2%).

Before COVID-19, Hermann said, the industry was feeling pressures with recruitment and retention efforts. Those challenges remain. Despite historically high unemployment rates, the frontline positions can be difficult to fill.

“The work is difficult, and with COVID-19 continuing to play out, the specific threats to health workers remain,” including contracting the virus and being a carrier in the workplace, Hermann noted.

Technology triumphs

On a more positive note, the need to invest in and adopt technology has only increased as a result of COVID-19, according to Ziegler. Technology solutions such as

KNOW THE NUMBERS

74.8%

The skilled nursing occupancy rate in June 2020 — a record low — National Investment Center for Seniors Housing & Care

MARKET INSIGHT

telehealth platforms, resident engagement tools and communication portals have become invaluable during the pandemic.

Hermann said the technology ecosystem in the senior living sector brought forward solutions for many hurdles encountered over the past six months.

"We have all been pushed to adopt technologies, and we are finding great results in many of these," Hermann said.

Mace said the use of robots to help with sanitation and cleaning, wearables and monitoring technology, and technology that aids socialization and communication, will continue to have a long-lasting impact on seniors housing and care.

"Businesses, as a whole, are a lot more open to it today than they may have been before," Mace said. "Ultimately, used in the right way, it will add to expenses, but it can make staffing more efficient. In essence, it can free up staff to do what they were hired to do — take care of people rather than fill out paperwork."

Consolidation concerns

There is no denying that the senior living sector is consolidating, with COVID-19 accelerating the trend.

Taylor feels that there just aren't enough quality operators in the space, and many are stretched thin. COVID-19 amplified that,

but he's not convinced consolidation will help.

"Maybe it creates some economies in the back room, but what drives success is the frontline people, starting with the executive director on down," Taylor said. "It's a hard business, a very difficult business, and the people involved in it are very passionate about their communities."

Hermann said the senior living sector was "generally healthy" entering the COVID-19 pandemic, but Ziegler has fielded a number of incoming requests for information and providers looking to engage with others.

"Those that were operating on thin margins and pressured financial environments coming into COVID-19 are going to be the ones least likely to survive coming out of this," he said.

Drivers for not-for-profit senior living consolidation today, according to Ziegler, include COVID-19, the complexities of healthcare, the ability to attract and retain talent, leadership turnover, technology demands, financial pressures, competition, board strength, reinvestment requirements, health system consolidation, access to capital, and diversification of service lines.

COVID-19 will increase pressures on skilled nursing facilities, accelerate CEO retirements, drive asset sales, highlight the benefits of scale and resources, and continue to impact recruitment and retention difficulties, according to Ziegler.

Hermann said turning to peer opportunities for partnerships, mergers or affiliations can be an appropriate strategy to stabilize operational and financial platforms. For those providers on sound financial footing, Hermann expects to see continued



"The new normal continues to evolve. Whatever we think is the new normal will change again."

Beth Mace, National Investment Center for Seniors Housing & Care

mergers as organizations find value in enhancing organizational sophistication through greater scale.

Looking forward

What's ahead for the senior living industry, Mace said, is difficult to forecast fully, but the sector still offers a compelling investment basis.

"So much is dependent on the path of the pandemic and the path of the virus, its infection and penetration rates within properties, and the impact on economic growth," she said.

The effect of the economy on senior housing is complex, Mace noted, adding that senior housing is affected by consumer confidence in the economy, stock market, interest rate levels, and the housing and job markets.

"A lot of that feeds overall health," Mace said. "The bottom line is, when the economy is bad, it's not good for demand for seniors housing."

One way to think about the pandemic, she said, is to shift from the mindset of a sprint to a marathon with no finish line. When the pandemic hit in March, the prevailing thought was that everything would return to normal soon, Mace

pointed out. That's not the case, however.

"Operators are recognizing that new normal and not reverting to the old normal," she said. "The new normal continues to evolve. Whatever we think is the new normal will change again."

Operator flexibility, responsiveness and readiness, Mace said, are the new standards of successful operations.

"You have to be nimble to respond," she said. "That's also coming at a cost."

The benefits of senior living, including personal care, help with activities of daily living, exercise, nutrition, socialization and now healthcare, have not gone away. Senior living increasingly is being recognized as part of the healthcare continuum and part of the solution for population health management and healthcare containment costs, Mace said.

"Huge opportunities" exist in the senior living arena, Taylor observed.

"The people who are in it are in it, by and large, for the right reasons: to care for their communities and their populations," he explained. "I think that the asset has held up very strong historically." ■

KNOW THE NUMBERS

82.1%

Total occupancy in the assisted living sector in the second quarter — the lowest on record

— National Investment Center for Seniors Housing & Care

MARKET INSIGHT

A new frontier

COVID-19 has thoroughly altered the way providers view their mission and methods

By John Hall

“COVID fatigue” is what one nursing home executive, who asked to remain anonymous, called it. “Those of us who are fortunate to have not contracted the disease are left with lingering sadness, even depression.”

Others remain nonplussed since recovering from the shock of it all.

“I never imagined changes I thought would take years in the senior living sector would happen almost overnight,” mused Robert Kramer, founder and strategic adviser for the National Investment Center for Seniors Housing & Care. “Zoom (the teleconference app) is taking on a whole new meaning now.”

Catastrophic events like 911 and the global pandemic, it seems, have a way of radically changing ways. Anxiety and nervous surprise often are two sides of the same coin.

The irrefutable fact in an ocean of confusion is this: COVID-19 is the most disruptive event in the history of long-term care.

Housing, staffing upended

“COVID-19 has turned our world upside down,” said Jay Solomon, CEO of Aviva, a Sarasota, FL, senior living community forced to impose moratoriums twice on new move-ins after unexpected surges in new cases.

Prior to COVID-19, Aviva’s skilled nursing and independent living units were both running at 88% occupancy. Five months in, levels were at 70%. Like so



Photo: Prasad photo/Moment/Getty Images Plus

Although it has dealt a devastating blow, the COVID-19 pandemic also may come to be known for the innovations it prompted, observers say.

many other operators, Solomon is haunted by media reports that place nursing homes in the country’s pandemic epicenter, which keeps move-ins low. “Individuals are afraid to leave home or told to choose a rehab facility,” he said.

The pandemic also threatens to push an already battle-weary workforce to its breaking point.

Solomon has tried everything to incentivize and honor his frontline staff — from instituting celebratory “Fun Fridays” to COVID-19 unit “hero pay” bonuses — but still worries it will not be enough.

“Money doesn’t cure their pain or take away their fears,” he noted.

Perhaps the worst uncertainty of all for senior care providers surrounds testing — the way it is performed and the “ridiculous” delay in getting results. “We have four rapid analyzers sitting in boxes right now because we don’t have the chemistry to run them,” he added.

“I heard one physician remark that unless we get COVID test kits as reliable and fast as a pregnancy test, we’re in trouble.”

The upsides

But when the dust settles, COVID-19 may come to be known as much for the positive changes it caused or inspired.

Steven Littlehale, chief innovation officer for Zimmet Healthcare Services Group, sees new or enhanced roles for procurement professionals, who will need to take more critical roles in supply sourcing and management, weaknesses that the drug and personal protective equipment shortages underscored.

“COVID-19 highlighted their value well beyond procurement of supplies,” he said. “They became the essential link between not only clinical and financial departments, but also compliance.”

Another important pandemic byproduct is the growth of

telemedicine. It and telehealth are exploding across long-term care sectors. Littlehale calls it “game-changing care delivery technology.”

David Grabowski, Ph.D., professor of health care policy, Harvard Medical School, sees telemedicine as a promising disruptor since a series of reimbursement stumbles over the years. “I think the coverage rules now for telemedicine are here to stay. I also think some of the excitement is more demand-driven than policy-driven,” he said.

The most enduring changes of all will be in infection control.

Kramer sees the evolution of an iceberg tip stage. “I see a lot of pressures for the industry to change its thinking about warehousing people in buildings built in the ’70s with semi-private rooms and antiquated HVAC systems,” he said.

Perhaps the most valuable outcome of all will be the most painful, according to Littlehale.

“My biggest concern is that we now fully and unequivocally understand how the government and the public perceives our industry, and it’s not flattering,” he said. “It no longer will be enough to improve processes or outcomes, and consumer attitudes about long-term care are undergoing a titanic shift.”

“Nursing homes really need to be retired and a different model for caring put in place,” he added. “We certainly have the passion, the skills and the dedication to create something really spectacular.” ■

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MARKET INSIGHT

Here's what I'm telling my members ...

"The COVID-19 pandemic is no longer a sprint toward a short-term solution — it's a marathon without a known finish line. In this period of disruption and rapid change, the seniors housing and



care sector must understand how the virus is spreading so it can be contained and operators can keep residents and caregivers safe.

Data tracking the virus' impact on seniors housing and care are crucial to protect seniors. That's why NIC launched several initiatives to improve data trans-

ships between seniors housing and healthcare organizations. The nature and duration of the COVID-19 outbreak is unknown, so gathering intelligence and fostering innovation will be crucial."

—**Brian Jurutka**, *president and CEO, National Investment Center for Seniors Housing & Care*

"Our profession faces its greatest challenge in history. This is a battle for the lives of our residents, our staff and the very survival of our sector. What our members have fought against and seen in their



buildings has been traumatic, but they have shown unparalleled resilience and commitment. These healthcare heroes are risking their own safety and security to continue their valiant work.

We must continue to fight and never give up. Even with the extraordinary challenges we're facing, long-term care

providers continue to deliver quality care to our nation's elderly. Staff are developing new ways for families to connect and communicate with their loved ones, keeping families informed, and trying to bring some normalcy and calmness during uncertain times.

We didn't cause the COVID-19 crisis, but we will be a large part of the solution."

—**Mark Parkinson**, *president and CEO, American Health Care Association/National Center for Assisted Living*

"It is hard to overstate the coronavirus' impact on aging services over the past six months, and harder still to predict its impact in six months to come. So my advice to members — and indeed, all of us in aging services — is to adapt. Flexibility is paramount. Conditions will change, and adjustments will be a given.



Since March, as our understanding of the novel coronavirus increased, our members have had to make significant operational changes and investments in

staff, personal protective equipment and other supplies as well as in testing. I've witnessed incredible creativity and tenacity to secure much-needed resources. Our mission — to be the trusted voice of aging — remains firm. Since the pandemic's start, federal assistance has been too often long on promises and short on action; if ever there was proof of the need for and value of advocacy, it is now."

—**Katie Smith Sloan**, *president and CEO, LeadingAge*

"The COVID-19 pandemic has transformed senior living in nearly every way possible. It has taken a measurable toll — emotionally, physically, financially — on companies, communities, employees, residents, families.



As an industry, we need to be prepared to respond to a host of factors: Reminding consumers of the inherent value and benefits of senior living; responding to changing staffing needs and attracting new workers; considering operational changes in infection control, direct care,

dining and activities; tackling occupancy challenges and re-evaluating goals; embracing technology; keeping a pulse on oversight and regulatory developments; and recovering from COVID-19's financial impact, among many others.

The tremendous compassion, collaboration and commitment displayed by those who work in the industry during this unprecedented time has been truly inspiring."

—**James Balda**, *president and CEO, Argentum*

MARKET INSIGHT

“The stress of the nurse leader position in long-term care is higher than ever before. Consider the following: regulations changing daily, new infection surveys, staff becoming ill, nurse leaders becoming ill, and families getting upset because they are unable to visit their loved ones. We are telling our members to, first, stay healthy.

Besides taking care of yourselves, you should try to get some education through webinars. You should attend some of the 30-minute Centers for Medicare & Medicaid Services calls to learn about the new



regulations and requirements for COVID-19 isolation, family visits and testing of staff and residents. Knowing that you have the latest information that you can then train your staff with

will give you some peace of mind, which will assist you in staying healthy.

Network with your peers. Having another nurse leader to bounce ideas off, or just vent to, is wonderful. No one knows all that you go through in one day except another nurse leader; talk to them!”

—**Sherrie Dornberger**, executive director, NADONA

“Stay the course, and keep focused on providing high-quality therapy, care and services to residents the best you can despite the obstacles. Providing care in this environment may

be the toughest we have ever experienced, but if we keep our residents and our employees foremost, we will persevere. I firmly believe that long-term care providers are resilient and at their best when all the chips are down.

We will get through this, and when we do, we will have learned so much that nursing home care may be completely transformed. Experiences



like this are an opportunity to let go of what is not working and adopt what is better.

We also must continue to communicate to the Centers for Medicare &

Medicaid Services and Congress regarding the needs of our residents and the barriers we face to providing services. Even during a pandemic, we must advocate for our residents and ensure they receive the care and services they need.”

—**Cynthia Morton**, executive director, National Association for the Support of Long Term Care

“We’re leveraging the power and reach of electronic media to spread the message that senior living professionals are playing a vital role in the fight against COVID-19.

By reaching millions of Americans through digital channels such as Facebook; ASHA’s Where You Live Matters website; and banner and native display ads on major news outlet sites such as the Wall Street Journal and New York Times, we’re showing why senior living communities, by keeping residents and staff virus-free, are integral to helping flatten the curve.



Key messaging emphasizes that all levels of staff are going above and beyond.

It’s imperative we reach out nationwide to drive the message that the senior living industry is working

around the clock to keep senior living residents and staff safe. We take extraordinary pride in meeting the day-to-day challenges head-on and are grateful for those who are serving tirelessly and heroically during this unprecedented time.”

—**David Schless**, president, American Seniors Housing Association

“Long-term and post-acute care nurses are healthcare superheroes. No one knew how prescient the World Health Organization’s designation of 2020 as ‘The Year of the

Nurse and Midwife’ would be when announced last year. The designation is welcome recognition, aligned with AAPACN’s initiatives to support LTPAC workforce funding, training and recruitment initiatives. We knew that the demographics of an aging U.S. population requiring assessment and care would continue to exceed the existing nurse workforce. We also rec-



ognized that LTPAC nurses were already undervalued and under-resourced.

The ensuing COVID-19 pandemic only reinforced the importance of these dedicated healthcare pro-

fessionals. LTPAC nurses have cared for patients, consoled family members, and worried about their own health and that of their loved ones at home and at work, all while enduring shortages of personal protective equipment, testing supplies and conflicting regulatory guidance.”

—**Tracey Moorhead**, president and CEO, American Association of Post-Acute Care Nursing

MARKET INSIGHT

Telling the story a little differently: Marketing in a COVID-19 hot spot

By Eric L. Eichhorst

Like most of the senior living industry, in early 2020, we didn't fully anticipate the full effect that the coronavirus would deliver, especially here in New Jersey.

The onset of the virus here was fast and devastating. Our community mobilized in early March by limiting visitors and installing hand sanitizers at every turn. Just days later, we supported a state-mandated stay-at-home isolation status, which was in place for nearly 10 weeks.

As I am writing this [July 2020], our community is still closed to nonresidents. These early steps absolutely reduced the number of diagnosed cases here. Recently, we enjoyed 40 consecutive days with no COVID-19 cases in a community of more than 300 residents and 150 staff members.

My sales and marketing team quickly pivoted from promoting Applewood to prospective residents to an all-hands-on-deck commitment to ensuring that current residents were comfortable at home, with all of their immediate needs met.

We next shifted focus to more than 100 prospective Applewood residents who still were residing in 55+ communities, private homes or apartments. As a team, we collectively agreed to reach out with a single question in mind: How can we help you?

The response was powerful and significant. From needing



"We've helped put our future residents in touch with distant family members, dentists and plumbers."

groceries, prescriptions, gas in the cars and help with banking, we got to work on the phones and in our cars.

'Pop and drop'

We grocery shopped for a frightened single woman who was (and still is) stuck in her home with no family. A sales professional delivered ready-to-eat meals to several of her clients via a "pop and drop" (pop into their home, drop off food and stay socially distanced).

We've helped put our future residents in touch with distant family members, dentists and plumbers. Whatever needed to be done, we've done it.

From a business perspective, we also performed safe and protected on-site home visits with prospective residents of Applewood. By checking on people's well-being, we worked to solidify their trust.

In April, we sent a direct mail piece to our database regarding our Engaged Living at Home

program; it outlined home-based activities designed to support our Engaged Living lifestyle and help keep our community top of mind.

Applewood Connections, a new pandemic-era publication, is being put out by our Engaged Living coordinator, compiling social, club and special event activities, along with creative submissions from residents. The result is a fun and uplifting printed newsletter, hand-delivered to each resident.

Our marketing team also shared this newsletter directly with prospects, to make them feel like part of our community and engaged during our prolonged social isolation.

We frequently shoot personalized video tours using an industry-specific program to present apartment models and answer buyers' pointed questions (Example: Can you show how far the walk-in closet is from the bathroom? Or: What exposure does that cottage have?)

Our website also offers several virtual tours and images of our public spaces.

In late June, we hosted our first-ever drive-through open house, inviting older adults and their families to see Applewood live — all from the safety of their cars.

Marketing mind, body

Seniors benefit in mind and body from socialization and being part of a broader community. The pandemic has sent a clear message to many seniors — and their loved ones — whose mental and physical health were jeopardized by lack of access to food, daily necessities, routine healthcare and social interaction.

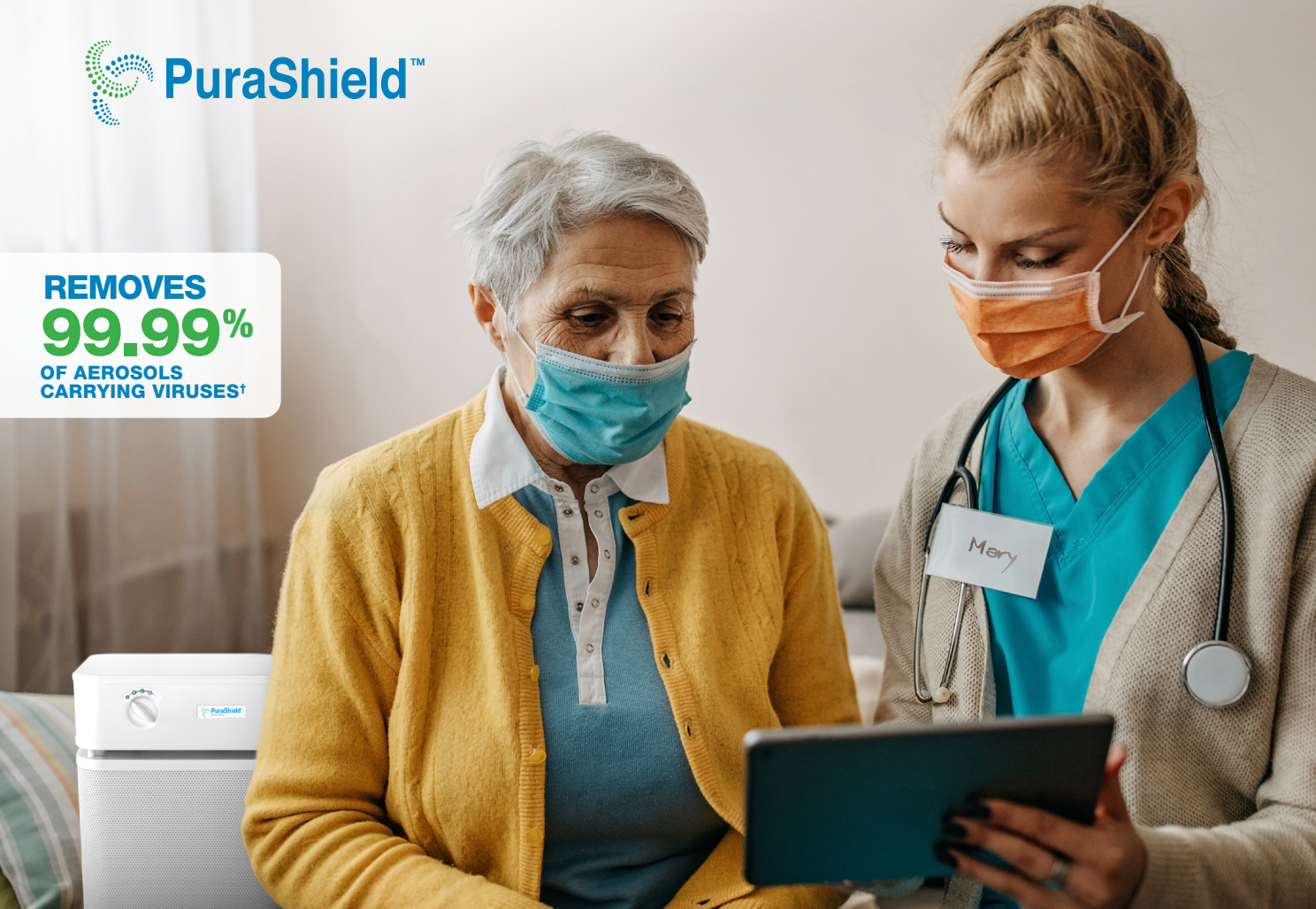
Certainly, times have changed for all of us. But our innate need for the incomparable safety and peace of mind of home remains strong and desirable. Although the methods we use to market senior living are different, they never have been more essential to supporting seniors seeking to escape isolation and gain services and socialization benefits.

Today, our managed care community's doors are open to new faces, old stories and new experiences. We just need to tell the story of Applewood a little bit differently. ■

Eric L. Eichhorst is the director of sales and marketing at Applewood, a continuing care retirement community in Freehold Township, NJ.



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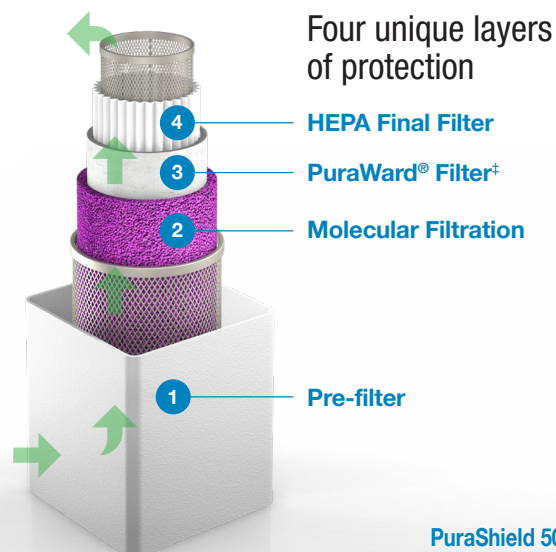
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MARKET INSIGHT

Seeds of change

The pandemic has inspired new ideas about building and running long-term care facilities

By John Hall

As the skilled nursing industry surveilled a massive hit on occupancy levels in June, even the National Investment Center for Seniors Housing & Care was a bit slack-jawed at the situation.

Known for anti-hyperbolic assessments and unimpeachable data, NIC officials noted a nearly 7% occupancy drop following the first three months of 2020. Assisted living's 3.2% decline was a record.

"Compared to recent history, these precipitous drops were unprecedented," said Beth Burnham Mace, NIC's chief economist and director of outreach. "The pandemic has affected virtually everything."

Expenses soared for many things — from personal protective equipment and test costs to overtime and agency help. Mace believes some of the losses will be offset from deferred capital expenditures and postponed renovation projects. Some operators also tapped into the Paycheck



Photo: ozgurcanliyay / E+/Getty Images Plus

The COVID-19 pandemic could lead to more skilled nursing facilities delivering on-site primary care and managing a patient's underlying chronic health conditions.

Protection Program.

The full picture of the financial hit on net operating income won't be clear for awhile. "The outlook for this sector is tied to the pandemic, tied to infection and penetration rates in properties, and the pandemic impact on the broader economy," Mace added.

Mace tempered her assessment by attributing some of the occupancy drops to the loss of move-ins SNFs would have normally been getting from hospital referrals following elective surgeries, which all but ended nationwide. She also marveled at operators' rapid response after the global pandemic was declared on

March 11 by the World Health Organization.

Still, much of the bottom-line damage was self-inflicted. In the early days of the second quarter, one facility after another slapped a moratorium on new move-ins.

"They weren't sure they could care for a huge influx like that," Mace added.

WHAT HAPPENED TO PDPM? VERY LITTLE

By John Hall

It took a global pandemic to knock a revolutionary new reimbursement system off the front page during the summer of 2020.

So pervasive was the news surrounding COVID-19, many in the industry actually lost track of the seemingly endless barrage of rule tweaks to the Patient Driven Payment Model, or PDPM, which went into effect in October 2019. Even pundits took a pause, along with everyone else, with masked

mouths agape in disbelief over the unfolding pandemic.

It didn't hurt that the FY21 final rule was uncharacteristically lacking in substantive "news," according to Steven Littlehale, chief innovation officer for Zimmet Healthcare Services Group. "PDPM continues as implemented for fiscal year 2020 as if this pandemic didn't exist."

Even potentially noteworthy things such as a "rigid" tweak of a somewhat antiquated definition of isolation and adding Nursing

and Non-Therapy Ancillary points for a confirmed COVID-19 diagnosis never materialized, he added.

"It's going to be hard to disentangle what the result of PDPM is going to be this year from that issue," observed David Grabowski, Ph.D., professor of health care policy, Harvard Medical School. "In the long run, I think we will return to a time when we put more thought into PDPM. In the meantime, I don't think we're going to learn a lot in this early period."

MARKET INSIGHT

Some say the damage may be irreversible. “I’m skeptical whether the post-acute industry will return to pre-COVID levels,” said David Grabowski, Ph.D., professor of health care policy, Department of Health Care Policy, Harvard Medical School. “I suspect that if more and more people can find an excuse to stay out of nursing homes, they will.”

Some foresee a reckoning. “Many have observed that seniors are a captive audience in residential housing and skilled nursing, and are used to isolation and confinement, but staff aren’t,” said Robert Kramer, NIC’s founder and strategic adviser, who views the “all-hands-on-deck” coming flu season as the next big resiliency test on workers’ mental health.

“This will lead to transformative changes in both the staffing model and how we demonstrate the commitment to our frontline staff,” he said.

New care models

Grabowski thinks that as a result of the pandemic, there could be an investment surge in alternative housing like home- and community-based care settings.

“Often, I’ve wondered if the industry has been placing emphasis on safety at the expense of quality of life,” he said. “COVID has forced upon many a reimagining of long-term care and how it’s delivered, and I think public and private payers are going to be more receptive to demand that care. There’s always been a strong preference for it. And it will only get stronger.”

Mace sees an industry bounce-back as a necessity, if only to care for the ongoing flood of boomers, while Kramer sees a time where

the lessons of COVID-19 will shape how developers replace or transform existing facilities.

Even more radical could be the transformation of how the skilled nursing industry delivers care.

“Operators have long said, ‘We don’t deliver healthcare on-site, we’re not healthcare providers,’ but that has to dramatically change,” Kramer added, noting facilities may have to behave more like acute care providers.

It also could lead to more SNFs delivering on-site primary care, Kramer added. “I think residents and their families are going to expect and demand that SNFs are able to better manage underlying chronic health conditions.”

Kramer also envisions a reimagining of short-stay rehab, “where facilities become what I call a ‘tune-up, set-up, clean-up center’” to manage unexpected flare-ups that normally send residents to hospitals, he said.

An uncertain future

What’s the “new normal”? It’s on the mind of every senior living executive pondering an uncertain future. Seemingly intractable issues arise.

Kramer wonders how facilities will allow residents and staff to re-engage and connect meaningfully while honoring social distancing. Most, meanwhile, see COVID-19’s impact so pervasive that “normal” will be a perpetually moving target.

“This is what I consider to be a sort of once-in-a-lifetime Black Swan event impact on both healthcare broadly and senior care specifically,” Kramer said. “It began as a sprint, moved to a marathon, and is now a journey. There no longer can be a discussion of returning to the old normal. That will never happen.” ■



Photo: 10,000 Hours / DigitalVision/Getty Images Plus

GREEN HOUSE: MODEL FOR FUTURE SUCCESS?

By John Hall

A nursing home alternative called the Green House Project could be catapulted into mainstream thinking after the COVID-19 dust settles. The once quaint (though successful) notion of limited congregate living may become a possible blueprint of tomorrow’s nursing home, observers say.

The allure: dedicated staffs, private rooms, limited services and foot traffic, and a way of living that promotes contagion-free living. The facts bear that out: a recent study of 3,200 seniors reports that approximately 95% of Green House homes have reported no COVID-19 cases among residents or staff since the pandemic began, as well as proportionately lower COVID mortality rates than nursing homes.

“When [founder] Dr. Bill Thomas came up with Green House concept, he wasn’t necessarily thinking about infections or pandemics, but it’s actually shown how strong this model really is on that domain,” said David Grabowski, Ph.D., professor of health care policy, Department of Health Care Policy, Harvard Medical School.

One Arkansas-based nursing home developer is reportedly building a number of Green Houses; one of the nursing homes he developed years ago is actually transitioning into a Green House.

The drawback is a big one: Money.

“Alternative housing like Green Houses isn’t yet accessible to most of the kinds of residents that nursing homes attract today,” Grabowski explained. “It’s hard to operate a Green House or other similar culture change model when you’re taking Medicaid recipients. How do you make the capital investments up front? Then how do you pay for the care on an ongoing basis, pay staff a living wage and offer a non-double occupancy living environment?”

Robert G. Kramer, founder and strategic adviser for the National Investment Center for Seniors Housing & Care, believes the Green House concept could have a place in the emerging skilled care world. “The issue is how do you do that in an economically scalable way?” Kramer said.

MARKET INSIGHT



The ongoing journey of the coronavirus has tested the resilience of the senior living industry.

is here, and it's not going away; there's not a finish line we can see any time soon."

A shifting mindset

Avanti's focus, she said, had been on shifting the mindset from reaching a destination to pivoting, shifting, adjusting and adapting rather than fearing. Sales and marketing, for example, has shifted from a high-touch process to a virtual experience.

"It's not wrong; it's just different," Alford said, adding that in early summer, Avanti put a focus on mental wellness. She said being located in the South, the company is used to preparing for and working through natural disasters, such as hurricanes. The difference, she said, is that those occurrences are short-term crises with an end in sight.

"No one knows when this will end," Alford said of the pandemic. "It's an ongoing journey. It's wearing. Families are tired, residents are tired, our teams are extraordinarily tired. "There is mental fatigue, physical fatigue, and definitely COVID-19 fatigue is very real."

Dan Brown, an executive coach with Arden Caching in Washington, D.C., said healthcare is in a "perfect storm." It's an industry driven by metrics and revenue staffed by professionals who feel an altruistic need to provide care to people who are suffering.

"The combination is a setup for burnout and for widespread deterioration of the mental health of the people taking care of people in assisted living and skilled nursing, in particular," Brown said, adding that suicide

The ultimate test

COVID-19 has forced senior living providers to adjust expectations

By Kimberly Bonvissuto

As the nature and duration of the COVID-19 pandemic remain unclear, the senior living industry has found itself shifting from a sprint to a marathon — without a known finish line.

Lynne Katzmann, Ph.D., founder and CEO of Bloomfield, NJ-based Juniper Communities, told participants in a National Investment Center for Seniors Housing & Care "leadership huddle" in mid-August that her business looked at dealing with the pandemic in three phases: crisis management, the path forward and a "new normal."

Phase one, Katzmann said during "Coping with the Pandemic: Shifting from a Sprint to a Marathon," had a simple goal of keeping residents and associ-

ates healthy and safe. Phase 2, the operating state through at least the end of summer, focused on restoring profitability while keeping everyone safe.

"The paradigm shift is how we look at the world," Katzmann

residents and employees, trained employees to be universal workers, and doubled its sales team and digital spend.

"We're seeing some transitions in the way we handle things and the way we are working to restore

"There's not a finish line we can see any time soon."

— Lori Alford, Avanti Senior Living

said. "Uncertainty is the new certainty."

Juniper had to change the way it did business in light of that uncertainty, she said. The company moved to centralized leadership, providing clear goals and priorities from the top down, and upended its staffing patterns. Juniper adopted cohorting of

profitability," Katzmann said.

Lori Alford, co-founder and chief operating officer of The Woodlands, TX-based Avanti Senior Living, said her company transitioned from addressing the changing environment caused by the virus as a sprint to a marathon to a journey. She said there is a realization that "COVID-19

Photo: RiverNorth Photography/E+/Getty Images Plus

MARKET INSIGHT

rates in the medical field are double that of the general population and likely will increase as a result of COVID-19.

A self-proclaimed “eternal optimist,” Katzmann said she had difficulty in the early days of the pandemic, when she realized nothing she did could control some of the outcomes of the virus. She turned to the industry and found support among her colleagues. She said she is part of several groups and forums throughout the industry that provide support, strength and solutions.

“No matter what side of the industry you play with every day, we are all in this together,” Katzmann said. “At the end of the day, we all benefit when we all do well.”

A pathway forward

Katzmann said she looked at what was working overseas to learn about how to tackle the virus. Her takeaway from South Korea’s strategy was to test early and universally regardless of



Lynne Katzmann, Ph.D., CEO of Juniper Communities, took a proactive approach to the pandemic.

Photo: Social Snacks

“The paradigm shift is how we look at the world. Uncertainty is the new certainty.”

— Lynne Katzmann, Juniper Communities

symptoms.

Juniper tested all residents and employees in hot spots in late March using a private lab. The company found that 50% of those who tested positive were asymptomatic.

“All of a sudden, we knew this disease was not being transmitted in the way everyone was being told. It was being spread by asymptomatic and presymptomatic individuals,” Katzmann said, adding that she used the

data to pull together a “battle plan” that included employees sheltering in place with residents, cohorting residents and staff, and adopting prevention strategies, including cleaning, disinfecting and adopting the use of personal protective equipment.

She said she spent \$100,000 per week on testing, adding that the only way to protect communities, profitability, and the health and well-being of residents, families, staff, vendors and the outside community is through rapid, accurate, cost-effective testing.

Juniper is working with a group out of the Massachusetts Institute of Technology to develop a cheek swab test that is cost-effective and provides quick results.

Alford said that as with hurricane preparation — for which facilities are required to have a seven- to 10-day supply of items — she anticipates that, in the future, senior living communities will be required to secure certain supplies in preparation for another pandemic. ■

SECOND-QUARTER REALITY CHECK

By Lois A. Bowers

Senior housing occupancy in the second quarter ending June 30 hit the lowest level on record since the National Investment Center for Seniors Housing & Care began reporting data in 2006, NIC said.

Combined occupancy for independent living and assisted living communities fell 2.8 percentage points, from 87.7% to 84.9%, the largest quarterly decline in the 14-year period, according to new data from NIC MAP Data Service.

“It’s a challenging time for operators of senior housing properties,” NIC Chief Economist Beth Burnham Mace told *McKnight’s*. “There are a lot of unknowns,

and no one’s crystal ball is tuned enough to be able to tell us when we’ll be through the COVID pandemic-related challenges.”

Assisted living pulled down the senior housing average, Mace said.

“That’s been the case for a while, even pre-COVID,” she said. “That had to do with the fact there was a lot more construction that had happened in assisted living, more so than independent living. And a lot of construction in assisted living was more than the market could readily absorb.”

During the pandemic, Mace said, COVID-19 is disproportionately affecting the older, frailer residents who live in assisted living communities. “It’s understandable why

assisted living occupancy dropped at a greater rate than independent living in the second quarter,” she said.

Individually, the sectors of assisted living and independent living set or matched previous record lows for occupancy in the second quarter, Mace said.

Assisted living occupancy decreased to 82.1% during the quarter, the lowest point on record, she said, adding that the prior low point, 85%, was reached in 2019. The occupancy rate for independent living fell to 87.4% in the second quarter, which tied a low set in the first quarter of 2011.

Skilled nursing occupancy also slipped 6.5 percentage points to 80.2% in the quarter.



200,000

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Guardian Pharmacy Services

Company Profile



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We believe this business approach leads to better customer service, greater accuracy and efficiency of medication distribution.

Fast Facts

Website: www.guardianpharmacy.net

Phone: (888) 535-4779

Email: answers@guardianpharmacy.net

Address: 171 17th Street, Suite 1400, Atlanta, GA 30363

Date founded: 2004

Presence: Guardian Pharmacy Services is based in Atlanta, GA, and currently has 38 pharmacy locations that serve nearly 129,000 patients across 25 states.

What We Offer

Clinical Support

Guardian streamlines processes and helps integrate multiple eMAR/EHR technologies to make sure medication management is efficient and error-free.

Our pharmacies regularly meet with community staff through on-site visits, and host continuing education and training courses to help lower the risk of medication error and enhance the level of resident care.

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Medication billing can be challenging for any long-term care provider, but it doesn't have to be. All billing, dispensing, consulting and customer service are handled by the local pharmacy, not from a remote hub.

We educate residents and families on Medicare Part D plans that best fit their needs and help reduce costs. From pre-authorizations and noncovered medications to the "donut hole," our local experts take the extra steps and make the extra time to ensure there are no billing issues or questions.

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PharMerica

Company Profile



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- 140+ pharmacies
- 6,000+ professionals
- 70,000 back-up pharmacies
- 24/7/365 pharmacist access
- Service to all states with the exception of North Dakota

While our large-scale and national resources may be reassuring, we go a step further by bringing our expertise into the heart of every community. From one-on-one support for implementation and billing issues to over 225 local consultant pharmacists and 100+ nurse consultants who deliver custom solutions and personalized service, we offer something no one else does: the best of national and local together.

At every level and each touchpoint, the PharMerica team ensures the cornerstones of our care delivery system — medication availability, cost containment and compliance — are represented in all we do. That's because a pharmacy today is about more than just filling orders. A community's future rests on successfully managing outcomes, spending and risk. By partnering with us, we'll help you stay ahead of opportunities.

Our Philosophy

While we're headquartered in Louisville, Kentucky, we are part of the fabric of each and every community we serve nationwide — as neighbors, volunteers and teammates.

Face-to-face where our clients live and work, we are leveraging our organizational depth of knowledge and resources to deliver customized solutions and personalized service to best meet their needs.

Our pharmacies are managed and operated by local clinicians and partners armed with unmatched capabilities, and the insights and autonomy they need to act in the best interests of their facilities.

By thinking nationally but acting locally, we're giv-

Fast Facts

Website: www.pharmerica.com

Phone: (502) 627-7000

Email: pharmerica@pharmerica.com

Address: 1805 N. Whittington Parkway, Louisville, KY 40222

Presence:

- **How many facilities, states, nations:** 3,100+ facilities in 49 states
- **Approximate number of employees:** 5,000+
- **Employee titles currently in high demand:** Pharmacy tech, pharmacist, pharmacist director
- **Company Type:** Private
- **Tax Status:** For-profit
- **What percent of facilities does your company manage:** 0%
- **Date founded:** PharMerica was founded in 2006, though it traces its original roots back over 40 years.
- **Services for residents:** Pharmacy services
- **Services for operators:** Pharmacy services

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