NIC INSIDER
Newsletter

September 2022

NationalInvestmentCenter @Natl_Inv_Ctr national-investment-center ntl_invctr

Inside the September Issue

How to Leverage Local Leaders A Conversation with Mark Hancock, CFO at Providence Group

Mark Hancock

Healthcare is local. That's the business premise at Providence Group. The company, based in Farmington, Utah, owns individually licensed subsidiaries that operate more than 15,000 beds in seven states by leveraging local leaders who implement the right strategy for their particular market. NIC Senior Principal Bill Kauffman recently spoke with Mark Hancock, CFO at Providence Group, about the company's decentralized approach. We also learn about Providence Group's PACS (Providence Administrative Consulting Services) subsidiary, which provides administrative support services to its operating affiliates. He also shares his insights on the current skilled nursing market. What follows is a recap of their conversation.

Kauffman: Can you provide an overview of Providence Group's portfolio? How many skilled nursing properties do you have and in which markets are your properties located?

Hancock: Providence Group affiliates operate more than 150 skilled nursing facilities along with some assisted living units on senior living campuses. The company collectively operates more than 15,000 beds, primarily in California, along with facilities in 6 other states. Our structure, however, is a different than most other nursing home companies because we have a very decentralized business model. The administrator of each facility is in effect the facility's CEO and has authority and responsibility to make business decisions for the facility's operations. To help leverage economies of scale where possible, our PACS subsidiary provides an array of back-office support to the facilities – assisting them with HR, payroll, accounting, legal, finance, risk, management, I.T., and other areas of administrative support – so that the local leadership teams can focus their time and efforts on taking the best possible care of their patients and staff.

Kauffman: How did Providence Group get to where it is today, and how have you grown over the past few years?

Hancock: Providence Group started in late 2012 with the purchase of two SNFs in San Diego. We shortly thereafter started to acquire facilities in other locales and implemented our decentralized business model. One unique feature of our company is our ability to attract and retain top tier talent. This includes high-performing administrators who we train and develop to be the local CEOs of their facilities.

The administrators set their own agenda, budget, and care initiatives, and we provide back-office support through PACS. We've grown to more than 150 facilities today, and will likely continue to grow, but we've never had specific growth targets or goals. Our growth strategy mostly entails being opportunistic, looking particularly for opportunities where we can add value to a facility's operations and make a positive difference – clinically, financially, and otherwise – in short order. For instance, we've had the department of health approach us about distressed properties, or we find properties through brokers, from owners who want to retire or sell their business, or through real estate partners looking to re-tenant buildings with a stronger operator. At this point we feel the key limiter on our growth is simply being able to find enough good leaders who can exercise good judgement and who truly care and will be fully committed to their facility and its residents and staff.

Kauffman: Do you own your real estate? If so, why? If not, what is the structure, and how do you choose your capital partners? How do you think about owning versus leasing the real estate?

Hancock: We own some of our facilities and lease others. We lease facilities through a variety of landlords, including publicly-traded REITs, other commercial landlords, and family offices. We love owning our own real estate, however, and we've been able to execute on that strategy fairly well over the last several years. We believe that owning our own assets provides us added operational and other flexibility, and helps us better control costs so that facilities can invest more into patient care and other local needs. That said, we work with a lot of great real estate partners and attribute much of our success to our relationships with them. But regardless of whether we lease or own a particular property, we believe in dedicating resources and investing in those properties to create an environment that's worthy of our residents and patients. Not many operators with a leased facility consistently put capex dollars into improving it, but we do. We take care of our properties with upgrades and complete remodels, with an eye towards making them as competitive as possible in their local communities. Our landlords appreciate that approach, and we think our residents and staff do as well.

Kauffman: Do landlords contribute toward remodels?

Hancock: It depends on the situation. In certain circumstances they help or match our funds. HUD-financed properties often have reserve requirements, and we have access to those funds. Sometimes we're reimbursed, but often not. Regardless, an important part of providing quality care is a good environment to heal, and we prioritize that.

Kauffman: The top three issues facing operators when I speak to them are staffing, staffing, and staffing. Is this the same for you? If so, what are you doing to manage the staffing challenges?

Hancock: Our local leaders, and the types of leaders we attract, are people who care. We work hard to create a culture that is magnetic, but staff is truly a limited resource. We're aware of the data on the labor shortage: Many workers have left the industry over the last few years; workers have reached their breaking point, and they're exhausted; and the staffing shortage does at times limit our facilities' ability to accept residents. But our secret to success is our culture. We create an environment where our facilities are employers of choice. We're also able to retain staff and attract new staff by working with local CNA programs and nursing schools, and by starting our own CNA schools. We invite them into our facilities to complete their clinical rotations which gives them a view into our operations, and then we often have first choice of graduating talent.

Kauffman: Many operators have seen a greater number of higher acuity patients for skilled nursing services. Have you seen the same trend? How is this impacting your portfolio, and what is your strategy going forward?

Hancock: Like everyone, we're seeing an increase in acuity across our portfolio. Yesterday's hospital patient is today's nursing home patient. The introduction of the Patient-Driven Payment Model (PDPM) has allowed us to be compensated fairly for providing care to patients with higher acuity levels. This requires staff to be appropriately trained and have the right skills to do their jobs. That's why we like our decentralized model which allows local leaders to recruit, hire, train and develop staff appropriately for the types of patients they're accepting. We support them with resources, such as training and recruiting tools to allow them to build teams to handle higher acuity patients. We also provide technology and e-learning systems so the staff can maintain and improve their clinical skills.

Kauffman: Occupancy is certainly a challenge for many skilled nursing operators at this point of the pandemic. How does your portfolio occupancy compare to the time prior to the pandemic? Do you see it recovering to higher levels?

Hancock: During the first six months of the pandemic, from March 2020 to September 2020, we saw occupancy declines. Amid concerns about the novel nature of the virus, hospitals weren't performing elective surgeries and some of our patients left our facilities. Once we knew more about the virus our local teams were able to react and handle outbreaks to create isolation wings for certain types of patients the hospitals were discharging to us. We started a census rebound in late 2020, and we've steadily improved occupancy in the majority of our facilities over the last year or so. Today, hospitals have returned to some sense of normalcy, and our ability to build on census depends on staffing to take care of those residents. We've had the best rebound in census where we have the best success with staffing. It's highly correlated. We're not quite back to where we were prior to the pandemic, but we're close.

Kauffman: Medicaid reimbursement can vary tremendously from state to state. Have rates increased during the pandemic in the states where you operate? What is the outlook for Medicaid rates from your perspective?

Hancock: Medicaid is always a challenge from a reimbursement perspective considering high acuity levels and the fact that often Medicaid does not cover the full cost of providing care to a Medicaid patient. Despite the challenges and headlines during the pandemic, which didn't paint our industry in the best light, I think the silver lining is it highlighted the fact that our industry needs more resources within Medicaid to take care of these very vulnerable patients. Medicaid add-ons have allowed us to cover some of the costs associated with these higher acuity patients. Also, some states use case-mix payments, and depending on the service required, Medicaid will provide a better reimbursement rate. California, for example, has a cost-based payment system: As we see inflationary pressures on our expenses, we're reimbursed at a higher rate even though there's a 2–3-year delay to get the updated amount. There are also discussions on making the Medicaid add-ons permanent, which gives us hope there will be appropriate support for Medicaid in the future.

Kauffman: Because we are in a high inflation environment, is the cost-based system going to have more impact because it takes two to three years to get reimbursed?

Hancock: That delay has historically been a challenge, and this environment creates more pressure. We're working with states to accelerate reimbursements. In California, the 10 percent add-on for the Medicaid rate was slated to sunset after the end of the public health emergency. But the add-on has been extended to the end of 2023, and there are discussions about making that a permanent adjustment. We're being heard on the federal level with Medicare. PDPM reductions are now being split over the next two years, and, factoring in actual Medicare increases, we're anticipating a net-positive payment impact. With the "silver wave," the population age 85 or older is expected to double by 2035. We've been talking about this wave for a while, but now it's on our doorstep. Baby boomers are influential and have always shaped policy, and they'll be needing nursing care. We're bullish that the tides are turning in our favor, and that skilled nursing care will get the government financial and other support that patients need and deserve.

Kauffman: Managed Medicare, specifically Medicare Advantage, continues to grow, and, from the data we see, the reimbursement differential compared to Medicare Fee-for-Service continues to widen. Do you see the same trend? How is Medicare Advantage growth impacting your business?

Hancock: We see Medicare Advantage as a great opportunity by creating new demand. Medicare Advantage volume is definitely increasing. Participation in managed care networks is something we're constantly evaluating, and we've adapted our care model to operate in this new environment. In the past, patients would get discharged, and that was the end of their treatment. But now we're seeing the benefits of coordinated care. For us, we can trace costs, coordinate care, and demonstrate outcomes for these networks better than traditional, less sophisticated long-term care facilities. New demand from the Medicare Advantage population will allow us to build occupancy as we successfully provide good outcomes backed by our data.

Kauffman: Do you see options for skilled nursing properties to benefit under value-based care, Institutional Special Needs Plans (I-SNPs) and/or the ACO REACH model? If so, how?

Hancock: The challenge for skilled nursing operators with value-based programs is that until now the risk we're taking isn't commensurate with the reward. The hospitals still dictate a lot of the terms. But as skilled nursing improves results and outcomes, in the future, there will be more value sharing opportunities commensurate with the risk. There's work to be done to prove we can take care of higher acuity patients and produce good outcomes. We have some participation with I-SNPs, and we're looking to expand that. There are certain regions and markets where it makes sense, and others where it doesn't. Healthcare is local, and our decentralized model allows us to participate where it does work. We allow our leaders to decide if and how they're going to participate in those programs, and if it's ultimately good for the patients and residents.

Kauffman: The industry has seen skilled nursing property prices transacting at levels some deem to be elevated. What is driving this in your opinion, especially at a time with low occupancy?

Hancock: Through a macroeconomic perspective, there's been so much quantitative easing by the Federal Reserve and a lot of cash is looking for a home. There is a general scarcity of real estate, but more so with nursing homes in particular. There have been 15,000 nursing homes in the country for many years. The number has been flat, while the need is increasing. Supply and demand are driving up pricing. Inflation is going up, and real estate prices are going up, which is no different for nursing homes. We've built some new facilities, and the cost of new buildings is three times that of existing ones. The product is limited. So, it's not a surprise prices have gone up in anticipation of increasing demand from the aging population. We feel like it's been a seller's market over last several years. But it will be interesting to see whether there will be a shift towards a buyer's market as stimulus and provider relief funds wind down and challenged properties don't have that support. I'm not predicting that prices and valuations have peaked, but we feel like we're starting to see some better buying opportunities.

Kauffman: What do you see as the 1) greatest opportunity and 2) greatest risk for skilled nursing operators in the next 10 years?

Hancock: We believe the greatest opportunity for skilled nursing providers is the ability to fill an increasing clinical need in the communities that we serve. Post-acute care is evolving; this is an exciting time in our industry, and we have the ability to redefine what skilled nursing is and help people understand how critical it is to our country's overall healthcare continuum. The greatest risk for providers over the next 10 years will be the ability to evolve and adapt to an ever-changing industry. Regulation, reimbursement, and workforce headwinds will continue to buffet the industry. The successful providers will be the ones who can navigate these headwinds and use them as opportunities for innovation

Senior Housing Actual Rates at a Time of Red-Hot Inflation

by Omar Zahraoui, Senior Data Analyst, NIC

Omar Zahraoui

The annual inflation rate, as measured by the change in consumer price index (CPI), increased to 9.1% in June 2022, the highest rate in four decades. Largely driven by energy prices, overall cost of goods and services, as well as rising rents, the one-year inflation expectations in the United States stood at 5.3% in June 2022, according to the University of Michigan Consumer Sentiment Index survey. By comparison, both annual inflation rate and one-year inflation expectations were 2.5% back in January 2020 before the onset of the pandemic. Inflation expectations, or the rate at which economic agents expect prices to rise in the future, remains a critical survey measure and a key influence on the trajectory of inflation.

In response to red-hot inflation, the Fed raised interest rates four times over the period from March 2022 to July 2022. The Fed's hawkish rate hikes amounted to a total increase of 2.25 percentage points and ranged from 0.25 percentage points in March 2022 to two consecutive hikes of 0.75 percentage points in June and July of 2022, the largest one-time increases since 1994. Subsequently, the annual inflation rate dropped by 0.6 percentage points to 8.5% in July 2022. Further, the one-year outlook of Michigan inflation expectations in the United States decreased to 5.0% in August 2022, down 0.3 percentage points from the June 2022 level.

Despite these recent positive signs, it remains difficult to say whether inflation will continue its downward trend in the next months, or when inflation will return to pre-pandemic trajectory. The one thing economists agree on is that inflation likely will not dissipate in the near future.

Meanwhile, senior housing asking rates rose to record highs in June 2022 from year-earlier levels across all care segments – independent living (IL), assisted Living (AL), and memory care (MC) – despite the market's still relatively low occupancy levels in general. Notably, June 2022 annual asking rates increases (i.e., about 9% across each of the three care segments) tracked with the CPI increase (i.e., 9.1% in June 2022).

The notable senior housing rent growth over the past year is the result of a multitude of compounding factors since the pandemic began to influence the senior housing sector in early 2020, including strained operating margins due to record-low occupancy rates combined with increased operating costs, namely higher wage pressures, inflated construction and maintenance costs, higher property insurance rates and utility costs, and higher care fees due to increased acuity levels among new residents.

The following analysis examines senior housing actual rates over the past two years, from June 2020 to June 2022, including asking rates, initial rates, and in-place rates across all senior housing care segments. Additionally, the analysis provides rankings of average initial rates for assisted living segments within select NIC MAP® metropolitan markets reported by NIC MAP Vision as of second quarter 2022.

Senior Housing Actual Rates Increases Differ Across Care Segments

The table below displays the June 2022 actual rates data and the annual rent growth figures over the 12-month periods of both June 2021-June 2022 and June 2020-June 2021.

Asking Rates. Asking rate growth accelerated during the annual period ending June 2022 and registered the largest recorded annual growth figures in the timeseries across all senior housing care segments. According to second quarter 2022 NIC MAP Vision senior housing actual rates data, asking rents grew by 9.4% to $3,674 for independent living segments in the 12 months through June 2022, the largest annual growth rate across the three care segments, followed by assisted living segments (8.6% to $5,775) and memory care segments (8.4% to $7,797).

While independent living segments had the highest asking rate growth from year-earlier levels, the independent living segments reported relatively high initial and in-place rates discounting compared with memory care and assisted living segments. Some of these high discounts may be attributed to relatively slow move-ins for independent living. Notably, move-ins for independent living were 2.4% in June 2022, 1.0 percentage point below the pace of move-ins for assisted living (3.4%) and 1.4 percentage points below that of memory care (3.8%), according to second quarter 2022 senior housing actual rates data, released by NIC MAP Vision.

While senior housing operators have effectively increased rates, it is vital to understand what current and potential senior housing residents are willing to pay and the potential impact of any additional rate increases on the pace of move-ins and move-outs. Monitoring this relationship can help inform the potential for future rate increases, especially as inflation stabilizes and eventually subsides.

Initial Rates. Initial rates saw continued growth year-over-year at a notable pace, with an annual growth of 5.2% for independent living to $3,286, 7.6% for assisted living to $5,341, and 9.5% for memory care to $7,114 in June 2022. The initial rate discount for independent living segments was 10.5%, or $388 less than asking rate in June 2022, the largest discount since April 2020 and equivalent to 1.3 months on an annualized basis.

Comparatively, memory care segments had an initial rate discounting of 8.8% ($683) in June 2022. On an annualized basis, this discount is equivalent to 1.1 months. Assisted living segments had initial rate discounting of 7.5% ($434) in June 2022, equivalent to 0.9 month on an annualized basis.

In-Place Rates. In-place rates also grew at a rapid pace from year-earlier levels, with an annual growth of 4.4% for independent living to $3,508, 7.3% for memory care to $7,557, and 7.4% for assisted living to $5,612 in June 2022. Independent living segments had a discount of 4.5% ($166) for in-place rates compared to asking rates. This was the highest discounting of in-place rates for independent living segments since at least 2019. In-place rates also had relatively lower discounting of 3.1% ($240) in June 2022 for memory care segments and 2.8% ($163) for assisted living segments.

NIC — Average Rates (Asking, Initial, and In-Place) and Annual Growth Rates - By Segment
U.S. National - June 2022

Segments	June 2022[4]	June 2022 Annual Growth Rate[5] (June 2021 - June 2022)	June 2021 Annual Growth Rate[6] (June 2020 - June 2021)
Independent Living			
Asking Rate[1]	$3,674	9.4%	0.8%
Initial Rate[2]	$3,286	5.2%	0.9%
In-Place Rate[3]	$3,508	4.4%	0.0%
Assisted Living			
Asking Rate[1]	$5,775	8.6%	2.6%
Initial Rate[2]	$5,341	7.6%	0.1%
In-Place Rate[3]	$5,612	7.4%	1.2%
Memory Care			
Asking Rate[1]	$7,797	8.4%	3.2%
Initial Rate[2]	$7,114	9.5%	-1.6%
In-Place Rate[3]	$7,557	7.3%	1.7%

[1]Asking Rate - Street room rate and average of any care fees across units as of the end of the month
[2]Initial Rate - Room fee and any care fees as of the end of the month paid by residents who took occupancy during the current month
[3]In-Place Rate - Room fee and any care fees as of the end of the month paid by residents who took occupancy prior to the current month
[4]June 2022 average rates (Asking, Initial, and In-Place) - by care segment
[5]June 2022 annual growth rates over the period from June 2021 to June 2022
[6]June 2021 annual growth rates over the period from June 2020 to June 2021
Source: NIC MAP Data®, powered by NIC MAP Vision
Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

Annual Growth Rates from June 2020 to June 2021. During the prior 12-month period ending June 2021, asking rates continued to increase somewhat in line with their respective pre-pandemic trends, with memory care segments reporting the largest year-over-year increase for asking rates at 3.2% in June 2021, followed by assisted living (2.6%), and then independent living (0.8%).

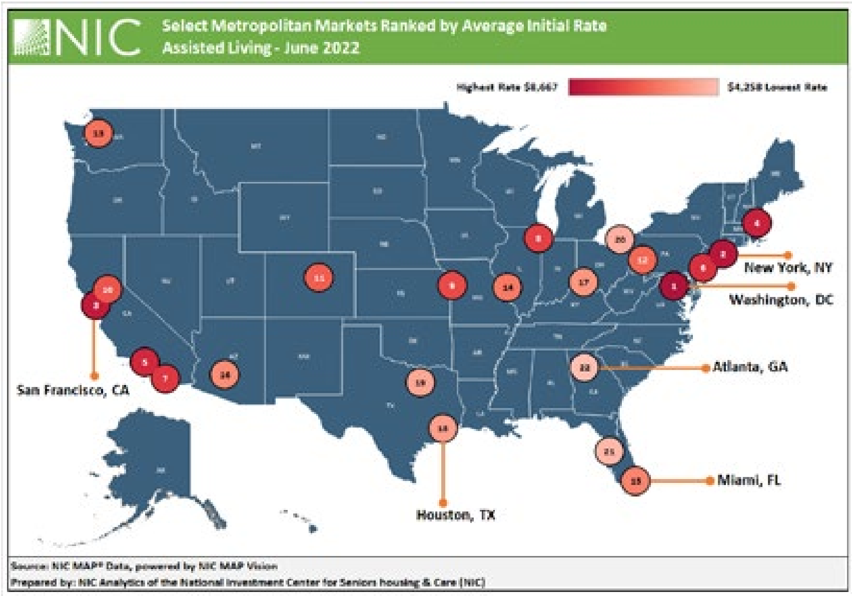
Over the same period, however, the senior housing market witnessed a notable deceleration in initial rates and in-place rates annual growth figures as occupancy and demand for senior housing properties fell to record lows through this period. The memory care segments saw a large drop for initial rates (negative 1.6%) from year-earlier levels, while average initial rates for independent living and assisted living segments increased by only 0.9% and 0.1% from year earlier levels, respectively.

In-place rates remained flat for independent living segments over the period from June 2020 to June 2021, memory care and assisted living segments realized annual increases of 1.7% and 1.2%, respectively, for that period ending in June 2021.

East and West Coast Markets Reported the Highest Average Initial Rates for Assisted Living Segments

In 2022, NIC MAP Vision senior housing actual rates data releases for both first quarter and second quarter included national data as well as data from an additional 21 metropolitan markets. The actual rates data provides aggregate national data from approximately 300,000 units within more than 2,600 properties across the U.S. operated by 25 to 30 seniors housing providers; and includes occupancy and leasing activity (as measured by move-in and move-out velocities) as well as asking, in-place, and initial rates.

The exhibit below depicts select metropolitan markets ranked by average initial rates for assisted living segments in June 2022, from the highest rate to the lowest rate. The map highlights that the East and West Coast markets have the highest rates, with Washington, DC ranking the highest with an average initial rate of $8,667. Interestingly, the East and West Coast markets generally tend to have higher occupancy rates compared with markets in the center and the southern regions of the country. The lowest average initial rate for assisted living segments among the select metropolitan markets depicted in the map below was recorded in Atlanta, GA ($4,258). As background, Atlanta's occupancy rate ranked the lowest among the 31 Primary Markets in second quarter of 2022, according NIC MAP data, powered by NIC MAP Vision.



Growing the Data Set for the Actual Rates Data Initiative

NIC MAP Vision is continually working to add new properties to its actual rates data set and is working to report additional metropolitan markets in future quarters. NIC MAP Vision maintains the confidentiality of all data contributors and the contributed data. As the metropolitan markets that NIC MAP Vision will report depends upon participation rate of the individual market's seniors housing operators, your participation in contributing your properties' data to the actual rates data set is most welcomed. Learn more about the actual rates data initiative on our website.

Biggest Challenge: Rising Operating Expenses NIC's Executive Survey Insights, Wave 44

by Ryan Brooks, Senior Principal, NIC

"Rising operating expenses now surpass staffing challenges as the most frequently cited response to the question from Wave 44 which asks about "the biggest challenge facing my organization today." Employee turnover as well as attracting community and caregiving staff (which have traditionally been cited as the top challenges among survey respondents) were cited as the second and third biggest challenges facing organizations in this latest wave of NIC's Executive Survey.

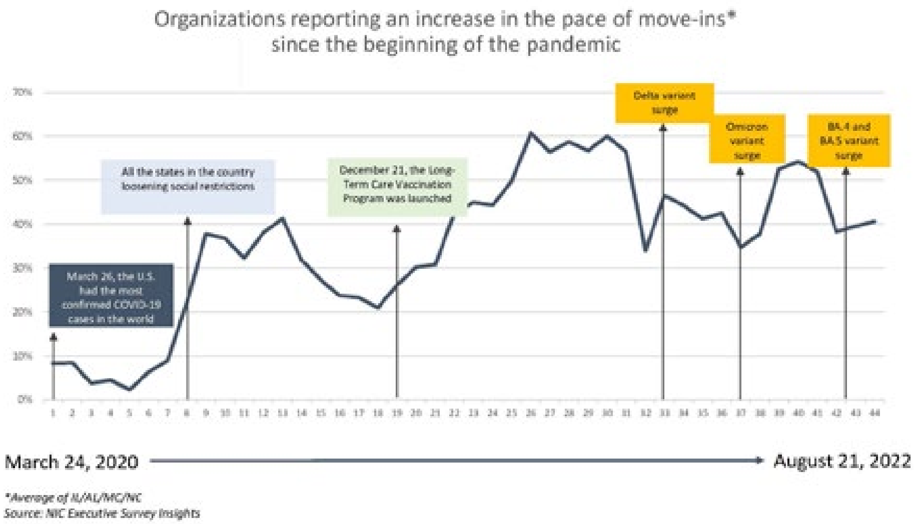
That said, a promising sign of relief to the long-standing labor market issues may be that 15% of responding organizations anticipate their staffing challenges will improve in the second half of 2022 and half of respondents (47%) anticipate their staffing challenges will improve in the first half of 2023."

-Ryan Brooks, Senior Principal, NIC

NIC's Executive Survey of senior housing and skilled nursing operators was initially launched in March 2020 to deliver real-time insights into the impact of the pandemic and the pace of recovery. **Now in its third year, the Executive Survey has transitioned away from the COVID-19 pandemic specific challenges to address insights on the industry's current areas of focus.** While some standard questions will remain for tracking purposes, in each new survey wave, new questions are added.

This Wave 44 survey includes responses from July 25 to August 21, 2022, from owners and executives of 55 small, medium, and large senior housing and skilled nursing operators across the nation, representing hundreds of buildings and thousands of units across respondents' portfolio of properties. More detailed reports for each wave of the survey and a PDF of the report charts can be found on the NIC COVID-19 Resource Center webpage under **Executive Survey Insights.**

The timeline below, demonstrating the share of organizations reporting an increase in the pace of move-ins during the prior 30-days, shows that the share of organizations reporting an increase has remained close to 40% since Wave 42 conducted early this summer in June 2022.

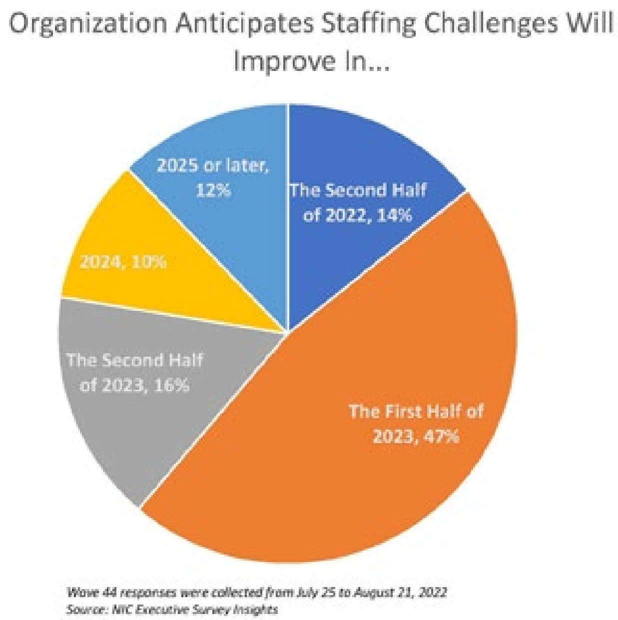


Rising operator expenses are now the top-cited challenge of survey respondents. Eighty-six percent of respondents cite rising operating expenses as the biggest challenge currently facing their organization. This is an increase from the Wave 41 survey, conducted in May 2022, when 80% of responding organizations claimed rising operating expenses as the biggest challenge.

Staffing challenges – turnover and attracting community and caregiving staff – remain among operators' most significant challenges, but nearly three-quarters of respondents are optimistic that improvements are on the horizon. Since July 2021, nearly all operators (96% – 100%) responding to NIC's Executive Survey Insights have reported staff shortages. Although no longer the top-cited challenge, employee turnover and attracting community and caregiving staff remain as significant challenges for survey respondents (80%).

When asked about backfilling staff shortages, nearly all respondents (96%) reported paying overtime hours in Wave 44, and three out of four respondents are currently tapping agency or temp staff (74%). Of those organizations, about one-half (55%) do not expect their reliance on agency or temp staff to change in the remaining months of 2022; however, 37% anticipate it will decrease.

A promising sign of relief to the long-standing labor market challenges may be that 14% of the survey respondents expect staffing challenges to improve in the second half of this year. Nearly one-half of the respondents believe labor markets will ease in the first half of 2023, 16% believe staffing challenges will improve in the second half of 2023, and one in four anticipate it will take until 2024 or beyond before staffing challenges ease.



Wave 44 Survey Demographics

- Responses were collected between July 25 and August 21, 2022, from owners and executives of 55 senior housing and skilled nursing operators across the nation. Owners/operators with 1 to 10 properties comprise roughly two-thirds (62%) of the sample. Operators with 11 to 25 properties account for 25%, and operators with 26 properties or more make up the rest of the sample with 13%.
- Three-fifths of respondents are exclusively for-profit providers (58%), approximately one-third operate not-for-profit seniors housing and care properties (36%), and 5% operate both.
- Many respondents in the sample report operating combinations of property types. Across their entire portfolios of properties, 76% of the organizations operate seniors housing properties (IL, AL, MC), 33% operate nursing care properties, and 27% operate CCRCs – also known as life plan communities.

Thanks to Respondents and Invitation to Participate

NIC wishes to thank all Executive Survey respondents for their valuable input and continuing support for this effort to provide the broader market with insights into the evolving landscape as we recover from the impacts of the pandemic. This is your survey.

If you are an owner or a C-suite executive of seniors housing and care operator and have not received an email invitation to take the survey, please contact Ryan Brooks at rbrooks@nic.org to be added to the list of recipients. We welcome your input so that the Executive Survey Insights reflect the latest trends within this current dynamic market.

Senior Living Sector Insights: 2022 Leadership Huddle Webinar Series

Throughout its history, NIC has delivered thought leadership through its insights and analyses and convening of industry leaders to help senior living professionals understand and adapt to industry changes. That is how the Leadership Huddle Webinar Series was borne in 2020: to give senior housing and skilled nursing operators, capital providers, and industry leaders the information and insights they needed to adequately respond to the pandemic.

Once again recognizing the changes and new challenges facing the senior housing and care industry, NIC began the 2022 Leadership Huddle Webinar Series in May, which culminated in July after four sessions and thousands of senior housing and care leaders in attendance.

While the sessions gave attendees the opportunity to ask the industry thought leaders questions, all webinars are available on demand for those unable to attend previously.

If you're curious to learn what you missed, read on for details.

Leadership Huddle #1: Senior Housing & Skilled Nursing Paths to Recovery

The 2022 Leadership Huddle Webinar Series kicked off with NIC's very own Chief Economist Beth Mace moderating a discussion about potential regulatory changes, market activity, and ongoing workforce and occupancy challenges. She was joined by panelists Brian Beckwith, chief executive officer of Arcus Healthcare Partners, and Craig D. Hanson, chief executive officer of Omega Senior Living.

The main thesis of the conversation: there are many factors contributing to long-term care's slow recovery.

Beckwith, for one, noted the impact COVID and its persistent variants had not only on residents but on staff of senior living properties. So many workers were getting sick that operators had a hard time keeping properties fully staffed, which did not help occupancy growth.

Stalled senior housing construction projects also contributed to slow recovery. Loans and new development effectively stopped during COVID, according to Mace, and high construction costs due to the national economy also dramatically slowed projects, according to Beckwith.

Hanson noted that while things like the public health emergency funding helped operators in their time of need, other regulations felt more like penalizations. He suggested legislators gather feedback and ideas from operators about what kinds of measures could improve operating environments for residents.

Read the full recap and watch the Leadership Huddle webinar on our website.

Leadership Huddle #2: Real Estate Market Trends and the Economic Outlook

The second Leadership Huddle was a deep dive into the commercial real estate market trends and an outlook on economic forces. NIC's Beth Mace again moderated this conversation between Mike Acton, managing director of AEW Capital Management, and Mary Ludgin, head of Global Investment Research at Heitman.

Building off a conversation started in the first huddle, both Acton and Ludgin touched on sector recovery.

Both panelists agreed that the sector was poised for recovery. Acton noted that occupancy was steadily recovering, a point Mace supported with NIC MAP® data, powered by NIC MAP Vision.

Ludgin suggested that investments should shortly follow, especially since real estate is a more reliable investment than stocks or bonds during periods of economic inflation.

The speakers further discussed which types of properties will fare best in the future and how senior housing compares to commercial properties.

Read the full recap and watch the Leadership Huddle webinar on our website.

Leadership Huddle #3: The Evolution of Market Segmentation

To set the stage for the third Leadership Huddle of 2022, Mace said, "It's a very exciting time in the senior housing industry, as the sector continues to mature and product offerings become increasingly differentiated."

Mace was joined by Melissa Andrews, president & CEO of LeadingAge Virginia; Tom Gaston, EVP of acquisitions and development at Maplewood Senior Living; and Ashley Fitzgerald, principal of Carlyle. The group explored the state and future of segmentation in the senior housing industry – and what it means for aging adults.

Mace said the senior living industry's segmentation and product differentiation is not dissimilar to that of the hotel industry, which offers brands ranging from Motel 6 to the Ritz Carlton to cater to different consumer preferences.

Andrews acknowledged the huge opportunity to serve the middle market senior, based on NIC's 2019 The Forgotten Middle study with NORC at the University of Chicago. She noted also that this should be attractive to developers, who can often repurpose existing buildings.

On the "Ritz" end of the spectrum, Gaston discussed his company's move to ultra-luxury. The consumer interested in and able to pay for this property type tends to be well-traveled and highly educated – which led Gaston to open properties in New York City and D.C., two markets already known for affluent residents with high incomes or savings.

Fitzgerald noted the popularity and promise of active adult properties, which are regarded as recession-proof investments due to the influx of baby boomers. More of these "younger-older" adults are seeking socialization opportunities with peers, so the age restrictions of active adult properties are appealing.

Read the full recap and watch the Leadership Huddle webinar on our website.

Leadership Huddle #4: Leading Through Change

Rounding out the summer of insights was the final Leadership Huddle in July, this time featuring moderator Chris Taylor, managing director of Capital One Healthcare Real Estate; and speakers Cindy Baier, president and CEO of Brookdale Living; and Kimberly Lody, president and CEO of Sonida Senior Living.

This all-star cast of leaders agreed on a common overarching tenet: that good leaders must learn to navigate change and utilize it to improve their organizations.

Right now, one of the biggest organizational challenges and changes is navigating the workforce crisis. Both leaders emphasized the importance of making change a collaborative and inclusive process – everyone from the board to day-to-day employees should feel like they have a voice and their feedback is welcomed.

Lody developed a program to help employees navigate periods of change. Baier recommended giving people ample time to adjust.

The good news is the senior living industry is extremely collaborative, says Lody. She and Baier have always been able to turn to fellow leaders for advice or tips on what works, and they find the passion among fellow leaders to do well by their residents is what sets the industry apart.

In summary, Baier and Lody say good leaders must focus on building and maintaining relationships and trust with their staff. They should also be kind and work hard, never shying away from setting goals that require everyone to be their best.

[Read](#) the full recap and [watch](#) the Leadership Huddle webinar on our website.

Visit our website learn more and view previous [NIC Leadership Huddle webinars.](#)

Sponsor Women and People of Color; Don't Just Mentor

John Cochrane, President & CEO of HumanGood
Kendra Roberts, Vice President, Operations, Affordable Housing
HumanGood

John Cochrane

John Cochrane

I was thrilled to nominate and advocate for Kendra Roberts' selection and participation in NIC's Future Leaders Council. It is a career-changing opportunity to be exposed to some of the smartest minds and hearts in our business. And Kendra is one of those people.

People are paying attention. All people. Our customers, our team members, our partners. The work of diversifying our companies and our field, of broadening the reach of those we serve is critical.

Representation matters, and as leaders, we have a responsibility to help ensure that our teams, our organizations, and our field reflect the diversity of the world around us. By inviting different perspectives and voices to have a seat at the table, we can all grow and expand our organizations' cultures in new and exciting directions. Most importantly, our teams and organizations can evolve and adapt, ultimately becoming better equipped to inspire future generations of team members and residents to live their best lives.

Kendra Roberts

Kendra Roberts

It was exciting to be nominated and selected to participate in the Future Leader's Council (FLC). I honestly didn't know a lot about the program prior to my CEO, John Cochrane, introducing me to NIC. What I did know was that the program was prestigious, and it was an honor to be selected. I was enthusiastic to participate and excited to learn and meet colleagues in the field.

I remember vividly my first NIC conference and FLC meeting in Chicago. It was in that hotel lobby that I was immediately made aware of my difference—my Blackness. I was shocked and disheartened. When you walk into a space filled with other leaders in your field or profession, and not many look like you, you can't help to think if there is a space for you. You ask yourself, if all of our leaders look one way, how will I ever have a chance to rise to a top leadership spot? Other questions that circled through my mind were:

- Am I the only Black person at this conference?
- With so many organizations represented, can there really be no people of color in leadership positions?
- Will I fit in?
- Will I be accepted?
- Will they appreciate my perspective or expertise?

Sponsorship of people of color is critical as we look at the future of our organizations. I am proud that our organization, HumanGood, is diverse in its leadership and its clientele. Entering the FLC could have been an intimidating experience had I not had the sponsorship of John. He could have just made a recommendation and left it at that, but he took the extra steps to walk me through the process and make introductions to others involved in the program. His sponsorship not only made me feel better about the program, but also made it easier for NIC and FLC members to get to know me.

Rosalind Chow, an organizational behavior professor at Carnegie Mellon University, in her article, *"Don't Just Mentor Women and People of Color. Sponsor Them" provides an excellent definition of sponsorship.* "Sponsorship can be understood as a form of intermediated impression management, where sponsors act as brand managers and publicists for their protégés. This work involves the management of others' views on the sponsored employee. Thus, the relationship at the heart of sponsorship is not between protégés and sponsors, as is often thought, but between sponsors and an audience — the people they mean to sway to the side of their protégés."

As we focus on recruitment and retention, organizations must consider the diversity and inclusivity of their teams as we think about how we are going to staff our communities. Prospective team members, including those we want and need to hire for our future, are watching closely to see if our missions and values are in alignment with what they observe about who we are—in our leadership, in our workforce and culture, and our practices. Don't be fooled by the silence: prospective team members are also noticing whether our team members look like those we serve and whether our front lines look like our top lines.

I urge more of our senior leaders to sponsor a woman or a person of color for opportunities to lead or represent their organizations. Mentorship is not enough. We need an ally. We need someone to speak on our behalf—help break down barriers and unknown bias. We need someone to speak about us in spaces that we would not naturally be invited. We need someone to invite us to that dinner or that meeting. We need to keep going with our efforts to change, and I know that if we do, our future will be bright.

Senior Housing & Care Industry Calendar for September 2022

9/1/22	Skilled Nursing News RETHINK (Chicago, IL)
9/12/22	REITworks: 2022 Conference (La Quinta, CA)
9/12/22	AHIP Consumer Experience & Digital Health Forum (Nashville, TN)
9/12-9/14/22	2022 THCA 72nd Annual Convention & Trade Show (San Antonio, TX)
9/14-9/16/22	2022 NIC Fall Conference (Washington, DC)

NIC Partners

We gratefully acknowledge our partners:

Premier Partners

Official Partners