NIC INSIDER
Newsletter

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Inside the October Issue

Phil Fogg Jr. shares his view on the workforce challenge, impact of inflation to the industry, and more in a sneak peek interview ahead of his keynote address on the skilled nursing sector at the upcoming 2023 NIC Fall Conference. Read about recently released research from NORC at the University of Chicago, funded by a grant from NIC, which sheds light on older adults' vulnerability to declining health outcomes before and after entering a senior housing and care property. Discover what Joanne Pike, DrPH, president and CEO, and Robert Egge, chief public policy officer, of the Alzheimer's Association, and CEOs Debra Cafaro of Ventas and Shankh Mitra of Welltower will address when they take the NIC stage at the 2023 NIC Fall Conference. Learn who was named as new members the NIC Future Leaders Council (FLC) -the next generation of changemakers. Finally, Maxwell Gabriel of Generations LLC explores the current capabilities and the long-term potential of AI in nurse coordination that senior housing operators should understand.

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Navigating the Current Skilled Nursing Environment
Phil Fogg Jr. Previews Fall Conference Keynote Address

The skilled nursing sector has faced numerous challenges over the last few years, though it still presents an opportunity for growth. Phil Fogg Jr. will explore the possibilities during his keynote address on the skilled nursing sector at the upcoming 2023 NIC Fall Conference in Chicago (October 23-25).

As CEO and President of Marquis Companies and Board Chair of the American Health Care Association, Fogg has keen insights into the current state of the sector and where it's headed. The Main Stage session will be held October 25, 8:30-9:30 AM.

Phil Fogg Jr.

NIC Senior Principal Bill Kauffman recently asked Fogg, whose company is based just outside of Portland, Oregon, to preview his keynote remarks. Here is a recap of their conversation on what attendees can expect to learn at the session.

Kauffman: Can you tell us about your professional background and your current focus?

Fogg: I'm a fourth-generation nursing home administrator, and my two children are fifth generation licensed administrators. There's only one other family like ours in the industry in its fifth generation. I started Marquis Companies in 1989 with skilled nursing communities. We've added assisted and independent living, hospice and rehab care, and pharmacy services. We started our own Institutional Special Needs Plan (I-SNP) seven years ago, and a physician and advanced practice group. Today, we're a diversified senior care provider. I am also the Board Chair of American Health Care Association.

Kauffman: How do you view the current workforce challenge?

Fogg: Long-term care providers fought off COVID, but we've experienced a massive workforce loss. Some of it is driven by demographics. We were going to experience a drop in supply of nurses regardless of COVID, but the pandemic expedited some of the workforce departure. Now we have a situation where several supply sources have been curtailed at the same time. H-1B visas were cut in half during COVID. Green card applications for nurses stopped being processed for nurses in 2020. We have to open up that pipeline of workers. At the same time, university systems are not meeting the call to action. The unions and nursing boards have been trying to limit the supply of nurses for various reasons and have gone too far. I think we are rapidly entering a crisis that will diminish the quality of healthcare and the ability to access services. We all need to react quickly and address a problem that reaches across the entire healthcare continuum.

Kauffman: What's your current view on the impact of inflation to the industry?

Fogg: Wages are 65-75% of our operating expenses. Depending on the state and region, we've seen wage inflation from 2020-23 of between 15-30%. In our sector, the cost of supplies and services have also gone up due to global issues. We have rising interest rates on top of that, ironically to control inflation. If you're a provider with an adjustable-rate mortgage, you've been hit from all sides.

Kauffman: Is the impact of an adjustable-rate mortgage pervasive?

Fogg: It depends on your role in the industry. The cost of money has increased for REITs which has had an impact. HUD lenders or loan originators have to meet a challenging debt service coverage ratio. And if you're a conventional lender, an adjustable-rate mortgage has risen from 3-4% to about 7%. That's a material increase in debt service expense.

Kauffman: What's the greatest regulatory risk for skilled nursing operators and what can operators do to mitigate this risk?

Fogg: The Biden administration, HHS, and CMS have been challenging for our sector from a regulatory standpoint. We've been hit hard, and it's unlike any other administration before either Republican or Democrat. The biggest threat is unfunded mandates. Throw in inflation, the rise in operating expenses, and the lag time to receive reimbursements, and it creates a rough scenario for providers. The minimum staffing rule that was just announced is unfunded. By their own scoring, it's a $4 billion to $5.7 billion fiscal impact to providers who are expected to pay for it. I doubt there is that much money in the total net margin for the entire profession. It's uninformed and naïve that CMS would promulgate these rules without understanding the realities.

Kauffman: What are some possible responses?

Fogg: We have the opportunity to respond and shape the CMS rule through the comment period. We can possibly get relief from legislators on Capitol Hill. At the end of the day, we can look at legal options.

Kauffman: How do you see advancements in technology impacting the sector this decade?

Fogg: It would be naive to say the profession doesn't face challenges. But over the next two to three years we will see recovery. Consumer technology is challenging today because it needs to create real savings. But, in the near future, technology will create more efficiencies. Anything that makes the staff more efficient or saves dollars will be in high demand. Remote patient monitoring, remote capture of vital signs, and biometrics will be very important. AI technology that is predictive of change in conditions will allow us to intervene more quickly to reduce operating expenses and prevent hospital admissions. Even with a shortage of specialty physicians, telemedicine will be of real value. Right now, there are shortages of physical, speech, and occupational therapists. Telemedicine is being used effectively in those environments and will have a role to play in the future.

Kauffman: What must skilled nursing operators do to be successful in the current environment?

Fogg: Number one, you have to be able to retain and recruit a workforce and that means focusing internally on leadership and culture. You also have to influence your primary revenue models: Medicare, Medicaid and Medicare Advantage. You have to negotiate fair and equitable rates to enable you to keep wages competitive and fully recover occupancies. Without staff you can't recover occupancies. In the long-term, I hope providers get more control over their risk and manage the populations we serve. Many emerging companies are trying to monetize savings in post-acute

care with our population. We have to own that risk ourselves and get credit for the value we create. Providers that don't do that will have challenges in the future.

Kauffman: Do providers have the resources to do that?

Fogg: Today, a small segment of providers has what it takes. We started an I-SNP. I'd like to see post-acute providers assume some risk. I hope the Center for Medicare and Medicaid Innovation (CCMI) will enable more alternative payment models to be accessible to post-acute care providers, so they can manage their own risk to create savings and benefit from that themselves. If not, we are going to be taken down to the lowest common denominator and commoditized, which isn't fair to our sector and the value we create.

Kauffman: What is your outlook for the rest of the year?

Fogg: The last three years have been a steep uphill climb. It's leveling off now. We're seeing improvements in the workforce, especially on the nonprofessional side, though it's still bumpy. I'm looking for gradual improvement. We have to be able to see through the trees two years from now. If education capacity increases and immigration reform passes in the next 6-24 months, we will slowly get better. I think inflation will come under control and rates will drop. Regulatory risks change with the administration and politics can always go one way or another. There are different risks and opportunities with each political party.

Kauffman: Where do you see the greatest opportunity for skilled nursing in the next three to five years?

Fogg: Demographics will drive access issues. When hospitals can't admit patients to skilled nursing, providers will have negotiating power because we are the lower cost setting. We have to be smart and effective to seize that opportunity. Behavioral health is also certainly one area where there will be some demand and opportunity in the post-acute care sector.

Kauffman: Won't a big part of the population need the Medicaid program for nursing home care?

Fogg: Rural skilled nursing communities are at risk. We have seen up to 600 closures since the beginning of COVID, and a large majority are in rural, Midwest towns with one facility. They can't make it. They can't get the staff. If there is nowhere to place Medicaid residents, states are going to have to pay higher rates.

Register for the 2023 NIC Fall Conference today

Frailty Research Highlights Senior Housing and Skilled Nursing's Value Proposition

By: **Ryan Brooks**, Senior Principal, NIC

Ryan Brooks

New research from NORC at the University of Chicago, funded by a grant from the National Investment Center for Seniors Housing and Care, sheds light on older adults' vulnerability to declining health outcomes before and after entering a senior housing and care property. The results of the study provide insights into understanding current and growing demand for senior housing. The study is the first in a four-part research series that assesses the health and well-being of seniors housing and care residents.
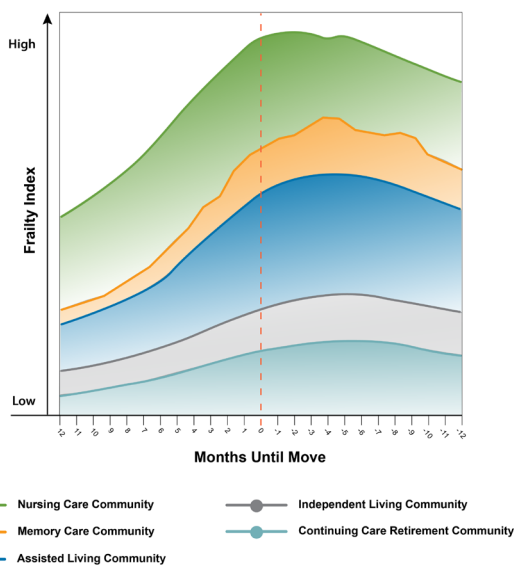
Subsequent studies will provide insights on access to health care providers, longevity, and health outcomes of residents in senior living settings.

Research findings show that vulnerability – as defined by "frailty levels" of residents – rises in the months leading up to a move into a senior housing and care community. Approximately three months following move-in, however, vulnerability plateaus and thereafter improves. These outcomes are consistent across all senior housing and care property types – independent living, assisted living, memory care, nursing care, and continuing care retirement communities (CCRCs).

NIC   ✳NORC

Older Adults Become Less Frail After Moving into Senior Housing

Vulnerability Levels Off and Declines After Moving Into Senior Living Properties

High

Frailty Index

Low

Months Until Move

● Nursing Care Community   ● Independent Living Community
● Memory Care Community   ● Continuing Care Retirement Community
● Assisted Living Community

Source: NORC analyses of CMS Medicare claims, encounters, and enrollment data, and NIC MAP Vision property address data

While conclusions from this study show that vulnerability improves following a move into a senior housing and care property, findings do not specifically identify the direct causes for the improvement. Senior housing offers supportive services that can lead to greater resident vitality and quality of life. Indeed, non-medical services provided within senior housing and care settings – social engagement, community involvement, balanced nutrition, transportation, and access to exercise – are likely vital contributors to improving resident health.

The change in vulnerability shortly after moving into a senior housing and care property speaks to one of the many value propositions provided by senior housing settings that are offered to residents.

The findings from this research are foundational and set the table for subsequent studies to examine the impacts of access to healthcare providers, the role senior housing and care plays in resident longevity, and how health outcomes for older adults differ from congregate to non-congregate settings.

Other findings from this study confirm what many operators already understood – vulnerability to declining health outcomes, as defined by "frailty levels" of residents, is highest in communities with the most intensive available support services. Put another way, the proportion of increasingly vulnerable residents increases with expected community acuity.

The proportion of increasingly vulnerable residents increases with expected community acuity
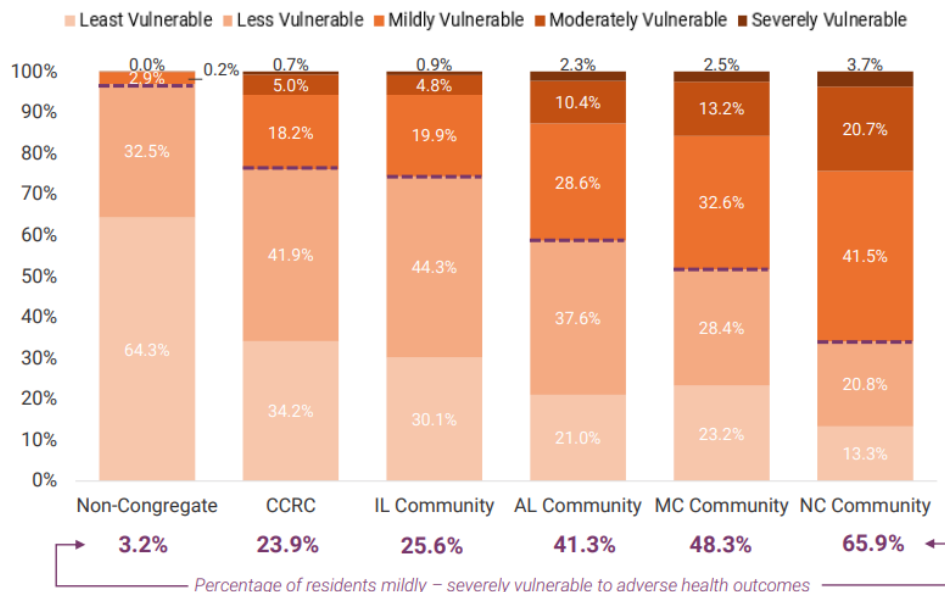
Source: NORC analyses of CMS Medicare Claims, Encounters, and Enrollment data, and NIC MAP Vision Property Address Data

Vulnerability of older adults is an important concept in senior housing and care research, because it suggests that vulnerability is not a permanent condition, but rather a temporary state of being that can be corrected with the proper interventions. Senior housing and care operators routinely assess residents to mitigate risk and improve health, as even older adults who are relatively healthy could be one incident away from needing higher levels of care.

The methodology for the study utilizes an academically-designed data linkage approach which ties property information from the NIC MAP® Data Service, powered by NIC MAP Vision, with Medicare Current Beneficiary Survey (MCBS) data and comprehensive administrative and claims data. These data sets, combined with **Harvard University's Claims-Based Frailty Index**, provide valuable insights into the health and well-being of seniors housing and care residents.

With few data sources available to analyze the health needs of senior housing residents, this nationally representative survey allows senior housing and care stakeholders to better understand the changes in vulnerability that occur after moving to a congregate setting.

To view the complete slide deck of findings, including methodology, vulnerability levels by property type, common conditions, illustrative vignettes, and future planned research, download the slides available on our website.

CLICK HERE TO ACCESS THE FULL PRESENTATION

Industry Leaders to Discuss the Future of Senior Living at 2023 NIC Fall Conference

Educational sessions at the upcoming 2023 NIC Fall Conference will examine the quickly evolving senior housing and care industry. Keynote speakers will focus on wide-ranging topics, including the recent momentum surrounding Alzheimer's disease research and how to best leverage capital relationships. In these sessions, attendees will get exclusive insights into the industry's future as speakers share ways attendees can adapt, thrive, and accelerate change.

Unlocking the Potential of Creative Capital Relationships

Debra Cafaro, Chairman and CEO, Ventas

Shankh Mitra, CEO, Welltower

After the shock of the pandemic and the subsequent disruption occurring in the capital markets, Ventas and Welltower shares each lost more than half of their value. Now, as both organizations see increases in their dividends, CEOs Debra Cafaro and Shankh Mitra will share the NIC stage to reveal how their organizations are restructuring to bounce back and set a new path to long-term growth. In this session, they will discuss how to adopt a strategic approach to managing relationships and rethinking capital deals. They'll also share the inside scoop on how companies can adapt and thrive through proactive portfolio management while strengthening operator relationships.

Alzheimer's Association Update

Joanne Pike, President and CEO, Alzheimer's Association

Robert Egge, Chief Public Policy Officer, Alzheimer's Association

The number of older adults is growing rapidly, and as this influx of older residents move into senior housing, they will bring health, mobility, and cognitive challenges that require integrated care. According to the Alzheimer's Association, one in three seniors die with Alzheimer's or another dementia, a disease that kills more than breast cancer and prostate cancer combined. By 2050, the number of people age 65 and older with Alzheimer's may grow to nearly 13 million.

Joanne Pike, DrPH, president and CEO of the Alzheimer's Association, and Robert Egge, chief public policy officer of the Alzheimer's Association and executive

director of the Alzheimer's Impact Movement (AIM), will speak at the 2023 NIC Fall Conference about how the organization improves everyday life for millions of people, caregivers, and families. With incredible momentum surrounding new treatments, Pike and Egge will address the critical need for equitable access, education, and support for those living with Alzheimer's. Attendees will walk away understanding what these recent research developments mean for their businesses and how they can apply what's happening in the research field to improve the lives of residents.

Don't miss the chance to hear these insightful perspectives from industry leaders and walk away with new tactics for your business. The 2023 NIC Fall Conference will be held October 23-25 in Chicago.

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New Members Named to NIC's Future Leaders Council

Members Bring Diverse Perspectives

The National Investment Center for Seniors Housing & Care (NIC) recently named the members for its incoming class of the NIC Future Leaders Council (FLC), chosen for their demonstrated leadership, vision, and commitment to volunteering. During their three-year term on the FLC, the members will engage in advancing initiatives as part of NIC's strategic plan. These initiatives include partnering for health, capital for operations, the middle market, AgeTech, and the active adult sector.

NIC Future Leaders Council's Class of 2026 Members
- Joshua Bagley — Executive Director, Goodwin Living
- Zachary Britton — Director, MidCap Financial
- Shashank Goel — Assistant Vice President, Harrison Street
- Morgan Graphman — Analytics Manager, Ascent Living Communities
- Sean Hladky — Vice President, Finance, Cantex Community Care Network
- Janice Loper — Senior Account Executive, Hamilton Insurance
- Katelyn Meyer — Senior Vice President, Operations, ReNew REIT
- Joelle Poe — CEO & President, Centered Care, Inc.
- Brittany Spicer — Assistant Vice President, Business Development, National Health Investors, Inc.
- Anthony Wilson — Assistant Division Vice President, Trilogy Health Services, LLC

"These future leaders represent the next generation of changemakers who will propel the senior housing and care industry forward." said Susan Barlow, NIC board chair and co-founder & managing partner of Blue Moon Capital Partners. "Each FLC member brings new insights stemming from diverse professional backgrounds and experiences. They will leverage their unique perspectives to help increase access and choice for older adults."

Established in 2009, the NIC FLC is made up of members nominated by senior executives and who demonstrate passion, commitment, strategic leadership, and creative problem-solving. The FLC Class of 2026 will begin their three-year term in October and will have the opportunity to participate in initiatives and NIC committees focused on delivering on NIC's mission.

Additionally, the FLC Leadership Team has been named for the term running October 2023 through September 2024. The FLC Leadership Team is charged with inspiring their fellow industry innovators and coordinating the Council's efforts in implementing on NIC's strategic plan.

Incoming NIC Future Leaders Council Leadership Team
- *Chair:* Samantha Medred — Partner, HealthTrust, LLC
- *Vice Chair:* Audrey Griffin — Vice President, Wells Fargo Bank

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2023 FALL CONFERENCE
Investing in Senior Housing & Care Properties
October 23 - 25 | Chicago, IL
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- *Vice Chair:* Madisen Medley — Director, New Business, Leisure Care
- **Vice Chair:** Trever Sweeney — Vice President, Asset Management, Ventas, Inc.

"NIC is proud to seed through the FLC professional relationships among future leaders of NIC and the industry as a whole," said Raymond Braun, NIC's president and CEO. "This program is just one of many ways NIC provides valuable opportunities to forward-thinking professionals throughout the sector to better shape the future for senior housing and care."

Artificial Intelligence Applications for Senior Housing Operators: Charting, Documentation, and Beyond

By Maxwell Gabriel, Director of Business Development and Analytics, Generations LLC

Maxwell Gabriel

As the world's population ages, the demand for senior housing and care services is growing at an unprecedented rate. To meet this challenge, senior housing operators are increasingly turning to artificial intelligence (AI) to enhance the quality of care and streamline operations. This article will explore some immediate capabilities of AI, including charting and documentation assistance and document management and indexing, as well as the long-term potential of AI in nurse coordination. It will also delve into the hurdles and obstacles that senior housing operators should understand, such as the cost implications, user trust, and current limitations of language models.

Immediate Capabilities

Charting and Documentation Assistance:

AI can significantly improve the efficiency of charting and documentation in senior housing properties. AI-powered tools can automatically transcribe spoken notes into digital records, reducing the time and effort required for manual data entry. Natural language processing (NLP) algorithms can also assist in identifying relevant information in patient interviews and medical records, ensuring that documentation is accurate and comprehensive. Immediate benefits include increased accuracy, reduced paperwork, and improved compliance with regulatory requirements.

Document Management and Indexing:

AI-driven document management systems can organize and index a vast number of medical records, reports, and administrative documents. Through optical character recognition (OCR) technology, these systems can convert handwritten or printed documents into searchable digital formats. Senior housing operators can easily retrieve and share vital information, leading to more informed decision-making and streamlined administrative processes. AI can also play a vital role in simple knowledge management, enabling operators and staff to quickly access routine processes and procedures instead of scouring an internal file system.

Long-Term Potential

Nurse Coordination:

AI has the potential to revolutionize nurse coordination in senior housing properties. Through predictive analytics and real-time monitoring, AI can optimize nurse scheduling based on resident needs and staff availability. Machine learning algorithms can identify potential health issues early, allowing nurses to intervene promptly. Additionally, AI can assist in coordinating interdisciplinary care teams, ensuring that residents receive holistic and timely healthcare services.

Medication Management:

Long-term AI applications in senior housing may include advanced medication management systems. These systems can help prevent medication errors by verifying prescriptions, providing reminders to residents, and alerting staff to potential drug interactions or adverse effects. AI can also monitor medication adherence trends, allowing healthcare providers to intervene when necessary.

Fall Detection and Prevention:

Falls are a significant concern for seniors. AI-powered sensors and cameras can detect falls in real-time and automatically alert staff or emergency responders. Over the long term, AI can go beyond detection to prediction, analyzing resident data to identify individuals at a higher risk of falling and implementing preventive measures accordingly.

Hurdles and Obstacles

Cost:

Implementing AI technologies in senior housing properties can be financially challenging. The cost of acquiring the necessary software and infrastructure can be prohibitive for some operators, particularly smaller facilities. AI demands significant computing resources, and given the current imbalance supply and demand, AI tools, such as ChatGPT, might see rising costs. Venturing into AI now could be a wise move as more operators begin to integrate AI into their systems. Securing funding or cost-sharing models may be necessary to overcome this hurdle.

User Trust:

Building trust in AI systems among both staff and residents is a critical challenge. Some may be apprehensive about relying on AI for sensitive tasks such as medication management or fall detection. Operators must invest in comprehensive training programs and transparent communication to ensure that users understand the benefits and limitations of AI.

Language Model Limitations:

AI's effectiveness in understanding and processing natural language is still evolving. Language models, which are computational algorithms designed to understand, generate, and interpret human language, are powerful tools. However, they can make errors in interpretation, especially when dealing with medical jargon or accents. This limitation underscores the importance of both an industry-specific language model, and human oversight in AI-assisted charting and documentation, especially for critical healthcare information.

Data Security and Privacy:

Senior housing operators must navigate stringent data security and privacy regulations like HIPAA. Ensuring the confidentiality of resident medical records and personal information in an AI-driven environment is a complex task that requires robust encryption, access controls, and compliance monitoring. Public chat agents like ChatGPT are not inherently private. They lack the necessary encryption, controls, and compliance mechanisms to handle sensitive information securely. While they offer valuable services, operators should ensure any AI tools

they employ meet stringent security and privacy standards required for handling sensitive data.

Integration Challenges:

Integrating AI systems with existing healthcare technologies, such as electronic health records (EHR) systems, can be a significant hurdle. Compatibility issues, data transfer challenges, and system interoperability need to be addressed to maximize the benefits of AI in senior housing operations.

Artificial Intelligence has the potential to revolutionize senior housing operations, offering immediate benefits in charting, documentation assistance, and document management. Long-term applications, such as nurse coordination and medication management, promise to further enhance the quality of care provided to senior residents.

However, senior housing operators must navigate several hurdles and obstacles, including software costs, building user trust, addressing language model limitations, ensuring data security and privacy, and overcoming integration challenges. Overcoming these challenges will require a commitment to ongoing education, investment in technology infrastructure, and careful consideration of ethical and regulatory implications.

Our search to embrace AI in our organization led us to **SkyPoint**, an AI platform for senior living and value-based care providers. They enable organizations to unify data sources like EHR records and internal policies and procedures, into a private, controlled environment. This enables operators and staff to "chat with their data" grounded in industry context.

The data never leaves the organization, strictly adhering to HIPAA compliance. They also have solved the language model concerns, by training an industry data set on the typical regulations, policies, and terminology commonly used in senior living.

While companies like SkyPoint are helping many in the industry embrace their AI ambitions, it's critical to develop a baseline understanding of the advantages these technologies can provide, and the measures taken to mitigate the commonly perceived risks of AI.

In the end, AI's role in senior housing operations should be viewed as a complement to human care, enhancing the efficiency and effectiveness of caregiving while maintaining the dignity and well-being of senior housing residents.

As technology continues to advance, it is incumbent upon senior housing operators to understand how data plays a key role in embracing AI effectively and responsibly, to ultimately elevate resident experiences across the continuum of care.

Senior Housing & Care Industry Calendar for October 2023

10/8-10……………..…Senior Living Innovation Forum (Napa, CA)
10/8-10……………......HLTH 2023 (Las Vegas, NV)
10/15-17 ……………...2023 Home Care and Hospice Conference and Expo (National Harbor, MD)
10/16-18………………SMASH 2023 (Las Vegas, NV)
10/18-20 ……………...PREA's 2023 Fall Conference (Boston, MA)
10/23-25 ……………..2023 NIC Fall Conference (Chicago, IL)
10/30-11/2 ……………ULI Fall Meeting (Los Angeles, CA)
10/31-11/2 ……………ICAA Conference and Expo 2023 (Anaheim, CA)

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