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In the Insider April Issue

Industry Leaders Reflect on Loss of Seniors Housing Icon Tony Mullen

Bob Kramer

Over the past two weeks, heartfelt tributes have poured in as the industry remembers Anthony James "Tony" Mullen, a highly respected, longtime senior living leader and dear friend, who leaves behind an important legacy to the sector he helped to create. Tony died unexpectedly March 10. He was 61.

As I contemplated this tribute, I thought it was important to reach out to other industry leaders who knew Tony and understood the impact he has had on our industry. Their thoughts and memories are intertwined in this testimonial.

It can't be overstated how incredibly special Tony was to me and to so many of us at NIC and in the industry. Along with Bob Eramian and Al Holbrook, Tony and I founded NIC almost 30 years ago. Tony made many contributions to the industry over his 34-year career, but his impact on NIC cannot be overstated. Many contributed to making NIC what it is today, but the truth is NIC wouldn't be NIC without Tony.

Tony and I met in the mid-80s when I headed the industry's first private pay seniors housing trade association. We just clicked in that first encounter and that set the stage for our future collaborations. In 1991, the four founders of NIC, including Tony, gathered at an Irish pub in Washington, D.C. to discuss hosting the first national event to bring together debt and equity stakeholders with C-suite building owners and operators. That became NIC.

Tony was most instrumental in laying the foundation for the NIC MAP® Data Service, and he shared with me and the NIC staff the transformative power of data, analytics and solid research. These efforts subsequently attracted more capital from investors to finance new development to house the growing ranks of the nation's elders.

Tony chaired NIC's first research committee on a volunteer basis, and then served as NIC's first director of research. I learned a lot from him. His passion for data and research enabled NIC to become what it is today and build its excellent reputation for the data and analytics that we produce.

Longtime industry leader and chairman of Formation Capital, Arnie Whitman, recalled that Tony believed robust data would help make seniors housing a new commercial real estate asset class. Arnie told me that goal has been accomplished, and even "over accomplished." He said, "The results speak for themselves."

In talking to Chuck Harry, our chief of research & analytics, who often collaborated with Tony, Chuck mentioned that Tony was relentless in challenging the industry to be "smarter" and "do better." I know Chuck is forever grateful to Tony for his insights and his perseverance in pioneering transparency in the sector.

Tony was rich with ideas, always thinking of new approaches and was constantly looking to other sectors, such as the multifamily and hospitality markets, for concepts that could be applied to seniors housing.

An entrepreneur at heart, Tony launched several senior living companies and held a number of executive positions in the industry. He also ran the Advanced Sales & Marketing Summit—a forum to improve the sales and marketing functions at senior living properties, which marked its 20th anniversary in 2016.

Tony had a passion for sales and how to apply research to understand the customer. He believed that we needed to do a better job of selling the concept of seniors housing to elders and their adult children.

Researcher Margaret Wylde of the ProMatura Group knew Tony well. In the early years, Tony led NIC in hiring Margaret's firm to collect the data for NIC MAP. Margaret shared Tony's interest in the "softer side" of the industry—sales and marketing—and she has been a guest speaker at Tony's Sales Summit. "He believed in the fundamentals," Margaret said.

One of the things I most respected about Tony was his commitment to his family and his Catholic faith. He truly lived his faith and principles, and everyone respected him for that. He founded the Children of the Father Foundation to help low income families and to help Catholics reconnect with their faith. He also raised funds to support Bonner & Prendie, a Catholic high school in Philadelphia.

He was devoted to his wife Linda Marciano, who preceded him in death. Together, they had four children and four grandchildren.

Bill Sheriff, the retired CEO of Brookdale Senior Living, told me that Tony deserves to be remembered for his inquisitive mind and passion for seniors. Bill hired Tony in the late 1980s when Bill headed the American Retirement Corporation, which was later acquired by Brookdale Senior Living. Bill said, "It's hard to imagine what the industry's path would have been without NIC and Tony."

Tony's sudden death was a shock to all who knew him and understood the invaluable contributions he made to the seniors housing industry. The NIC MAP data and analysis service would not be what it is today were it not for the passion, insights and dedication of Tony Mullen to provide meaningful transparency for investors through reliable, timely data. NIC and the entire seniors housing industry owe Tony an abundance of gratitude for his contributions.

For me, and many others who had the privilege of working alongside Tony, we lost a dear friend as well as an esteemed colleague—a rare individual who led and inspired by example in his professional and personal life. An individual of immense integrity, Tony was always willing and eager to help people with new ideas. Both NIC and I, personally, consider ourselves fortunate that Tony devoted so much of his time, talents, and passion to enhancing and growing the senior living field. Thank you, Tony, for a job well done and a life well lived.

On a More Personal Note…

Tony Mullen

The outpouring of tributes for Tony Mullen has been overwhelming. His friends and colleagues have been eager to share their impressions of him from their many encounters with Tony throughout his long career. Clearly, he was widely admired as a person of integrity and served as a role model for others.

Here are some remembrances of Tony Mullen, the person.

"I am honored to have worked with Tony throughout my tenure to date with NIC. I'm grateful for his counsel, his persistent inquisitiveness regarding opportunities for improvement, his bounty of creative solutions, his friendship, and for him having infected me with his passion. In gratitude for the many legacies Tony left to the industry, let's work together in striving to meet Tony's challenges to us."
—Chuck Harry, NIC

"I never heard Tony say a bad thing about anyone. He was one of truest human beings you will ever find. He was a good friend."
—Margaret Wylde, ProMatura Group

"Tony did everything in his life the right way. He trusted his instincts and those were based in faith. I will always cherish that friendship and connection that we had as humans. It was his faith that carried him through when his wife passed away. He was always a positive man and had a belief that we are all just passing through. He was an amazing person."
—Arnold Whitman, Formation Capital

"He was a gentleman and scholar, but most importantly he was a positive light to the world. He was always available and ready to assist others whether it be through his community work, or to the industry. He was available for those who sought knowledge about development, market research and operations."
—Al Holbrook, Chairman of Solomon Holdings and NIC Co-Founder

"He was one of a kind and very giving. He lived his life in service to others, and I will miss him sorely. He existed for causes greater than himself, both professionally and personally. His legacy will live on, always."
—Mike Hargrave, Revista

"Tony was a great friend and a talented professional. He had a way of talking things through to make sure we understood where he was coming from. That's rare. He will long be remembered as an industry icon."
—Jim Moore, Moore Diversified Services

"Tony had a passion for serving others. I really respected him and how he conducted himself."
—Bill Sheriff, former CEO Brookdale Senior Living

Partnering with a Big Healthcare System: A Conversation with New NIC Board Member Michael McCurry, COO Mercy Health

Michael McCurry

After a strategic review of its mission, NIC recently expanded its Board of Directors to include representatives of the healthcare community. The appointments come in response to the growing importance of healthcare in senior living and care communities, and the value of cross-sector partnerships.

The two new board members are Dr. David Nash—a population health expert profiled in the February issue of the NIC Insider—and health system executive Michael McCurry.

McCurry is executive vice president and COO at Mercy Health, a top nonprofit healthcare provider based in St. Louis. Mercy includes more than 40 acute care and specialty hospitals, 800 physician practices and outpatient facilities, 44,000 employees, and 2,100 Mercy Clinic physicians in Arkansas, Kansas, Missouri and Oklahoma. Mercy also has clinics, outpatient services and outreach ministries in Arkansas, Louisiana, Mississippi and Texas.

NIC recently talked to McCurry about how healthcare systems like Mercy can work with seniors housing and care providers. Here's a recap of the conversation.

NIC: What interested you about joining the NIC Board of Directors?

McCurry: I was intrigued about the seniors housing and care model. We are all headed to that place in our lives regardless of our choices. NIC has had a huge impact by bringing capital into the sector to give seniors more choices. It's a really cool mission and a crying human need.

NIC: You attended the recent NIC Spring Forum. What was your impression of the industry?

McCurry: Seniors housing and care is grappling with challenges like a lot of industries, trying to figure out how the baby boomers will impact their business model. Clearly, care models and payment systems are changing and that will change the industry. But the attendees at the Forum were a vibrant group with lots of questions and ideas, and I saw many exchanges between investors and providers. That's a healthy way to learn and grow.

NIC: What can a large provider like Mercy learn from seniors housing and care providers?

McCurry: We have similar challenges. I think both industries can learn from each other by understanding what their struggles are. On the hospital side, for example, we have long-time patient records. But we don't always know what has happened over time in the skilled nursing facility. Access to complete medical records would save us time as we diagnose and treat patients. Better coordination between the hospital and the post-acute provider is needed.

NIC: You've worked extensively in Mercy's IT division. What role does technology play in partnerships?

McCurry: Electronic health records (EHR) are a great way for health systems and post-acute providers to dialogue. EHR is high on our wish list for partners, but we don't demand it. But the day is coming when EHR will be in the best interest of the patient.

NIC: What other factors do you consider when setting up preferred partnerships?

McCurry: We are looking for partners that have the patient's interest at heart, demonstrate quality care, and are more concerned about making the right decisions for the patient rather than just looking at the bottom line.

NIC: What specific quality measures do you use?

McCurry: We do pay attention to the Five Star Quality Rating System. In the hospital world, we also look at Truven and Leapfrog metrics. We believe they measure the right things for patients and indicate quality organizations.

NIC: Where is value-based care headed?

McCurry: Value-based care is growing. It really becomes important when your percentage of risk-based revenue gets above 35 percent or so. Then it is serious for your organization, and that's where things are headed. Mercy physicians also believe it's the best model of care. When you pay attention to keep that patient well, proactively manage their diseases, and track quality metrics, it winds up reducing utilization. The only way for providers to survive is to share in risk-based improvements in the cost of care. We believe that at Mercy. We believe it is the right thing for the country too, because we cannot afford the growing cost of healthcare.

NIC: What percent of your revenues are in the value-based care bucket?

McCurry: About 40 percent today.

NIC: If you could tell seniors housing and care operators to focus on one thing, what would it be?

McCurry: If you want to get Mercy's attention, and that of other healthcare providers, start with what the patient needs and adopt a collaborative approach.

NIC: Mercy is a large organization. Where should a senior living provider start when seeking a partnership?

McCurry: Start with the local community providers—anyone in a leadership role at a hospital or clinic. They should be delighted to hear from senior living companies.

NIC: What factors are key to align the incentives for seniors housing and care, and hospitals and physicians?

McCurry: One area where we can all agree is what is best for the patient. At Mercy, we try to make sure physician income is payor agnostic, so anyone who needs care can receive it. At the same time, we make sure the organization has a healthy payor mix.

We take care of two million patients annually, and we can figure out the right approach for the patient depending on their insurance coverage. But it is always centered on what's best for the patient. I think we can align interests the same way in the post-acute world by starting with the patient's needs.

NIC: What other advice would you give seniors housing and care providers?

McCurry: Look for barriers to patient-centered care and eliminate them. In the fee-for-service world, the only way to make money is to do more procedures. But that's not necessarily the best thing for the patient. Everyone will win if we eliminate incentive systems that reward unnecessary testing and procedures.

NIC: Is there a role for assisted living?

McCurry: We work with assisted living. It's no good for either of us if the patient is being readmitted to the hospital. We sometimes provide a medical director to help manage an assisted living population, visiting residents once a week. We have 2,100 M.D.-level providers and about 1,500 advanced nurse providers. I bet there would be other ways to share resources and help each other.

NIC: Is Mercy involved in any promising innovations?

McCurry: We've enrolled thousands of patients in a program called "Engagement at Home." It takes care of people at home in a value-based-care model. We start with the patient's goals and then build a treatment program around those goals to actively manage their disease. It's all electronic. The patient has an iPad and can talk to a doctor in a virtual care center. The doctor can access the electronic health records, and we have the electronic tools to monitor their condition. Algorithms are built into the system to tell if the patient is deteriorating and, in that case, the virtual care center will initiate a call to the patient. They get an in-person visit when they need it. We've had the program for a couple years and just started to scale it up over the last year. We've seen a dramatic decrease in cost by eliminating unnecessary emergency room and doctor visits. We have happier patients too.

NIC: Have you considered introducing the program to an assisted living building?

McCurry: Not yet. We've been serving our own patients. But I came away from NIC's Spring Forum thinking about how I can talk to folks about this. We did not launch "Engagement at Home" to take away business from post-acute providers. I've really enjoyed getting to know the leadership at NIC. They're focused on helping their industry succeed, and I look forward to working with them. Partnerships represent a great opportunity.

Successful NIC Spring Forum Highlighted How to Unlock Value Amid Changing Market Conditions

Key takeaways:

- Healthcare coordination and services for residents is emerging as a priority
- Occupancies and new construction levels can vary greatly by market
- Tight labor markets demand new approaches
- Value-based healthcare payments are here to stay

Focused on turning challenges into opportunities, the 2018 NIC Spring Investment Forum brought together more than 1,800 seniors housing and care executives at the Omni Dallas Hotel, March 7-9. The event featured three days of productive conversation, connections and education.

"The Forum provided a rich platform for big ideas," said Brian Jurutka, NIC president and CEO. "Investors, operators and service providers had the opportunity to learn how to adapt their business models to a quickly changing environment."

The Forum's theme, **"Unlocking New Value in Senior Care Collaboration,"** was an in-depth continuation of the conversation started at last year's Spring Forum on how to develop successful strategies amid disruptions in the healthcare system and changes in market realities.

The busy three-day event featured several NIC-hosted networking receptions, networking lounges for attendees to conduct business, and special activities for newcomers. A mobile phone app offered an easy-to-check portal for meeting information and served as an audience polling device during the educational sessions.

Two large general sessions were complemented by 17 educational sessions, divided into three areas of focus: **Investing & Valuations**; **Value Creation & Partnerships**; and **Risk & Return**.

What follows are summaries of the daily program. For more coverage, visit http://www.nic.org/2018-spring-investment-forum-rewind/

Day 1

Two educational sessions were held Wednesday afternoon. **"Local Markets Performance in Seniors Housing and Care,"** took a deep dive into market metrics and NIC MAP data tools that can be used to determine which markets offer the best opportunities. NIC chief economist, Beth Mace, opened the session with an overview of macro-economic conditions. She highlighted the factors that impact individual market performance: economic vitality, labor force availability, demographics, and new building supply. "There is an upward pressure on wages and a downward pressure on rents," she noted.

Highlighting the wide variations in local markets, NIC senior principal, Lana Peck, detailed data on the San Francisco, Houston and Atlanta metropolitan markets.

She also demonstrated newly introduced NIC MAP tools that can be used to determine demographic characteristics of a custom market area for seniors and their adult children, understand a competitor's trade area, and identify drive times from a property.

The second session of the afternoon was titled, **"High Performance Networks: How to Partner in a Value-Based World."** Moderated by Jason Feuerman of Genesis HealthCare, the panel shared strategies on how to work with healthcare providers under pressure from value-based care initiatives. Highlights included ways to improve occupancy, strengthen referral flow, and guarantee smooth resident transitions.

Day 2

Attendees were welcomed at the opening general session by NIC's Jurutka, who introduced the Forum's theme, "Unlocking New Value in Senior Care Collaboration." He noted three drivers of industry change: a necessary shift in approach needed to care for the coming wave of baby boomers; changes in healthcare payments and delivery systems; and new technology.

Jurutka was followed by a panel of healthcare reform experts on the topic, **"Trends in Healthcare Payment and Delivery Reform: The Impact on Seniors Housing, Post-Acute and Long-Term Care."** Panel moderator Dan Mendelson, of Avalere Health, noted that value-based purchasing of healthcare is here to stay. The panelists—all with high-level government experience—shared their insights on healthcare reform. They offered candid observations about the growth and impact of Medicare Advantage plans; value-based purchasing; and how skilled nursing providers can position themselves for success by participating in bundled payment demonstration programs.

During the general session luncheon, two new members of the NIC Board of Directors were introduced: Mike McCurry, COO at Mercy Health, and Dr. David Nash, an expert in population health. Each brings an important healthcare perspective to the NIC Board, reflecting the industry's growing need for increased healthcare coordination and services.

NIC chief of Research & Analytics, Chuck Harry, announced two new strategic alliances. PointRight, a provider of data-driven support and analytics for the skilled nursing sector will provide its proprietary skilled nursing data through the NIC MAP® Data Service. NIC also has a strategic alliance with Eldermark to capture actual rates for room and care in seniors housing communities, an important move to further industry transparency.

The luncheon session featured a lively discussion titled, **"Investment Strategies in the Age of Disruption."** Kurt Read, RSF Partners led the panel and was joined by Rick Matros of Sabra REIT and Arnold Whitman of Formation Capital. Their take: seniors housing still represents a compelling story to investors, rising resident acuity is changing the investment equation, and labor shortages are real. "It's not just the lack of workers but employee turnover," said Whitman. "We need to provide training and education, and we need to eliminate the stigma of working for the eldercare industry."

Eleven concurrent educational sessions were held during the day. Here are some highlights from a few:

- **"Integration of Care Services: How to Partner with Places People Call Home."** Several providers offered their experiences of partnering with healthcare services. Tony D'Alonzo of Bayada Home Health Care noted that 25 percent of its clients are living in seniors housing. In another example, Brandywine Living uses healthcare coordination as a differentiator.
- **"Operators and Investors… So Who is Going to Take Care of All Those Boomers?"** Panelists addressed the labor shortages facing the industry and the need to recruit and retain good staff. Some of the solutions included hiring older workers and using new technologies to increase efficiency. Dan Guill, COO at Enlivant said: "Don't waste time chasing the wrong people."
- **"A Fireside Chat with Equity Players in Senior Care."** A diverse panel of senior care stakeholders discussed the outlook for real estate and non-real estate assets. Moderator Ben Firestone of Blueprint Healthcare noted the strength of market headwinds, but he added that property performance always comes back to the operator. A rapid-fire round of questions produced an outlook of rising property and non-real estate asset prices and continued shortages on the labor front.
- **"What Seniors Housing and Care Investors Need to Know about Healthcare and Why It's Important."** Moderator Anne Tumlinson provided a backdrop of the intersection of healthcare and senior living. In short: Medicare covers all senior living residents and many are in the Medicaid program. These seniors account for a large amount of healthcare spending. Two senior living providers described their programs to offer care coordination and how the programs have increased building census and made for happier residents.
- **"The Path to Healthcare Risk: Do You Have a Decent Map and Proper Footwear?"** Panelists discussed taking on risk for healthcare. Several provided insights into how they insure their own residents. They agreed that the insurance route isn't for everyone, however.

Day 3

The Forum concluded with four educational sessions. **"The Secrets to Winning Managed Care Business"** was led by Michael Torgan of Healthcare Management. The panel addressed the growth of Medicare Advantage and how to work with these insurance plans to improve occupancies and property values.

Other panels included: **"Valuation Methodology Revisited: The Art of Valuing Businesses and Real Estate in Seniors Housing & Care,"** and **"Achieving Successful Care Coordination: High-Tech and Low-Tech Solutions."**

NIC's Mace provided an overview of market conditions during the session, **"Current Market Conditions Impacting Senior Care."** Despite concerns about an oversupply of new projects, Mace noted that in the late 1990s when the sector was overbuilt, investors did not have access to the kind of market data now provided by NIC. "Investors and operators have greater awareness about the dangers of an oversupply," said Mace. "This cycle is different."

NIC Skilled Nursing Data Initiative: Urban-versus-Rural and Revenue Mix Included in Latest Report

Bill Kauffman

- **Urban and rural occupancy trends diverge**
- **Medicaid revenue mix approaches 50%**

The skilled nursing sector faces challenges due to many factors, including length of stay pressure from managed care, changing regulations, competition from other post-acute care providers (such as home health), and labor issues—both retention challenges and wage rate growth pressure. However, most experts agree that the skilled nursing sector will continue to be a valuable proposition within the healthcare delivery system, as the population continues to age and the demand for lower cost settings increases because of budgetary constraints. That said, as the sector continues to navigate through the next few years, it is prudent to stay abreast of the latest trends, especially the ones that are of importance to both operators and capital providers.

NIC has been dedicated to increasing the quality of data in the skilled nursing sector over the past few years. Most recently, NIC added new metrics into the Skilled Nursing Data Report. The recently released report now includes urban versus rural trends as well as revenue mix by payor source. This latest report includes time-series data from October 2011 through December 2017.

The report is based on data collected monthly, but reported quarterly, from approximately 20 operators and 1,500 properties. The data represents national, aggregate figures. However, NIC plans to grow the data set by adding more operators and properties in order to produce state-level reports. NIC welcomes the participation of operators nationwide in this confidential data collection process. Participating operators will receive a free benchmark report every month for their data contribution.

Now, let’s look at some of the key takeaways from the most recent report.

Occupancy declines

Occupancy continued to decrease in the fourth quarter of 2017 despite an early and severe flu season. Some stabilization in occupancy can typically be expected as admissions to skilled nursing properties increase due to illnesses in flu season. For example, we have historically seen an uptick in skilled mix in the fourth quarter from the third quarter during an early and severe flu season, e.g. December 2017, 2016 and 2014. However, we did not see the uptick in skilled mix in December 2017 as was seen during December of both 2016 and 2014.

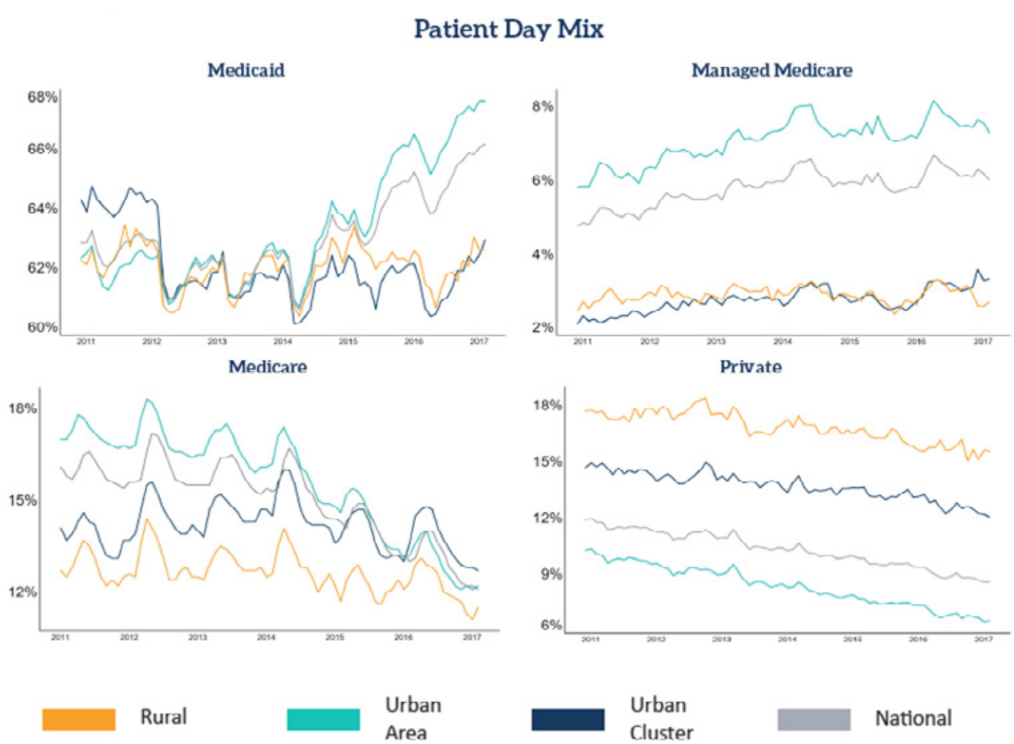
Overall occupancy decreased 66 basis points from the third quarter of 2017 to end the fourth quarter at 81.9%. Compared to a year ago, occupancy declined 159 basis points from 83.5% in the fourth quarter of 2016. The continued pressure on overall occupancy—and remember all markets are different and can experience different trends—is likely to continue until the supply and demand equation comes into better balance for Medicare and managed Medicare patient days.

Urban versus rural takeaways

Differences in occupancy trends in rural and urban settings were pronounced over the last 12 months, with rural occupancy rates declining more sharply than those in urban areas. This may reflect many differences including demographics, competition from home healthcare and telehealth, and reforms to the healthcare system. In addition, rural areas are unique in that competition from Critical Access Hospitals (CAH) might also be at play as they seek patients that might otherwise enter a skilled nursing property.

In contrast, a positive takeaway for rural areas is the fact that they have seen over the past 6.25 years a slight increase in the overall weighted-average revenue per patient day across payor types. This is a result of a comparatively higher private patient day mix over the years and a significantly higher increase in private revenue per patient day, along with less exposure to the pressures of managed Medicare. However, higher expense growth, especially wage rate growth over the years, needs to be factored in when assessing the overall profit of the business.

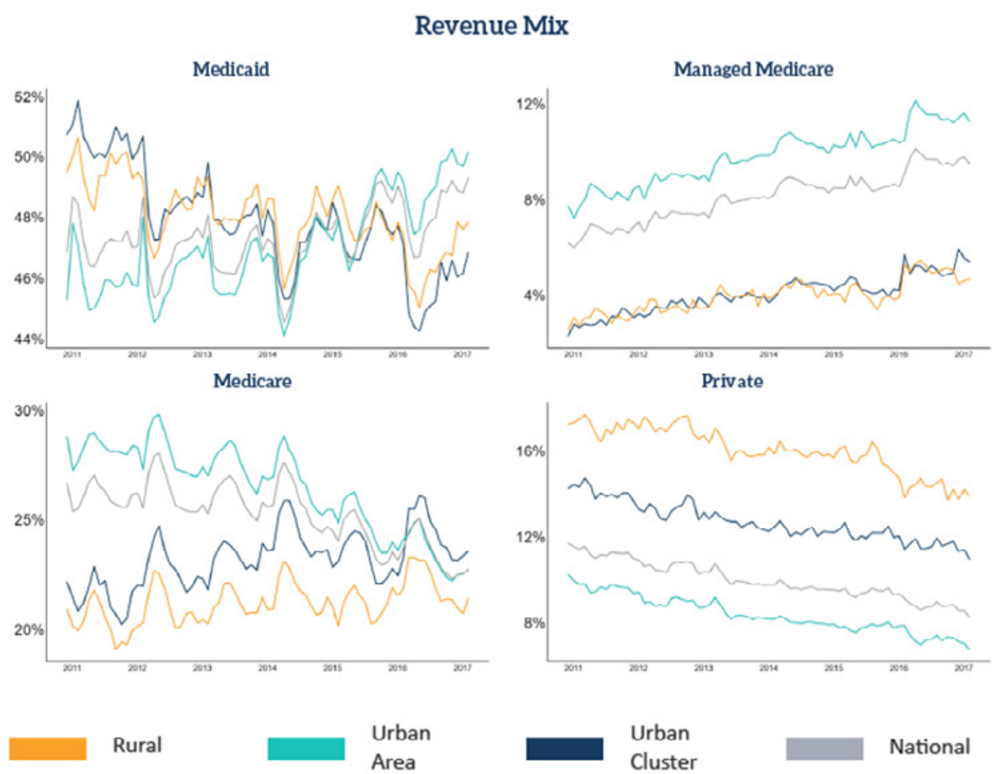
Another main takeaway from the latest report is that private patient day mix is significantly higher in rural areas when compared to urban areas. Rural private patient day mix as of the fourth quarter of 2017 is now 15.6% compared to only 6.5% in urban areas. One possible explanation for the differences among geography types is that skilled nursing properties in urban areas may face in general higher competition for market share, in part because of a greater supply of prospectively competitive products, such as home care and other seniors housing types.
Given the release of this new data and the urban vs. rural takeaways herein, more research is needed to shed light on the drivers of the differences in the rural and urban areas.



Source: NIC Skilled Nursing Data Report 4Q17

Managed Medicare pressures

It is no secret that managed Medicare has been an increasing challenge for many skilled nursing operators. However, the latest data shows that there is a difference when it comes to urban and rural areas. At the national level, managed Medicare revenue per patient day (RPPD) pressures were again evident in the latest data, hitting a new low at $433. But an analysis of urban vs. rural areas suggests that the pressures of managed Medicare are more prevalent in urban areas than in rural areas. Although the RPPD has seen a decline in both rural areas and urban areas, the exposure to that pressure is currently limited in rural areas, as managed Medicare patient day mix currently stands at 7.3% in urban areas and only 2.7% in rural areas. In addition, managed Medicare patient day mix in rural areas has essentially been flat over the past 6.25 years, ranging between only 2.5% and 2.7%, whereas it grew from 5.8% to 7.3% in urban areas over the same period. That said, this data suggests that an analysis of the risk factors can have a significantly different result when comparing urban vs. rural properties.



Source: NIC Skilled Nursing Data Report 4Q17

Medicaid – essential to skilled nursing operators

Medicaid has been and will likely continue to be the answer for long-term care for a majority of the population in the United States for the foreseeable future unless something changes with policy makers and/or some sort of public/private solution emerges. Given the budgetary constraints, Medicaid will most likely receive more headlines in the coming years.

One headline could be the fact that Medicaid revenue mix as of the fourth quarter of 2017 now represents essentially half of all revenue at skilled nursing properties at 49.3%. That percentage is up 70 basis points from the fourth quarter of 2016. As most readers have heard and/or seen, Medicaid is generally known for lower reimbursement rates, but the tone of the conversation starts to change when Medicaid is considered in terms of representing close to half of the revenue in the skilled nursing sector. In short, Medicaid is essential to the viability of the current business model. To further emphasize that point, revenue mix has decreased for Medicare, the highest payor, to 22.8% and is down 98 basis points from the prior year. Continued downward pressure on Medicare makes Medicaid revenue all the more important to keep on the radar.

NIC released its latest Skilled Nursing Data Report on March 7, 2018. You can download the latest report and future reports at: http://info.nic.org/skilled_data_report_pr

Thoughts from NIC's Chief Economist

Beth Mace

Jobs, Jobs, Jobs

It's a good time to be an employee. The U.S. labor market is strong. In February alone, more than 300,000 jobs were created, marking the 89th consecutive month of positive job gains for the U.S. economy. Since late 2010, 17.5 million jobs have been generated (a 13.4% increase), pushing the number of employed persons in the U.S. to an all-time high of 148.2 million. A separate survey shows that job openings continue to exceed hirings by a significant margin and that workers are quitting jobs as opportunities abound.

Meanwhile, the unemployment rate sits at a 17-year low of 4.1%, with many prognosticators suggesting that it may fall toward historic lows in the coming months. The lowest recorded jobless rates are 2.6% in 1953, 3.4% in 1969, and 3.9% in 2000.

Hiring, Hiring, Hiring

While good for employees, such low jobless rates present challenges to employers who must staff their businesses. This is true for nearly all industry sectors, but it particularly resonated at NIC's recent Spring Investment Forum, where much discussion and many sessions addressed the topic. The challenge for the seniors' care and housing sectors is recruiting and retaining appropriately trained and skilled staff for all positions, from the front line to the executive director and management level. And, as new properties come on line, stories of new competitors pilfering existing staff from incumbent properties are rife.

So, what are some strategies that can be used to mitigate today's tight labor markets? Below are some ideas being discussed to address this concern. They fall into three general categories: work environment, recruitment, and collaboration with educational institutes.

Work Environment

1. **Improve employee retention** by providing a culture and work environment that makes staff want to stay in place, which also will enhance long-lasting relationships with residents. Steady, consistent and predictable staffing adds to residents' happiness. Reduce turnover and create long-term commitment from staff by providing a benefits package, competitive pay, financial incentives, and a work environment that encourages employees to stay for elongated periods. This applies to frontline caregivers, middle managers, and senior executives. As Richard Branson, founder of the Virgin Group, has said, "Train people well enough so they can leave, treat them well enough so they don't want to."

2. **Provide a stimulating and enhanced environment** with opportunity for community-based involvement, including programs for staff with young adults and children. Offer training and educational programs. Provide healthcare to staff. Create a family-oriented environment for staff where family members periodically come to work. Offer complementary meals to staff and consider offering child care services. Offer scholarships to staff family members.

3. **Take away any stigma** associated with working in the seniors' care and housing sectors. Improve the narrative about working in the sector, and emphasize the "care" component and sense of purpose that comes from doing work that enhances the lives of others.

4. **Employ technology to improve work** efficiencies so staff can spend more time with residents and improve quality and quantity of care.

5. **Create teams of excellence** composed of staff members that work well with each other, share experiences, and become friends. Use these teams as role models. Create a program where employees nominate each other for awards and recognition.

6. **Listen to your staff**. Understand what motivates them. Engage with staff. Find out why staff leaves.

7. **Generate a flexible scheduling process** for staff and guarantee a standard set of work hours for proven employees.

Recruitment

8. **Think marketing**. Create a job recruitment program that is comparable in marketing scale to new-resident sales recruitment.

9. **Create a corporate brand and reputation** that makes staff proud and braggadocios. Provide a bonus to existing staff for recruitment of new staff, and create an employee referral network.

10. **Train senior management** on talent management and recruitment of appropriate candidates in terms of corporate culture, requisite skills, and personalities. Consider industries in the retail and hospitality sectors as well as other industry groups as competition in your staff recruiting and retention challenges. Foster employee loyalty with an effective on-boarding program.

11. **Consider demographics and where the future workforce is coming from**. Recruit older workers and create an environment where the old take care of the older and the older take care of the oldest.

12. **Create succession planning models and redundancy plans for key staff positions**. Implement systems that can mitigate a single source of failure in the operation. The creation of assistant executive director programs, for example, is one solution being implemented to help protect the operation from the loss of an experienced and well-regarded executive director, a position often viewed as an operator's single most important and critical resource for a property's success.

13. **Optimize social media opportunities for staff recruitment.** Use the latest search engines and job websites to generate applicant flow.

14. **Expand the geographic radius** from which to draw staff and consider helping staff get to work with ride-sharing services such as Uber or Lyft.

Collaboration with Educational Institutes

15. **Identify and advertise specific career tracks** for the sector and within organization structures. Debunk the myth that the industry has "dead-end" jobs. Re-shape the narrative of working in seniors housing and care as being a viable field with career paths.

16. **Continue to create awareness campaigns** such as Connect the Ages and through group initiatives such as Leading Age's Center for Workforce Solutions and Argentum's Workforce Development Initiative.

17. **Collaborate with universities** to create undergraduate and graduate educational tracks and degrees for operations and management in the seniors' care and housing sectors.

18. **Reach out to high schools** to create training and hiring programs for students, as well as internship opportunities. Create programs for graduating seniors who have worked in seniors housing and care to choose aspiring undergraduate high school replacement workers.

A change in immigration policy that would welcome workers in the caregiving and healthcare professions also could help to alleviate the issue of the tight labor markets for this industry and should be given consideration in Washington. And lastly, I wonder if there is a way to "uberize" select staff positions in the seniors housing and care industries. There are a number of boomerang boomers out there who want to provide service and "give back," while earning money and having flexibility in their schedules. Some clever individuals out there can help figure out a way to implement this opportunity.

As always, I welcome your feedback, thoughts, and comments. Let's keep the discussion going.

A Sustainable Building Can Be a Wise Investment: Here's How to Start

Kelly Meissner

Marla Thalheimer

Environmental sustainability in the seniors housing industry is receiving wider attention from investors, operators, and residents alike. The following from Ventas's director of sustainability, Kelly Meissner, and Brookdale's former director of sustainability, Marla Thalheimer, provides an introduction to sustainability, reveals why it matters, and offers key focus areas that will help owners and operators get started on how to leave a greener footprint at their seniors housing communities.

Why is sustainability important for senior living?

Simply put, sustainable practices **create long-term value** for all stakeholders by managing resources that create tangible long-term financial benefits and intangible benefits, such as reputation and risk management.

There are four key areas where sustainability can positively impact senior living communities:

1. **Increased profits through lower operating expenses:** Eco- and asset-efficiency efforts, such as eliminating waste and optimizing energy usage, are areas that can directly impact the bottom line. Start by determining if utilities expenses are well managed, and, if the community is performing to budget, how it compares to similar buildings. Benchmarking energy consumption against other senior housing communities can be done using the EPA's free ENERGY STAR® Portfolio Manager online tool.[1]

2. **Enhanced resident comfort and wellbeing:** The indoor environment plays a critical role in the health and well-being of occupants. For example, well-maintained HVAC systems increase thermal comfort and reduce hot/cold complaints. Good indoor air quality with appropriate ventilation can have a direct impact on the cognitive function of residents – 61% higher in "green building conditions," defined as reduced levels of volatile organic compounds (VOCs) emitted as gases from paints and fresh flow of 20 cubic feet per minute of outdoor air per person, according to a recent Harvard study (i.e., https://chge.hsph.harvard.edu/resource/impact-green-buildings-cognitive-function). Best practices for healthy buildings resources include the WELL Building Standard®[1] and Fitwel®[1].

3. **A plus for resident prospects and their families:** According to market research from the Shelton Communications Group (i.e., https://sheltongrp.com/insights/), almost 75% of purchasing decisions are impacted by a company's environmental reputation, and nearly two-thirds identify energy conservation as important to their daily purchase choice. Communities showcasing sustainable practices will gain market advantage by appealing to residents and their family members who identify this as a priority.

4. **Improved employee recruitment, retention, and engagement:** Attracting and keeping the strongest workforce in this competitive industry is a challenge, but the Harvard Business Review (i.e., https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability) suggests that companies that demonstrate greater sustainability performance have as much as 55% better morale and can reduce average turnover by up to 50%.

Why hasn't sustainability received as much attention as it has from other commercial real estate segments?

The senior living sector already has a lot to manage because of regulatory requirements and constant legislative changes—all while taking impeccable care of one of our most vulnerable populations. So, there's significant opportunity to educate the industry to dispel three negative perceptions about sustainable practices:

- **"It's too expensive:"** While some solutions have a hefty price tag, there are many no- and low-cost measures that can be implemented, especially around saving energy and water such as simply turning lights off when not in use. When making capital purchases, be sure to take advantage of utility rebates and incentives to purchase more efficient equipment at lower costs.

- **"No one is asking for it:"** Consumers are becoming increasingly educated about sustainability and are using it to inform decision-making. Even if they are not asking how much energy you saved in the previous year when bringing a parent in for a tour, that doesn't mean they don't care or won't be influenced by this data when making a choice. While positive environmental stewardship may not be their only reason to consider a community, sharing positive highlights on these topics can certainly help give you an advantage over competitors.

- **"We don't have time:"** Sustainability is not a one-time, check-the-box initiative to be added on top of already very full plates. It should be embedded into the way business is done every day by engaging and training employees on better ways to do existing tasks and in making smart decisions.

What is low-hanging fruit that can be tackled?

- **Reduce water usage:** Consider native landscaping: select landscaping natural to your geography so it can thrive without excessive irrigation. In addition, native landscaping typically requires fewer chemicals to eliminate pests and promote growth, creating cleaner water runoff. There are many water conservation technologies available, such as an irrigation system using weather to determine when and how frequently to water. Given that U.S. water price rates climbed on average 50%+ since 2010 (https://www.vox.com/science-and-health/2017/5/19/15477702/map-30-us-cities-water-price), certain markets can achieve a strong return on investment.

- **Install LED lights:** LED retrofit projects have attractive payback periods between two to seven years. LEDs use less energy and last longer than incandescent and CFL bulbs, reducing electricity consumption and lowering supply and maintenance costs. Many markets also offer rebates on LED retrofits.

- **Track your utility data:** The ENERGY STAR Portfolio Manager®[1] can track utility data to help measure value creation by understanding the building's baseline and benchmarking against similar buildings. Third-party utility bill payment providers, such as Ecova[1], Schneider Electric[1], and Goby[1], can manage utility bill payment and analyze the information to assess energy and water consumption data for communities.

[1] Listed for reference only and is not an endorsement by NIC, Ventas nor Brookdale

Resources:

- Cog FX Study - https://chge.hsph.harvard.edu/resource/impact-green-buildings-cognitive-function
- Shelton Group - https://sheltongrp.com/insights/
- Harvard Business Review - https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability
- Water prices: https://www.vox.com/science-and-health/2017/5/19/15477702/map-30-us-cities-water-price

Seniors Housing & Care Industry Calendar

April 2018

4/25-27	AHCA/NCAL 2018 Spring CEO Conference, Amelia Island, FL
4/26-27	2018 Health Datapalooza, Washington, D.C.
4/29-5/1	ATA18, Chicago, IL

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