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National Healthcare REIT Thinks Local: A Conversation with LTC’s Clint Malin

LTC Properties was ahead of its time. The healthcare REIT recognized early on the power of local market knowledge, focusing on partnerships with regional operators to leverage their expertise.

That recognition led to a strategic and targeted investment approach, guided by the senior leadership team at LTC including Clint Malin, executive vice president and chief investment officer at the Westlake Village, California-based company.

NIC chief economist, Beth Mace, recently spoke with Malin about LTC’s methodical strategy and the signs he sees of future opportunities. Here’s a recap of their conversation.

**Mace:** How long has LTC been investing in the seniors housing and care sector?

**Malin:** LTC has been around for 27 years. We went public in 1992 as a mortgage REIT investing in the skilled nursing space. In the mid-to late-’90s, LTC began to diversify its investments into the ownership of assets to focus on long-term hold positions instead of recycling capital with the frequency required by a mortgage REIT.

**Mace:** Do you still offer mortgage REIT structures?

**Malin:** Our preference is ownership. But we will strategically look at mortgage or mezzanine financing primarily as a strategic tool to initiate and develop relationships with operating companies new to our portfolio.

As of today, our portfolio is diversified between private pay seniors housing and skilled nursing.

**Mace:** What is the composition of your portfolio between skilled nursing and private pay seniors housing?

**Malin:** Our portfolio is currently balanced with a property mix of approximately 50% seniors housing and approximately 50% skilled nursing. We don’t have a specified diversification target or threshold; however, we see value in a relative balance between asset types because that impacts the cost of our capital. The yields and returns investors require from purely skilled nursing REITs are higher than that of a REIT with a property mix. Strategic asset-type diversification enables us to access capital at a lower cost, giving us a strong competitive position.

**Mace:** How big is LTC?

**Malin:** Our equity market cap is approximately $1.7 billion. Our enterprise value, including debt, is approximately $2.3 billion. We are one of the smaller healthcare REITs. We view that to be an advantage. We can move the needle on
accretive earnings growth with smaller deals because we have a smaller base. In today’s environment, larger transactions come at a premium and produce fewer opportunities for earnings growth. We feel we can get a better risk adjusted return with smaller transactions and that helps us with operator diversification in our portfolio. We don’t look for transformational transactions, but rather to grow consistently and methodically over time.

**Mace:** Do you provide capital for acquisitions, development, and expansions?

**Malin:** On the acquisition side, the core of what we do is 100 percent ownership of the property. In the last couple years, we have also started actively investing in real estate joint ventures with operating companies, a structure that is relatively new for us. As it pertains to development, we were a more active capital provider in the earlier stages of the current, elongated development cycle, but, now in the latter stages of this cycle, we are very selective. The increased cost of development—for land, labor, materials—have caused us to hold back. We selectively financed private pay seniors housing development in the late-‘90s, and then again started in 2012 when you could construct a building at a price point below the acquisition cost. The value proposition is different today. There is a saturation of supply, rising development costs, and the risk of lease-up. In regard to expansions, we have always been an advocate of reinvesting in our properties and working with our operating partners. We view that as a win-win. We can deploy capital, earn a yield and return on those dollars, and help our operating partners by providing capital for them to improve the physical plants so they provide a better product.

**Mace:** NIC’s Spring Conference addresses the theme of collaboration between healthcare providers and seniors housing and skilled nursing operators. Does LTC provide capital for operations?

**Malin:** We do not. It’s a challenge for the industry to provide capital for operations not tied to real estate. The tangible asset value is in the real estate, but the inherent value of what you are financing, which is operations, is driven by the operator and their performance. It’s a basic disconnect. This applies more to skilled nursing than private pay seniors housing. REITs have used the RIDEA structure to provide operating capital for private pay seniors housing. RIDEA is effectively equivalent to a private equity investment allowing participation in profits and losses but structured for a longer term hold position. And there are few RIDEA investments on skilled side because of the risk.

**Mace:** Does LTC use RIDEA structures?

**Malin:** We do not use RIDEA. We have looked at RIDEA, but it’s something that we believe needs to be done on scale which is evident from the three large healthcare REITs using the RIDEA structure. It’s a different business model. You must employ staff with expertise in operations to effectively manage the investment. We might look at RIDEA structures in the future. But today, it’s not something we are pursuing.

That said, as I previously noted, we have launched a joint-venture product as another consideration for operators in addition to RIDEA. In this model, operating partners participate in a percentage of the propco, while holding 100% of the opco.
This approach allows the operator to enjoy upside generated from the asset in addition to the operations.

**Mace:** What are advantages and downsides of REIT financing?

**Malin:** REITs are suited to certain situations. Our advantage is that we provide access to 100% transaction financing and a long-term relationship. A lot of capital available today is earmarked for a short-term commitment, and the operator has to refinance in 5-7 years. We have consistent access to capital and the ability to help operators grow.

Another advantage is our hands-off approach. The operator is in charge unless there’s a default. We are not dictating how to spend money or when. Operators have the autonomy to run their business in contrast to private equity partners that tend to be more involved in operations from which they typically derive their returns.

We provide capital for renovations, improvements, and expansions. And we are dedicated to the industry. We invest in good and bad times because we are knowledgeable about the space.

**Mace:** How big is your staff?

**Malin:** LTC employs 21 people.

**Mace:** Are you national in terms of investment?

**Malin:** We have just over 200 investments in 28 states.

**Mace:** What do you look for in a good operating partner?

**Malin:** We focus on regional operating companies. Our goal is to build relationships. Operators focused on a region are invested in that market. Our partners tend to be smaller or midsized organizations. We are looking for an operator with the capacity or desire to grow. We do not look for one-off investments.

The whole senior care landscape is changing. We have an aging population and higher acuity levels in both assisted living and skilled care. We look at how potential operating partners approach innovation in their care model. What are they doing to get ahead of the curve as things change on the operating side of the business? Do they have access to sources of capital to invest in technology? As labor rates increase, operators have to be more creative and efficient in order to improve outcomes for residents and to be able to demonstrate that capability to managed care organizations.

On the skilled nursing side, operators need to be knowledgeable about the Medicaid reimbursement models and regulations in the states where they operate. We want to understand their approach to reimbursement under the new Patient Driven Payment Model (PDPM) and their scale within the marketplace to have a meaningful seat at the table with managed care providers. We are also looking for proven success. An operator may be smaller, but they have to have had success.
**Mace:** How will PDPM play out with operators?

**Malin:** The majority of our operating partners feel positive about PDPM. Generally, they have evolved to focus on higher acuity patients, and they feel they are going to finally be reimbursed for that care. Migrating high-need patients to more cost effective settings will be good for the industry. But some operators may not be able to manage through the changes which will be an opportunity for regional-based skilled providers to acquire assets.

**Mace:** Does that impact your investment strategy?

**Malin:** We have been a long-time supporter of the skilled nursing industry through various cycles. Our skilled nursing acquisitions cooled over the past couple of years simply because we haven’t found opportunities meeting our underwriting requirements. Moving forward, we will continue to evaluate the skilled space with the goal of identifying and developing relationships with operating companies providing good outcomes, sharing data, and retaining talent.

**Mace:** What other opportunities are on the horizon?

**Malin:** We see an opportunity as construction slows and private pay seniors housing occupancy catches up to capacity. The aging population will help fill the buildings. But we think there will be an opportunity to pick up properties that have gone through an elongated development cycle and slow lease-up. The new investors that have been attracted to the space might not be patient, especially if interest rates rise. Buildings with a broken capital structure represent investment opportunities for LTC.

**Thoughts from NIC’s Chief Economist**

**By Beth Burnham Mace**

**Shifting attitudes toward interest rates**

The generally accepted view on interest rates has shifted since my last commentary in the NIC Insider. As this year began, there had been general consensus about both the direction and speed of change in short term interest rates. Supported by the Federal Reserve’s comments, many pundits believed there would be at least two and possibly three more 25-basis point rate increases in 2019, moving the fed funds rate toward a range of 2.75% to 3.00%. In December, the Federal Reserve raised the fed funds rate by 25 basis points to a range of 2.25% to 2.50%, an 11-year high. That marked the fourth increase in 2018 and the ninth increase since late 2015, after the rate was kept near zero for seven years. The increases were part of an on-going normalization of interest rates, initiated by former Federal Reserve Chairwoman Janet Yellen and continued by current Chairman Jerome Powell.
However, in January, Chairman Powell signaled a pause to rate increases when he eliminated a reference to “further rate hikes” in his policy statements. In his statements, he also indicated that the Fed’s strategy to shrink its $4 trillion balance sheet would likely slow. Since early 2018, the Fed has been gradually reversing its Quantitative Easing policy (QE) with Quantitative Tightening (QT) by allowing the bond holdings held on its balance sheet to steadily mature without re-investing them, a policy that could potentially put upward pressure on interest rates. In making these statements, Mr. Powell cited concerns about global economic growth and limited inflation. But some analysts viewed these comments as a capitulation to the stock market, which swooned in late December after the Fed raised rates a fourth time in 2018.

For us in the seniors housing and care industry, this means that the cost of debt may be somewhat lower than anticipated a few months ago. It may also slow the shift of borrowing from fixed rate to variable rate debt, and it puts less downward pressure on valuations, which can be affected by higher interest rates. It could also suggest a slower pace of distressed deals coming to market, increasing the patience of investors with capital on the sidelines.

The residential housing market and seniors housing

Among the macroeconomic factors that generally influence demand for seniors housing are interest rates, expectations of future interest rate changes, broad economic growth, the job market, consumer confidence, the stock market, and residential housing activity. Indeed, the ability to sell one’s home and use the proceeds to pay for the costs of seniors housing often contributes to the timing decision of when to move into seniors housing, especially for independent living. And of late, the housing market and price growth have shown weakness.

The housing market has started to feel the effects of higher mortgage interest rates and the 2017 tax law that reduced tax deductibility for homeowners. Taken together, these two factors make it more expensive to purchase a home.

In November, the Federal Housing Finance Agency effective composite rate was 4.9%, up from 3.7% in mid-2016. Combined with still-increasing (albeit decelerating) home price growth, affordability is being affected, which in turn is having an impact on the pace of both new and existing home sales. Also in November, new home sales were 7.7% lower than year-earlier levels, while existing single-family home sales fell 10.0% to a seasonally adjusted annual rate of 4.45 million in December, the lowest reading since November 2015. The median single-family house price fell to $261,200 from $264,330, as well, but was up 3.0% from year-earlier levels.

The change in Fed policy this year could help limit further increases in near-term mortgage interest rates, which in turn could support stronger demand for home sales and price appreciation in the months ahead. Indeed, the 30-year mortgage rate fell last December in response to lower Treasury yields amid indications of looser Fed policy.

If sentiment shifts to the idea that no further significant mortgage rate increases are in the queue, homebuyer expectations could stabilize and sales could return to their very slow upward trend. Should this happen, another leg in the stool for strong
seniors housing demand would strengthen. In the fourth quarter, NIC MAP® data showed that demand was strong—in fact, the strongest on record—but not enough to offset robust inventory growth.

Is seniors housing construction plateauing?

Data from the fourth quarter of 2018 suggests that seniors housing construction activity may be slowing. Indeed, construction starts for both independent living and assisted living (units in properties that have broken ground during the respective quarter) are trending lower. In the fourth quarter, assisted living starts clocked in with the fewest units since the first quarter of 2012 for the NIC MAP 31 Primary Markets (an estimated 1,500 units). On a rolling four-quarter basis, starts totaled less than 9,400 units, the fewest since 2014. As a share of inventory, this amounted to 3.3%. The last time it was below 4% was 2012. For independent living, starts on a rolling four-quarter basis totaled approximately 7,300 units in the fourth quarter. As a share of inventory, this equaled 2.2%. The last time it was below 2% was 2014.

In addition to fewer units breaking ground, there are also fewer units in total under construction (measured from start to completion). In the fourth quarter, there were roughly 37,000 seniors housing units under construction (independent living and assisted living) for the NIC MAP 31 Primary Markets. That figure is down from the record high of 43,800 in the fourth quarter of 2017, or by nearly 6,500 units. Moreover, construction as a share of inventory slipped back to 6.0% of open inventory in the fourth quarter of 2018, down from the recorded high of 7.3% in the fourth quarter of 2017.

It is important to note, however, that construction data is often restated—both up and down. Construction starts are the most commonly restated data points because they are particularly difficult to capture, so these numbers are likely to be modified. NIC occasionally finds out that a project has broken ground after the fact or that a property indicated ground-breaking pre-maturely. Part way through a project, a property manager may adjust their plans for unit totals or unit mix based on pre-leasing patterns, unforeseen challenges, or other factors. Changes to unit mix can also mean changes to a property’s majority property-type designation.

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

Beth

2019 NIC Spring Conference Highlights Investing in Seniors Housing and Healthcare Collaboration

Key Takeaways:

- The industry is on the cusp of a decade of disruptive innovation. Operators, investors, providers, and developers should position themselves to be on the side of disruption, not the disrupted.
- The role of healthcare in seniors housing is growing quickly, along with opportunities to collaborate with providers.
- Risk-sharing health payment models offer profit opportunities.
• Seniors housing supply still outpaces demand, but new construction appears to be slowing amid an uptick in absorption.
• Labor is a big challenge, calling for new approaches to attract and retain talent.

Focused on transformational change and increased collaboration, the 2019 NIC Spring Conference brought together more than 1,700 seniors housing and care executives in San Diego, February 20-22. The event featured three days of productive conversation, networking, and 18 educational sessions.

The conference theme, “Investing in Seniors Housing & Healthcare Collaboration,” addressed the reality that the sector faces a period of change wherein partnerships with a variety of service and healthcare providers will be key to business success.

The educational sessions also explored the availability of capital, current market conditions, local market variations and how operators of skilled nursing properties can succeed under the new PDPM payment model.

At the opening general session, NIC president & CEO Brian Jurutka outlined the three forces driving the push for more collaboration. “These drivers will lead to transformational change,” he said.

First, baby boomers may not want today’s seniors housing product. Boomers have different needs and preferences than the generation now living at our properties. What do boomers want? “The Boomer Hackathon” addressed the issue during a lively brainstorming session during which teams proposed new housing models to appeal to boomers.

The second force driving collaboration is the change in healthcare delivery pathways and payments reform. The ultimate goal: lower the rate of healthcare cost increases. The industry plays an important role since it houses the population with high healthcare costs due to chronic conditions and functional liabilities. A number of sessions took a deep dive into how innovations in healthcare delivery and risk sharing models present new opportunities to boost net operating income.

The third force is technology which will change where and how healthcare is delivered to seniors. A number of conference panelists discussed how technology is changing their operations—for the better. “Healthcare will come to seniors rather than seniors coming to healthcare,” said Jurutka.

During the well-attended general sessions, two high-profile keynote speakers offered a macro view of factors shaping the industry.

**Former Speaker of the U.S. House of Representatives, Paul Ryan,** gave an encouraging perspective on the state of the U.S. economy and reminded the audience of the enduring strength of the American system of government and the American dream. He discussed healthcare policy in a follow-up fireside chat with John J. Kelliher, a consultant and policy expert.

They discussed entitlement reform, specifically the looming funding crisis for Medicare, Medicaid and Social Security as well as the growing role of Medicare...
Advantage programs. Ryan thinks most seniors will opt for Medicare Advantage plans because they offer comprehensive coverage. He expects private sector innovation to improve those plans over time.

Amid the industry’s widespread labor challenges, they also addressed immigration. Ryan’s idea is to move from a family-based immigration system to one that is employment based. Visas would be granted based on the needs of the economy, say for CNAs, RNs, and other skilled workers.

“Immigration is going to get done because it has to get done,” he said, adding there is widespread agreement in Congress about how to handle the issue. But Ryan doesn’t expect immigration or entitlement reform to get done in the next two years because of the current political climate.

Kelliher moderated a follow-up conversation featuring two experts, representing the Republican and Democratic perspectives on healthcare policy.

Luncheon keynote speaker Ian Morrison, a healthcare futurist, identified the problems with the American healthcare system (too expensive) and then suggested some fixes. Technology will play a big role. Data analysis will allow providers to focus on the 5% of patients who account for 50% of the spending, e.g., the residents of seniors housing and nursing care communities. Morrison also emphasized the importance of the social determinants of health, such as where one lives. Payors will increasingly cover non-traditional services, such as housing, to keep seniors out of the hospital. Morrison answered questions in a follow-up interactive session.

The conference theme was covered in depth during the breakout sessions. What follows are highlights of the daily program. For more coverage, visit the Spring Conference YouTube channel.

**Day 1**
“Underwriting Healthcare in Private Pay Seniors Housing” showed investors how changes in the broader healthcare system impact the NOI of their properties. The panel discussed the case study of 86-year-old Mary and her daughter Sue. Using two scenarios, one from today and one from 2025, the panel illustrated how coordination of care will make a difference for Mary and Sue, and also drive new revenue streams and improve NOI.

A video of the session was replayed on Day 2 along with a discussion facilitated by NIC founder and strategic advisor Bob Kramer.

“Equity in Senior Care: Understanding the Players” was presented in a lively “Dating Game” format, using the show’s theme music and dating references. In two different games, two very different capital seekers asked tough questions of three potential financial partners to find the perfect match.

“I-SNPs: Why Providers are Becoming Payors in a Value-Based World” addressed the strategy of creating a Medicare Advantage plan. A panel of experts, already involved in the process, discussed I-SNPs, or Institutional Special Needs Plans. “The process is complicated,” noted panelist Steve Fogg, CFO at Marquis...
Companies. Other panelists noted the key to success is finding a good insurance company partner.

**Day 2**

In addition to the keynote addresses and boomer hackathon, the second day of the conference included breakout sessions on forging partnerships, taking on risk, workforce issues, and underwriting healthcare.

“Medicaid Managed Care in Seniors Housing and Skilled Nursing: Opportunity or Threat?” Panelists provided a roadmap of Medicaid managed care. How it works and the opportunities it represents.

“Valuation Methodology Revisited: The Impact of Change” covered current factors impacting property values: inventory, labor pressures, investor interest in the sector, and the availability of capital. The biggest risk going forward according to a poll of the audience is competition—for labor and from other providers.

“Beyond the I-SNP: Future Opportunities for Participation in Value-Based Care” explored how seniors housing providers can profit by assuming some of the healthcare risk for their residents. Panelists noted the need to prove value through data and outcomes in order to participate in risk sharing.

“Recruit, Retain and Profit with a Top of License Workforce.” The panelists discussed their proven methods to recruit and retain good workers in a tight labor market. Scheduling flexibility, rewards, recognition, and a career path were mentioned as retention tools. Referrals are the best source of qualified new workers. Attendees broke into small groups to share best practices.

“Real Estate Secured and Cash Flow Lending: Navigating Financing Options to Meet Your Business Needs” mapped out financing options. Debt financing is readily available from traditional sources such as Fannie Mae and Freddie Mac. Panelist Adam Sherman of Live Oak Bank highlighted loan programs that get overlooked from the SBA and USDA.

“It’s Not Room Service, It’s Healthcare... Or Is It? Forging Partnerships in a Value-Based World.” New technology and new building designs are morphing hospitality and healthcare into a new seniors housing model. Panelists discussed how their properties blend hospitality and healthcare into a “perfect marriage.”

“Path to Healthcare Risk: Do You Have a Decent Roadmap and Proper Footwear?” Owner and operator Lynne Katzmann and consultant Anne Tumlinson gave a brief presentation about the core issues facing operators considering the formation of an I-SNP. Attendees broke into small groups to address key questions, sharing their observations on how an I-SNP may be an opportunity for a property to differentiate itself from the competition.

**Day 3**

“Implications of PDPM for Skilled Nursing.” Steven Littlehale of PointRight addressed an engaged audience of investors and operators eager to understand the ramifications of the new Medicare reimbursement system. The Patient Driven Payment Model (PDPM) represents an opportunity for best-in-class skilled nursing
operators to thrive along the path to full risk sharing. Bottom line: Lenders and capital partners should be meeting with operators to determine their readiness for the changes which will require improved patient assessments, coding accuracy and better data capture.

“A Post-Acute Survival Guide: Real Strategies and Real Results for Increased Occupancy.” Strategic up- and down-stream networks are critical for survival for post-acute providers. Payors and hospital systems use data to select those they invite into their network. Panelists noted that operators must “lean in” and engage with them for continuous improvement.

“Location Matters: Winners and Losers in Local Markets.” NIC chief economist Beth Mace highlighted the latest NIC MAP® data and key findings, including which markets performed well and which ones did not meet expectations. Attendees learned which markets offer the most promising opportunities. NIC senior principal Lana Peck introduced the new rate tier report and walkability score data, now on NIC MAP, along with a deep dive on local markets.

“Current Market Conditions Impacting Seniors Housing & Care.” NIC chief economist Beth Mace presented an analysis of macro economic conditions. Concerns about the economy have recently been tempered by a halt in the rise of interest rates. Seniors housing new supply is still outpacing demand, but she noted a significant uptick in demand. Occupancy rates are expected to increase with a slowdown in construction. Referring to an apparent pull back by developers, she said, “The message got out there.”

Mark Your Calendar
2019 NIC Seniors Housing Bootcamp, Wednesday April 10, Charlotte, NC
2019 NIC Fall Conference, September 11-13, Chicago, IL

Talent Search: “Bridge the Gap” Podcast Explores How to Recruit Young Leaders

Lucas McCurdy  Joshua Crisp  Andrew Smith

The urgency to attract the next generation of industry leaders was recently discussed on an episode of the podcast, “Bridge the Gap.”
The podcast is hosted by Lucas McCurdy, owner of The Bridge Construction Group, and Joshua Crisp, CEO, Solinity, an owner/operator. They came up with the idea for a podcast about a year ago at the NIC Conference. Their goal is to help shape the culture of the senior living industry to drive quality outcomes for the aging population.

The Bridge the Gap Senior Living Podcast has a mission to inform, educate and influence the future of housing and services for seniors. What follows are the edited highlights of the episode on how to recruit young leadership talent. The hosts met in Nashville with Andrew Smith, chair of NIC’s Future Leaders Council (FLC), and senior director of innovation and sales operations at Brookdale Senior Living. (To hear the full podcast, click on a link at the end of this piece.)

McCurdy: We’ve got really great topics today. But first, Andrew (Smith), can you tell us how you got connected to senior living and Brookdale?

Smith: I’ve got a story that’s similar to a lot of folks in our industry. I fell into it. I’ve been with Brookdale for about 10 years. I went to Vanderbilt University here in Nashville. I didn’t know much about the seniors housing industry and didn’t aspire to work in it. I was a research analyst at the state government. So, nights and weekends I was doing some consulting, designing adult education and training programs. I have a master’s degree in adult education. Brookdale was a client and my first job for them was designing an orientation program for new sales hires for their memory care product called Clear Bridge. I lived in a memory care community for a weekend and just fell in love with the industry, its mission, and its position at the intersection of real estate, hospitality and healthcare.

I begged them to hire me. And they gave me a chance. I’ve had four different jobs at Brookdale since then and I’m going to make a career out of this. It is absolutely an industry that fills your heart and your head.

McCurdy: That resonates with me and I know it does with you, Josh (Crisp).

Crisp: Some of the most passionate folks about the industry didn’t actually know anything about seniors housing and didn’t aspire to be in it. There are huge opportunities for young people just entering school, or the workforce, who want to fall in love with a mission.

Smith: That’s why this podcast is great—telling stories about the industry. It goes a long way to educate people who don’t know about the great opportunities for a career in the industry.

McCurdy: That’s a great transition to talk about the NIC organization. What is NIC?

Smith: NIC is a shortened acronym for the National Investment Center for Seniors Housing & Care. It’s a nonprofit organization. NIC’s mission is to support housing access and choice for America’s seniors by providing data, analytics and connections among operators and capital providers.

One of its most well-respected offerings is the NIC MAP® Data Service (NIC MAP). Industry stakeholders rely on the data to make informed decisions.
Crisp: When I got my first call from NIC as a young administrator, I didn’t know what they did. I had the opportunity to attend a NIC conference which honestly for a young administrator was very overwhelming but awesome. Since then I’ve been very involved with the industry and have a great appreciation for NIC.

Smith: What’s unique about NIC is how it brings investors and capital providers into the conversation. I’ve worked for an operator my entire career in this industry. Through my interactions with NIC, I’ve learned to consider the role of the real estate investment in operations and the future growth of our industry.

McCurdy: What does the FLC do?

Smith: The FLC is a group of about 25 executives who each serve a three-year term. The members are up-and-coming leaders working to help advance the industry. We do a lot of work on behalf of NIC as volunteers.

McCurdy: Let’s dive into how we’re recruiting new talent through university outreach and the internship program.

Smith: Not enough people know about the opportunities in seniors housing. One of the goals of the FLC is to increase awareness of the industry in university and graduate level programs. FLC members reach out to their alma mater or a nearby school to find forums to talk to students about senior living.

We also recruit employers to host internships offered through NIC’s university outreach and internship program. It’s a relatively new program and growing. Last year, seven companies provided internships and three universities participated in the program.

It’s a great effort that gives young, enthusiastic, smart students the opportunity to experience the industry through an internship.

McCurdy: Tell us about your university outreach Josh (Crisp).

Crisp: For years, I’ve had the opportunity to speak at a lot of different universities and colleges. It’s usually to senior level classes with students looking for a job. Most of the students have never heard of senior living or they have a very negative opinion of it. When they actually experience senior living and its mission, they’re sold.

Smith: Our industry offers a very unique value proposition no matter what kind of role you’re interested in. I tell students that they don’t have to operate a building. They can work for a capital provider or in human resources, or marketing. I tell students that they can do well and do good at the same time in the senior living industry. That’s a value proposition most other industries can’t offer.

Crisp: What are some successful strategies you’re implementing at Brookdale to spread the industry’s mission to young workers?

Smith: The FLC university outreach program is a big driver for us. From Brookdale’s perspective, we are trying to leverage our marketing expertise to reach potential
associates. If they’re searching on Indeed or LinkedIn, we have targeted messaging that explains what Brookdale could offer as a potential employer.

Some smaller operators and regional providers do a great job of forming relationships with local universities to build pipelines of talent. I think that’s a phenomenal strategy because it also connects the operator to the community.

Crisp: I love that because everybody has the ability to develop local relationships, whether you’re a single community operator, a regional operator, or as big as Brookdale.

McCurdy: Senior living really has the upper hand compared to all the other real estate segments because it’s so much more than real estate. Bridging that gap of knowledge and awareness about the industry is where we need to focus.

Smith: I think the issue of aging is going mainstream. Society is more aware of aging as the baby boomers get older. I’m excited to see the growth of the industry.

Crisp: Honestly, it’s going to take the creativity of the younger generation to think outside the box to solve many of the challenges that face our industry—which are also great opportunities.

Smith: Anyone who wants to help create more awareness of senior living can reach out to their university. If you’re a student, check out NIC’s industry internship program. If you’re a provider or at a company that serves the industry, we’d love to have you host a NIC intern. We have a big pipeline of great talent from top universities, and we’re looking for more hosts for interns.

Crisp: Be the bridge.

McCurdy: That’s right. Be the bridge. That’s what we always say. We hope to connect with you in the future, and thanks for listening to another great episode of “Bridge the Gap.”

- Listen to Podcasts
- Watch YouTube Video
- Check Available Internships

Scholars at the 2019 NIC Spring Conference

Amidst the 1,700 seniors housing and care leaders who attended this year’s NIC Spring Conference in San Diego was a small but important group of attendees who still have their entire careers ahead of them. NIC offers several academic outreach programs to highlight the opportunities of the sector, including scholarships to its conferences.

Qualifying students are awarded a NIC-funded no-expense stay to a NIC conference as a means to deepen their own—and their program’s—understanding of the challenges and opportunities to prepare for as they launch their careers in seniors
housing and care. Given the expanding need for talent and innovation in the sector, NIC views this program as an important part of its mission to support access and choice for America’s seniors.

NIC hosted a discussion with a group of the students on the final day of the conference to learn how the NIC conference experience is helping them shape their careers. There were six university students present:

- Michael Barkman, MBA, Real Estate, Columbia Business School. Michael has a background in investment banking and will be interning with Welltower over the summer.
- Nicolas Cordoba, MBA with a concentration in Real Estate at DePaul University. Nicolas is a physician that practices almost exclusively with geriatric patients and has worked in a range of private real estate settings in the US, Germany, and Argentina.
- Neil Rajput, first-year MHA candidate in the Sloan Program of Health Administration, Cornell University. Prior to Cornell University, Neil was a medical student at Oregon Health and Science University, where he developed an interest in the management of care for seniors.
- Shengyang Shi, MBA, Value Investing, Columbia Business School. Shengyang has an undergraduate degree in Quantitative Finance from University of Hong Kong, and has prior experience developing seniors housing in Shanghai.
- Chloe Stier, MBA majoring in Health Care Management at the Wharton School, University of Pennsylvania. Chloe has a BA in Human Biology from Stanford University and prior to graduate school worked in Washington, DC on health policy.
- Hsuan (Andy) Yao, MS, Gerontology, University of Southern California. Andy has an undergraduate degree in Healthcare Management and worked in hospital administration in China and Taiwan.

**NIC: What are your first impressions of the 2019 NIC Spring Conference?**

**Stier:** There’s a lot to take in. The sessions have been really interesting, and they have done a good job of covering all aspects, from operations to development and finance. I appreciate the opportunity to learn more about the topics with which I’m familiar and furiously scribbling notes to revisit less familiar themes later.

**Cordoba:** It was interesting to learn about the challenges that the industry will face in coming years as baby boomers begin to occupy seniors housing properties. I enjoyed the quality of research that NIC provided during the educational sessions.

**Rajput:** The conference is very well organized. They’re doing a lot to get information to people; for example, through the NIC app. It’s really nice to have all the information at your fingertips. I like innovations like the Hackathon. That is a great way for students to mesh with industry leaders, do something fun, and harness the combined brain power of students and experts.

**Yao:** I’ve never been to this kind of networking environment because I’m not a business student. I’m studying more on the operational side. I’m gaining a lot of business knowledge that you don’t learn at school.
**NIC: How has it been, interacting with the leaders at the conference?**

**Barkman:** Everybody’s been very receptive, explaining what they’re doing, where they’re coming from, and where they see my interests fitting into the picture.

**Shi:** Having a student name tag provides a safe environment for us to interact with attendees. People will proactively come up to us, ask us about our studies, and our interests.

**Yao:** I’m learning about the complexity of the industry. At school, we only learned about REITs on the investment side, for example. Here, I’m seeing how private equity and developers view things differently. I’m learning how developers find a location and value a senior property.

**Stier:** Seniors housing and care is such a fragmented industry. We can read case studies, but it is difficult to get a full picture of the different players: health policy, operations, real estate, and financing. This conference pulls it together nicely and puts all the experts in front of you.

**Cordoba:** At NIC, business is happening in real-time. You start to understand how transactions work, and how this conference is a meeting point for everybody that is interested in this industry, trying to establish relationships and looking for business opportunities.

**NIC: How will your attendance here affect your programs and institutions?**

**Rajput:** I’m here because of the recommendation of a second-year student, Rachel Kelly, and my program director, after I expressed an interest in real estate and senior living. When I go back, I will likely recommend a first-year student with an interest in the space.

**Shi:** I think senior care is relatively underrepresented in business school. It’s an intersection of real estate, healthcare, and finance. Not a lot of people know about the industry. It would definitely be helpful for us to go back and promote it in business school.

**Stier:** The NIC Spring Conference’s focus on health care makes it a great opportunity to draw talent from all related sectors and get folks excited about seniors housing. I, for one, had not heard of NIC before this opportunity arose. Building awareness and marketing the conference not only to real estate-focused students, but also finance- and health care-focused students, will enhance the diversity of voices and quality of collaboration within the industry.

**Cordoba:** This conference will maximize the quality of my performance at my Institutional Real Estate classes at DePaul. A deeper understanding of the industry also facilitates networking with people I know that are interested in the sector and ultimately, allows me to recommend the NIC Conference to them.

**Yao:** A lot of my classmates come from different industries. They entered the program because they want to help older adults, often from personal experience. This experience will help me introduce the whole seniors housing and care picture to them.
**NIC: Can you share any observations or experiences you’ve had at NIC?**

**Rajput:** I really appreciate the diversity of perspectives present at NIC. On the one hand, you had Paul Ryan speaking, a noted conservative. On the other, you had Ian Morrison, who is more progressive in regard to the future of healthcare. We can, from our own perspective, decide where we think healthcare is heading in the future.

**Cordoba:** It was a pleasant surprise to have Bob Kramer and Chuck Harry at our scholars’ meeting. They shared their insights on the industry and took the time to answer our questions. I don’t think that’s very common. These are the kinds of mentors that you want to have, and the kind of people that you want to keep in touch with.

**Yao:** I attended the Hackathon and learned how leaders think through an issue; how they solve problems, then summarize it all in a two-minute pitch.

**Shi:** This group of students has been very helpful and interesting. We first met 48 hours ago, and come from very diverse backgrounds, but have become good friends. We will use each other as resources going forward.

**Barkman:** Listening to Neil and Nicolas on the intersection of medical care and real estate, and from Andy on gerontology, hearing about the parallels to the Chinese market and where the opportunities are, too, has been very interesting for me. Just the different perspectives that there are in this group is one of the most valuable aspects of this experience.

**Stier:** The Hackathon was a highlight. Being neither a clinician nor particularly plugged into the digital health realm, it’s always been a challenge for me to generate start-up ideas that I feel equipped to run within the broader health care industry. Sitting in the Hackathon, however, I found myself really appreciating the proposed ideas and getting excited about innovative opportunities in this space.

**Barkman:** We walked in late, thinking we would see how our peers would participate. We were standing in the back when Bob Kramer came over and said, “You have three minutes to come up with an idea—and I will call on you.”

**Stier:** You can’t just lurk in the background here!

**NIC: Do you have any thoughts or observations on the themes of this conference?**

**Stier:** It’s helpful that you have perspectives from both sides at the conference, coming at the issues from both angles. Healthcare organizations are thinking about paying rent for their Medicare Advantage populations or somehow getting into the real estate space. Seniors housing companies are thinking about transforming from a hospitality-based model to taking on risk and being more cognizant and involved in managed care.

**Cordoba:** When I see residents in senior living properties just a small proportion of their problems are medical. Many issues are related to operational deficits, lack of social support, or a shortage of financial capacity. I like that NIC didn’t focus
only on the financial aspect, but also on these other matters, and how to tackle them now, ahead of the development of new facilities. Also, they addressed the issue of how to provide financial resources to fulfill those necessities, which is not easy. NIC attendees are bringing the challenges to the table and encouraging open discussion in order to resolve problems.

**Barkman:** You can’t look at the payer system and property management in isolation. I’m learning about where the payer system is going; for example, Medicare Advantage plans and how that will translate to a senior living facility. That was a big take away for me.

**NIC:** How is attending this NIC conference adding nuance and depth to your classroom instruction?

**Stier:** Not many classes exist to address this particular topic, and those that do tend to be overviews and introductions. This conference provides that next step for students truly curious about the industry to explore themes of interest more deeply.

**Rajput:** The lectures echoed a lot of the information I’ve received in courses. I feel reassured that the industry is aligned with what we’re learning in the classroom.

**Cordoba:** At the conference, you learn in a much more flexible environment than in the classroom, and that’s fun. You choose your own path and pick your own interests.

**NIC:** Has the experience crystalized – or changed – your career ambitions?

**Rajput:** There was a session on funding models and financing, focused on choosing the right method of investment for an organization. It made me think about what kind of financial partner will be best suited to my future endeavors.

**Yao:** I have a clearer picture of how different players work together to get things done. For my own career, I’m thinking of the operations side. I wasn’t sure if it was worth taking 2-3 years to get that license, but here, I met with some industry leaders who have encouraged me to get it.

**Cordoba:** I am transitioning from healthcare to business. It’s not easy to find the right mentors, because I don’t know many people who have walked this path before. NIC has provided me with a lot of tools to find those people and stay on the right path.

**Barkman:** I was under the impression that seniors housing was a centralized, institutionalized industry, but it was interesting to talk with people and learn that there are more entrepreneurial opportunities than I’d realized.

**NIC:** Do you have any thoughts on collaboration between seniors housing and healthcare?

**Rajput:** As the payor model changes, and housing is considered more as a social determinant of health, I think there’ll be more interaction between healthcare and seniors housing providers who will have to collaborate to reduce costs.
Cordoba: Collaboration may be the key to the industry. I feel that some players are afraid to lose market share by providing information. But the market is increasing so fast that it will be difficult to lose any at all. The elasticity of demand is huge, and the focus should be on providing higher quality of care. At the end of the line, happy customers keep the occupancy rate high. Having available information about each property will help to differentiate them in niches and, as a consequence, avoid unnecessary competition.

Stier: I think we’re well on the way toward that kind of transparency. On the first I-SNP panel they had three different panelists, who were either operating or launching I-SNP products. They were very open about the things you need to think about, every step along the way, including the road blocks and the resources they were using to overcome them. I thought it was a very transparent, collaborative approach, not a turf war.

Shi: From an outsider’s perspective, this system has to integrate more. If you look at overall healthcare spending as a percentage of GDP, the U.S. is the highest spending country. One reason that I see is the separation of the different parts of the system. While it’s very mature, and very good, it creates some barriers to sharing or bringing down costs. This is something that will happen—and has to happen—to bring down the overall cost of healthcare.

NIC: Any final thoughts on your experiences at the NIC Spring Conference?

Yao: I met a woman who works in finance for a senior care property and asked her about the financial motivation for cooperation with managed care, because the Taiwanese government also wants to implement this kind of concept into their hospital system. But the hospitals just don’t want to do it. There isn’t enough financial motivation for them. She told me that it’s not only about money. It’s about what kind of care you want to provide to seniors. Finance is important—but the motivation to provide better quality of care for seniors is important, too.

Cordoba: The current vision of providing the best possible healthcare to our seniors is extremely important. In this healthcare system, the biggest challenge is to find the financial resources to provide the adequate level of care. This conference has successfully put the resources and the people interested in improving the senior living care industry together, which will hopefully result in a better quality of healthcare.

Stier: This industry hits close to home. We all have parents, grandparents, aunts, and uncles who will need these services. We will be there at some point, too. It’s an opportunity to do well by doing good. Designing the supports and services that you or your loved ones would want is a more fulfilling career than many you could pursue.

Shi: My wife and I are both only children, because we’re part of the one-child generation in China. We have four parents to support when they get older. We just had a baby two months ago—and we want to end up in senior care when we get old. It’s a multi-generational topic that really resonates with me. I feel there’s a lot more we can do to make better places for the elderly to stay when they get older.
Seniors Housing & Care Industry Calendar

March 2019

3/13-14  AHIP National Health Policy Conference  Washington, DC
3/14-15  2019 PREA Spring Conference  Dallas, TX
3/17-20  LeadingAge PEAK Leadership Summit & Great Minds Gala  Washington, DC
3/18-20  Nineteenth Population Health Colloquium  Philadelphia, PA
3/27-28  Health Datapalooza  Washington, DC
3/28  McKnight’s Expo Webinar

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