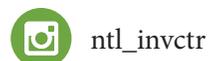


NIC INSIDER

Newsletter

June 2020



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A Note From Brian Jurutka



Brian Jurutka

As the COVID-19 pandemic develops, it has become increasingly clear that the availability of data on seniors housing and skilled nursing communities is just as important as accurate, timely testing and sufficient personal protective equipment.

NIC is engaged in numerous initiatives to collect, analyze, and distribute COVID-19-relevant data on seniors housing and care, and we are truly grateful to the many operators who continue to provide their data, even during this time of extraordinary stress. These data contributors are improving transparency, which leads to credibility and ultimately trust by educating not just investors and other operators, but also policymakers and the general public.

Data on the scope of the pandemic-related challenges within senior living communities will significantly aid efforts to direct limited resources to hot spots and support overall decision-making. Access to quality data will also improve our understanding of the virus impact as the country starts to reopen and everyone adjusts to a new normal.

I would like to sincerely thank the many organizations across the sector who contribute and participate in NIC data initiatives, and encourage all organizations to access the rich trove of analysis and insight that we now publish on the [NIC COVID-19 Resource Center](#).

Brian Jurutka
President & CEO

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Key Insurance Questions Answered: A Conversation with Alliant's Lorraine Lewis



Lorraine Lewis

Protecting America's most vulnerable population is the top priority of seniors housing and care operators. But unlike hospitals that provide episodic care, seniors housing and care operators face the challenge of providing long-term care.

That raises the question of how liability and property insurance claims will be handled in the aftermath of the current COVID-19 pandemic. Extraordinary operating expenses, lost income, and the prospect of lawsuits has seniors housing and care operators wondering what lies ahead.

NIC Chief Economist Beth Mace recently talked with Lorraine Lewis at Alliant Insurance Services. She is Executive Vice President at the company, and a founding broker of the healthcare practice.

With revenues of \$1.5 billion, Alliant has been providing specialized services to the seniors housing industry since 2003. Recognizing an unfulfilled need, the company expanded its healthcare practice in 2019 with a focus on middle market companies. Alliant invested in new hires, including Holly Minter, a former investment banker for the seniors housing and care industry with 20 years of experience. Rounding out the team are senior-level insurance executives Derek Cady and Mary Davis.

What follows are important questions and answers about today's insurance environment.

Mace: Can you explain your services?

Lewis: We are a broker, not an insurer. We work with clients and provide a service to help them purchase insurance effectively. Our division is Alliant Senior Living Insurance Solutions. Our goal is to provide unrivaled people, processes and products that reduce our clients' total cost of risk, allowing them to ensure dignity for America's Greatest Generation. We view seniors as a special subgroup that is a unique and vulnerable population. We provide our clients with the consultative resources that they would expect from a larger firm and deliver those services in a highly personalized and entrepreneurial manner.

Our core services are insurance placement, data analytics, risk control services, and claims advocacy. The industry is real estate and healthcare based, and we see opportunities where clients are underserved, especially among many middle market operators.

Mace: What types of risk exposures are typical among seniors housing and nursing care operators?

Lewis: The continuum of risk increases along with the acuity of residents. Operators face numerous risks. The primary risk areas include property, professional liability insurance, workers' compensation, and auto liability due to resident transport. Cyber-attacks and regulatory compliance also pose risk. Allegations of wrongful billing for Medicare and Medicaid can result in significant regulatory claims.

Mace: How has the risk exposure changed with the onset of the COVID-19 world?

Lewis: Caring for residents, often for life, is an enormous responsibility. I am in awe of what our clients are doing to protect residents. The providers' risks have increased significantly along with their costs, but they are doing it anyway. They are running a marathon not a sprint.



Holly Minter

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Mace: What should seniors housing and care operators consider in these challenging times?

Lewis: They should understand the current terrain from the insurance perspective. We have not been in a hard market like this for 10 years. And we've never been in a market with COVID-19. It's unprecedented. Operators have been taught by the market that there's always a silver bullet. Meet with enough underwriters, and you can keep your rates flat or get a decrease. That is not the environment today. We need a healthy dose of reality. Operators need situational awareness. Rates are rising and coverage is changing.

Mace: How much are rates increasing?

Lewis: Depending on the dynamics of the account, we expect rate increases from 15% to 50%. On average, rates will be going up from 30% to 50%. For example, an independent living operator paying \$200 a unit for liability could see a 50% increase. Liability rates will depend upon jurisdiction and the quality of the operator. Property rates will depend on the geographic location and quality of property. Operators can also expect changes in terms, conditions, and increased deductibles.

Mace: Will there be a new risk premium going forward related to health hazards?

Lewis: There is an enormous public debate on who pays for COVID-19. From that perspective, many constituents say insurance should cover their losses. The industry says it never intended to provide that coverage. Some insurance policies have exclusions for viruses. Others are not so clear. The potential cost to pay for 90 days of lost business income has been estimated at between \$400 billion and \$900 billion, which would bankrupt the insurance industry. We will not solve that in the near term. There will be all kinds of litigation and proposed legislation. The country will have to come to terms with a resolution.

Mace: What about the federal government granting immunity?

Lewis: The CARES Act extends immunity to healthcare providers and first responders acting as good Samaritans; in other words, they are not getting paid. No federal legislation I am aware of grants tort immunity to healthcare providers who are receiving compensation for the care of COVID-19 patients or residents. But at least 15 states have enacted laws or orders to provide some lawsuit protection to seniors housing and nursing homes. It's important for operators to meet with their legal counsel to look at the details of the state's rules where their properties are located.

Mace: What else should operators know?

Lewis: This is the time to understand what your coverage says and how it works, not after the crisis or the lawsuit comes up. Have a coverage review now. Sit with your advisor, and understand what coverage is available and is not available in the policy.

Mace: Can operators present claims for lost income and higher expenses?

Lewis: This is all uncharted territory. Carriers are adopting various positions regarding increased expenses and lost income. We are suggesting that any operator with concerns about lost revenue due to COVID-19 should file those claims. We don't know if they will be covered. But file the claims. We have forensic accountants and claims' advocates to help our clients navigate that process. Our expectation is that the process will not be fast, but a slog.

Mace: If several properties have claims paid out, will that open payments to the whole industry?

Lewis: That remains to be seen. The potential loss is so staggering that I don't see it as a free-for-all. There will be discernment on what the policy says, and they're all different. There will be litigation.



Mace: What are the trends with professional liability regarding neglect or lack of care?

Lewis: Large claims are becoming more frequent. And last August, we started to see underwriters reduce the limits of insurance and increase pricing, and that has continued. The post-COVID environment is even more difficult. Some insurers will not underwrite policies right now. Other companies have reduced their limits, or the dollar amount that they will insure. Rates are higher, and there are more exclusions too.

Mace: As way of background, what is your basic approach?

Lewis: Insurance is a contract—a promise to pay if something bad happens—so policy wording is important. Our goal is to meet two objectives for our clients: to maximize coverage; and negotiate the best pricing. We are currently navigating unprecedented complexity in the insurance business which requires a broker with sophistication and resources.

Mace: Do you represent the buyer?

Lewis: We solely represent the buyer, not the insurance company. We ask clients about their operations and try to align the risk finance program to meet the operational goals of the client. For example, an operator trying to make payroll has a different risk solution than one with a lot of capital. We are product neutral advisors, serving the best interest of our client.

Mace: What insurance companies do you broker with?

Lewis: We represent every major carrier in the global insurance market including the U.S., London, and Bermuda. We have complete market access.

Mace: How has the renewal process changed?

Lewis: Underwriters are seeing 10 times the submission volume than in previous years. Expect delayed renewal terms. Many underwriters now have a COVID-19 questionnaire. Some won't underwrite a policy if the property has had a COVID-19 patient. Many underwriters are applying exclusions for communicable diseases. We are seeing the elimination of occurrence-based policy forms. An occurrence policy covers claims resulting from an injury that occurs during the policy term. Coverage depends on the timing of the injury. In contrast, a claims-made policy covers claims when they are made or presented. Coverage depends on the timing of when the claim is filed – not when the injury happened. Most professional liability policies are now written on a claims-made basis. Operators may not appreciate the nuances between the two policy forms. It's tricky. More sophistication is needed to make sure the operator is properly protected using a claims-made policy form especially if changing carriers.

Mace: What about workers' compensation? Are a lot of workers filing claims for contracting COVID-19 at the property?

Lewis: Not yet. Large healthcare systems have a handful of claims related to COVID-19. But no claims have been filed among our seniors housing and nursing care clients. Two states have decided to guarantee workers' compensation for healthcare workers and first responders. But a number of states have not taken a position. That gets back to the discussion on public policy and uncertainty. It becomes more of a debate for seniors housing and nursing care because they are further away from the primary healthcare setting.

Mace: Any other thoughts?

Lewis: It has been our honor to watch our clients serve the most vulnerable people in the country despite risk to their own health, the financial pressures, and staffing shortages. Our operators are our healthcare heroes. I'd like to see the Blue Angels fly over our senior living facilities to honor their work.



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NIC MAP® Releases the First NIC MAP Intra-Quarterly Data Set

The COVID-19 pandemic has created an urgency for insights on data and trends in the seniors housing and care sector. As a principle tenet of NIC, we have always understood that transparency, accuracy, and timeliness are key factors for well-informed decisions. In response to the current pandemic, NIC launched our [COVID-19 Resource Center](#) which provides access to many of our new data initiatives as well as commentaries and regulatory updates.

The first new data initiative launched in mid-March is NIC's Executive Survey which is a report developed to provide timely insights from owners and C-Suite operators and executives on the pulse of seniors housing and skilled nursing sectors. It is designed to deliver transparency into market fundamentals in the seniors housing and care space at a time where market conditions are rapidly changing—providing both capital providers and capital seekers with data as to how COVID-19 is impacting the sector, helping leaders make informed decisions.

The second significant data initiative is described in this commentary. In the same vein as the Executive Survey regarding the need for high frequency and timely data, the NIC MAP® data team worked with diligence and passion to produce a monthly time series for select NIC MAP data. The April data reported in this commentary is the inauguration of this new NIC MAP intra-quarterly data series.

Monthly Reporting of NIC MAP Data. Starting in May 2020, the NIC MAP Data Service has begun to report each month time series data comprised of three-month rolling data. The data represents performance for the three most recent months, labeled as the final month for the reported period, i.e., the rolling period for April 2020 is the data of February-March-April 2020. This first data release, whose results are described further below in this commentary, includes 13 months of three-month rolling data for stabilized occupancy for both seniors housing and nursing care properties. The data series begins in April 2019 and is reported for the Primary Markets, Secondary Markets, and other aggregated geographic levels.

The data will be delivered as an Excel file for NIC MAP clients and will also be featured in [NIC's Intra-Quarterly Snapshot](#), a new monthly publication developed from the data. The Snapshot includes key takeaways on the reported time series data, visual representations, and statistics for the past 13 rolling three-month periods, and three economic indicators to provide some perspective on the current economic conditions. Note that the publishing of the Intra-Quarterly data and Snapshot report will occur on the third Tuesday of each month.

Going forward, NIC MAP will continue to expand the data set and report on additional metrics, geographies, and data subsets in the third quarter of 2020. Meanwhile, NIC will continue to respond to the pandemic by doing what we do best – delivering data, analytics, and connections – to continue to provide transparency to the sector.

Key Data Takeaways. In April 2020, following the onset of COVID-19 pandemic, stabilized occupancy for both seniors housing and nursing care properties dropped significantly. Nursing care properties experienced the largest decline, falling 220 basis points from the prior month to 84.7% for the rolling period of February-March-April 2020 in the NIC MAP Primary Markets, while the stabilized occupancy rate fell 150 basis points to 88.3% in the 68 Secondary Markets.

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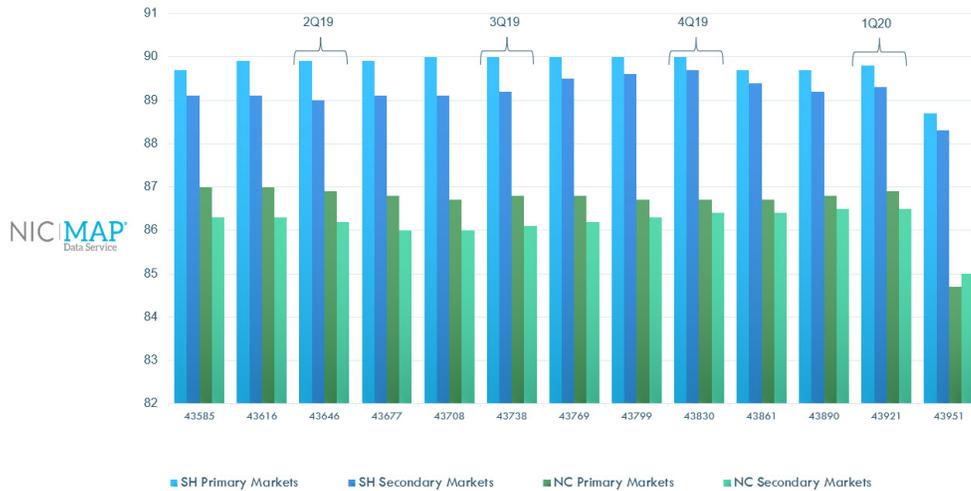


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Seniors housing stabilized occupancy rate fell a lesser 110 basis points over the prior month to 88.7% for the Primary Markets, and 100 basis points to 88.3% in Secondary Markets ended April 2020. Prior to April, both the seniors housing and skilled nursing stabilized occupancy had been relatively stable.

Stabilized Occupancy (%)



The impact of COVID-19 is clearly reflected in the rolling period of April 2020, with a larger toll seen in skilled nursing than in seniors housing. Specifically, the drop in stabilized occupancy for both skilled nursing and seniors housing is indicative of the effects of the pandemic on existing properties without the effects of competition of new properties on market conditions. In addition, some of the sharp decline in skilled nursing occupancy is likely driven by fewer hospitals discharging patients to post-acute care settings for rehabilitative therapy as hospitals defer elective surgeries during the pandemic.

In closing, we would like to give a shout out to those directly impacted by the COVID-19 pandemic and those on the frontline keeping residents of seniors housing and skilled nursing communities safe. We understand that seniors housing and skilled nursing operators are bearing tremendous burdens, and NIC applauds your efforts to protect and serve residents of seniors housing and skilled nursing communities.

For questions about the new Intra-Quarterly products, or inquiries relating to upgrading and access, please contact Client Services by emailing support@nic.org.

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Executive Survey Insights

By Lana Peck



Lana Peck

NIC's **Executive Survey** of operators in seniors housing and skilled nursing is designed to deliver transparency into market fundamentals in the seniors housing and care space at a time where market conditions are rapidly changing—providing both capital providers and capital seekers with data as to how COVID-19 is impacting the space, helping leaders make informed decisions.

The survey results described in this commentary are based on Wave 6 sample results, which include responses collected May 4 – May 10, 2020 from owners and executives of 100 seniors housing and skilled nursing operators from across the nation. Detailed reports for each “wave” of the survey can be found on the [NIC COVID-19 Resource Center](#) under **Executive Survey Insights**.

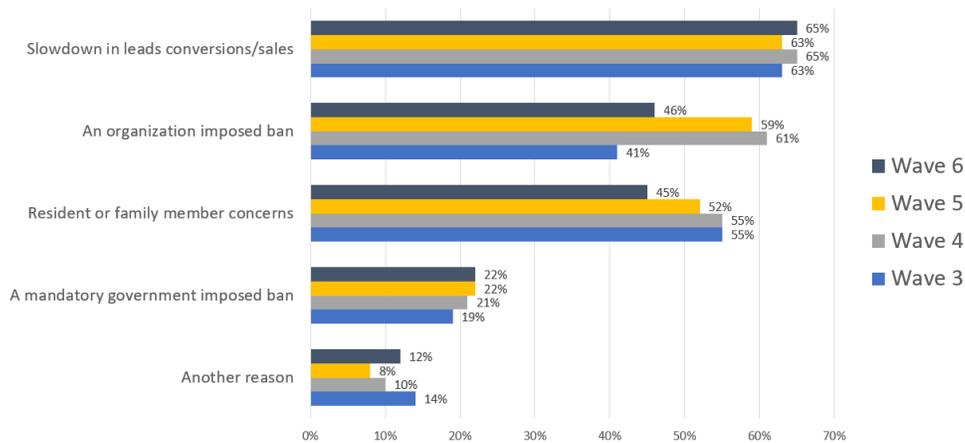
This report also features two weeks of COVID-19 seniors housing and care incidence data collected April 27-May 10 (Waves 5 and 6 combined) as reported by a subset of survey-takers.

Summary of Insights and Findings

1. While more data is needed to observe definitive turning points in occupancy rate trend data, there are signs of potential improvements in occupancy patterns in the survey's week-over-week data.
2. In Wave 6, 21% of the respondents reporting on nursing care indicated that occupancy rates had started to increase compared to one week ago, the most since the survey started. That said, 36% of respondents do continue to report declines in occupancy for skilled nursing from the prior week, although that is down from 67% in the prior Wave 5.
3. Respondents with independent living and memory care segment units also report slightly higher shares of improving occupancy rates from a week prior.
4. Other potentially positive signals include a slightly lower percentage of operators reporting decelerations of move-ins in Wave 6 relative to Wave 5; although most organizations across all care segments did still report that move-ins decelerated in the past 30-days. The majority of organizations reporting on their independent living, assisted living, and memory care units saw no change in move-outs in the past 30-days.
5. Additionally, the percentage of respondents citing an organization-imposed ban on move-ins decreased from 59% in Wave 5 to 46% in Wave 6, and fewer respondents cited resident or family member concerns about moving residents in or out of communities.



Reasons for Deceleration in Move-Ins in Past 30-Days



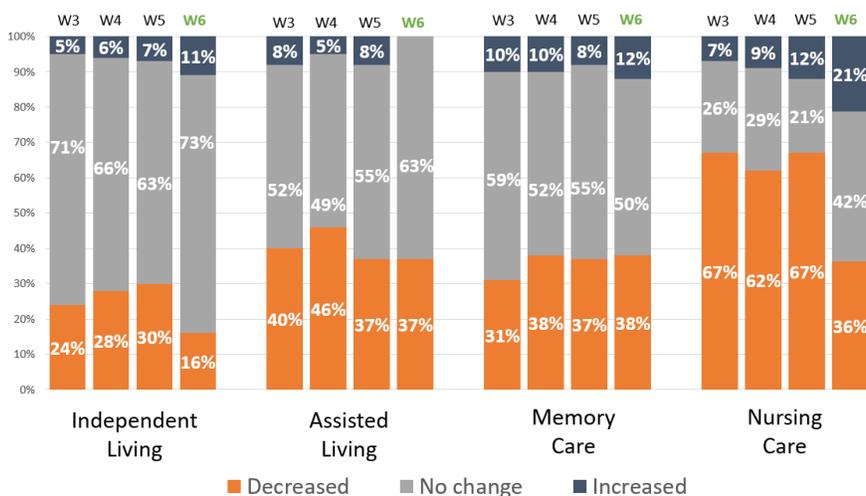
Wave 3 responses collected April 13 to April 19, 2020
 Wave 4 responses collected April 20 to April 26, 2020
 Wave 5 responses collected April 27 to May 3, 2020
 Wave 6 responses collected May 4 to May 10, 2020
 Percent of responses shown
 Source: NIC

Change in Occupancy by Care Segment

Approximately one-half to more than two-thirds of organizations reporting on their independent living and assisted living segment units, and 79% of organizations reporting on their nursing care beds in Wave 6 of the survey—across their respective portfolios of properties—experienced a decrease in occupancy from the prior month, regarding the change in occupancy from one week ago. The independent living and nursing care segments, however, reported the most improvement from prior waves of the survey. In Wave 6, 84% of organizations with independent living units and 63% of organizations with nursing care beds saw no change or an increase in occupancy rates.

The nursing care segment had the largest increase in share of organizations reporting higher occupancy rates from the prior week (21%). More organizations with assisted living units note no change in occupancy rates from the prior week than in previous waves of the study (63%).

Change in Occupancy by Care Segment: Current vs. One Week Prior



Wave 3 responses collected April 13 to April 19, 2020
 Wave 4 responses collected April 20 to April 26, 2020
 Wave 5 responses collected April 27 to May 3, 2020
 Wave 6 responses collected May 4 to May 10, 2020
 Source: NIC

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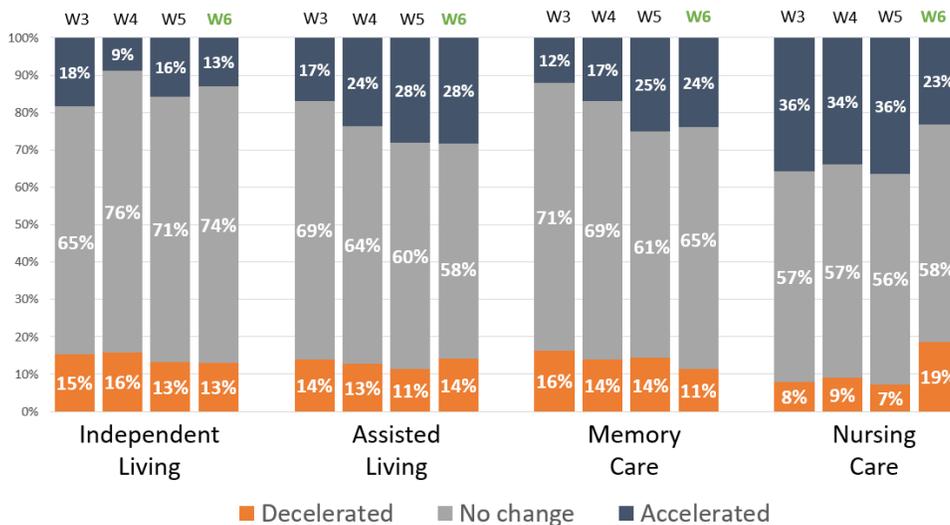
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Pace of Move-Outs

Between 58% and 74% of organizations reporting on their independent living, assisted living, and memory care units saw no change in move-outs in the past 30-days. The share of organizations with independent living units reporting no change in move-outs has remained between 76% and 71% since Wave 4.

Until Wave 6, the pace of move-outs in the past 30-days reported for the nursing care segment had been consistent across waves of the survey, with about one-third of organizations with nursing care beds reporting an acceleration in move-outs. However, the pace of nursing care segment move-outs in Wave 6 slowed somewhat with under a quarter of survey respondents experiencing an acceleration in move-outs. Fewer cited resident or family member concerns as reasons for acceleration in move-outs in Wave 6 compared to Wave 5, but more cited residents moving to higher levels of care.

Pace of Move-Outs in Past 30-Days



Wave 3 responses collected April 13 to April 19, 2020
 Wave 4 responses collected April 20 to April 26, 2020
 Wave 5 responses collected April 27 to May 3, 2020
 Wave 6 responses collected May 4 to May 10, 2020
 Totals may not add to 100% due to rounding
 Source: NIC

Incidence of COVID-19 Among Survey Respondents

For the data collected between April 27 and May 10, 2020 (Waves 5 and 6 combined), seniors housing and care executives, answering on behalf of their organizations, provided the number of residents that were tested for COVID-19 and the number of residents that tested positive by care segment.

The COVID-19 incidence data is a self-reported, non-validated sampling of seniors housing and care owner and operator executives for the two-week timeframe. It is important to note that this sample is not a statistical representation of COVID-19 incidence in seniors housing and care, in general.

COVID-19 Incidence: Survey Respondent Analysis	Independent Living	Assisted Living	Memory Care	Nursing Care
# Organizations Reporting by Care Segment	49	58	42	39
Operator Average % of Residents Tested for COVID-19	4.2%	11.6%	14.1%	21.0%
Operator Average % of All Residents That Tested Positive	0.3%	1.3%	2.2%	5.3%

Responses collected April 27 to May 10, 2020
 Source: NIC

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As shown in the above table, within this sample of survey respondents, the percentage of residents that were tested for COVID-19 by care segment rose with acuity level, and the operator average percent of residents tested ranged from 4.2% for independent living, 11.6% for assisted living, 14.1% for memory care, and 21.0% for nursing care. The operator average percent of all residents that had a lab-confirmed positive test for COVID-19 ranged from 0.3% for independent living, 1.3% for assisted living, 2.2% for memory care, and 5.3% for nursing care.

NIC wishes to thank survey respondents for their valuable input and continuing support for this effort to bring clarity and transparency into market fundamentals in the seniors housing and care space at a time where trends are rapidly changing. Your support helps provide both capital providers and capital seekers with data as to how COVID-19 is impacting the space, helping leaders make informed decisions.

If you are an owner or C-suite executive of seniors housing and care properties and have not received an email invitation but would like to participate in the current Executive Survey, [please click here](#) for the current online questionnaire.

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FLC Alumni Spotlight: Colette Dafoe



Colette Dafoe

The Futures Leaders Council (FLC) was established in 2009 by a group of forward-thinking NIC leaders with the goal to provide its members with a unique opportunity to help advance NIC’s mission and to develop leadership skills and meaningful professional relationships with the current industry leaders. The FLC is now in its eleventh year, and with the incoming Class of 2023 being announced this summer, NIC continues to attract emerging leaders with energy, drive, and passion to benefit the seniors housing sector. The following interview, conducted by

FLC member and Nixon Peabody LLP Associate, Julie Stande, highlights the work of FLC alumnus and Nixon Peabody LLP Partner, Colette Dafoe.

Stande: You were in the inaugural first class of the FLC. How did you get involved with the FLC?

Dafoe: I was already involved in seniors housing and actively attending NIC conferences. Because of Nixon Peabody’s engagement with NIC as a sponsor, our involvement in prior NIC conferences, and our colleague Allen Lynch’s volunteer leadership with NIC, I heard about this new group that could be the next generation of leaders in seniors housing, and I applied.

Stande: What was your role in and/or connection to the seniors housing industry at the time? Was there anything in particular that first attracted you to do work in this space?

Dafoe: At that time, I was an attorney representing all facets of parties involved in seniors housing transactions, including investors, lenders, developers and operators. A number of factors attracted me to seniors housing. For me, one of the most interesting aspects of seniors housing was the people involved and the genuine care that came into play when thinking about the residents of the communities. It was also a part of the real estate industry that was uniquely suited to my background. I got my master’s in public health and really wanted to bring my experience in health care to the real estate industry. This was the perfect marriage. I also noticed very quickly that in a fairly male-dominated profession (that being real estate), the seniors housing industry was much more diverse. It was empowering and appealing to attend a seniors housing conference with a much higher percentage of women in attendance than a typical real estate finance conference.

Stande: How did your work with the FLC and the connections you made through the FLC influence or impact your career?

Dafoe: It was an incredible relationship builder. Those relationships provided valuable insights into different aspects of the seniors housing industry and allowed me to understand what our clients were focused on and what was important to them. Years later, this group has continued to be an invaluable resource not only for the seniors housing industry but as a professional balancing leadership with every other demanding obligation both at work and at home. The FLC also provided a tremendous confidence builder in this industry early in my career. I looked around the room at that inaugural class and felt very proud to be a member.



Julie Stande



Stande: What was the most meaningful thing you learned through your involvement with the FLC?

Dafoe: The inaugural class and all of the classes that have followed are incredibly passionate about the industry. With the baby boomer generation on the horizon, we were going to need a lot of that passion in addition to creativity and ingenuity (and sometimes mutiny) in order to address the demand and the ever changing environment (politically, technologically, and culturally). The personalities within the FLC bode well for the future of this industry.

Stande: How would you describe your current role and the work you do within the seniors housing industry?

Dafoe: I continue to be involved in many facets of the seniors housing industry. Because of the insight I gained from the FLC, I often serve as an outside general counsel to a number of seniors housing clients and am grateful to the FLC for the experiences and understanding I gained as well as the many relationships that I value today.



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Seniors Housing & Care Industry Calendar

6/2–6/4.....2020 NAREIT Investor Conference; **Virtual**

6/4.....NIC Leadership Huddle Webinar: A Conversation with Brokers in a COVID Environment

6/8–6/12.....ASHA Mid-Year Meeting & Rising Leaders Meeting; **Virtual**

6/18.....NIC Leadership Huddle Webinar: Business as Usual or Time to Think Outside the Box?

6/24.....California Assisted Living Association (CALA) Summer Symposium; **Virtual**

June 2020 Postponements

6/10–6/12.....National Accountable Care Organization (ACO) Summit; Washington, DC;
(Postponed to June 23–25, 2021)

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