Operators and The Capital Providers Who Love Them

Joe Kiernan:

Well good morning everybody, welcome. How is everybody doing on this Friday?

Speaker 2:

Great.

Leigh Ann Barney:

Mm-hmm (affirmative).

Joe Kiernan:

Good, excellent. So-

Jim Thompson:

Y'all are troopers. Thank you.

Joe Kiernan:

Yes, absolutely. Last day of the conference. This is my second time moderating a Friday session and I'm actually with the... I'm very happily surprised with the audience that we have, which is great. But it's a nice opportunity because a little bit more casual than when the seats are packed. So this is going to be a really nice opportunity for us to have a dialogue today versus us sitting up here talking to you and at you, we want to have a conversation. Our style is sort of if everybody, I'm going to date myself for anyone who remembers the Phil Donahue style of talk shows where we had someone up on stage and Phil out in the audience. I'm going to be your moderator and your host today. My name is Joe Kiernan and my cohost and co-moderator is Lucas McCarthy. Lucas, say hi to everybody.

Lucas McCarthy:

Hey, everyone.

Joe Kiernan:

Lucas will be going around, we'd really love this to be a little bit more of a presentation and a little bit of a town hall so Lucas will be coming around with a mic. If you have anything to add to the conversation that we're having today, that would be great. If you have any questions, please feel free to raise your hand, we're going to interrupt and we're just going to have a nice free-flowing dialogue today.

Joe Kiernan:

Welcome to the session, we really appreciate that. We'd like to take a... and welcome our guests for today's session. We have Leigh Ann Barney, I'm going to have her speak a little bit about herself in a moment. We've got Jim Thompson from BOK Financial. And then of course my cohost, Lucas McCarthy.

Male:

[inaudible 00:01:49]-

Joe Kiernan:

Yeah, exactly. We are your hosts and your panel today. Leigh Ann, tell us a little bit about yourself and about Trilogy Health.

Leigh Ann Barney:

Sure, I'm the CEO of Trilogy Health Services, I've been with the company for 19 years. When I started we had two facilities open so very much a growth company, we have 116 open today. We do more of a continuum of care on our campuses, skilled nursing, assisted living and independent living with memory care. All services provided on most all of our campuses.

Joe Kiernan:

Excellent, welcome. Jim?

Jim Thompson:

I'm Jim Thompson, I have been a senior debt lender to skilled nursing and senior housing for over 30 years, I know, I started when I was 10. Worked for essentially the same team, developed a very strong viewpoint with respect to evaluating operators to invest in from a senior debt perspective. I learned from one of the best in the industry. Have recently taken an opportunity to move to BOK Financial to hopefully take that 30 plus years of experience to a younger organization in the industry. So far so good and I'm looking forward to continuing.

Joe Kiernan:

Excellent. And Lucas, maybe tell everyone about your-

Lucas McCarthy:

Sure, sure. I'm essentially the Phil Donahue evidently. So if you see me staring at you directly in your face, that means I want you to ask a question. I'm Lucas McCarthy, I'm the founder of the Bridge Group Construction and I'm the proud cohost of Bridge the Gap: The Senior Living Podcast. I'm glad to be here, I'm glad you're here too.

Joe Kiernan:

Excellent. And a little bit on me again, my name is Joe Kiernan. I'm the Chief Strategy Officer and Senior Vice President of Network Development for a post-acute company in New Jersey, mostly in New Jersey called Ocean Healthcare. We have a portfolio of skilled nursing assisted living, four hospice companies, we're actually just going into Michigan as well as Ohio, Pennsylvania and New Jersey. Skilled home care, private duty, home health, behavioral health, an array of different post-acute services. So coming from the operator side both in the institutional setting but also the service lines and how do you make all of that kind of work together, not only for our customers and our residents but also really working horizontally across all of those different business lines so that we can support an internal network. I'll be also jumping in on the operations and the operator side of this.

Joe Kiernan:

Just by a show of hands, how many operators do we have in the room? Excellent. Okay and then on the investors, finance side? Okay so we've got a nice mix. How many mostly in senior's housing for our operators? Seniors housing and skilled nursing? Okay. And then service lines, do we have anybody on the home care hospice, ancillary services? Awesome, excellent, very good. So we've got a nice mix here. And

we did have a little bit of a change up, the coronavirus has stopped some people from traveling so I would really like to thank, especially our guests today Leigh Ann and Jim for being here and taking the time and the risk apparently to travel. So we really do appreciate that. Thank you so much.

Leigh Ann Barney:

[inaudible 00:05:16].

Joe Kiernan:

As you read in the program description, there has never been more disruption in our industry where it's become more and more difficult for operators to really be able to demonstrate the strength and their core competencies to the stakeholders that are involved in their businesses. How do you demonstrate to an investor that you have the strength to be able to run a successful operation? And then on the investor and finance side, how do you know what questions to ask? Jim and I were having a conversation earlier, times have changed, the questions you asked years ago are not the questions you ask today. The folks in the operations that you used to talk to are not the folks that you want to talk to now. To really get a sense of are you going to be investing in a physical plant, a building which doesn't really exist anymore, it is about what you're doing and how you do it. So we're going to kind of hit on a number of those topics today. We picked out three key or core areas that we wanted to focus on. And again, if you have any questions or anything else that you'd like to bring up, please let us know and Lucas will be walking around with you.

Joe Kiernan:

Let's get into one of the biggest things is our regulatory focus and some scoring. As we know, in skilled nursing and on the post-acute side for the most part, although this does exist in hospice and home health. However, I don't believe my experience in operating both home health and hospice, the consumer hasn't really relied on that public scoring quite yet, at least on the East Coast and in our region as much as they have on skilled nursing. I think everybody who is being referred to a post-acute healthcare center or a nursing home, knows Nursing Home Compare, goes on there, takes a look and they look at those Five-Stars. You have everything from your overall scores, your health inspections, a multitude, huge amount of your quality measures and staffing. So what does that information tell a consumer about you and how as an operator do you have to worry about that and really take a look at what's happening relative to that scoring?

Joe Kiernan:

There has also been, CMS put out a new warning symbol. Everybody saw that coming or at least I hope you did. The red circle with the stop hand in there. So if you are cited for abuse, neglect or... and I forget what the third one. Abuse, neglect or exploitation, if you get that tag during a complaint survey or a survey, that hand goes up. I don't really want to even begin to think what happens to an operation that has that on the website. I'm thinking occupancy is going to decline significantly, admission volume would probably go down to nothing and you're going to get dropped out of any preferred provider network that you're in because they usually use the Five-Star scoring as a quality measure. That is a huge way of affecting what it is that we do. From that perspective, Leigh Ann, can you speak to how your team at Trilogy manages the expectations of that public reporting and how do you make your investors, your lenders feel more comfortable about how you're managing that?

Leigh Ann Barney:

Right. Well I think that, I agree with you, increased regulatory focus has been something that we've seen in the last several years but it's not something that we haven't dealt with continually as skilled nursing operators. The difference today, I believe, is that the information is so much more available to our consumers via the internet. And so we're not just dealing with the regulatory nursing home compare and Five-Star ratings, but also we have to deal now with Yelp and Google reviews and other just consumer comments that'll be posted online. We've always taken the approach is to be very close to our customer and to our consumer.

Leigh Ann Barney:

When Five-Star ratings first came out, I would say that most of our consumers didn't understand those so we took a proactive approach to have talking points and explanations that our operators could use to talk to our current customers via newsletters, family meetings and however we could educate them if they came in to talk to us and ask, "Well, what does this mean you have a three-star rating?" We could have the talking points because we all know that as perfect as you want to be in operations, there's going to be blips that will happen and so you may have a negative survey outcome that you want to be able to explain that this isn't a systemic problem, this was something that occurred because of an isolated incident. Or if it is a systemic problem, how are you addressing that? At Trilogy, we stay very close to our current residents and then also our communities, our referral sources.

Leigh Ann Barney:

And then from an investor standpoint, I believe that we try to be very proactive in educating them on what's going on in our business. We don't take the approach that we're going to hide anything if we do have a survey issue or a regulatory issue, we very open with that. We talk about it to them and then we tell them how we're going to manage through that process and what we're going to do. They also are very savvy, they understand that a Five-Star rating isn't everything that it looks to be all the time. They know if we talk through... And if we have to take or lumps, we take our lumps on things but I think it's best to be honest and be out there and be explaining that to your investors and to your consumers.

Joe Kiernan:

Exactly, that's great. I know for us, we're constantly looking at what the impact is going to be. So if we see we have got a facility that's getting ready for survey and we know that we are in year two of the three year cycle and we're getting ready to get that bump that we find that we need, survey readiness for us is going to be huge. Really making sure that we're prepared for that because of the impact that that has and the trickle up effect on your overall rating and then being able to have those conversations with your bankers, withyour investors especially if you take a hit, giving them that heads up early. Jim, on the finance side, how do you handle that side of the equation? So when you're looking at one of your investments or on the debt side, whichever you might be on, how do you navigate the strengths or weaknesses of your investments?

Jim Thompson:

Joe, as a senior debt lender, our evaluation of an operator especially an operator that we don't have experience with, the window to do that in the time that we're given to make a go, no go decision and then get the loan closed, it's really shorter. While we have evolved over the years to have conversations about details, about survey preparedness and whether or not operators use these analytical tools that predict where Five-Star may go, those are just now sort of entering into our regular discussion with perspective operators.

Jim Thompson:

When Five-Star first came out, and I still have my own views about the value of Five-Star and I'm sure it's shared by many of you in the room but it is a reality. Fortunately the organizations that I've worked for have led the team with the experience and the contact with the operators, really make the decision about whether you move forward with a transaction on a group of properties that may contain some one- and two-stars. From that perspective, I feel very fortunate that I can have those communications with my customer or my perspective customer. And if I'm satisfied with what happened, if there's transparency, as Leigh Ann had talked about, then I'm still at a point as a lender where I can go to my credit people and tell that story and feel like I'm going to be supported in that decision.

Jim Thompson:

Prior to Five-Star, when we were evaluating transactions in skilled nursing, we used to hire a third party clinical review teams and unfortunately we stopped that when Five-Star and other means of getting information. And let's face it, our group had a lot more experience evaluating operators so there was less reliance on third parties to do some kind of review. I am a little concerned about this warning, I have never had a loan not pay or had lost a dollar because of Five-Star or any other regulatory issue or any liability issue. But I think what's happening here with the addition to the potential special focus list and the addition of this caution symbol, when you take it in the context of everything else that's impacting skilled nursing and senior housing, you really have to take more time and effort in understanding sort of how much volatility can the property take, how much volatility can your operator's portfolio take and do they have the capabilities to react in the capital? Not just debt capital but overall capital to do what they have to do potentially over a year or two period to fix a problem. That's sort of how I look at the impact. And how that reporting and public information has changed my view of the necessity of getting information.

Joe Kiernan:

So this is not really even just a financial pro forma anymore that you can-

Jim Thompson:

No.

Leigh Ann Barney:

Mm-hmm (negative).

Joe Kiernan:

... put on an Excel spreadsheet. This is an, "What's your operational plan? How do you handle that level of clinical and operational risk?" And being able to see do they have the smart spin to pull this off.

Jim Thompson:

That's correct, Joe. 30 years ago when I was making skilled nursing loans, the operator evaluation was always at the top our list but the evaluation was so much easier. I liken it to the appraiser's assuming a competent manager in their evaluation. And the historical financials were really the key. Unfortunately to our estimate of quality as an operator and skilled nursing lending was a math problem back then. Mostly Medicaid, most states had a Medicaid capital component so we tied that to our decision in terms of whether the amount of senior debt was appropriate. Clearly today lending to skilled nursing and

senior housing is no longer a math problem, we have been on an increasing arc where that decision, the debt and investor decision is more of an art than a science.

Jim Thompson:

And I really think while there's a lot of tools available and a lot of data available, when it comes to evaluating the operator, it is clearly an art. And in the limited time that we have to make that decision as a senior debt lender, I really want to probe the viewpoint of the operator, get a sense for their skillset and what they're doing to prepare for this continued journey from fee for service to value based squares with what I think the success factors are. And rightly or wrongly, if those things match up, then I give that operator really high marks because some of those things are things that need to be done in the future, there are other alternatives.

Jim Thompson:

So you're not evaluating the operator's specific performance over a period of time in these new metrics, but I'm evaluating their preparedness, what's their viewpoint on taking risk, how they intend to be successful. I want to know if I'm talking to an operator and making a lending a decision with someone whose buildings are going to become commodities. Whose buildings are going to lose value over the term of my loan versus operators and skilled nursing and senior housing who are going to be adding value to the underlying real estate and their enterprise.

Joe Kiernan:

That's great.

Lucas McCarthy:

Joe, Joe, I'd love to jump in here because we've got-

Joe Kiernan:

Yeah, yeah, please.

Lucas McCarthy:

I'm really impressed with the mix of people we have in the room and so I'd love to get some feedback on the scoring system from either an operator or a lender. I know that there's some thoughts and feelings on this so I need somebody to pipe up and ask a question.

Joe Kiernan:

Of course, we can always count on Lynn.

Lucas McCarthy:

Lynn, please tell us your name and your-

Male:

[inaudible 00:18:29]-

Lucas McCarthy:

... company.

Lynne Katzmann:

I'm Lynne Katzmann and my company's Juniper Communities. My question deals with KPIs, so key performance indicators and they can be anything from hospital readmission rates to medication errors. And I wonder in the loan, in the evaluation of the operator whether you ask for those KPIs because those in and of itself might be an indicator of readiness for an operator.

Jim Thompson:

Lynne, I would say that I don't have a list of KPIs that I walk into a meeting with a perspective operator. But I-

Lynne Katzmann:

Is it just capital?

Jim Thompson:

Well, beyond that, our discussions revolve around hospitalization rates, revolve around the partnerships that they have entered into. Revolve around their readiness to participate meaningfully in integration and care coordination. Because if I go into say a meeting with a skilled nursing operator and I get a sense that they're operating the way they did 10 years ago, then the meeting's cut short, "Thank you very much, very nice to meet you. I hope that I see you in five years."

Leigh Ann Barney:

I would agree. I think in our organization, obviously that's how we run our business every day and I would say it's beyond in today's day in age more than just your clinical KPIs, I think labor as we all know, staffing has been a challenge for everybody in our industry. So I would also be asking how they manage their labor. And not just labor dollars and wages but how are they looking at turnover? Do they know where their turnover's happening, why it's caused? Sometimes it's by market. So they'd really need to have a good pulse on all of those things, labor. And then also the customer experience. We focus very heavily on our customer experience and the metrics that we have along those lines and we track how many people eat their meals in their rooms and that's an indication to us is if we're going to have good food service scoring from our customers. So every area of the business you have to have, today I believe, to run your business, good metrics and data.

Joe Kiernan:

Yeah. And Lynne, I'll jump in on the operator side as well. We do have a set of those key indicators, we actually measure in all eight divisions of the company on a weekly basis, some of our key performance indicators that help us identify what our month is going to look like from an operations side. But when we're sitting down with one of our primary lenders and they'd like to know how things are going, we really point that out. So we really survey, survey readiness the results of those, the depth and strength of our clinical teams and how they interact with operations. Really looking at who our administrators are and our leadership in our buildings. Of course the financials always speak for themselves. And then things like what networks are we participating in? What's our bench strength on the payer side? Whether that be with managed care participation. Also looking at our participation in preferred networks or strength. How are we managing that to be able to attract new customers-

Lynne Katzmann:

So is that part of your presentation in your meeting with lenders?

Joe Kiernan:

Yes. Yes, absolutely. Yep. Lucas do we have any other...

Lucas McCarthy:

Anybody else?

Joe Kiernan:

Any other questions? Anybody have anything to share, maybe from your experience in terms of readiness?

Lucas McCarthy:

Oh, cue the music.

Joe Kiernan:

Yeah, start, cue the music. Okay. Well, we're back from break and we're ready to go. [inaudible 00:22:24] and we'll be back in a moment. Or what was the deal? We've got two in two, I think I'm dating myself yet again. All right, so let's talk about the ever changing challenge of the healthcare dynamic that we have to deal with. Over the past several years, I think senior's housing as well as our healthcare side has experienced dramatic changes. Recently we have new payer models both on the skilled nursing side with PDPM and we've got PDGM on home care. These are probably when you've got a change in how you are paid and reimbursed for the services that you provide, that is a pretty dramatic change in how we operate on a day-to-day basis and how we manage expectations.

Joe Kiernan:

In addition to that, we've got a significant growth of ISNIPs within the senior care side of our business. Acute Care Preferred Provider Networks have been around, we talked about that a lot last year at the spring conference. That was one the sessions that I was actually moderating and had a full panel of preferred providers both on the hospital side and the post-acute side. How we get our business, how we get our referrals have changed dramatically. It's not about your medical director and his relationships and how many hospitals anymore. It's not about the bagels that you bring in. It's about your outcomes, it's about what you can provide to a post-acute partner. And using the world partner as opposed to being a vendor. That has changed dramatically.

Joe Kiernan:

Outcomes, data and performance as opposed to chandeliers and beautiful wallpaper. Yes, people want to be in a very nice looking healthcare environment and a senior housing environment. But, what are the outcomes? How well are you doing? What is your length of stay? What is your re-hospitalization rate? These are just some of the examples of the changes that we face on a day-to-day basis. From the operator side, Leigh Ann, how do you help your investors sleep a little bit better at night understanding that you've got control of this? How do you demonstrate that?

Leigh Ann Barney:

Well, I'd say two things. One is overall strategy and your strategic plan as an organization. As I mentioned at the beginning, we operate facilities that have a continuum of care. And strategically knowing that a lot of this pressure was going to be coming from a reimbursement standpoint and regulatory, we purposefully have been shifting our mix more towards senior housing versus skilled nursing. And we've done that over the last 10 years to the point we're almost 50/50 in our business. We outlaid that to our capital providers that that was something we wanted to do, we wanted to invest in more growth in senior housing because it's not as risky in our opinion. Obviously there's risk in everything but from the reimbursement standpoint, it helps balance our portfolio a little bit. And they're very supportive of that and we've shown that we've been able to execute on that. So I think executing on a plan, setting up the strategy and then showing them along the way that you've been able to execute and that the strategy was the right one. So whatever you choose as your strategy being able to show that.

Leigh Ann Barney:

From the point of networks and ACOs, again we've been very customer focused. So while we have to be in that market and deal with those reimbursement challenges or in the networks, we've also had markets where because of the Five-Star Rating, we may not be in the ACO. And so our focus on the customer and being the customer service leader of choice in our market has been very beneficial to us. We haven't seen a loss in consumer demand in many instances even though we couldn't be in that hospital relationship. I think that's another piece of it.

Leigh Ann Barney:

And then beyond that, I think the data is obviously the ultimate piece. Being able to show data, being able to show your operators and your hospitals and everyone that you have the data, what your recidivism is, how you're working on that. But again, I really believe that the focus on the customer and the satisfaction. If you're a good provider and people know your reputation then whether or not you're in a network may not matter, what your Five-Star Rating may not matter as much. I'm not saying it doesn't always but it's going to give you much more opportunity to overcome those things.

Joe Kiernan:

That's great. Excellent. Jim, like we talked about before, these are not the same questions that you used to ask.

Jim Thompson:

Absolutely.

Joe Kiernan:

Learning all of the ROI and NOI were probably the two major acronyms or the letters you had to have memorized. Now-

Jim Thompson:

Right.

Joe Kiernan:

... PDPM, PDGM, ACO, BPCI, the list I think actually CMS has a 150 page-

Jim Thompson:

Yes.

Joe Kiernan:

... index of what all of acronyms and the letters mean. With all of that being said, what kind of questions are you asking? What are you looking for when you sit down with one of either an existing investment or especially when you're looking at a new one.

Jim Thompson:

Well, it is different looking at a perspective transaction-

Joe Kiernan:

Okay.

Jim Thompson:

... because again the-

Joe Kiernan:

Maybe take us on both sides?

Jim Thompson:

... senior debt window is shorter. But basically I'm going to key off of what Leigh Ann said because she talked about two things, strategic plan and data. Historic, I don't want to use historically but way back when, when I was a young pup lender, our focus was on analyzing historical cashflow. Census was fairly stable, this is even before Medicare began creeping into the skilled nursing business. Yes today, looking at historical performance is relatively important but what's more important is what our estimate of future sustainable cashflow will be. And the way we get there is to really talk and spend a lot of time talking about what is the provider's strategic plan and again, does that square with what I think are the success elements that the business is facing today?

Jim Thompson:

The other of course is data. I have customer relationships that were evaluating hospital discharges, looking for pain points for their acute-care partners or hospitals in the community, creating strategies, developing very robust data systems before it was cool. Those were the exception and I still count them among the very top providers in our business. We have to see that becoming the rule as opposed to the exception.

Jim Thompson:

In the limited time that I have to evaluate a potential operator, someone that I don't know, the focus of course is on what is their strategic plan, how do they see themselves succeeding and what elements are necessary and how do I use data? In particular, how do I use data to demonstrate my value proposition? I'm sort of making some mental notes and I really think that my initial underwriting of a new potential operator, I really need to try to get a handle on this sort of network participation and try to make a judgment about the relative success of an operator in network participation. And the data that you say that you have, I should be asking in the provider's portfolio, sort of how have they measured their

success in network participation and how can I use that information to decide whether I want to make an investment in that operator?

Joe Kiernan:

And I think, for the operator side, we clearly have to know, with that network participation, what are the goals and objectives of that network? Are they going to narrow that network further? And what are the terms and conditions of continued participation? So if narrowing the network is going to be based on two key performance points which is my length of stay and my readmission rate, which some could argue contradict each other, I need to understand that and that puts me at a level of risk as an operator. Because if maybe I'm not quite as engaged as they want me to be but I've got great performance data, I've seen centers be asked to leave a network, they had strong numbers but they didn't engage in the process. Then I've seen facilities that were on their way up, really developing it, but they were asking the questions, they were going to the table, they were knocking on the door, they were asking for help. That's something that I would want to tell my investor to say, "Look, we're not where we need to be but we're getting there and our hospital partner thinks so too."

Jim Thompson:

I've talked to a lot of operators that had two-star buildings in networks. Now, some of them were fortunate because there weren't viable alternatives but the lion's share of them remain in the network because they go to the hospital with the kind of deep data that you generate and it's that level of conversation between the referral source and the provider. That is just way too deep for a senior debt evaluation of a new transaction but these are conversations that I have during the sort of asset management phase when things change. In larger markets where moving in and out of network for either one our collateral properties or another property that the operator has, those are the discussions we have.

Jim Thompson:

And would I like to have all those same discussions at the front end? I would but the realities, for a senior debt lender, are different. And frankly, we're farther down the capital stack so people a lot closer to that one more readmission, the impact of that one more readmission have a much higher interest in getting that granular. I'm kind of a numbers geek, I'd love to get granular but the reality is I have to make senior loans.

Leigh Ann Barney:

I think another point you mentioned was, "Do you want to be in that network?" So I think the more data you have, the more you can determine if it makes sense for you to be in that network. But then if you have the data, you can have a little bit more of a voice in those conversations. So, if you can go in and as you mentioned, show your data but I think sometimes as operators, we go in and are intimidated by the hospital network and say, "Well, we have to be in here and we have to do everything that they need us to do even though it doesn't make sense for us or it's just too much paperwork." I mean, we've been in networks where the business that we get almost isn't worth all the hoops we have to jump through. So if you have good data and you have good consumer reputation, then you have a little bit more voice at those meetings and we shouldn't be afraid to use that to negotiate what makes sense for us as operators.

Joe Kiernan:

Right. And you make a really great point because I think the benefit of being in that network, that preferred provider network, high performance network, however they want to phrase that, has always been the continued flow of referrals coming into your building. Whether that be scope and primarily post-acute is really where this lives but we're seeing it more and more on the seniors housing side, especially in assisted living. Where assisted living, there was some great data that Anne Tumlinson presented on Wednesday that showed that the readmission rates to hospital from assisted living and from skilled nursing were almost equal. Everybody is talking to the post-acute side and saying, "You're killing me here because we're getting slammed with readmission rates, we're losing reimbursement and revenue on this."

Joe Kiernan:

But what about on the assisted living side? Where do they fit into this network participation? They're usually not going from hospital to assisted living, there's usually a stop in a skilled nursing or a post-acute setting first. Then perhaps because there was an event in their life, which unfortunately is when families and loved ones are making the decision to look at assisted living or an alternate care home setting. So where are the assisted livings fitting into this? And you're right, where do you want to be? That's been the main driving goal is that referral line but at some point with all this high performance, we've got great data, we're lowering our length of stay, we're lowering our readmissions, we're a great engaged partner, we have programs that match all of the major programs that the hospital are offering. At some point it's going to be time to go to the hospital and say, "I want my share. So you're in all of these shared savings programs, where's my part of the check? Because I helped you do that."

Joe Kiernan:

At some point, we have to really look at what's the strength when you go to the table? You go to the table kind of going, "Did we do okay?" As opposed to going to the table and go, "No, we did great and here's why you need to narrow your network a little bit more because you're still sending 20% of your referrals to underperforming facilities when mine are exactly where they need to be." So Lucas, let's jump to the audience.

Lucas McCarthy:

I'm really excited for several reasons, the candor of the conversation but most excited about we get to use the NIC Talk Box in the back-

Joe Kiernan:

Nice.

Lucas McCarthy:

[crosstalk 00:37:02]-

Jenna Topper:

I have the NIC Talk Box-

Joe Kiernan:

Yes, you know you have to throw-

Jenna Topper:

... in the back.

Joe Kiernan:

... that when you're done.

Jenna Topper:

I like it, high tech. Oh, were we have a tester. My name is Jenna Topper, I'm a healthcare consultant in this space and I have a masters in nursing and an MBA so I look at the clinical and the financial. Everything that you said is absolutely true but I would encourage you to do a whole market assessment on who the payers are. You talked about the narrow provider networks, I have five-star clients that are locked out because their costs were too high, they didn't have the data. Even though they're number one in their market, you really need to find out where those referrals are coming from, who has the contracts?

Jenna Topper:

Yesterday we heard there was going to be 80% Advantage, Medicare Advantage, you better find out who holds those contracts or you're going to have empty beds. And people want the one stop shop, all the levels of care and if you can't provide it, they're going to go somewhere else. So you really need to figure out what's going on with that healthcare contract, make sure you're in that network. One of the three providers maybe they're using, they're collecting data on, you better work with them and be aggressive and call them up, like I said, I have clients locked out because they didn't reach out to the health system where they got all their referrals, too bad. So you've got to be really proactive and be aggressive like you said. Show your data, show what you can do, partner with them, come up with clinical pathways and protocols as a team, insist on ongoing meetings. You really have to do that.

Joe Kiernan:

Yeah, I would have to say I agree with you. Although Leigh Ann and I had a very interesting conversation over dinner last night where we talked about not only do you want to be in a preferred provider network but do you want to actually be in contract with a certain payer? And what's your positioning, and I don't want to take because I'd really love for you to talk about this but what's your positioning in your market and the demand for your service location whether that be post-acute or seniors housing and making those decisions. And it was a great example you gave.

Leigh Ann Barney:

Well, our approach has been that with our facilities, we aren't going to be in agreements that don't make sense for us. We have one market where our marketing team is always saying, "We've got to be in this network, we've got to be in the network." And it's such a low payer even though it's a large provider and it's associated with a hospital system but for us, it doesn't make sense. I'd rather go out and spend dollars, try to get the private pay customer because we do have a good customer service reputation. In some instances, I'd rather have a long-term Medicaid patient in the bed. That's sort of our opinion about it is that if you have the top-notch services, you should be able to make those decisions and say, "No, we're not going to take that rate." And then you hope the consumer demand will come back around in your favor at some point. But if not, it's in some ways better to leave a bed empty almost. I hate to say that to the bankers and the capital providers here in the room but we've done the analysis on it and soif it doesn't make sense for us, we're not going to participate.

Joe Kiernan:

Right.

Jim Thompson:

Well, it's a good a point especially with respect to the long-term Medicaid. I think we're entering in an era where the value of the long stay Medicaid patient has never been higher. So I think that's a very valid decision point. Clearly I agree with everything that you said back there, from a senior debt perspective, it's way too granular for our analysis and evaluation of an operator but you said something very key which is you have five-star buildings locked out of networks and I've seen many one- and two-star buildings remain in networks. As a decision maker to make a loan, you really can't sort of say, "I won't do anything under a three-star." I've lent money to operators that were under corporate integrity agreements. I personally believe that if they have the right attitude about that process, they end up as a better operator at the end of the five year period but that... I don't really want to digress.

Jim Thompson:

But that's why, for me, it always goes back to who I'm doing business with. Do I think they have the skillsets to manage a situation where they have a five-star building that's not got getting the loving that they deserve or they have the ability with their data to take a building that is two-star and maybe two-star for two or three years because of a bad survey and still be able to develop and maintain those relationship, referral relationships. Again, it all comes down to my evaluation of the operator from sort of a global perspective.

Lucas McCarthy:

Joe, we got a question from back here.

Joe Kiernan:

Yes.

Speaker 9:

This is a little unrelated by my question is around PDPM. A lot of the operations have received a lot of upside from PDPM and I'm just curious from the investors or the lender's perspective, how are you looking at that knowing there may be a potential adjustment down the road?

Joe Kiernan:

Go. Okay.

Leigh Ann Barney:

How are you going to [inaudible 00:42:13].

Jim Thompson:

I was going to bring this up when we were talking about PDPM and this viewpoint will obviously be short lived but my focus in evaluating a new transaction today with respect to PDPM is I want to make sure that this property or the operator's portfolio, their results are not outliers. If four or 5% growth over market basket is where they are, I'm feeling pretty good about that. And yes, I understand that there might be some adjustments, I'm hopeful that CMS will take the time to actually incorporate the

outcome data to see if we're getting what they're paying for before they make any reimbursement adjustments. But right now, my focus is going to be on, "Am I really talking about an outlier?" Because the risk of a top line reduction, a significant enough top line reduction to impact the debt at my level of the capital stack is real.

Joe Kiernan:

Lucas, we have anybody else from the audience?

Lucas McCarthy:

Anybody on else on this topic?

Joe Kiernan:

Anybody else have any experience or insights on this? I wanted to add one other thing when we were talking about really being able to get to the table. Very interesting and I would have to say, not to put her on the spot, but Lynne has probably experienced this, Lynne Katzmann. For our organization we have a few buildings that are participating in an ISNIP with a very large national player, and I'm not going to use anybody's names, and in wanting to have further conversations, just say I'd like to expand the commercial contract and not only just the ISNP piece of it, where we'd like to have a bigger part in this where I can capture maybe some more of that more profitable post-acute patient into the skilled nursing side of what we do and you can't get to the table. Now, we're saying with ISNPs coming into skilled nursing and operators kind of investing in ISNPs or starting their own, which our organization invested in one and we're now rolling that out in our buildings for ourselves, guess who came calling? Now they want to have a meeting and now they want to have conversations.

Joe Kiernan:

The dynamic of that conversation, just like we were talking about certain payers and whether you really want to be in that, it just doesn't make sense. And they came calling because people wanted to come to your buildings and now they... but you're not in network and their members are yelling about it. So where do you sit with that? Your strategic plan and your focus on how you're going to approach that changes the dynamics of those conversations and I can't wait to go to that meeting. I think that's going to be a lot more fun than my last time. Excellent. All right, we'll be back in two minutes.

Joe Kiernan:

The next thing, let's talk about shifting from seniors housing to healthcare. I've learned to be very passionate about this from someone I know very well and for a long time and I've seen it happen in my own organization. We've talked about this when looking at your portfolio and it has been a consistent threat throughout this entire conference. The spring conference really talked about how healthcare and services has become so necessary in the seniors housing piece. If we continue to think about this as a real estate deal, I mean there's that part of it but that's not what this is anymore. As we continue to shift and look at senior housing and healthcare, there's been that whole shift up and down the upstream and downstream components of what we do. Skilled nursing, we've become the new hospital. Our post-acute units, are not post-acute units anymore, they're med-surg units, they're literally even step down units, expectations of doing high, I mean-

Jim Thompson:

Direct admits from the community because-

Joe Kiernan:

Exactly, direct admits especially in an ACO or a BPCI situation where you don't even need a hospitalization you can just directly admit. Where assisted living has become the new nursing home so to speak. Where home care is the new rehab. With all of these shifts and even looking at independent living where before it was just an apartment with some amenities and if you fell, the most they could do is call 911.
Well, how do we avoid the fall in the first place? Because it's just going to keep going and going. Based on this whole shift in this market and especially everything we've been talking about over the past few days, Leigh Ann, how does Trilogy prepare for a meeting or having a conversation with your investors that demonstrates your core strengths in being able to look at either a multimillion dollar deal or how you're handling your existing debt with them? And your ability to make the appropriate changes especially on the seniors housing side of your portfolio?

Leigh Ann Barney:

Well, as I mentioned earlier, we did strategic plan several years ago to shift more towards seniors housing. Being that we've had a continuum of care always on our campuses, our assisted living and senior housing has been more clinically focused. I think what, as you said, everybody's talking about this shift more toward clinically focused and senior housing, it's one thing to say that you're going to do that but you really have to be prepared to provide the services. From our perspective, we would showcase the leadership that we have in place clinically and how that marries well with the skilled side in our business that we have into our senior housing. So we already have that knowledge. And do we have the staffing in place to be able to provide those services? What kind of nurse staffing do you provide in those environments? I think you have to show ongoing what education you have for nurses. Things are changing rapidly with PDPM, before PDPM, we would tell the hospital, "Do not send us anybody with an IV," because we didn't get paid for it and it was very expensive.

Joe Kiernan:

Wow.

Leigh Ann Barney:

Now we're saying, "Give us IVs," we're calling the hospital saying, "we can take them, come on." But you have to have staff that's trained to be able to do that. So you have to have a system in place to be able to, whether it's through technology or on-site resources to provide ongoing training and clinical competencies to make sure you're staying up on all the trends that are happening.

Joe Kiernan:

So let me ask you, because this is a question that I actually didn't get to ask in the previous session was when you're looking at and you said you've shifted more towards senior housing, how have you been able to balance the senior housing selling proposition, maybe a lifestyle, the amenities and services that are available so that your residing customer, the senior and particularly their family feel really wonderful about where Mom or Dad or whomever is living? And balance that with the healthcare side because we have for years it's been chandeliers and wallpaper and carpet and all of that and now it's the healthcare piece because Mom wants that but she also has two or more ADLs and about five comorbidities that we're dealing with, so how do you balance it?

Leigh Ann Barney:

Well I'd say that we still do provide the chandeliers and the amenities and the dining service and our life enrichment is very vibrant and so you sell that. But from our perspective, if we're selling against someone who's a standalone senior housing, our position is going to be, "Look at the care that we can provide. Mom can stay in her home longer which is what she wants to do. You're not going to have to move her and if eventually she does decline, she's going to be in the same building and be able to moved into a skilled setting with people that she knows, the same therapy providers, the same caregivers and then also friends that she's made along the way." That's been a big part of our marketing strategy over the years is that clinical advantage that we feel that we have had in our business. We can provide all the hospitality but we also can take care of you.

Joe Kiernan:

Okay, excellent.

Lucas McCarthy:

We got a question right back over here.

Joe Kiernan:

Excellent, all right.

Mazi Shergosha:

Good morning.

Joe Kiernan:

Good morning.

Mazi Shergosha:

[Mazi Shergosha 00:51:05] with Premier Senior Living. As this shift happens, we all know we're becoming more and more targets of class action lawsuits for big players and series of additional lawsuits for small operators. How do you evaluate that financially that massive risk factor where ultimately your GOPL, your NOI and the entire organization can be at risk with these kind of, let's call it, nonsense claims that come across? And the big elephant in the room yesterday that was brought up, is in fact the trial attorneys that are making this a more and more difficult operating environment. So how do you protect against that? How do you model that in financials?

Joe Kiernan:

Great question.

Lucas McCarthy:

I'm seeing a lot of head nods over here.

Jim Thompson:

Okay, good. Yes.

Lucas McCarthy:

It's like this.

Jim Thompson:

It's a great question and to be frank with you, we don't feel like we have the capability to model that. But to your point, just last month, two more providers settled with the Department of Justice over the issue of too much therapy. And now with PDPM we're going to start seeing [Keytam 00:52:32] and other suits that allege too little therapy. But before the therapy issues it was the utilization of nurses, the documentation of nurse time. It was back when Medicare was Cost Plus and it was long allocations for cost report purposes. So there's always been a soup du jour that hung over the skilled nursing lending. And as I mentioned very early on, in my 30 years of experience I've never lost a dollar or not had a payment made because of a regulatory problem. Now I guess it's better to be lucky than good, I guess.

Jim Thompson:

But again it goes back to who you do business with. I don't want to do a single owner operator, single facility or two. I don't think that there's the capital, the cashflow and the resources to be able to handle that. I was a lender to a number of companies that after the end of a 10 year period had spent five, six million dollars in legal bills defending their claims, have had to pay 10, 20, 30 million dollars to settle the claims. And yes, they didn't want to do it but it didn't bankrupt the company. It didn't impact the assets that I financed and their performance and their repayment. So I don't think I can model what you're talking about but I don't see a reason for it because in the way I do my senior lending business, I don't see a correlation between those gross events and the ability to get repaid on my senior debt.

Leigh Ann Barney:

I would say from an operator, we are fortunate that three of our four states are not very litigious but unfortunately our home base is in-

Jim Thompson:

Kentucky.

Leigh Ann Barney:

... Kentucky which is, as everyone probably knows. I'm going to go back to something that's going to sound very simplistic but I think the customer relation is still very important in this process. We have a very strong outreach to our customers and we monitor every incident that happens in our healthcare center or our assisted living with falls and wounds those types of things, falls with injury. Anything that could be potential liability, we escalate that immediately and we have an outreach where we've talked to the families and we say... I don't think most families get into this to go and sue you, especially if you're providing great care for their family and you have a good relationship with them. I think it's when that breaks down and they don't feel like they've been listened to or that something has happened or that you haven't met their service needs. And then that's when the trial lawyers can grab onto them and it makes for a great case.

Leigh Ann Barney:

But taking great care of people and then we've a good track record that we can show to a lender that over the years. I think if we only operated in Kentucky, which some of our competitors have done and they've exited the state, that would be a little bit more challenging for you guys to look at but having this large spread among other states and it sort of minimizes a little bit what we have in Kentucky

even though it's our biggest area of liability, even though it's our smallest state that we operate in. But I don't think you can discount that importance of staying in tune with your customers and your families very regularly.

Joe Kiernan:

So how do you scale that based on your size? Because I've got 13 skilled nursings, a couple of assisted livings, you've got 120, 130. So how do you take that concept and make that work over that kind of an enterprise?

Leigh Ann Barney:

Well it starts at our campus level and we have several of our service standards that are related to communications with our families. One's called a family call program and so we reach out to them very regularly on admission and then 30 days we try to talk to family members that aren't in our campus as often as others so that if a concern comes up, we are made aware of it right away and we can address it. And we log all of our resident concerns and I tell our campuses all the time, "If you don't have very many resident concerns you really aren't doing your job." Because you should have a number of those. We want to know every little concern and then we go back and follow up on it.

Leigh Ann Barney:

And then again, as I mentioned from a clinical standpoint, we have system that we call it a red escalation. So any event our EHR will help escalate those events up to us and then even through our campuses if a family makes a threat of something, we want to know about it right away and we get involved immediately to try to mitigate anything before it gets to the point of litigation.

Joe Kiernan:

Right. And you can kind of see that. And we do have a question in the audience but you can kind of see what Leigh Ann just explained to us would be so valuable to explain to one of your investors or to a lender. I would sleep much better at night knowing that you've got those systems in place and there's still a risk and you're still going to have those issues but you're doing everything you possibly can to mitigate it. And Jim had mentioned it earlier, it's not necessarily that you are, not only that you're doing it but you understand it and that's great. We have a question?

Speaker 11:

Yeah, I just want to make a comment on the operational model or shifting from seniors housing to healthcare, I've been in the industry a long time and done many models, many facilities and so we're experimenting with some new model, which I think is kind of interesting, I'll try to explain it. It's in Maui, Hawaii so not a bad place to build anything but it takes a long time like most places. But our model is this, it is basically a continuing care retirement community. It has a 40 bed sub-acute skilled nursing, it has a 39 unit memory care ALF and then we have what will be 150 independent living units. Which is not unusual in the vernacular of a CCRC or life plan community but here's where it gets interesting.

Speaker 11:

In our community, we're an island. I don't think most people operate on an island or maybe you think you do but this is an actual island with an ocean around it so it's a unique community and it's really got one acute care hospital which was state owned and Kaiser took it over. And basically, all acute-care on this 160,000 population island with 300,000 visitors every day, also a very unique situation, so we have a

unique and kind of enclosed system. We have one provider whose large, certainly everyone knows Kaiser at least in the western states you certainly do. So what we've done is we're partnering with Kaiser to build, and I think this is kind of interesting, a critical access hospital. It's going to be about one to five beds, it's going to be about 15,000 square feet and it's going to have a 24 hour emergency care facility, maybe one or two operating rooms and full clinical capacity on campus.

Speaker 11:

So to me in the concept of continuing care and you want to work with a large provider, in our case there's only one so it isn't like we can go shop around or we can say, "Oh we don't want to use them." Well, they're it, that's all there is, that's all the acute-care on this island. Which is a pretty good sized place, you think 160,000 people, one hospital, 200 beds and you have an incredible visitor population, a very unique situation. But we're excited about it because we think it addresses these issues and the partner I have on the operational side, a company called Greystone Communities. They're obviously well versed in the area, they actually have built a continuing care retirement community on the island of Oahu.
But I think even they are doing now, they're continuing care retirement communities that have an acute-care service on campus in partnership with probably the largest or one of the largest providers in the community. So I think that's a model that maybe as we look to build in the future, as we look to finance in the future, this may be something that can work and I think we have a good Petri dish to try it and a really nice ocean view too.

Lucas McCarthy:

Can you dissect that down to a simple question?

Speaker 11:

A question, do you think that's financeable. No?

Joe Kiernan:

Well I was going to say, because Jim and I sit on the planning committee for this conference, for the spring conference together and I don't know, that might actually maybe make it to the conversation table for next year to see do we have those... how do you grow outside of this maybe box that we currently sit in. I don't know.

Jim Thompson:

Right, right. Well clearly you don't want to be forced out of your network.

Speaker 11:

No.

Jim Thompson:

That would be a problem. In terms of traditional debt financing, there's a lot of issues that aren't on the positive side for us. Size of the property, dependence upon maintaining on a long-term basis the relationship with Kaiser. The size of the project, investing so many dollars in a large project is very

difficult for all but the largest of debt lenders and I don't represent one of those. So I think the choices to leverage your project to get the equity returns needed are much fewer than they are for a lot of other developments or financing opportunities. Now, I'd love to consult with you, go to Hawaii.

Male:

[inaudible 01:02:29].

Leigh Ann Barney:

I'll go too.

Joe Kiernan:

Yeah, I was going to say, if that happens I'd love to maybe-

Leigh Ann Barney:

[inaudible 01:02:36]-

Joe Kiernan:

Move from the Northeast to see what I can do on the business development side for you. Lucas, I got word from you earlier that our session this morning has gone viral so tell us a little bit about our-

Jim Thompson:

Maybe a poor choice of words.

Joe Kiernan:

Yeah. Well that, no and actually Leigh Ann and I have great infection prevention policies.

Leigh Ann Barney:

Yes, and-

Jim Thompson:

You do?

Joe Kiernan:

... and programs in place to deal with that-

Leigh Ann Barney:

Is that true [crosstalk 01:03:03]-

Joe Kiernan:

... as a lender, you would really want to know how we're handling that.

Jim Thompson:

Yes, absolutely.

Joe Kiernan:

Although, the coronavirus is another story. We've got a huge following going, tell the audience a little bit about [crosstalk 01:03:15]-

Lucas McCarthy:

Sure, I posed our topics and our questions in this panel on LinkedIn and many of you are on LinkedIn so I got a question from a really respected person, many of you may know, Aaron D'Costa he is now the Chief Strategy Officer at Solutions Advisor Group and here is his question, he says, "Given the pressure on pricing due to consumer expectations and local market over supply, pressure on expense growth due to wage and insurance increases outpacing inflation, and an aging physical plant in need of refresh to regain its original class A appeal, how have capital partners and operators been able to reset expectations on margin and CapEx spend levels yet deliver expected returns to investors?

Leigh Ann Barney:

I think that this is where it's very important, and you're probably going to say the same thing from your perspective, but it's very important who your partner is and that you have an understanding of what you're trying to do in your business. We've been very fortunate with our capital partners have been very generous with us to reinvest in our properties. They understand that not investing diminishes the value of their business. You're going to lose census, you're going to have market share. So again, they've been very strong with that. So I think the lesson there is to make sure that you have that relationship with your capital partner and that they do have that understanding they are going to have to reinvest continually in your business especially when new builds are coming into the market, you don't want to get left behind with your real estate. That's my perspective, is it's got to be a good two way to understand I think what you guys do.

Jim Thompson:

Absolutely and as a senior debt lender, I would prefer making a loan on a property that may be at that point where we can see that making an investment in the physical plant will give it legs in terms of the market for many years, certainly beyond the term of our loan so I like to provide those proceeds in my financing. But I think the other side of that answer, and I think that's sort of a traditional sort of senior housing, how do you make those decisions and how do you exist within the market, those are more traditional senior housing questions and concerns and I think where we're trying to go here with this third portion of our little discussion is that I'm also taking into account the very real potential for top line growth in senior housing particularly, even private pay senior housing by meaningfully dealing with the health of your residents.

Jim Thompson:

Let's face it, residents in private pay senior housing and even independent living, given the age and the chronic conditions that they have when they enter the facility, they are one step away from adding functional mobility problems to that list and if you've been at any of the sessions since this conference started, you'll know that that's where the costs really start to grow. And that's where private based senior housing has a huge role to play. So there is an opportunity on the top line that would afford you the ability to maintain your physical plant, provide additional services, have healthier and happier residents and increase value.

Jim Thompson:

A friend of mine said some half a dozen years ago that private based senior housing is absolutely the hub of caring for the health needs of our frail elderly. And while that was a new concept to me as a lender who had focused on skilled nursing but had also done constructional lending in senior housing and refinance and acquisition, I have come to be a huge advocate of the role that senior housing will play in impacting the Medicare spend and by doing that, those operators in those facilities can generate value. And the sort of traditional blocking and tackling of things that you need to do with the resident base, especially with the expectations of the adult daughters as they go into senior housing, the amenities and all that, you'll be able to do that better. The offerings to your residents can improve if directly or indirectly you are maintaining their health and wellness. Not taking care of their medical care but really focusing on their health. That's the side of that question that I thought needed to be addressed as well.

Male:

Sure.

Joe Kiernan:

I think we have a question over here.

Lucas McCarthy:

Lynne?

Lynne Katzmann:

Sorry.

Lucas McCarthy:

Yes.

Lynne Katzmann:

Lynne again. We talked about CapEx in regard to investments and you talked about the advantage that seniors housing has in preventing the onset of issues that require hospitalization. Let's talk about technology and investments in technology, particularly on the senior housing side because technology particularly if you have an older building means infrastructure, means software, means continuing training to get there and that doesn't happen overnight. How do you view those type of investments and do you help people make those type of investments?

Joe Kiernan:

Great question-

Jim Thompson:

I'm going to answer that question, it's got two parts. One is how I personally view that investment and the value of that investment. But when you work for a bank and you make real estate loans and you're subject to all the requirements of your regulators, you have limits in terms of what loans you can provide and how much leverage you can provide against that property. Regardless of where you think the value's going to come from and the cashflow is going to come from, you want to avoid having a

leverage loan classification or any of what I'm learning are hundreds of buckets of bad stuff that banks have to deal with.

Jim Thompson:

So I think that we don't do a good job as lenders in being able to provide solutions for that kind of lending. Is it absolutely critical that a subset of us do? I believe that to be the case. And I also believe in the value that those investments will create and again, as I mentioned before, I don't want to make a loan with an operator that's not doing these things because I don't want their skilled nursing facility or their senior housing facility to be a commodity in their respective market.

Joe Kiernan:

Excellent-

Jim Thompson:

I wish I had a better answer for you.

Joe Kiernan:

My producer is telling me that it's time to go for questions so do we have any other questions or comments from our audience? Any other personal experiences that maybe you've had that might give either a lender or an operator some insight on how to interact with each other? Yes, sir.

Speaker 12:

You're all baby boomers so you're kind of a target upcoming market. Are you all going to move into age segregated housing?

Speaker 2:

[inaudible 01:11:15]-

Leigh Ann Barney:

What'd he say?

Lucas McCarthy:

Mic drop.

Joe Kiernan:

Yeah.

Leigh Ann Barney:

Age segregated housing, okay. Okay.

Joe Kiernan:

I think I either need to look a little bit more like my headshot because I didn't know that I was a boomer but-

Jim Thompson:

Yeah, I wonder how many years NIC is going to let me get away with using that photo.

Joe Kiernan:

Yeah, I know. I think I'm over it. I think I'm done with that one. You know what, sir, for me I don't know. I think I'm a little too far away from having to make that decision, thank God. But I would say, for example, my mother who is 72 years old, she lives in a retirement community, it is an age restricted 55 plus, not really an active adult community where they've got the whole big clubhouse and all that, just a 55 plus retirement community. And for her it was just the right move from a housing perspective. But it's her own freestanding home, there are no services outside of taking care of the lawn and all of that, I'm the one who goes to her doctors appointments, all of that. I do start to get concerned about howshe would do at home. We took out the bathtubs, we put in showers, we made things much nicer so she can extend her time at home.

Joe Kiernan:

I don't know, I think it's sort of like I've spent my entire life in healthcare, I've spent the past 20 some odd years in seniors housing and skilled nursing, so I don't know if I want to spend my retirement years in the same setting that I've spent my entire career. And my answer is I think what we can do and what we're going to build for our upcoming generation who's going to move in, the answer should be yes but I'm not there yet.

Leigh Ann Barney:

I think one thing I've learned from being in our industry for a long time is that the importance of taking care of your own wellness, I think that's more our generation is looking at that. I don't think the previous generations that we've cared for that have been in facilities for the long-term probably had that same focus and they didn't have the resources toward it. I mean, nowadays, everybody with wellness checks, go to the doctor, take care of yourself so you can live longer. And that's why you'll see the shift toward people living in more independent living and our skilled facilities are really just that rehab.

Leigh Ann Barney:

I wouldn't have a problem rehabbing in any one of our facilities, both my... well not both my parents but my mother and father-in-law were in our facilities and so I'd be a hypocrite if I sat up here and said that I didn't feel that we provide excellent care and I have my family there. But again, I'm a little ways away from it but I can see the social aspect of what we're building in senior housing and amenities and being a good lifestyle that you may want to inhabit at some point.

Speaker 12:

But do you see your residents as failing in some way and so you don't want to be failing like these failing people? Because I'm-

Leigh Ann Barney:

As far as I'm, what I'm speaking about is

Speaker 12:

... speaking now as a resident and I found that by having moved in, which I did for various reasons but not because I was failing, I've lived there 14 years and you can see I'm still reasonably healthy-

Leigh Ann Barney:

But-

Speaker 12:

... I didn't expect to be treated like a failing person. I'm asking, what can you do to keep your residents still involved so that they're not just isolated away from the larger community and we don't like to see people who are dying so we segregate them away and we don't have to look at them too much.

Leigh Ann Barney:

I don't see that as much. I think years ago that was the case in our facilities but now, as I mentioned earlier, we built a continuum of care facility and when we first started building, we had separate entrances for assisted living and skilled nursing because we thought the same way that you're thinking, that people don't want to interact. Now, we have what we call our town square model and it's completely open and we find that the residents do interact and they have activities together. So I see that that's changing and I think my mention was not to say that someone was failing but that just people are being more advocates for their own health now and trying to be more active and so that's why you're seeing people staying in senior housing longer because that's their home and they're being active and maybe don't need as much care as revious generations have.

Joe Kiernan:

And I-

Speaker 12:

My observation is you don't want to be like that. You're not ready for that.

Joe Kiernan:

No, I think as seniors housing operators as well as investors, I think what we have a responsibility to do is to put our seniors and the folks that we care for up front and center and they are our most valuable asset. They're the people that we care for every single day. Behind every single one of the numbers on a spreadsheet is a person. So we've all said, I've heard it said a couple times during the conference it's one of our mission, part of our mission statement is do the right thing for the right reason and the money follows. We're going to continue to do the right thing for the right reason for the people who live with us now and the people that are going to live with us in the future. Ladies and gentlemen, that's our show for today. What I'd like to do is a big round of applause for my cohost Lucas.

Jim Thompson:

Thank you, Phil.

Joe Kiernan:

[inaudible 01:17:04] absolutely, yep. And a really special thank you to our guests today. Leigh Ann, thank you so much for taking the time to come out. Jim, especially jumping in-

Leigh Ann Barney:
Last minute.

Joe Kiernan:
... thank you so much.

Jim Thompson:
Good, thank you.

Joe Kiernan:
Thanks everybody and be kind to one another.

Jim Thompson:
Safe travels.