
LATE WINTER CONFERENCE

RECAP



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Orlando, Florida

Wednesday, February 28 – Friday, March 2, 2018

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2018 Conference Review



For fifteen years now, HJ Sims has been honored to host its Annual Late Winter Conference and bring together great thought leaders and innovators from across the Senior Living industry. This year, over 300 providers and professionals gathered at the Omni Orlando Resort at Championsgate in Orlando, FL, for an exchange of ideas, experiences, and concerns from February 28 – March 2. Throughout the conference, attendees explored recurring themes, such as the adoption of technology to further resident care and experience, the rise of Accountable Care Organizations (ACOs) and other value-based shifts in the payment system, and the need for design to embrace new consumer demands.

"In an environment of rising interest rates, new tax laws, and rapidly evolving consumer demands, senior living executives are faced with more and more factors to consider as they position their organizations for the future," said Bill Sims, Managing Principal. "Our conference fosters dialogue among leaders, for-profit and not-for-profit alike, and creates a collegial environment of idea sharing that lends itself to further innovation across the Senior Living industry."



Program highlights:

■ Thought leaders from outside the Senior Living industry who shared big ideas from fields such as acute care, WELL design, and emotional branding. These speakers challenged attendees to ponder how emerging technologies and new ways of thinking may be embraced and applied in senior living communities to pioneer further innovation.

■ Informal events with seasoned storytellers who shared their unique perspectives and experiences as leaders, as patients, and as humans, reminding attendees of the emotional element that underlies our businesses.

■ Educational sessions that covered topics such as: identifying worthwhile acquisitions, preparing for and surviving natural disasters, strategies for downtown development, and shifting trends in skilled nursing.

This publication provides detailed coverage of many sessions at the 2018 Sims Late Winter Conference. Be sure to subscribe to our mailing list for coverage on forthcoming conferences.



The Senior Living Industry and Capital Markets: Today and Tomorrow

Each year, we kick off the HJ Sims conference with an update on the senior living and capital markets: How interest rates are trending, what sorts of new financing vehicles are available or evolving, which sectors are facing the most headwinds. This was also a special year for our organization as we honored Anita Clavin, who for the past fifteen years has been instrumental in planning and overseeing the Annual Late Winter Conference. As Anita leaves the Sims Family to begin anew in San Diego, we bid her a bittersweet "adieu" and an eternal "thank you!"

Turning to the session material, **Bill Sims, Managing Principal**, began by taking attendees through an update of the exciting changes happening at HJ Sims. At a time when other investment banks have sold off their wealth management divisions, HJ Sims continues to invest heavily in expanding its private client group network. Additionally, Sims recently completed the acquisition of P.R. Gilboy, based in Charlotte, NC. This team brings extensive relationships with Tier II investors, which, along with our growing

Private Client Network, allow Sims to more widely distribute the bonds we underwrite and secure lower interest rates for our banking clients.

Bill also covered the high-level impact of 2017 tax reform, focusing on the ultimate effects of economic growth and lower taxes. As he walked through the sequential results of these changes, Bill concluded, "Everything points to higher interest rates" but noted that with accelerating growth, deficits could shrink, leading to less government borrowing, a stronger dollar and, ultimately, lower interest rates. It just depends on how fast, how much, and how soon.

Finally, Bill dared to reveal his capital market outlook for 2018, after admitting that his 2017 projections were rather unrealized. Session attendees were invited to submit their

own projections for what the 20-year treasury rate will be on February 15, 2019.

Moving along to our work with our not-for-profit clients, **Aaron Rulnick, Managing Principal and Co-Head of Investment Banking**, highlighted a number of unique financings the firm was proud to complete this past year. For Sims, our can-do approach and commitment to finding the right solution may result in a complex financing structure, but our ability to execute the right financing for our clients is how we measure our success. Embodying this approach is the \$190M expansion financing for Ingleside at Rock Creek, in Washington DC, which received the Michael Vincent Hodge DC Revenue Bond Deal of the Year Award. Its complex structure included traditional fixed-rate bonds, short-term bank debt, and convertible subordinate entrance fees bonds.

“Everything points to higher interest rates.”

Bill Sims,
Managing Principal, HJ Sims

A recurring theme through many of our unique financings was the pressure of year-end tax reform, which changes the way 501(c)(3) organizations borrow capital. As the market was flooded with advance refundings at year end,

HJ Sims worked to establish a number of new financing terms to provide future refinancing flexibility to borrowers.

Questions on Tax Reform?

Click below to access our recent white paper.

THE SIMS PERSPECTIVE

TAX REFORM SOLUTIONS FOR YOUR NEXT FINANCING

February 2018
By Aaron Rutnick,
Managing Principal
and Kerry Moynihan,
Director



With the passage of the Tax Cuts and Jobs Act, our country enters 2018 under the first significantly different tax code in more than 30 years. Not only does this Act concern each of us personally, but the rule changes also have sweeping effects for not-for-profit organizations and the capital markets they access. This Sims Perspective outlines the genesis of the rule changes, the specific changes that were made, and how we have seen, or expect to see, the market respond. This piece also provides strategies for how leadership can and should respond to these changes now and in the future.

A Rundown of Late 2017:

- NOVEMBER 2:**
House version of Tax Cuts & Jobs Act released
Eliminates Private Activity Bonds, Advance Refundings, Tax Credit Bonds and Stadium Bonds for professional sports
- NOVEMBER 9:**
Senate version is released
*Eliminates Advance Refundings & Tax Credit Bonds
Maintains Private Activity Bonds and Stadium Bonds for professional sports*
- DECEMBER 15:**
Conference Bill is released
Adopts Senate Provisions for Municipal Bonds
- DECEMBER 21:**
Continuing Resolution is passed
- DECEMBER 22:**
President Signs Tax Cuts & Jobs Act

Tax Reform Solutions for Your Next Financing | 1

In that vein, Jeff also shared key issues that operators are currently facing and how some are responding. These included: affordability for middle income seniors, shortage of labor and rising labor costs, competition with new development, shifts in design, adoption of managed care, increasing technology advances and demands, and rising interest rates.

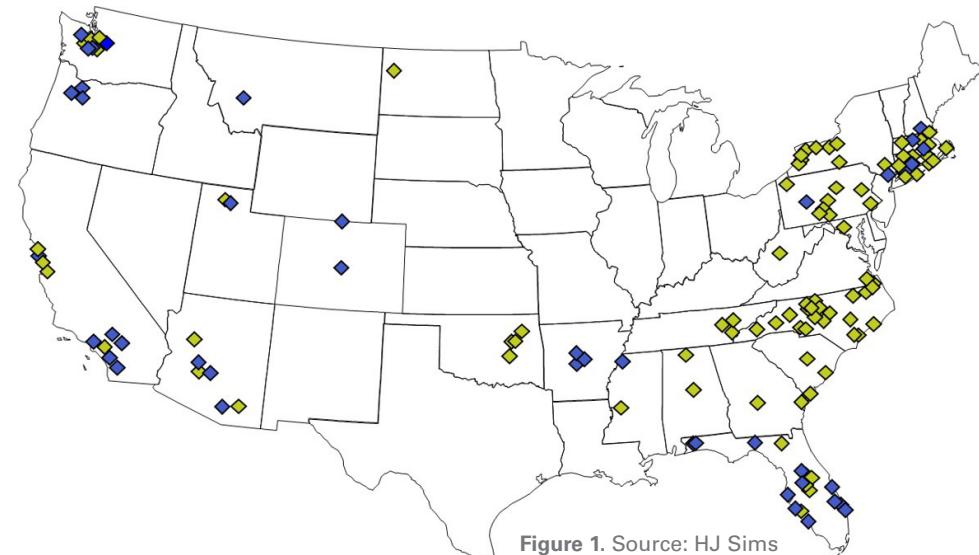
Anthony Luzzi, President of Sims Mortgage Funding, walked through what has occurring with on at HUD over the past year. The key takeaway? It's still standing!

With only minor scuttlebutt over recent office furniture purchases, HUD has maintained its production levels and turnaround times although key leadership positions remain vacant.

In 2017, Sims Mortgage Funding (SMF) closed loans for market-rate multifamily housing, affordable housing, skilled nursing facilities (SNFs), and hospitals across six states. In the fourth quarter, SMF acted as financial advisor and arranged bridge to HUD financing from a private lender for the acquisition of four SNFs. As M&A activity continues, Anthony noted that "the healthcare bridge loan of today equals the HUD-Insured loan of tomorrow."

For more information on this session, please contact HJ Sims Director of Banking Operations, **Kerry Moynihan**.

Jeff Sands, Managing Principal and Co-Head of Investment Banking, took attendees through Sims' \$285 million portfolio of subordinate debt and preferred equity investments. As an investor in over 192 properties across 24 states (see map), Sims is uniquely positioned to grasp the day-to-day challenges faced by operators.





Reinventing Acute Care

Stories from the Leading Edge of Healthcare Delivery

Dr. Brendan Carr, MD, MA, MS

Thomas Jefferson University Hospital System



While the state of the healthcare sector remains uncertain and confounding at times, meaningful evolution is occurring with the prospect for more to come as providers, payors and patients seek to adapt in meaningful ways. Dr. Carr shared his perspectives on the elements of this evolution, outcomes to date and the realities that impact reform both today and going forward. He focused on innovation of the processes for patient interaction, diagnosis, provision of care and follow-up, and of the collaboration among partners including post-acute care and senior living providers.

Convenience is King

To set the stage, Dr. Carr illustrated consumer expectations regarding the receipt of primary care, noting availability of appointments and flexibility in scheduling, accessibility of provider, and ability to interact online, among others. He further explained consumer expectations focused around the dual criteria of value and reputation. In both cases, he mentioned that the relative importance of convenience, value and reputation, vary by the age of the consumer and individual priorities. By example, among younger consumers there may be more priority given to convenience relative to provider credentials. On the other hand, among older consumers, brand and reputation, while not the only factors, are much more significant. Further, there has been an evolution in the location in which patients receive care, using acute care as an example. He noted that the physician's office, while still a common location for receipt of care, is accompanied by other venues including the emergency room, general internal medicine locations within the

hospital, hospital outpatient locations, and the home (virtually) – as an emerging location. In response to these observations, the Jefferson Hospital System developed “JeffConnect” (see sidebar below).

The JeffConnect Model

JeffConnect is a framework for the provision of healthcare services and interaction between patients (and their families) and providers. A central element is the expanded channels for patient-provider interaction, combining physical locations with remote access.

For Consumers/Patients, these channels include:

- **On Demand Virtual Care:** connecting with the physician online vs. in-person.
- **Scheduled Online Visits:** using a virtual connection for discussion of treatment, recovery and follow-up.
- **Remote Second Opinions:** allowing interaction with another Jefferson physician for a second opinion.
- **Virtual Rounds for Families:** connecting a patient, members of his/her family, and the patient's care teams during real-time, bedside discussions.

For Providers, these channels include:

- **Jefferson Neuroscience Network:** partner with hospitals regionally through collaboration, education and telemedicine to improve care and access to this specialty service.
- **Remote Consults:** emergency physicians utilize telehealth connectivity to obtain a consultation with an offsite specialist. These offerings better meet the criteria of patients (and payors) combining convenience, value and reputation.



Evolving Payment Systems

Noting the economic reality driving the provision of healthcare, Dr. Carr described the evolution in payment methodology from Fee-for-Service ("FFS") to Population-based Payment ("PBP"). With FFS (represented in Figure 2 below), the more services provided, the greater the revenue to the provider (and expense to payor), with "sick patients being worth more than healthy patients."

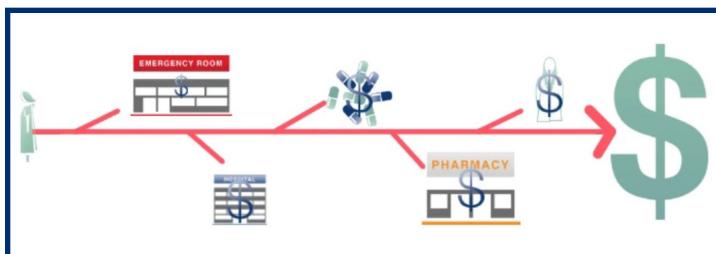


Figure 2. Source: www.brookings.edu/blog/health360/2014/07/23/the-beginners-guide-to-new-health-care-payment-models/

Alternatively, under PBP (represented in Figure 3 below), there is a fixed payment based on the patient diagnosis and shared responsibility among one or more providers for the provision of care and outcome. While the differing economics of these two methods are obvious, each also has imperfections which present challenges in implementation, including in the desired evolution from FFS to PBP. With this said, economic realities and the mandates of consumers and payors, both governmental and private, will continue to drive this evolution.

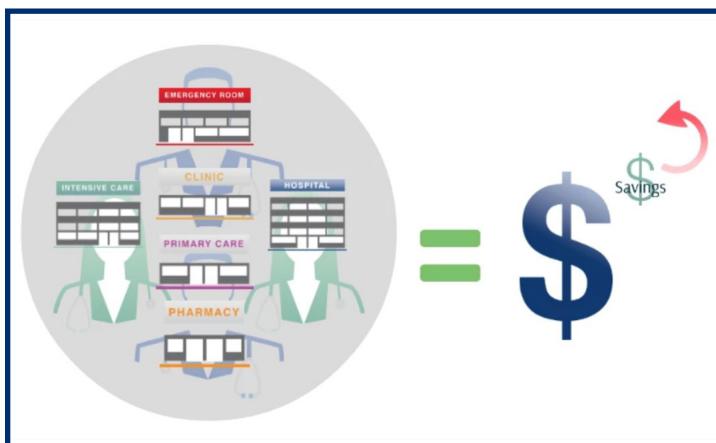


Figure 3. Source: www.brookings.edu/blog/health360/2014/07/23/the-beginners-guide-to-new-health-care-payment-models/

Application to Senior Living

Dr. Carr referenced the various beneficial applications of telehealth and telemedicine to the overall population and to older adults, whether used in preventative and wellness or in diagnosis, care and follow-up. He cited examples of improved health and quality of life for seniors, reduced health episodes and need for healthcare services, and improved outcomes in the event of health issues. In parallel, he stated, given the required financial investment in these approaches and technologies, a need to align incentives across the parties making the investment (patient, provider and payor). Additionally, he noted that some form of fee-for-service model may be required to achieve scaled economic viability of telehealth and telemedicine in some cases.

His summary observations included:

- Aligned economic incentives are critical to the continued evolution in the provision of affordable healthcare services in a sustainable manner.
- The challenge is not specific to older adults, though their needs are different.
- Senior living and post-acute providers should cultivate relationships with local health systems, providers and payors and explore alternative payment models, such as population-based payment and ACOs.
- Provision of services to private payors (vs. governmental payors/insurers), while striving for efficiency and cost-effectiveness, is a means to generate a financial cushion and diversify revenue and economic outcome.

For more information on this session, please contact moderator and HJ Sims Executive Vice President, [Jim Bodine](#).

Senior Living Communities and Downtown Development



The focus of this session was to offer alternatives to the traditional development models of Life Plan Communities (LPCs) that were created over the last three decades. Designed to be its own “ecosystem” these communities were intended to contain everything seniors need: housing, dining, social activities and health care services. As the next wave of seniors become consumers of senior living many are demanding not only new housing options but ways to remain engaged in a larger society.

The “Silent Generation,” generally agreed to be people born between 1925 and 1945, were heavily influenced by the experiences of growing up during the Great Depression and leading up to World War II. This generation effectively created US suburbs, moving from inner cities to purchase new homes thanks to the GI Bill and low cost mortgages. Often it was less expensive to purchase a new home than rent in cities with limited inventories of apartments.

“Baby Boomers,” children of the Silent Generation born between 1946 and 1964, came of age during the rise of consumerism, social activism and a broad range of cultural activities. Many are attracted to urban living and recognize living in a city or downtown location has many advantages over suburbs including better transportation options, a higher concentration of health care services and walkable neighborhoods that provide a sense of community and human interaction. A 2017 survey commissioned by the real estate investment trust

Welltower reported that 70% of adults of various ages living in 10 large North American cities want to stay in the city after turning 80 (see Figure 4 below).

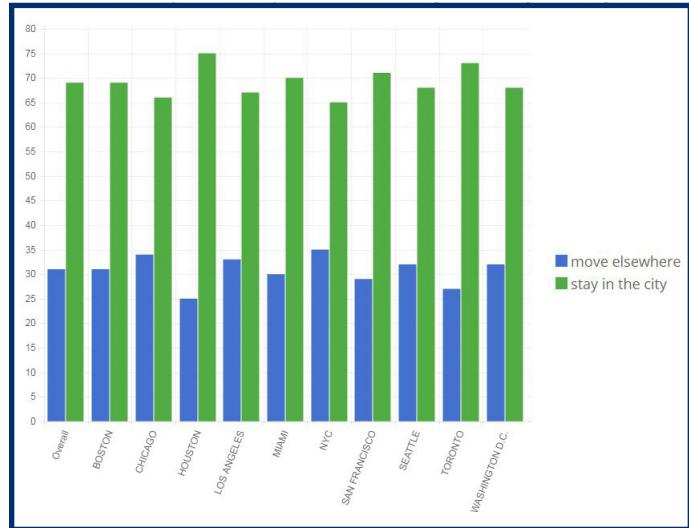


Figure 4. Source: <http://agingincities.com/>

Rob Wallace, President and CEO of Episcopal Church Homes and Affiliates (ECHA), shared his organization’s experience developing a second campus in downtown Buffalo, NY. ECHA owns Canterbury Woods, a highly successful LPC in Williamsville, a suburb of Buffalo.

Over the past decade Buffalo has been undergoing an urban renaissance with significant development and reinvestment in many areas around the city. Buffalo embodies urban living with many cultural offerings, colleges, and a vibrant food environment. Rob says “Buffalo has a funkiness” similar to larger, more well-known cities such as Portland and Austin.



ECHA entered into a partnership with a local developer and won the rights to redevelop the former location of a 12-story hospital on an iconic site in the Gates Circle area of downtown Buffalo. ECHA envisioned this site as an ideal location for a "satellite" campus for Canterbury Woods. This community would cater to those seniors who currently lived in the area or wanted to move closer to downtown and still enjoy the benefits of city living. The site was less than 1.5 acres (compared to 62 for the existing community) so a vertical was essential as well as fitting in with the notion of downtown living.



Canterbury Woods Gates Circle, Buffalo, NY

Canterbury Woods Gates Circle is a six-story community with 53 independent living apartments and five assisted living suites, and opened in 2017. Since it is located in an urban area, the community does not offer the traditional amenities such as beauty salon, spa, fitness center, or notably skilled nursing care, which is provided at the Williamsville main campus.

ECHA positioned Gates Circle as an expansion of its Williamsville community to gain approval by New York State regulators and leveraged the success of Williamsville and low debt load to obtain very competitive interest rates on a construction loan from a local bank. Entrance fees received from new residents are expected to repay the construction loan in 2021.

Bobby Sumner, President & Founder, Retirement Dynamics, a full service sales, marketing and research company continued the discussion of satellite campuses providing limited services but tied to an existing "Mothership" LPC. A well-placed satellite

community in a downtown location meets consumer choice that isn't being met currently. "A broader range of seniors will be able to have the living situation they want – it's a qualitative improvement, not just more residences" according to Bobby.

Retirement Dynamics worked with ECHA on the market research for Gates Circle. Bobby stated it is important to understand the difference between the "need" for a new product, which can be measured quantitatively, and the "demand" for a new product, which often cannot.

There are many opportunities for downtown development according to Bobby. An existing provider, known in the market with high name recognition and strong credibility, can leverage that reputation in developing a satellite community for a younger cohort of seniors that provides the basic services demanded by the consumer with the assurance that traditional services such as health care are offered nearby.

Ed Nordberg, Jr., Managing Partner & CEO, Wakefield Capital, an investment management firm with a specialized focus on the healthcare services industry, shared the firm's experience in developing Indigo Hall, a senior community approximately five miles outside of Charleston, SC scheduled to open in the fall of 2018.

“A broader range of seniors will be able to have the living situation they want – it’s a qualitative improvement, not just more residences.”

Bobby Sumner, Retirement Dynamics



Indigo Hall will offer 157 units of assisted living and memory care in studio, one and two bedroom apartments. It will be part of a new luxury mixed-use commercial and multifamily development providing easy access to area roadways for residents, families and employees.



Indigo Hall, Charleston, SC

Wakefield Capital has partnered with Affinity Living Group, Inc. to develop similarly sized communities in other parts of the southeast U.S. Their focus is on finding high barrier to entry locations with limited competition or where the competing provider enjoys high occupancy.

Brian Carnaghi, Senior Vice President of Finance and Business Development, Presbyterian Villages of Michigan (PVM) finished the session describing how his organization has been successful in developing The Thome Rivertown Neighborhood in Detroit, Michigan. PVM began in 1945 and currently has 33 villages and a wide variety of home and community based services serving 5,000 seniors annually.

The Thome Rivertown Neighborhood apartments provide a unique opportunity for affordable housing and supportive in-home services available to seniors with low incomes. Rent levels are set to be affordable for persons aged 55 years and older with limited incomes and tenants can receive Medicaid-funded services in the privacy of their own home. It is the first and only affordable assisted living development in Detroit and is located in a former Parke Davis pharmaceutical laboratory on the banks of the Detroit

River, which was renovated as part of a major redevelopment effort on the city's riverfront. The building, which was originally built in the late 1940's, maintains many of its historical architectural elements in an open, loft-like setting.

Today the community serves over 850 seniors annually through 50 HUD 202 apartments, 80 affordable assisted living suites, two Green Houses with 21 apartments and 250 participants through its Program for All-Inclusive Care for the Elderly (PACE). There is a 70 unit market rate apartment building and parking deck on the drawing board that will blend affordable and moderate income populations in one larger community.

It is an example of a growing trend of "new urbanism" that seeks to develop vibrant communities where people have diverse choices for how they live, work, and get around.

The total capital expected to be employed when the community is completed is approximately \$70 million with \$46 million invested to date. This has been provided by a patchwork of public, private equity, and philanthropic sources.

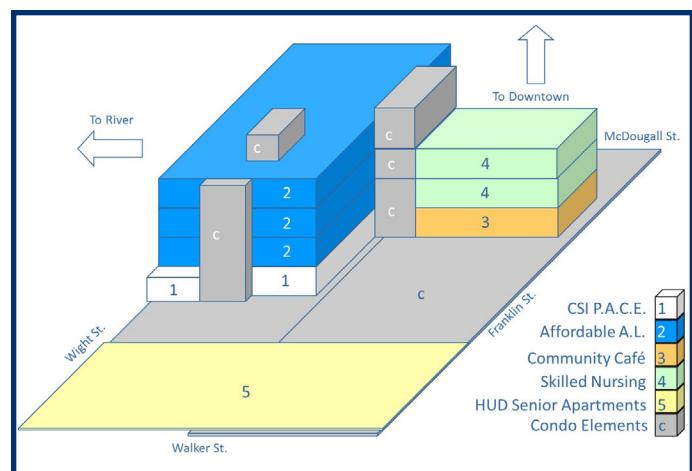


Figure 5. Source: Presbyterian Villages of Michigan

For more information on this session, please contact moderator and HJ Sims Executive Vice President, [Andrew Nesi](#).

Skilled Nursing Today and in the Future



Given headwinds, the skilled nursing industry is frequently in the news. In the “Skilled Nursing Today and In the Future” session, an esteemed panel of experts discussed how different providers are coping with those challenges while also addressing the opportunities for skilled nursing providers in the future.

A recurring theme throughout the session was the increased shift to value-based payments and managed care. **Stephen Monroe, Managing Editor and Partner at Irving Levin Associates**, detailed

how managed plans continue to increase in enrollment, a trend likely to continue in the future. This shift has reduced skilled nursing revenues as Managed Care Organizations (MCO) drive down costs by reducing length of stays. MCOs achieve this by passing SNFs for cheaper options and reducing reimbursement rates paid to providers that are, on average, well-below traditional fee for service Medicare reimbursement rates. Since skilled nursing providers must participate in these plans and have limited ability to negotiate

rates, they need to reinvent themselves by offering new services to survive in a changing post-acute care world.

Illustrating Mr. Monroe’s point, **Paul Ogier, Chief Financial Officer of Lutheran Senior Services (LSS)**, explained how LSS has reinvented itself to face these challenges and the progress the organization has made in preparing for Value Based Payments. Mr. Ogier gave several examples of new services LSS provides. One such example included partnering with a local

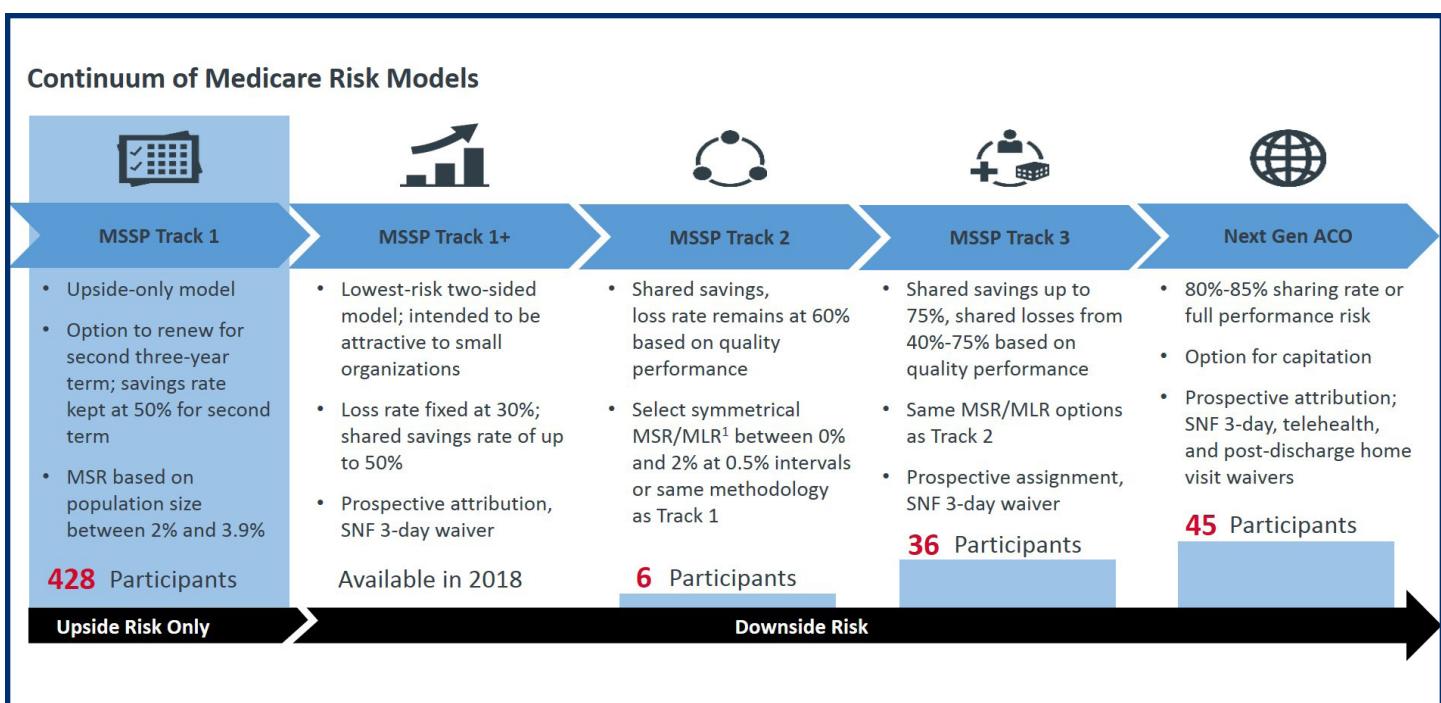


Figure 6. Source: CMS, “New Hospitals and Health Care Providers Join Successful, Cutting-Edge Federal Initiative that Cuts Costs and Puts Patients at the Center of Their Care,” January 11, 2016; Becker’s Hospital Review, “River Health ACO drops out of Next Generation program,” February 12, 2016; Health Care Advisory Board interviews and analysis.



surgeon to provide spinal surgery recovery, a service for which the facility receives significantly higher rates than other payors (but still materially lower than hospital rates). He also discussed how LSS has been working with large independent orthopedic surgeons and an ambulatory surgery center provider to provide a bundle to commercial insurance company for orthopedic procedures. Such services are highly profitable to all parties and exemplifies skilled nursing's role in a changing healthcare delivery system. Mr. Ogier also discussed how LSS is capturing data to illustrate its ability to provide quality-care at cheaper rates than hospital and other providers which in turn will allow the organization to establish itself as a preferred partner in ACOs.

Bob Siebel, President of Carriage Healthcare Companies, Inc., also provided examples of how his organization is now offering services typically performed in higher cost settings to reinvent

themselves. With Carriage being a multi-state operator with long-term care facilities in both urban and rural markets, Mr. Siebel was able to offer a unique perspective on how the impact of population density affects operations. He explained how providers in urban markets are able to offer specialty services for which there is insufficient demand to support in rural markets, impacting the ability of rural facilities to adapt as skilled nursing's role in the post-acute world changes. He also discussed other remote-area issues such as a shortage of doctors and how Carriage has implemented telemedicine to combat this and other challenges.

Lisa Gaudet, Vice President of Business Development and Marketing at Berkshire Healthcare Systems (BHS) discussed rising labor costs, an issue that has affected both skilled nursing and senior living providers. While BHS and other providers have implemented training programs and employee retention programs

to combat this issue, Ms. Gaudet was pessimistic that labor pressures would ease anytime soon given demand for caregiver and other staff is outpacing the supply. However, she noted that the aging population driving demand for front-line staff will help with the decreasing length-of-stays and occupancy issues currently facing the industry, though skilled nursing will likely not feel the positive impact from the senior population growth until at least 2025.

The speakers addressed a variety of other issues throughout the session such as the establishment of "Care Navigators" designed to work jointly with the full continuum of healthcare partners and the need for SNFs to make physical plant investments to keep up with changing consumer preferences.

For more information on this session, please contact moderator and HJ Sims Senior Vice President, [Curtis King](#).



Acquisitions – Targeting, Valuing, Pricing and Financing

The acquisition opportunities of existing retirement communities have been plentiful in the last few years. With the continued development of rental independent living, assisted living and memory care communities, organizations will have further opportunities for growth through acquisitions. In this session, each of our speakers shared their experiences in the acquisition market and how their organizations have considered various growth opportunities.

Allen McMurtry, Executive Director of Cushman & Wakefield shared with the audience the current trends in the acquisition marketplace both for rental communities as well as entrance fee LPCs. He shared how private equity firms have accounted for a large drive in the acquisition of rental communities and are showing a growing interest in entrance fee LPCs as well.



Figure 7. Source: Cushman & Wakefield

Mr. McMurtry also shared the growth in sales per unit for newly constructed communities over the last three years has grown to over \$300,000 per unit and that some projects are receiving creative offers for communities that are being sold with expansion capabilities.

Doug Leidig, Chief Executive Officer of Asbury Communities conveyed that Asbury believes the essential activities of any aging services organization are to make connections and bring people together, to find better ways to serve needs and to create a culture of innovation. These essential activities of change, connection and growth are supported through: affiliations, acquisitions, management contracts, new development, expanding existing business, developing new business lines, and partnering and collaboration.

Two primary ways a not-for-profit will grow is through acquisition and affiliation. Relationship is key as well as mutually supporting the missions of both organizations.

Growth criteria includes geography, financial metrics, unit make-up, legal and operational requirements and resident and associate engagement scores. Strategic due diligence includes long-term growth and expansion of market area; level of care expertise not in an existing community; future development opportunities and mission compatibility.



Hank Keith, Chief Financial Officer of Westminster Services, Inc. shared his experience of the challenges and risks of acquiring a bankrupt LPC in St. Augustine, Florida.

The key challenges included: a large debt and refund liability that had to be restructured and properly wading through the financial issues to reach a purchase price for the community. Despite being overburdened with debt, the project still produced a positive net operating income. Additionally, the management team that oversaw the community throughout the bankruptcy process maintained the physical plant for the best value possible for the sale.

Mr. Keith helped the audience understand how to manage the acquisition structure while protecting the rating of the parent organization and still contributing the appropriate amount of capital to have sufficient reserves to guide the turnaround plan. The completed finance plan allowed for Westminster to expand its market presence while also protecting against downside risk in case the turnaround plan takes longer than expected.

Rutul Shah, Partner of Birchwood Healthcare

Partners concluded the session in discussion of how Birchwood is a values-based firm with character, transparency and grit. They have value added investments in skilled nursing and senior housing as well as private equity approach, aligned with incentives, creative financing capitalization, key value drivers identified in advance and partnership with regional operating executives.

Birchwood shared their growth strategy on how they have focused on small transactions with smaller regional operators located in secondary/tertiary

markets. Mr. Shah shared the firms' philosophy of being selective on transactions with less than 3% of the reviewed deals became acquisitions over the last three years. The key to their acquisition strategies has been remaining steadfast in their value drivers of price paid, added value to assets, and its structuring and capitalization over a transaction.

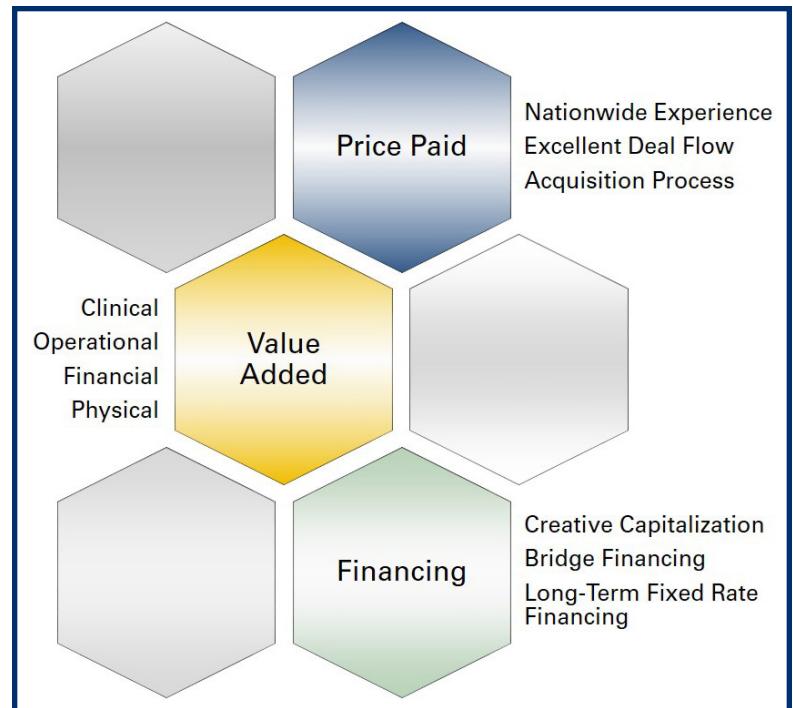


Figure 8. Source: Birchwood Healthcare Partners

The speakers helped to provide a good perspective on how both not-for-profit and for-profit organizations are seeking ways for growth as strategic opportunities present themselves. A larger variety of topics from tax changes effects on operations, consideration of different finance vehicles for acquisitions and flexibility that certain taxable financings can provide were also discussed.

For more information on this session, please contact moderator and HJ Sims Senior Vice President, [Rob Gall](#).



Preparing for and Living through Natural Disasters

Across the nation, communities have weathered a variety of natural disasters this past year. Industry executives, representing different regions and different events, shared their planning and execution strategies for the respective natural disasters they encountered. Additionally, an insurance expert panelist provided an in-depth account of the recent changes in insuring communities and what has been learned from Hurricane Harvey.

Bruce Jones, CEO of LCPS Management, Inc.

Vicar's Landing (VL) is located in Ponte Vedra Beach, Florida, less than a mile from the beach. Having been through numerous hurricane evacuations, VL has established a diligent and effective response plan in terms of staffing and leadership in the days leading up to a hurricane and throughout the evacuation process. When the hurricane is three days out, VL packs all needed supplies for evacuation, mobilizes all transportation and takes the proper precautions to protect the campus. VL's SNF and AL residents are moved to a camp further inland and the IL residents are bused to a hotel in Atlanta.



Vicar's Landing,
Ponte Vedra
Beach, FL



When Hurricane Irma hit this past year, VL was fortunate to only suffer minimal damage to their campus; all residents remained safe during the evacuation.



Local Britton Newspaper Clipping

**Bruce Glanzer,
President & CEO
of Good Shepherd
Community (GSC)**

With campuses in Sauk Rapids and Becker, Minnesota, the greatest threats to these communities are extreme cold and snow and blizzard as these elements create issues with staffing and supplies. In an effort to assure baseline self-sufficiency, GSC has their own snow plow, which is kept in a heated garage, but also contracts with outside vendors for snow plow services. This allows GSC to reach their staff in emergency situations and to take residents to the hospital if needed.

GSC continually verifies that boilers and gas-fired heaters are well-maintained and functioning and also stores extra supplies (including mechanical parts) at the start of each winter.

**Eric Sholty, Executive Vice President,
Pacific Retirement Services (PRS)**

In October of 2017, wild fires threatened two of PRS's communities in Santa Rosa and Napa Valley, California. The fire was the most destructive in California history, spreading at a rate of 25 acres per minute.



Santa Rosa, CA Fires

During the early stage of the fires, Emergency Medical Services took over all bandwidth, which caused PRS to lose all means of communications including phone, text and internet. PRS leadership did an excellent job of evacuating their residents and contacting family as soon as possible. Entire neighborhoods were lost less than two blocks from their Santa Rosa campus. Thankfully, neither of these properties suffered any extensive damage.

**Michael Ferreira, Sales Director & Shareholder,
Propel Insurance**

Propel Insurance, based in Tacoma, Washington, is one of the nation's largest insurers of senior living communities. In 2017, there were over \$236 billion of economic losses from natural disasters in the United States and the Caribbean. There were \$143 billion uninsured losses and \$93 insured losses. Mr. Ferreira strongly advised all communities to conduct an annual review of their policies.

During the unfortunate events of Hurricane Harvey in Houston, there were many who were not aware of changes in

government classifications from FEMA and many who were not carrying flood insurance. He also advised review of policies to make sure the cost of relocating residents during a natural disaster is covered and that communities are insured for the proper replacement cost.

CAT	TOTAL ECONOMIC LOSS	INSURED LOSS	% INSURED
HARVEY	\$100B	\$30B	30%
MARIA	\$65B	\$27B	42%
IRMA	\$55B	\$23B	42%
CAL WILDFIRES	\$13B	\$11B	85%
MARCH 8-11 SEVERE STORMS	\$3.4B	\$2.6B	76%
TOTALS	\$236.4B	\$93.6B	40%

Source: Propel Insurance

For more information on this session, please contact moderator and HJ Sims Senior Vice President, [James Rester](#).





The Power of Design to Enrich the Human Experience

Gensler

Jordan Goldstein, Tama Duffy Day, Liz Resenick

The panel of architects from Gensler, the world's largest design firm, described how design can directly enhance health and well-being for residents, staff and families of senior living communities. This session featured three sub-topics: (1) the convergence of design and technology; (2) trends and innovation in health and wellness design; and (3) how the "WELL" building certification facilitates better health and wellness outcomes.

The first discussion was led by **Jordan Goldstein, Managing Principal and Firmwide Director of Design and Delivery**. Mr. Goldstein discussed four primary disrupters that impact the convergence of design and technology: computational design; digital immersion; the maker mentality; and robotics. These disrupters can have a dramatic impact on the cost and efficiency of the design and construction/production process as well as ongoing operations.

THE CONVERGENCE OF DESIGN & TECHNOLOGY

- | | |
|-----------------------------------------------------|-----------------------------------------------------------------------|
| Explore, experiment and empower. | Redefine how architect's design and deliver projects. |
| Experience spaces and places before they are built. | Move design directly to fabrication. |
| Offer a more engaging co-create process. | Accelerate construction periods, bringing buildings to market faster. |
| Generate innovative geometries and forms. | |

Figure 9. Source: Gensler

For more information on this session, please contact moderator and HJ Sims Managing Principal, **Aaron Rulnick**

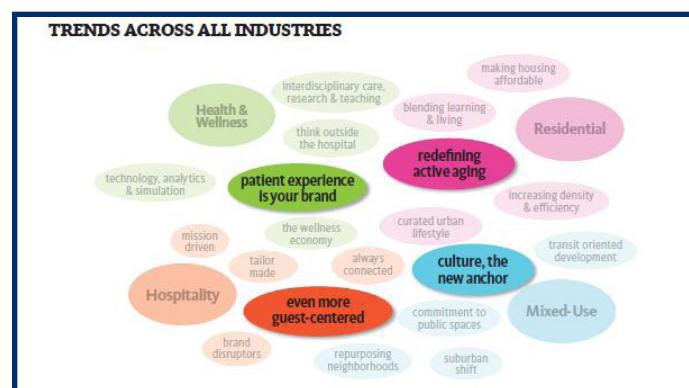


Figure 10. Source: Gensler

Liz Resenic, a WELL Accredited Professional, described key levers of designing for wellbeing: activity; restorative environment; lighting; autonomy; water and nutrition; and acoustics. She also drew a direct link between these elements of the WELL certification process to positive health and wellness outcomes.

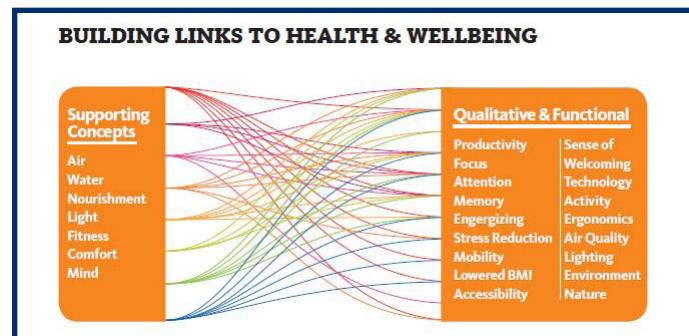


Figure 11. Source: Gensler



Let's Hear from the Leaders: Setting Themselves Apart

Four esteemed senior housing leaders from for-profit and not-for-profit organizations shared thoughts on a topic that they thought would be of interest to the wider audience. While each speaker had a different angle, it was interesting that all four touched in some way on the changing environment for providing and paying for health care, the impact technology will play and the evolution of consumer preferences.

“We must stop treating illness or aging and start managing health and well-being.”

Lynne Katzmann,
Juniper Communities

Lynne Katzmann, Founder and President, Juniper Communities, led off our discussion with a talk entitled “**Innovation and Disruption in the Industry and Its Impact on Future Value.**”

Ms. Katzmann focused on three “agents of change” in the senior housing industry: technology, consumer preferences and capital strategy. She tied her discussion together by challenging the audience to think about the role of senior housing in the context of the future of health care delivery. She convincingly argued that health care, especially health care for the elderly, needs to be “population based.” As Ms. Katzmann put it: “We must stop treating illness or aging and start managing health and well-being.” As such, she stated that senior housing provides the social safety net that best manages chronically ill elderly persons and saves “society” massive amounts of money. The question is how senior housing providers share financially in

these massive savings. In Ms. Katzmann’s mind, as we move more toward capitated health care delivery systems, such as Medicare Advantage, senior

housing providers should be an integral part of such systems either by receiving direct payments from the health insurer or a percentage of the savings that are generated.

David Eskenazy, President, Merrill Gardens, gave an interesting presentation on “**How Technology Is Used in Senior Housing Today.**” Mr. Eskenazy demonstrated how Merrill Gardens is capturing and using data to make their business more efficient. Mr. Eskenazy guided the audience through two subjects: the traditional areas where data is used and the traditional way that data is presented, i.e. in various spreadsheet formats. He then demonstrated how, with the use of certain software options, that same data can be transformed into information that presents in a “visual” format that allows the user to immediately understand the data. He showed a wide range of data that had been transformed into visually accessible dashboards. Everything from dietary costs, staffing patterns, lead generation, net operating



income, etc. can be charted in this way with amazing results. In addition, Mr. Eskenazy described how once the data is transformed it can easily be shared across platforms by various groups.

Paul Winkler, President and CEO, Presbyterian SeniorCare Network shared five “lessons learned” by a not-for-profit organization that has been in business over 90 years. First, he discussed the need to “Leverage Your Core Values.” He discussed how a successful organization needs to pursue excellence, innovation and collaboration to ensure individuals live well and team members have meaningful, engaging work.

The second lesson is “Clarity Regarding “The Business We Are In.” Mr. Winkler traced the service “journey” of his organization and how they made strategic decisions as to the services they provide.

The third lesson is “Systemness: Bigger Isn’t Better, Stronger Is.” Here, Mr. Winkler echoed some of the points made by Ms. Katzmann and Mr. Eskenazy in the need to have systems that allow the organization to capture meaningful data and to recognize that, at some point, capitation is

likely and the organization will need to be able to depend on its data to take risk.

The fourth lesson is “Partnerships are Essential.” As Mr. Winkler described, an organization needs to “Hardwire the key elements of operational excellence to be a model partner in an evolving healthcare environment.”

The final lesson for the audience was that “Governance is Key.” Mr. Winkler stressed that generative thinking adds value to the management team and that great organizations always have great boards.

Daniel Lavender, President and CEO, Moorings Park, spoke on “Transitioning to Meet the Demands of the Next Generation of Customers.”

Mr. Lavender’s talk revolved around three questions: Who is your competition? How is the consumer changing? What is Moorings Park’s strategic response? Mr. Lavender explained that in a recent survey conducted by his organization, “...a majority of

prospects feel scared because the decision to live in a retirement community seems so final – it would be the last move I’ll ever make.” He discussed the various outreach programs of Moorings Park that bring “associates” into contact with the LPC to help dispel this attitude. Mr. Lavender discussed the changing resident. He emphasized that to be competitive with the “new” generation of residents, a LPC must:

- be “work friendly” (home offices, business centers, wi-fi, IT services);
- be “active” (revisit exercise classes and fitness center offerings to account for increasing levels of activity and more diverse interests);

“Hardwire the key elements of operational excellence to be a model partner in an evolving healthcare environment.”

Paul Winkler,
Presbyterian SeniorCare Network



- “feel young” (incorporate alternative therapy offerings and consider offering non-invasive injectables and/or developing relationships with area Plastic Surgeons);
- “provide for diverse interests” (need to provide lifelong learning opportunities through offerings, affiliations and programming);
- be “tech friendly” (provide infrastructure, training and support for all-things-tech);
- be “family friendly” (LPCs need to provide for grandkids, travel, pets, non-traditional living situations); and
- be the “best” (be “first class in all the important ways”).

Mr. Lavender then led the audience through examples of how Moorings Park is pursuing excellence in each of these areas.

For more information on this session, please contact moderator and HJ Sims Managing Principal, [Jeff Sands](#).

“...a majority of prospects feel scared because the decision to live in a retirement community seems so final – it would be the last move I’ll ever make.”

Daniel Lavender,
Moorings Park



The Science of Emotion

And How it Fuels Your Brand Experience

James McQuivey, Ph.D.
Forrester Research



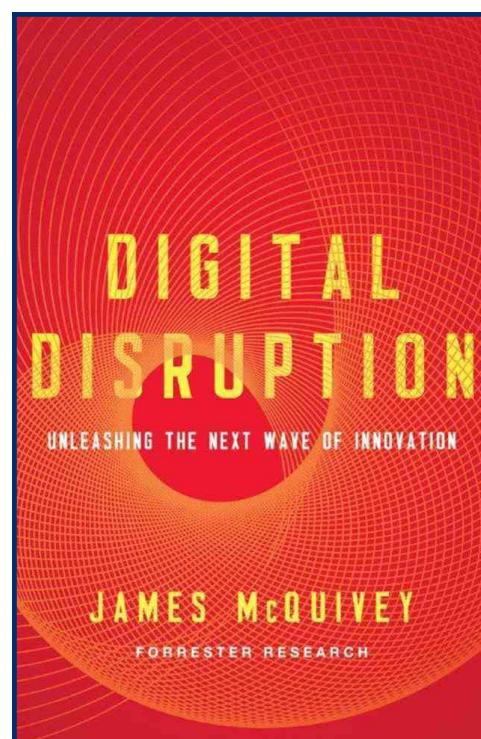
Many of us think about our customers, clients or residents on a regular basis. They are critical to our business. We think about how we can best serve them, protect them and care for them on a day-to-day basis. But have you stopped to think a bit more deeply – about the level of your emotional relationship with these important people in your business life? Have you even considered that your organization has an emotional relationship with your audience? If you're like most of us, you give thought to emotion as it relates to your family, children, spouse, partner and other loved ones, but you rarely think about the role emotion plays in business. Throughout his discussion about the science of emotion and the impact it has in our business and on our brands, James McQuivey gave us a lot to think about.

How do we speak to our audience? How do we engage with our audience? These are common thoughts as we formulate and strategize marketing and business development plans. Yet, Dr. McQuivey challenged us to take these thoughts to a new level. The emotional level. The idea of 'emotion' should not be scary. It is a rational force, intertwined with rational thought.

Emotions and emotional relationships drive consumer behavior and response to marketing, which ultimately impacts consumer choices. Knowing this, how can and should we use emotion more purposefully in our marketing and communications to improve our audiences' experience with our organizations. In a world where consumer experience and emotion work together we need to look for ways in which we can create stronger bonds for consumers with our organizations.

We are consuming and processing information much differently than we were three to five years ago, and technology is a key ingredient between consumer experience and emotional bonds. Consumers are taking in more information and making more decisions, more quickly than ever before due to more devices, a data explosion and innovation. In fact, one-half of all web site traffic is now on a mobile phone or tablet – continually providing information at consumers' fingertips. As consumers absorb information they make decisions powered by their very personal and individual emotion motivating their eventual behavior. Emotional instincts help

consumers consider options, develop preferences and eventually take action; or file the emotion in their long-term memory to be recalled when needed.

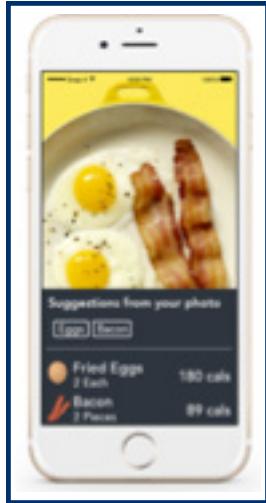


Digital Disruption by James McQuivey



So how can we use technology to deepen our emotional relationship with consumers thereby making our consumer relationships more personal? Dr. McQuivey shared a few examples to help bring this to life.

- CVS reminds you via text to your smartphone or smart-watch that it is time to refill your medicine; or they will advise you when it's ready to be picked up so you're not making an unnecessary stop or even forget to stop on the way home.
- "Lose It" is a new lifestyle fitness management application that manages everything from nutrition and diet to sleep habits. When you take picture of a certain food before you eat it, the app it will count the calories and nutritional facts. It then also serves as a sleep tracker. Tying the two together, Lose It will report on which foods help or disrupt your sleep.
- Amazon's Echo is the epitome of an emotional relationship, not just a service. We are becoming more and more comfortable with this new type of 'assistant' in our homes. At a moment's notice you can hear a rundown of the day's news, check the weather in your hometown or anywhere in the world; you can listen to a specific song; locate a recipe for the last two ingredients in your refrigerator; the list goes on. Wouldn't it be great if your residents' family member can ask, "Alexa,



"Lose It" App

Dr. McQuivey estimates that more than 20 million US households are using voice-capable, home-based digital assistant devices. This rate of adoption is faster than the rise of the DVR over 15 years ago, which was technology that altered our entertainment lives as we knew it. As this science and technology continues to emerge and improve, pioneers in this space will use our personal data to develop strong, interpersonal relationships that predict our emotions and needs.

Given this emerging technology and the rise of the role that emotion will play in consumer behavior, remember that all individuals have a personal emotional context and we can't force our audiences to experience the emotions exactly as intended. However, any resulting emotions in connection with your brand can still open the door to a positive relationship. If you choose to emphasize a feeling of safety, but the outcome results in the emotional experience of calm or comfort – this is something to explore. Let your audiences' emotions drive your follow up marketing and messaging.

Most importantly, we need to remember to deliver on the emotional promise we make. We cannot simply rely on the use of emotional imagery and language – this cannot be the beginning or the end of the emotional journey for our consumers. If the emotional relationship ends here, it is a missed opportunity. Even more critical, this can damage or undermine the brand. We need to deliver an experience that satisfies our consumers' emotional prediction, over both short- and long-term, which then increases the likelihood of being retained in their long-term memory tied to the rational features and benefits you wish to promote. So, how can you create a multi-sensory story that fulfills the emotional predictions of your audience?

For more information on this session, please contact HJ Sims Chief Marketing Officer, [Shauna Reilly](#).



Amazon Echo Dot

***Alexa, how is
Mom today?"***



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The 16th Annual HJ Sims
Late Winter Conference on
Financing Methods & Operating Strategies
for the Senior Living Industry
Sheraton Sand Key Resort
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Tuesday, February 26 – Thursday, February 28, 2019



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