THE HEART OF ...

FAITH
PRE-ASSEMBLY PROGRAM: THE HEART OF AGING SERVICES

Mission Implications of Trends and Challenges
THE 2019 STATE OF CATHOLIC AGING SERVICES
CATHOLIC HEALTH ASSEMBLY 2019

PRESENTED BY
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ZIEGLER is a privately held, national boutique investment bank, capital markets and proprietary investments firm. Specializing in the healthcare, senior living and education sectors, as well as general municipal and structured finance, enables us to generate a positive impact on the communities we serve.
ZIEGLER’S SENIOR LIVING RESEARCH, EDUCATION & THOUGHT LEADERSHIP

• Education
  • 2019 will host a total of 13 Conferences/Symposiums
  • Annual Ziegler Senior Living Finance + Strategy Conference
  • LeadingAge Ziegler National CFO Workshop
  • Ziegler National Senior Living Investor Workshop SeriesSM

• External research
  • LeadingAge Ziegler 200
  • CARF Financial Ratios and Trends Publication (Baker Tilly, CARF)
  • Statewide CCRC Reports (MD, VA, TX) (My LifeSite)

• Industry communication
  • Z-News
  • White papers
  • Ziegler CFO HotlineSM

• Internal information and research
  – Ziegler CCRC National Listing & Profile
  – Client-requested research
  – Client education sessions

• Secondary Market Investor Research
  – Surveillance updates on current credits
  – Supports active secondary trading

• Investor Market Research
  – ZieglerResearch.com

• Databases
  – Industry Trends (e.g. CCaH, Rental CCRCs)
  – All Senior Living Financings
  – All New Communities (CCRCs) since 1990
  – Senior Living Rated Organizations
AGENDA

1: Understanding the Older Adult Customer

2: Not-For-Profit Senior Living & Services – Sector Update

3: Disruptors & Catalysts Shaping Our Future

4. Sponsorship Transition Trends

QUESTIONS & ANSWERS
Item 1

UNDERSTANDING THE CUSTOMER
Source: U.S. Census Bureau National Population Projections (released September 2018, based on 2016 projections)
An estimated 5.6 million Americans 65 and older are living with Alzheimer’s dementia in 2019. Between 2019 and 2025, every state across the country is expected to experience an increase of at least 12% in the number of people with Alzheimer’s.

More than 18.5 billion hours of informal care were provided by Alzheimer’s and other dementia caregivers in 2018, a contribution to the nation valued at nearly $234 billion.
A CHANGING CONSUMER

• Delivering both quality of life and care
  – Longevity vs. Quality of Life

• Choices = Control

• Opportunity for niche communities

• Branding and image are incredibly important; name changes

• Future generations have more information at their fingertips

• Growing need for housing options among seniors with limited income

Source: Ziegler Investment Banking; Greystone Communities
Item 2

NOT-FOR-PROFIT SENIOR LIVING & SERVICES: SECTOR UPDATE
## TODAY’S RETIREMENT OPTIONS
### A LOOK AT SENIORS HOUSING & SERVICES SUPPLY

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Number of Communities</th>
<th>Number of Units</th>
<th>% NFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Plan Communities</td>
<td>1,950</td>
<td>600,000</td>
<td>77%</td>
</tr>
<tr>
<td>Adult Day</td>
<td>4,800 centers</td>
<td>avg. 39 participants/day</td>
<td>51%</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>12,000 communities</td>
<td>1 million residents</td>
<td>33%</td>
</tr>
<tr>
<td>Hospice</td>
<td>4,000 agencies</td>
<td>1.34 mill discharged/yr.</td>
<td>26%</td>
</tr>
<tr>
<td>Nursing Homes</td>
<td>15,600 homes</td>
<td>1,400,000 units</td>
<td>24%</td>
</tr>
<tr>
<td>Freestanding Memory Care</td>
<td>1,400 communities</td>
<td>73,000 units</td>
<td>22%</td>
</tr>
<tr>
<td>Assisted Living</td>
<td>7,200 communities</td>
<td>595,000 units</td>
<td>17%</td>
</tr>
<tr>
<td>Home Health</td>
<td>12,600 agencies</td>
<td>4 million served/yr.</td>
<td>15%</td>
</tr>
<tr>
<td>Primarily IL Housing</td>
<td>2,800 properties</td>
<td>427,000 units</td>
<td>3%</td>
</tr>
</tbody>
</table>

Sources: Ziegler National CCRC Listing & Profile (Jan. ‘19), LeadingAge, NIC MAP® Data and Analysis Service (Q4 2017), The National Center for Health Statistics, Centers for Medicare and Medicaid Services (2015), Ziegler population estimates
AN OVERVIEW OF NOT-FOR-PROFIT FAITH-BASED SENIOR LIVING ORGANIZATIONS

- Among the largest Not-for-Profit senior living providers in the country, roughly 8 out of 10 are faith-based
- Catholic providers have the third largest number of senior living units among multi-site Not-for-Profits

| Source: 2018 LeadingAge Ziegler 200 publication |
LZ 200 PUBLICATION: BACKGROUND AND METHODOLOGY

• Size not quality

• Not-for-profit multi-site senior living organizations primary focus

• Several listings:
  • Multi-site providers
  • Affordable Housing providers
  • Single-site providers

• Statistics related to industry trends: Technology, HCBS, Staffing

• Comparable to other listings of largest organizations (i.e. Fortune 500)

Source: 2018 LeadingAge Ziegler 200 Publication (data as of 12/31/17)
2018 LEADINGAGE ZIEGLER 200
SYSTEM HEADQUARTERS LOCATIONS BY SIZE

Top 200

Source: 2018 LeadingAge Ziegler 200 Publication (data as of 12/31/17)
THE LARGEST CATHOLIC-SPONSORED SENIOR LIVING ORGANIZATIONS

Source: Ziegler Investment Banking
## THE LARGEST CATHOLIC SENIOR LIVING ORGANIZATIONS

<table>
<thead>
<tr>
<th>System Name</th>
<th>HQ State</th>
<th>Units (as of 12/31/17)</th>
<th>Communities (as of 12/31/17)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>ILU</td>
</tr>
<tr>
<td>Trinity Health Senior Communities</td>
<td>MI</td>
<td>4,878</td>
<td>1,752</td>
</tr>
<tr>
<td>Ascension Senior Living*</td>
<td>MO</td>
<td>4,624</td>
<td>937</td>
</tr>
<tr>
<td>Benedictine Health System</td>
<td>MN</td>
<td>4,602</td>
<td>681</td>
</tr>
<tr>
<td>Presence Life Connections*</td>
<td>IL</td>
<td>3,362</td>
<td>1,090</td>
</tr>
<tr>
<td>The Carmelite System, Inc.</td>
<td>NY</td>
<td>3,129</td>
<td>144</td>
</tr>
<tr>
<td>CHI Living Communities</td>
<td>CO</td>
<td>2,333</td>
<td>846</td>
</tr>
<tr>
<td>Franciscan Communities, Inc.</td>
<td>IL</td>
<td>1,925</td>
<td>739</td>
</tr>
<tr>
<td>ArchCare</td>
<td>NY</td>
<td>1,782</td>
<td>0</td>
</tr>
<tr>
<td>Covenant Health, Inc.</td>
<td>MA</td>
<td>1,636</td>
<td>0</td>
</tr>
<tr>
<td>Loretto</td>
<td>NY</td>
<td>1,498</td>
<td>282</td>
</tr>
<tr>
<td>Saint Therese</td>
<td>MN</td>
<td>946</td>
<td>402</td>
</tr>
<tr>
<td>St. Ann's Community</td>
<td>NY</td>
<td>863</td>
<td>246</td>
</tr>
<tr>
<td>Vincentian Collaborative Services</td>
<td>PA</td>
<td>675</td>
<td>66</td>
</tr>
<tr>
<td>Elder Care Alliance</td>
<td>CA</td>
<td>658</td>
<td>135</td>
</tr>
<tr>
<td>Saint Mary's Home of Erie</td>
<td>PA</td>
<td>393</td>
<td>26</td>
</tr>
</tbody>
</table>

*Numbers are prior to affiliation
Source: 2018 LeadingAge Ziegler 200 (data as of 12/31/17);
CHI Living Communities

H = Part of larger health
THE LARGEST CATHOLIC SENIOR LIVING ORGANIZATIONS
MULTI-SITE PROVIDERS

Source: 2018 LeadingAge Ziegler 200; Ziegler Investment Banking
THE LARGEST CATHOLIC SENIOR LIVING ORGANIZATIONS
SINGLE-SITE PROVIDERS

Source: Ziegler Investment Banking
PRIMARY NOT-FOR-PROFIT SENIOR LIVING GROWTH IN RECENT YEARS

- Community Expansions
- Affiliations & Mergers
- Acquisitions
- New Campus Development

Source: Ziegler Investment Banking
THE LARGEST CATHOLIC SENIOR LIVING PROVIDERS: ADDITIONAL CHARACTERISTICS

• Roughly 40% of the largest Catholic Senior Living providers also offer Affordable Housing for seniors

• Approximately 6 out of 10 provide management services for another provider (mainly other Catholic organizations)

• 70% provide some type of Home & Community-Based Services
  – Home Health, Home Care, Hospice, PACE, Adult Day

• Of those with Life Plan Communities, the majority offer a rental contract as opposed to an entrance-fee model

Source: 2018 LeadingAge Ziegler 200
CATHOLIC SENIOR LIVING: SMALLER SCALE

- Ziegler estimates that the average size of the Catholic-sponsored communities and facilities in the country is roughly 130 units. *(national average is around 280 units)*

- Catholic Senior Living/Long-term Care Sponsorship:
  - Diocesan: 16%
  - Religious Order directly: 40%
  - Healthcare: 37%
  - Other: 7%

Source: Ziegler Investment Banking, 2018
CATHOLIC ASSETS: LAND & HISTORY

• We know that Catholic Senior Living & Long-Term Care has a deep history

• Life Plan Communities/CCRCs
  – Avg. age Catholic-sponsored: 60 yrs.
  – Avg. age non-Catholic sponsored: 45 yrs.
  – Catholic LPCs: 83% are “Non-Purpose Built”
  – Average number of acres in Catholic LPC: 72 acres

Source: Ziegler Investment Banking; National CCRC Listing, 10/2018
THE LARGEST CATHOLIC SENIOR LIVING ORGANIZATIONS: UNIT CONFIGURATION

- Compared to other Not-for-Profit Senior Living Organizations, Catholic-sponsored providers are more likely to focus on the skilled-care end of the continuum

<table>
<thead>
<tr>
<th></th>
<th>% Independent Living</th>
<th>% Assisted Living</th>
<th>% of Skilled Nursing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catholic Senior Living</td>
<td>20%</td>
<td>19%</td>
<td>61%</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NFP Senior Living Overall</td>
<td>52%</td>
<td>20%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Ziegler Investment Banking; 2018 LeadingAge Ziegler 200
ONGOING GROWTH THROUGH HOME & COMMUNITY-BASED SERVICES

Home Care

Home Health

Hospice

PACE

Continuing Care at Home

Concierge Services

Adult Day

Alternative Models

Source: Ziegler Investment Banking
ADVANCING THE COMMITMENT TO GROWTH

• Organizations are increasingly creating strategy and business development positions to drive growth and innovation initiatives

<table>
<thead>
<tr>
<th>Corporate Positions Added in Past Year</th>
<th>Number of LZ 200 adding the position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Clinical/Health Officer</td>
<td>18</td>
</tr>
<tr>
<td>Business Development/Strategy Officer</td>
<td>12</td>
</tr>
<tr>
<td>Chief Information/Technology Officer</td>
<td>9</td>
</tr>
<tr>
<td>Marketing &amp; Sales Officer</td>
<td>8</td>
</tr>
<tr>
<td>Regional Leadership Positions</td>
<td>6</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>4</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>4</td>
</tr>
<tr>
<td>Chief Talent/Human Resources Officer</td>
<td>4</td>
</tr>
<tr>
<td>Philanthropy/Foundation Director</td>
<td>3</td>
</tr>
</tbody>
</table>

Estimated that roughly 20% of LZ 200 organizations have allocated a full or half FTE to this role

Source: Ziegler Investment Banking; 2018 LeadingAge Ziegler 200 Publication
Section 3
DISRUPTORS & CATALYSTS SHAPING OUR FUTURE
CATALYSTS & DISRUPTORS

• Older adults have more choices than ever
  – Multiple residential housing options
  – Ability to “age in place” in own home

• Workforce recruitment and retention pressures continue
  – Immigration changes may have a significant impact on the workforce in the future

• Local markets are being disrupted by for-profit new construction

• Healthcare payment reform is moving fast
  – Pressures on post-acute providers
  – Skilled nursing occupancies are at record lows
  – Vertical integration of healthcare providers may be a game changer

• Technology as a solution and stimulator of change
### Top 5 Areas of Concern for 2018

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Recruitment &amp; Retention</td>
<td>79%</td>
</tr>
<tr>
<td>Labor Costs (wages, benefits)</td>
<td>75%</td>
</tr>
<tr>
<td>Skilled Nursing/Post-Acute Pressures</td>
<td>47%</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>46%</td>
</tr>
<tr>
<td>Declining Reimbursement</td>
<td>36%</td>
</tr>
<tr>
<td>Capital Needs</td>
<td>31%</td>
</tr>
<tr>
<td>Affordability of product/services</td>
<td>29%</td>
</tr>
<tr>
<td>Regulatory Changes</td>
<td>28%</td>
</tr>
<tr>
<td>Technology Costs &amp; Adoption</td>
<td>27%</td>
</tr>
<tr>
<td>Competition</td>
<td>26%</td>
</tr>
<tr>
<td>Changing Consumer</td>
<td>26%</td>
</tr>
<tr>
<td>IL Occupancy</td>
<td>23%</td>
</tr>
<tr>
<td>Succession Planning</td>
<td>8%</td>
</tr>
<tr>
<td>Emergency Preparedness</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Ziegler CFO HotlineSM, January 2018

- Sheer numbers … Boomers exiting the workforce; aging population
- Minimum wage pressures
- Image problems with the sector
- Immigration policy
- Growth among for-profit providers and agencies
DEMAND FOR WORKERS

Industry Job Openings
Number of Job Openings* by Major Industry - June 2018

- Healthcare & social assistance (includes senior living): 1,161,000
- Professional & business services: 1,133,000
- Retail: 807,000
- Restaurants & accommodations: 805,000
- Government: 610,000
- Manufacturing: 482,000
- Financial activities: 385,000
- Construction: 263,000
- Transportation/warehouse/utility: 248,000
- Wholesale trade: 216,000
- Miscellaneous services: 174,000
- Information: 119,000
- Other private sector: 256,000

Home care workers:

• Nearly 9 in 10 home care workers are women, and their median age is 45.
• While people of color make up one-third of the total U.S. workforce, they comprise more than half of all home care workers.
• Over one-quarter of home care workers were born outside the United States.
• More than half of home care workers have completed no formal education beyond high school.

Source: “U.S. Home Care Workers: Key Facts” (PHI, 2017)
FOR-PROFIT NEW PROPERTY DEVELOPMENT RELATIVELY STRONG

Seniors Housing Construction by Profit Status; MAP31
As of 1Q19

![Bar chart showing the number of properties under construction for for-profit and not-for-profit categories.](chart-image)

Source: NIC MAP® Data Service | www.nic.org/nic-map, Q1 2019
UNRAVELING THE SKILLED NURSING MARKETPLACE

- Changing preferences among consumers to stay in AL or IL with services
- Future of private pay?

- “Skip the SNF” trend
- Decreasing LOS
- Referral networks narrowing
- FP up-scale development

Source: Ziegler Investment Banking
SKILLED NURSING

• Some NFP communities exiting skilled nursing entirely, largely western U.S.
  – Replace with high acuity assisted living
  – Replace with home care and home health
  – Refer off-site

Source: Ziegler Investment Banking
NATIONAL DECLINE IN SKILLED NURSING BEDS

Skilled Nursing Operational Beds
Primary Markets | Freestanding Properties | 2Q 2006 - 2Q 2018

Source: NIC MAP® Data Service
Senior living operators increasingly empowered to take a lead role in US healthcare industry

- **Aging Population**
- **Pressure on Broader Senior Living Industry**
- **Managed Medicare & Medicaid Expansion**
- **Senior Living Operators & Risk Relationships**
- **Momentum re: Senior Living and Managed Care**

### Share of Medicare Beneficiaries Enrolled in Medicare Private Plans, by State, 2017

<table>
<thead>
<tr>
<th>State</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Average, 2017 = 33%</td>
<td></td>
</tr>
</tbody>
</table>

- **Source:** Kaiser Family Foundation

NOTE: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses and beneficiaries in territories other than Puerto Rico. 
SOURCE: Authors’ analysis of CMS State/County Market Penetration Files, 2017.
BREAKING DOWN AGING SERVICES TECHNOLOGY

- Brain Fitness
- Consumer Engagement
- Chronic Disease Management
- EMR Platforms
- Remote Monitoring
- Smart Home Technologies
- Telehealth Solutions
- Voice Activation/AI
- Workforce Solutions
- Infrastructure
- Wellness/Prevention

Source: Ziegler Investment Banking
TRENDS ON SPONSORSHIP TRANSITIONS
Affiliations, Mergers & Acquisitions

- Single-site organizations joining a larger system
- Two systems joining forces
- Mergers of equals
  - Two single-sites
  - Similar-sized systems

Source: Ziegler Investment Banking
DRIVERS OF NFP SENIOR LIVING CONSOLIDATION

Influence

2010

- Financial Pressure
- Complexities of Healthcare
- Leadership Turnover
- Technology Demands
- Hospital Consolidation
- Competition
- Access to Capital
- Diversify Service Lines
- Ability to Attract Talent

TODAY

- Complexities of Healthcare
- Leadership Turnover
- Competition
- Ability to Attract & Retain Talent
- Board Strength
- Technology Demands
- Financial Pressure
- Reinvestment Requirements
- Access to Capital
- Hospital Consolidation
- Growth Capital
- Diversify Service Lines

Source: Ziegler Investment Banking
In 2016, it was estimated that there were roughly 47,000 religious sisters in the US.

Estimated average age of Catholic sisters in US is 74.
**NOT-FOR-PROFIT SPONSORSHIP TRANSITIONS**

**CUMULATIVE DATA**

Cumulative Totals (2010-YE 2018) by # of Transactions & # of Communities

- 54% of these communities have been dispositions to the for-profit sector

Note: Includes market-rate communities; excludes government subsidized
Source: Ziegler Investment Banking 12/31/2018
• Between 2009 & 2019YTD, nearly 75 Catholic-sponsored facilities have changed owner/sponsor.

• Of those that have gone to another Not-for-Profit sponsor since 2009:
  – 40% with another Catholic organization
  – 33% have affiliated with a faith-based non-Catholic sponsor
  – 27% with a not-for-profit that was not faith-based
CATHOLIC SENIOR LIVING SPONSORSHIP
TRANSITIONS: EXAMPLES

NFP Sponsorship Transitions:
• Villa St. Joseph (PA) to Concordia Lutheran Ministries
• Siena on the Lake (WI) to Ascension

Closures:
• Holy Name Friary (NJ)
• Mount Carmel Home (TX)
• Our Lady of Hope (NY)

Sales to FP sector:
• Our Lady of Fatima Village (CA)
• Fieldhome (NY)

Source: Ziegler Investment Banking, May 2019
KEY TAKEAWAYS – TRENDS

• Senior living and healthcare is becoming a more complex business
  – The consumer is changing
  – Skilled nursing pressures
  – Workforce shortages
  – Cost of keeping up with technology

• Demographic and population trends present some unique challenges for Catholic senior living organizations

• Catholic organizations are encouraged to think strategically and develop meaningful relationships and partnerships when needed

• Explore creative partnerships and do not wait too long to address potential threats to long-term viability

Source: Ziegler Investment Banking
QUESTIONS & ANSWERS

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