THE HEART OF …

ASSEMBLY 2019

CHA
Catholic Health Association
of the United States

PRE-ASSEMBLY PROGRAM: THE HEART OF AGING SERVICES

Mission Implications of Trends and Challenges

ASSEMBLY 2019 / THE HEART OF ...

ZIEGLER INVESTMENT BANKING
June 9, 2019

THE 2019 STATE OF CATHOLIC AGING SERVICES

CATHOLIC HEALTH ASSEMBLY 2019

PRESENTED BY
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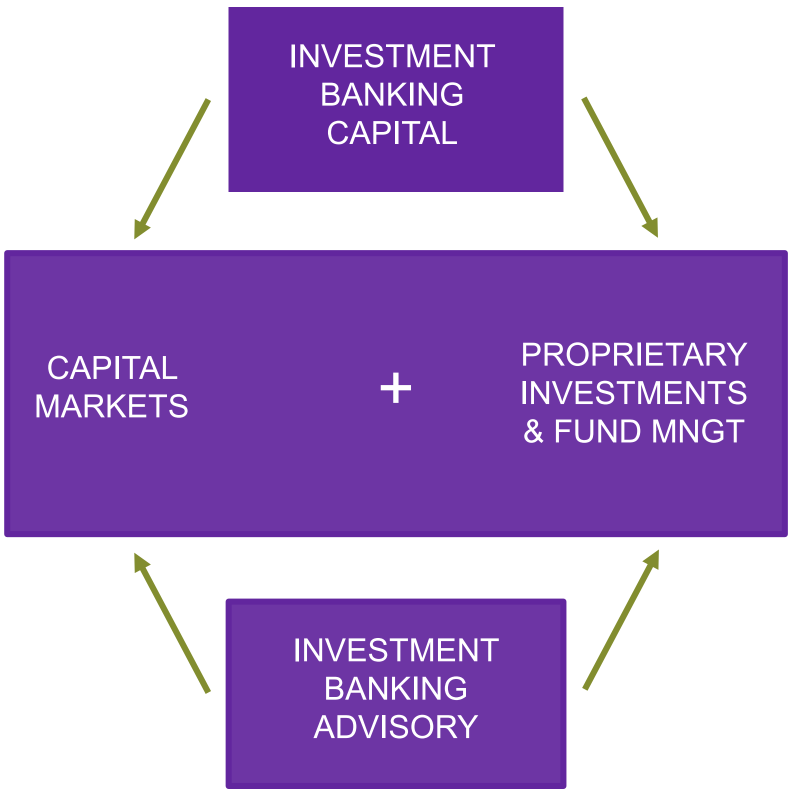
ABOUT ZIEGLER

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.



INVESTMENT BANKING	Strategic advisory, financing and capital planning solutions in healthcare, senior living and educational sectors as well as general municipal and structured finance
CAPITAL MARKETS	Active participant in municipal sales and trading including public, tax-exempt, taxable, private placement and preferred trading markets
PROPRIETARY INVESTMENTS & FUND MNGT	Providing opportunities for investors in senior living, healthcare services & technology solutions

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 Series℠
- 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 Hotline℠
- 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

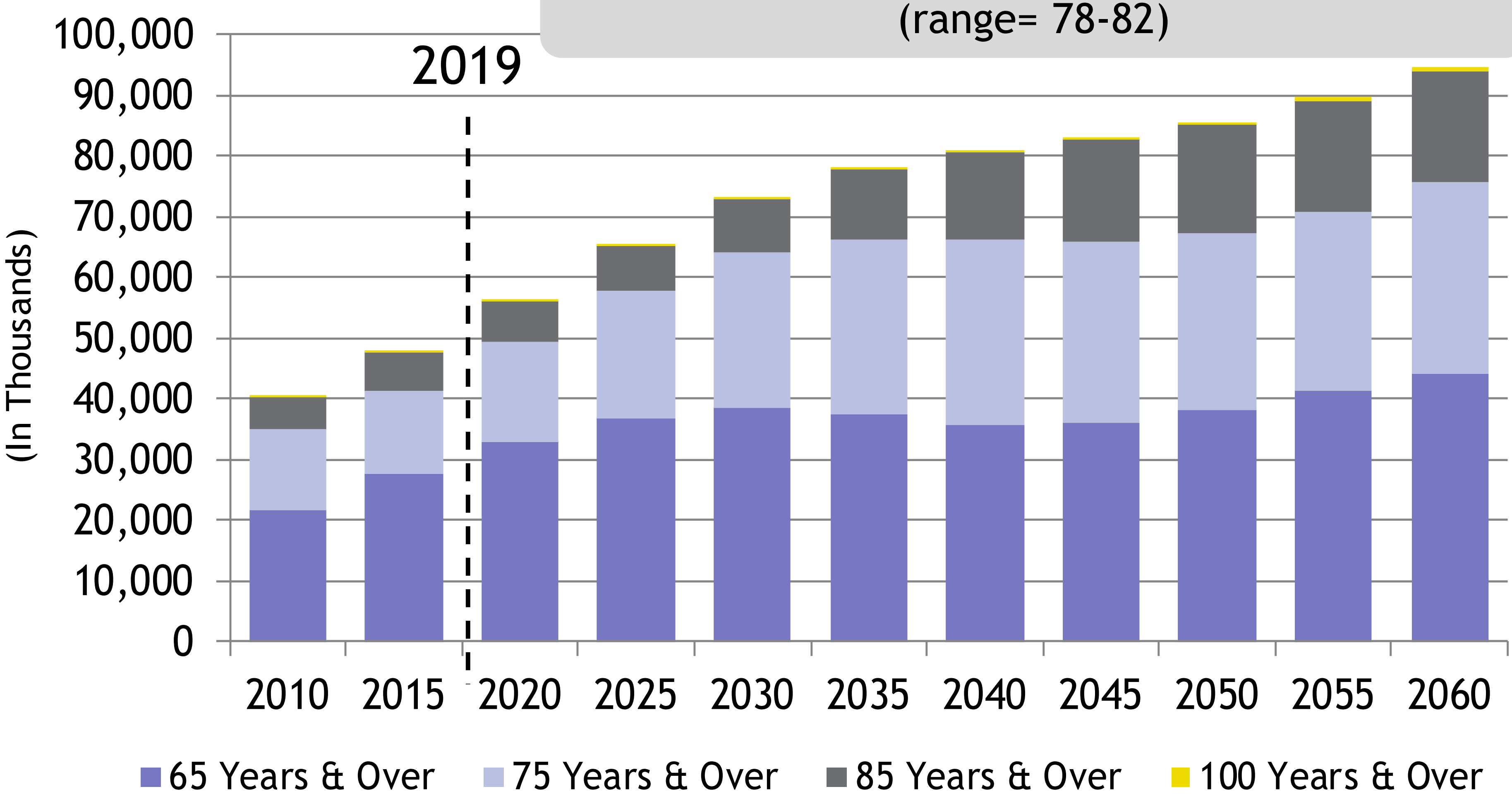
QUESTIONS & ANSWERS

Item 1

UNDERSTANDING THE CUSTOMER

U.S. OLDER ADULT POPULATION- DRIVING CHANGE

Avg. Age of Entry into Independent Living*: 80 (range= 78-82)



Source: U.S. Census Bureau National Population Projections (released September 2018, based on 2016 projections)

ADDITIONAL DEMOGRAPHIC CHARACTERISTICS

	# Persons 65+	Percent of All Ages	Percent Increase 2006-2016	Percent Below Poverty
U.S. Total	49,244,195	15.2%	32.5%	9.3%

Source: 2017 Profile of Older Adults: Administration for Community Living & Administration on Aging

- 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.

Source: Alzheimer's Association, Facts & Figures 2019
U.S. Census (2016 American Community Survey)

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

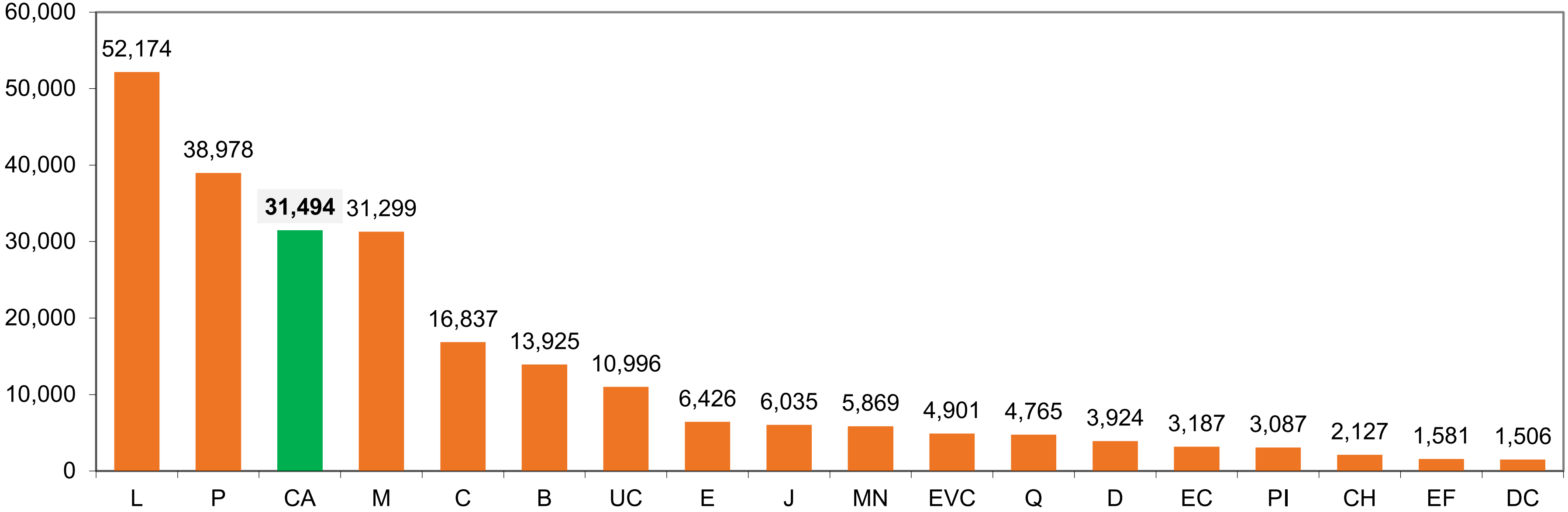
TODAY'S RETIREMENT OPTIONS
A LOOK AT SENIORS HOUSING & SERVICES SUPPLY

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

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

Source: 2018 LeadingAge Ziegler 200 publication

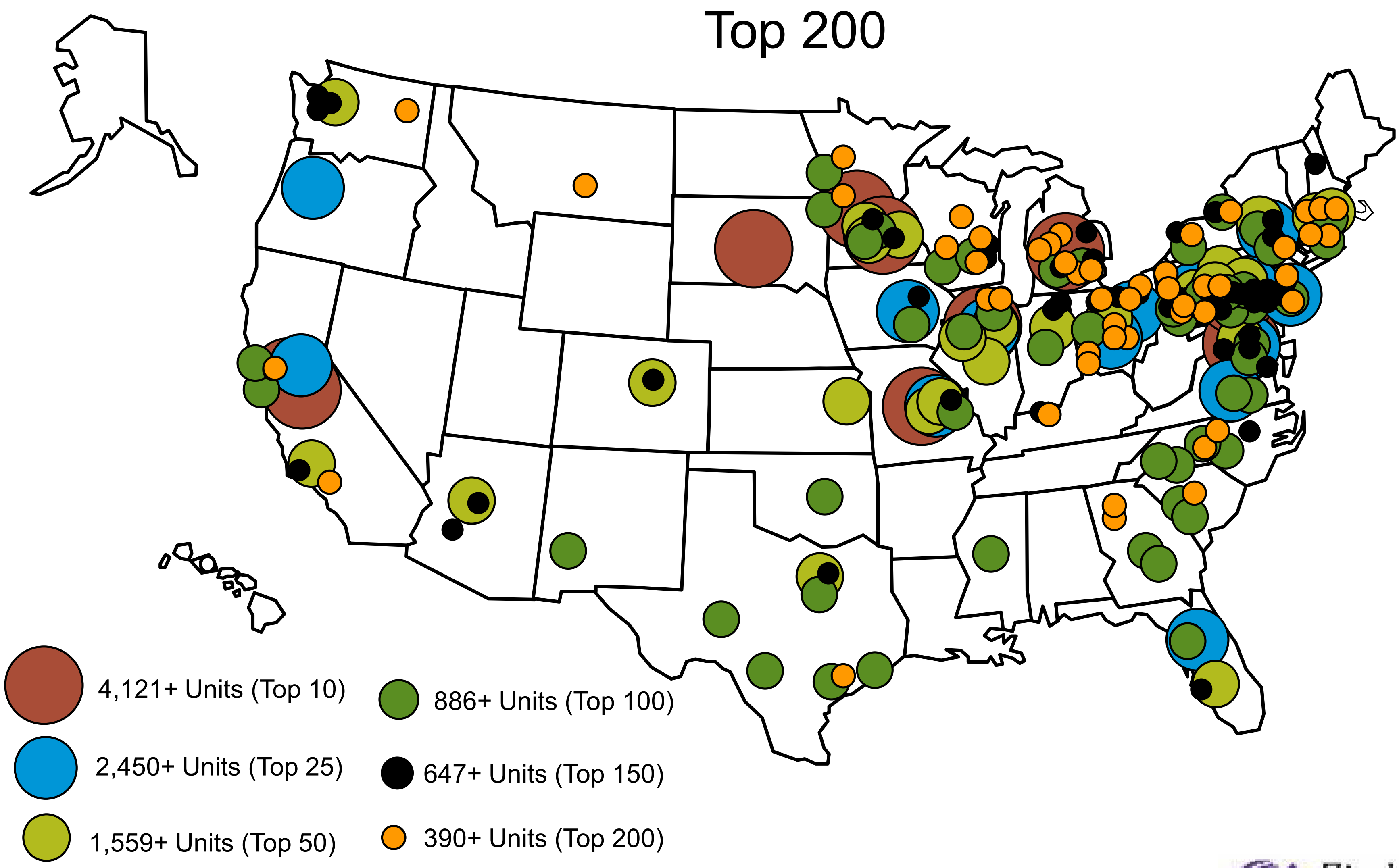
LZ 200 PUBLICATION: BACKGROUND AND METHODOLOGY

- 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



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

System Name	HQ State	Units (as of 12/31/17)				Communities (as of 12/31/17)				
		Total	ILU	ALU	NCB	Total	LPC	IL	AL	NH
Trinity Health Senior Communities H	MI	4,878	1,752	782	2,344	29	6	10	1	12
Ascension Senior Living* H	MO	4,624	937	833	2,854	27	8	2	2	15
Benedictine Health System	MN	4,602	681	1,390	2,531	35	24	1	4	6
Presence Life Connections* H	IL	3,362	1,090	256	2,016	22	6	0	0	16
The Carmelite System, Inc.	NY	3,129	144	421	2,564	17	0	1	2	14
CHI Living Communities H	CO	2,333	846	692	795	11	4	3	2	2
Franciscan Communities, Inc.	IL	1,925	739	436	750	8	4	1	3	0
ArchCare	NY	1,782	0	59	1,723	6	0	0	1	5
Covenant Health, Inc. H	MA	1,636	0	364	1,272	13	0	0	4	9
Loretto	NY	1,498	282	593	623	8	1	2	4	1
Saint Therese	MN	946	402	134	410	5	3	0	1	1
St. Ann's Community	NY	863	246	75	542	2	2	0	0	0
Vincentian Collaborative Services	PA	675	66	82	527	4	2	0	0	2
Elder Care Alliance	CA	658	135	464	59	5	1	1	3	0
Saint Mary's Home of Erie	PA	393	26	148	219	2	2	0	0	0

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

H = Part of larger health

Ziegler

THE LARGEST CATHOLIC SENIOR LIVING ORGANIZATIONS MULTI-SITE PROVIDERS

Ascension Living

THE CARMELITE SYSTEM INC.

Trinity Health
Senior Communities

FRANCISCAN COMMUNITIES

ELDERCARE ALLIANCE

ST. ANN'S COMMUNITY
Full of Life

CHI Living Communities

BENEDICTINE
Health System

archcare

VINCENTIAN
COLLABORATIVE SYSTEM

Loretto

COVENANT HEALTH
Our Name is Our Promise

Jennings

Saint Mary's Home of Erie

Felician Services Inc.

Source: 2018 LeadingAge Ziegler 200; Ziegler Investment Banking

THE LARGEST CATHOLIC SENIOR LIVING ORGANIZATIONS SINGLE-SITE PROVIDERS

St. Camillus
A Life Plan Community

ClareOaks
SENIOR • LIVING

Santa Marta

MARY'S WOODS

Bayley
LIFE IN EVERY MOMENT

Where retirement living takes on a whole new spirit.
PENNYBYRN at MARYFIELD
Sponsored by the Sisters of the Poor Servants of the Mother of God

THE SARAH COMMUNITY

STONEHILL
FRANCISCAN SERVICES

THE VILLAGE
AT INCARNATE WORD

Maria Joseph
Continuing Care Community

HOLY CROSS VILLAGE
AT NOTRE DAME

MILWAUKEE CATHOLIC HOME
experience. community. spirit.

Christ The King Manor
The Future of Senior Care

ST. DOMINIC VILLAGE
A Senior Care Community

D'Youville
LIFE & WELLNESS COMMUNITY

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

	% Independent Living	% Assisted Living	% of Skilled Nursing
Catholic Senior Living Overall	20%	19%	61%
NFP Senior Living Overall	52%	20%	28%

Source: Ziegler Investment Banking; 2018 LeadingAge Ziegler 200

ONGOING GROWTH THROUGH HOME & COMMUNITY-BASED SERVICES

Home Care

PACE

Home Health

Continuing Care at Home

Hospice

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

Corporate Positions Added in Past Year	Number of LZ 200 adding the position
Chief Clinical/Health Officer	18
Business Development/Strategy Officer	12
Chief Information/Technology Officer	9
Marketing & Sales Officer	8
Regional Leadership Positions	6
Chief Financial Officer	4
Chief Operating Officer	4
Chief Talent/Human Resources Officer	4
Chief Compliance Officer	3
Philanthropy/Foundation Director	3

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

Source: Ziegler Investment Banking

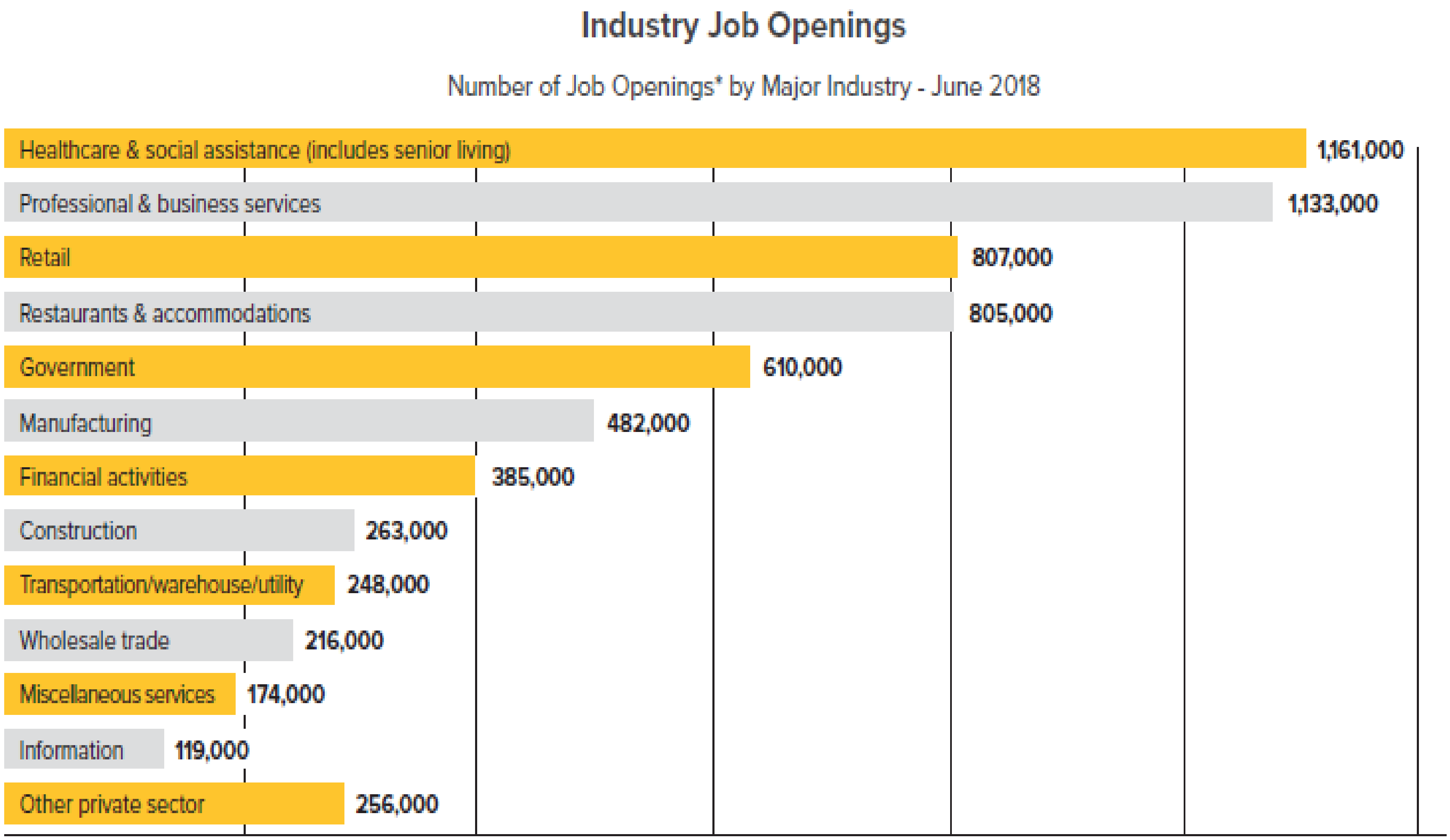
VIEWING YOUR STAFF AS YOUR CUSTOMER

- 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

PayActiv arena OnShift

Source: Ziegler CFO Hotline[SM], January 2018

DEMAND FOR WORKERS



Source: “the 2019 Forecast Report: Workforce Trends” (Argentum, 2019)

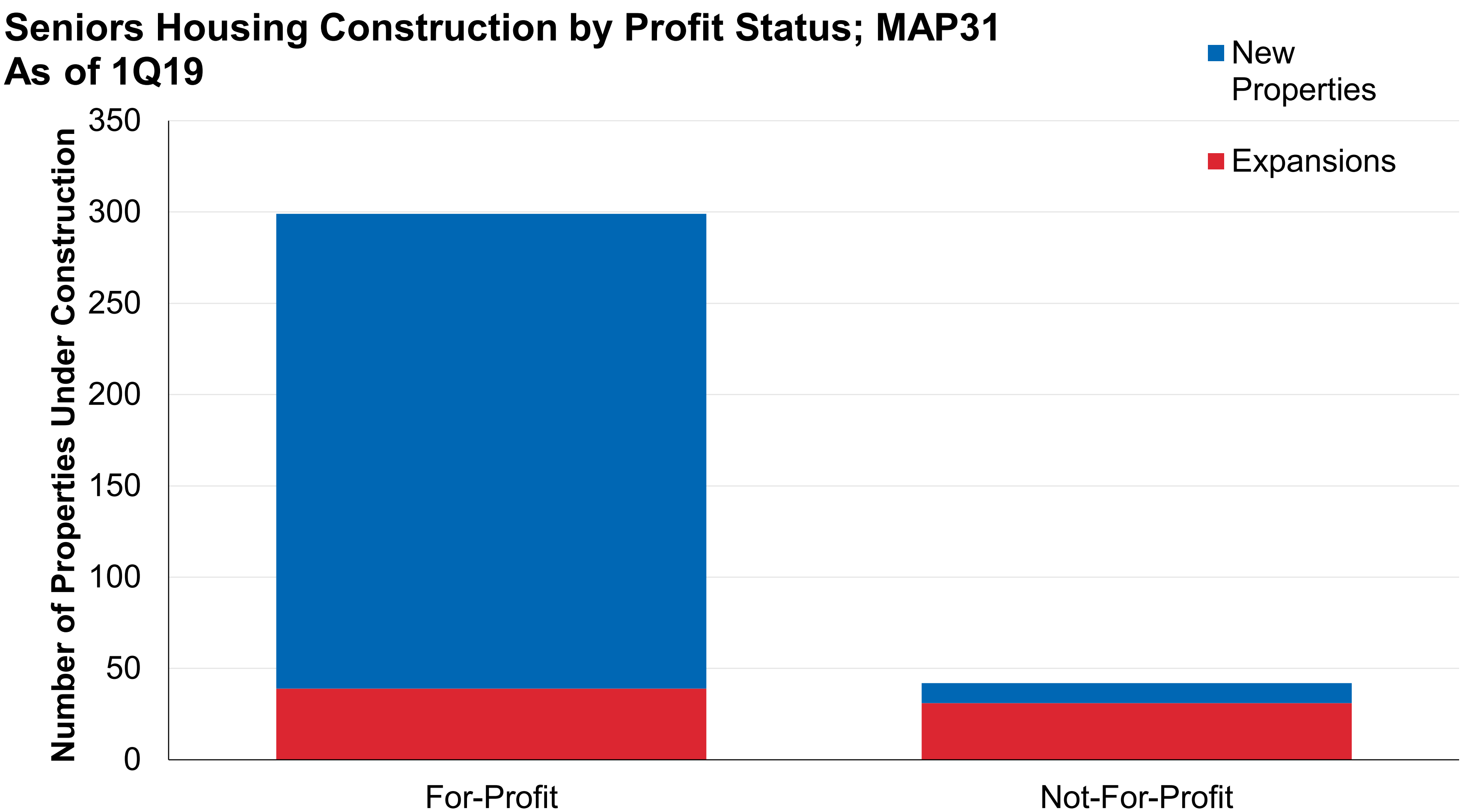
WORKFORCE DEMOGRAPHICS
HOME CARE WORKERS

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)

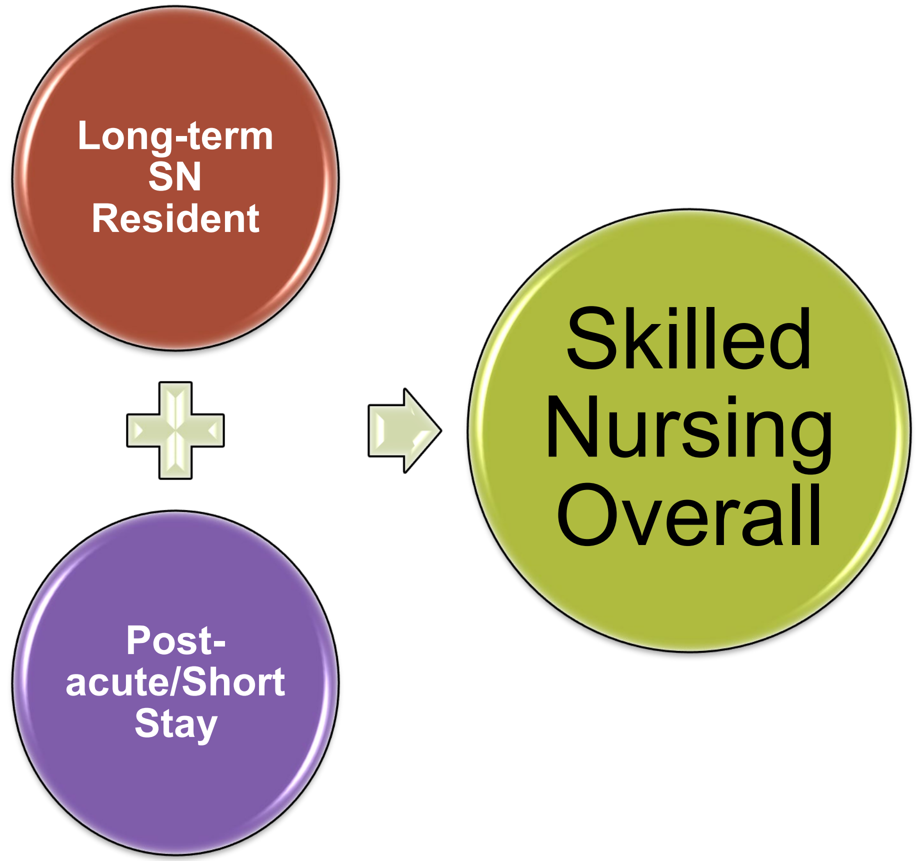
FOR-PROFIT NEW PROPERTY DEVELOPMENT RELATIVELY STRONG



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

ROYAL OAKS

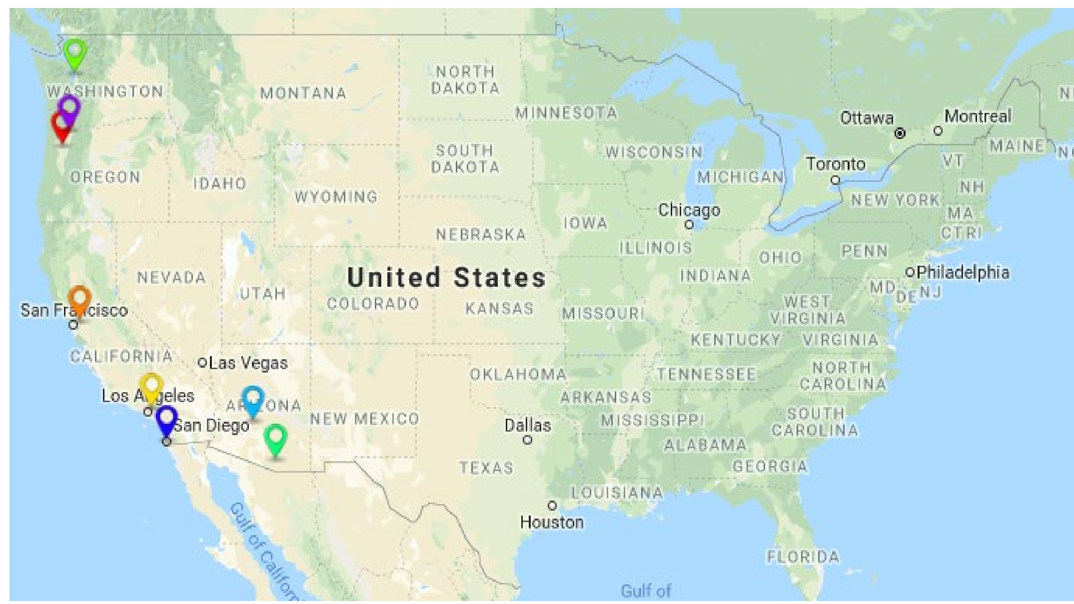
EPISCOPAL COMMUNITIES & SERVICES
The art of creating community

La Posada at Park Centre, Inc.

covia

Horizon House

CCRC Providers Who Have Eliminated SNF



Source: Ziegler Investment Banking

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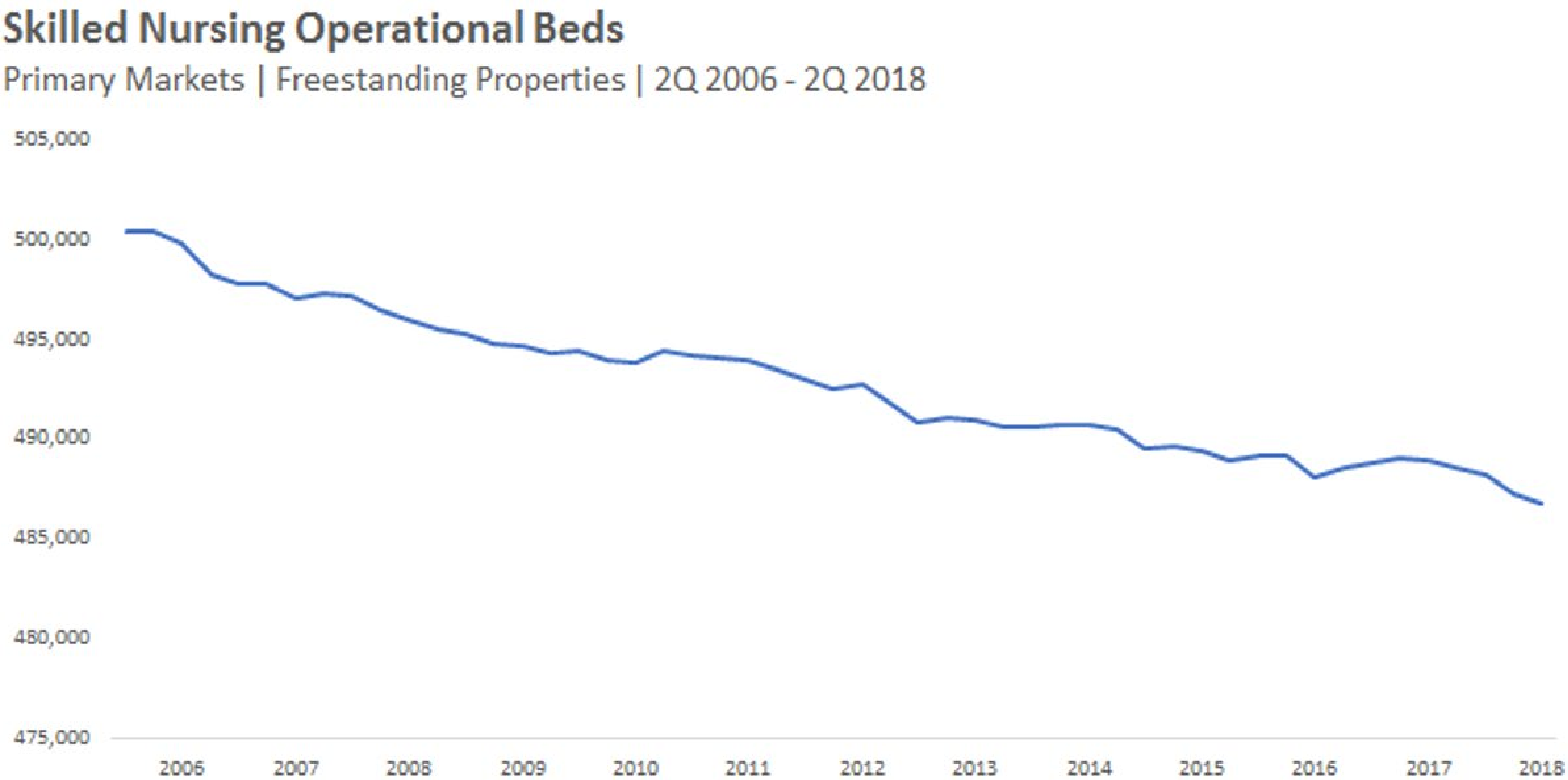
NATIONAL DECLINE IN SKILLED NURSING BEDS



Source: NIC MAP® Data Service

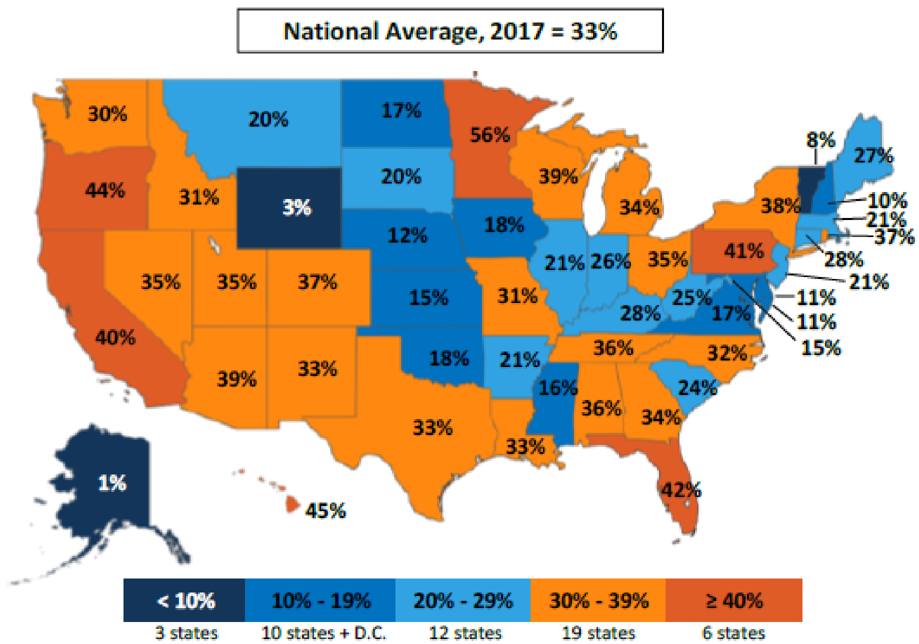
SENIOR LIVING & POST-ACUTE'S EMERGING MANAGED CARE ROLE

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 In Medicare Managed Care Plans

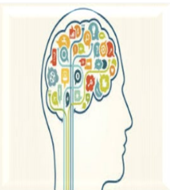
Share of Medicare Beneficiaries Enrolled in Medicare Private Plans, by State, 2017



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.

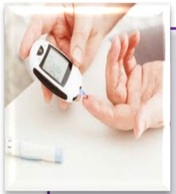
Source: Kaiser Family Foundation

BREAKING DOWN AGING SERVICES TECHNOLOGY



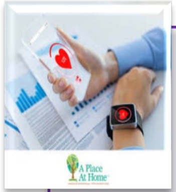
Brain Fitness

Consumer Engagement

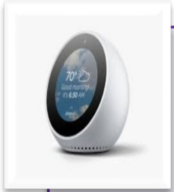


Chronic Disease Management

EMR Platforms

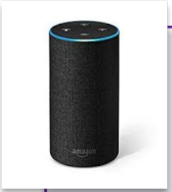


Remote Monitoring



Smart Home Technologies

Telehealth Solutions



Voice Activation/AI

Workforce Solutions

Infrastructure

Wellness/Prevention

Source: Ziegler Investment Banking

TRENDS ON SPONSORSHIP TRANSITIONS

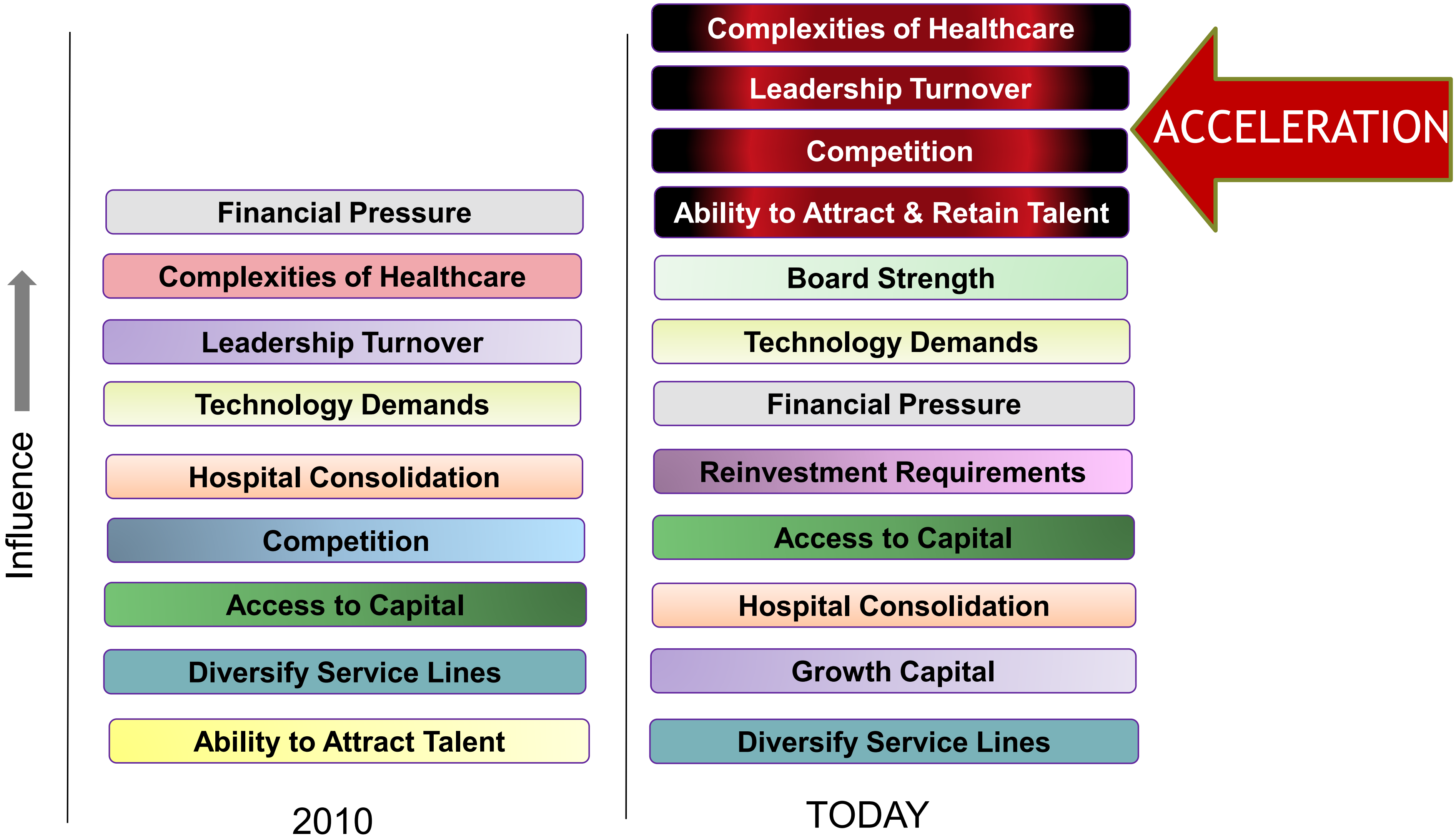
NOT-FOR-PROFIT SENIOR LIVING GROWTH – AFFILIATIONS, MERGERS & ACQUISITIONS

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

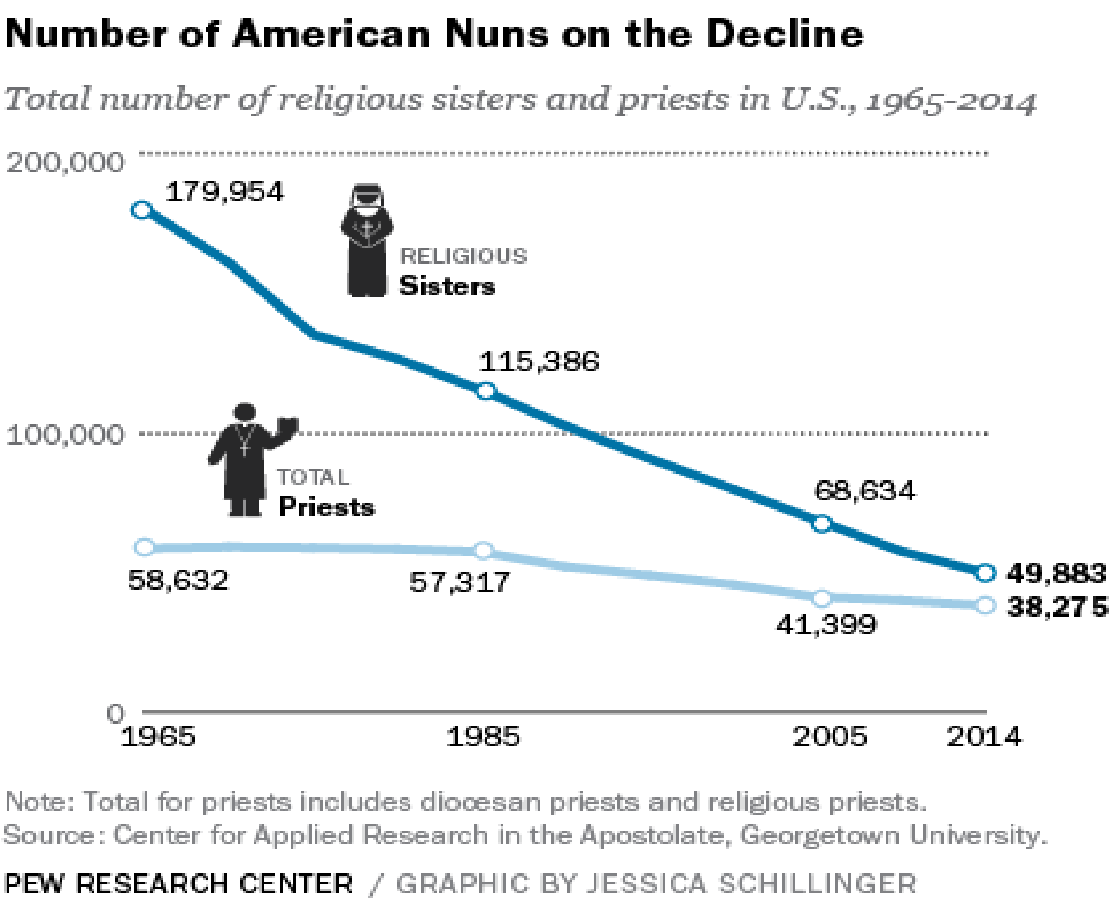
DRIVERS OF NFP SENIOR LIVING CONSOLIDATION



Source: Ziegler Investment Banking

IMPACT OF SHRINKING NUMBERS ON CATHOLIC SENIOR LIVING & LONG-TERM CARE

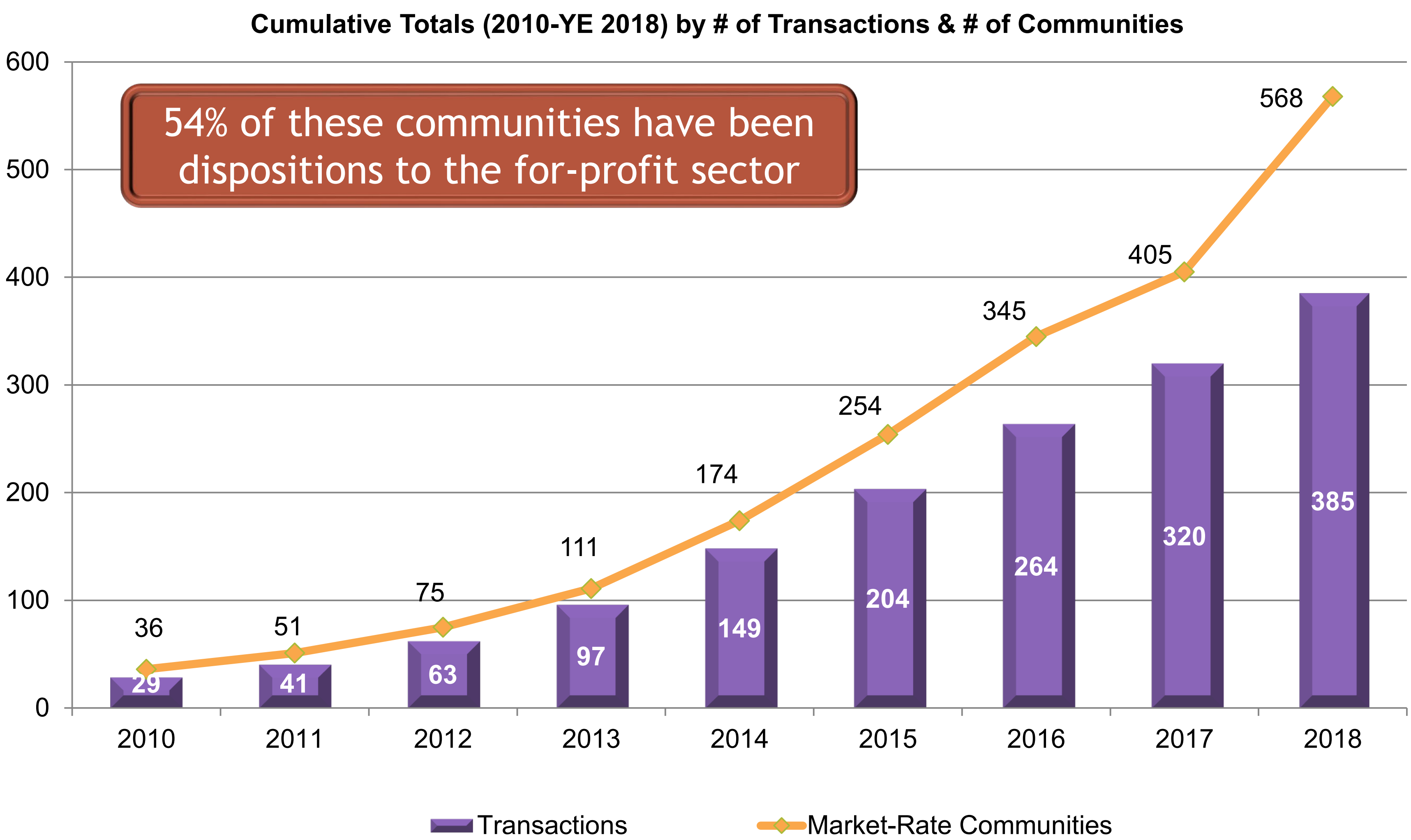
- In 2016, it was estimated that there were roughly 47,000 religious sisters in the US
- Estimated average age of Catholic sisters in US is 74



Source: Pew Research Center, August 2014; Center for Applied Research in the Apostolate

NOT-FOR-PROFIT SPONSORSHIP TRANSITIONS

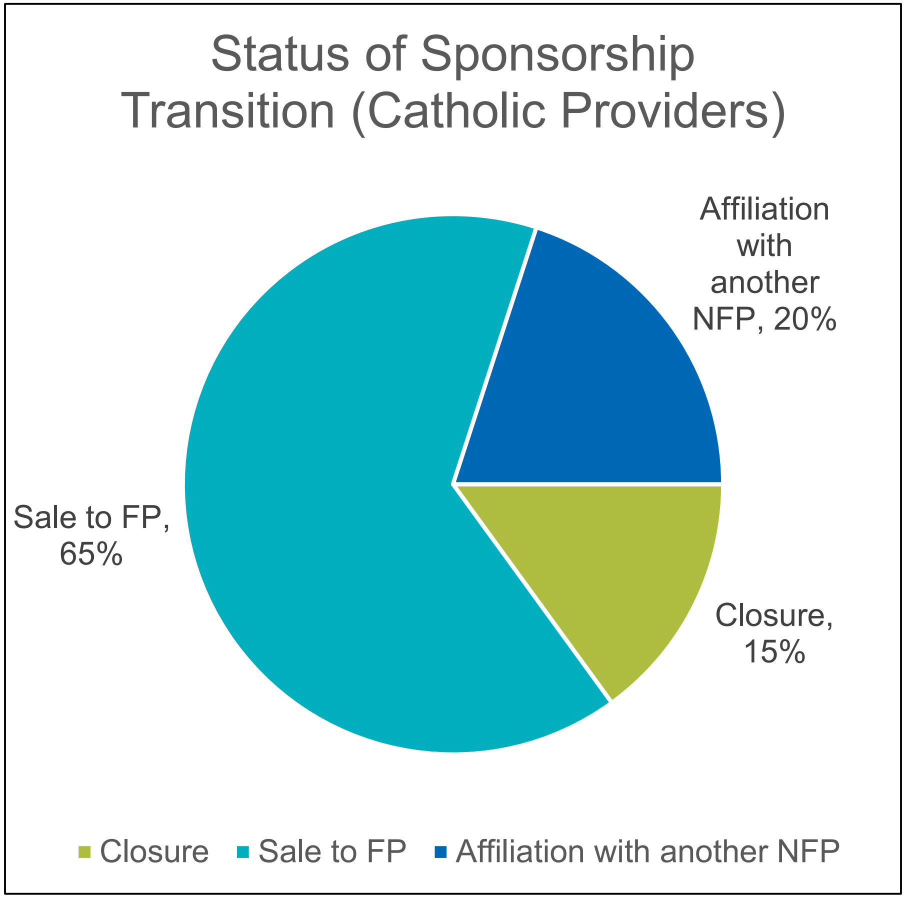
CUMULATIVE DATA



Note: Includes market-rate communities; excludes government subsidized
Source: Ziegler Investment Banking 12/31/2018

CATHOLIC SENIOR LIVING: CONSOLIDATION STATISTICS

- 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



Source: Ziegler Investment Banking, May 2019

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

ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets and proprietary investments firm
- A registered broker dealer with SIPC & FINRA
- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research
- Founded in 1902, Ziegler specializes in the healthcare, senior living, educational and religious sectors as well as general municipal finance

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