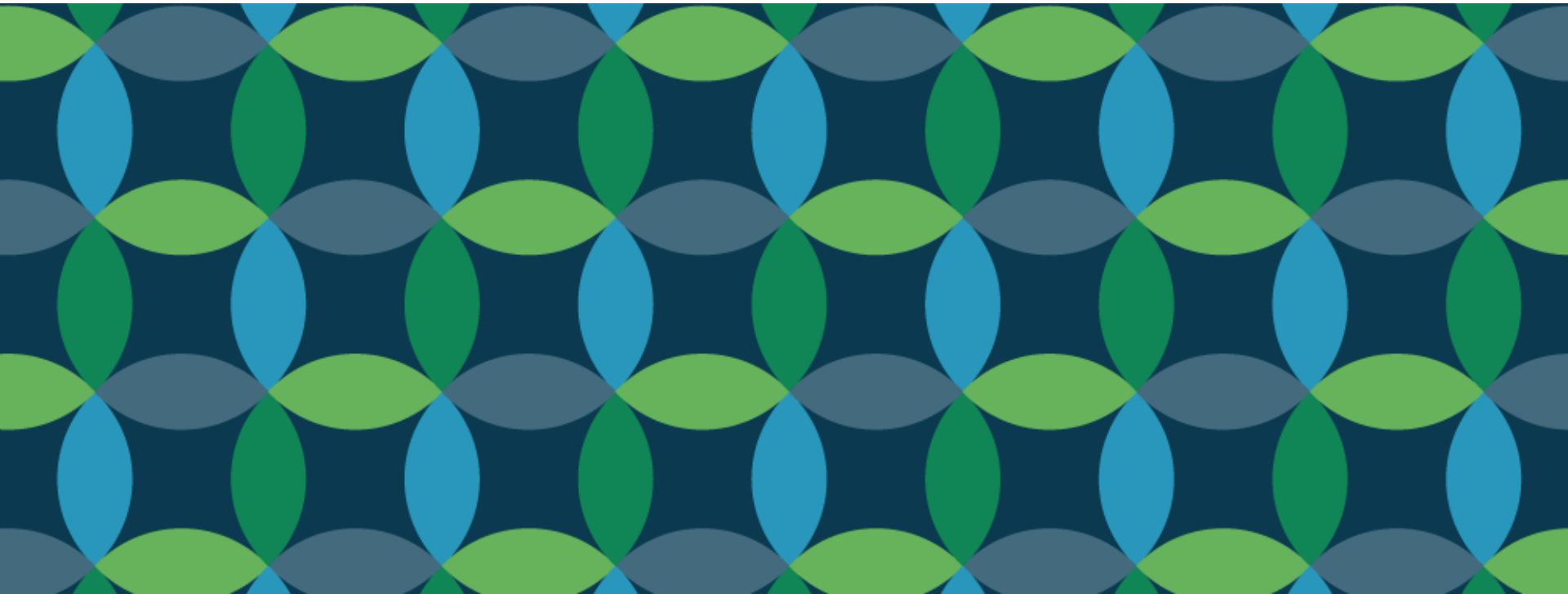




HEALTH DIMENSIONS GROUP®

Elevate Your Outcomes: Trends and Winning Strategies in Senior Living & Care

LeadingAge Colorado Annual Conference – May 14, 2024



Today's Objectives

- Gain insight into top trends shaping senior living and long-term care (LTC)
- Assess the potential impact of these transformations on your organization and market positioning
- Discover the strategies employed by successful providers to prepare for these changes



Who We Are

Who We Are

Health Dimensions Group® (HDG) is a leading management and consulting firm, providing services to senior living, post-acute, and long-term care providers, as well as hospitals and health systems, across the nation



Who We Are *(continued)*

- Values-driven partner providing services to clients in all 50 states
- Management services provided to 50 care communities in 7 states, serving approximately 2,600 residents
- More than 100 corporate team members and 2,200 care community staff



HDG Services

- Management Services
 - Full-Service, Start-Up & Temporary Oversight
- Consulting Services
 - Strategy
 - Operational
 - Workforce Solutions
 - Development & Opening Support
 - PACE Technical Assistance Center
 - Turnaround & Receivership Transition
- Interim Leadership & Executive Search



Presenter

Paul Branin

Vice President of Business Development

Mr. Branin develops and implements sales and business growth strategies to position HDG as the leading consulting firm among health systems, hospitals, post-acute, and senior services organizations. With more than 25 years of operational leadership experience in the senior care sector, Mr. Branin has held a wide variety of titles at the community, regional, and national level.



2024 Top Trends

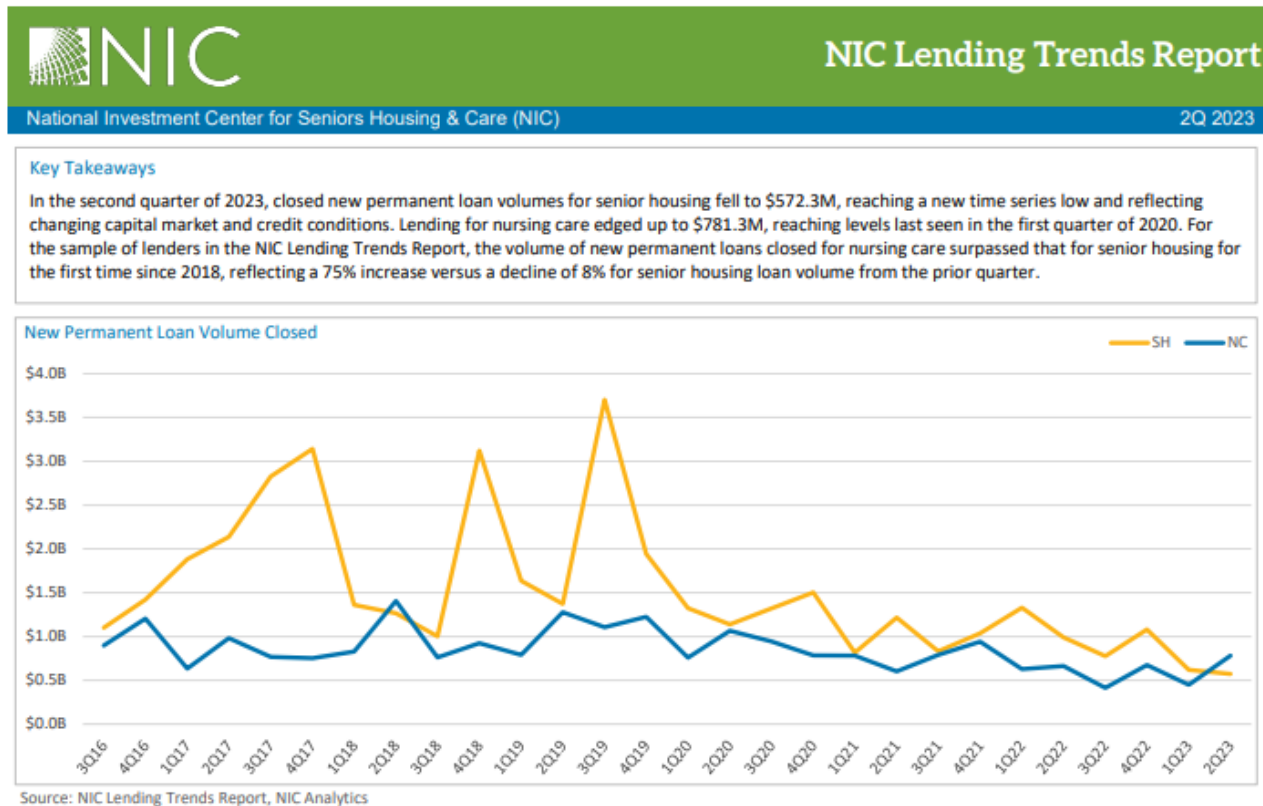
- Trend 1: Strained Capital Markets
- Trend 2: Heightened Regulation and Acuity
- Trend 3: Changing Employment Landscape
- Trend 4: SNF Challenges Driving Repositioning and Closure
- Trend 5: Rise of Active Adult



Trend 1: Strained Capital Markets

Decline in Senior Housing Deals

- The volume of senior housing deals has declined over the past 18 months
 - This is primarily due to the Federal Open Market Committee's decision to raise the federal funds rate repeatedly since March 2022; rates currently sit above 5.0% for the first time since 2007





The Impact Is Felt in the Financial Markets

- Availability and access to capital has become more difficult to find
- Finding consensus on capitalization rates can differ significantly, depending on which side of the transaction each party represents
- As access to capital has become constrained, the ability to invest resources into an acquisition requiring a turnaround will be more limited

Operator and Provider Opportunities

- Until capital markets improve, other options include focusing on internal growth by:
 - Value-add
 - Can a third party deliver services with more efficiency and cost-effectiveness?
 - Quick hits can be an inexpensive way to improve a community's feel
 - Internal focus
 - Are there opportunities to reassess operational efficiencies?
 - Update feasibility study of community markets
 - Addition by subtraction



Operator and Provider Opportunities *(continued)*

- Take a holistic approach, including the following considerations:
 - How will growth impact the rest of your operations?
 - Will this opportunity strengthen or weaken your current operational trajectory?
 - Do you have the right resources to both identify and resolve the challenges?
 - What would be the impact on the rest of your portfolio?
 - How would the growth impact your overall financial health and stability?



Trend 2: Heightened Regulation and Acuity

Shifts in Acuity in Assisted Living (AL)

- Many baby boomers desire to “age in place” until seeking care is unavoidable
- AL has shifted from a safe apartment setting with meals and minor assistance into a comprehensive care environment
- Characteristics of AL residents have changed:
 - 42% have Alzheimer’s or dementia
 - Significant increase in the number of AL residents needing help with ambulation and personal care



Rising Acuity in SNFs

- Consumer preferences and AL availability, including waivers in some states, leads to the use of a skilled nursing facility (SNF) for only the most complex residents
- Push for shorter hospital average length of stay (LOS) results in higher acuity admissions
- Due to high costs and labor shortages, many facilities are unable to provide care for complex residents



Regulation Ramping Up

- As AL medicalizes, these communities can expect enhanced regulatory oversight
 - 1/3 of states updated their AL requirements between 2020 and 2022
- CMS continues to accelerate regulatory pressures on SNFs, including changes to penalties and oversight



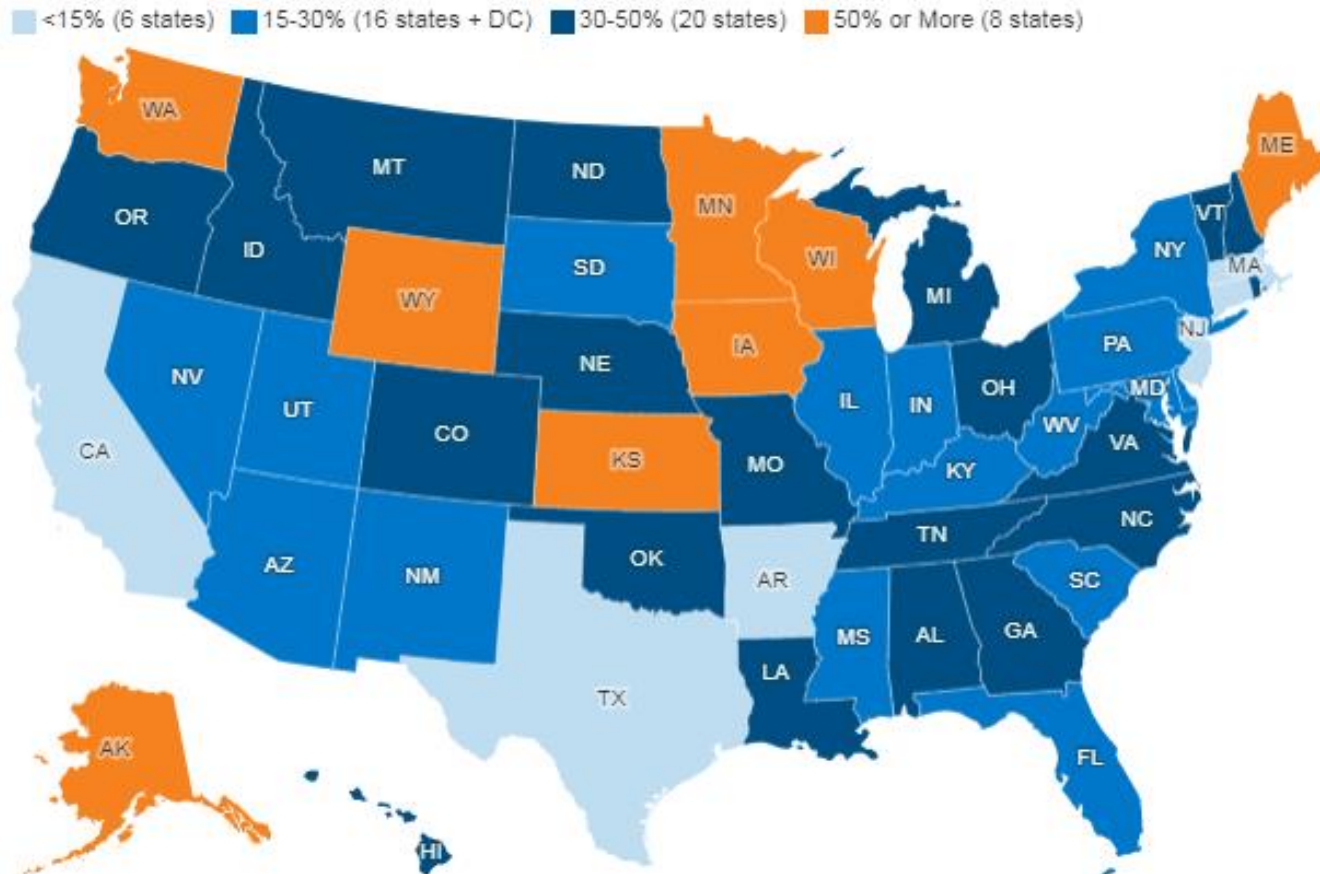
Strategies for Addressing Increased Acuity and Regulation

- Deploy preemptive measures such as third-party “mock” surveys
- Implement new technology for monitoring and responding to clinical needs
- Complete facility assessment to identify specific clinical needs of resident population and determine:
 - Number and level of staff required to provide needed care
 - Necessary training and competency evaluations to ensure staff can provide each resident with high quality care

Nursing home staffing rule (awaiting finalization) has new requirements for facility assessments to include how the SNF will deploy acuity-based staffing and receive stakeholder input

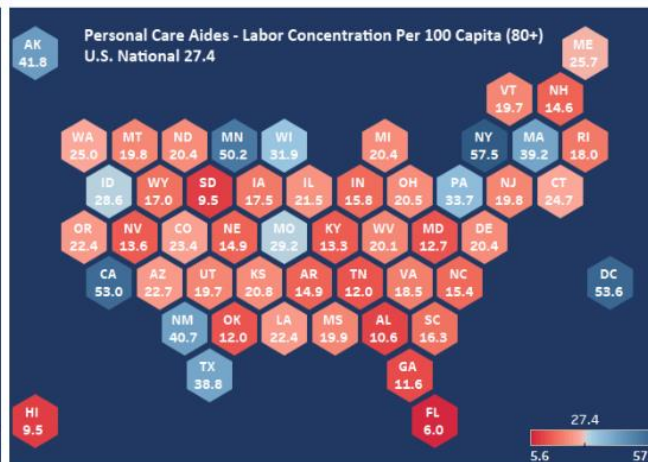
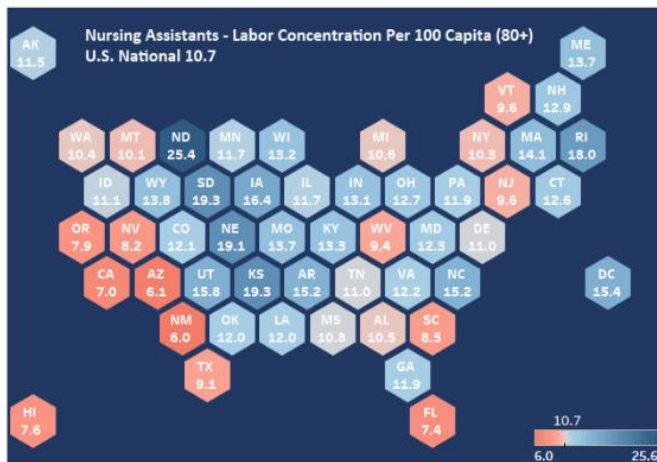
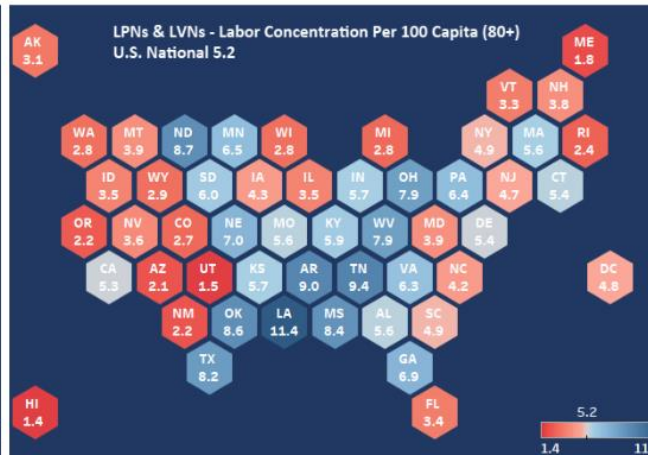
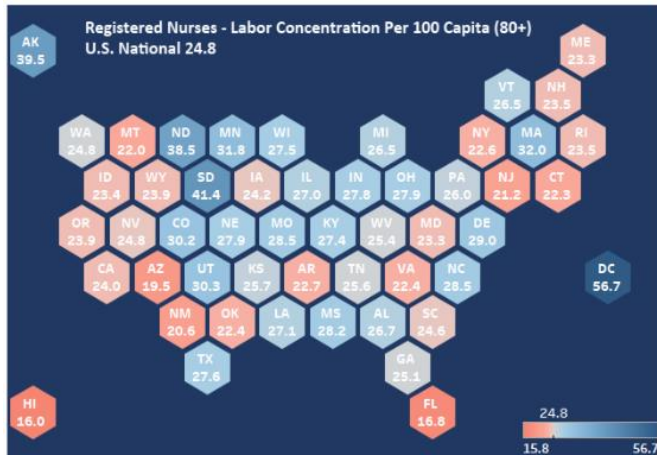
Trend 3: Changing Employment Landscape

In 2022, Colorado Was 1 of 28 States with Greater than 30% of SNFs Reporting Staff Shortage



Labor Concentration

U.S. National - Labor Concentration Per 100 Capita (80+)¹
Registered Nurses, LPNs & LVNs, Nursing Assistants, and Home Health & Personal Care Aides



Occupations: 29-1141 Registered Nurses | 29-2061 Licensed Practical and Licensed Vocational Nurses (LPNs & LVNs) | 31-1131 Nursing Assistants | 31-1120 Home Health and Personal Care Aides
¹U.S. National Labor Concentration Per 100 Capita (80+) is defined as the number of employed workers in a specific occupation per 100 persons aged 80 and older | 2021 Population Estimates: U.S. Census Bureau - U.S. Census Bureau - <https://www.census.gov/>
 Sources: 2021 Occupational Employment and Wage Statistics (OEWS) data from the Bureau of Labor Statistics (BLS) | NIC MAP Vision data
 Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

In 2023, There Has Been Some Positive News on the Workforce Front

- Recent immigration flows are notably higher than previous projections, nationally; new numbers from the Congressional Budget Office suggest that 3.3 million net immigrants arrived in 2023, compared to 1.0 million originally projected for that time prior to the pandemic

“Net migration to Colorado came in at 19,167 in this year’s count, up from 17,185 in the prior year. Both are under half of the pace seen last decade. The number also fell short of the 35,000 net migration number that the State Demography Office had forecast, which was expected to serve as a stepping stone to gains of 40,000 a year in 2024 and 2025.”

— The Denver Post, “Colorado Population Growth Bouncing Back, But Not As Much As Forecast” (December 27, 2023)

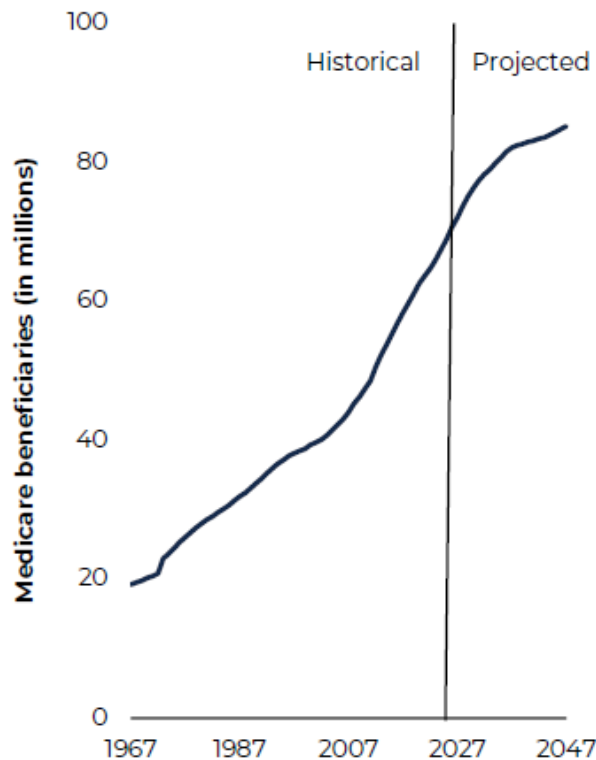
In 2023, There Has Been Some Positive News on the Workforce Front *(continued)*

- Higher immigration rates mean that labor market accommodated higher employment growth without adding pressure to wages and price inflation that otherwise would have been the case
- Uptick in immigration can also help explain surprising strength in consumer spending and overall economic growth since 2022

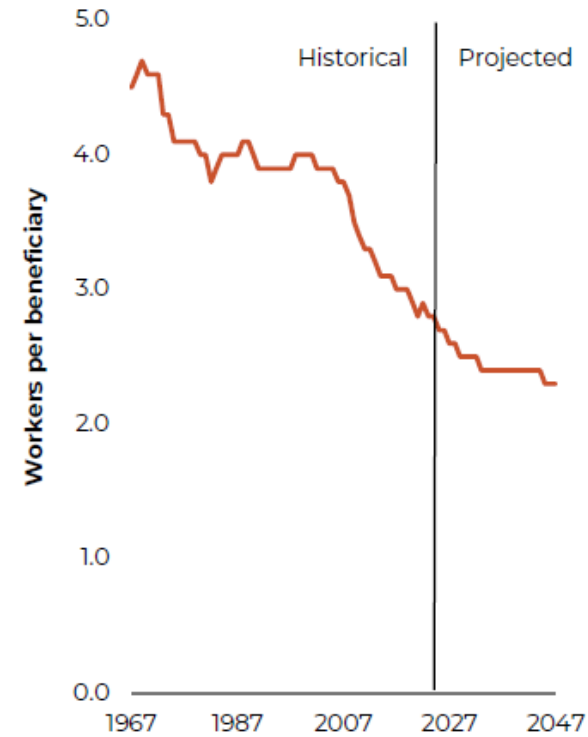


Workforce Will Remain a Challenge for Next 5–7 Years Due to Supply/Demand Imbalance

Medicare Beneficiaries



Workers Per Medicare Beneficiary



The Future of Work Is Evolving

- Impact of CMS minimum staffing mandate rules for providers (24/7 RN, 3.48 HPRD total nurse staffing, 0.55 HPRD RN, 2.45 HPRD nurse aide)
- Exponential inflation rate increases cause rising costs of living and wages, as well as benefit cost increases
- Continuous shortage of skilled workers and increased demand on the workforce

Recent Numbers Tell the Story

- An AHCA/NCAL report revealed the minimum staffing mandate would require nursing homes to hire an estimated 102,154 additional full-time employees
- The mandate will also cost nursing homes approximately \$6.8 billion per year
- 94% of nursing homes are not meeting at least 1 of the 3 proposed staffing requirements

Source: AHCA/NCAL, September 2023





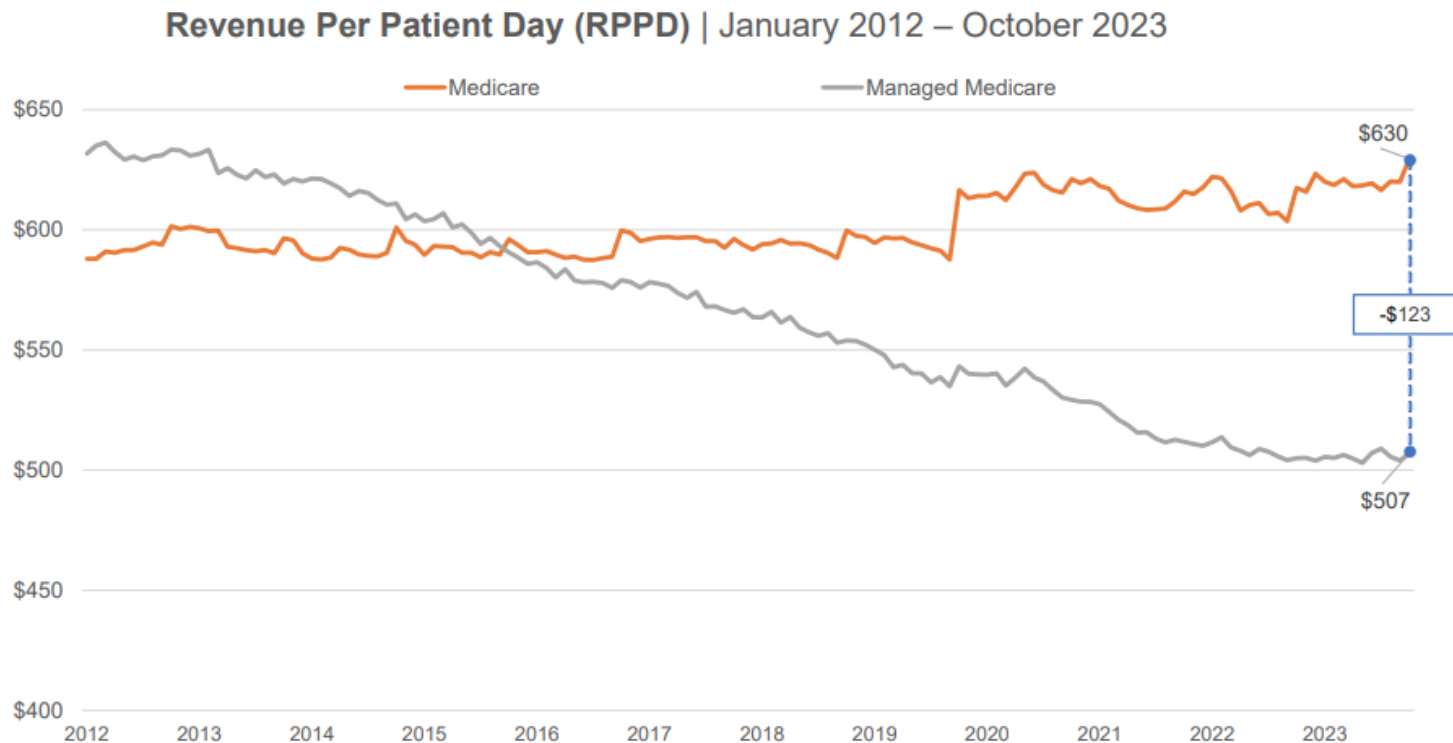
Meeting the Needs of a Changing Workforce

- Develop engagement and retention strategies that ensure valuable team members
- Implement new technologies that improve workflow and reduce tasks that can be automated
- Outsource or centralize services such as recruiting, payroll, and billing, so communities can focus on the residents

Trend 4: SNF Challenges Driving Repositioning and Closure

Medicare vs. Managed Medicare Differential

Medicare vs Managed Medicare Differential



Source: NIC MAP® Data, powered by NIC MAP Vision

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NICMAP VISION

SNF Provider Difficulties

- The American Health Care Association (AHCA) reports 579 nursing homes closed nationwide since 2020, many due to financial concerns
- Some states have taken bold steps to bolster Medicaid reimbursement to providers
- 450,000 nursing home residents are at risk of displacement without sufficient workforce

Source: AHCA/NCAL, August 2023



SNF Performance Not Necessarily a Factor

- AHCA research also shows that 38% of pandemic-era closures affected facilities that were achieving a 4- or 5-star rating

Many SNF closures are not the result of poor-quality performance

Source: AHCA/NCAL, August 2023



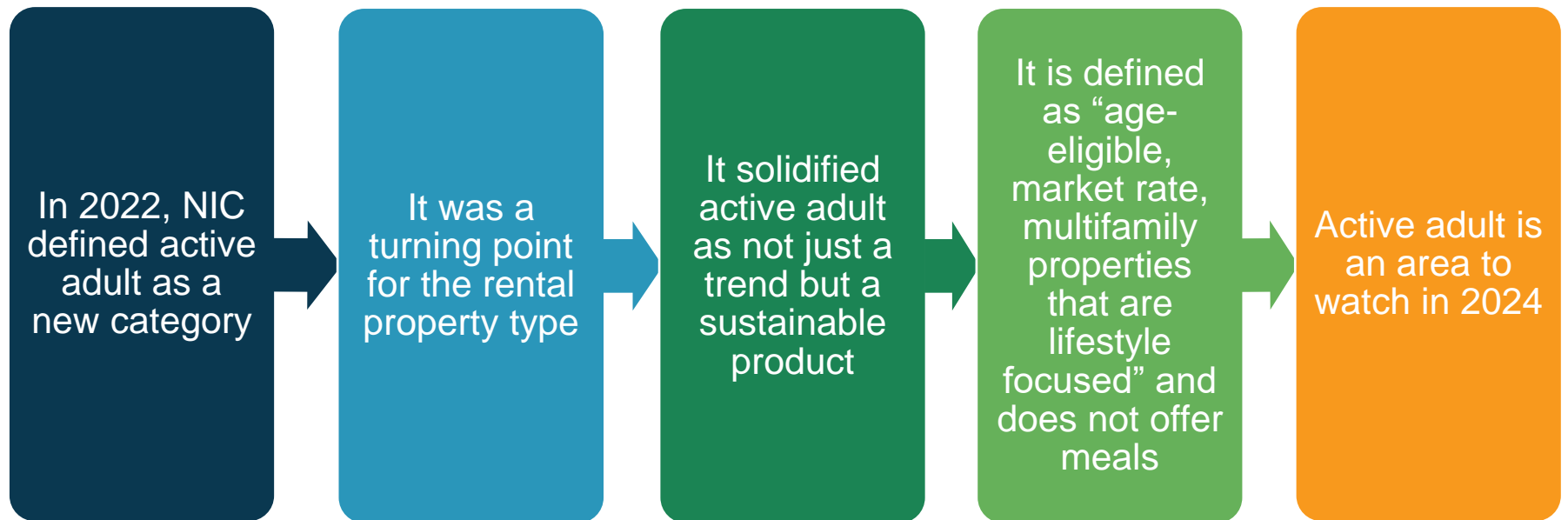


Don't Be Next

- Take conscious, measured steps to assess market shifts that have occurred over the past couple years
- Know your markets: conducting detailed market assessments will set the stage for necessary revisions to your strategic plan
- Shake the mindset that downsizing is a failure
- Unique and customized operational adjustments are required in this environment

Trend 5: Rise of Active Adult

Turning Point in the Industry



Active Adult Trends to Watch

- The creation of a setting that lends itself to younger and healthier seniors extends the length of stay in the continuum while meeting a consumer demand for an active lifestyle beyond that of previous generations
- Surge of development of active adult communities by:
 - Those already immersed in this model
 - Senior housing providers eager to extend housing options earlier in the continuum
 - Housing owners not traditionally associated with senior living
- Re-purposing of existing housing and independent senior living assets into dynamic active adult communities is gaining traction



Active Adult Trends to Watch *(continued)*

- Significant changes in the later average age of entry and subsequent shorter length of stay is driving the move to active adult for senior living providers
- Development of living environments tailored to the desires of a younger, more active demographic seeking social and physical engagement in a maintenance-free setting with high-end amenities like restaurants, resort-style pools, and luxury community spaces



The Path Forward with Active Adult

- Organizations considering developing active adult communities should invest in a comprehensive market demand study; the analysis will review anticipated changes in both the senior target populations and workforce populations within the market
- Using the market demand study, providers can create reasonable operating pro forma



Silver Tsunami and Savings

- Lack of savings in the baby boomer generation could create financial burdens for subsequent generations
- Retirement savings are well below what experts have determined as necessary
- Large percentage of the aging population has no savings

“The National Council on Aging estimated 17 million people over 65 are considered economically insecure.”

— Nasdaq, “Retirement Outlook 2024: Less Than Half of Boomers Have Adequate Savings — Will Younger Generations Suffer?”
(January 12, 2024)

Questions



For More Information



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Disclosure

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

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Why Work With Us

Why HDG

Knowledge born from hands-on experience.

As managers and consultants in senior living, post-acute, and long-term care, we are familiar with the challenges our clients face every day.

Senior living, post-acute, and long-term care experts.

Aging services are our focus, resulting in an unparalleled depth of knowledge. Our seasoned professionals and highly skilled specialists ensure customized solutions.

Values-driven and established partner.

Guided by an unwavering commitment to our values of hospitality, stewardship, integrity, respect, and humor[®], we have served the nation's leading providers and industry partners for nearly 25 years.





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