Presenters....

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Horizon House

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Chief Executive Officer
Kline Galland

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Ziegler
Objectives

• Gain insights from experts on the direction of skilled nursing today.

• Compare and contrast tactics and strategies of providers investing in skilled care and divesting of skilled care.

• Take away insight into how to best position your organization for future success in this uncertain sector.
Today’s Agenda

Section 1 – Trends, Opportunities and Challenges

Section 2 – The Next Generation of Care

Section 3 – A New Model of Residential Health Care

Questions and Answers
SECTION 1

Trends, Opportunities and Challenges
Supply of SNFs/Age of Plant
Occupancy/Length of Stay
Reimbursement
Staffing Shortage
Tech Needs/Cost
Home Care and Asstd Living Competition
ACA/Networks/ACOs

Aging Population
Increasing Lifespans

Power of Purpose

DISRUPTORS

DRIVERS
Single and looking, age 70 and up: Inspired by ‘Age of Love,’ Enfield to host speed-dating event for seniors

ENFIELD — Move aside Millennials—there are some new speed daters in town, and they are senior citizens.

Some of the town’s older residents are participating in the nationwide dating trend that is coming to the Enfield Senior Center on Thursday, April 9, from 6 to 8 p.m.

Speed dating is a way of meeting a potential date through one-on-one conversations of just a few minutes. After each date, participants indicate on a slip of paper whether they would like to meet up with that person again. At the end of the event, everyone is told of their matches.
### Today’s Retirement Options
#### A Look at Seniors Housing Supply

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Number of Entities</th>
<th>Total Units</th>
<th>% NFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Plan Communities</td>
<td>1,961 communities</td>
<td>600,000 units</td>
<td>80%</td>
</tr>
<tr>
<td>Adult Day Programs</td>
<td>4,800 programs</td>
<td>289,400 participants/day</td>
<td>51%</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>1,663,000 units</td>
<td>24%</td>
</tr>
<tr>
<td>Freestanding Memory Care</td>
<td>1,100 communities</td>
<td>53,000 units</td>
<td>22%</td>
</tr>
<tr>
<td>Assisted Living/Residential Care</td>
<td>30,200 communities</td>
<td>1 million residents</td>
<td>17%</td>
</tr>
<tr>
<td>Home Health</td>
<td>12,400 agencies</td>
<td>4.9 mill discharged/yr.</td>
<td>15%</td>
</tr>
<tr>
<td>IL Housing</td>
<td>1,100 properties</td>
<td>184,000 units</td>
<td>3%</td>
</tr>
</tbody>
</table>

Sources: Ziegler National CCRC Listing & Profile, LeadingAge, NIC MAP® Data and Analysis Service, The National Center for Health Statistics, Centers for Medicare and Medicaid Services
Skilled Nursing Supply

• Over 15,600 nursing homes across the US with just under 1.7 million beds
  • 16,389 nursing homes in 1995, a *decline of 5%* over 20 years
  • 1.751 million beds in 1995, a *decline of more than 3%* over 20 years
  • Number of nursing home residents *declined nearly 7.5%* in the same period

• Most SNFs built in the 60s and 70s and many are dated

Washington Skilled Nursing Supply

National Skilled Nursing Occupancy

- 5-Year occupancy low in July 2016

- Reduced average length of stay
  - Managed care
  - Medicare bundles
  - ACA

- Increased reliance on home care and assisted living

Source of graph: NIC
Washington Skilled Nursing Occupancy

Skilled Nursing Spending

- Aggregate payment to non-hospital based nursing homes and CCRCs increased from $85 billion in 2000 to $155 billion in 2014, an increase of 83%.

- Approximately 65% of those expenditures are from public sources (primarily Medicare and Medicaid).

Shrinking Supply of Workers

- By 2020, the main labor pool of direct-care workers will only increase by about 1% compared to the demand for these workers increasing by 48%.

- Caregiver support ratio began falling beginning in 2011.

Source: Alzheimer’s Association

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**Figure 1-18.**
**Percentage of World Population Under Age 5 and Aged 65 and Over: 1950 to 2050**

<table>
<thead>
<tr>
<th>Year</th>
<th>Under 5</th>
<th>65 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>3</td>
<td>20</td>
</tr>
</tbody>
</table>

Note: Data are based on the medium fertility variant of UN population estimates and projections. Source: United Nations, 2011.

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65+ in the United States: 2010

Source: United Nations, 2011
Growing Demand for Direct-care Workers in the US, 2010-2030

- Personal care aides: 71%
- Home health aides: 69%
- Nursing aides, orderlies and attendants: 20%
- All direct-care workers: 48%
- All occupations: 14%

Source: Paraprofessionals Healthcare Institute
Technology – Critical and Costly

• Can you provide a referral source, such as a hospital, data on your:
  • Re-hospitalization rates?
  • Infection rates?
  • SNF length of stay?
  • Incurrence of pressure ulcers?
  • Pain management performance?
  • Electronic patient health records?
  • ...or ?????
Reduced Use of SNF

Is your organization experiencing any of the following regarding your healthcare setting? (% Yes Responses)

- Patients with a higher level of acuity than in years past: 86.5%
- Decreased length of stays in skilled care: 84.6%
- Narrowing of networks from area hospitals, physician groups: 51.9%
- Increase in consumers w/ treatment plans that skip skilled care altogether: 44.2%

Source: Ziegler CFO Hotline, August 2016
Competing in Today’s Environment

• Sophistication
  • Do you have the scale needed to compete in the local healthcare marketplace?
  • What expertise do you have regarding the ACA and payment reform (bundles, etc.)?
  • Are you technologically advanced with data analytics, outcome-based reporting, etc.?
  • What are your CMS quality ratings?

• Partnerships
  • Are you able to compete and be a player in the new models of care emerging as a result of the ACA?
  • Are you engaged in any joint ventures, post-acute networks or bundled-payment agreements?

Source: Ziegler Investment Banking
How the For-Profit World is Responding

“We will further reduce our skilled nursing rent to 1 percent of our total business.”

— Debra Cafaro, Chairman and CEO, Ventas

Source: REBusiness online

**Welltower Completes Sale of Interest in 28 Facilities to Chinese Investors**

TOLEDO, Ohio — A joint venture between Cindat Capital Management Limited and Union Life Insurance, both Chinese investment companies, has completed its purchase of 75 percent interest in a Welltower-owned portfolio of 28 skilled nursing facilities.

Source: Senior Housing Business News, Jan. 3, 2017

**Kindred Plans to Leave Skilled Nursing Business, Posts Q3 Loss of $671.3M**

Source: Senior Housing Business News, Nov. 8, 2016

**HCP Skilled Nursing Spinoff Goes Public**

IRVINE, Calif. — Quality Care Properties, the spinoff of HCP’s ManorCare skilled nursing portfolio, has begun trading on the New York Stock Exchange.

Source: Senior Housing Business News, Nov. 21, 2016
Prestige Care – Edmonds Expansion

• Post-acute nursing and rehab center opened in May 2016
• Over 48,000sf with private 1 and 2BR suites
• Modern rehabilitation gym
• High tech therapy equipment and training center
• Peaceful gardens
• Restaurant-style dining and comfortable community lounges
Skilled Nursing & Post-Acute: Threat or Opportunity?

Some providers see opportunity:
• New investment groups are forming
• Rise of the hospitality-focused post-acute market
• Overwhelming demographic tide that will eventually need services at some point in the future
• Growth in regional operators

Some providers have concerns:
• Reimbursement pressures
• Growth of bundles & managed care
• Rising labor costs
• Declining occupancy/census
• Patients being discharged directly home
• Aggressive for-profit growth
So... Where’s the opportunity? What are our options?

**Maintain Status Quo**
- Legitimate option/strategy?
- Where does this lead?

**Expand into Higher Margin Businesses to Complement/Subsidize**
- Independent living
- Assisted living
- Sub-acute rehab

**Expand Home and Community Based Services (HCBS)**
- Lower required capital investment
- Uneven results
- Build it or buy it?

**Partner or Affiliate**
- Explore options while strong
- Can take many forms

**Exit Skilled Nursing Altogether**
- Increasing trend in the west for CCRCs
- Free-standing SNFs disposing of assets to FPs, mergers, etc.
SECTION 2

The Next Generation of Care
The Early Years

• When Caroline Kline Galland died in 1907 a one-million dollar bequest was established.

• Construction and operation of the first Home began, with a capacity of 7 persons in 1914.
During the ensuing years, the census continued to grow as did the waiting list.

Through the commitment of the Board and Community leaders, the successful Community campaigns made possible major additions and remodels of the Home to meet the ever-increasing needs of the Community.

By the early 90s the waiting list topped 100+. Not to be deterred, in 1992 a Community campaign of $20,000,000 made possible a 60-bed addition, bringing the capacity of the Home to 205.
Innovation 1970-2000’s

- In the 70s and beyond, innovative programming to meet increased needs resulted in:
  - The establishment of a special Alzheimer’s Care Wing;
  - Kosher Meals on Wheels was initiated;
  - 80 percent private rooms;
  - Group Health Transitional Care unit established
- Summit at First Hill in 2001: Independent & Assisted Living
Strength to Strength

Before ObamaCare

- Skilled Nursing Facility
- Polack Adult Day Center
- The Summit at First Hill
- Serving exclusively Jewish Community
Decrease in Demand for Long-Term Care

- Reasons:
  - Availability of The Summit
  - Adult Family Home
  - Government push to alternative settings
  - Desire to Age in place
  - Old perceptions
  - Proliferation of alternatives
Challenges of Today

- Fewer dollars for long-term care
- “Stand-alone” skilled nursing facilities will be in crisis
- Emphasis on care at lowest cost level
- “Silo-based care” – a thing of the past
- Emphasis on care coordination-preventing re-admissions
- Decrease in reimbursement
- 15 dollar minimum wage
Responding to a Changing World

- Transitional Care Unit (TCU) – 2006
- Long-Term Care
- Memory Care
- Summit Care/Kline Galland Home – 2013
- Hospice – 2010
- Home Health - 2012
Responding to a Changing World – Kline Galland Today

- Palliative Care
- The Summit – Independent/Assisted Living
- Polack Adult Day Center
- Expansion to greater community
- Subsidy for traditional services
- Muti-point entry
Evolving to Meet the Need

- From $19M in revenue in 2006 to over $50M in 2017
- Growing from 300 to 700 employees in a decade
- Serving more than 15,000 patients, residents and families a year
Community Partners

- Swedish Hospital
- Valley Hospital
- Group Health
- University of Washington
- Harborview Medical Center
- Foss Home & Village
- The Kenney
- Bayview Manor
- The Terraces at Skyline
- Richmond Beach Rehab
- Crista
- Briarwood
- The Hearthstone Retirement Living
- Shoreline Health & Rehab Center
- Queen Anne Health Center
- Burien Nursing & Rehabilitation
- Leon Sullivan Health Care Center
- Mirabella Retirement Community
- Mission Health Care of Bellevue
- Regency of Auburn Rehab Center
- Garden Terrace
- Mt. Si Transitional Health Center
- Benson Heights
- Anderson House
More Community Partners

- Park Ridge Skilled Nursing
- Overlake Hospital
- Ballard Care & Rehabilitation
- Kin On Healthcare Center
- Ida Culver Broadview
- Aetna Insurance
- ChoiceCare Network/Humana
- Elder Place/ Elder Care
- Essence L.L.P
- Group Health
- The Polyclinic
- Overlake Senior Health Center Aegis on Madison

- L&I (Labor & Industries)
- Premera First
- Puget Sound Health Partners
- Regence BlueShield
- Regence BlueShield MedAdvantage
- United Healthcare/Secure Horizons
- AARP/United Healthcare/
- Medicare Advantage
- Uniform Health
- Veteran Affairs
“More” More Community Partners

- Wesley Homes
- Timber Ridge
- Columbia Lutheran Home
- Presbyterian Retirement Communities NW
- Skyline
- Exeter House
- Park Shore
- Virginia Mason Medical Center
- Seattle Cancer Care Alliance
- Issaquah Nursing & Rehab
- Era Living
- The Lakeshore
- University House Issaquah
- Northwest Hospital
- NW Geriatrics
Kline Galland Home / TCU


Values: 900, 950, 975, 980, 1000, 1100, 1200
Kline Galland Home Health
Kline Galland Home Care

![Bar chart showing the growth of Kline Galland Home Care from 2009 to 2016. The chart displays the number of clients per year, with projected data for 2016 as 100,000.]
Kline Galland Hospice

TOTAL PATIENTS: 997

On Our Horizon

- **Maintaining** Jewish values
- **Coordinated** care at every level
- **Electronic** medical records
- **Increased** emphasis on technology
- **Expanded** geographic reach
- **Enhanced** community based services
- **Enriched** retirement living at The Summit at First Hill
- **Provider of choice** post-acute care (managed-care & hospitals)
- **Position** ourselves for silver tsunami
One point of entry:

KLINE GALLAND

SENIOR CARE RESOURCE LINE

(206) 723-INFO
(206) 723-INFO

• Accomplish several things for our seniors with a single call
• Expert consultation and advice by a live human being for a full range of services
• Staffed 24 hours a day, 7 days a week
• Get seniors and families answers at no cost, no obligation and no hassle
• Not only for Kline Galland services
Thoughts

• CON process-cumbersome and expensive
• Stick to core competencies – including our own
• CCRC partnership mode
More Thoughts

• Get in or get out
• If you are out “partner”
• Stick to core competencies
• Whatever you do, measure it and don’t dally
SECTION 3

A New Model of Residential Health Care
Horizon House Background

- High Rise CCRC
- Downtown Seattle adjacent to major public park
- Founded 1961 – UCC sponsored
- 400 Independent Living; 105 Supported Living
- Premier Seattle facility – highly educated, civic-minded resident community
Supported Living Model

• Early Planning – 1999
• Maria Dwight/GSI
  • Terwilliger Plaza, Portland OR
• Health Center/Skilled Nursing Issues
  • 56 bed NH/14 Medicare beds and no Medicaid
    • Inefficient
    • Internal demand-average of one Horizon House resident/day
    • Short LOS = 14-17 days
  • Several SNF’s within 1 mile of Horizon House
• Opportunity Knocks
  • September 2004 state changes AL laws/regulations
  • Conceive of new model combining NH/AL as done by Terwilliger
• Campus Repositioning
Program Stack Diagram
Horizon House Health Services

Looking into the Future
“A new vision for Comprehensive Residential Care”
New Vision

Nursing Facility

Assisted Living
Supported Living

Health and Well-Being
The Philosophy of Supported Living

• Comprehensive LTC Services, including respite and end-of-life care
• Only one move
• Bringing care to their home as their needs change
Changing the Culture of Care

• Redefine the role of staff
  • Universal worker
  • NAC = Elder Care Assistant

• Neighborhood Concept

• Resident Directed Care
  • Negotiated service agreement
  • No tray line – Servery
  • Wake up when ready to rise
Supported Living

• Comprehensive Resident Care
  • Nursing Services (ARNP, RN, LPN, Aides)
  • Secured Dementia Care
  • Life Enrichment
  • Social Services
  • Spiritual Care
  • OT/PT/Speech, Wellness Services with a pool and spa
  • Other Amenities
Washington State Old Regulations

• Listed all the conditions you could not care for in an Assisted Living environment.

• Examples:
  • Feeding Tube maintenance
  • Areas of Skin breakdown
  • Suctioning
  • Care for a resident who is “bed-bound”
New Regulations as of Sept 1, 2004

• Regulations allow care to residents with unstable medical conditions not exceeding 14 days.
  • Tube feeding
  • Wound care
  • IVs administered by home health agency
Supported Living-Quality Results

• Implemented June 2005

• Objective to limit transitional movements from AL to NH achieved
  • 53% of the residents would have had to move under old model—now able to stay in SL apt.
  • No residents have had to relocate out of SL

• More homelike environment produces higher quality experience for residents and greater staff satisfaction
Quality Results - Continued

• Census and care management simplified
• Family feedback positive
• Excellent State Survey Outcomes
• Honored nationally by the Center for Excellence in Assisted Living (CEAL) as the runner up for the “Promoting Excellence in Assisted Living’s Person Centered Care” award
Financial Results

Operational Savings:

- 14% annualized savings with SL vs. NH-AL model of care
- Labor reductions of middle management with SL model of care

Pricing:

- Resident residing in former NH is paying 14% less annually in SL
- Resident residing in former Assisted Living is paying 5% more annually in SL
Issues to Manage

• Resident Education
• SNF Stays
• LTC Insurance
• Market Competition - misrepresentation
Issues to Manage Cont’d

- Cost access and quality goals met/exceeded
- Culture change fundamental to the model
- Not the model for everyone (Medicaid issue/state regulations)
- Enhances our Thriving in Place philosophy
Q & A
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• Ziegler is a privately-held investment bank, capital markets, wealth management 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, wealth management 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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