

**LeadingAge®**  
Indiana

# COURAGE IGNITED

**Session 1A: State of Senior Living:  
Current & Future Trends**  
May 1, 2024: 9:00 – 10:00am

Tom Meyers  
Senior Managing Director  
Ziegler

Jason Choi  
Senior Vice President  
Ziegler



1

**SECTION 1**

- BRIEF ZIEGLER OVERVIEW

**SECTION 2**

- KEY TRENDS FOR THE NFP SENIOR LIVING SECTOR

**SECTION 3**

- CAPITAL MARKETS UPDATES

2

## Section 1

### Brief Ziegler Overview



3

## Ziegler Investment Banking Platform

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 Management

Providing opportunities for investors in senior living, healthcare services & technology solutions



4

## Senior Living Finance Coverage Regional and Product Focus

### Midwest:

Dan Hermann, President & CEO,  
Head of Investment Banking  
Tom Meyers, Senior Managing Director  
Will Carney, Managing Director  
Steve Johnson, Managing Director  
Marie Carlson, Director  
Jennifer Lavelle, Director  
Matt Mule, Senior Vice President  
Jason Choi, Senior Vice President  
Christie Rappl, Senior Vice President  
Ryan Anders, Senior Analyst  
Jeff Sturla, Analyst

### Mid-Atlantic:

Amy Castleberry, Managing Director  
Tommy Brewer, Managing Director  
Tad Melton, Managing Director  
Adam Garcia, Director  
Genia Weeks, Senior Vice President

### Northeast:

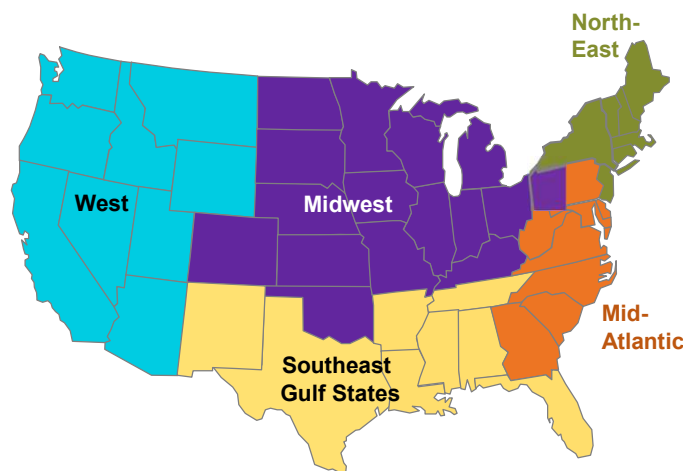
Keith Robertson, Managing Director  
Chad Himel, Managing Director  
Patrick Moran, Assistant Vice President

### Southeast Gulf States:

Rich Scanlon, Senior Managing Director  
Brandon Powell, Managing Director  
Terry Herndon, Director  
Kyle Johnston, Associate

### West:

Mary Muñoz, Senior Managing Director  
Sarkis Garabedian, Managing Director  
Daren Bell, Director  
Adam Vanucci, Vice President  
Hayden Girard, Analyst



### SENIOR LIVING RESEARCH & DEVELOPMENT

Mimi Rossi, Senior Vice President, Head of Senior Living Research  
Cathy Owen, Vice President  
Kat Dymond, Vice President, Marketing Events Manager

### SENIOR HOUSING & CARE FINANCE:

Dan Revie, Managing Director  
Chris Utz, Managing Director  
Rob Gall, Director  
Nick Glaisner, Director  
Eric Johnson, Director  
Lindsay Konkel, Director & COO ZFC  
Michael Anthony, Senior Associate  
Megan Cunningham, Research Analyst

### INTEREST RATE PRODUCTS:

Craig Naish, Managing Director  
Scott Determan, Director  
Maureen Egan, Trading Specialist

### CORPORATE FINANCE-HC:

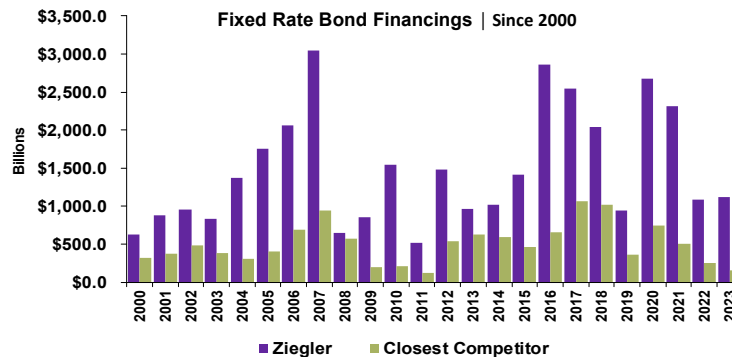
Neil Borg, Senior Managing Director  
Grant Chamberlain, Managing Director  
Andy Colbert, Managing Director  
Chris Hendrickson, Managing Director  
Chris Rogers, Managing Director

5

5

## Ziegler's Focus on Service & Execution for our Senior Living & Care Clients

- Since 1990, Ziegler has had the privilege of [underwriting 1,045 bond issues](#) for more than \$42 billion in total par amount for more than [500 senior living & care clients](#), of which \$37.9 billion has been since 2000
- Since 2000, Ziegler has been ranked as the [leading underwriter](#) for senior living year-in, year-out

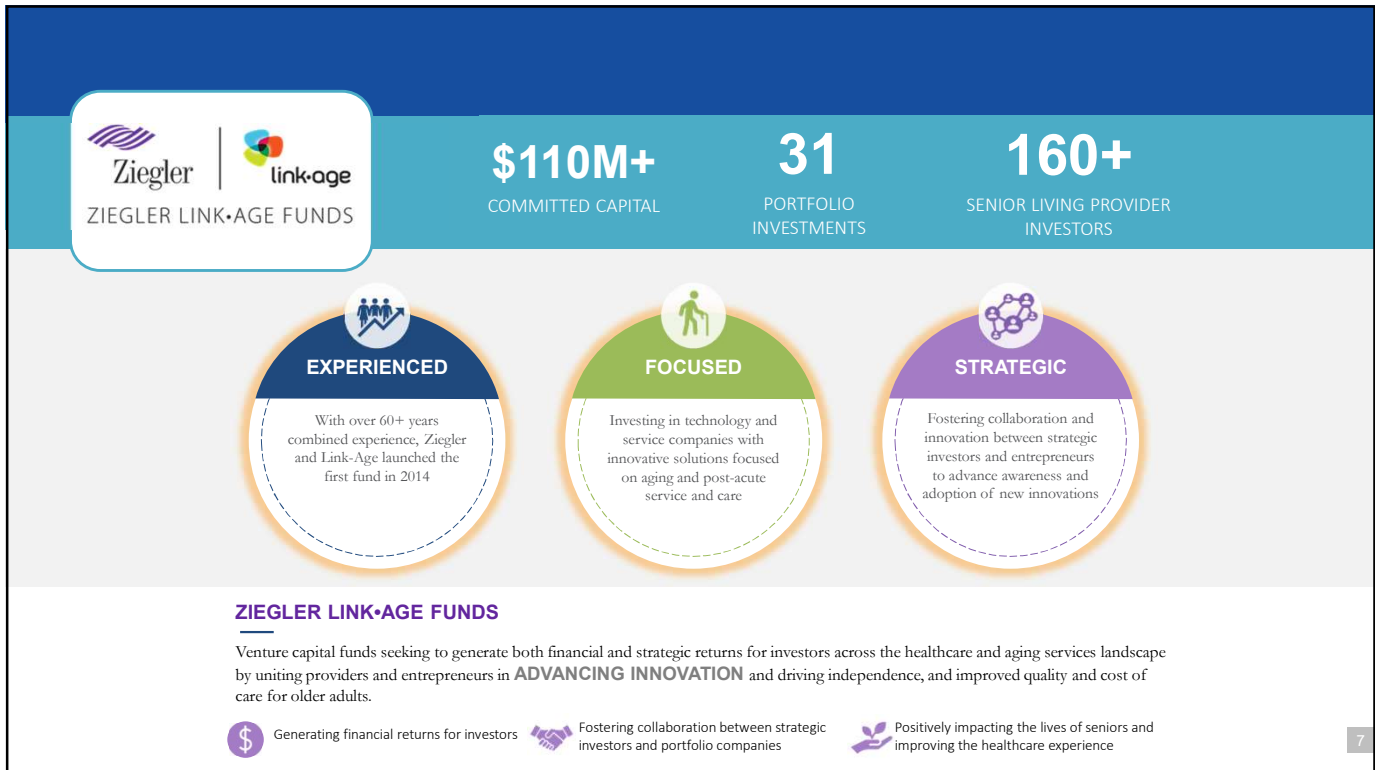


- Ziegler has completed nearly [400 bank financings](#) for more than \$11 billion since 2010.
- Ziegler has completed more than [350+ interest rate swaps](#) since 2010
- Ziegler has represented [dozens](#) of clients on [Sponsorship Transitions and dispositions](#) since 2010

Based on full credit given to senior manager of lead-managed underwriting principal volume for senior living transactions completed nationally. Rankings and amounts through Refinitiv Data, as of 12/31/23

6

6



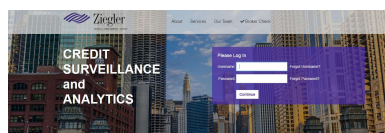
7

## Ziegler's Senior Living Research, Education & Thought Leadership

- Numerous educational events annually
- External industry research
- Internal research & database management

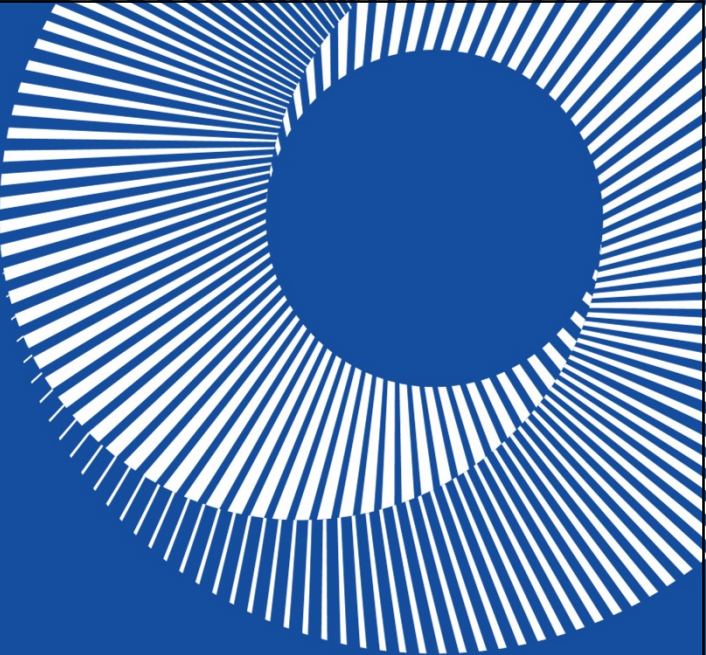


- Industry communication
- Ziegler Credit Surveillance and Analytics



8





**Mark your calendars!**

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9



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**27<sup>th</sup> ANNUAL  
SENIOR LIVING FINANCE + STRATEGY CONFERENCE**  
SEPTEMBER 25-27, 2024 | JW MARRIOTT DESERT SPRINGS & SPA | PALM DESERT, CA

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10

## Section 2

### Key Trends for NFP Senior Living Sector



11

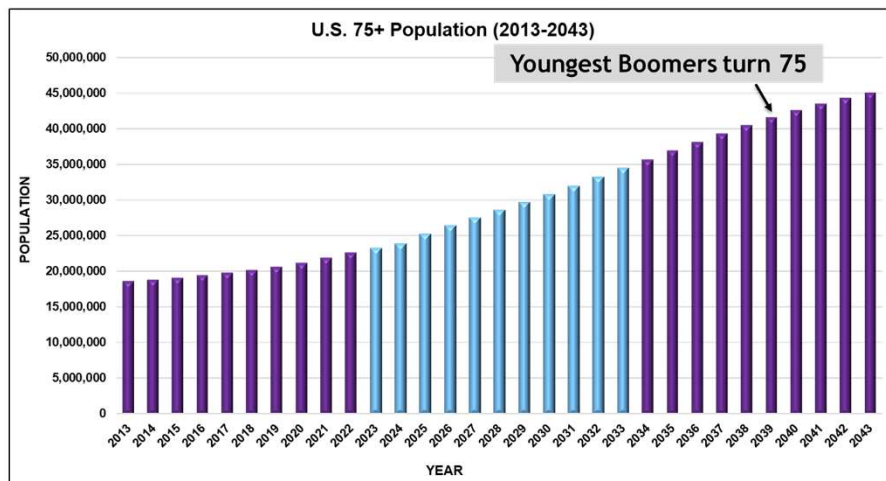
## Demographics: Significant Decade Ahead

### Increase in 75+ Population by Decade

2013-2023: 6.9M

2023-2033: 11.7M

2033-2043: 7.9M



Source: U.S. Census Bureau, Population Projections Released Dec. 2021

12

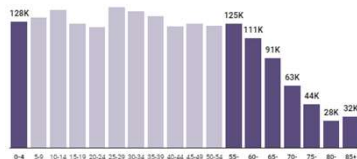
12

# Demographics: Indiana is Aging too!

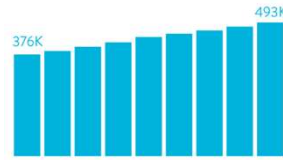
## 493,360

older adults in  
Central Indiana

26% OF TOTAL  
POPULATION



Source: American Community Survey 2016-2020 Average • Get the data • Created with Datawrapper



Population distribution by age and race



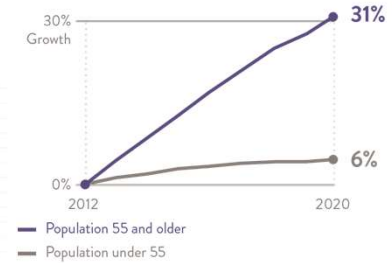
## +117,000

more older adults since 2012

31% increase, compared to 6%  
increase in population under 55

Older adult population grew faster  
than younger population

Percent change in population since 2012



Because this shows population change since 2012, the chart for both groups begins at 0% in 2012. There are many more people under age 55, but the growth rate is greater among those 55 and older.

Source: PUMS, ACS 2008-2012 and 2016-2020 five-year estimates

Source: Central Indiana State of Aging Report 2022, <https://centralindiana.stateofaging.org/report-data/demographics/>

13

## Additional *BABY BOOMER* & Demographic Trends

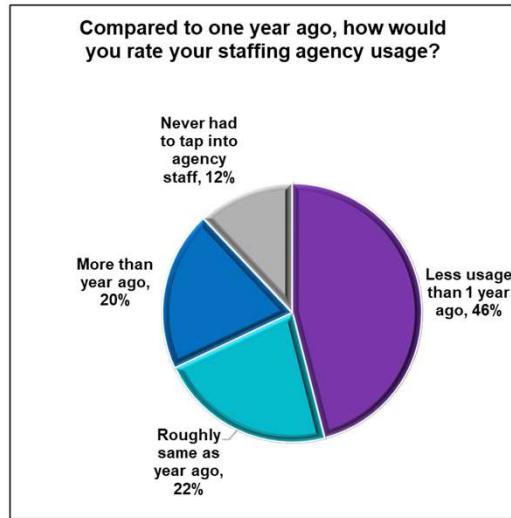
- Recent survey of 7,300 Baby Boomers reported that<sup>1</sup>:
  - 22% have **no children**
  - 37% have **no grandchildren**
  - Middle & High-income Boomers less likely to live with or near their children
- Working longer: 49% expect to or are already **working past age 70**<sup>2</sup>
- Roughly 35% of American **divorcees** in 2021 were 55+, more than twice the rate of other age groups<sup>3</sup>
- Baby Boomers have greater number of **chronic health conditions** than previous generations<sup>4</sup>
- 48 states are projected to have double-digit percentage increases in the number of those 65+ with **Alzheimer's Dementia** between 2020-2025<sup>5</sup>

Sources: <sup>1</sup>"Boomers and the Future of Senior Living," ProMatura Group, AHSA 2023; <sup>2</sup>Transamerica Center for Retirement Studies, 23<sup>rd</sup> Annual Retirement Survey, 2023; <sup>3</sup>"Why Are So Many Baby Boomers Getting Divorced Right Now?" March 2022; <sup>4</sup>"Cohort Trends in the Burden of Multiple Chronic Conditions Among Aging U.S. Adults," Journals of Gerontology, June 2022; <sup>5</sup>"Alzheimer's Disease Facts and Figures 2020," Alzheimer's Association, 2020.

14

14

# Workforce Challenges: Making Progress



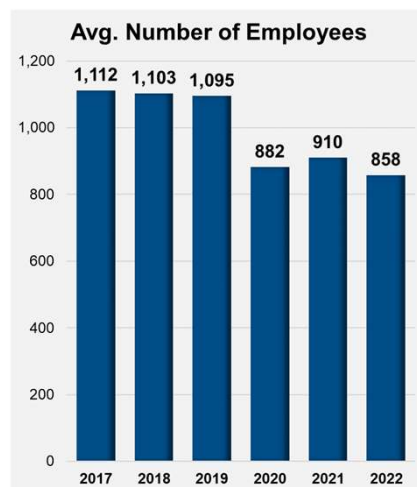
Source: Ziegler CFO Hotline, June 2023

- Still significant focus among leadership team
- Significant wage increases, although rate of increase slowing
- Specialty positions: recruitment, retention
- Skilled nursing downsizing for some
- Driving growth strategy for some

15

15

## Average Number of Employees Largest NFP Multi-Sites



Sources: 2020-2023 LeadingAge Ziegler 200 Publications (data YE 12/31)

# -7,200

Decrease in # of Skilled  
Nursing Units Among  
the LZ 200 (2017-2022)

16

16



## Today's Retirement Options A Look at Seniors Housing & Services Supply

Life Plan Communities <sup>1</sup>	1,911 communities	% NFP 74%
Adult Day <sup>2</sup>	4,127 centers	50%
Affordable Housing <sup>3</sup>	2.86MM units	33%
Nursing Homes <sup>2*</sup>	14,933 homes	23%
Home Health <sup>2</sup>	11,682 agencies	16%
Hospice <sup>2</sup>	6,068 agencies	15%
Majority Independent Living <sup>4</sup> <small>excluding LPCs &amp; AL</small>	1,924 properties	14%
Majority Assisted Living <sup>4</sup>	6,785 communities	8%
Freestanding Memory Care <sup>4</sup>	840 communities	4%
Active Adult <sup>4</sup>	536 communities	1%

\*Nursing Home data includes both freestanding SN and those within a larger continuum

Sources: <sup>1</sup>Ziegler National LPC/CCRC Listing & Profile, Sept. 2023; <sup>2</sup>Centers for Medicare and Medicaid Services, Aug. 2023; <sup>3</sup>The Public and Affordable Housing Research Corp.-2020 Housing Impact Report: Seniors, 2020; <sup>4</sup>National Investment Center for Seniors Housing & Care (99 primary and secondary markets), Q2 2023



17

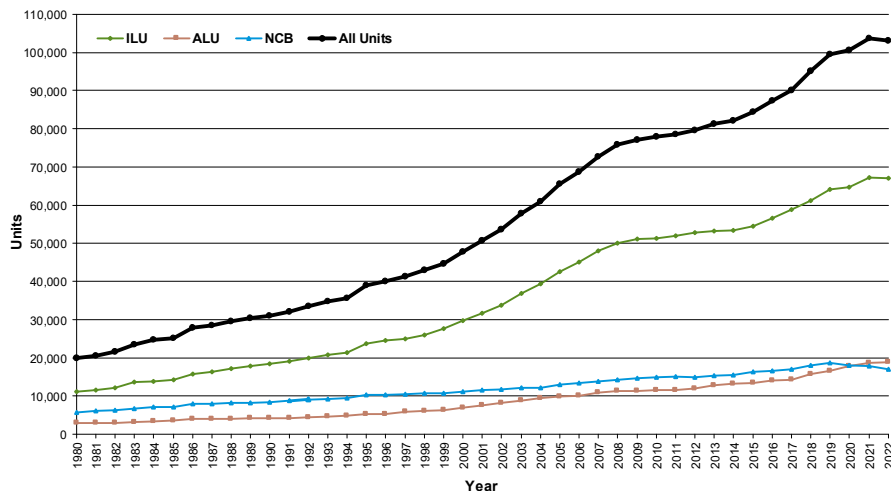
17

## 2023 LeadingAge Ziegler 200: Growth

### 2023 LeadingAge Ziegler 200

Growth: Growth of Largest 25 Systems, Combined Unit Mix

FROM 1980 (Excludes Evangelical Lutheran Good Samaritan Society, Trinity Health Senior Communities, Ascension Senior Living, Benedictine)



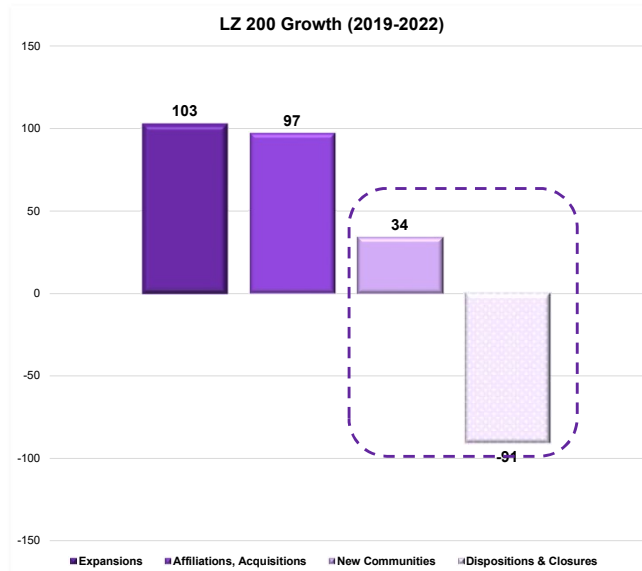
Source: 2023 LZ 200 Largest 25 Providers (as of 12/31/22)



18

18

## NFP Senior Living Community Growth: LZ 200 Trends



### 2022 Data

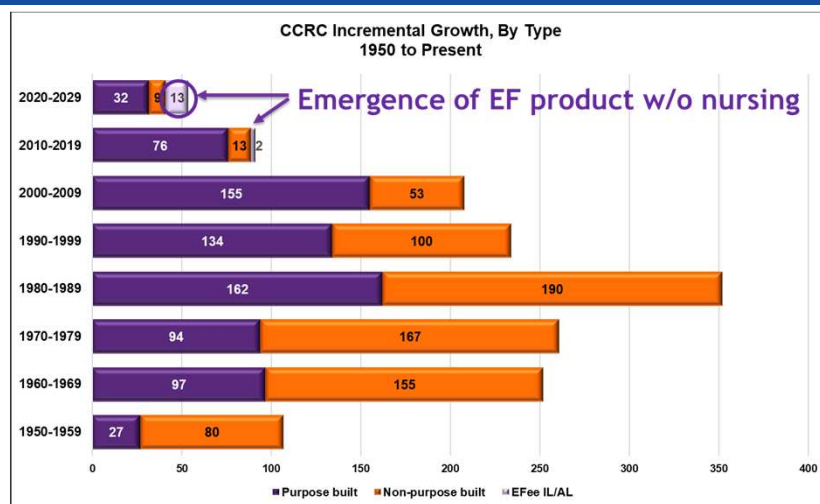
- Expansions: **21**
- Affiliations, Acquisitions: **30**
- New Communities: **7**
- Dispositions & Closures: **-41**

Sources: 2020-2023 LeadingAge Ziegler 200 Publications (data YE 12/31); Note: Expansions only include those projects adding 25 or more units

19

19

## CCRC/Life Plan Community Growth Emergence of IL/AL Entry-Fee Communities



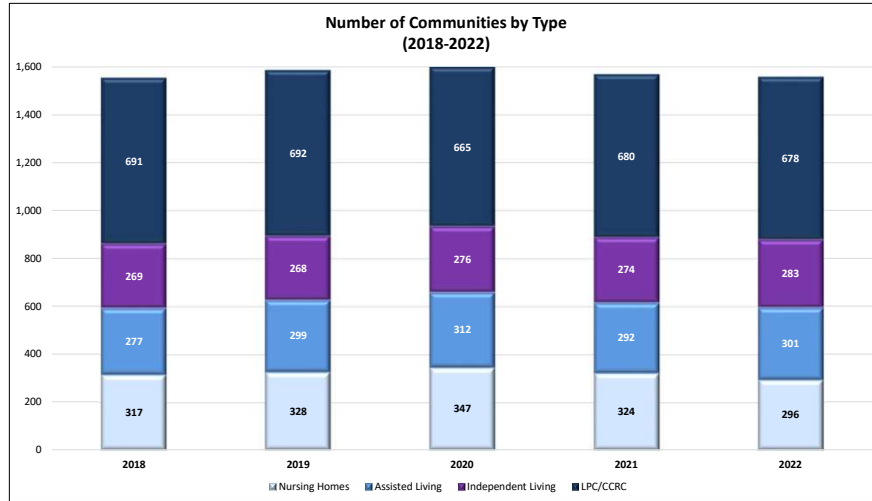
Source: Ziegler LPC (CCRC) Listing; 8/15/23; Projections for 2023-2029

Note, a small proportion of communities are excluded as year of opening is unknown as well as pre-1950 openings

20

20

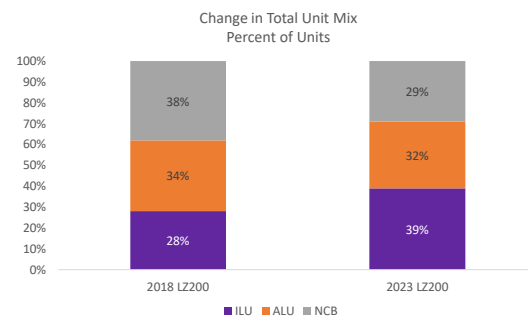
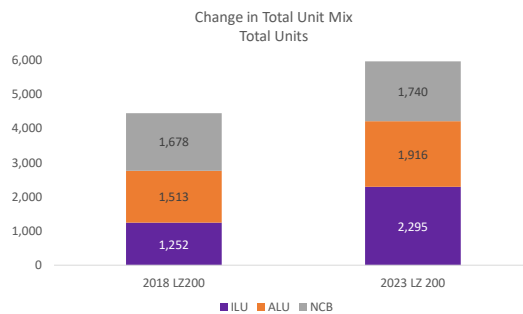
## Breakdown of Community Type Among NFPs LeadingAge Ziegler 200 – past 5 years



21

## Indiana LZ 200 Providers Change in Unit Mix

Indiana Change in Unit Mix - Last 5 Years						
	2018 LZ200		2023 LZ 200		Change	
ILU	1,252	28%	2,295	39%	1,043	83%
ALU	1,513	34%	1,916	32%	403	27%
NCB	1,678	38%	1,740	29%	62	4%
<b>Total</b>	<b>4,443</b>	<b>100%</b>	<b>5,951</b>	<b>100%</b>	<b>1,508</b>	<b>34%</b>



Source: 2023 LZ 200 (as of 12/31/22)

22

## 2023 LeadingAge Ziegler 200 The Nation's Largest Not-for-profit Multi-site Senior Living Organizations RANKED BY TOTAL SENIOR LIVING UNITS - INDIANA

LeadingAge Ziegler 200 2023 Publication (Date As of 12/31/2022)

2023 Rank	2022 Rank	System Name	State	Units				Communities				
				Total	ILU	ALU	NCB	Total	LPC	IL	AL	NH
22	40	BHI Senior Living, Inc.	IN	2,808	1,248	1,011	549	9	9	0	0	0
37	36	Greencroft Communities	IN	1,867	676	581	610	9	7	0	2	0
136	139	United Methodist Memorial Home	IN	699	188	255	256	3	3	0	0	0
153	154	Lutheran Life Villages	IN	577	183	69	325	4	2	0	0	2



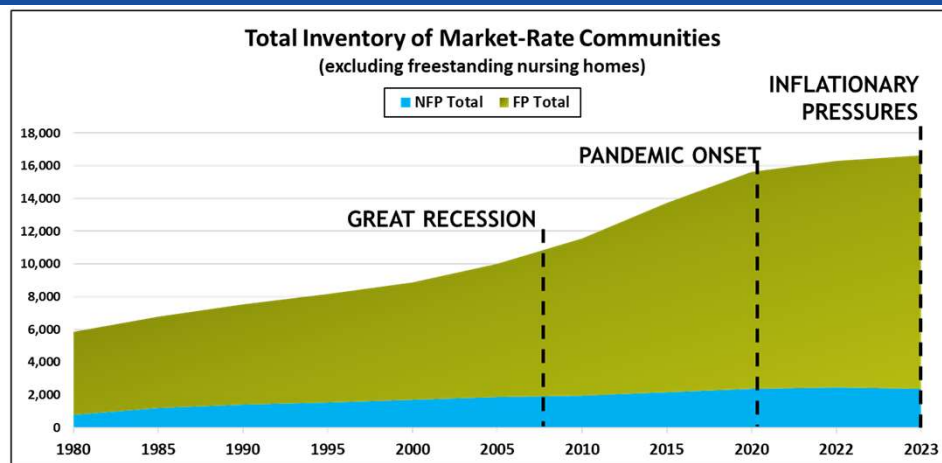
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Source: 2023 LeadingAge Ziegler 200 Publication (data as of 12/31/22)



23

## Overall Seniors Housing Inventory



Total Not-for-Profit inventory in decline if include freestanding nursing home counts

Sources: Ziegler Investment Banking Estimates & Projections, Sept. 2023; based on sources from Ziegler as well as ASHA, Argentum, CMS, LeadingAge, NIC

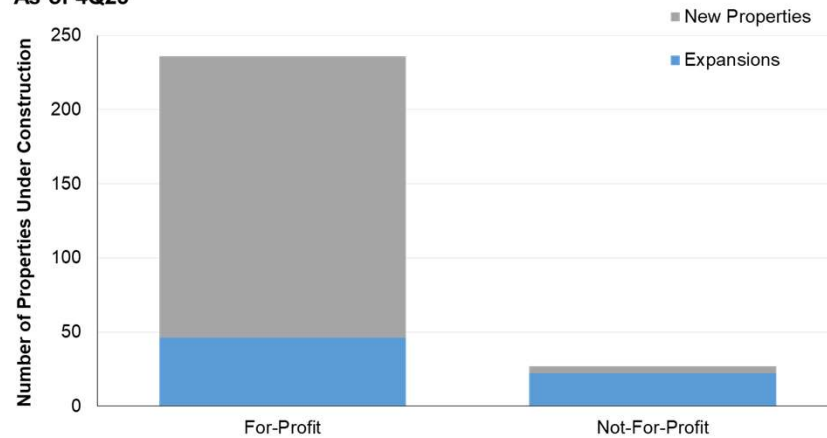


24



# NFP vs FP Growth

Seniors Housing Construction by Profit Status; MAP31  
As of 4Q23

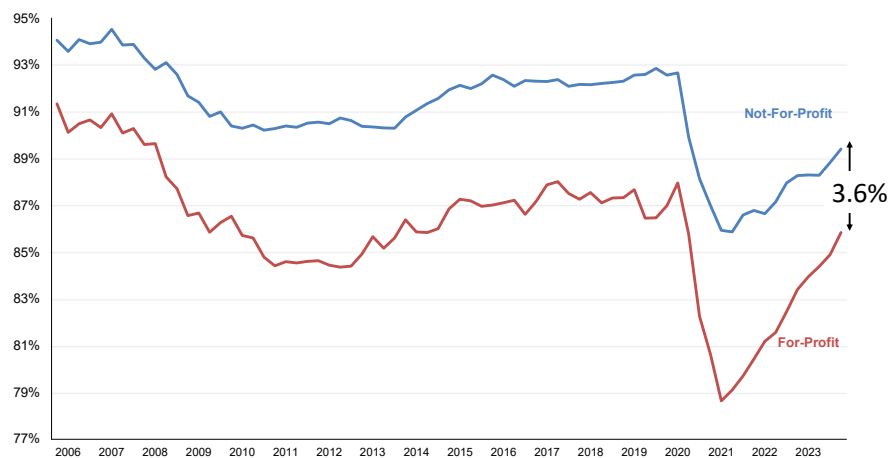


Source: NIC MAP Vision, Q4 2023

25

# CCRC Occupancy Declines, Not-For-Profit CCRCs Maintain Higher Occupancy

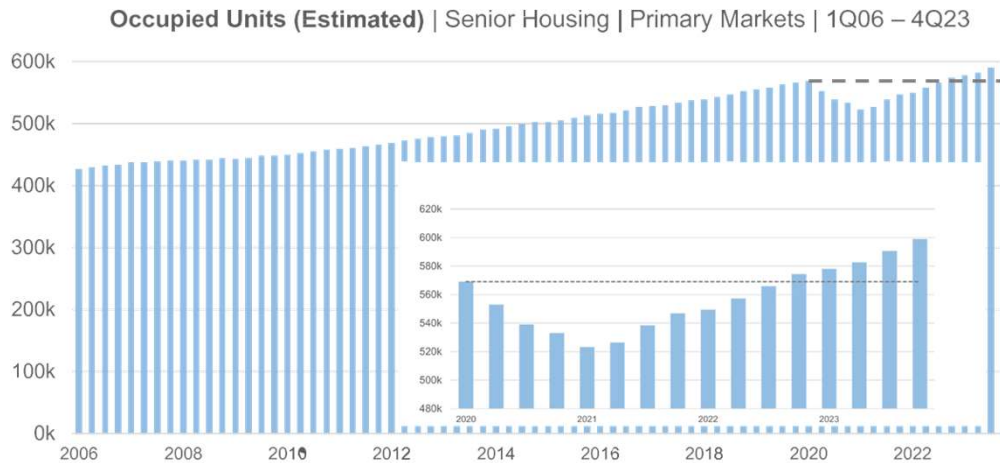
CCRC Occupancy by Profit Status; MAP31  
4Q05 – 4Q23



Source: NIC MAP® Data Service (12/31/23)

26

## Record Number of Occupied Units: Exceeding Pre-Pandemic Numbers



Source: NIC MAP Vision, Q4 2023

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



27

## How Does Your Organization Plan to Grow in the Next Two Years?

**54%**

Unit Expansion



**32%**

Affiliation or  
Acquisition



**18%**

New Community  
Development

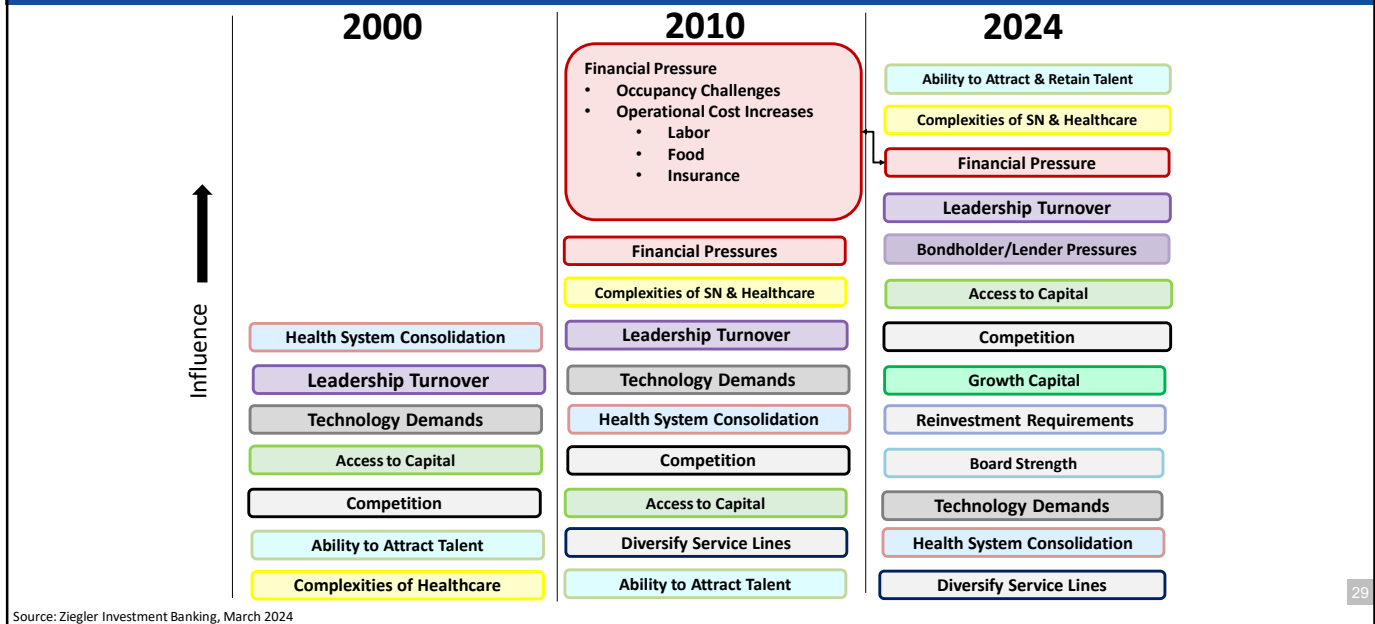


Source: Ziegler CFO Hotline, August 2023



28

# Drivers for NFP Senior Living Consolidation

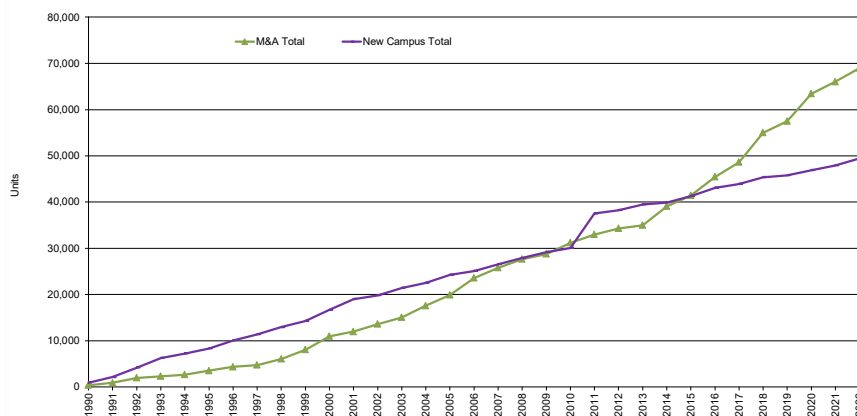


29

## 2023 LZ 200 Growth of Combined Unit Mix

### FROM 1990

BY AFFILIATIONS, MERGERS & ACQUISITIONS AND NEW CAMPUS GROWTH

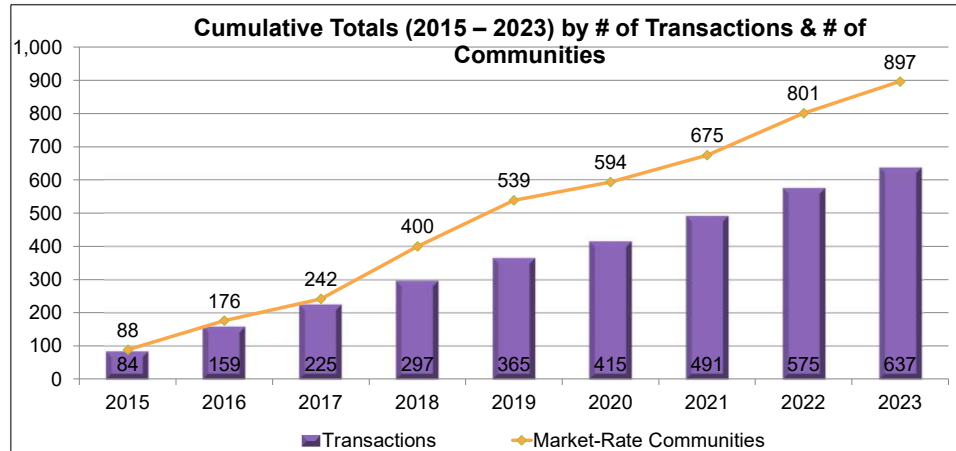


Source: 2023 LeadingAge Ziegler 200 Publication (Data as of 12/31/22) Year

30

## NFP Sector Consolidation: Cumulative (2010-2023)

- Similar to other health and service-related sectors, the not-for-profit senior living sector is consolidating
- Sponsorship Transitions
  - Affiliations, Mergers, Acquisitions
  - Dispositions

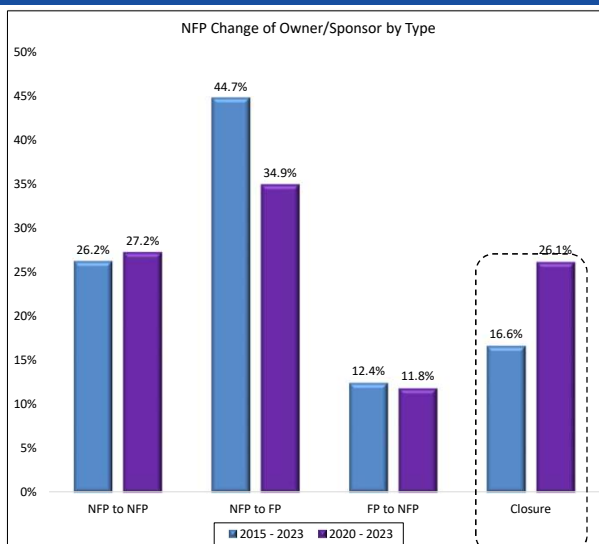


Note: Includes market-rate communities; excludes government subsidized; The ELGSS community count (160+) and the Dwyer Workforce counts (50) are excluded; Source: Ziegler Investment Banking 12/31/2023

31

31

## NFP Sponsorship Transitions Pandemic Impact: 2020 – 2023



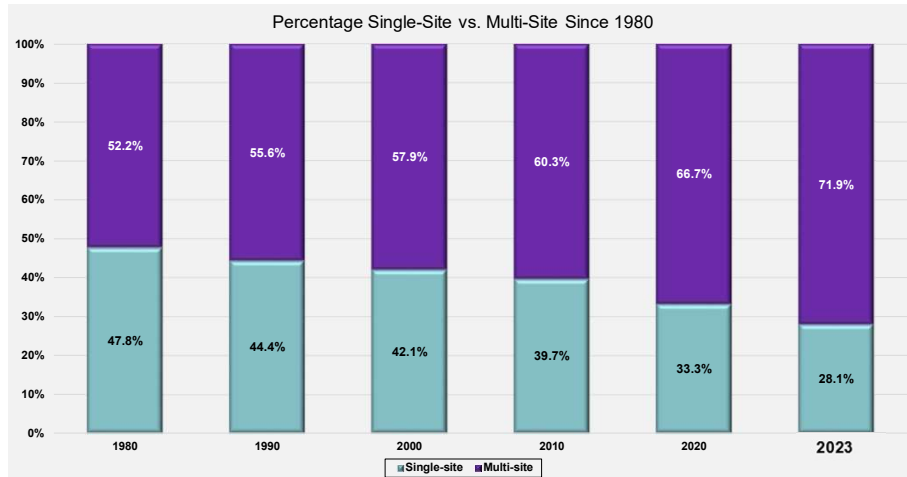
- More than 200 NFP sponsor/owner changes since onset of the pandemic
- Increasing number of NFP closures in since the onset of the pandemic in 2020
  - Nursing homes
  - LPCs that are predominantly nursing
  - Financially distressed facilities
- NFP providers increasing conversations with one another to explore partnership and/or affiliation opportunities
- Acceleration of retiring CEOs

32

32



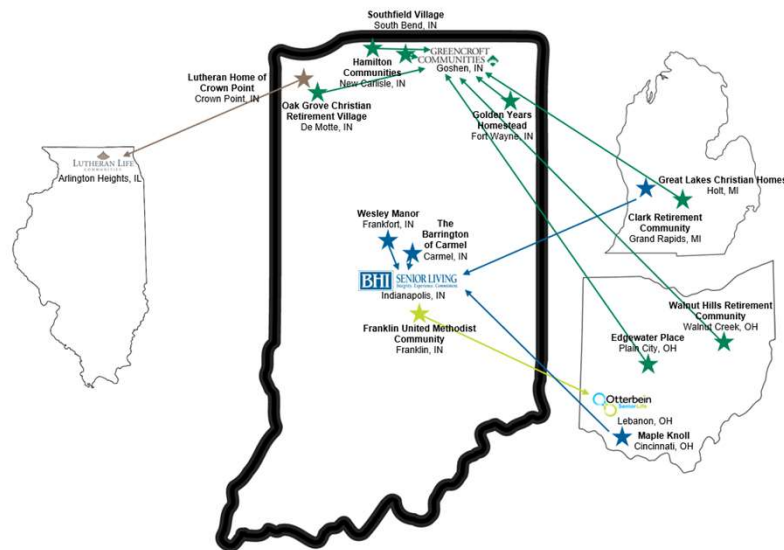
# Life Plan Community/CCRC Sector Consolidation



NFP Only: 62% multis, 38% singles    YE 2015: 59% multis, 41% singles

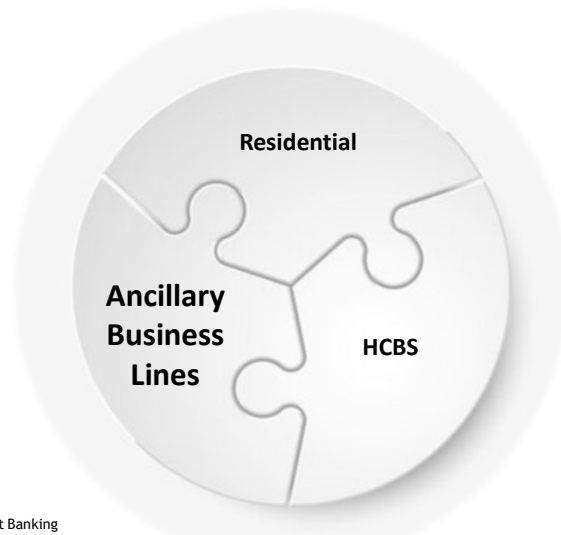
Source: Ziegler Investment Banking National CCRC Database, 12/31/23

## RECENT AND NOTABLE EXAMPLES of AFFILIATIONS Indiana Landscape



Source: Ziegler Investment Banking

# Home & Community- Based Services & Diversification



Source: Ziegler Investment Banking

## Traditional HCBS

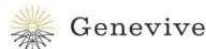
- Home Care
- Hospice
- PACE
- CCaH
- Care Navigation
- Concierge

## Ancillary Business Lines

- Pharmacy
- Behavioral/Mental Health
- Technology-Related
- Management Services
- Primary Care
- Rehab
- Consulting, Development Advisory

35

# Provider Examples of Service Line Diversification



36

# Not-for-Profit Activity with HCBS

Providers that offer HCBS to individuals living in the greater community

**45%**

Multi-sites

**18%**

Single-sites

Source: 2023 LeadingAge Ziegler 200 publication (date as of 12/31/22)

37

# Key “Smart Aging” Technology Subsectors



Ziegler Resources



Source: Ziegler Investment Banking

38

## The Ziegler Link•Age Funds are Invested in Prominent Companies in Aging and Post-Acute Care



## Section 3

## Capital Markets Overview



# Fitch Rating Criteria Changes

## Exposure Draft: U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria

FitchRatings

### Sector-Specific

#### Summary of Proposed Key Changes

Fitch is proposing the following changes to the existing U.S. Public Finance Not-For Profit Life Plan Community Rating Criteria:

- Limitation of ratings of LPCs to 'A' category.
- Limitation of Key Rating Driver assessments of LPCs at 'a'.
- Addition of specific sub-assessments of Revenue Defensibility to better reflect relative credit strength of multi-site vs. single-site LPCs, as well as size and scale by number of units.
- Limitation of Revenue Defensibility of LPCs with more skilled nursing facility (SNF) beds than independent living units (ILUs) at 'bbb'.
- Addition of size and scale considerations to Revenue Defensibility assessment;
- Addition of 'B' category to Ratings Positioning Table and addition of enhanced guidance for ratings below 'B' category.
- Improved granularity in Operating Cost Flexibility assessments with description of expected performance by contract type.
- Revisions to capital expenditure requirement under Operating Risk to better reflect likelihood of large-scale capital project.
- Further guidance on potential rating action based on probability and rating impact of a capital project.

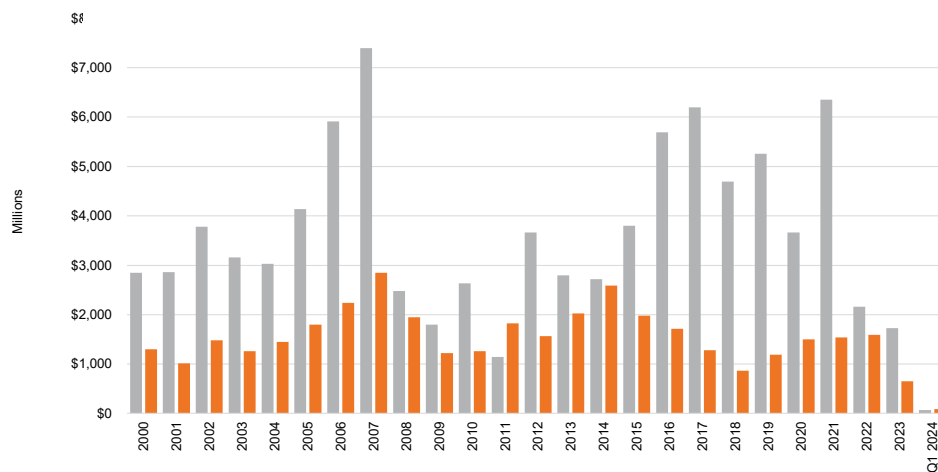
Source: Fitch Exposure Draft; Dated 3/4/2024

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41

## Not-for-Profit Senior Living Financings – All Market: Fixed Rate vs. Bank



Source: Refinitiv and Ziegler Capital Markets, as of 03/31/2024

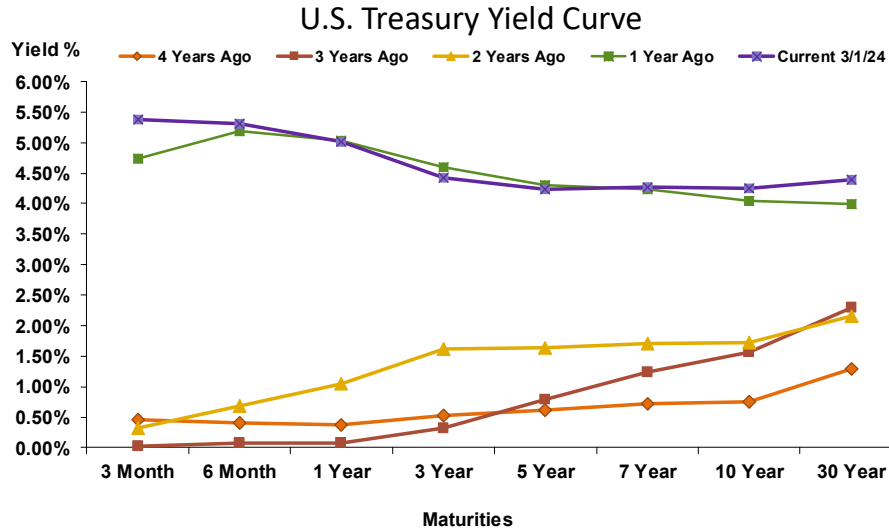
■ Public Fixed Rate ■ Est. Pvt. BDP and LOC

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42

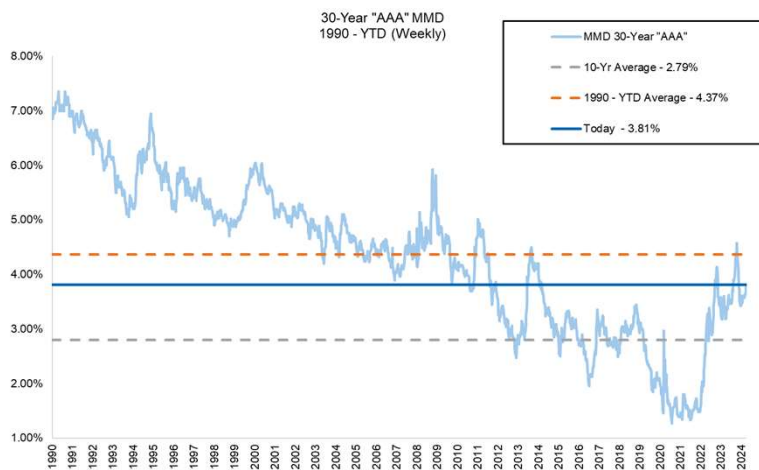
## HISTORICAL INTEREST RATES



SOURCE: Bloomberg, as of 3/1/24

43

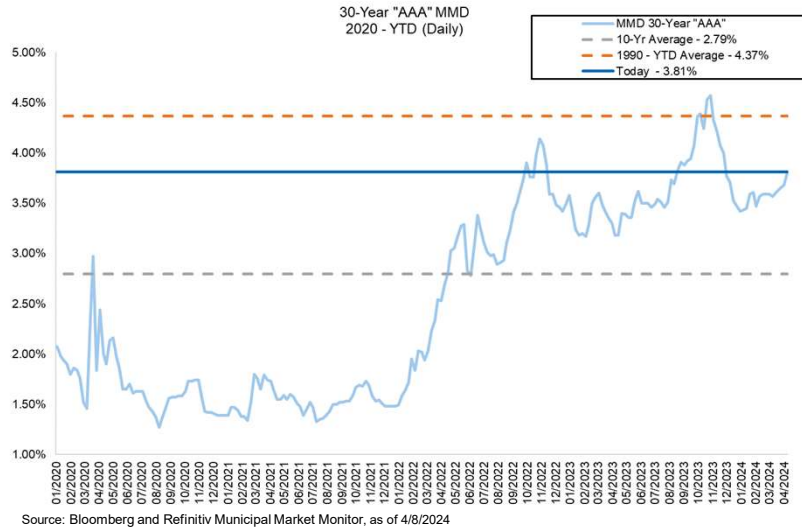
## Historical Tax-Exempt Interest Rates (1990 to Date)



Source: Bloomberg and Refinitiv Municipal Market Monitor, as of 4/8/2024

44

## Historical Tax-Exempt Interest Rates (2020 to Date)



45

## The Ziegler Link•Age Funds are Invested in Prominent Companies in Aging and Post-Acute Care



46

## Ziegler 2024 NFP Senior Living Bank Credit Outlook

**Many Regional and National Banks are not backing out of renewals albeit keeping a more critical eye on credit.**

- Local Banks have been more stringent, turning down several renewal opportunities.
- Regional banks seem to be pulling back but Ziegler has still seen solid execution on situations where the borrower has a strong credit profile and the project has solid financial profile / market dynamics.

**Historically active National and Regional Banks continue to tighten credits and turn down new money opportunities.**

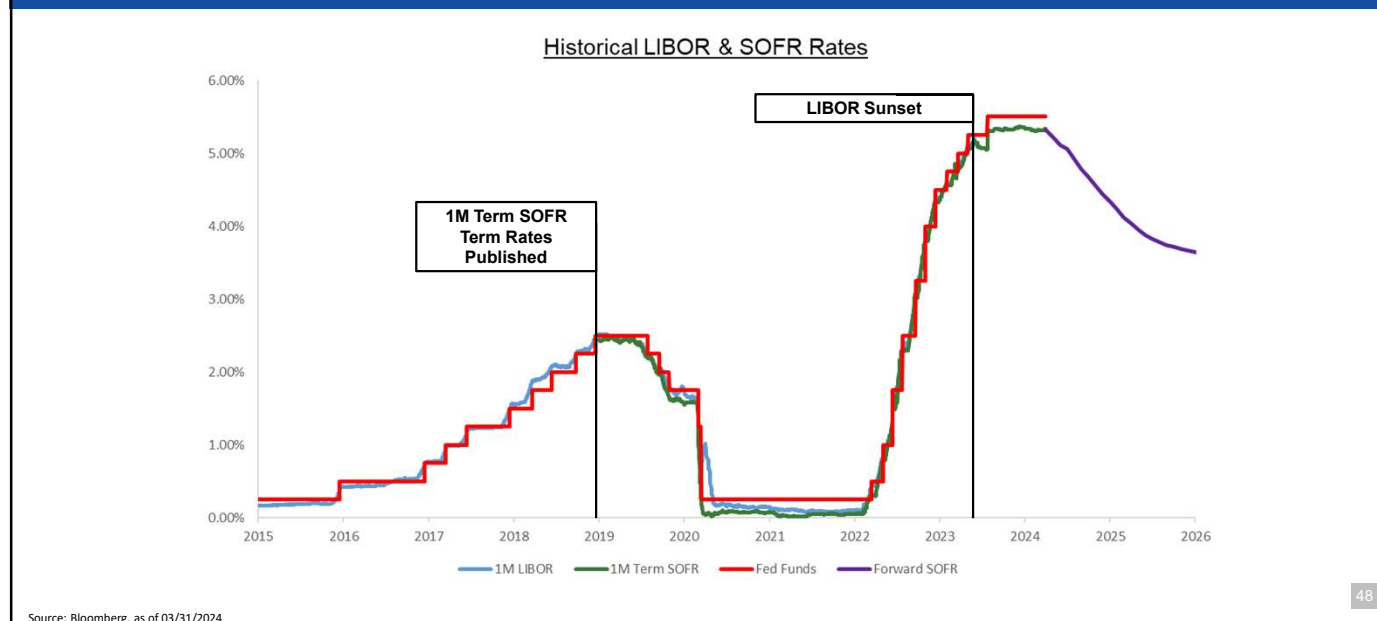
- Major National Bank out of the market in senior living for “the foreseeable future”.
  - Driven by SL credit issued that are concentrated in AL/MC portfolio.
- Banks willing to process renewals for existing clients are oftentimes not seeking new opportunities for the remainder of the quarter but potentially the remainder of the year.

Source: Ziegler Investment Banking, as of 12/31/2023



47

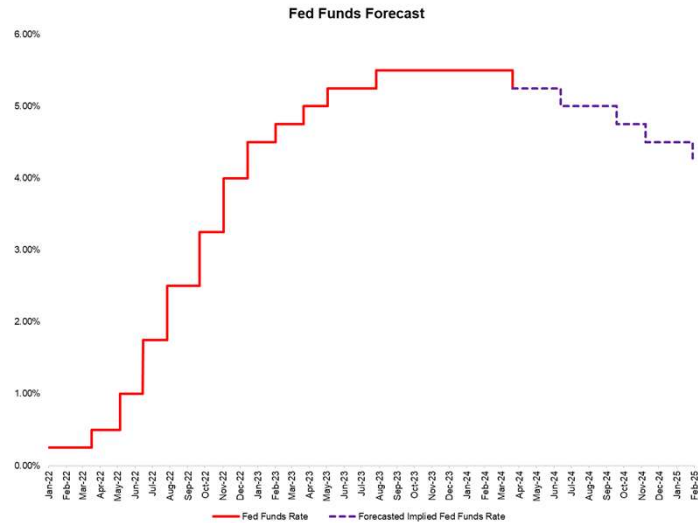
## 1 month LIBOR vs 1M Term SOFR VS FED FUNDS 2015 Year to Date



48

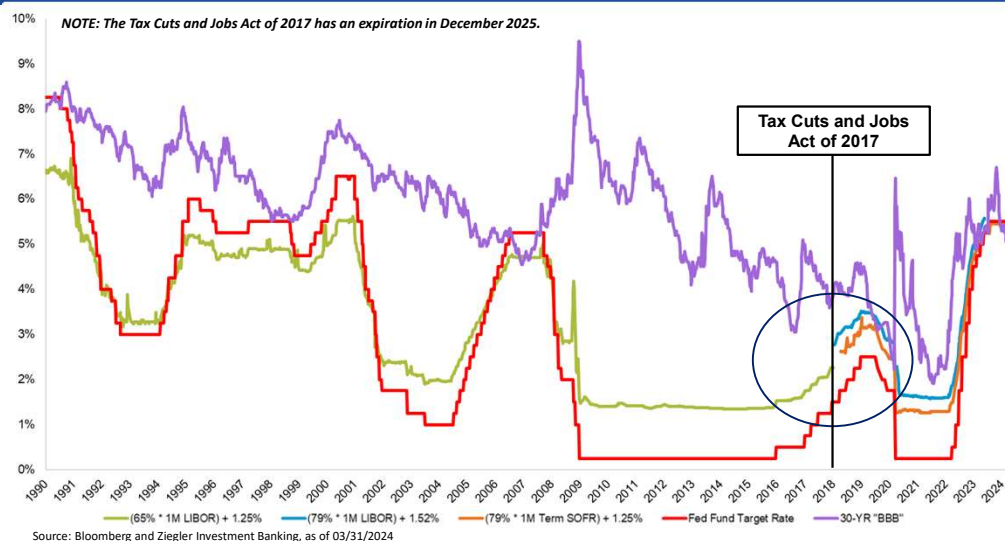


## Federal Funds Rates – Historical and Projected



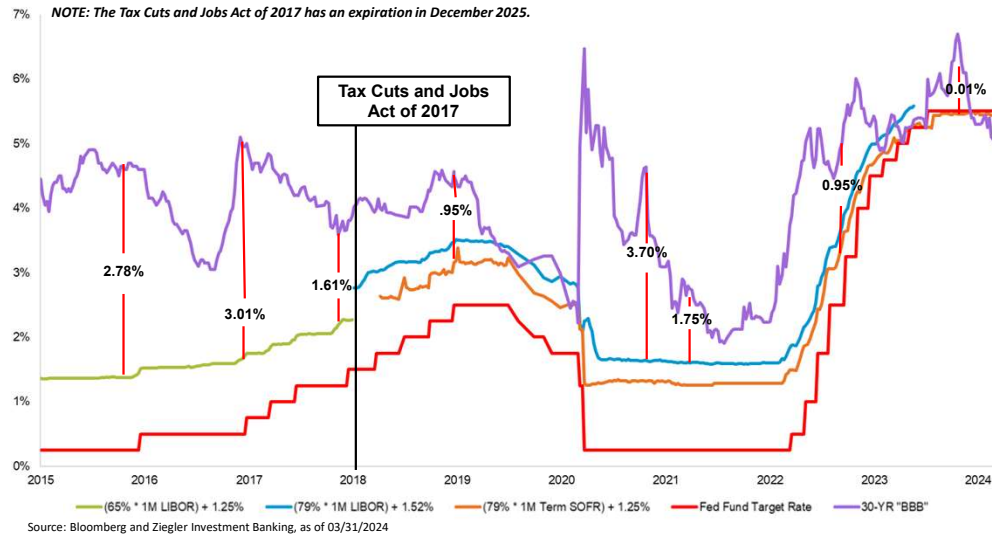
49

## HISTORICAL INTEREST “BBB” 30-YEAR FIXED INTEREST RATES VS. VARIABLE BANK DIRECT PURCHASE



50

## HISTORICAL INTEREST “BBB” 30-YEAR FIXED INTEREST RATES VS. VARIABLE BANK DIRECT PURCHASE

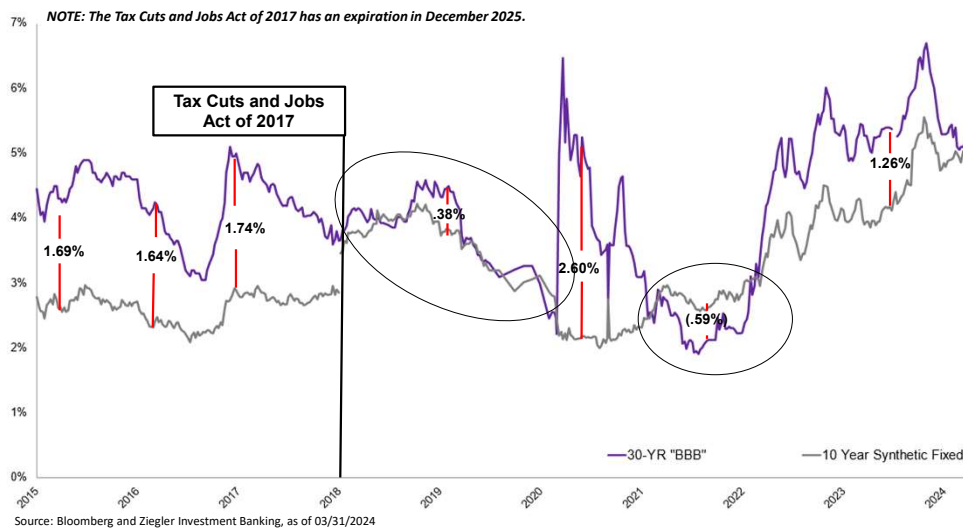


LeadingAge  
Indiana

INALA  
Indiana Assisted Living Association

51

## “BBB” 30-YEAR FIXED INTEREST RATES VS. 10-YEAR SYNTHETIC FIXED BANK DIRECT PURCHASE



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52

# Questions & Answers



53

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54