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The State of Catholic Senior Living in 2017

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Sponsored by    Ziegler

PRESENTER



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Objectives

- To provide a brief environmental overview of the not-for-profit senior living sector
- To tease out specific trends among Catholic providers
- To assess the impact of the current trends and the strategic implications for Catholic healthcare and senior living organization

Key Areas to Cover

Catholic Senior Living:
Characteristic & Unique Attributes

Overall Trends Impacting Senior
Living Providers

Implications for Catholic Senior
Living

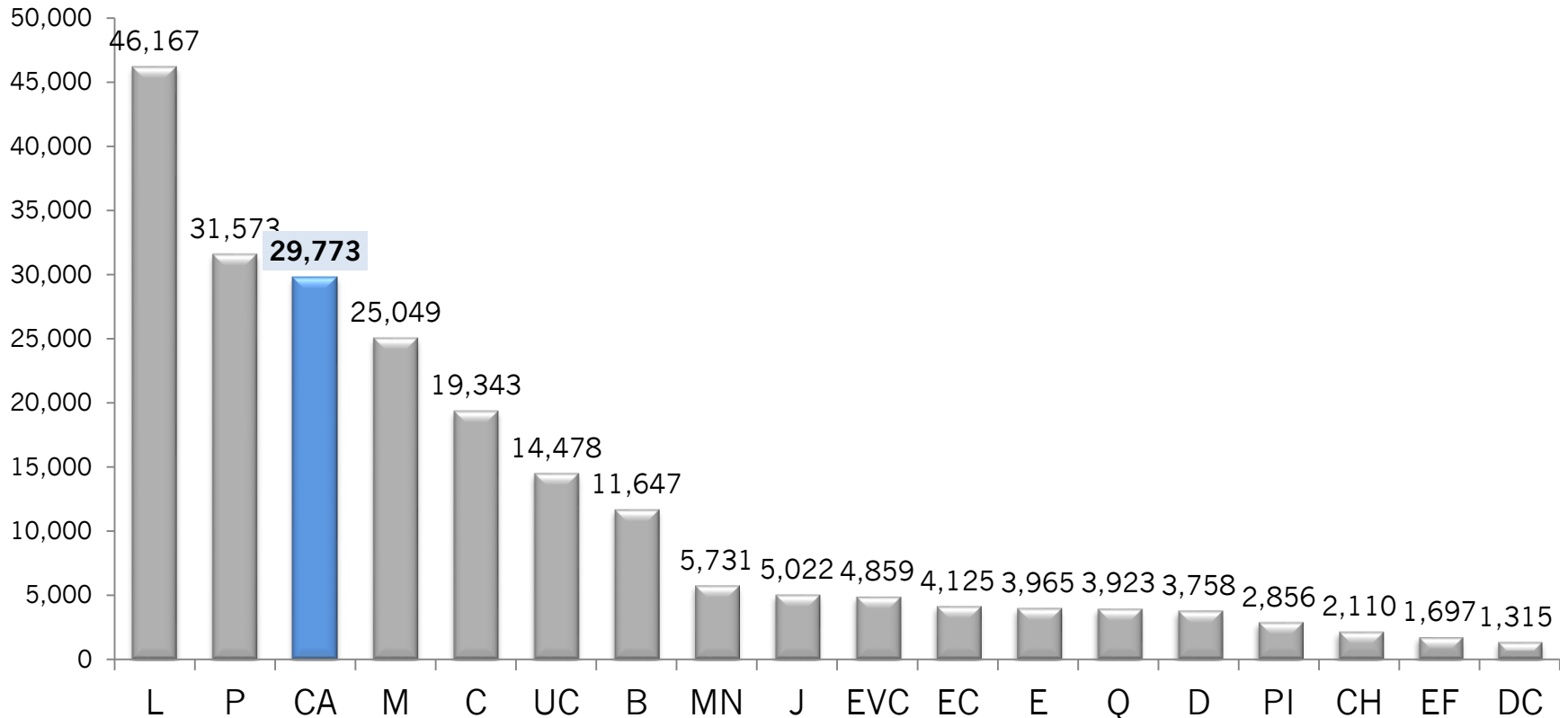
Catholic Senior Living: Characteristic & Unique Attributes

An Overview of Not-for-Profit Faith-Based Senior Living Organizations

- Among the largest Not-for-Profit senior living providers in the country, roughly 83% are faith-based
- Catholic providers have the third largest number of senior living units among multi-site Not-for-Profits

Not-for-Profit Faith-Based Senior Living Organizations

FAITH-BASED AFFILIATIONS, BY TOTAL MARKET-RATE UNITS



The Largest Catholic Senior Living Organizations



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Source: 2017 LeadingAge Ziegler 150

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The Largest Catholic Senior Living Organizations

System Name	State	LPCs	IIs	Als	NHs	Total Communities	ILUs	ALUs	NCBs	Total Units
Benedictine Health System	MN	24	1	5	9	39	625	1,484	3,161	5,270
Ascension Senior Living	MO	8	2	2	15	27	937	833	2,854	4,624
Trinity Senior Living Communities	MI	6	4	1	11	22	1,341	640	2,217	4,198
Presence Life Connections	IL	6	0	0	16	22	1,090	256	2,016	3,362
The Carmelite System, Inc.	NY	0	1	2	14	17	144	421	2,564	3,129
Franciscan Communities, Inc.	IL	4	1	3	0	8	738	438	774	1,950
ArchCare	NY	0	0	1	5	6	0	59	1,723	1,782
Loretto	NY	1	2	4	1	8	282	593	623	1,498
Covenant Health, Inc.	MA	0	0	4	8	12	0	364	1,112	1,476
Saint Therese	MN	3	0	1	1	5	402	134	410	946
St. Ann's Community	NY	2	0	0	0	2	246	195	422	863
Vincentian Collaborative Servcies	PA	2	0	0	2	4	66	82	527	675
Elder Care Alliance	CA	1	1	3	0	5	135	464	59	658

The Largest Catholic Senior Living Providers: Additional Characteristics

- Roughly half of the largest Catholic Senior Living providers also offer Affordable Housing for seniors
 - Nearly 1,400 apartments/units for seniors
- About half provide management services for another provider (mainly other Catholic organizations)
- Half provide some type of Home & Community-Based Services
 - Home Health, Home Care, Hospice, PACE
- Of those with Life Plan Communities, nearly all offer a rental contract (as opposed to only entrance-fee)

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	20%	19%	61%
	↑↓		↑↓
Other NFP Senior Living	53%	20%	27%

Source: 2017 LeadingAge Ziegler 150, Ziegler Investment Banking

Roughly 60% of Catholic Senior Living consists of nursing homes or assisted living: **National NFP Average is 20%**

Catholic Senior Living: Smaller Scale

- In addition to a number of large, Catholic Senior Living Organizations, there are many smaller Catholic Nursing Homes and Assisted Living Facilities
- Ziegler estimates that there are roughly 630 Catholic senior living facilities in the US with a smaller average number of units (approximately 130 beds)

Catholic Assets: Land & History

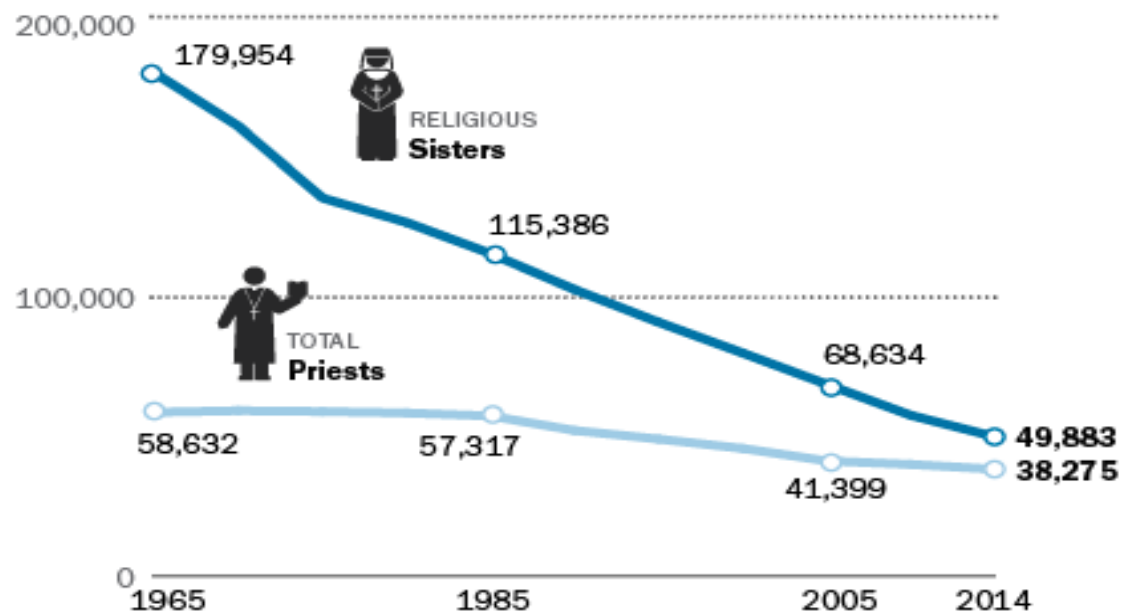
- We know that Catholic Senior Living & Long-Term Care has a deep history
- Life Plan Communities/CCRCs
 - Avg. age Catholic-sponsored: 60 yrs.
 - Avg. age non-Catholic sponsored: 45 yrs.
 - Catholic LPCs: 83% are “Non-Purpose Built”
 - Average number of acres in Catholic LPC: 72 acres

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 the average age of Catholic sisters in US is 74

Number of American Nuns on the Decline

Total number of religious sisters and priests in U.S., 1965-2014



Note: Total for priests includes diocesan priests and religious priests.

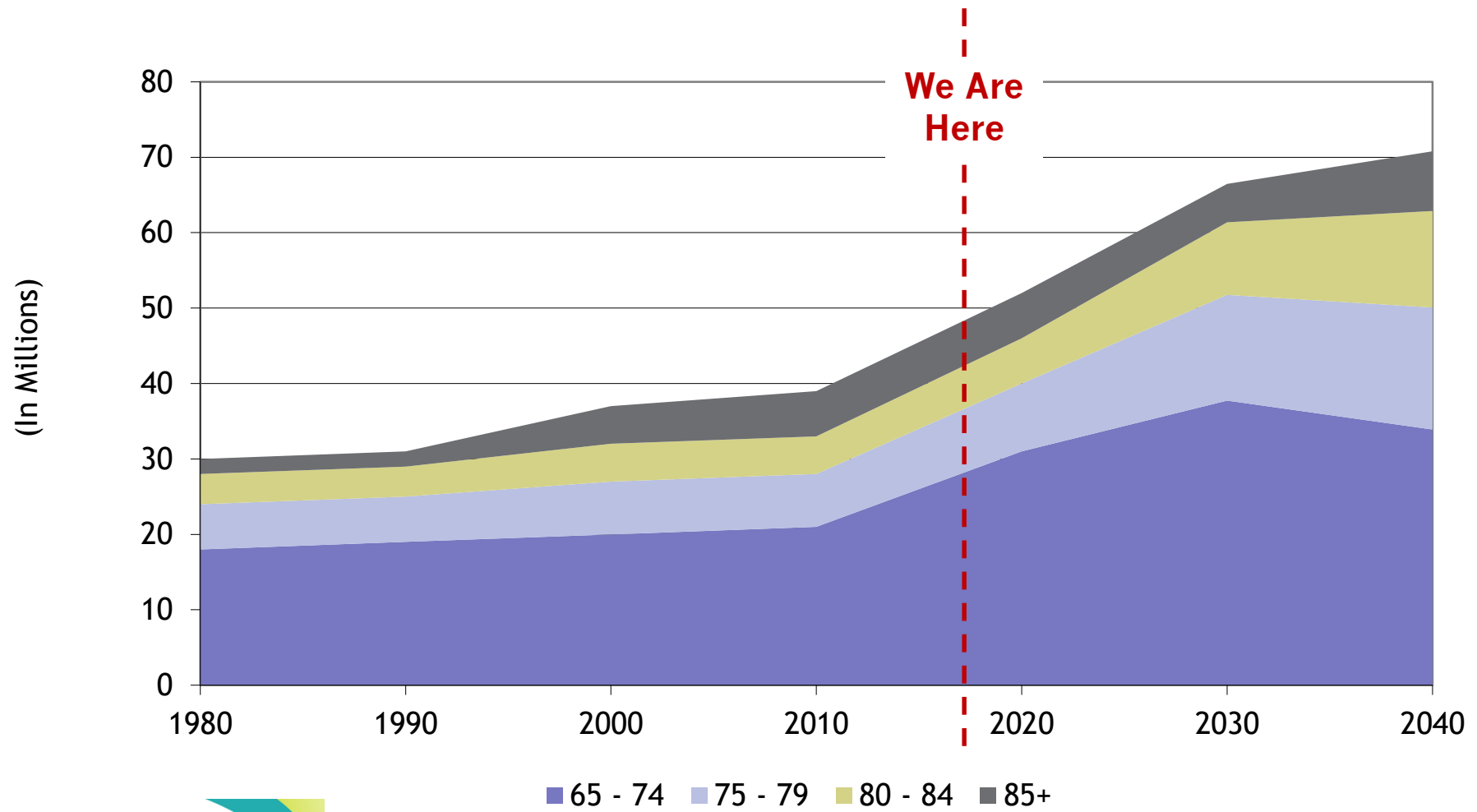
Source: Center for Applied Research in the Apostolate, Georgetown University.

PEW RESEARCH CENTER / GRAPHIC BY JESSICA SCHILLINGER

Overall Trends Impacting Catholic Senior Living & Services

Demographics Define the Market

Forecasted U.S. Seniors Population (1980 to 2040) (Millions)



Source: US Census Bureau National Projections (based on Census 2000)

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Cost of Care – Increases from 2016

- Between 2016 and 2017, the cost for...
 - a private skilled nursing room increased by 5.5%
 - Home health aide services increased by 6.2%
- Genworth attributed the dramatic rising rates to...
 - Increased **labor costs**
 - Increased **acuity** of short-stay patients (higher cost of care)

	2017 U.S. Median Monthly Cost
Assisted Living (private room)	\$3,750
Skilled Nursing (private room)	\$8,121
Skilled Nursing (semi-private room)	\$7,148
Home Health Aide	\$4,099
Adult Day	\$1,517



Cost of In-Home Care Rose From Caregiver Shortage

By Tim Regan | September 26, 2017

Demand for Labor

Occupation	Number of New Jobs (Projected 2014-2024)	2016 Median Pay
Personal Care Aides	458,100	\$21,920
Registered Nurses	439,300	\$68,450
Home health aides	348,400	\$22,600
Combined food prep and serving workers	343,500	\$19,440
Retail salespersons	314,200	\$22,680
Nursing Assistants	262,000	\$26,590

In a number of markets, staff earned income is insufficient to secure quality housing in a reasonable proximity to the community.



Source: US Bureau of Labor Statistics, 2016

Drivers for NFP Senior Living Consolidation

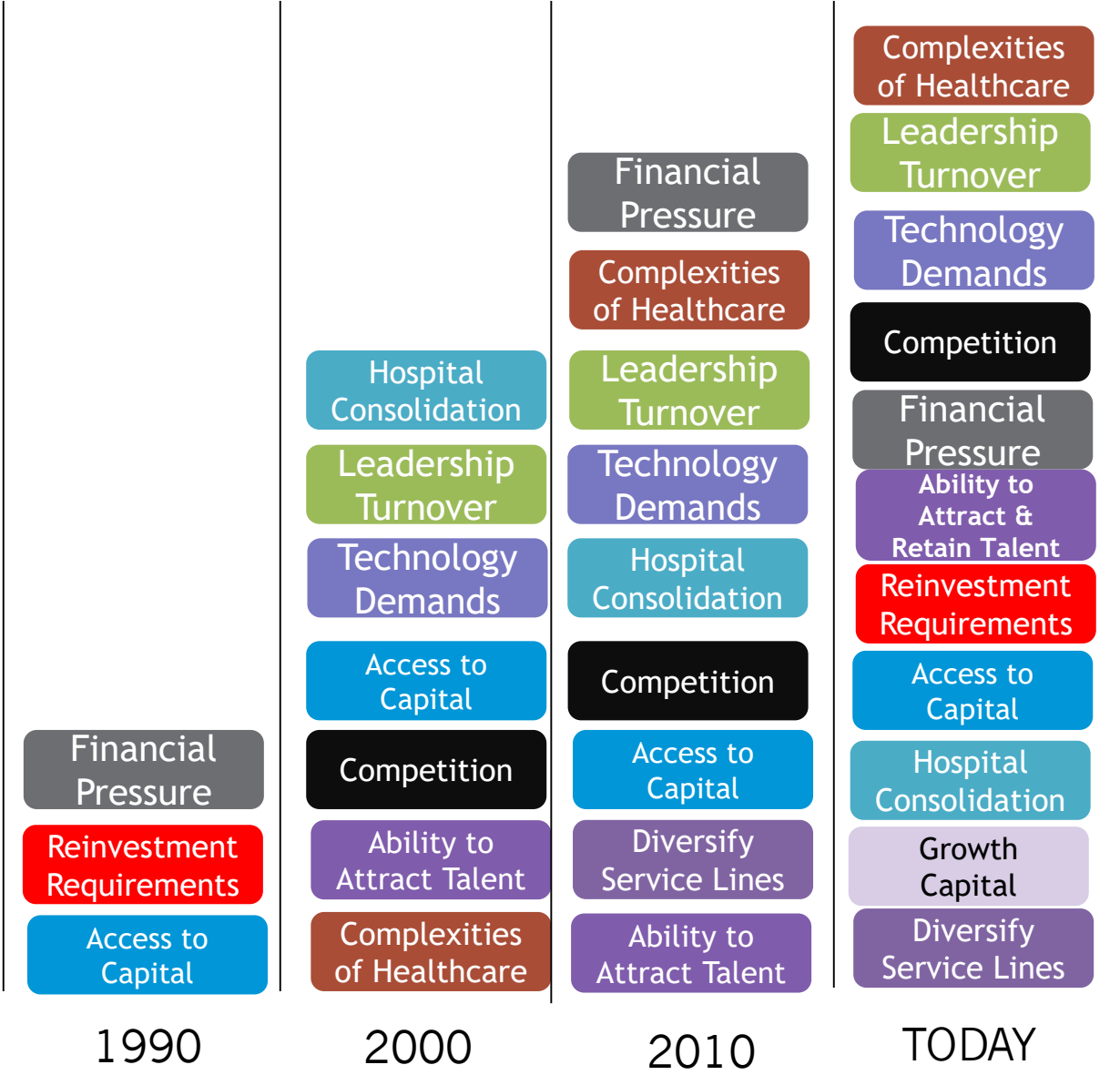
Leadership Turnover

- As Boomer CEOs retire, can serve as catalyst to explore affiliation
- CEO recruitment challenge for smaller organizations

Complexities of Healthcare

- Occupancy pressures
- Competition
- Higher pt. acuity
- Negative revenue impact

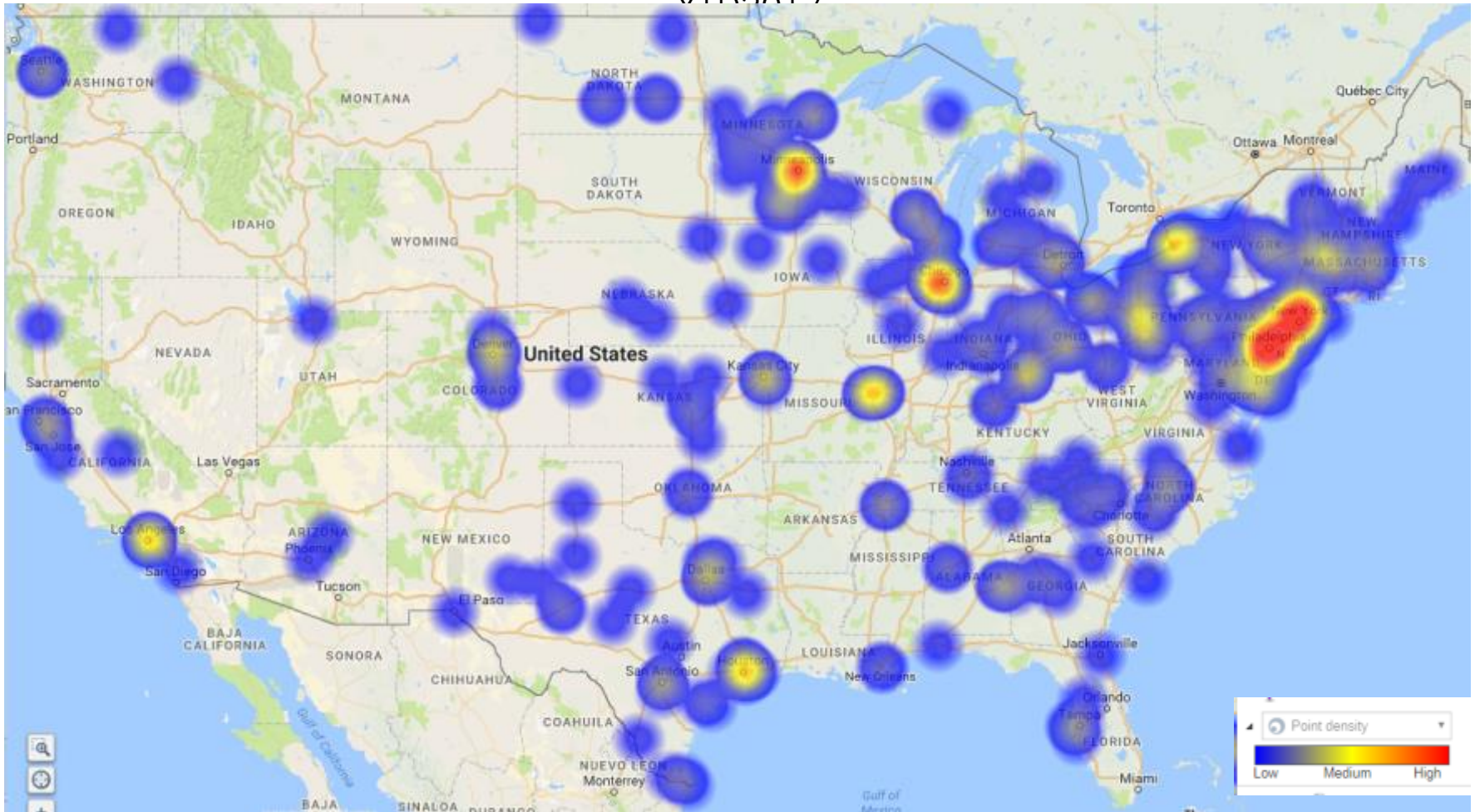
Influence ↑



NFP Sponsorship Transitions

Approximately 380 Not-for-Profit communities changed sponsor/owner between 2010 and

YTD 2017



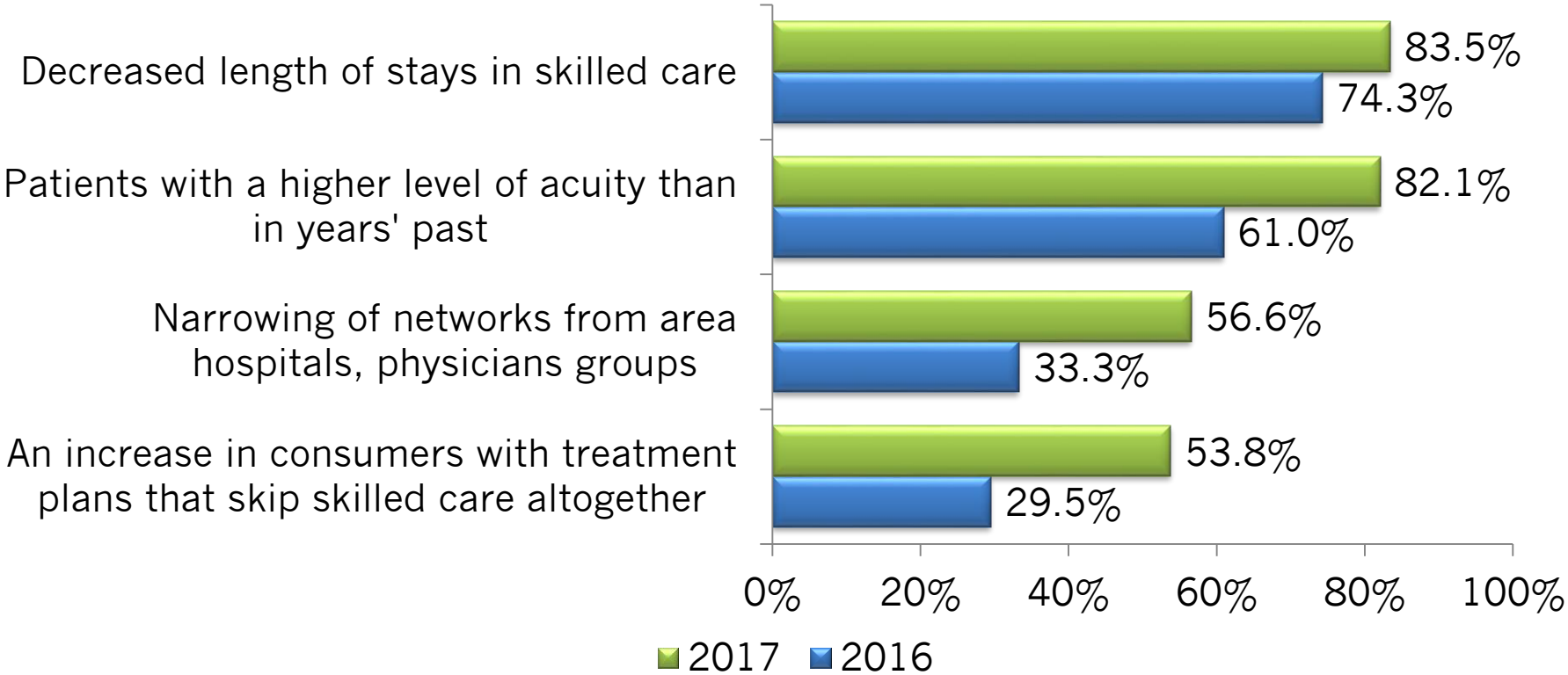
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Source: Ziegler Investment
Banking (9/1/17)

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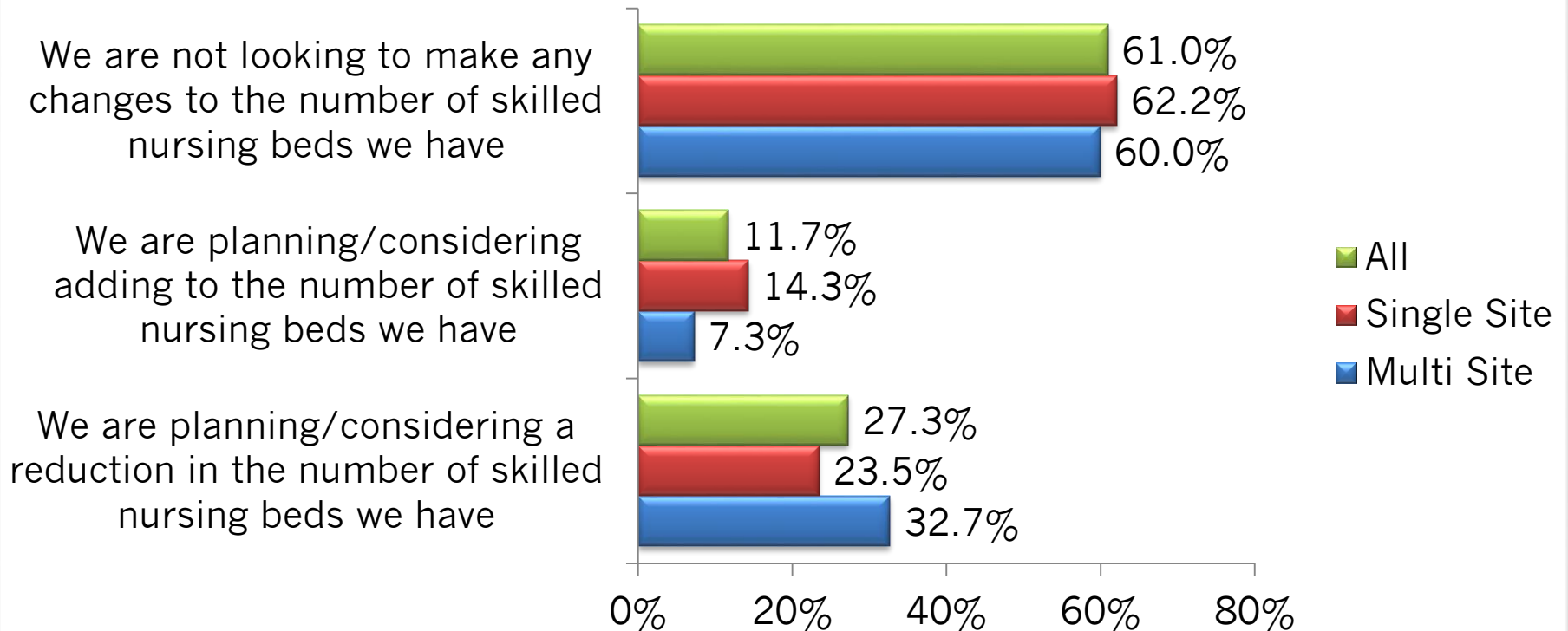
Ziegler CFO Hotline: Post-Acute Activities

Is your organization experiencing any of the following regarding your healthcare setting?

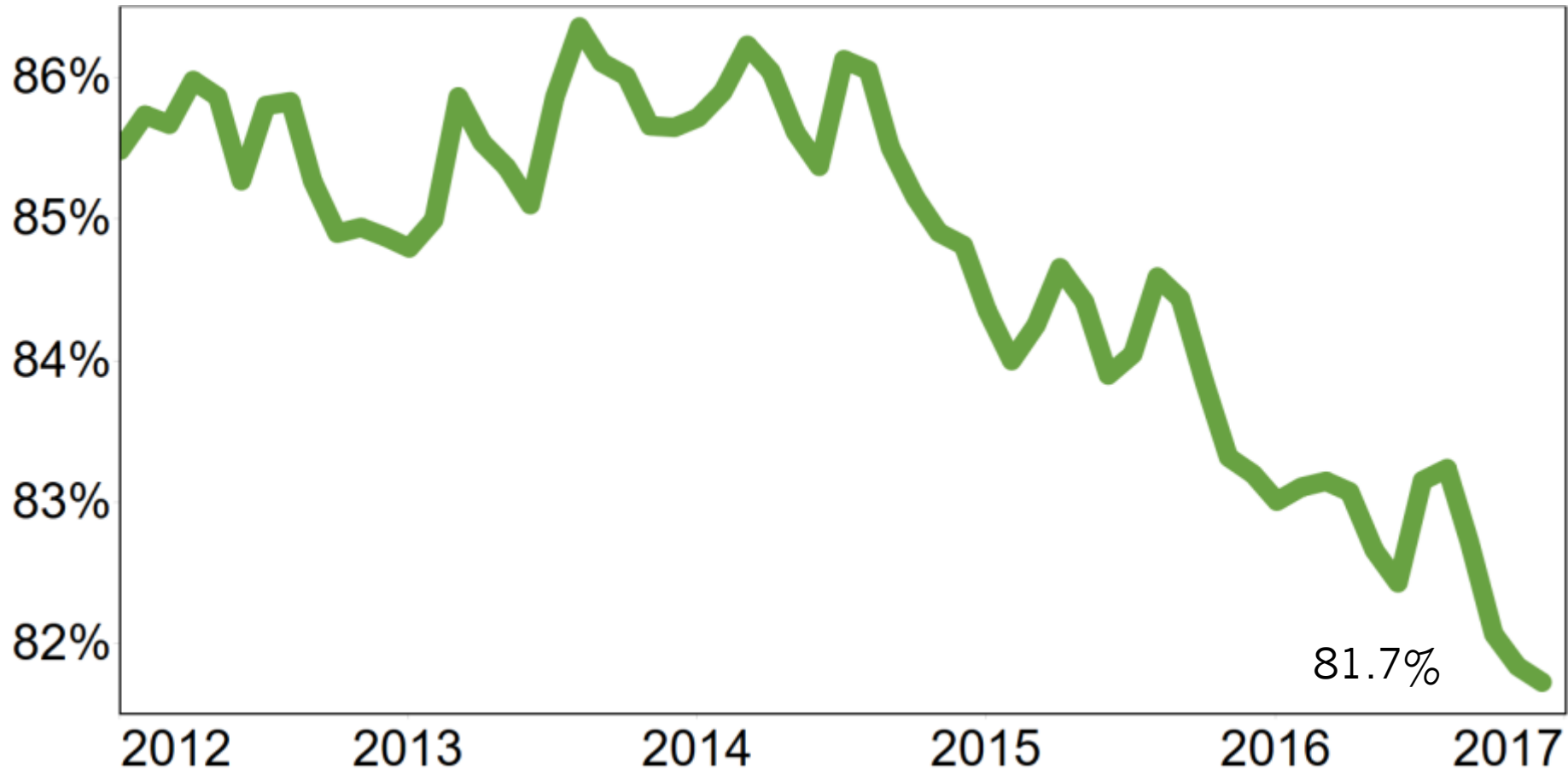


Skilled Nursing Beds- Future Plans

Regarding the number of skilled nursing beds throughout your community/system, which of the following best applies:



Skilled Nursing Occupancy Continuing to Set Record Lows

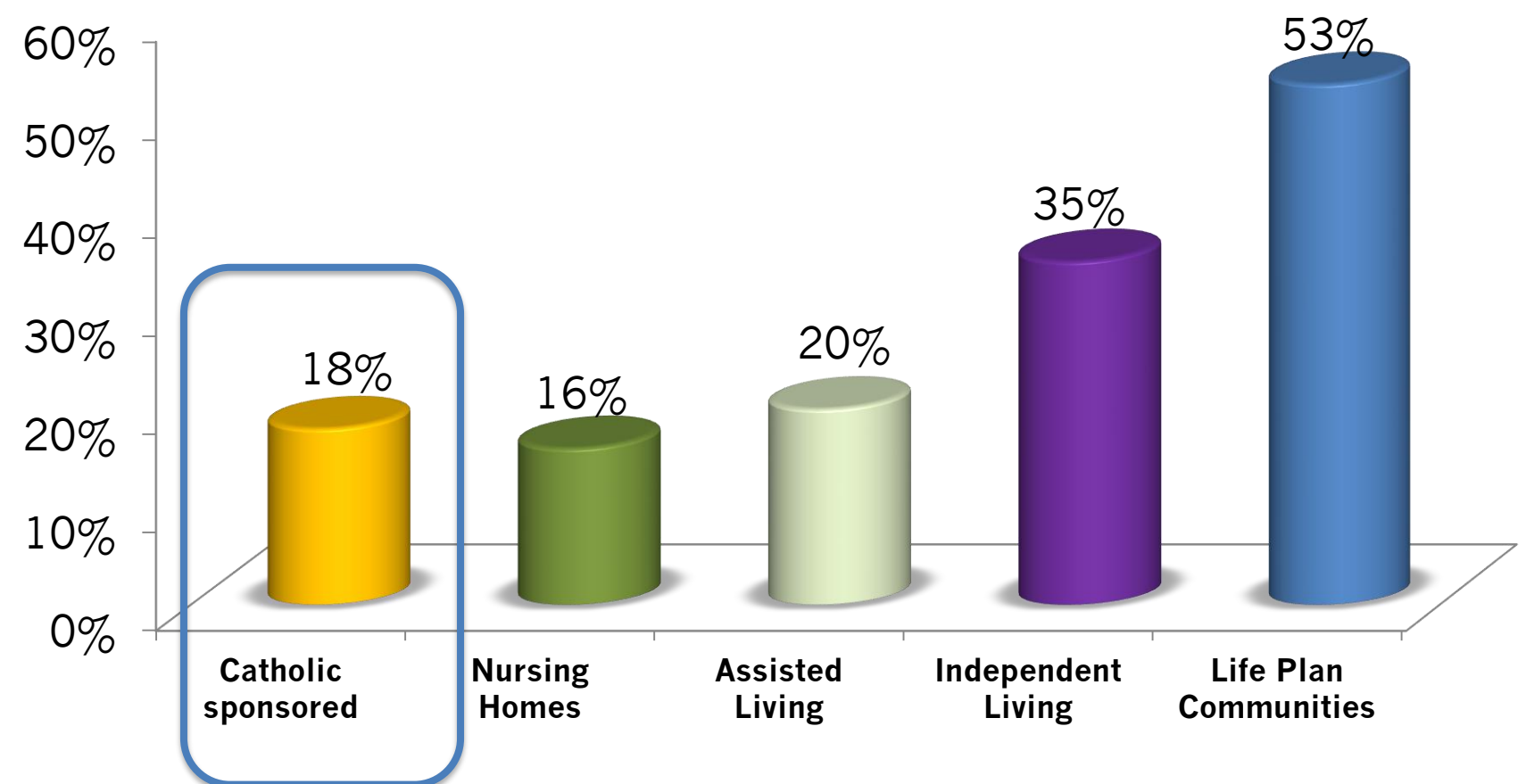


Catholic Senior Living: Consolidation Statistics

- Between 2009 & YTD 2017, 40+ Catholic- sponsored facilities have been sold to the for-profit, private sector.
- Not all dispositions/sales have been from independent congregations and facilities.
- Since 2010, there have been 8 closures of Catholic senior living communities/facilities. This represents roughly 35% of all of the not-for-profit senior living closures nationally.
- Of those that have gone to another Not-for-Profit sponsor since 2010, about half have affiliated with a non-Catholic sponsor (nearly all faith-based)

NFP Sponsorship Transitions - Likelihood of Staying NFP if Change of Sponsor/Owner is Explored

Based on Historical trend data 2010-SEPT 2017



Implications for Catholic Senior Living & Long-Term Care

The logo for the Catholic Leaders' Symposium features a stylized graphic of overlapping teal and yellow shapes on the left. To the right of this graphic, the text "CATHOLIC LEADERS' SYMPOSIUM™" is displayed in a clean, sans-serif font. "CATHOLIC" and "LEADERS'" are in teal, while "SYMPOSIUM™" is in yellow.

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Key Takeaways



- Senior living and healthcare is becoming a more complex business
- 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

About Ziegler

- Ziegler is a privately-held investment bank, capital markets, wealth management and alternative 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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Thank you.

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