



# THE BIGGEST OPPORTUNITY FOR SENIOR LIVING PROVIDERS IN 2015



SENIOR HOUSING  
*News*

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## 2015: The New Dawn of Opportunity in Senior Living

BY ELIZABETH ECKER



Readmissions. Accountable care. Interest rates. There are any number of uncertainty factors that stand to keep a senior living executive awake at night.

But as executives look ahead to a new year in senior living in light of those challenges, there's also no shortage of opportunity that comes with them: reducing those readmissions, forming partnerships with large health systems and accountable care organizations, borrowing in today's favorable financing environment to build and grow the communities of tomorrow.

As the year approaches its close, we polled the top leaders at the industry's largest companies during this year's annual National Investment Center for Seniors Housing and Care industry conference in Chicago. Our question was a simple one: What is the single largest opportunity for senior living providers in 2015?

The answers vary widely. Perhaps this is a reflection of the competitive landscape. Perhaps it's simply an indication that companies across that landscape are seeing all kinds of opportunities for growth and that they are thinking creatively when it comes to their potential to revolutionize senior care in the years to come.

Largely, though, the answers fall into three main themes: innovation, collaboration and growth.

Of the 35 executives we spoke with, at least eight pointed to post-acute care as an area for opportunity. Nearly a dozen more noted the flow of capital that is continually coming to the market; and they don't expect it to slow down anytime soon. CEOs of finance companies pointed to expansion prospects in the near term stemming from the still-favorable interest-rate environment of the post-recession era.

"The seniors housing industry is on the verge of dramatic growth resulting from the current demographics," one executive says.

"The future is bright for this sector. And, with a changing customer, there's going to be changing demands for designing and delivering [amenities]," says another.

**One thing is certain: A demographic shift is here. Americans are aging. They are moving.**

Across the senior living spectrum, providers are innovating. They're growing, shifting, and are preparing for the new, future resident. Read on for what they have to say about the biggest opportunities this industry has to offer in 2015.



# Innovation



“ There’s no doubt that the biggest opportunity is in what people are calling post-acute or transitional care. It’s the greatest need in our market right now. It’s an emerging product, so it’s creating an opportunity to create demand in this industry, which has not been done in a very long time.

Unfortunately, though, that word post-acute or transitional is getting thrown around a lot.

You can transport two-by-fours or plywood in your sedan, your car, but it’s not built for that purpose; you’d much rather have a truck or maybe a flatbed.

It’s finding the right way to get the product focused, make it intentional for the space and then have it do very well. But the groups that think they can just take an old product and somehow convert a wing or just do some sort of post-acute strategy inside of long-term care are really going to miss the mark.”

**Zeke Turner, CEO  
MAINSTREET**

“ We need new leaders with fresh ideas. The future is bright for this sector. And, with a changing customer, there’s going to be changing demands for designing and delivering [amenities].

Baby Boomers will not be attracted by being called seniors — or anything with the word retirement because Boomers will not retire but transition.

How do we measure quality? Today, that’s a very common question on the minds of investors. It’s going to be challenging, but challenging in the right way.”

**Bob Kramer, PRESIDENT  
NATIONAL INVESTMENT CENTER FOR  
SENIORS HOUSING AND CARE**

“ More and more people are asking ‘what’s next?’ They are not slowing down, they are planning for their next 20, 30, 40 years of growth and challenges. This is not confined to health and fitness but also applies to technology, education, personal relationships, really everything. The opportunities are only limited by your own biases about aging.”

**Vassar T. Byrd, CEO  
ROSE VILLA SENIOR LIVING**



“ The big opportunity for our industry next year and beyond lies in getting back to being creative. For many years during the downturn our attention fell away from creativity as we worked to provide value and meet the demands of the economy.

Looking ahead, we need to find different ways of doing things and focus on innovating so that we are meeting the desires of our residents. This is especially critical in the areas of wellness and dining, where we have a great opportunity to be proactive and provide a personalized experience.

The need for innovation ties directly into our need to bring more great young minds into the industry.

Programs such as the Senior Living Management course at Washington State University and others are making this industry a viable option for people who would normally gravitate toward hospitality. The combination of creativity and new perspective in our approach to senior living will take our industry to the next level of operations.”

Tana Gall, PRESIDENT  
MERRILL GARDENS

“ We have increasingly savvy consumers who are pushing the industry for innovative solutions across the board. Can we move as fast as they would like? Our opportunity will be to respond to the growing demand for cutting-edge programing and design with a true sense of urgency.”

John Spooner, VICE CHAIRMAN AND CEO  
GREYSTONE COMMUNITIES, INC.



“ I believe a natural opportunity will be for senior living providers to establish stronger relationships with health systems and medical practices, as we may be able to complement the care offered within those facilities. The key is to build the right strategies and networks so there is benefit to the medical community, senior living operators, and most importantly, the seniors and families in need of care.

At Sunrise, we are experiencing success with our Road Home Program, which was designed specifically for those who are coming to Sunrise directly from a hospital or rehabilitation center in need of continued care.”

**Chris Winkle, CEO**  
SUNRISE SENIOR LIVING

“ If we want to attract the next generation of physically active senior consumers to this industry, we need to develop new living environments that set themselves apart from all other senior community paradigms.

Smaller scale ‘hub and spoke’-focused developments along with ‘Living Well Apartments for Seniors’ can be integrated in or around existing/future mixed-use communities, which will allow existing senior communities to offer acute continuum care services (or “backstop services”) as needed.

This opportunity of partnering with local mixed-use developers allows senior living providers to capture the 70- to 80-year-old demographic who want to leave their homes and be a part of more integrated communities. Such intergenerational small-town settings, with restaurants, wellness and other needed services, are the ideal environments to age in place.”

**Dan Cinelli, PRINCIPAL AND DIRECTOR**  
PERKINS EASTMAN



“ I see many opportunities in 2015 for the senior housing profession, but one that really stands out for me is advancing new solutions to pay for long-term services and supports — an issue that impacts millions of Americans. Our profession is uniquely positioned to engage diverse groups of people across the country to elevate this issue and advance solutions.

Medicaid simply cannot continue as America’s default insurance system for long-term services and supports. It’s dysfunctional that millions of Americans who cannot afford private long-term care insurance and who do not qualify for Medicaid, must impoverish themselves to get supportive services when they’re dealing with Alzheimer’s, Parkinson’s or other physical or cognitive life-altering long-term disabilities.

We have the opportunity to elevate how critically important it is in our new longevity to create new approaches that are more flexible and make more sense to consumers. We also need to put all options on the table, private and public, so we work to forge solutions that work to solve the problem.

Innovation in this area would substantially benefit the quality of life of Americans by helping them get the services they need without impoverishing themselves; it would strengthen the Medicaid safety net for those who cannot escape poverty; it would improve the financial security of families and individuals; it would help spur new innovation in long-term services and supports; and it would improve businesses who lose employee productivity due to caregiving needs. This is a huge opportunity for all of us, and I believe it’s one we have to seize for the betterment of America.”

Kathryn Roberts, CEO

ECUMEN



“ The amount of security and diligence that needs to be put around protecting customers' well-being is important, especially when looking at the J.P. Morgans, the Targets and Home Depots hit by credit card frauds today. Protecting the digital well-being as a mass within our market is not as prevalent as it should be. We have as much of a responsibility to protect the digital well-being of our residents as we do their physical well-being.

From an operational standpoint in the senior housing and post-acute continuum, the biggest competition is not others operating senior housing communities. The competition is the customer that is staying home too long. Figuring out how to educate the broader population on the value of the senior housing and post-acute care industry is a challenge that all of us should take on.”

**Scott Ranson, VICE PRESIDENT, CHIEF INFORMATION OFFICER**  
BROOKDALE SENIOR LIVING (NYSE: BKD)

“ HCN is fortunate to work with many of the industry's best seniors housing operators. Together, we have an opportunity to redefine the concept of 'home' for an aging population, which will lead to exciting opportunities for the industry to develop and grow.”

**Thomas DeRosa, CEO AND DIRECTOR**  
HEALTH CARE REIT (NYSE: HCN)



“ The biggest opportunity for senior providers in 2015 is continuing to meet the demands of a changing consumer, both in the short term and in the long term. Short term, [what] consumers want more than ever before – from wi-fi, to more variety in dining, to the ability to add services à la carte. It is up to us to develop programs to meet those new, growing demands, and for us at Holiday, doing so while still staying true to our “value”-driven roots. Additionally, even though we are mostly independent living at Holiday, our resident population, like everyone else, is aging in place. This means we need to continue to be smarter about working with home health companies that can meet our residents’ needs.

Long term, we need to start planning for the growing senior population. There’s been significant activity in the assisted living space, but not as much in independent living, which has been Holiday’s sweet spot. With more and more inventory being developed, we need to be smarter about how we manage our inventory, and how it relates to all the other inventory in the markets we’re in. We see the use of our new, proprietary revenue management system as critical in this endeavor. Senior housing has typically managed rates by ‘gut,’ but we believe we can apply the logic used in hospitality and retail to better optimize the revenue we get from our inventory.”

Kai Hsiao, CEO  
HOLIDAY RETIREMENT

“ As [the industry] evolves we’re seeing skilled nursing short-stay-only buildings, and long-term care [is separate]. It’s a moving target. The value of being a short-stay facility is directly related to relationships along the continuum of care.”

Ray Thivierge, EXECUTIVE VICE PRESIDENT  
WEST, GENESIS HEALTHCARE



“ From a lender’s perspective, we will continue to see development and construction as a key opportunity for 2015 – with increased activity in repositioning older and obsolete seniors housing models. Moving forward, technology will continue to play a significant role in resident care as systems are being put in place to continuously monitor residents, while allowing a comfortable level of independence for their residents and maintaining a higher level of care and oversight.

Innovative programming and technology is needed throughout the entire continuum of care as data plays a vital role in senior care – including post-acute, long-term care. Lenders need to partner with operators who are in tune with residents and their evolving needs. It is important for operators to communicate to both future residents and adult children so that they understand that senior housing needs are precipitated by a major life or industry event, deteriorating health or loss of a spouse. Consumers are much more savvy about their choices in housing and long-term care and are looking for housing with the latest in technological advance to ensure their continued independence and well-being.”

**Kathryn Burton Gray, SENIOR MANAGING DIRECTOR  
SENIORS HOUSING AND HEALTH CARE FOR RED MORTGAGE CAPITAL, LLC**



# Culture & Partnerships



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At Genesis HealthCare, we believe that one of the greatest opportunities in 2015 will be to continue to meet America's growing post-acute care needs.

According to our independent research, 96% of people between the ages of 60 and 75 do not anticipate an injury or needing surgery over the next year. And 64% of individuals say they have no preference of where they want to go should they need to go to a center for additional rehabilitation therapy following a hospitalization. We are committed to educating patients about their options in 2015, so that they are prepared to pick the best possible program in the event of a medical emergency or surgery.

Genesis developed PowerBack Rehabilitation, an intensive short-term rehabilitation therapy program, in response to the market demand for shorter post-hospital patient recovery periods and fewer post-discharge setbacks. The goal of PowerBack is to help patients get back home as quickly and safely as possible. We see tremendous opportunity for the growth of PowerBack Rehabilitation in the coming year.”

**Mike Reitz, EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER  
GENESIS HEALTHCARE**

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One of the areas we believe will offer significant opportunities in 2015 and beyond is in the area of affiliation and partnerships. The current economic environment is clearly a period of opportunity that will enable providers with similar missions, goals and values to enhance their own programs.”

**Mark Vanderbeck, CEO  
ACTS RETIREMENT-LIFE COMMUNITIES**



“ The seniors housing industry is on the verge of dramatic growth resulting from the current demographics. The leading edge of the baby boomers turns 75 in 2021.

As a result, institutional investors, both those with an existing presence in the industry and those who are newer to the field, will invest in the seniors housing space and they will want the best operational teams to manage their investments.

Our commitment at Senior Lifestyle in 2015 will be to continue to focus efforts to attract and retain the most talented team members and business leaders and to develop internal team members, so they are ready to step into a leadership role when the opportunity arises. We began an intensive program two years ago to assess and develop a culture that consistently produces highly effective operating teams.

We have already seen the benefits of this effort and we will continue to refine and improve our company's culture in this regard.

In addition, we will continue to enhance our technology platforms, as well as improve and strengthen our systems and processes. If we can accomplish these goals, we will be on our way to becoming the best operator in the senior housing industry.”

**Jon DeLuca, CEO AND PRESIDENT  
SENIOR LIFESTYLE CORP.**



**“**I can't speak for the industry as a whole, but for Brookdale, we are most focused on the opportunity that comes from the very real emotional bonds our associates build with our residents and their families.

Our people strategy calls for hiring the right people for the right positions, and providing the training and resources they need while reducing administrative demands on everyone who works in our communities. We want to make sure our associates know we care about them. They, in turn, can then build those strong relationships with residents and create the magic of senior living.”

**Andy Smith, CEO**  
BROOKDALE SENIOR LIVING (NYSE: BKD)

**“**For us, [the opportunity is] to be able to communicate better to the public that we can offer many different choices and that we can custom-design the kind of life that you want to live at your choosing, and also for families trying to make that choice for their loved one. The biggest thing people worry about in terms of looking at senior living is the loss of independence and being able to make their own decisions. What's going to greatly increase our businesses is being able to communicate to people that we are a place to go to—not run from—and where you can celebrate life as you have before.”

**Brenda Bacon, PRESIDENT AND CEO**  
BRANDYWINE SENIOR LIVING



“ I think the biggest opportunity for the senior living industry in 2015 is working to create and provide quality, out-of-the-box programming that allows our residents to be inspired, connected, social and adventurous.”

## Collette Valentine, CEO / COO

INTEGRAL SENIOR LIVING

“ I believe one of the best opportunities for companies like Silverado that collect resident outcome data and can demonstrate an improvement in resident health, is to partner with the newly forming ACOs and health systems.

As these larger acute care organizations understand the savings and positive health outcomes assisted living and memory care communities can provide in the form of transitional or rehabilitative care, they should be adding us to their ‘health care eco-systems’ and / or transitional care partnerships.

For example, a recent white paper written for the SCAN Foundation by Avalere shows: ‘Avalere’s ROI analysis indicates that, for example, the Transitional Care Model, when targeted at high-risk (Medicare) beneficiaries can yield an ROI of over 250%.’ In this report Avalere Health explores the use of data to better coordinate care for high-risk Medicare beneficiaries, which can lead to improvements in care while providing savings for hospital systems.”

Paul Mullin, VICE PRESIDENT OF COMMUNITY DEVELOPMENT  
SILVERADO



# Dollars & Sense/Growth



“ I’m not sure what the single best opportunity is going to be, but if you’re looking at a quality major city, communities with newer construction and 90-plus percent occupancies, those are going to be bid up where it’s almost impossible to make money. If you can’t make money on the buy, it’s going to be really hard to make money on the sell. [As a result], we will focus on tertiary, secondary marketplaces.”

**John Rijos, FOUNDING PARTNER OF CHICAGO PACIFIC FOUNDERS  
FORMER CO-PRESIDENT/COO OF BROOKDALE SENIOR LIVING (NYSE: BKD)**

“ Looking ahead to 2015, we believe senior living providers will have an opportunity to take advantage of the low interest-rate environment and strong capital markets. As a result, they will be able to strengthen their balance sheets, reinvest in their business and position themselves for future growth. We also believe there are substantial opportunities for operators to consolidate, enhance national platforms and increase technological sophistication in their businesses.”

“ The biggest opportunity for providers is recapitalization of communities. Despite a slick uptick in interest rates, cap rates remain at a historic low for high-quality communities in major markets.”

**John Cobb, EVP AND CHIEF INVESTMENT OFFICER  
VENTAS (NYSE: VTR)**

**Patricia Will, CO-FOUNDER AND PRESIDENT  
BELMONT VILLAGE**



“ Interest rates [are projected to] go up over the next 12 to 18 months. I think there’s a lot of other factors that come into play that indicate things will continue to be relatively attractive overall.

When you look at what’s happening — how the post-acute care continuum has to evolve to cater to this new market we’re living in — it leads one to think there’s going to be drivers of scale. Scale is very important to be able to play in a capital care market. There has to be better alignment between players in the post-acute sector — the home operators, health operators, [etc.] need better alignment.”

Peter A. Hunt, MANAGING DIRECTOR  
NORTH POINT ADVISORS

“ There’s been a huge transformation in the last 10 years with operators. They’ve all put a lot of emphasis into metrics, [going] paperless — all the different things people want and feel are important today, those are going to pay off a lot more over the next several years, because the operator that understands that you need to work with your different investors and different capital providers collaboratively, not independently, is going to be the winner.

And the more ways you have to report your outcomes and work together, the better you’re going to be. There will continue to be better operators who can [better perform], but you have to be able to kind of walk the talk — not just talk about it, but do it. It’s a great opportunity for everybody — both investors and owners — because even though demand isn’t runaway demand, the need for the space is very strong and the need for the space will continue to be strong because demographics can’t be avoided in terms of the aging process.”

Jeffrey Davis, PRESIDENT AND CEO  
CAMBRIDGE REALTY CAPITAL COMPANIES



I think the biggest opportunity is all the capital flooding into seniors housing. It is also the biggest threat.

Access to capital (both debt and equity) fuels the growth of the industry in terms of development and acquisition activity. So it is really the lifeblood of growth and without it there would be none. When there is too much capital it can and often leads to too much growth where some of that growth is not well-conceived or -executed. Markets can and do get overbuilt. The likelihood increases that unsuccessful deals get funded and started. So the flood of capital is both a blessing and a curse. We need to be disciplined, which is hard for developers or at least it has been in the past. Maybe this time is different."

**John Dragat, SENIOR VICE PRESIDENT OF DEVELOPMENT  
BENCHMARK SENIOR LIVING**

The low interest-rate environment makes the prospect of financing expansions and new building projects very appealing. We are seeing continued demand for specialized memory care residences, as well as steady growth in independent living occupancy. Demand for our home health services continues to grow, as residents opt to coordinate in-home services to remain independent, delaying the need to transition to a higher level of care."

**Troy Hart, PRESIDENT  
SANTAFE SENIOR LIVING**



“ In the coming year, I envision continued opportunities for growth in the senior living market. Growth will be in the addition of new communities, and in enhanced products and services to our residents.

As our communities become home to greater numbers of energetic individuals with full and active lives, we'll be given the opportunity to enhance programs and services to meet their needs.

Our job will be to listen and respond, helping us to customize residents' experiences to fit their expectations for the next phase of their lives.”

**Sloan Bentley, PRESIDENT AND CEO**  
LIFESPACE COMMUNITIES, INC.

“ It's impossible these days to pick up a trade journal without reading a summary of a study or white paper describing the growing need for a more affordable model of senior housing with services for two-thirds of our nation's frail seniors that are unable to afford most of today's price points. Meeting such a demand isn't always the easiest thing to accomplish, but with creative financing, a willingness to navigate various governmental support programs and a commitment to operate efficiently, a huge opportunity exists to grow an affordable model, while also serving our community's most deserving population. Our BMA team continues to position our efforts in a way that takes advantage of this national growth opportunity, while also carrying out our mission of serving seniors of all income levels.”

**Rod Burkett, PRESIDENT AND CEO**  
BMA MANAGEMENT, LTD.



“ Newer participants continue to be attracted to the senior living sector and will provide incremental capital for growth and the repositioning of existing assets. Operators can expect to grow from both new development activity, plus driving management fees at existing communities.

Independent living (IL) has rebounded swiftly from where occupancies stood only a few years ago. With IL often being a natural point of entry for seniors at more affordable price points, this bodes well for operators as occupancy gains contribute exponentially to bottom-line growth.

The Affordable Care Act is transforming how post-acute care is viewed by health care providers. Operators who can demonstrate positive outcomes and adherence to care plans to referral sources will create a sustainable competitive advantage. Integrating technology into existing and to-be-built facilities will also help promote more effective communication between other providers and the families of residents.”

### Stephen Mauldin,

CEO; PRESIDENT AND CEO; AND GROUP PRESIDENT  
CNL LIFESTYLE PROPERTIES, INC.; CNL HEALTHCARE PROPERTIES;  
FUND MANAGEMENT AT CNL FINANCIAL GROUP

“ The senior living industry is enjoying the strongest demand fundamentals in years. I believe the biggest opportunity is for operators to meet this demand by building new communities, renovating and expanding existing communities and, most of all, broadening the range of health care services provided to seniors not only in communities but also in their homes.”

Justin Hutchens, CEO AND PRESIDENT  
NATIONAL HEALTH INVESTORS (NYSE:NHI)



“ Opportunities for senior housing in 2015 will be led by the execution of performance outcomes that drive valuations and M&A activity. The ability to achieve these results will set the stage for investor strength in these special assets and fuel access to both stabilized and new product capital.

With our not-for-profit CCRC clients we will see demand that exceeds supply. Improved occupancy levels will create the opportunity for expansion and asset enhancements. Senior housing is a very operator-centric business and 2015 will be a test in keeping our promise of service to seniors and returns to investors. Senior housing success will be about those providers who can create a senior living experience that not only meets consumer expectations, but exceeds those expectations. Putting the resident first will be necessary in order for providers to take advantage of these opportunities.”

Rick Exline,  
EXECUTIVE VICE PRESIDENT / DIRECTOR OF OPERATIONS  
LCS

“ The biggest opportunity for senior living operators will come from expanding their health care services to capture the increasing demand from residents wanting to age in place with access to high-quality care. Further industry consolidation will favor those operators who are investing in their communities, advanced technology and staff training to adapt to a more integrated care continuum. As a capital partner to many seasoned operators, HCP recognizes these opportunities in our investment strategies, and we will continue to support their growth initiatives.”

Lauralee Martin, PRESIDENT AND CEO  
HCP, INC. (NYSE: HCP)



“ There's going to be more and more available capital to the industry. It's still going to be cautious in coming out, but if you're comparing this year to two to three years ago, capital was much tighter then and it's much more fluid at this point.”

Dan Biron, SENIOR VICE PRESIDENT  
SENIOR HOUSING & HEALTHCARE GROUP, BERKADIA

“ Some of the biggest opportunities for senior living providers in 2015 will be the number of lenders in the market, the smorgasbord of financing platforms and the anticipated continuation of relatively low interest rates.

This variety makes it even more important for a borrower/investor to work with seasoned veterans with seniors housing experience to make sure they get the best execution for their particular needs and capital stack.”

RICHARD THOMAS, SENIOR VICE PRESIDENT  
GRANDBRIDGE'S SENIORS HOUSING AND HEALTHCARE FINANCE GROUP