



If You Want to Change the World, Start Off by Making Your Bed.

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Plans Are Nothing, Planning is Everything - Ike

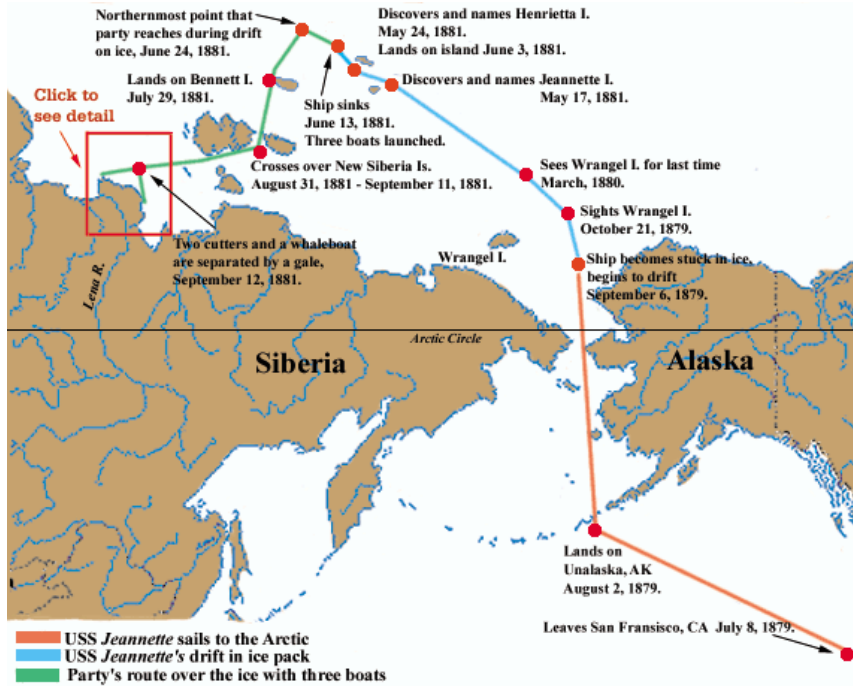
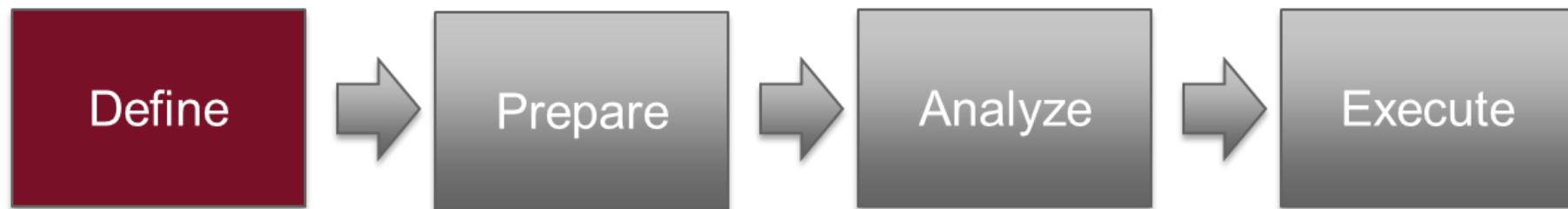


Photo # NH 52002 Jeannette's crewmen drag their boats over the Arctic ice, June-August 1881



DRAGGING THE BOATS OVER THE ICE

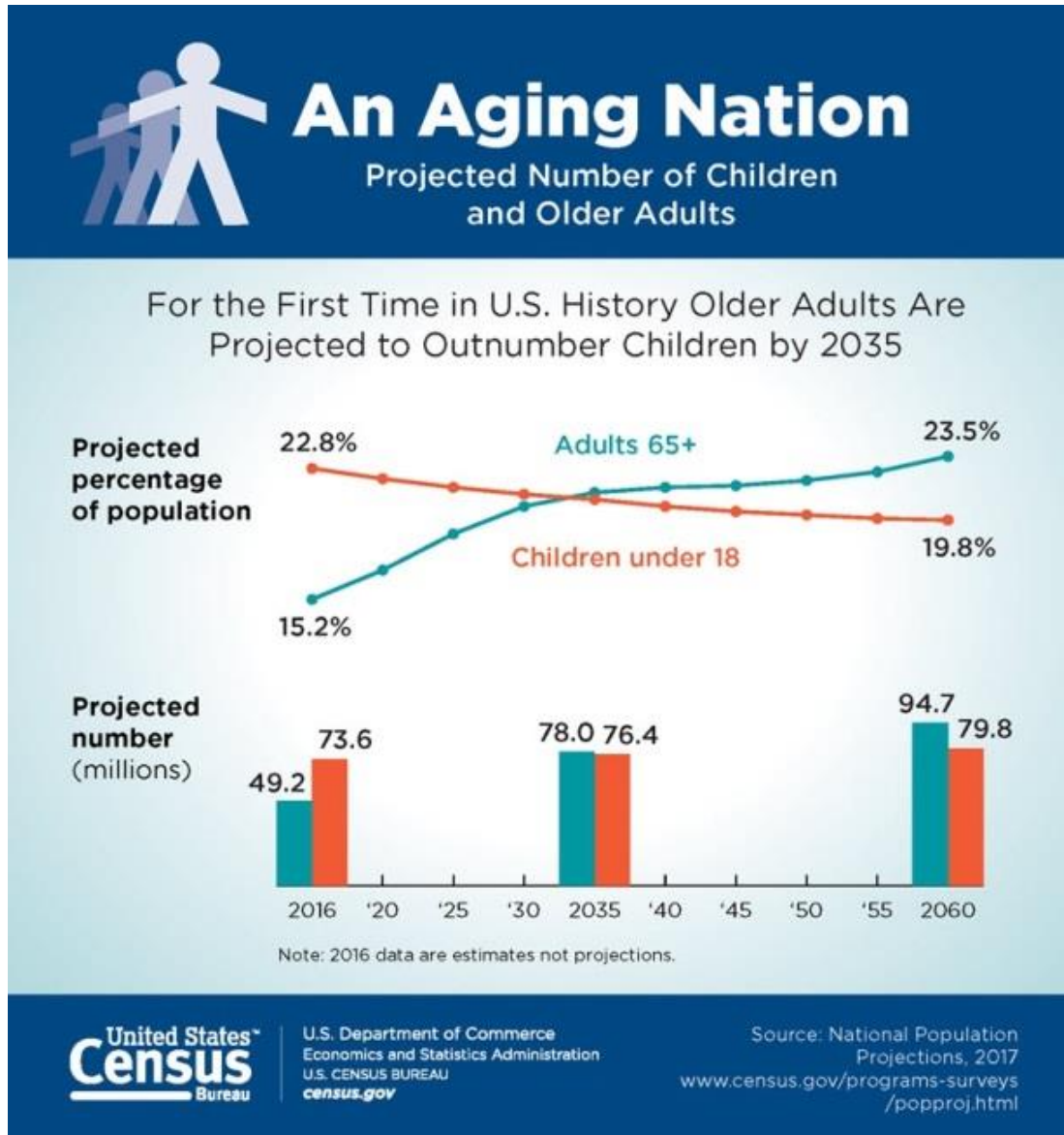


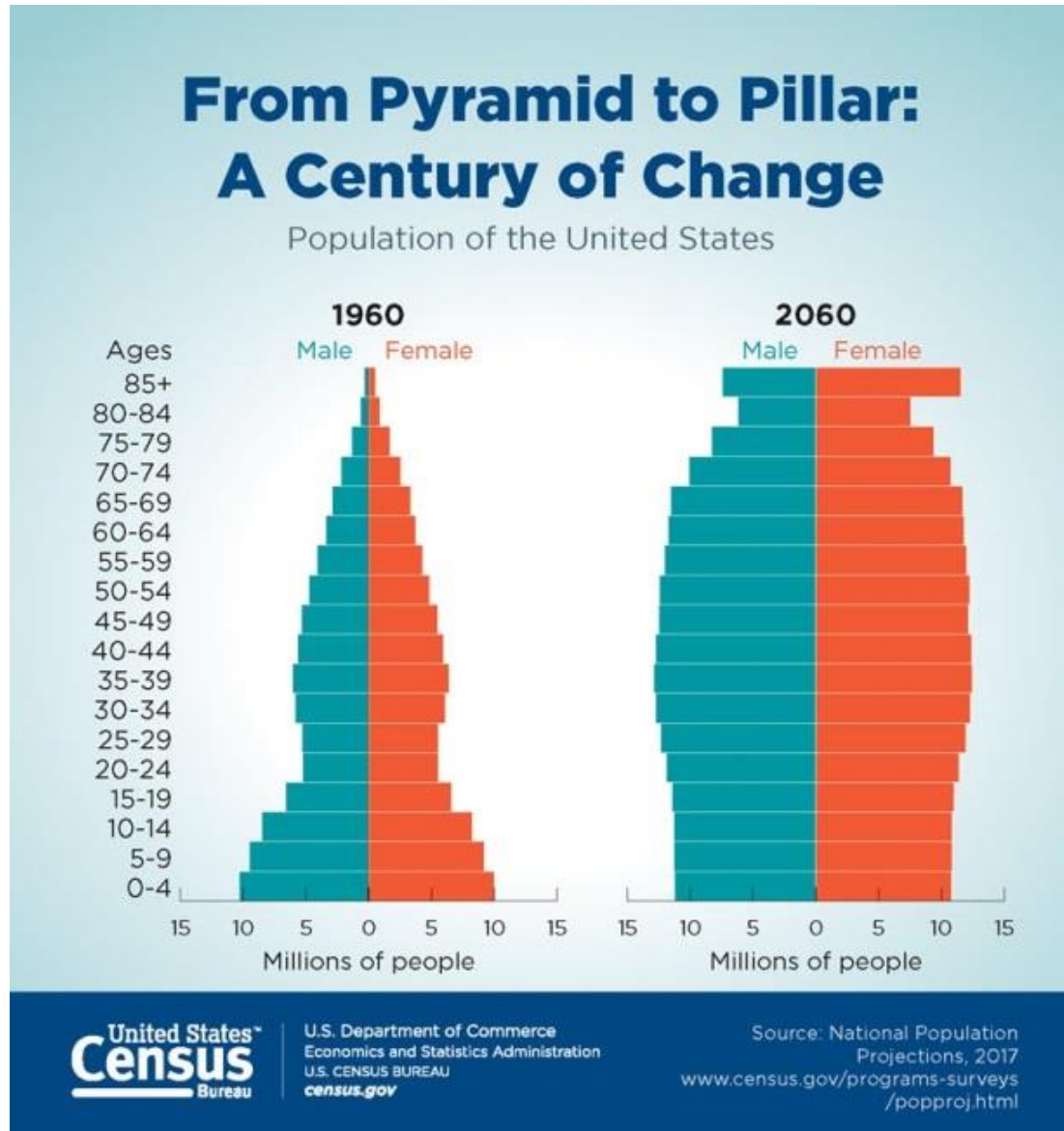


The Obstacle is the Way

How is your business like the dating scene?

- How do we improve occupancy across all levels of care?
- Should we reinvest in existing facilities? When and by how much?
- More strategic planning?
- Can we identify other sources of revenue?
- Where can we reduce expenses while delivering the quality care we are known for (aka. “Performance Improvement”)?
- Technology investment is so high upfront. Will it be obsolete by the time it is implemented and everyone is trained?
- How can we compete with For-profits?
- Are we fulfilling our mission?
 - Do NFPs routinely ask this?

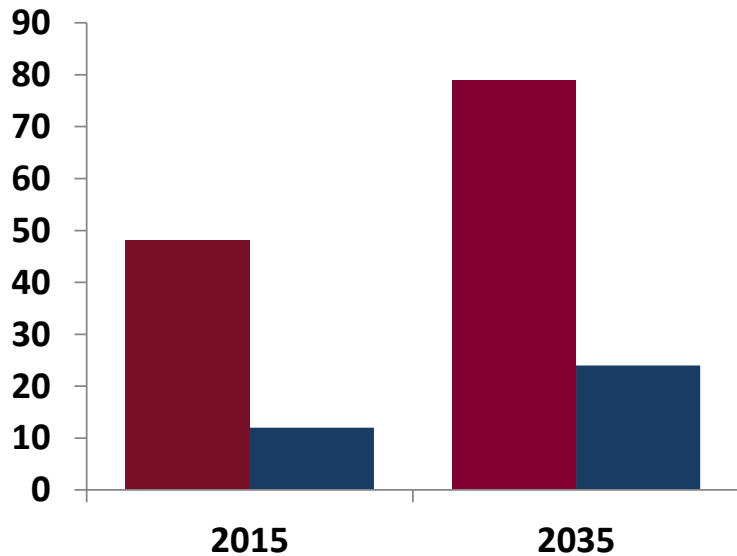




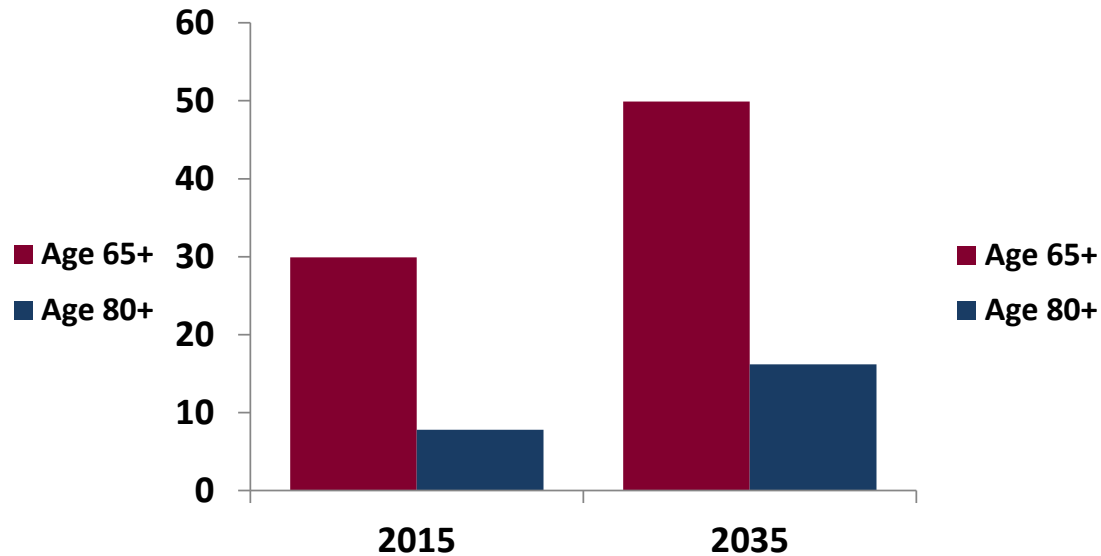
➤ **Over the next 20 years,**

- Population 65+ will grow from **48 million** to **79 million**
- Population 80+ will grow from **12 million** to **24 million**
- Number of 65+ Households will increase from **29.9 million** to **49.6 million**
- Number of 80+ Households will increase **7.8 million** to **16.2 million**

Population, In Millions



Households, In Millions

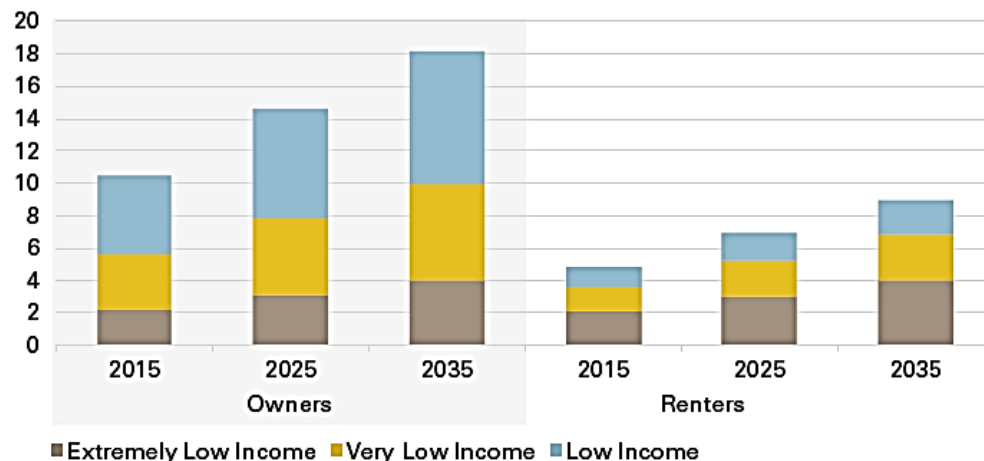


Source: *Projections & Implications for Housing a Growing Problem: Older Households 2015-2035*, released December 2016 by the Joint Center for Housing Studies of Harvard University

Financial Pressures are Real and Worsening

Figure 4.8: There Will Be Millions More Low-Income Older Households by 2035

Projected Low-Income Households Aged 65 and Over (Millions)



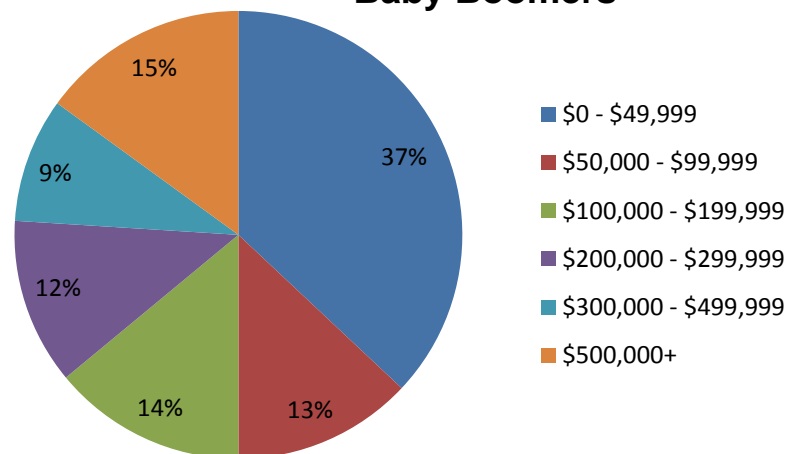
Notes: Extremely low income is defined as up to 30 percent of area median; very low income is more than 30 up to 50 percent of area median; and low income is more than 50 up to 80 percent of area median.

Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey 1-Year Estimates and 2016 JCHS Household and Tenure Projections.

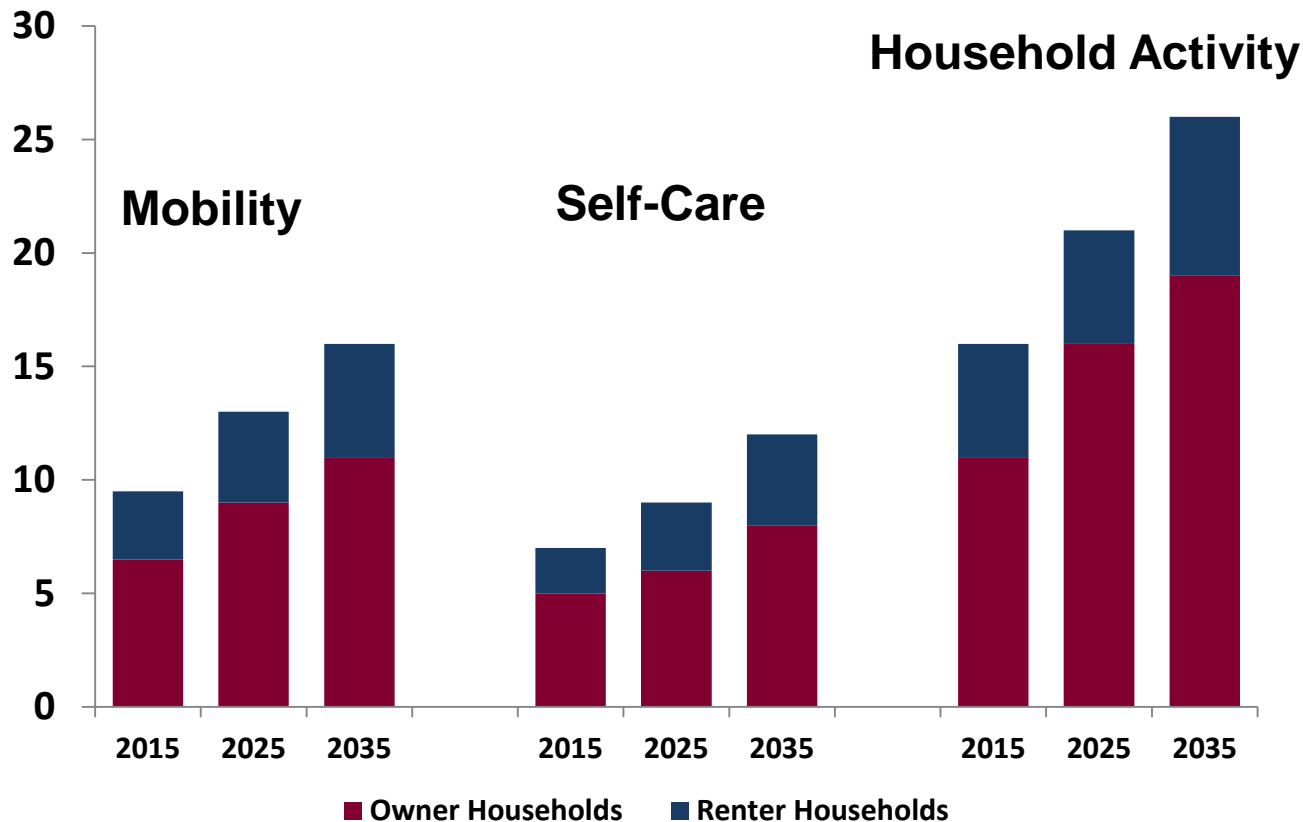
| 2014 HHs 65+ | Median Assets |
|--------------|---------------|
| Home-owners | \$228,108 |
| Renters | \$ 6,150 |

9 million older homeowners have less than \$50,000 in assets beyond their home.

Median Retirement Savings: Baby Boomers



- By 2035, the number of older households with a disability will increase by 76% to reach 31.2 million:



Source: JCHS tabulations of University of Michigan, 2014 Health and Retirement Survey and 2016 JCHS Household and Tenure Projections

The challenge we face in the future, is happening right now

- Rapidly aging population
 - ... increasingly significant health care needs
 - ... ever-rising health-care costs (price inflation-system)
 - ... neuro-cognitive impairments for which there are no known-cures
 - ... fewer care givers (disintegration of the nuclear family)
 - ... poor individual financial resources (mortgage debt, little savings)
 - ... lack of awareness of options (housing, financial and medical)
 - ... misinformation is rampant (SS, Mcare, Mcaid)

Entitlement Programs will be necessary just to keep seniors “off the streets”

... there are not enough young people to fund these “pay-as-you-go” programs

... ever-increasing national debt while aging population reduces tax base

This is not just a care issue.

This is not just a housing issue.

This is not just a financial issue.

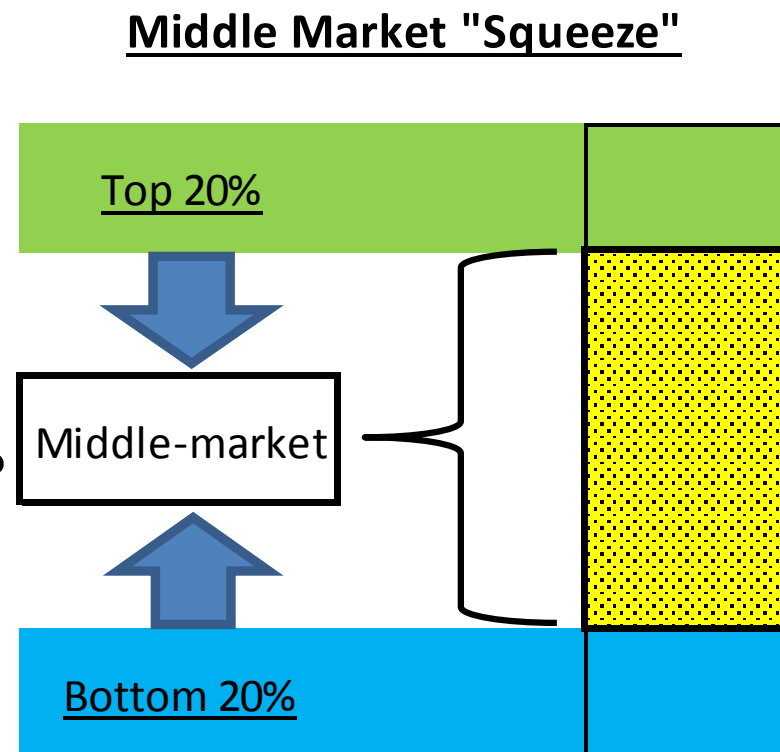
This is not going away.

There is no single solution.

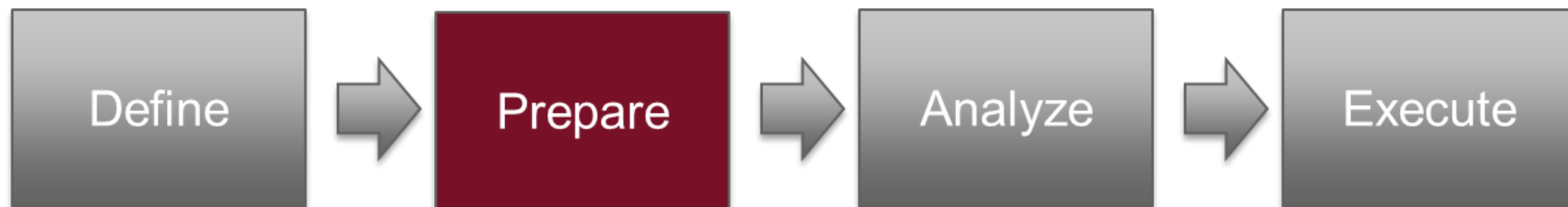
THIS IS A LONG-TERM OPPORTUNITY

Enough Doom and Gloom...Opportunity

- The Home will Increasingly be a site of Long-Term Care
 - 70% of older adults will need some form of long-term care
- Broad “Community” based services
 - Example: Ohio Masonic – state-wide care coordination
- Changes to the not-for-profit business model?
 - Service, not edifice
 - Prevention, not palliative
 - Pre-acute, not post-acute
- Mission, quality, care, compassion will remain unchanged







Prepare your Organization, Part I

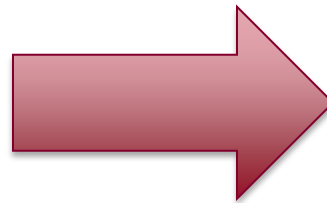


Roman Colosseum (80 AD)

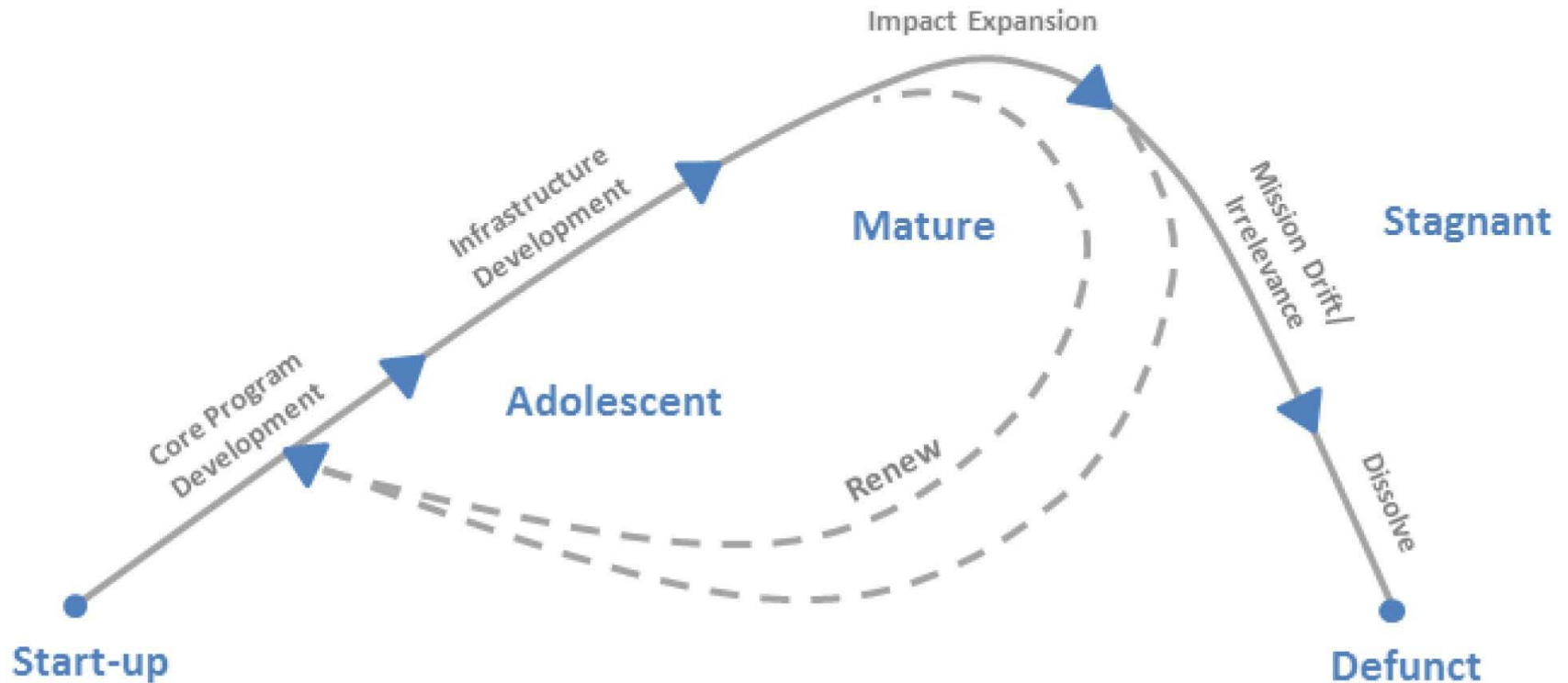


New York's Haughwout Building(1857)

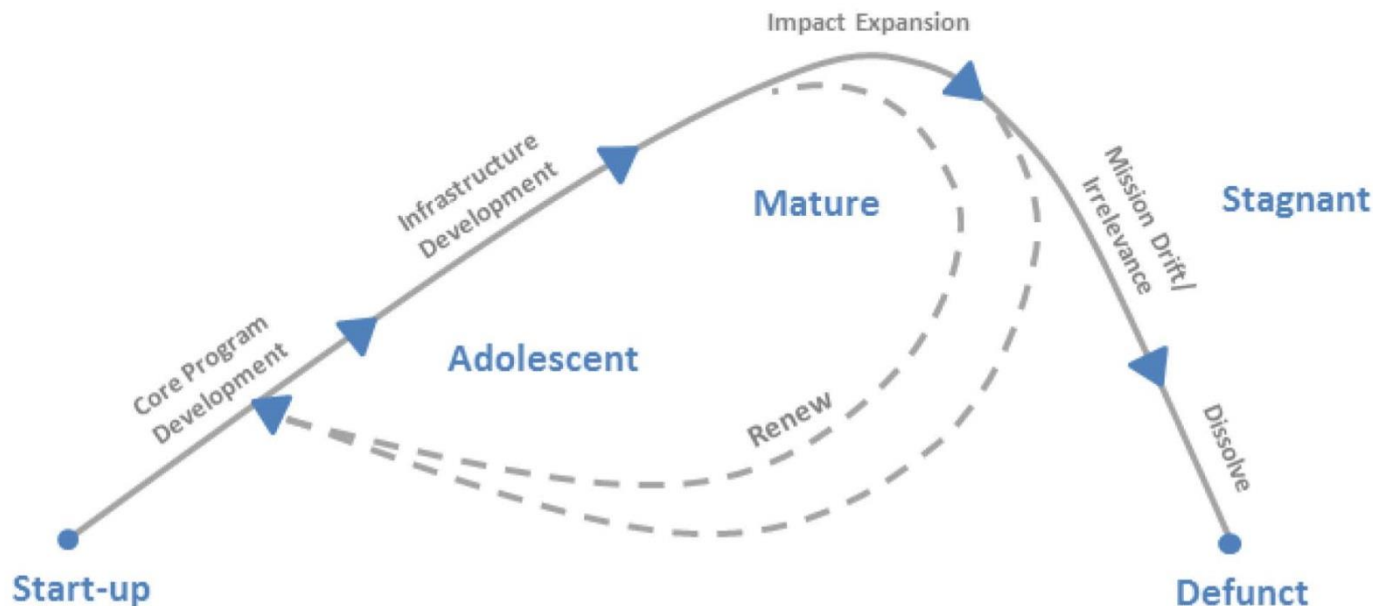
- Must be Nimble
- Board Education
- Management & Board Alignment
- Enable Quick Decision-Making



Organizational Lifecycle: How Nonprofits Evolve



Copyright © 2001 Susan Kenny Stevens, Ph. D.
Excerpted from the book *Nonprofit Lifecycles: Stage-based Wisdom for Nonprofit Capacity*.



| Lifecycle Stage | Key Questions to successfully navigate NFP Lifecycle | Statements putting organization at risk ... Have you heard any of these? |
|-----------------|--|--|
| Idea | Is our dream feasible? | This is impossible. |
| Start-up | How do we get started? | No one will give us the money to do it. |
| Growth | How can we build growth and be viable? | Growth is too risky. |
| Maturity | How can we ensure this is sustainable? | We don't want to risk what we've built here. |
| Decline | How did we get here? | Let's keep doing what we've been doing. |
| Turnaround | How do we get back to where we need to be? | We tried everything, the market changed. It's not our fault. |
| Terminal | What can be done to preserve our mission and protect our residents? Affiliate? | We have to protect our personal reputations. |

Digging Deeper

| Stage | Duration | Obstacles | Opportunities |
|-------------------------|--------------|---|---|
| Grass Roots - Invention | 0 - 5 years | <ul style="list-style-type: none"> • Resistance to forming • Lack of funding expertise • No outside support | <ul style="list-style-type: none"> • Creativity • Energy for the dream • Excitement to join |
| Start-up - Incubation | 1 - 2 years | <ul style="list-style-type: none"> • Fear of formalizing • Sustaining initial enthusiasm • Focusing the founder(s) and energy | <ul style="list-style-type: none"> • Excitement of funders • Charismatic leader • People wanting to belong |
| Adolescent - Growing | 2 - 5 years | <ul style="list-style-type: none"> • Absence of systems/accountability • Overwhelmed with change • Change may alienate funders, clients, staff & board • Danger of becoming isolated in the system | <ul style="list-style-type: none"> • Sense of accomplishment • New faces, 'arms and legs' • Diversification in all areas of the organization |
| Mature - Sustainability | 7 - 30 years | <ul style="list-style-type: none"> • Lack of, or too much, control • Lack of risk-taking • Board & Staff too 'operational' • Unable to transition to a governance board • Conflict between old and new | <ul style="list-style-type: none"> • Feeling secure • Adequate resources • New staff/board - fresh ideas • Ability to try something new |
| Stagnation & Renewal | 2 - 5 years | <ul style="list-style-type: none"> • Resistance to change • Inability to address key challenges • Declining excitement • Isolation of the agency | <ul style="list-style-type: none"> • Wisdom from past • Strategic partnership opportunities • Chance to take risks again • Think 'out-of-the-box' |
| Decline & Shutdown | 1 - 2 years | <ul style="list-style-type: none"> • Financial crises • Inappropriate leadership • Loss of staff and volunteers • Lack of any passion | <ul style="list-style-type: none"> • Commitment to complete turnaround • Graceful 'sunset' or merger |

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Aldersgate: What Got Us Here, Won't Get Us There

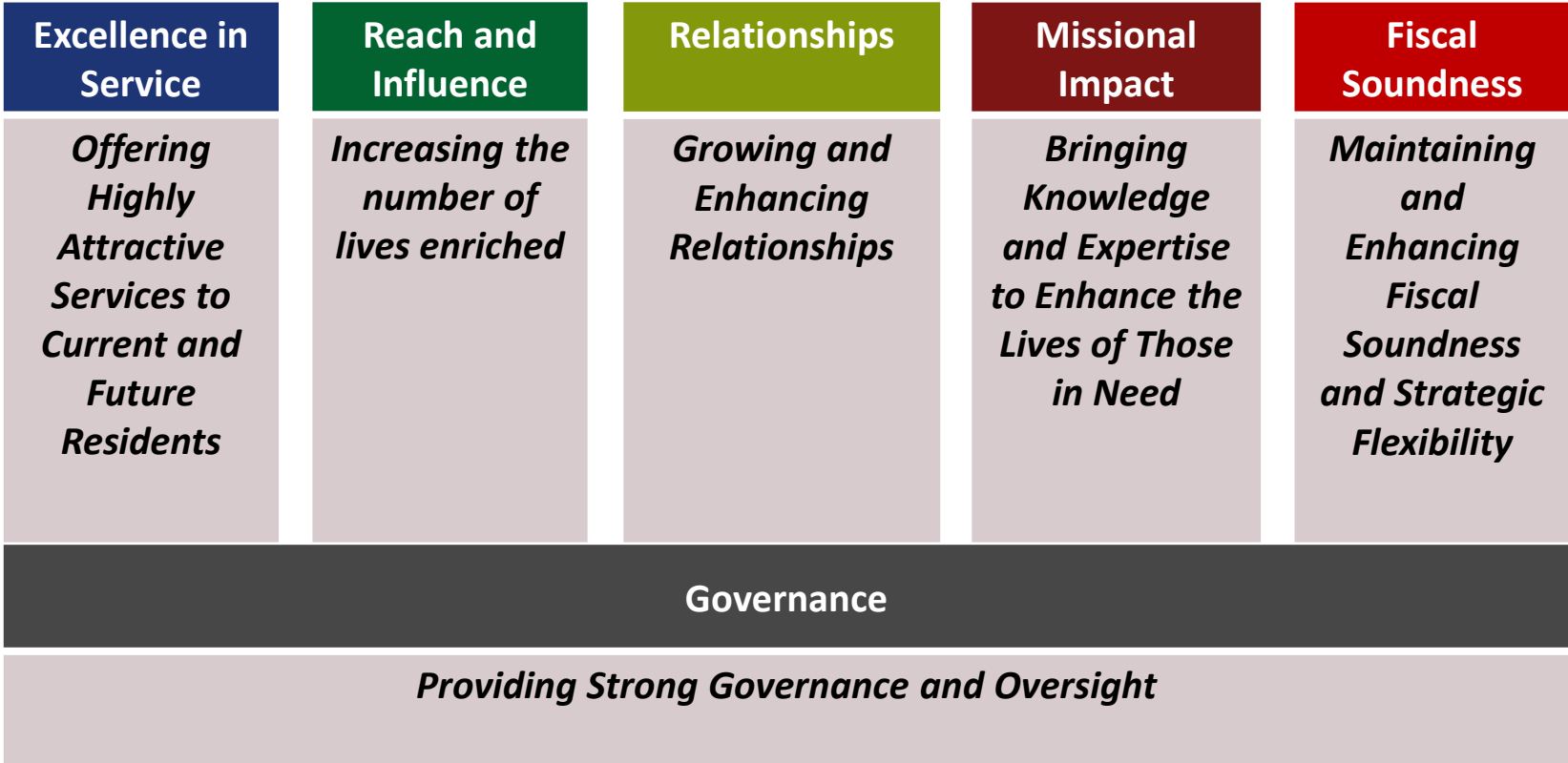
- As not for profit organizations have gotten more complex, the work of the executive has gotten more sophisticated.
- No longer a manager/doer; today's executive has to be a catalyst, strategist, visionary.
- We need boards and CEOs who know how to lead and add value.

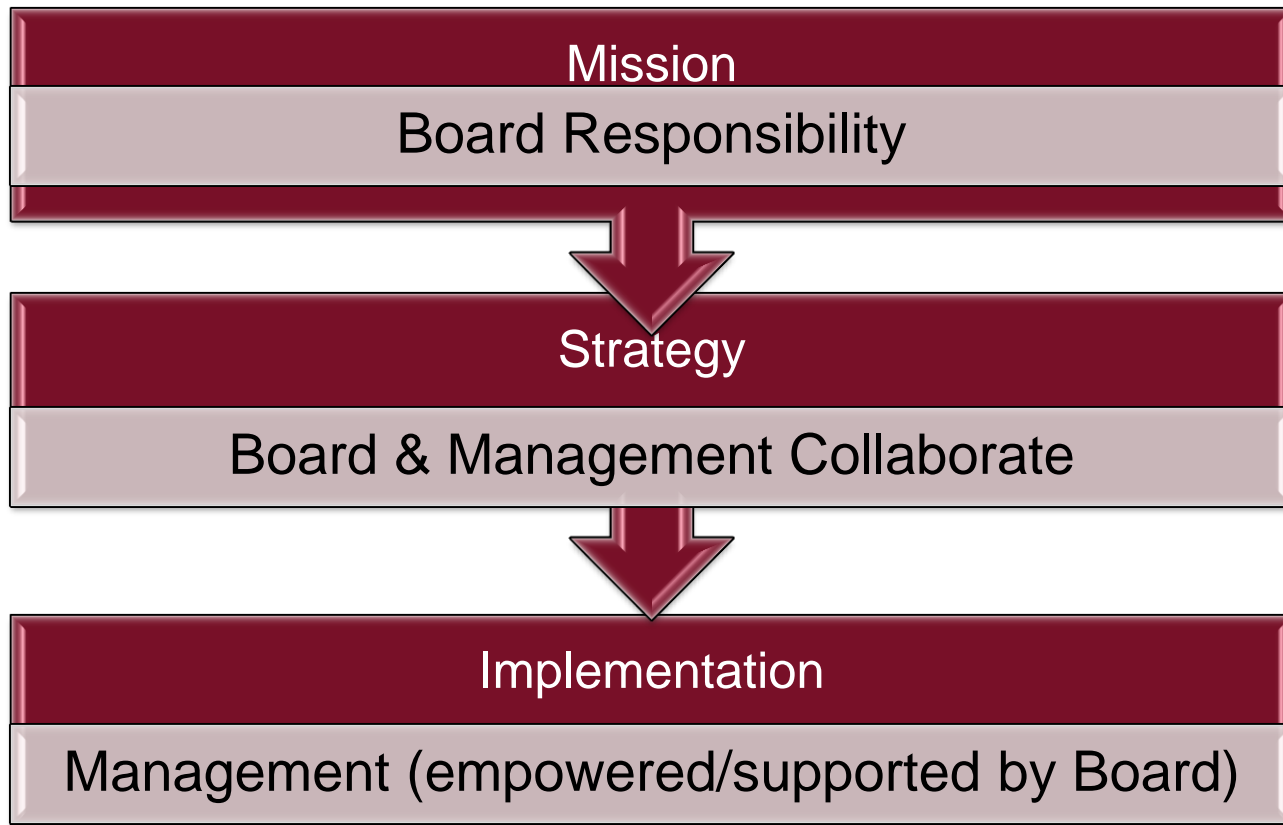
In the future, there will be two types of providers:

1. The Excellent
2. The Extinct

Aldersgate: What Governance Means

- Serve as guardians of vision, mission, values, resources
- Monitor operational performance against clearly defined performance targets
- Play a leading, proactive role in strategic decision making and setting strategic direction
- Ensure board members are fully engaged
- Take accountability for its own performance and CEO's performance









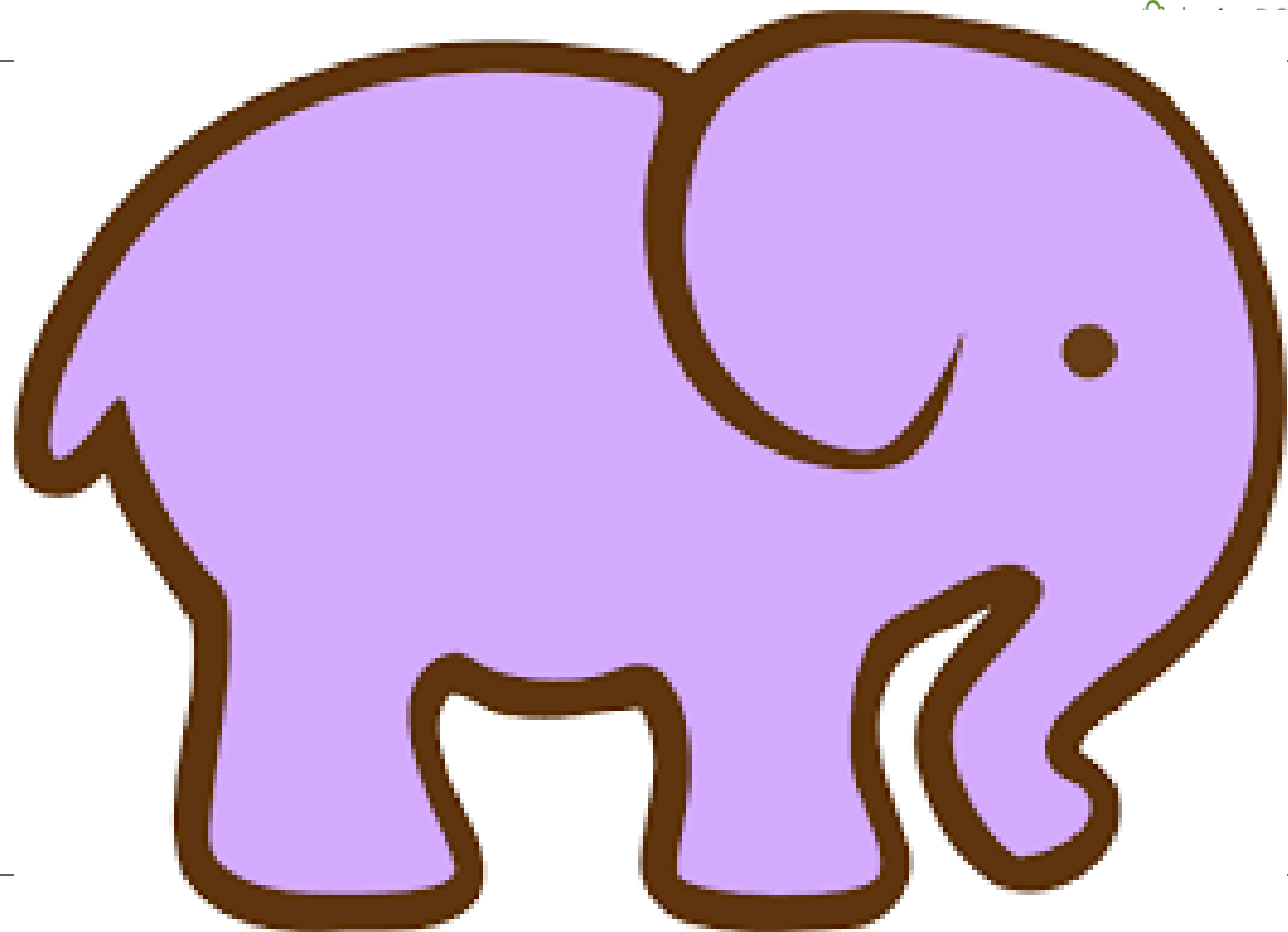
Implementation

Responsible
Party???

Strategic Planning is About Mission & Strategy

- NFP must first affirm and confirm its Mission (or revise and confirm as necessary)
 - Otherwise there is nothing to guide the organization’s direction and decision-making regarding strategic direction

| Strategic Plan Responsibilities | National Football League Equivalent |
|--|---|
|  |  |
| <input type="checkbox"/> Board defines the Strategies | <input type="checkbox"/> League (Board) defines the rules of the game |
| <input type="checkbox"/> Management prepares analyses (Business Plan) for each strategy which will define tactics, implementation, milestones, metrics, etc. | <input type="checkbox"/> Coaching staff (management) develops game plan(s) (business plans) |
| <input type="checkbox"/> Board approves Management’s business plan(s) | <input type="checkbox"/> Game plans must be within the confines of League rules |
| <input type="checkbox"/> Management is responsible for implementing approved plan | <input type="checkbox"/> Coaching staff (Management) executes plan during the game (implementation of plan) |
| <input type="checkbox"/> Board requires regular updates, approval of material changes, etc. | <input type="checkbox"/> League enforces rules and makes league-wide decisions |
| <input type="checkbox"/> Board provides the strategy, Management implements and operates | <input type="checkbox"/> NFL commissioner does not call all plays for every team |



A stylized purple elephant with a thick brown outline. A yellow rectangular banner is positioned horizontally across the middle of the elephant's body. The banner contains the text "Sponsorship Transitions" in a bold, red, sans-serif font. The elephant's trunk is on the right side, and its legs are on the bottom. The background is white.

Sponsorship Transitions

- Leadership Retirement
 - 40% of CEOs in next 5 years/75% in next 10 years
 - Attract better talent
- Healthcare
 - Additional programs and services
 - Innovation
- Financial Distress
 - Waited too long
 - Bondholder of Bank led
- Access to Capital
- Expansion of Mission
- Age of Plant

- Significant and Sustained Increase in number of Partnerships
- Asset Transfers/Sponsorship Transfers
 - In 2015 - Over 500 transactions for second year in a row
- For Profit growth and consolidation
- No longer just larger organizations doing it
- Progression along the spectrum

- Through Acquisitions and organic growth, the large For Profit Operators are significantly larger than the Not For Profit Operators.

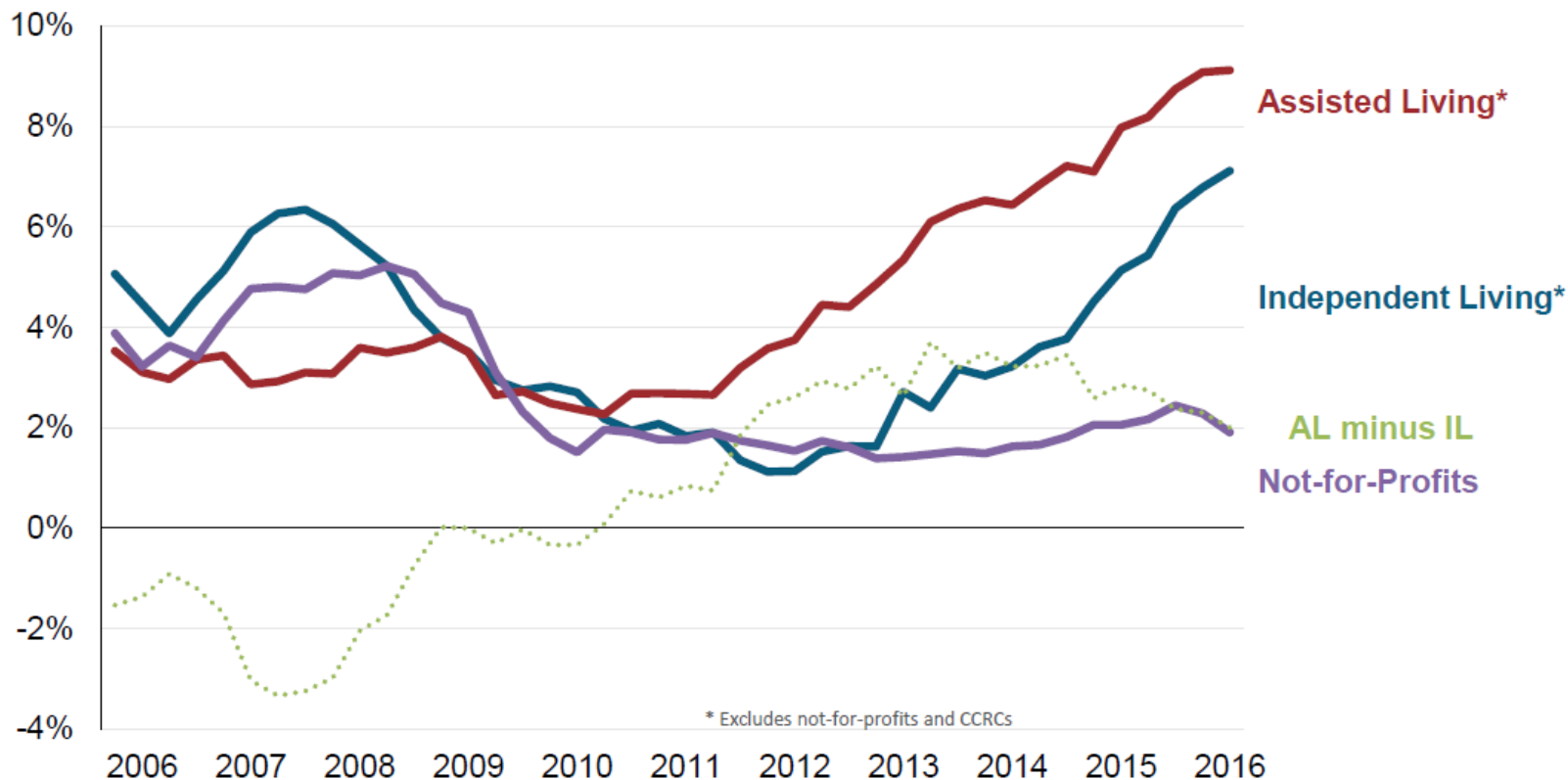
| Five Largest For Profits and the Five Largest Not For Profit Operators | | | |
|---|-------------------------------|-----------------------|------------------------|
| <u>Not/For Profit</u> | <u>Operator</u> | <u># Units</u> | <u># States</u> |
| For Profit | Brookdale Senior Living | 110,443 | 48 |
| For Profit | Holiday Retirement | 37,657 | 44 |
| For Profit | Life Care Services | 32,172 | 25 |
| For Profit | Five Star Senior Living | 31,267 | 30 |
| For Profit | Sunrise Senior Living | 22,561 | 31 |
| Not For Profit | National Senior Campuses | 18,122 | 9 |
| Not For Profit | Evangelical Lutheran Good Sam | 18,048 | 24 |
| Not For Profit | ACTS Retirement | 7,993 | 8 |
| Not For Profit | Presbyterian Homes | 6,867 | 3 |
| Not For Profit | Ascension Senior Health | 5,568 | 12 |

Source: For Profit - 2015 American Seniors Housing Association
 Not For Profit – Adjusted from 2015 Leading Age Ziegler 150

For-Profits are Growing

... And Are Growing Aggressively

**Construction vs. Inventory; MAP31
Seniors Housing | 4Q05 – 1Q16**



Source: NIC MAP Data Service

➤ For Profit Advantages

- Access to Capital
- Able to re-act quickly to new opportunities
- Able to make strategic decisions based on margin alone

➤ Not For Profit Advantages

- Able to access 'cheaper' Capital
- Able to Fundraise
- Religious/Family History

Affiliation Preparation

➤ Board Education

- What is happening in the SL Market
 - Partnerships

➤ Strategic Plan

- Honest view of yourself
- What is your vision for your future

➤ Board Tools to deliver on Plan

*Starts and
ends with
Board
education
&
discussions*

Sellers vs. Buyers

➤ No shame in being a Seller

- To be commended
- Selflessly looking out for best interest of the community
- Able to expand offering for existing residents
- Strengthen Mission



➤ Buyer

- Growth
- Spread overhead over a larger operational base
- Strengthen Mission

Being proactive increases flexibility and options

- Not necessarily brick & mortar focused
- Honest view of yourself
 - Single Sites
 - Multi Sites
 - System Providers
- What do you want to be when you grow up?
- How can you best fulfill your mission?



- What differentiates you from your competition
 - Including For Profit Competition
 - Mission is not always a differentiator
 - Entity A “Enriching the lives of those we serve with compassion, respect, excellence and integrity”
 - Entity B: “...Committed to providing security and peace of mind to seniors by being a pre-eminent provider of retirement-life services, responsive to individual, social, personal and health needs....”
 - Entity C: “Everything we do, we do for Residents”

- If result of the Board Education and the Strategic Plan are such that Affiliations, Partnerships, or Sponsorship Transitions are even a potential – take the extra step to further define what exactly you’ll consider

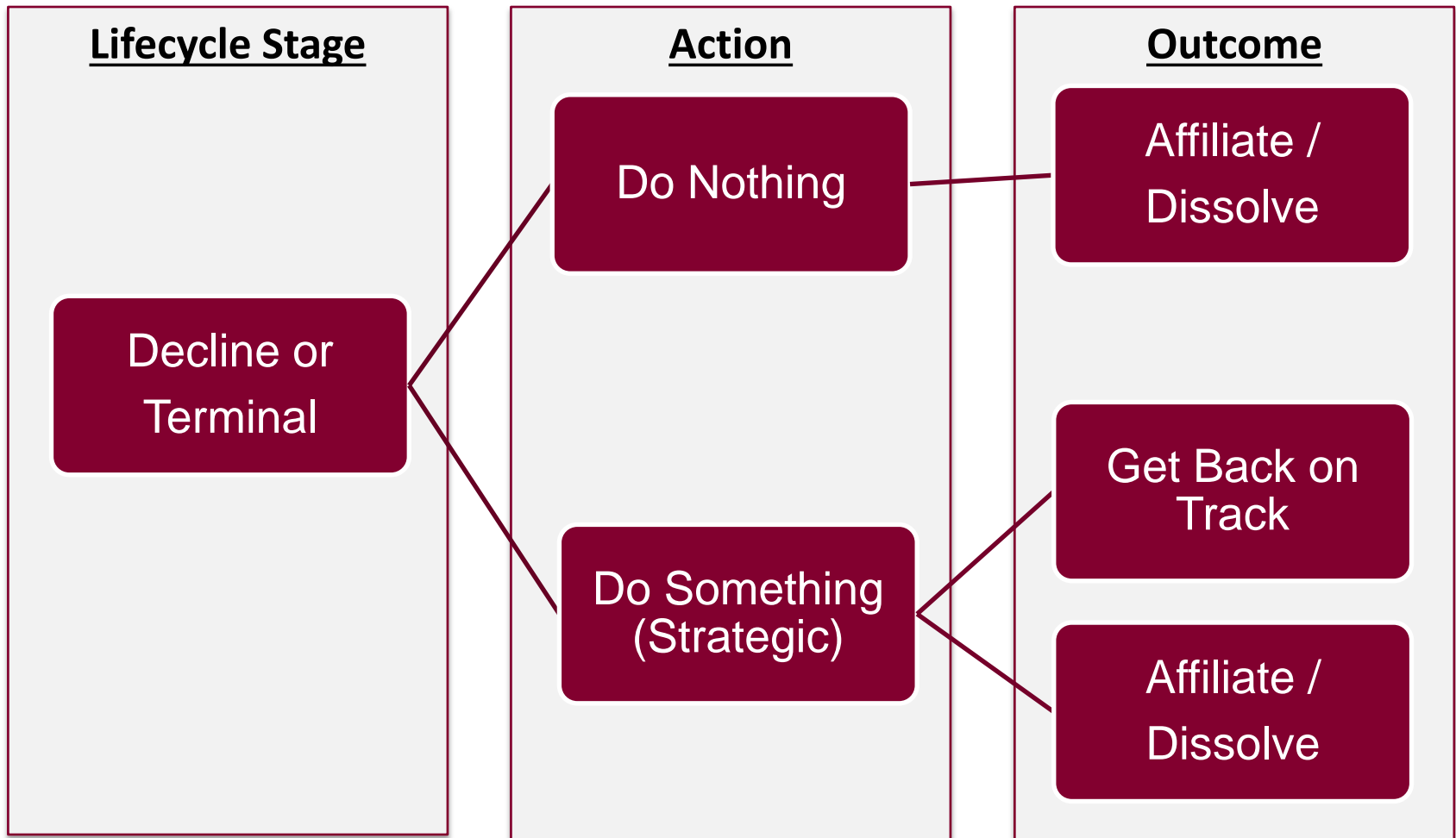
- Be pro-active to increase your chances for:
 - Being successful
 - Being responsive
 - Achieving board buy-in
 - Protecting the interests of your residents

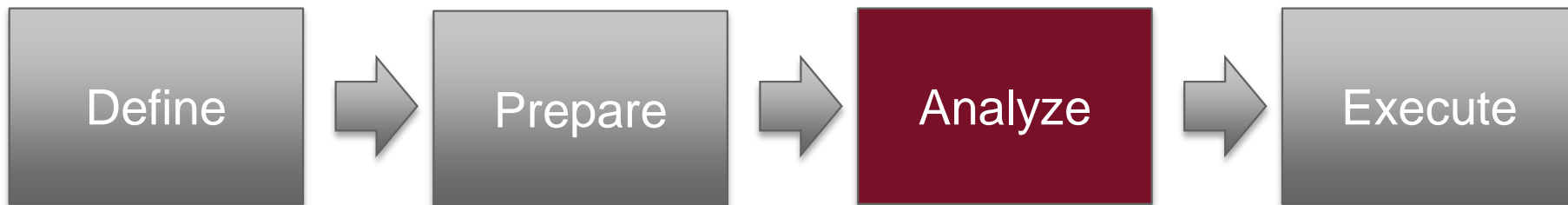


- The M&A world favors For-Profits
 - Structure
 - Access to capital
 - Timing
 - As a result of the above, they have more experience as well
- Increasing number of opportunities
- Proactive Education facilitate having the Board all on the same page prior to receiving a real opportunity

*For-Profits
will step in if
a Non-Profit
does not or
cannot.*

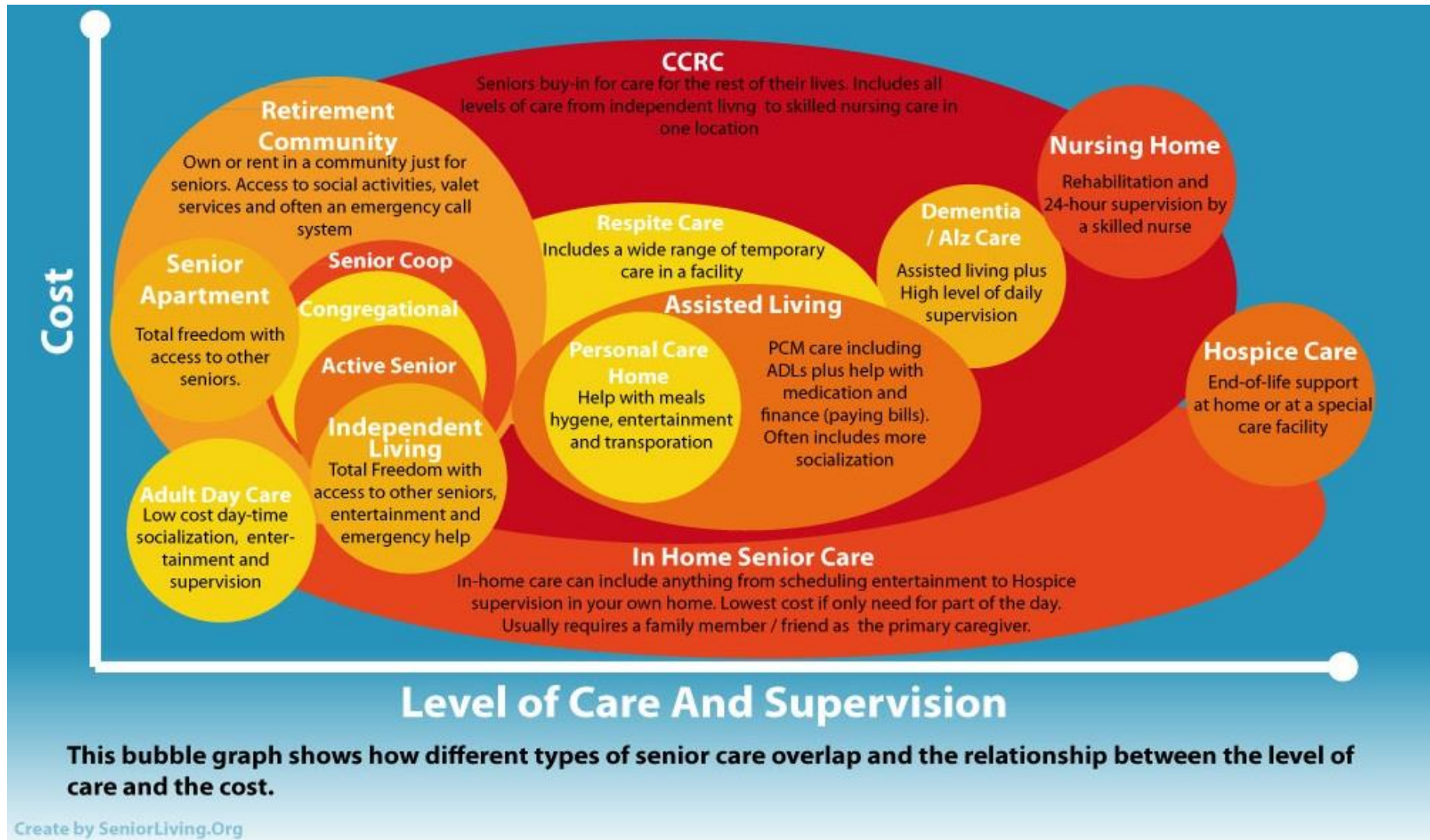
What is the risk of “taking the plunge”?





Analyze the Strategy

So Many Opportunities!!!





Make sure the mother ship is doing well!

➤ Collaborations

- Efficiencies

➤ Joint Ventures

- Expansion of Services

➤ Alliances

- Remain competitive

➤ Reserved Powers

- Strengthen Mission

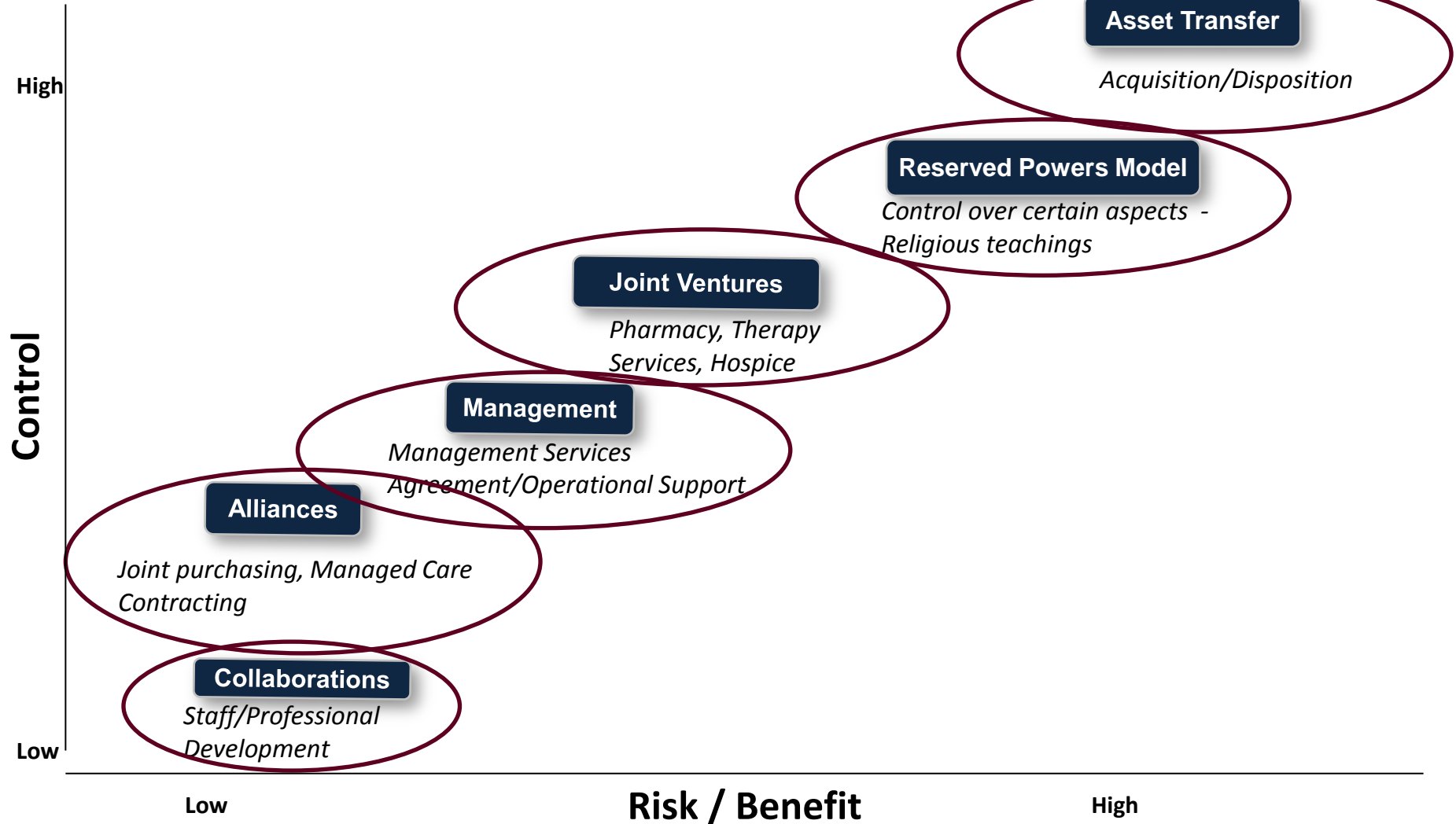
➤ Management Agreement

- Too small
- Change in Leadership

➤ Asset Transfer

- Operational/Mission preservation or growth

Relationship of Control to Benefits and Risk



Success Requires the Board to Embrace the Strategy and Champion its Implementation

Set Strategic Imperatives...



...Turn them into Guiding Principles

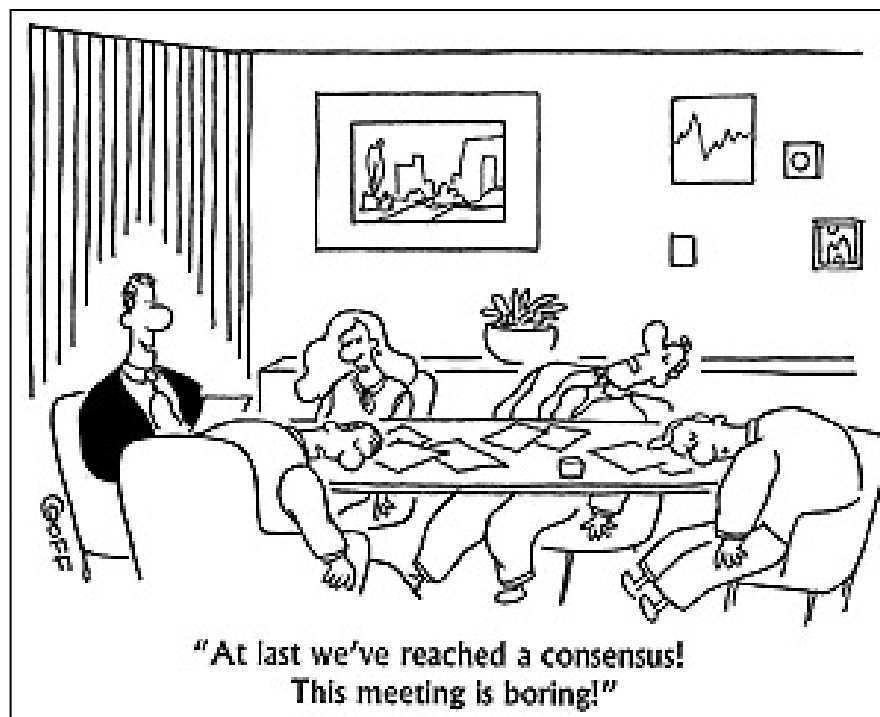
- Provides touchpoints going forward
- Project Team Consensus

What Does Consensus Mean?

Definition of CONSENSUS

- 1 a : general agreement : **UNANIMITY**
 - the *consensus* of their opinion, based on reports ... from the border —John Hersey
 - b : the judgment arrived at by most of those concerned • the *consensus* was to go ahead
- 2 : group **solidarity** in sentiment and belief

<https://www.merriam-webster.com/dictionary/consensus>



<https://funnytimes.com/19951122/>

Objectives

➤ Mission

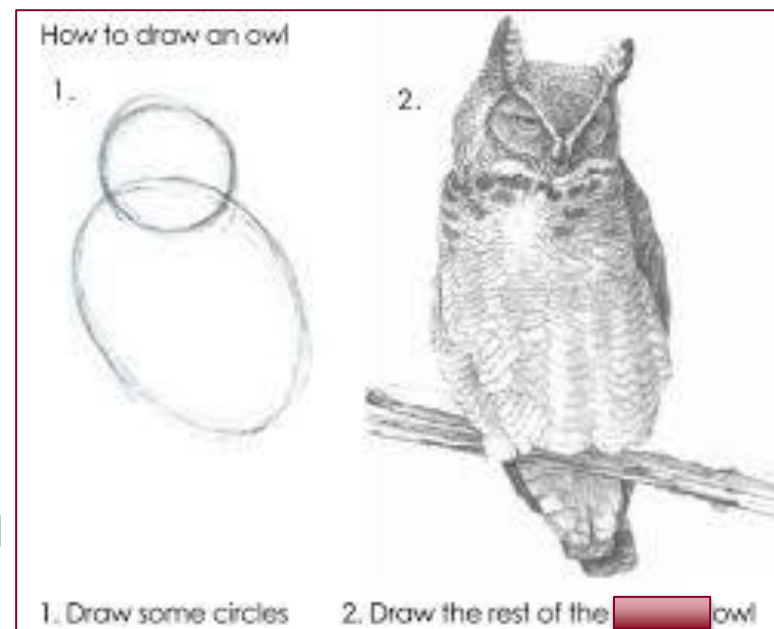
- Enhance Quality of Life for Existing Residents
- Improve Environment for Staff and Families
- Touch More Lives

➤ Market

- Create reasons for Consumer to change Traffic Patterns
- Meet the Needs of Key Health Care Referral Sources
- Become a Change Agent for the Surrounding Community

➤ Financial

- Leverage Areas of Excellence
- Expand Front Doors
- Establish a Sustainable Business Model



Act and Adapt

- Procrastination is the grave in which opportunity is buried
- Nothing good happens over time
- Make others play catch up
- The world will be different in 10 years



Don't Assume the Impossible is Impossible



What's Trending

➤ Technology

- SMART Homes
- Wireless is a must
- Social Apps

➤ Physical Plant

- Dining- variety, choices outside the campus, alfresco, rooftop, fire pits
- Wellness
- Convertible Spaces

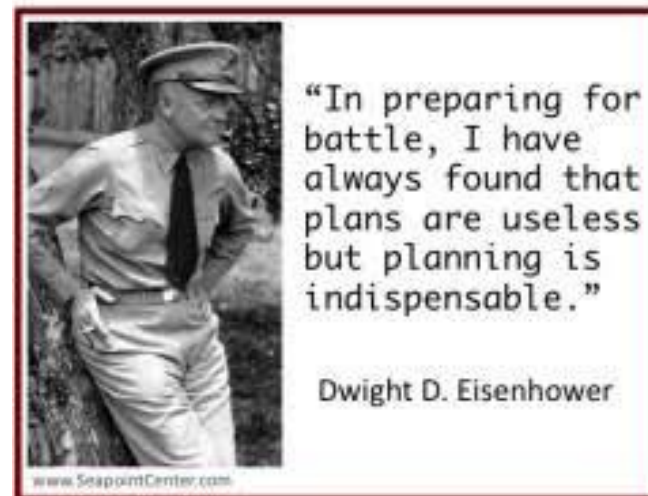
➤ Types

- Satellite Campuses
- Urban Settings
- Rental Retirement Communities



**“PLANS ARE NOTHING;
PLANNING IS EVERYTHING.”**

DWIGHT D. EISENHOWER





Questions



BB&T Capital Markets
Developing sophisticated systems for success
How CARF accreditation exposes organizations to the systems they need to thrive

BB&T Capital Markets
A Case Study Successful Execution of Strategic Plan: Being Adaptive is Key
By John Franklin, Managing Director/Group Head, BB&T Capital Markets Healthcare Finance Group

BB&T Capital Markets
Leadership Lessons From The Battle Of Gettysburg
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Ready to Ride the Wave?
By Roger Randall, Senior Vice President, BB&T Capital Markets
So much has been made of the coming age wave, the so-called "Silver Tsunami." What does this really mean for providers? If a rising tide lifts all boats, will this population wave buoy the fortunes of senior living providers nationwide? Or will it carry providers out to sea with no hope of return?

BB&T Capital Markets
Possible Elimination of Labor Could Impact Senior Living Communities
Regulators Look To Possibly Replace Key Financial Benchmark

BB&T Capital Markets
Implications of Recent Tax Reform What Tax-exempt Borrowers Should Know
By Lynn Daly, Managing Director, BB&T Capital Markets Healthcare Finance Group

BB&T Capital Markets
Embracing the Risks of Senior Living Project Development
By Roger F. Randall, Senior Vice President

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BB&T Capital Markets
Risk Management for Not for Profit Senior Living Providers
By Roger F. Randall, Senior Vice President

BB&T Capital Markets
Predictions for 2016
For-profit providers will continue developing rural communities - market fundamentals support it.

BB&T Capital Markets
Predictions for 2016
According to a report by the Joint Center for Housing Studies of Harvard University, entitled "Projections & Implications for Housing a Growing Population: Older Households 2015-2035", as the population of this country continues to age...

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**How is your business
like the dating scene?**

Non-CCRC Communities

- 80% owned & operated by For Profits
- Median age is 14-17 years old
- 20% of Units > 20 years old

CCRC Communities

- 80% owned & operated by Not For Profits
- Median Age is 23 years old
- 40% of Units > 20 years old

Your Competition is Half Your AGE!!!

Source: ASHA's 2015 State of Seniors Housing

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