COVID-19 Weekly Industry Updates

In this Industry Update you will discover:

SENIOR HOUSING NEWS

The Bottom Line: Good Samaritan Stays Nimble to Meet Covid-19 Financial Challenges

As the second-largest nonprofit provider in the country, Good Samaritan has felt the pressures of financial and staffing hardship through the COVID-19 crisis. Their unique position has given them a perspective on the national healthcare system and the response of the government to the outbreak in recent weeks.

Written by: Chuck Sudo

5/10/2020

After affiliating with Sanford Health in 2019, the Evangelical Good Samaritan Society entered 2020 on stable footing and with access to ample financial resources as part of a larger health system.

This improved financial position and the flexibility it brings is being put to the test during the Sioux Falls, North Dakota-based nonprofit provider response to the global coronavirus outbreak, Vice President of Finance Eric Vanden Hull told Senior Housing News.

Agency staffing costs are one of the biggest concerns for Vanden Hull, and rates have soared — two times higher than usual in some cases, since the virus spread across the country. In response, Good Samaritan implemented a one-time "stability payment" bonus ranging between $50 and $300 to all non-exempt, hourly employees. Additionally, Good Samaritan is paying their health insurance premiums for the next several months.

Good Samaritan was in the process of overhauling its HR teams and recruitment efforts when the virus spread, forcing it to extend agency contract in order to retain staffing levels. Vanden Hull sees opportunities to scale

back the reliance on agency help during the crisis in a fast-growing labor pool, and has seen new hires increase in some communities.

"Anytime in health care, as crises occur within certain facilities, you've got to be nimble with how you're compensating and how you're accounting for work, to ensure that you're keeping an adequate workforce where it's needed," he said.

The pandemic is the latest challenge in a busy 18 months for Vanden Hull since he joined Good Samaritan after it closed on an affiliation with Sanford Health in early 2019. The newly merged company identified a three-part strategy with a goal of putting Good Samaritan on stronger financial footing. The first leg involved finding operational and supply chain efficiencies which netted the provider a $4 million savings last year.

Good Samaritan ranked as the second-largest nonprofit provider in the country last year, with 153 communities across 24 states. The Sanford Health affiliation, with more than 44 hospitals and 28,000 employees, gave the provider a shot in the arm in terms of cash on hand and revenue cycle management.

This interview has been edited for length and clarity.

Senior living has gotten more operationally and financially complex over the last few years, and coronavirus is compounding matters. How has that placed new demands on you?

We've had a lot of movement towards tracking costs and lost revenues. How do we account for this [is important] because most of the state grants, FEMA grants, and federal stimulus have stipulations tied to it. [Agencies] want to make sure that the dollars are being spent on legitimate Covid-related activities, and we want to make sure that we're tracking them accordingly. We've never had anything quite like this where we have expenses in so many different areas and revenue loss in different areas.

We're in 24 different states depending on what service lines you're looking at, and we're a billion dollar company. There are a lot of people we have to work with. Communication has been really key: We started out with daily meetings with all of our regional leadership. We've gone now to having Monday, Wednesday, and Friday meetings. We've got a daily meeting with our Sanford Health corporate office. We do a weekly town hall with pretty much all of our local leaders and so there's hundreds of people on the [calls] every week, and we do a high level presentation and allow for Q&A to all of our locations all around the country. I'd say [communication] is the biggest thing that's changed.

What were the pre-Covid pressures you were addressing?

I look back to the last year and a half and the biggest issues we were dealing with were a couple of pretty large changes in how CMS reimburses us. In skilled nursing, PDPM was a pretty large scale payer change [last October]. And then PDGM for home health [took effect in] January.

We had just gotten those programs implemented and [started a] good retrospective review of how it was working, just in time for Covid to come along.

When you started with Good Samaritan, where was the company at and what were your main priorities?

It was last January when Good Samaritan and Sanford health combined together as one organization. My major priority was integrating the two companies. I had been with Sanford for about six years prior to the merger. There's a lot to that from both a company perspective and a financial perspective.

What are some of the advantages with having an integrated health system in place?

We [secured Good Samaritan communities] in Kissimmee and Deland, Florida [during] Hurricane Dorian last year and we saw a lot of advantages of the [affiliation] even then, having additional emergency response teams, and different resources from a supply chain perspective.

With [Covid], we've seen even more advantages, whether it be a bigger supply chain department that can better contract to get PPE, and more clinical expertise. Sanford has thousands of physicians and the clinical expertise at our disposal is something we never would have had without the affiliation.

We've got centralized groups that can look at [costs]. We've got a centralized enterprise grant team that's pretty robust. Tracking down what 24 states are doing with grants can be really tedious. [It's an advantage having a] robust grants team to help us out, making sure we're applying for the opportunities that are out there.

The revenue cycle is another example. We've combined two teams from the front end all the way back to the billing collection, and we've seen so many improvements over the last year and a half, it's really set us up so we're in a better spot to absorb some of these [pressures].

Is there a number or percentage that you can share with regards to the assistance that Good Samaritan is receiving from federal and state authorities?

We're still processing how much is being received and what it means to the organization. We're trying to be proactive with grants. We feel like we've got good criteria and are making sure that we're setting ourselves up to be successful in tracking these costs.

How are you thinking about costs/expenses for 2020?

The biggest area that has changed a lot since Covid-19 is our agency costs. As you're probably aware, most companies have a fair amount of agency staffing in long-term care; we're no different. We had a goal of building our retention of employees, centralizing our HR team and doing a better job of recruiting and keeping people. [This involved] combining with Sanford HR more to provide a more data-driven focused recruiting team and better aid in employee retention. [We are also] building a more nursing focused culture with a dedicated nursing structure headed up by a new vice president of nursing — [this is a] new position to Good Samaritan after the affiliation. Sanford has always had a strong nursing structure and dedicated leadership, and saw the value in investment to build up this structure.

In the short term, it's gotten a little bit more difficult, [between] peoples' childcare needs and other needs that they have around the country. It's been harder to keep our facilities staffed. [Coronavirus] forced us to look at increasing some agency contracts right away, to combat some of the staffing issues.

[More] recently, with some of the economic [fallout], there are a lot of people looking for work and we've been able to increase our hires in the last couple weeks. We're hoping that we can get back to a point where we can actually benefit from some of the things going on right now and keep hiring.

Are there other balance sheet items that concern you, or areas where you expect to make significant investments, or achieve any cost reductions?

The biggest ones are PPE and supplies — the quantity that we have compared to our historical run rate, as well as the [immediate] costs.

We're starting to see some availability of certain [PPE] items with manufacturing plants and other things that have switched over to producing, if it's gowns or different equipment. We found alternative sources [for PPE]. The big thing with our supply chain integration with Sanford is we've been able to find sources of getting materials we never have in the past, but there has been increased cost and increased quantity, obviously, for those items. That and staffing are our two biggest expense items that we do anticipate over the next couple months at least to be higher throughout this year.

We've made some investments in technology. We bought quite a few iPads for all of our residents across the country so that they can stay connected with their families. We believe that it's hard to have a good [engagement] experience in this environment, so we're trying to use technology — telehealth or otherwise — to do fun things within the sites to get the best experience we can because in the end, providing high quality resident care and protecting our residents [is] best thing long-term for the company.

How are wage pressures during Covid-19?

We did a program — a "stability payment," we call it — where we we paid out a one-time bonus to all non-exempt employees, as they are the people that are mostly being impacted by this, whether it be taking care of a patient on the front line or census driven areas. We're paying their health insurance premiums if they're on our group health plan for the next several months.

Anytime in health care, as crises occur within certain facilities, you've got to be nimble with how you're compensating and how you're accounting for work, to ensure that you're keeping an adequate workforce where it's needed.

How's the availability and cost of capital at the moment, do you expect any tightening of the debt or equity markets in the near term?

We have a separate treasury department within Sanford. I've worked with them on [issues] but I'm not going to pretend to be a debt or equity expert by any means. From an overall capital purchasing standpoint, we've shifted some of our focus. We're not spending as much on [capital expenditures] right now, because we don't want people in our facilities. We've put those on pause right now, out of an abundance of caution. That's temporary in nature, but we'll see how this all plays out.

We are hearing that investors are gradually returning to the space, with a lot of private equity chasing deals. How is Good Samaritan thinking about growth in the next 3-5 years, and how is Covid affecting those plans?

We're always looking at how do we grow and mission and provide a better experience to our residents through growth. In the last couple months at least, it's been more about making sure we're preparing for Covid. Internally, [we've placed] more emphasis on that than anything else. And we've spent a lot of time as an executive team and as an administrative body, making sure that we're doing the best things in this pandemic.

With the Sanford Health affiliation complete, how are you positioned in the Medicare Advantage space?

About three years ago, Good Samaritan started the Great Plains Medicare Advantage and they operate in Nebraska, South Dakota and North Dakota. We started looking at capitated base payment and what that looks like.

Sanford has its own health plan, where we've brought leadership together in those areas to enhance and continue to build [MA] and look at what the future of that [holds]. It's exciting from that standpoint.

Mission vs. margin is a theme in senior living and maybe a challenge. Do you ever feel like you're fighting to protect margin while others in the organization are freer to focus on mission? How do you define a healthy margin in this business and ensure that you're striking the right mission/margin balance?

When we combined our organizations, we established some new mission statements. We've got a great mission and it's a large part of what we do every day. We've been able to keep that emphasis on mission.

The margin side of it is also very important to the organization. Most of the leaders around here recognize that we need to push for both. You can't have one without the other. We've been adamant about kind of pushing both sides of it and making sure we're not lessening the mission, but making sure we've got our eye on the margin.

We want to be able to give back to our employees consistently, through raises and bonuses. We want to be able to give our communities the facilities that they're proud of. That's the real measure of if margins are adequate or not, if you're satisfying your employees and communities. We do quite a bit of planning around that on an annual basis.

Did you ever envision yourself in the senior living industry back at the start of your career?

I started out in public accounting for six and a half years. If you would have told me 12 years ago that I'd be working in long term care, it wouldn't have been one of the industries I thought I would be in. It's been a natural evolution.

I moved to Sioux Falls and we have some really good health [systems]. Sanford Health is obviously a well-known and respected company. My sister-in-law actually works at Stanford. We talked about me coming over and I decided to look at health care, and there's never been a boring day. When I came from public accounting, I questioned whether it was going to be fast paced enough for me, and I've been just surprised every year at how many things evolve and how fast the industry moves. It's been a great industry.

I'm glad I ended up where I ended up. It's been really good for me personally and professionally.

SENIOR HOUSING NEWS

Covid-19 News Bulletin: Assisted Living Covid-19 Cases Exceed 700; Occupancy Dipped Slightly Before Pandemic Struck

COVID-19 Weekly Industry Updates

Senior Housing News recognizes the seriousness of the Covid-19 pandemic, so we will be updating this bulletin to keep you apprised of the latest developments, focusing on news and information that we identify as especially pertinent to senior living.

Written by: Tim Mullaney

5/9/2020

Senior housing occupancy for Q1 2020 was 87.7%, which was a slight dip from 88% in the previous quarter, according to data released Thursday by the National Investment Center for Seniors Housing & Care (NIC).

Given that the U.S. Covid-19 outbreak did not take hold until mid-March, this data should be seen as a benchmark for where occupancy stood prior to the pandemic, NIC stated in a Thursday press release.

“Data from the first quarter will be an important benchmark moving forward in these unprecedented times, with occupancy and construction starts challenged by circumstances beyond anyone’s control,” said NIC COO Chuck Harry, in the release. “The industry’s first priority is to ensure that frontline caregivers are in the best possible position to address the health and safety of residents, as well as their own wellbeing and that of their families.

Occupancy for majority independent living communities came in at 89.9% for Q1 2020, which was a drop of 10 basis points from the previous quarter.

Assisted living occupancy dropped 20 basis points from the previous quarter, to 85.3%. The record low for AL, set in 2019, was 85.1%.

In an effort to determine how Covid-19 might be affecting senior housing occupancy, NIC conducted an executive survey between March 24 - 31. This showed that occupancy had remained stable, with two-thirds of respondents saying that occupancy rates had not changed from one month prior.

However, real estate investment trusts have been reporting a slowdown in move-ins during the second half of March. Some industry analysts have warned that occupancy could hit historically low levels due to the pandemic.

Over the last four quarters, new construction starts in NIC’s primary markets totaled 17,062 — the fewest since 2014.

“The deceleration in assisted living property construction starts foreshadows a further slowdown in new senior housing development associated with the effects of the COVID-19 pandemic,” said Beth Mace, NIC’s chief economist, in Thursday’s press release. “Many finance and capital providers are waiting for more clarity on how the pandemic will play out to understand what impact it will have on the broader economy.”

1Q20 NIC MAP Market Fundamentals

	Seniors Housing*			Nursing Care
	Overall	Majority IL	Majority AL	Majority NC
	Market Fundamentals 1Q20			
Occupancy	87.7%	89.9%	85.3%	86.7%
Annual Rent Growth	2.4%	2.4%	2.5%	2.6%
Annual Absorption	3.1%	2.2%	4.2%	-0.2%
Annual Inventory Growth	3.3%	2.7%	4.0%	-0.1%
Construction vs. Inventory	6.2%	5.8%	6.8%	0.6%
Rolling 4-Quarter Starts vs. Inventory	2.6%	2.5%	2.8%	0.2%
	Capital Markets 4Q19			
Transaction Volume (millions)	$3,110.1			$780.9
Rolling 4-Quarter Price Per Unit	$209,595			$81,070
Rolling 4-Quarter Cap Rate	5.9%			10.4%

* Overall Seniors Housing combines Majority IL and Majority AL Properties
Source: NIC MAP® Data Service
Data for the Market Fundamentals is representative of the Top 31 Primary metropolitan markets.
Data for the Capital Markets is representative of all U.S. property transactions of at least $2.5 million.

Also in the news:

— Assisted living facilities across 29 states are dealing with more than 700 confirmed cases of Covid-19, Kaiser Health News (KHN) reported Thursday, citing public health authorities and news organizations.

"Assisted living complexes, home to more than 800,000 people nationwide, have quickly become a new and dangerous theater in the coronavirus war," reporters Laura Ungar and Jay Hancock wrote in their article, which also ran in USA Today. "Challenged by deepening financial pressures, sicker residents, limited oversight and too few employees, they now face a crisis that could force companies into bankruptcy, roil the industry and even close some facilities — putting frail seniors at greater-than-ever risk."

— Shares in publicly traded senior housing owners and operators rallied on Thursday as stock markets surged on news of additional actions from the Federal Reserve to shore up the economy. Among the biggest gainers, Brookdale Senior Living (NYSE: BKD) was up 17.61% at market close; Ventas (NYSE: VTR) was up 12.18%; and Capital Senior Living (NYSE: CSU) was up 28.88%, although its shares still were trading below $1.00.

Over the course of the week, the S&P 500 recorded its largest one-week gain since 1974, of 12.1%. The Dow Jones Industrial Average also gained more than 12%. Markets are closed on Friday in observance of Good Friday.

— Sienna Senior Living (TSX: SIA), which operates 83 residences in the Canadian provinces of Ontario and British Columbia, withdrew its 2020 guidance in light of Covid-19. The Ontario government has allocated $243 million to support long-term care homes and $20 million to support retirement homes, while the British Columbia government has allotted $10 million for long-term care homes, Sienna noted in a press release Thursday.

"We continue to believe that Sienna's fundamentals remain strong with a solid balance sheet and ample liquidity. At this time, the Company has approximately $215 million of liquidity and an unencumbered asset pool of approximately $540 million," the press release stated.

— Senior living communities in California are implementing more stringent policies regarding residents re-entering after a hospital stay, the San Diego Union-Tribune reported.

Skilled Nursing News

With Federal Help Pending, 'Parking Lot Guy' Becomes Most Reliable Source of PPE for Nursing Homes

With the PPE shortage within nursing facilities becoming more critical than ever and the prices for each unit of PPE, there are new difficulties faced by the owners of SNFs. Alternative resourcing has become more prevalent as some facilities are running out of PPE faster than they have expected to be.

Written by: Alex Spanko

5/7/2020

Despite promises from the federal government to speed the distribution of vital personal protective equipment (PPE) to the nation's nursing homes, operators still find themselves paying exorbitant prices for necessary equipment — when they can even find any at all.

Amid a global pandemic that laser-targets vulnerable elders, one of the most reliable PPE sources for a provider in the New York City suburbs is a man whose name remains unknown even to its CEO.

He is simply "Parking Lot Guy."

"He's actually met with us in parking lots," Jewish Home Family CEO Carol Silver-Elliott said during a Thursday virtual event hosted by trade group LeadingAge. "We've been able to take a deep breath and wire money to bank accounts we've been told to wire money to, and the supplies thankfully have appeared — and have also been of good quality."

Jewish Home Family provides skilled nursing, assisted living, and other senior care services in Bergen County, N.J., a largely affluent region just across the Hudson River from Manhattan. Even though the non-profit sits in one of the hardest-hit areas in the United States, Jewish Home Family has been largely on its own when looking to secure vital PPE; the organization has received "little or no help," according to Silver-Elliott.

"To think that we have to work these back channels — to think that we have to fight for every bit of PPE, that we have to worry that we're going to run out," the CEO said.

Thanks to mysterious sources like Parking Lot Guy, Jewish Home Family has been able to secure enough supply so far. But the non-profit has spent more on PPE in one month than it does in a year, Silver-Elliott said, while at the same time burning through supplies 200% faster than normal.

“The reality is without rapid testing, it appears to me that we’re going to be talking about PPE for a very long time, for the foreseeable future,” she said. “That’s something that, as an organization, I don’t know how we support.”

Silver-Elliott and Jewish Home Family aren’t alone. With supplies scarce and demand only increasing as COVID-19 continues its deadly march through nursing facilities, the cost of PPE has skyrocketed, with average markups exceeding 1,000% as early as April — with price increases on some items exceeding 6,000%, according to an analysis from the Society for Healthcare Organization Procurement Professionals (SHOPP).

On the other side of the New York-New Jersey metro area, Gurwin Jewish Nursing & Rehabilitation CEO Stuart Almer has seen a similarly unsustainable jump in his PPE bills.

“I signed one check about a month ago, and I had to do a double-take. It was a check to get some advanced ordering of PPE for the tune of $150,000. Not $3,000 or $8,000 — $150,000,” Almer told SNN last week. “We have gone from paying pennies per unit for an item to dollars, and I’m not being dramatic, whether you’re talking about masks, gowns.”

The need for supplies will only intensify the longer the COVID-19 crisis drags on, and the federal government only last week announced a plan to send PPE to each of the country’s more than 15,000 nursing homes. Even then, the Federal Emergency Management Agency (FEMA) program will bring just two weeks’ worth of necessary items, staggered across two shipments, with a target completion date of July 4.

Katie Smith Sloan, president and CEO of LeadingAge, has attacked the Trump administration’s plan as too little, too late, calling on the federal government to prioritize senior care for testing, PPE, and other assistance.

“Our hopes were up when we heard that FEMA was stepping in with PPE, but they were soon dashed when it was announced that nursing homes would receive a grand total of two weeks’ worth of supplies, and shipments would not be completed until sometime in July,” Sloan said. “This is just a drop in the bucket.”

The FEMA plan also leaves out other care settings that need PPE, such as assisted living and affordable housing, Sloan observed; about half of LeadingAge’s members, which include a range of non-profit senior housing and care providers, said they only had enough gear to last two weeks or less in response to a recent poll.

The concerns will only intensify as individual states move to reopen their economies, which leaders have warned could only increase the devastation in nursing facilities.

“We are at a fork in the road,” Sloan said. “Do we ignore and sacrifice the lives of older Americans by reopening without regard to the consequences, or do we take action now?”

Skilled Nursing News

CMS Mulling Multi-Phase Plan for Lifting Visitation Bans at Nursing Homes

CMS is taking precautions in order to possibly open nursing homes to small groups of visitors during specified hours. Right now, this guidance is still under review, but the agency realizes that at a certain point it may be possible to allow visitors without the increased risk of spreading the virus to more patients and families.

Written by: Alex Spanko

5/10/2020

The federal government is considering a plan that would lift visitation restrictions at the nation's nursing homes in three phases, according to a Sunday report in the Wall Street Journal.

The Centers for Medicare & Medicaid Services (CMS) would require nursing homes to achieve at least two weeks with no new COVID-19 cases before allowing restricted visitations and group activities, the Wall Street Journal reported. For facilities where more than a quarter of residents have tested positive, the period would be doubled to 28 days.

Meeting those benchmarks would put the facility in the second phase — phase one being the current lockdown — under which visits by small numbers of people, during limited hours, would be allowed.

A given nursing home would need 14 more days without any new infections before graduating to the least restrictive third phase, with communal activities returning as normal and "broader visitor access," according to the Journal.

The nation's more than 15,000 nursing homes have been under lockdown since March 13, with visits by non-essential personnel banned in an effort to reduce the spread of COVID-19.

While the asymptomatic transmission of the novel coronavirus has made such guidance vital, both industry leaders and resident advocates have raised concerns about the social isolation of vulnerable seniors living in nursing homes.

The move was also not enough to prevent a devastating death toll in long-term care facilities, which the Journal pegged at more than 27,000.

The Journal based its reporting on sources that had seen internal drafts of CMS's nursing home reopening proposals; it was not clear when the agency might roll out a formal plan, and the publication cautioned that the final strategy may differ substantially from the drafts.

A CMS spokesperson told the Journal that the agency does not comment on leaked drafts, but added “it only makes sense that CMS would also be highly engaged with working with stakeholders to plan for a potential future reopening.”