

# NHC: High-Quality Operator But No Growth Surge on the Horizon

Companies: BKD, NHC, WELL

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## Research Question:

**Is National Healthcare Corp. poised for growth as the senior care sector recovers from the devastation of COVID-19?**

## Summary of Findings

- [National Healthcare Corp.](#) (NHC) got high marks for the quality of its senior care operations in 15 interviews with competitors, current and former staff, and other industry specialists. However, its opportunity to grow by scooping up assets from [struggling competitors](#) remains muted at the moment, as most facility owners continue to hold out for pre-pandemic prices on prime assets.
- The senior care properties changing hands right now are mostly smaller, older, neglected facilities, sources said. More prime assets should reach the market over the next one to two years, though not necessarily at bargain-basement prices, as the senior care industry continues its recovery from the COVID-19 upheaval. Occupancy rates are rising and should continue to trend upward, especially with little new construction on the horizon. Multiple sources said rental rates are up more than 10% this year.
- Senior care real estate investment trusts (REITs) like Welltower Inc. (WELL) that are trying to reorganize are mostly [pulling assets](#) from large national operators and trying to focus on smaller, more nimble regional management, sources said. The larger companies are not necessarily poorly managed, but their size made it more difficult for them to adapt to the rapid changes stemming from COVID. Some REITs are pursuing collaborations with private equity as an alternative to divestitures, one source said.
- The more attractive growth opportunities appear to be in the assisted living sector rather than the skilled nursing facilities that make up the vast majority of NHC's beds, seven sources said.
- Sources knowledgeable about NHC's operations, including current and former employees, said the company distinguishes itself with a strong focus on high-quality care and staff satisfaction and has proved itself innovative over the years. One source familiar with NHC's management team called it an impressive group.
- NHC scores well in employee retention metrics, which one source said is closely correlated with high-quality care. NHC tries hard to avoid using outside staffing agencies, two sources said, because such caregivers are sometimes less committed to quality and adhering to company policies than regular employees.
- [Staffing levels](#) remain an industrywide problem, even with wages as much as 30% higher than three years ago. Reduced- or poorer-quality services stemming from staffing shortages, combined with increasing rental rates, is leading to lower satisfaction levels among senior residents and their families. Some facilities have more capacity but cannot fill beds because of a lack of staff.

## Key Quotes

"NHC was founded by a family, and they have always treated their employees like family. I've always had [NHC's] support to do my job. We've been through the hardest time [during COVID] as a company and as a family, but they've continued to have our backs."

"Historically, we used to increase rent by 3% to 5% a year for private-pay, but this year the average was 8% to 12%. With high inflation and the Social Security increase, our rates have gone up more than in any of the last 20 years."

"New development [of senior facilities] has ground to a halt. We also saw that happen between 2009 and 2011 after the housing bubble burst. The industry was able to achieve historic highs in occupancy [back then]. We are all hoping and expecting the same thing happens over the next couple of years."

"Staffing has not gone back to pre-pandemic levels. ... We had a mass exodus of people during the pandemic, and we've not recovered yet. We are not even able to take patients into our centers that we actually have beds for because we don't have staff for the beds."

"The owners selling buildings now still want pre-pandemic pricing. ... Over the last year, people have been in a holding pattern, trying to wait it out and not selling unless they really have to. But at some point, it will start to normalize as interest rates come back down and stressed communities are forced to sell."

"The senior living industry will continue to see distressed assets sold in the short term. However, by 2024, an unprecedented amount of funds with seasoned assets will likely go to market."

# National Healthcare Corp. (NHC)

	Senior Care Occupancy and Rental Rates	NHC's Operational Quality	NHC's Opportunity to Grow Through Acquisitions
NHC Competitors	↑	↑	→
Current and Former NHC Staff	↑	↑	→
Industry Specialists	↑	↑	→

## Background

The nursing home industry [suffered a devastating setback](#) due to COVID with the loss of residents and staff. Occupancy rates and staffing levels declined dramatically during the pandemic, hurting service levels, the quality of care, and financial performance. As COVID infection rates have declined, the nursing home industry is starting to recover, with rising occupancy rates and improved staffing. The nursing home industry will be near its pre-pandemic census levels [by the end of 2023](#), said Mark Parkinson, president and CEO of [AHCA/NCAL](#), the American Healthcare Association and National Center of Assisted Living.

National Healthcare Corp. is the oldest publicly traded senior healthcare company in the United States, having provided nursing home care for more than 50 years. The company operates in 10 states and owns or manages 69 skilled nursing homes, 23 assisted living communities, five independent-living communities, 35 home care agencies, 29 hospice agencies, and three behavioral-health hospitals. The company is considered an industry leader, employs almost 13,000 people, and has a rating of 3.8 out of 5, compared with the industry average of 2.9, according to the Centers for Medicare & Medicaid Services' (CMS) Five-Star Quality Rating System, with 62% of its facilities receiving a 4 or 5 rating.

National Healthcare's financial performance during COVID has been in sharp contrast to some of its peers. The company's [net operating revenue](#) was up 1.1% in 2022 year over year despite a \$52 million reduction in government stimulus income, after growing revenue 4.5% in 2021 compared with a year earlier. By comparison, one of its better-known competitors, Genesis Healthcare Inc., was [delisted from the New York Stock Exchange](#) in March 2021 as it tried to grapple with its spiraling debt. "The severity of the pandemic dramatically impacted patient admissions, revenues, and costs, compounding the pressures of our long-term, lease-related debt obligations," Genesis executives said at the time. NHC has continued acquiring assets—adding a new home care agency and new hospice agency and building two behavioral-health facilities in 2022—and may be in the market for more acquisitions as competitors struggle.

Market conditions for NHC and the entire senior care industry are trending positively. The global long-term care market is [expected to grow by \\$398.4 billion](#) between 2022 and 2027, increasing at a CAGR of more than 3.3%, according to a report published by Technavio market research. North America is expected to contribute 35% of that growth. The aging population is driving growth in all forms of senior care—including home care, independent and assisted living, long-term care, and hospice care.

Headwinds that could derail or slow NHC's growth include the [lack of skilled nursing staff](#) for long-term care, which is expected to intensify in 2023. A fragmented provider market with an overall poor perception of the quality of service also could reduce occupancy. [Skyrocketing wages and inflation](#) will challenge growth and profitability as well.

## Current Research

Blueshift Research assessed whether NHC has a unique care approach propelling its success and whether it is in position to benefit from the struggles of competitors by snapping up assets at reduced prices. We employed our pattern mining approach to establish three independent silos, comprising 15 primary sources. Interviews were conducted May 15-June 1.

- 1) NHC competitors (6)
- 2) Current and former NHC staff (3)
- 3) Industry specialists (6)

# National Healthcare Corp. (NHC)

## Next Steps

Blueshift Research will monitor the mergers and acquisitions market for signs that prime assets are starting to become available at attractive prices for potential buyers like NHC.

## Silos

### 1) NHC Competitors

The senior care sector is on a clear upswing after the devastation caused by COVID, said all six sources in this silo. Occupancy rates are rising—more so in assisted living centers than skilled nursing facilities—and one source said new inquiries for senior living are at an all-time high. Construction of new senior facilities has mostly stopped, something that led to historic highs in occupancy rates when it happened after the 2008 economic collapse, one source said. Rental rates for both government-assisted and private-pay rooms have risen by double-digit percentages this year. On the downside, finding qualified nurses and other caregivers remains difficult, even as wages have climbed as much as 30% compared with three years ago. The combination of higher rents and reduced services stemming from staff shortages has led to increased levels of dissatisfaction among residents. One source, who worked at an NHC facility many years ago, said the company was innovative back then, with programs such as therapy animals and partnerships with local medical schools. Although she was young, she felt welcomed and appreciated by NHC administrators. A lot of senior care properties are changing hands at attractive prices for buyers, but they mostly involve smaller, older buildings. Even owners struggling financially continue to ask for pre-pandemic prices to sell prime assets. However, more properties—including Class-A buildings—are likely to hit the market in the next two years. Some operators hope to hold out long enough to benefit from the sector's recovery and avoid selling such prime properties at bargain prices, but at least some will be forced into foreclosure sales. Some senior-care-focused REITs trying to recover from the downturn are taking property management contracts away from large national firms and steering them to smaller, regional operators that they perceive as nimbler. One source said the large management companies are not necessarily poorly operated but were too big to adequately adapt to the changes caused by COVID. One source said she is seeing new collaborations between REITs and private equity firms as an alternative to divesting senior care facilities.

### Key Silo Findings

#### Nursing Home Industry Trends

- 5 of 6 said occupancy rates are on the upswing.
  - o 2 said assisted living facilities are seeing bigger jumps in occupancy than skilled nursing homes.
  - o 1 said new inquiries for senior living are at an all-time high, suggesting that an occupancy surge could be on its way in late 2023 and into 2024.
- 1 said development of new senior living facilities has ground to a halt, which helps push up occupancy rates at existing facilities.
  - o A similar dynamic occurred between 2009 and 2011 and led to historic highs in occupancy rates.
- 5 said rental rates at senior care facilities are rising significantly.
  - o 4 said rents are up as much as 12% this year.
    - 1 said the increases represent the highest rate of growth in 20 years.
- 4 said staff wages are rising to try to attract caregivers, but 2 of those said the increased pay is not enough, and their facilities continue to grapple with staffing shortages.
  - o 1 said wage rates are 25% to 30% higher than three years ago but are starting to moderate.
- 2 said the combination of rising rents and decreasing services from staffing shortages is leading to higher levels of resident dissatisfaction and more move-outs.
- 1 said people are shopping for senior care living options earlier than ever.
- 1 said there is a significant problem with third-party Medicaid administrators not paying assisted living facilities in a timely manner.

#### National Healthcare's Operational Quality

- 1, who used to work at an NHC facility, said NHC has a unique approach to caregiving.
  - o As far back as 30 years ago, NHC started bringing in service and therapy animals and was also a trailblazer in establishing relationships with local medical schools.

# National Healthcare Corp. (NHC)

- She felt listened to and welcomed by NHC even though she was young and early in her career.

## Growth Opportunities

- 1 said he expects acquisition opportunities in the next couple of years for effective operators as sources of assistance for struggling operators—loan forgiveness, employee-retention tax credits, and state COVID grants—have dried up.
- 1 said operators looking to sell assets are still seeking pre-pandemic pricing, trying to wait out the downturn.
  - However, stressed communities eventually will have to start selling assets, and more foreclosures and bank sales will occur in the next year.
  - Some REITs are starting to sell smaller buildings at attractive prices.
- 1 said not many prime assets are on the market at the moment. Most sales have been of small, old buildings that have had little capital investment.
- 1 said distressed assets will continue to change hands in the short term, but a significant number of more seasoned operations will reach the market next year.
- 1 said it is the smaller, regional operators making the most acquisitions, and bigger companies are on the selling end.
  - The larger operators are not mismanaged but had a harder time adapting to the rapid changes stemming from COVID, staff shortages, and rising interest rates.
- REITs trying to reorganize their senior care operations are mainly pulling buildings from big operators and moving them to smaller groups that are more focused, nimble, and have more local expertise.
- 1 said new collaborations are underway between REITs and private equity firms as an alternative to divesting properties.
- 2 said they do not expect much growth in construction of new senior care facilities.
  - 1 said the senior care industry was overleveraged because of the expectation of a surge in demand. The current environment is a slowdown rather than a total reset.
- 1 said NHC has an opportunity with assisted living facilities that are struggling with Medicaid reimbursement issues, while 1 other said NHC's best bet may be offering specialized care within the skilled nursing segment.

## 1) Founder of a senior living company with operations in the same states as NHC

Many opportunities for asset acquisition are going to emerge in the senior care sector over the next couple of years as REITs and big operators look to move underperforming assets to regional operators that are nimbler. For now, no prime facilities are available, and asking prices are still at pre-COVID rates. However, more distressed assets will become available because of foreclosures and bank-enforced sales. The senior care industry is recovering, and occupancy at existing facilities is slowly increasing because of pent-up demand and because new development has halted. Residents have accepted average rate increases of 8% to 12% this year because they are aware of inflation. Facilities have been able to fill staffing positions but have to pay wages that are 25% to 30% higher than three years ago. Big senior care operators are not necessarily mismanaged, but it is harder for them to pivot when conditions change rapidly, as they did during the pandemic.

### Nursing Home Industry Trends

- “[The senior care industry] has hit bottom, and it’s going back up in terms of occupancy and profitability.”
- “Occupancy is slowly rising as a whole in the industry. [National Investment Center](#) numbers for the past quarter are up again. We are back to pre-pandemic levels after bottoming out.”
- “There is pent-up demand because people didn’t move during the pandemic. During the pandemic, there were times when families couldn’t come to see their loved ones, so people chose not to move in. Activities were not happening. We weren’t even serving meals in the dining room because we weren’t allowed to. The uncertainty curbed move-ins. Once the pandemic went away—even if COVID is real and there are sometimes outbreaks—occupancy has started trending back up.”
- “However, new development has ground to a halt. We also saw that happen between 2009 and 2011 after the housing bubble burst. As new development halted [back then], the industry was able to achieve historic highs in occupancy. We are all hoping and expecting that the same thing happens over the next couple of years in this sector.”

# National Healthcare Corp. (NHC)

- “We still have very high interest rates and high construction costs, and that has killed any new development deals that haven’t started construction yet. When new construction grinds to a halt, occupancy tends to go up in the legacy buildings.”
- “For the nursing homes, some states have done healthy Medicaid rate increases. We’ve had higher percentage rate increases over the last year than ever before. Social Security went up almost 10%. Historically, we used to increase rent by 3% to 5% a year for private-pay, but this year the average was 8% to 12%. With high inflation and the Social Security increase, our rates have gone up more than in any of the last 20 years. We also got the least amount of pushback because families were expecting increases because of inflation. Our communities are private-pay.”
- “Staffing is coming back around. We’ve been able to fill positions and hire people. It’s at much higher rates than pre-pandemic, but we’ve filled all vacant positions.”
- “We’re not using agencies [to supply staff] at our buildings, which we did some during the pandemic. However, the [wage] rates are 25% to 30% higher than they were three years ago. Our rates have gone up 10% to 15% year over year during the last two or three years. They are starting to calm down. I don’t think the increases are going to be sustained. We seem to be heading into a recession, and we are all assuming the rates are going to go down.”

## National Healthcare’s Operational Quality

- Did not discuss.

## Growth Opportunities

- “Though the sector is recovering, it is not necessarily poised for growth from a new construction and expansion perspective. But for highly focused and effective operators, there are going to be opportunities over the next couple of years.”
- “When you leave a tough patch of time—like the pandemic, interest rates, shrinking margins—it is going to create opportunities because the poorer-performing communities and companies have to go somewhere. If you have cash, and if you are a quality operator, and you have lending partners in cash, you can create opportunities.”
- “After the housing bubble burst, after two or three years, the occupancy for the industry went up, and people went gangbusters on new development again. It’s cyclical.”
- “Many communities survived over the last two years with PPP loan forgiveness, employee-retention tax credits, and COVID grants from the states. Those have gone away now. This means there will be acquisition opportunities in the next couple of years because some providers were struggling during the pandemic, and now all the sources of help have dried up. If occupancy doesn’t rise and interest rates remain high, there are definitely going to be acquisition opportunities.”
- “The owners selling buildings now still want pre-pandemic pricing. They haven’t brought down the pricing. I think, however, we will see some distressed properties do bank-enforced sales and have defaults. We are already starting to see some deals for smaller buildings that REITs want to shed and will sell at an attractive price. There will be foreclosures and bank sales happening over the next year. I think that we will see prices coming down. This will give people an opportunity to make acquisitions.”
- “Over the last year, people have been in a holding pattern, trying to wait it out and not selling unless they really have to. But at some point, it will start to normalize as interest rates come back down and stressed communities are forced to sell.”
- “For example, [Brookdale \[Senior Living Inc./BKD\]](#) has sold maybe 100 communities. [Enlivant](#) has also shed some communities recently. When [Eglin Croft](#) imploded, many of their buildings were shifted around or sold. There have been a lot of divestitures, but it has mostly been small and old buildings that didn’t have any capital put in them, selling for a discounted rate. At this time, there aren’t too many Class A buildings up for sale that are performing financially.”
- “In Georgia and Tennessee, some Brookdale properties were picked up by [The Oaks](#). Some were picked up by [American House](#). There are companies out there that are positioned to pick up communities. However, most of the large companies are not acquiring much at this time. It’s the smaller, regional companies that are doing some acquisitions. Most of the shedding of buildings was by the big companies.”

“Many communities survived over the last two years with PPP loan forgiveness, employee-retention tax credits, and COVID grants from the states. Those have gone away now. This means there will be acquisition opportunities in the next couple of years because some providers were struggling during the pandemic, and now all the sources of help have dried up.”

Founder of a senior living company with operations in the same states as NHC

# National Healthcare Corp. (NHC)

- “In a rapidly changing and difficult environment like we’ve been in over the last two or three years—in terms of staffing, COVID, and high interest rates—the bigger companies are not able to get their hands around it and pivot to do business differently. The smaller companies are more able to adapt and change. It’s not about being mismanaged.”
- “There’s been a big push for underperforming communities to become part of smaller and more regional operators that have a very big presence in a small geographic area. For big companies like Brookdale, with 500 communities spread over the United States, it’s difficult to drive change. The big companies have many communities and many layers of management between the communities and their decision-makers at the top.”
- “The REITs that have pulled buildings away from big companies to regional companies wanted to get them to groups with local expertise in their area, groups that aren’t distracted trying to manage large numbers of buildings.”
- “Some of the operators that had 15 to 30 communities have doubled in size in the last couple of years. For example, The Oaks more than doubled in size in a year because they picked up a portfolio of 15 to 20 communities when they already had 15 to 20 communities.”
- “The biggest opportunities at this time with the REITs shedding underperforming communities is that they are looking for smaller and more nimble local players that are more regional. They think they are going to get better results than with large, publicly traded national companies.”

## 2) Stephanie Harris, CEO of [Arrow Senior Living](#), a senior housing management firm

Senior living private-pay rates have been growing at a higher-than-normal rate for the past two years, while occupancy rates are climbing almost 2% per month. New inquiries for senior living are at an all-time high, though the typical lag time between inquiries and move-in suggests accelerated occupancy later this year and into 2024. Distressed assets will continue to change hands in the near term, but a surge could occur in the availability of more seasoned assets by 2024. A new strategy involving collaboration between REITs and private equity is emerging as an alternative to divestitures.

### Nursing Home Industry Trends

- “We operate private-pay senior living only. [Private-pay rental] rates are growing at an average of 7.5% to 10% each year for the past two years. This is higher-than-normal rent growth.”
- “Occupancy is growing at approximately 1.8% growth per month. The occupancy recovery is difficult to assess since over half of our communities opened just before COVID or during COVID. We did see record leasing of communities that opened in fall 2021 to fall 2022 but seeing a slowdown in 2023.”
- “New inquiries for senior living are at an all-time high. New move-ins increased from summer 2021 to 2022 but were not as impactful in stabilizing occupancy due to higher-than-normal turnover.”
- “Higher-than-normal new inquiries continue but are not converting at the same rates. This could be an early indication of the impact of the silver tsunami. However, if someone doesn’t move in within 90 days of inquiring, it can take as long as one year to move. This could translate into accelerated stabilization [in occupancy rates] by the end of 2023 and into 2024.”
- “Staffing levels are higher due to increased needs of new move-ins. More residents require specialized services and two-person assistance with transfers than prior to COVID.”
- “I expect senior living [care quality] to suffer due to higher care needs and less quality standards.”
- “We are subscribing to The Joint Commission’s new [assisted living accreditation program](#) to help build and validate our culture of quality assurance.”

“New inquiries for senior living are at an all-time high. ... This could translate into accelerated stabilization [in occupancy rates] by the end of 2023 and into 2024.”

Stephanie Harris, CEO  
of Arrow Senior Living,  
a senior housing management firm

### National Healthcare’s Operational Quality

- Did not discuss.

### Growth Opportunities

- “I think the senior living industry will continue to see distressed assets sold in the short term. However, by 2024, an unprecedented amount of funds with seasoned assets will likely go to market. These types of assets will use the time between now through 2024 to further stabilize revenue streams and labor to ensure appropriate exit values.”

# National Healthcare Corp. (NHC)

- “The industry was overleveraged in the race to grow capacity in expectation of the silver tsunami. I think the current process is a slowdown of that growth, not a total reset. Banks will want assets to mature a bit more before lending resumes normalized activity.”
- “We are seeing new collaborations underway between REITs and private equity as an alternative strategy to divest or recap existing funds that are due to be sold. This would involve bringing in a new partner to recap the deal, with the existing firm staying in the deal in a smaller position but serving as asset manager.”

## 3) Assisted living operations executive in the Southeast

Occupancy at this source’s facility has remained flat at about 72%. Rental rates have climbed 12% to offset the increase in staff wages and insufficient Medicaid reimbursement growth. This source’s facility is primarily private-pay, but she has worked with Medicaid-dominant facilities, which can succeed if contracts are negotiated to cover actual costs. Upscale senior living communities are all competing for the roughly 10% of Americans who have properly planned for retirement. The remaining 90% fall to Medicaid-reimbursed care. A company like NHC, with high-quality operations in the highly regulated skilled-care sector, could acquire some of these Medicaid-heavy operations and do well with proper negotiations and management.

### Nursing Home Industry Trends

- “Wages have increased for all assisted living employees as a directive of the governor’s office, as have all costs. But Medicaid reimbursement has not. As such, many operators are leaving AL behind in favor of independent residential communities.”
- “Medicare does not cover AL [assisted living] at all, only skilled nursing, and Medicaid reimbursement is insufficient. We had to increase our rates by 12% after analyzing the impact of wage and cost increases, and it has hurt us, as many individuals either cannot afford the increase or feel that they are not receiving a sufficient level of care and service to justify the cost.”
- “We are having a significant number of move-outs due to both dissatisfaction and death. But the move-ins are relatively equitable, leaving our occupancy levels pretty flat at about 72%.”
- “Many AL facilities are at or near 100%. But there are satisfaction problems across both small and national operators.”
- “My current facility is primarily private-pay, but I have worked for facilities that are 100% Medicaid-subsidized. In those cases, we were definitely not getting a sufficient level of reimbursement, but the private owners successfully negotiated with Medicaid to increase reimbursement to cover the cost of care.”
- “During the pandemic, a lot of families brought their AL residents back home. It worked for them, and the family benefited from the additional Social Security money. Many have stayed the course.”
- “Only 10% of Americans properly plan for retirement with long-term-care insurance and savings. This is who the large, highest-quality AL operators focus on. The remaining 90% need help, and it often takes a year to get approved for Medicaid.”

“We had to increase our rates by 12% after analyzing the impact of wage and cost increases, and it has hurt us, as many individuals either cannot afford the increase or feel that they are not receiving a sufficient level of care and service to justify the cost.”

Assisted living operations executive  
in the Southeast

### National Healthcare’s Operational Quality

- “NHC has to have a high level of quality with the skilled nursing facilities, as they are highly regulated.”
- “Sales and marketing are really not needed in a significant way in this industry.”

### Growth Opportunities

- “There could be an opportunity for [NHC] to capture a significant amount of AL business from smaller operators, assuming they operate lean with low administrative costs. The demand is there; and if the quality and cost match up, it will be mutually beneficial.”
- “Companies and employees are leaving the AL business in droves. Many [care] providers have left as a result of poor wages and poor quality. A lot of private facilities have closed their doors or transitioned to independent residential living, where service can be minimal or added as needed without having to move.”
- “If a large operation wanted to focus on Medicaid alone and do it well by negotiating Medicaid reimbursement and financially vetting prospective residents, they could gobble it all up. A lot of the smaller operators are simply walking away.”

## 4) Missouri consultant for a national senior living operator

NHC has had a unique approach for many years. As far back as 30 years ago, when this source worked for the company, NHC brought in animals to their skilled nursing facility and developed a strong relationship with a nearby university medical center. In Missouri, where assisted living is mostly for the financially well-off, occupancy rates are going up. People also are starting to inquire and plan earlier. Skilled nursing facility occupancy rates are growing more slowly. Staffing remains an unresolved issue hurt by salary, benefits, and even location. NHC could grow in Missouri if it focused on filling gaps in skilled nursing that require specialized care not provided by other facilities.

### Nursing Home Industry Trends

- “Occupancy rates in assisted living are going up, but in skilled nursing, they are climbing very slowly. Skilled nursing took a hit when people couldn’t see their families [during COVID] and sometimes couldn’t even get them discharged.”
- “Staffing is still unresolved. It’s hard to find the quality individual, and it’s not a quick fix. Better pay, better benefits, and more convenient locations would all help. I don’t know where people went. It’s very hard to find people. In this city, the people who have to work are often dependent on public transportation. The people who are privileged enough to get cars are not the ones who work in this industry. Salary is an important issue.”
- “Assisted living is supposed to be the new skilled [nursing]. Very few people will ever need true skilled care if they move to assisted living early enough. It can’t ever totally replace [nursing homes] because it doesn’t do the true skilled nursing care like tube feedings and heavier care. Skilled nursing facilities are going to get heavier and heavier care while assisted living is going to do the bathing, dressing, and toileting that used to put people in a nursing home. The things that used to put people in a nursing home are manageable in assisted care if [the senior can afford it].”
- “In Missouri, if a person can’t afford assisted living, they don’t have a choice [but to go to a nursing home]. Assisted living in Missouri is private-pay. It’s your financials that determine so much.”
- “I’m seeing a lot of people who don’t have an urgent need [for senior care], but they are trying to decide if they are going to do it. That’s picking up. People are shopping earlier, in their late 60s and early 70s. People are making choices to downsize.”
- “Skilled nursing is a healthcare need, so there isn’t that much of a choice pulling them there.”
- “[Mason Pointe](#) in this area has a huge campus, and they have done skilled nursing and rehab. I believe they recently closed their short-term [rehab], maintained the long-term skilled, and are shifting more toward the assisted living.”
- “Also in this area, [Garden View Center](#) is a local privately owned nursing home chain. COVID was a big challenge for them. They had majority private-pay and very few Medicaid residents. With COVID, they ended up with more beds than they could fill.”
- “It’s these small, privately owned local businesses that took the biggest hit. There was a lot of census pressure, and they had to stop admitting. They may have shifted their model to get more managed-care referrals to make up the difference. They had a lot of concerns during COVID about revenue coming in and paying the loans on their buildings.”
- “For good skills and skills that are willing to meet the needs of the location, there is opportunity. They can get the referrals and reimbursements. The higher the acuity, the better the reimbursement.”

### National Healthcare’s Operational Quality

- “I worked at NHC some 30 years ago. Yes, [NHC] does have a unique approach. The NHC nursing home in this area would bring in animals. They got gerontologists from the medical universities involved. They’ve gone more into the medical system to improve their facility beyond just a typical nursing home.”
- “I liked working there. I was young and out of school. It was a very desirable place to work. I felt welcomed and listened to, even though I was young.”

### Growth Opportunities

- “The skilled nursing industry is competing with assisted living. It may take some uniqueness and training to increase occupancy, but if [NHC] is willing to become more of an acute setting, it would benefit them.”
- “There are a lot of holes in the system in Missouri where people can’t find places [for appropriate care]. This includes some cardiac monitors, IVs, tracheostomies. There are RNs in the skilled facilities, but those are services none

“[NHC] does have a unique approach. The NHC nursing home in this area would bring in animals. They got gerontologists from the medical universities involved. They’ve gone more into the medical system to improve their facility beyond just a typical nursing home.”

Missouri consultant for a national senior living operator

# National Healthcare Corp. (NHC)

perform [in Missouri]. People from Missouri have to go up to the border with Illinois and Michigan to get tracheostomy care.”

- “There are opportunities for skilled nursing facilities if they become or have specialized centers in certain markets, especially if there are big educational institutions with hospitals in that area. I think they would probably get support from some of those.”

## 5) Assistant to the lifestyle director at an assisted living facility

This source’s assisted living facility has a perpetual waiting list, while occupancy rates for its independent-living units are above 90%. Rental rates have increased by low double digits. Staffing shortages continue, resulting in more resident complaints on many levels, from care to meals to quality of life. However, lifestyle activities and transportation are back to pre-COVID levels. Smaller facilities with high staff-to-resident ratios will ultimately provide better care as larger and consolidated facilities tend toward a bottom-line mentality that results in decreased quality and satisfaction.

### Nursing Home Industry Trends

- “We have a perpetual waiting list to get into an assisted living unit. ... As soon as the units are cleaned and the kitchens remodeled, another resident moves in. Our independent-living units consistently have occupancy over 90%—even during the pandemic, when a lot of people moved in with family members.”
- “Rental rates have risen. I’ve heard from some residents that their rent went up by 13%.”
- “There is position-cutting at the corporate level. Since we are short-staffed, I have not seen anyone let go in the last four years. I’ve observed that when managers quit, they are not replaced, but that remaining managers had to take on more work. A couple have gotten an assistant, but it isn’t quite the same as when I first started working there in 2019.”
- “I have personally received the highest-tier raises each year, but they are nominal and do not address the cost of living.”
- “Hourly workers will not be attracted to this industry. Without sufficient staffing, these communities cannot satisfy the needs and wants of the residents, which fuels dissatisfaction. We have lost some residents because the cost of living in our community is not worth the quality of services they receive.”
- “Right now, we don’t have enough staff to open the bar or the Corner Cafe every day. I hear a lot of complaints about this. Some of us are also serving meals in both dining rooms in order to help. It’s not ideal but, rather, a necessity.”
- “Many of our AL residents are unhappy with the quality and consistency of the meals. One reason is that the food is prepared in the main kitchen, then has to be carted to the AL kitchen. The residents in the dining room have their meals kept in a warming oven, while the residents that take meals in their apartments have them delivered. The meals prior to the pandemic were under the supervision of a longtime chef who was very good at his job. Between the pandemic and his departure, the quality and consistency has suffered.”
- “Staffing ratio in AL leaves a lot to be desired. There have been days when one person had to cover 20 residents because someone called off, or a med tech had to work a double shift due to staffing issues. If people were compensated more generously, and if they were entitled to perks like a free meal during the shift, perhaps attrition would decrease.”
- “We had to suspend all group activities for several months. We compensated by delivering puzzles to residents’ apartments, running bingo through our in-house channel, doing a weekly ‘Balcony Dancing’ activity, where we would travel around the periphery of the building, entertaining the residents on their balconies and patios.”
- “We have consistently received excellent reviews from the residents, but they were frustrated during the pandemic because we couldn’t permit people congregating in common areas. I even gave a talk about the mental health issues surrounding the pandemic and wrote a paper that was shared with management at the corporate level and sent to communities across the country. We are back at 100%, and the residents are happy with our activities and transportation services.”
- “Our organization sold off the memory-care and skilled nursing facilities.”

“Hourly workers will not be attracted to this industry. Without sufficient staffing, these communities cannot satisfy the needs and wants of the residents, which fuels dissatisfaction. We have lost some residents because the cost of living in our community is not worth the quality of services they receive.”

Assistant to the lifestyle director at  
an assisted living facility

# National Healthcare Corp. (NHC)

- “We have a census of close to 200, and I feel that at that number, it’s possible to get to know residents. I would not want to work for a larger community.”
- “We have seen a rise in residents that have greater need for assistance in activities of daily living. I see more residents needing to use wheelchairs and walkers. One resident needs to be hand-fed.”

## National Healthcare’s Operational Quality

- Did not discuss.

## Growth Opportunities

- “I imagine that the smaller group homes will do better because they target the higher-needs seniors. I’m noticing that this is the demographic I see touring the community. I have read that this is because people are trying to age in place for a longer period of time. By the time they come to our community, they are in their 80s, 90s, and 100-plus years of age. Most of our residents have underlying health issues, and many hire outside caregivers to help them. I also see a need for memory-care facilities.”
- “I personally think consolidation [in the senior living industry] is not a good thing. Like the banks that are too big to fail, I think the consolidation by corporations results in a bottom-line mentality. I think quality suffers when it comes down to just filling the vacant units. I would like to see more of the smaller, boutique communities where the staff has more of a personal touch when it comes to delivering services.”

## 6) Assisted living and skilled nursing operations executive in the West

Occupancy rates dipped 20% for assisted living but have returned to pre-pandemic rates, while skilled occupancy was steady. As many as 25% of small senior care operators went out of business as a result of COVID. Staff wages have increased, but not sufficiently. The bigger problem is that companies involved with administering Medicaid reimbursements are not making timely payments to assisted living facilities. Demand for senior care is growing strong with an aging population. NHC may have an opportunity to secure and improve failing facilities if challenges around reimbursements are rectified.

## Nursing Home Industry Trends

- “Occupancy was impacted during COVID in the assisted living space, as AL is an optional choice, and COVID would not allow for visitors. During that period, occupancy dropped by at least 20%, but it is back to normal now.”
- “The small operators suffered the most with the downturn, and about 25% went out of business.”
- “Skilled nursing did not see a significant dip in occupancy unless there was a COVID outbreak at the facility.”
- “The biggest problem now is with the managed-care companies that are selected to manage the reimbursement from Medicaid. These companies are promptly paying for skilled nursing but are not paying assisted living in a timely manner, blaming administrative and coding errors for the delays. We can renegotiate reimbursement, but when we are not receiving payments at all, it is a real problem. All this may end up in court.”
- “There were some small employee wage raises. But they were insufficient in many cases, especially with lower-level caregivers like CNAs [certified nursing assistants], so there is a lot of dissatisfaction and turnover.”
- “With AL, we can raise rents to address rising wages and costs, but skilled nursing facilities cannot.”
- “Ten thousand people a day are turning 65 in the U.S., and many are ill-prepared for retirement. Demand is growing rapidly, and we are not prepared for it as an industry.”

## National Healthcare’s Operational Quality

- Did not discuss.

## Growth Opportunities

- “Larger organizations like NHC might play a role in consolidating many of the failing facilities, but the reimbursement and payment issues will have to be rectified.”

## 2) Current and Former NHC Staff

Occupancy and rental rates appear to be on the upswing, but the senior care sector continues to be plagued by staff shortages. In some cases, facilities are having to turn away prospective residents because they don't have the staff to care for them, even if beds are available. All three sources gave NHC high marks for the quality of its senior care. Two said NHC's emphasis on treating staff well leads to better care for residents. NHC focuses on effective communication with residents' family members, gives facility directors flexibility to run their buildings, and has the lowest administrative turnover rate in the industry, sources said. One sign of NHC's commitment to high-quality care is the effort it makes to staff its facilities with its own employees rather than using caregivers from third-party staffing agencies. One source said NHC is judicious when it comes to acquiring new properties and is mostly looking to expand in the assisted living sector.

### Key Silo Findings

#### Nursing Home Industry Trends

- 1 of 3 said occupancy rates are rising, though they remain below pre-pandemic levels in skilled nursing.
- 1 said she is skeptical that occupancy rates will grow this year, as people are doing everything possible to delay nursing home placements for family members because of the difficult experience during the height of COVID.
  - o Improvements in knee and hip surgeries are also allowing seniors to remain independent longer.
- 1 said the end of the COVID public health emergency should lead to growth in occupancy rates.
- 2 said staff shortages persist, including 1 who said some facilities cannot fill open beds because of a lack of caregivers. 1 other said her facility is back to being fully staffed.
- 1 said the number of residents paying through managed care and insurance is rising, while the number of Medicare-dependent residents is decreasing.
- 1 said private-pay rates are on the upswing.

#### National Healthcare's Operational Quality

- 2 said NHC treats staff exceptionally well, which translates into better care for residents.
- 1 said NHC is focused on good communication with family members.
- 2 praised NHC's management team and said the corporate structure allows flexibility for individual facility managers.
  - o 1 said NHC has the lowest rate of administrative turnover in the industry.
- 1 said she tries to hire less-experienced caregivers so they can be trained under NHC policies.
- 2 said NHC tries hard to use only its own employees and not third-party staffing agencies to provide care.
  - o Agency caregivers are sometimes better-paid than employees but are often less committed to high-quality care, which causes friction.
- 1 said NHC's continuum of care, which includes home care services along with residential facilities, is a competitive advantage.
- 1 said he was impressed with the quality of NHC's physical therapy and nursing teams when he worked for an NHC home-health agency.

#### Growth Opportunities

- 1 said NHC is deliberate and strategic about acquisitions.
- 1 said NHC is mostly looking to expand in assisted living.

## 1) Director of an NHC assisted living facility

NHC is a well-run company that prioritizes customer and staff satisfaction. The company culture ensures a positive work environment. Occupancy rates have started increasing at both nursing homes and assisted living facilities, hovering around 80%. The payer mix is steady. NHC is interested in acquiring assets; but due diligence is done thoughtfully, and therefore, growth will be slow. Growth is more focused on assisted living at the moment because certification for government reimbursement in skilled nursing facilities is hard to obtain in some states.

#### Nursing Home Industry Trends

- "We are seeing a trend upward in occupancy. In assisted living, occupancy was down to around 70%, and now we are up to about 80% companywide. The skilled facilities are around just under 80%, whereas we used to average in the 90s."

# National Healthcare Corp. (NHC)

- “It’s taken a little time, but I think we’re going to grow post-COVID, primarily because the baby boomer demographic is getting older and is going to need the help we can provide more and more. It’s really about our country’s demographics.”
- “Also, our society is changing. Families don’t keep their parents home that much anymore. The trend over time has been toward facility placement.”
- “Industrywide, there are a lot of staffing issues. We have used CNAs from a nursing agency, but only for a little while. Now we are fully staffed, and we are able to cover all our shifts. Some of the NHC facilities nearby have never used an agency. It’s frowned upon to have to use an agency.”
- “In terms of reimbursements, things have flattened out a bit. We’ve seen a bigger increase in Medicare Advantage plans. We have more of those now than ever before. Our total Medicare census has gone down, and our managed-care and insurance census has gone up. This varies widely from one NHC facility to the next.”
- “In smaller towns, the NHC facilities have a higher Medicaid census. The Medicaid reimbursement rate has stayed consistent. Private-pay rates continue to go up.”

## National Healthcare’s Operational Quality

- “We don’t have a union, so that means we are very focused on our staff satisfaction. That focus is a close second to our customer satisfaction.”
- “The satisfaction of the staff is definitely related to [NHC’s] customer satisfaction culture. It’s a positive work environment. We set expectations. We try to find the right people. We hire for heart. We also try to be competitive with our wages. It’s easier to stay in a work environment that’s happy and upbeat than in a negative one where people are always complaining.”
- “[NHC] does have corporate structure, and they have policies; but they allow administrators to take ownership and have their own interaction with staff, residents, and families. They allow us to feel like the buildings that we are running are our own buildings. We don’t feel like just a cog in a corporate wheel. From the administrator’s standpoint, we have autonomy.”
- “We also have a very strong customer satisfaction culture, focusing on the customers and making sure that they are happy and cared for. It’s a big part of who we are and what we do.”
- “ ‘The Better Way’ is part of our customer satisfaction culture. It was inspired by the Ritz-Carlton. We go over a promise every day that is part of our commitment to our customers. It can be as simple as greeting them with a smile or answering the phone within three rings. It’s also as detailed as giving as many choices as possible and making sure that our customers are our priority. We train our employees on these promises from the first day.”
- “I don’t think our staff is that different. We hire from the same pool as others. At least from my perspective, I try to hire less-experienced people because that way, I can train them in the way that we do things. NHC offers CNA training classes. We like to bring people from the community who have a heart for the residents but don’t know yet how to do the job. We can train them in the way that works for us.”
- “We try to hire for heart and then train for skill.”
- “NHC’s customer satisfaction ratings are different across the country. You can’t compare them like apples to apples. We have a very high satisfaction rating [at our facility], and we usually have over 95% in occupancy. That’s very high in this industry.”
- “In this community, the NHC facilities are known as the best places to go to for rehab or long-term nursing care, and that’s why we stay in demand and full.”
- “The quality level of NHC’s executive-level management is the best. We have a thorough interview process as well as hiring and training process for our administrators. We have by far the lowest administrator turnover in the industry. That’s because we are chosen well and trained well.”
- “Our payer mix is pretty steady.”

**“In this community, the NHC facilities are known as the best places to go to for rehab or long-term nursing care, and that’s why we stay in demand and full.”**

Director of an NHC assisted living facility

## Growth Opportunities

- “NHC is a stable company financially. We are also strategic and smart about what we do acquire. We are not just going and buying up a whole bunch of facilities. We take it very seriously and do our due diligence. Acquisitions also have to make sense geographically.”
- “Growth is more toward assisted living now because there’s less to worry about in terms of certifications and government reimbursement. We are looking more at acquisitions in that area. We don’t overpay for assets. We just won’t pay more than we think it’s worth. We are growing but very slowly.”

# National Healthcare Corp. (NHC)

- “You have to apply for a certificate of need [CON] in some states, especially if they are Medicare- or Medicaid-funded. You have to have approval for certified beds. It’s something you don’t have to worry about if you’re opening a whole private-pay facility, but there are very few of those anymore.”
- “The CON process for nursing homes is harder. Certain states are not giving out CONs because they don’t have the money.”

## 2) Longtime health professional and current NHC employee

Staffing remains a major problem for NHC and has not returned to pre-pandemic levels, forcing some beds at facilities to remain unfilled. NHC often relies on agency staffing because so many CNAs and nurses have left. Such arrangements are more expensive and can cause conflicts between permanent staff and higher-paid temporary staff. NHC is unlikely to increase its resident numbers because, even as the population ages, medical advances are allowing people to go home faster and become independent again. Families are also more reluctant to put their loved ones in nursing homes because of what happened during COVID, when residents were isolated, and families could not visit them. NHC’s satisfaction ratings are high, and the company treats long-term staff as family.

### Nursing Home Industry Trends

- “Staffing has not gone back to pre-pandemic levels. We have had to rely on agency staffing for CNAs and some nursing. Nurses are in short supply. We had a mass exodus of people during the pandemic, and we’ve not recovered yet.”
- “We are not even able to take patients into our centers that we actually have beds for because we don’t have staff for the beds.”
- “Of course we love private-pay patients, but it’s mostly Medicare.”
- “I don’t think NHC can increase its occupancy rate in 2023. Although the growing aging population should be an indication of future growth, people were hurt by the pandemic—being isolated in the nursing home, not being able to visit with their family and having to just wave through a window, and dying alone. People now do everything they possibly can to keep their family member out of long-term care. It’s become a last resort now.”
- “Another factor is the increase in outpatient surgeries such as knee replacements or hip surgery. The elderly can go home very quickly, and they don’t get as much rehab care as they did in the past. We see fewer knee and hip patients coming to nursing homes because they want to be independent, and families are also trying to keep them out. They are afraid of the care level, and they are also afraid about what would happen if nursing homes get shut down again and the families are not allowed back in.”

### National Healthcare’s Operational Quality

- “NHC was founded by a family, and they have always treated their employees like family. I’ve always had [NHC’s] support to do my job. We’ve been through the hardest time [during COVID] as a company and as a family, but they’ve continued to have our backs.”
- “That translates over to the way they care for their patients. Even if we would like it to be better, we are short-staffed, and we don’t have the help we need. [NHC] is doing the best they can.”
- “They support you as a partner, and they are trying to make a difference.”
- “Our staff is expected to follow our rules and our guidance, but staff from [outside] agencies don’t always do that. I’ve had agency nurses say they don’t have to do certain things because it’s not their job. That has contributed to less care. They are being paid more and doing less, and that doesn’t go over well with the current staff, who are not being paid an exorbitant amount of money. It’s been rough.”
- “Our goal has been to hire CNAs and nurses and use agencies as little as possible. New CMS staffing requirements are forcing us to go more toward agencies. That means fewer patients, and it puts us more at risk to not be able to keep our doors open.”
- “We do have a high turnover rate for CNAs especially. I think that’s the same across the industry. Almost all long-term care and hospitals have had that during COVID and even into this current period. It’s hard to retain CNAs. We especially have a very hard time keeping them in March and April because that’s when they get their tax refunds back. With their refunds, they often quit their jobs for several months and only come back when they run out of money. We call it the W-2 blues.”
- “We lost a lot of staff during the pandemic, but the ones who have stayed are in it for the long haul. They are committed.”

- “For satisfaction metrics, we use the [Net Promoter Score](#). At the majority of [my] centers, I have nine [out of 10]. None are below the company goal. Families continue to give us good scores. This is because we connect with the families. We call them; we ask if they want to be contacted daily or weekly or if anything changes. We work hard to keep communications going with the families. That’s key for keeping a relationship with the family.”
- “Most of our centers have the maximum 5-star CMS rating.”
- “NHC is unique because they walk the walk. If they say their goal is good care, they do that. Families attest to that. They’ve tried to retain good staff. They’ve done market adjustments on pay raises, and when they can, they compensate staff financially. We had nice bonuses and pay raises at Christmastime.”
- “I think NHC’s management is great. I like the way they are structured.”

#### **Growth Opportunities**

- “It’s a struggle to get patients into the nursing homes and get the staff to take care of them. It would be great to be able to say that it looks promising, but NHC recently sold off a few homes, though they are picking up a few centers here and there. They are always actively looking [to grow], but I don’t have any specific information on that.”

“NHC is unique because they walk the walk. If they say their goal is good care, they do that. Families attest to that. They’ve tried to retain good staff. They’ve done market adjustments on pay raises, and when they can, they compensate staff financially. We had nice bonuses and pay raises at Christmastime.”

Longtime health professional and current NHC employee

### 3) Former physical therapist at an NHC home-health agency

Staffing continues to be a challenge across healthcare professions. Senior care facilities should get a boost in occupancy rates now that the public health emergency related to COVID has been lifted. NHC’s ability to offer a continuum of care, from home-health services to skilled nursing facilities, is likely a factor in its success. NHC had a strong therapy and nursing team when this source worked for the company.

#### **Nursing Home Industry Trends**

- “I wouldn’t say that the senior living industry has bottomed out, but I do feel that it has not been thriving as it once was.”
- “I worked with several patients in the home setting that either left a [residential care facility] on their own accord or due to their children’s decisions. I know that many patients refused to be placed in a facility due to fear of falling victim to the COVID-19 outbreaks that were happening in senior living facilities throughout the nation.”
- “I believe now that the CDC has declared the end of the COVID-19 Public Health Emergency that many skilled nursing facilities and senior living residences will increase their occupancy rates. I don’t believe that this will happen instantly, but, rather, it will take place over a prolonged period of several months to years.”
- “Staffing levels across the healthcare spectrum—not just home health or NHC—have certainly appeared to decline. Personally, I believe that the pandemic caused burnout and exhaustion in many patient-facing medical professionals, which has contributed to the staffing shortages. Nursing seems to be the profession that has taken the biggest hit in shortages following the pandemic.”

#### **National Healthcare’s Operational Quality**

- “Based on my knowledge of NHC and its competitors, I would presume that NHC succeeded largely due to the fact that it has both a skilled nursing facility and assisted living branch as well as a home-health branch. This allows for patients to receive continuity of care in the post-acute setting.”
- “In my home-health branch [at NHC], we had a very strong therapy and nursing team. However, I do not know the quality of service that was being provided at other branches or within the [skilled nursing and assisted living] environment.”

#### **Growth Opportunities**

- Did not discuss.

## 3) Industry Specialists

The recovery of the senior care sector is well underway, with rising occupancy and rental rates, said the six sources in this silo. Industry growth and investment is mostly in assisted living rather than skilled nursing, with some nursing home operators choosing to downsize those facilities while adding higher levels of care to their assisted living operations. Staffing shortages continue to be a major storyline, with a recovery lagging that of other economic sectors. Two sources noted that NHC scores well on CMS' quality-care metrics—though one of those said many prospective residents of senior care facilities do not do much research, so it's unclear how much those quality ratings help NHC. One source said NHC tends to do well on employee retention, a metric closely correlated with high-quality care. A source familiar with NHC's management team said they are an impressive group. There is a lot of consolidation and operator turnover, especially in nursing homes—something sources expect to continue.

### Key Silo Findings

#### Nursing Home Industry Trends

- 3 of 6 said occupancy rates are rising as the senior care sector recovers.
- 5 said staffing shortages persist.
  - o 2 said staffing shortages are preventing many facilities from filling beds.
  - o 1 said staffing problems in senior care are taking longer to normalize than in many other businesses.
- 4 said most industry growth is in assisted living facilities rather than nursing homes, partly because the former appears to be more financially viable.
  - o 1 said some nursing operators are downsizing skilled nursing facilities while adding higher levels of care to assisted living operations.
  - o 1 said marketing efforts seem to be targeting the assisted living demographic, as people are waiting longer to move into residential long-term care options.
- 1 said private-pay rates are climbing, with no end in sight.
- 1 said the pandemic has spurred better use of technology and improved communications with families.

#### National Healthcare's Operational Quality

- 2 said NHC scores well on CMS quality ratings and appears appropriately focused on quality parameters.
  - o 1 noted, however, that many prospective residents of senior care facilities do not spend much time researching specific facilities. And social workers are often hesitant to recommend a specific facility, so NHC's quality ratings ultimately may not help much.
- 1 said he has been highly impressed with NHC executives whom he has met at industry conferences.
- 1 said NHC facilities tend to score well on employee retention, a metric that is highly correlated with high-quality care.

#### Growth Opportunities

- 4 said there continues to be a lot of consolidation and operator turnover in nursing homes. 2 expect such consolidation to continue.
- 1 said little new construction of nursing homes has occurred.
- 1 said bigger senior care operators are less able to customize their facilities to the needs of individual communities.

### 1) [Keith Knapp](#), associate professor for health management and policy, University of Kentucky College of Public Health

Occupancy rates have not yet returned to pre-pandemic levels primarily because of continued staffing shortages. NHC has a positive reputation, and company representatives leave a favorable impression. Evidence suggests that high employee retention has a strong relationship with high-quality care. NHC does well by that measurement with CMS. There has been a lot of shedding of senior care assets as well as closing of facilities. Senior care operators should look to find a sweet spot that combines a return on investment with quality of care.

#### Nursing Home Industry Trends

- "Occupancy is not back to pre-COVID levels."

# National Healthcare Corp. (NHC)

- “The pandemic exposed something we already knew—an insufficient workforce. Staffing ratios were already minimal, and a lot of people decided to go do other work. They have not been replaced by new people. There are places with capacity to take more residents in their buildings, but they just don’t have the staff to take care of them.”
- “There are two tiers of vacancies. There are vacancies where there are no customers, and there are vacancies where the [facility] can’t provide adequate services. They have the infrastructure capability but can’t admit more people because they risk doing a substandard job.”
- “Kentucky is working on programs to try to help providers find staff to take care of residents.”
- “Reimbursement rates vary in different states. There were special COVID rates, but those ended when the emergency health order was lifted. There are states that are revisiting their Medicaid rates. Some states have even restricted increases to make them directly apply only to hands-on-care people. The money needs to be accounted for in salaries of those taking care of people. That would be a good public policy everywhere.”
- “It’s hard to confidently and reliably track the mix of rates. They’re being self-reported, and there’s always a lag.”

## National Healthcare’s Operational Quality

- “My perspective on NHC as a company are the NHC leadership people I’ve met at association meetings. I’m consistently impressed by the quality of their people. I think it’s very high. Simply put, I would hire them.”
- “We are increasingly learning that some of the metrics that are reliable predictors of performance are simple and intuitive. Facilities with higher employee retention—[not low turnover](#)—have a strong relationship with high quality of care, as determined by inspection and other quality metrics.”
- “The measure of employee retention is a more meaningful predictor of quality than just about everything. NHC puts a lot of emphasis on that in their literature, and their facilities do well on that measure with CMS.”
- “In healthcare in general and in long-term care in particular, we are still caught in the medical model of trying to determine quality by the absence of bad things. That’s a broken model. If you have a low infection rate, a low fall rate, and a low rehospitalization rate, then it’s determined you’re better than the other guy. We instead need to have aspirational quality levels developed in a way that people can shoot for the moon instead of trying to reduce the negatives. I’m hopeful that the next generation will develop, maybe with the use of AI, how we can do a better job.”

**“The measure of employee retention is a more meaningful predictor of quality than just about everything. NHC puts a lot of emphasis on that in their literature, and their facilities do well on that measure with CMS.”**

Keith Knapp, associate professor  
for health management and policy,  
University of Kentucky College  
of Public Health

## Growth Opportunities

- “We’re seeing more and more nursing homes not just shedding but closing assets. There were three last week in Cincinnati, and there are a couple in Louisville that are getting ready to be closed. Sometimes it’s to get out front of the penalties they might wind up having to deal with for the quality of their care. At other times, it’s a financial decision because they are not generating enough revenue to meet their expectations. They either consolidate or get out of a market where there are no prospects for turning around.”
- “I expect there will be more consolidation. If there are three 60-bed nursing homes in a market, they might find it better to transfer people from the other two and adjust the remaining one to perform better financially and in terms of quality.”
- “Constructions are from the 1970s and ‘80s. There hasn’t been much reinvestment in the original stock.”
- “Some companies have chosen to grow through acquisition. They decide what they have to do to make the building attractive and what kinds of operations are needed to reverse a negative image in the community.”
- “Some companies have grown exponentially in the last four years despite COVID. They have been very selective about where they think they can find a sweet spot.”
- “It’s hard to gauge what an acceptable ROI is if investors expect real-estate-oriented ROI vs. outperforming the competition with top quality. With top quality, they can make more money because that’s where everybody wants to go.”
- “There are two different ways of measuring performance [of senior care operators]. One is doing the best job caring for people in terms of the metrics we have that are designed to measure that, and the second is who’s making the most money.”
- “For me, the sweet spot would be somewhere where those lines cross. Getting a positive return, enough to reinvest in the business and promote retention of staff over time as well as foster high quality of care. To do that, you need to have resources; you can’t just not make money. But if you’re making double-digit returns and have twice the turnover of staff than the facilities across town, there is probably a reason.”

- “Not all states might have a niche for specialized acute care. Different state Medicaid programs have taken a different approach to trying to remove the disincentives for taking high-care patients by designing a case mix reimbursement that pays a premium for taking care of people with many needs. Not every state does that.”

## 2) [Jennifer Pryor](#), gerontologist, Virginia Commonwealth University

A lot of ownership turnover has taken place in senior care facilities as operators sell off low-performing communities or try to exit the nursing home sector altogether, as some do not see it as financially viable. The assisted living sector is seeing more expansion, with more marketing being directed at dementia care. However, staffing remains a problem because of poor compensation and lack of recognition. COVID has made people more hesitant to move family members into nursing homes, leading to declines in occupancy. It is not necessarily management issues that are affecting the operators of senior care facilities, but they often lack the flexibility to customize their offerings to specific locations. At the same time, the big operators can allocate resources where they are most needed.

### Nursing Home Industry Trends

- “What’s interesting is that I have been hearing a lot about downsizing long-term skilled nursing homes, especially in planned-care and continuing-care retirement communities. To me, this doesn’t mean that there is less of a need but that these communities in particular are not seeing nursing homes as a viable income source.”
- “I’ve heard that some are referring residents to outside nursing homes for needed care. I’ve also heard that some are considering adding higher levels of care options to their assisted living spaces. I’m not quite sure what this means for the nursing home sector as a whole, or if this is going to become a more widespread trend.”
- “For assisted living, I continue to see more expansion happening in this space. It seems like more marketing is being directed at dementia care than in the past, so I’m not sure if we’re seeing a shift here. But [with] people waiting longer to move into residential long-term care options, perhaps we’re seeing a shift in who the target customer base is.”
- “Because of staffing issues, I think we’ve seen some natural attrition in occupancy due to not having the staffing capacity to provide care and services. A trend that we’ve been seeing long before COVID was that people are waiting longer to move into residential long-term care, preferring instead to live at home or age in place with family or paid caregiver support. So this means that the average age and level of acuity has risen in both assisted living and nursing homes. I think that because of how many infections and deaths occurred in nursing homes during COVID, there is likely some added hesitancy and anxiety about moving a loved one into these settings.”
- “There has been a well-documented shortage [of staff] and need to recruit more people to direct-care jobs across long-term care settings that goes back decades. However, the pandemic did hit this sector pretty hard, as it did many other service delivery jobs.”
- “Coming out of the pandemic, we did see much slower recovery for residential long-term care settings than we did almost everywhere else. In fact, when the rest of the job market looked to have pretty much recovered—with some sectors even surpassing pre-pandemic staffing levels—residential long-term care lagged behind.”
- “We are still seeing the [effects of a staffing crisis](#), and there was some evidence that nursing homes were even slower to recover than [assisted living communities](#). There is speculation about why this is happening, but honestly I think it has a lot to do with this type of work not really being valued by policymakers and the public, combined with ageism and ableism that is embedded into residential long-term care. You’ll see that some of the articles published about this issue do reference some of these topics. I think we also have many issues around poor compensation and recognition for these levels of folks.”

“I have been hearing a lot about downsizing long-term skilled nursing homes, especially in planned-care and continuing-care retirement communities. To me, this doesn’t mean that there is less of a need but that these communities in particular are not seeing nursing homes as a viable income source.”

Jennifer Pryor, gerontologist,  
Virginia Commonwealth University

### National Healthcare’s Operational Quality

- Did not discuss.

### Growth Opportunities

# National Healthcare Corp. (NHC)

- “I’ve seen a lot of turnover in ownership and rebranding of assisted living communities. Much of this I’m sure is driven by low-performance communities being sold off to other operators. I would think it’s possible for NHC to acquire new assets to manage.”
- “I think the trouble with many ‘big players’ is that markets often lose the flexibility to customize themselves to their customer base because of strict overarching corporate policy or strict branding requirements. If I operate 100 communities across the United States, my communities in Southern California are not going to have the same needs as those in Maine. This can absolutely lead to poorer care and service delivery because now we’re removing the autonomy of the local administrators to tailor the community around the needs of the residents. To some extent, they may be granted flexibility, but it’s within a controlled policy.”
- “On the other hand, larger companies potentially have the resources to allocate where they may make the most benefit. So if we have a struggling community, perhaps we reallocate funds for more employee training, to boost marketing in an effort to increase census, or to boost recruitment of new employees. To what extent that actually happens, I’m unaware. Most of these companies tend to be for-profit, so there are shareholders to pay as well. It would depend on the financing structures at these places. I’ve seen both good and poorly managed large players.”

### 3) Actuary consultant and former Medicare payment adviser

The assisted-care and nursing home industry as a whole is poorly run. Staff wages are low, and there is significant competitive pressure from hospitals for high-quality caregivers. Turnover, which is one of the quality parameters for an assisted living facility, is improving since COVID but remains high. For-profit hospices have also begun to service nursing homes, targeting less medically complex and longer-stay individuals. NHC has good quality scores with Medicare, which is valuable, but many individuals do not investigate options carefully because of the crisis nature of a nursing home placement. Hospital case managers and discharge planners are also often reticent to recommend specific facilities, but this may be an opportunity for high-quality providers to engage and educate. More consolidation will occur among facility operators as marginal players go out of business. NHC appears to be in a good position to take advantage. The pool of potential nursing home residents has decreased with the high number of COVID deaths.

#### Nursing Home Industry Trends

- “The nursing home industry is a horror. Many independent companies are poorly run, with both employees and patients treated badly. The COVID impact to supply chain, materials, and even personal protective equipment was a disaster.”
- “The big issue is that Medicare pays too much, post-acute care; and Medicaid plans pay too little, which represents about half of the assisted-care patients.”
- “The broad shift to Medicare Advantage plans is a challenge because they often do not cover assisted living or nursing home care. One opportunity for these [senior care] companies would be to contract with the Advantage plans to improve coverage. But the companies running the bundled care programs for Medicare are cutting back, so there is a lot of financial pressure.”
- “Nursing home staff has an enormous turnover, which has become a quality measure for the facilities, although it has improved somewhat from the epidemic. The challenges are big, the pay is low, and the competition for quality caregivers from hospitals is considerable.”
- “For-profit hospice chains are now setting up operations to service nursing homes, but there are concerns about selective recruitment for specific classes of patients who do not need complex care but are longer-term residents—such as those with Alzheimer’s disease—vs. high-care burdens who typically have shorter stays, like cancer patients.”
- “A considerable percentage of nursing home residents did die during the epidemic. That is not talked about very commonly, but it does reduce the total available market.”

“Nursing home staff has an enormous turnover, which has become a quality measure for the facilities, although it has improved somewhat from the epidemic. The challenges are big, the pay is low, and the competition for quality caregivers from hospitals is considerable.”

Actuary consultant and former Medicare payment adviser

#### National Healthcare’s Operational Quality

- “NHC facilities have better quality ratings under Medicare than most. They appear to be focused on their quality parameters, which is important and correct. But far too few individuals really look into the quality of a facility, and the

# National Healthcare Corp. (NHC)

[hospital] case managers and discharge planners are reluctant to steer families toward a specific facility, so individuals remain largely uninformed.”

## Growth Opportunities

- “The less stable assisted-care companies are struggling, leaving more stable ones a purchase opportunity.”
- “There will certainly be more consolidation in the industry, with the marginal players going out of business or getting acquired. NHC could definitely take advantage.”

## 4) Steve Gurney, founder of the [Positive Aging Community](#), a service for matching seniors with care options

The senior care sector is recovering well from the pandemic downturn. Positive changes have occurred around technology and communication. The trend in the industry is toward assisted living facilities for those who can afford such care. New assisted living communities are being built, especially in and around urban areas. And even if they are not immediately at full occupancy, they eventually will be. However, there is a dire lack of senior living options in rural areas. Large senior care operating companies are shedding underperforming assets, creating opportunities for NHC and others to provide more affordable care solutions.

## Nursing Home Industry Trends

- “The industry is recovering really well. There were encouraging changes during the pandemic, such as use of technology and better communication with families. There’s better monitoring now of the health of the residents for visitors and the staff. This has led to people trusting the industry much more.”
- “The industry is focusing on people with money and especially on assisted living. The challenge is that there will never be enough options for the forgotten middle and the impoverished. We are seeing new assisted living places going up all over, but they are designed to take care of people who can afford it. None are designed for affordability.”
- “In some markets, it seems there’s an overabundance of assisted living. In Northern Virginia, there are three or four new places that have been completed in the last year. They are not fully occupied, but ultimately they will reach full occupancy because there are more older adults out there. We don’t have enough resources to take care of the older adults, especially those who have conditions like disabilities or cognitive impairments that make it difficult to stay at home.”
- “The sad thing is there’s a much larger population that can’t afford this, and they’re being cared for at home by their family members because paying for assisted living is not an option, while a nursing home could be an option when they qualify for Medicare or Medicaid.”
- “There will be a correction, but it is geographic. There may be some providers that struggle, but unfortunately, nobody is going to rural areas with lower populations to build new communities. In the urban, more populated environments, the places are going to fill up sooner or later.”
- “The care model of nursing homes—large nursing homes that may resemble a hospital—has to change. It has changed slowly. Nursing homes are converting to a smaller-house way of caring. COVID made that more appropriate.”
- “There are a lot of conversations about changes about improving Medicare, Medicaid, and different payment models, but the sheer number of people impacted makes it challenging for any government to enlist change.”
- “Success in assisted living and healthcare institutions is solely based on customer and family outcomes.”
- “Some companies that were once publicly traded switched to private. Another example of an interesting shift is ManorCare, which is now [ProMedica](#). They went from publicly traded to not-for-profit.”
- “I was at a presentation from the founder of a company that went back to private, saying it was a mistake to take the company public. He did it because they needed funding, and he was advised to do it, but the customer then became Wall Street and not the family members who are concerned about their mom and dad.”
- “It’s possible to return to investors and return to the customers also. In conversations, though, we hear about nonprofit providers being compared to for-profit providers. If the measure of success is profitability, but when I go visit my mom there is no staff to take care of her, it raises the chicken-and-egg question.”

“The industry is focusing on people with money and especially on assisted living. The challenge is that there will never be enough options for the forgotten middle and the impoverished. We are seeing new assisted living places going up all over, but they are designed to take care of people who can afford it.”

Steve Gurney, founder of the Positive Aging Community, a service for matching seniors with care options

# National Healthcare Corp. (NHC)

- “Fifteen years ago, there could have been instances [of poor care by nursing home operators], but now the internet makes it more difficult to not provide adequate care.”

## National Healthcare’s Operational Quality

- Did not discuss.

## Growth Opportunities

- “The companies that are paying attention to their performance are going to consider shedding the nonperforming assets in their portfolio. That will potentially create an opportunity for more affordable senior housing.”
- “For example, if Shady Acres sells off an assisted living facility that isn’t a good match for them geographically and where they don’t have the occupancy there that their other communities have—if they sell that for a lower cost to another provider, that provider can come in and adjust the pricing because they got a good deal on a property. They will be able to deliver more affordable care to the end consumer. That would be a great opportunity.”
- “I’m not aware at this time of specific opportunities [for buying distressed nursing home assets], but there are a lot of transactions going on. We do a directory of the properties in the mid-Atlantic region, and there are name changes all the time.”
- “I don’t have any firsthand knowledge of any of the bigger players being overleveraged or mismanaged. I haven’t heard of anything recently.”

## 5) Senior living adviser in Northern Virginia

Occupancy rates in senior living facilities are rising. As baby boomers continue to age over the next 10 to 15 years, the need for senior care facilities is going to continue increasing. In Northern Virginia, assisted living companies such as [Sunrise Senior Living](#) and [Brightview Senior Living](#) are building new facilities. Many elderly people would rather avoid nursing homes, but many people cannot afford assisted living options. Staffing remains a problem in the industry.

## Nursing Home Industry Trends

- “Occupancy is going back up post-pandemic.”
- “The growth trend for baby boomers is just at the tip of the iceberg right now. They are expected to continue to age and need more care over the next 10 to 15 years.”
- “The staffing is still lagging. Many people in the healthcare industry decided to leave when COVID hit. The senior living communities where there were COVID outbreaks were the first and most memorable news stories. Nobody knew how to handle the situation, and there was a lot of bad press.”
- “I’m seeing a tremendous amount of turnover. I’ve never seen an industry with so much turnover. When COVID hit and created a shortage of good employees, it gave an opportunity for employees to move to places where they had more security, better pay, and better benefits. Since then, not enough employees have come back.”
- “The people still on the job are being overtaxed with too much work and too little pay and problems that the staff is not always able to handle. People are looking for better opportunities, but there are still many open positions.”
- “Those that are feeling this more than others are the home-healthcare companies. Many of them are small franchises, and workers are gravitating toward better security and better pay and toward the larger facilities.”
- “The industry has to grow because it has to accommodate the aging baby boomers. The industry is going to have to continue to incentivize workers to stay on at their jobs or to come and join the industry. It seems like there is a lot of incestuous hiring in Northern Virginia, with staff members disappearing one day and resurfacing someplace else the next. It will balance itself out eventually, but people will first have to recognize that there is opportunity there.”
- “In this area, Northern Virginia, we have a real problem with pricing to make it affordable to the average person. Here, assisted living starts at the very low end in the mid [\$5,000 per month], without any care. They’re paying \$5,000 to \$6,000 to live in an assisted living community without care. When you add care to that, you can quickly be well over \$10,000 a month.”
- “In Northern Virginia, the assisted living communities do not accept Medicaid for long-term care. The only ones that do are the skilled nursing facilities. But nobody wants to live in a skilled nursing facility because it’s like living in a hospital. It’s not comfortable, the food isn’t good, and it’s very clinical; and typically they have to share a room.”

“The people still on the job are being overtaxed with too much work and too little pay and problems that the staff is not always able to handle.”

Senior living adviser  
in Northern Virginia

# National Healthcare Corp. (NHC)

- “The people who can afford private-pay in assisted living often have to spend down to be able to qualify for Medicaid so they can live the rest of their lives in a nursing facility. For people who receive a pension, sometimes it’s too high for Medicaid to qualify them. It’s an uncomfortable zone. They earn too much to qualify for government assistance but not enough to be able to pay for assisted living. That’s a huge problem, and I hope our Congress is working on that because it’s going to be a bigger problem as we get more and more seniors.”

## National Healthcare’s Operational Quality

- Did not discuss.

## Growth Opportunities

- “I haven’t seen many communities that are selling out to other communities. There will always be that kind of situation, but I am seeing more expansion at this time than anything else, companies building a new location—for example, Sunrise, which is constantly opening up new properties. Brightview, a company based out of Baltimore, has also opened up a new location in Northern Virginia. This is all in assisted living.”
- “I don’t know skilled nursing facilities as well as assisted living, but I think they are getting overflow patients from hospitals. What I see, though, whenever I walk into a skilled nursing facility, they are always busy. I don’t have any reason to believe they are suffering.”

## 6) Senior care adviser in South Carolina

There will be a continued need for assisted living and skilled nursing over the next two years because of an aging demographic. Occupancy rates are increasing. Staffing problems are ongoing, though they have improved due to small rate increases. Private-pay rates are climbing with no end in sight.

## Nursing Home Industry Trends

- “In our demographic, we have seen strong occupancy rates and a continued need for both AL and skilled nursing. I see only an increase in need over the next two years with the larger population reaching the age for need.”
- “Occupancy rates are increasing, and the need for care continues to be an ongoing issue.”
- “I am only experienced in private-pay rates. They are climbing, and we see no end in sight.”
- “Private-pay seems to be the larger of the [payer] mix. We are still seeing all types [of facilities], but the majority is still private-pay.”
- “Staffing issues have improved due to some small rate increases. It continues to be an issue nationwide.”

## National Healthcare’s Operational Quality

- Did not discuss.

## Growth Opportunities

- “Trends say that nursing homes are being sold off at a continuing rate.”

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Additional research by Eva Cahen and Pam Conboy.

The Author(s) of this research report certify that the information gathered and presented in this report was obtained in accordance with Blueshift Research’s compliance protocols as outlined in the company handbook. All Blueshift reporters identified themselves as reporters/researchers from Blueshift Research and articulated the purpose of the research. To the best of our knowledge and efforts, Blueshift confirmed that the underlying source(s) lawfully obtained the information shared with Blueshift and were entitled to provide such information to Blueshift without breaching a duty to another party. The data in this report has undergone review from Blueshift Research’s Compliance Officer and has been approved for distribution to Blueshift Research’s clients.

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