ZIEGLER INVESTMENT BANKING
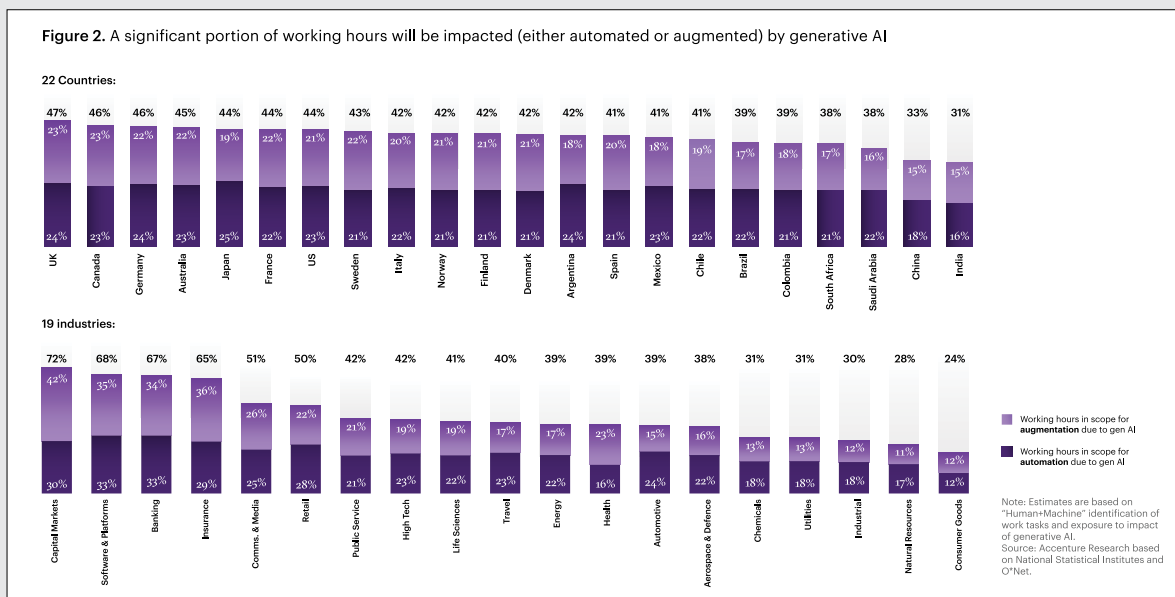## SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

THE ROLE OF AI & AUTOMATION IN SENIOR LIVING & CARE

At the end of April, we hosted the **26th Annual Ziegler LeadingAge National Senior Living CFO Workshop** in Austin, TX. The conference agenda covered a variety of topics, which were featured in previous issues of *Z-News*. One of the most popular sessions of the conference was titled, *"Exploring AI & Robotic Technology for Senior Living."* In this week's newsletter, we dive into some of the content shared in that session, providing additional market insights on AI and how its use is expected to impact healthcare workflows, and provide a learning roadmap for Generative AI ("Gen AI").

According to a recent Accenture report,[1] 44% of working hours in the U.S. are in scope for automation or augmentation, by Generative AI. In the healthcare sector specifically, 16% of total working hours are in scope for **automation** due to Gen AI, and 23% of working hours in scope for **augmentation** due to Gen AI.

Figure 2. A significant portion of working hours will be impacted (either automated or augmented) by generative AI

Source: Accenture, January 16, 2024

Of those surveyed, data strategy and technology infrastructure emerge as top concerns for implementing Gen AI, with nearly half of CEOs believing they will need to improve their data strategy to leverage AI effectively.

With Gen AI having the potential to materially change workflows, organizations are implementing technology solutions, while also being mindful of the importance of intentional and thoughtful integration of AI within their organizations — 58% of workers are worried that AI will impact their job security. With workers citing a mistrust in AI, organizations need to ensure they take a measured approach to implementation, being open and transparent, and including the workforce for a successful integration.
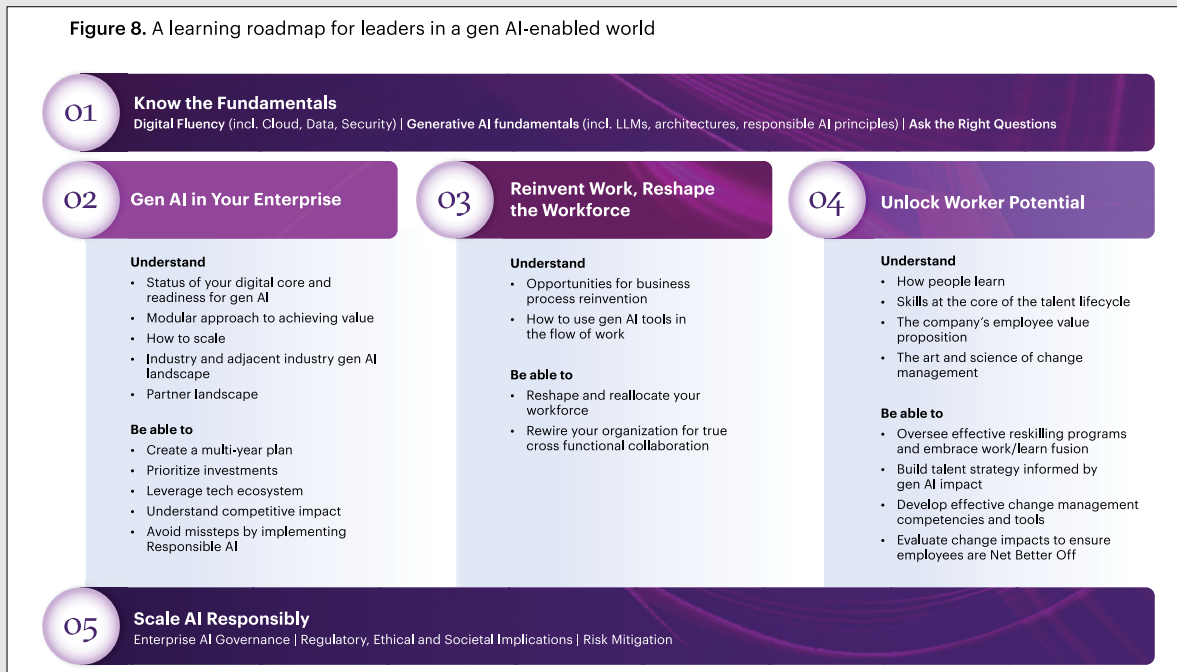
Figure 8. A learning roadmap for leaders in a gen AI-enabled world

O1 Know the Fundamentals
Digital Fluency (incl. Cloud, Data, Security) | Generative AI fundamentals (incl. LLMs, architectures, responsible AI principles) | **Ask the Right Questions**

O2 Gen AI in Your Enterprise

Understand
- Status of your digital core and readiness for gen AI
- Modular approach to achieving value
- How to scale
- Industry and adjacent industry gen AI landscape
- Partner landscape

Be able to
- Create a multi-year plan
- Prioritize investments
- Leverage tech ecosystem
- Understand competitive impact
- Avoid missteps by implementing Responsible AI

O3 Reinvent Work, Reshape the Workforce

Understand
- Opportunities for business process reinvention
- How to use gen AI tools in the flow of work

Be able to
- Reshape and reallocate your workforce
- Rewire your organization for true cross functional collaboration

O4 Unlock Worker Potential

Understand
- How people learn
- Skills at the core of the talent lifecycle
- The company's employee value proposition
- The art and science of change management

Be able to
- Oversee effective reskilling programs and embrace work/learn fusion
- Build talent strategy informed by gen AI impact
- Develop effective change management competencies and tools
- Evaluate change impacts to ensure employees are Net Better Off

O5 Scale AI Responsibly
Enterprise AI Governance | Regulatory, Ethical and Societal Implications | Risk Mitigation

Source: Accenture, January 16, 2024

Robotic Automation is an area of opportunity for Senior Living and Care organizations.

At the National CFO Workshop, ProviNET reviewed two case studies on Robotic Process Automation ("RPA"). RPA is the basic opportunity to replace routine tasks that are currently manually handled by staff on a regular basis with programming that, in many cases, is instant or at a significantly reduced time commitment. RPA is best-suited for highly repetitive, rules-based tasks. If organizations were to audit the repetitive tasks and what type of data entry their staff are doing on a regular basis, they could likely identify hundreds of opportunities for RPA enhancements.

Example

- ProviNET, one of the speakers in the session, shared how a Senior Living Community was able to cut 280 hours a week from "front of the house" labor (7 FTEs annually) in their dining department with the implementation food delivery robotic bussers. This organization was able to re-invest the savings into existing staff, and increased wages by 40%. With the implementation of this new technology, staff can do more fulfilling work, they are less tired, and they have a higher recruitment and retention among staff.

- ProviNET shared on another Senior Living organization's success with deploying the AI engine to capture human processes and then automate those processes via bots. Impressively, this organization was able to use robotic process automation within it's Clinical, Financial, Human Resource, and Admission departments with a 100% accuracy.

These are two examples of the way robotics can be used in the senior living sector. As organizations think about integrating AI into existing workflows, we encourage providers to talk to their IT experts and partners, on how to best utilize the advancement of RPA across your continuum of care, helping to improve efficiencies and reduce redundancies in staffing.

If you have additional questions related to the topics in this newsletter or the recent ***CFO Workshop***, we encourage readers to reach out to the Ziegler representative in your region.

MIMI ROSSI
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Source:

1. Work, Workforce, Workers: Reinvented in the age of generative AI. January 16, 2024

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MAY 17, 2024

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Atherton Baptist Homes (CA)	Fitch	BBB Stable	Upgraded Rating Upgraded IDR*	5/13/24
Maine Life Care Retirement Community dba Piper Shores (ME)	Fitch	A- Positive	Affirmed IDR*	5/15/24
Miriam Osborn Memorial Home Association (NY)	Fitch	A Stable	Review – No Action	5/16/24
Naval Continuing Care Retirement Foundation dba Fleet Landing (FL)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	5/17/24

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* IDR – Issuer Default Rating*
Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

FEATURED FINANCING

BHI SENIOR LIVING
Indianapolis, Indiana

$32,000,000

Bank Placement / New Money
$19,000,000

Construction Loan / New Money
$13,000,000

May, 2024

INTEREST RATES/YIELDS

WEEK ENDING MAY 17, 2024

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.76%	3.77%	3.77%
Senior Living 30-Yr "A"	4.69%	4.70%	5.21%
Senior Living 30-Yr "BBB"	5.09%	5.10%	5.62%
Senior Living Unrated	6.24%	6.25%	6.64%
Senior Living New Campus	7.89%	7.90%	7.84%
SIFMA Muni Swap Index	4.21%	3.17%	3.52%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index†	5.68%	5.69%	1.92%

† Ziegler Senior Living Municipal Long Bond Index
Source: Bloomberg BVALS

MARKET REVIEW

MONEY MARKET RATES

	05/17	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.31	5.31
90 Day T-Bills	5.40	5.40
30-Day Commercial Paper (taxable)	5.33	5.31
Libor (30-day)	5.43	5.43
SOFR	5.31	5.31
7 Day Tax-Exempt VRDB	4.21	3.17
Daily Rate Average	3.91	2.77

COMPARATIVE YIELDS

TAXABLE REVENUE					MMD	NR*	BB	BBB	A	AAA
	GOVT	A								
2 Year	4.79	5.29		1 Year	3.21	5.31	4.91	3.86	3.46	3.31
5 Year	4.40	5.10		5 Year	2.76	4.96	4.56	3.51	3.16	2.91
7 Year	4.38	5.23		7 Year	2.73	5.03	4.58	3.58	3.18	2.93
10 Year	4.37	5.37		10 Year	2.75	5.15	4.65	3.65	3.30	2.95
30 Year	4.51	6.01		30 Year	3.76	6.51	5.76	5.01	4.51	4.06

(Representative of institutional sales)*

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.93	3.93	0.00
11 Bond Index	3.83	3.83	0.00
Revenue Bond Index	4.22	4.22	0.00
30 Year MMD	3.76	3.77	-0.01
Weekly Tax-Exempt Volume (Bil)	8.41	7.87	+0.54
30 Day T/E Visible Supply (Bil)	12.3	11.9	+0.40
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	100.0	98.2	+1.80

Source: Bloomberg