

Lucas

Welcome to Bridge the Gap podcast, the senior living podcast with Josh and Lucas. We're in Dallas, Texas. And we've got a great friend on the show today. Larry Cohen, welcome back to the program.

Larry Cohen

Well, I'm thrilled to be here and great to see you again, and great to be back with my industry that I love so much.

Lucas

That's right. So when we had you on the podcast before, I think you had just made a transition. And now it's been a couple years and you have this new perspective. You've gotten to go on the outside and see a couple of things and we've gone through many changes in the industry. And now you're back and you have a new company, I believe it's Trustwell Living. [That's correct.] And so we'd love to get, kind of pick your brain on what did you see and learn through that process and what made you want to get back into this to help support housing for older adults?

Larry Cohen 1:37

Well, it was interesting. It wasn't planned the timing, obviously with COVID and impact it had on the industry. I took some time and really reflected upon having been involved in this business for over 32 years. And really thought about looking at starting kind of a clean slate. People, systems technology started to look initially at maybe buying a company and looked at various companies, got under the hood and realized that I've been doing this now for I guess it's 34, 35 years. And when we started in this industry back in the late 1980s, there was a dearth of good operators. And I'd say there are some good operators, but there's still a dearth of good operators in this industry. It's a very operationally intensive business. I think that from the outside, looking in during the pandemic and seeing first of all the heroes this industry developed of onsite staff and, and caring and, and even companies really being out there supportive, taking financial pressures and emotional pressures during COVID, and regulatory government issues obviously had a major impact as well as to the consumer and families.

Larry Cohen 30:06

It's great to see the pent up demand that the industry has seen this past year, as we've seen absorption rates increase occupancies, start to creep back up, a lot still far away from where need to be. But I think it's had some real long term changes of this industry that I don't think people really think much about. And I think that we're at this inflection point where we're trying to think about operationally, when we were capital senior living, and we had this philosophy of really empowering the onsite staff to have the autonomy, the responsibility and the accountability. And the corporate office was a support tool to that staff. Our vision was to provide the best resources, the best training, the best systems, the best oversight, but let the properties operate as local businesses. I think that changed a lot during their pandemic because of all the regulatory pressures and other pressures that occurred.

Larry Cohen 04:12

And I think it changed a lot of the dynamics of just the structure of the operations. As a result. We've seen a lot of burnout and continue to see burnout in this industry at all levels. In the last week we signed confidentiality agreements, I think 20 buildings. And a lot of what we're seeing now are owners operators that just have been fatigued and are kind of throwing their hands up. And we're also seeing a

lot of turnover. Obviously staffing has been the big issue in all industries. And this has been the tough one. People who really lived through COVID, dealing with all the effects of COVID on residents, families, staff, isolation, and just the change of the business, which was really a social, you know going back. And when we started this business in this industry, you know, three decades, four decades ago.

Larry Cohen 05:10

It really was the socialization and started out very much with a hospitality model. And you attracted a couple in the late seventies that moved in and they downsized and they had a great lifestyle. Today, it's much more need driven, much more care healthcare driven. I think that we're seeing changes and it's interesting, coming back into the industry now. I'm so fortunate to have my team back together. We've got a great leadership team in operations, marketing, clinical business development, project management, construction, we've worked together for 15 plus years and everyone's been in the industry for 20 plus years. We're very fresh and refreshed. And now we're assigned to buy buildings, take over operations, and it's amazing to see the excitement and enthusiasm of the current staff of coming and joining the Trustwell team.

Larry Cohen 06:22

Part of it is just, I think they're just looking forward to the change. They've gone through a really tough couple of years. Most operators have had financial strains. The funds from the government have been limited. That's been a big frustration. And the business, the margins are down, seeing a lot of situations with operations and properties, losing money. And we're coming in refreshed, well capitalized, looking forward to investing in resources and people, in capital improvements, technology care plans. And also just starting, taking collectively, I don't know, we have I think 150 years combined experience. It's exciting that we can sit down now with this whiteboard and say, "all right, what CRM? What care plan? What Wifi, what technology? What WanderGuard? [Yeah.] What all these things yeah. And draw upon these resources to use all the best supportive technology solutions that are really targeted for this industry.

Lucas

You sound optimistic and excited to be back in the mix.

Josh 07:45

Yeah, absolutely. So with all the changes that we've had, you having kind of this fresh outlook and this enthusiasm for the industry, what do you think are some of the bigger opportunities that are ahead of?

Larry Cohen 08:00

I think the opportunity is to obviously start to get back to this combination of care with wellness, with socialization. Obviously I think it's important. I go into buildings and residents are lonely. You walk in, I see a lot of cases where they lack activities, just doesn't have that feeling, that kind of vibe that you would have typically with activities going on in the community. And you could speak to residents. The one thing that we're doing is interesting, is that as we buy buildings, when we go in and we meet with residents and staff, we always do Zoom calls with family members. And we repeat that. And we really understand from the family, their perspective. And I'd say the biggest challenge that the family recognizing is turnover, and their frustration that their parent, their aunt, their sibling, it's really difficult to have this change that's going on with caregivers and wait staff and other executives in the building.

Larry Cohen 09:16

We're fortunate that we're coming in. We have really strong bench strength. We have a lot of former colleagues that are anxious to join us and we're looking to as we take on buildings our hope always is to continue with existing staff and let them grow with us. But then also bring in where we need to have changes and things. So I think that there's this recognition that the staffing pressures and issues clearly out there contract labor. It's not only a very large financial strain, but an emotional strain on families and residents. So hopefully we can have this environment that we can provide a career for staff that are passionate about certain seniors.

Josh 10:23

So, Larry, it sounds like the trust well strategy, at least right now is primarily focused on acquisition. Is that correct? [Yes.] So give us if you can, a little bit of under the hood strategy of what you're looking for, I think you said 20 confidentiality agreements, you guys are obviously on the hunt for properties. What are you primarily looking for when you go in?

Larry Cohen 10:55

We look for properties that are well located in markets that are stable. We really do look at the competition. We typically are buying buildings that are probably on average, 15, 20 years. We're coming into refresh them both from a technology standpoint, as well as the capital improvement and amenities for residents, also for staff. We're looking at ways to improve the staff rooms break rooms and make it much more comfortable for the staff. They're spending, lot hours every day with families and residents making the environment that they want to enjoy as well.

Lucas

And that's a little bit different than times past, right? Because I've been involved in these refreshes for many years and 10, 15 years ago, we would walk down and we'd be analyzing the different areas with the decision makers. We'd get to the staff room and they'd say, "not on the scope". And I would think "why," I mean, it's just a little paint, something, and that's totally changed now.

Larry Cohen 12:06

Yes. So look, the most valuable resource in this industry has always been staff. And you have to recognize it and make it that way. Aid in looking at whether it be medrooms and nursing stations and break rooms that really work well. A, that supports the residents, that are located in strategically. We're very cognizant as operators of the impact of a building's layout to operational efficiencies and margins. one thing I've very felt very strongly about is that there's a need to have a continuum in these buildings. Memory care is a really big need. We're buying a building right now that doesn't have memory care and we're going to be converting units. And the family is just so excited. Because they don't want to have to move a loved one, but they reach a level.

Larry Cohen 13:03

I also think it becomes a hindrance on marketing because families are concerned what happens if my parent or loved one needs more care and it's not there? So we are thoughtful about the size of the buildings. We want to be in a building that we feel is not too large, but at large enough to have efficiencies where you can staff it properly, provide all the services and have a decent margin. I'm very, very, I've always been focused on rates. I think one of the disappointing kind of observations I've had

over the last few years from the outside was the fact that there was a focus on occupancy over rate. And in 35 years, and I see it on almost every property we look at. There's such a correlation between the rate that's being charged to residents and the net operating income. There's so many operators that just focus on census, census, occupancy, occupancy, thinking that that will solve solutions.

Larry Cohen 14:11

And all of a sudden you see this erosion of margin. And I think unfortunately, too many operators are dislocated from the ownership and don't understand the impact that's had on value of the underlying real estate. And you're seeing this. And you see it with properties that were built over the last four or five years that had challenges filling before COVID, was exacerbated during the pandemic. And now they have a real challenge because they have large loans they have to repay. But the properties don't command the value that's necessary, and we'll see what's going to happen. So to answer your question, we look at buildings that are nicely sized, have enough units to create that efficiency, but not so large that you have to be nervous about staying full. We look at the competitive landscape. We look at how that's positioned on pricing, care, reputation.

Larry Cohen 15:11

We look at the reviews. I think that's really important to understand. A lot of times that is the opportunity because you see buildings that you have to go in there, and so we'll be in that market even before we make that acquisition and start to introduce ourselves to the market, and get to be known in the market and explain our strategy. And again, the best communication is that open, transparent communication with the families, and letting them know exactly what our plans are and listening to their questions and their concerns so that we understand what we can do to help improve the lifestyle and the living environment for the loved ones.

Josh 15:56

Well, you touched on a little bit some of the focus towards, in the repositionings of great attention to detail, to creating great environments for the team members. Everybody's obviously talking about labor market, how tough it is, how much things have changed, particularly over the last couple years. As you're kind of looking ahead, what are some strategies for operators that you guys focused on to where, what are we going to do as an industry, as community leaders to kind of either create a new workforce or be more appealing and be able to staff these communities appropriately, do you have some strategies?

Larry Cohen 16:42

I've always believed that the way people are treated makes a difference. Look, compensation is important clearly, okay, you want to be competitive from a compensatory standpoint. But I think we have to be very thoughtful that I think, and I think it was probably even much more of a challenge because of the pressures of COVID and the concerns of making sure that people were following the CDC and local protocols. So you had a lot of this kind of heavy hand management from the home office or the regional on the properties that frustrated people. As I said, we've always had this culture of really empowering that community. And for 22 years I had town hall meetings every quarter. We would give out pins for years of service and gift cards. And every quarter I'm giving out 10, 15, 20, 25 year pins because people really enjoyed working in an environment where everyone felt that they were valuable, and they were. And I think what also we understood as an, as an enterprise is that our mission, whether we were in an accountant, an HR, an executive, an assistant, was to serve that onsite staff and provide those resources.

Larry Cohen 18:15

And I think the onsite staff really understood that. And I see that now I get emails from staff members of properties that we haven't even acquired, how they're so excited to join Trustwell, and they're there to win every day. Okay. And they're just part of that team and that culture and that mentality. I keep saying that I was very fortunate to join the organization in 1996 that had a great team, a great leader great culture and philosophy, and I just was smart enough not to change it. Okay. And I learned a lot over those years. I think it makes a difference. So look, there's gonna be turnover, but I do think that it's really important that the onsite staff are involved, I mean, we've had Zoom calls with staff members. We really, want them to embrace our culture, our philosophy, but also maintain their identity and understand how important they are every day in the lives of residents and families.

Larry Cohen 19:27

And I think people enjoy that. And I think this is an industry that the two of you, look at your background to what you're doing, right? You've become lovers of this business, right? You hope to create this or continue this culture that the onsite staff feel very proud about what they're doing, and feel like it's very, very much that they're in the lives of seniors and they're in the stage of their lives providing a really important service and home for the residents. And I do think that with the restrictions coming down now and hopefully that this, we go into endemic from a pandemic and people learn to live with COVID, we can start to start to have greater activities, socialization, programming.

Larry Cohen 20:26

I think that's really important. I think it's really important that people are engaged and enjoying their (cut) lives and feeling that, and I think it helps the staff. I think when the staff is involved and enjoying the interaction they're having and the engagement with residents. How often do you get to work in somebody's home? I mean, right, right? That's really where you are. It's one big family. Our tagline is, we look at this business as a family business, and everyone's truly our family. And that's kind of how we think about this. And I think that's something that I hope others do and understand that you really need to respect (cut) the onsite staff and what they do every day. It's really important to have great local leadership.

Larry Cohen 21:20

I think that makes a big difference. I think with the right leaders and the right structure there are buildings that do very well. And they operate well and they have staff that's retained for a long period of time. And a lot of it is just the way that they're treated every day. And that's it. And the fact that we're actually going in and thinking about the workspace, the environment, those break rooms the medrooms and everything else to make it easy for the staff and make it comfortable for the staff. I think they recognize that.

Josh 22:00

Well Larry, I, I could sit here and pick your brain all day. You've got a wealth of knowledge and experience. I'm so glad that your pause and reflection time did not last too long because we definitely need more of you in our space because of great opportunities, great challenges ahead. Lucas, fun conversation. I'm not even going to go there because I've got a few more, but we'll be here another half hour at least.

Lucas

Well, you know what? The more things change, the more things stay the same. People still want to be valued. Right? Exactly. And so that's a great word and a great way to end the conversation. Larry, thank you for your time today and we appreciate you being back on the show.

Lucas 12:44

Oh, great to see you both thank you so much.