Table of Contents

$\int_{\mathcal{L}}$	Λ_
_ '	$\bigvee_{i=1}^{n}$

1	Introduction and Overview	1
2	Types of Senior Housing, Long-Term Care Properties, and Hospitals	.19
	Active Adult	
	Independent Living Communities	
	Assisted-Living Facilities	
	Nursing Facilities	
	Continuing Care Retirement Communities (CCRCs)	
	Hospitals	.24
3	Assets of the Going Concern, Interest Appraised, and Ownership Structures	.27
	Real Estate Interest and Property Rights	.28
	Tangible Personal Property (Furniture, Fixtures, and Equipment)	.29
	Intangible Personal Property	.30
	Types of Ownership	.32
	Exposure Time and Marketing Period	.37
4	Assumptions, Extraordinary Assumptions, and Hypothetical Conditions Relating to Hospitals, Nursing Homes, and Senior Housing	.39
	Defining the Appraised Assets	.39
	Continuation of the Business	.40
	Competent Management and Market Operations	.40
	Licensure	.40
	Certification for Medicare and Medicaid	.41
	In-Network Status with Commercial Insurance Companies	.41
	Necessary Provider Status for Critical Access Hospital Designation	
	Rent Expense Deemed Reasonable for Medicare and Medicaid Reimbursement	.42
	Occupied Space in Properties Not Included in the Appraisal	.42
	Operation of the Medical Insurance Plan	.43
	Physician Contractual Relationships and Employment	.43
	Third-Party Opinions of Market Value for Certain Tangible Assets	.43
	Property Tax Revenue and Local Government Subsidies	
	Partial Assets of Going Concerns	.44
	Most Likely Buyer: For Profit, Nonprofit, or Not-for-Profit Entities	
	Hypothetical Property Rights or Interests	.45

5	Regulatory Considerations and Certificate of Need	47
	Licensure and Certification	47
<u> </u>	Site, Improvement, and Tangible Personal Property Analysis	FO
0		
	Site Data and Analysis	
	Highest and Best Use as Vacant	
	Improvements Description and Analysis	
	Assessing the Physical and Functional Qualities of Senior Housing Improvements	
	Skilled Nursing Facilities	
	Hospitals	
	Personal Property (FF&E)	93
7	Marketability Analysis and Developing Occupancy, Payor Mix, and	
	Revenue Forecasts	
	Property Productivity Analysis	
	Market Delineation: Primary Market Area, Service Area, or Catchment Area	
	Supply Analysis	
	Demand Analysis	
	Residual Demand Analysis	
	Inferred versus Fundamental Market Demand Models	
	Displaced Demand	
	Subject Capture Analysis (Marketability Conclusion)	
	Skilled Nursing Market Analysis	
	Hospital Market Analysis	
	Marketability Analysis Summary	.135
8	Medicaid Program and Reimbursement for Skilled Nursing Facilities	
	and Hospitals	.137
	Health Care Programs and Legislation	.137
	Financing the Medicaid Program	
	Medicaid Eligibility	
	Medicaid Rate Setting	
	Types of Medicaid Payment Systems	
	Medicaid Rate Components	
	Medicaid State Plan Home and Community-Based Services	
	Medicaid Reimbursements for Hospitals	
•	, and the second	
y	Medicare Program and Reimbursement for Hospitals and Skilled Nursing Facilities	163
	Medicare Overview	
	Medicare Financial Viability	
	Medicare Funding	
	Medicare Reimbursement for Different Hospital Designations and Skilled Nursing	107
	Facilities	.172
	Non-Medicare Outpatient Payments	
	Skilled Nursing Facility Patient-Driven Payment Model Rate Calculation	
	Medicare Part B Revenue in Skilled Nursing Facilities	
	Medicare Part C (Medicare Advantage) in Skilled Nursing Facilities	
	Medicare Part D	

10	Private-Pay Revenue Analysis and Revenue Forecasting	212
10	· · · · · · · · · · · · · · · · · · ·	
	Senior Housing Rent and Care Revenue Analysis	
	Community or Admission Fees	
	Second-Person Fee	
	Senior Living Rental and Revenue Forecast Summary	
	Skilled Nursing Private-Pay Revenue	.221
	Health Insurance Billing	.223
11	Operating Expense Analysis	.225
	Units of Expense Measurement	.225
	Data Sources and Standards	
	Senior Housing Operating Expenses	
	Senior Housing Departmental Expenses	
	Skilled Nursing Expenses	
	Hospital Operating Expenses	
	110spital Operating Expenses	.233
12	Income Capitalization and Discounted Cash Flow Analysis	.273
	Direct Capitalization	
	Major Factors Affecting Capitalization Rates	
	Developing Capitalization Rates from Comparable Sales	
		.270
	Going-Concern Capitalization Rate Using Market Rent Leased Fee Capitalization and Lease Coverage Ratio	282
	Equity Capitalization—Band of Investment	
	Debt Coverage Ratio	.200
	Reconciliation and Selection of the Overall Capitalization Rate	
	Other Capitalization Rate Issues	
	Revenue and Expense Forecasting and the Application of DCF Valuation	
	Income Capitalization Approach Reconciliation	
13	The Sales Comparison Approach	303
13		
	Identifying and Researching Sales	
	Confirming and Analyzing Sales	
	A Deeper Look into Senior Housing and Health Care Facility Transactions	
	Types of Comparative Analyses	
	Elements of Comparison	
	Occupancy Considerations	
	Medicaid Capital Rates—Skilled Nursing Facilities	
	Private-Pay/Medicare (Quality) Mix—Skilled Nursing and Assisted Living	.337
	Sales Comparison and Hospitals	
	Use	
	Non-Realty Components of Value (Used for Real Estate-Only Valuations)	
	Sales Comparison Approach Summary	
	1 11 ,	
14	Issues Behind Sale and Lease Transactions Affecting Price and Rent for Health	
	Care and Senior Housing Going Concerns	.345
	Operations Transfer Agreement	.346
	Issues with Long-Term Leases	.349

15	The Cost Approach	.351
	Procedural Steps in the Cost Approach	
	Land and Site Valuation	
	Improvement Valuation	.355
	Cost to Achieve Economic or Operational Stability	.358
	Entrepreneurial Profit and Incentive	
	Depreciation	
	$\label{thm:constraint} \begin{tabular}{ll} Valuation of the Tangible Personal Property—Furniture, Fixtures, and Equipment \ . \end{tabular}$	
	Summary of the Cost Approach	.375
16	Reconciliation of Value Indications	.377
	Exposure and Marketing Time	
	•	
	Allocation of the Market Value of the Going Concern	
	Allocation by Cost Approach	.383
	Capitalization with Allocation to the Asset Classes (Allocation by Market	005
	Rent Approach)	.385
	Capitalizing the Rent or the Tenant "Profit"	.390
	Allocation of Value Using Market Rent for Property Tax	
	Other Allocation Techniques	
	Allocation of Leased Fee and Leasehold Interests	
	Allocation of the Value of the Tenant's Interest in the Going Concern	
	Summary of Allocation	
	outilitary of Autocation	.377
18	Valuation of the Leased Fee and Leasehold Interests	.401
	Lease Contracts	.402
	License Ownership Issues	.405
	Estimating Market Rent	.406
10	Continuing Care Retirement Communities or Life Plan Communities with	
17	Entrance Fees	.421
	Property Rights Appraised	
	CCRC Revenue	
	Treatment of CCRC Entrance-Fee Revenue	
	Revenue Treatment for Leased Fee Interest Valuation (Ownership's Perspective)	
	Estimating Market Entrance Fees and Monthly Service Fees	
	Estimating the Market Imputed Interest Rate or Opportunity Cost Rate	
	Entrance-Fee CCRC Valuation Issues with New Construction	
	Continuing Care Retirement Community Revenue Summary	.436
	Conclusion	1/11