01:10 - 05:12
Lucas McCurdy
Bridge the gap in three, two, one. To Bridge the Gap podcast is senior housing podcast with Josh and Lucas. We are having a great day here in Chicago at the Fall NIC Conference and a great guest. We welcome Nick Stengle. He is the CEO of Brookdale. Welcome to the show.

Nick Stengle
Excellent. Thanks for having me. Excited to be here.

Lucas McCurdy
We are excited to have you. You know what? You've probably heard this before, Nick, but you have an impressive resume. And where you started and where you are now is a long journey. Top gun flight instructor and now CEO at Brookdale. I'm sure those years were so formative. How has that shaped your leadership style even today at Brookdale?

Nick Stengle
Yeah, very good question. As you alluded to, I was in the Air Force as a fighter pilot. I had the pleasure, the opportunity, to fly the F-15E Strike Eagle and, in some ways, reached the pinnacle, which is to be invited to the Top Gun School, graduate, and then be invited back to be an instructor. So what's interesting is, Brookdale is truly an operating company where a company of people, leading people now, we're built upon a very scarce resource, and that's the senior living real estate.

And maybe we'll talk about kind of that scarcity and how Brookdale fits into that, that, that mode. But the reality is, the value of that real estate is the fact that we serve and care for people, with people, leading people. And what's interesting in the military, you get an opportunity at a very young age. In my case, at age 17, when I went to the Air Force Academy and then through graduation, then obviously as an officer to lead people and accomplish missions.

And that ties very directly to Brookville. And what's interesting, the military, obviously, as an officer, you can command someone, you can order someone to do something, and in theory they will follow it. But the reality is you will never get the most out of that person. So if that's what you're falling on, is this idea that I can order you to do this.

You're never going to get the best of them. So if anything, the military experience as a leader teaches you how to really influence, inspire, and convince people to get the most out of them. Because you have that backdrop of ordering someone, you don't ever want to use it. And that skill set is something that I was able to hone as an officer.

Then later on in kind of the healthcare space, and now I broke Dale where, you know, we're looking to get the most out of the associates. We have the most inspiration, the most passion, the most energy, the most engagement. And the military kind of sets you up for that.

Josh Crisp

Well, and you touched on the real estate side and the value and caring for people. So let's talk a little bit about that. Brookdale is obviously an owner of a lot of real estate and an operator in the business. There's huge tailwinds with demographics. Everyone's talking about the aging population and this huge opportunity we have as an industry. What is the unique position of Brookdale to be able to meet those challenges and those needs that are emerging?

Nick Stengle
Yeah. So the supply demand dynamics that we face today and probably will face for many, many years to come are undeniable. I mean, the math is the math. And it's it's almost as certain as possible. So how does a Brookdale film within that context? So the most the first, most important point is and I mentioned this earlier, we do operate our own communities.

We are a operating company. Again I'll, I'll use these words many times. And I use these same words with our associates of people serving and caring people. And that fundamentally defines who we are at our core. Now we are also a meaningful owner. In fact, we're the third largest owner of senior living real estate, number one as well.

Tower number two is Ventas. Number three is Brookdale. And we're on a path to do even more of that. And we've had some recent announcements, in fact, three separate announcements where we're continuing to increase our ownership position. In fact, go back maybe five, ten years. We were about 50% owned of our total communities. Go back about six months.

We were 75 and go to where we are today. We're about to hit 80% with a path to do even more of that. So we are really leaning into this concept, this idea that the real estate that we own, the senior living real estate in general, is becoming more and more scarce as those supply and demand dynamics kind of converge around that real estate.

05:12 - 09:34
Nick Stengle
So you've been on board for about a year, one year, one year, maybe some highlights and some things that you think are big accomplishments while you've been, with Brookdale. And then if you could sort of give us some insight of what are some of your initiatives forward looking over the next year or so?

Nick Stengle
So for those that know the Brookdale story, it has been a long kind of history with a lot of acquisitions going back to 2014, which was a very meaningful one with Emeritus and Brookdale merging and what became then the largest senior living operator.

We were around 1200 communities. Now, since 2014, all we've done is shrink every single year, as we've kind of called as we've been a little more curate our portfolio, I'll call it. Obviously Covid hit us as it hit our entire country, definitely hit our industry and for sure hit Brookdale. And what we found ourselves in is a very defensive position.

We were burning a lot of cash. We had leases that did not generate any accretive of value to the company or to our shareholders. And we we made some big, bold decisions to ensure that the company survived, but that is now more or less behind us. And that's been behind us really for the last couple of years, where we're now cash flow positive.

Our entire lease portfolio generates positive accretive cash and EBITDA to the company. We've shrunk, and we're going to shrink down about 518 519 communities. And really what I'm describing is we've pivoted from a reactionary defensive mode. Coming out of the big acquisitions, coming out of Covid to now, finally in the last year, year and a half, we're in a far more offensive mode where we are proactive and we are making decisions.

In a big part of the change that I've brought in the last year is to build a team, build a company around that financial reality that those things that were burdening us are more or less behind us. And in fact, if anything, they switch and now we can take advantage of that. So it's our org structure. It's having a c o.

It's our regional structure. It's how we're set up to really maximize and optimize this moment in time. What I call the golden era of senior living this moment in time, and make sure Brookdale can truly capture the tailwinds that exist in our industry with a company that they can do that

Josh Crisp
Really exciting opportunities. One of the big challenges that we always hear operators talking about in our industry is the challenge, to grow and meet the care needs. But to do that, to be able to attract, to be able to recruit and retain the right team, to be able to do that. So what are your thoughts on that and the initiatives Brookdale has around that?

Nick Stengle
Yeah. So my answer should not surprise you when I keep talking about people and the fact that we that's what we do. We serve and care people with our own associates. I will tell you, this year, in the last year, we're probably the most conducive to attracting associates and retaining them. And I think there's an overall industry effect, really, an overall workforce labor pool for entire country that has really shifted in the last year or two, which is very beneficial, is beneficial to us as an employer because we can attract and retain the best associates.

But on top of that, I think our cultural shift, a lot of the changes we're making are taking advantage of the overall economic environment and leaning in even more so. Our employee turnover. Our associate turnover is the lowest it has been for sure since Covid. In fact, even just prior to Covid, it's the lowest it has been ever.

More specifically, our executive directors, which is a very key role for sure in our company, probably in all senior living companies, we have the lowest number of open positions we've ever had, and the eddy turnover in total is the lowest it's ever been. So there are a lot of things that we've been doing to really lean into the cultural shift as a company, the people angle, all the

things we are doing as a company, all within an environment that's very conducive to be able to do something with that.

And the numbers are playing out very, very nicely now. It's still a challenge. I will never say, you know, hurrah! We won. We we we finished the race. It is a constant race. And we are up for the challenge because we see the value in it.

Lucas McCurdy
We hear this phrase, and I have, through our career here and talking to people on the podcast is mission and margin, right? There's this kind of combination between the two. And Nick. You've really talked to both of those things. Yes, y'all, you have to have the margin. You have to have the numbers. But there's also, you know, a love factor and a culture factor. Going forward. What is your bigger focus now? Is it is it both or is it one or the other.

09:34 - 14:32
Unknown
Yeah. It's interesting you should ask that. So the in the Air Force, there's an adage that we use its mission first people always, mission first people always. And we talk about that quite a bit. When I get the chance to sit in front of a room of executive directors, when I'm doing my roadshows or when I do a town hall with the entire company on it, I'll talk about mission first people always.

We do have a mission. It's a mission of caring and serving people. It's a mission to achieving specific objectives, whether it's an engagement by our residents, engagement of our associates, or some real financial metrics or Pas NOI, all the different metrics. It is it is our that is our first focus. But we have to acknowledge that it's the people that can accomplish the mission.

And you have to find that fine balance and thread that needle. And that's the exactly the journey we're on is. So you ask what what is the future look like? The future is to truly optimize both parts of it and find the right balance between mission, people and margin, and hit that gap perfectly, because that's where you can optimize success.

Lucas McCurdy
Bridge the gap.

Josh Crisp
I like how you threw that in there. So one thing I'm curious about, so obviously, a lot of people are also talking about the, the boomers, and it's very different than the greatest generation that we served. You know, my grandparents for the majority of my career. And I think a lot of people, because there hasn't been a lot of new development over the last 5 or 6 years, are asking and trying to figure out exactly what the boomers are going to want as far as living environment, services, amenities.

And that obviously impacts as an owner of the real estate and a service provider, an operator, what you do, with Brookdale, what what is the forward looking direction? Do you see this being a broad continuum of care of communities and services that you guys offer, or are you really focused on one sector of the care continuum moving ahead, what does that look like for you?

Nick Stengle
Yeah, that's a good question. So even as we speak today, 75% of our capacity is more on the needs based side. And specifically I'm describing assisted living and memory care. 25% is independent living. Then we have a tiny, tiny sliver. I think it's 2% is skilled nursing which is always attached with our sister living memory care and independent living.

Kind of a classy model. So as a company, we have chosen and as we've kind of curated our portfolio to really lean on the needs based side of that equation and away from the discretionary side, even though we do have a component of it that ties nice because there's a nice feeder between the two. So as you think of baby boomers and kind of what they desire, it is it is a real thing.

I mean, the different generations have grown up with different expectations. But I will tell you, at the end of the day, when you have a need, a physical need, a cognitive need, kind of the you remove the discretionary angle of it. That's where we're leaning in on. We can provide great service, great care, amazing activities, amazing dining, a very beautiful community that your loved one can live their most meaningful years on in, in a, in a Brookdale community.

Josh Crisp
Going after really, caring for the needs based I think is how you described that having that focus, does that impact how you staff, how you recruit the type of person, beyond just your typical CNA or medtech or nurse? Or are there parts of like you're attracting practitioners, advanced practitioners, groups like that to be in the community on a more regular basis? What does that look like?

Nick Stengle
Yeah. So we are trying to find that perfect balance between hospitality, service and care. And that's exactly how we staff our communities, how we staff our organization, how we're staffed even at the executive ranks all the way through at the regional level, the district level, and then for sure in the communities.

So when you have an assisted living community who are memory care, independent living, the ratios are a little bit different. But nonetheless, at the end of the day, you're trying to find that balance because the need state is very different for every individual customer of yours, every individual resident. And we're structured in a way to be able to cover their needs. Again, hospitality service. So really I'm describing the dining activities, the travel, transportation, all those things. We can cover them all with the right balance based on the needs of the the community.

Josh Crisp
So I'm curious, your background so impressive before you even came to senior housing. And it's awesome to have someone of your caliber, helping to lead the charge in our space. Lucas and our huge fans of that. Do you think there's opportunities we start looking to attract more talent and more leadership to our industry that we need to be looking more towards, for example, the military, where you've got folks and leaders that have been trained and this was not necessarily the the path that they were trained on in school or in the military, but to apply those skills, is that something our industry should be focusing on to attract that type of talent?

14:32 - 19:21
Nick Stengle
For sure. And I and I personally, obviously I'm a little biased to love that as a path to leadership. And we as a company, Brookdale specifically have leaned into it, and I'm sure we can do more of it as an industry. There's an amazing program called Skill Bridge that the Department of Defense has, where a serviceman service woman who's leaving the service for the last six months of their career, they can still be an employee of the government of the DoD.

Their health insurance, their pay comes from there. But they work for a civilian company, a commercial company, and it's sort of like a paid internship. So there's no cost to the company other than you have to train up a new employee. But then when they separate, you now have the option of someone that you that has been with you for between 3 and 6 months, that you can make them a full time employee.

That's called the skill bridge program. You have to apply. And as you can imagine, Brookdale is fully involved in the skill Bridge program. It's an amazing bridge, bridge the gap to a industry like senior living. And we have found some amazing leaders who, you know, obviously they have zero senior living experience, but they know about mission, they know about people, they have integrity. They know about service. And it's something more about them just themselves. And that is kind of, in my mind, the ideal profile of a leader within senior living.

Josh Crisp
Lucas, what an awesome opportunity. And that's great. You know, for our listeners that are hearing this information, I would imagine many of our listeners have never heard of that program. So great information that they can find more about. Hopefully we can link that in our show notes.

Lucas McCurdy
I love that I'm using that exact program in my own company right now. I'm onboarding, a Army general that's, you know, on transitioning out. And we're going through the skill bridge program right now in my own company. It's a fantastic means. And I told my team, I said, let's find ten more of those right now, because that's the type of talent and integrity and background. So great point there as we're rounding out our conversation. Busy day here at fall. Nick. The demographics are compelling. And you are perfectly situated as a company to look forward in the next couple of years.

The NIC MAP data is basically saying that the nationwide inventory is going to be at 100% occupancy in 2027, essentially. So is it time to just at Brookdale? Is it time to just say, well, we're going to be fully occupied? I guess we can just right off into the sunset. Or is there a strategy around that?

Nick Stengle
Yeah, I'll say that's never the case. And there are many companies that have maybe taken that tact and are no longer with us because they they kind of fell on the the demographics as their saving grace. And that's far from what we're doing at Brookdale. We are taking again, advantage might be the wrong word. We're taking this tailwind and ensuring we have the sales setups.

I'm going to continue this tailwind analogy and really capture this opportunity. And it's everything around our org structure, around the acquisitions we're making, around more that offensive posture because we want to take full advantage and accelerate what I think will naturally happen. But we want to get there as quickly as possible. And at the end of the day, we want to serve and care for people who have that need right now.

And as you well know, a lot of what senior living is around discovery and education. Of potential residence where there's maybe a little bit of a stigma. We want to overcome that stigma. Brookdale is part of that. All our peer companies are part of that. And I think that's a big part of what we have to do as an industry is to improve that that perception, improve that penetration rate of folks that really need deserve senior living, just don't understand what it can really bring. And that's exactly the kind of the journey we're on for, I guess, the next several years. Well, it's really exciting. I'm going to be following your journey, obviously, for a lot of reasons.

Josh Crisp
You know, selfishly, your your background is so attractive to me. I remember as a young kid, Lucas, I thought, you know, probably a lot of young guys dreams, like, oh, man, Top Gun, you you see that movie? Then I rode my first roller coaster, and I got sick, and I was like, never will I be a Top Gun pilot ever. So, you know, it's really cool. I think, the background that you have on the training, the education you just touched on, it's something that I think we face some huge challenges as an industry, and I think our teams that we recruit were going to have to do a great job, candidly, a better job, job at training people and equipping them for the mission that's ahead, the missions that are ahead.

And so great to have you at the helm of leadership of a huge operator, owner of real estate. We look forward to following your journey, and thanks for taking time with us here at Nick. We know you have a super busy schedule.

Nick Stengle
Excellent. Appreciate Josh Lucas I really enjoyed the conversation and I look forward to staying in touch with you guys.

Lucas McCurdy
Likewise. Likewise, and thanks to all of our listeners that tuned in to this. You can go to bt G. Com download this content and so much more. Scroll down there in the show notes if you want to learn more about Brookdale and Nick leading the helm there as CEO, and we'd love to connect with you on LinkedIn as well. Thanks for listening to another great episode of Bridge the Gap.