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Trisha Talbot: 00:55 This is the Provider's Properties and Performance Podcast, the podcast that brings together leaders in health care and investment real estate to consider the possibilities and future at the intersection of practicing medicine and healthcare real estate investment returns. Welcome to the Providers, Properties and Performance Podcast. I am your host Trisha Talbot. As a healthcare real estate advisor to providers and investors, the best solutions occur when the two collaborate together as partners in delivering better patient care. Providers can deliver care to their patients when and where they need it. And investors realize the returns to build and manage facilities. We explore changes in medicine and wellness, the future of healthcare and using real estate as a strategic and financial tool.

Trisha Talbot: 01:37 Today, I welcome John Gorman, founder and chairman of Nightingale Partners, the first opportunity zone fund to invest in Social Determinants of Health Interventions with health insurers, local government and provider organizations. Over the next two episodes he shares his background that began with a career in Washington and during the Clinton administration focused on healthcare policy for the medically underserved and Medicare and Medicaid managed programs. He shares his experience with providing healthcare services to the poor and how he is using the opportunity zone funding to put investors and payers together to provide healthcare to the vulnerable population.

Trisha Talbot: 02:15 John, welcome to the Provider's Properties and Performance Podcast.

John Gorman:	02:19	Thanks so much for having me, Trisha. It's a thrill to be here. Never talked to a group like this before, so I'm very excited to be with you guys.
Trisha Talbot:	02:26	Well, that's interesting because what you do is related to both the target audiences, the providers, as well as the investors, and you're doing the investing side yourself. So it's very targeted.
John Gorman:	02:38	Yep, absolutely.
Trisha Talbot:	02:40	I am looking forward to this interview because I do believe that, maybe naively, but I do believe that many people want to figure out how to provide healthcare services to those that most need it. But the billion dollar question is how do you fund it?
John Gorman:	02:53	Well, that's certainly been our focus here at Nightingale Partners, Trisha. There is a lot of capital and resources that are out there to help improve the availability of healthcare services, especially in underserved communities. We're the only opportunity zone fund that I'm aware of that is specifically dedicated to large-scale healthcare investments and in particular, in investments in social determinants of health, those are basically just four fancy words for poverty. So our focus is really in working with large provider systems and health insurers for large-scale interventions, in effect antipoverty initiatives.
John Gorman:	03:39	So housing security projects, food security projects, making prenatal care and well-baby care better available to women of color who are dying at four to six times, the rate of white women in childbirth these days during the pandemic. Things of that sort, because we know from all the available research that every dollar that we invest in intervening and improving poor people's healthcare yields, a three to eight X return on investment in terms of reduced healthcare costs. So as an investor it doesn't get much better than sinking money into basic human-needs interventions because they're just so hugely impactful in terms of what we spend on healthcare in this country.
Trisha Talbot:	04:27	Well, and your current company, Nightingale Partners comes from a tremendous amount of experience in managed care and serving vulnerable populations. So in order for the listeners to understand how you came to this and your incredible level of experience, can you provide them with your background?
John Gorman:	04:44	Yes. Sure. Well, I was born to two med students at Wayne State med school in Detroit, Michigan. So being raised by two primary care docs in an inner city, I think brings a pretty unique

perspective all to itself. And when I came to DC 30 years ago straight out of school to work for my hometown Congressman from Detroit, John Conyers, he walked into my office and said, and this was in 1989 - 90. He said that he really wanted the congressional black caucus, which he was the Dean to be really active in pushing for single payer healthcare. And he said, 'this has got to be a priority. I'm the Dean of the black caucus. So my chief of staff has got to be the face guy on this.' And he said, 'so you're doing healthcare.' And I said, 'Congressman, I don't know about healthcare.'

John Gorman: 05:36 And he said, 'John, from 18 years of dinner-table conversation, you've probably forgotten more about healthcare than the rest of us are ever going to learn.' So I got just thrown right into it. A year later, I was running Clinton's campaign in Michigan. And then when he won, I got appointed to this new office of managed care at what was then the healthcare financing administration, Trisha, which is now of course, the center for Medicare and Medicaid services. It is actually the biggest agency in the federal government by far, even bigger than the Pentagon in terms of its budget in controlling Medicare and Medicaid. So we ran the managed care office. So that was all the Medicare risk plans and then all the Medicaid HMOs. So I was 25 years old and had a $79 billion portfolio. I mean, that only happens in DC. So after doing that for several years, I started Gorman Health Group, which at the time was the largest consulting and technology shop in government healthcare programs. I ran it for 22 years, retired. And the last spring, when the IRS completely revamped the regulations for opportunity zones, I got this alert on my phone and I sat up and I said, 'holy ****, this is it. This is how we'll be able to now use opportunity zone capital for investments in healthcare.' So that's kind of what got us here today.

Trisha Talbot: 07:02 Well, and what inspired you to start Nightingale Partners? Just that alert or did you kind of say 'this is what I've been looking for.'

John Gorman: 07:10 I had been looking at this stuff for years at that point. Probably went back to 2016 when the feds for the first time authorized the offering of these types of antipoverty benefits by plans in government, but they didn't allocate any new money for the plans to offer them. So, as you can imagine in that the four consecutive years, the plans have been pretty shy about it because they just are afraid to invest their own capital in what are largely new benefits and services. So I said, 'we have to go about finding a way of de-risking the offering of these types of benefits, like housing homeless patients, or providing rent or utility supports in the middle of a pandemic so that people can

stay in their homes for longer.' So I looked at social impact bonds as a source of financing.

John Gorman: 08:04 There's about 60 billion of them in the U.S. this year. But every impact bond financier I went to, when I started talking about domestic healthcare interventions, they looked at me like I'd just grown a second head. They just didn't understand what I was talking about. Most of their investments go to environmental cleanups or digging wells in Africa. It's not about how do we house homeless seniors in Detroit? So I'd given it a try for about three years with impact bond financiers with no luck at all. And then I retired and it was just kind of laying around. I was happily retired. My wife was kind of tapping her foot saying, 'man, you need to get out of the house a little more,' when I got that notice. And look, I had not paid any attention to opportunity zones because it came out of Trump's big tax giveaway bill.

John Gorman: 08:56 And I'm a rabid foaming at the mouth liberal, and I just hated everything the guy did. But this was actually Cory Booker's program that was designed to spur investment in disadvantaged urban communities. And when the IRS revised those regs Trisha, they said not only can opportunity zone capital now be used, not just for real estate purchases, but more importantly for our purposes, leases, but then working capital or to meet the business requirements of a new co in one of the 9,000 opportunity zones around the country. That's what made me slap my forehead and say, 'here's a new source of $6.2 trillion in available capital. I mean, so one: it dwarfed the impact bonds I'd been chasing my tail for three years chasing. And two: there were so few restrictions on the use of this capital that it just opened the gates to us to come in and do this.

John Gorman: 09:57 So we got to work right away. I got off the couch. My wife was happy. And we just started building a syndicate of investors which includes frankly, a lot of the healthcare providers and the insurers that we work with, that co-invest in these projects with us, but mostly it's a lot of high-net-worth individuals in the opportunity zone portion of our capital stack. And then of course, we access all sorts of other sources of cheap equity or capital and some cheap debt like the new market housing tax credit. The new market tax credit we use regularly in the capital stack of a lot of our investments.

Trisha Talbot: 10:36 Opportunity zones has been around and people kind of understand it's for investing in low income neighborhoods and it's a 10-year investment, but can you clarify a little bit more detail about what the goal is for the opportunity zone funding?

John Gorman: 10:52 Yeah, as we said, it was really intended to help revitalize real estate in vulnerable, disadvantaged communities. And when they designated the roughly 9,000 opportunity zones around the country, Trisha, I noticed right off the bat that they really correlated very heavily to the federal designation of a medically underserved area. And that's an actual federal designation from my old department of health and human services that measures the availability of healthcare providers in every zip code tracked across the country

Trisha Talbot: 11:28 And is that by the need of the population or lack of physicians to provide care?

John Gorman: 11:32 Both. It's primarily a measure of lack of physician availability. So for instance, we were doing a project earlier this year in Baton Rouge. West Baton Rouge, Louisiana is one of the worst urban, medically underserved areas in the country where it had one PCP primary care physician to every 6,000 patients or residents of that zip code track. So that's what we're getting at. And that correlation means that most of the opportunity zones that we go into have desperate shortages of healthcare providers. So often a lot of our investments entail capital to improve the availability of certain healthcare specialties within that community. So for instance, we're doing a big project right now in Puerto Rico, and we put a big flag in Puerto Rico because the entire Island is one giant opportunity zone, Trisha. And as you can imagine, the need is desperate there.

John Gorman: 12:34 Not a lot of mainland gringos like us are aware that the average annual income in Puerto Rico is 40% of the average income in Mississippi. And so if you think of Mississippi as a dirt, poor U.S. state, Puerto Rico's 40% of that. So the need is desperate there. The entire island is one giant opportunity zone. So one of the projects we're doing there is that we've partnered with a youth development organization and a large local insurer. And we're going into over a dozen of Puerto Rico's most notorious public housing projects with a charter school, a workforce training center and an onsite medical and social services clinic right into the heart of the community that's in greatest need. And every one of those clinics, Trisha, the composition of the providers working out of it are going to be determined by the analytics that we've done of the nearby population. And it turns out the first one that we're going into is going to be heavily staffed with mental health professionals because that public housing project, the Ramos Antonini Public Housing Project in San Juan is overwhelmed with childhood abuse victims and kids with mental health disorders and rising rates of substance abuse. So our very first clinic is really going to try to address the huge shortages of

mental health professionals in this first public housing project, as one example.

Trisha Talbot: 14:14 Yeah, absolutely. So you mentioned social determinants of health. Can you unpack that for the listeners?

John Gorman: 14:21 Sure. Social determinants of health is, as I said earlier, just really four fancy words for poverty, but in the healthcare space, we know those four letters mean 60 to 80% of healthcare expenditures can be attributed to where you live, who you live with, what you eat, what you drink, what you breathe, whether you lived with systemic racism or constant police violence, if you lived in communities that had desperate shortages of not just doctors, but of grocery stores. And in healthcare, we know that those factors are attributable to 60 to 80% of healthcare costs and that if we want to have any hope of bending the cost curve in healthcare, Trisha, the smartest and most efficacious way of doing it is just to intervene in poverty and just deal with basic human needs that keep people from being constructive members of their own care team.

John Gorman: 15:24 At Nightingale, we ascribe by a social health tenant, that's called Maslow's Hierarchy. And they teach you in social studies in college that Maslow's Hierarchy deals with the pyramid of human needs, right? And that at the bottom of that pyramid, the most pressing human needs are first: shelter, food and security and above that is health. And the hierarchy says that unless you deal with the needs below, the next level of needs can't be addressed because those basic needs at the bottom aren't being addressed. So a homeless diabetic guy isn't concerned about whether or not he's taking his insulin in the last 30 days, if he doesn't know where his next bed or his next meal's coming from, right? So social determinants means that your anticipated or predicted healthcare cost is far more predictable based on the zip code of where you live than on your own genetic code. And that's, what's the best predictor of healthcare costs and folks that live and have lived their entire lives and disadvantaged communities are the most vulnerable patients in the system, the most expensive folks that we see.

Trisha Talbot: 16:46 And what is the outlook for the supplemental benefits for Social Determinants of Health when you look at the new administration in 2021?

John Gorman: 16:55 Joe Biden has really, I think, promised to usher in a real golden age of health equity, if you will, Trisha. Across his administration in almost every transition document that you see that relates to healthcare, he talks about reducing disparities in care and about

addressing the differences that minorities see in their care than their white counterparts do. Everything he's doing around COVID is cognizant of the fact that African-Americans are dying at four times the rate of white people, that Latinos are dying at three times the rate of COVID than their white counterparts. The fact that he's appointed an equity co-chair for his COVID task force, something Trump would never have even thought to do. And her sole job is to just address disparities in vaccines and how minority populations are inherently resistant to getting government-sponsored vaccines because of things like the Tuskegee Experiment and that we have barriers to overcome to get the most vulnerable members of our society to actually get on board with vaccine treatment. I see this stuff in every document that he's released on healthcare, and it's just really refreshing.

Trisha Talbot: 18:15 Well, don't you think that in order to get the brown and black population, when they don't trust, the past four years, they don't trust the government and they don't trust when a bunch of white guys come in and say, take this vaccine?

John Gorman: 18:31 Exactly. Which is why I actually think one of the most important events that's going to happen in this vaccine distribution is going to be when George W. Bush, Obama and my old boss President Clinton will actually get inoculated together online. I think certainly among black population, seeing Obama get the shot is going to allay a lot of those concerns, but it goes beyond that. You've got to get right down to community level influencers that will help people recognize that this is safe for me to do. I'd be looking at guys like Chef Andres down in Puerto Rico, or Tyler Perry in Atlanta, or Oprah Winfrey in Chicago to publicly go on television and go online to say 'here, I'm getting it. Here it is. We all need to get on this train, so you're not under the COVID bus.' And I think you're going to see a lot of that in the weeks and months to come.

Trisha Talbot: 19:26 Well, let's talk about some other pieces of legislation that are important to what you do and we'll tie it all in together. The centers of Medicare and Medicaid services. So where is this going to go under the new administration and the state small business credit initiative and special needs plans?

John Gorman: 19:43 I really see all of the various instruments that we have that address the needs of vulnerable populations are really going to get rebuilt reinvested in and refocused under the Biden administration. You saw a shadow war on poverty being waged by the Trump administration, Trisha. There's just no other way to put it. Basically everything that the government did that tried to address poverty, the Trump administration tried to gut it like a

fish. Just look at the food stamp program, what we call SNAP today. It's actually run out of the department of agriculture. Trump slashed it to the bone. Food stamps in the middle of a pandemic with 47 million people unemployed. So I think you're going to see not just a refunding of that money to its pre-Trump levels, but I think you're going to see a big investment in programs like that. I think you're going to see greater access to especially primary care for the underserved.

John Gorman: 20:45 So you'll see more investment in the Federally Qualified Health Center Program, investments in the Indian Health Clinic Program through the Indian Health Service. I think you'll see across HUD, a revitalization of Section 8 and other housing and rent and utility subsidy programs. So that's why I think this is really going to be a golden age for health equity, because you'll have not just the government leading the way in terms of major new investments and priorities in this area, Trisha, but we're already in the middle of an arms race across the healthcare industry and Social Determinants of Health. Every major health insurer and most major health systems are engaged in billion dollar investments into Social Determinant of Health infrastructure. Most notably recently, a small conglomerate of health systems raised three quarters of a billion dollars just to do better human needs interventions among their catchment areas. So you see this across the industry, and I think the federal government's about to pile on in a big way once this administration takes office.

Trisha Talbot: 21:54 Well, and let me, because I try to be, this is a bipartisan podcast. I can hear conservatives say this is just another, some more entitlements, but in order to get people out of poverty, I do think you have to help them get to a certain level of sustainability. Then you can start weaning them off of entitlements. But I think the United States, it is such a wealthy country that I think if we can just get creative with things like what you're offering I think we can solve some problems and it doesn't just have to be the easy solution, which is just tax the rich, which is not creative, but if the rich can understand, 'hey this is why we're being taxed and this is how it's going to be used,' I think that you can probably get some understanding.

John Gorman: 22:45 Yeah. I think the biggest thing that we could possibly do to help underserved communities right now would be just an increase in the minimum wage. If the minimum wage had kept pace with inflation, it'd be $22 an hour right now, and it's still stuck around seven or eight and that's just a travesty. Now we're seeing a movement to $15 an hour minimum wage, but that's still only getting us about half of the way to the gap that's been created. And if anybody wants to call that the dole or entitlements or

whatever look, I'm a wealthy guy and I didn't ask for any of these tax cuts, I don't need them. Neither does Jeff Bezos or anybody else. And if the rich had continued to be taxed at the rate that they were pre Reagan and all of this about trickle-down economics that we've been shown in study after study from the fed that just failed miserably. The only way for us to deal with the inevitable casualties of capitalism is to fund our social safety net better. We're the richest country on the planet. We've got 50 million hungry people in this country and 47 million unemployed people. This shouldn't just be landed the free for those who are making 400 grand a year or more.

Trisha Talbot: 24:03 So we've got new administration, we've got this legislation, we've got this opportunity zone. So tell me how Nightingale Partners uses all of this in order to help payers and providers provide healthcare services to populations in an opportunity zone. So an example of an insurance company comes and says, 'we need to open a clinic in a downtown wherever, how do you help them?'

John Gorman: 24:30 Well, we first start with analytics. Anytime you're an investor, especially when your investor syndicate includes Republican billionaires who want to know how their money's being spent and they want to see results, you've got to really use data to drive the design, implementation and then the measurement of the success of these types of projects. So we start with data, with a really robust analytics engine that looks at 5,000 different sources of publicly available data on every community in the U.S. And so for instance, we're looking at a couple of big initiatives in Baltimore right now, where needs are desperate, if you can imagine. And if you were a fan of The Wire like I was one of the greatest television series ever recorded, you know what Baltimore is about. And looking at the data in West Baltimore in particular, we found not only is this the hub of some of the most gleaming healthcare institutions in the country, like Johns Hopkins Healthcare, but it's terribly medically underserved and short of basic primary care physicians.

John Gorman: 25:38 It's very short of the basic specialties. We find a crisis of prenatal and maternal health and well-baby care among women of color, we see rampant hunger, we see housing insecurity. And so we're working with one of the dominant insurers there and with a local developer where he's going to apportion a certain amount of his property that we will be able to use for health-related facility investments. So he was a little nervous about us getting into homelessness or drug treatment. So we're going to focus with his properties on opening up a birthing center for women of color and an onsite primary care and urgent care clinic. And we're going to have a diabetes education center right next door to the

grocery store that he's bringing into this food desert, where he's building this development. We're going to have a community pharmacy, and we're going to have onsite adult and child daycare and intergenerational daycare onsite.

John Gorman: 26:47 And it's these types of developments and place-based investments that we think are going to be hugely impactful to an at-risk community like you see in West Baltimore. So we're working with the payer there, with the developer, and we're even working with the state of Maryland on a variety of financing instruments. So while we may put some of our opportunity zone capital into this, our insurer partners are likely going to put some skin in the game, as well. And then we're accessing all sorts of bonds that are available from both the federal and state level. And then some of these new market tax credits and other instruments that will round out the capital stack for a project like that.

Trisha Talbot: 27:30 And did the payer bring this to you? Or were you working with the property owner and then you brought the payer in and everyone, then you got everyone to work together? Is that what you typically do?

John Gorman: 27:39 More of the latter. Now, there are lots of payers out there who know what the need is, but they don't have the first idea how to get started and much less find the money to invest in these types of interventions. And I think it's important to point out, Trisha, that a lot of insurers are gun shy about investing their own money in this kind of stuff, because if they do, in many cases, it impacts the competitiveness of their premium that they have in the market. In Medicare, for instance, the Medicare plans all survive off of zero premium. And so if they wanted to do a big homelessness intervention and house 5,000 of their homeless members, they could do it, but it would increase their monthly premiums, say to seven or eight bucks a month and that'll knock them out of their competitive position in marketplace.

John Gorman: 28:29 So they choose not to intervene for those folks who needed it. And those folks remain on the street. We're here to try to de-risk that, and to not only provide them with the external capital - other people's money, that makes it less risky for them to do it, but we're also bringing them those analytics and the design expertise, because we've got over 120 years of intervention, design expertise here at Nightingale. So we've done this a lot and know how to put together, not just the partnerships that you need at the local level, teaming up with meals on wheels or the local real estate developer, or the affordable housing developer to go to the guy who's funding the local medical clinics in that

community historically and we want to get them to do more on our side of town. Putting all of those linkages and partnerships together, and then arranging and executing on the capital stack is really where we come in. We want to be the connective tissue, if you will, between the payer and the services in these communities, and then connect everybody to the services that they need.

Trisha Talbot: 29:42 I'm grateful for you tuning in to the Providers, Properties and Performance Podcast. If you enjoyed it, please subscribe, rate, review, and share the podcast with others. As a disclaimer, this podcast is intended for educational and entertainment purposes only, and not intended for specific real estate investment advice.