

Healthcare Investments in Opportunity Zones - Part (2 of 2) with John Gorman of Nightingale Partners

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- Trisha Talbot: [01:02](#) 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: [01:44](#) Today's interview is the second part of a two-part episode featuring 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. Last week, he shared 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. This week, we focus on where he anticipates primary healthcare is heading, how his company is a solution to reduce healthcare costs that tax the system, and revitalize underserved communities.

- John Gorman: [02:23](#) One example we're seeing right now, as I said, I serve on the board of Henry Ford Health System in Detroit. And for instance, we just made a major investment in pop-up acute respiratory distress clinics across Metro Detroit as just an off-taker of folks who would otherwise be coming to our overcrowded emergency rooms when they have COVID symptoms or they think they have COVID symptoms. So literally sending out pop-up clinics where we'll have respiratory therapists and others on site to divert them away from nursing homes that are at 99% capacity. That's a really smart innovation in place-based health care that addresses a pressing access need. And I think you're going to see a lot more of that kind of stuff. I think right now with nursing homes, just absolutely inundated with COVID and overwhelmed. Look, nursing homes are about to get gutted like a fish in this country.
- John Gorman: [03:25](#) That is the one institution that nobody wants to be in it and nobody wants to pay for it. And now it's crawling with COVID. So I think you're going to see huge place-based investments, Trisha. I think you're going to see an explosion in small group homes taking single or double-family housing and converting them into small group homes for elders for the housing insecure and for the disabled with say an onsite community health worker to help coordinate their services. I think you're going to see an explosion in adult and child daycare, especially adult daycare. I think I'm probably a lot older than you are, but in my day, in the late sixties, there was a kindergarten or a childcare center on every freaking corner in Detroit. I think you're going to start to see adult daycare centers popping up like mushrooms.
- John Gorman: [04:20](#) And I think you're going to see a whole lot more emphasis on community-based and home-based settings. So a lot more emphasis on home modifications so that we can help seniors and the disabled stay in their homes longer, safely, and a whole lot more emphasis around housing and rental and utility supports, especially when the eviction moratorium set to expire on January 1. And we're looking at potentially eight to 12 million people being evicted in first quarter, a real Marshall Plan around 'how do we keep people in their home safely longer,' I think is going to be a big priority.
- Trisha Talbot: [04:58](#) Well, and I think some people that are in nursing homes would have preferred to have some sense of independence, but have support as well. But you've touched on the pandemic effect of nursing homes, but also do you feel that, and you might be getting calls already of how the pandemic has uncovered a huge gap in healthcare awareness, prevention and services in lower income communities. I think the statistics show that they are being hit the hardest, and that's not a secret. Payers, providers,

health systems, are they saying, 'hey, there's likely to be another pandemic. How do we get ahead of the curve?' and, coming to you, would that be a solution?

- John Gorman: [05:41](#) I also take heart in watching all of these clinic startups with the huge success and trajectory that like Oak Street or Iora, or ChenMed or Cano Health, or most importantly VillageMD and the billion dollar partnership they just struck in May with Walgreens. They're going to roll out five to 700 new senior-focused clinics in these underserved communities around the Walgreens stores. I think there's going to be a huge effort and billions of dollars invested in the next couple of years, just in trying to address medical under service and trying to bring those resources into the communities that need them most. The thing I get a little worried about is, we've already got a primary care shortage in this country among physicians. I think what you're going to see is a big effort as well, to help allied health professionals practice at the top of their license. And you're just going to see this being a full employment act for registered nurses, nurse practitioners, and physicians,
- Trisha Talbot: [06:52](#) Physician assistants. I was just going to say that, yeah.
- John Gorman: [06:56](#) What we think of as primary care today, Trisha, is not going to be provided by a doc 10 years from now. It's going to be provided by these allied health professionals at the top of their license.
- Trisha Talbot: [07:06](#) Absolutely. So talk to me about the shared savings business model that you provide.
- John Gorman: [07:12](#) We knew that we wanted to make external capital available to the plans so that they could offer these critically-needed, life-saving, cost-saving interventions and benefits to their members. But we also knew we were going to have to find a way to repay our investors. These Republican billionaires in our syndicate, are sitting here, tapping their foot and waiting for that that 10-year investment horizon on the Opportunity Zone investment to play out. So I think when we looked at 'how do we then recoup this money?' We realized very early that, well, we're generating three to eight X in savings off of these investments. Why don't we just share in some of those savings that we help create. We're making investments in critical services and infrastructure that the plan wasn't able or willing to do itself up until that point.
- John Gorman: [08:07](#) So that our model basically is when we partner with a plan, we're going to split those savings 50/50 that we helped create starting in year three of the investment through year 10 of the Opportunity Zone window. We don't want to start taking or

accruing any of those savings before that, because we want these interventions to play out and give them a chance to work. But then we start accruing. And so the first dollars in the waterfall go to the investors and then the next round of dollars in the waterfall go to expanding that program and that intervention to serve more and more people, because one of the first things about a shared savings arrangement Trisha, is that you get up to a point of diminishing returns pretty quickly. So it serves our model, serves our clients, and it serves our interests that we're continually expanding the population that we're serving so that we continually have... and repay these Republican billionaires.

Trisha Talbot:

[09:07](#)

I think that the diminishing returns, because I think once you start getting the primary needs, then you can start having like a specialist come in on a day, you know? And so I think there's always, you just start innovating, You say, 'okay, we're going to have, a dentist to come in and do some reconstructive surgery, or just preventative care. We're going to have a cardiologist come in' and continue to improve upon the healthcare that you're already providing because you have the system in place now. Now you just get the people to come in and they don't have to be there full time, but you continue to serve the needs.

John Gorman:

[09:42](#)

I just make the point in that the diminishing returns often come from the effect of that initial intervention. When you've got a homeless elder, homelessness is known to be a four to 10 X multiplier of healthcare costs, especially for elderly patients. So, you'll see an elderly homeless person cost upwards of 130-150 grand a year, but then the second you get them into stable housing, you remove that four to 10 X multiplier. They're still going to be very expensive, very high risk, vulnerable patients. But that's when you see the very steep cliff in the savings that you created. Now, it's not gone completely away of course, but it has been diminished. So the point is, especially in homelessness interventions, our interests are to serve more people year over year to offset that diminishing savings that happens on that first intervention. But you're exactly right. Once you've got a community health worker assigned to them, she can then start arranging a dental care visit, which Medicare does not cover. And that is a huge source of healthcare costs for seniors, and the like, as you pointed out, so yeah, you got it.

Trisha Talbot:

[10:51](#)

But there's also, other things that happen. If you start serving these people, you're going to inspire kids. Well, hopefully there'll be healthy enough. Your first example, a diabetic homeless person, well, a diabetic child can't really pay attention in school, but if they get health services and they can go to school, they probably feel good going to see these healthcare service

providers and then they themselves go and then you have them come back to serve their own community. It can be kind of like this whole circle of life kind of dynamic.

- John Gorman: [11:25](#) The virtuous circle of just generally economic development, as you pointed out earlier, Trisha, is one of the more meaningful things we do in all of our investments as OZ investors, is that we have to have an emphasis around economic development and improving the economic health of an underserved community as well. So, as community health workers are the linchpin of all of our interventions, by nature we are creating hundreds of jobs in almost all of the projects that we into, not just in community health workers, but COVID contract tracers, folks that are doing meal preparation and delivery, the drivers and the maintenance personnel that are transporting people to appointments or to a grocery store, the personal care attendants that we send into people's homes so that they can stay there longer and stay out of a nursing home, the home-modifications guys who now get a flood of business, building ramps and bumpers and doing mold abatement for people with COPD. Job creation is a very big part of what we do. And always one of the most impactful things that we do to improve the health of a community is just give people more money and more opportunity. And then that's when you start seeing Maslow's Hierarchy. It met down here and then they move up. So now they're active participants in their care and in the economic health of their community as well.
- Trisha Talbot: [12:53](#) Absolutely. Well, have I missed anything that you wanted to touch on with Nightingale Partners? I feel like we've talked a lot but is there anything specific that I've missed?
- John Gorman: [13:02](#) No, you got it Trisha. Look, people like you, you got a real job. We just sit around and think this up all day. So, it's a novel concept and takes people about four or five times hearing it before they get it, but you got it on the first shot. So, thank you for that.
- Trisha Talbot: [13:18](#) Oh, I'm glad to hear that. Well, now we're going to move into the Q & A to get to know a little bit about you because as you know, people like to do business with people that they know or feel comfortable with. So, what is your first job?
- John Gorman: [13:32](#) My first job was sweeping the floor of the barbershop in my neighborhood in Detroit. When I started preschool and I was coming home, both my parents were obviously working. So, I was six or seven, but I was getting my ass beat. Because I was like the only white kid in about a four mile radius. And I found the only safe place in my hood was the local barbershop. So I started hanging out at the barbershop and one of those days, one of the

guys got up out of his chair and he said, 'son, you're tall enough to hold a broom, hold a broom. Here's what to do with it. And if you've got time to lean, you've got time to clean. So, go ahead.' So let's start sweeping up the barbershop. That was my first job.

Trisha Talbot: [14:13](#) Oh, that's an awesome story. What would you be doing for a living if you hadn't gotten involved in healthcare policy and then investing?

John Gorman: [14:24](#) Ahh. I'd be a screenwriter. I actually have done a fair amount of screenwriting from, 22 years at Gorman Health Group, living on planes and hotels. I was doing 200,000 miles a year. So, I wrote a bunch of scripts. I sold four of them. I'd love to get back to that. I have teenage daughters, so I haven't written in years, but I always told my wife when I was starting Gorman Health Group, that this was just to finance my screenwriting career down the road. And I thought that if I ever go back for a Masters, it's going to be an MFA in Film Studies and someday I'll get there after I'm done with Nightingale.

Trisha Talbot: [15:04](#) There's still time.

John Gorman: [15:04](#) I've still got plenty of gas left in the tank.

Trisha Talbot: [15:07](#) What or who are you reading or listening to right now for news, information, or inspiration?

John Gorman: [15:12](#) Well, for news I'm a Twitter fiend. I will confess. So, I follow, all of my favorite journalists here in DC. A lot of them are health reporters. I love Bruce Japsen. He's wonderful at Forbes. I love Dan Diamond over at Politico. I'm a huge consumer of MSNBC and actually know a lot of folks that are on the show that are health contributors. And those that have comment on the government. Some folks I used to work with on the Hill or in the Clinton administration, for instance. For entertainment, like I said, Trisha, I got teenage girls. So it's all Taylor Swift and Dua Lipa these days.

Trisha Talbot: [15:58](#) How old are your girls?

John Gorman: [16:00](#) 17 and 16. And Taylor's got a new album coming out tomorrow. I know what's going to be playing in my house all freaking weekend. But I'm also in a band. And, like I said at the top, we had our weekly jam session socially-distanced last night. So I listened to a lot of music, probably the greatest influence on my life, aside from my mother, while I'm a son of Detroit, my heart is in Minneapolis with Prince.

Trisha Talbot: [16:34](#) Yeah.

John Gorman: [16:34](#) But I grew up on Motown, man. I grew up on Stevie Wonder and Marvin Gaye and The Supremes and that's the music of my childhood. And it's a lot of the music that we in the band play today. So, I love just R & B and soul music. It's Where my heart's at.

Trisha Talbot: [16:49](#) Well, and a lot of music has come from that kind of music. And the kids today, they don't understand that, the roots of some of this come from the old-school stuff.

John Gorman: [17:02](#) Actually, I trained the girls very early on to listen to old-school music so that they knew where it all came from. And we listened to everything except country music, which if you're from Detroit, you just can't stand it. It's just like fingernails on a blackboard. But everything else we made them listened to and they have very rich listening histories now. And they're real students of music, as I'd hope they would be. As far as books and reading stuff, I don't read a lot of politics books, I will confess just because I live and breathe it every day. But I've got to say one of the books that really touched me this year was called The Orphan Master's Son, which was just an incredible book. I've never read anything like it. It's about a North Korean orphan who becomes a spy for the North Korean military abducting, Japanese people in Japan and bringing them back to North Korea for ransom and the journey of discovery this guy goes on behind the curtain in North Korea. I had never read anything like it. It was as unique as probably my favorite book of all time, which was Life of Pi.

Trisha Talbot: [18:27](#) Oh, I love that book.

John Gorman: [18:27](#) In the lifeboat with the tiger, trying to survive a shipwreck, amazing reading.

Trisha Talbot: [18:33](#) Well, I read that book on the plane to my honeymoon and it was incredible. It was a page Turner. You couldn't put it down. I haven't watched the movie yet because I feel like I want to be prepared to either be incredibly impressed or somewhat disappointed when I watch it.

John Gorman: [18:50](#) The movie was beautiful. It was directed by Ang Lee.

Trisha Talbot: [18:53](#) Did they do a good job?

John Gorman: [18:53](#) They did a wonderful job with a book that was almost impossible to put on screen and Ang Lee found a way to do it. And in a very

beautiful way. I was really touched by the film. Nothing compares to that book. The film was wonderful and I really recommend that to you. It was a great watch.

- Trisha Talbot: [19:15](#) I'll put it on my list. So, what is one thing you do every day for healthy self-care?
- John Gorman: [19:19](#) One thing I do every day for healthy self-care, I listen to a lot of music and I rumble with my pit bull Loki. My retirement project was to rescue a pit bull. So I got Loki my little man and he's 75 pounds and he's just the sweetest little guy. I just fricking love that dog, Trisha. And he's just brought a light to my life, especially in this pandemic. And especially with two teenage girls being locked up at home with.
- Trisha Talbot: [19:52](#) Oh yeah, yeah. Well, is that Loki after Thor?
- John Gorman: [19:56](#) Yeah. Loki was Thor's adopted brother who was the God of mischief and my dog is very well named.
- Trisha Talbot: [20:06](#) Oh, it's great. Oh my gosh. That actor did such a good job with that character.
- John Gorman: [20:10](#) Yeah.
- Trisha Talbot: [20:10](#) So are leaders born or trained?
- John Gorman: [20:13](#) That's an interesting question. Are leaders born or trained? I think they're trained. I know a few people that were born with leadership skills. I think they're learned and they're learned the hard way. You can read about stuff and you can study what are good leadership principles, but at the end of the day, I think what makes a good leader is the number of scars, Trisha. I think it's largely learned. For my part, I'm a behavioral economist by training. So, behavioral economics is really about the science of incentives. And so, I've always applied that to the offices I've worked at and the companies that I've run in recognizing three basic principles of leadership of people who are doing complex tasks like we do in healthcare, right? And the science shows us that when tasks are simple, monetary rewards work great.
- John Gorman: [21:20](#) So, when my daughters were little, I told them, clear your plate from the table, scrape it into the disposal, stick it in the dishwasher. Do that all five nights and you'll get your allowance on Friday. 'Ok, daddy.' And they did it. But when tasks are complex, Trisha, Monetary rewards often get in the way of better performance. The thing is that with smart people doing

complicated things, the incentives work totally differently. The number one thing that smart people, like my partner Jordan over here, doing complex things value the most is autonomy. Smart people doing hard things just want to be left alone. You don't have to have a heavy hand. I have a very light touch in all of my management stuff and in all my companies. And I try to foster a culture where the hierarchy feels very flat. Just this morning, we did our year-end reviews for everybody.

John Gorman: [22:15](#) And we do a 360 review where the underlings and everybody else reviews everybody else. And some of the younger people in the company were feeling really anxious about, 'you mean I've got to do a review on the CEO and the chairman?' And they're thinking about their job security. And I was like, 'you're only job security you've got to worry about is if you're not forthcoming in this.' Everybody's opinion matters. Everybody's perspectives have value. The second thing that smart people doing complicated things relate to and are incentivized by is mastery. Smart people just want to keep getting better at the work that they're doing. So in all my companies, if somebody said they wanted to go get a certification or they wanted to get an advanced degree, or just a degree, I'd say, 'okay, we'll pay for that.' That will keep them to you forever.

John Gorman: [23:06](#) If you help them grow professionally and personally. And third is sense of purpose. Smart people doing tough things just want to believe that the work that they're doing has meaning beyond what's just in front of them at the moment. So, that just comes with the nature of the work of what we're doing here at Nightingale and trying to help improve the healthcare for poor people. But I think that's very important for leaders to learn is you'll motivate people better by making it more relatable to the cause that it is that you're engaged in. So, that's what I learned in behavioral economy and what it's told me as an executive and how I apply it in leadership, if that's worth anything.

Trisha Talbot: [23:48](#) It is. It's absolutely worth something. I think there's all different types of leaders. But I do think that especially the young people coming up, they're going to be incredibly aware because of their ability to use technology, have information at their fingertips. But that's why you can't put these kids in a cubicle from eight to five. You can't do it. It's going to be impossible for them.

John Gorman: [24:14](#) There's not even any need to do that anymore, right?

Trisha Talbot: [24:16](#) Exactly.

John Gorman: [24:18](#) You know what I see in this generation? And thank you for pointing it out. In this generation collaboration comes much more easily. I see many fewer lone wolves among the young folks in our organization. They get that teamwork makes the dream work. They play well with others for the most part. We've got a couple of young New Yorkers among us who love to argue, but that's okay as long as they keep it civil. But, I think it really bodes well for this next generation that, if it's work it's collaboration. And that's something I've really seen that's kind of refreshing certainly out of my kids and young people in our organization.

Trisha Talbot: [25:08](#) Yeah. It'd be great to walk beside them and see what they do. Huh?

John Gorman: [25:14](#) I'm enjoying just watching the day to day here. Some of the go getters in our company are folks who are 26, 29 and doing unbelievable work that goes way beyond their years. It's great.

Trisha Talbot: [25:26](#) Yeah. That's incredible. It's awesome to watch. And I think, again, there's going to be a COVID effect where you're going to find a resourcefulness come out of this, that we couldn't have predicted.

John Gorman: [25:39](#) Resiliency.

Trisha Talbot: [25:39](#) Yeah.

John Gorman: [25:43](#) If the pandemic's brought anything to this generation, it's going to be resiliency and learning how to deal with the anxieties that this event has created among so many of us.

Trisha Talbot: [25:54](#) Absolutely. John, this has been an awesome interview. We could sit and talk for hours, but thank you so much for your time.

John Gorman: [26:01](#) I really enjoyed it. Thanks so much for having me on.

Trisha Talbot: [26:04](#) 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.