CAMBRIDGE
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PRESS RELEASE

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CAMBRIDGE CHAIRMAN THINKS RATE OF MERGER AND ACQUISITION ACTIVITY FOR SKILLED NURSING HOMES COULD BE ON THE RISE IN 2014

Regulatory changes, reimbursement reductions and rising interest rates all are being cited as reasons why the rate of merger and acquisition activity among skilled nursing facility (SNF) operators could be on the rise in 2014.

A PulsePoints blog post on the Cambridge Realty Capital Companies website, www.cambridgecap.com, notes that changes in reimbursements for Medicaid and Medicare and changes in the regulatory environment are expected to have a greater effect on smaller "mom and pop"-type nursing homes.

"As a result, many smaller businesses may need to make a decision on whether to sell or merge with a larger operator," says Cambridge Chairman Jeffrey A. Davis.

Davis says that in the surrounding areas of major cities, there are still a significant number of smaller nursing homes scattered throughout the country. Because of their size and lack of scale relative to larger properties, they can be more susceptible to regulatory changes and reimbursement reductions than their larger counterparts.

"Although increased demand generated by an aging population helps maintain occupancy and profits, the profit margins for smaller businesses are typically less than they are for larger competitors. So the smaller business feels the impact a little more when reimbursement rates go down - or when new regulations lead to increases in compliance costs.

"This especially applies in a year in which interest rates are expected to be rising as well."

Davis says Medicare reimbursement rates have been lowered in recent years because there are less healthcare dollars to go around in the federal budget, and Medicaid reimbursements have shown some volatility in recent years as well.

"The economy may be growing but many states still have significant budget issues and have been slow to pay their Medicaid reimbursements. It's too early to tell if this will be the case in 2014, but it is a possibility," he noted, adding:

"Many smaller nursing homes have large Medicaid populations and will feel the impact of any reductions or payment delays more acutely than their larger counterparts.

"As we get deeper into the New Year, those interested in merging or acquiring nursing facilities should continue to monitor the regulatory environment, along with any changes to Medicare and Medicaid reimbursements, as this will affect SNF owners' willingness to sell," he added.

Privately owned since its founding in 1983 as a real estate investment banker specializing in commercial real estate properties, Cambridge today has three distinctive business units: FHA-insured HUD loans, conventional financing, and investments and acquisitions. The company is one of the nation's leading nursing home, assisted living and healthcare debt and equity capital providers, with more than 400 closed transactions totaling more than $4.5 billion since the early 1990's, when the firm began its specialization in providing senior housing capital.

Cambridge has consistently ranked among the country's top five FHA-insured HUD lenders (now HUD LEAN) over the last 15 years and offers an array of conventional lending options, including permanent construction and interim loans on either a floating or variable rate basis. The company's principal investment strategy includes direct property acquisitions and joint ventures, sale/leasebacks, conventional and mezzanine debt financing, and the acquisition of distressed debt.

Cambridge is the creator of *The Signature Experience(TM)*, a four-step process designed to transform the traditional lender/borrower relationship and identify "ideal" capital solutions for worthy projects. The company has a national origination office in Los Angeles, and numerous correspondent and brokerage relationships nationwide.

Cambridge publishes the bi-monthly e-PULSE!(R) electronic newsletter, which delivers company news and feature stories via e-mail to corporate friends and clients, as well as monthly updates of other relevant news and breaking trends. Additional information is available on the Cambridge website, www.cambridgecap.com, and Cambridge can be reached at(312) 357-1601 or via e-mail to *info@cambridgecap.com*.

The firm also has embraced social media and networking via Twitter at http://twitter.com/cambridgecap , via Facebook athttp://www.facebook.com/cambridgecap, via blog at www.cambridgecap.com/blog, via YouTube athttp://www.youtube.com/user/ePulseLive, and via Linkedin at http://www.linkedin.com/companies/454232, where information on the firm and its employees can be found.

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