

Risk Factors Comparison 2025-02-28 to 2024-02-16 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

You should carefully consider the risk factors set forth below, as well as the other information contained in this Annual Report on Form 10 – K. These risk factors should be considered in connection with evaluating the forward – looking statements contained in this Annual Report on Form 10 – K, because these factors could cause the actual results and conditions to differ materially from those projected in forward – looking statements. The risks described below are not the only risks facing us. Additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations and cash flows. Risks Relating to Our Operations COVID- 19 and other pandemics,..... and our financial results and condition. We depend on reimbursement from Medicare, Medicaid and other third – party payors, and reimbursement rates from such payors may be reduced. We derive a substantial portion of our revenue from third – party payors, including the Medicare and Medicaid programs. Third – party payor programs are highly regulated and are subject to frequent and substantial changes. Changes in the reimbursement rate or methods of payment from third – party payors, including the Medicare and Medicaid programs, or the implementation of other measures to reduce reimbursements for our services has in the past, and could in the future, result in a substantial reduction in our revenues and operating margins. For example, the Budget Control Act of 2011 requires automatic spending reductions to reduce the federal deficit, imposing Medicare spending reductions of up to 2 % per fiscal year, with a uniform percentage across all Medicare programs. CMS began imposing a 2 % reduction on Medicare claims in 2013, and these reductions have been extended through 2030 ~~-. The CARES Act and related legislation temporarily suspended this 2 % reduction through March 31, 2022, and reduced the sequestration adjustment from 2 % to 1 % from April 1 through June 30, 2022. The full 2 % reduction took effect July 1, 2022.~~ Net revenue realizable under third – party payor agreements can change after examination and retroactive adjustment by payors during the claims settlement processes or as a result of post – payment audits. Payors may disallow requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable because additional documentation is necessary or because certain services were not covered or were not reasonable and medically necessary. Our hospice agencies are subject to two payment caps that limit Medicare reimbursement each federal fiscal year, an inpatient cap and an aggregate cap. The inpatient cap limits the number of days of inpatient care to no more than 20 % of total patient care days. The aggregate cap limits the total Medicare reimbursement that a hospice may receive based on an annual per- beneficiary cap amount and the number of Medicare patients served. If payments received by any one of our hospice provider numbers exceeds the inpatient or aggregate caps, we are required to reimburse Medicare for payments received in excess of the caps, which could have a material adverse effect on our business. We cannot assure you that adequate reimbursement levels will continue to be available for the services provided by us. Further limits on the scope of services reimbursed and on reimbursement rates could have a material adverse effect on our liquidity, financial condition and results of operations. It is possible that the effects of further refinements to payment systems that result in lower payments to us or cuts in state Medicaid funding could have a material adverse effect on our results of operations. See Item 1, " Business – Government Regulation" and " Business- Medicare Legislation and Regulations". The industry trend toward value- based purchasing may negatively impact our revenues. There continues to be a growing trend in the healthcare industry among both government and commercial payors toward value- based purchasing of healthcare services. Value- based purchasing programs emphasize quality and efficiency of services, rather than volume of services. For example, CMS reimburses SNF providers using the PDPM, a payment methodology that classifies patients into payment groups based on clinical factors using diagnosis codes rather than by volume of services. In addition, CMS requires SNFs, home health agencies and hospices to report quality data in order to receive full reimbursement. Failure to report quality data or poor performance may negatively impact the amount of reimbursement received. CMS publishes quality measure data online through its Care Compare website, to allow the public to search and compare data for Medicare- certified providers. Under the SNF Value- Based Purchasing Program, CMS reduces SNF Medicare payments by 2 percentage points and redistributes the majority of these funds as incentive payments based on SNF quality measure performance. In January 2022, CMS began implementing a nationwide expansion of the Home Health Value- Based Purchasing (“ HHVBP) Model. Under the model, home health agencies will receive increases or decreases to their Medicare fee- for- service payments of up to 5 %, based on performance against specific quality measures relative to the performance of other providers. Data collected in each performance year will impact Medicare payments two years later. Calendar year 2023 ~~is was~~ the first performance year under the expanded HHVBP Model ~~that will affect payments.~~ Other initiatives aimed at improving the cost of care include alternative payment models, such as ACOs and bundled payment arrangements. Medicare and many commercial third- party payors are implementing ACO models, in which groups of providers share in the benefit and risk of providing care to an assigned group of individuals at a lower cost. In addition, CMS is implementing programs to bundle acute care and post- acute care reimbursement to hold providers accountable for costs across a broader continuum of care. In October 2021, the CMS Innovation Center released an outline of its strategy for the next decade, noting the need to accelerate the movement to value- based care and drive broader system transformation. By 2030, the CMS Innovation Center aims to have all fee- for- service Medicare beneficiaries and the vast majority of Medicaid beneficiaries in an accountable care relationship with providers who are responsible for quality and total medical costs. The CMS Innovation Center signaled its intent to streamline its payment models and to increase provider participation through implementation of more mandatory models. These reimbursement methodologies and other value- based care initiatives are likely to continue and expand, at both the federal and state levels and in public and commercial

health plans. It is unclear whether alternative payment models will successfully coordinate care and reduce costs or whether they will decrease overall reimbursement. As a result, it is difficult to predict how the trend toward value-based purchasing will ultimately affect our business. If we fail to meet or exceed quality performance standards under any applicable value-based purchasing program, perform at a level below the outcomes demonstrated by our competitors, or otherwise fail to effectively provide or coordinate the efficient delivery of quality health care services, our reputation in the industry may be negatively impacted, we may receive reduced reimbursement amounts, and we may owe repayments to payors, causing our revenues to decline. Failure to respond successfully to value-based purchasing trends could negatively impact our business, results of operations and / or financial condition. By undertaking to provide management services, advisory services, and / or financial services to other entities, we become at least partially responsible for meeting the regulatory requirements of those entities. We provide management and / or financial services to skilled nursing facilities, assisted living facilities and independent living facilities owned by third parties. The " Risk Factors" contained herein as applying to us may in many instances apply equally to these other entities for which we provide services. We have in the past and may in the future be subject to claims from the entities to which we provide management, advisory or financial services, or to the claims of third parties to those entities. Any adverse determination in any legal proceeding regarding such claims could have a material adverse effect on our business, our results of operation, our financial condition and cash flows. We provide management services to skilled nursing facilities and other healthcare facilities under terms whereby the payments for our services are subject to subordination to other expenditures of the healthcare facility. Furthermore, there are certain third parties with whom we have contracted to provide services and which we have determined, based on insufficient historical collections and the lack of expected future collections, that the service revenue realization is uncertain. We may, therefore, make expenditures related to the provision of services for which we are not paid. The cost to replace or retain qualified nurses, health care professionals and other key personnel may adversely affect our financial performance, and we may not be able to comply with certain states' staffing requirements. We could experience significant increases in our operating costs due to shortages in qualified nurses, health care professionals and other key personnel. The market for these key personnel is highly competitive. We, like other health care providers, have experienced difficulties in attracting and retaining qualified personnel, especially facility administrators, nurses, certified nurses' aides and other important health care providers. There is currently a shortage of nurses, and trends indicate this shortage will continue or worsen in the future. The difficulty our skilled nursing facilities are experiencing in hiring and retaining qualified personnel has increased our average wage rate. We may continue to experience increases in our labor costs due to higher wages and greater benefits required to attract and retain qualified health care personnel. Our ability to control labor costs will significantly affect our future operating results. Additionally, if we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations effectively could be harmed. Certain states in which we operate skilled nursing facilities have adopted minimum staffing standards and additional states may also establish similar requirements in the future. Our ability to satisfy these requirements will depend upon our ability to attract and retain qualified nurses, certified nurses' assistants, and other staff. Failure to comply with these requirements may result in the imposition of fines or other sanctions. If states do not appropriate sufficient additional funds (through Medicaid program appropriations or otherwise) to pay for any additional operating costs resulting from minimum staffing requirements, our profitability may be adversely affected. The staffing level required to receive a 5- star rating in the CMS Nursing Home Five Star Quality Rating System is determined based on analysis of the relationship between staffing levels and measures of nursing home quality. **CMS continues to increase its quality measure thresholds, which is regularly increased every six months, making it more difficult to achieve upward and five- star ratings. CMS increased its quality measure thresholds in 2022, making it more difficult for facilities to obtain or maintain four- and- five- star ratings.** CMS places a strong emphasis on registered nurse (" RN ") staffing. CMS posts information on nursing home staffing measures on the Care Compare website including staff turnover rates and weekend staffing levels. This new data has been incorporated into the Nursing Home Five Star Quality Rating System. Although we currently have no collective bargaining agreements with unions at our facilities, there is no assurance this will continue to be the case. If any of our facilities enter into collective bargaining agreements with unions, we could experience or incur additional administrative expenses associated with union representation of our employees. Our senior management team has extensive experience in the healthcare industry. We believe they have been instrumental in guiding our business, instituting valuable performance and quality monitoring, and driving innovation. Accordingly, our future performance is substantially dependent upon the continued services of our senior management team. The loss of the services of any of these persons could have a material adverse effect upon us. **Federal minimum staffing mandates may adversely affect our labor costs, ability to maintain desired levels of patient census and profitability. In April 2024, CMS issued the Staffing Rule, establishing minimum staffing standards for SNFs. The Staffing Rule contains three primary staffing requirements which are phased in over the next several years. Due to pending legislation in both the House of Representatives and the Senate, industry litigation filed to dispute the Staffing Rule' s validity and enforceability, as well as the long phase- in of the requirements, the exact effects of the Staffing Rule cannot be determined. Future developments may significantly alter or even halt the implementation of the Staffing Rule. However, we expect that the Staffing Rule in its current form will have adverse financial consequences upon our business.** Disasters and similar events, which may increase as a result of climate change, may seriously harm our business. Natural and man – made disasters and similar events, including terrorist attacks and acts of nature such as hurricanes, tornadoes, earthquakes and wildfires, may cause damage or disruption to us, our employees and our facilities, which could have an adverse impact on our patients and our business. In order to provide care for our patients, we are dependent on consistent and reliable delivery of food, pharmaceuticals, utilities and other goods to our facilities, and the availability of employees to provide services at our facilities. If the delivery of goods or the ability of employees to reach our facilities were interrupted in any material respect due to a natural disaster or other reasons, it would have a significant impact on our facilities and our business. Furthermore, the impact, or impending threat, of a natural disaster has in the past and may in the future require that we evacuate

one or more facilities, which would be costly and would involve risks, including potentially fatal risks, for the patients. The impact of disasters and similar events is inherently uncertain. Such events could harm our patients and employees, severely damage or destroy one or more of our facilities, harm our business, reputation and financial performance, or otherwise cause our business to suffer in ways that we currently cannot predict. Significant changes in the climate may occur in areas where our facilities are located and we may experience more frequent extreme weather events which may result in physical damage to or a decrease in demand for our facilities located in these areas or affected by these conditions. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our facilities without a corresponding increase in revenue. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable. Should the impact of climate change be material in nature, including destruction of our facilities, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected. Future acquisitions or new developments may be difficult to complete, use significant resources, or be unsuccessful and could expose us to unforeseen liabilities. We may selectively pursue acquisitions or new developments in our target markets. Acquisitions and new developments may involve significant cash expenditures, debt incurrence, capital expenditures, additional operating losses, amortization of the intangible assets of acquired companies, dilutive issuances of equity securities and other expenses that could have a material adverse effect on our financial condition and results of operations. Acquisitions also involve numerous other risks, including difficulties integrating acquired operations, personnel and information systems, diversion of management's time from existing operations, potential losses of key employees or customers of acquired companies, assumptions of significant liabilities, exposure to unforeseen liabilities of acquired companies and increases in our indebtedness. We cannot assure that we will succeed in obtaining financing for any acquisitions at a reasonable cost or that any financing will not contain restrictive covenants that limit our operating flexibility. We also may be unable to operate acquired facilities profitably or succeed in achieving improvements in their financial performance. We also may face competition in acquiring any facilities. Our competitors may acquire or seek to acquire many of the facilities that would be suitable acquisition candidates for us. This could limit our ability to grow by acquisitions or increase the cost of our acquisitions. In addition, federal and state regulation may adversely impact our ability to complete acquisitions or pursue new developments. For example, a Medicare regulation known as the "36 Month Rule" prohibits the buyer of a Medicare-certified home health agency from assuming the Medicare billing privileges of an acquired agency if the acquired agency either enrolled in Medicare or underwent a change in majority ownership fewer than 36 months prior to the acquisition, subject to certain exceptions. Instead, the buyer must enroll the acquired home health agency as a new provider with Medicare. The 36 Month Rule may increase competition for acquisition targets that are not subject to the rule and may cause significant Medicare billing delays for purchases of home health agencies that are subject to the rule. In addition, our ability to expand operations in a state depends on our ability to obtain necessary state licenses to operate and, where required, certificate of need approval. States may limit the number of licenses they issue. The failure to obtain any required license or certificate of need could impair our ability to operate or expand our business.

During 2024, we expanded our operations with the acquisition of the White Oak Senior Living portfolio. This growth has placed and will continue to place significant demands on our management resources. Our ability to manage our growth effectively and to successfully integrate this acquisition into our existing business will require us to expand our operation, financial and management information systems.

Upkeep of healthcare properties is capital intensive, requiring us to continually direct financial resources to the maintenance and enhancement of our physical plant and equipment. As of December 31, ~~2023~~ **2024**, we leased or owned ~~60~~ **72** skilled nursing facilities, 24 assisted living facilities, ~~3~~ **three** behavioral health hospitals, and ~~four~~ **eight** independent living facilities. Our ability to maintain and enhance our physical plant and equipment in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in our markets requires us to commit a substantial portion of our free cash flow to continued investment in our physical plant and equipment. Certain of our competitors may operate centers that are not as old as our centers, or may appear more modernized than our centers, and therefore may be more attractive to prospective customers. In addition, the cost to replace our existing centers through acquisition or construction is substantially higher than the carrying value of our centers. We are undertaking a process to allocate more aggressive capital spending within our owned and leased facilities in an effort to address issues that arise in connection with an aging physical plant. If factors, including factors indicated in these "Risk Factors" and other factors beyond our control render us unable to direct the necessary financial and human resources to the maintenance, upgrade and modernization of our physical plant and equipment, our business, results of operations, financial condition and cash flow could be adversely impacted. We are defendants in significant legal actions, which are commonplace in our industry, and which could subject us to increased operating costs and substantial uninsured liabilities, which would materially and adversely affect our liquidity and financial condition. As is typical in the health care industry, we are subject to claims that our services have resulted in resident injury or other adverse effects. We, like our industry peers, have experienced an increasing trend in the frequency and severity of professional liability and workers' compensation claims and litigation asserted against us. In some states in which we have significant operations, insurance coverage for the risk of punitive damages arising from professional liability claims and / or litigation may not, in certain cases, be available due to state law prohibitions or limitations of availability. We cannot assure you that we will not be liable for punitive damage awards that are either not covered or are in excess of our insurance policy limits. We also believe that there have been, and will continue to be, governmental investigations of long-term care providers, particularly in the area of Medicare / Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or arising in the future, could have a material adverse effect on our financial condition. Due to the rising cost and limited availability of professional liability and workers' compensation insurance, we are largely self-insured on all of these programs and as a result, there is no limit on the maximum number of claims or amount for which we or our insurance subsidiaries can be liable in any policy period. Although we base our loss estimates on independent actuarial

analyses using the information we have to date, the amount of the losses could exceed our estimates. In the event our actual liability exceeds our estimates for any given period, our results of operations and financial condition could be materially adversely impacted. In addition, our insurance coverage might not cover all claims made against us. If we are unable to maintain our current insurance coverage, if judgments are obtained in excess of the coverage we maintain, if we are required to pay uninsured punitive damages, or if the number of claims settled within the self – insured retention currently in place significantly increases, we could be exposed to substantial additional liabilities. We cannot assure you that the claims we pay under our self – insurance programs will not exceed the reserves we have set aside to pay claims. The number of claims within the self – insured retention may increase. If we fail to compete effectively with other health care providers, our revenues and profitability may decline. The health care services industry is highly competitive. Our skilled nursing facilities, assisted living facilities, independent living facilities, hospices, home care services and other operations compete on a local and regional basis with other nursing centers, health care providers, and senior living service providers that provide services similar to those we offer. Some of our competitors' facilities are located in newer buildings and may offer services not provided by us or are operated by entities having greater financial and other resources than us. Certain of our competitors are operated by not- for- profit, non- taxpaying or governmental agencies that can finance capital expenditures on a tax- exempt basis and that receive funds and charitable contributions unavailable to us. Consolidations of not- for- profit entities may intensify this competitive pressure. Many competing general acute care hospitals are larger and more established than our facilities. There is also increasing consolidation in the third- party payer industry, including vertical integration efforts among third- party payers and healthcare providers. Healthcare industry participants are increasingly implementing physician alignment strategies, such as employing physicians, acquiring physician practice groups and participating in ACOs or other clinical integration models. Other industry participants, such as large employer groups and their affiliates, may intensify competitive pressure and affect the industry in ways that are difficult to predict. Trends toward clinical transparency and value- based purchasing may impact our competitive position and patient volumes. Our facilities compete based on factors such as our reputation for quality care; the commitment and expertise of our staff; the quality and comprehensiveness of our treatment programs; the physical appearance, location and condition of our facilities and to a limited extent, the charges for services. In addition, we compete with other health care providers for customer referrals from hospitals and other providers. As a result, a failure to compete effectively with respect to referrals may have an adverse impact on our business. We cannot assure that increased competition in the future will not adversely affect our financial condition and results of operations. Possible changes in the case mix of patients and payor mix may significantly affect our profitability. The sources and amounts of our patient revenues will be determined by a number of factors, including licensed bed capacity and occupancy rates of our facilities, the mix of patients and the rates of reimbursement among payors. Changes in the case mix of the patients as well as payor mix among private pay, Medicare and Medicaid will significantly affect our profitability. Particularly, any significant increase in our Medicaid population could have a material adverse effect on our financial position, results of operations and cash flow, especially if states operating these programs continue to limit, or more aggressively seek limits on, reimbursement rates or service levels. Private third – party payors continue to try to reduce health care costs. Private third – party payors are continuing their efforts to control health care costs through direct contracts with health care providers, increased utilization review and greater enrollment in managed care programs and preferred provider organizations, among other strategies. These private payors increasingly are demanding discounted fee structures and the assumption by health care providers of all or a portion of the financial risk. The ability of private payors to control healthcare costs may be enhanced by the increasing consolidation of insurance companies and the vertical integration of health insurers with healthcare providers. We could be adversely affected by the continuing efforts of private third – party payors to limit the amount of reimbursement we receive for health care services. We cannot assure you that reimbursement under private third – party payor programs will remain at levels comparable to present levels or will be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. Future changes in the reimbursement rates or methods of private or third – party payors or the implementation of other measures to reduce reimbursement for our services could result in a substantial reduction in our net operating revenues. As a result of competitive pressures, our ability to maintain operating margins through price increases to private patients is limited. In addition, the failure to obtain, renew, or retain payor agreements with favorable contract terms may negatively impact our results of operations and / or revenue. Our ability to contract with payors depends on our quality of service and reputation, as well as other factors of which we may have little or no control, such as state appropriations and changes in provider eligibility requirements.

19 The effects related to any potential future pandemic had a negative, epidemic, or infectious disease outbreak could adversely impact on our business and future results of operations. COVID-19 and other financial condition, pandemics Pandemics, epidemics, or outbreaks of a contagious illness illnesses – and similar events – may cause harm to us, our partners (employees), our patients – patents, our vendors and supply chain partners, and financial institutions, which could have a material adverse effect on our results of operations, financial condition and cash flows. The impacts may include, but would not be limited to:

- Disruption to operations due to the unavailability of partners due to illness, quarantines, risk of illness, travel restrictions or factors that limit our existing or potential workforce.
- Increased costs and staffing requirements related to additional CDC protocols, federal and state workforce protection and related isolation procedures, including obligations to test patients and staff.
- Decreased availability and increased cost of supplies due to increased demand around essential personal protective equipment (“ PPE ”), sanitizers and cleaning supplies including disinfecting agents, and food and food- related products due to increased global demand and disruptions along the global supply chains of these manufactures and distributors.
- Decreased census across all our operations, which could negatively impact our operating cash flows and financial condition.
- Elevated partner turnover which may increase payroll expense, increase third party agency nurse staffing, and recruiting- related expenses.
- Increased risk of litigation and related liabilities arising in connection with patient or partner illness, hospitalization and / or death.
- Significant disruption of the global financial markets, which could have a negative impact on our ability to access capital in the future. The further spread of

~~COVID-19~~ Any such crisis could diminish public trust in healthcare providers, and particularly the those measures taken that are treating or have treated patients affected by contagious diseases. Patient volumes may decline federal and state governments and local health authorities intended to limit the spread of the virus, could impact the resources required to carry out our ~~or~~ business as usual and volumes of uninsured patients may increase, depending have a material adverse effect on the economic circumstances surrounding the pandemic, epidemic ~~our~~ or outbreak, results of operations, financial. We are permitted to incur substantially more debt, which could further exacerbate the risks described above. We and our subsidiaries may be able to incur substantial indebtedness in the future. If additional debt is added, the related risks that we now face could intensify.

Risks Related to Government Regulation We conduct business in a heavily regulated industry, and changes in, or violations of regulations may result in increased costs or sanctions that reduce our revenue and profitability. In the ordinary course of our business, we are regularly subject to inquiries, investigations and audits by federal and state agencies to determine whether we are in compliance with regulations governing the operation of, and reimbursement for, skilled nursing facilities and nursing homes, assisted living and independent living facilities, hospice, home health agencies, behavioral health hospitals, and our other operating areas. These regulations include those relating to licensure, certification and enrollment with government programs, conduct of operations, ownership of facilities, construction of new and additions to existing facilities, allowable costs, adequacy and quality of services, qualifications and training of personnel, communications with patients and consumers, billing and coding for services, adequacy and manner of documentation for services provided, minimum direct care spending ratios, services and prices for services, and pharmaceuticals and controlled substances. Various laws, including federal and state anti-kickback and anti-fraud statutes, prohibit certain business practices and relationships that might affect the provision and cost of health care services reimbursable under federal and / or state health care programs such as Medicare and Medicaid, including the payment or receipt of remuneration for the referral of patients whose care will be paid by federal governmental programs or fee-splitting arrangements between health care providers that are designed to induce the referral of patients to a provider for medical products and services. Furthermore, many states prohibit business corporations from providing or holding themselves out as a provider of medical care. In addition, the Stark Law broadly defines the scope of prohibited physician referrals under federal health care programs to providers with which they have ownership or other financial arrangements. Many states have adopted, or are considering, legislative proposals similar to these laws, some of which extend beyond federal health care programs, to prohibit the payment or receipt of remuneration for the referral of patients and physician referrals regardless of the source of the payment for the care. We also are subject to potential lawsuits under a federal whistleblower statute designed to combat fraud and abuse in the health care industry, known as the federal False Claims Act. These lawsuits can involve significant monetary awards to private plaintiffs who successfully bring these suits. When a private party brings a qui tam action under the False Claims Act, it files the complaint with the court under seal, and the defendant will generally not be aware of the lawsuit until the government makes a determination whether it will intervene and take a lead in the litigation. These laws and regulations are complex and limited judicial or regulatory interpretation exists. We cannot assure you that governmental officials charged with responsibility for enforcing the provisions of these laws and regulations will not assert that one or more of our arrangements are in violation of the provisions of such laws and regulations. The regulatory environment surrounding the post-acute and long-term care industry has intensified, particularly for larger for-profit, multi-facility providers like us. The federal government has imposed extensive enforcement policies resulting in a significant increase in the number of inspections, citations of regulatory deficiencies and other regulatory sanctions, including terminations from the Medicare and Medicaid programs, denials of payment for new Medicare and Medicaid admissions and civil monetary penalties. If we fail to obtain or renew required regulatory approvals or licenses or fail to comply, or are perceived as failing to comply, with other extensive laws and regulations applicable to our business, we could have our licenses suspended or revoked, become ineligible to receive government program reimbursement, be required to refund amounts received from Medicare, Medicaid or private payors, suffer civil or criminal penalties, suffer damage to our reputation in various markets or be required to make significant changes to our operations. Any of these sanctions could have a material adverse effect on our operations and financial condition. Furthermore, should we lose licenses or certifications for many of our facilities as a result of regulatory action or otherwise, we could be deemed in default under some of our agreements, including agreements governing outstanding indebtedness. We have established policies and procedures that we believe are sufficient to ensure that we will operate in substantial compliance with these anti-fraud and abuse requirements. From time to time, we may seek guidance as to the interpretation of these laws; however, there can be no assurance that such laws will ultimately be interpreted in a manner consistent with our practices. In addition, we could be forced to expend considerable resources responding to an investigation or other enforcement action under these laws or regulations. While we believe that our business practices are consistent with Medicare and Medicaid criteria, those criteria are often vague and subject to change and interpretation. We are unable to predict the future course of federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations, or the intensity of federal and state enforcement actions. Aggressive anti-fraud actions have had and could have an adverse effect on our financial position, results of operations and cash flows. See Item 1, "Business - Government Regulation".

~~We face uncertainty related to the COVID-19 public health emergency's ("PHE") expiration and wind-down, which could have a material adverse affect on our business, financial condition, results of operations and cash flows. The extent to which the COVID-19 PHE's termination will affect our operations will depend on future developments, which are highly uncertain and cannot be predicted. There remains uncertainty as to what changes will be made to the Health and Human Service's emergency response requirements for our skilled nursing facilities and senior living facilities in order to better respond to the issues experienced during the COVID-19 PHE. To the extent COVID-19 is endemic in nature, we may face continued challenges from ongoing infection control and emergency preparedness requirements made part of state laws or regulations. Additionally, the long-term effects of the COVID-19 pandemic may include long-term decline in demand for care in skilled nursing facilities and senior living facilities. Our business may be impacted by healthcare reform efforts. In recent years, the U. S. Congress and certain state legislatures have~~

considered and passed a large number of laws intended to result in significant changes to the healthcare industry, including the ACA. The ACA affects how healthcare services are delivered and reimbursed through the expansion of public and private health insurance coverage, reduction of growth in Medicare and Medicaid spending, and the establishment and expansion of programs that tie reimbursement to quality and integration. The ACA has been subject to legislative and regulatory changes and court challenges. ~~It Although the current presidential administration has indicated that it generally intends to protect and strengthen the ACA, it~~ is possible that there may be continued changes to the ACA, its implementation or its interpretation. Changes by Congress or government agencies could eliminate or alter provisions beneficial to us, while leaving in place provisions reducing our reimbursement or otherwise negatively impacting our business. There is also uncertainty regarding whether, when and what other health reform measures will be adopted, and the impact of such efforts on providers as well as other healthcare industry participants. Some members of Congress have proposed expanding government- funded coverage, including proposals to expand coverage of federally- funded insurance programs as an alternative to private insurance or to establish a single payor system (such reforms are often referred to as “ Medicare for All ”), and some states have implemented or proposed public health insurance options. In addition, CMS administrators may make changes to Medicaid payment models or grant additional flexibilities to states in the administration of state Medicaid programs, including by expanding the scope of waivers under which states may implement Medicaid expansion provisions, impose different eligibility or enrollment restrictions, or otherwise implement programs that vary from federal standards. Other industry participants, such as private payors, may also introduce financial or delivery system reforms. We are unable to predict the nature and success of such initiatives. Healthcare reform initiatives may have an adverse effect on our business, financial condition, and operating results. We are required to comply with laws governing the transmission and privacy and security of health information. The Health Insurance Portability and Accountability Act of 1996, or (“ HIPAA”), requires the use of uniform electronic data transmission standards for healthcare claims and payment transactions submitted or received electronically. In addition, as required by HIPAA, the HHS has issued privacy and security regulations that extensively regulate the use and disclosure of individually identifiable health information (known as Protected Health Information, or PHI) and require covered entities, including healthcare providers and health plans, and vendors known as “ business associates,” to implement administrative, physical and technical safeguards to protect the security of PHI. Covered entities must report breaches of unsecured PHI without unreasonable delay to affected individuals, HHS and, in the case of larger breaches, the media. The privacy, security and breach notification regulations have imposed, and will continue to impose, significant compliance costs on our operations. There are numerous other laws and legislative and regulatory initiatives at the federal and state levels addressing privacy and security concerns. These laws vary and may impose additional obligations or penalties. For example, additional federal and state obligations may apply to behavioral, addictive disorder and other types of sensitive information. Further, various state laws and regulations may require us to notify affected individuals in the event of a data breach involving individually identifiable information (even if no health- related information is involved). In addition, the Federal Trade Commission uses its consumer protection authority to initiate enforcement actions in response to data breaches. To the extent we fail to comply with one or more federal and / or state privacy and security requirements or if we are found to be responsible for the non- compliance of our vendors, we could be subject to substantial fines or penalties, as well as third- party claims, and suffer harm to our reputation, which could have a material adverse effect on our business, financial position, results of operations and liquidity. In addition, health care providers and industry participants are also subject to a growing number of requirements intended to promote the interoperability and exchange of patient health information. For example, most health care providers and certain other entities are subject to information blocking restrictions pursuant to the 21st Century Cures Act that prohibit practices that are likely to interfere with the access, exchange or use of electronic health information, except as required by law or specified by HHS as a reasonable and necessary activity. We are subject to employment- related laws and regulations which could increase our cost of doing business and subject us to significant back pay awards, fines and lawsuits. Our operations are subject to a variety of federal, state and local employment- related laws and regulations, including, but not limited to, the U. S. Fair Labor Standards Act, which governs such matters as minimum wages, the Family Medical Leave Act, overtime pay, compensable time, record keeping and other working conditions, Title VII of the Civil Rights Act, the Employee Retirement Income Security Act, the Americans with Disabilities Act, the National Labor Relations Act, regulations of the Equal Employment Opportunity Commission, regulations of the Office of Civil Rights, regulations of the Department of Labor (DOL), federal and state wage and hour laws, and a variety of similar laws enacted by the federal and state governments that govern these and other employment- related matters. Because labor represents such a large portion of our operating costs, compliance with these evolving federal and state laws and regulations could substantially increase our cost of doing business while failure to do so could subject us to significant back pay awards, fines and lawsuits. In addition, federal proposals to introduce a system of mandated health insurance and flexible work time and other similar initiatives could, if implemented, adversely affect our operations. Our failure to comply with federal and state employment- related laws and regulations could have a material adverse effect on our business, financial position, results of operations and liquidity. Our business is subject to a variety of federal, state and local environmental laws and regulations. As a healthcare provider, we face regulatory requirements in areas of air and water quality control, medical and low – level radioactive waste management and disposal, asbestos management, response to mold and lead – based paint in our facilities and employee safety. As an operator of healthcare facilities, we also may be required to investigate and remediate hazardous substances that are located on and / or under the property, including any such substances that may have migrated off, or may have been discharged or transported from the property. Part of our operations involves the handling, use, storage, transportation, disposal and discharge of medical, biological, infectious, toxic, flammable, and other hazardous materials, wastes, pollutants, or contaminants. In addition, we are sometimes unable to determine with certainty whether prior uses of our facilities and properties or surrounding properties may have produced continuing environmental contamination or noncompliance, particularly where the timing or cost of making such determinations is not

deemed cost effective. These activities, as well as the possible presence of such materials in, on and under our properties, may result in damage to individuals, property, or the environment; may interrupt operations or increase costs; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, penalties or other governmental agency actions; and may not be covered by insurance. We believe that we are in material compliance with applicable environmental and occupational health and safety requirements. However, we cannot assure you that we will not encounter environmental liabilities in the future, and such liabilities may result in material adverse consequences to our operations or financial condition. We are subject to federal and state income taxes. Changes in tax laws and regulations or the interpretation of such laws could adversely affect our position on income taxes and estimated income liabilities. Uncertain tax positions may arise where tax laws may allow for alternative interpretations or where the timing of recognition of income is subject to judgment. We believe we have adequate provisions for unrecognized tax benefits related to uncertain tax positions. Although we believe we have accurately estimated our tax liabilities, uncertainty of interpretation by various tax authorities and the possibility that there are issues that have not been recognized by management could result in additional tax liability. We believe that our liabilities reflect the anticipated outcome of known uncertain tax positions in conformity with ASC Topic 740 Income Taxes. We are also subject to regular reviews, examinations, and audits by the Internal Revenue Service and other taxing authorities with respect to our taxes. There are uncertainties and ambiguities in the application of the Tax Cuts and Jobs Act of 2017 ("Tax Act") and it is possible that the IRS could issue subsequent guidance or take positions on audit that differ from our interpretations and assumptions. Although we believe our tax estimates are reasonable, if a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties. Our effective tax rate could be adversely affected by changes in the mix of earnings in states with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, change in tax laws and regulations, changes in our interpretations of tax laws, including the Tax Act. Unanticipated changes in our tax rates or exposure to additional income tax liabilities could affect our profitability. There can be no assurance that payment of such additional amounts upon final adjudication of any disputes will not have a material impact on our results of operations and financial position.

Risks Related to Our Structure and Public Company Compliance

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes – Oxley Act could result in a restatement of our financial statements, cause investors to lose confidence in our financial statements and our company and have a material adverse effect on our business and stock price. We produce our consolidated financial statements in accordance with the requirements of U. S. GAAP. Effective internal controls are necessary for us to provide reliable financial reports to help mitigate the risk of fraud and to operate successfully as a publicly traded company. As a public company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes – Oxley Act of 2002, or Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting. Testing and maintaining internal controls can divert our management's attention from other matters that are important to our business. We may not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 or our independent registered public accounting firm may not be able to issue an unqualified report if we conclude that our internal controls over financial reporting are not effective. If either we are unable to conclude that we have effective internal controls over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified report as required by Section 404, investors could lose confidence in our reported financial information and our company, which could result in a decline in the market price of our common stock, and cause us to fail to meet our reporting obligations in the future, which in turn could impact our ability to raise additional financing if needed in the future. Increasing costs of being publicly owned are likely to impact our future consolidated financial position and results of operations. In connection with the Sarbanes – Oxley Act of 2002, we are subject to rules requiring our management to report on the effectiveness of our internal control over financial reporting. If we fail to have effective internal controls and procedures for financial reporting in place, we could be unable to provide timely and reliable financial information which could, in turn, have an adverse effect on our business, results of operations, financial condition and cash flows.

Significant regulatory changes, including the Sarbanes – Oxley Act and rules and regulations promulgated as a result of the Sarbanes – Oxley Act, have increased, and in the future, are likely to further increase general and administrative costs. In order to comply with the Sarbanes – Oxley Act of 2002, the listing standards of the NYSE exchange, and rules implemented by the SEC, we have had to hire additional personnel and utilize additional outside legal, accounting and advisory services, and may continue to require such additional resources. Moreover, in the rapidly changing regulatory environment in which we operate, there is significant uncertainty as to what will be required to comply with many of the regulations. As a result, we may be required to spend substantially more than we currently estimate, and may need to divert resources from other activities, as we develop our compliance plans. Provision for losses in our financial statements may not be adequate. Loss provisions in our financial statements for self – insured programs are made on an undiscounted basis in the relevant period. These provisions are based on internal and external evaluations of the merits of individual claims, analysis of claims history and independent actuarially determined estimates. Our management reviews the methods of determining these estimates and establishing the resulting accrued liabilities frequently, with any material adjustments resulting from being reflected in current earnings. Although we believe that our provisions for self – insured losses in our financial statements are adequate, the ultimate liability may be in excess of the amounts recorded. In the event the provisions for losses reflected in our financial statements are inadequate, our financial condition and results of operations may be materially affected. Implementation of new information technology could cause business interruptions and negatively affect our profitability and cash flows. We continue to refine and implement our information technology to improve customer service, enhance operating efficiencies and provide more effective management of business operations. Implementation of information technology carries risks such as cost overruns, project delays and business interruptions and delays. If we experience a material business interruption as a result of the implementation of our existing or future information technology infrastructure or are unable to obtain the projected benefits of this new

infrastructure, it could adversely affect us and could have a material adverse effect on our business, results of operations, financial condition and cash flows. We depend on the proper function and availability of our information systems. We are dependent on the proper function and availability of our information systems. Though we have taken steps to protect the safety and security of our information systems and the data maintained within those systems, there can be no assurance that our safety and security measures and disaster recovery plan will prevent damage or interruption of our systems and operations, and we may be vulnerable to losses associated with the improper functioning, security breach or unavailability of our information systems. Failure to maintain proper function and availability of our information systems could have a material adverse effect on our business, financial position, results of operations and liquidity. In addition, certain software supporting our business and information systems are licensed to us by independent software developers. Our inability or the inability of these developers, to continue to maintain and upgrade our information systems and software could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations and could have a material adverse effect on our business, financial position, results of operations and liquidity. Cybersecurity risks could harm our ability to operate effectively. Cybersecurity refers to the combination of technologies, processes and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. We rely on our information systems to provide security for processing, transmission and storage of confidential patient, resident, employee, other consumer information, such as personally identifiable information, including information relating to health protected by HIPAA. Although we have taken steps to protect the security of our information systems, medical devices that store sensitive data, and the data maintained in those systems and devices, it is possible that our safety and security measures will not prevent improper functioning or the improper access or disclosure of personally identifiable information such as in the event of cyber- attacks. We may be at increased risk because we outsource certain services or functions to, or have systems that interface with, third parties. Some of these third parties may store or have access to our data and may not have effective controls, processes, or practices to protect our information from attack, damage, or unauthorized access. A breach or attack, including those caused by updates and other releases, affecting any of these third parties could harm our business. If personally identifiable information of our patients or others is improperly accessed, tampered with or distributed, we may incur significant costs to remediate possible injury to the affected patients, and we may be subject to sanctions and civil or criminal penalties if we are found to be in violation of the privacy or security rules under HIPAA or other similar federal or state laws protecting confidential personally identifiable information. Security breaches, including physical or electronic break – ins, computer viruses, attacks by hackers and similar breaches can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. Additionally, healthcare businesses are increasingly targets of cyberattacks, whereby hackers disrupt business operations or obtain protected health information, often demanding large ransoms. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities. The occurrence of any of these events could result in harm to patients; business interruptions or delays; the loss, misappropriation, corruption, or unauthorized access of data; litigation and potential liability under privacy, security and consumer protection laws or other applicable laws; reputational damage; or federal and state governmental inquiries. Any failure to maintain proper functionality and security of our information systems could have a material adverse effect on our business, financial condition, and results of operations. We may not be able to meet all our capital needs. We cannot assure you that our business will generate cash flow from operations that anticipated revenue growth and improvement of operating efficiencies will be realized or that future borrowings will be available to us in an amount sufficient to enable us to service any future indebtedness or to fund our other liquidity needs. We may need to incur indebtedness, sell assets, or make certain discretionary capital expenditures. The performances of our fixed – income and our equity investment portfolios are subject to a variety of investment risks. Our investment portfolios are comprised principally of fixed – income securities and common equities. Our fixed – income portfolio is actively managed by an investment group and includes short – term investments and fixed – maturity securities. The performances of our fixed – income and our equity portfolios are subject to a number of risks, including: ● Interest rate risk – the risk of adverse changes in the value of fixed – income securities as a result of increases in market interest rates. ● Investment credit risk – the risk that the value of certain investments may decrease in value due to the deterioration in financial condition of, or the liquidity available to, one or more issuers of those securities or, in the case of asset – backed securities, due to the deterioration of the loans or other assets that underlie the securities, which, in each case, also includes the risk of permanent loss. ● Concentration risk – the risk that the portfolio may be too heavily concentrated in the securities of National Health Investors “ NHI, ” or certain sectors or industries, which could result in a significant decrease in the value of the portfolio in the event of a deterioration of the financial condition, performance, or outlook of NHI, or those certain sectors or industries. ● Liquidity risk – the risk that we will not be able to convert investments into cash on favorable terms and on a timely basis or that we will not be able to sell them at all, when we desire to do so. Disruptions in the financial markets or a lack of buyers for the specific securities that we are trying to sell, could prevent us from liquidating securities or cause a reduction in prices to levels that are not acceptable to us. In addition, the success of our investment strategies and asset allocations in the fixed – income portfolio may vary depending on the market environment. The fixed – income portfolio' s performance also may be adversely impacted if, among other factors: there is a lack of transparency regarding the underlying businesses of the issuers of the securities that we purchase; credit ratings assigned to such securities by nationally recognized credit rating agencies are based on incomplete information or prove unwarranted; or our risk mitigation strategies are ineffective for the applicable market conditions. The common equity portfolio is subject to general movements in the values of equity markets and to the changes in the prices of the securities we hold. Equity markets, sectors, industries, and individual securities may be subject to high volatility and to long periods of depressed or declining valuations. If the fixed – income or equity portfolios, or both, were to suffer a decrease in value due to market, sector, or issuer –

specific conditions to a substantial degree, our liquidity, financial position, and financial results could be materially adversely affected. Our stock price is volatile and fluctuations in our operating results, quarterly earnings and other factors may result in declines in the price of our common stock. Equity markets are prone to, and in the last few years have experienced, extreme price and volume fluctuations. Volatility over the past few years has had a significant impact on the market price of securities issued by many companies, including us and other companies in the healthcare industry. If we are unable to operate our businesses as profitably as we have in the past or as our stockholders expect us to in the future, the market price of our common stock will likely decline as stockholders could sell shares of our common stock when it becomes apparent that the market expectations may not be realized. In addition to our operating results, many economic and other factors beyond our control could have an adverse effect on the price of our common stock including: • general economic conditions; • developments generally affecting the healthcare industry; • strategic actions, such as acquisitions or restructurings, or the introduction of new services by us or our competitors; • new laws or regulations or new interpretations of existing laws or regulations applicable to our business; • litigation and governmental investigations; • changes in accounting standards, policies, guidance, interpretations or principles; • investor perceptions of us and our business; • actions by institutional or other large stockholders; • quarterly variations in operating results; • changes in financial estimates and recommendations by securities analysts; • press releases or negative publicity relating to our competitors or us or relating to trends in health care; • sales of stock by insiders; • natural disasters, terrorist attacks and pandemics; and • additions or departures of key personnel. We may not be able to pay or maintain dividends and the failure to do so would adversely affect our stock price. We currently pay a quarterly dividend on our common stock and our Board intends to continue to pay a quarterly dividend. However, our ability to pay and maintain cash dividends is based on many factors, including our financial condition, funds from operations, the level of our capital expenditures and future business prospects, our ability to make and finance acquisitions, anticipated operating cost levels, the level of demand for our beds, the rates we charge and actual results that may vary substantially from estimates. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay or maintain dividends. The failure to pay or maintain dividends could adversely affect our stock price. ITEM 1B. UNRESOLVED STAFF COMMENTS