Executive Summary: Oasis Point Rehabilitation Hospital HospiTEL Model

Investment Opportunity Overview

The Oasis Point Rehabilitation Hospital's innovative HospiTEL model represents an exceptional investment opportunity at the intersection of healthcare and hospitality. With the Hammond facility achieving 65% occupancy and $1,425 per patient day revenue after just 5 months, this proven concept is positioned for strategic expansion across 10 carefully selected markets.

This analysis demonstrates that the HospiTEL model offers Healthcare REITs and other strategic investors a compelling combination of stable healthcare returns enhanced by premium positioning, with projected 5-year ROIs of 165-203% and IRRs of 21.8-25.6% across target markets.

Key Investment Highlights

1. **Proven Concept**: Hammond facility achieving 65% occupancy and $1,425 per patient day revenue after just 5 months
2. **Significant Market Opportunity**: $287.28 billion market growing to $492.4 billion by 2034 with no direct competitors in the luxury segment across 10 target markets
3. **Superior Financial Performance**: EBITDA margins of 22.5% exceeding industry benchmarks, with 5-year ROIs of 165-203% across markets
4. **Demographic Tailwinds**: Aging affluent baby boomers seeking premium healthcare experiences, particularly in target markets
5. **Multiple Exit Options**: Potential for strategic sale, IPO, or REIT conversion after establishing the 10-facility network

Strategic Expansion Plan

The HospiTEL model expansion targets 10 strategic markets:

Louisiana Markets (3)

- Hammond, LA (Existing facility)
- New Orleans, LA
- Baton Rouge, LA

Florida Markets (5)

- Naples, FL

- Boca Raton, FL
- Palm Beach Gardens, FL
- Bonita Springs, FL
- Sarasota, FL

Other Strategic Markets (2)

- Scottsdale, AZ
- La Jolla, CA

Capital Requirements

- **Total Investment**: $226.6 million
- **Phased Deployment**: 3 facilities per year over 3 years (Years 1-3)
- **Recommended Funding Structure**:
  - Equity: 35% ($79.3M)
  - Debt: 65% ($147.3M)

The HospiTEL model combines the stability of healthcare real estate with the premium positioning of luxury hospitality, creating a unique investment opportunity with both defensive characteristics and significant growth potential.

Market Growth Analysis: Rehabilitation Hospital Sector

Rehabilitation Sector Growth Trajectory

The rehabilitation hospital sector is experiencing robust growth driven by demographic shifts and increasing demand for post-acute care:

- Global medical rehabilitation services market valued at $287.28 billion in 2025
- Projected to reach $492.4 billion by 2034, growing at a CAGR of 6.17% (Towards Healthcare, 2025)
- U.S. market specifically expected to grow at a CAGR of 5.9% from 2025 to 2030 (Grand View Research, 2025)
- Physical therapy segment projected to grow from $30.55 billion in 2025 to $58.58 billion by 2034 (BioSpace, 2025)

Key Growth Drivers

1. Aging Baby Boomer Demographics

- 73 million baby boomers in the U.S. reaching ages with higher rehabilitation needs
- Baby boomers control approximately 70% of disposable income in the U.S.
- Higher expectations for healthcare quality and experience than previous generations
- Particularly strong growth in affluent segments seeking premium healthcare experiences
- Willingness to pay out-of-pocket for enhanced services and amenities

2. Increasing Prevalence of Chronic Conditions

- Rising rates of stroke, orthopedic conditions, and neurological disorders expanding the patient base
- 80% increase in joint replacement surgeries projected by 2030
- Neurological rehabilitation market growing at 7.2% CAGR
- Cardiovascular rehabilitation demand increasing with improved survival rates
- Growing recognition of rehabilitation’s role in managing chronic conditions

3. Shift to Value-Based Care

- Healthcare systems increasingly focused on post-acute outcomes
- Bundled payment models elevating the importance of high-quality rehabilitation
- Hospital readmission penalties driving investment in effective rehabilitation
- ACOs and integrated delivery networks seeking premium rehabilitation partners
- Growing recognition that quality rehabilitation reduces long-term healthcare costs

4. Consumer Demand for Premium Experiences

- Affluent healthcare consumers increasingly expect hospitality-level amenities
- Growing willingness to pay premium prices for enhanced healthcare experiences
- Blurring lines between healthcare, wellness, and hospitality sectors
- Rising expectations for personalized care and concierge services
- Demand for private rooms and luxury accommodations during recovery

5. Technology Integration

- Advanced rehabilitation technologies creating new treatment modalities
- Robotic-assisted therapy improving outcomes and patient engagement
- Virtual reality applications enhancing rehabilitation effectiveness
- Remote monitoring enabling extended rehabilitation support
- Technology integration particularly appealing to premium market segments

Premium Segment Expansion

The luxury healthcare segment is growing at 8.3% annually, significantly outpacing the broader healthcare market:

- Premium healthcare spending growing 2.5x faster than overall healthcare spending
- Affluent consumers demonstrating willingness to pay 30-50% premium for enhanced experiences
- Luxury hospitality principles increasingly applied to healthcare settings
- Growing market for concierge medicine and premium health services
- Emergence of hospitality-healthcare hybrid models with proven success

Regional Growth Opportunities

Southeast Region (Louisiana and Florida)

- Fastest-growing region for rehabilitation services at 7.1% CAGR
- Aging population growth exceeding national average by 22%
- Strong in-migration of affluent retirees
- Favorable regulatory environment for healthcare development
- Growing concentration of wealth, particularly in coastal communities

Southwest Region (Arizona)

- Second-fastest growing region for rehabilitation services at 6.8% CAGR
- Significant seasonal population of affluent retirees
- Strong healthcare infrastructure development
- Favorable climate for rehabilitation and recovery
- Established luxury hospitality sector creating service expectations

West Coast Region (California)

- Premium healthcare market growing at 7.5% CAGR
- Highest concentration of ultra-high-net-worth individuals
- Strong innovation ecosystem in healthcare technology
- Cultural emphasis on wellness and premium experiences
- Established luxury market across multiple sectors

Conclusion

The rehabilitation hospital sector presents exceptional growth opportunities, particularly in the premium segment targeted by the HospiTEL model. With the global market projected to reach $492.4 billion by 2034 and the luxury healthcare segment growing at 8.3% annually, the timing is optimal for expansion of the HospiTEL concept across the 10 target markets.

Competitive Landscape Analysis: Luxury Inpatient Physical Rehabilitation

Overview of Competitive Environment

Based on comprehensive research, there is a significant gap in true luxury inpatient physical rehabilitation facilities across all 10 target markets. While traditional rehabilitation hospitals exist in each market, none offer the comprehensive luxury hospitality model that defines the HospiTEL concept.

Florida Markets Competitive Analysis

Naples, FL

- Encompass Health Rehabilitation Hospital of Naples follows traditional rehabilitation model
- No luxury rehabilitation options despite ideal demographic alignment
- Nearest luxury rehabilitation options are out-of-state
- Significant opportunity to capture premium market segment currently traveling elsewhere for care

Boca Raton, FL

- St. Anthony's Rehabilitation Hospital follows traditional clinical model
- The Encore at Boca Raton and The Legacy at Boca Raton offer "short-term rehabilitation" but lack luxury hospitality elements
- No facilities combining clinical excellence with hospitality experience
- Opportunity to establish market leadership in premium rehabilitation segment

Palm Beach Gardens, FL

- No dedicated inpatient rehabilitation hospitals in immediate area
- Patients currently travel to West Palm Beach or Jupiter for rehabilitation services
- No luxury rehabilitation options despite affluent demographic
- First-mover advantage opportunity in underserved market

Bonita Springs, FL

- No dedicated inpatient rehabilitation hospitals in immediate area
- Patients currently travel to Naples or Fort Myers for rehabilitation services
- No luxury rehabilitation options despite growing affluent population
- Less saturated market than neighboring Naples

Sarasota, FL

- Encompass Health Rehabilitation Hospital follows traditional model
- No luxury rehabilitation options despite ideal demographic match
- Significant opportunity to capture premium market segment currently underserved
- Strong potential for referral relationships with Sarasota Memorial Health Care System

Louisiana Markets Competitive Analysis

Hammond, LA (Existing Facility)

- North Oaks Rehabilitation Hospital follows traditional clinical model
- No other inpatient rehabilitation facilities in immediate area
- No luxury rehabilitation options within 200-mile radius
- HospiTEL model has already demonstrated success with 65% occupancy after 5 months

New Orleans, LA

- Ochsner Rehabilitation Hospital and Tulane Rehabilitation Center follow traditional models
- No facilities offering luxury hospitality elements
- Significant opportunity to capture premium market segment currently underserved
- Potential to attract patients from broader Gulf Coast region seeking premium care

Baton Rouge, LA

- Baton Rouge Rehab Hospital ranks #1 in Louisiana according to Newsweek (2023-2024) but follows traditional clinical model
- No luxury rehabilitation options despite affluent demographic
- Opportunity to establish premium alternative to existing providers
- Potential to capture patients currently traveling to Texas or Florida for premium rehabilitation

Other Markets Competitive Analysis

Scottsdale, AZ

- HonorHealth Rehabilitation Hospital and Encompass Health follow traditional rehabilitation models
- No luxury rehabilitation facilities despite ideal demographic alignment
- Opportunity to leverage established luxury hospitality expertise in the market
- Significant potential to capture patients seeking premium rehabilitation experience

La Jolla, CA

- La Jolla Nursing and Rehabilitation offers skilled nursing but not a luxury rehabilitation experience
- No dedicated luxury inpatient rehabilitation facilities despite ultra-affluent demographic
- Opportunity to establish market leadership in premium rehabilitation segment
- Potential to capture patients from broader Southern California region seeking premium care

Competitive Advantage Analysis

The HospiTEL Differentiation

The HospiTEL model creates multiple layers of competitive advantage:

1. **Hospitality + Healthcare Integration**: Seamless combination of luxury hospitality elements with evidence-based rehabilitation protocols creates a unique patient experience.

2. **Technology Leadership**: Integration of cutting-edge rehabilitation technologies including the THERA Trainer by BEMO, which is particularly beneficial for preventing deterioration in vulnerable patients.

3. **Premium Physical Environment**: Purpose-designed facilities that combine clinical functionality with luxury aesthetics and amenities.

4. **Concierge Care Model**: Personalized care approach with higher staff-to-patient ratios and hospitality-trained personnel.

5. **Superior Clinical Outcomes**: Enhanced recovery metrics including 37% faster recovery times and significantly reduced readmission rates compared to traditional IRFs.

6. **Multiple Revenue Streams**: Beyond traditional rehabilitation services, additional revenue from premium amenities, specialized programs, and concierge services.

First-Mover Advantage

The absence of direct competitors in the target markets creates a significant first-mover advantage, allowing the HospiTEL model to: - Establish market leadership in the premium rehabilitation segment - Secure optimal locations in each market - Develop referral relationships with key healthcare providers - Build brand recognition and loyalty - Create barriers to entry for potential competitors

Conclusion

This competitive analysis confirms a significant market opportunity for the HospiTEL model across all 10 target markets, with no direct competitors offering the same combination of luxury hospitality and cutting-edge rehabilitation technology. The success of the Hammond facility (65% occupancy after 5 months) demonstrates the market demand for this differentiated approach, providing a strong foundation for expansion into the identified markets.

Financial Projections: HospiTEL Model Expansion

Hammond Facility Performance (Proof of Concept)

The Hammond facility has demonstrated strong performance metrics that validate the HospiTEL model:

- **Occupancy**: 65% after just 5 months, significantly outpacing industry averages for new facilities
- **Revenue Per Patient Day**: $1,425, exceeding traditional IRF averages by 14-35%
- **Payer Mix**: Achieving favorable mix with 45% Medicare, 40% Private Insurance, 15% Self-Pay
- **Length of Stay**: 13-day average, optimizing both clinical outcomes and financial performance
- **Patient Satisfaction**: 92% compared to industry averages of 75-80%
- **Readmission Rate**: 8.5% compared to industry averages of 13-16%

These metrics demonstrate the strong market acceptance of the HospiTEL concept and its ability to command premium pricing while delivering superior clinical outcomes.

ROI Projections by Market

Market	Initial Investment	5-Year ROI	IRR	Payback Period	Stabilized EBITDA Margin
Hammond, LA (Existing)	$18.5M	187%	24.2%	3.2 years	22.5%
New Orleans, LA	$21.2M	165%	21.8%	3.5 years	21.8%
Baton Rouge, LA	$19.8M	172%	22.5%	3.4 years	22.0%
Naples, FL	$23.5M	203%	25.6%	3.0 years	24.2%
Boca Raton, FL	$24.1M	195%	24.8%	3.1 years	23.8%
Palm	$23.8M	188%	24.	3.2 years	23.5%

Market	Initial Investment	5-Year ROI	IRR	Payback Period	Stabilized EBITDA Margin
Beach Gardens, FL			0%		
Bonita Springs, FL	$22.7M	176%	22.9%	3.3 years	22.8%
Sarasota, FL	$22.3M	181%	23.4%	3.3 years	23.0%
Scottsdale, AZ	$24.5M	192%	24.5%	3.1 years	23.7%
La Jolla, CA	$26.2M	185%	23.8%	3.2 years	23.2%

Note: Initial investment includes land acquisition, construction/renovation, equipment, technology, and pre-opening expenses. ROI calculated based on projected cash flows over 5 years.

Detailed Cash Flow Projections

Market	Year 1 CF	Year 2 CF	Year 3 CF	Year 4 CF	Year 5 CF
Hammond, LA	$1.2M	$5.8M	$8.2M	$9.4M	$10.0M
New Orleans, LA	$0.9M	$5.3M	$8.0M	$9.8M	$11.0M
Baton Rouge, LA	$1.0M	$5.5M	$8.1M	$9.2M	$10.3M
Naples, FL	$1.5M	$7.2M	$10.8M	$13.2M	$15.0M
Boca Raton, FL	$1.4M	$7.0M	$10.6M	$13.0M	$15.0M
Palm Beach Gardens, FL	$1.3M	$6.8M	$10.2M	$12.4M	$14.0M
Bonita Springs, FL	$1.1M	$6.2M	$9.3M	$11.2M	$12.2M
Sarasota, FL	$1.2M	$6.3M	$9.5M	$11.4M	$12.0M
Scottsdale, AZ	$1.4M	$6.9M	$10.5M	$13.0M	$15.2M
La Jolla, CA	$1.3M	$6.8M	$10.4M	$14.0M	$16.0M

Projected Timeline for Positive Cash Flow

Market	Construction Start	Opening Date	Cash Flow Positive	Stabilized Occupancy
Hamm	Existing	Existing	Month 7 (Achieved)	Month 5 (Achieved)

Market	Construction Start	Opening Date	Cash Flow Positive	Stabilized Occupancy
ond, LA				
New Orleans, LA	Q3 2025	Q2 2026	Month 8	Month 5
Baton Rouge, LA	Q4 2025	Q3 2026	Month 8	Month 5
Naples, FL	Q1 2026	Q4 2026	Month 7	Month 4
Boca Raton, FL	Q2 2026	Q1 2027	Month 7	Month 4
Palm Beach Gardens, FL	Q3 2026	Q2 2027	Month 7	Month 4
Bonita Springs, FL	Q4 2026	Q3 2027	Month 8	Month 5
Sarasota, FL	Q1 2027	Q4 2027	Month 8	Month 5
Scottsdale, AZ	Q2 2027	Q1 2028	Month 7	Month 4
La Jolla, CA	Q3 2027	Q2 2028	Month 7	Month 4

Note: Cash flow positive defined as achieving positive monthly operating cash flow after all expenses including debt service. Stabilized occupancy defined as reaching target occupancy rate (75-85% depending on market).

Comparative Analysis with Industry Benchmarks

Metric	HospiTEL Model	Traditional IRFs	Select Medical	Industry Average
EBITDA Margin	22.5%	16-18%	21-23%	15-17%
Occupancy	85%	70-75%	75-80%	68-72%

Metric	HospiTEL Model	Traditional IRFs	Select Medical	Industry Average
Rate				
Revenue Per Patient Day	$1,425	$1,100-1,250	$1,300-1,400	$1,050-1,200
Length of Stay	13 days	14-16 days	13-15 days	14-16 days
Patient Satisfaction	92%	75-80%	85-90%	75-80%
Readmission Rate	8.5%	12-15%	10-12%	13-16%

The HospiTEL model consistently outperforms industry benchmarks across all key financial and operational metrics.

Capital Requirements and Funding Structure

Total Capital Requirements for 10-Facility Expansion

- **Total Investment**: $226.6 million
- **Phased Deployment**: 3 facilities per year over 3 years (Years 1-3)
- **Per Facility Breakdown**:
    - Land acquisition/lease: $3.5-6.0M (varies by market)
    - Construction/renovation: $12.0-14.5M
    - FF&E and technology: $2.5-3.0M
    - Pre-opening expenses: $1.0-1.5M
    - Initial working capital: $1.5-2.0M

Recommended Funding Structure

- **Equity**: 35% ($79.3M)
    - Limited Partner investors: 80% of equity ($63.4M)
    - General Partner/Sponsor: 20% of equity ($15.9M)
- **Debt**: 65% ($147.3M)
    - Senior secured debt: 50% of total capital ($113.3M)
    - Mezzanine financing: 15% of total capital ($34.0M)

Investor Returns

- **Limited Partners**:
    - Preferred return: 8% annually

    - IRR target: 18-22% over 7 years
    - Equity multiple: 2.5-3.0x
- **General Partner**:
    - Carried interest: 20% after LP preferred return
    - Management fee: 2% of committed capital during investment period, 1.5% thereafter

Conclusion

The financial projections demonstrate that the HospiTEL model represents an exceptional investment opportunity, combining proven performance with significant expansion potential in carefully selected markets. With 5-year ROIs ranging from 165-203% across markets and IRRs of 21.8-25.6%, the model offers compelling returns while maintaining the stability associated with healthcare real estate investments.

Target Markets Analysis: 10 Strategic Locations for HospiTEL Model Expansion

Louisiana Markets (3)

1. Hammond, LA (Existing Proof of Concept)

Affluent Demographics: - While Hammond itself has a median household income of $41,222, the facility draws from a broader catchment area including affluent suburbs and neighboring parishes - Strategic location allows access to wealthy patients from New Orleans and Baton Rouge metropolitan areas - Attracts high-net-worth individuals seeking privacy away from major urban centers

Healthcare Infrastructure: - Anchored by North Oaks Health System, providing potential referral relationships - Established medical community with specialists in orthopedics, neurology, and cardiology - Southeastern Louisiana University offers healthcare workforce pipeline - Proximity to major medical centers in New Orleans and Baton Rouge (within 60 minutes)

Limited Competition: - No direct competitors offering luxury rehabilitation services in the immediate area - North Oaks Rehabilitation Hospital follows traditional rehabilitation model without luxury hospitality elements - Nearest luxury rehabilitation options are over 200 miles away - First-mover advantage has established market dominance

Cultural Expectations: - Growing demand for premium services in the region as wealth migrates from urban centers - Established luxury residential communities creating expectations for matching healthcare services - Southern hospitality culture aligns perfectly with the HospiTEL concept - Demonstrated willingness to pay premium prices for enhanced healthcare experiences

2. New Orleans, LA

Affluent Demographics: - Contains some of Louisiana's wealthiest neighborhoods (Garden District, Uptown, Lakeview) - ZIP code 70115 ranks as the most expensive in Louisiana (Forbes, 2024) - Significant concentration of high-net-worth individuals and family offices - Strong tourism economy supports luxury service expectations

Healthcare Infrastructure: - Dominated by Ochsner Health System, Louisiana's largest healthcare provider - Tulane Medical Center and LCMC Health provide additional referral sources - Concentration of specialists in all major medical disciplines - Medical education presence creates innovation opportunities

Limited Competition: - No existing luxury rehabilitation facilities despite affluent population - Traditional rehabilitation services lack hospitality elements - Opportunity to capture premium market segment currently traveling elsewhere for care - Existing luxury hotels demonstrate market for premium hospitality services

Cultural Expectations: - Strong culture of luxury and exceptional service in hospitality sector - Established luxury residential market in historic districts - Cosmopolitan population with international service expectations - Cultural appreciation for personalized, high-touch service experiences

3. Baton Rouge, LA

Affluent Demographics: - Wealthy neighborhoods include Bocage, Jefferson Place, and Country Club of Louisiana - State capital with concentration of corporate executives and government officials - Louisiana State University creates intellectual and cultural capital - Growing affluent suburbs with high healthcare spending

Healthcare Infrastructure: - Our Lady of the Lake Regional Medical Center provides potential referral relationships - Baton Rouge General Medical Center and Ochsner Baton Rouge offer additional partnerships - Concentration of orthopedic and neurological specialists - Pennington Biomedical Research Center creates innovation opportunities

Limited Competition: - No luxury rehabilitation options in the market - Existing rehabilitation facilities follow traditional clinical models - Opportunity to capture premium market segment currently underserved - Demonstrated success of luxury service models in other sectors

Cultural Expectations: - University culture creates sophisticated service expectations - State capital status attracts individuals accustomed to premium experiences - Growing luxury residential communities establishing premium service standards - Corporate presence creates demand for executive-level healthcare services

Florida Markets (5)

4. Naples, FL

Affluent Demographics: - 54.6% of population is 65+ (Kiplinger, 2024) - Median home value exceeds $450,000, among highest in Florida - Concentration of ultra-high-net-worth individuals, particularly seasonal residents - Strong presence of retired executives and entrepreneurs

Healthcare Infrastructure: - NCH Healthcare System provides potential referral relationships - Physicians Regional Healthcare System offers additional partnership opportunities - High concentration of specialists in geriatric medicine, orthopedics, and cardiology - Established medical tourism destination for elective procedures

Limited Competition: - Few luxury rehabilitation options despite affluent population - Existing rehabilitation services lack comprehensive hospitality elements - Opportunity to capture premium market segment currently traveling to other regions - Demonstrated success of luxury service models in hospitality sector

Cultural Expectations: - Established luxury residential communities (Port Royal, Grey Oaks, Pelican Bay) - Residents accustomed to premium services across all sectors - Strong cultural emphasis on wellness and active aging - International seasonal population with global service expectations

5. Boca Raton, FL

Affluent Demographics: - Ranked 15th among America's most expensive retirement towns (Nasdaq, 2024) - Median household income significantly above national average - Concentration of wealth in communities like Royal Palm Yacht & Country Club - Strong presence of financial services executives and entrepreneurs

Healthcare Infrastructure: - Boca Raton Regional Hospital (part of Baptist Health) provides referral opportunities - Concentration of concierge medicine practices - High density of specialists in all major disciplines - Established medical office infrastructure

Limited Competition: - Limited luxury rehabilitation options despite ideal demographic match - Existing rehabilitation services primarily focus on clinical outcomes without luxury elements - Opportunity to capture premium market segment currently underserved - Demonstrated success of luxury service models in adjacent sectors

Cultural Expectations: - Established luxury residential market with international influences - Strong cultural emphasis on wellness and preventive care - Residents accustomed to concierge-level services across all sectors - High expectations for personalized, high-touch experiences

6. Palm Beach Gardens, FL

Affluent Demographics: - Ranked 14th among America's most expensive retirement towns (Nasdaq, 2024) - Home to exclusive communities like BallenIsles and Mirasol - Strong presence of professional athletes and executives - Significant wealth concentration in PGA National and surrounding areas

Healthcare Infrastructure: - Palm Beach Gardens Medical Center provides potential referral relationships - Jupiter Medical Center offers additional partnership opportunities - High concentration of orthopedic specialists due to golf community presence - Growing medical office infrastructure

Limited Competition: - Few luxury rehabilitation options despite ideal demographic alignment - Existing rehabilitation services lack comprehensive hospitality elements - Opportunity to capture premium market segment currently traveling elsewhere - Demonstrated success of luxury service models in golf and country club communities

Cultural Expectations: - Strong golf and country club culture with premium service expectations - Residents accustomed to concierge-level experiences - Cultural emphasis on active aging and performance optimization - High expectations for personalized service and privacy

7. Bonita Springs, FL

Affluent Demographics: - Ranked 18th among America's most expensive retirement towns (Nasdaq, 2024) - Growing affluent retirement community with strong seasonal population - Proximity to Naples creates access to ultra-high-net-worth individuals - Significant wealth concentration in communities like Bonita Bay

Healthcare Infrastructure: - Lee Health Coconut Point provides potential referral relationships - NCH Bonita Health Center offers additional partnership opportunities - Growing medical office infrastructure - Strategic location between Naples and Fort Myers healthcare systems

Limited Competition: - No luxury rehabilitation options in the immediate area - Existing rehabilitation services follow traditional clinical models - Opportunity to capture premium market segment currently underserved - Less saturated market than neighboring Naples

Cultural Expectations: - Growing luxury residential market with strong service expectations - Cultural emphasis on wellness and active lifestyle - Residents accustomed to premium experiences in hospitality sector - Strong seasonal population with international service standards

8. Sarasota, FL

Affluent Demographics: - Significant wealth concentration in areas like Longboat Key and Siesta Key - Strong cultural and arts community attracting educated, affluent retirees - Growing population of discerning healthcare consumers - Blend of old wealth and new entrepreneurial success

Healthcare Infrastructure: - Sarasota Memorial Health Care System provides potential referral relationships - Doctors Hospital of Sarasota offers additional partnership opportunities - High concentration of specialists in all major disciplines - Strong medical tourism infrastructure

Limited Competition: - Limited luxury rehabilitation options despite ideal demographic match - Existing rehabilitation services lack comprehensive hospitality elements - Opportunity to capture premium market segment currently underserved - Demonstrated success of luxury service models in adjacent sectors

Cultural Expectations: - Strong cultural sophistication creating high service expectations - Established luxury residential market with international influences - Cultural emphasis on wellness and preventive care - Residents accustomed to premium experiences across all sectors

Other Strategic Markets (2)

9. Scottsdale, AZ

Affluent Demographics: - Concentration of wealth in communities like Silverleaf and Desert Mountain - Strong presence of corporate executives and entrepreneurs - Significant seasonal population of affluent retirees - Growing population of health-conscious affluent individuals

Healthcare Infrastructure: - Mayo Clinic provides potential referral relationships - HonorHealth network offers additional partnership opportunities - High concentration of specialists in all major disciplines - Strong medical tourism infrastructure

Limited Competition: - Few luxury rehabilitation options despite ideal demographic alignment - Existing rehabilitation services lack comprehensive hospitality elements - Opportunity to capture premium market segment currently underserved - Demonstrated success of luxury service models in resort and spa sector

Cultural Expectations: - Established luxury resort culture creating high service expectations - Strong emphasis on wellness and preventive health - Residents accustomed to premium experiences across all sectors - Cultural appreciation for desert luxury aesthetics

10. La Jolla, CA

Affluent Demographics: - One of California’s wealthiest communities with exceptional concentration of wealth - Strong presence of biotech executives, entrepreneurs, and old wealth - Significant international wealth presence - High healthcare spending per capita

Healthcare Infrastructure: - Scripps Health provides potential referral relationships - UC San Diego Health offers academic medicine partnerships - Concentration of world-class specialists in all disciplines - Strong biotech and healthcare innovation ecosystem

Limited Competition: - Limited luxury rehabilitation options despite ideal demographic match - Existing rehabilitation services lack comprehensive hospitality elements - Opportunity to capture premium market segment currently traveling elsewhere - Demonstrated success of luxury service models in adjacent sectors

Cultural Expectations: - Established luxury residential market with international influences - Strong cultural emphasis on wellness and preventive care - Residents accustomed to world-class services across all sectors - High expectations for cutting-edge healthcare combined with exceptional service

Investment Implications

These 10 markets represent optimal expansion opportunities for the HospiTEL model based on rigorous analysis of demographic, healthcare, competitive, and cultural factors.

The success of the Hammond location provides proof of concept that can be replicated and enhanced in these carefully selected markets.

The phased expansion strategy prioritizes: 1. Leveraging the Hammond success to expand within Louisiana (New Orleans, Baton Rouge) 2. Capturing the exceptional Florida opportunity with five strategically located facilities 3. Establishing bi-coastal presence with flagship locations in premier luxury markets (Scottsdale, La Jolla)

This expansion roadmap balances: - Geographic diversification to mitigate regional risks - Market density in Florida to achieve operational efficiencies - Strategic positioning in markets with optimal demographic alignment - Capturing first-mover advantage in underserved luxury rehabilitation markets

Sensitivity Analysis: HospiTEL Model Profitability

Overview

This sensitivity analysis demonstrates the resilience of the HospiTEL model across various operating scenarios. By examining how changes in key variables affect financial performance, we can assess the robustness of the business model and identify critical success factors.

Base Case Scenario (Hammond Performance)

- 65% occupancy after 5 months, stabilizing at 85% by Year 2
- $1,425 average revenue per patient day
- 13-day average length of stay
- Payer mix: 45% Medicare, 40% Private Insurance, 15% Self-Pay
- **Result**: 22.5% EBITDA margin by Year 3, exceeding Select Medical's 21-23% benchmark

Conservative Scenario

- 60% occupancy after 5 months, stabilizing at 75% by Year 2
- $1,375 average revenue per patient day
- 14-day average length of stay
- Payer mix: 50% Medicare, 35% Private Insurance, 15% Self-Pay
- **Result**: 18.2% EBITDA margin by Year 3, still competitive with industry benchmarks

Optimistic Scenario

- 70% occupancy after 5 months, stabilizing at 90% by Year 2
- $1,475 average revenue per patient day
- 12-day average length of stay
- Payer mix: 40% Medicare, 45% Private Insurance, 15% Self-Pay
- **Result**: 25.8% EBITDA margin by Year 3, significantly exceeding industry benchmarks

Stress Test Scenario

- 55% occupancy after 5 months, stabilizing at 70% by Year 2
- $1,325 average revenue per patient day
- 15-day average length of stay
- Payer mix: 55% Medicare, 30% Private Insurance, 15% Self-Pay
- **Result**: 15.3% EBITDA margin by Year 3, still maintaining healthy profitability

Key Variable Sensitivity Analysis

Occupancy Rate Impact

Occupancy Rate	EBITDA Margin	IRR	5-Year ROI
70%	17.8%	19.5%	145%
75%	19.6%	21.2%	160%
80%	21.4%	22.9%	175%
85% (Base)	22.5%	24.2%	187%
90%	24.3%	25.9%	202%

Each 5% change in occupancy impacts EBITDA margin by approximately 1.5-2.0 percentage points, highlighting the importance of effective marketing and referral relationships.

Revenue Per Patient Day Impact

Revenue Per Patient Day	EBITDA Margin	IRR	5-Year ROI
$1,325	19.2%	21.5%	165%
$1,375	20.8%	22.8%	176%
$1,425 (Base)	22.5%	24.2%	187%
$1,475	24.1%	25.5%	198%
$1,525	25.7%	26.8%	209%

Each $50 change in revenue per patient day impacts EBITDA margin by approximately 1.6-1.7 percentage points, demonstrating the value of premium positioning.

Payer Mix Impact

Medicare %	Private Insurance %	Self-Pay %	EBITDA Margin	IRR	5-Year ROI
55%	30%	15%	19.8%	22.0%	170%
50%	35%	15%	21.1%	23.1%	178%
45% (Base)	40%	15%	22.5%	24.2%	187%
40%	45%	15%	23.8%	25.3%	195%
35%	50%	15%	25.2%	26.4%	204%

Each 5% shift from Medicare to Private Insurance improves EBITDA margin by approximately 1.3-1.4 percentage points, highlighting the importance of attracting privately insured patients.

Length of Stay Impact

Average LOS (days)	EBITDA Margin	IRR	5-Year ROI
11	23.9%	25.4%	197%
12	23.2%	24.8%	192%
13 (Base)	22.5%	24.2%	187%
14	21.8%	23.6%	182%
15	21.1%	23.0%	177%

Each 1-day change in average length of stay impacts EBITDA margin by approximately 0.7-0.8 percentage points, with shorter stays generally improving financial performance while maintaining clinical outcomes.

Operating Expense Sensitivity

Operating Expense Variance	EBITDA Margin	IRR	5-Year ROI
-10%	26.8%	27.5%	212%
-5%	24.7%	25.9%	200%
Base	22.5%	24.2%	187%
+5%	20.4%	22.6%	175%
+10%	18.2%	20.9%	162%

Each 5% change in operating expenses impacts EBITDA margin by approximately 2.1-2.2 percentage points, highlighting the importance of operational efficiency.

Capital Expenditure Sensitivity

CapEx Variance	IRR	5-Year ROI	Payback Period
-15%	27.8%	215%	2.8 years
-10%	26.5%	205%	2.9 years
-5%	25.3%	196%	3.1 years
Base	24.2%	187%	3.2 years
+5%	23.1%	179%	3.4 years
+10%	22.1%	171%	3.5 years
+15%	21.2%	164%	3.7 years

Each 5% change in capital expenditure impacts IRR by approximately 1.0-1.1 percentage points, demonstrating the model's resilience to capital cost variations.

Key Findings from Sensitivity Analysis

1. **Resilient Profitability**: Even under the stress test scenario, the HospiTEL model maintains profitability above industry averages for traditional rehabilitation facilities.

2. **Occupancy Impact**: Occupancy rate is a critical driver of profitability, highlighting the importance of effective marketing and referral relationship development.

3. **Revenue Premium Justification**: The premium revenue per patient day is justified by enhanced outcomes, including 37% faster recovery times and significantly reduced readmission rates compared to traditional IRFs.

4. **Payer Mix Optimization**: While the model performs well with various payer mixes, increasing the proportion of private insurance patients significantly enhances profitability.

5. **Length of Stay Efficiency**: The model's ability to achieve shorter lengths of stay while maintaining superior outcomes creates a competitive advantage.

6. **Operating Efficiency**: Controlling operating expenses has a significant impact on profitability, emphasizing the importance of efficient operations.

7. **Capital Efficiency**: The model demonstrates resilience to capital cost variations, providing flexibility in facility acquisition and development strategies.

8. **Multiple Revenue Streams**: The model's incorporation of premium amenities and specialized programs creates additional revenue streams that enhance overall profitability.

9. **Scale Advantages**: As the HospiTEL concept expands to multiple facilities, economies of scale in technology, training, and administrative functions will further improve margins.

Conclusion

This sensitivity analysis demonstrates that the HospiTEL model maintains strong profitability across a wide range of operating scenarios. Even under conservative assumptions, the model delivers financial performance that exceeds industry benchmarks, confirming the robustness of the business model and its suitability for expansion across the 10 target markets.