

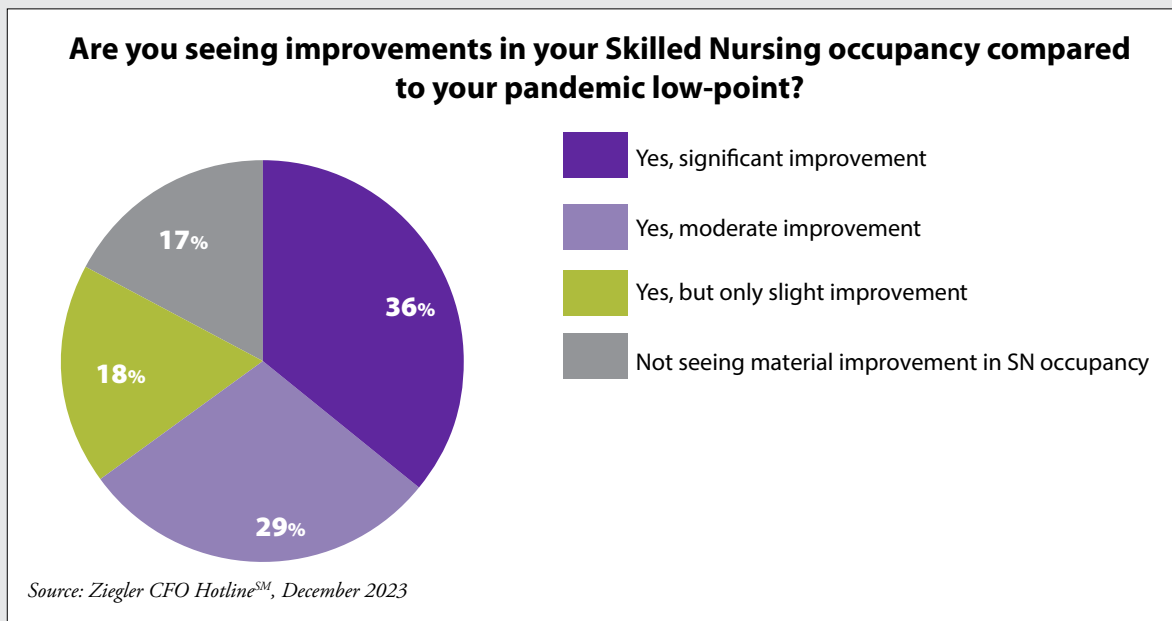
## FEATURED ARTICLE

## ZIEGLER CFO HOTLINE<sup>SM</sup>: THE FUTURE OF SKILLED NURSING

In August 2021, nearly 270 organizations responded to a *Ziegler CFO Hotline<sup>SM</sup>* survey on the future of Skilled Nursing (SN). More than two years later, an update to that *CFO Hotline<sup>SM</sup>* survey has gathered information on the past, present and future of skilled nursing (SN). The survey asked, for example, how providers have dealt with the aftermath of the pandemic, what economic pressures are providers dealing with currently, what has triggered the reduction in skilled nursing care beds, and more. Slightly more than 240 organizations participated in the survey. Roughly 60% were single-site senior living providers, while the remaining 40% represented multi-site providers. The respondent pool is heavily weighted towards Not-for-Profit Life Plan Community organizations. It is important to note that the survey data collected was specific to providers who offer skilled nursing.

### Skilled Nursing Occupancy and Reductions

The first several questions asked about the number of skilled nursing beds offered by each community and the associated occupancy rates. These questions focused primarily on changes within the last two years, especially post-pandemic. The chart below details the reported improvement in skilled nursing occupancy in relation to each provider's respective pandemic "low-point." More than 80% of providers have seen improvements, though some only slightly. The largest portion (36%) are seeing significant improvement while 17% have not seen any material improvement in their skilled nursing occupancy following the pandemic's initial onset.



Questions were also asked regarding the reduction of skilled nursing units. As shown in the chart below, thirty-seven (37%) indicated that they have made permanent reductions in the number of skilled nursing beds within the past two years while 63% have not.

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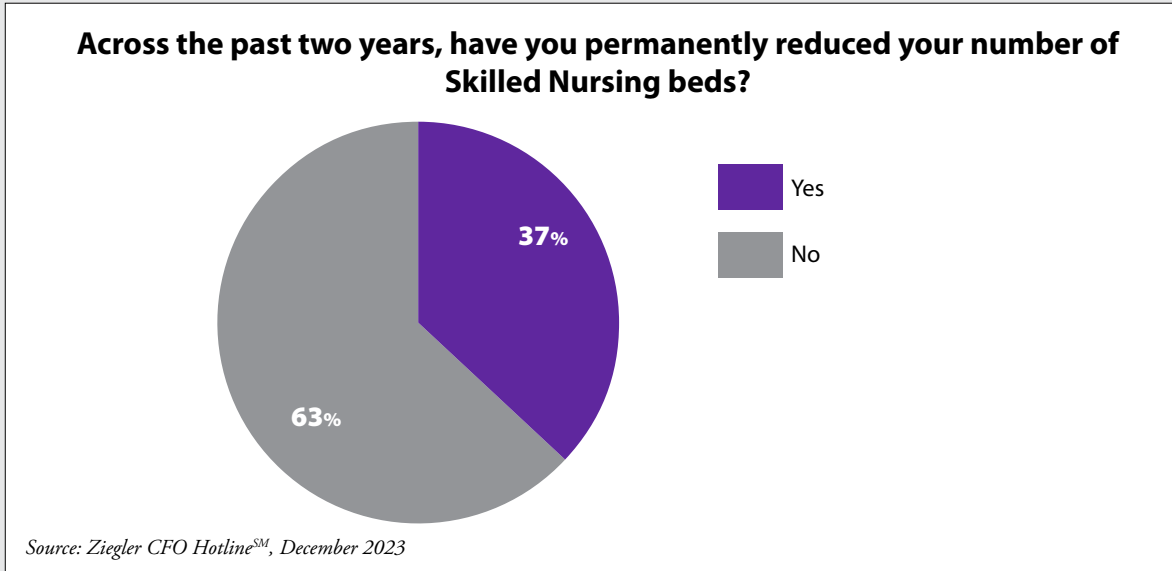
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### CONTACT US

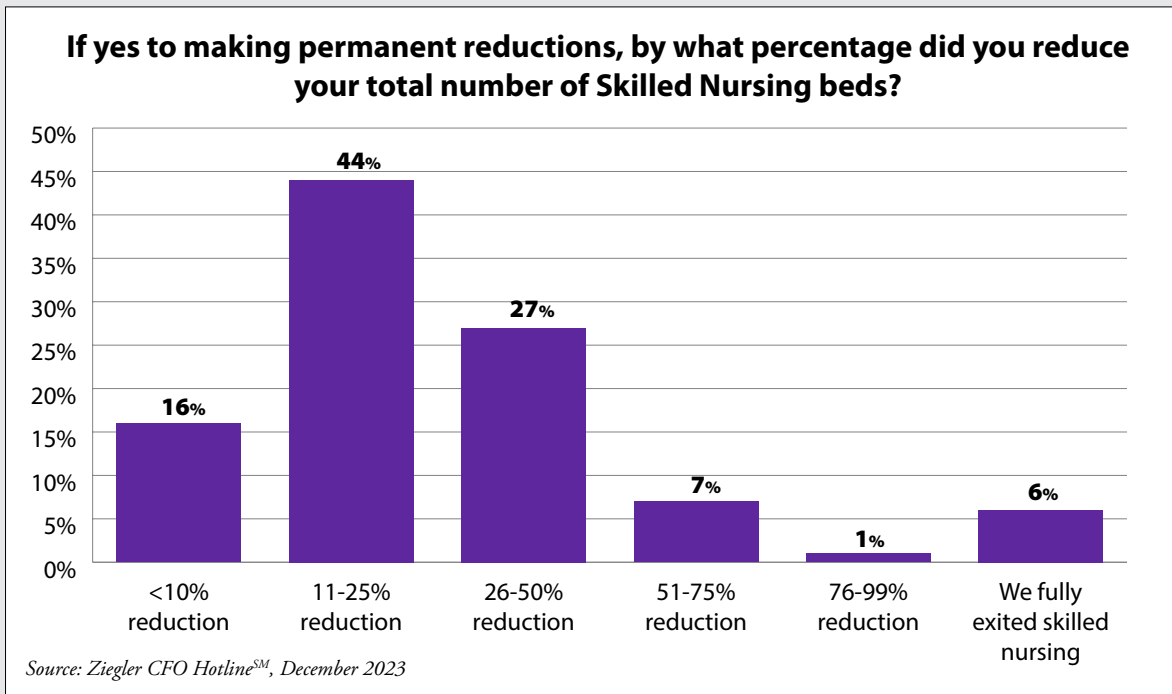
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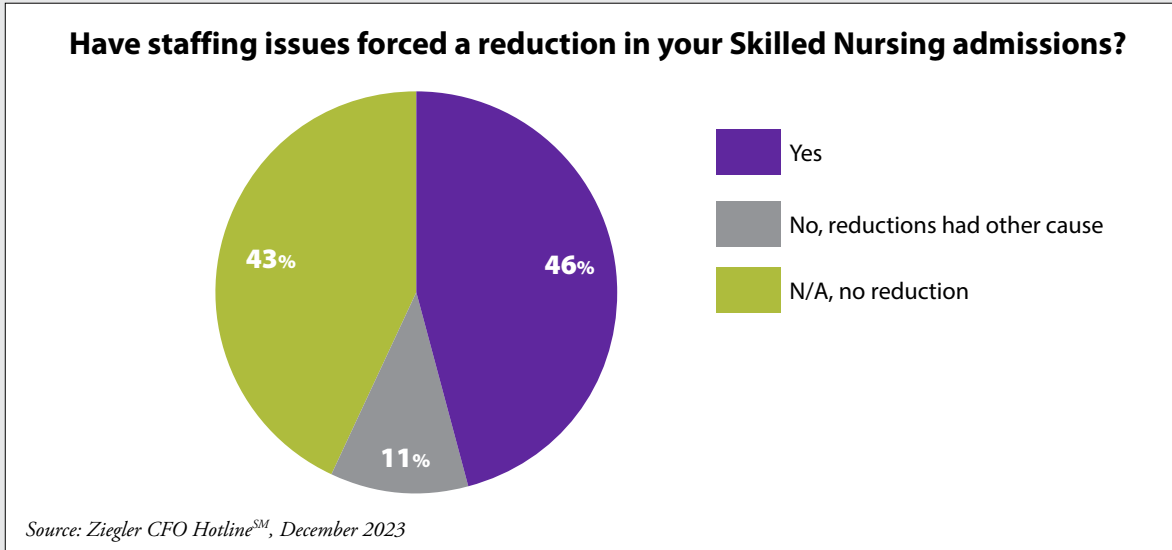


Among those who permanently reduced skilled nursing units, there were varying levels of reduction as shown in the chart below. While most providers who reduced their number of skilled nursing beds did so by fewer than half, a smaller number reduced their beds by 51%-99%, and a few providers (6%) exited skilled nursing entirely — two closed their skilled nursing facilities, another repositioned to Assisted Living, and one sold to a for-profit.



**Greatest Pressure Points**

Many *CFO Hotline<sup>SM</sup>* reports from recent years point to staffing as a key pressure for senior living providers. When asked whether staffing remained an issue and contributed to reductions in skilled nursing admissions, nearly 46% responded yes. On the other hand, roughly one in ten providers made reductions due a lack of referrals from hospitals, a decrease in demand, and/or repositioning units for other uses. Another 43% indicated they have not seen reductions in admissions at all.



Providers were presented with eight different “pressure points” facing the skilled nursing industry today. Of these options, they were asked to identify their top three concerns regarding their practice. While each pressure point was selected by multiple providers, “Staffing” proved to be the biggest issue by a wide margin as detailed in the table below.

CONCERN	NUMBER OF MENTIONS
Staffing	166
Reimbursement Challenges	96
Regulatory Environment	95
Inflation	60
Consumer Preference (to avoid SN)	43
Changes in Hospital Referral Patterns	35
Dated Physical Plant and Offerings	34
Increasing Acuity of Residents	31

*Source: Ziegler CFO Hotline<sup>SM</sup>, December 2023*

Ziegler will continue to monitor the dynamic skilled nursing and healthcare environment, as well as related pressure points (e.g., workforce). We encourage readers to [access the full report](#) on the Ziegler website to view additional findings from the most recent survey.

If you have questions regarding this *Z-News* or other related topics, please reach out to the Ziegler representative in your region.

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**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

AS OF DECEMBER 14, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Landis Communities (PA)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR*	12/6/23
Morningside Ministries (TX)	Fitch	BB Stable	Downgraded Rating Downgraded IDR*	12/12/23
Westminster-Canterbury of the Blue Ridge (VA)	Fitch	BBB+ Stable	Affirmed Rating Affirmed IDR*	12/13/23
Carolina Meadows (NC)	Fitch	A- Negative	Affirmed IDR* Revised Outlook	12/14/23
Friendship Village of Dublin (OH)	Fitch	BBB+ Stable	Affirmed Rating Affirmed IDR*	12/14/23
Front Porch Communities and Services (CA)	S&P	A- Stable	Affirmed Rating	12/14/23
Lebanon Valley Brethren Village dba Londonderry Village (PA)	Fitch	BBB Stable	Review – No Action	12/14/23
Riderwood Village (MD)	Fitch	A Stable	Review – No Action	12/14/23

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\* IDR – Issuer Default Rating

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**INTEREST RATES/YIELDS**

WEEK ENDING DECEMBER 8, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.71%	3.77%	3.65%
Senior Living 30-Yr “A”	5.15%	5.30%	5.26%
Senior Living 30-Yr “BBB”	5.55%	5.75%	5.68%
Senior Living Unrated	6.70%	6.65%	6.52%
Senior Living New Campus	7.90%	7.90%	7.52%
SIFMA Muni Swap Index	2.98%	3.30%	3.30%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index <sup>†</sup>	5.99%	5.98%	2.25%

<sup>†</sup> Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

**FEATURED FINANCINGS**

*Where Loving-Kindness Lives*
**ACTS RETIREMENT-LIFE COMMUNITIES**
**Fort Washington, Pennsylvania**
**\$68,530,000**

Montgomery County Industrial Development Authority, Retirement Communities Revenue Bonds, Series 2023A

**\$10,315,000**

Delaware Economic Development Authority, Retirement Communities Revenue Bonds, Series 2023B

**\$58,215,000**

December, 2023


**WILLIAMSBURG LANDING**
**Williamsburg, Virginia**

Economic Development Authority of James City County, Virginia, Residential Care Facility Revenue Bonds, Series 2024 Bonds

**\$61,910,000**

December, 2023



ON CHESAPEAKE BAY

**WESTMINSTER-CANTERBURY ON CHESAPEAKE BAY**
**Virginia Beach, Virginia**

City of Virginia Beach Development Authority, Residential Care Facility Revenue Bonds, Series 2023

**\$423,480,000**

December, 2023

## MARKET REVIEW

## MONEY MARKET RATES

	12/8	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.31	5.31
90 Day T-Bills	5.39	5.39
30-Day Commercial Paper (taxable)	5.33	5.34
Libor (30-day)	5.46	5.45
SOFR	5.32	5.33
7 Day Tax-Exempt VRDB	2.98	3.30
Daily Rate Average	2.30	3.09

## COMPARATIVE YIELDS

## TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.59	5.09	1 Year	2.92	5.17	4.82	3.97	3.22	3.02
5 Year	4.13	4.93	5 Year	2.47	4.82	4.47	3.67	2.97	2.62
7 Year	4.17	5.37	7 Year	2.47	4.92	4.57	3.77	3.02	2.67
10 Year	4.15	5.75	10 Year	2.50	5.15	4.70	3.90	3.15	2.75
30 Year	4.25	6.30	30 Year	3.71	6.61	6.11	5.36	4.61	4.16

(\* Representative of institutional sales)

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.41	3.49	-0.08
11 Bond Index	3.31	3.39	-0.08
Revenue Bond Index	3.69	3.77	-0.08
30 Year MMD	3.71	3.77	-0.06
Weekly Tax-Exempt Volume (Bil)	6.19	5.43	+0.76
30 Day T/E Visible Supply (Bil)	3.49	7.67	-4.16
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	108.4	104.0	+4.40

Source: Bloomberg