The focus of the March Ziegler CFO Hotline℠ poll was on Life Plan Community Entry Fees. Providers with entry-fee contracts were invited to complete the survey and a total of 145 Chief Financial Officers (CFOs) and financial professionals from throughout the country responded. Nearly 65% respondents were single-site organizations while 35% were multi-sites. The table below shows the breakdown of the predominant contract types.

<table>
<thead>
<tr>
<th>Primary Contract Types Offered</th>
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<tbody>
<tr>
<td>Type A 46.2%</td>
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<tr>
<td>Type C 28.3%</td>
</tr>
<tr>
<td>Type B 17.9%</td>
</tr>
<tr>
<td>Rental 6.2%</td>
</tr>
</tbody>
</table>

The chart below shows similarities between the March 2017 poll to an earlier Ziegler CFO Hotline℠ Survey conducted in 2007. Over the past 10 years, the use of Type A and Type C contracts has increased while Type B and Rental are down.
As part of the survey, respondents indicated whether they offer more than one contract type and this is reflected in the chart below. Nearly 56% of respondents offer two or more contract types, slightly more than 15% offer three or more, and 4% offer all contract types.

For providers offering multiple contract types, the most common mix is Type A as the primary and Type C as the secondary (34.2% of respondents offer this combination); the other combinations are reflected in the table below.
The survey also looked at whether providers plan to add any contract types to their existing mix in the next year or two. Roughly 15% of respondents said that they were considering it while another 15% were unsure, and the majority of respondents (70%) said no. Respondents were split fairly evenly among the different types of contracts to add.

Respondents evaluated changes across the past 24 months in entrance fees. CFOs were asked whether entry fees had stayed the same, increased, or decreased throughout the past year. More than 75% said that they had increased entry fees in the past two years. The pie chart below details the findings.

Looking ahead over the next two years, 87% of providers said they plan to increase entry fees, while nearly all other respondents said they have no plans to change entry fees. Only one provider anticipates decreasing fees in the coming years.

When asked about the entry-fee plans that are made available to residents and prospective residents, providers shared that a partially-refundable plan is the most common. More than 80% of the respondents reported offering this type of plan. Seven out of ten offer a fully-declining plan and less than 12% offer a fully-refundable entry-fee contract. This tracks with what providers say are the most popular plans with residents, with the preferred plans being partially refundable or fully declining. However, among those that offer a fully-refundable contract, residents prefer (almost 4 to 1) a partially refundable or fully declining plan.

Of partially refundable plans, the most common contract is 90% refundable (44% of respondents), with the next most common being a 50% refundable plan.
Respondents were asked to elaborate on what triggers the refunding of entry fees. The largest proportion (55.5%) reported that they refund entry fees when the unit is reoccupied. More than 30% of providers refund the entry fees after a fixed time period, regardless of whether the unit is reoccupied.
The final questions concerned state regulations regarding the repayment of refundable entry fees. More than 30% said their states have regulations regarding repayment; nearly 65% said there are no state regulations that affect repayment; 3% said legislation is proposed. Of the states with regulations, the time to refund varies from as much as 3 years after the unit is available (regardless of reason) to as little as 30 days after resale.

Other comments regarding entry fees:

Among other comments:

- **Within the past few years the community changed from a re-occupy/2 year period (whichever is sooner) to a straight re-occupy trigger for its refunds.**
- **We discounted entry fees by 10% to 20% during housing crisis. Since then we removed the discount from 2 bedroom units (only; most popular unit) but have kept the lower entry fees on studios and 1 bedrooms. We plan to increase entry fees in the near future.**
- **We substantially increase entrance fees to keep up with capital needs to bring units to market expectation.**
- **We're doing fewer heavy discounts now than 2-3 years ago.**
- **Per the actuary, we are spreading the distance between the Full Declining and the Fully Refundable plans.**
- **We try to keep our increases to Entrance Fees consistent with our cost increases which is not limited to Federal/ Social Security cost of living increases.**
- **Trying to increase small percentage annually.**
- **We offer a non-refundable plan. However, if a resident chooses to move out for reasons other than death we retain 10% plus 1% of the EF for each month from the date of move-in. After 90 months, there is no refund available.**
- **Entry fee usage definitely rises and falls with the economy!**

The senior living organizations’ responses included in this report have been collated without verification of the accuracy of the data/comments therein. The results provided do not express an opinion of nor can they be guaranteed by Ziegler.

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