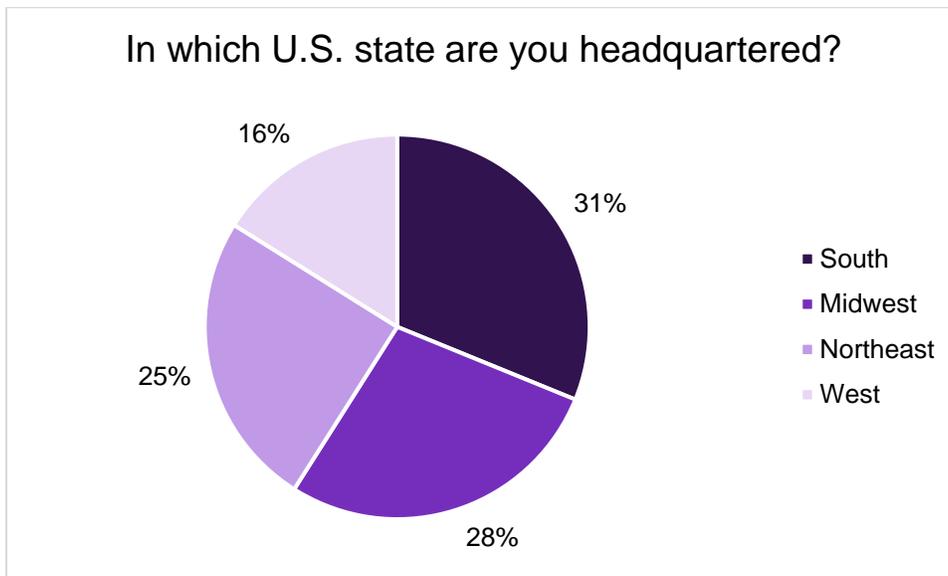


GROWTH PROJECTIONS

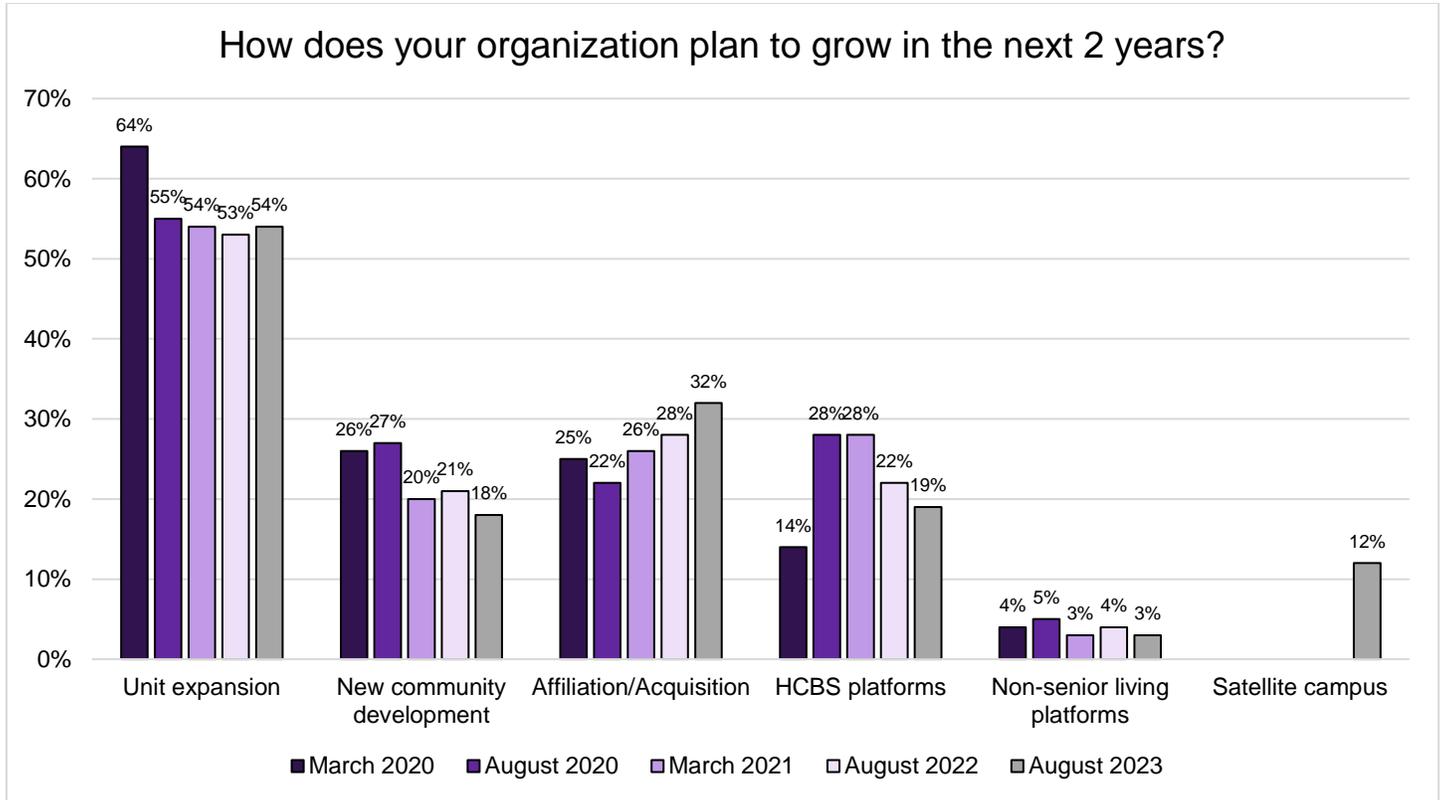
ZIEGLER CFO HOTLINESM

The August 2023 Ziegler *CFO Hotline*SM poll was devoted to the topic of Growth Projections. Over 200 not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 61% representing single-site organizations and 39% from multi-site organizations. This hotline survey related to growth has been conducted across several time frames between March 2020 and the most recent data collection period. While each survey has some slight modifications, the core growth-related questions have appeared in each. These historical comparisons are laid out side by side in this report to compare the data from March 2020 until the present day. This provides unique insight into the growth mindset from the pre-pandemic time period through today.

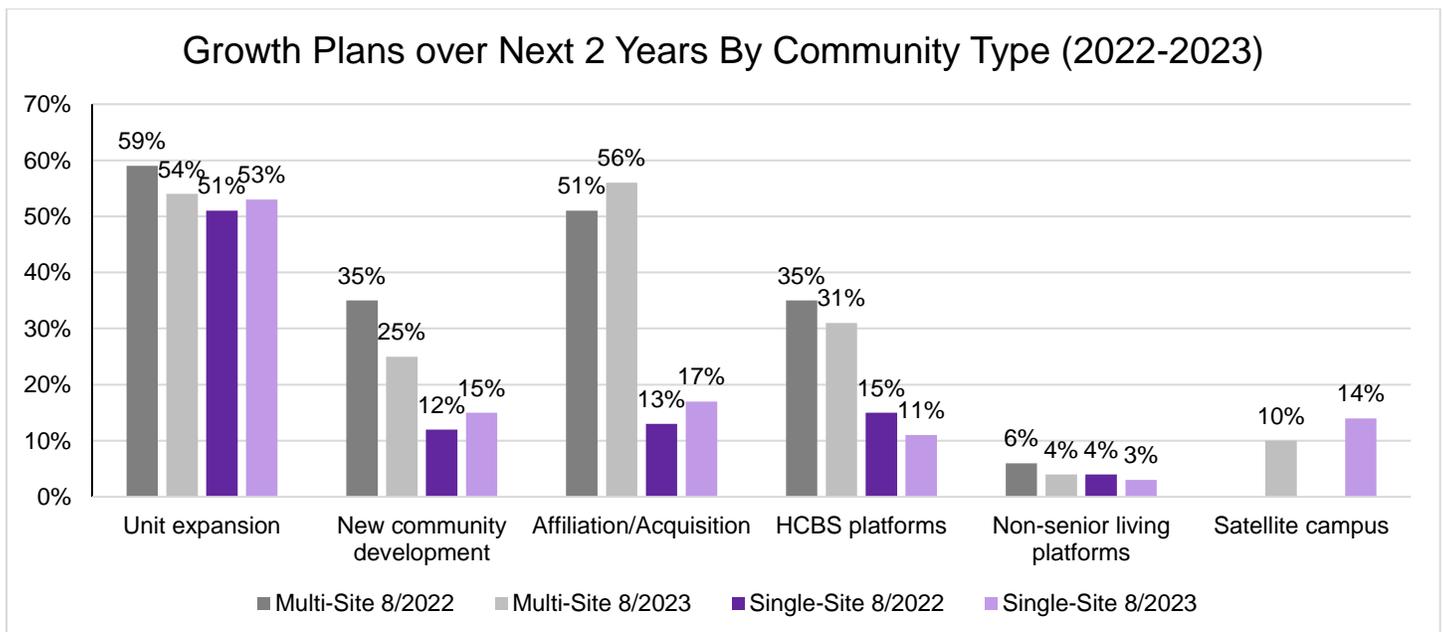
Respondents were first asked where their primary headquarters were located, in order to clarify the areas (as defined by U.S. Census regions) being surveyed. As displayed in the following chart, the South had the most representation, and the West had the least.



In early March of 2020, Ziegler asked CFOs about their growth plans over the next two years. This same question was asked again in August of 2020, in March of 2021, in August of 2022, and then again in the current survey. All categories were consistent with what they were a year ago; please note the “satellite campus” category is new this year. See the chart below for details.



This next chart shows the data from August of 2022 and August of 2023 broken down by single-site and multi-site providers.

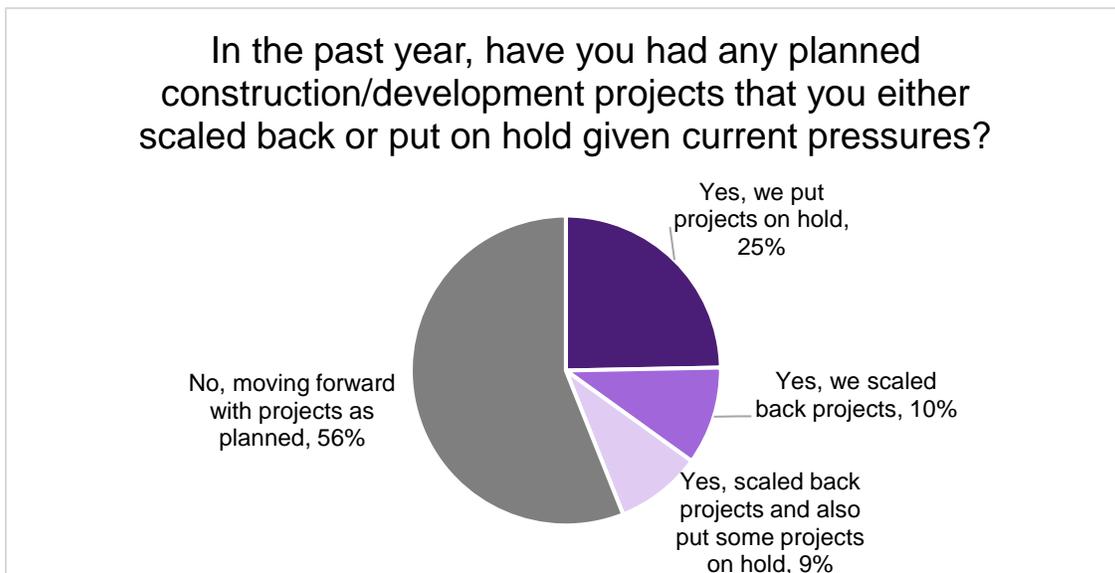


Respondents were provided with a checklist of common factors which may present barriers to growth and were asked to select the top three most applicable to their organizations. In line with recent *CFO Hotline*SM reports, “Workforce shortages” topped the list, followed by “Financial cost of growth” and “Construction pressures.” Respondents were also given space to clarify an option of “Other,” and any option selected or mentioned in the comment box three or more times can be seen in the breakdown below.

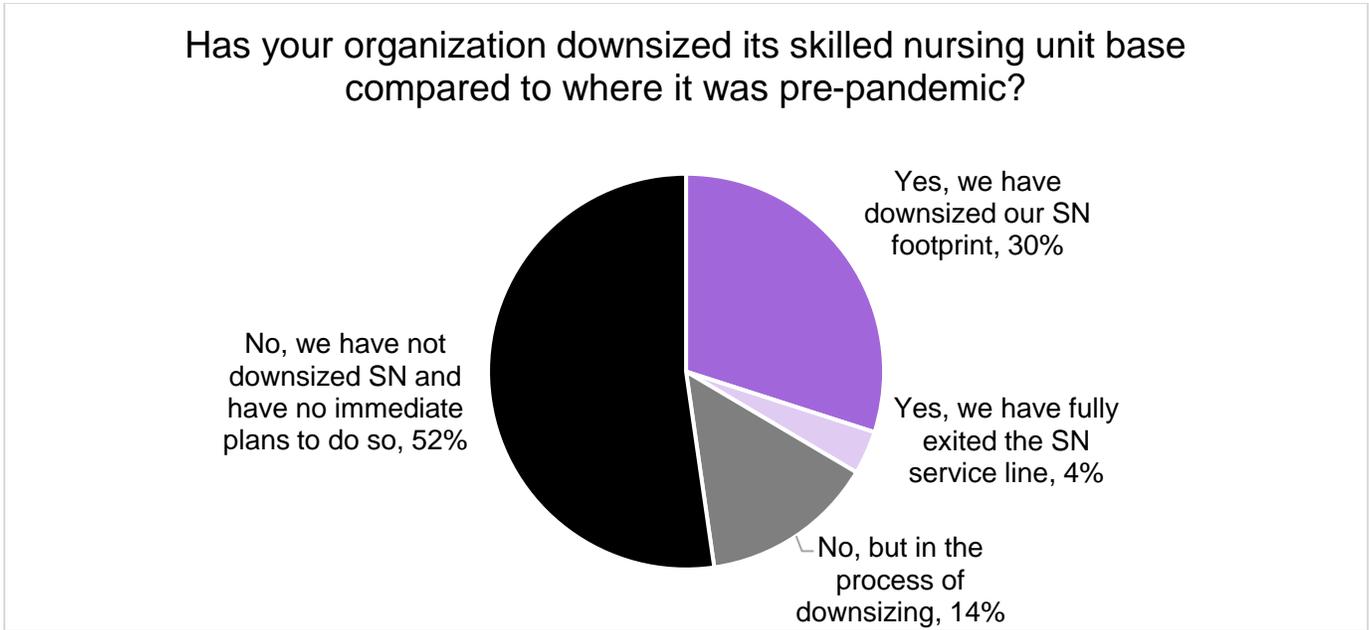
Limiting Factors	Number of Mentions
Workforce shortages	95
Financial cost of growth	94
Construction pressures (cost of materials, labor challenges, etc.)	87
Current operational/financial struggles within the organization	60
Limited resources to devote towards growth	52
Inability/Limited ability to access capital	42
Board reluctance	26
General risk aversion	23
Competition limiting growth opportunities	14
Leadership team reluctance	5
Resident Reluctance	4
Interest Rates	3
Landlocked	3

Please note a proportion of respondents chose greater or fewer than three options. All responses have been counted.

Even with these potential barriers in mind, over half (56%) of survey respondents who had projects in their pipeline indicated they were moving forward with their plans. The remainder of providers with projects planned did scale these projects back and/or put them on hold. See the breakdown of responses in the chart below.



One question touched on downsizing the number of skilled nursing units within an organization. Fifty-two percent of the respondents who offer skilled nursing services have not undergone any such downsizing and do not plan to in the foreseeable future. The remaining organizations are somewhere on the spectrum from planning to reduce to removing their SN services completely. See the chart below for a complete breakdown.



Bonus Question

The CFO HotlineSM surveys now include a random question that is generally unrelated to the theme of the month. Thus, the surveys can gather feedback on additional topics suggested by CFOs that may not necessarily require a full survey devoted to that topic. This month’s question regarded paperless accounts payable systems. When asked whether their organizations used an automated system, 40% answered yes. Of those, the most common systems mentioned were Oracle, Sage/Intacct, and Paymerang. See chart below for more detailed breakdown of systems mentioned three or more times. Please note respondents could list more than one system.

If yes (to "Does your organization utilize a paperless, automated accounts payable system?"), please mention the name of the system/software	
System	Number of Mentions
Oracle	7
Paymerang	7
Sage/Intacct	7
SAP/Concur	6
MatrixCare	4
AvidXchange	3
Bill.com	3
Docuware	3
Stampli	3
Workday	3

Respondents were also able to share additional comments regarding growth plans. Below is a sampling of these comments, which may be edited for length or minor grammatical issues.

- *Growth is not a focus, but it is not ignored either. Opportunities/projects are evaluated on a case-by-case basis.*
- *Currently adding additional IL apartment homes where AL/Memory were previously.*
- *Financing cost and availability limitations are making acquisitions harder to financially justify.*
- *We had planned to reduce SN beds as part of our repositioning plan, however COVID-19 accelerated that plan.*
- *We have a strong waiting list for our Early Acceptance program, for which a key benefit is future access to AL and skilled nursing. This might be an argument for increasing skilled nursing capacity.*
- *Very difficult economic environment (inadequate Medicaid rates) to promote growth.*
- *Growth outside of main campus takes a focused effort on preparing both the Board and Management Team to be ready when opportunities are presented.*
- *Less bricks and mortar, more community services.*
- *Working through deliberate master planning phases for IL unit expansion tracking for 2026-2028 timeframe, so outside your 2-year window.*
- *Exploring new community developments but nothing of substance is currently in the mix.*
- *The Skilled Nursing market of our mission continues to be an ongoing drain on our organization in terms of finances, regulations, management attention, labor shortages, labor costs, time, attention, consumer/family expectations compared to any other services we offer in independent living, assisted living, HCBS.*
- *We are adding IL units just to fund the dramatic construction cost increases last year for a health center renovation/expansion project, as a way to pay for it.*
- *SNF has downsized solely due to staffing levels not due to decreased need for services.*
- *We are not in the process of actually downsizing SN, however we are in the process of assessing this and will likely result in downsizing our SN offer.*
- *We are continuing to see the challenges in the skilled nursing sector. Declines in census and a reduction in referrals continue to impact us.*
- *Grow or die. Don't be the smallest fish in the fishbowl.*

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