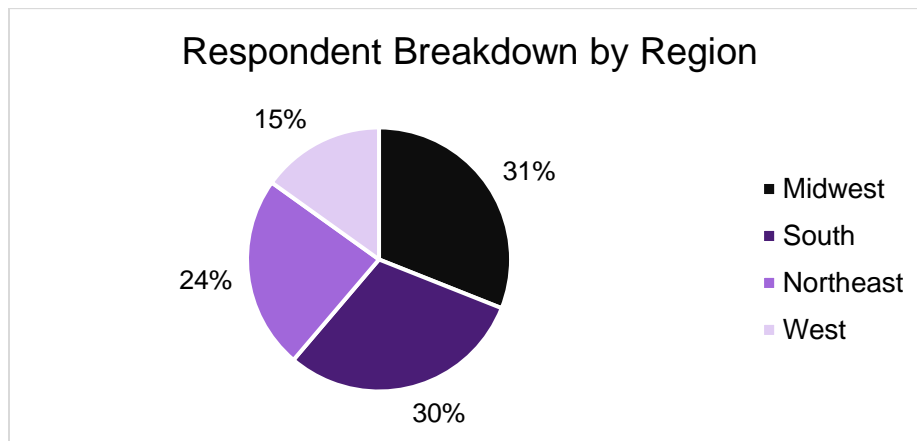


RESIDENT MONTHLY FEE INCREASES

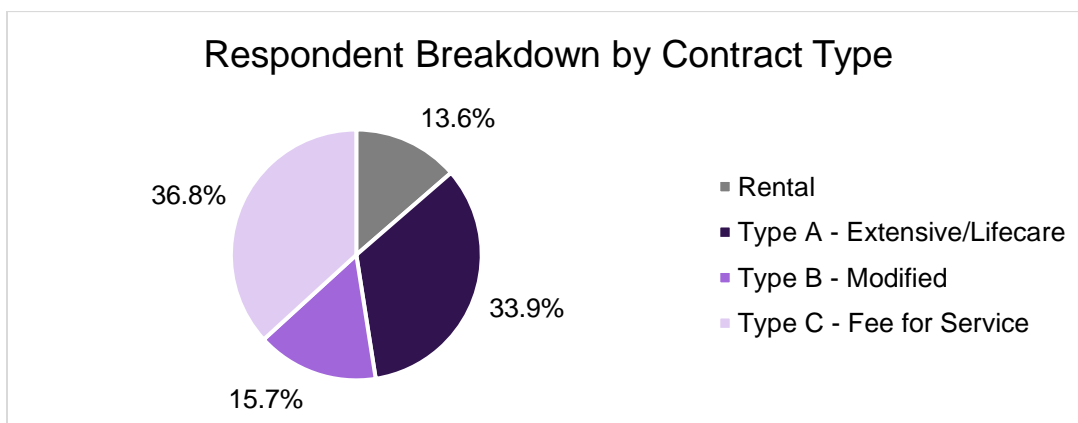
ZIEGLER CFO HOTLINESM

The September 2023 Ziegler *CFO Hotline*SM poll was devoted to the topic of Resident Monthly Fee Increases. This has been an annual poll conducted by Ziegler for several years and is valuable to senior living organizations for budget planning. Nearly 250, primarily not-for-profit, senior living CFOs and financial professionals from around the country responded to the survey, with 62% representing single-site organizations and 38% multi-site organizations. This summary report provides data received from the current survey and details the historical comparison of changes from previous years.

Respondents were first asked where their primary headquarters were located, to clarify the areas (as defined by U.S. Census regions) being surveyed. This year, the most highly represented states were the Midwest and South, at 31% and 30%, respectively. See the chart below for details.



The next question gathered input on the type of contract that is primarily offered to residents within each organization, both to describe the composition of the survey respondents and to examine the results of the survey by contract type. Type A and Type C contracts were the most common, with roughly one-third of the respondents indicating each. Please note only one respondent selected “Equity” so this category has been removed.



The first table below shows the descriptive statistics of Independent Living monthly fees for the past several years, for 2023 year-to-date, and what providers project for 2024. For 2023, the median percentage increase in monthly fees, 6.00%, is significantly more than the typical 3.00% increase of previous years, and even higher than the 4.48% increase of 2022. The overall average increase of 6.24% is the highest of the past nine surveys. The projections for 2024 however, by all metrics, are lower than 2023. The subsequent table outlines the 2023 increases that were implemented by level of care (Independent Living, Assisted Living, and Skilled Nursing), and the final table on this page shows the same metrics as projected for 2024. Please note some significant outliers have been removed.

Percentage Increase to Independent Living Monthly Fees										
Statistic	2024 (Proj.)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Minimum	-1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1 st Quartile	4.00%	5.00%	3.50%	2.71%	2.90%	3.00%	3.00%	2.90%	2.80%	2.90%
Median	5.00%	6.00%	4.48%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3 rd Quartile	6.00%	7.50%	5.50%	3.75%	3.90%	3.80%	3.50%	3.50%	3.50%	3.60%
Maximum	12.00%	15.00%	15.00%	12.00%	10.00%	6.88%	6.00%	8.00%	5.50%	6.50%
Average	5.03%	6.24%	4.70%	2.98%	3.26%	3.14%	3.17%	3.12%	3.09%	3.16%

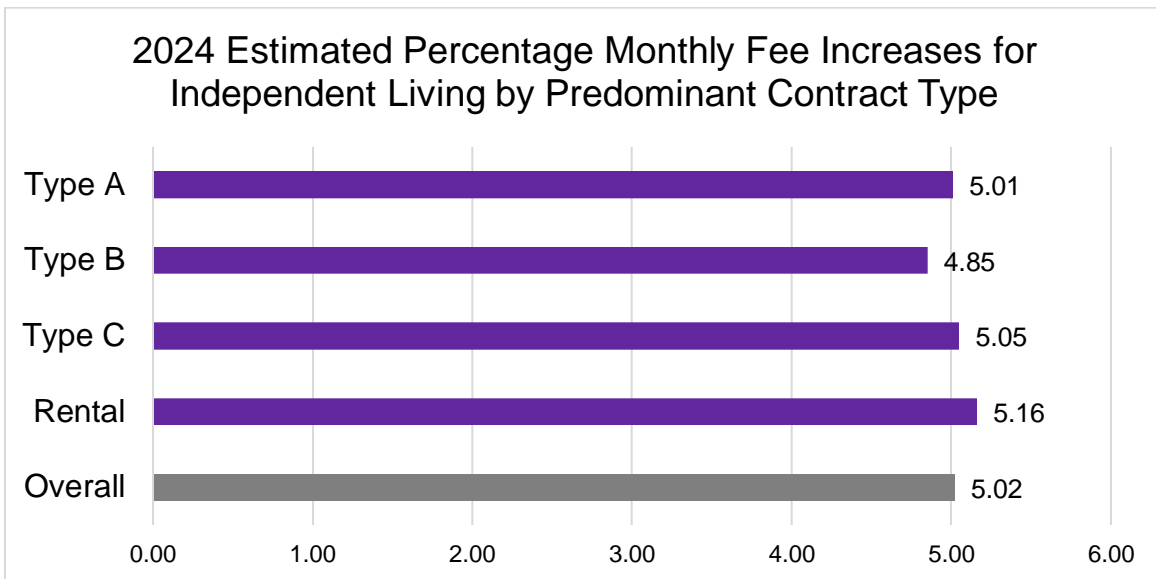
2023 Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	0.00%	0.00%	0.00%
1 st Quartile	5.00%	5.00%	5.00%
Median	6.00%	6.00%	6.00%
3 rd Quartile	7.50%	7.50%	8.00%
Maximum	15.00%	15.00%	15.00%
Average	6.24%	6.03%	6.26%

2024 Estimated Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	-1.00%	0.00%	0.00%
1 st Quartile	4.00%	4.00%	4.00%
Median	5.00%	5.00%	5.00%
3 rd Quartile	6.00%	5.50%	6.00%
Maximum	12.00%	12.00%	12.50%
Average	5.03%	4.84%	4.91%

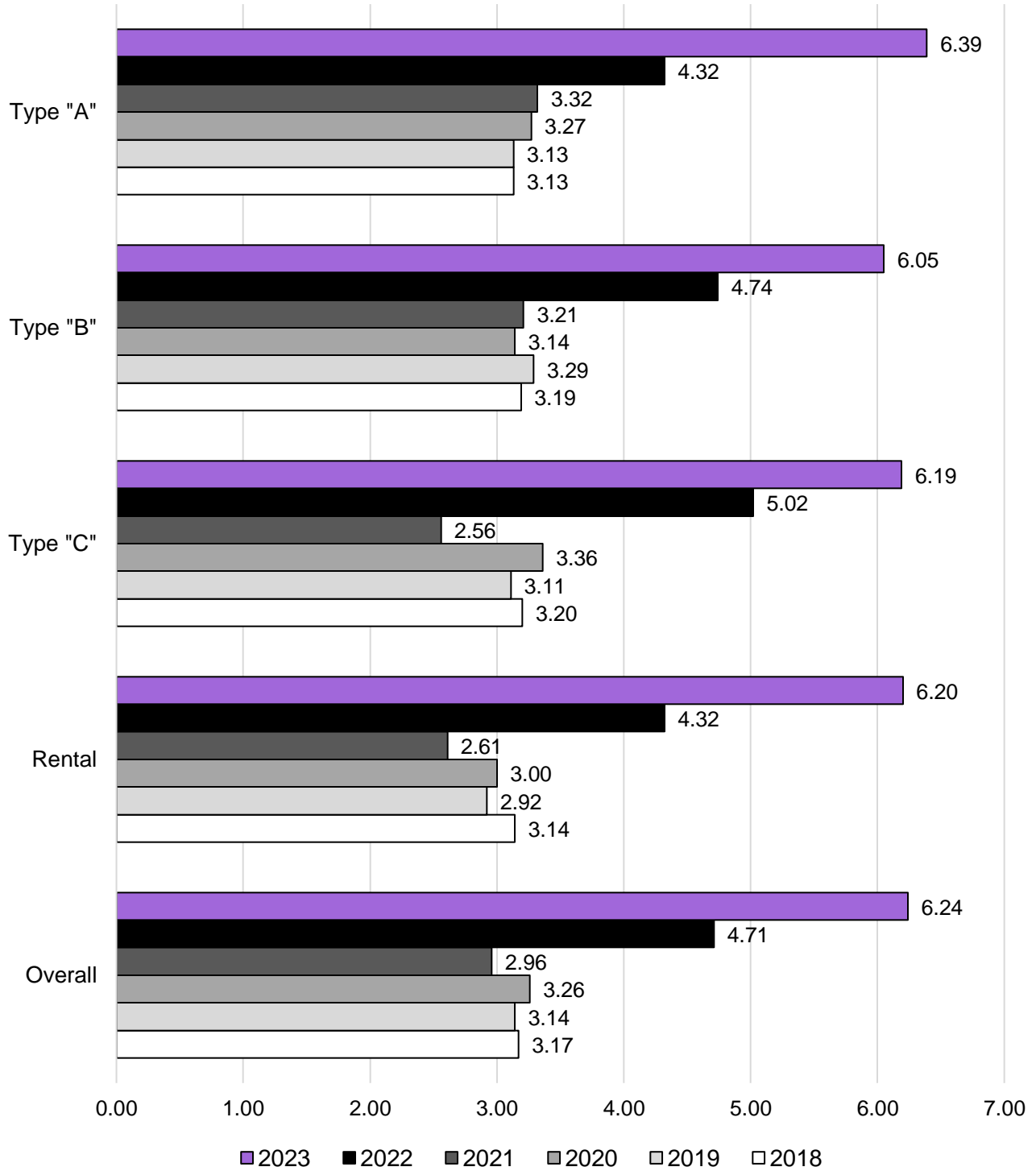
The table below showcases the monthly fee increases for 2023 and projected increases in 2024 for all levels of care broken down by geographical region.

Average Increases by Region		
	2023	2024 (Projected)
Northeast	5.72%	4.87%
Midwest	6.00%	4.74%
South	6.07%	5.04%
West	7.35%	5.20%

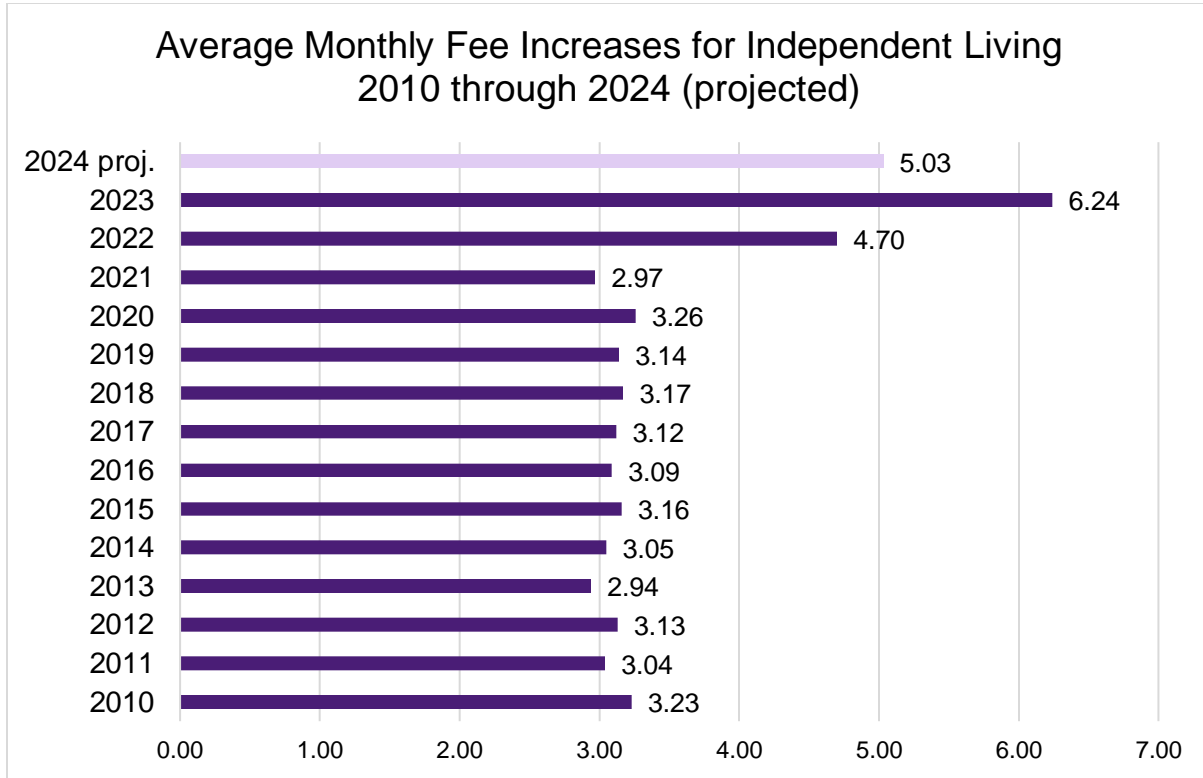
Below is a breakout of projected fees for 2024 by primary contract type for Independent Living, and on the following page are the contract type breakouts from 2018 to 2023.



Monthly Fee Increases for Independent Living by Predominant Contract Type 2018 to 2023



The following graph shows the overall average monthly resident fee increase from 2010 through the 2024 projection.

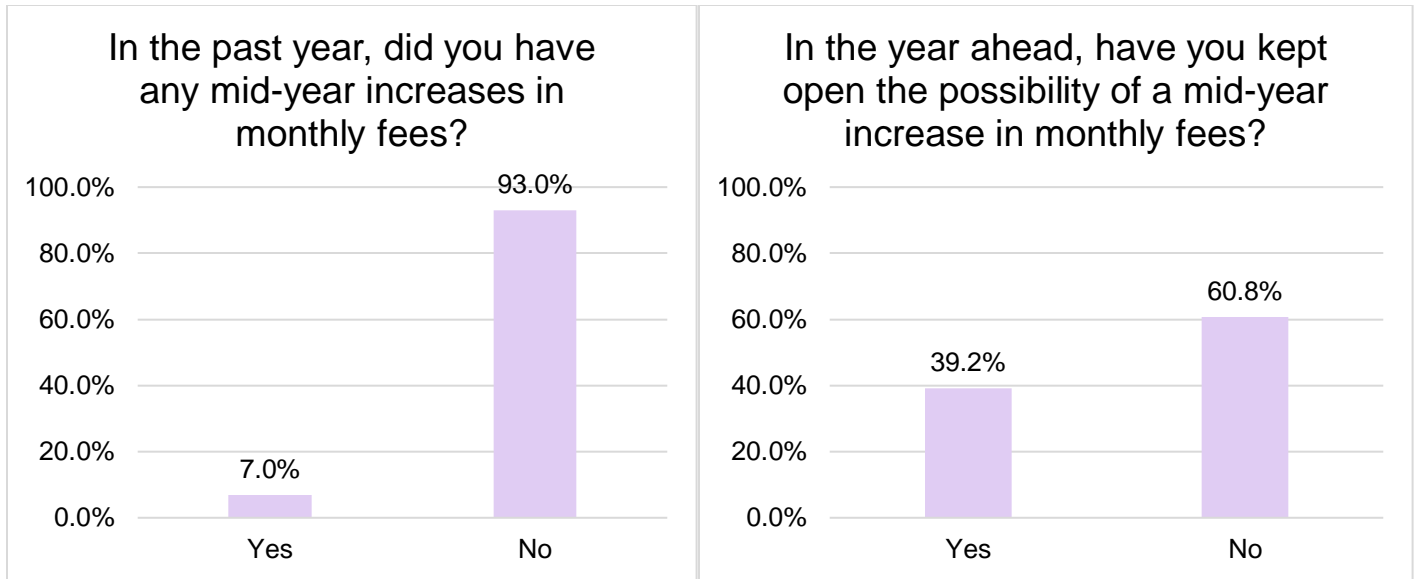


When asked what would likely be the primary driver of monthly fee increases in the year ahead, providers had a variety of responses. Consistent with previous years, most pressing by far is increased wages for employees. Remaining competitive in the labor market and providing employee benefits are common concerns. Inflated costs for food, insurance, and utilities are also predicted factors in fee increases, as inflation was the general theme across all responses. The table below summarizes responses for primary drivers of monthly fee increases that were mentioned ten or more times; note respondents could list multiple drivers.

Primary Driver of Predicted Fee Increases	# Of Mentions
Wages/Labor	181
Inflation	73
Food Costs	22
Insurance	19
Employee Benefits	13
Market	11
Utilities	10

The next five questions prompted respondents to answer yes or no regarding mid-year increases, one-time increases, and fees for incoming residents.

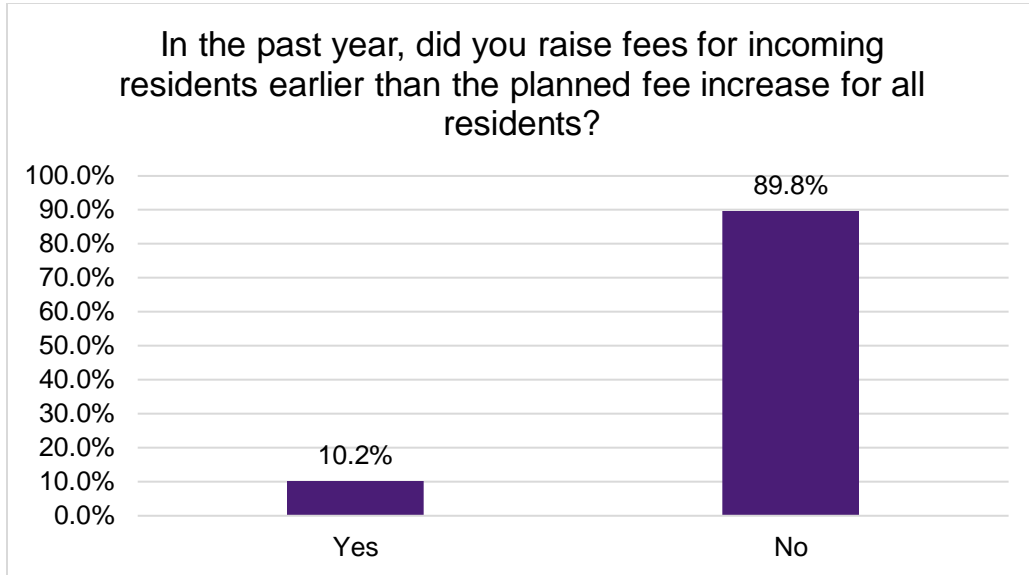
Fewer than one in ten providers had a mid-year increase in monthly fees during 2023, yet nearly 40% noted a mid-year increase was a possibility in the year ahead.



Additionally, the vast majority of respondents did not implement a one-time assessment or alternative fee this past year, nor do they plan to next year.

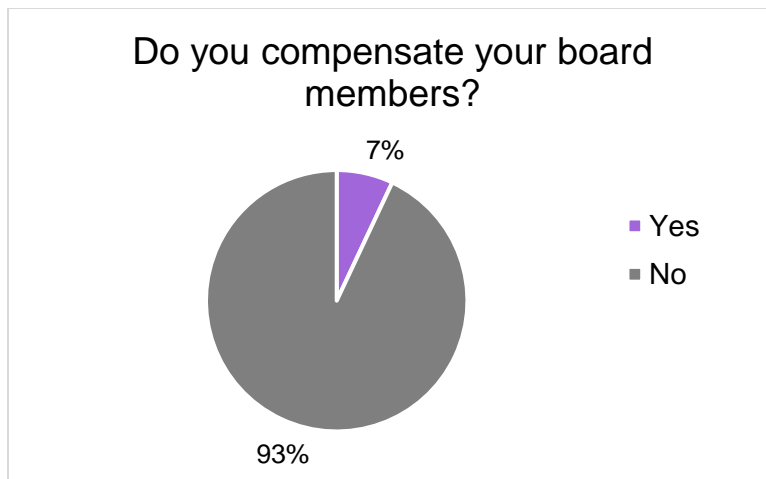


When asked whether they had raised fees for incoming residents before a planned increase for all other residents, roughly 10% said they had.



Bonus Question:

This month's unrelated bonus question asked whether providers compensate their board members, excluding reimbursement for travel, trainings, etc. The majority (over 90%) indicated they do not.



Respondents were also able to share additional comments regarding monthly fee increases. Below is a sampling of these comments, which may be edited for length or minor grammatical errors.

- *I hope that our increases are sufficient to cover our costs. We have capped our fee increases to maintain affordability and have increased fees less than the rate of inflation for the last two years. We have consistently reminded our residents of this and that fee increases will be elevated for several years as we catch up to inflation.*
- *We are planning to raise monthly fees for some units for new residents higher than we will be increasing the monthly fee for the same unit for current residents.*
- *Payroll is the largest expense and is the main driver in 2024 increase.*
- *Health and commercial insurance increases are also key drivers.*
- *We have not increased Assisted Living as much as maybe we should have because we are trying to build census.*
- *All vendors are increasing rates as contracts renew.*
- *We won't do mid-year increases as our residents have not the income levels.*
- *We have a contractual limitation in our contracts for IL fee increases.*
- *Due to the large increase in 2023, we are looking at ways to keep our increases at a moderate amount.*
- *We did a pretty significant increase in 2022 so we didn't make any additional changes in 2023.*
- *It's unsustainable for our industry.*
- *We talk to the residents all year about increases in labor costs, food costs and general inflation so they are not surprised when their rate increases come.*
- *Costs are rising faster than the increases passed on to the residents.*
- *While we have singled out increasing labor cost, we are seeing increases with associate health and property insurance cost, and property taxes creating concerns.*
- *The pressure on the middle market consumer (who does not have a 6-figure savings) for monthly rental assisted living is getting very difficult. Not sure how our industry can charge rates that cover expenses and capital needs at current rates of increase, that our customers can afford.*
- *We raised 10% early on and feel good that we were able to only do 5% this year.*
- *We should have been more proactive and raised rates more last year.*

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