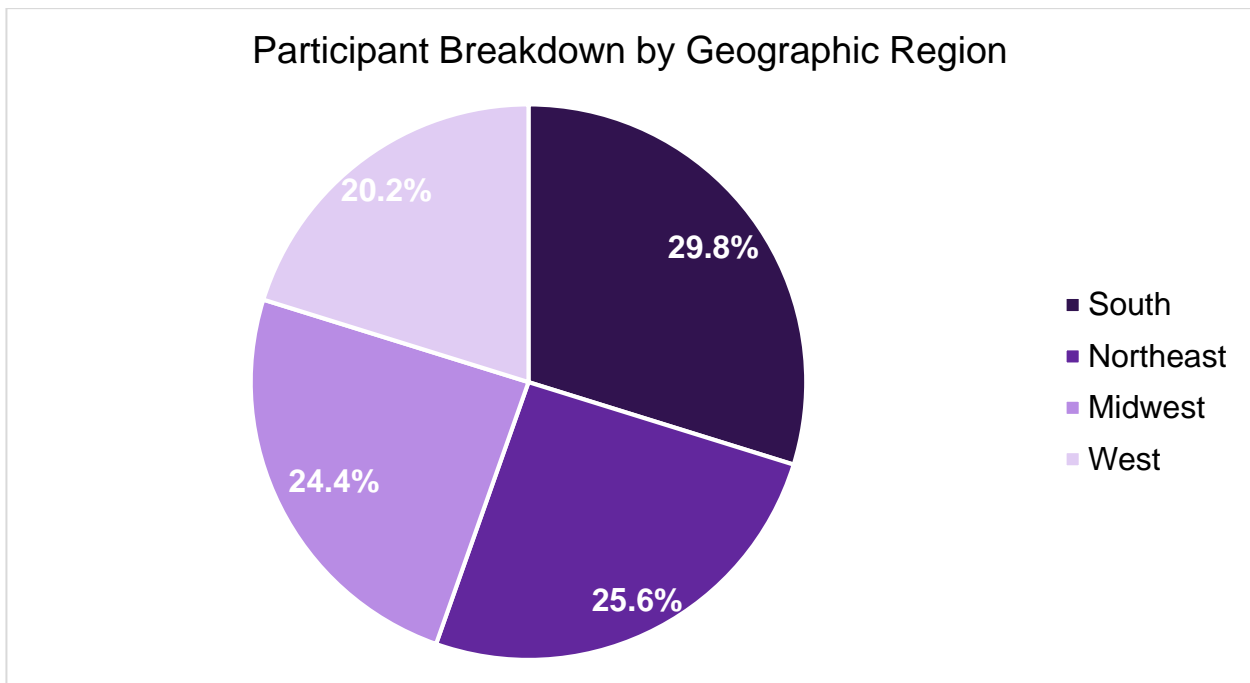


RESIDENT MONTHLY FEE INCREASES

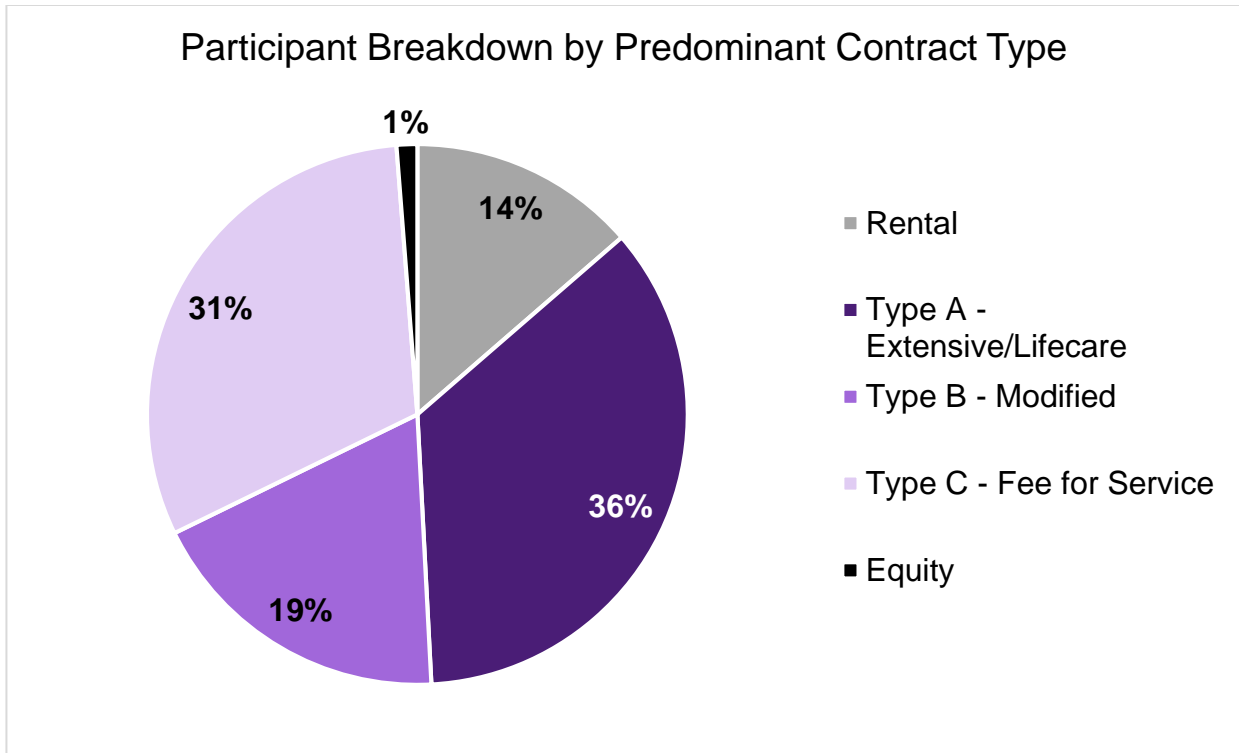
ZIEGLER CFO HOTLINESM

The September 2021 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 a number of years and is valuable to senior living organizations for budget planning. Nearly 250 not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 65% representing single-site organizations and 35% with multi-site organizations. This summary report provides data received from the current survey and also details the historical comparison of changes from previous years.

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, all regions were adequately represented, with a slight edge given to the South.



The next survey question gathered input on the type of contract that is primarily offered to residents within the organization. Type A and Type C contracts were the most common among the survey respondents, with roughly one-third of the respondents in each. This information was gathered to describe the composition of the survey respondents as well as to examine the results of the survey by contract type.



The tables below detail a variety of metrics related to Independent Living monthly fees in recent years. For 2021, the median percentage increase in monthly fees, 3%, is unchanged from previous years. The quartile ratings are fairly similar to previous years as well. The overall average increase, 2.98%, is lower than last year, and most other years prior to 2020. The subsequent table outlines the 2021 increases that were implemented by level of care (Independent Living, Assisted Living, and Skilled Nursing).

Percentage Increase to Independent Living Monthly Fees

Statistic	2021	2020	2019	2018	2017	2016	2015	2014	2013
Minimum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1st Quartile	2.71%	2.90%	3.00%	3.00%	2.90%	2.80%	2.90%	2.80%	2.50%
Median	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3rd Quartile	3.75%	3.90%	3.80%	3.50%	3.50%	3.50%	3.60%	3.50%	3.50%
Maximum	12.00%	10.00%	6.88%	6.00%	8.00%	5.50%	6.50%	5.00%	5.00%
Average	2.98%	3.26%	3.14%	3.17%	3.12%	3.09%	3.16%	3.05%	2.94%

2021 Percentage Increases by Care Level

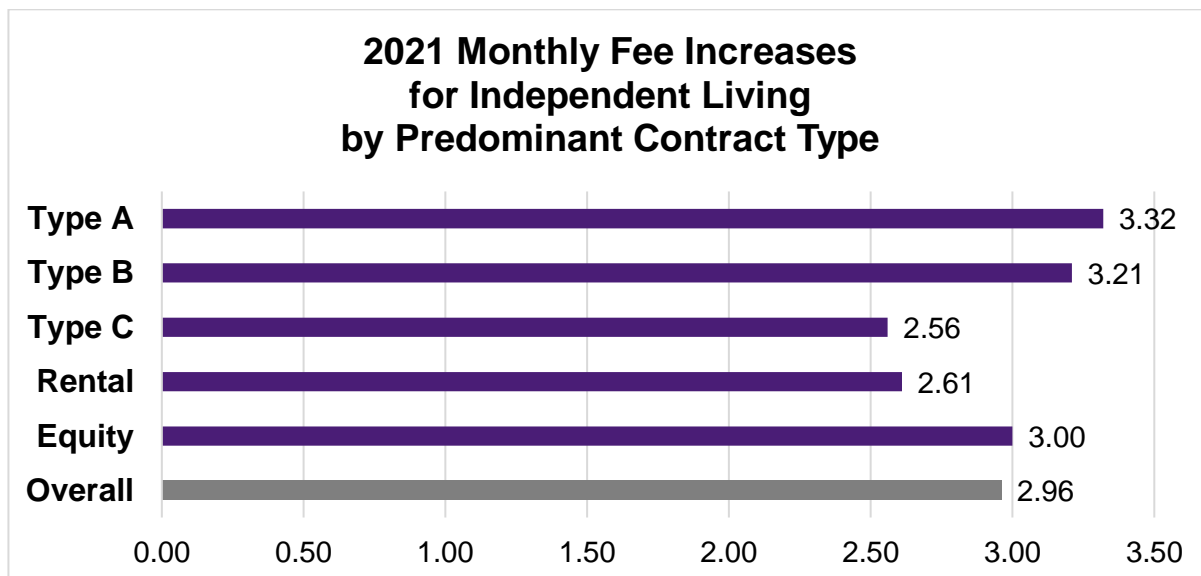
Statistic	IL	AL	SN
Minimum	0.00%	0.00%	0.00%
1st Quartile	2.71%	3.00%	3.00%
Median	3.00%	3.00%	3.00%
3rd Quartile	3.75%	4.00%	4.00%
Maximum	12.00%	12.00%	12.00%
Average	2.98%	3.08%	3.21%

This next table showcases the monthly fee increases for 2021 and projected increases for 2022 broken down by geographic region, for all care levels.

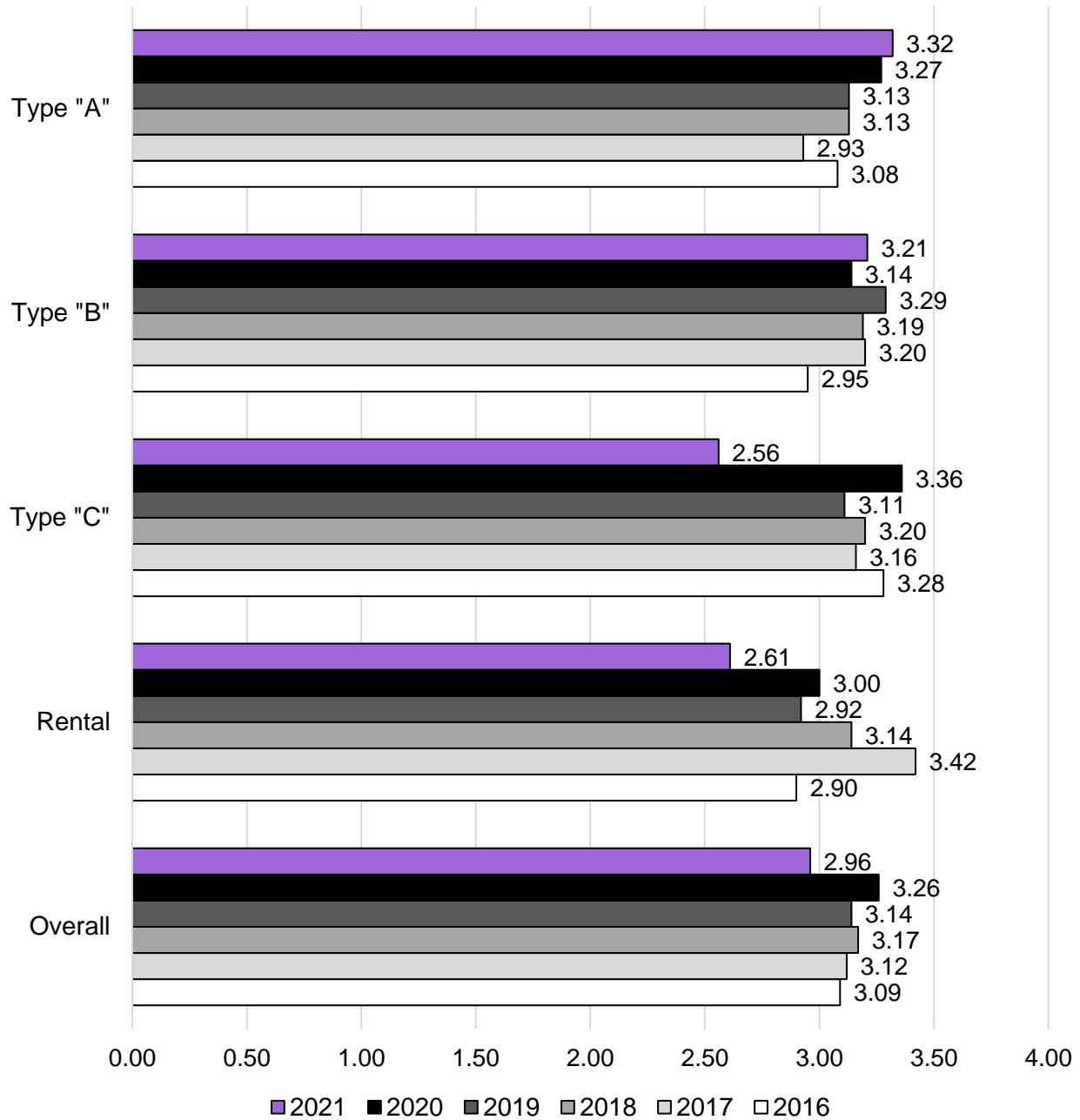
Average Increases by Region

	2021	2022 (Predicted)
Northeast	2.78	3.41
Midwest	3.08	3.91
South	3.18	3.96
West	3.29	3.94

Below is a breakout of fees by primary contract type for Independent Living, followed by contract type breakouts from 2016 to 2021. The communities with primarily Type A and Type B contracts saw the largest average increases in 2021. The communities that have predominantly Type C and Rental had the lowest average increase. Generally speaking, the 2021 increases were below those of 2020.



Monthly Fee Increases for Independent Living by Predominant Contract Type 2016 to 2021



Similar questions were posed on potential increases for 2022. The results for Independent Living residents from 2014 to 2022 are detailed below; breakouts by level of care and contract type follow. The greatest increases are projected in skilled nursing.

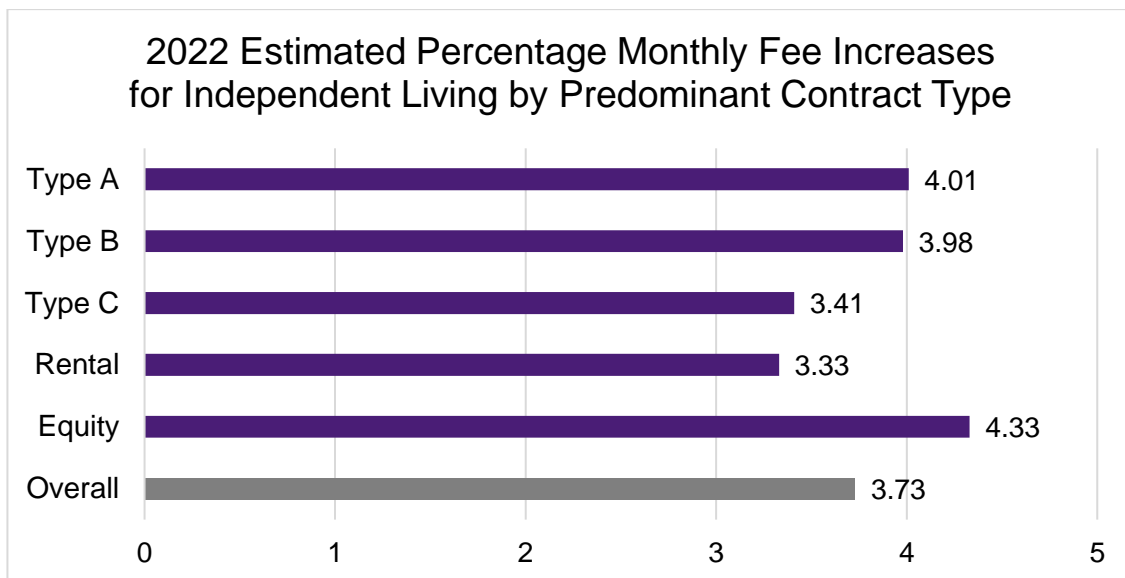
Estimated Percentage Increase to Independent Living Monthly Fees for 2022

Statistic	2022	2021	2020	2019	2018	2017	2016	2015	2014
Minimum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1 st Quartile	3.00%	2.71%	3.00%	3.00%	3.00%	2.80%	2.90%	2.90%	2.50%
Median	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3 rd Quartile	5.00%	3.75%	4.00%	3.80%	3.50%	3.50%	3.80%	3.50%	3.50%
Maximum	10.00%	12.00%	14.00%	5.00%	6.00%	10.00%	5.00%	5.00%	5.00%
Average	3.71%	2.98%	3.44%	3.18%	3.10%	3.13%	3.15%	3.06%	3.10%

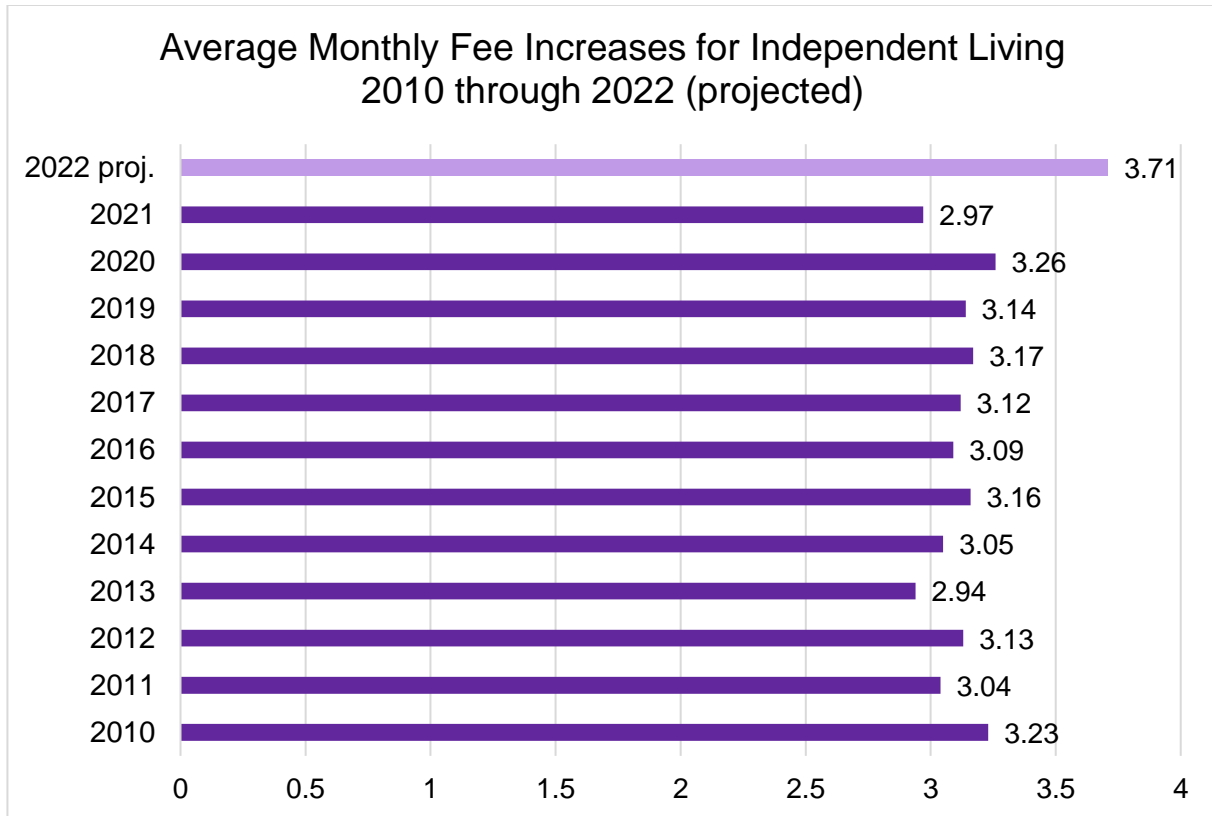
2022 Estimated Percentage Increases by Care Level

Statistic	IL	AL	SN
Minimum	0.00%	0.00%	0.00%
1 st Quartile	3.00%	3.00%	3.00%
Median	4.00%	4.00%	4.00%
3 rd Quartile	5.00%	5.00%	5.00%
Maximum	10.00%	10.00%	15.00%
Average	3.71%	3.78%	3.92%

2022 Estimated Percentage Monthly Fee Increases for Independent Living by Predominant Contract Type



The following graph shows the overall average monthly resident fee increase from 2010 through the 2022 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 was increased wages for employees. Finding new staff was also a concern. Inflated cost of supplies, food, and other operating costs were factors in fee increases, and the lasting effects of COVID-19 (as it related to staffing, medical supplies, and changes in census) was a theme throughout. The table below summarizes the top responses for primary drivers of monthly fee increases; respondents could list multiple drivers.

Primary Driver of Predicted Fee Increases	# Of Mentions
Increased Wages	174
Inflation (of Supplies or Other Expenses)	44
Staffing/Recruitment	28
Rising Food Costs	13
Effects of COVID-19	12
Insurance	10
Operating Costs	7
Change in Census	5

Respondents were also able to share additional comments regarding monthly fee increases. Below is a sampling of these. Comments may be edited for length and clarity.

- *If I had the opportunity to start over again, we would have charged a consistent increase each and every year - it would set expectation and reduce the yearly drama.*
- *We passed on modest increases last year to see if the pandemic would settle down. Since then daily operating costs and inflation have continued to drive up the cost of operating a business. In addition, we have to find a way to pay our people more to compete with businesses outside of just our industry. These factors have us looking at doing the largest single year increase we have ever done.*
- *This year residents were supportive of abnormally high rate increase to support increasing staff wages to help retention and assist in hiring new employees.*
- *In addition to increased labor costs, other drivers for increased monthly fees are pandemic related cost (PPE, additional staff) and insurance premium increases.*
- *We have implemented mid-year wage adjustments in 2021 due to labor market pressures. We are expecting to pass along increases to residents in 2022.*
- *Increased costs for COVID-19 - testing, infection control, hazard pay to care for COVID-19 positive residents - are also driving up Health care costs, which resulted in higher fee increases to SNF.*
- *Our lowest increase in the past twenty years.*
- *We continue to experience increase in the cost of care and decrease in census in response to the ongoing pandemic, without additional relief from governmental sources.*
- *Constant wage pressures are causing us to make unplanned wage adjustments multiple times during the fiscal year to remain competitive and maintain adequate levels of staffing.*
- *Wage increases have had to be big and done mid-year to try to keep people (especially nurses). No position is making less than \$15 per hour now.*
- *I hope we can keep up with the inflation in our expenses and maintain quality.*
- *Our concern is that even the significant changes we are about to make may not solve the labor shortage. We are already preparing our Board and residents for the likely significant increase in monthly service fees. We do not see labor pressures going away anytime soon. We will continue to invest in technology to reduce the number of positions we require.*

PREPARED BY:

LILY LUDWIG

Research Assistant, Senior Living Research

Ziegler

lludwig@ziegler.com