

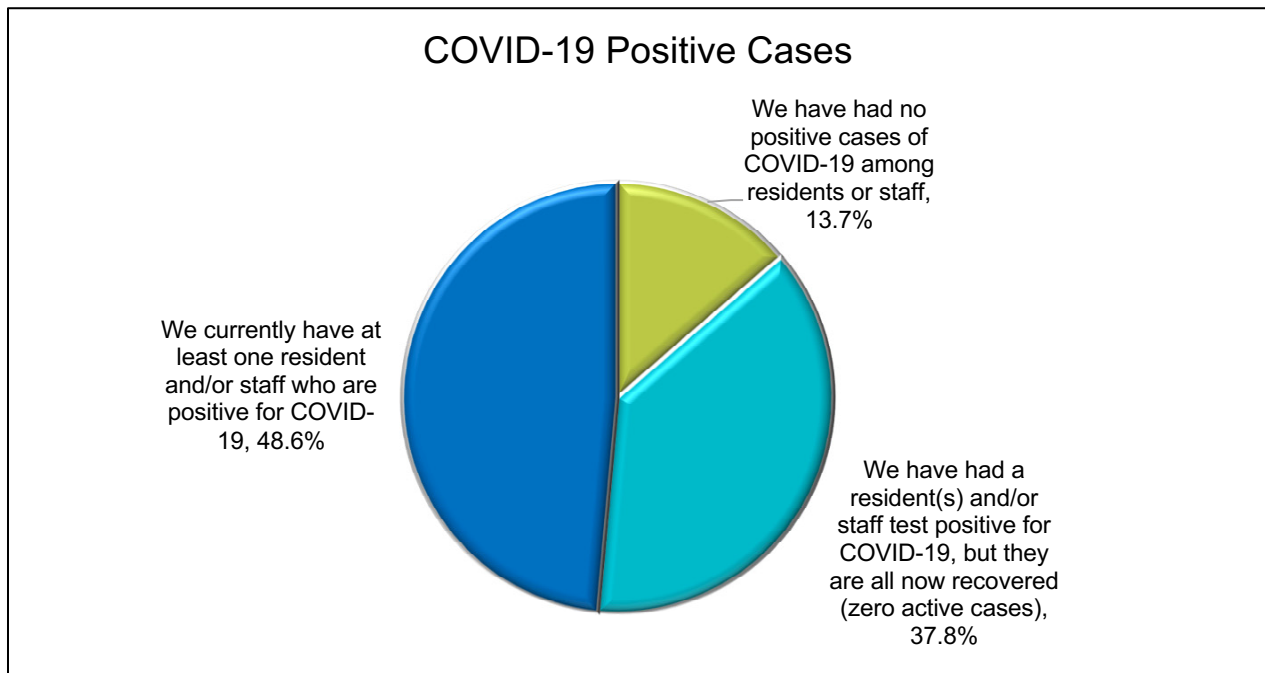
COVID-19 IMPACT- #2

ZIEGLER CFO HOTLINESM

Between June 29th and July 7th, a *Ziegler CFO HotlineSM* poll was conducted on the topic of COVID-19 impact. This was the second subsequent survey to focus on the impact of the COVID-19 pandemic. The survey covered a variety of related topics from COVID-19 outbreaks to occupancy and expense management, among others. Roughly 240 providers, largely not-for-profit, participated in the survey. Roughly 67% of the respondents were from single-site organizations, with the remaining 33% representing multi-site providers.

Positive COVID-19 Cases

The initial question asked about positive cases, as well as recovered cases of COVID-19 among residents and staff. As shown in the chart below, roughly 14% responded that, to-date, they have had no positive cases among residents or staff. About 38% of respondents indicated that all positive cases they had among residents or staff are now recovered. Just shy of half of the respondents indicated that they have at least one active case among residents and/or staff. The table that follows the chart details these figures by region. The figures for the Southern region are above what was observed in the May *Ziegler CFO HotlineSM* poll. This is consistent with the national trends and increase in cases seen in that region.

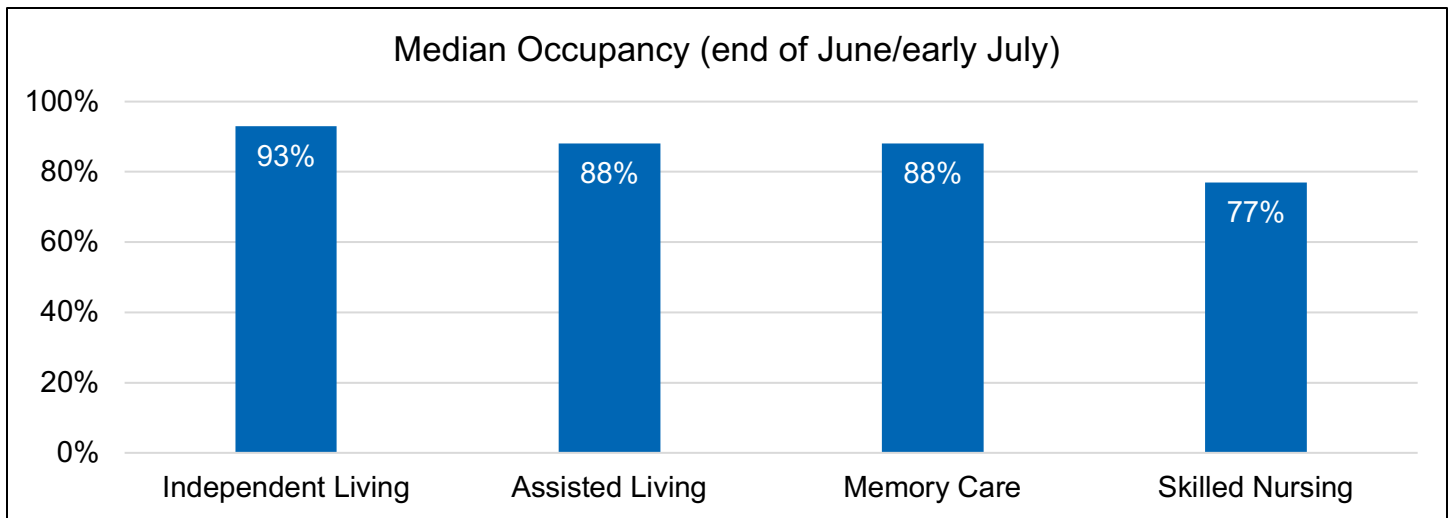


Region*	% Who Had Positive Cases, but All Recovered	% Who Have Had No COVID-19 Cases	% Who Have Current COVID-19 Cases
Midwest	39%	14%	47%
Northeast	40%	11%	49%
South	36%	9%	55%
West	36%	26%	38%

*Regions defined by U.S. Census Bureau

Occupancy By Level of Care

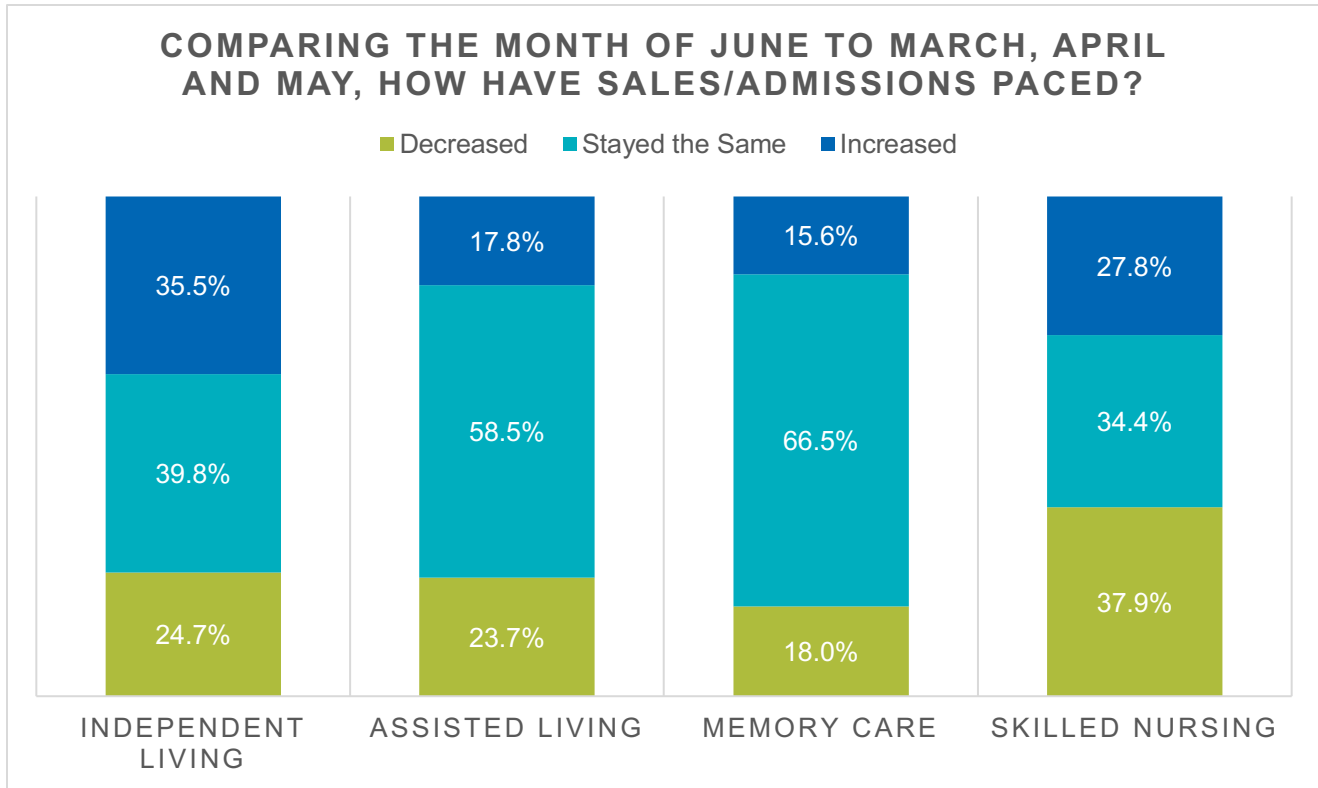
One of the areas garnering significant focus has been the impact of the COVID-19 pandemic on occupancy within senior living and care. The respondents were asked to report their current occupancy by level of care. As a reminder, the majority of the respondent pool represents not-for-profit senior living organizations and those with a heavy focus on the continuum (e.g., Life Plan Communities). As noted below, the median occupancy is highest within Independent Living and goes down as resident acuity goes up. The Skilled Nursing occupancy was reported to be 77%. While there are some minor variations across regions, the occupancy by level of care is fairly consistent.



Region*	Independent Living Occupancy	Assisted Living Occupancy	Memory Care Occupancy	Skilled Nursing Occupancy
Midwest	93%	90%	88%	80%
Northeast	93%	84%	89%	76%
South	93%	90%	88%	76%
West	93%	88%	88%	76%

*Regions defined by U.S. Census Bureau

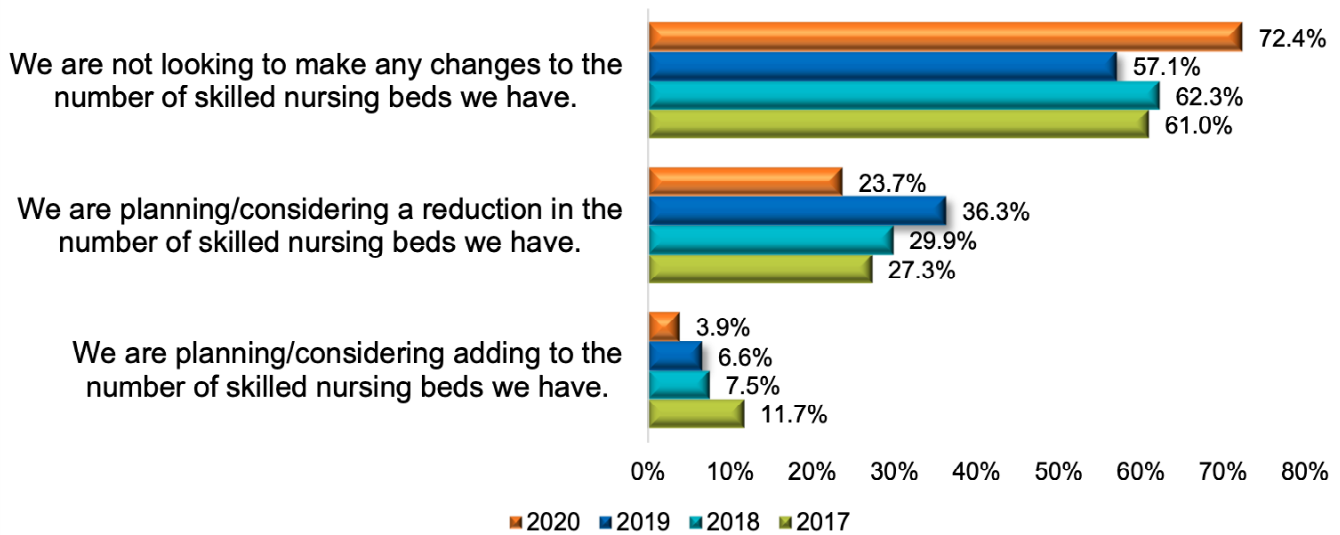
There were also questions related to sales/admissions in June compared to March, April and May, during the heavy months of the COVID-19 onset and impact. The most significant increases in June were in Independent Living. The skilled nursing setting appears to be the most variable across providers.



Plans for Skilled Nursing

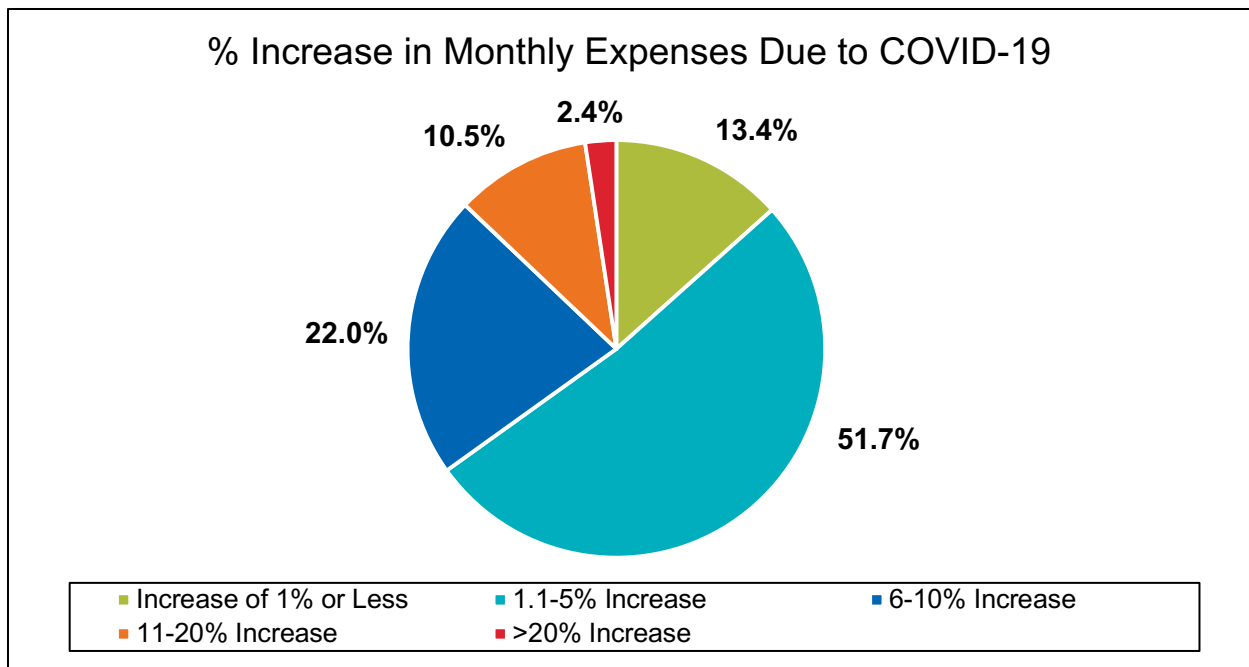
For the past several years, Ziegler has conducted a survey on skilled nursing activity and pressures. As part of that survey, there has been a question regarding plans for the number of skilled nursing beds within community(ies). The graph below shows the responses for this year along with the responses from the past several years. Interestingly, despite COVID-19, roughly 7 out of 10 indicated that they are not looking to make any changes to the number of skilled nursing beds they have. As a reminder, however, roughly one-third of respondents, across each of the past three years, has reported skilled nursing unit reductions.

Regarding the number of skilled nursing beds throughout your community/system, which of the following best applies:

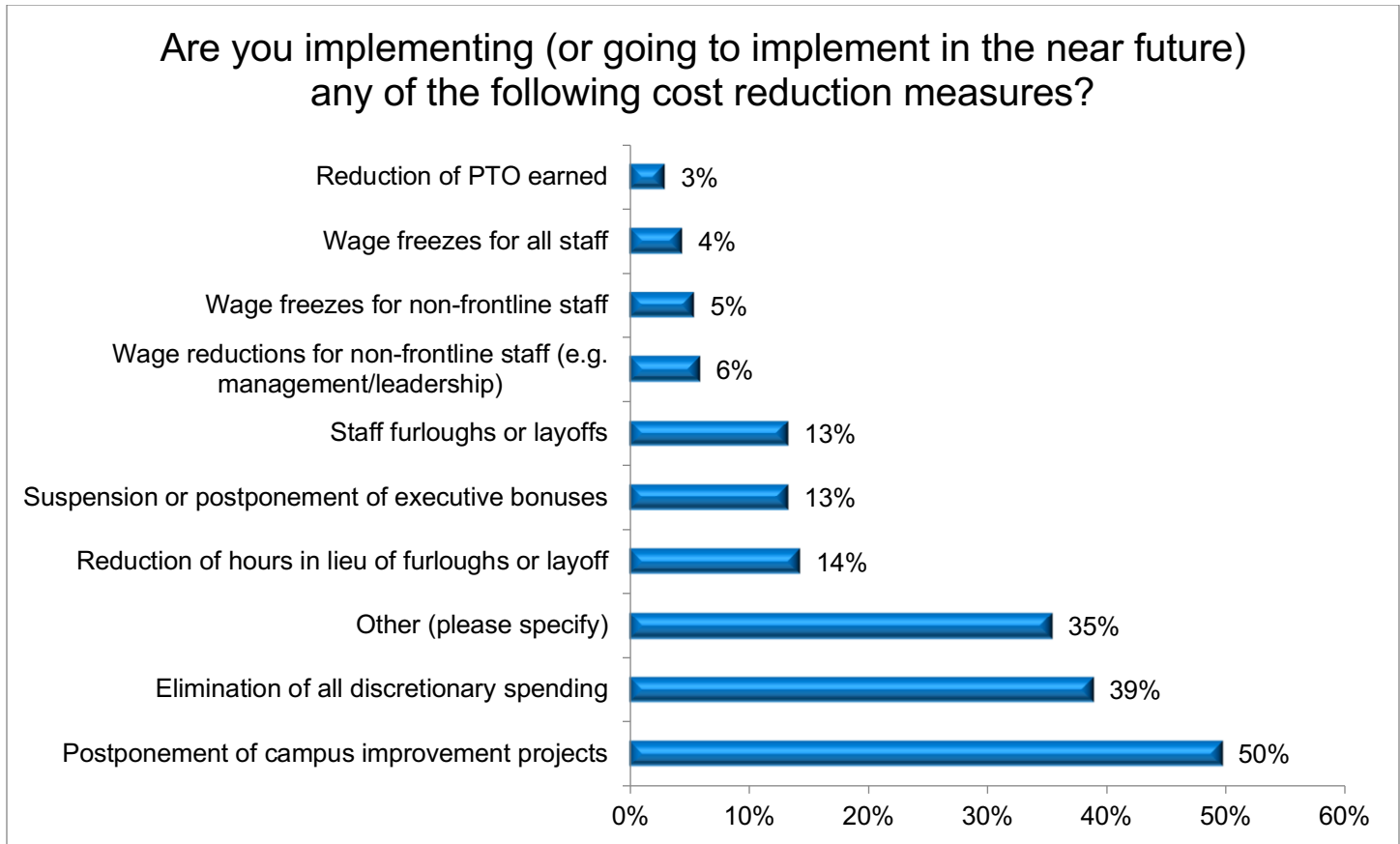


Cost-Reduction Measures

It has been understood that COVID-19 has had an impact on provider expenses. As identified in the survey, most providers have experienced an increase in monthly expenses, with roughly 65% reporting increases of 5% or less.



The graph below details the common measures taken to manage expenses.



A number of respondents who selected “other” measures taken commented that they are not currently implementing any of the noted categories on the survey.

Concluding Comments

The survey also allowed for open-ended comments to be made. Below is a sampling of those comments.

- *The biggest impact we have found from Covid-19 is fewer people wanting to move into our facility and the lack of being able to have tours*
- *We are concerned that this pandemic will extend for a long period of time during which we are unable to admit new residents, particularly in our skilled units*
- *The CAREs Act payment to Nursing Homes have really helped reduce the impact of loss of revenue and COVID expenses*
- *The biggest financial impact has been lost revenue due to decreased occupancy in the SNF's and increased costs for PPE, Unemployment tax and time consumption at the senior and middle management levels*
- *We are more impacted by lost revenue than increased expenses. The above represents just the increase in expenses without adding in lost revenues or expense savings or provider relief funds.*

- *We have not had a single case of COVID-19 among SNF residents. We are currently seeing an increase in staff being exposed outside of work.*
- **Lower morale of both staff and residents *14 days of "quarantine" for staff who do not safely follow the social distancing guidelines (e.g. participating in a protest/ march) *Unemployment benefits are an extra \$600 per week which means a lot of people earn more to be unemployed so it's hard to find new employees.*
- *We have seen a negative impact on our cash flow, including a decrease in entrance fee collection as move-ins are being postponed and inquiries and applications from prospects have slowed. We have had significant cash outflows to build up an inventory of PPE and supplies in preparation of any possible positive COVID-19 cases in our communities.*
- *More sheltering means more loneliness. Praises from residents far surpasses the few criticisms. Staff are revealing true colors - some great, some not.*
- *It has been a catalyst for long-needed cost constraints. It is putting downward pressure on leads, depositors and sales. We are managing our operating results well but seeing the biggest impact on entry fees.*
- *It was hard to respond to the sales and marketing question because we are a great April-June on move-ins due to pending move-ins created by Jan-Mar sales and very few have cancelled. Sales are less than 50% of budget April-June, but the Cares Act Funds are propping up the Health Service business units - on paper this could be one of the best Q1 in the past 5 years.*
- *We have had only one positive case. Our expenses for PPE have gone up, but that has been more than offset by reduced commissions, cancelled Marketing events, and delayed Maintenance projects.*
- *Skilled care admissions and skilled care costs have been impacted the most.*
- *We have many labor hours scanning and screening our staff. Now testing all employees weekly for COVID19*
- *We need more relief from HHS for revenue loss and increased costs.*
- *Our estimated lost revenue for March, April and May was \$740,000. We received a SBA loan that is helping us with cash flow as our expenses have gone up at the same time as a loss of revenue.*
- *Some expenses dropped due to lower sub-acute population - medications, labs, X-rays - staff received 10% increase but some staff did not work so stayed the same - PPE was expensive but covered by drop in other expenses.*
- *We have not started any off site admissions into PC or Health Center. Never stopped independent living move-ins.*

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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