

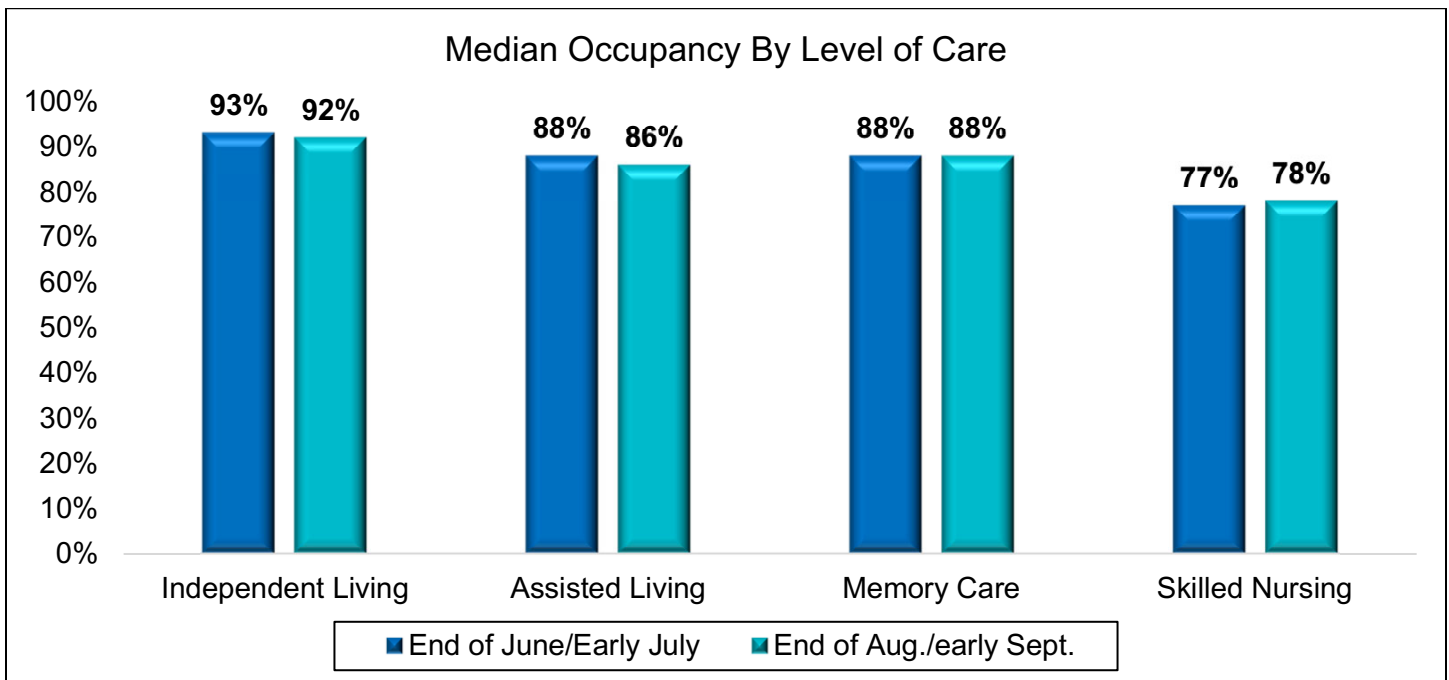
COVID-19 IMPACT- #3

ZIEGLER CFO HOTLINESM

Between August 24th and September 4th, a *Ziegler CFO HotlineSM* poll was conducted on the topic of COVID-19 impact. This was the third subsequent survey to focus on the impact of the COVID-19 pandemic. The survey covered a variety of related topics from occupancy to staff turnover to revenue changes attributed to COVID-19, among others. Two-hundred and thirty (230) providers, largely representing not-for-profit organizations, participated in the survey. Roughly 64% of the respondents were from single-site organizations, with the remaining 36% representing multi-site providers.

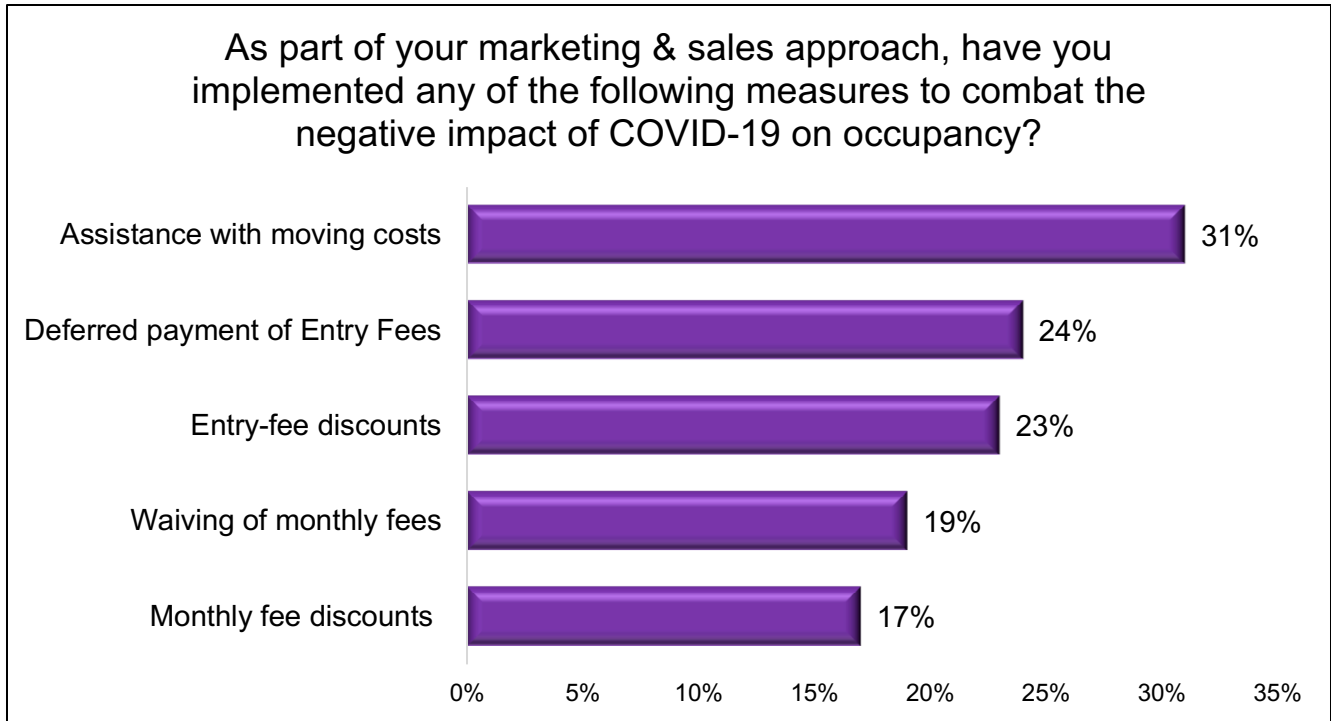
Occupancy by Level of Care

Occupancy figures have been a significant area of focus across the past six months during the COVID-19 pandemic. The question was also asked as part of the late June/early July Ziegler CFOSM Hotline poll. 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 median occupancy figures did not vary dramatically from roughly two months prior.



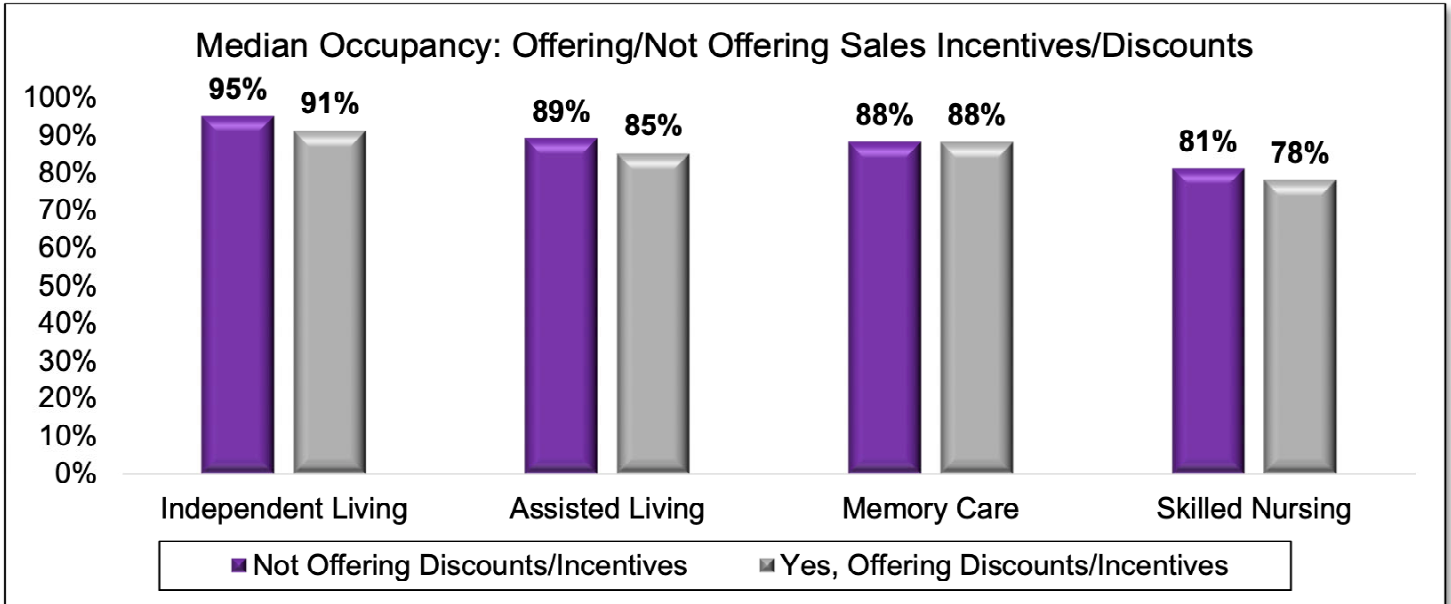
Sales Incentives

Respondents were also asked if they were offering any discounts or sales incentives to prospective residents in an attempt to boost admissions. The graph below shows the percentage of organizations offering the respective discount/incentive. Assistance with moving costs was the most common, noted by roughly 3 out of 10 respondents. Discounts and waiving of monthly fees were the least common.



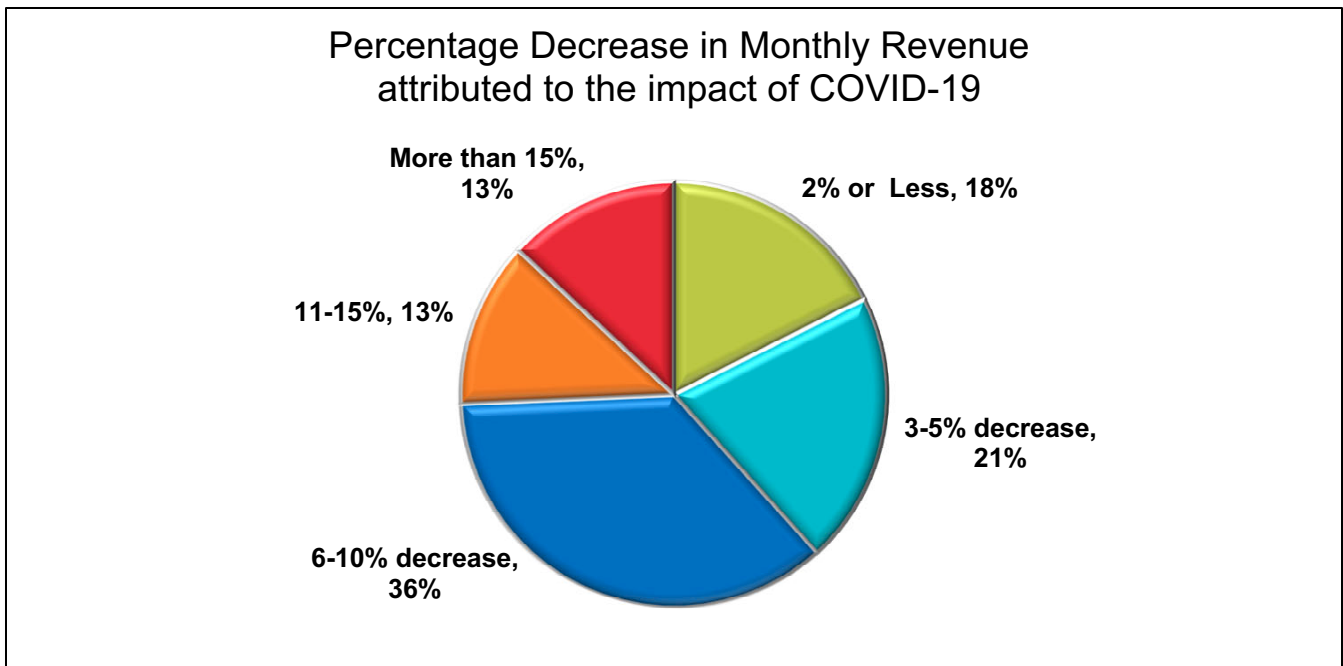
Note: This question was structured with a “check all that apply” response set.

It should be noted that many of the respondents indicated that they are not currently offering any incentives to boost sales. This appears to be a function of variability across providers related to occupancy. The reported median occupancy for those who reported they were not offering any sales incentives was higher than those offering some type of incentive. Those results are reported in the bar graph below.



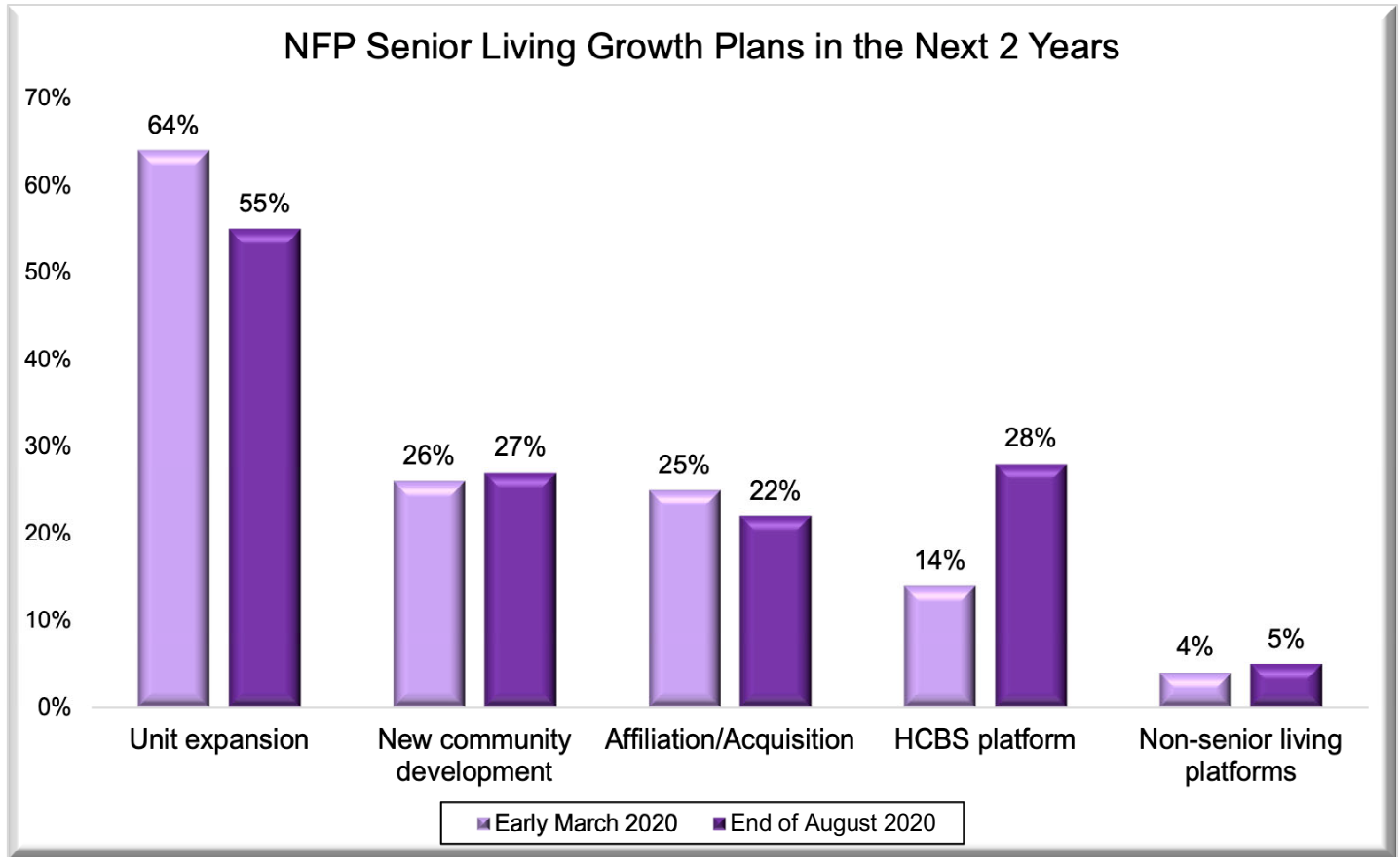
Revenue Trends

The survey included a question related to magnitude of decreases in revenue, directly attributed to COVID-19. The largest proportion reported decreases in monthly revenue between 6% and 10%. Roughly 4 out of 10 indicated that their monthly revenue decrease has been 5% or less. The providers reporting the greatest decrease in monthly revenue also reported lower assisted living and healthcare occupancy, with a median assisted living occupancy of 80% and a median skilled nursing occupancy of 70%.

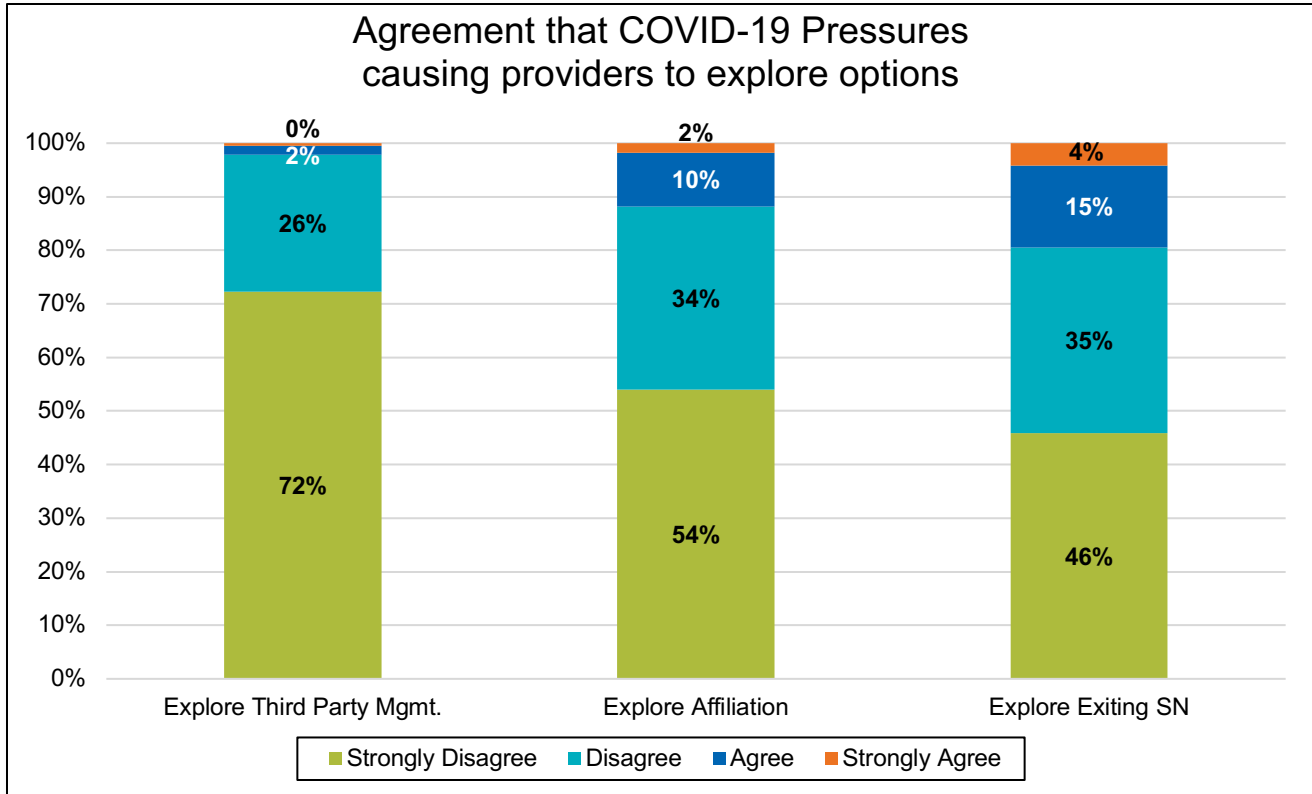


Growth Plans & Operational Shifts

At the onset of the COVID-19 pandemic in early March, Ziegler conducted a *CFO Hotline*SM poll on the not-for-profit growth mindset. A question was asked regarding growth plans for the next two years. That question was again asked as part of the current survey. The graph below details the early-March 2020 results with the late-August 2020 results. This question was specifically asked again to assess the impact of COVID-19 on growth plans over the next two years. As shown below, there were no across-the-board decreases in overall growth plans. The one area that dipped substantially was unit expansions. Plans for growth for new community development and affiliations or acquisitions remained fairly consistent from six months ago. Growth plans for HCBS platforms grew significantly across the past six months, which may be a function of the increased demand for at-home care during COVID-19.

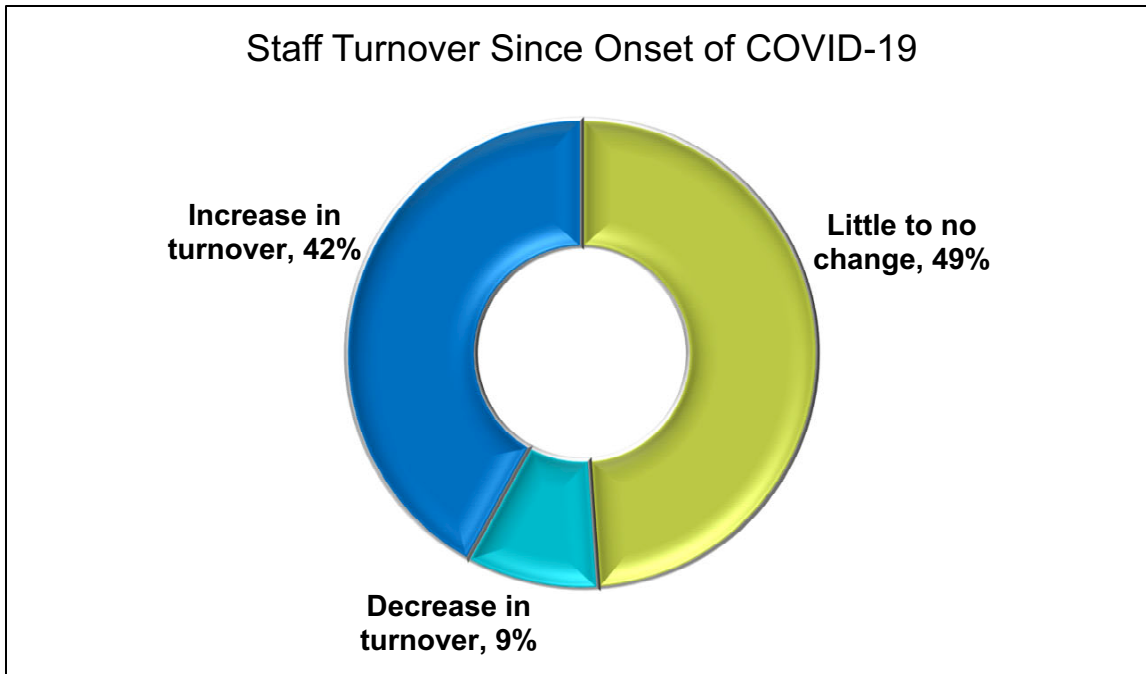


Knowing the pressures that COVID-19 has been placing on providers, three questions were asked regarding the likelihood of moving in certain directions because of these increased pressures. These questions specifically asked about affiliations, third-party management, and exiting of the skilled nursing business. Respondents were most likely to agree or strongly agree that they may explore exiting the skilled nursing business, however, this was not the majority of the respondents, but nearly 2 out of 10 indicated they may explore this option. For those considering exploring affiliating with another organization, 12% agreed or strongly agreed. The smallest percentage (2%) agreed that they were going to explore the benefits of third-party management.



Staff Turnover

The final question on the survey gathered feedback on the extent to which staff turnover has increased, decreased, or stayed relatively the same across the past six months during the COVID-19 pandemic. The results were fairly evenly split between providers reporting little to no change in staff turnover and those reporting an increase in staff turnover. Only about 1 in 10 indicated that their staff turnover figures actually decreased since the onset of COVID-19.



Concluding Comments

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

- *Biggest impact is obviously new admissions to all levels of care.*
- *Biggest impacts have been on staffing, increased use of Agency, bonus/hazard pay, having isolation units set aside for emergencies, infection control, ongoing testing, etc.*
- *Change in the overall culture due to the use of masks & social distancing*
- *Clarity of federal and state governmental leadership and indemnification from pandemic based lawsuits is urgently needed.*
- *Concern that Relief Fund payments to date mask the longer term impacts of COVID (i.e., continued testing, increased required infection control training, additional PPE cost and census pressure on SNF and ALF/PC) that will have to be factored in during 2021, when there is likely to be no support payments.*
- *Considering divesting of certain assets/business lines and the potential sale of a community to generate cash and help us get through the COVID-19 impact.*
- *COVID has added additional stress to already tight cash situation.*
- *COVID has forced us into a quicker adoption of technology and a sharper focus on cost efficiencies.*
- *Entrance fee receipts have decreased dramatically with lack of move-ins, thereby taking away a needed source of cash.*
- *Experiencing overall increase in operating expenses secondary to labor/supplies/insurance*
- *Federal funding has had significant positive impact.*
- *High days cash balances will ride us through this storm*
- *In July we started to feel the affects on occupancy in AL, MS, and SNF. This will continue for the coming months at the least.*

- *Inability to take in new short-term rehab clients in our nursing home has resulted in the Skilled Nursing unit to be well below budgeted occupancy levels. Increase in "hero pay" and other initiatives have increased labor costs in most departments. Continuous changes in operations has resulted in overall staff fatigue related to the CORONA Virus. The most recent testing mandate for every 2 weeks is estimated to cost approximately \$500,000 through the end of 2020.*
- *Independent Living demand has stayed strong; but a definite softness in demand for AL and Nursing. The government grants have been very helpful.*
- *Lower occupancy combined with higher costs and much higher turnover. The additional federal unemployment has made filling the lower paying positions extremely difficult.*
- *Most significant impact for us has been SNF Transitional Care. We are not considering exiting SNF, but we are considering the reduction of SNF units we offer. This is not directly related to COVID though, but COVID has brought the conversation forward.*
- *Our (quarterly) unemployment Insurance costs climbed from around \$10k to over \$60k. Again, the HHS Stimulus was critical to us, and the PPP Loan Forgiveness is a godsend. Lisa, please keep us posted on this second round of HHS Stimulus so we can get in line before everyone else. Thx, Don!*
- *Outlook remains negative in the near term, particularly for skilled nursing. While our occupancies have remained higher than the industry average, higher numbers of prospective patients are being discharged to home or other alternatives. Significant negative perception exists of skilled nursing facilities simply due to industry headlines. Some of this negativity has extended into personal care/ assisted living.*
- *Remaining financially strong & safe here!*
- *Residents are moving back with family to counter isolation*
- *Staff stress and burnout is a major problem.*
- *Testing of residents and staff is problematic on timely tests. Increased costs due PPE. Isolation of residents with their families to be able to visit is emotionally devastating.*
- *The media and political posturing has made this entire situation much more difficult*
- *The Stimulus packages have been a life - saver. Both the HHS monies as well as the 3 P Loan*
- *Visitation restriction is number one concern for resident move in to levels of care*
- *We are considering reducing the number of skilled beds but not eliminating it all together.*
- *We experienced nominal turnover; sales and occupancy have remained at budgeted levels. We are unsure if that will remain the case as the pandemic continues.*
- *We have been lucky to have no residents with COVID, so far. Spending more on PPE, etc. Hard to replace residents when they leave or expire during this time. They hate being quarantined!!!*

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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