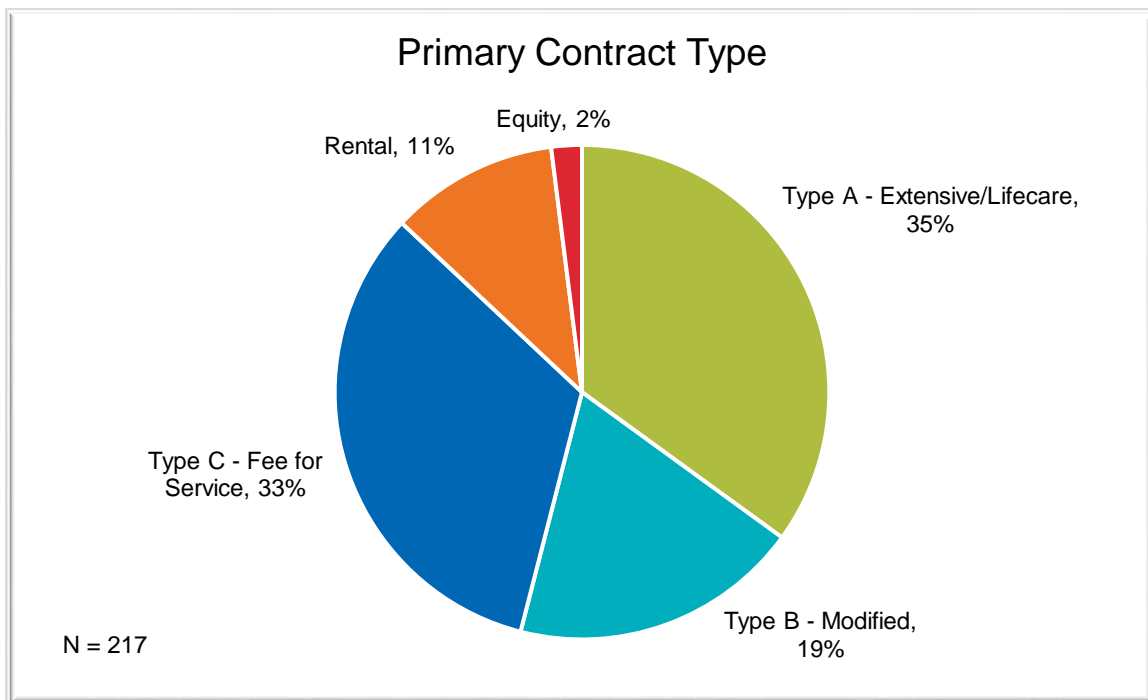


RESIDENT MONTHLY FEE INCREASES

ZIEGLER CFO HOTLINESM

The September 2020 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 220 not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 66% representing single-site organizations and 34% 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.

The initial 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 2020, 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, 3.26%, is slightly above last year and the highest of what has been reported across the past eight years. The subsequent table outlines the 2020 increases that were implemented by level of care.

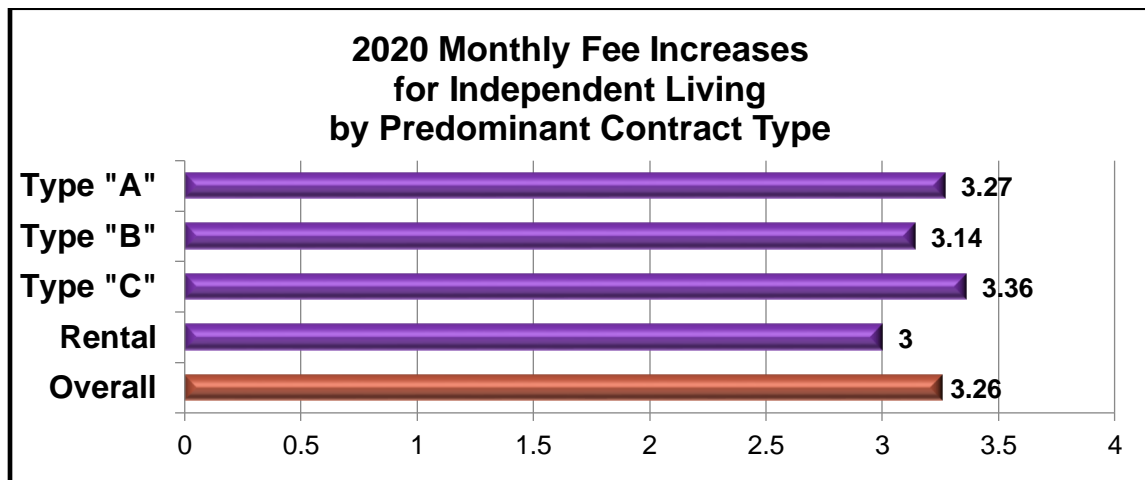
Percentage Increase to Independent Living Monthly Fees

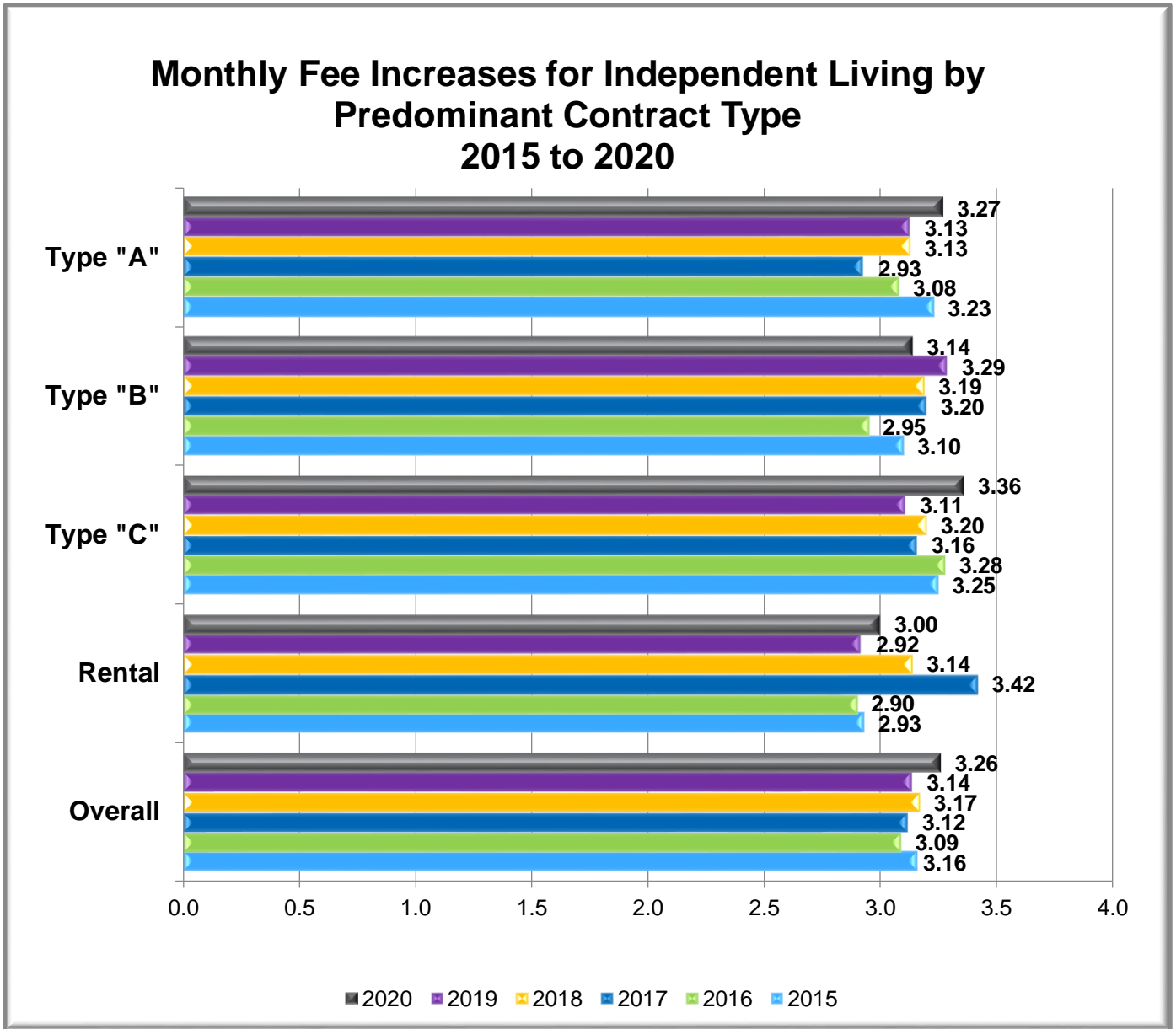
| Statistic | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Minimum | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 1 st Quartile | 2.9% | 3.0% | 3.0% | 2.9% | 2.8% | 2.9% | 2.8% | 2.5% |
| Median | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| 3 rd Quartile | 3.9% | 3.8% | 3.5% | 3.5% | 3.5% | 3.6% | 3.5% | 3.5% |
| Maximum | 10.0% | 6.88% | 6.00% | 8.00% | 5.50% | 6.50% | 5.00% | 5.00% |
| Average | 3.26% | 3.14% | 3.17% | 3.12% | 3.09% | 3.16% | 3.05% | 2.94% |

2020 Percentage Increases by Care Level

| Statistic | IL | AL | SN |
|--------------------------|--------------|--------------|--------------|
| Minimum | 0.0% | 0.0% | 0.0% |
| 1 st Quartile | 2.9% | 2.9% | 2.9% |
| Median | 3.0% | 3.0% | 3.0% |
| 3 rd Quartile | 3.9% | 4.0% | 4.0% |
| Maximum | 10.0% | 10.0% | 7.5% |
| Average | 3.26% | 3.18% | 3.21% |

Below is a breakout of fees by primary contract type for Independent Living, followed by contract type breakout from 2015 to 2020. The communities with primarily Type C and Type A contracts, saw the largest average increases in 2020. The communities that are predominantly rental have the lowest average increase, which is consistent with previous years. Generally speaking, the 2020 increases were above previous years across all contract types.





Similar questions were posed on potential increases for 2021. The results for Independent Living residents from 2014 to 2021 are detailed below; breakouts by level of care and contract type follow. Despite the dramatic financial impact of COVID-19 across the past seven months, the projected 2021 increases are actually below the predicted increases in recent years. The greatest increases are projected in skilled nursing, with a handful of providers reporting more significant increases than in years' past.

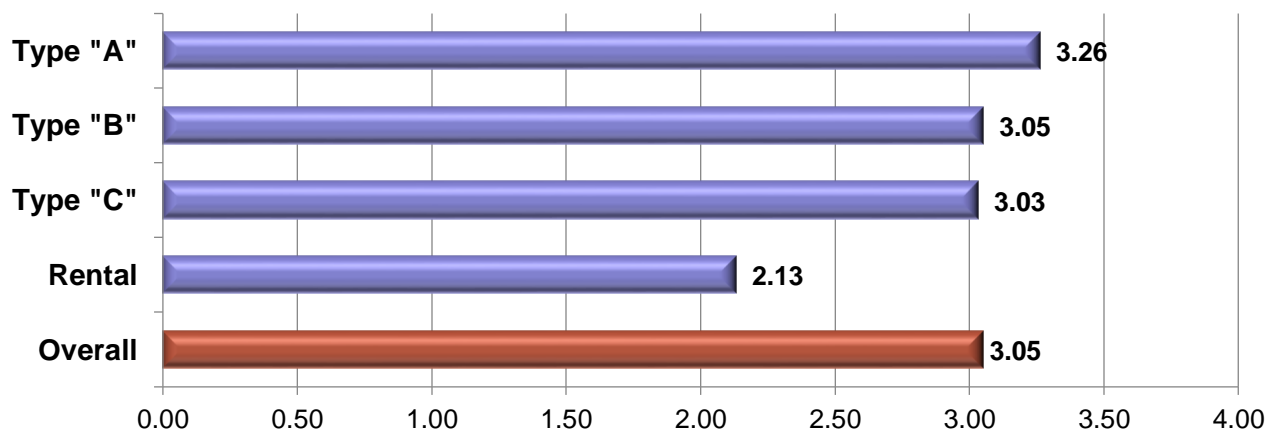
Estimated Percentage Increase to Independent Living Monthly Fees for 2021

| Statistic | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Minimum | -0.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 1 st Quartile | 2.8% | 3.0% | 3.0% | 3.0% | 2.8% | 2.9% | 2.9% | 2.5% |
| Median | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| 3 rd Quartile | 3.9% | 4.0% | 3.8% | 3.5% | 3.5% | 3.8% | 3.5% | 3.5% |
| Maximum | 6.0% | 14.0% | 5.0% | 6.0% | 10.00 | 5.0% | 5.0% | 5.0% |
| Average | 3.05 | 3.44% | 3.18% | 3.10% | 3.13% | 3.15% | 3.06% | 3.10% |

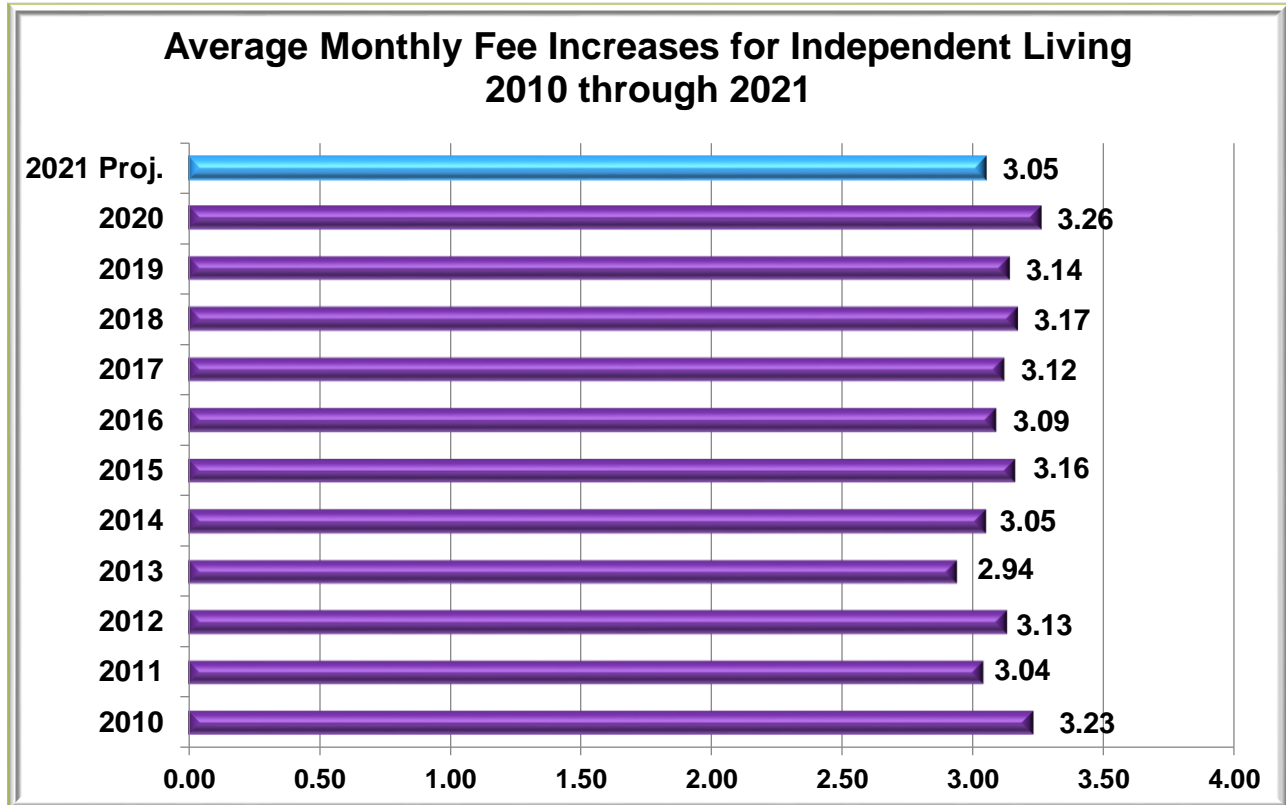
2021 Estimated Percentage Increases by Care Level

| Statistic | IL | AL | SN |
|--------------------------|-------|-------|-------|
| Minimum | -0.5% | -0.5% | 0.0% |
| 1 st Quartile | 2.8% | 3.0% | 2.8% |
| Median | 3.0% | 3.0% | 3.0% |
| 3 rd Quartile | 3.9% | 4.0% | 4.0% |
| Maximum | 6.0% | 6.0% | 10.0% |
| Average | 3.05 | 2.99% | 3.12% |

2021 Estimated Monthly Fee Increases for Independent Living by Predominant Contract Type



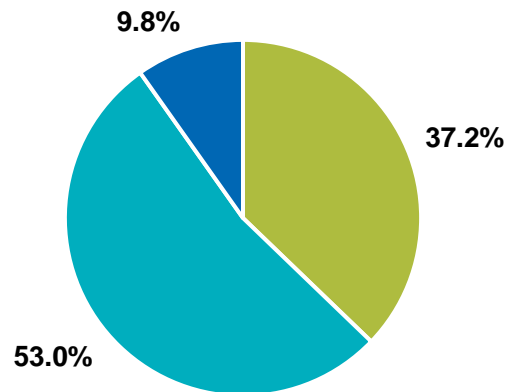
The following bar graph shows the overall average monthly resident fee increase from 2010 through the 2021 projection. The projected increase is well below the averages in recent years. It should be noted that the 2020 projected figure from last year's report was 3.44, which was a higher figure than what the actual 2020 number ended up being.



Given the events of the past seven months with COVID-19, a few additional questions were added regarding the financial planning as a result of the pandemic. When asked about mid-year changes to monthly fees, 98% of respondents indicated that they did not make any interim adjustments to monthly fees because of COVID-19. Roughly 2%, however, did indicate that they gave residents a temporary reduction in their monthly fee in recent months. This was largely driven by the reduced amenities provided (e.g. no communal dining, access to wellness centers) and limited activities while in certain lockdown periods.

A question was also asked on the survey regarding budgeting for 2021. The pie chart below shows that roughly half of the respondents perceive the negative financial impact of COVID-19 to be a yielding influence for part of the year ahead. About 1 in 10 are optimistic that 2021 will be better than 2020 and are budgeting accordingly.

Organizational Budgeting in 2021: Impact of COVID-19



- We are budgeting for another year like 2020 with continued COVID-19 pressures
- We are budgeting for only a partial year of negative COVID-19 impact in 2021
- We are optimistic that 2021 will be better than 2020 and are budgeting accordingly

The survey asked about the primary driver(s) behind the changes in monthly fees. Consistent with previous years, CFOs overwhelmingly attributed increases in fees to labor costs (minimum wage, wages overall, recruitment and retention expenses, benefits), while also citing general overhead expenses. Amidst the backdrop of COVID-19, a number of respondents did note decreased occupancy rates also driving a portion of the increase in monthly fees.

Respondents were also promoted to share additional comments regarding monthly fee increases. Below is a compilation of selected quotes.

- *A local Amazon facility with its \$15 per hour starting wage is forcing us to increase CNA staff by 15%-20% increase in order to keep staff.*
- *We cannot skip a year of fee increases. It not only sets a precedence of future increases not being necessary, also once you skip a year those funds are not recoverable they are lost forever. It isn't feasible to increase fees by double next year to make up for no increase this year. We feel that some of the expense increases that we have incurred due to COVID will likely become the "new normal" and will not go away, Provider Relief Funds will not be available to cover these additional costs in the future.*
- *We budgeted for partial year of negative COVID-19 impact in 2021 and are considering a one-time assessment to residents if they continue all of 2021.*
- *We are not factoring added Covid-19 costs into the monthly fee increase*
- *We are getting a tremendous amount of pressure from our residents to reduce the increase from the normal 3%.*
- *There is tremendous pressure from resident not to increase fees. The service they are getting have changed and optional activities have been limited. They fell that they are not getting what they have paid for. They are not seeing that keeping them safe and adhering to government regulations come at an even greater cost.*
- *The real estate market still remains strong and supportive of increasing IL base charges and entrance fees.*
- *Once stimulus funding is gone and until we get PPP Loan forgiveness, ongoing cleaning/ disinfecting protocols, screening costs, PPE procurement and utilization (we are still under conservation mode), lower census in SNF, maintaining quarantine units, and attracting and maintaining adequate staffing will all have impacts on monthly fees.*

- *Many of our residents expected DECREASES since we had to reduce some services because of COVID so we had to spend a lot of time educating residents on how much our costs have increased.*
- *I'll be glad when COVID is over.*
- *IL residents have been particularly sensitive to increases given the suspension of some services and activities necessitated by COVID.*
- *From a pure economics standpoint, we should be raising by considerably more than 3% increases to aid in amending the labor pressure issues. Unfortunately, the pandemic has been very difficult on residents and "assessing" them by more than 3% is not reasonable, not to mention the competitive pressures are intense and aggressively raising rates can quickly price you out of the market. 2021 is setting up to be a very difficult year...perhaps worse than 2020...we could be subject to the same or more intense business & pandemic related pressures, without the safety net that government relief funding has provided in 2020.*

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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