

# COVID-19 IMPACT & PLANNING

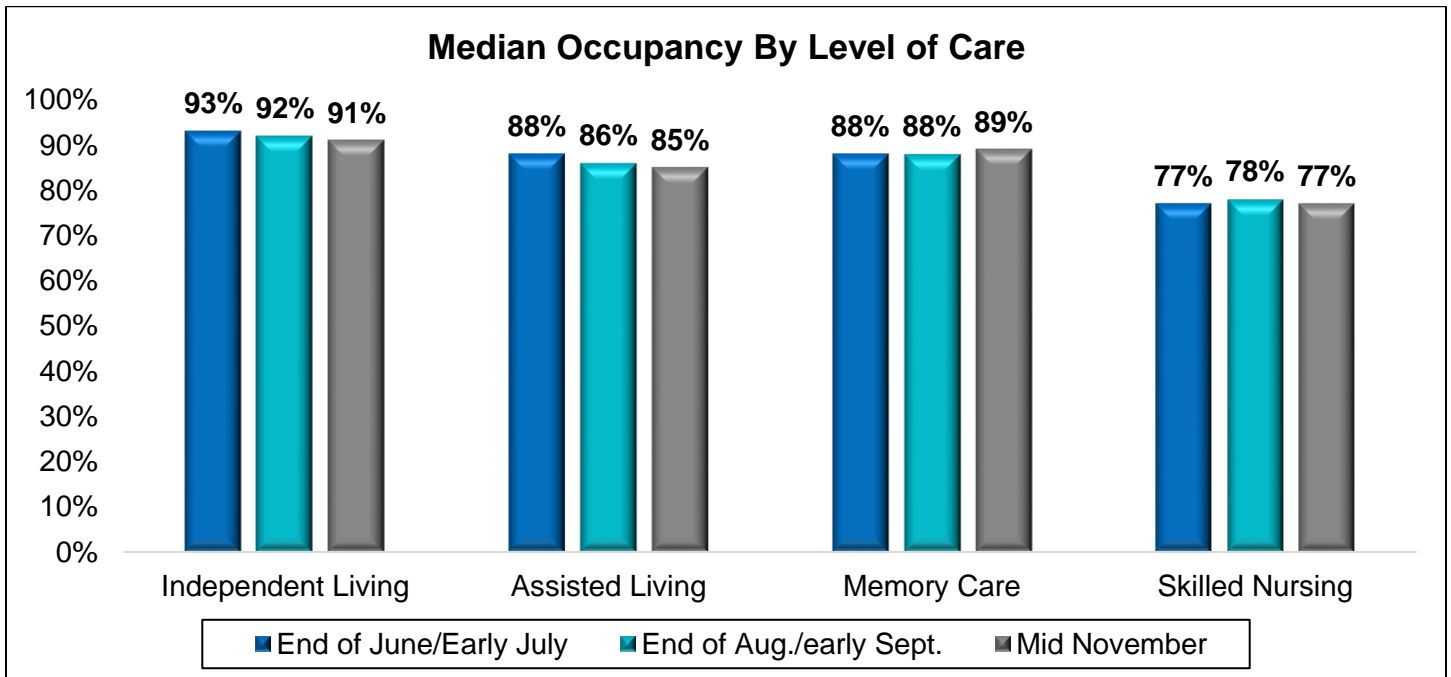
ZIEGLER CFO HOTLINE<sup>SM</sup>

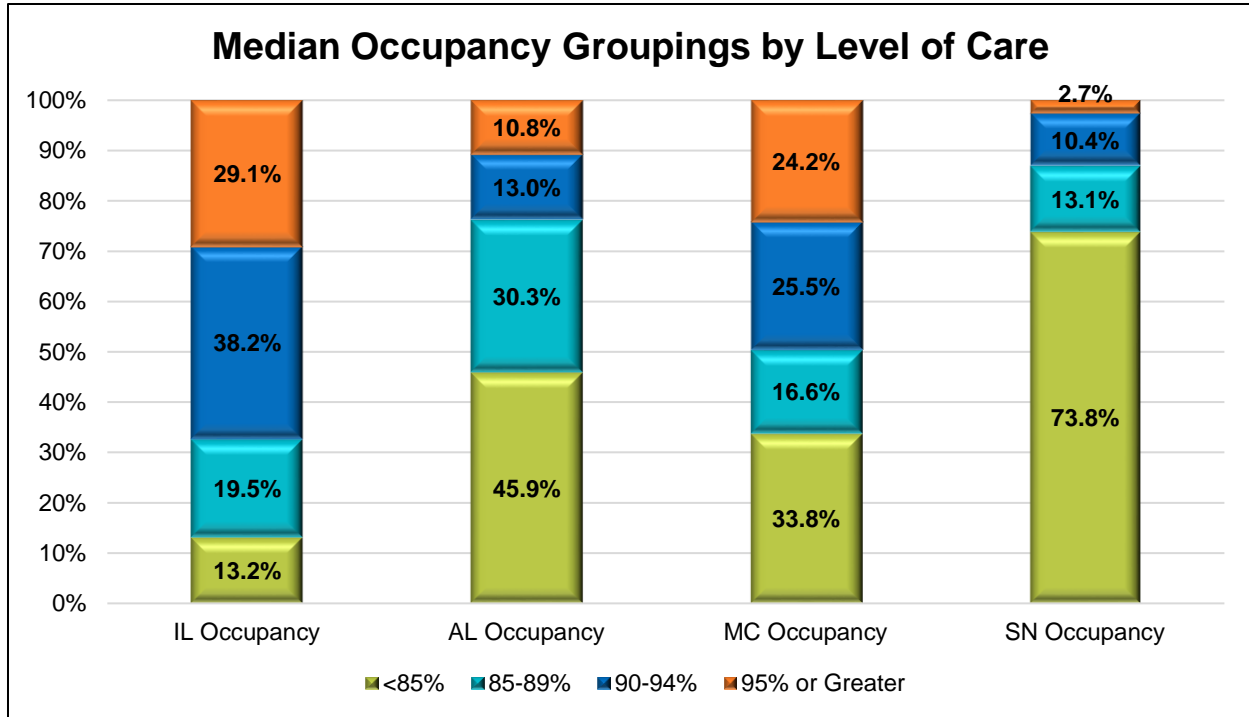
The November *Ziegler CFO Hotline*<sup>SM</sup> poll was once again devoted to the topic of COVID-19 impact. Since March, Ziegler has conducted a number of surveys to gather feedback on the impact of the COVID-19 pandemic. The current survey covered a variety of related topics from occupancy to employee added benefits to expense reduction, among others. Two-hundred and fifty (250) 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*

Providers were asked to report their current occupancy by level of care. This question had also been asked in previous *Ziegler CFO Hotline*<sup>SM</sup> surveys. The graph below shows the median occupancy by level of care across these three surveys. The Independent Living median occupancy dropped one percentage point (1%) across each of the three surveys. Assisted Living occupancy had also declined across this time period, while the Memory Care and Skilled Nursing occupancy is showing fairly stable results. Roughly 67% of communities have IL occupancy greater than or equal to 90%. In contrast, only 13% of communities have Skilled Nursing occupancy of 90% or higher.

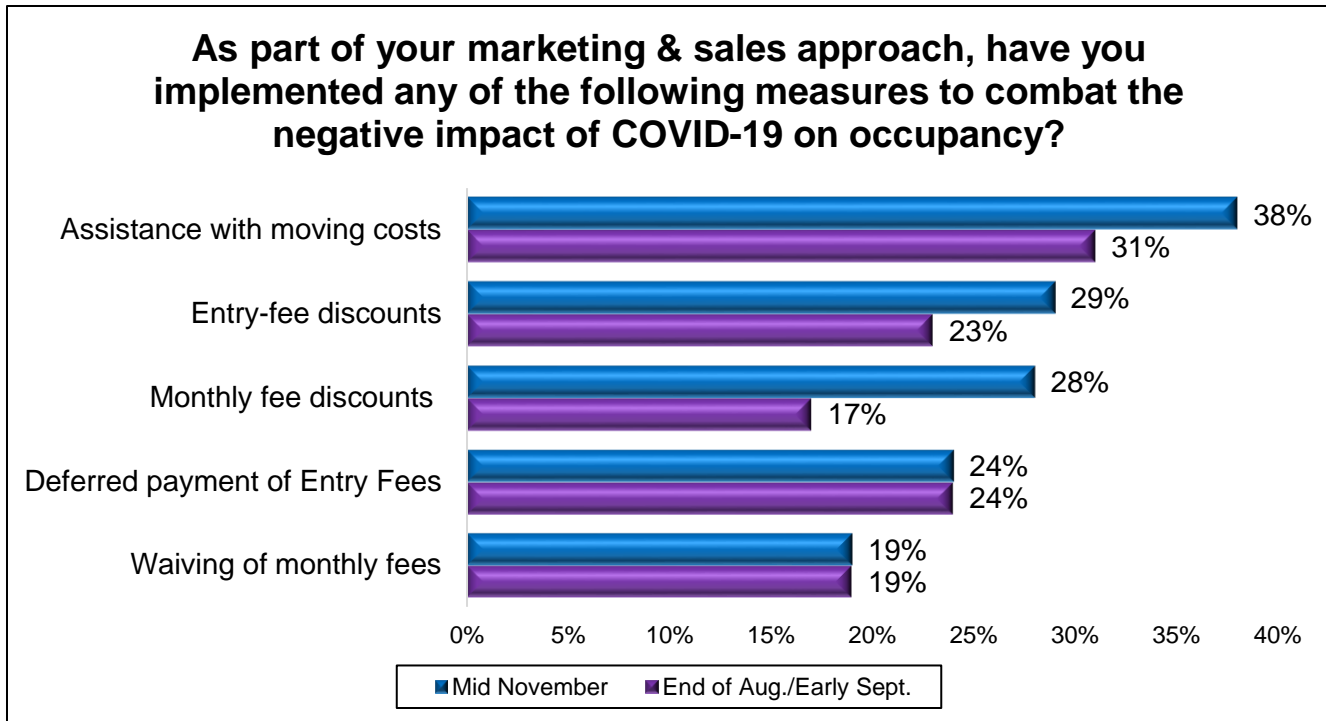
It should also be noted that the current survey results are only one source of occupancy figures. Other entities such as National Investment Center for Seniors Housing & Care and Ziegler Credit Surveillance & Analytics have also released national occupancy figures for the not-for-profit sector.





### ***Sales & Marketing Incentives***

It is not atypical for providers to offer different incentives to attract prospective residents. This is particularly true when occupancy is pressured and the industry is facing headwinds. The results suggest that a larger portion of providers are offering incentives compared to two months ago. Nearly 4 out of 10 offer assistance with moving costs, up from roughly 3 out of 10 at the end of August. About 3 out of 10 providers are offering discounts on entrance fees and monthly fees, both increased from the previous survey.



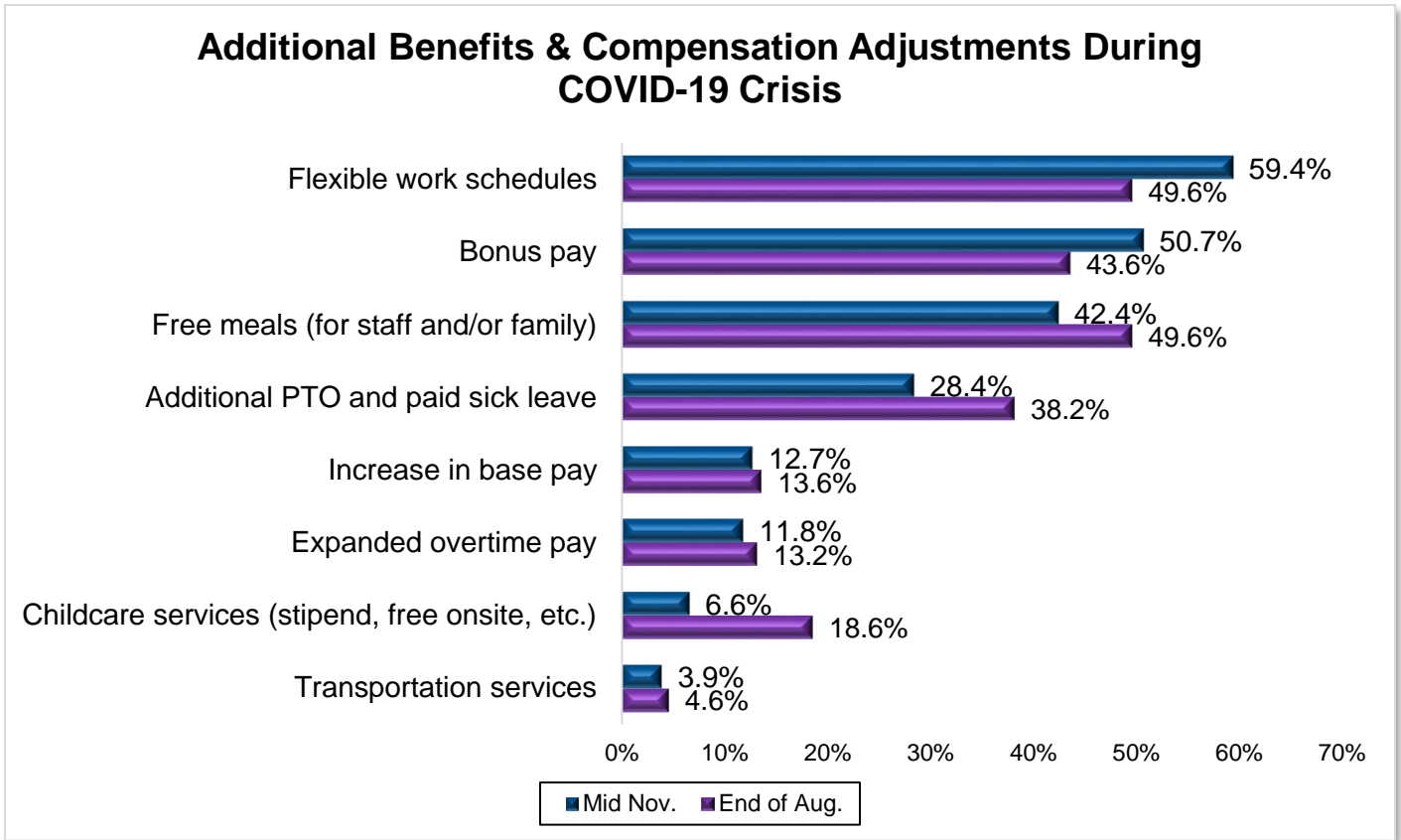
A number of respondents provided additional comments related to incentives and discounts.

- *Any "adjustments" have more to do with the appeal of the units rather than COVID with respect to IL.*
- *We have done none of the above. Housing market still great, waitlist still showing interested parties reserving with 10% down payment, Move ins momentum hasn't dropped off and a record year of entrance fees is anticipated.*
- *We have a program that allows residents to pay their full entrance fee but delay their move-in date. In return, they pay a reduced monthly fee but have access to health care services when needed.*
- *We offer \$5K that can be used towards the EF or upgrades.*
- *Additional time to cancel the residency agreement if dissatisfied and still receive 100% of the entrance fee.*
- *Our census issues relate to Assisted Living and Nursing. For assisted living, we are offering no room & board until 2021. Since independent living residents are not interested in moving to assisted living due to limited visitation our independent living census has remained stable. However, I am dependent on entrance fees, which is an issue.*
- *Offer a flat amount to be used for either moving costs, downsizing costs or towards entrance fee or customizations.*
- *Measures implemented situationally (campus, type of unit (e.g. hard to mkt, # of units available, etc.), level of care, etc.). This is not unlike we would do with or without COVID.*
- *We are using monthly fee discounts to move residents in prior to December 31st for Debt Service Coverage Ratio purposes because we were closed down to move-ins for over three months. We are still seeing good demand, despite COVID.*

### **Staff Benefits**

Back in April, when the virus was just taking hold, Ziegler conducted a survey related to additional benefits and compensation adjustments during COVID-19. Some of these questions were asked once again to ascertain the degree to which providers continue to offer these benefits seven months later. As detailed in the graph below, there are some areas where the percentage of providers offering certain benefits has increased while other benefits appear to be scaled back. As of November, compared to back in April, a larger number of providers are offering flexible

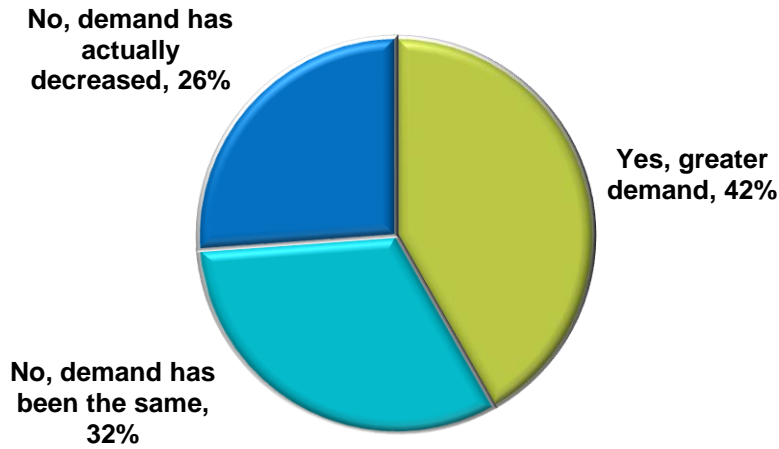
work schedules and bonus pay. One area seeing a notable decrease in offerings is childcare services. This may be a function of a greater number of schools being open in November, at least part-time, compared to the spring when many schools and daycare centers were closed.



***Demand for Home & Community-Based Services (HCBS)***

Anecdotal feedback and previous survey results have suggested increasing growth plans among providers for HCBS platforms. Some providers have also been reporting increased demand during the COVID-19 pandemic. The survey below reflects feedback from providers that have HCBS service lines. The results are varied, with roughly 4 out of 10 reporting increased demand, roughly 3 out of 10 similar demand to pre-COVID, and a quarter of providers who indicated the demand for their HCBS platforms has gone down since the onset of COVID-19.

**If you have HCBS platforms, have you seen increased demand for those services as a result of the COVID-19 pandemic?**



***Reducing Expenses***

In an attempt to garner feedback on what providers are doing to reduce expenses, respondents were asked an open-ended question, “*What steps are you taking, or have you recently taken, to reduce expenses?*” The measures mentioned by 10 or more respondents are listed below.

Measure(s) Taken	# of Mentions
Workforce adjusted due to lower census	36
Not yet taken any deliberate steps at reducing expenses	24
Delay campus improvement/maintenance projects	21
Hiring freeze/not filling certain vacant positions	20
Careful management of supplies/leveraging central/group purchasing	18
Decreased expenses due to no travel, conferences, meetings, gatherings	18
Strict monitoring of overtime and agency costs	15
Workforce reduction (layoffs, furloughs)	14
Eliminated/significantly reduced discretionary funding	14
Renegotiating vendor contracts	14
Wage freeze/reduction of wages for certain positions	11

## Concluding Comments

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

- *We had very few positive cases in either residents or employees early on, but are starting to see that escalate, particularly as we are now testing twice/week for the nursing home, and once/week for most of our assisted living facilities.*
- *One of our communities has been COVID free since the beginning and our other community has been nearly COVID free. We have very rigorous restrictions on activities, but our good record thus far has made it easier for residents and staff to accept.*
- *Stimulus relief has reduced much of the burden in HC and PC but it is dwindling quickly.*
- *The HHS guidance regarding CARES Act Funding in relation to determining revenue recognition is very challenging.*
- *COVID fatigue is real with employees, residents and resident family members. We continue to be diligent in our screening, visitation policies and group activity guidelines. Some residents are pleased with the restrictions and a hand full would like for us to be more lenient in our visitation policies. Definitely a balancing act.*
- *Currently experiencing lower census statistics.*
- *It is a daily issue and we monitor it several times a day.*
- *Feel it is going to be a long climb back to budgeted occupancy, and some communities "new normal" will likely be a lower stabilized occupancy.*
- *The cost of Covid testing is out of control!!!! Health insurance will only cover 1 test every 30 days but Health Dep't requires weekly and soon twice a week's test! This can't continue.*
- *Big Morale impact as team and residents experience pandemic fatigue.*
- *More assistance from the Cares act is needed to remain solvent in the next 12 months.*
- *Great to begin this ugly journey in a strong financial position. Feel for others who were challenged prior to Covid.*
- *Reduction in SNF census is related to converting semi-private to private rooms and also creating an isolation area for quarantine area for returning residents or those that are Covid+.*
- *My organization has seen benefits, we did very well during the first waive and we were the first to open a Covid unit in April. That was a great decision and the hospitals were grateful.*
- *Ready for it to be OVER!*
- *Stimulus funds are very helpful*
- *We are weary*
- *Too much testing at too high of a price per test.*
- *Our biggest concern right now is the pandemic fatigue evident in our residents - especially those in Independent Living.*
- *We did not feel that we could pass on a normal annual increase to residents, so we passed on a low increase of 2.45%*
- *Biggest effect on us has been census. We have only had two new entrants in Independent Living since this pandemic began and very limited direct admits on assisted living and healthcare*
- *We are expecting PPP and HHS funding will cover all extra expenses related to COVID.*
- *We have not been hit hard by COVID so far, but our fear is that we have all of this Government money from the CARES Act and the timeframe to use it may be shorter than we need to fight this virus. Also, obtaining PPE and getting supplies has been one of our biggest struggles. We would spend the money if we could find a supplier that had PPE in stock.*
- *Experiencing slowed transition from IL to AL to HC due to visitation restrictions in higher levels of care. This essentially impacts cash flow from entrance fees as new residents aren't able to move in.*
- *COVID hit us hard because we were in the initial stages of filling 2 big, new IL buildings. The delay in move in had a really significant impact on us.*
- *COVID fatigue, budgeting for 2021 is difficult*

- *Mentally exhausting for everyone to talk about and make plans every day as we have to pivot to address all the changing guidance and news. Top priority is always resident and staff safety but how to get your "day job" done too is a challenge. Tough decisions all day long, every day....*
- *Significant PPE, employee testing and sanitation costs-these have been offset by HHS funding for the most part*
- *We have been fortunate that we have not had an outbreak at either of our campuses. However the amount of time that is being allocated by current staff and new staff to keep up with on-going guidance, administer COVID testing for staff and residents and; and screen all staff continues to increase. The government funding has been very helpful in terms of covering these additional costs.*
- *The State of North Carolina has been very supportive with increased Medicaid reimbursement, which has softened the blow for our NC locations. Virginia has not been as supportive. Employee COVID testing is impacting us significantly with testing at \$100 per test. Absences because of staff contracting COVID and quarantine due to family members illness are having an impact. In short "Community spread"*
- *It is eye-opening to see the impact of reduced occupancy in AL, MS and nursing care. Doubt it will refill until there is a vaccine and even then, it will be slow. IL occupancy has been steady.*
- *We began opening the community back up this summer but are now starting to implement more lock down procedures due to the rising cases in our community and the surrounding community at large.*
- *Overall, just fatigue setting in with both Residents and staff. Staffing is a struggle, both to cover those temporarily out because of potential exposure but also filling nursing type positions.*
- *Not only are we incurring increased cost due to the pandemic, we are also spending a great deal of time accounting for the spending of the relief funds received. It almost takes a full person to account for the cost and prepare for the single audit and reporting associated with PRF funds.*
- *Number one item is visitation- important for resident health but also number one concern of people wanting to move in*
- *Community spread is increasing. Week of 11/9 was the first time we had positive cases on all three campuses simultaneously. We didn't have panic within the staff compared to April when several staff left their positions. Testing being available, both rapid tests and PCR tests, appear to be helping us contain the virus to limited areas. Time will tell if this is true.*
- *Financially not so much, negative impact is with relationships, events and activities. We still provide shopping service "to your door" for no added charge.*
- *The cost of testing is still very impactful. The cost of medical supplies seems to have calmed for the moment, but I'm sure we will be stockpiling PPE again soon for the winter.*
- *Our residents and staff are feeling pandemic fatigue. We are incredibly fortunate to have a supportive board!*
- *Expense management is a moving target due to amount and cost of PPE as government agencies work in opposition to one another and place the provider in the middle. To keep clients and staff safe, we decided not to share staff between clients in our home care operation, which was small already. This and the interesting fact that the majority of new client inquiries are coming from Medicaid create an interesting dilemma for us in terms of continuing this line of business. 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.*

*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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