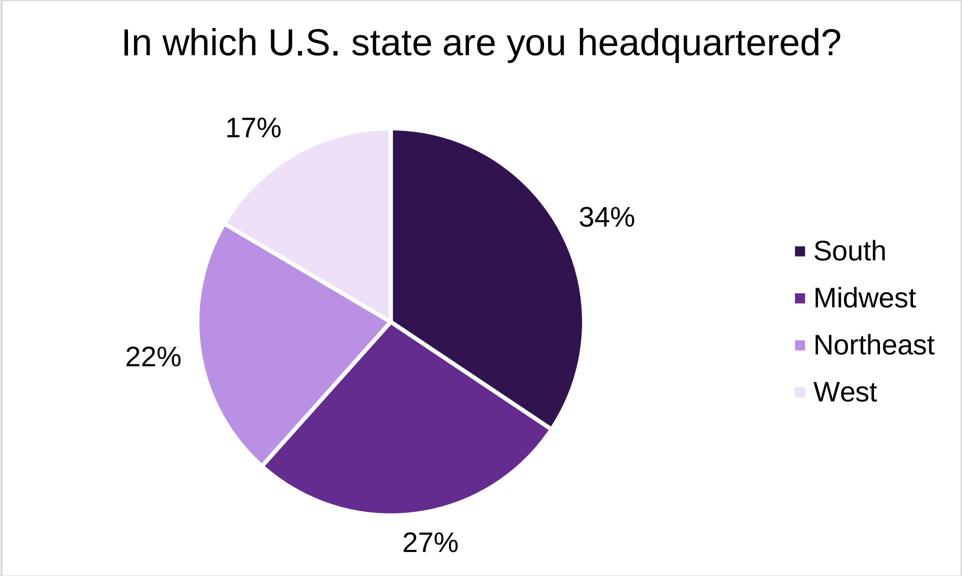
GROWTH PROJECTIONS

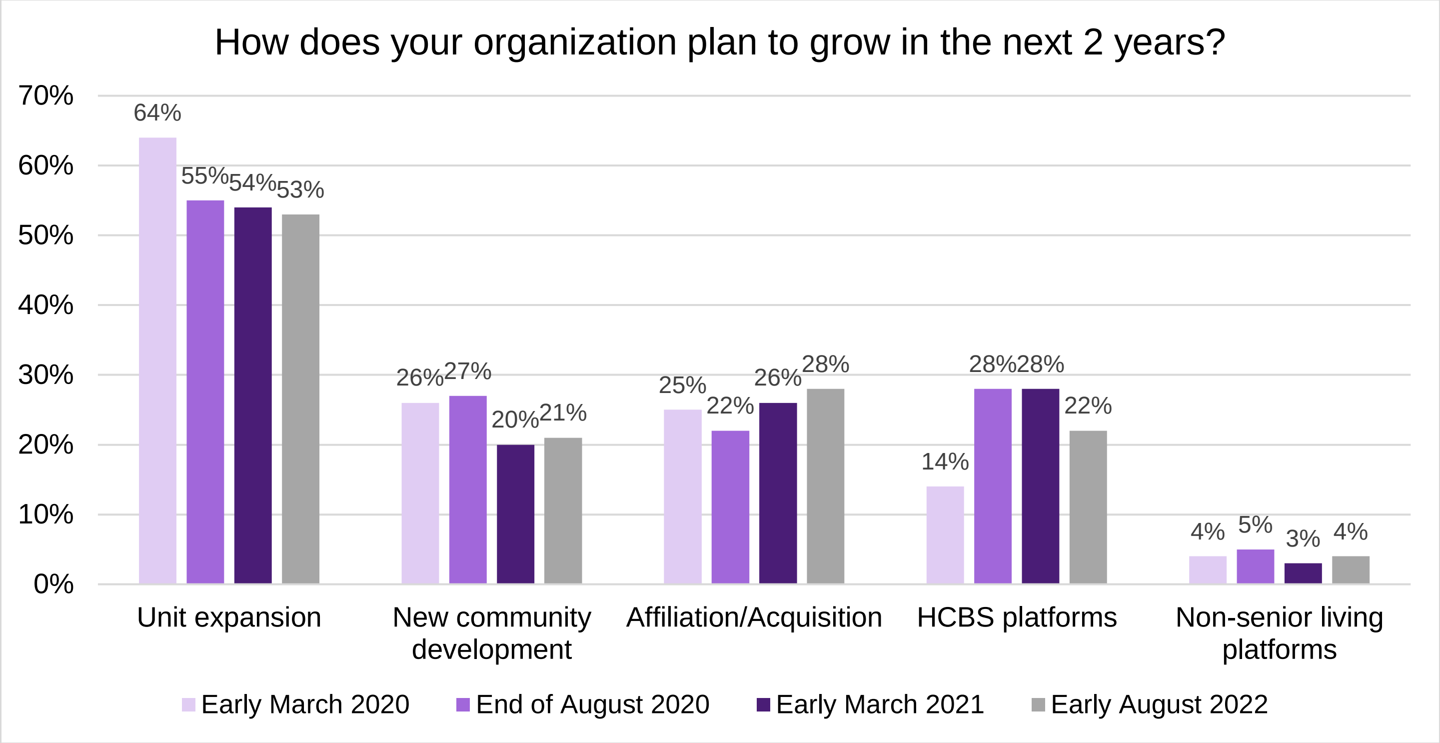
ZIEGLER CFO HOTLINE℠

The August 2022 Ziegler *CFO Hotline*℠ poll was devoted to the topic of Growth Projections. Over 220 not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 62% representing single-site organizations and 38% from multi-site organizations. A sampling of the questions were asked across three *CFO Hotline*℠ surveys between March 2020 and March 2021. These historical comparisons are laid out side by side in this report to compare the data from March 2020 until the present day.

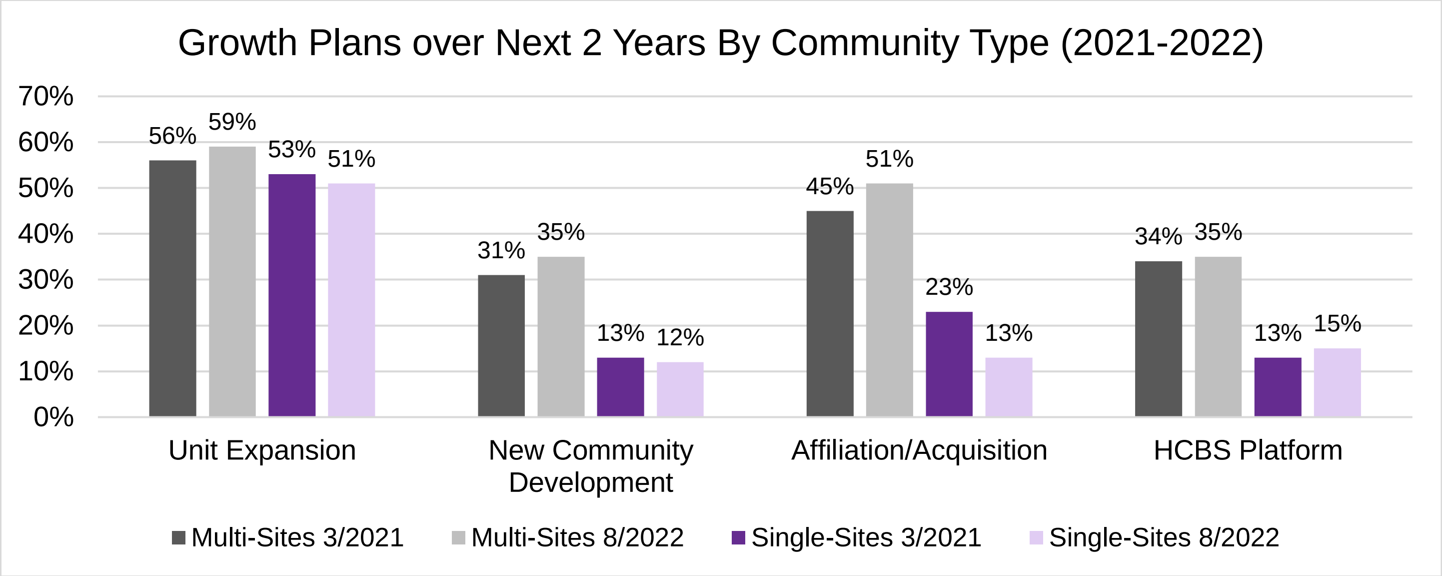
Respondents were first asked where their primary headquarters were located, in order to clarify the areas (as defined by U.S. Census regions) being surveyed. As displayed in the following chart, all regions were adequately represented, with an edge given to the South.



In early March of 2020, Ziegler asked CFOs about their growth plans over the next two years. This same question was asked again in August of 2020, in March of 2021, and then again in the current survey. With the exception of growth plans for HCBS, most categories were consistent with what they were in the last report. Affiliations/Acquisitions are the highest they have been since March of 2020. See the chart below for details.



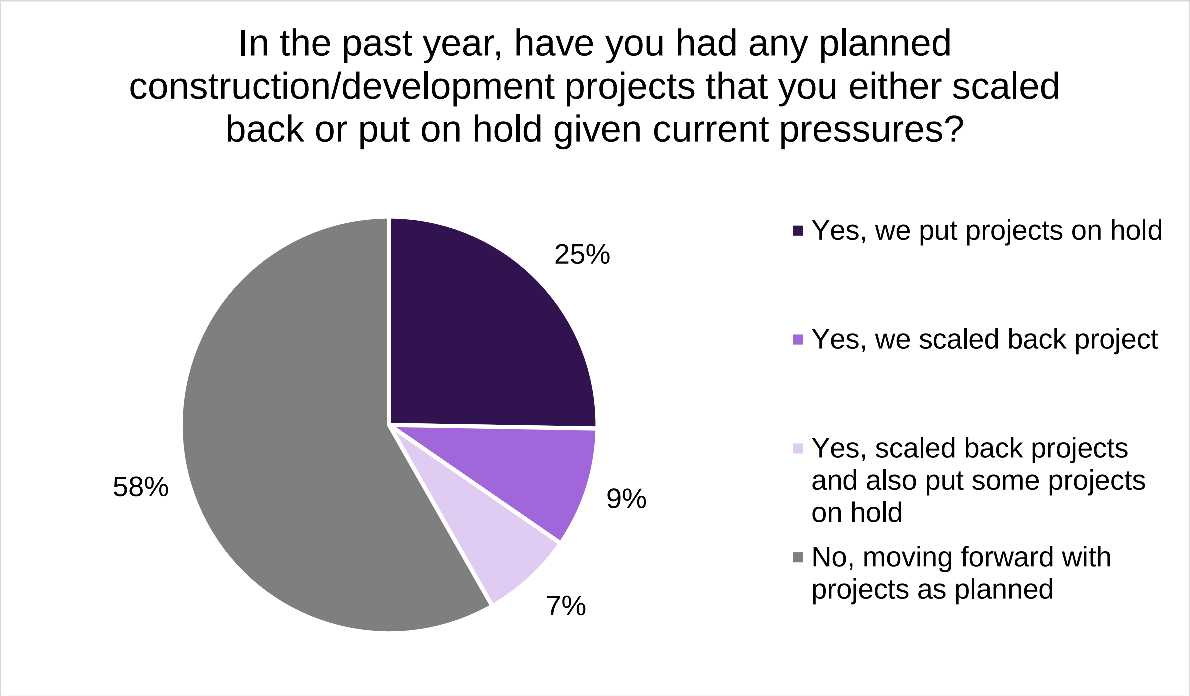
This next chart shows the data from March 2021 and August of 2022 broken down by single-site and multi-site communities.



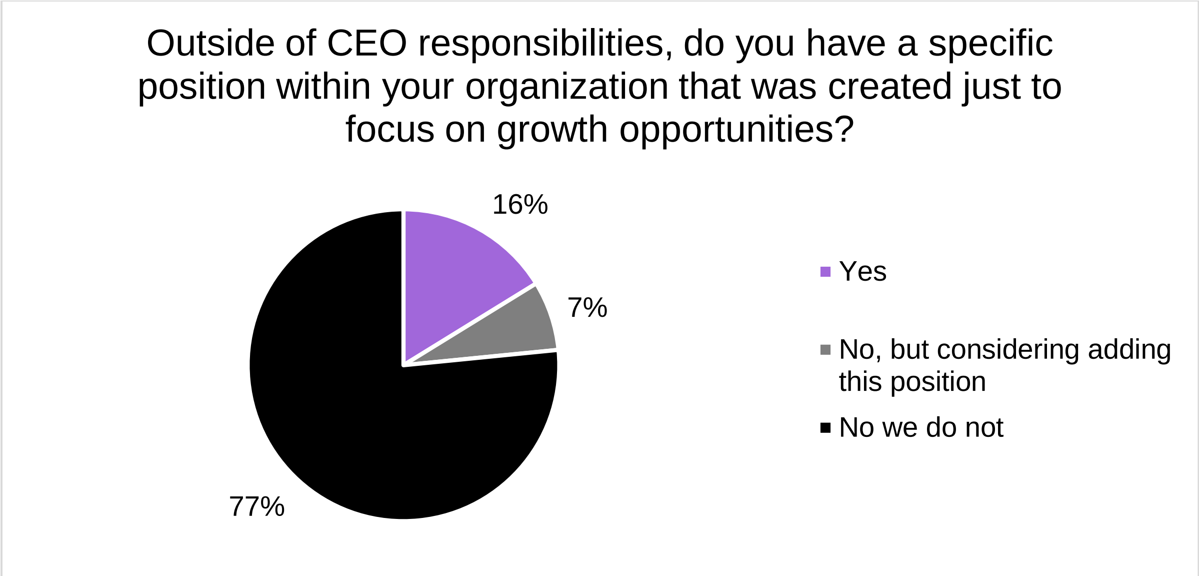
Respondents were then given a list of common factors which may present barriers to growth, and were asked to select the top three most applicable to their organizations. In line with recent *CFO Hotline*[SM] reports, “Workforce shortages” topped the list by a large margin, followed by “Construction pressures” and “Financial cost of growth.” Respondents were also given space to clarify an option of “Other,” and any option selected or mentioned in the comment box five or more times can be seen in the breakdown below.

Limiting Factors	Number of Mentions
Workforce shortages	132
Construction pressures (cost of materials, labor challenges, etc.)	94
Financial cost of growth	92
Current operational/financial struggles within the organization	61
Limited resources to devote towards growth	58
Inability/Limited ability to access capital	36
General risk aversion	26
Board reluctance	23
Competition limiting growth opportunities	14
Leadership team reluctance	8
Landlocked/limited space	7
Government regulations	5

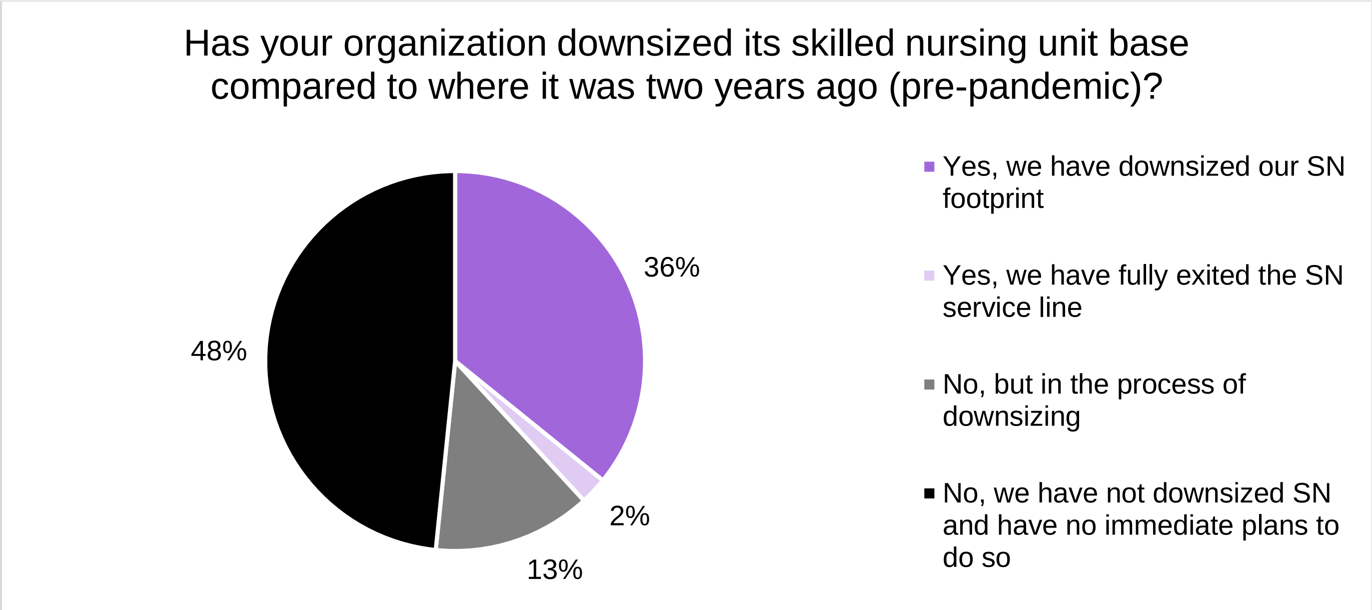
Even with these potential barriers in mind, over half (58%) of survey respondents who had projects in their pipeline indicated they were moving forward with their plans. The remainder of providers with projects planned did scale these projects back and/or put them on hold. See the breakdown of responses in the chart below.



The majority of organizations (84%) indicated they did not have a leadership position devoted to exploring opportunities for growth, but 7% said they would consider adding one. For 16% of the organizations, such a position already existed. Note that the overwhelming majority of providers who answered "yes" to this question represented multi-site organizations.



One question touched on downsizing the number of skilled nursing units within an organization. Forty-eight percent of respondents who offer skilled nursing services have not undergone any such downsizing and do not plan to in the foreseeable future. The remaining organizations are somewhere on the spectrum from planning to reduce to removing their SN services completely. See the chart below for a complete breakdown.



Respondents were also able to share additional comments regarding growth plans. Below is a sampling of these comments, which may be edited for length or minor grammatical changes.

- *As the saying goes, grow or die. With rampant inflation, regulation, wage pressures and an economy on the edge of collapse now is not the time to be timid. We are looking at 2030 and beyond not just because it is strategically wise but we all have had just about enough of this decade.*
- *Rather than growing units we are trying to update and improve units and repurpose space.*
- *We would like to downsize our nursing home, but state government is slow/unwilling to give approval. If we are able to downsize our nursing home, then we can build more Independent Living Apartment Homes.*
- *We need to add more IL in order to spread fixed costs over more units, keep fee increase down, and improve margins.*
- *Our immediate plans include converting vacated skilled nursing units into independent living apartments. Beyond that, we're exploring new strategic partnerships to potentially develop new communities or be included in portions of multi-generational developments.*
- *Reserves are covering cash losses so growth is not on the radar.*
- *Took 45 beds out of SN during pandemic. Financial challenges preclude capital growth. We are actively trying to convert some of our IL to AL over time.*
- *We are in the process of completing a small IL addition to our community. We do not have immediate plans for further expansion. We do, however, intend to decrease SNF beds.*
- *I think that interest rates increasing is going to slow down growth along with the other issues of staffing and the slow recovery from COVID-related challenges.*
- *We are not planning a new CCRC but rather the rounding out of our existing location with unit growth potential. Heavy focus on HCBS*
- *We have found a strong demand for contracts to Life Plan residents living locally who contract for strong long-term Type B benefits without IL in the immediate future. If anything, we could add SN capacity and tap into the off-campus market.*
- *Downsizing of SNF is the result of staffing challenges, especially RNs. Also hospital chains getting into skilled nursing, skilled nursing at home, home health, etc. has decreased the number of referrals.*
- *Our plans were well in motion before the recession and during the pandemic. We were too far down the application stage for gathering entrance fees for our independent living units to put on hold or back out.*

PREPARED BY:
LILY LUDWIG
Research Assistant, Senior Living Research
Ziegler
lludwig@ziegler.com