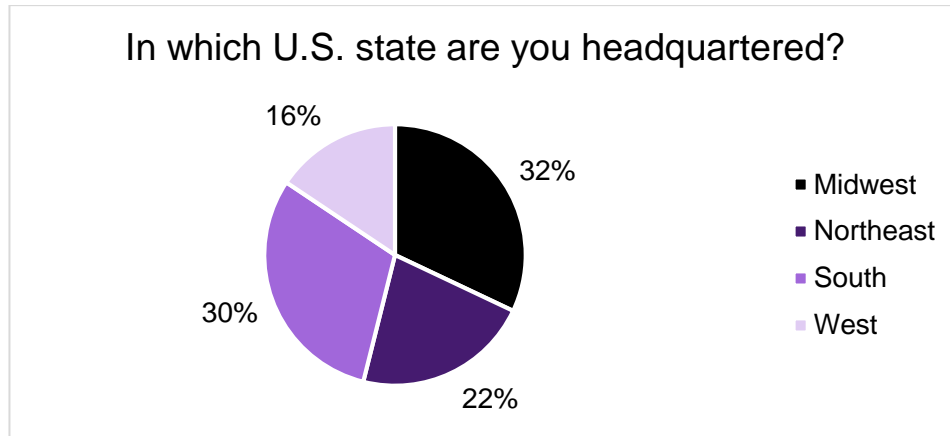


RESIDENT MONTHLY FEE INCREASES

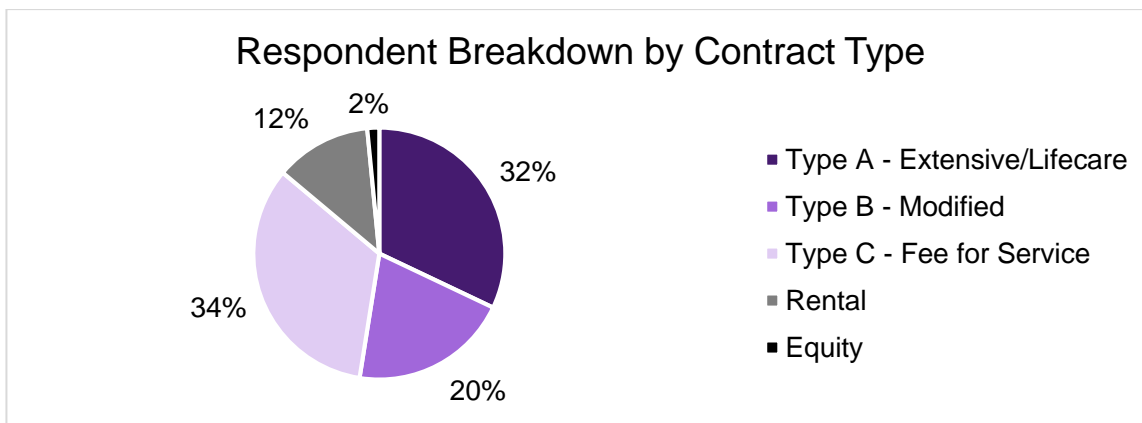
ZIEGLER CFO HOTLINESM

The September 2022 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. Two hundred and sixty, primarily not-for-profit, senior living CFOs and financial professionals from around the country responded to the survey, with 63% representing single-site organizations and 37% 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.

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. This year the Midwest states were most highly represented, at 32%. See the chart below for details.



The next survey question gathered input on the type of contract that is primarily offered to residents within each 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 first table below shows the descriptive statistics of Independent Living monthly fees in recent years, and providers' projections for 2023. For 2022, the median percentage increase in monthly fees, nearly 4.5%, is significantly higher than the typical 3% increase of previous years. The overall average increase, 4.7%, is the highest of the past nine surveys. The projections for 2023, by almost all metrics, are even higher. The subsequent table outlines the 2022 increases that were implemented by level of care (Independent Living, Assisted Living, and Skilled Nursing), and the final table on this page shows the same metrics as projected for 2023.

Percentage Increase to Independent Living Monthly Fees										
Statistic	2023 (Proj.)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Minimum	-15.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1 st Quartile	4.00%	3.50%	2.71%	2.90%	3.00%	3.00%	2.90%	2.80%	2.90%	2.80%
Median	5.00%	4.48%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3 rd Quartile	6.90%	5.50%	3.75%	3.90%	3.80%	3.50%	3.50%	3.50%	3.60%	3.50%
Maximum	12.00%	15.00%	12.00%	10.00%	6.88%	6.00%	8.00%	5.50%	6.50%	5.00%
Average	5.33%	4.70%	2.98%	3.26%	3.14%	3.17%	3.12%	3.09%	3.16%	3.05%

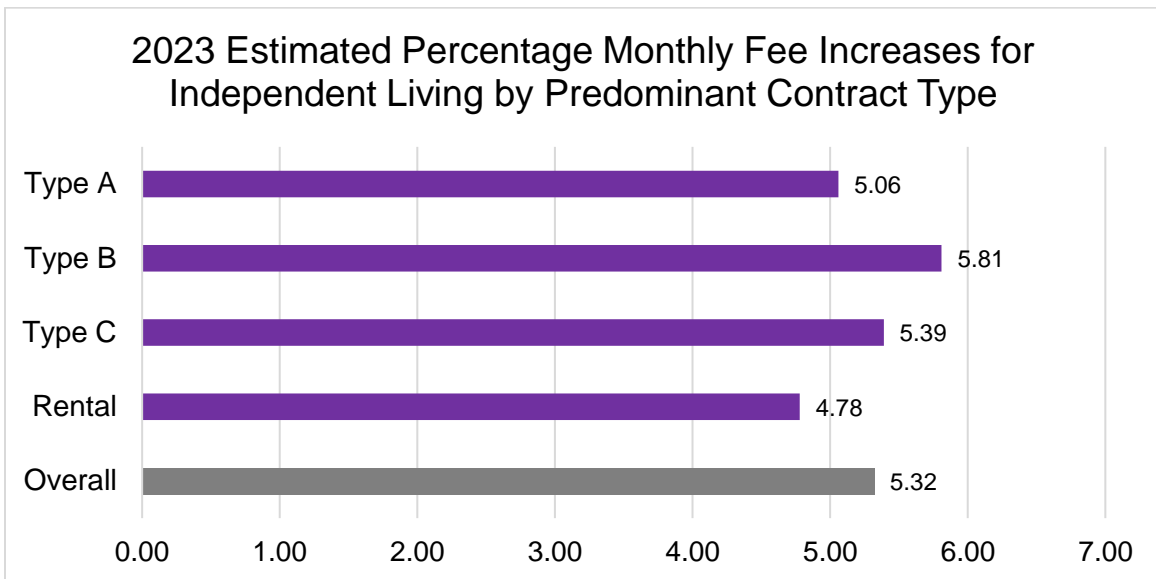
2022 Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	0.00%	0.00%	0.00%
1 st Quartile	3.50%	3.50%	3.50%
Median	4.48%	4.30%	4.50%
3 rd Quartile	5.50%	5.50%	5.75%
Maximum	15.00%	10.00%	15.00%
Average	4.70%	4.65%	4.71%

2023 Estimated Percentage Increases by Care Level			
Statistic	IL	AL	SN
Minimum	-15.00%	0.00%	0.00%
1 st Quartile	4.00%	4.00%	4.00%
Median	5.00%	5.00%	5.00%
3 rd Quartile	6.90%	6.98%	6.81%
Maximum	12.00%	12.00%	12.00%
Average	5.33%	5.40%	5.33%

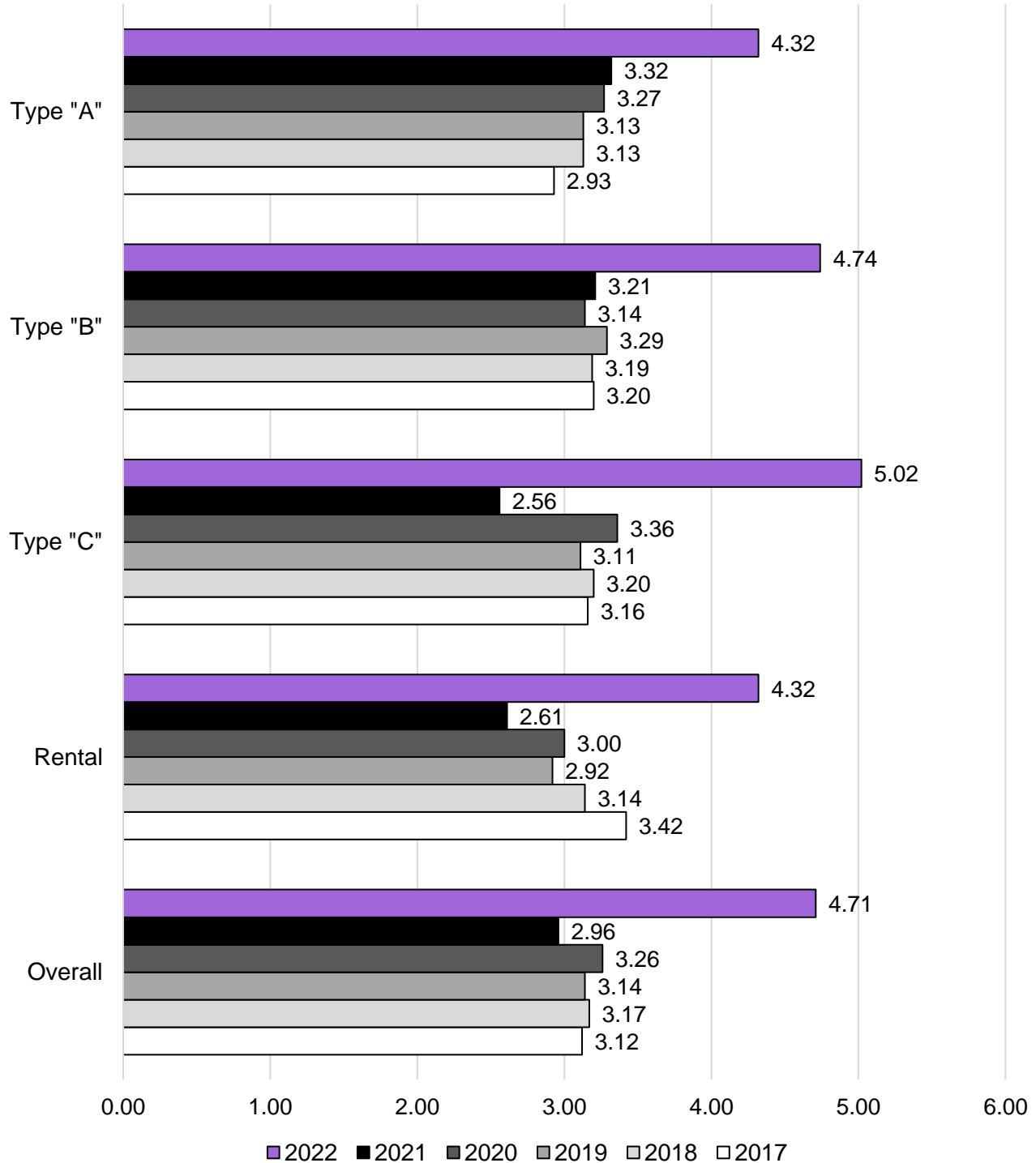
The table below showcases the monthly fee increases for 2022 and projected increases for 2023 broken down by geographic region, for all care levels.

Average Increases by Region		
	2022	2023 (Projected)
Northeast	4.12%	4.40%
Midwest	5.06%	4.90%
South	4.32%	6.15%
West	5.45%	5.87%

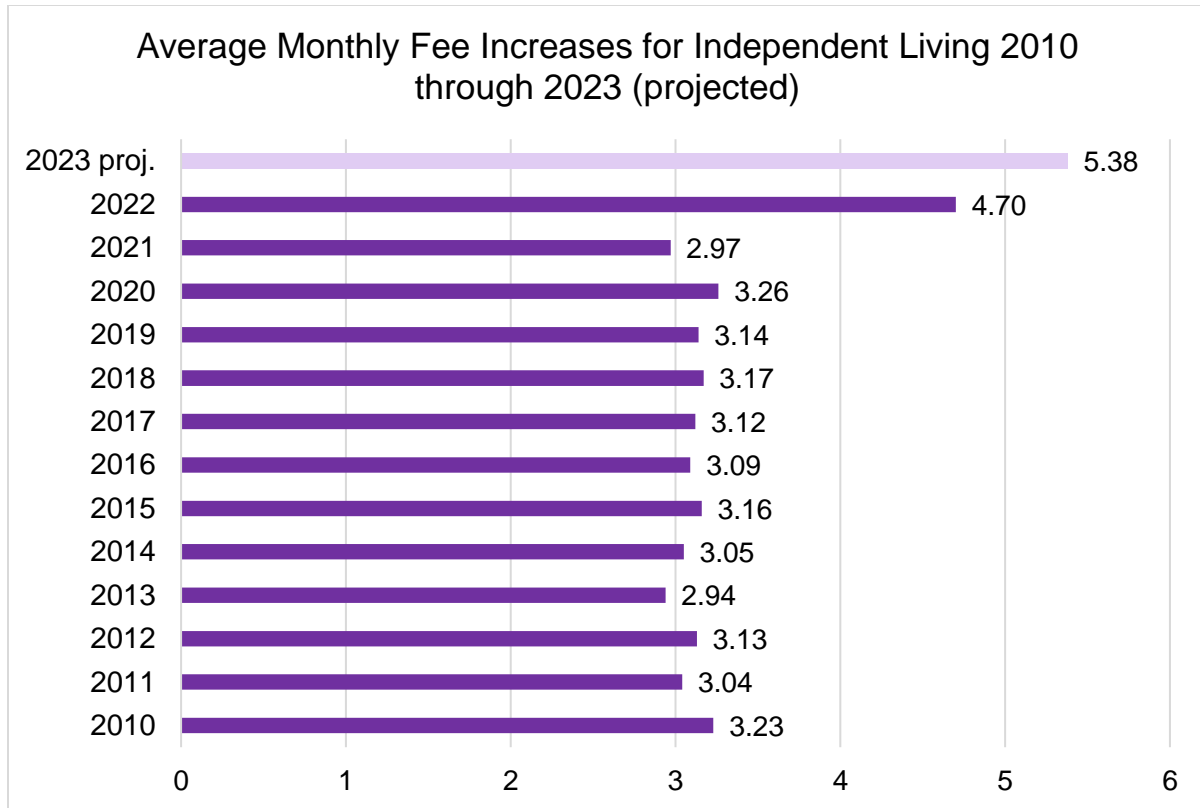
Below is a breakout of projected fees for 2023 by primary contract type for Independent Living, and on the following page are the contract type breakouts from 2017 to 2022.



Monthly Fee Increases for Independent Living by Predominant Contract Type 2017 to 2022



The following graph shows the overall average monthly resident fee increase from 2010 through the 2023 projection.

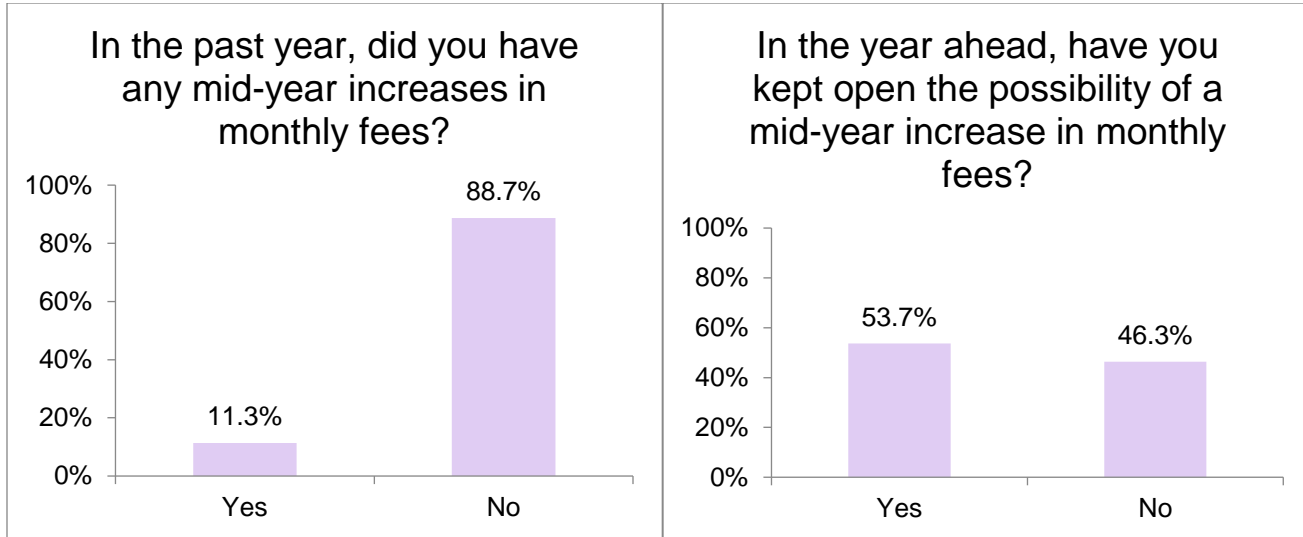


When asked what would likely be the primary driver of monthly fee increases in the year ahead, providers had a variety of responses. Consistent with previous years, most pressing by far was increased wages for employees. Finding new staff was also a concern. Inflated cost of food, utilities, and supplies were factors in fee increases, as general inflation was a theme throughout. The table below summarizes the top responses for primary drivers of monthly fee increases; respondents could list multiple drivers.

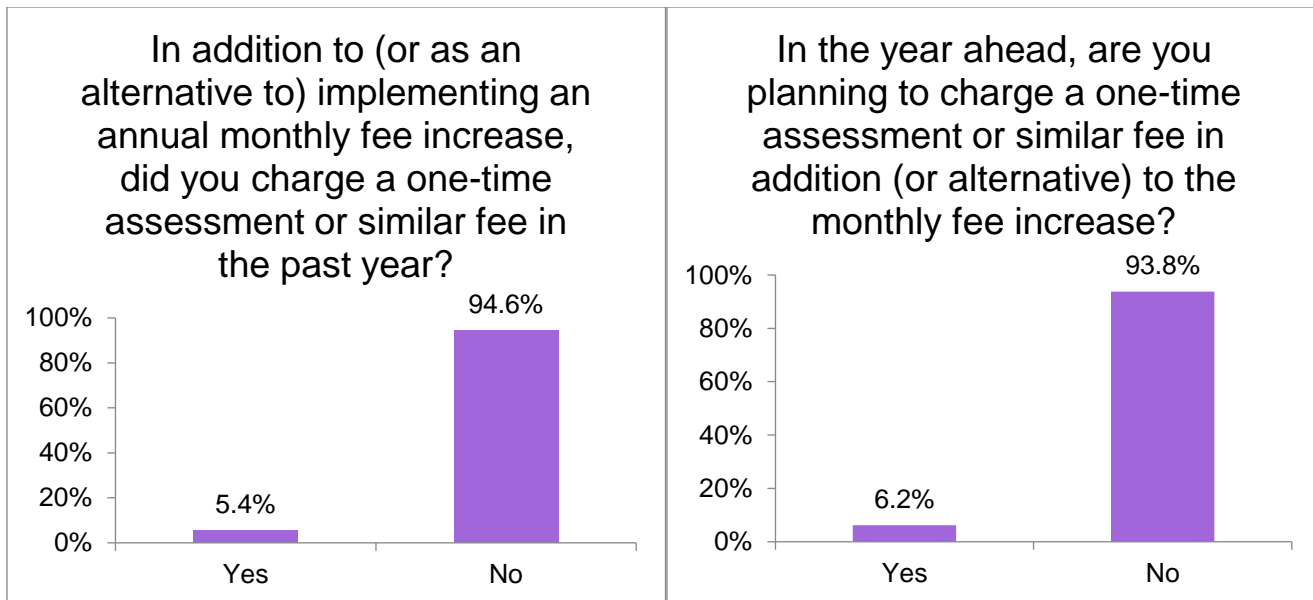
Primary Driver of Predicted Fee Increases	# Of Mentions
Wages/Labor	186
Inflation	123
Food Costs	22
Utilities	14
Supply	13
Employee Benefits	10
Services	8
Insurance	4

The next five questions prompted respondents to answer yes or no regarding mid-year increases, one-time increases, and fees for incoming residents.

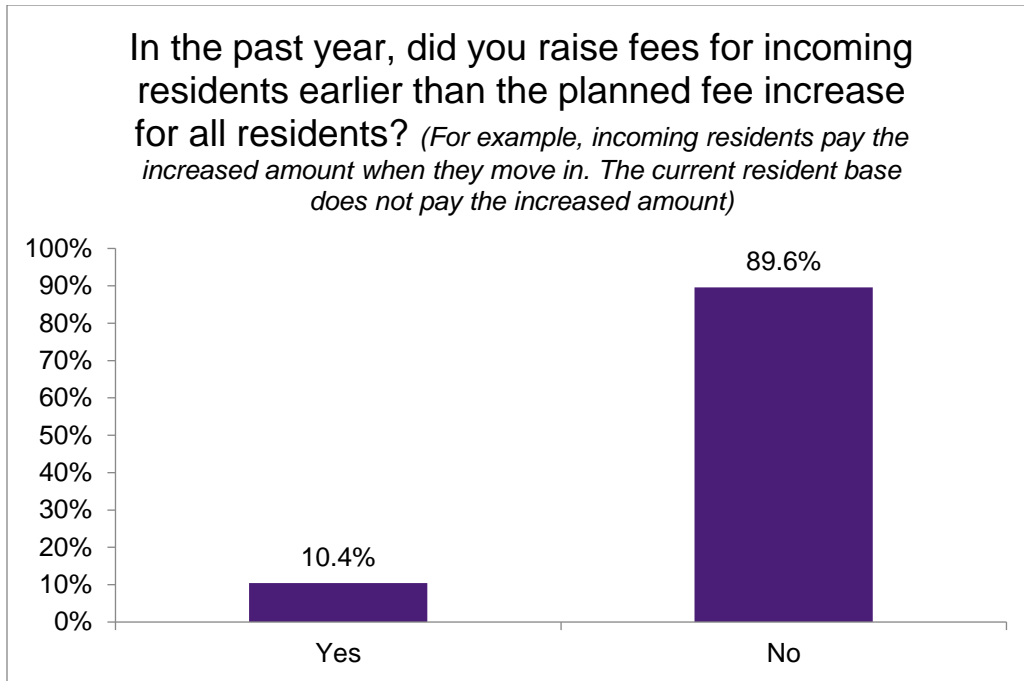
Only one in ten providers had a mid-year increase in monthly fees this past year, yet all were split nearly 50/50 on whether a mid-year increase was a possibility in the year ahead.



The vast majority of respondents did not implement a one-time assessment or fee this past year, nor do they plan to next year.



When asked whether they had raised fees for incoming residents before other residents, only about 10% said they had.



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

- *Monthly fee pressure is coming from all possible angles. Wage inflation is leading the charge, but food, utilities, and insurance costs are not far behind. Further, contracted services (security, valet, landscaping, disposal, etc.) are passing along larger increases as they're dealing with the same pressures.*
- *We are prohibited under our contracts to do more than one increase per year and not a calendar year-end. Otherwise, we would have timed increases with COLA adjustments.*
- *Due to extremely high agency usage in the 4th quarter 2021, we made the decision to raise all nursing salaries in AL, AL Memory Care and Skilled Nursing by \$3.00/hr. for all nursing staff. This was necessary to curb the unprecedented agency that was needed to fill many open positions that we could not fill any other way. As a result, this and many other inflationary pressures to wages and all expenses will create above-average rate increase for 2023.*
- *We are considering a MF increase + a surcharge for utilities/food that may be discontinued if costs deflate during 2023.*
- *We have had to increase wage scales for nursing staff, housekeeping and maintenance. We are hoping these things will help us fill vacant positions. In addition, we are battling inflation on all sides, from utilities, insurance and supplies, etc.*
- *Lack of adequate reimbursement from Medicare/Medicaid/Managed Medicare forces higher increases on to private pay residents.*
- *Inflation is secondary to the adjustment to salary and wages (including increased shift differential, sign-on bonus and referral bonus).*
- *Our contracts only allow fee increases once per year. This was the highest percentage increase our residents have ever received. Staffing pressures and overall inflationary pressures will continue to drive resident fee increases. Our outlook for 2023 isn't very rosy at this point, which could result in another large percentage increase in rates.*
- *We are seeing increased costs in nearly every category so we are passing the extra costs along to residents. For the most part, they understand the increase and it has not negatively impacted occupancy.*
- *We plan to increase monthly service fees 4% every 6 months until inflation stabilizes.*
- *Planning to increase Dining fees above normal regular increases - exact magnitude to be determined.*
- *Very concerned that we might have to scale back or close some of our SNF's due to the lack of labor and the price of labor.*
- *As our census kept decreasing, we decided to lower fees to gain more incoming residents.*
- *We have made a huge effort to educate and "prepare" residents for larger than typical increases due to inflation and the labor market. They were still outraged at our increase despite it matching inflation - and of course, they do not want to give up any services in order to reduce costs. I anticipate that this is going to be an increasingly difficult issue to tackle in the CCRC world in upcoming years and wonder how it will affect the senior living workforce. It is getting more difficult as the finance person to want to work in this environment.*

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