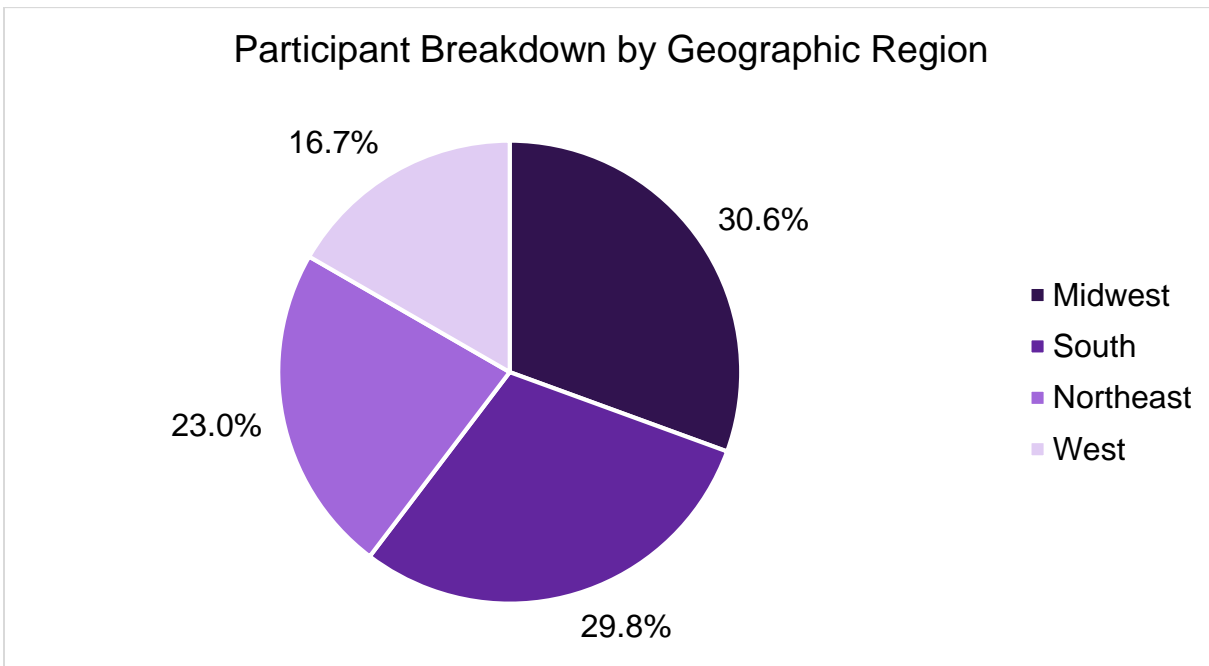


RESIDENT MONTHLY FEE INCREASES

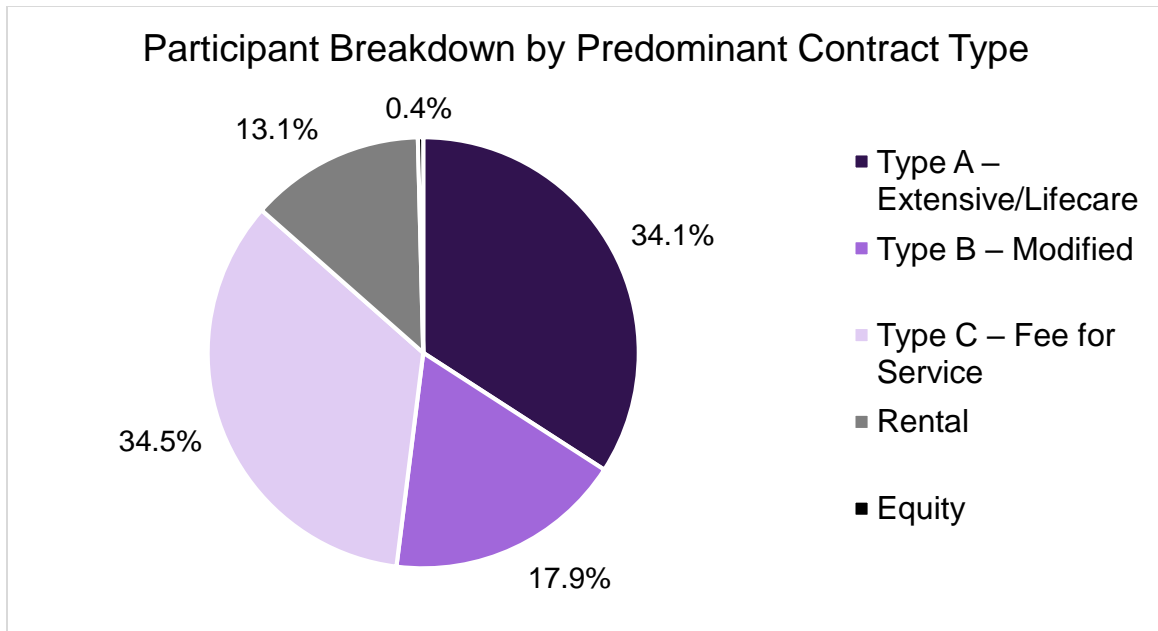
ZIEGLER CFO HOTLINESM

The April 2023 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, generally conducted in the early fall of each year. This is the second consecutive year that Ziegler has gathered feedback an additional time in the spring to complement the usual Monthly Fee Increase report released in the fall. Over 250 not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 64% representing single-site organizations and 36% with multi-site organizations. This summary report provides data received from the current survey and also details the historical comparison of fee increases from previous years. Note that the current survey contained questions on the percentage in increase regarding Independent Living units only.

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, the Midwest and South regions were most highly represented, at about 30% each. The remaining respondents were from the Northeast and West regions.



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, though there is adequate representation for Type B and Rental contracts as well. Only one respondent (less than 1%) represented an Equity contract. Their data was still collected and used to find general averages but the “Equity” category will not be included in the breakout graphs. Contract type 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 table below details Independent Living monthly fee increases in recent years. For 2023, the median percentage increase in monthly fees, 6%, is up from previous years. The quartile ratings and overall average also show a pattern of inflation.

Percentage Increase to Independent Living Monthly Fees											
Statistic	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Minimum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1st Quartile	5.00%	3.50%	2.71%	2.90%	3.00%	3.00%	2.90%	2.80%	2.90%	2.80%	2.50%
Median	6.00%	4.48%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3rd Quartile	7.90%	5.50%	3.75%	3.90%	3.80%	3.50%	3.50%	3.50%	3.60%	3.50%	3.50%
Maximum	13.00%	15.00%	12.00%	10.00%	6.88%	6.00%	8.00%	5.50%	6.50%	5.00%	5.00%
Average	6.32%	4.70%	2.98%	3.26%	3.14%	3.17%	3.12%	3.09%	3.16%	3.05%	2.94%

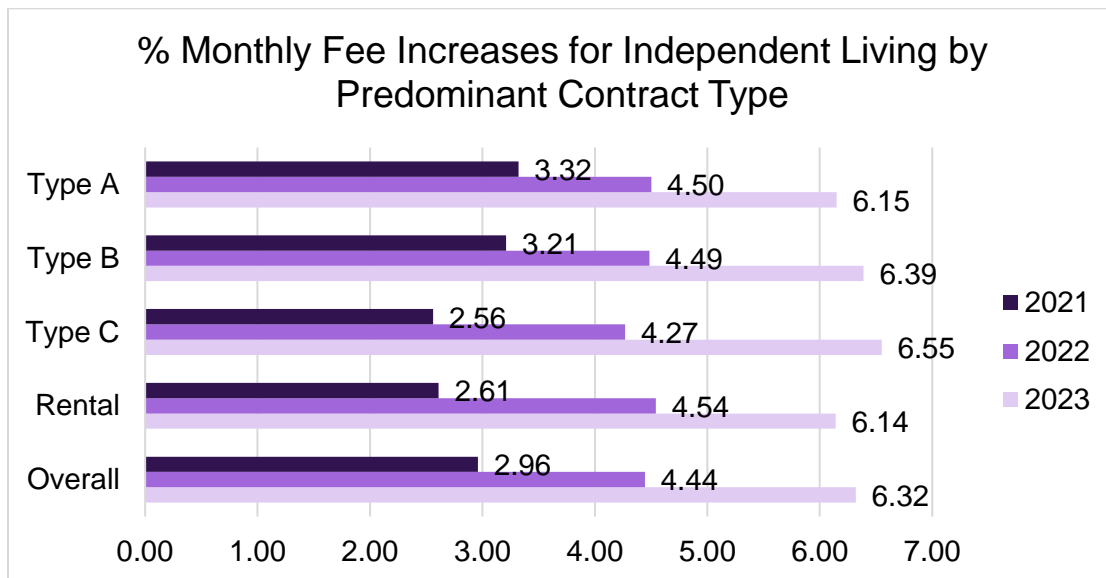
Not only are the fee increases higher than previous years, they are higher than predictions cast just last year. In the September 2022 edition of the Ziegler CFO HotlineSM, providers were asked how much they anticipated to raise their independent living fees in 2023. Those predictions are detailed in the table below, alongside the actual numbers reported in March/April 2023.

Monthly Fee Increases Overall (IL)		
	2023 (Projected)	2023 (as of April)
Median	5.00%	6.00%
Average	5.33%	6.32%

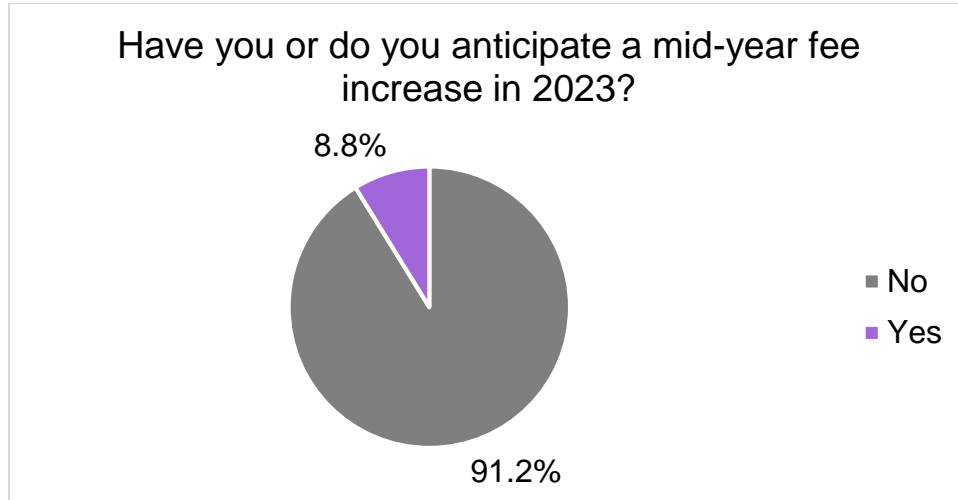
This next table showcases the predicted and actual monthly fee increases thus far for 2023 broken down by geographic region.

Average Increases by Region (IL)		
	2023 (Projected)	2023 (as of April)
Northeast	4.40%	5.71%
Midwest	4.90%	6.36%
South	6.15%	6.45%
West	5.87%	6.86%

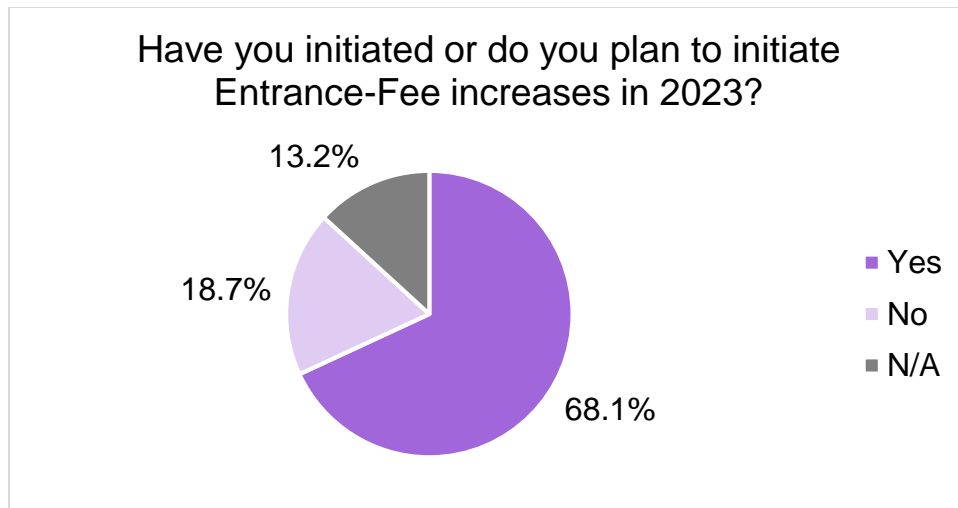
Below is a breakout of fee increases by primary contract type. All types have or plan to increase their monthly fees significantly more in 2023 than they did in 2022 (which was already significantly more than in 2021).



The vast majority of communities do not plan to implement a mid-year increase, as shown in the following chart.



When asked whether they planned to initiate entrance-fee increases in 2023, over two-thirds of respondents answered affirmatively. The remaining organizations either have no plans to increase entrance fees or do not have such contracts in the first place.



Those who answered “yes” to the question above were then asked to enter the average amount of increase they plan to implement. The statistical breakdown of those answers is below.

Average Mid-Year Entry Fee Increases 2023	
Minimum	<i>2.00%</i>
1st Quartile	<i>4.00%</i>
Median	<i>5.00%</i>
3rd Quartile	<i>7.88%</i>
Maximum	<i>33.00%</i>
Average	<i>6.48%</i>

Respondents were also able to share additional comments regarding monthly fee increases. Below is a sampling of these. Comments may be edited for length or minor grammar issues.

- *We tried to keep fee increases lower through the pandemic. We averaged about a 5% increase but we needed a more significant increase as costs continue to rise particularly for labor.*
- *We materially adjusted entrance fees for 2nd person to the market and realigned our entrance fees to better reflect the market and pricing across our inventory and fee schedule.*
- *In addition to IL rate increases, our AL/ SNF rates increases were more significant given those levels of care observed our most challenging expense increases.*
- *Continued across the board inflation coupled with state mandated minimum wage increase putting extreme pressure cost structure with few options to mitigate other than raising rates and evaluating service delivery options in IL.*
- *We are in the process of doing a market study and pricing analysis to determine the appropriateness of our monthly services fees, entrance fees, and overall pricing structure for our target market area and demographic.*
- *Wish we had done more. FY24 is going to be higher.*
- *We expect a higher increase this year due to labor cost pressures.*
- *Delayed from Jan 1 to April 1 this year because we were evacuated due to Hurricane Ian. Will revert to Jan 1 next year.*
- *Encouraging leadership to keep up with the rate of inflation.*
- *Entrance fee adjustment was put in place only for 2nd person fees. 1st person (or single occupant) entrance fees were not adjusted.*
- *Inflationary pressures continue to put strain on the annual budget. Nursing rates (mainly RN and LPN) hourly rates continue to increase significantly and although we completed a salary survey and made adjustments, we feel that we need to review on a quarterly basis to keep up with the competition surrounding us.*
- *We continue to experience pressure for higher than normal wage increases while experiencing increase in other services like food cost, linen, laundry, etc. Utility cost are also on the rise.*
- *Not going to get to much better in 2024.*
- *Our historical increases have not kept up with price and inflation increases which is too late to do a big catch up. If we were to truly price our R&B today - the increase could cause a significant impact on census and if our competition did not do the same - would really price us out of the market.*
- *We have increased EFs about 15% over the past 18 months with minimal market pushback to better align with rapid increases in home prices...we did outsize monthly fee increases as well again with minimal pushback as residents understood the inflationary market forces at work.*
- *We are only able to raise fees once a year per our contracts.*
- *It was the largest increase in 25 years, prompted by wage and price inflation pressures.*
- *We already wish we had increased the fees a bit more.*

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