



2022 Senior Living Conference

Market and Operational Trends in Senior Living

October 6, 2022



# Market and Operational Trends in Senior Living

Chad D. Kunze, CPA – CLA (CliftonLarsonAllen LLP)

*We'll get you there.*



# Chad D. Kunze, CPA

## Principal – Health Care

### CLA



Over 28 years serving Senior Living and Care Providers  
throughout IL and throughout the country

Oak Brook, IL



[CLAAconnect.com](https://CLAAconnect.com)



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# Topics For This Session

1

Understand market trends and the changing landscape of senior living nationally, regionally, and locally

2

Understand senior living operational and financial trends through the period of COVID-19

3

What are the key factors for Senior Living and Care Providers to address?





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# Market and Demographic Trends

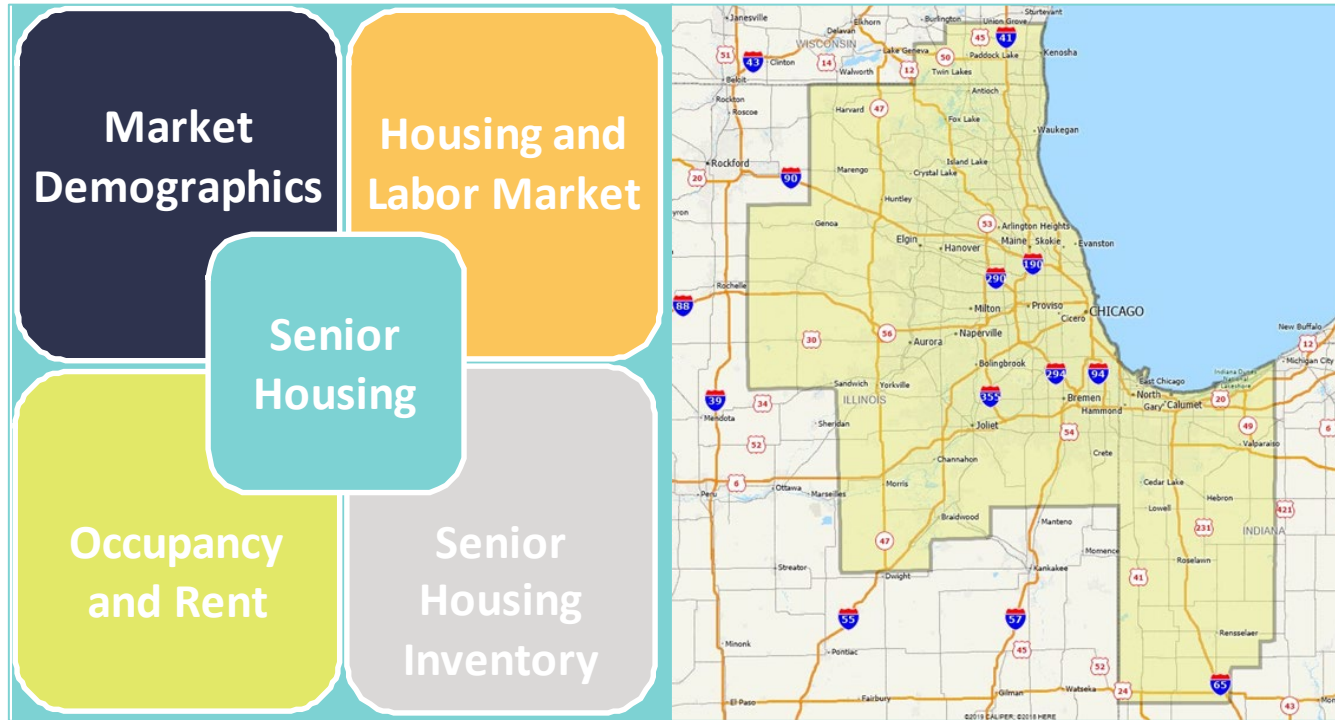
Through Q2 - 2022

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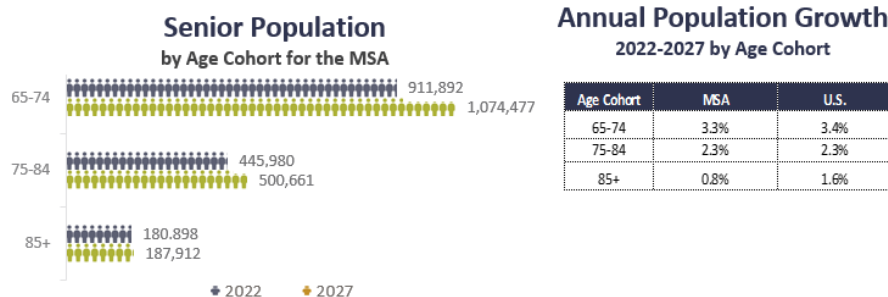
# Market CLarity Key Metrics: Senior Housing

*Chicago-Naperville-Elgin, IL-IN-WI MSA – Q2 2022*

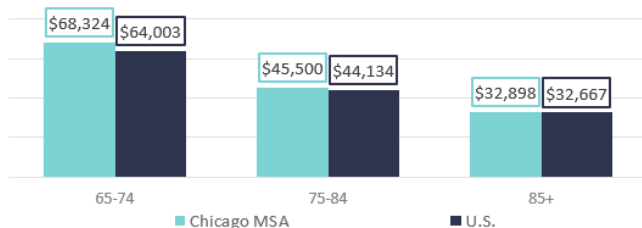


# Market Demographics

Senior population growth and household income by age cohort are important factors in identifying future demand for senior housing in a market, along with the price point they can afford. A May 2019 article from Senior Housing News indicated, the average move-in age of a resident entering senior housing has increased from 78 to 83 over the last decade.



## 2022 Median Household Income by Age Cohort

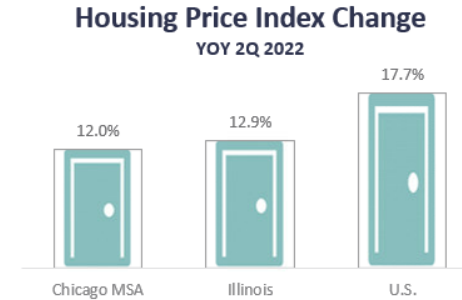
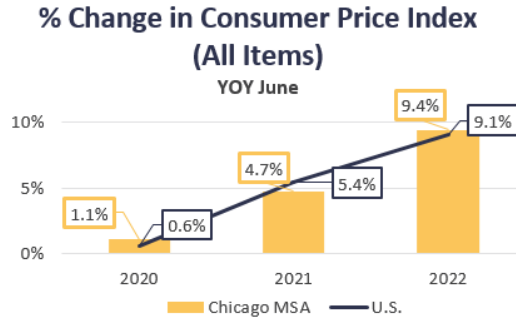
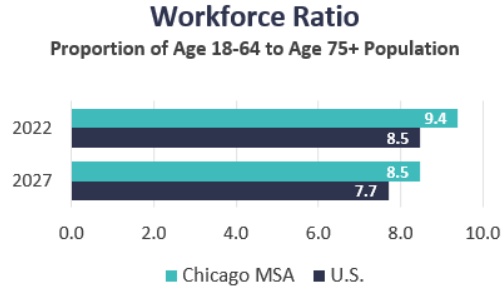


Source Data: Envirionics Analytics and Senior Housing News



# Housing and Labor Market

Economic conditions in a market can impact an organization's operating performance and senior housing demand. Workforce availability and inflation are notable challenges.



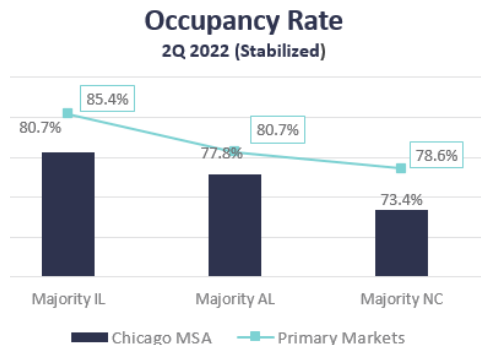
Source Data: Envionics Analytics and Bureau of Labor Statistics.  
P = Preliminary Data





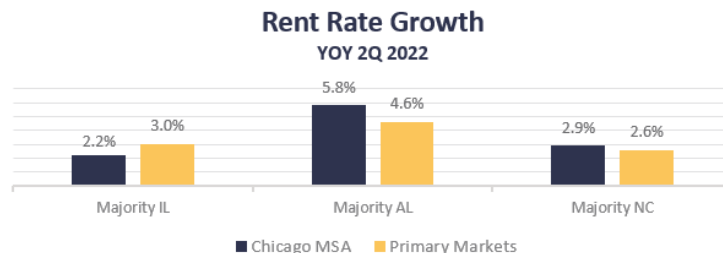
# Occupancy and Rent

Market occupancy is generally considered stable at 95 percent for independent living and 93 percent for assisted living. Second Quarter 2022 occupancy rates continue to reflect the impact of COVID-19 on all levels of care in many markets.



**Occupancy Change**  
YOY 2Q 2022 (Stabilized)

Care Level	MSA	Primary Markets
Majority IL	-1.1%	1.7%
Majority AL	2.8%	3.8%
Majority NC	2.3%	3.7%



Legend: Primary Markets = Aggregate of data for 31 large core-based statistical areas (CBSAs) across the United States. IL = Independent Living, AL = Assisted Living, NC = Nursing Care  
Source Data: NIC-Map® Data Service, For more information on the NIC MAP® Data Service, please visit [www.nic.org/nic-map](http://www.nic.org/nic-map) or call 410-267-0504.

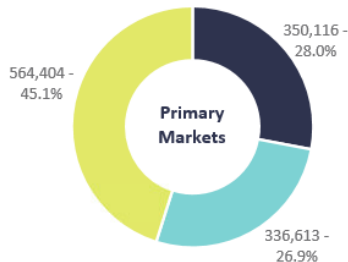
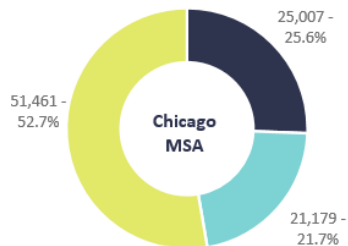


# Senior Housing Inventory

Existing inventory and construction activity can provide insight into the health of senior housing in a market, as well as the appetite for new investment.

## Existing Inventory

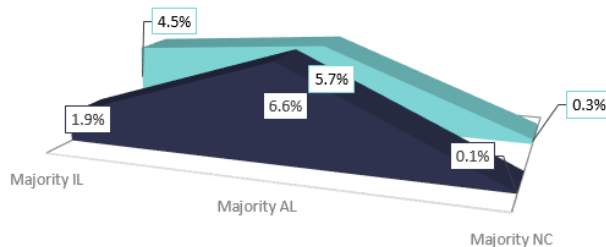
2Q 2022



■ Majority IL ■ Majority AL ■ Majority NC

## Construction as % of Inventory

2Q 2022



■ Chicago MSA ■ Primary Markets

## Inventory Growth

Annualized 1Y through 2Q 2022

Care Level	MSA	Primary Markets
Majority IL	0.5%	1.4%
Majority AL	1.5%	2.1%
Majority NC	-0.4%	-0.7%

Source Data: NIC-Map® Data Service, For more information on the NIC MAP® Data Service, please visit [www.nic.org/nic-map](http://www.nic.org/nic-map) or call 410-267-0504.





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# Senior Living Trends

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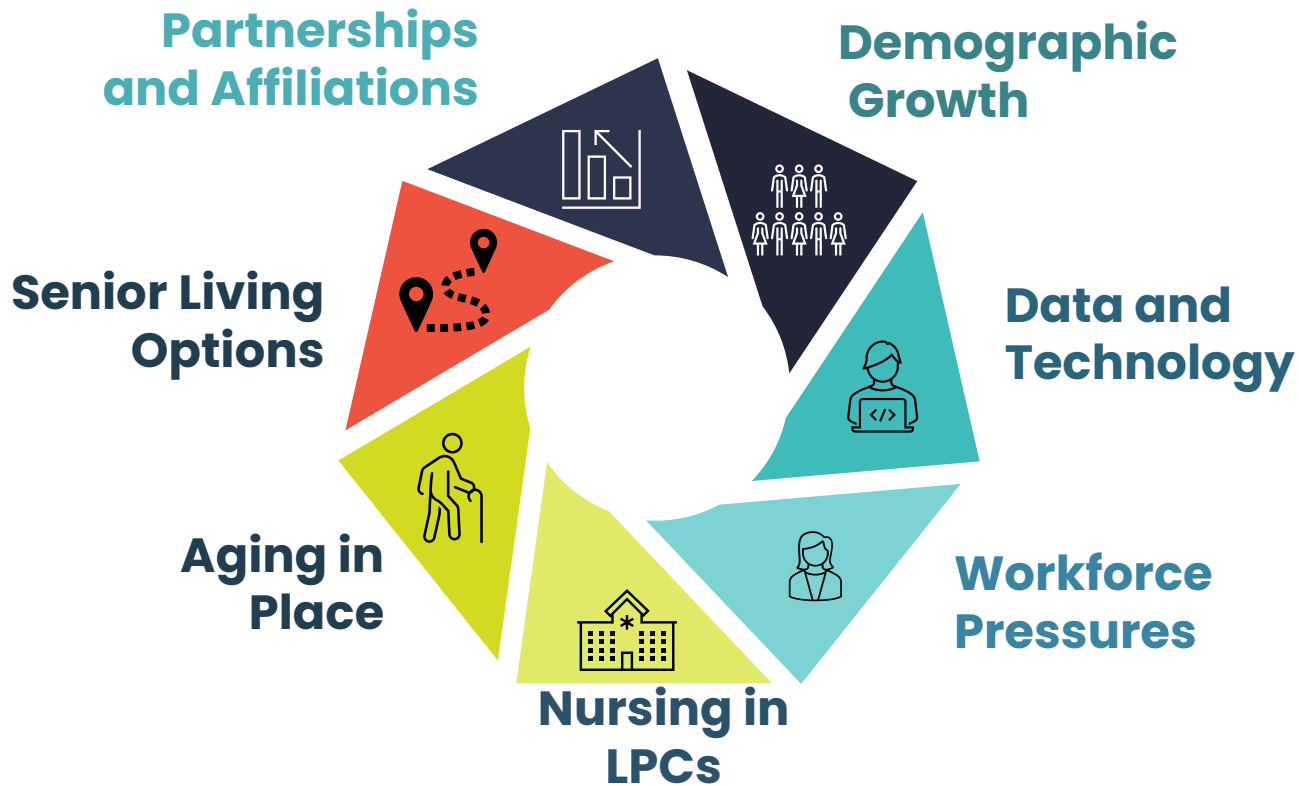
# Senior Living Trends Background

- Surveyed LPC Communities in February/March 2021
- 110 respondents
  - Primarily C-Suite Respondents
- Survey focused on 7 Trends... We wanted to hear what providers had to say!





# Senior Living Trends - 2021

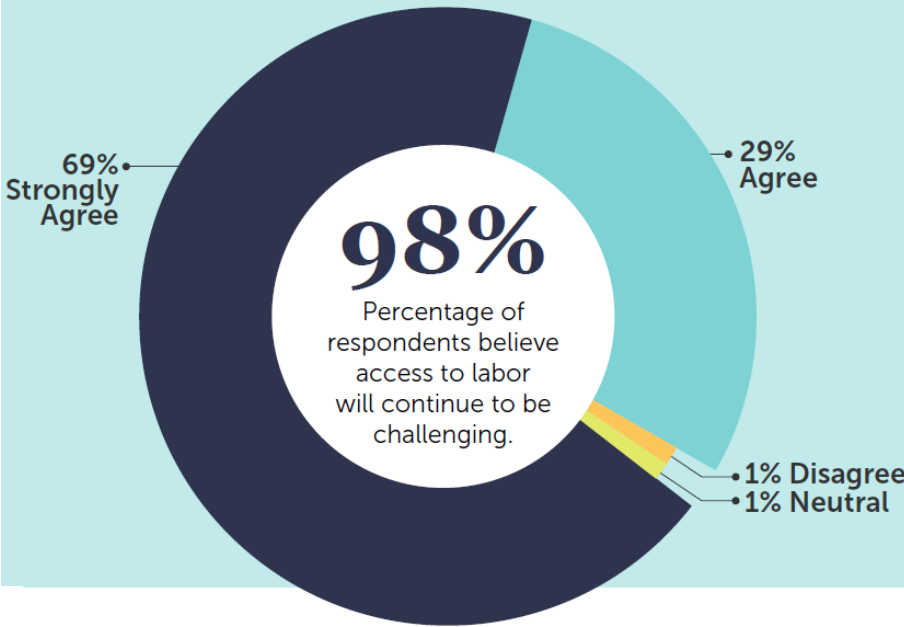




# Workforce Pressures

## Access to labor will be a considerable challenge in the future.

Perhaps not surprising in light of the industry challenges related to COVID and labor, a near-totality of the survey pool considers access to labor a considerable challenge in the future.



What percentage of your current frontline (hourly) positions are unfilled?



Establish formal employee engagement process.





# Workforce Pressures

## CLA Considerations:

Access to labor and the economics around operating an LPC where labor can be as much as 70% of operating costs requires constant diligence around your local markets.

- Stay current with local market demand for labor and associated costs.
- Pursue industry best practices for employee engagement.
- Consider an overall pay package that is attractive in the marketplace.
- Evaluate the needed changes in labor costs and find offsets. This can either make one less affordable in the marketplace or lead to increased technology investments to help offset labor costs and reduce needed head counts.
- Consider and quantify cost of turnover.
- Size the impact of mandated living wage changes to understand the effect on organizational financial performance.
- Conduct an operational assessment to identify areas where production (hours) can be reduced if cost of hours are increasing.





# Workforce Pressures

## CLA Considerations:

- Conduct an operational assessment to identify areas where production (hours) can be reduced if cost of hours are increasing.
- Is your staffing appropriate?
- Verify you are not overstaffed
- Outsourcing options?



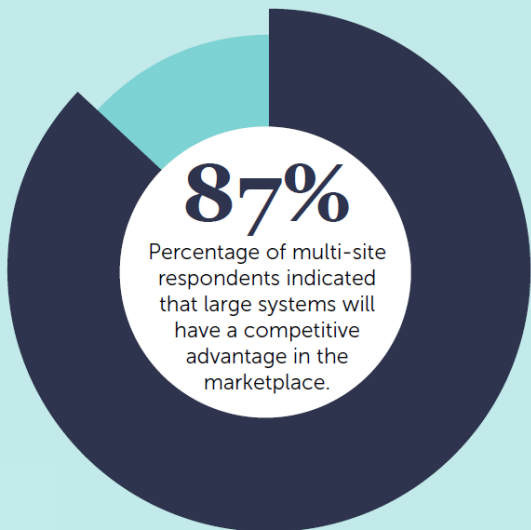




# Affiliations

## Large systems are going to have a competitive advantage in the marketplace.

The LPC arena is divided in opinion as to whether being part of a system is crucial or whether good strategy and execution allows single sites to thrive in their own markets. Responses were split, with no consensus on the “right” answer to this question. Although most single site providers agreed that multi site systems would have a competitive advantage, 59% noted they could thrive as a standalone with 35% offering no opinion. Finally, a plurality of respondents indicated they were considering joint ventures as a means to capture market growth.



*“I think rule of thumb is, if you cannot afford to diversify or advance strategically for sustainability, then your survival is bleak.” – Participant Comments*

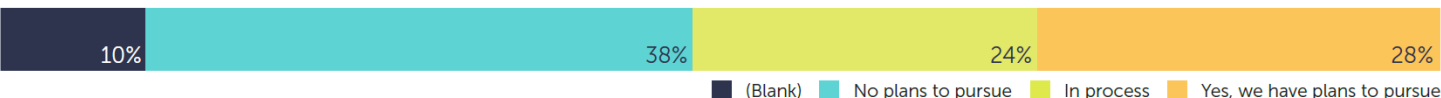
Respondents believe they can thrive and be viable as a stand-alone provider.



Single-site provider plans to affiliate.



Organization is exploring joint ventures to capture market growth.



Note: Data on graphs may not total 100% due to rounding of numbers.





# Affiliations

In common, then, is the importance of a strategy that can be implemented as a key criterion of success.

## CLA recommended action steps:

Comprehensive strategic plans that attempt to position organizations to be viable in their market are key, and financial viability is usually an outcome of staying ahead of the curve from a market or consumer perspective.

With that said, we recommend you:

- Heed your strategic planning process and follow through on your plan. Consider being part of a system if you can't accomplish your strategic plan on your own.
- Build your economic pathway. Utilize capital and resources to their fullest. There should be a competition for the use of capital, and a key use should be constant market repositioning of your community. All facilities need an actionable financial plan that funds key strategies.
- Think of how to leverage resources — both human and financial. Joint ventures or other ways to share in risk and reward can help accomplish what may not get accomplished on your own.
- Build strong succession plans and programs, especially if you're running a single site. Leadership is always at a premium.
- Don't forget that boards need to be working. Develop a strong functioning team, from the board and management to the staff and residents.





# Senior Living Trends - Updated

**Financial Challenges**

**Rate and Pricing Pressures**

**Inflationary Pressures**

**Workforce Pressures**

**Construction Costs**

**Reduced Grant Dollars**

**Cost of Capital/  
Interest Rates**



# Challenges That You May Not Directly Control

- Inflationary Pressures
- Construction Costs
- Reduced Grant Dollars
- Cost of Capital/Interest Rates

Understand how these are affecting you today and also into the future

What can you do to address these challenges?

# Challenges That You Can Control Or Address

- Financial Challenges
- Rate and Pricing Pressures
- Workforce Pressures

Understand how these are affecting you today and also into the future

What actions are required quickly to address these challenges?

# Suggestions

- Rate increases
  - Ignore the past – 3% will not cut it anymore
  - CPI and Social Security increases of 9%
  - Mid year increase?
  - Who and how will you communicate
  - Have confidence in the need for rate increases
  - Demonstrate the benefits and need for rate increases
  - Be consistent going forward in approach and support



# Suggestions (Continued)

- Construction Costs
  - Negotiate on contingency within GMP contract
  - Change orders – identify a cap or limit
  - Regular monitoring (early and often)
  - Early acquisition of materials
  - Consider deposits to lock in materials and equipment
  - Assume sensitivities for escalation in your budget
  - Assign one or two individuals to own the process
  - Continuous collaboration before, during and after construction



# Suggestions (Continued)

- Proactively inform Governance and Stakeholders of the impact to date and projected
- Make up of Governance – do you have the right members involved and are they actually involved
- How have these challenges affected your Strategic Plan – You have one right?





# Suggestions (Continued)

- Transitions upcoming? – Is there a transition plan in place
- Proactively address affiliation and merger (no matter what side of this you may be on)
- Collaboration is important – Don't go it alone
  - Associations (Like LeadingAge IL)
  - Consultants
  - Vendors
  - Lenders





In Closing

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# Challenges and Opportunities

Collaboration is the key  
Don't go it alone!



# Thank you for the time together today!

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