IF I COULD DO IT OVER

The Senior Living Community Sentiment Report

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Survey of independent living residents, prospects and staff this summer revealed that 77% of residents were glad to be in a community, 74% of prospects still plan to move in within two years, and 90% of staff were glad to work there.

Knowing what we know now after 10 months of living with the pandemic, if we now could magically blink our way back to February, what would we have changed about where we live and work? Who would we want to have closest to us for peace of mind and for help when needed? What items would we have procured ahead of time to make our homes more comfortable and secure? How differently would we have structured our days and finances to better cope with the long, uncertain period ahead? These are questions that have been asked over and over millions of times and the right answers vary with each circumstance. But we find some commonality among those in senior living communities, and share our key findings below.

With foreknowledge, no doubt quite a few of us would have taken swift action to properly brace for the lockdown and do everything we could to avoid the lack of supplies, the loss of businesses and jobs and lives, the forced separation from friends and loved ones, the threats suddenly posed by strangers breathing near us, the trade-offs between paying the mortgage, making car payments, and buying food or medicine. Some of us would have fled from small apartments in the city to farms in the country, cozy cottages by the sea, or some type of family compound or safe space. We would have insisted that our closest friends and precious family be nearby, that our children had others to study and play with. If we were in fear of losing our jobs, we might have quickly jumped at job openings at Amazon or Zoom. In our perfect world, on the pandemic version of our Santa List, there would be stockpiles of goods and extra laptops and bandwidth, stricter schedules for exercise and learning, more pets and gardens, sanitized helping hands everywhere, maybe a sewing machine, a boat or some golf clubs.

These past months have made us all appreciate how important it is to feel safe and secure, and to have peace of mind and some freedom. None have felt this more than the ones who have been at most risk from coronavirus -- our seniors, those over age 65 and, in particular, those with underlying conditions, and those over age 85. Their losses have been heart-wrenching. There has long been a tendency to isolate our frail elders, to treat them as an afterthought or effectively de-prioritize them in the process of emergency planning, preparedness and response. We as a society, and those of us in the industry, need to rethink how to better care for our frail elderly and understand how they are faring. This is a matter of urgency for every community and our aging nation as a whole. By 2050, it is estimated that more than 20 percent of the population in the United States will be 65 years or older, compared to only 15.6 percent today.

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We have quite a bit of data from federal and state reporting agencies on the impact of COVID on our regulated skilled nursing, assisted living and memory care facilities, but literally no information on independent living communities aside from what they individually elect to report on websites or in 10-Qs and EMMA disclosures. Having access to regular data on testing results, recoveries and deaths regarding residents and staff is of critical importance to not only to the residents and employees of these communities but also to prospective residents and staff and to all their shareholders and bondholders. We encourage providers to disclose relevant monthly data and management commentary to all stakeholders and we congratulate those who have been most transparent in reporting. We believe these managers and facilities will benefit from greater capital market access, support and pricing in the years ahead as a result.

Among the options available to those over 62 are life plan communities or continuing care retirement communities. Millions of dollars each year are spent on marketing these facilities to those nearing and past retirement age, promoting the benefits of an active lifestyle on a campus with a wide range of programs, services and care. Some are pricey destination locations, others affordable rentals. Some cater to those of specific faiths, those with military service, or alumni of certain universities. Some are for-profit, most are non-profit, some have a la carte services payable monthly, others require the payment of entrance fees with monthly charges and various percentage refund plans. Some are standalone and managed in-house others are part of a larger system with outsourced management. The differences among them are vast, but there are countless news stories which lump them all together as long-term care facilities dubbed "giant petri dishes" and "tinderboxes" that have turned their residents into "sitting ducks" and where COVID-19 has spread "like fire through dry grass."

Were these communities good places for seniors to be during the pandemic?

Are residents there happy with their choices? Did they get out? Did they – and do they – prefer to be elsewhere?

The first major U.S. breakout in a senior care facility occurred in Kirkland, Washington at a Life Care Centers of America nursing home back in mid-February and events set off alarm bells across the country. Local, state and federal officials put together different methods of counting and defining cases and it was not until early May that the Centers for Medicare and Medicaid Services mandated weekly reporting by those facilities that they regulate. Until then, local news outlets took it upon themselves to keep the case counts. Afterwards, it became clear that thousands of facilities were still under the radar, uncounted in the totals but placed by the fearful public under the same dark cloud. Many of those who were thinking of moving into any type of senior living or care community put plans on hold if possible. As preventive and protective protocols were put in place and restrictions imposed, it became difficult, inadvisable and then practically impossible to move in, visit and, in some cases, leave. This was extraordinarily hard on those who were quarantined, the family members who were desperate to visit, and those who would become grief-stricken in enforcing the lockdown rules. For outsiders, including many stakeholders, all we had were anecdotes in press reports.

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By July, enough time had passed that the real stories could be told. HJ Sims participated in sponsoring the Senior Living COVID-19 Sentiment Report which surveyed more than 3,500 independent living residents who had an average of 5.4 years in the community, more than 700 prospects who had lived an average of 21.2 years in their own home, and over 700 staff, in 70 communities on their thoughts and feelings about congregate living during the pandemic:

- *93% said that their community took all precautions to keep them safe. 88% felt that the staff and location of the community was important to them. 84% said they felt safe and secure. 78% said they felt that living in the community gave them peace of mind. 77% of residents agreed that they were glad to be in a community although 68% admitted to feeling social isolated.*
- *57% of prospects were glad they made the decision to stay at home, but 35% felt unsure of their decision. 69% felt safer at home yet 60% said they were fearful of going shopping during the stay-at-home orders. 74% reported that their time frame for a move has been unchanged, with 69% indicating that their time frame is still within 2 years. Prospects state that the most likely factors that would accelerate their decision to move to a community are a change in health status (40%), the availability of a preferred residence (33%), the burden of ongoing home maintenance (26%), and the loss of a spouse (23%).*
- *92% of staff felt their community responded well to the pandemic and 90% were glad to work there.*

As the no-holds-barred effort to develop vaccines and treatments proceeded, the pandemic raged on. Providers responsible for the safety of residents and staff juggled new protocols and nearly impossible procurements, meal preparation and delivery, staffing shortages, grant, loan, and line of credit applications, virtual tours, hospital referrals, quarantine timing, web re-design, media inquiries and resident communications. Rapid, transparent, and regular reporting became and remained essential. Managers had to become proficient in medical as well as financial triage. There were demands, requests, needs and priority needs, and plenty of feedback was received from residents as well as prospects, owners and lenders as days turned into weeks and stretched into months. Operational adjustments were made and success could be measured one hour at a time as a result of hand sanitizer stations within every reach, more frequent hospital-grade disinfecting, daily testing, fever screening, PPE and Facetime training, ultraviolet light, hero pay.

New pandemic-related costs, coupled with the loss of revenue stemming from the halt in elective surgeries that has historically led to lucrative, Medicare-reimbursed nursing rehab stays, and the inability to attract new residents to fill vacant units due to restrictions on visitation and safety concerns has had an impact on every senior living community regardless of type, location or rating. Federal CARES Act funds, PPP loans and advance Medicare payments along with additional state aid, private grants and charitable donations have offset many of these costs so far. Some organizations struggle with insufficient staff and some only have a week's worth of PPE supplies on hand. It is likely but not guaranteed that further federal stimulus will be provided and unclear which facilities will benefit.

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Given the ongoing stress, Municipal Market Advisors expects defaults and impairments in this sector to remain elevated through at least the first half of 2021 as occupancy rates struggle and government assistance runs out. They cite a growing incidence of reported covenant issues and /or waivers, forbearance arrangements and other pre-default actions foreshadowing an uptick in restructurings leading to negative credit perception and price performance. So far this year, MMAs reports that "retirement homes" constitute almost 40% of all total 2020 municipal bond defaults.

The first vaccine is just rolling out and a second appears to be on the way.

This is great news for everyone who lives, plans to live in, works in, invests in and serves senior communities. But there are new pressures on providers in working with pharmacies to administer the vaccine and then to monitor for side effects and efficacy. Feedback from residents, families, prospects, investors and colleagues continues to flow in. Coping with the evolution of the pandemic has now strangely become routine for providers. The crisis has not passed and attention has not strayed from resident care but there is renewed focus on finances, the re-building of occupancy, the restoration of confidence in prospects and the community in general, communicating with elected officials on the need for further relief, engaging with media to ensure that accurate information is available to the public, the exploration of borrowing and refinancing alternatives with knowledgeable bankers. This is multi-tasking at its most stressful, testing managers across levels and organizations but elevating the most talented, innovative, dedicated, appreciated, recognized and respected by their staff, residents, colleagues and regulators.

The July, 2020 Sentiment Report produced some valuable suggestions from users and those interested on space utilization and amenities in independent living communities. Participants pointed to the areas where residents, prospects and staff believe improvements can be made. These are not all easy or cost-free changes but revolve around the need to address feelings of social isolation through safe connections with family and friends, having supportive technology, having recreational and other activities available, having wellness checks and having all feel involved in decisions about safety and responding to risk. With respect to food and meal options, many prospects admitted to being overwhelmed by cooking and cleaning at home while residents simply sought more variety and quality. At the same time, survey respondent gave high marks in areas where resources need to be maintained: PPE, cleanliness and sanitation, regular communications and updates via multiple channels, enforcement of mandates. Staff sought more appreciation events and offers of on-campus housing.

For our clients and investors, HJ Sims is greatly encouraged by the results

of the survey and the great promise accompanying the priority vaccine deliveries. We believe that stakeholder and media relations, including regular detailed reporting on the part of management, as well as the delivery of safe and effective vaccines, are among the keys to the success of our senior living communities, and to our communities as a whole, going forward. We encourage readers to contact your HJ Sims financial professionals for a copy of the Sentiment Report and for further information on how we may be of assistance to you.

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