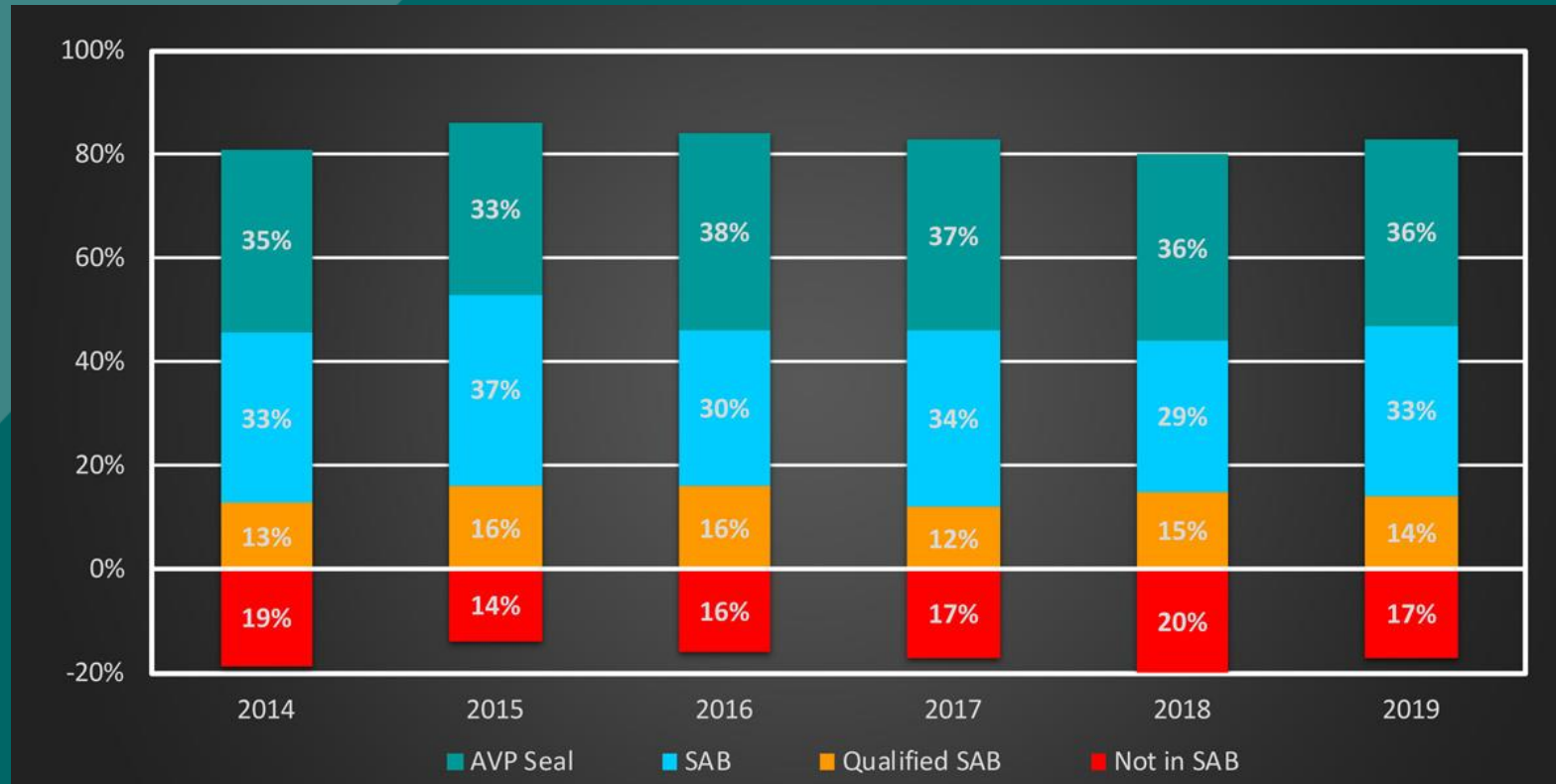


Preliminary 2019 Actuarial and Operational Statistics



Presenter



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Learning Objectives



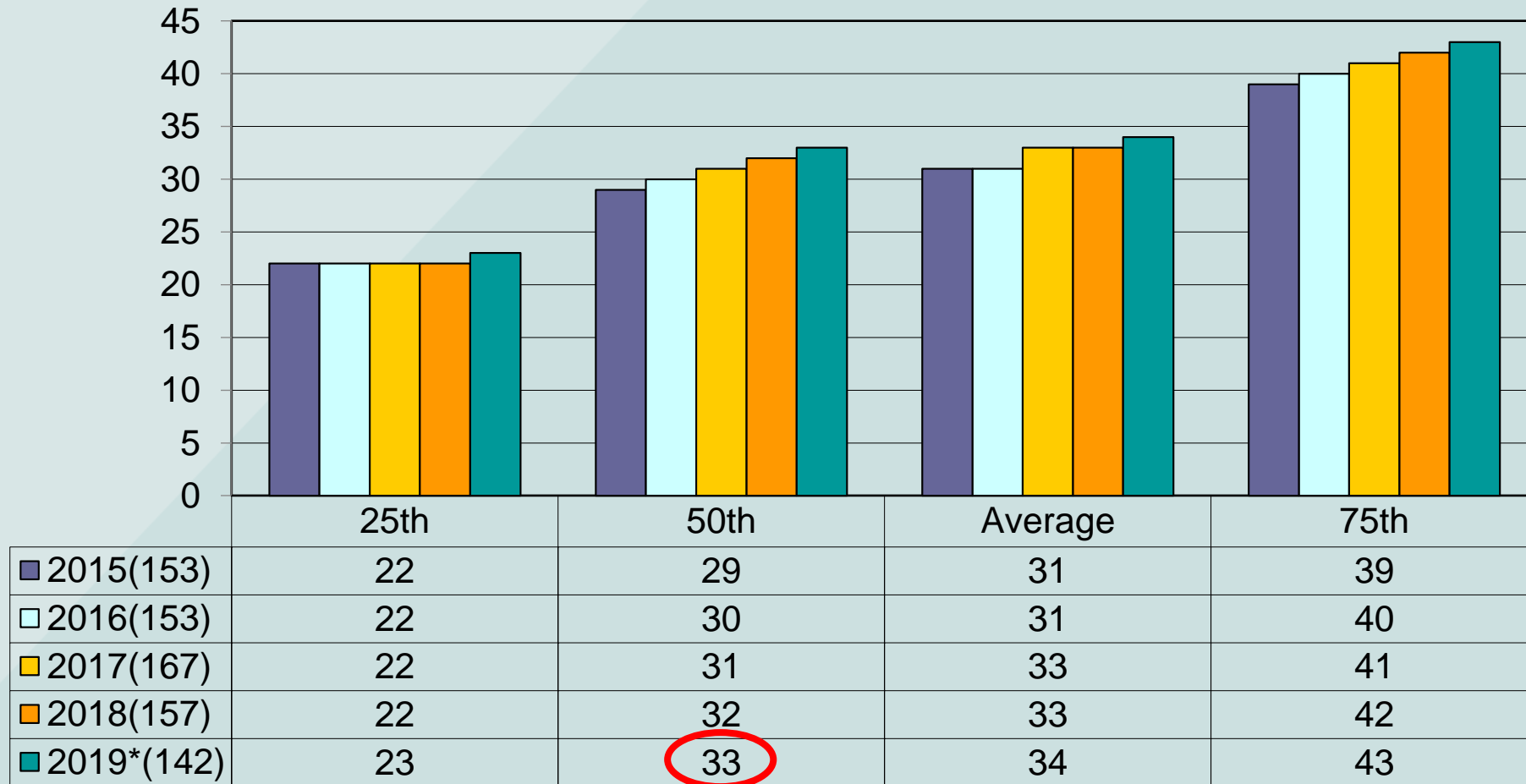
1. Provide summary statistical information so that clients can gauge how they compare to other CCRCs in AVP's proprietary database.
2. Evaluate correlation between financial ratios and actuarial statistics.
3. Recognize the value of A2ZCCRC benchmarking survey and participation for CCRCs.

Overview

1. Database
2. Actuarial statistics
3. Demographic statistics
4. Operating statistics
5. AVP standards
6. Financial Ratios
7. A2ZCCRC Benchmarking

Database

Typical CCRC Operating for 33 Years



Actuarial Statistics

Actuarial Statistics

1. Unified and traditional funded status
2. New entrant pricing
3. 10-year reserve increase factor
4. Liquid reserve ratio
5. Actuarial ratio
6. Actuarial return on fixed assets



ASOP#3 Solvency Criteria

Criteria 1

Are reserves adequate to meet obligations to current residents?

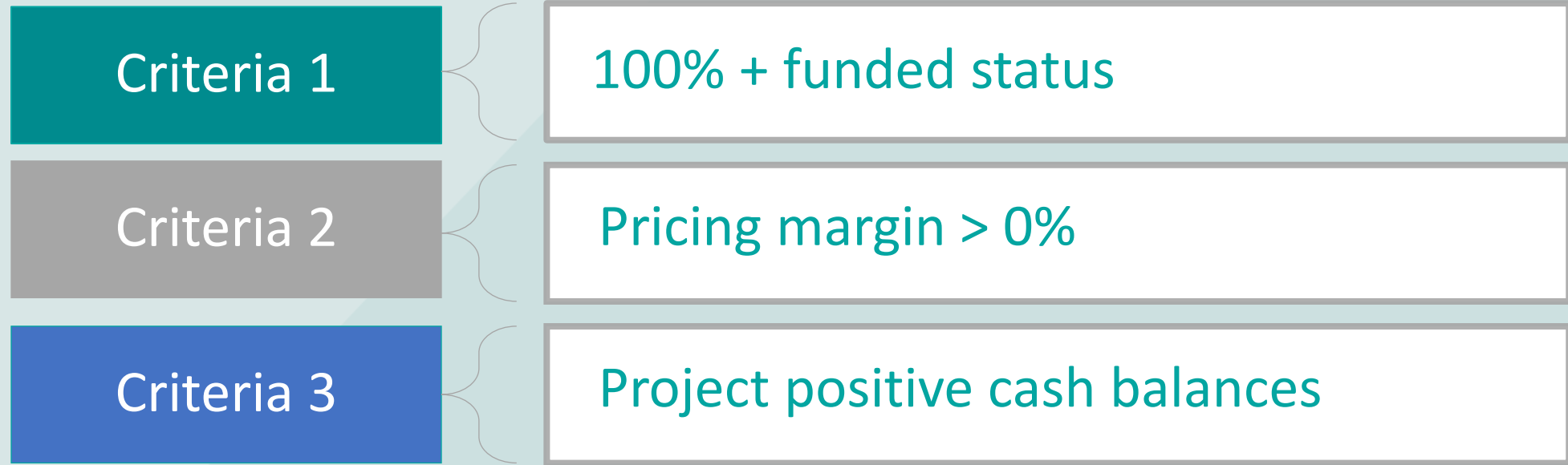
Criteria 2

Are fees charged to new entrants adequate to cover their lifetime costs?

Criteria 3

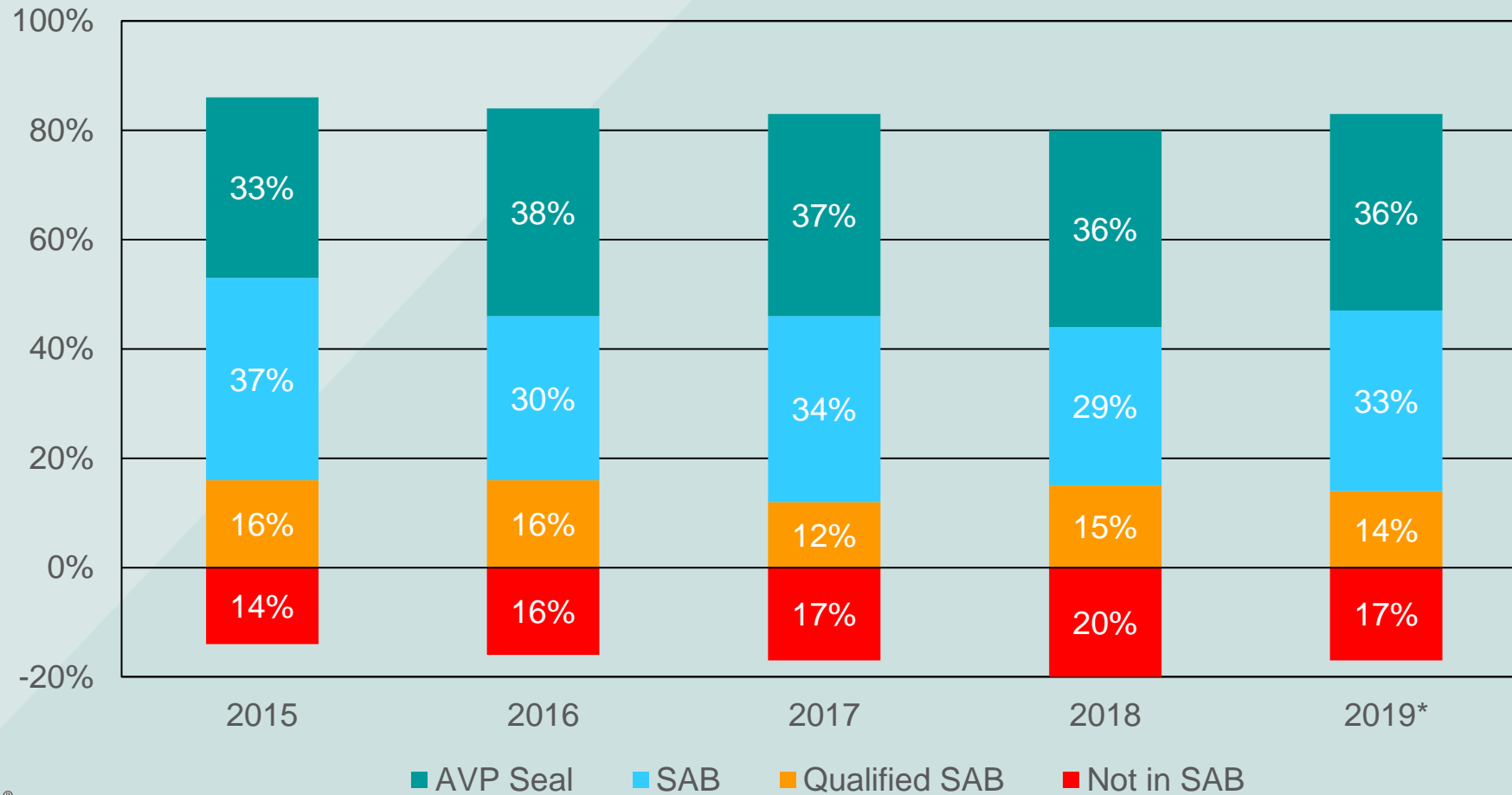
Will projected cash flows be positive and meet any bond or statutory covenants?

ASOP#3 Terminology



Unified Funded Status “UFS” combines
Criteria 1 + 2

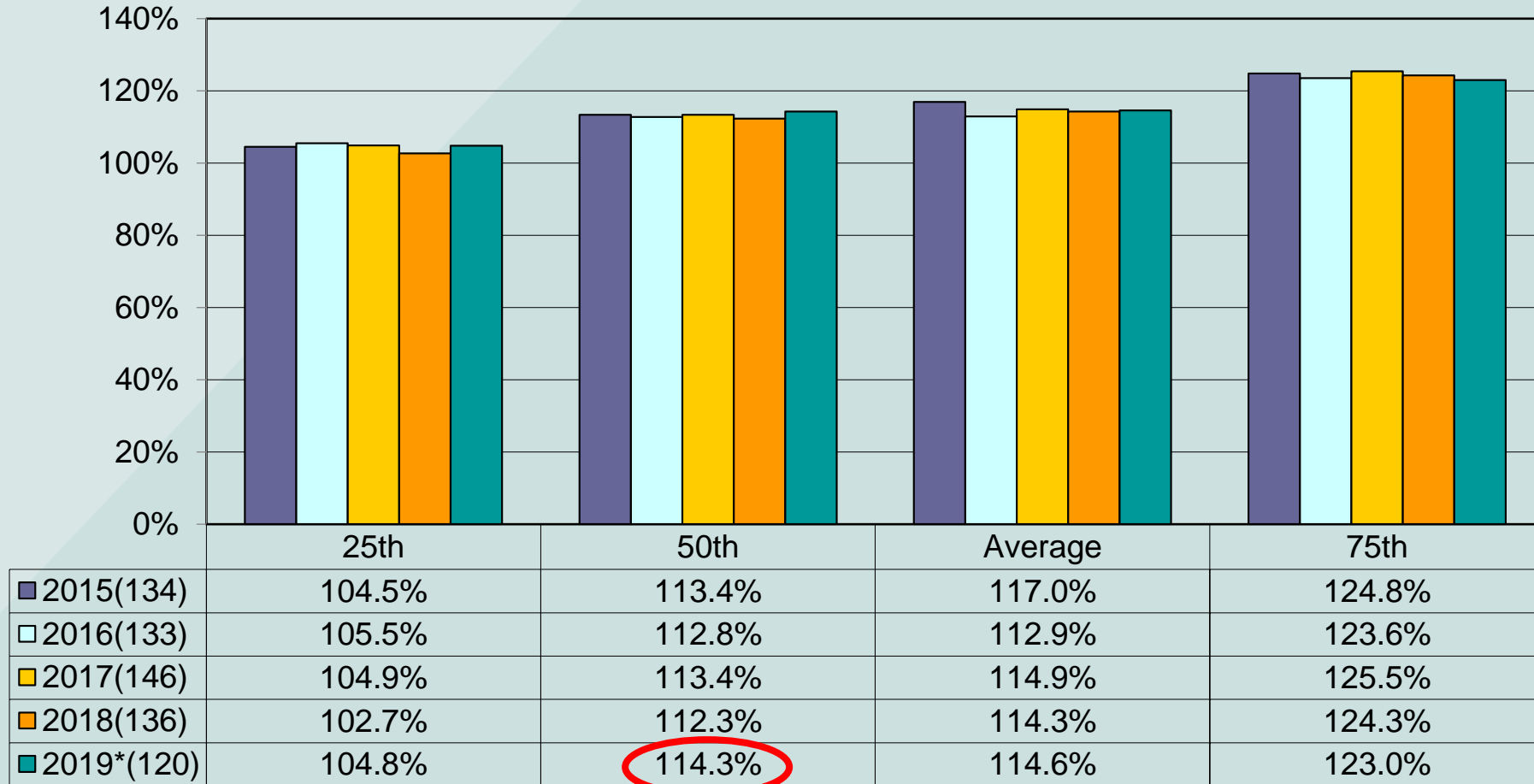
Distribution for ASOP#3 Status



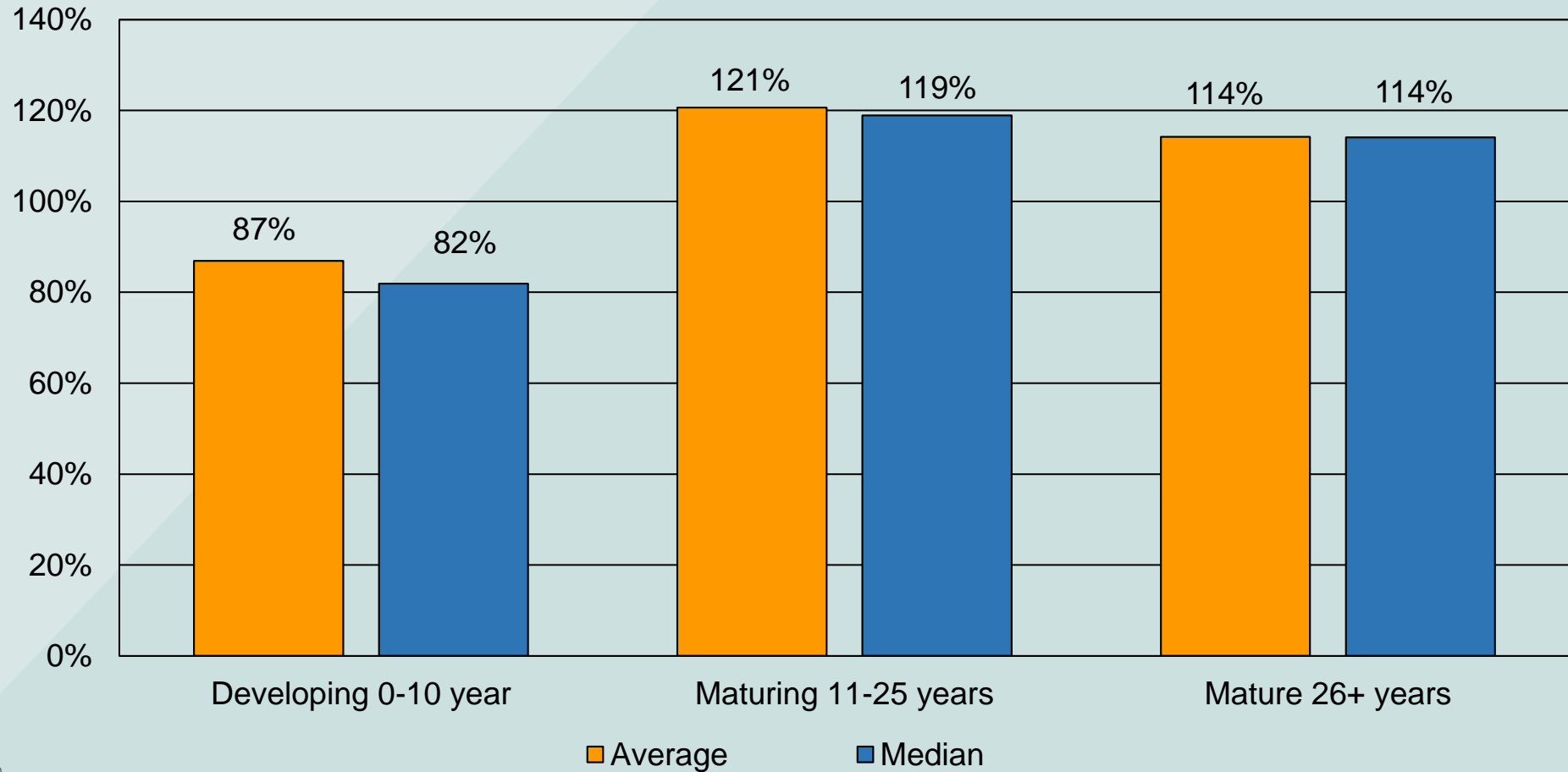
Unified Funded Status (UFS)

1. Combines current and future resident evaluation
2. Reflects “actuarial appraisal value” of fixed assets
3. Single value to determine whether in satisfactory actuarial balance (SAB)
4. If $\geq 100\%$, then CCRC is deemed to be in SAB

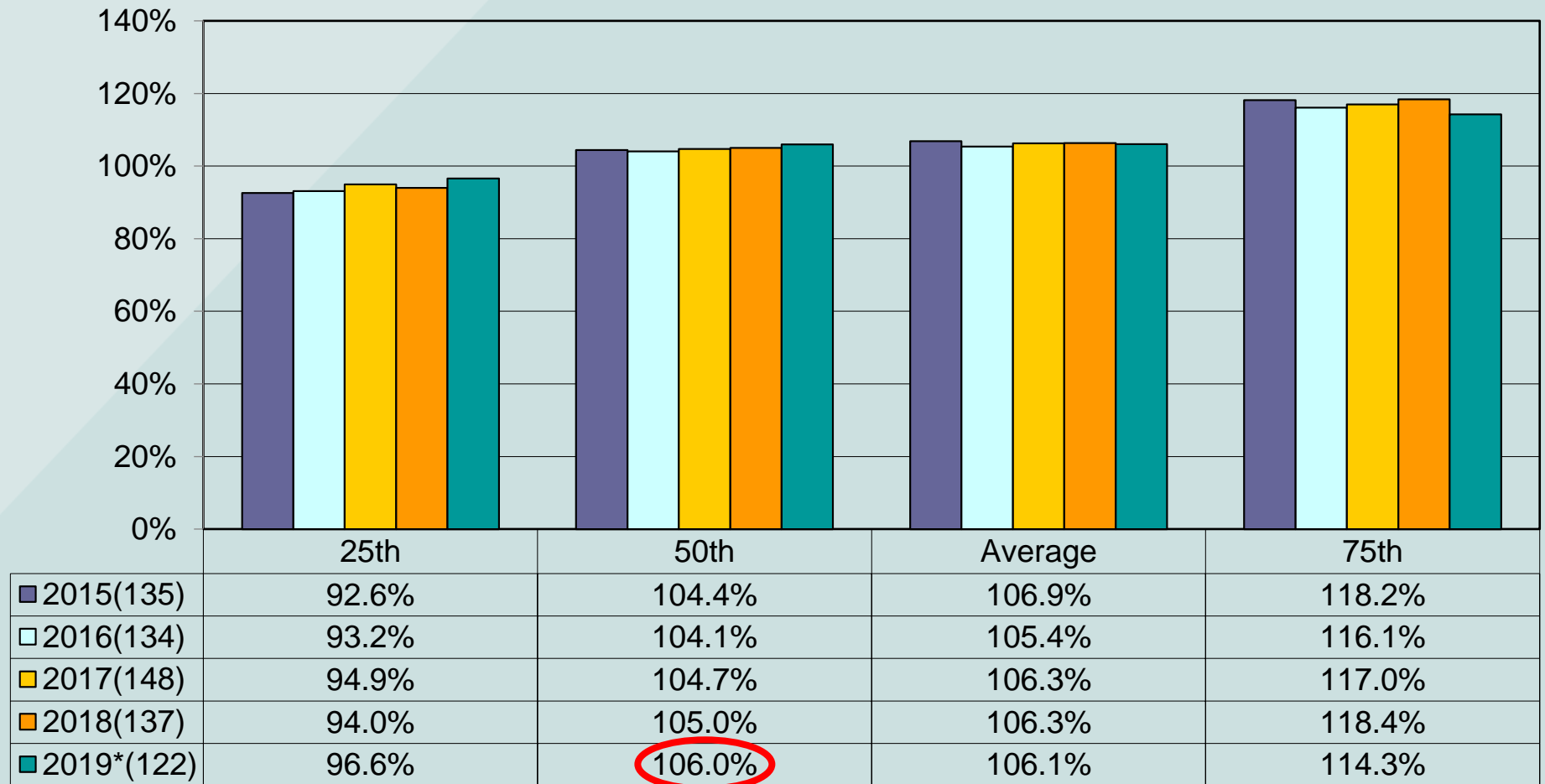
83% of our Clients are SAB (Same-site '19-'18 up 2.6%)



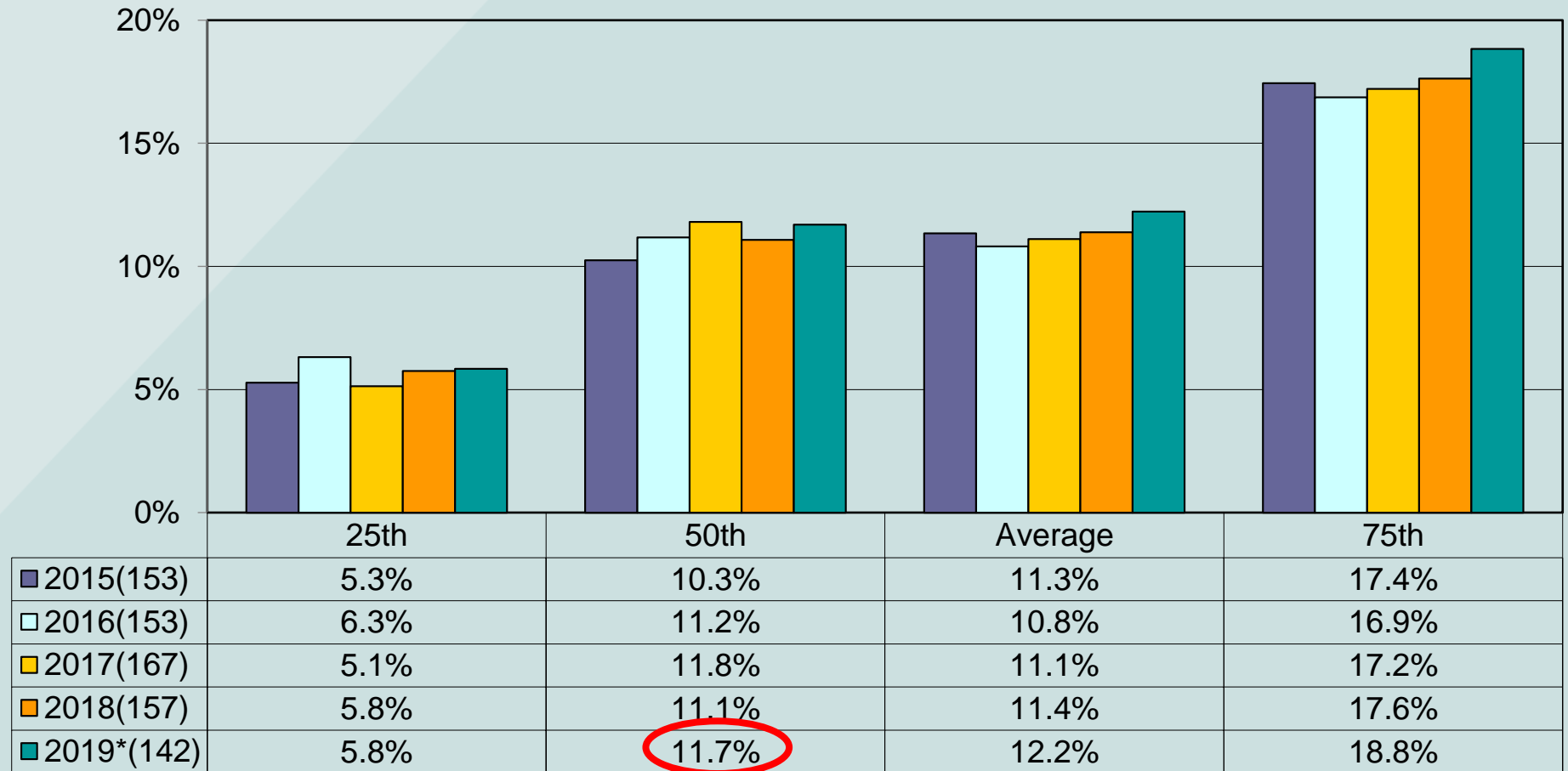
UFS by Years of Operation



Actuarial Funding is Marketable (Same-site '19-'18 up 3.3%)

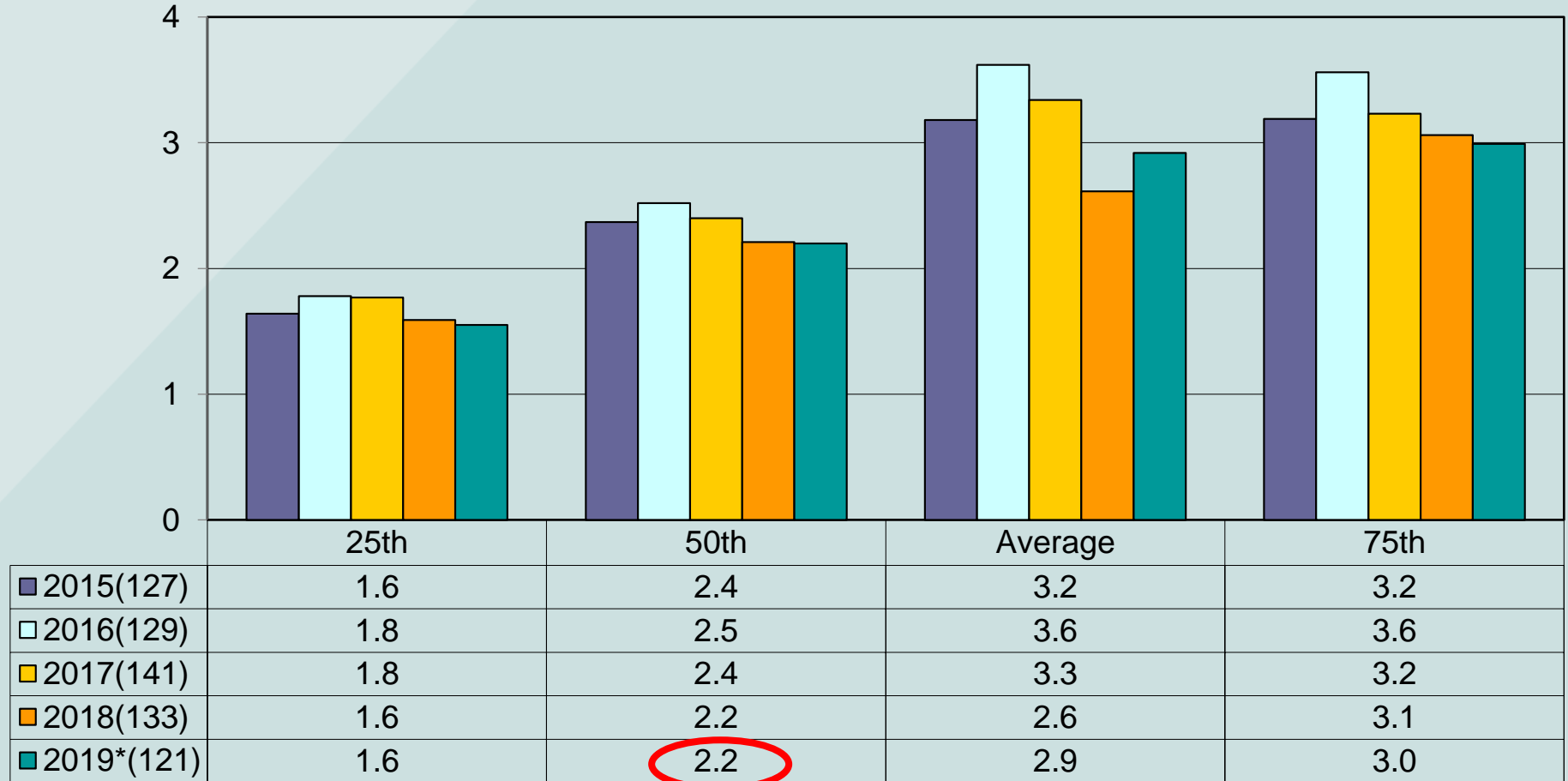


Typical Fees Show 12% Surplus (Same-site '19-'18 up 0.6%)

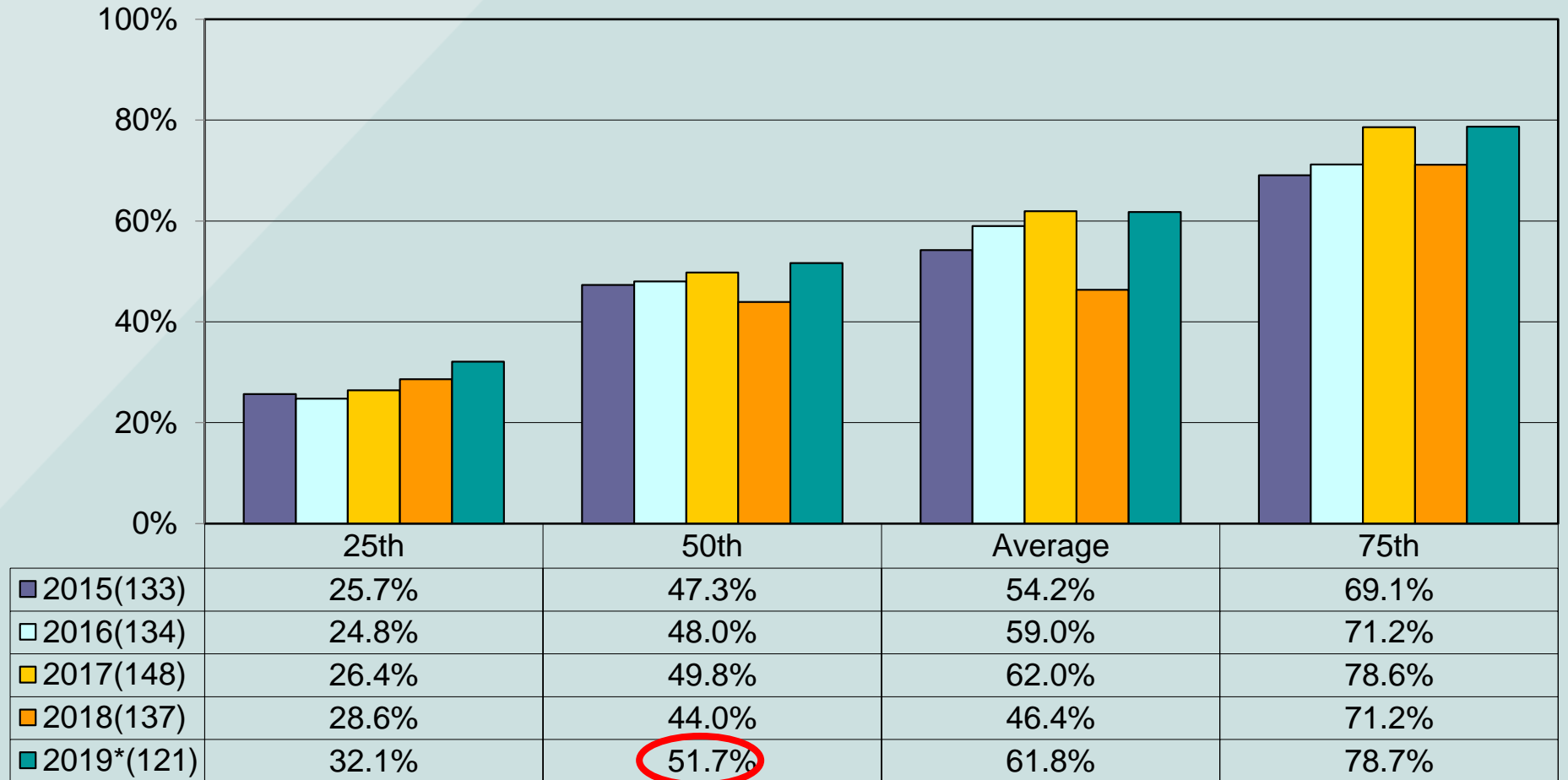


Note: Surpluses are slightly larger for singles vs. couples

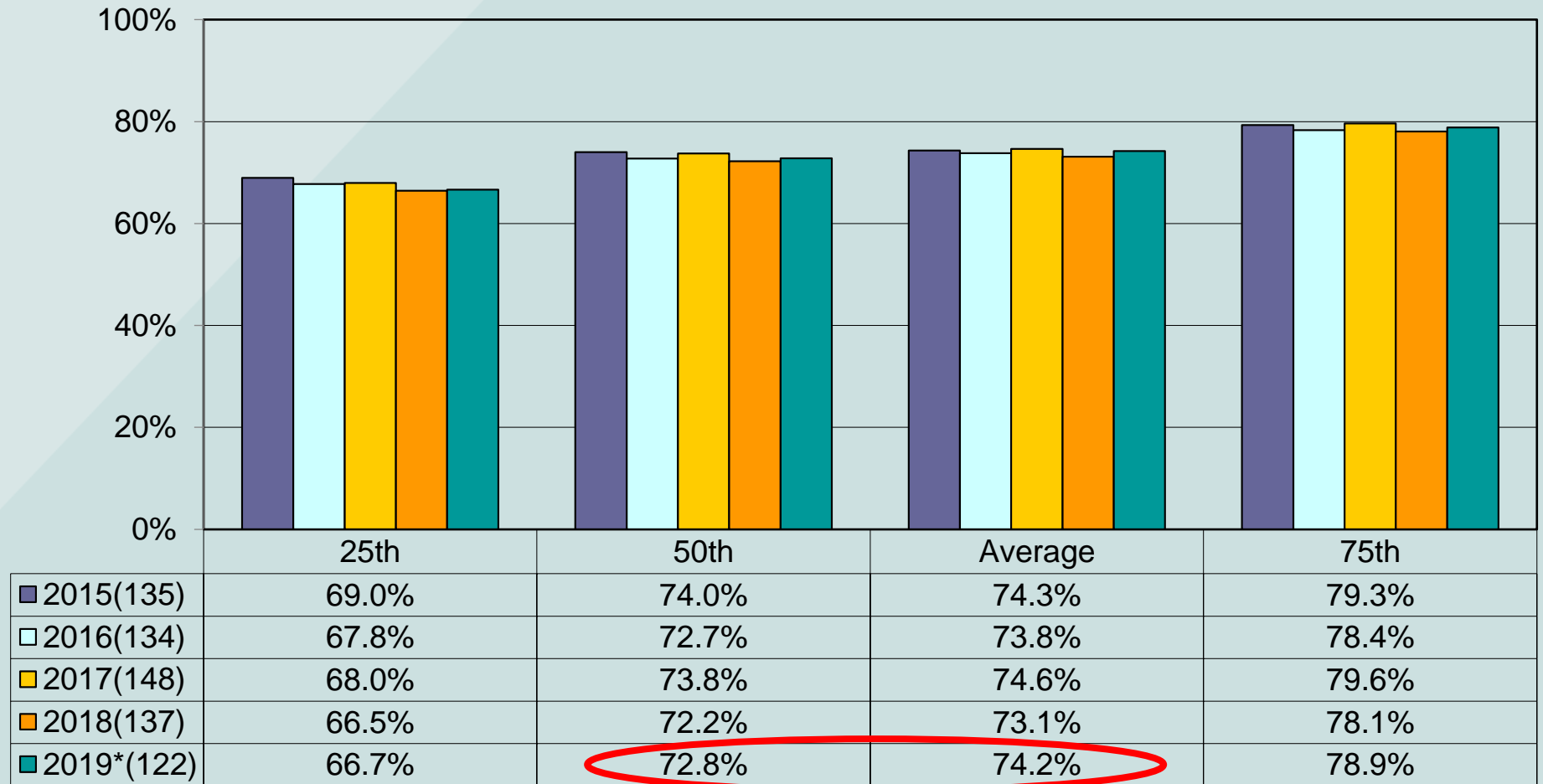
Liquid Reserves More Than Double in 10 Years



Liquid Assets Fund 52% of Liabilities

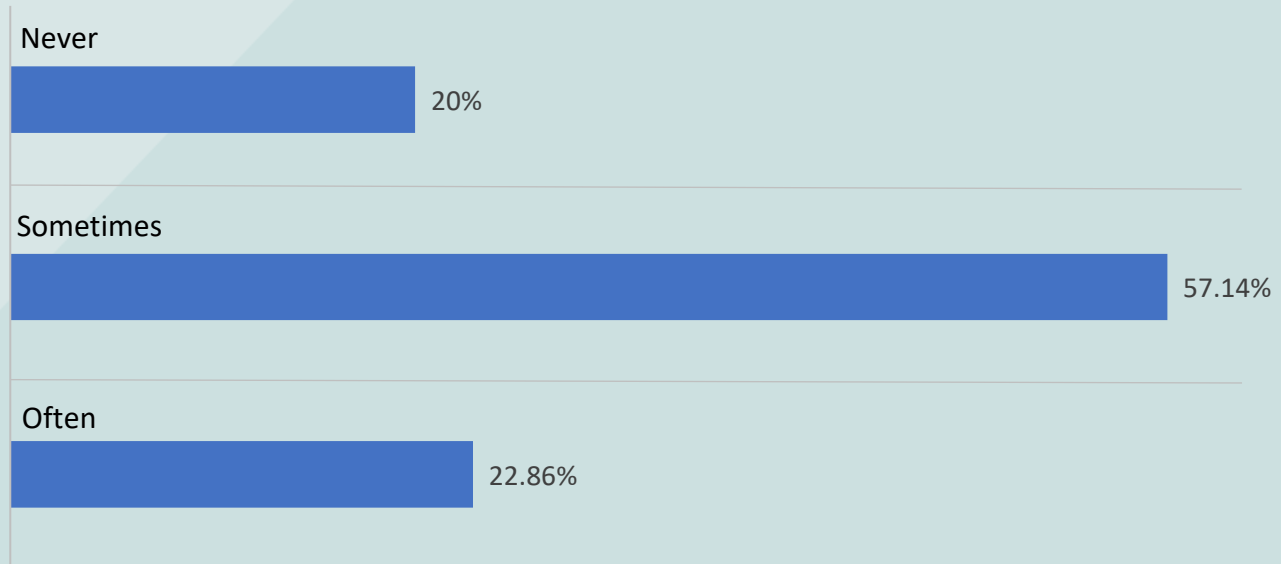


Monthly Fees Cover >70% of Future Liabilities



Poll Results

To what extent do you communicate actuarial statistics within your marketing efforts?



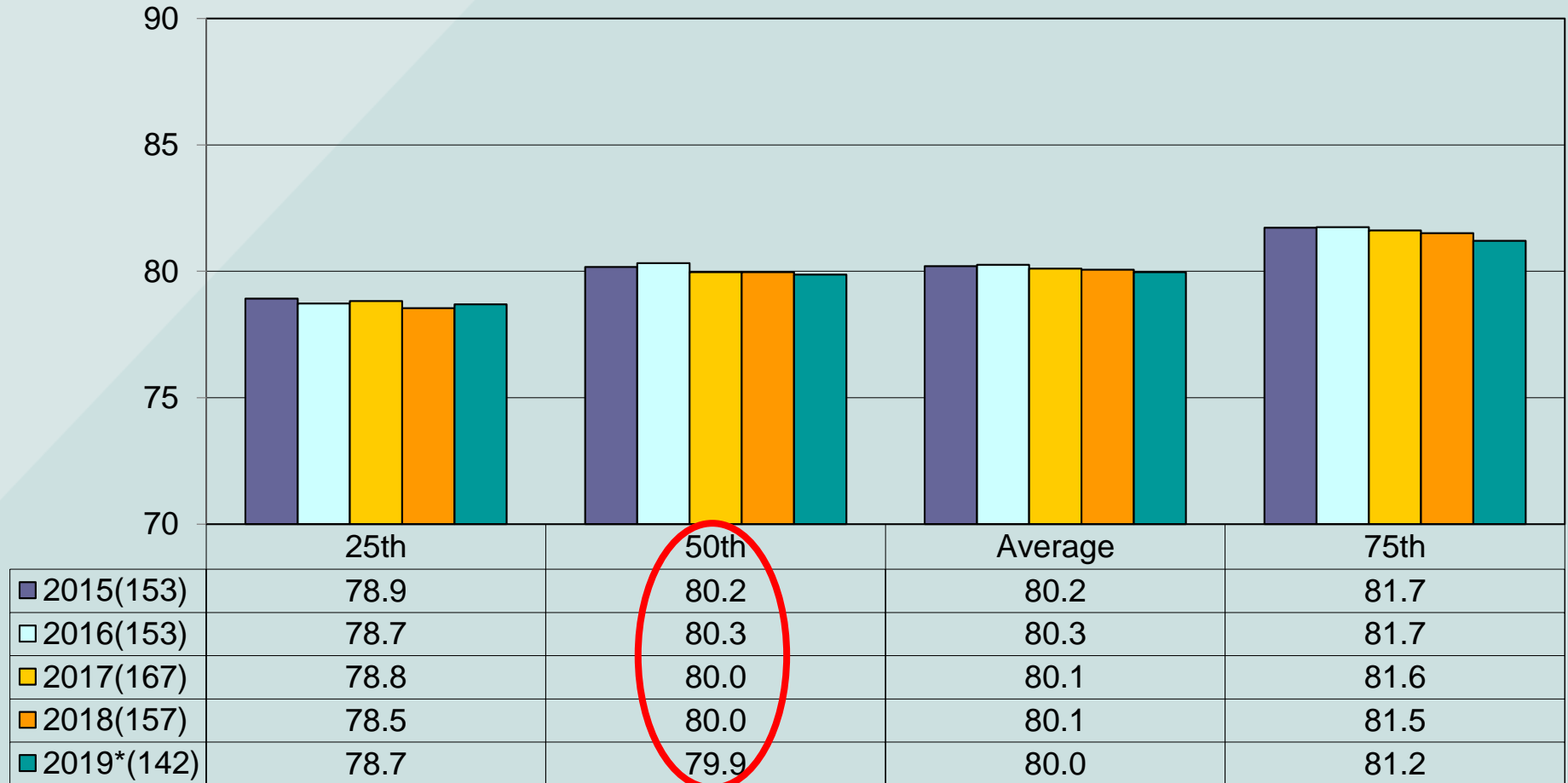
Demographic Statistics

Demographic Statistics

1. Average age at entry
2. Average attained age
3. Life expectancy
4. Health care ratio
5. IL attrition

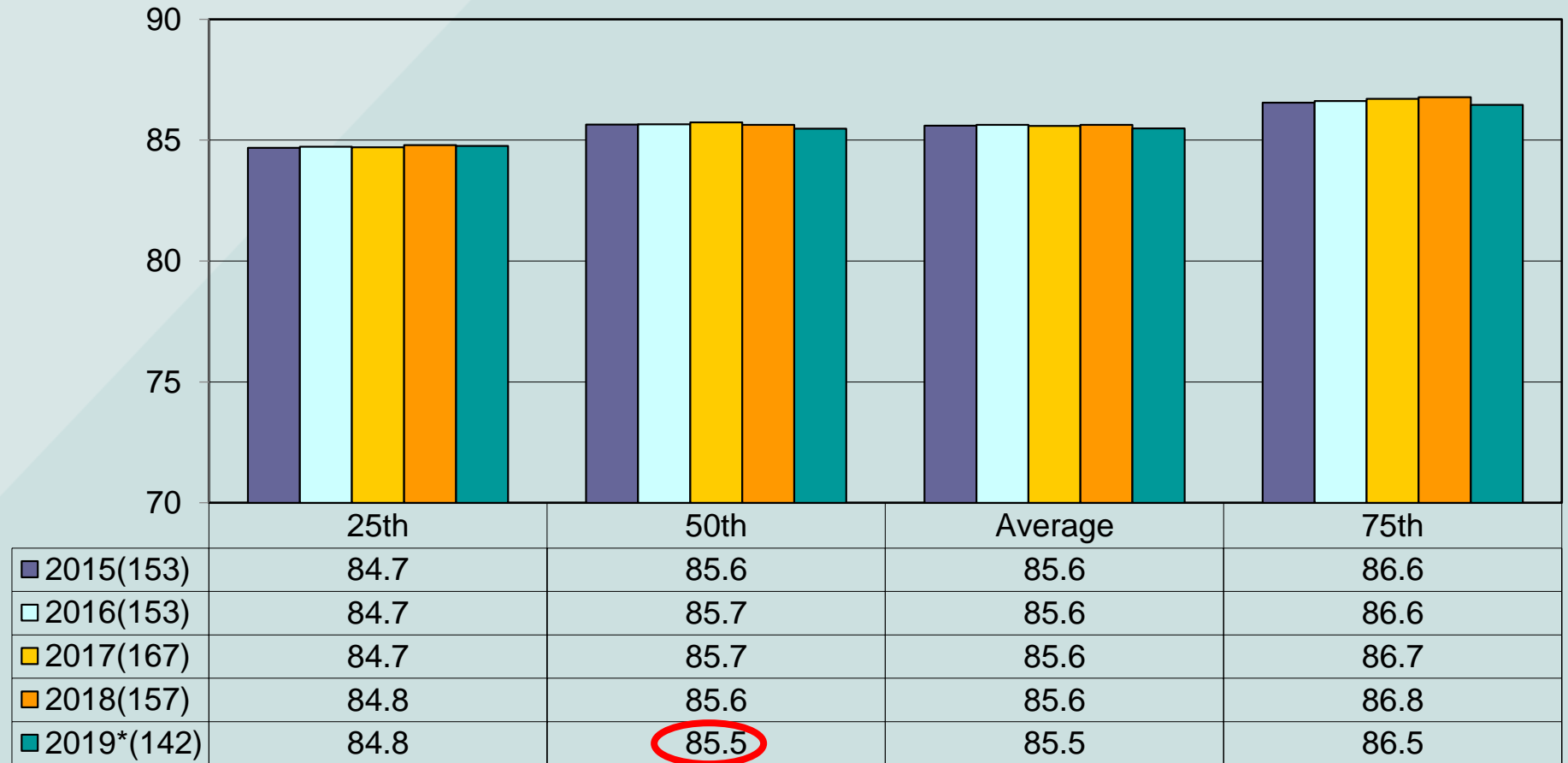


Female Entry Age Stays Constant at 80 Years



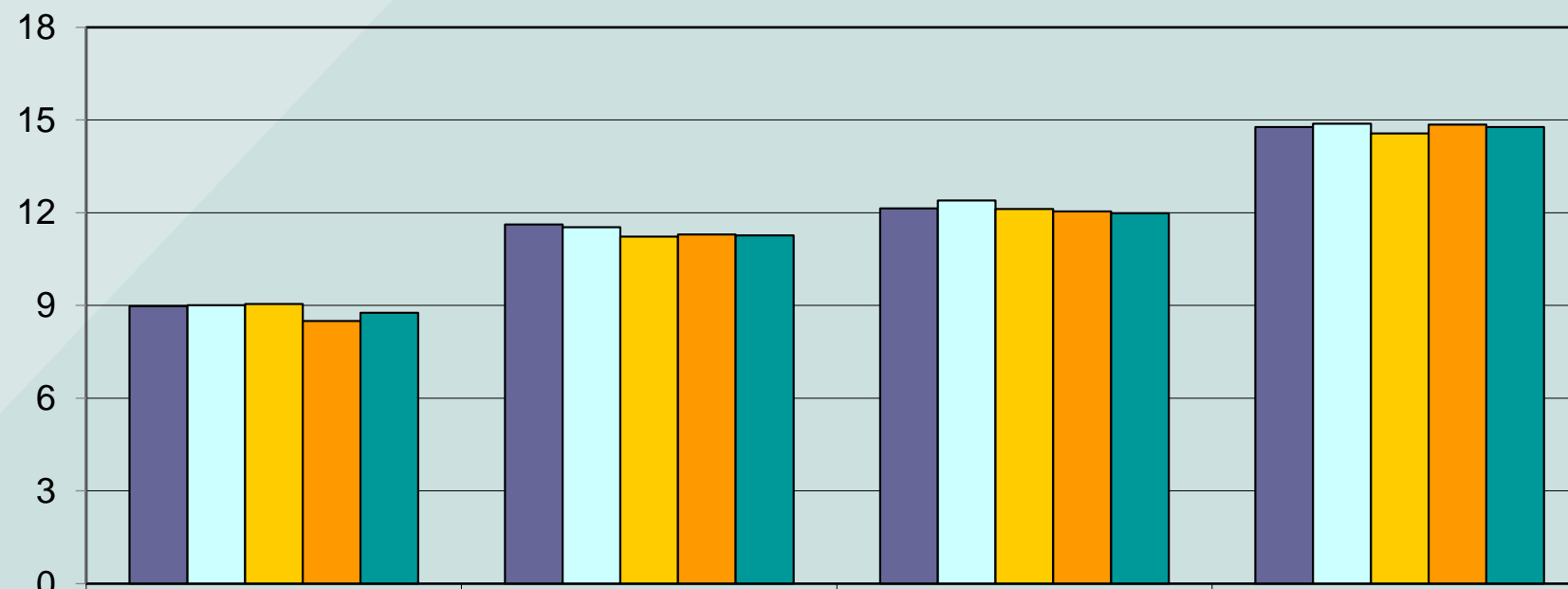
Note: Male average entry age is approximately 1 year older

Female Attained Age is 86



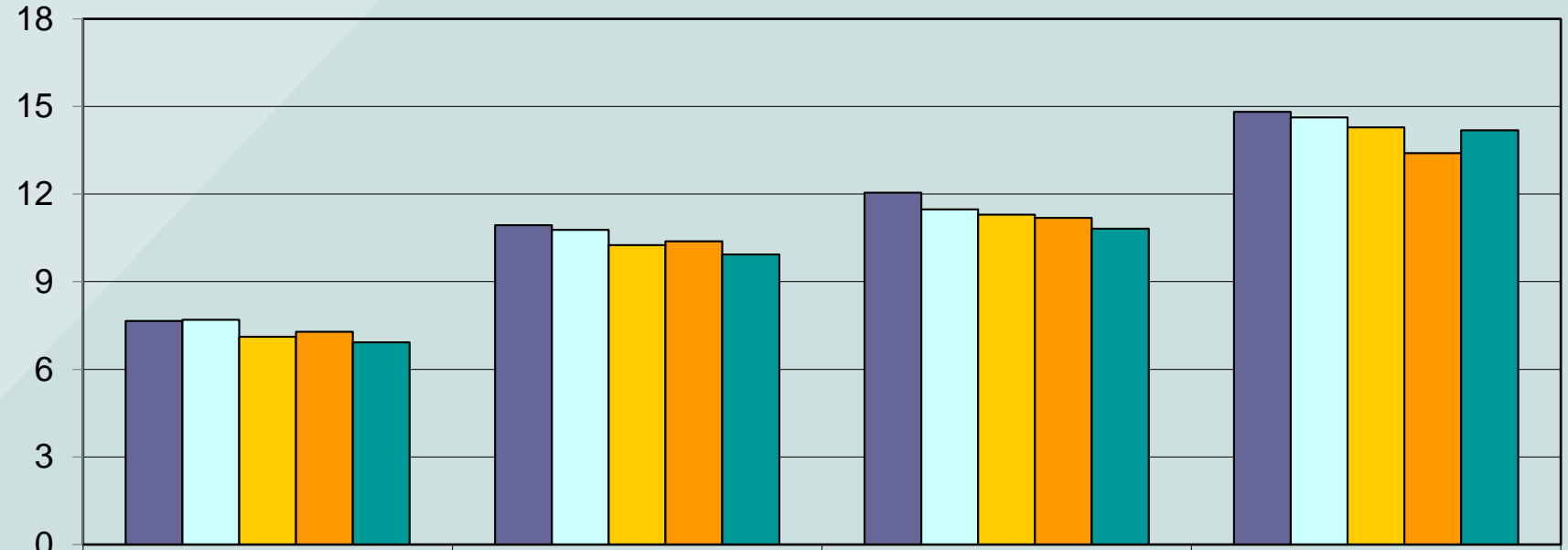
Note: Male attained age is approximately the same

11 Assisted Living per 100 ILU Residents



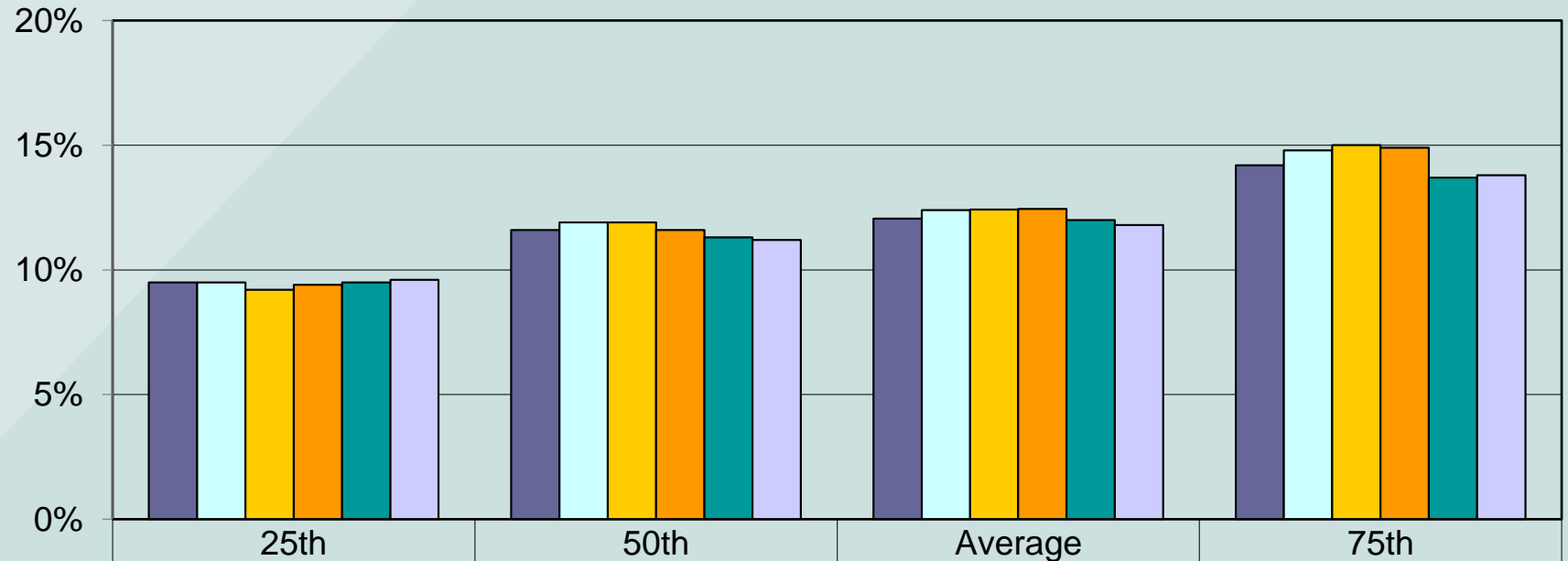
	25th	50th	Average	75th
■ 2015(152)	9.0	11.6	12.1	14.8
□ 2016(153)	9.0	11.5	12.4	14.9
■ 2017(162)	9.1	11.2	12.1	14.6
■ 2018(156)	8.5	11.3	12.0	14.9
■ 2019*(142)	8.8	11.3	12.0	14.8

10 Nursing Beds per 100 ILU Residents



	25th	50th	Average	75th
2015(152)	7.7	10.9	12.1	14.8
2016(151)	7.7	10.8	11.5	14.6
2017(165)	7.1	10.3	11.3	14.3
2018(155)	7.3	10.4	11.2	13.4
2019*(140)	6.9	9.9	10.8	14.2

ILU Attrition approximately 11%



	25th	50th	Average	75th
■ 2015(153)	9.5%	11.6%	12.1%	14.2%
□ 2016(153)	9.5%	11.9%	12.4%	14.8%
■ 2017(166)	9.2%	11.9%	12.4%	15.0%
■ 2018(157)	9.4%	11.6%	12.4%	14.9%
■ 2019*(142)	9.5%	11.3%	12.0%	13.7%
□ Moving Avg	9.6%	11.2%	11.8%	13.8%

Operating Statistics

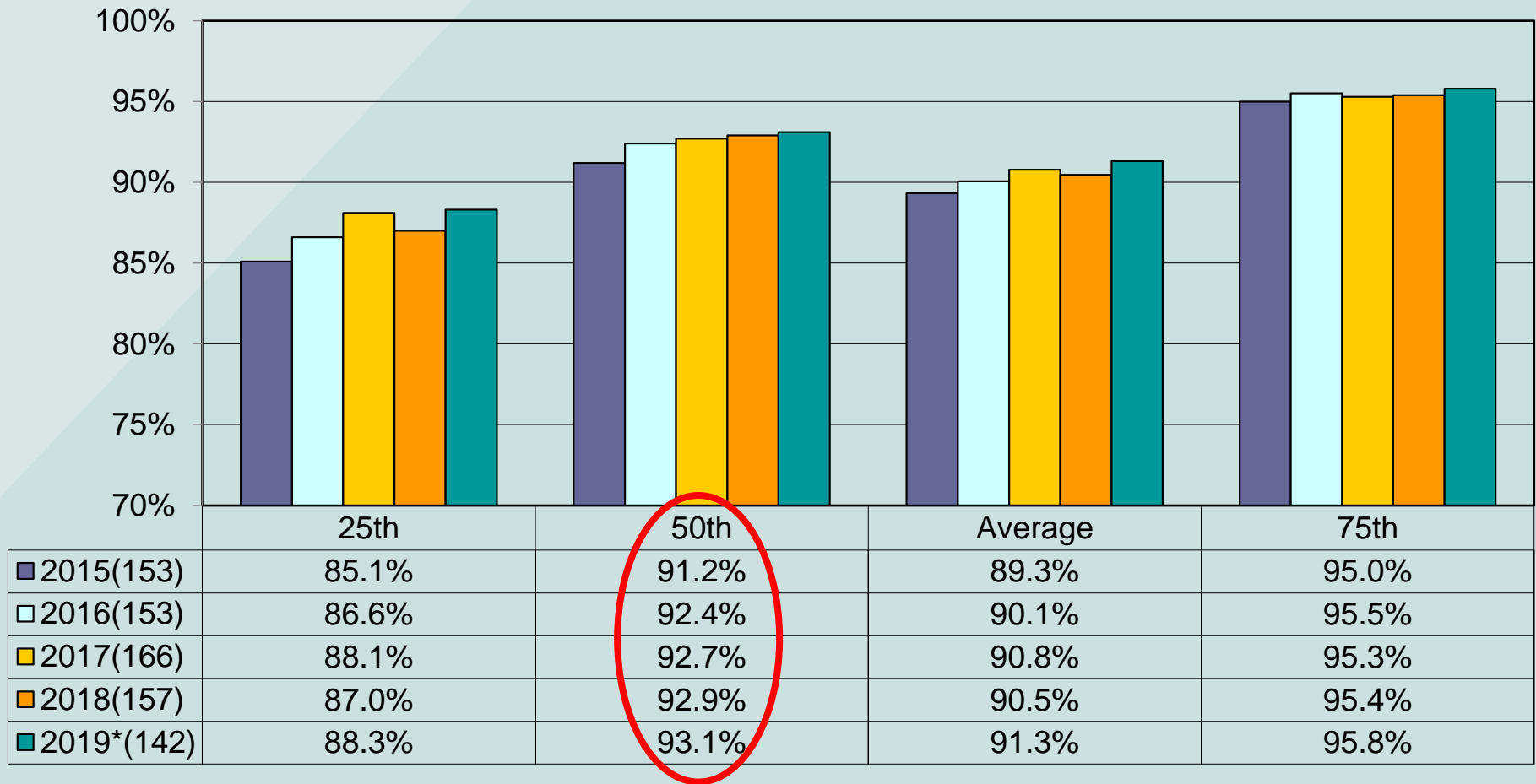
Operating Statistics

1. Average occupancy
2. Per capita expense per day
3. Average monthly fee increase
4. Average entry fee increase

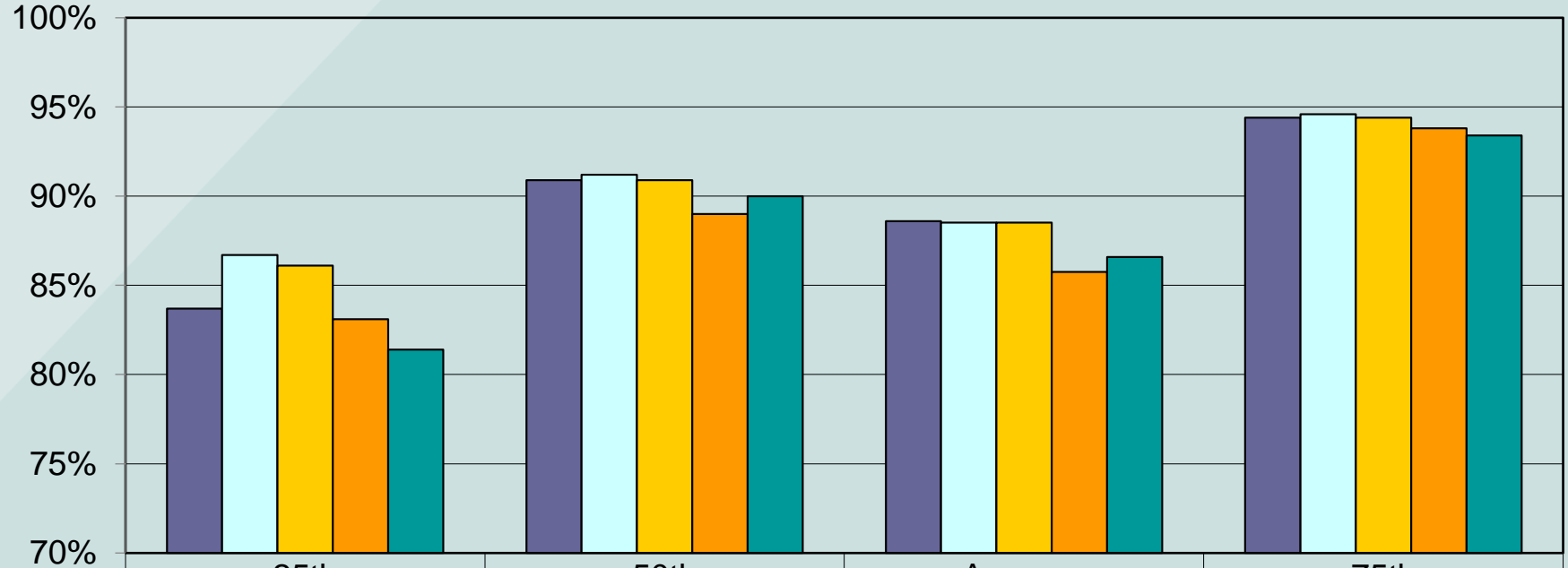


Benchmark ILU Occupancy: 95%

(Same-site '19-'18 down 0.1%)

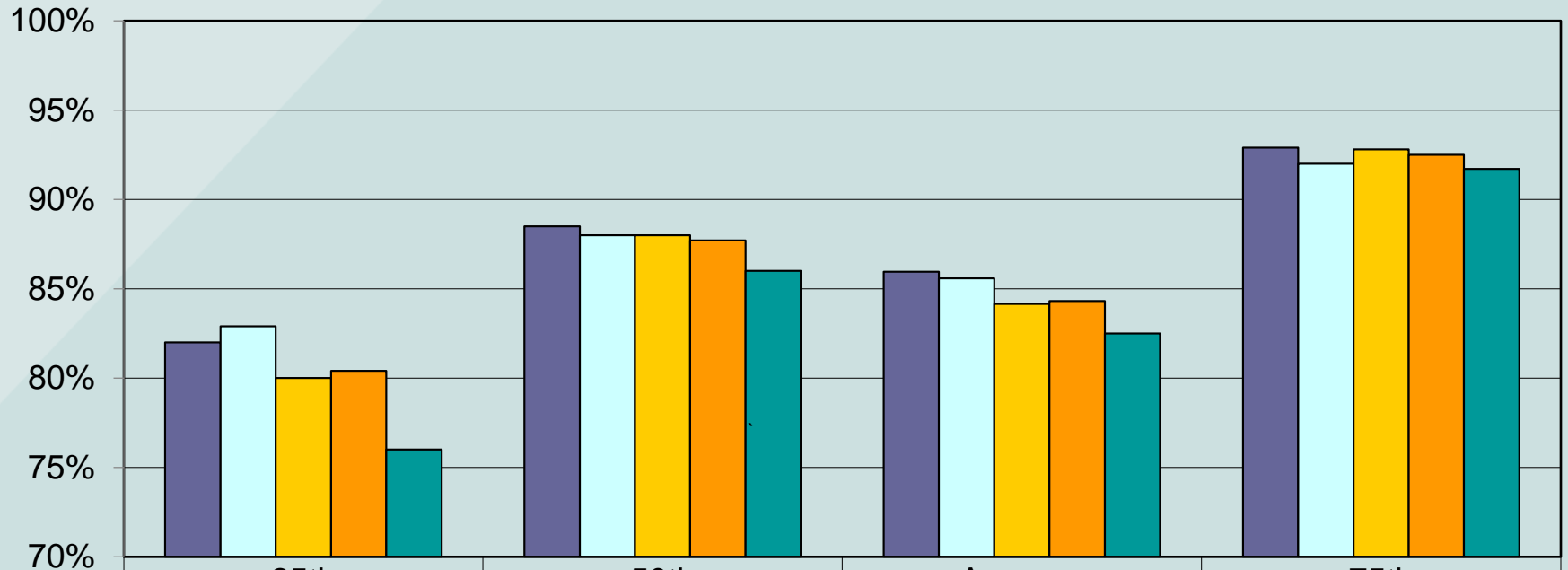


Benchmark ALU Occupancy: 90%



	25th	50th	Average	75th
2015(149)	83.7%	90.9%	88.6%	94.4%
2016(150)	86.7%	91.2%	88.5%	94.6%
2017(159)	86.1%	90.9%	88.5%	94.4%
2018(153)	83.1%	89.0%	85.8%	93.8%
2019*(140)	81.4%	90.0%	86.6%	93.4%

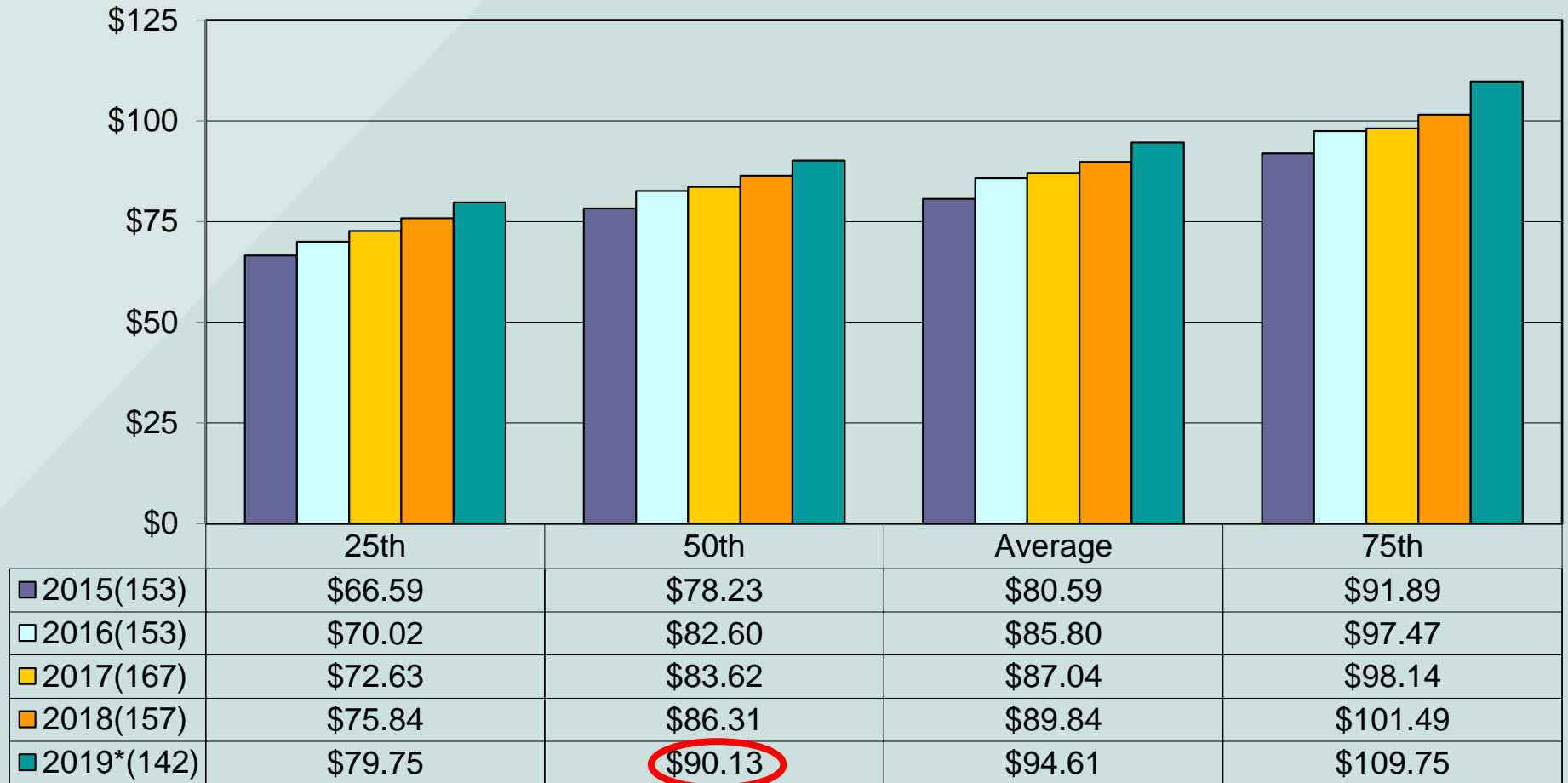
Benchmark NUR Occupancy: 90%



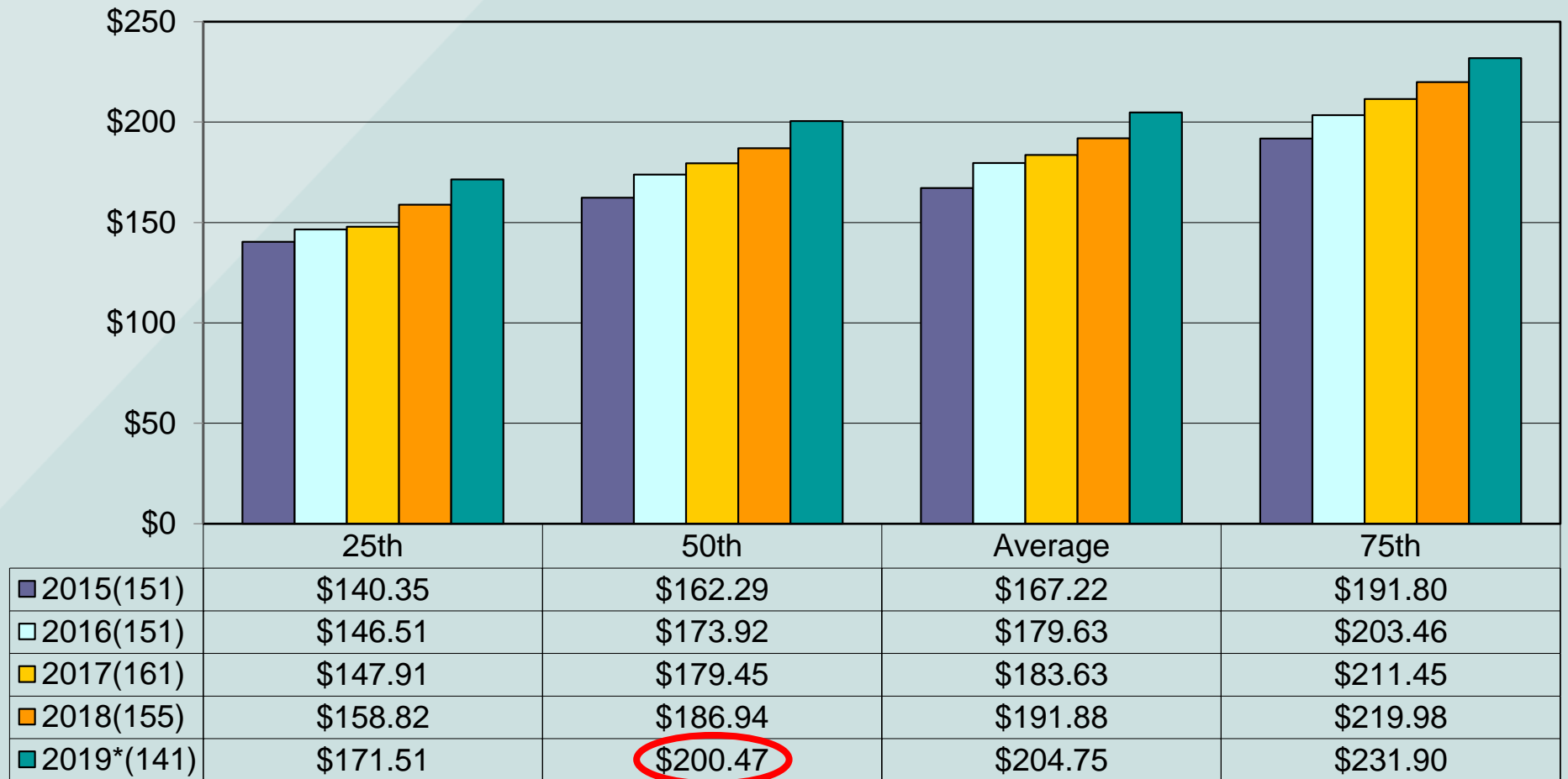
	25th	50th	Average	75th
■ 2015(148)	82.0%	88.5%	86.0%	92.9%
□ 2016(149)	82.9%	88.0%	85.6%	92.0%
■ 2017(160)	80.0%	88.0%	84.2%	92.8%
■ 2018(150)	80.4%	87.7%	84.3%	92.5%
■ 2019*(136)	76.0%	86.0%	82.5%	91.7%

ILU Expenses up 4.4%

(Same-site '19-'18 up 2.8%)

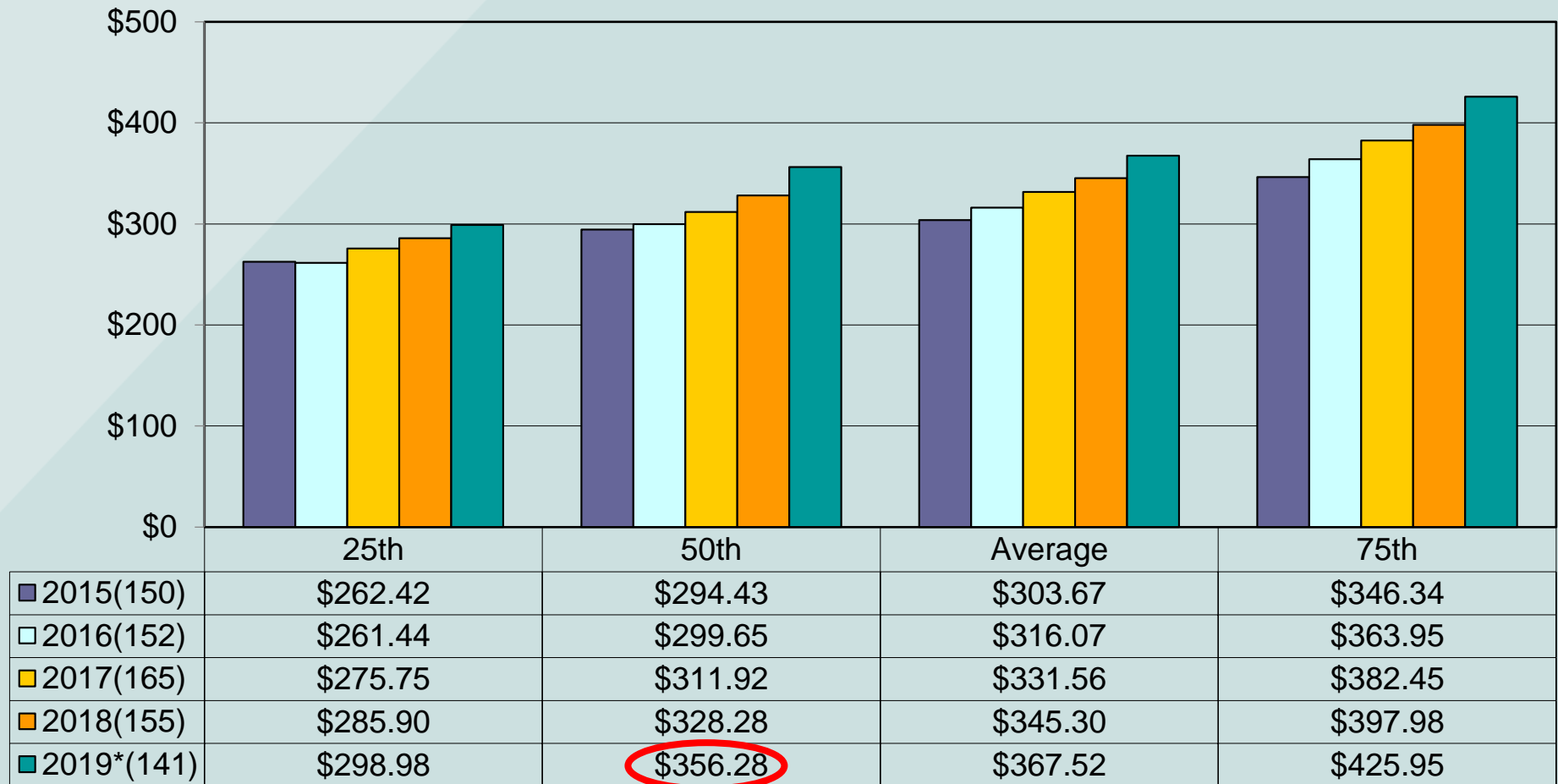


ALU Expenses up 7.2% (Same-site '19-'18 up 2.1%)

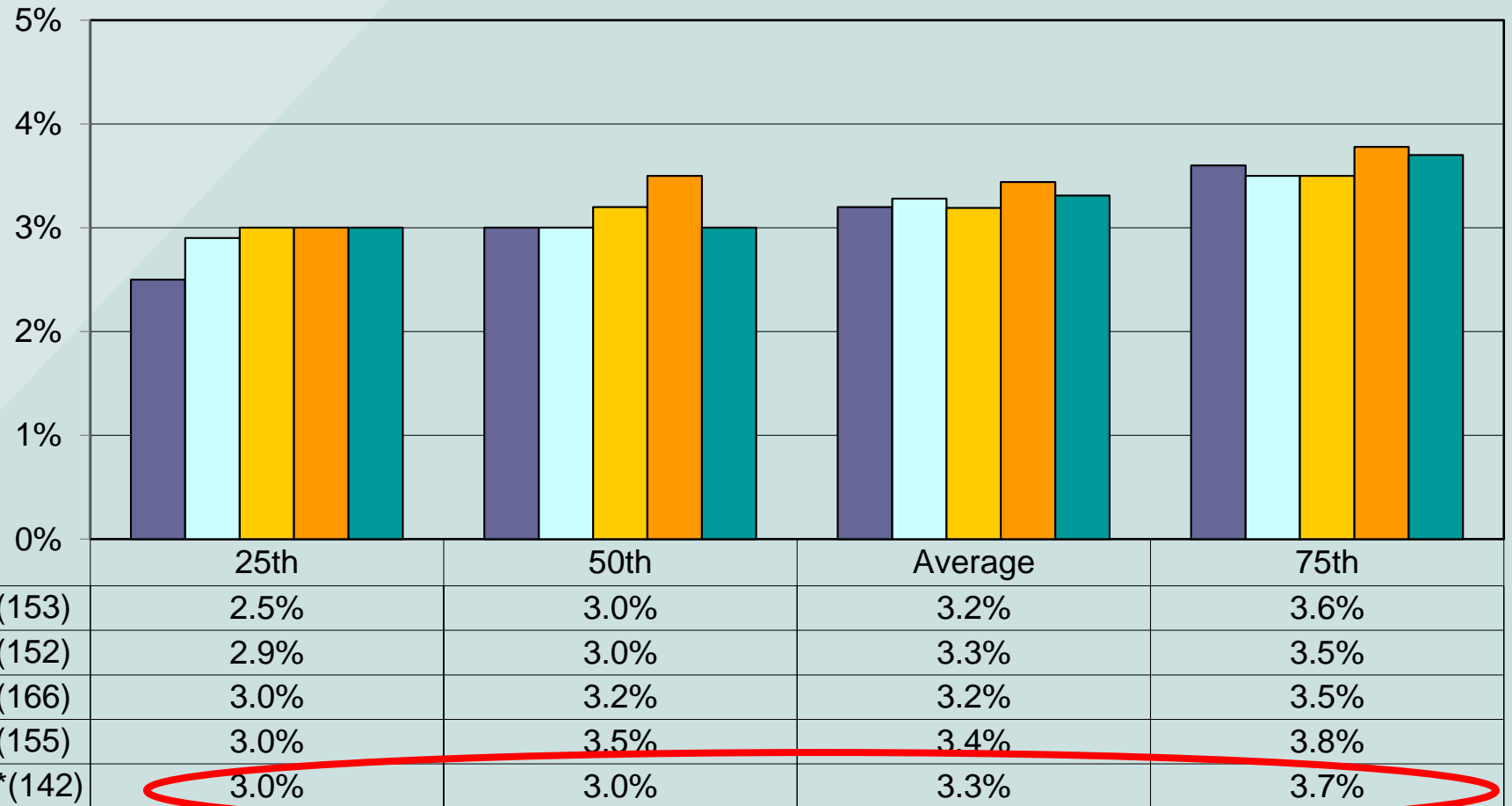


NUR Expenses up 8.5%

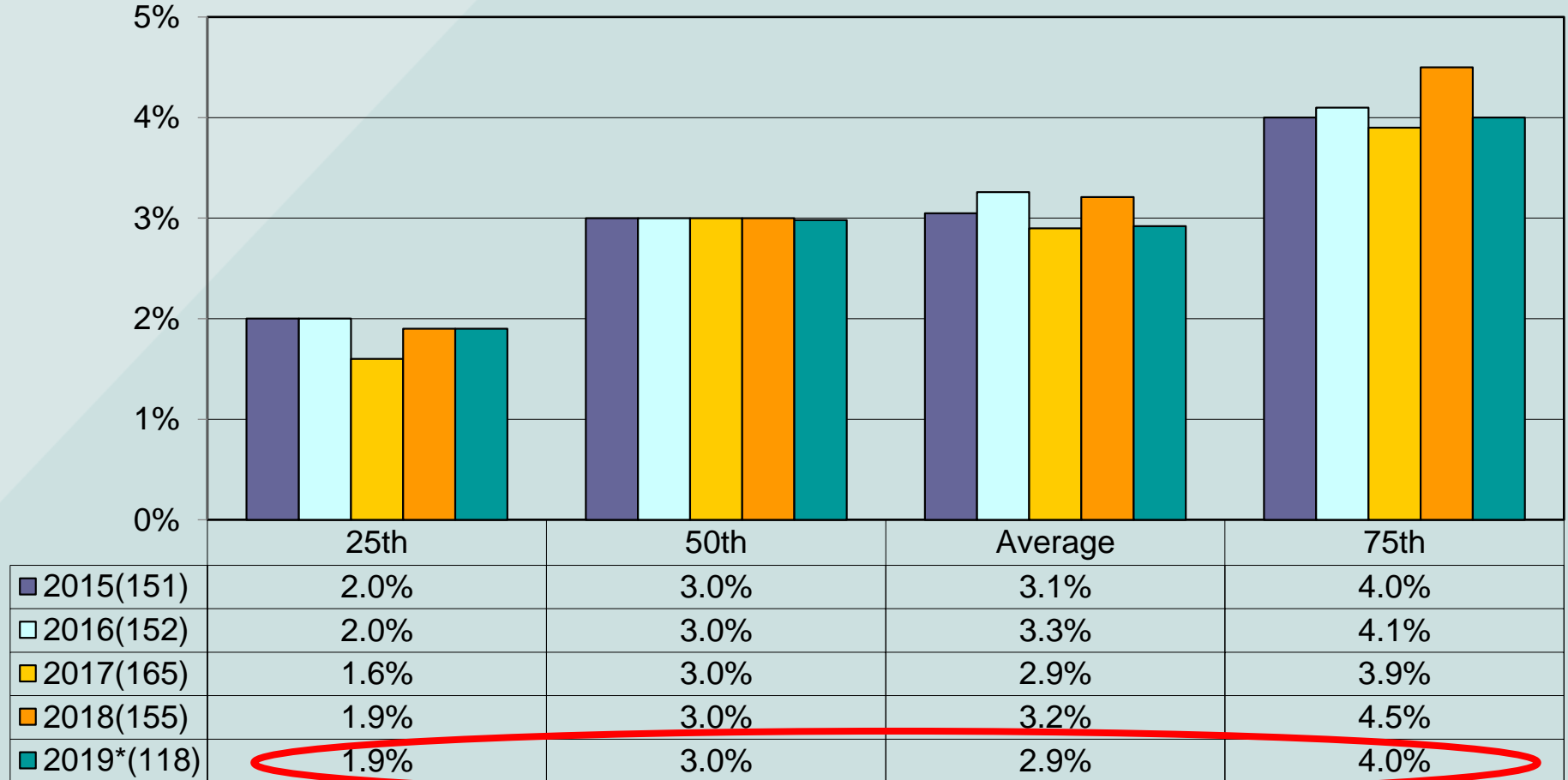
(Same-site '19-'18 up 5.7%)



Monthly Fees Increased 3.0% to 3.7%



Entry Fees Increased 1.9% to 4.0%



AVP Standards



AVP Standards and Benchmarks

Unified funded status	115%
Funded status	105%
New entrant surplus	10%
10-year reserve increase	2 times
Liquid reserve ratio	50%
Actuarial ratio	70%
Return on fixed assets	10%

Introducing Financial Ratios



Introducing Financial Ratios

1. Days cash on hand
2. Debt service coverage
3. Net operating margin
4. Unrestricted cash/investments to long term debt
5. Capital expenditures as a percentage of depreciation

Introducing Financial Ratios

Preliminary Financial Ratios	50 th percentile 2019
1. Days Cash on Hand (DCOH)	431
2. Debt Service Coverage (DSC)	2.40
3. Net Operating Margin (NOM)	2.94%
4. Unrestricted Cash/Investments to Long Term Debt (CID)	37.30%
5. Capital Expenditures as a percentage of Depreciation (CED)	70.01%

Traditional financial metrics provide a snapshot as of the measurement date

Actuarial metrics provide a longer term view

Is there a correlation between the traditional financial and actuarial metrics of financial condition?

Poll Results

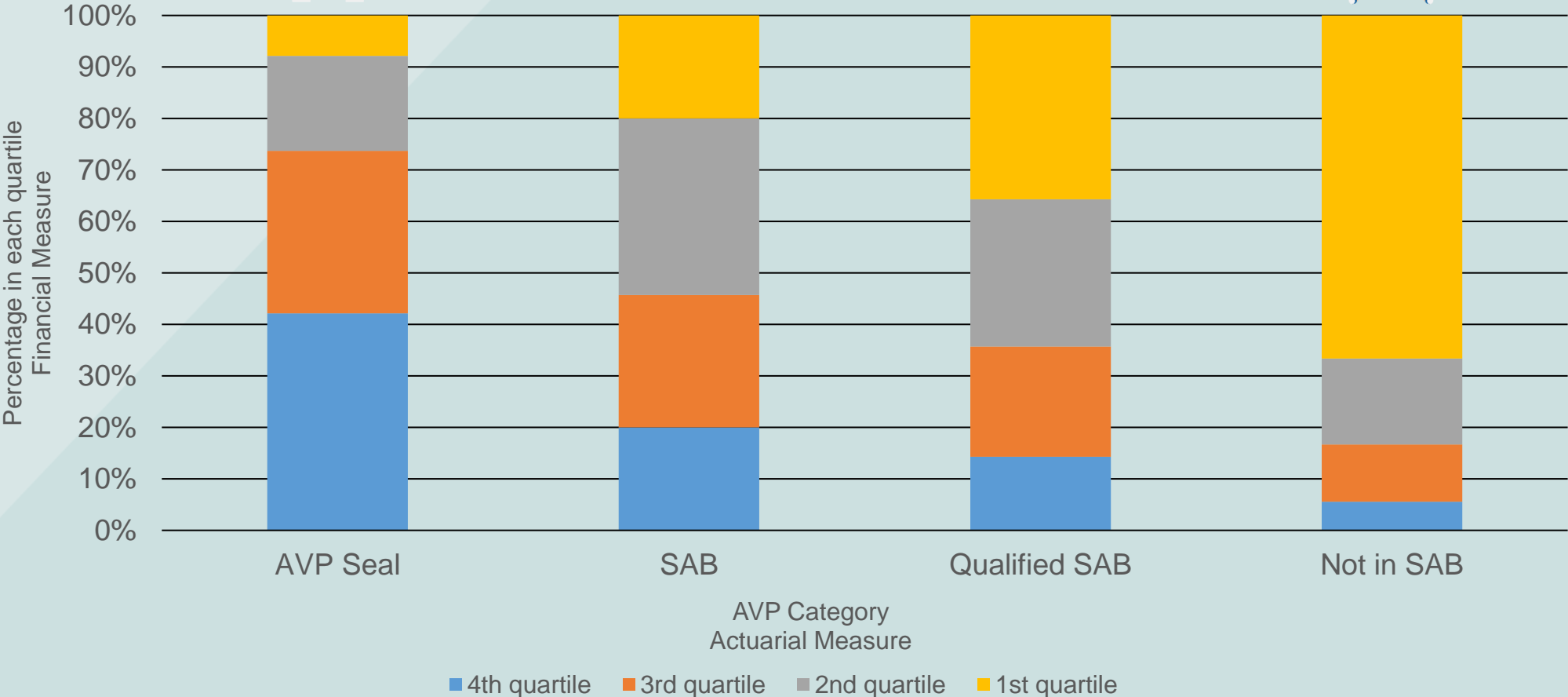
Do you believe there should be a strong correlation between actuarial statistics and common financial metrics?



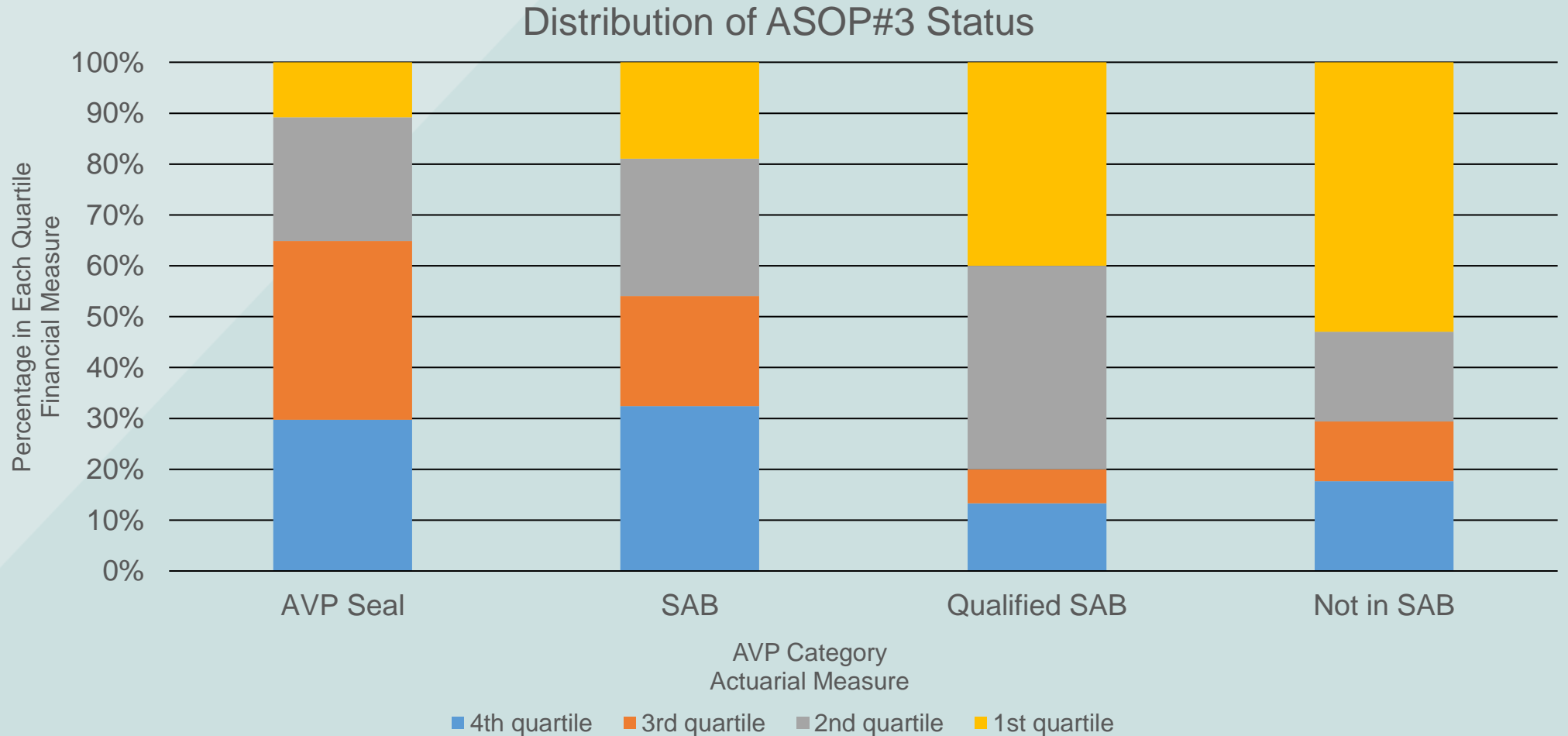
Days Cash on Hand



Distribution of ASOP#3 Status



Debt Service Coverage

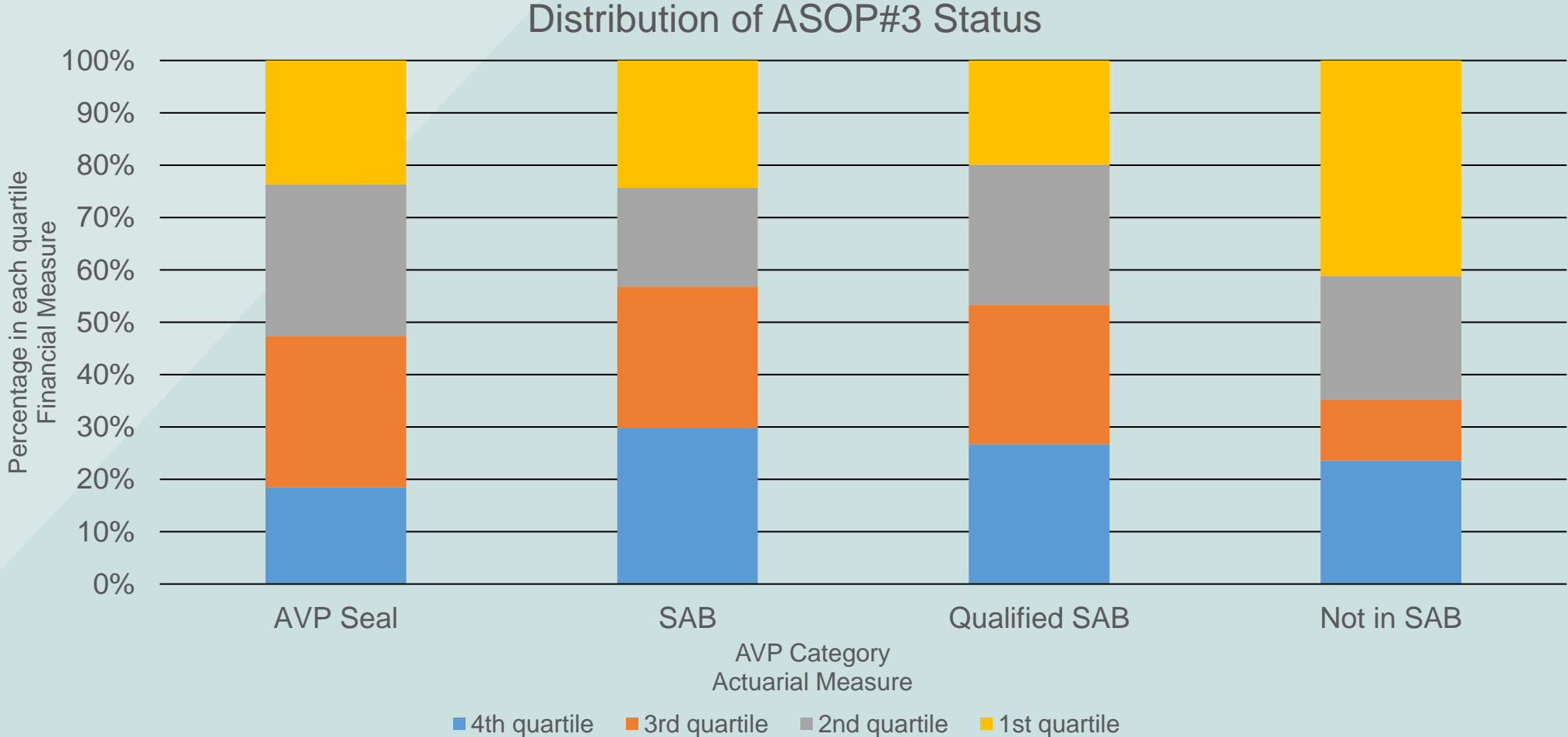


STRONGEST



WEAKEST

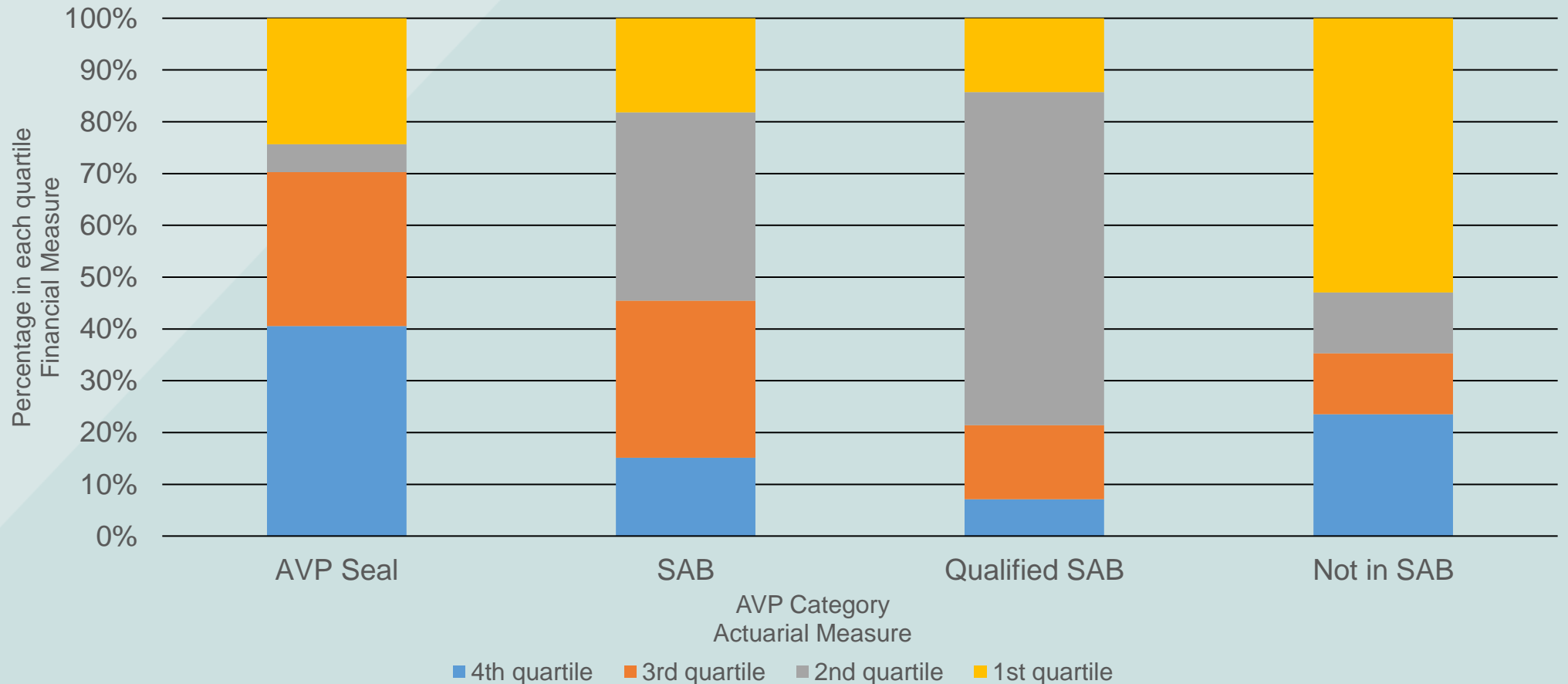
Net Operating Margin



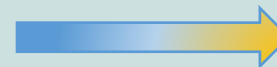
STRONGEST  **WEAKEST**

Cash to Debt

Distribution of ASOP#3 Status

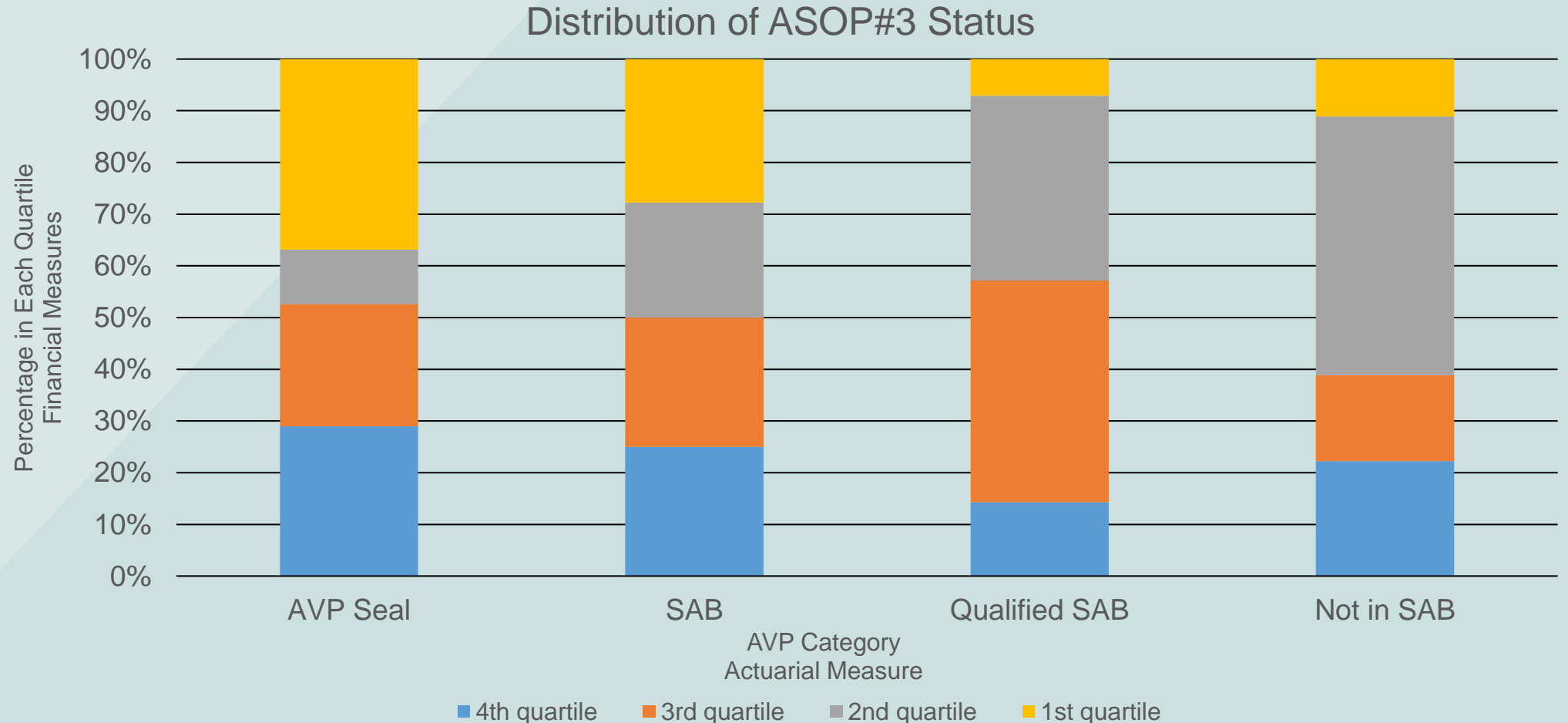


STRONGEST



WEAKEST

CAPEX as % of Depreciation



STRONGEST  **WEAKEST**

A2ZCCRC Benchmarking

What is A2ZCCRC?

- Benchmarking database that provides metrics for senior living organizations to measure and evaluate operational performance
- Enables monitoring trends internally and comparison to other communities to identify outliers and establish targets



You can't manage what you don't measure



A2ZCCRC Distinctions

- Focus on operating metrics
- Use AVP staff resources to collect, analyze and update the database and generate reports
 - ✓ Reduce time required by CCRC staff
 - ✓ Ensure consistent and comparable data
- FY2018 database includes 100 CCRCs



A2ZCCRC

Metrics include:

- Employee turnover rate
- Marketing costs
- Compensation and benefits costs
- FTE's per resident
- Utility, dining, maintenance, grounds, housekeeping, food costs per unit
- Health care metrics – staffing mix, therapy, nursing hours, payor mix, pharmacy costs
- Square footage metrics
- General and administrative



Evaluate Performance

Sample report shows:

- Quartile metrics from all CCRCs
- Metrics of individual CCRC
- Quartile ranking of individual CCRC
- Areas of strength (best quartile performance) ✓
- Areas of opportunity (worst quartile performance) ✗



Employee Turnover & Compensation

FY2018	P25	P50	P75
Employee Turnover %	29%	37%	47%
Employee Benefits % Salaries	22%	25%	27%
Worker's Comp Costs/FTE	\$603	\$769	\$956
S&B Costs/FTE	\$47,891	\$51,601	\$58,415
S&B Costs % Operating Expenses	40%	45%	49%



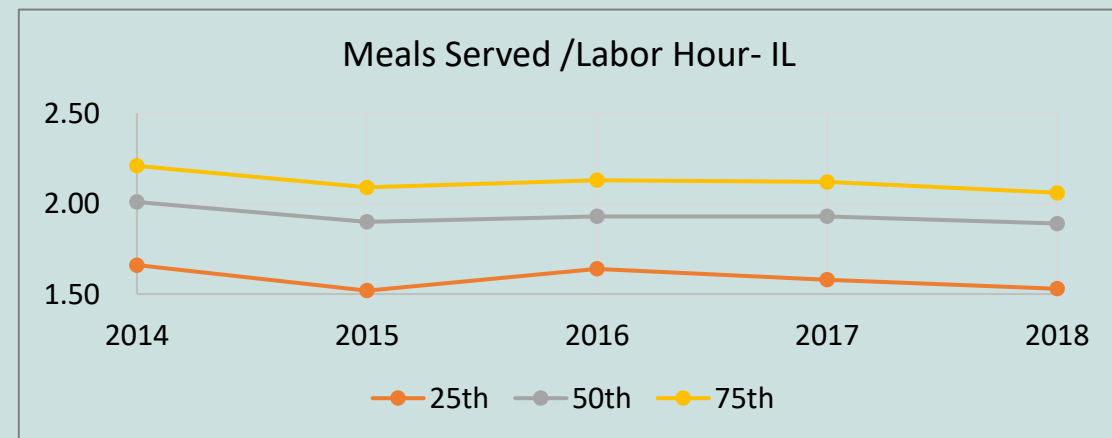
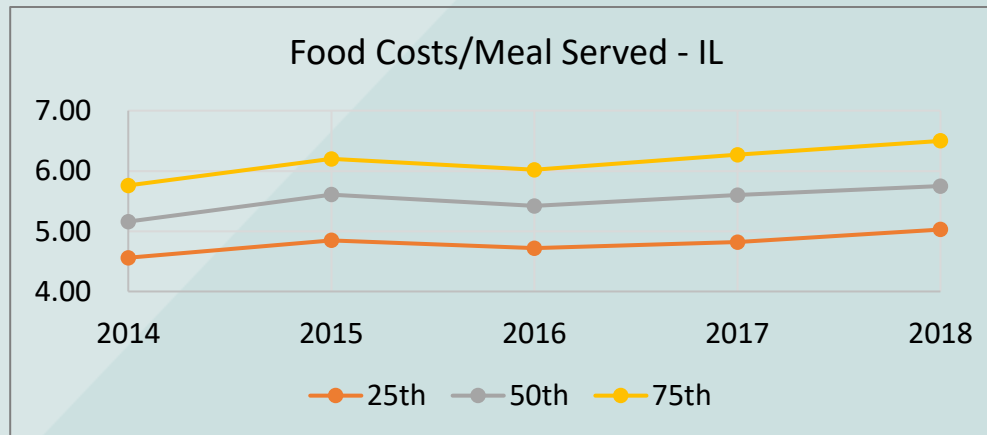
A2Z Anecdotes

- Marketing costs averaged \$26,000 per independent living unit move-in during 2018, based on data from approximately 80 comparable CCRCs across the country. Costs ranged between \$18,000 and \$30,000 at the lower and upper quartile boundaries (25th and 75th percentiles).
- Approximately 33% of communities in the A2ZCCRC database offer private duty home care services internally (not including those with separate affiliated companies providing services). Home care revenue averaged \$1,200 annually per IL resident over the past 5 years.



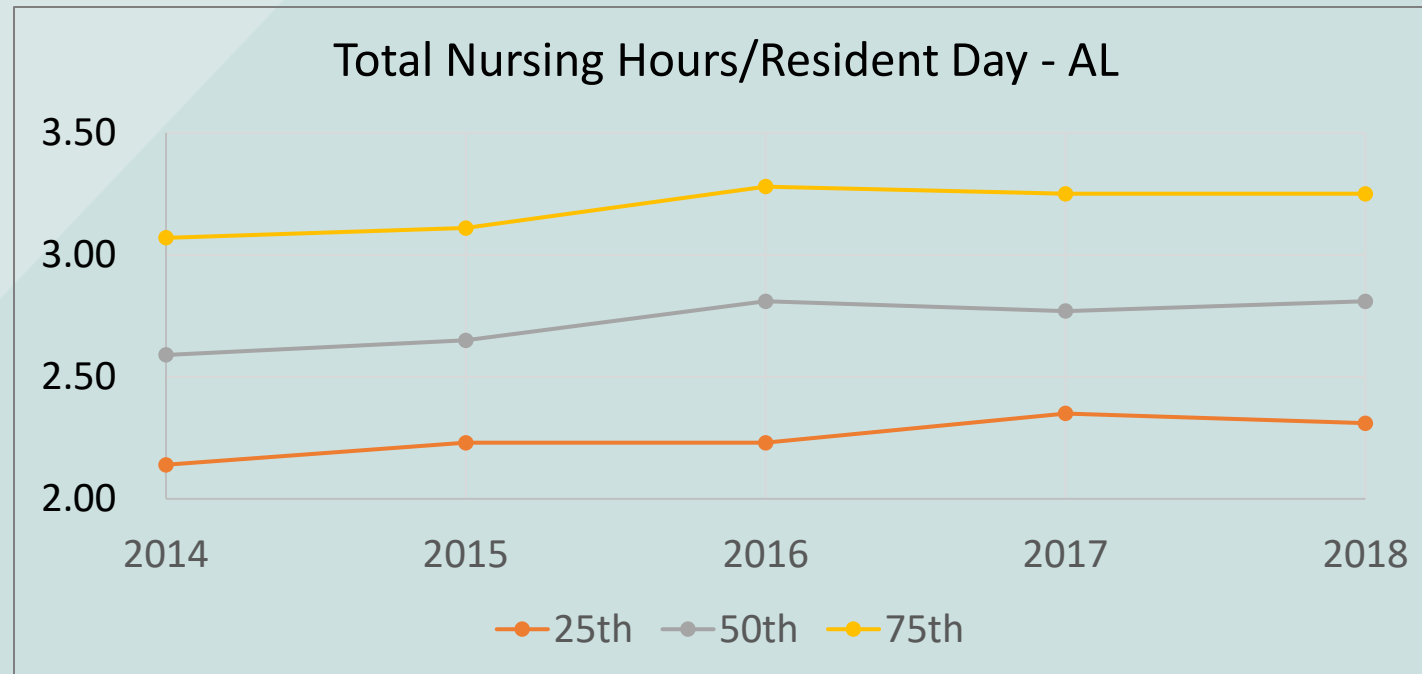
A2Z Anecdotes

Dining metrics for independent living show increasing costs and decreasing productivity for a cohort of 58 communities. Changes in food costs are consistent with overall food inflation in the U.S. during the 5 year time period. Trends to offer more venues and meal plan choices on campus may be contributing to the decline in productivity.



A2Z Anecdotes

Hours of care in assisted living are trending up, likely reflecting the increase in resident acuity in assisted living at many communities. Total nursing hours per resident day include direct and indirect clinical labor hours. Medians have increased from 2.59 to 2.81 hours per day for a cohort of 58 communities over the past 5 years.



Epilogue

We hope these statistics were interesting, informative and maybe even surprising. Of course, there are limitations related to their use. Data and models change over time and empirical data is not always reliable for projecting future conditions.

Throughout our consulting engagements, we have found significant variations by community. Summary statistics may not be reflective of longevity or utilization at a particular community.



Questions & Answers

