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25B – Market Trends: Demographics, Economics, Contract Review and Financial Impact

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Objectives Today



Discover current demographic and economic trends nationally and within Illinois/Greater Chicagoland that are impacting Life Plan Communities and Assisted Living providers



Explain how a pricing analysis can assist a community increase their monthly service fees and entrance fees as it relates to comparable competition and real estate data



Identify the financial and operational impact of modifying contract types, modifying monthly services fee/entrance fees or converting to a rental structure



Age Group: 65-74

Age Group: 75-84

Age Group: 85+

Median Household Income (2023)

County	\$83,952
MSA	\$68,226
State	\$58,532

Median Household Income (2023)

County	\$58,464
MSA	\$45,476
State	\$42,257

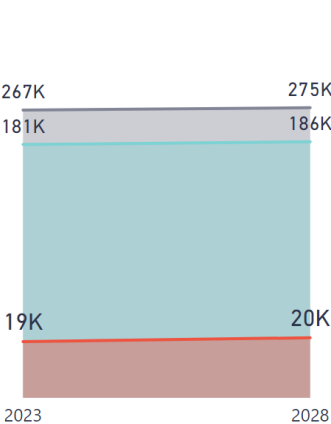
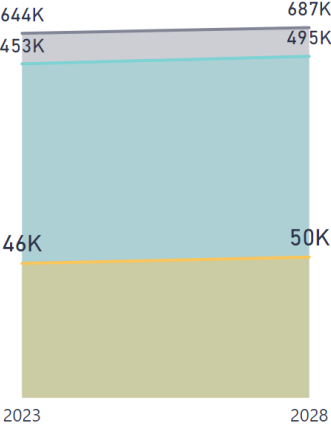
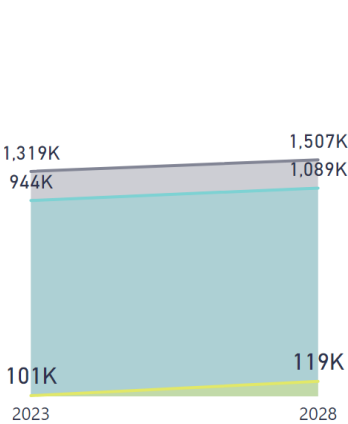
Median Household Income (2023)

County	\$43,554
MSA	\$32,874
State	\$32,720

● State Population ● MSA Population ● County Population

● State Population ● MSA Population ● County Population

● State Population ● MSA Population ● County Population



3.6%
County Annual Population Growth

County Population Change

+18K
2023 to 2028

3.1%
MSA Population Growth

1.5%
County Annual Population Growth

County Population Change

+4K
2023 to 2028

1.8%
MSA Population Growth

0.9%
County Annual Population Growth

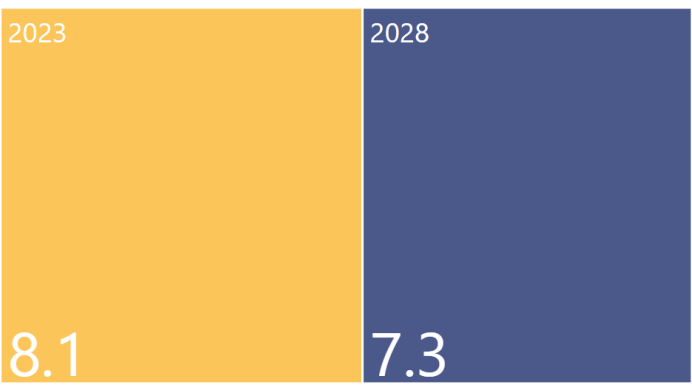
County Population Change

+856
2023 to 2028

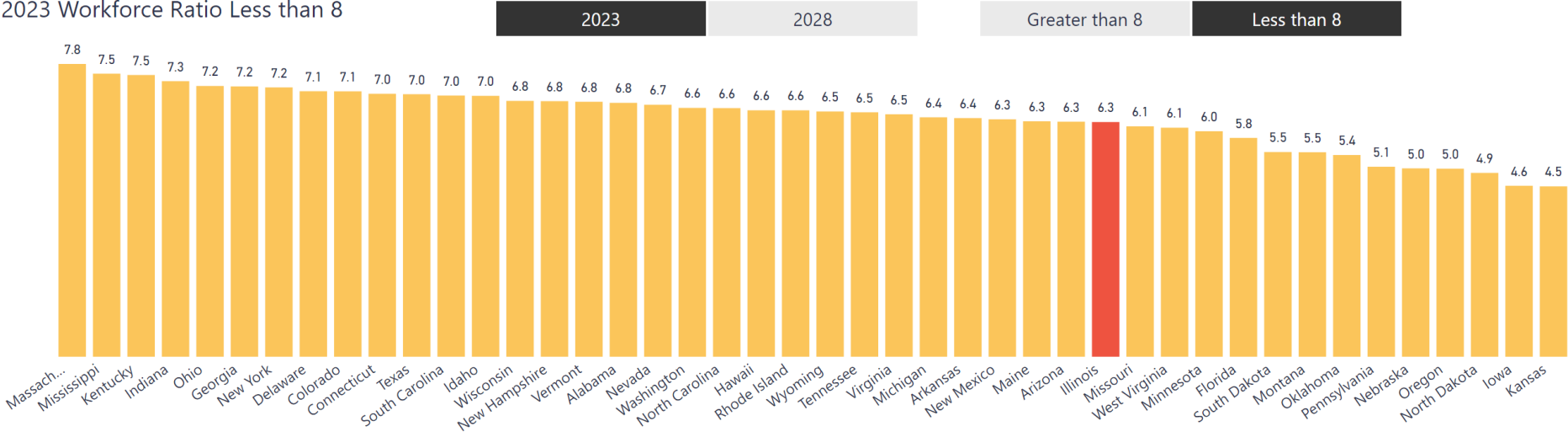
0.6%
MSA Population Growth

County Name	County Workforce Ratio 2023	County Workforce Ratio 2028	County 5 YR Change	MSA Name	MSA Workforce Ratio 2023
Adams County	5.83	5.52	-0.31	West Central Illinois nonmetropolitan area	5.19
Alexander County	4.92	4.63	-0.29	Cape Girardeau, MO-IL	7.27
Bond County	7.22	6.88	-0.35	St. Louis, MO-IL	7.91
Boone County	8.23	7.56	-0.67	Rockford, IL	7.45
Brown County	9.68	9.04	-0.65	West Central Illinois nonmetropolitan area	5.19
Bureau County	5.27	4.99	-0.28	Northwest Illinois nonmetropolitan area	5.80
Calhoun County	4.66	4.37	-0.29	St. Louis, MO-IL	7.91
Carroll Countv	3.49	3.26	-0.23	Northwest Illinois	5.80

U.S. Workforce Ratio



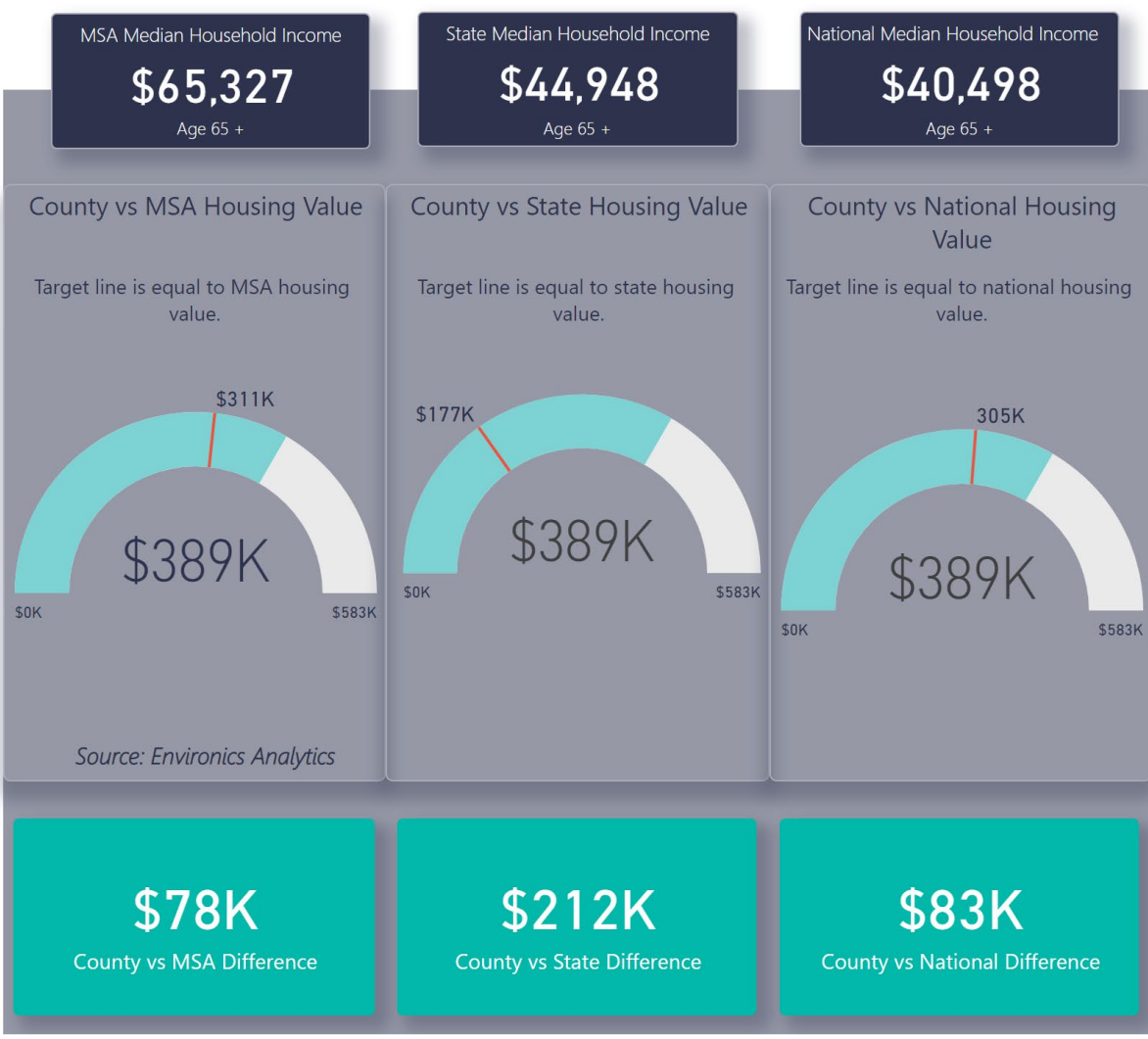
2023 Workforce Ratio Less than 8



County Name

2023 Est. Housing Values

DuPage County	\$388,556
Lake County	\$334,026
Kendall County	\$324,880
Cook County	\$319,359
Kane County	\$305,852
Will County	\$305,255
Monroe County	\$300,698
McHenry County	\$288,474
Grundy County	\$263,315
DeKalb County	\$253,689
Boone County	\$223,262
McLean County	\$199,409
Jersey County	\$199,025
Woodford County	\$198,913
Champaign County	\$194,948
Clinton County	\$190,862
Effingham County	\$190,661
Jo Daviess County	\$190,566
Kankakee County	\$184,706
Calhoun County	\$182,501
Ogle County	\$180,464
Piatt County	\$179,815
Menard County	\$174,805
Madison County	\$173,317
St. Clair County	\$166,588
Putnam County	\$164,473
Sangamon County	\$164,152

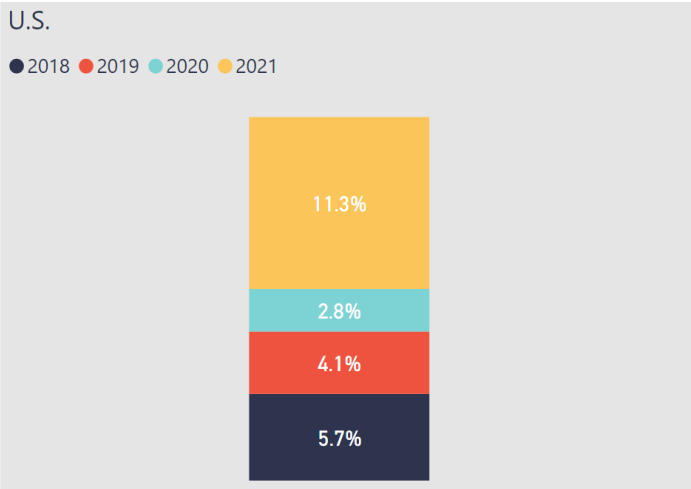
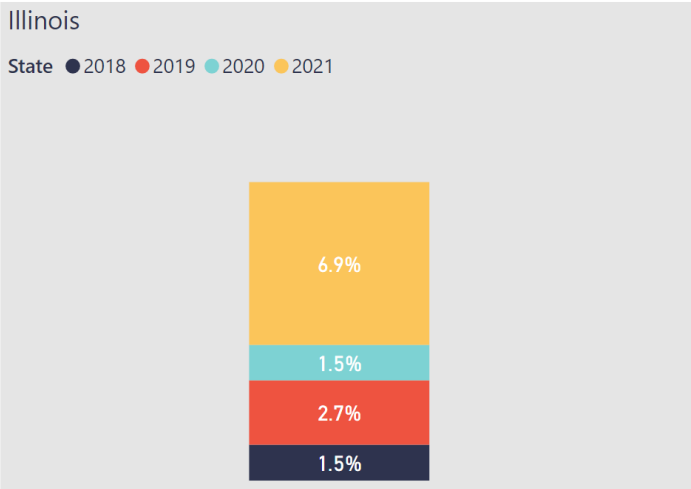
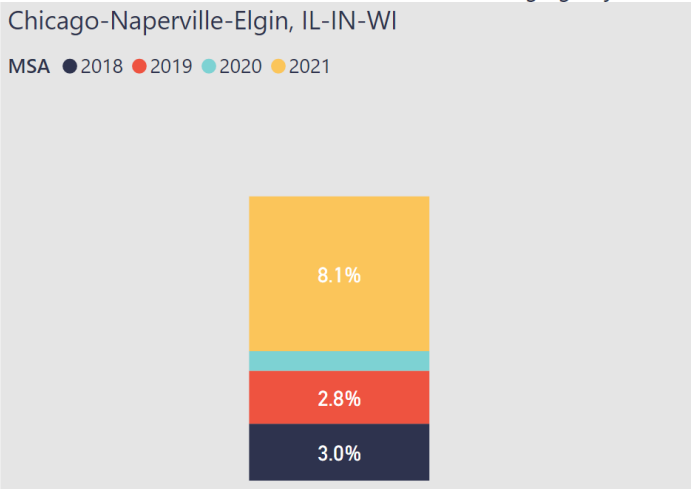
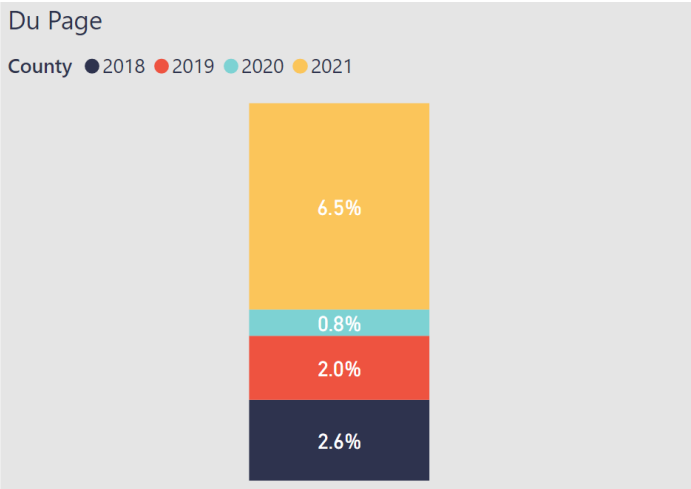


County Selection

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Dist. Of Columbia
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Adams
- Bond
- Boone
- Brown
- Bureau
- Carroll
- Cass
- Champaign
- Christian
- Clark
- Clay
- Clinton
- Coles
- Cook
- Crawford
- Cumberland
- De Kalb
- Dewitt
- ...

Annual Housing Price Index Change

Source: Federal Finance Housing Agency



- ✓ ☐ Alabama
- ✓ ☐ Alaska
- ✓ ☐ Arizona
- ✓ ☐ Arkansas
- ✓ ☐ California
- ✓ ☐ Colorado
- ✓ ☐ Connecticut
- ✓ ☐ Delaware
- ✓ ☐ District of Columbia
- ✓ ☐ Florida
- ✓ ☐ Georgia
- ✓ ☐ Hawaii
- ✓ ☐ Idaho
- ✓ ☒ Illinois
 - ☐ Adams
 - ☐ Alexander
 - ☐ Bond
 - ☐ Boone
 - ☐ Brown
 - ☐ Bureau
 - ☐ Calhoun
 - ☐ Carroll
 - ☐ Cass
 - ☐ Champaign
 - ☐ Christian
 - ☐ Clark
 - ☐ Clay
 - ☐ Clinton
 - ☐ Coles
 - ☐ Cook
 - ☐ Crawford
 - ☐ Cumberland
 - ☐ De Witt
 - ☐ DeKalb
 - ☐ Douglas
 - ☒ DuPage
 - ☐ Edgar

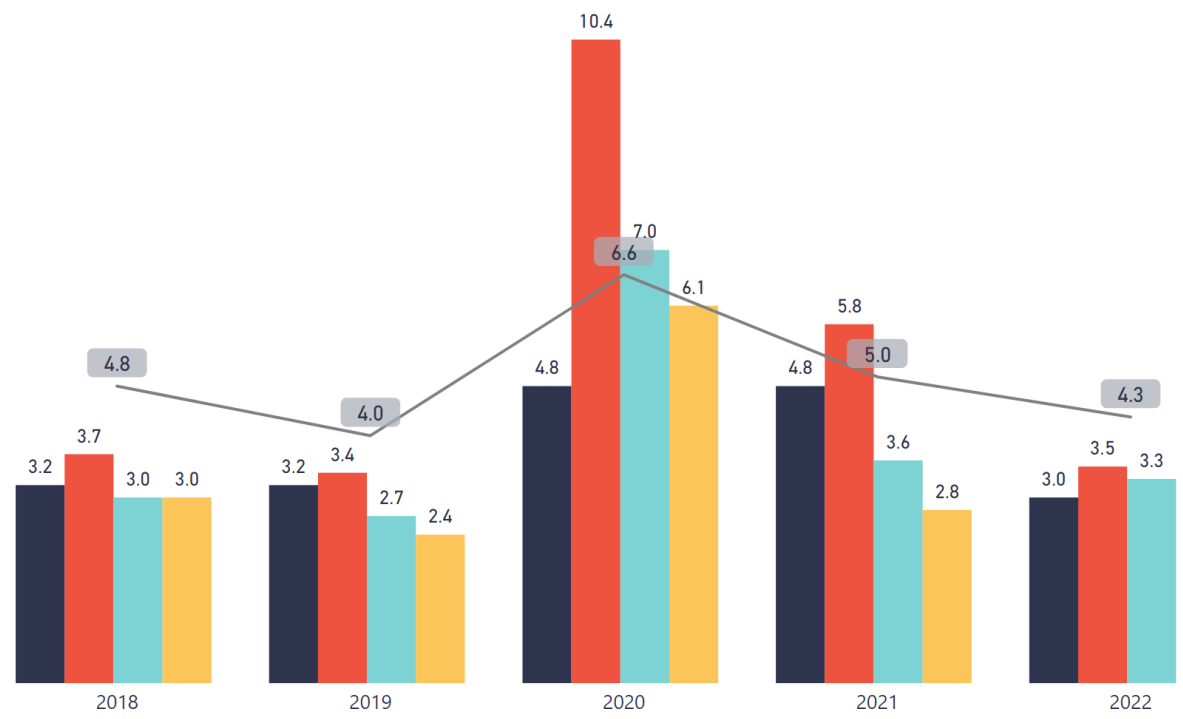
National Unemployment (Median)



County Unemployment

Source: United States Bureau of Labor Statistics

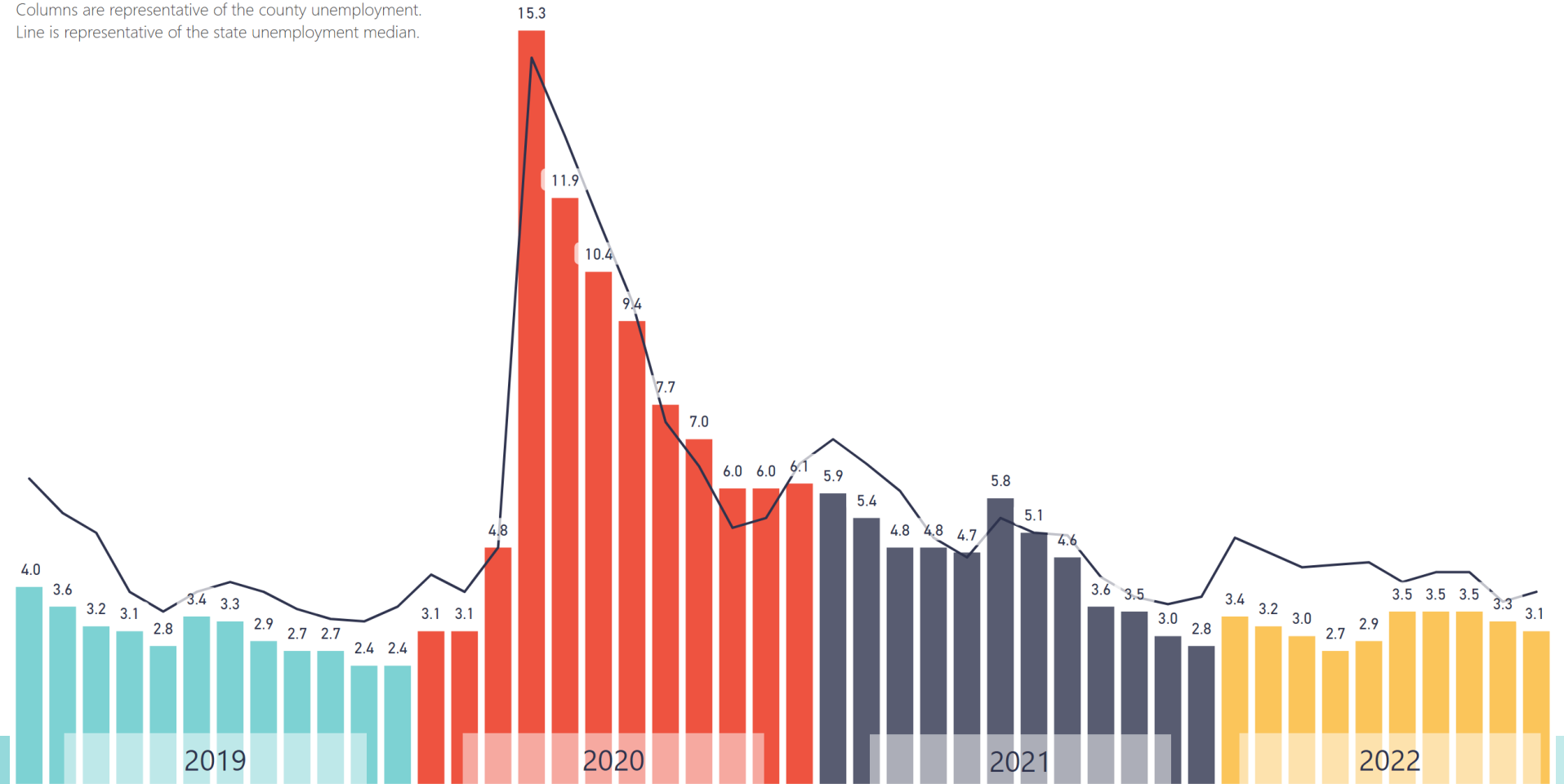
☒ Mar
 ☒ Jun
 ☒ Sep
 ☒ Dec
 — State Annual Unemployment (Median)



County Unemployment

Source: United States Bureau of Labor Statistics

Columns are representative of the county unemployment.
Line is representative of the state unemployment median.

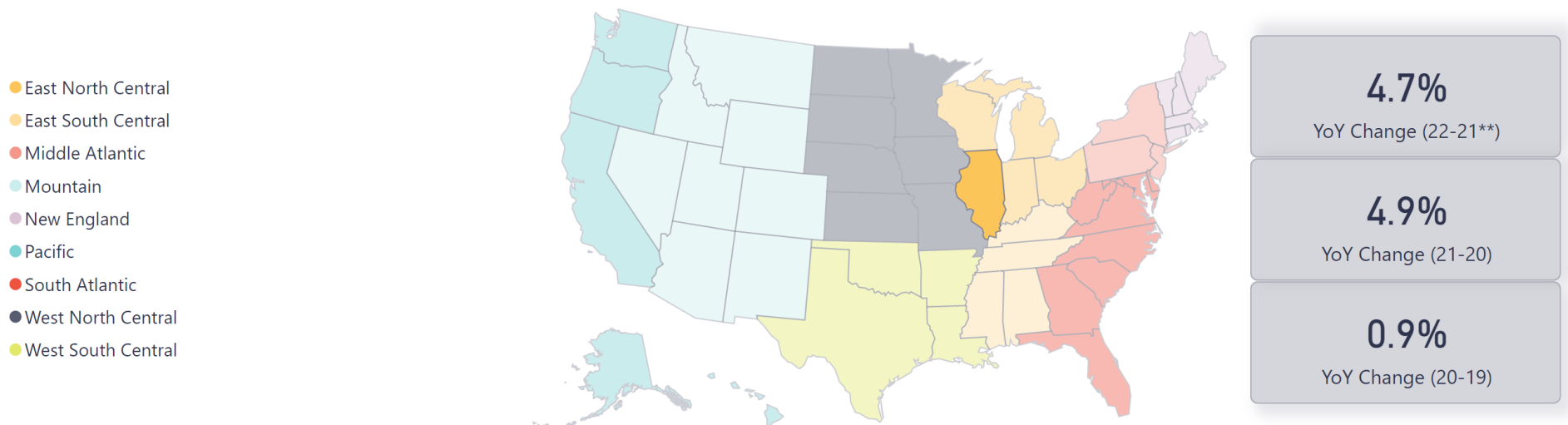


Consumer Price Index

Source: United States Bureau of Labor Statistics

MSA Name	Year Over Year Change (22-21)**	Year Over Year Change (21-20)	Year Over Year Change (20-19)	2022 (Through 06/30/22)	2021	2020	2019
Atlanta-Sandy Springs-Roswell, GA	6.1%	6.1%	1.20%	283.72	523.27	493.31	487.46
Baltimore-Columbia-Towson, MD	5.4%	4.1%	1.00%	290.22	540.42	518.95	513.77
Boston-Cambridge-Newton, MA-NH	4.4%	3.3%	1.10%	310.11	587.04	568.53	562.16
Chicago-Naperville-Elgin, IL-IN-WI	4.6%	4.2%	1.10%	269.60	508.32	487.75	482.36
Dallas-Fort Worth-Arlington, TX	5.4%	5.2%	0.60%	269.53	503.24	478.16	475.47
Denver-Aurora-Lakewood, CO	4.4%	3.5%	2.00%	300.00	563.69	544.41	534.00
Detroit-Warren-Dearborn, MI	4.6%	4.3%	1.00%	263.79	495.61	475.32	470.53

Change in Consumer Price Index by Region



** Change is the for the time period of January 2022 through June 2022 vs January 2021 through June 2021.

Stabilized Occupancy by County

Majority AL

Majority IL

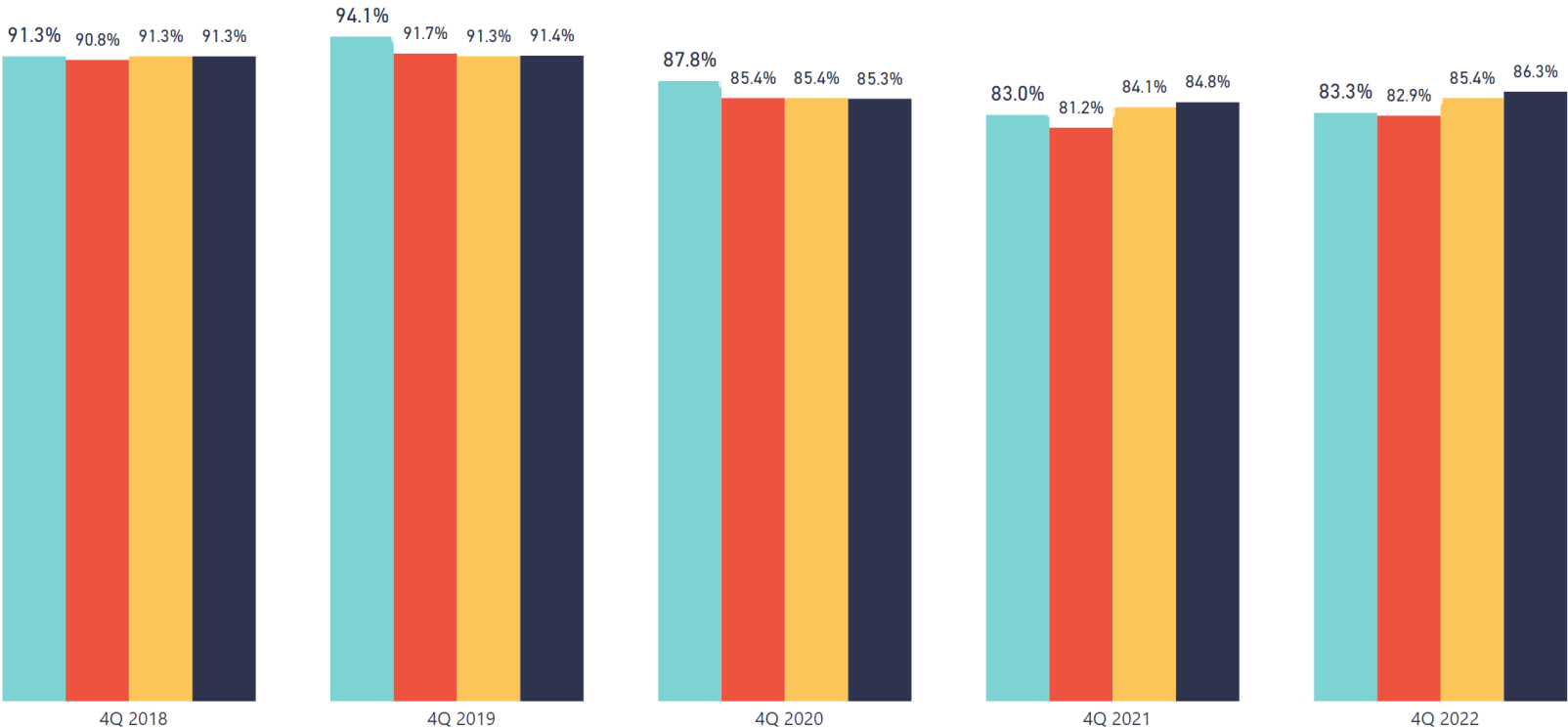
Majority NC

Illinois (State) + DuPage (County)



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

● County ● MSA ● Region ● National - Primary Mkt



Stabilized Occupancy by County

Majority AL

Majority IL

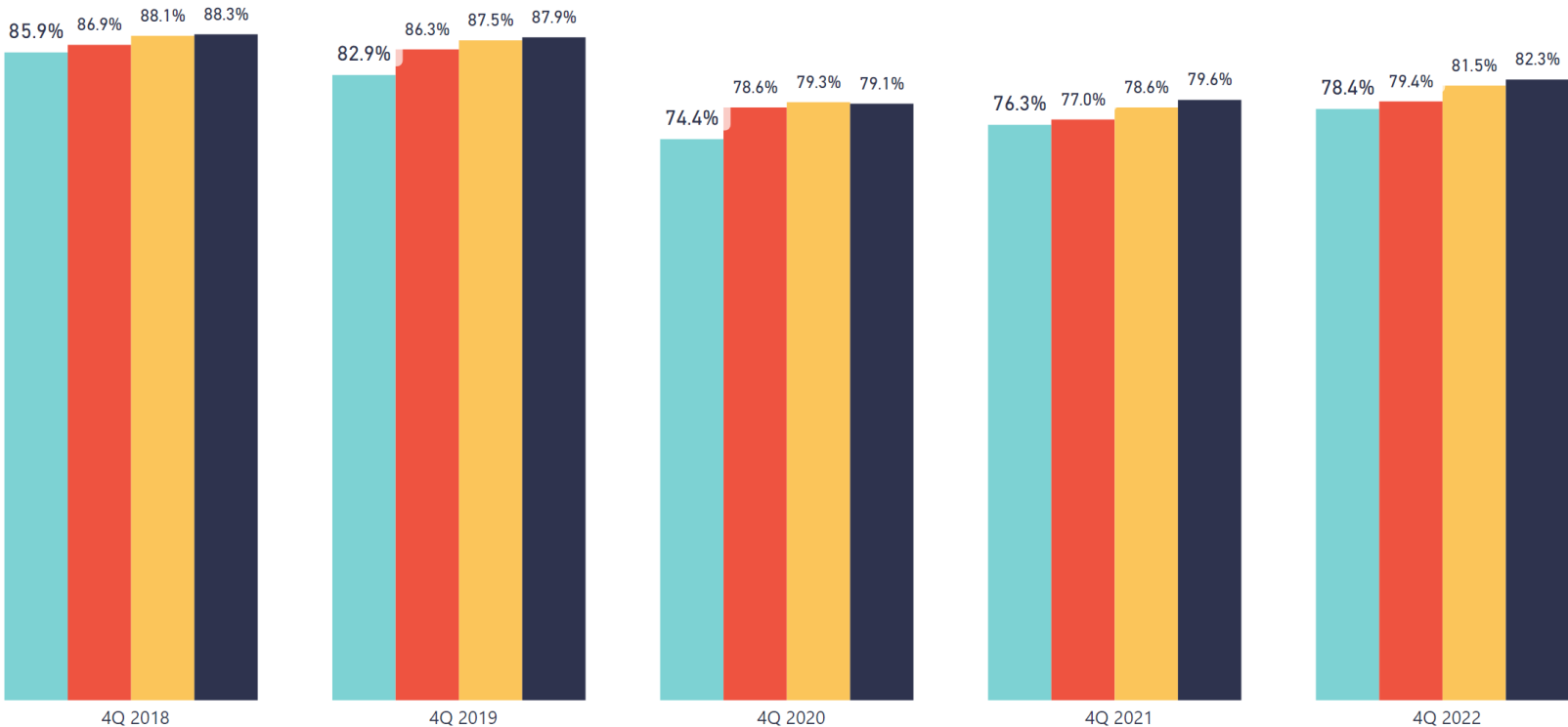
Majority NC

Illinois (State) + DuPage (County)



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

● County ● MSA ● Region ● National - Primary Mkt



Illinois (State) + DuPage (County) ▼

Average Rent by Year

DuPage

Chicago, IL

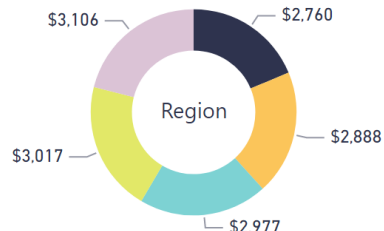
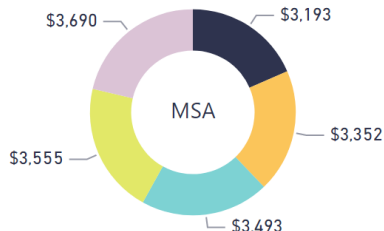
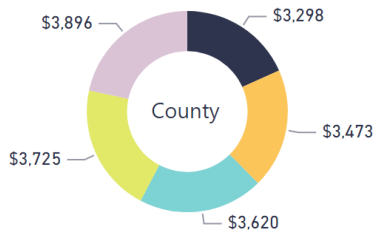
East North Central

Majority AL

Majority IL

Majority NC

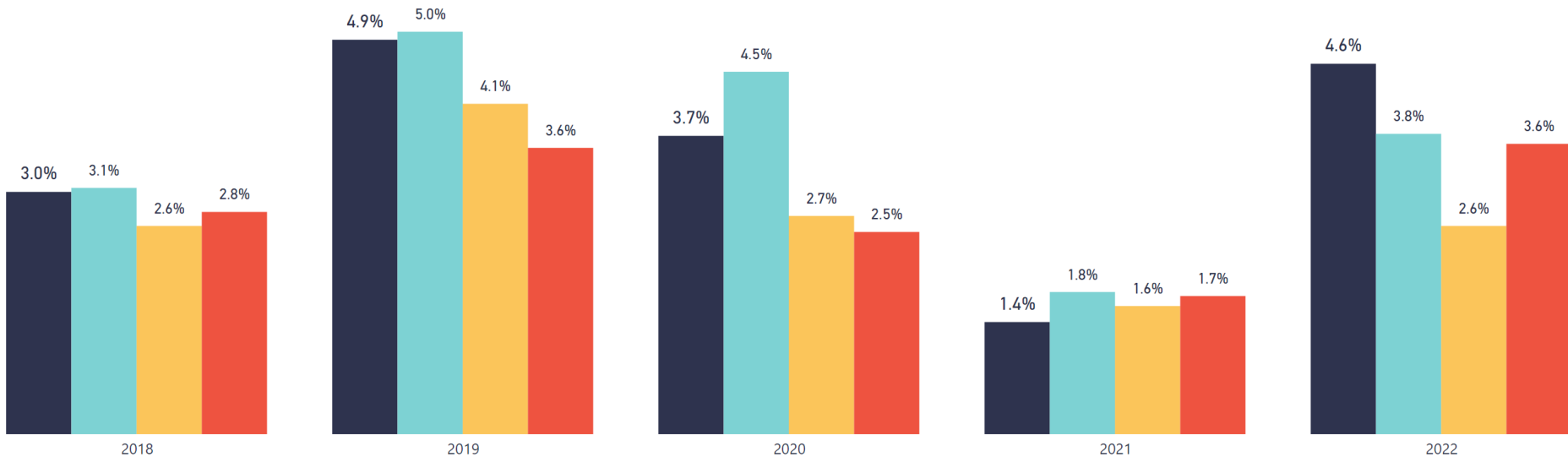
- 2018
- 2019
- 2020
- 2021
- 2022



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

Average Rent Growth by Year

● County ● MSA ● Region ● National - Primary Mkt

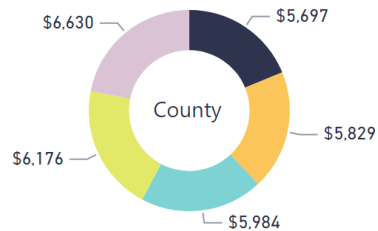


Illinois (State) + DuPage (County) ▾

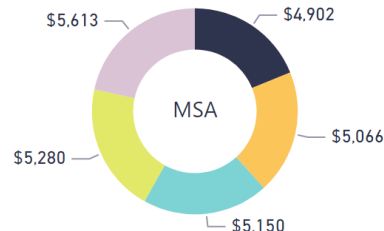
Average Rent by Year

DuPage

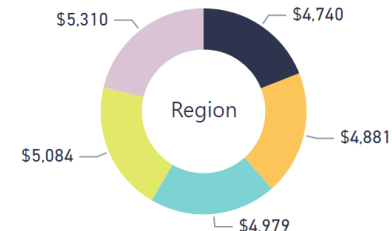
- 2018
- 2019
- 2020
- 2021
- 2022



Chicago, IL



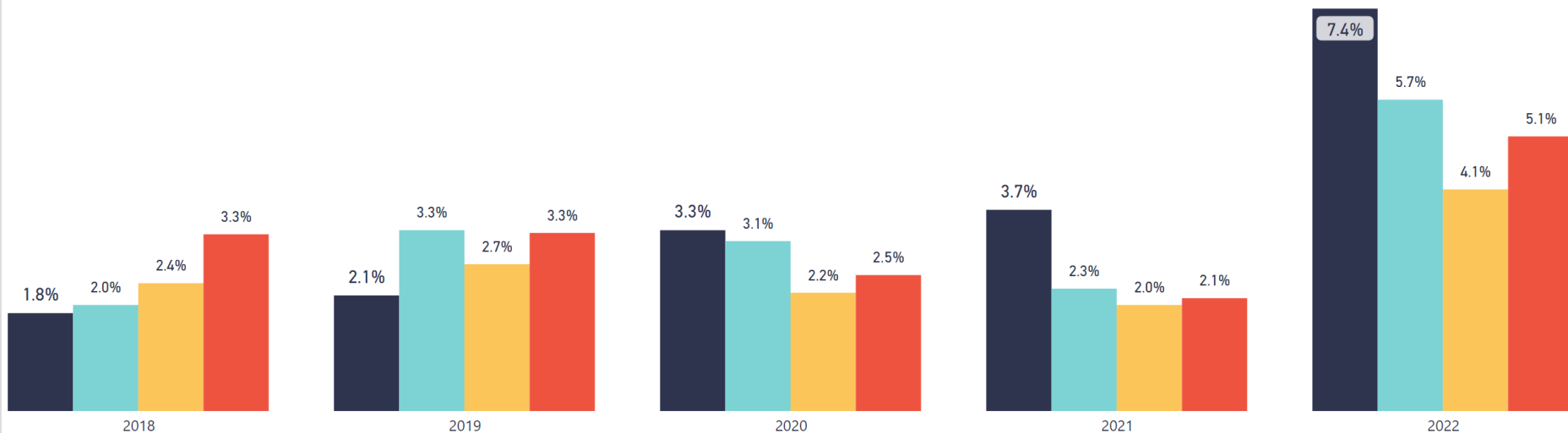
East North Central



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

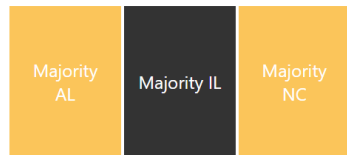
Average Rent Growth by Year

● County ● MSA ● Region ● National - Primary Mkt



Average Annual Inventory Growth

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



2018 2019 2020 2021 2022

Construction vs Inventory

2.9%

2022 County

0.4%

2021 County

2.2%

2022 MSA Median

2.5%

2021 MSA Median

1.2%

2022 State Median

0.4%

2021 State Median

4.2%

2020 County

7.9%

2019 County

3.4%

2020 MSA Median

5.3%

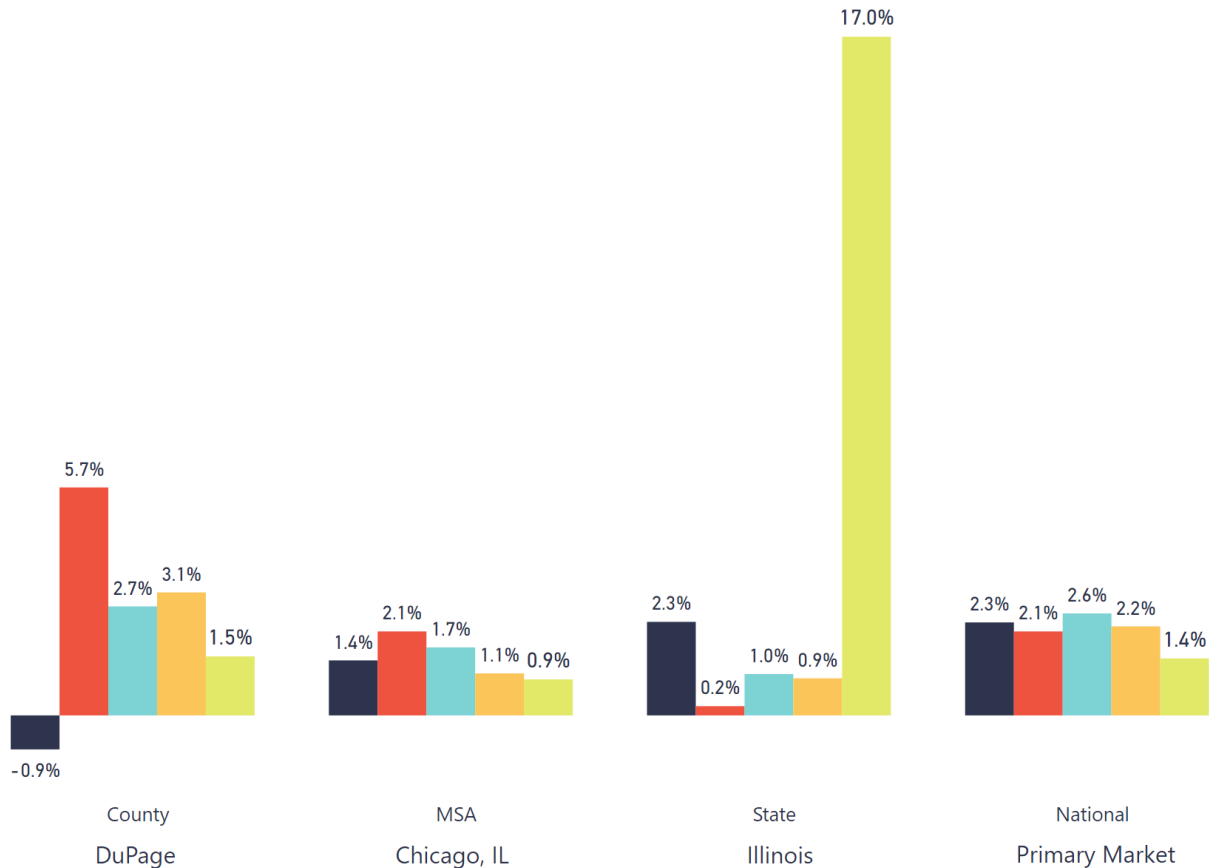
2019 MSA Median

1.1%

2020 State Median

0.7%

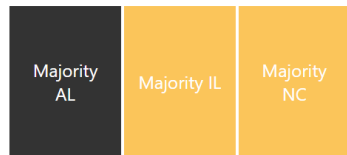
2019 State Median



Average Annual Inventory Growth

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

● 2018 ● 2019 ● 2020 ● 2021 ● 2022



Construction vs Inventory

0.0%

2022 County

5.0%

2022 MSA Median

0.0%

2022 State Median

0.0%

2020 County

5.5%

2020 MSA Median

0.0%

2020 State Median

0.0%

2021 County

6.4%

2021 MSA Median

0.0%

2021 State Median

0.0%

2019 County

6.0%

2019 MSA Median

0.0%

2019 State Median

20.2%

County

DuPage

7.9%

MSA

Chicago, IL

12.5%

State

Illinois

4.6%

National

Primary Market



Marketing – Putting Your Best Foot Forward

Opportunities and Challenges



The following slides are a list of items or areas that we at CLA have seen, experienced and commented on over the years related to Market Analysis Engagements, Pricing comparisons and just walking through a facility.



Each market can be different but the following are our collective thoughts and ideas over the past years.



Focus of this section is the importance of a 3rd party view of your community



Opportunities and Challenges – Marketing Materials

- Marketing Materials
 - Are they updated and representative of the community?
 - Are you highlighting the greatest features of your community?
 - Are you highlighting differentiation from your competitors that are what you believe to be advantages?
 - Are you providing a FAQ?
 - Are they digital and in professional print?
 - Are you succinct and to the point?
 - What font are you using? Is it this or this?



Opportunities and Challenges - Digital Marketing

- Avoid “Pop Ups” and “Ads”
- Provide links within the text to allow for quick access to information or details
- Are you including actual pictures or videos of YOUR campus?
- Testimonials (Text or Videos) can be impactful but need to be short and to the point
- Can you schedule a tour easily from your site
- Is your “Virtual Tour” effective? Some are and some are not

Opportunities and Challenges - Tours and Physical Appearance

- First impression starts upon arrival:
 - Signage and directions upon entering the community
 - Is it easy to find parking near the entrance?
- Next impression when entering the front door:
 - Welcoming entrance
 - Receptionist saying hello and greeting immediately
 - Welcoming place to sit and be greeted by Marketing team
 - All senses impact the first impression



Opportunities and Challenges - Tours and Physical Appearance

- Tour:
 - Lighting
 - Furniture (how old and what condition)
 - “Knick Knacks” – Are they dated?
 - Carpet and Flooring
 - Signage – easy to navigate

Opportunities and Challenges - Tours and Physical Appearance

- Tour Guide:
 - Ask prospective resident before the tour what are their most important features and that they will be focusing on in their decision
 - Focus on positives and best features
 - Know the names of team members and residents
 - Greeting them during the tour
 - Designated residents or staff to be part of the tour
 - Identify recent upgrades or renovations
 - Identify plans for the future if there is certainty
 - Know your competition and do compare and contract





Pricing Analysis

Question for you?



When was the last time you performed a “Pricing Analysis?”



Was it Internal or did you contract with a Third Party?



Was it price only or did you compare to your competition?



Did you capture ALL of your direct and indirect competitors?

Pricing Considerations Within the Industry

- Annual/Mid-Year Inflationary Increases (EF, Monthly Fee, Monthly Rate)
 - Annual for all residents
 - Anniversary date
 - Economic and Market conditions
- New Product or Service
 - Actuarial analysis needed?
 - Financial projections
- Changes in market – Conversion from EF to Rental



EF to Rental – Assumptions and Estimates

- Start with a baseline – Do Nothing
- Set your targets and thresholds internally
 - NOT your external covenant requirements
 - DSCR
 - DCOH
 - Net Operating Margin
 - Other internal metrics

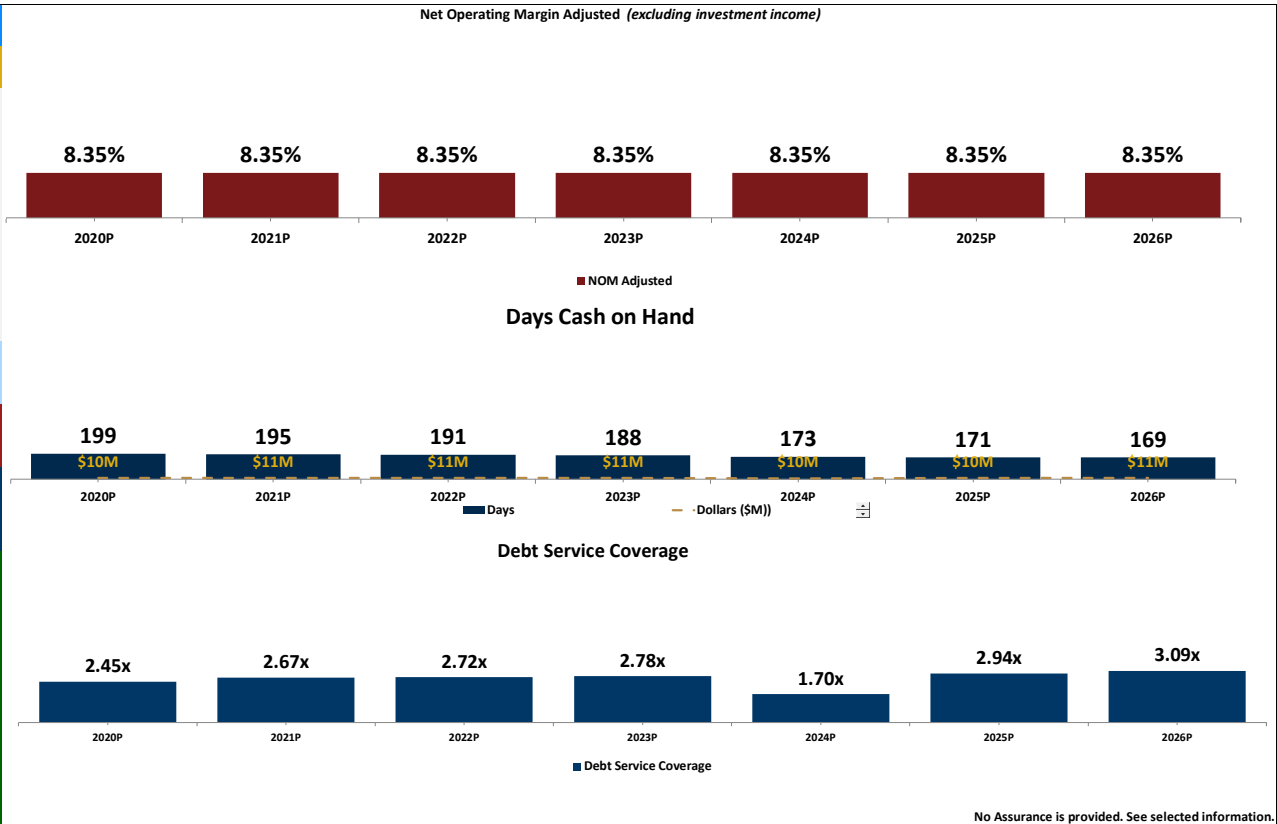


EF to Rental – Assumptions and Estimates

- General
 - Inflation – Expense and Revenue
 - Occupancy
 - Capital
 - Investment Returns
- Specific
 - Life Expectancy
 - Time in Health Care
 - Contract types – EF, Monthly Fee, etc.
 - Timing of Refundability
 - Rental Fee



SCENARIO SELECTION			
Model Scenario Selection = Interactive			
BASELINE OPERATING PERFORMANCE			
2019 Baseline Performance 2019 Actual			
REVENUE INFLATION			
Resident Revenue Rates		2020 +	
Independent Living	↑↓	3.0% / year	
Assisted Living	↑↓	3.0% / year	
Health Center	↑↓	3.0% / year	
Amortization of Entrance Fees	↑↓	3.0% / year	
Net Inflationary Spread (%)			
0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%
2020P	2021P	2022P	2023P
2024P	2025P	2026P	
EXPENSE INFLATION			
2020 - 2023		2024+	
Labor	↑↓ 3.0%	3.0%	
Non Labor	↑↓ 3.0%	3.0%	
NON-OPERATING ACTIVITY			
Investment Income (2019+)	↑↓ 4.0% per year		
Unrestricted Contributions	↑↓ \$00k per year		
PERFORMANCE IMPROVEMENT			
<ul style="list-style-type: none"> No Net Labor Performance Improvement No Net Non Labor Performance Improvement No \$\$\$ Specific Performance Improvement 	<ul style="list-style-type: none"> ↑↓ ↑↓ ↑↓ 		
CAPITAL IMPROVEMENT			
\$0.0M			
<ul style="list-style-type: none"> No Building A Expansion and Parking No Building B Expansion and Parking No Building C Expansion and Parking 	<ul style="list-style-type: none"> ↑↓ ↑↓ ↑↓ 		
MAJOR PROJECT CAPITAL SOURCES (NON-REVENUE PRODUCING)			
\$0.0M			
<ul style="list-style-type: none"> Long Term Debt Philanthropy Cash Routine Capital % Revenue 	<ul style="list-style-type: none"> ↑↓ \$0.0M ↑↓ \$0.0M ↑↓ \$0.0M ↑↓ 7.50% / Yr 	<ul style="list-style-type: none"> \$0.0M \$0.0M \$0.0M \$1,721k / Yr 	



General Assumptions for Contract Analysis		Life Expectancy Factor	1.00x SSA Table
Expense Inflation	3.00%	Annual	Time in Healthcare: 2 Years

Contract Comparison #1

Male	Male	80		Life Exp:	8.28
Membership EF	\$ 65,000	Capital Cost	\$ 10,000	Membership MSF	\$ 2,530
Refund % Lump Sum	0%	Rate of Return	0.00%		
Rental MSF	\$ 3,180		\$ -		
IL MSF Inflation	0.00%				

Contract Comparison #2

Female	Female	85		Life Exp:	6.95
Membership EF	\$ 85,000	Capital Cost	\$ 10,000	Membership MSF	\$ 2,670
Refund % Lump Sum	0%	Rate of Return	0.00%		
Rental MSF	\$ 3,720				
IL MSF Inflation	0.00%				

Contract Comparison #3

Male	Male	85		Life Exp:	5.89
Membership EF	\$ 38,500	Capital Cost	\$ 10,000	Membership MSF	\$ 2,130
Refund % Lump Sum	0%	Rate of Return	0.00%		
Rental MSF	\$ 2,720		\$ -		
IL MSF Inflation	0.0%				

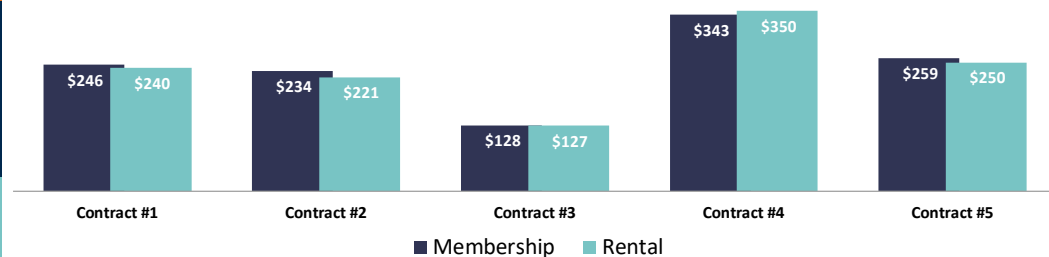
Contract Comparison #4

Female	Female	80		Life Exp:	9.68
Membership EF	\$ 93,000	Capital Cost	\$ 10,000	Membership MSF	\$ 2,820
Refund % Lump Sum	0%	Rate of Return	0.00%		
Rental MSF	\$ 3,800				
IL MSF Inflation	0.00%				

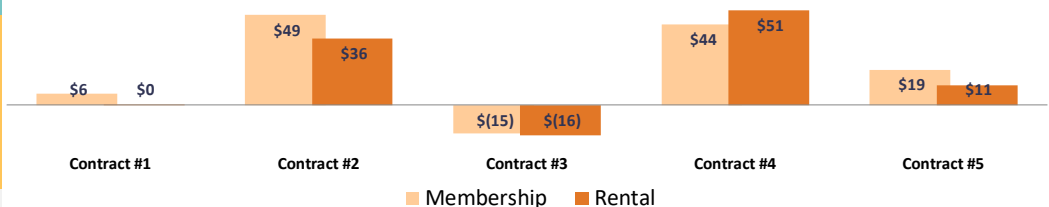
Contract Comparison #5

Male	Male	80		Life Exp:	8.28
Membership EF	\$ 75,000	Capital Cost	\$ 10,000	Membership MSF	\$ 2,570
Refund % Lump Sum	0%	Rate of Return	0.00%		
Rental MSF	\$ 3,320				
IL MSF Inflation	0.00%				

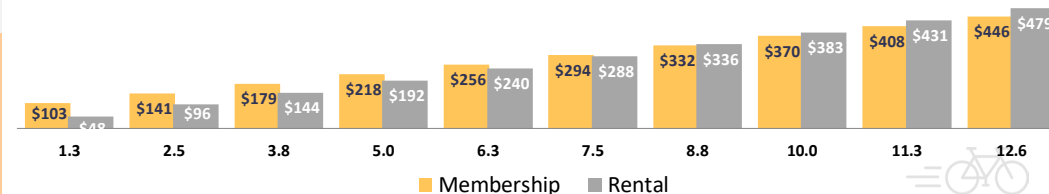
Future Value of Cumulative Cash Flow at Life Expectancy in IL (In Thousands)



Gain(Loss) Per Contract based on Future Value of Cash Flows at Life Expectancy in IL



Contract Comparison #1: Future Value of Membership Vs Rental over IL Life Expectancy (in Thousands)



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