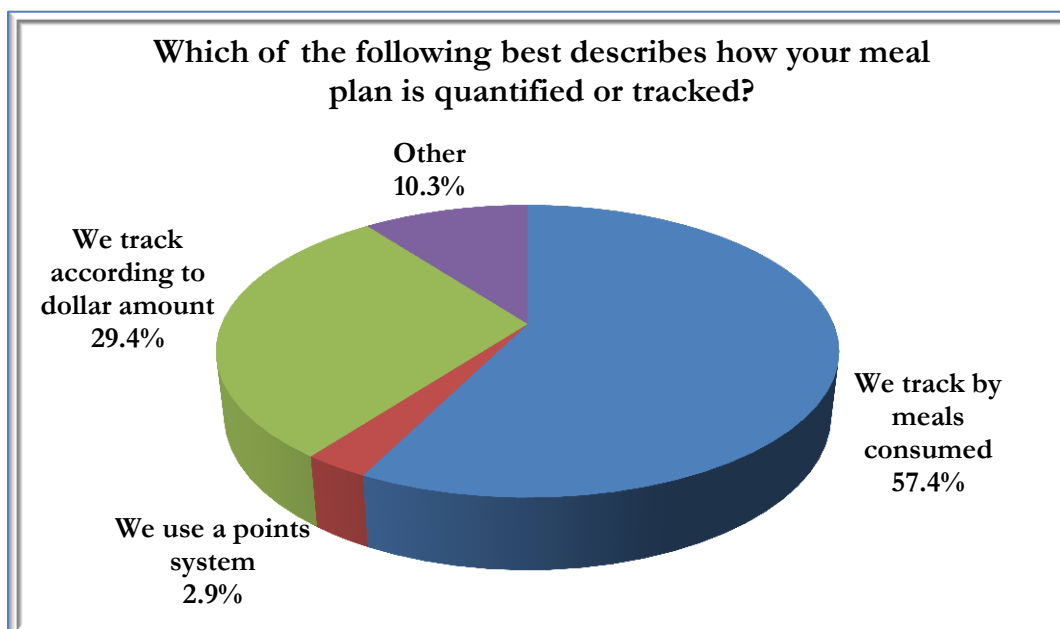


ZIEGLER CFO HOTLINESM RESIDENT DINING CONTRACTS

December 2013

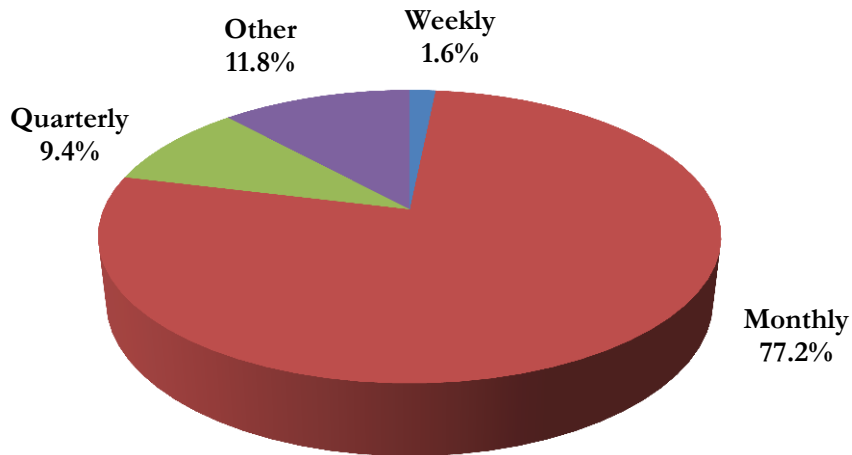
The December *CFO Hotline*SM poll gathered feedback on dining contracts among Independent Living residents. These contracts have evolved over the years to offer a variety of benefits and options, all to accommodate the changing preferences of today's residents. The changing preferences and varied contracts are not without challenges for the provider. This month's poll aimed to gather feedback on what is typical among CCRC providers and how changes are being made to meet the expectations of current and prospective residents. Nearly 140 CFOs completed the online survey.

The initial question asked how the community's meal plan is quantified or tracked. It should be noted that several respondents indicated that they have no meal plan as part of their resident service package and that it is pay-as-you-go for all dining options. Roughly 57% reported that they track by the number of meals consumed and another 3 out of 10 indicated that they track according to the dollar amount of the meal purchased. For individuals responding "other," these communities reported combinations of dining contracts and multiple contracts offered throughout the community. Those residents have the option to select a declining meal balance or a declining dollar balance.



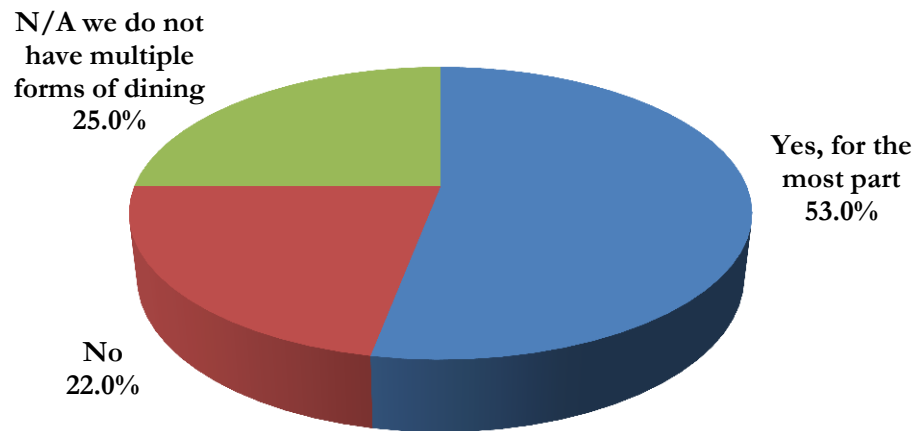
For those with a meal plan, they were asked to elaborate on the timeframe for their declining meal plan balance. The vast majority (77.2%) have a monthly declining balance. The "other" comments referred largely to individuals who said they do not have a declining meal plan and that it is a "pay-as-you-go" system. A few individuals stated that the balance declines daily and one mentioned an annual number of meals given.

Which is the timeframe for your declining meal balance?

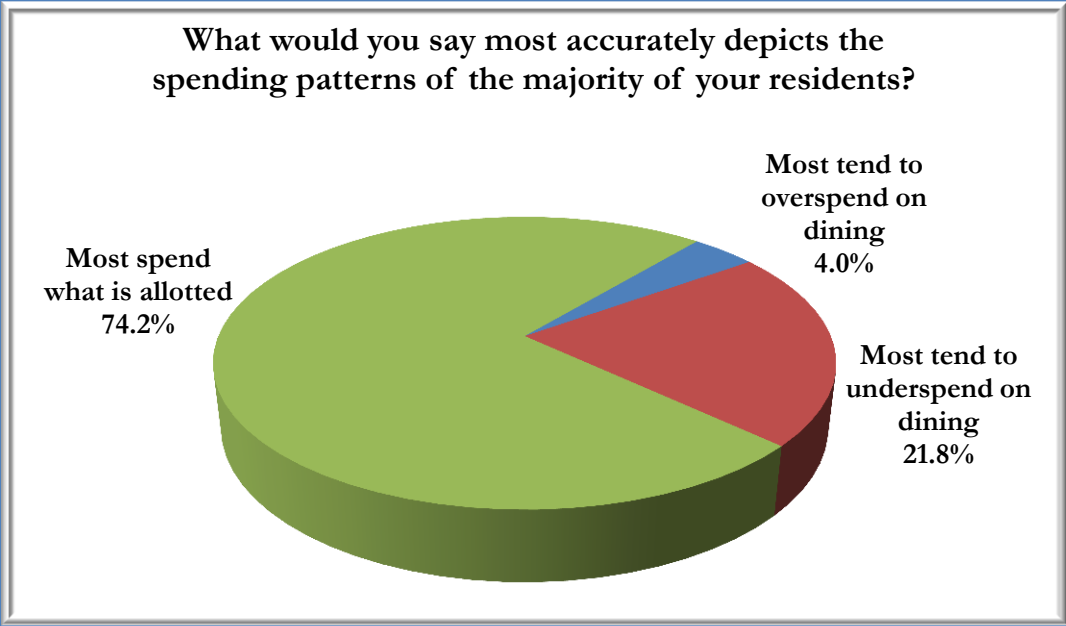
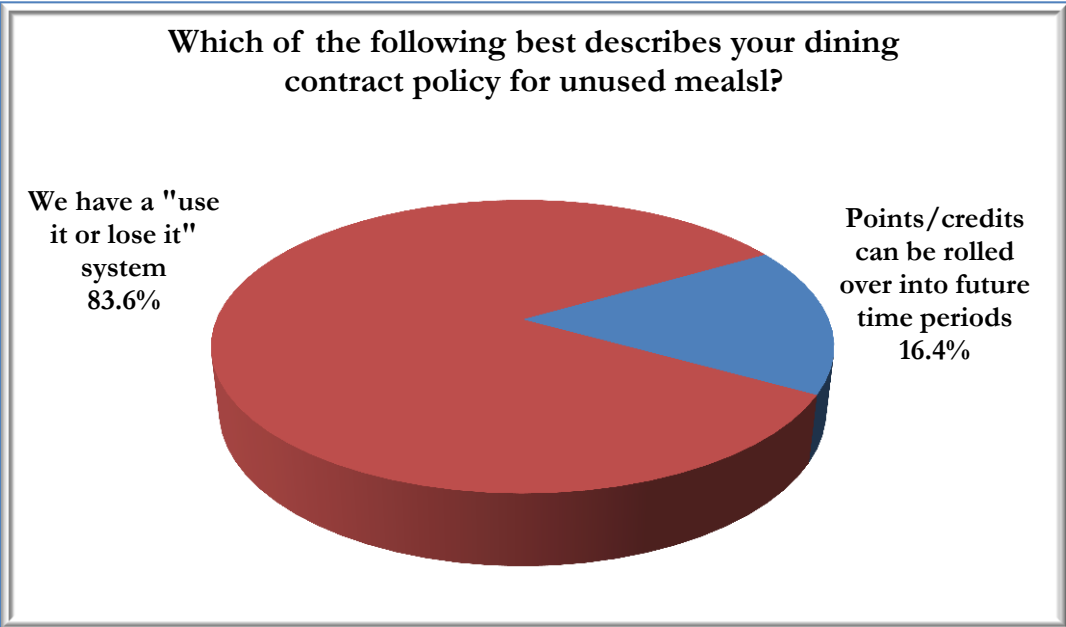


A number of communities offer multiple dining options for their residents, largely offerings that differ with regard to the level of formality associated with the dining venue. About 75% of the respondents have multiple dining options. When asked about the transfer of meal credits between these dining venues, about half (53%) reported that the meal credits are the same for all venues. Several comments were made that the cafes and informal dining options are largely retail and are not included in the meal plan contracts as the formal dining rooms are. The CFOs were also asked to estimate what percentage of time the residents prefer formal or informal dining venues. The estimates for formal dining were that roughly 59% of the residents prefer formal dining options over informal.

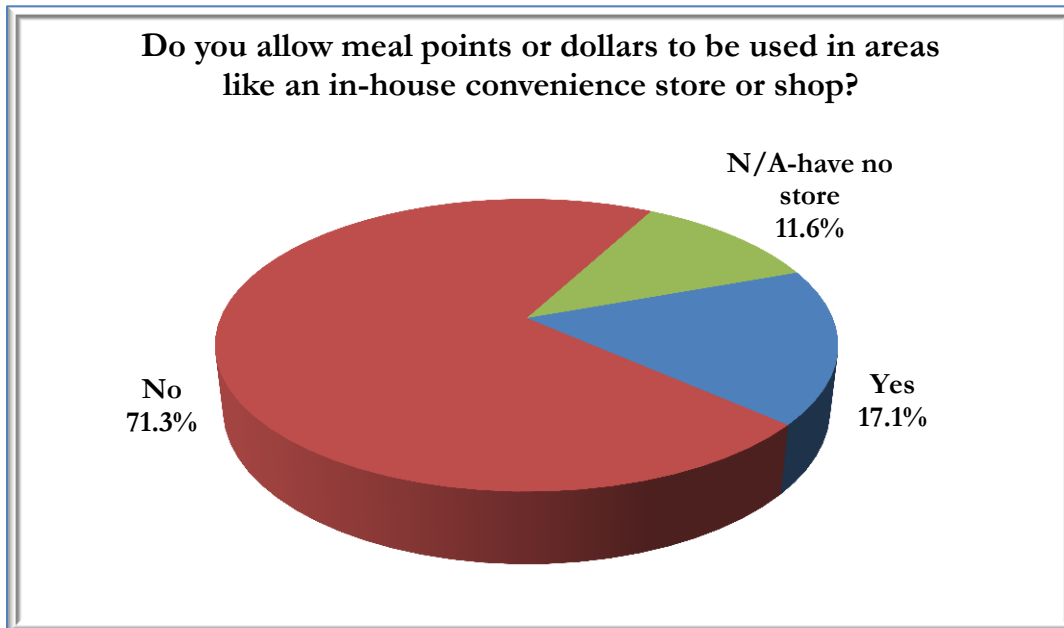
If you have multiple forms of dining (formal versus cafe), are the meal credits the same for all?



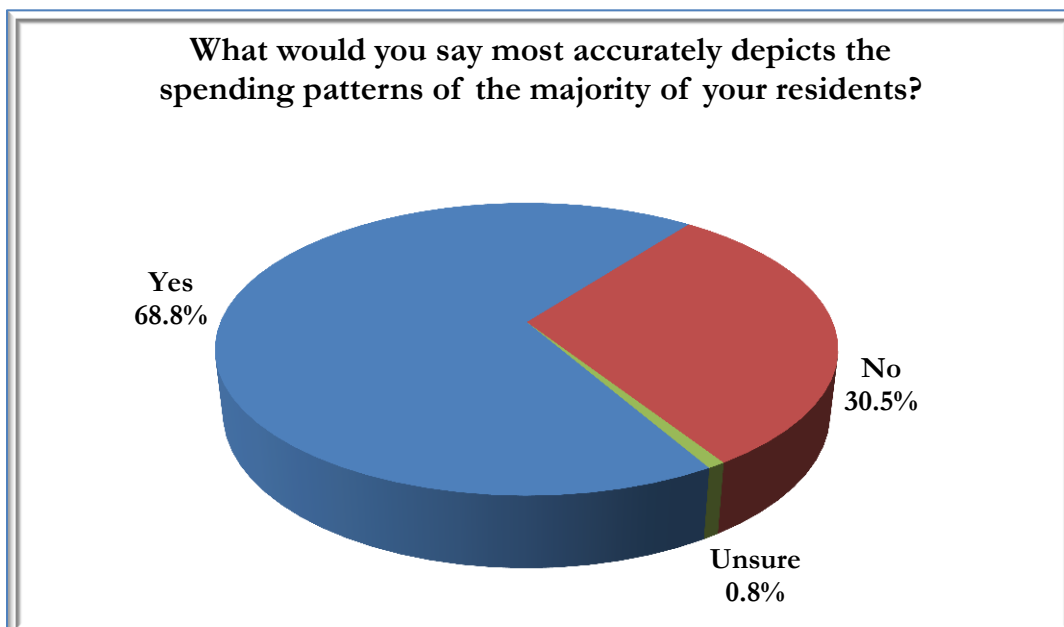
For those communities who use a points or credits system, they were asked to elaborate on how those points and credits are translated into dollars. The majority of the organizations commented that they do not have a need to translate meal credits into dollars. Others commented that they use a 1:1 ratio of points to dollars. A few others explained that the meal allotment each day represents a certain dollar amount. The remaining responses for the conversion approach varied. Many of the communities may have no conversion needs as nearly 84% reported that they have a “use it or lose it” meal plan. These plans do not allow for carryover into a subsequent time period. When asked if most residents tend to under-spend, over-spend, or spend what is allotted, 74.2% reported that the majority of their residents use what is given to them per their contract. An additional 21.8% stated that residents have a tendency to under-spend.



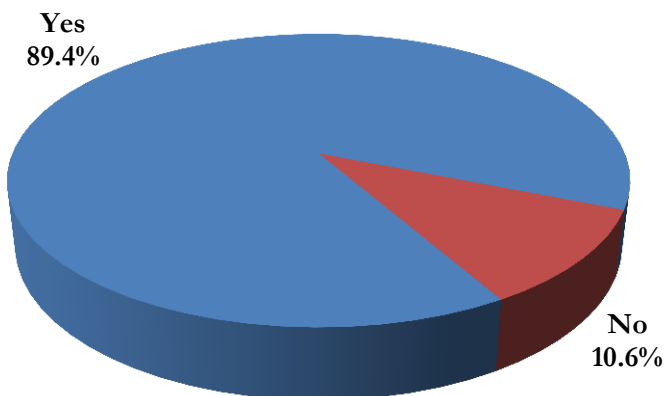
The majority of those surveyed reported that they do not allow meal points or dollars to be used in areas like an in-house convenience store or shop.



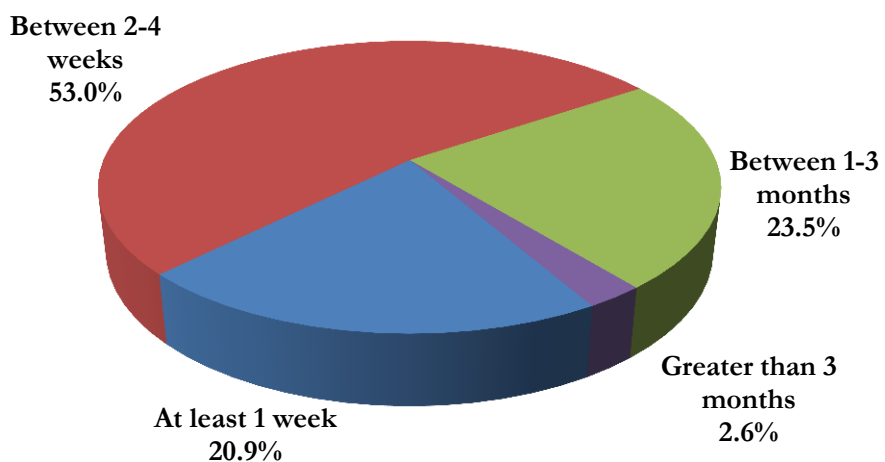
Approximately 7 out of 10 communities allow meal points or credits to be used for guests who are dining with a resident. Additionally, another benefit offered is the ability to receive a credit or cost break if the resident is away for an extended period of time. Roughly 90% of the CFOs reported that cost breaks are given for residents who are away. The largest proportion must be away for at least two concurrent weeks to receive the credit. About 52% stated that there is no difference in the amount of the credit or discount depending on time away. Another 47% stated that the longer the resident is away, the greater the credit. Several individuals commented that the credit varies depending on whether the resident is ill and in the hospital or away on vacation.



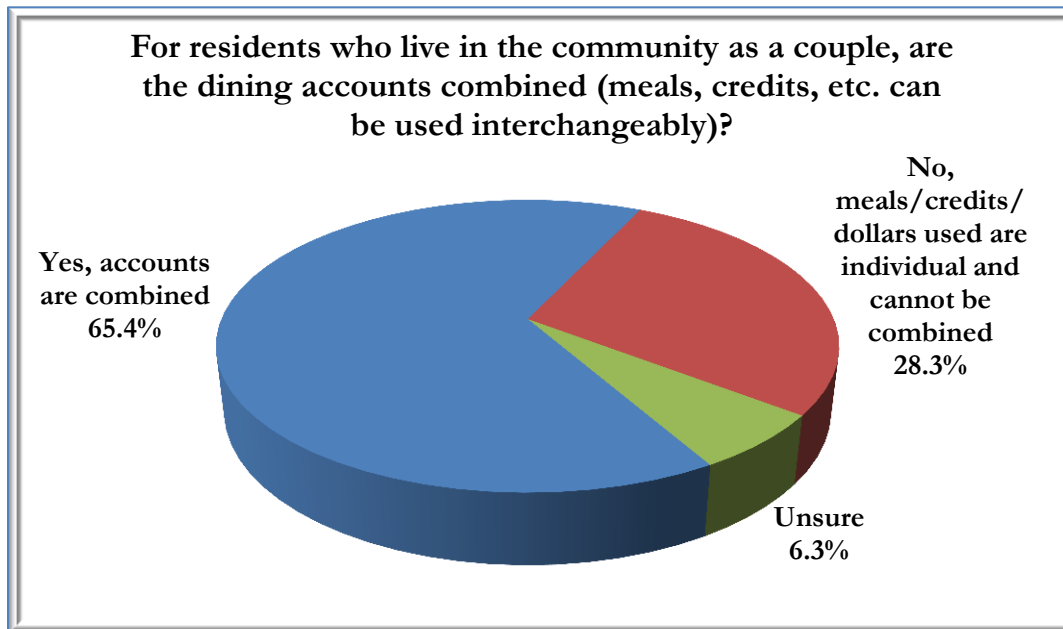
As part of your plan, do residents receive a credit, or cost break, if they are away for an extended period of time?



What is the required length of time the resident needs to be away before the benefit kicks in?



For most communities, dining accounts are combined for couples who reside in the community.



The final question asked about how the communities track the meal plan balances and credits used. The majority (70%) indicated that they purchased and use a specific software platform for this purpose. The remaining 30% have an in-house tracking system that is used.

Respondents were also invited to make additional comments regarding the topic of resident dining contracts. Many comments talked about increasing flexibility and the range of options available to residents. A select listing of the comments is included below.

“The challenge with a use it or lose it declining balance is that the dining services staff is slammed at the end of the month as people try to use up their balance.”

“We offer an option for our ILU residents to opt-out of our plan and receive a credit on their statement that equals 45% of the total quarter allowance.”

“No mandatory meals, points or credits. Residents pay only for meals consumed. This has been a marketing advantage to many prospective residents when comparing facilities.”

“Although we currently are on a meal system, we have been looking at changing to a point/dollar system with the development of an expansion.”

“We stagger our quarters by the alphabet to prevent an overcrowding in the dining venues at the end of the quarter.”

“Residents that do not use their meals can donate them and we can distribute the meal dollars to residents that need the meals, but cannot afford them.”

“These vary campus to campus based on meal offers and options.”

“We are planning to go to a declining dollar plan within the next year.”

“Residents are allowed up to 2 guest meals/month against their “prepaid”. We want to encourage the residents

to take their meals. It is important for their nutrition as well as their social interaction.”

The senior living organizations' responses included in this report have been collated without verification of the accuracy of the data/ comments therein. The results provided do not express an opinion of nor can they be guaranteed by Ziegler.

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