

FEATURED ARTICLE

MULTI-SITE CORPORATE MANAGEMENT FEES

In mid-March, Ziegler surveyed the LeadingAge Ziegler 200 (“LZ 200”) organizations to gather feedback on the topic of management fees charged to their sponsored/affiliate communities. Essentially, this is the fee that the corporate entity charges to its communities for services provided throughout that corporate entity. This has been a topic of interest among many Chief Financial Officers (CFOs) in recent years as the multi-site organizations have worked to identify the appropriate formula for the current environment and unique attributes of their organization.

Ziegler partnered with CliftonLarsonAllen to develop the survey and also facilitate a session on this topic at the recent *Ziegler LeadingAge National CFO Workshop*. Prior to sharing the results of the LZ 200 survey, it is important to note that this topic has complexities for a variety of reasons. One of the key reasons why benchmarking fees across organizations can be difficult is because each parent organization provides a different set of support services to their communities. Some of this is driven by the size of the multi-site organization, but also what services are centralized versus decentralized. Additionally, organizations vary in terms of how they might handle a lower-performing community or a new community that was recently acquired and may be in a period of turnaround. Also, organizations philosophically vary in terms of the intent for the fee to merely cover costs or perhaps provide a small degree of margin to fund organizational growth or other initiatives. CFOs in attendance at the Workshop session spent time discussing these various approaches to the fee structure.

The survey showed that the majority of multi-site providers calculate the fee based on a percentage of revenue. The larger the organization, the more common to approach the fee structure in this manner.

Across all respondents, the average management fee percentage (those that calculate based on percent of revenue) was 6.4% with a range of 4.0% to 17.0%. The respondent pool was fairly evenly divided with respect to changes in the allocation in the past 2-3 years. Fifty percent (50%) indicated that the amount of corporate allocation/management fee has been generally unchanged during this time, with an additional 46% saying it has increased. Roughly 4.0% reported a decrease during this time.

Having the results of the recent survey and the dialogue underway from the session at the *Ziegler LeadingAge National CFO Workshop*, will help set a foundation for these discussions moving forward. As multi-site organizations continue to grow and the complexity of the business escalates, it is likely that additional subject-matter expertise and support will be required of the corporate office. Ziegler will continue to track movement with this topic and best practices among peer organizations.

If you have questions related to the contents of this article, the conference session, or other relative topics, we encourage you to reach out to the Ziegler representative in your region.

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	UNDER 10 COMMUNITIES	10 OR MORE COMMUNITIES	ALL RESPONDENTS
% of Revenue	55.6%	75.0%	63.0%
Fixed Dollar Amount	11.1%	0.0%	7.4%
Both	5.6%	4.2%	4.9%
Neither	1.9%	0.0%	1.2%
Other (Describe)	25.9%	20.8%	23.5%

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MAY 6, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Crestview Retirement Community (TX)	Fitch	NR	Withdrew Rating	5/3/22
Rolling Meadows (TX)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	5/6/22

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* IDR – Issuer Default Rating (FitchRatings)

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INTEREST RATES/YIELDS

WEEK ENDING MAY 6, 2022

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.14%	3.05%	1.78%
Senior Living 30-Yr "A"	4.80%	4.39%	2.47%
Senior Living 30-Yr "BBB"	5.15%	4.84%	2.78%
Senior Living Unrated	5.80%	5.59%	3.78%
Senior Living New Campus	6.50%	6.49%	5.29%
SIFMA Muni Swap Index	0.60%	0.44%	0.12%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	4.77%	4.67%	1.55%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCINGS

**CYPRESS COVE AT HEALTHPARK
FLORIDA
Fort Myers, Florida**

 Lee County Industrial Development Authority,
Healthcare Facilities Revenue Bonds,
Series 2022

\$68,035,000

April, 2022

MARKET REVIEW

MONEY MARKET RATES

	5/6	LAST WEEK
Prime Rate	4.00	3.50
Federal Funds (weekly average)	0.80	0.32
90 Day T-Bills	0.83	0.83
30-Day Commercial Paper (taxable)	0.80	0.51
Libor (30-day)	0.84	0.80
7 Day Tax-Exempt VRDB	0.60	0.44
Daily Rate Average	0.34	0.33

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	2.73	3.48	1 Year	1.97	3.97	3.62	3.32	2.72	2.12
5 Year	3.07	4.07	5 Year	2.54	4.64	4.34	3.99	3.44	2.84
7 Year	3.15	4.40	7 Year	2.69	4.89	4.64	4.24	3.64	3.04
10 Year	3.13	4.68	10 Year	2.85	5.30	4.85	4.55	3.85	3.25
30 Year	3.22	5.32	30 Year	3.17	5.82	5.42	5.02	4.42	3.77

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.27	3.21	+0.06
11 Bond Index	3.17	3.11	+0.06
Revenue Bond Index	3.55	3.49	+0.06
30 Year MMD	3.17	3.05	+0.12
Weekly Tax-Exempt Volume (Bil)	3.02	8.09	-5.07
30 Day T/E Visible Supply (Bil)	11.73	12.42	-0.69
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	137.2	140.0	-2.80