ARGENTUM
EXPANDING SENIOR LIVING

The 2020 Forecast Report

Industry Trends on Workforce, Food, and Utilities

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ABOUT ARGENTUM

Argentum is the leading national association exclusively dedicated to supporting companies operating professionally managed, resident-centered senior living communities and the older adults and families they serve. Since 1990, Argentum has advocated for choice, independence, dignity, and quality of life for all older adults.

Argentum member companies operate senior living communities offering assisted living, independent living, continuing care, and memory care services. Along with its state partners, Argentum's membership represents approximately 75 percent of the senior living industry—an industry with a national economic impact of nearly a quarter of a trillion dollars and responsible for providing over 1.6 million jobs. These numbers will continue to grow as the U.S. population ages.

Agentum's programs and initiatives are driven by its membership. For more information about joining Argentum, please visit argentum.org/membership. Learn more at argentum.org.

TRENDS AND FORECASTS IN SENIOR LIVING'S THREE BIGGEST COST DRIVERS

A look at the current and future impact of workforce, food, and utilities trends on the senior living industry

Argentum's third annual report on the impact of workforce, food, and utilities trends is designed to help providers and industry partners better plan how to manage senior living's three biggest cost drivers.

Its analysis of key economic indicators uses information from U.S. federal government sources and projections and analysis through proprietary models.

The report also presents results of a voluntary survey of senior living executives who revealed their perspectives, outlook, and concerns. Overall, they reported confidence in the continued strength of the industry and of individual communities and concern over occupancy and workforce.

SUMMARY OF HIGHLIGHTS

ECONOMY

- Overall economy seen as healthy—but uncertainty puts many on shaky ground
- Trade war escalation, recessions elsewhere, politics seen as unknown factors
- Added back 9 million jobs lost in Great Recession plus 13 million additional
- National unemployment rate at 3.6 percent; lowest in 50 years
- Light headwinds: GDP growth slowing, job growth calming, incomes drifting
- Inflation still below 2.5 percent—as it was in the 1930s
- Household incomes and spending steadily rising
- Older households have higher income—and spending
- Savings making a comeback
- Debt is high, but debt service is manageable

WORKFORCE

- Senior living industry on pace to outstrip job growth in the overall private sector for 20th consecutive year
- Job growth settling to steady levels after rapid expansion
- Number of working hours seen headed for slight decline
- Growth in total work hours at assisted living communities far outpaces that of CCRCs
- Wage growth in senior living winding down to rate of private sector overall
- U.S. labor market tighter than any time on record
- Quit rate in sector that includes senior living is highest since 2001
- More older adults in workforce; more younger people not participating
- Senior living trends points to wage competition

FOOD

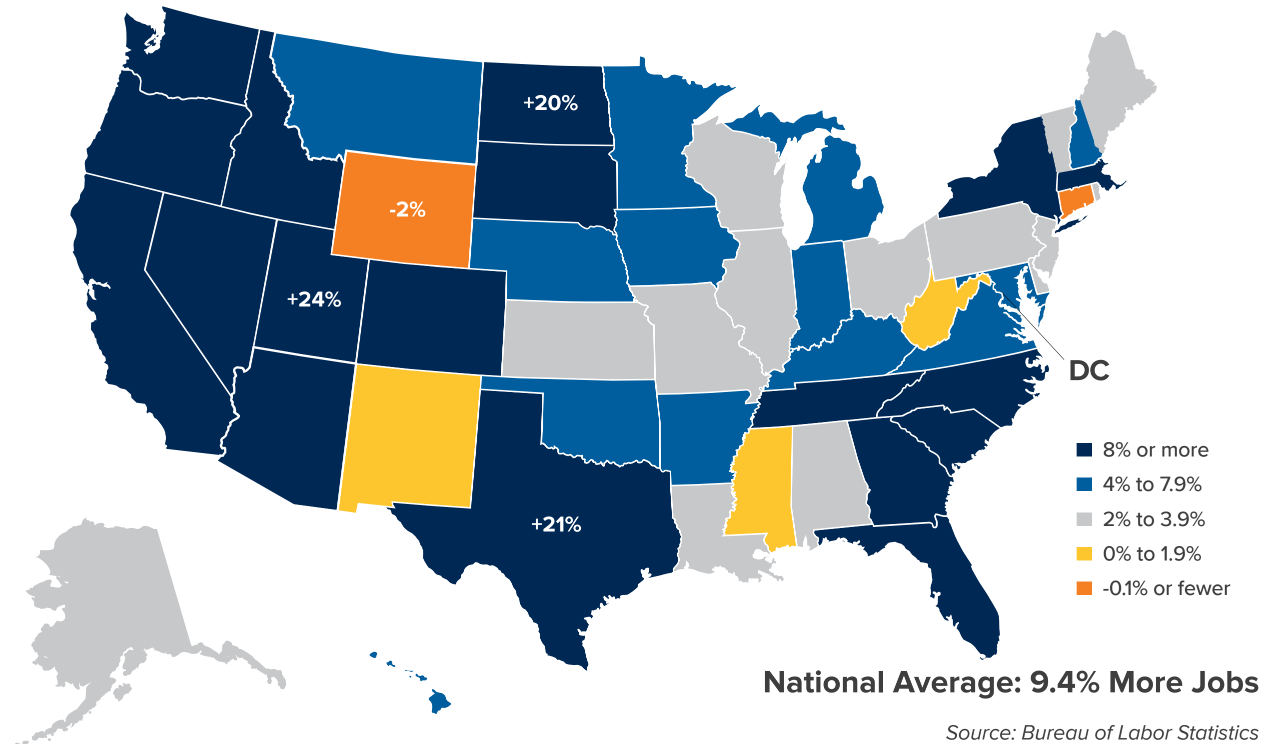
- Wholesale prices rising gradually, but not to the extent they were early in the decade
- Projected up: Pork, poultry, dairy
- Projected down: Fruits, vegetables
- Food eaten away from home continues rising price trend

UTILITIES

- Average prices of natural gas projected to dip
- Electricity projected to make a modest rise
- New England region projected to have highest energy costs

Economy Is 13 Million Jobs Above Pre-Recession Peak

48 States and DC Have More Jobs Than Before Job Losses Started, in February 2008



Source: Bureau of Labor Statistics

STATE OF THE AMERICAN ECONOMY

Most observers would consider the U.S. economy to be in a healthy state—and they would be correct, if they were viewing solely through the lens of the macro indicators. As of November 2019, the national economy had added jobs in 110 consecutive months: the longest uninterrupted streak of job growth on record.

As a result of the steady growth, the economy recovered the nearly 9 million jobs lost during the Great Recession and tacked on an additional 13 million new jobs on top of that. Moreover, this job growth was broad-based across most of the country. By mid-2019, 48 states and the District of Columbia had higher employment levels than they did before the job losses started in February 2008.

In some states—Utah, Texas, and North Dakota—employment levels were over 20 percent higher than their pre-recession levels. With jobs plentiful in most regions, the number of people unable to find work fell to near historic lows. By mid-2019, the national unemployment rate was a mere 3.6 percent—the lowest level in 50 years.

Other indicators tell us that the economy's thirst for labor is not yet quenched. There are currently more than 7.3 million unfilled job openings in the economy, which is just off the record high registered in late 2018.

SLOWING GROWTH, GROWING UNCERTANITY

While the macro indicators tell us that everything is fine, the underlying fundamentals of the U.S. economy are clouded by uncertainty. It's unclear whether this shakiness would be self-inflicted or collateral damage resulting from external trends in the global economy. Several factors pose a significant risk to the outlook for 2020.

Topping the list are continued trade tensions between the United States and China. What started out as a relatively benign trade skirmish has evolved into a full-blown trade war. While the economic costs thus far have been limited to a few industries, the impact could quickly spread broadly among consumers if tariffs continue to rise. The result would be higher prices for many items, which would potentially crowd out consumer spending in other areas.

More cause for uncertainty: Some other major economies around the world are in or near recessions. Although this isn't as much of concern as it is for export-driven economies, any slowdown in the global economy will still discourage growth within the United States.

Finally, the 2020 presidential campaign is an unknown factor. If the negative rhetoric ramps up to the level that it did in 2016, there could be a detrimental impact on both consumer and business confidence.

Despite these concerns, the expectation is that the U.S. economy will continue to grow in 2020. However, risks to the outlook are more weighted to the downside. The base scenario for the economic forecast is that growth will be somewhat slower in 2020, though not enough to push the economy into a recession.

GDP growth slows: The U.S. economy is expected to expand in 2020, albeit at a slower pace compared to recent years. Real Gross Domestic Product (GDP)—the value of goods and services produced in the United States—is projected expected to increase at a 1.9 percent rate in 2020. This would be the smallest gain since 2016 and would represent the second consecutive year of slowing growth in the U.S. economy.

Job growth calms down: The national economy is projected to add jobs at a 1.2 percent rate in 2020, which would represent the 10th consecutive year of employment growth. Although the projected growth rate would be down somewhat from recent years, it would still translate into an addition of more than 1.5 million net new jobs to the economy. This would be sufficient to absorb any new entrants to the labor force.

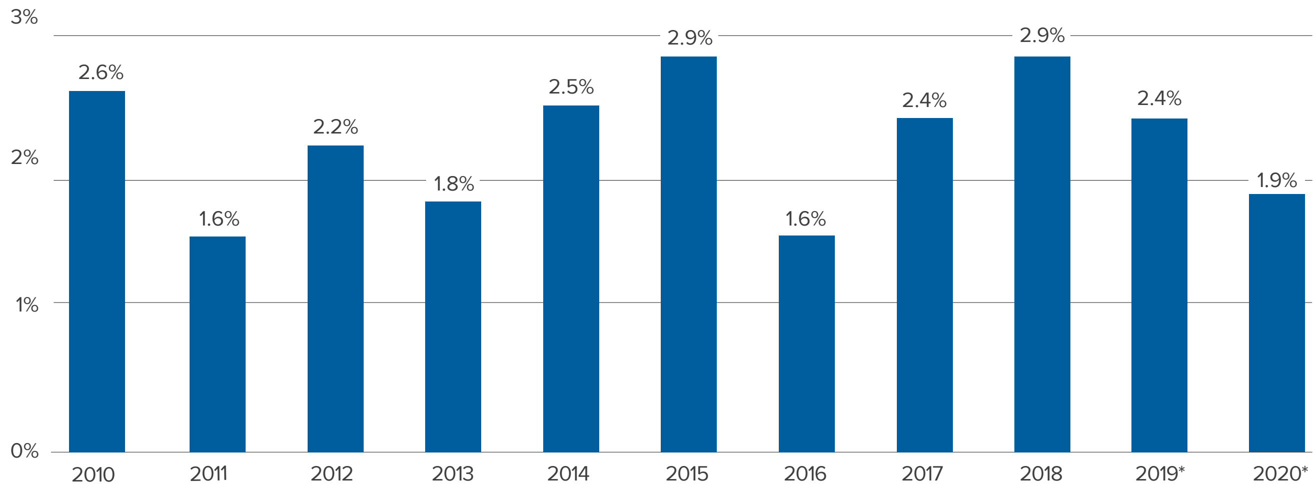
Incomes drift along: Along with the expectation of slowed employment gains, income growth is also projected to slow in 2020. Real disposable personal income is expected to rise at a 2.0 percent rate in 2020, which would represent the slowest income growth since 2016.

The national economy is projected to add jobs at a 1.2 percent rate in 2020, which would represent the 10th consecutive year of employment growth.

Prices and inflation rates stay steady: The Consumer Price Index for All Items is projected to increase at a 2.1 percent rate in 2020, which would be up slightly from a gain of 1.8 percent in 2019. Despite the slight acceleration, a 2.1 percent increase would mark the ninth consecutive year with an inflation rate below 2.5 percent. This hasn't happened since the 1930s.

Economy is Projected to Grow at a Slower Rate in 2020

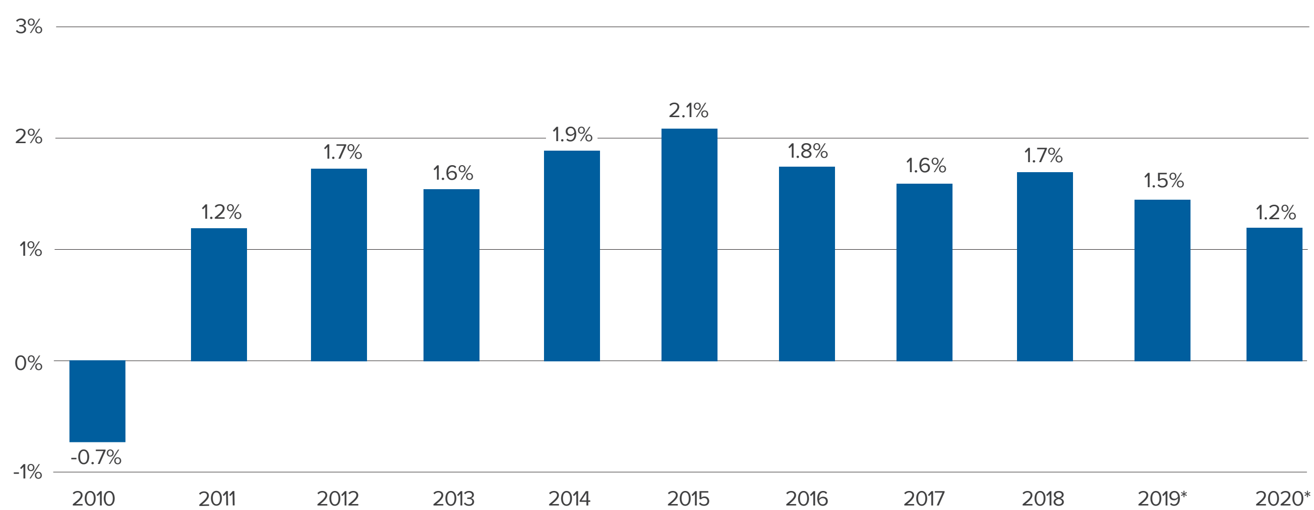
U.S. Gross Domestic Product—Historical and Projected Growth Rates



Source: Bureau of Economic Analysis, Argentum projections **projected*

Job Growth Expected to Slow Somewhat in 2020

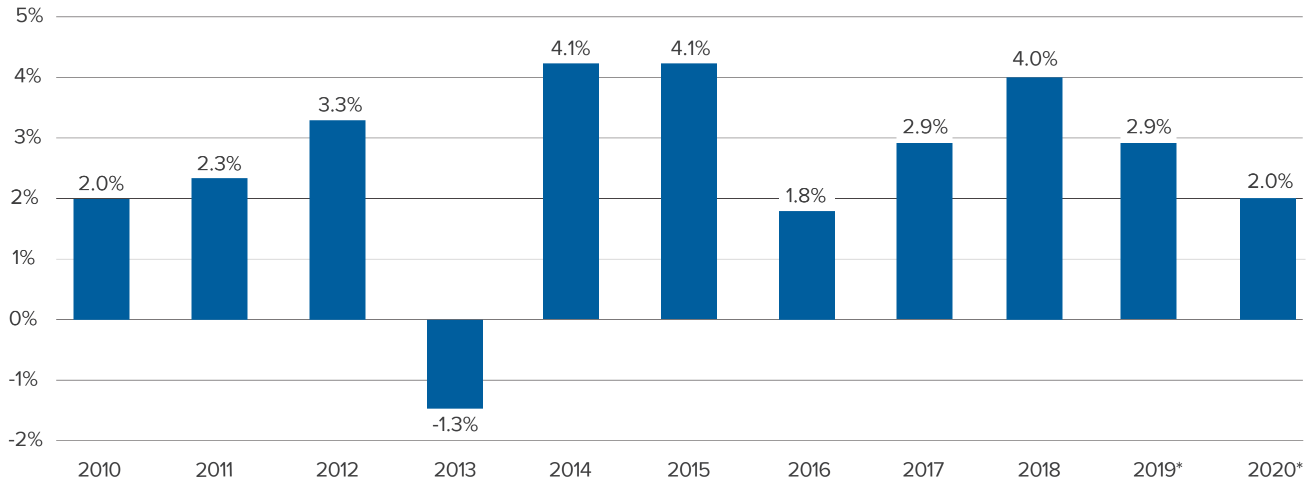
Total U.S. Employment—Historical and Projected Growth Rates



Source: Bureau of Labor Statistics, Argentum projections **projected*

Personal Income to Rise at a Modest Rate in 2020

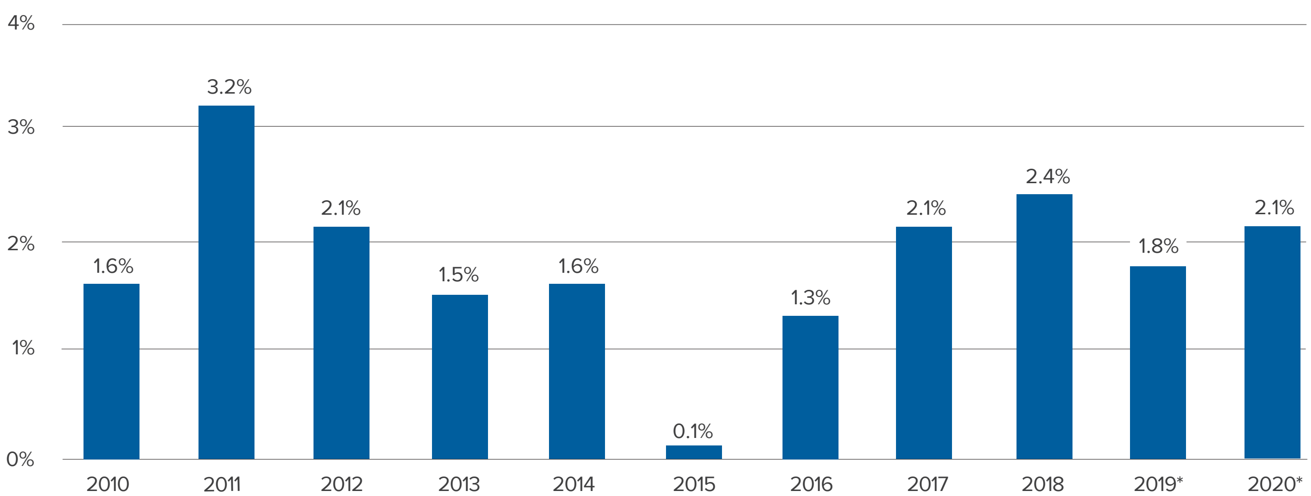
Real Disposable Personal Income—Historical and Projected Growth Rates



Source: Bureau of Economic Analysis, Argentum projections **projected*

Inflation Rate Expected to Rise Slightly in 2020

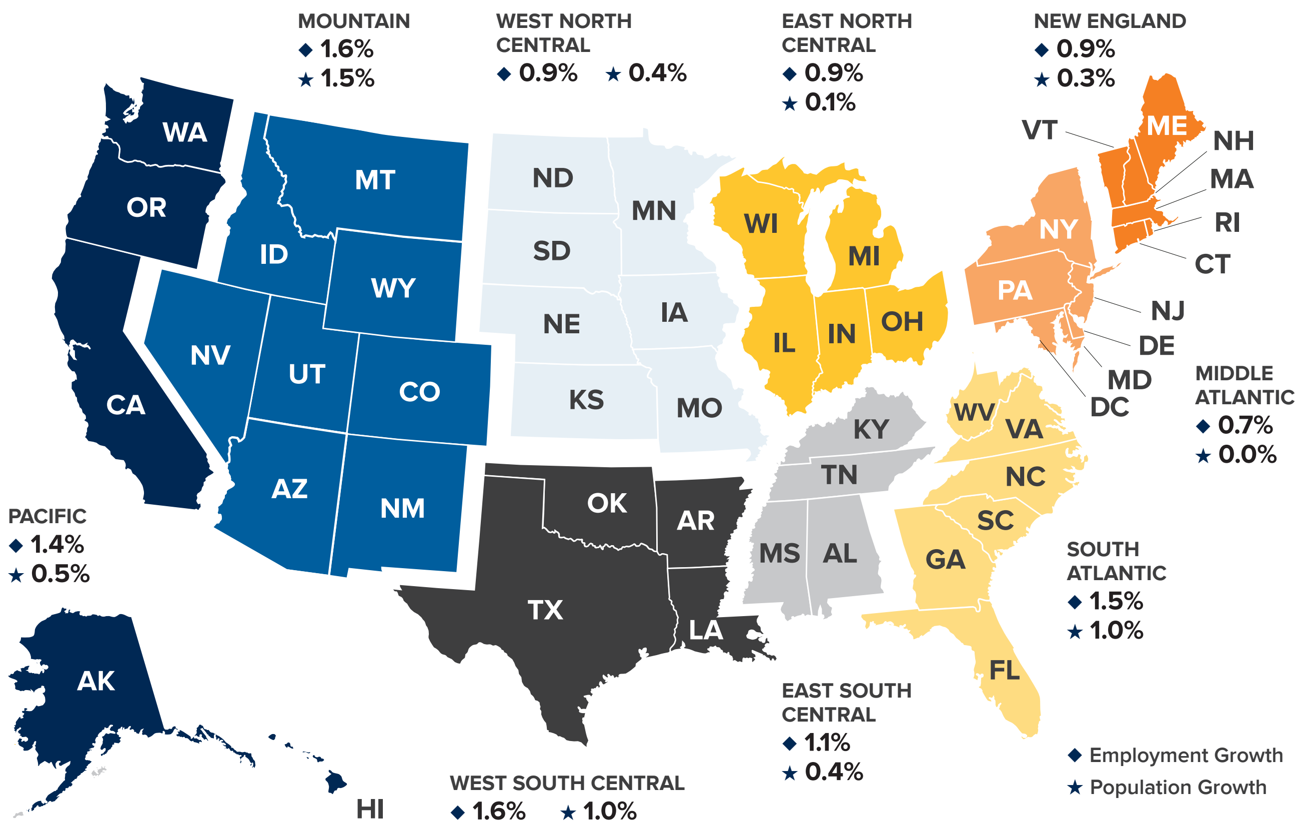
Consumer Price Index: All Items—Historical and Projected Growth Rates



Source: Bureau of Labor Statistics, Argentum projections **projected*

STATE AND REGIONAL ECONOMY: 2020 OUTLOOK

On a regional level, states in the western and southern parts of the nation are expected to register the strongest employment and population gains in 2020.



■ The **Pacific** region is projected to register job growth of 1.4 percent in 2020, though its population growth (0.5 percent) is expected to be slightly below the national average. Within the region, Washington is projected to set the pace in both employment (1.8 percent) and population (1.3 percent) growth.

■ The **Mountain** region is expected to be among the leaders in economic growth in 2020, with the projected 1.6 percent employment growth tied for first in the nation. The region is also expected to add residents at a healthy pace, with Nevada (2.1 percent), Idaho (2.0 percent), Arizona (1.8 percent), and Utah (1.7 percent) the top four states in terms of projected population growth.

■ The **West North Central** region is expected to register job (0.9 percent) and population (0.4 percent) growth below the national average in 2020. Minnesota is projected to lead the region in employment growth (1.0 percent), while South Dakota is projected to register the strongest population increase (0.8 percent).

■ The **West South Central** region is projected to add jobs at a 1.6 percent rate in 2020, led by a solid 2.0 percent increase in Texas. The region's population is expected to rise 1.0 percent in 2020, with the bulk of that growth occurring in Texas.

■ The **East North Central** region is expected to add jobs at a 0.9 percent pace in 2020, while its population is projected to increase just 0.1 percent. Within the region, Indiana is projected to lead the way in both employment and population gains.

■ The **East South Central** region is expected to add jobs at a 1.1 percent rate in 2020, similar to the national average. Tennessee is projected to lead the region in both employment (1.2 percent) and population (0.9 percent) growth in 2020.

■ **New England's** economy is projected to post job growth of 0.9 percent in 2020, and its population is expected to rise 0.3 percent. Within the region, all six states are expected to register employment and population growth below the national average.

■ Employment in the **Middle Atlantic** region is projected to rise 0.7 percent in 2020, which would rank last out of the nine U.S. regions. Within the region, all three states are expected to post job growth below the national average in 2020.

■ The **South Atlantic** region's economy and population are also expected to grow at rates above the national average in 2020. Florida is projected to lead the region in both employment (2.0 percent) and population (1.5 percent) growth.

Projected Growth in Economic Indicators: 2019 to 2020

	Total Employment	Real Disposable Personal Income	Total Population
Connecticut	0.8%	1.2%	0.0%
Maine	0.9%	1.4%	0.1%
Massachusetts	1.0%	1.7%	0.5%
New Hampshire	1.0%	1.6%	0.5%
Rhode Island	0.9%	1.4%	0.1%
Vermont	0.8%	1.2%	0.2%
New England	**0.9%**	**1.5%**	**0.3%**
New Jersey	0.8%	1.3%	0.1%
New York	0.8%	1.5%	-0.2%
Pennsylvania	0.7%	1.2%	0.1%
Middle Atlantic	**0.7%**	**1.4%**	**0.0%**
Delaware	1.1%	1.1%	0.9%
District of Columbia	0.9%	-0.3%	0.8%
Florida	2.0%	3.5%	1.5%
Georgia	1.3%	2.0%	1.0%
Maryland	1.0%	1.6%	0.2%
North Carolina	1.4%	2.4%	1.1%
South Carolina	1.4%	2.3%	1.3%
Virginia	1.2%	1.9%	0.6%
West Virginia	0.7%	1.3%	-0.4%
South Atlantic	**1.5%**	**2.4%**	**1.0%**
Illinois	0.9%	1.6%	-0.4%
Indiana	1.0%	1.8%	0.5%
Michigan	0.8%	1.7%	0.1%
Ohio	0.9%	1.6%	0.2%
Wisconsin	0.9%	1.7%	0.3%
East North Central	**0.9%**	**1.6%**	**0.1%**
Alabama	1.1%	1.5%	0.3%
Kentucky	1.0%	1.4%	0.3%
Mississippi	0.9%	1.2%	-0.2%
Tennessee	1.2%	2.0%	0.9%
East South Central	**1.1%**	**1.6%**	**0.4%**
Iowa	0.9%	1.7%	0.3%
Kansas	0.8%	1.3%	0.2%
Minnesota	1.0%	1.7%	0.7%
Missouri	0.8%	1.5%	0.2%
Nebraska	0.8%	1.6%	0.6%
North Dakota	0.7%	1.4%	0.6%
South Dakota	0.9%	1.6%	0.8%
West North Central	**0.9%**	**1.6%**	**0.4%**
Arkansas	0.7%	1.5%	0.3%
Louisiana	0.5%	1.2%	-0.1%
Oklahoma	0.7%	1.2%	0.3%
Texas	2.0%	3.4%	1.4%
West South Central	**1.6%**	**2.8%**	**1.0%**
Arizona	1.9%	3.2%	1.8%
Colorado	1.5%	2.6%	1.3%
Idaho	1.5%	2.5%	2.0%
Montana	0.9%	1.5%	0.7%
Nevada	1.9%	3.3%	2.1%
New Mexico	1.0%	1.5%	0.3%
Utah	1.8%	3.2%	1.7%
Wyoming	0.8%	1.4%	0.3%
Mountain	**1.6%**	**2.8%**	**1.5%**
Alaska	0.6%	1.3%	-0.2%
California	1.4%	2.1%	0.4%
Hawaii	0.6%	1.1%	-0.1%
Oregon	1.6%	2.8%	1.1%
Washington	1.8%	3.0%	1.3%
Pacific	**1.4%**	**2.2%**	**0.5%**
United States	**1.2%**	**2.0%**	**0.6%**

Source: Argentum projections

HOUSEHOLD INCOMES AND CONSUMER CONFIDENCE RISE

Buoyed by a healthy labor market, consumers continue to fuel growth in the U.S. economy. Measures of consumer confidence remain near 19-year highs, and this bullish sentiment has translated into healthy spending growth. Consumers remain the driving force in the U.S. economy, even when business sentiment is starting to waver.

While job growth in the overall economy was steady during the past nine years, it wasn't necessarily accompanied by wage gains. This began to change recently. During each of the past 12 months, year-over-year growth in average hourly earnings of private sector workers was at least 3 percent, according to data from the Bureau of Labor Statistics. This represented the strongest period of wage growth in over 10 years.

Another indication that consumers are confident in their economic situation is an increase in the rate at which they leave one job in favor of another job. On average during the past year, 2.3 percent of private sector employees quit their jobs each month. This was the highest quit rate in 18 years, and typically means people are switching to a higher-paying job with another employer.

STEADY GROWTH IN HIGHER-INCOME HOUSEHOLDS

Household income continues to trend higher, albeit at a somewhat slower pace. According to data from the U.S. Census Bureau, real median household income was up for the fourth consecutive year, but 2018 saw the smallest gain during that period.

Older-household income growth was stronger than the national average in 2018 and made the strongest gain since 2015.

Households headed by 65-to-74-year-olds also had their fourth consecutive annual median income increase, though growth was down somewhat from the stronger 2015 and 2016 gains.

In addition to the overall income growth, there are more households in the upper income brackets. According to data from the U.S. Census Bureau, there were 39.1 million households with annual income of $100,000 or higher in 2018—a record high and an increase of 29 percent from the 2011 level, after adjusting for inflation.

Households in the $75,000-to-$99,999 income bracket were the second-fastest-growing category in recent years, with their numbers rising 12 percent between 2011 and 2018. In total, there were 10.5 million more households with income above $75,000 in 2018 than there were in 2011, after adjusting for inflation.

The steady growth in the number of higher-income households is a positive sign, as this income group will likely be in the best position to utilize the services provided by senior living communities in the years ahead.

OLDER HOUSEHOLDS SEE STRONGER SPENDING GAINS

Household expenditures also rose at a slower pace in 2018. The 1.7 percent rise in average household expenditures, according to data from the Bureau of Labor Statistics, represented the slowest growth in household expenditures since 2013.

Older households registered stronger spending gains than the overall national average in 2018. Average expenditures by households headed by adults age 75 and older increased 3.2 percent in 2018, while expenditures by households headed by 65-to-74-year-olds rose 2.3 percent. Although both gains were down from their robust 2017 growth, they still outpaced the national average of 1.9 percent.

Another indication of consumer confidence is an increase in the rate at which people quit jobs: The past year saw the highest quit rate in 18 years.

Spending by older households has been steady in recent years. Average annual expenditures by households headed by adults age 75 and older increased 26 percent between 2013 and 2018, which was well above the 20 percent growth in average spending by all U.S. households during the same period.

Housing, health care, food, and transportation were the largest spending categories in 2018, representing a combined 77 percent of total expenditures for households headed by adults age 75 and older and 73 percent of total expenditures for households headed by 65-to-74-year-olds—all essentially unchanged from 2013 levels. In comparison, these four categories represented an average of 70 percent of total spending for all U.S. households in 2018.

Among these categories, health care was the fastest-growing area for older households. Average health care expenditures jumped 41 percent for households headed by adults age 75 and older between 2013 and 2018, while health care spending by households headed by 65-to-74-year-olds increased 29 percent.

Number of Higher-Income Households Continues to Rise

Number of U.S. Households by Income Bracket (in Millions)

Income Bracket	Total Number 2007	Percentage Change 2007 to 2011	Total Number 2011	Percentage Change 2011 to 2018	Total Number 2018
Less than $25,000	23.7	14%	27.0	-9%	24.6
$25,000 to $49,999	25.9	9%	28.3	-6%	26.7
$50,000 to $74,999	20.2	4%	20.9	6%	22.1
$75,000 to $99,999	14.7	-3%	14.3	12%	16.1
$100,000 or more	32.3	-6%	30.4	29%	39.1

Source: Argentum analysis of U.S. Census Bureau data; adjusted for inflation in 2018 dollars

PORTRAIT OF THE OLDER HOUSEHOLD

- The number of households with an income over $100,000 is at a record high of 39.1 million for 2018.
- Older household income made the strongest gain since 2015.
- Households headed by 65-to-75-year-olds had their fourth consecutive annual median income increase.
- Older households' spending was higher than U.S. household spending overall.
- This higher spending is a continuation of a trend: Average annual expenditures by households headed by those 75 and older increased 26 percent between 2013 and 2018—while U.S. spending overall increased 20 percent.
- Healthcare was the primary cause of these expenditures: From 2013 to 2018, it jumped 41 percent for households headed by those 75 and older and 29 percent for those headed by 65-to-74-year-olds.

Older Households Registered Stronger Income Growth in 2018

Median Household Income by Age of Household Head

	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 Median Household Income
All households	**5.1%**	**3.1%**	**1.4%**	**0.9%**	**$63,179**
Age of Household Head Less than 25 years	4.2%	13.9%	-8.5%	9.1%	$43,531
25 to 34 years	5.6%	4.9%	-1.6%	5.0%	$65,890
35 to 44 years	6.9%	3.0%	3.6%	0.0%	$80,743
45 to 54 years	4.1%	3.2%	1.6%	2.9%	$84,464
55 to 64 years	3.5%	2.6%	3.4%	-2.3%	$68,951
65 to 74 years	4.7%	2.1%	0.9%	1.2%	$52,465
75 years and older	7.2%	0.9%	2.0%	4.5%	$34,925

Source: U.S. Census Bureau, adjusted for inflation in 2018 dollars

Consumer Spending Growth Strongest in Older Households

Average Annual Household Expenditures by Age of Household Head

	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 Median Household Income
All households	**4.6%**	**2.4%**	**4.8%**	**1.9%**	**$61,224**
Age of Household Head Less than 25 years	1.9%	5.0%	-2.3%	-4.7%	$32,039
25 to 34 years	5.1%	1.5%	4.7%	2.0%	$56,457
35 to 44 years	4.5%	1.7%	3.9%	3.1%	$71,198
45 to 54 years	6.2%	2.0%	3.8%	2.0%	$75,387
55 to 64 years	4.5%	4.4%	5.9%	1.9%	$66,212
65 to 74 years	1.2%	2.8%	8.1%	2.3%	$56,268
75 years and older	4.0%	1.5%	8.2%	3.2%	$43,181

Source: Bureau of Labor Statistics; in current dollars

Health Care Spending Was the Fastest-Growing Category in Recent Years

Average Annual Household Expenditures by Age of Household Head: 2013 and 2018

	65 TO 74 YEARS			75 YEARS AND OLDER		
	2013 Average Expenditures	2018 Average Expenditures	2013 to 2018	2013 Average Expenditures	2018 Average Expenditures	2013 to 2018
Food	$6,020	$7,311	21.4%	$4,144	$5,592	34.9%
Housing	$15,639	$18,007	15.1%	$12,314	$15,427	25.3%
Transportation	$7,972	$8,810	10.5%	$5,149	$5,098	-1.0%
Health Care	$5,188	$6,711	29.4%	$4,910	$6,930	41.1%
TOTAL EXPENDITURES	**$46,757**	**$56,268**	**20.3%**	**$34,382**	**$43,181**	**25.6%**

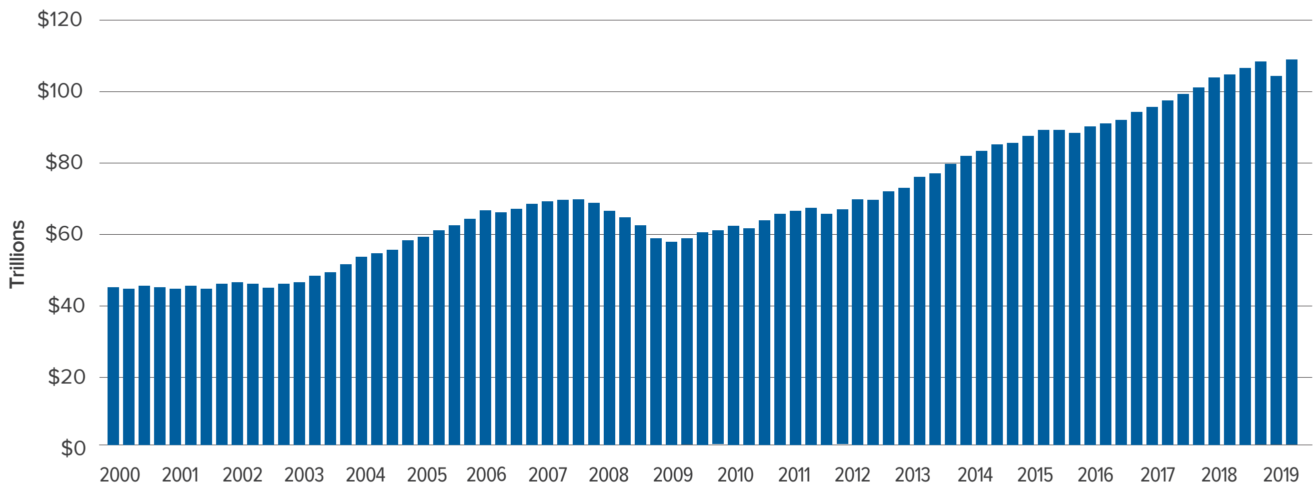
Source: Bureau of Labor Statistics; in current dollars

HOUSEHOLD NET WORTH REBOUNDS

Household wealth increased sharply in recent years, buoyed by a solid recovery in house prices and a rising stock market. After a drop of nearly 4 percent in the fourth quarter of 2018, total household net worth rebounded to top $108 trillion in early 2019. This is 57 percent above its pre-recession peak in 2007 and puts consumers in a stronger position for financial decisions.

The median net worth of households headed by adults age 75 and older was $264,800 in 2016, according to the Federal Reserve's Survey of Consumer Finances. This represented the highest level on record for this age cohort, after adjusting for inflation. Among households headed by 65-to-74-year-olds, median net worth was $224,000 in 2016, down from the high of more than $277,000 in 2007.

Household Net Worth Continues to Trend Higher



Source: Federal Reserve

Net Worth of Households Headed by Adults Age 75 and Older Hit a Record High in 2016

Median Family Net Worth, by Age of Household Head: (in Thousands)

	1989	1992	1995	1998	2001	2004	2007	2010	2013	2016
All Families	**$87.8**	**$83.4**	**$90.5**	**$105.8**	**$117.5**	**$118.4**	**$140.1**	**$85.1**	**$83.9**	**$97.3**
Age of Household Head Less than 35 years	$15.2	$15.6	$18.8	$13.4	$15.9	$18.1	$13.6	$10.3	$10.8	$11.0
35 to 44 years	$105.5	$75.0	$81.6	$93.7	$106.4	$88.3	$102.7	$46.8	$48.5	$59.7
45 to 54 years	$183.0	$131.3	$145.2	$155.9	$182.0	$184.5	$214.2	$129.5	$108.6	$124.0
55 to 64 years	$183.2	$190.9	$180.9	$188.7	$251.0	$320.5	$293.8	$197.5	$170.9	$187.3
65 to 74 years	$144.8	$165.5	$173.8	$216.2	$241.2	$241.9	$277.2	$228.4	$239.3	$224.0
75 years and older	$135.4	$145.7	$145.6	$185.6	$211.8	$207.4	$246.9	$239.8	$201.1	$264.8

Source: Federal Reserve, Survey of Consumer Finances (conducted every three years); 2016 dollars

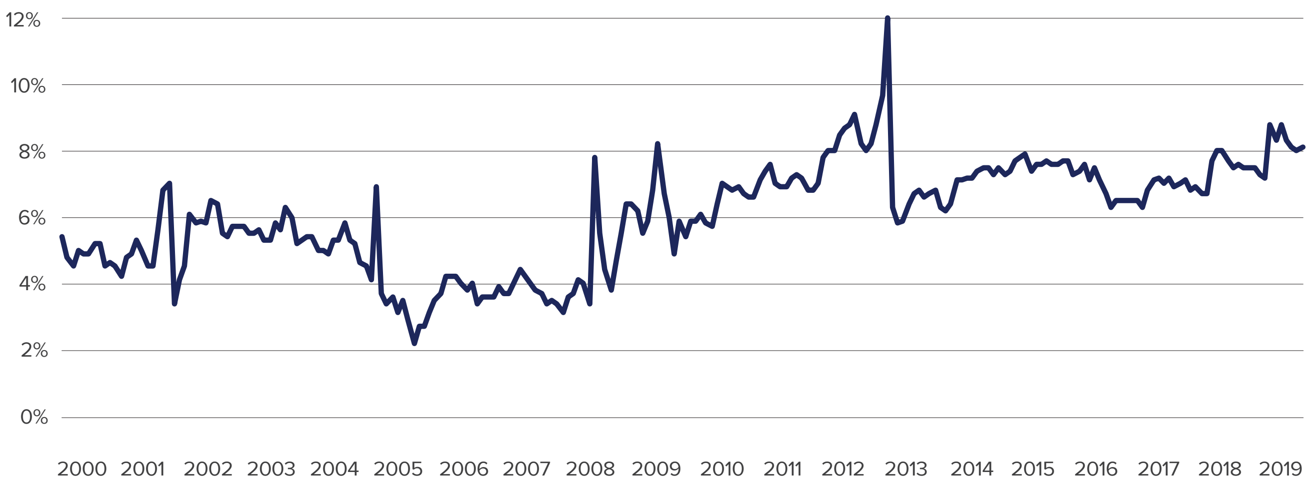
CONSUMERS PUT A LITTLE MORE AWAY

Consumers continue to save a greater proportion of their income, which indicates they are building up a larger financial cushion. Personal savings as a percent of disposable income topped 8 percent during the first half of 2019. This was the highest level since 2012 and was double the savings rate of consumers in the mid-2000s.

Fifty-five percent of households with income said they saved a portion of it, according to the Federal Reserve's Survey of Consumer Finances. Although this propensity to save is somewhat lower among older households, its likelihood rose in recent years. Among households headed by adults age 75-and-older, 53.5 percent said they saved part of their income in 2016—up from 49.7 percent in 2013.

Personal Savings Rate Edged Higher in Recent Years

Personal Saving as a Percentage of Disposable Personal Income



Source: Bureau of Economic Analysis; seasonally adjusted annual rate

Savings Propensity Rising Among Older Households

Percentage of Families with Income that Saved, by Age of Household Head

	1992	1995	1998	2001	2004	2007	2010	2013	2016
All Families	**57.1%**	**55.2%**	**55.9%**	**59.2%**	**56.1%**	**56.4%**	**52.0%**	**53.0%**	**55.4%**
Age of Household Head Less than 35 years	59.1%	56.4%	53.0%	52.9%	55.0%	58.9%	54.6%	55.5%	56.7%
35 to 44 years	59.9%	54.3%	57.3%	62.3%	58.0%	56.4%	47.5%	53.5%	56.7%
45 to 54 years	58.9%	58.0%	57.8%	61.7%	58.5%	55.8%	51.8%	50.7%	55.1%
55 to 64 years	59.3%	58.0%	60.9%	62.0%	58.5%	58.4%	51.3%	55.4%	55.0%
65 to 74 years	54.1%	50.0%	56.3%	61.8%	57.1%	56.7%	53.6%	51.2%	54.3%
75 years and older	49.4%	51.7%	48.6%	55.5%	45.7%	49.4%	54.0%	49.7%	53.5%

Source: Federal Reserve, Survey of Consumer Finances (conducted every three years)

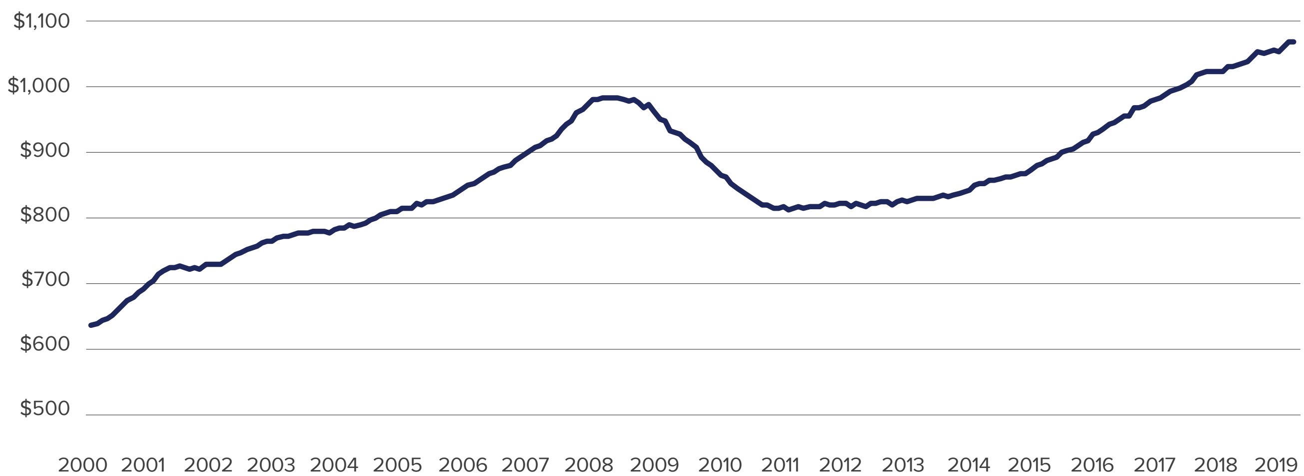
DEBT INCREASES MAY CAST A SHADOW

A potential risk to the rosy consumer outlook is a steady increase in household debt. One illustration: Total revolving credit balances are approaching $1.1 trillion and are up 9 percent from the previous peak in 2008. Although households have lower debt burdens and are more equipped to handle this debt than in years past, it still has the potential to crowd out other spending.

The proportion of older households that hold debt is steadily rising, according to the Federal Reserve's Survey of Consumer Finances. Nearly one-half of households headed by adults age 75 and older held debt in 2016—the highest proportion on record. Among households headed by 65-to-74-year-olds, 70 percent held debt in 2016.

Revolving Consumer Credit Balances are 9 Percent Above Pre-Recession Peak

Total Revolving Consumer Credit (in Billions)



Source: Federal Reserve

A Rising Proportion of Older Households Hold Debt

Percentage of Families Holding Debt, by Age of Household Head

	1989	1992	1995	1998	2001	2004	2007	2010	2013	2016
All Families	**72.3%**	**73.2%**	**74.5%**	**74.0%**	**75.1%**	**76.4%**	**77.0%**	**74.9%**	**74.5%**	**77.1%**
Age of Household Head Less than 35 years	79.8%	81.5%	83.5%	81.2%	82.7%	79.8%	83.6%	77.8%	77.1%	81.0%
35 to 44 years	88.6%	86.3%	87.0%	87.6%	88.6%	88.6%	86.2%	86.0%	84.8%	86.2%
45 to 54 years	85.2%	85.4%	86.3%	87.0%	84.6%	88.4%	86.8%	84.1%	82.3%	86.6%
55 to 64 years	70.8%	70.2%	73.7%	76.2%	75.6%	76.3%	81.8%	77.7%	78.7%	77.1%
65 to 74 years	49.7%	51.4%	53.4%	51.4%	56.8%	58.8%	65.5%	65.2%	66.4%	70.1%
75 years and older	21.0%	31.6%	28.4%	24.6%	29.2%	40.3%	31.4%	38.5%	41.4%	49.8%

Source: Federal Reserve, Survey of Consumer Finances (conducted every three years)

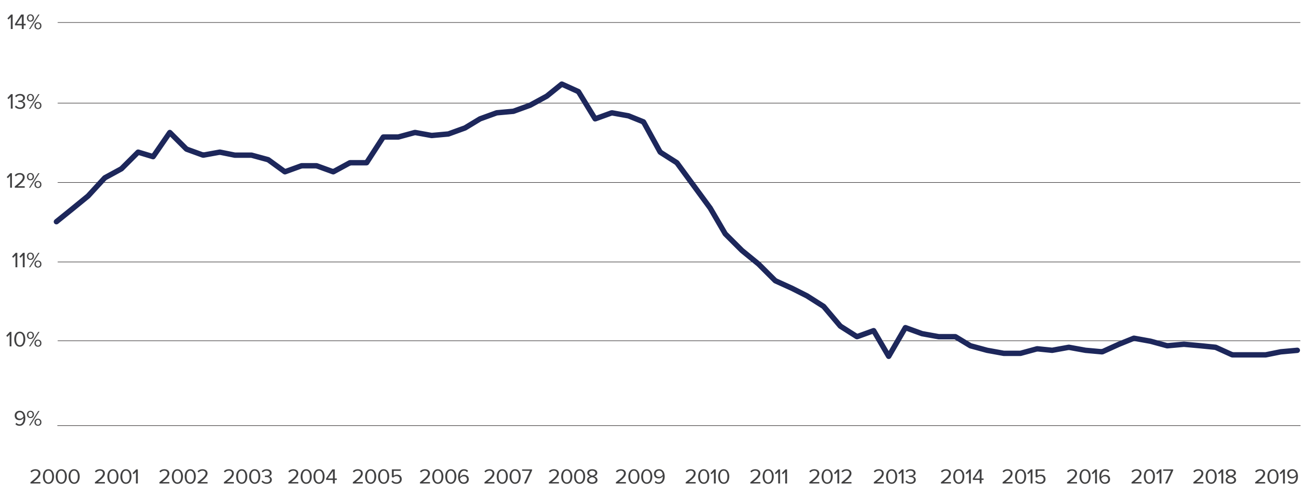
PAYMENTS ON DEBT AT MANAGEABLE LEVELS

Although the proportion of older households holding debt is rising, the payments are still a relatively small proportion of their income. Debt payments made up 6 percent of income for households headed by adults age 75 and older in 2016—a level which has remained relatively constant in recent years. Among households headed by 65-to-74-year-olds, debt payments represent 8 percent of total income.

Although total consumer debt continues to rise, it remains at a manageable level for most households. The Federal Reserve's Debt Service Ratio, which is the ratio of total required household debt payments (including both mortgage and consumer debt) to total disposable income, has hovered around the 10 percent level for the last seven years. This is at the historical low for the data series, which began in 1980.

Household Debt Service Remains Near a Record Low

Debt Service Ratio: Ratio of total required household debt payments (including both mortgage and consumer debt) to total disposable income



Source: Federal Reserve

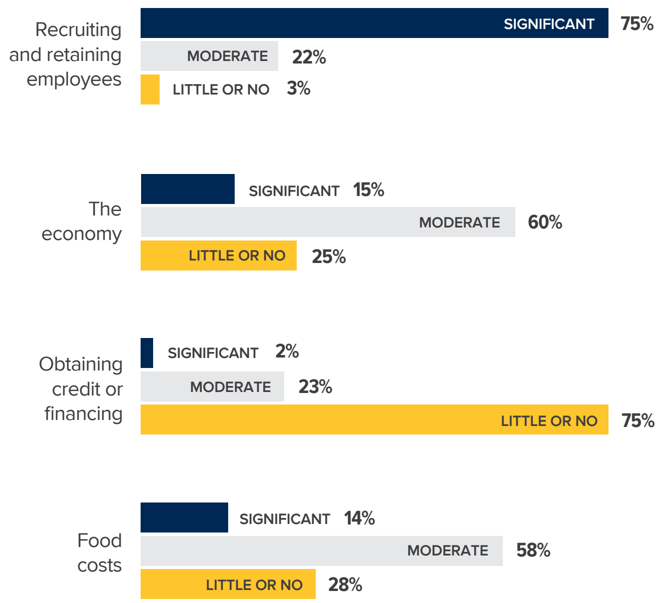
Debt Service Remains Manageable for Older Households

Ratio of Debt Payments to Family Income, by Age of Household Head

	1989	1992	1995	1998	2001	2004	2007	2010	2013	2016
All Families	**12.6%**	**14.4%**	**14.1%**	**15.0%**	**12.7%**	**14.5%**	**14.6%**	**14.7%**	**12.1%**	**10.9%**
Age of Household Head Less than 35 years	18.0%	16.9%	17.8%	17.2%	17.3%	17.8%	19.7%	17.0%	14.9%	14.1%
35 to 44 years	16.4%	18.2%	17.3%	17.7%	15.1%	18.3%	18.6%	18.4%	13.6%	15.2%
45 to 54 years	12.2%	14.9%	15.2%	16.5%	12.3%	15.4%	15.1%	16.2%	13.9%	11.8%
55 to 64 years	9.0%	11.6%	11.9%	13.4%	10.6%	11.7%	12.7%	12.6%	11.2%	9.2%
65 to 74 years	5.3%	7.9%	7.2%	9.0%	9.1%	8.7%	9.7%	11.3%	8.9%	8.0%
75 years and older	2.2%	4.0%	2.6%	4.1%	3.7%	7.4%	4.4%	6.8%	6.0%	6.0%

Source: Federal Reserve, Survey of Consumer Finances (conducted every three years)

Challenges Cited by Senior Living Professionals
Q. To What Degree are the Following Items Currently a Challenge for Your Business?



Source: Argentum survey of senior living executives

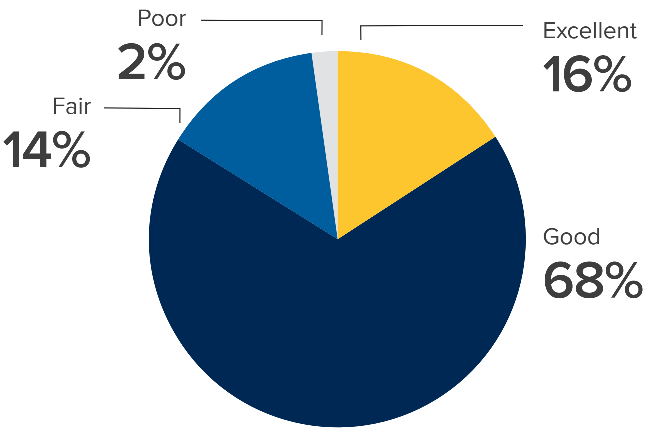
SENIOR LIVING LEADERS OPTIMISTIC, BUT REALISTIC

In the Argentum Workforce, Food, and Utilities survey of senior living executives, the top significant challenges in the coming year were "staffing," followed by "competition" and "census." Aging at home, challenges inherent to rural areas, and a rising number of people who can't afford available options were other issues named.

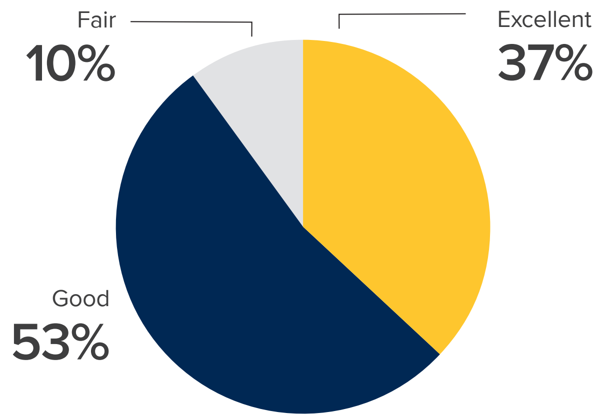
- "Increased competition with all the new builds, too much market saturation."
- "Integration into more electronic databases"
- "Navigating through maintaining aging buildings"
- "Seniors are staying at home longer. When they move in, their health is more compromised."
- "We are in a rural area, and it's hard to get people to come off the farm."

Q. What is Your Sense of Economic Conditions?

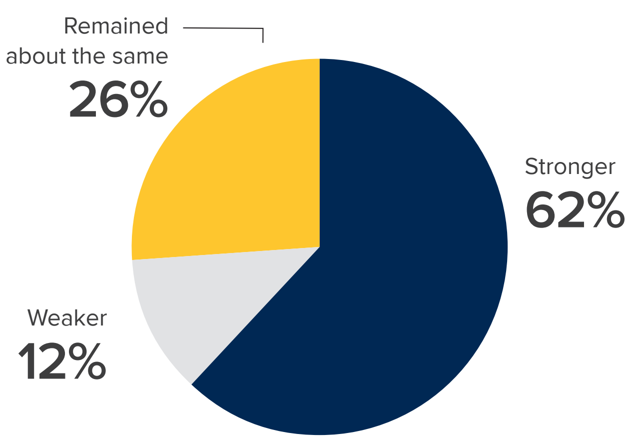
Business Conditions for Overall Senior Living Industry



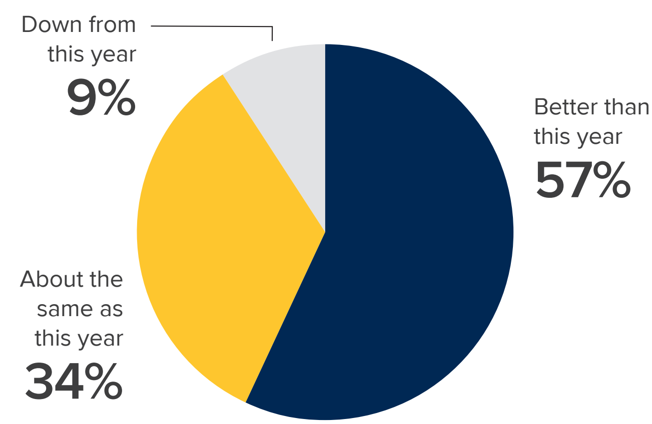
Business Conditions at Your Company



Health of Your Company Compared to Two Years Ago



Health of Your Company Anticipated for 2020



"It is anticipated that more and more people will be diagnosed with Alzheimer's disease and dementia."

—Survey participant

SENIOR LIVING CONTINUES AS MAJOR JOB CREATOR

The senior living industry is on pace to outstrip job growth in the overall private sector for the 20th consecutive year.

According to data from the Bureau of Labor Statistics (BLS), the senior living industry added jobs at a 2.3 percent rate on a year-to-date basis through June 2019. This was slightly above the 1.9 percent gain in total private sector payrolls during the same period.

If the current trend continues, senior living industry job growth will match the 2.3 percent gain posted in 2018.

While still a healthy rate of growth relative to the overall economy, the consecutive years of 2.3 percent employment gains would represent the two slowest years of job growth since this Bureau of Labor Statistics (BLS) data series began in 1990. This could be indications of a maturing industry as well as difficulties finding employees in a tight labor market.

To be sure, the senior living industry was one of the strongest job creators in the economy during the past three decades. Between 1990 and 2018, the senior living industry registered 28 consecutive years of job growth, for an average annual increase of 3.8 percent. During the same period, the overall private sector saw average annual job growth of just 1.2 percent. These overall numbers were achieved despite the seven years of job losses during the recessionary period.

Within the senior living industry, employment trends diverged during the past two years. Assisted living communities led the way, with a robust 3.4 percent employment gain on a year-to-date basis through June 2019. This came on the heels of a solid 3.3 percent increase in 2018. If the current trend continues, 2019 will represent the strongest job growth at assisted living communities since 2014 (3.6 percent).

In contrast, job growth at continuing care retirement communities slowed significantly in recent years. Payrolls expanded by just 1.2 percent through the first half of 2019, which followed a modest 1.4 percent gain in 2018. The 1.4 percent increase in 2018 represented the slowest job growth since 1999 (1.1 percent). It was also in sharp contrast to the healthy employment gains posted during the last nearly two decades. Between 2000 and 2017, continuing care retirement communities registered average annual job growth of 5.0 percent.

The senior living industry was one of the strongest job creators in the economy during the past three decades. Between 1990 and 2018, the senior living industry registered 28 consecutive years of job growth, for an average annual increase of 3.8 percent.

A LOOK AT THE CHANGING PACE OF EMPLOYMENT GROWTH

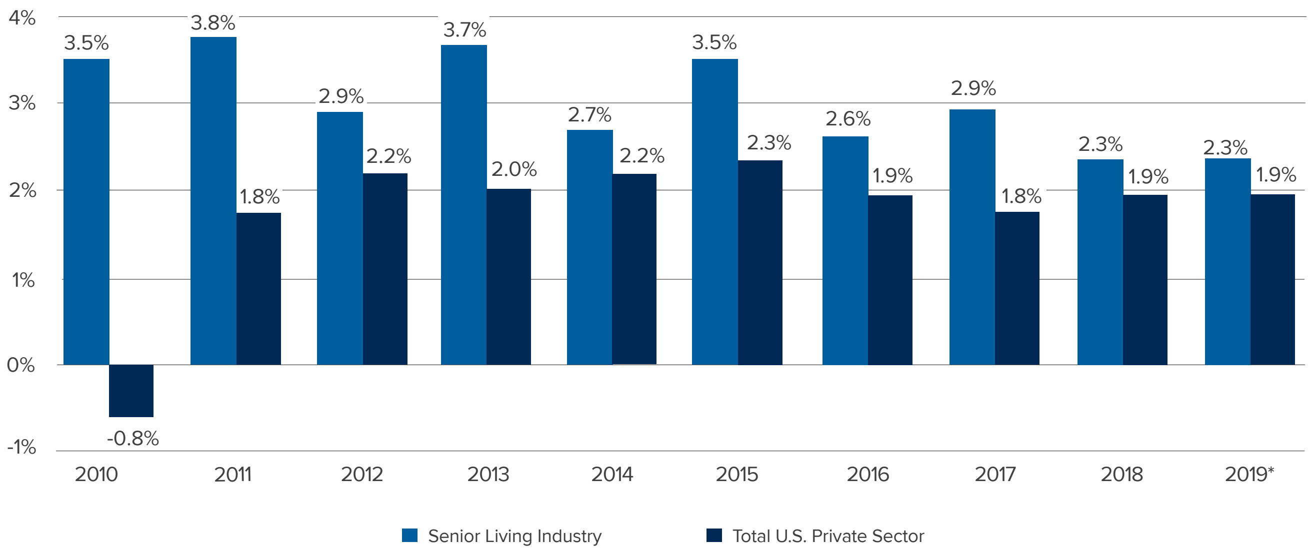
While the senior living industry continues to be a growing one, there are signs the pace may be abating. Between 1990 and 2018, the industry grew for 28 consecutive years, averaging a 3.8 percent annual increase. In 2018, however, it posted a gain of 2.3 percent. The industry appears en route to another 2.3 percent level for 2019.

In general, a growth slowdown could have several meanings:

- The market is maturing and becoming more sustainable.
- Workers that left during the recession are almost fully re-absorbed into the workforce.
- It's too difficult to find employees.
- The use of technology is reducing some employment needs.
- The overall economy is slowing.

Senior Living Industry Job Growth Outpaces Private Sector Overall

Annual Job Growth: Senior Living Industry vs. Total U.S. Private Sector

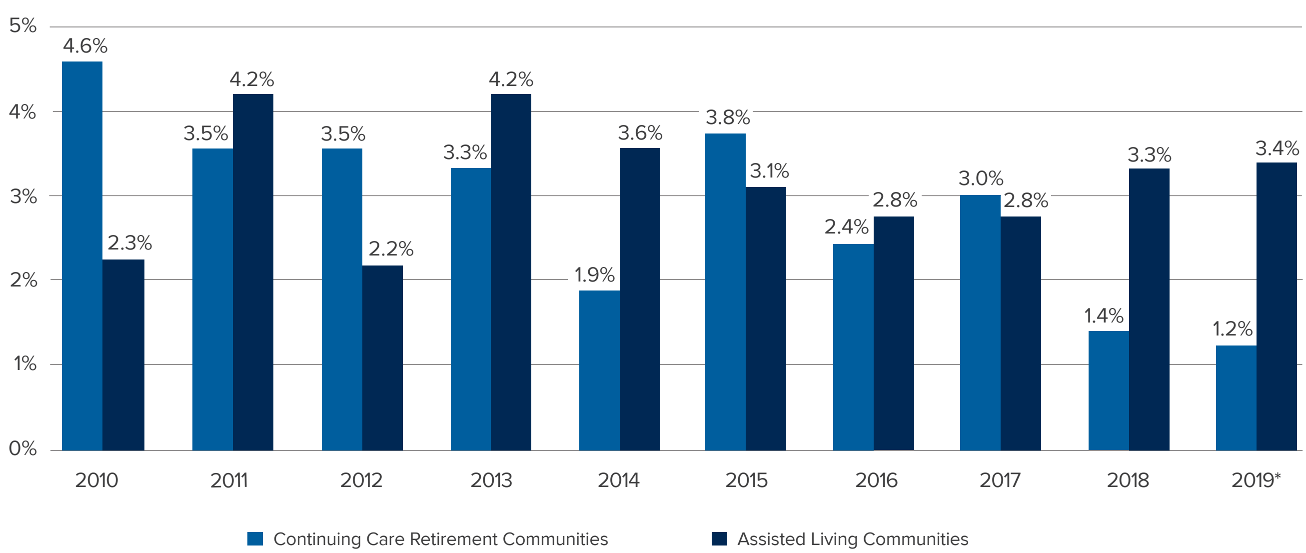


Source: Bureau of Labor Statistics

**Year-to-date growth through June*

Job Growth Strongest at Assisted Living Communities

Annual Job Growth: CCRCs vs. Assisted Living Communities

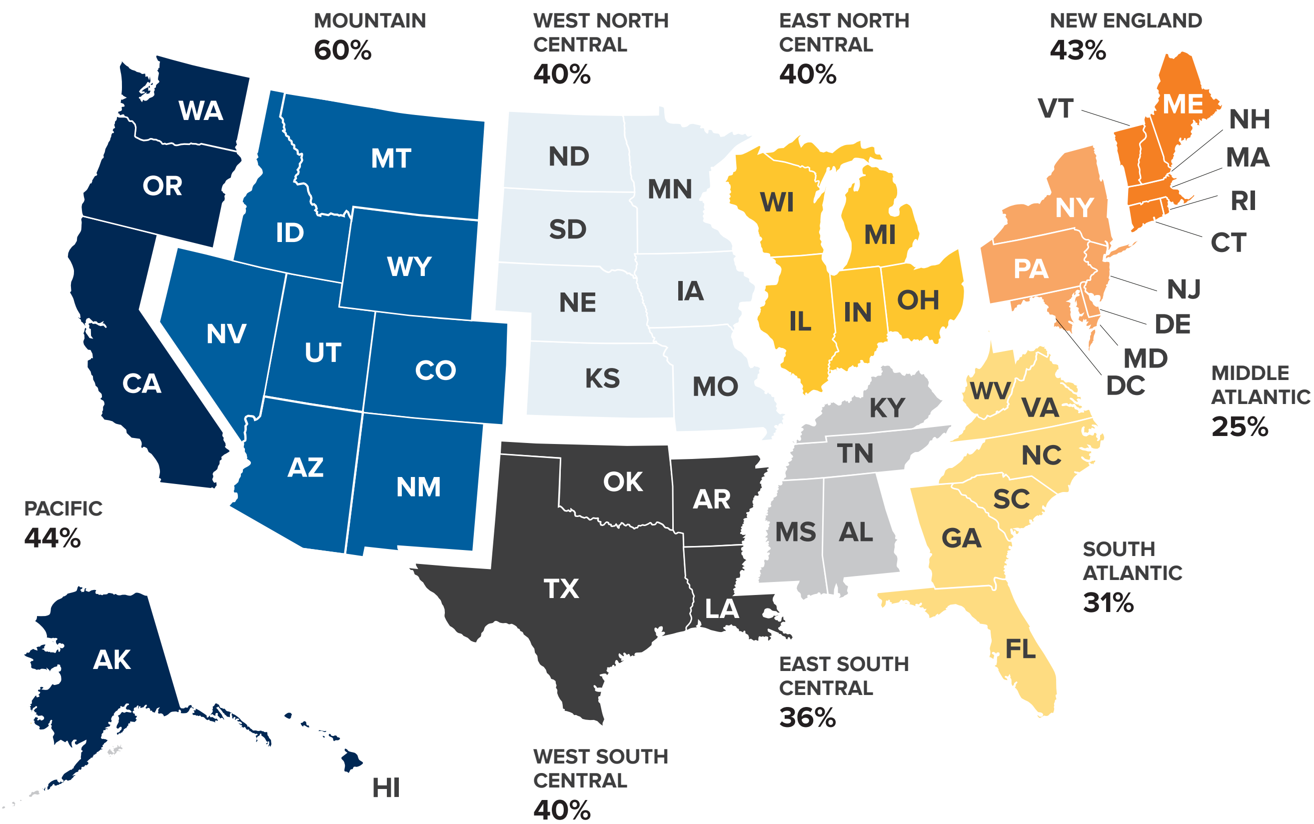


Source: Bureau of Labor Statistics

**Year-to-date growth through June*

STATE AND REGIONAL WORKFORCE TRENDS

The senior living industry was a significant job creator across the vast majority of the country in recent years. In all but two jurisdictions (West Virginia and the District of Columbia), senior living communities expanded payrolls during the past 10 years. In addition, senior living job growth, indicated here, outpaced the overall private sector in most states.



The senior living industry in the **Pacific** region added jobs at a 44 percent rate during the past 10 years, which ranked second out of the nine U.S. regions. The region was led by a 68 percent gain in Hawaii, which also ranked 4th in state-level job growth. Four out of the five Pacific-region states posted senior living job growth above the national average during the past 10 years.

The **Mountain** region saw the strongest growth in senior living jobs in recent years. Employment at the region's senior living communities jumped 60 percent between 2008 and 2018, which was well above the national average of 37 percent. All eight states in the region registered senior living job growth above the national average during the past 10 years, led by a strong 94 percent increase in Utah. Utah's payroll growth also represented the largest state-level increase between 2008 and 2018.

In the **West North Central** region, senior living communities added jobs at a 40 percent rate during the past 10 years. Growth was led by a 63 percent increase in Minnesota, which also ranked 7th in terms of state-level job growth.

The senior living industry in the **West South Central** region posted employment growth of 40 percent between 2008 and 2018. Arkansas set the pace with a robust 77 percent increase in senior living jobs, which was the second-fastest employment gain on the state level.

The **East North Central** region expanded senior living employment levels by 40 percent during the past 10 years. Job growth in the region was led by gains in Indiana (52 percent) and Wisconsin (51 percent)).

Senior living communities in the **East South Central** region added jobs at a 36 percent pace between 2008 and 2018, which was slightly below the national average of 37 percent. Kentucky led the way with a 57 percent increase in senior living jobs, while Tennessee (40 percent) also posted growth above the national average.

Senior living communities in **New England** expanded payrolls by 43 percent between 2008 and 2018. Massachusetts set the pace with a solid 59 percent increase in senior living jobs, followed by above-average growth in both New Hampshire (47 percent) and Connecticut (45 percent).

Senior living employment in the **Middle Atlantic** region rose 25 percent during the last 10 years, which ranked last among the nine U.S. regions. New York led the way with a 38 percent increase in senior living industry jobs. New Jersey (29 percent) and Pennsylvania (19 percent) registered job growth below the national average.

The senior living industry in the **South Atlantic** region expanded payrolls by 31 percent during the past 10 years. Georgia set the pace with a 53 percent gain in senior living jobs, followed by a 50 percent increase in Florida.

Senior Living Industry Employment Trends

	Senior Living Industry		Total Private Sector	
	# of Jobs in 2018	% Change 2008-2018	# of Jobs in 2018	% Change 2008-2018
Connecticut	10,100	45%	1,452,300	1%
Maine	5,900	6%	528,400	3%
Massachusetts	22,400	59%	3,188,400	11%
New Hampshire	4,600	47%	591,000	7%
Rhode Island	3,200	23%	435,100	4%
Vermont	2,400	34%	259,100	2%
New England	**48,600**	**43%**	**6,454,300**	**6%**
New Jersey	23,600	29%	3,554,200	5%
New York	30,900	38%	8,181,000	13%
Pennsylvania	68,900	19%	5,303,100	5%
Middle Atlantic	**123,400**	**25%**	**17,038,300**	**9%**
Delaware	3,900	18%	394,800	6%
District of Columbia	1,100	-54%	553,700	18%
Florida	67,700	50%	7,669,400	16%
Georgia	18,900	53%	3,846,200	13%
Maryland	23,400	27%	2,239,700	6%
North Carolina	35,100	4%	3,755,200	10%
South Carolina	13,900	25%	1,776,300	13%
Virginia	32,300	39%	3,278,100	7%
West Virginia	3,100	-4%	573,400	-2%
South Atlantic	**199,400**	**31%**	**24,086,800**	**12%**
Illinois	35,600	40%	5,291,100	4%
Indiana	19,400	52%	2,714,300	8%
Michigan	35,400	42%	3,812,200	9%
Ohio	37,900	25%	4,780,800	5%
Wisconsin	32,300	51%	2,563,700	5%
East North Central	**160,600**	**40%**	**19,162,100**	**6%**
Alabama	8,200	31%	1,656,200	2%
Kentucky	6,400	57%	1,617,900	6%
Mississippi	4,200	11%	913,500	1%
Tennessee	14,500	40%	2,624,800	12%
East South Central	**33,300**	**36%**	**6,812,400**	**6%**

	Senior Living Industry		Total Private Sector	
	# of Jobs in 2016	% Change 2008-2016	# of Jobs in 2016	% Change 2008-2016
Iowa	14,600	23%	1,323,400	4%
Kansas	15,900	40%	1,157,500	2%
Minnesota	23,700	63%	2,528,900	8%
Missouri	13,700	41%	2,453,700	4%
Nebraska	8,700	24%	849,600	5%
North Dakota	2,900	40%	350,900	21%
South Dakota	3,300	44%	359,300	7%
West North Central	**82,800**	**40%**	**9,023,300**	**6%**
Arkansas	4,300	77%	1,049,700	6%
Louisiana	6,600	11%	1,653,900	5%
Oklahoma	7,400	18%	1,339,700	5%
Texas	51,200	47%	10,551,600	19%
West South Central	**69,500**	**40%**	**14,594,900**	**15%**
Arizona	22,600	48%	2,440,800	11%
Colorado	16,900	67%	2,280,300	16%
Idaho	6,200	58%	612,500	16%
Montana	3,800	48%	387,200	9%
Nevada	3,800	53%	1,225,500	11%
New Mexico	4,200	74%	655,400	1%
Utah	7,400	94%	1,268,700	22%
Wyoming	900	67%	216,600	-6%
Mountain	**65,800**	**60%**	**9,087,000**	**13%**
Alaska	1,600	49%	246,900	3%
California	95,200	52%	14,587,800	14%
Hawaii	2,800	68%	531,000	7%
Oregon	25,700	44%	1,614,500	14%
Washington	31,100	24%	2,819,400	15%
Pacific	**156,400**	**44%**	**19,799,600**	**14%**
United States	**943,500**	**37%**	**126,625,000**	**10%**

Source: Argentum analysis of data from the Bureau of Labor Statistics

NUMBER OF WORKING HOURS COOLS SLIGHTLY

Although the senior living industry continues to expand staffing levels in 2019, the number of hours worked by employees is trending lower. On a year-to-date basis through June 2019, the average workweek of senior living industry employees declined 0.8 percent. This is the equivalent of 0.3 hours per week, on average.

If the current trend continues, 2019 would represent the first time since 2013 that the average workweek of senior living employees declined. This period included significant expansions in employee hours in both 2016 (2.8 percent) and 2017 (1.8 percent). Between 2014 and 2017, the average workweek of senior living employees increased 1.7 hours—from 31.4 hours in 2014 to 33.1 hours in 2017.

As a result, the average senior living workweek remains well above the recent historical levels, despite the current downward trend in 2019.

The workweek of employees in the overall private sector is also declining slightly in 2019. Average hours worked by all private sector employees edged down 0.2 percent during the first half of 2019, from 34.5 hours to 34.4 hours. If the current trend holds, it would represent the first annual decline since 2016.

The average employee workweek is trending lower in the two senior living industry segments tracked in 2019. The decline is largest among employees at continuing care retirement communities, who saw their average workweek fall 1.0 percent during the first half of the 2019. This came on the heels of a 0.6 percent decline in 2018. Despite the back-to-back declines, the average workweek remains above levels seen prior to 2016, as a result of steady gains in recent years.

Employee hours are also trending lower at assisted living communities in 2019, albeit at a somewhat lower rate. The average workweek declined 0.6 percent on a year-to-date basis through June 2019, after remaining unchanged in 2018. This followed significant gains in both 2016 (4.5 percent) and 2017 (3.1 percent), when the average workweek of assisted living community employees expanded by 2.4 hours during the two-year period. As a result, the average workweek of employees at assisted living communities remains well above historical averages, despite the downtick in 2019.

Although job growth in the senior living industry continues to outpace the overall private sector, the decline in the average workweek means total labor hours in the senior living industry is growing at a slower rate.

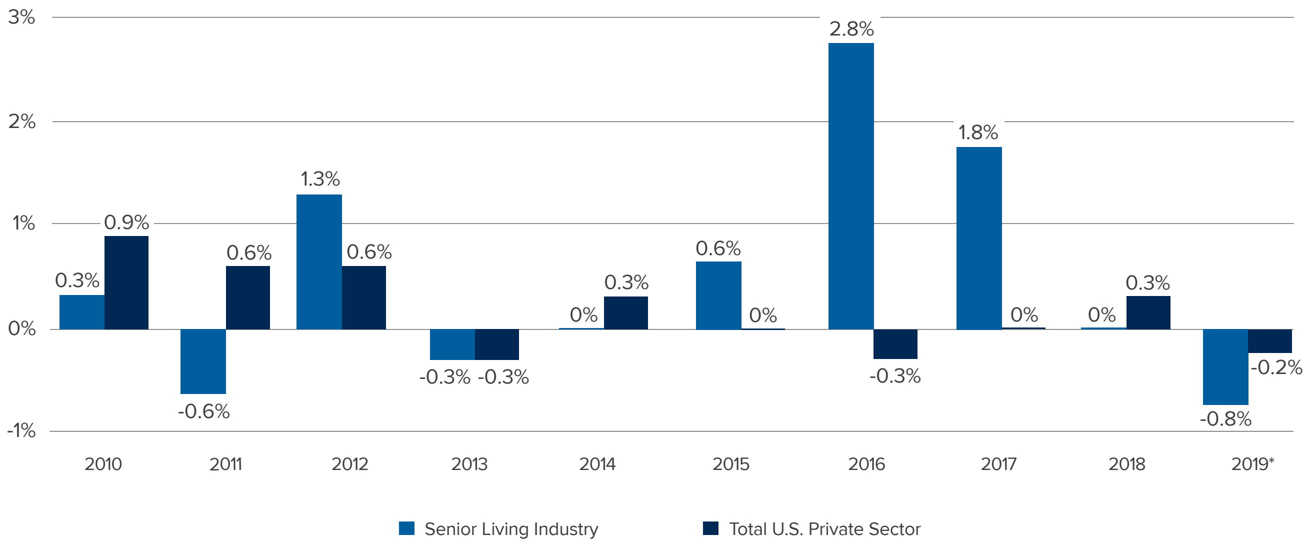
Total employee hours (average number of employees multiplied by average weekly hours) in the senior living industry increased 1.4 percent during the first half of 2019. This was down from a 2.3 percent gain in total labor hours in 2018 and was well below the average increase of 4.8 percent during the three-year period from 2015 to 2017.

In comparison, total labor hours in the overall private sector rose 1.6 percent on a year-to-date basis through June 2019. This was down from a gain of 2.2 percent in 2018.

The average senior living workweek remains well above the recent historical levels, despite the current downward trend in 2019. The workweek of employees in the overall private sector is also declining slightly in 2019.

Average Workweek of Senior Living Employees Trending Lower

Growth in the Average Employee Workweek: Senior Living Industry vs. Total U.S. Private Sector

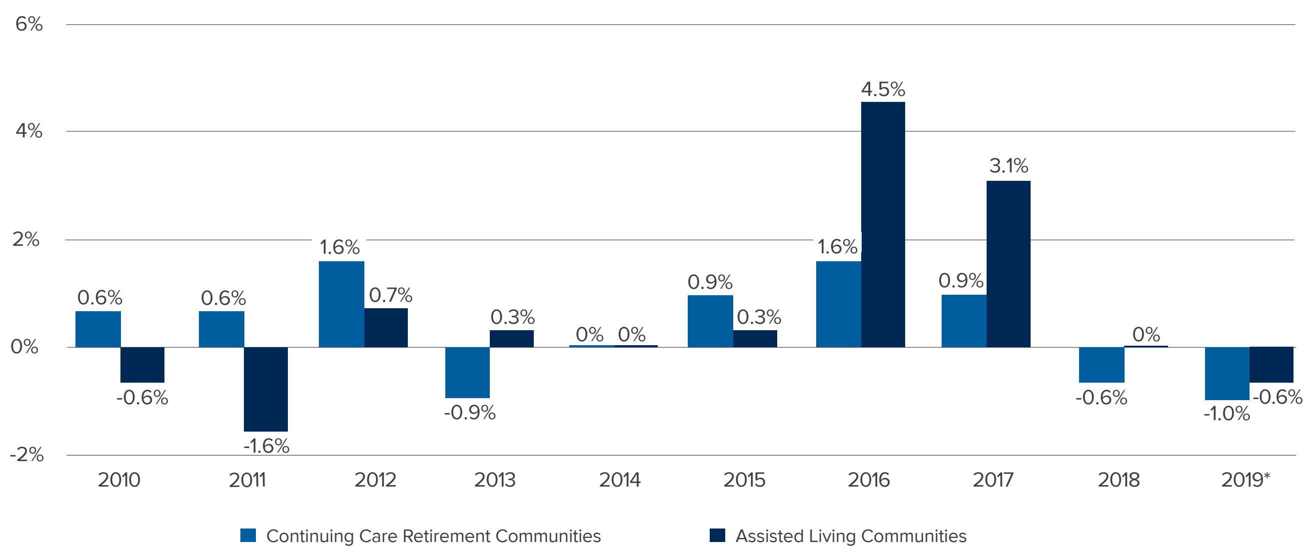


Source: Bureau of Labor Statistics

**Year-to-date growth through June*

Average Employee Workweek Declining in Both Senior Living Segments

Growth in the Average Employee Workweek: CCRCs vs. Assisted Living Communities

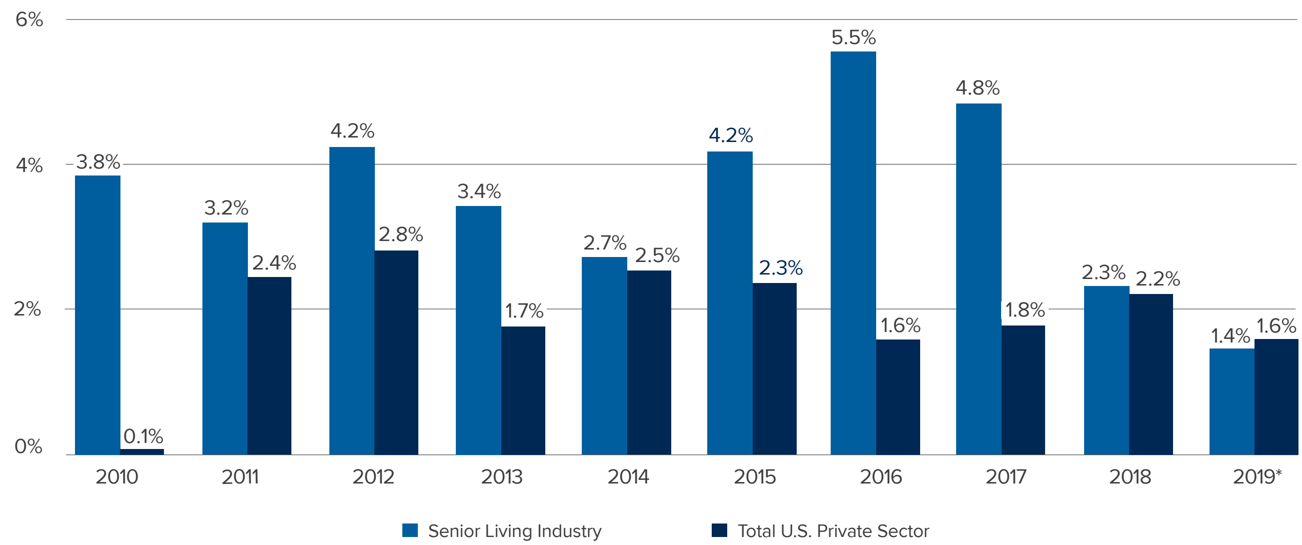


Source: Bureau of Labor Statistics

**Year-to-date growth through June*

Growth in Total Labor Hours Slowing in the Senior Living Industry

Growth in Total Employee Hours Worked During an Average Week: Senior Living Industry vs. Total U.S. Private Sector

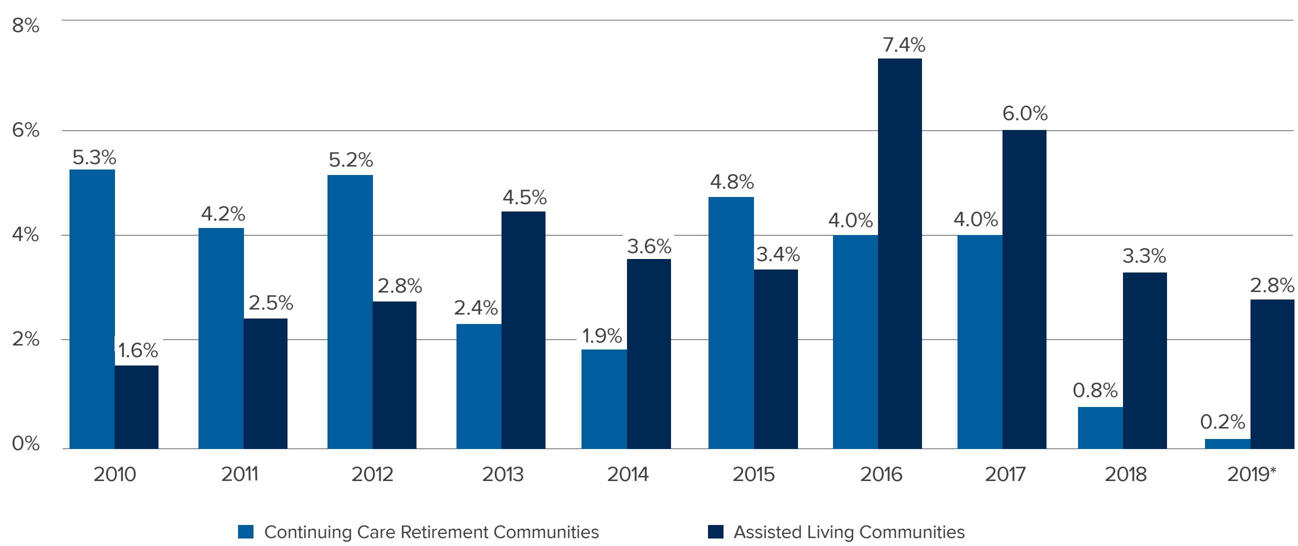


Source: Bureau of Labor Statistics

**Year-to-date growth through June*

Growth in Total Labor Hours Strongest at Assisted Living Communites

Annual Growth in Total Employee Hours Worked During an Average Week: CCRCs vs. Assisted Living Communities



Source: Bureau of Labor Statistics

**Year-to-date growth through June*

WAGE GROWTH SHOWING SIGNS OF SLOWING

For the first time in five years, wage growth in the senior living industry is not on pace to outpace the overall private sector. On a year-to-date basis through June 2019, average hourly earnings of senior living industry employees rose 3.1 percent. This was slightly below the 3.2 percent gain in earnings of all private sector employees during the same period.

Senior living industry wage growth through the first half of 2019 was down slightly from the 3.5 percent gain registered in 2018. Still, if the current trend continues, 2019 would represent the third consecutive year with wage growth above 3 percent.

In the overall private sector, employee wage growth in on pace to accelerate for the sixth consecutive year.

Within the senior living industry, employees at assisted living communities are seeing much stronger wage growth in 2019. On a year-to-date basis through June 2019, average hourly earnings of employees at assisted living communities jumped 4.8 percent. If the current trend continues, it would represent the fifth consecutive year with wage growth above 3 percent.

In comparison, wage growth of employees at continuing care retirement communities is slowing in 2019. Average hourly earnings of employees at continuing care retirement communities were up 1.8 percent through the first half of 2019. This was roughly one-half of the 3.5 percent gain posted in 2018.

If the current trends continue, 2019 will represent the fifth consecutive year in which wage growth of employees at assisted living communities outpaced their counterparts at continuing care retirement communities.

Senior living industry wage growth through the first half of 2019 was down slightly from the 3.5 percent gain registered in 2018. Still, if the current trend continues, 2019 would represent the third consecutive year with wage growth above 3 percent.

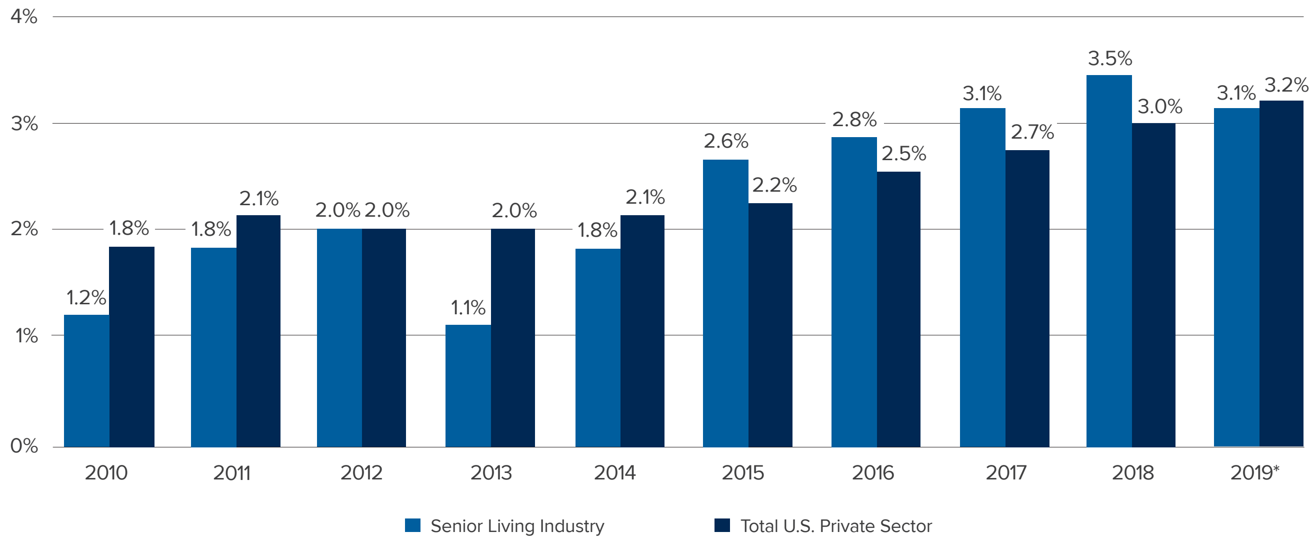
WHICH WAY ARE WAGES GOING?

Despite the low unemployment rate, there's been a general sense that wages haven't kept pace. But whether there is true wage stagnation depends on who you ask. Talk about wages inevitably leads to political perspectives, because there are several ways to measure the data and to adjust for inflation. The Bureau of Labor Statistics numbers used in this report are considered the bottom line, however. Those figures show senior living wages just starting to slow after outpacing overall wage growth for five years. The projection for 2020 is another 3.0 percent rise.

Other factors point to more wage competition ahead, particularly for lower-wage workers. Workers with household income of less than $60,000 had a job-hopping rate that hit 12 percent in July 2019, according to the New York Fed Survey of Consumer Expectations, the highest level since 2014. Lower-income workers are seeing a market where they are free to shop around.

Senior Living Industry Wage Growth Slowed in 2019

Growth in Average Hourly Earnings of All Employees: Senior Living Industry vs. Total U.S. Private Sector

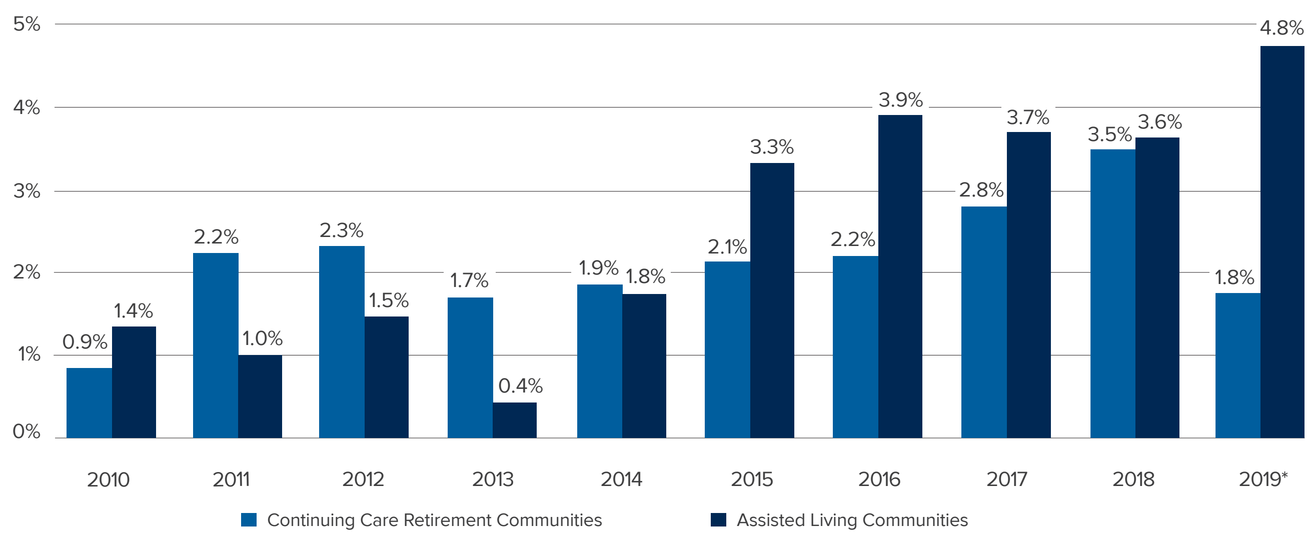


Source: Bureau of Labor Statistics

**Year-to-date growth through June*

Hourly Wage Growth Strongest at Assisted Living Communities

Growth in Average Hourly Earnings of All Employees: CCRCs vs. Assisted Living Communities



Source: Bureau of Labor Statistics

**Year-to-date growth through June*

LABOR MARKET TIGHTER THAN ANY TIME ON RECORD

As of July 2019, the national economy had added jobs in 106 consecutive months. This represented the longest streak of consecutive employment growth on record. According to data from the Bureau of Labor Statistics, the economy filled an average of 5.8 million jobs each month during the 12-month period ending June 2019. This was the strongest period of hiring since this data series began, in 2000.

During the same period, the number of unfilled job openings rose sharply, which suggests that employment gains would have been even more substantial if the labor pool was deeper. On average during the second half of 2018, there were 7.5 million job openings at the end of each month. Although this monthly average declined slightly to 7.4 million job openings during the first half of 2019, the levels were well above any other readings on record.

In the 12 months ending June 2019, the average number of job openings exceeded monthly hires by more than 28 percent. By these metrics, the U.S. labor market is tighter than at any other time on record.

The differential between hiring and job openings is much more significant in the health care sector. According to the Bureau of Labor Statistics, the health care and social assistance sector filled an average of nearly 600,000 jobs each month during the 12-month period ending June 2019. This represented the strongest period of hiring on record.

However, job openings in the health care sector also increased sharply in recent months. During the 12 months ending June 2019, there were an average of nearly 1.2 million unfilled job openings at the end of each month—a record high. In other words, the number of unfilled job openings was more than double the number of hires each month during the past 12 months. This indicates that the competition for employees in the health care sector is much more intense than it is for the overall economy.

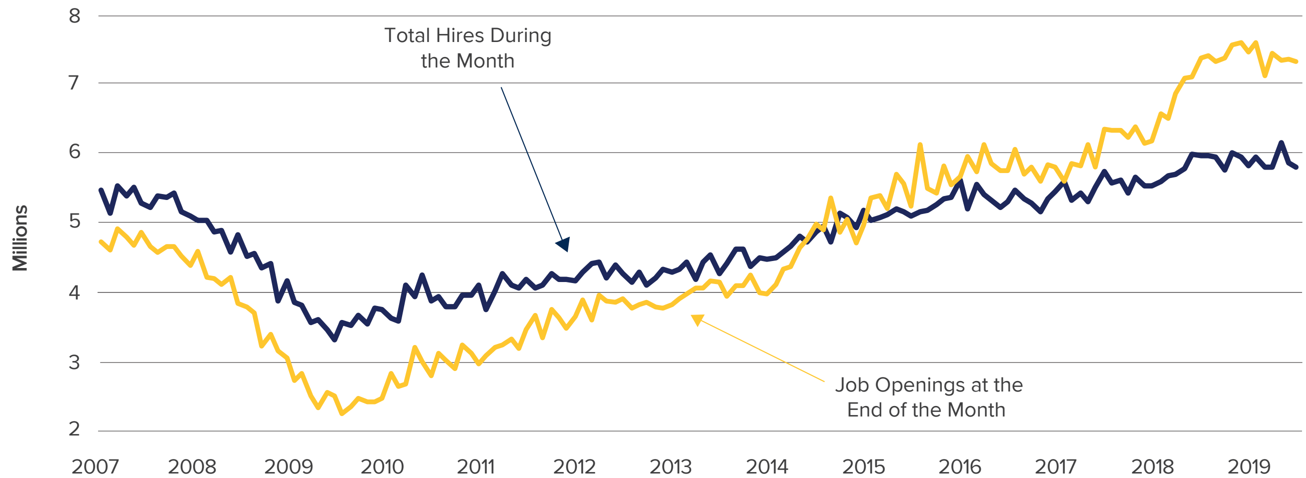
In the past 12 months in the health care sector, the number of unfilled job openings was more than double the number of hires each month. This indicates that the competition for employees in the health care sector is much more intense than it is for the overall economy.

ABOUT THESE JOB MARKET FIGURES

- Figures on hiring represent the total number of additions to the payroll during the month.
- Net job growth is the difference between total hires and total separations during the month.
- Net job growth in this economy is generally in the +250,000 to -250,000 range during a typical month.
- The Bureau of Labor Statistics does not report data for the senior living industry alone. So to get a picture of our industry, we instead use data from the Bureau's Health Care and Social Assistance sector (NAICS 62). The senior living industry accounts for approximately 5 percent of all jobs in that sector.

Gap Still Wide Between Job Openings and Jobs Filled

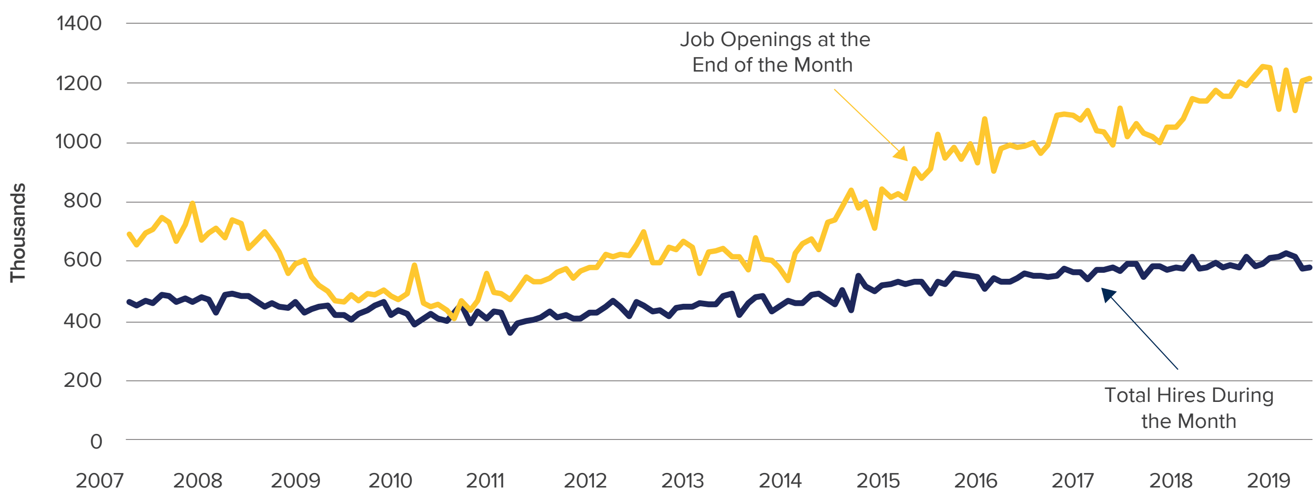
Monthly Hires* and Job Openings** in the U.S. Economy (Millions)



Source: Bureau of Labor Statistics; figures are seasonally adjusted
**The hires figures represent the total number of additions to the payroll during the month. **Job openings represent vacancies on the last business day of the month.*

Job Openings Climb to Double the Hiring Rate

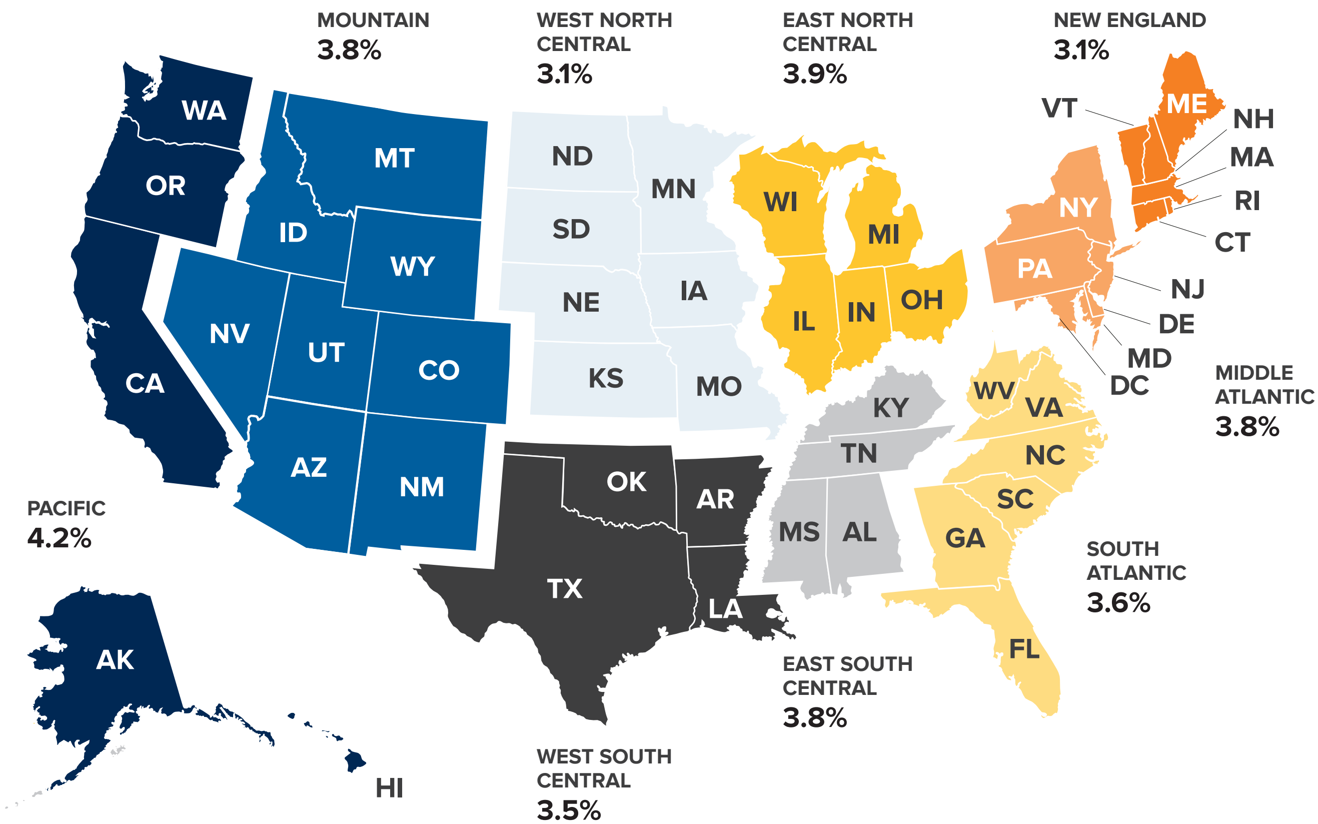
Monthly Hires* and Job Openings** in the Health Care and Social Assistance Sector*** (Thousands)



Source: Bureau of Labor Statistics; figures are seasonally adjusted
**The hires figures represent the total number of additions to the payroll during the month. **Job openings represent vacancies on the last business day of the month. ***Figures are for the Health Care and Social Assistance sector (NAICS 62).*

STATE AND REGIONAL TRENDS IN INDICATORS OF MARKET TIGHTNESS

The dynamic of a region's labor market can be assessed using two measures: the unemployment rate, indicated on the map, and the labor force participation rate. A low unemployment rate is an indication of a shallow labor pool, as there a fewer unemployed individuals seeking jobs. A relatively high labor force participation rate is another indicator of a tight labor market, as there are fewer people sitting on the sidelines of the labor force. At the same time, a relatively low labor force participation rate suggests that conditions have the potential to improve, if people decide to come off the sidelines and engage in the workforce.



■ The **Pacific** region has the nation's highest jobless rate (4.2 percent), with only Hawaii (2.8 percent) below the national average. The region's labor force participation rate (62.5 percent) is slightly below the national average.

■ The **Mountain** region's unemployment rate (3.8 percent) is slightly above the national average, though its labor force participation rate (64.2 percent) is the third highest in the nation. Idaho, Utah and Colorado have jobless rates of three percent or lower.

■ By these measures, the **West North Central** region likely has the tightest labor market in the country, with the lowest unemployment rate (3.1 percent) and highest labor force participation rate (67.4 percent). Within the region, three states (North Dakota, Iowa and South Dakota) have unemployment rates below 3 percent, and four states (Minnesota, Nebraska, Iowa and North Dakota) have labor force participation rates above 69 percent.

■ The **West South Central** region has the third lowest unemployment rate (3.5 percent) in the country, but its labor force participation rate (62.4 percent) is slightly below the national average. This is due largely to Arkansas and Louisiana, which have labor force participation rates below 60 percent.

■ The **East North Central** region's unemployment rate (3.9 percent) is the second highest in the country, but its labor force participation rate (64.0 percent) is above the national average.

■ Although the **East South Central** region's jobless rate (3.8 percent) is similar to the national average, its labor force participation rate (59.3 percent) is the lowest in the country. Alabama, Kentucky and Mississippi all have participation rates below 60 percent.

■ **New England's** labor market is also comparatively tight, with an unemployment rate of 3.1 percent and a labor force participation rate of 66.7 percent. Each of the six states in the region have an unemployment rate that is at or below the national average, led by Vermont which has the lowest rate in the nation (2.1 percent). In addition, five states in the region have a labor force participation rate higher than the national average.

■ The **Middle Atlantic** region's unemployment rate is 3.8 percent, with New Jersey checking in the lowest at 3.5 percent. The region's labor force participation rate (61.9 percent) is the third lowest in the nation, and all three states have a participation rate that is below the national average.

■ The **South Atlantic** region has a jobless rate (3.6 percent) that is slightly below the national average, but its labor force participation rate (61.6 percent) is the second lowest in the country. This is partly due to a 59.1 percent participation rate in Florida, which has an elevated proportion of retirees in its population.

State and Regional Labor Force Indicators: June 2019

	Unemployment Rate	Labor Force Participation Rate
Connecticut	3.7%	66.1%
Maine	3.2%	62.6%
Massachusetts	3.0%	67.7%
New Hampshire	2.5%	68.6%
Rhode Island	3.6%	64.0%
Vermont	2.1%	66.8%
New England	**3.1%**	**66.7%**
New Jersey	3.5%	62.5%
New York	4.0%	61.0%
Pennsylvania	3.8%	62.9%
Middle Atlantic	**3.8%**	**61.9%**
Delaware	3.2%	62.6%
District of Columbia	5.6%	71.1%
Florida	3.4%	59.1%
Georgia	3.7%	62.3%
Maryland	3.8%	67.6%
North Carolina	4.2%	61.6%
South Carolina	3.5%	58.5%
Virginia	2.9%	65.4%
West Virginia	4.7%	54.6%
South Atlantic	**3.6%**	**61.6%**
Illinois	4.3%	64.8%
Indiana	3.5%	64.8%
Michigan	4.2%	61.9%
Ohio	4.0%	62.7%
Wisconsin	2.9%	67.2%
East North Central	**3.9%**	**64.0%**
Alabama	3.5%	58.0%
Kentucky	4.1%	59.0%
Mississippi	5.0%	55.4%
Tennessee	3.4%	62.0%
East South Central	**3.8%**	**59.3%**
Iowa	2.4%	69.4%
Kansas	3.4%	66.4%
Minnesota	3.3%	70.0%
Missouri	3.3%	63.4%
Nebraska	3.0%	69.8%
North Dakota	2.3%	69.3%
South Dakota	2.9%	68.9%
West North Central	**3.1%**	**67.4%**

	Unemployment Rate	Labor Force Participation Rate
Arkansas	3.5%	58.0%
Louisiana	4.3%	58.6%
Oklahoma	3.2%	60.6%
Texas	3.4%	63.8%
West South Central	**3.5%**	**62.4%**
Arizona	4.9%	61.6%
Colorado	3.0%	69.0%
Idaho	2.8%	63.9%
Montana	3.5%	62.4%
Nevada	4.0%	62.8%
New Mexico	4.9%	58.5%
Utah	2.8%	67.5%
Wyoming	3.5%	64.4%
Mountain	**3.8%**	**64.2%**
Alaska	6.4%	64.4%
California	4.2%	62.2%
Hawaii	2.8%	61.0%
Oregon	4.0%	62.0%
Washington	4.6%	64.3%
Pacific	**4.2%**	**62.5%**
United States	**3.7%**	**63.0%**

Source: Bureau of Labor Statistics; figures are seasonally adjusted

Labor Force Participation Rate by Region, (lowest to highest)

East South Central	59.3%
South Atlantic	61.6%
Middle Atlantic	61.9%
West South Central	62.4%
Pacific	62.5%
East North Central	64.0%
Mountain	64.2%
New England	66.7%
West North Central	67.4%

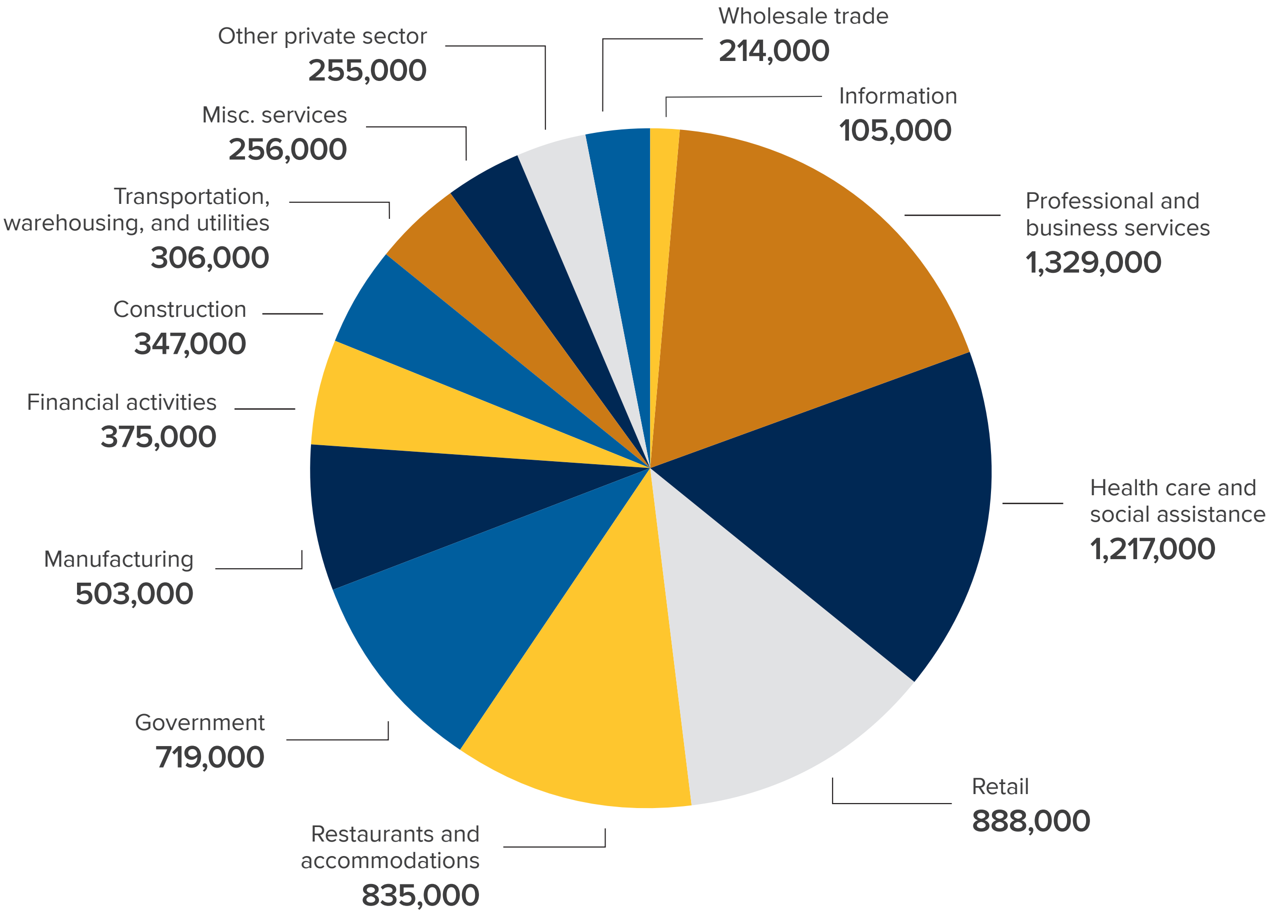
COMPARING SENIOR LIVING WITH ITS COMPETITORS

Many of the sectors with sizable numbers of job openings are primary competitors with the senior living industry for employees. The professional and business services sector topped the list of job openings with more than 1.3 million in June 2019, followed by the health care industry at 1.2 million.

Retailers reported more than 888,000 unfilled job openings at the end of June, while the restaurants and accommodations sector had 835,000 openings.

Where the Job Openings Are

Number of Job Openings* by Major Industry as of June 2019



Source: Bureau of Labor Statistics; figures are seasonally adjusted

**Job openings represent vacancies on the last business day of the month*

HEALTH CARE TURNOVER STILL AT PRE-RECESSION RATES

The overall turnover rate in the health care and social assistance sector was 33.0 percent in 2018, according to data from the Bureau of Labor Statistics' Job Openings and Labor Turnover (JOLTS) program. This was down slightly from a turnover rate of 33.2 percent in 2017 and represented the first time in six years that the industry's turnover rate declined. Senior living accounts for about 5 percent of jobs in this health care and social assistance sector; turnover in senior living remains between 40 and 70 percent.

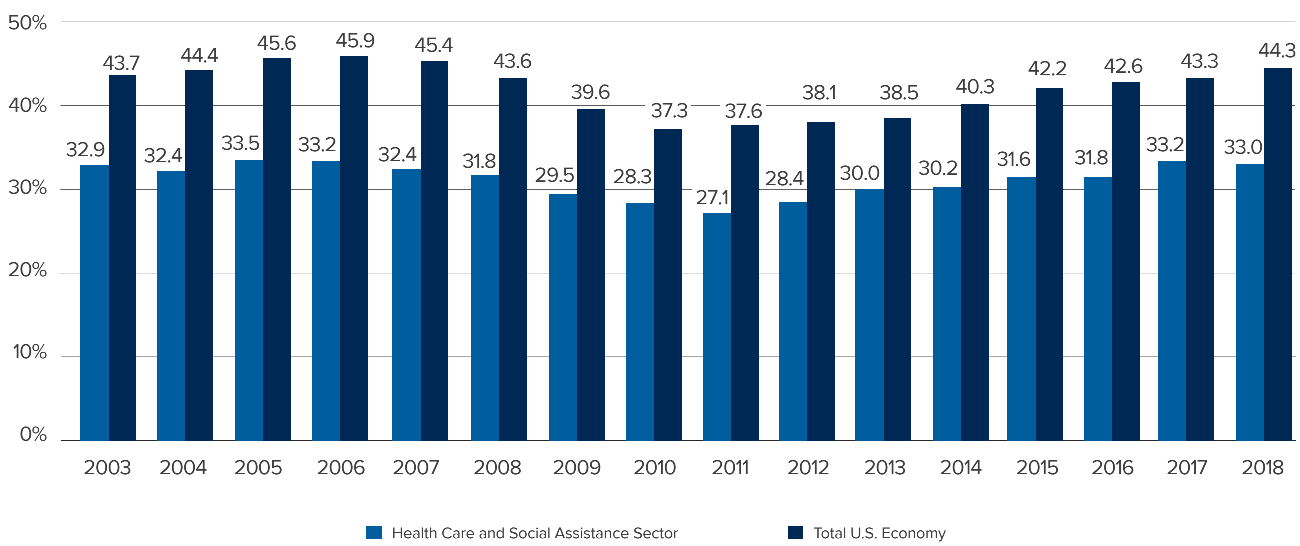
In comparison, the turnover rate in the overall U.S. economy rose by one percentage point to 44.3 percent in 2018. This represented the eighth consecutive year of rising turnover, and the highest level since 2007 (45.4 percent).

The JOLTS program breaks turnover into three components, with the sum of the parts representing the overall turnover rate. The quits rate in the health care and social assistance sector was 22.4 percent in 2018, which represented the highest level since 2001 (24.5 percent). A higher quit rate often means employees are more confident in the labor market, which makes them more willing to change jobs.

The health care sector's layoffs-and-discharges rate was 8.1 percent, while other separations, which include retirements, transfers, deaths, and separations due to disability, comprised 2.5 percent of the sector's turnover rate in 2018.

Turnover Rate in the Health Care Sector Ticked Lower in 2018

Annual Employee Turnover Rates (%): Health Care and Social Assistance Sector* vs. Total U.S. Economy



Source: Bureau of Labor Statistics
**Note that the turnover figures presented are for the broadly defined Health Care and Social Assistance sector (NAICS 62), because the Bureau of Labor Statistics does not report data for the senior living industry alone. The senior living industry accounts for approximately 5 percent of all jobs in the health care and social assistance sector.*

OLDER ADULTS REPRESENT GROWING SHARE OF LABOR FORCE

While the ability of businesses to recruit and retain employees is certainly curtailed by the low unemployment rate, the depth of the labor pool is also impacted by longer-term structural changes in the labor force. Most notably is a shrinking of the proportion of the working-age population that is engaging in the labor force.

On average during the 20-year period between 1988 and 2008, 66.5 percent of the population age 16 years and older participated in the labor force. This means they were either employed or were actively looking for work.

Beginning in 2009—and coinciding with the Great Recession that was precipitated by the financial crisis—the labor force participation rate began to fall sharply. By 2015, only 62.7 percent of the 16+ population was in the labor force, down from 66 percent in 2008. The labor force participation rate has remained relatively stable since then, increasing only modestly to 62.9 percent by 2018.

Overall, this structural trend significantly dampened growth in the total pool of available workers. Between 2008 and 2018, the total number of people in the labor force increased by an average of 0.5 percent per year. During the previous 10-year period, the labor force expanded by 1.1 percent each year.

Looking forward, labor force growth is expected to remain modest in the coming years, according to projections from the Bureau of Labor Statistics (BLS). The total U.S. labor force is projected to expand by 5.5 percent between 2018 and 2028, after increasing just 5.0 percent during the previous 10-year period.

Workforce engagement among younger age cohorts declined in recent years. In fact, each age group below the age of 55 experienced a decline in labor force participation between 2008 and 2018. The prime working age population (those between the ages of 25 and 54) makes up about two-thirds of the total labor force, so their participation in the workforce is an essential factor in a growing economy.

In contrast, the proportion of older adults in the workforce rose during the past 10 years, and this trend is expected to continue in the years ahead. According to BLS projections, the labor force participation rate of 65-to-74-year-olds is expected to exceed 32 percent by 2028, while labor force participation among adults age 75 and older will surpass 12 percent. Both will be record-high levels of participation.

In terms of raw numbers, older adults will be the fastest-growing component of the U.S. labor force over the next decade. BLS predicts that an additional 6.1 million adults age 65 or older will enter the labor force between 2018 and 2028. This development will be fueled both by population growth of this age cohort as well as an increase in their labor force participation rate.

In contrast, younger workers are expected to represent a smaller proportion of the labor force in the years ahead. BLS predicts that the number of teenagers in the labor force will shrink by 700,000 between 2018 and 2028, while their counterparts in the 20-to-24-year-old age cohort will decline by 500,000. This is the result of steady population levels in this age group, as well as a decline in the labor force participation rate.

The proportion of older adults in the workforce rose during the past 10 years, and this trend is expected to continue in the years ahead.

More Older Adults Are Expected to Join the Labor Force

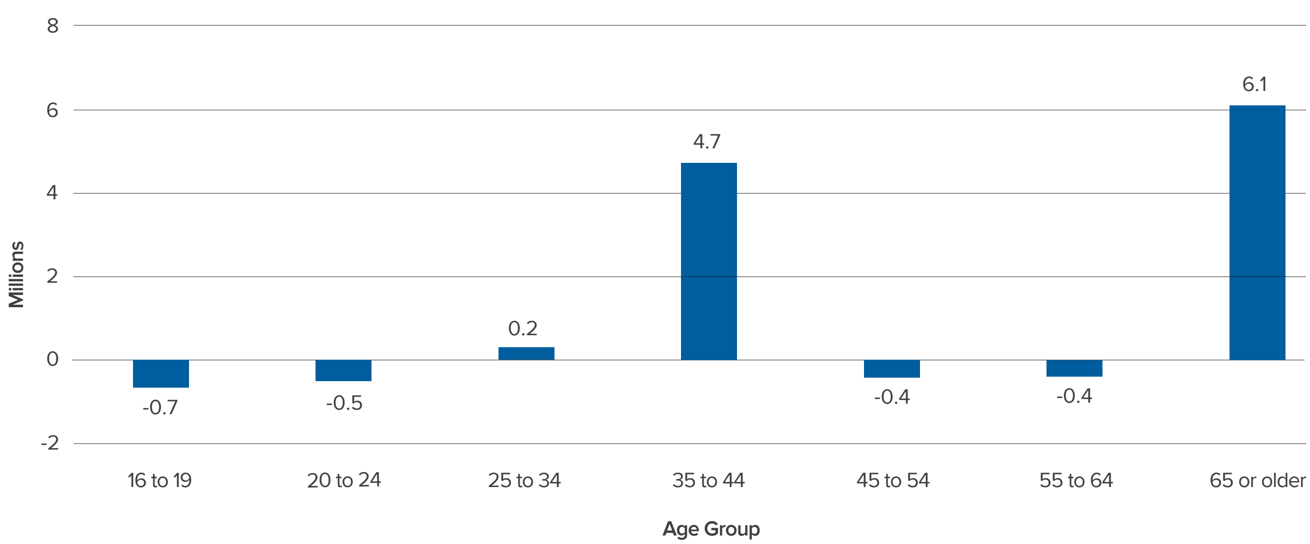
Labor Force Participation Rates by Age Group: Historical and Projected

	1998	2008	2018	2028*
Total: 16 years and older	**67.1%**	**66.0%**	**62.9%**	**61.2%**
Age Group 16 to 19 years	52.8%	40.2%	35.1%	30.9%
20 to 24 years	77.5%	74.4%	71.1%	67.8%
25 to 34 years	84.6%	83.3%	82.5%	81.6%
35 to 44 years	84.7%	84.1%	82.9%	82.3%
45 to 54 years	82.5%	81.9%	80.8%	81.0%
55 to 64 years	59.3%	64.5%	65.0%	67.9%
65 to 74 years	17.7%	25.1%	27.0%	32.5%
75 years and older	4.7%	7.3%	8.7%	12.1%

Source: Bureau of Labor Statistics **projected*

More than 6 Million Additional Adults Age 65 and Older Will Join the Labor Force by 2028

Projected Change in the U.S. Labor Force: 2018 to 2028



Source: Bureau of Labor Statistics

HISTORIC UNEMPLOYMENT LOWS PROJECTED TO CONTINUE IN 2020

The senior living industry workforce is projected to continue to grow in 2020, likely outpacing the overall private sector for the 21st consecutive year. As the country's 85+ population continues to rise, the growing demand for senior living services will spur the need for additional employees.

Despite an anticipated national economy slowdown in 2020, the labor market will remain relatively tight. The overall economy is projected to add more than one million jobs, and the unemployment rate will likely remain at or near 4 percent—a considerably low level in historical terms.

Competition for employees will be particularly intense in the health care and hospitality industries, which are projected to continue to grow faster than the overall economy and have a sizable number of existing unfilled job openings. The overlap among occupations in these sectors and the senior living industry indicate recruitment and retention of employees could be a top challenge in 2020.

Hiring will be most challenging in states where the economy is strong. As of mid-2019, 13 states had unemployment rates of 3.0 percent or lower. It appears the pool of available workers in these areas will remain shallow.

Looking forward to 2020, employment in the senior living industry is projected to increase 2.2 percent. Although this would be down slightly from the 2.3 percent gains registered in 2017 and 2018, it would represent the 21st consecutive year that senior living industry job growth outpaced the overall private sector.

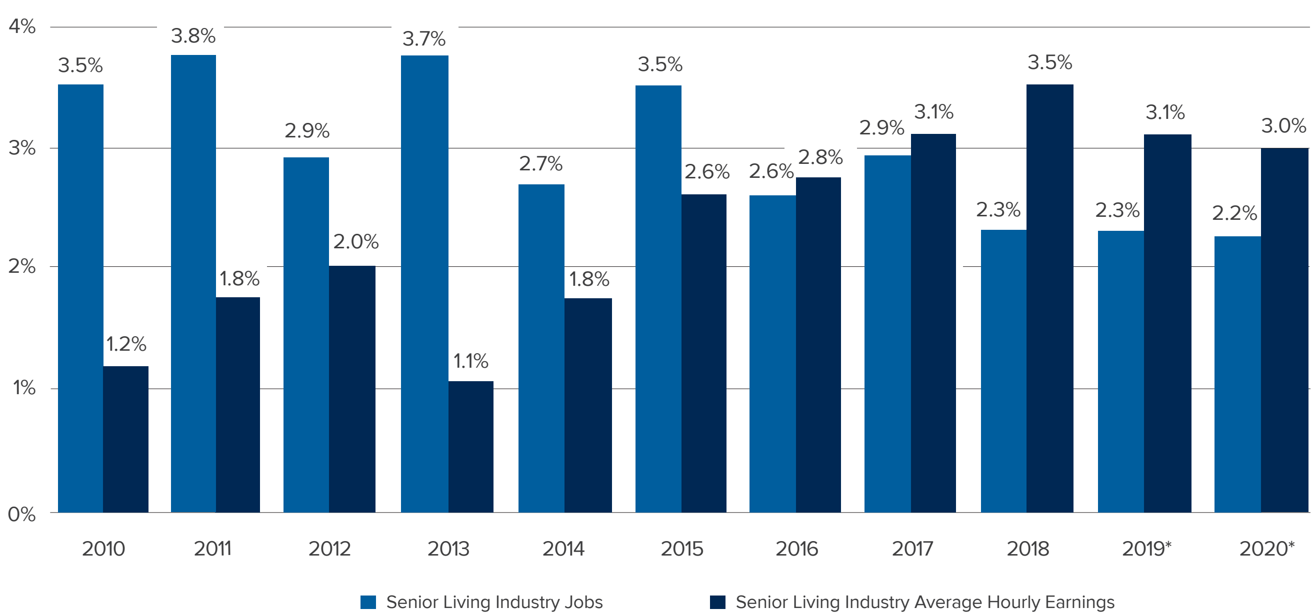
The environment points to wage competition. In some fast-growing industries, where employees have seen their average wages rise faster than the overall economy, yet unfilled job openings remain near record highs.

For 2020, the number of available workers likely will not keep up with both new growth and existing job openings—so senior living communities are likely to see labor costs continue to rise at a healthy pace in 2020.

The average hourly wage paid to senior living employees is projected to rise 3.0 percent in 2020. This would represent the industry's fourth consecutive year in which average wages rose by at least 3 percent.

Senior Living Employment and Wage Growth: Still Growing, but More Slowly

Senior Living Jobs and Average Hourly Earnings

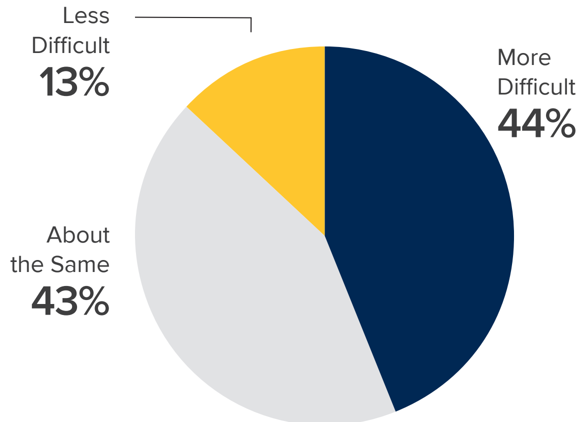


Source: Bureau of Labor Statistics

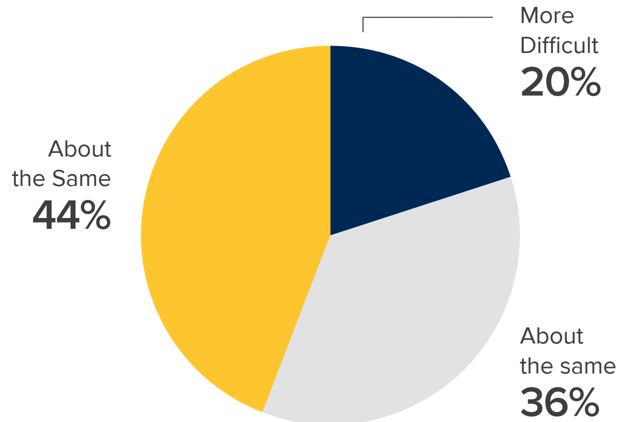
**Argentum projections*

What Do You Find More Difficult Today Compared with Two Years Ago?

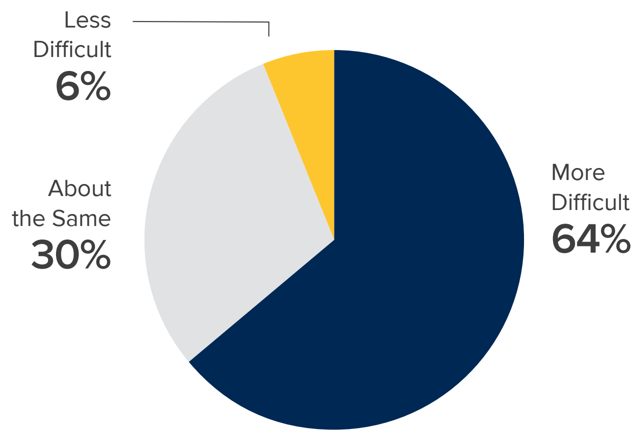
Dealing with Employee Turnover



Finding Applicants for Job Openings

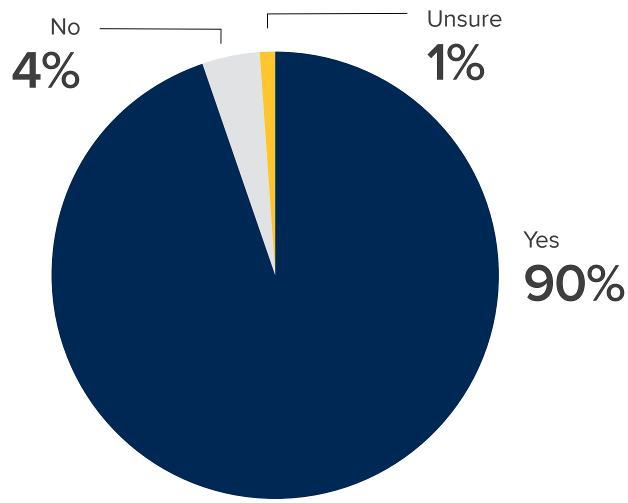


Filling Openings in a Timely Manner



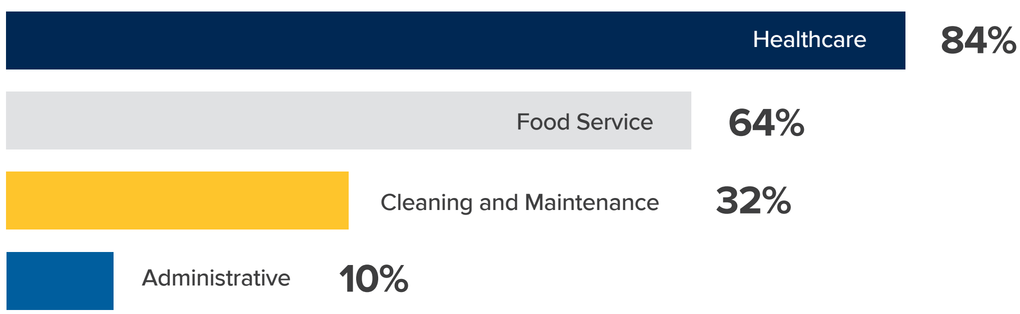
Senior living professionals surveyed reported turnover as a major concern and filling positions in a timely manner becoming more difficult. Health care and food service are the hardest to fill, they said. But they plan to do something about it: A strong 90 percent of professionals are going to devote more resources to solving workforce challenges.

Do You Plan to Devote More Resources to Recruiting and Retention in 2020?

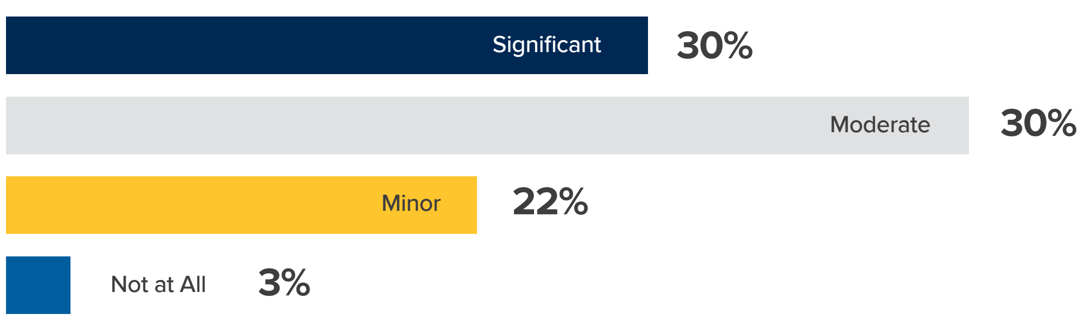


Job Categories Most Difficult to Fill

(Respondents Could Name More than One Category)



What Impact Do Difficult-to-Fill Job Openings Have on Your Business?



Source: Argentum survey of senior living executives

Use Big Data to Nourish Your Foodservice Program

Success in today's foodservice world is becoming increasingly dependent on data – collecting it, analyzing it and acting on it. In an environment challenged by unrelenting pressure to increase quality and service and contain costs, having reliable data about your foodservice operation helps you make smarter decisions, so you can do more with less. You'll be able to identify areas to reduce costs, uncover inefficiencies that can be improved, and measure and report progress. Data is no longer something that is nice to have – it's mandatory to survive.

"Big data" is only overwhelming if you let it be. By developing a plan for collecting, interpreting and acting upon relevant data, it can be managed with relative ease, and opportunities to make significant improvements will become crystal clear.

Is your foodservice operation utilizing data to the fullest?

Big Data Do's And Don'ts

DO Start Small. Begin with an area where there's a known issue or challenge. Start building a duplicable system you can refine and apply to other areas.

DO Invite Input. Ask for suggestions from others in the department and from your leadership. Viewpoints from the frontline are invaluable.

DO Establish Goals. Once a problem is identified, defining the goal will help you determine what data will need to be collected.

DON'T Get Sidetracked. Information often leads to more questions. Take note of interesting findings, but stay focused. You can circle back later to dig into new areas.

DON'T Discount Wisdom. Data will uncover hard numbers, patterns and trends, but there's still no substitute for experience when it comes to understanding them.

DON'T Overdo It. There's an expense to big data. Always keep the potential ROI in mind when deciding on which areas to focus.

4 BASIC RULES

- **DO IT:** If you don't already collect foodservice data, start now.
- **ANALYZE IT:** Don't just collect it, examine it.
- **ACT ON IT:** Use insights from data to make a change.
- **REPEAT IT:** Make this an ongoing process for continuous improvement.

Keep it simple to keep it going

An overly complicated process runs the risk of becoming a drain on time and resources, and will likely be set aside and eventually abandoned. The goal is to develop a workable system that can be used over time, to allow you to continually monitor and adjust your operations.

1 CHOOSE AREAS TO TRACK

There are countless measurable data points in a foodservice operation. A basic operational audit is a great place to start, to establish a baseline and uncover improvement opportunities that might yield the greatest ROI.

2 SELECT A METHODOLOGY

This can vary based on the type of data being collected and analyzed. Gathering food and supply costs might be relatively straightforward, whereas analyzing labor costs might require a more sophisticated methodology.

3 BASELINES & BENCHMARKS

In order to track your improvements, it's necessary to measure the baseline where you started. Also, overlaying industry benchmarks is helpful to gauge how your operation is doing relative to your peers.

DON'T BE A D.R.I.P.

Avoid being **DATA RICH**, but **INFORMATION POOR**.

Data collection is only as useful as the extent to which you act on it.

Two Key Areas To Study

Start by concentrating your efforts on a few key financial and operational metrics that give you the information you need to make improvements in cost control, productivity and efficiency. These are the areas where you might find the quickest ROI.

1 DIRECT COSTS

Look at your food & supply costs, along with other operating expenses. Are you meeting your budget? If not, why? Careful analysis will help you make better, more informed purchasing and staffing decisions.

> Food & Supplies: Is your cost per meal too high? Too unpredictable? In line with industry benchmarks?

> Labor: Examine the total cost of hours worked.

2 OPERATIONAL PERFORMANCE

Are you operating as efficiently and productively as possible? Using data to identify and then make even small changes can result in noticeable, measureable improvements in productivity.

> Conduct audits of key foodservice functions to fully understand how each process is being performed.

> Use these audits to create baselines from which you can track future improvements in areas such as…

· Net cost per day (including revenue, transfers, waste, etc.)

· Labor hours per meal

Tap Into Existing Data Sources

You don't necessarily need to start from square one. A wealth of data is often available from vendors, partners and organizations that have a vested interest in your success. They often offer financial tools and methodologies that can help you collect, analyze and report data about your operations.

- Your foodservice distributor's online ordering platform can give you access to your purchase history, product usage, costs, discounts & rebates, contract utilization and more. Analyzing this data will reveal your spending patterns and potential savings opportunities, as well as possibilities to standardize across multiple locations.
- Your GPO might also provide you with diagnostic tools that enable you to benchmark against industry standards and your peers nationwide.

Beyond Food Costs: All The Places For Potential Savings

Data Essentials

- Food cost per day (or per meal)
- Labor hours per meal
- Total cost per day
- Net cost per day
- Average retail transaction
- Retail food cost
- Total retail revenue
- Guest satisfaction

It's Not All Big Data

The term "big data" conjures up visions of massive spreadsheets with rows and columns of data to sort and analyze. However, not all data needs to be that big. Information that can be gleaned from direct observations, conversations, and even simple satisfaction surveys can be incredibly useful. Start using "little data" to make an immediate impact:

MAXIMIZE: Are you maximizing your contract and the value of your GPO?

OPTIMIZE: Are you using products across several recipes wherever possible? Do you really need one kind of cheese for burgers and another for sandwiches?

RATIONALIZE: Are you consolidating distributors and working with fewer suppliers to take advantage of efficiencies, time savings and greater discounts
through volume?

Talk It Up

Communicating your department's successes up the chain of command is critical. Develop a plan to regularly communicate your data initiatives to senior management. Armed with solid data, you'll be able to answer tough questions and …

- Show accountability: you'll be backed up by irrefutable numbers.
- Justify capital improvements: make a strong case for necessary upgrades.
- Protect your department: show that you're performing at or above industry standards.

Getting Results

How foodservice programs are using data to make improvements that positively affect their bottom line.

Make the most of your GPO contract

A high quality retirement community that spans across 13 states realized a savings of 8 percent in annual food spend through consolidation, standardization and use of a group purchasing model.

Effective inventory management

An Oregon-based acute care hospital system reduced their monthly floor stock cost by 5.7% by implementing a software management program and applying best practices on floor stock management.

Reduce waste to improve the bottom line

Foodservice departments who track their food waste data, then identify and apply actionable insights from it, have been shown to save 2-8% of front-end annual food costs.

Your Gordon Food Service representative can work with you to develop a plan to collect and understand your data, and then take data-driven actions that can drive significant improvements throughout your foodservice operation. Give us a call and make a date to talk data.

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Always at your table®

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With delicious choices
you can help people feel right at home
Gordon Food Service® partners throughout the continuum of care, including senior living, hospitals and more, providing quality food choices, nutrition and regulatory guidance, and operational expertise. We also offer a Clear Choice™ program, providing transparency about label claims, sourcing and sustainability on products important to your guests. Together, we'll help you make dining experiences stand out.
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WHOLESALE FOOD PRICES TRENDING UP AGAIN IN 2019

After seeing declines mid-decade, wholesale food prices continue their gradual rise in 2019, according to the Bureau of Labor Statistics year-to-date through July 2019. But these have not approached the highs seen early in the decade, where wholesale food prices averaged a 4.7 percent rise between 2010 and 2014.

Beginning with a drop of 2.0 percent in 2015, those prices have seen a few dips: 4 percent in 2016, and 0.1 percent in 2018. Increases in 2017 of 1.7 percent, and 2019, of 0.8 percent, were more of an even keel.

ZOOMING IN ON COMMODITIES

As anticipated in last year's report, wholesale beef and veal in 2018 had the first annual increase (1.7 percent) since 2015. The rise continued through July 2019, at 1.8 percent, appearing headed for another uptick for 2019. Lamb continued a three-year trend of lower prices, down 6.7 percent through July 2019, as did pork.

Chicken took a 0.3 percent uptick after 2018's sharp 6.8 percent decline. Seafood was varied, with shrimp down 7.9 percent and fresh fish and surimi products up 7.0 percent.

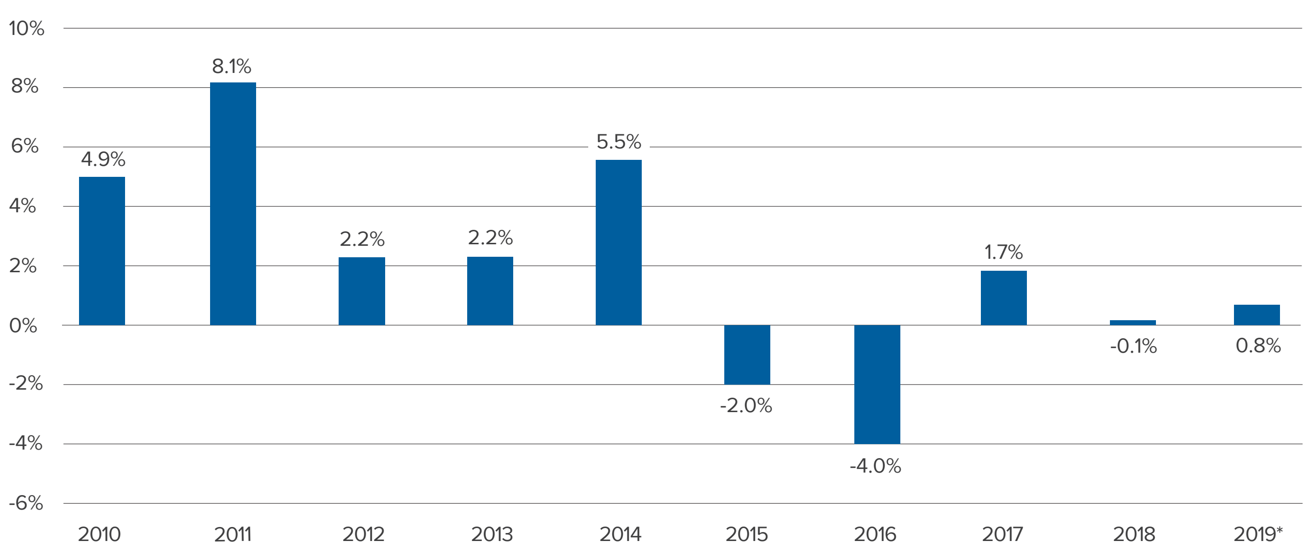
Fresh fruits overall were down through July 2019, with citrus coming off years of climbing prices to slide by 25.1 percent; frozen concentrated orange juice did likewise, dipping 13.5 percent after five years of rising prices. Fresh vegetables leapt 30.1 percent through July 2019, while frozen vegetables moved up 1.2 percent and canned stepped up 5.5 percent, for the same period.

Fresh egg prices have fallen by 37.9 percent through July 2019, off their sharp rise by 33.2 percent in 2018. Processed and dry eggs reflect this: down by 41.3 percent through July 2019. After dairy's broad-based declines in 2018, products generally went up through July 2019: by 3.3 percent overall, with ice cream and frozen desserts up by 1.6 percent and cheeses by 1.3 percent.

Again as anticipated, cereal, grains, and pastas continued up in 2018 and rose by 1.7 percent through July 2019. Fats and oils continued down: by 4.6 percent through July 2019. Notable among specialty items through July 2019: table salt had a 13.8 percent price jump, but peanut butter declined 4.1 percent. Alcoholic beverages, coffee, and tea remained relatively steady, and soft drinks showed modest price increases.

Wholesale Food Prices Trend Higher in 2019

Producer Price Index for All Foods



Source: Bureau of Labor Statistics

Note: Figures represent the average change in prices paid to domestic producers for their output

**Year-to-date through July*

Trends in Food Commodity Prices

Producer Price Index for All Foods

Commodity	2019: Year to Date	2017 to 2018	2016 to 2017	2015 to 2016	2014 to 2015	2013 to 2014
MEATS, POULTRY, AND FISH	-0.0%	-2.5%	1.0%	-7.0%	-4.0%	12.0%
Meats	-0.2%	-1.2%	0.8%	-9.7%	-5.6%	16.3%
Beef and veal products, fresh or frozen	1.8%	1.7%	-0.7%	-16.7%	2.9%	19.1%
Beef, fresh/frozen variety meats/other meats, slaughtering	4.8%	-4.4%	9.0%	-21.9%	-3.7%	25.7%
Veal, fresh or frozen, not canned or sausage	2.4%	-1.3%	-10.1%	-16.6%	11.2%	8.8%
Beef fresh/frozen whole, half carcass not canned or made into sausage	-2.0%	5.1%	-0.9%	-15.1%	1.9%	17.1%
Beef, fresh/frozen, primal and subprimal cut, slaughtering	1.9%	1.5%	-0.9%	-16.7%	3.2%	19.1%
Lamb or mutton, fresh or frozen, made in slaughtering plants	-6.7%	-3.3%	3.2%	-1.9%	8.1%	25.0%
Pork products, fresh, frozen, or processed, except sausage	-4.1%	-6.3%	3.2%	-2.1%	-23.6%	19.6%
Pork, fresh/frozen, unprocessed, all cuts, except sausage	-10.3%	-10.5%	3.4%	-3.4%	-31.6%	26.6%
Pork, processed or cured, not canned or made into sausage	3.2%	-0.9%	2.8%	-0.4%	-9.0%	8.7%
Other meats, fresh, frozen, or canned	0.3%	-0.6%	1.2%	-4.1%	-2.5%	9.6%
Fresh/processed sausage, deli & cooked meats, etc.	-0.2%	0.6%	2.7%	0.2%	-1.6%	10.1%
Boxed meat (beef, pork, lamb, etc.), made from purchased carcasses	1.7%	-1.1%	-5.7%	-3.6%	-9.0%	11.6%
Canned meats, excluding dog, cat, and baby food	2.9%	3.4%	2.7%	-2.1%	-2.1%	0.7%
Frozen ground meat patties and other processed, frozen, or cooked meats	-0.3%	-2.5%	3.4%	-9.7%	0.5%	9.7%
Processed poultry	0.3%	-6.8%	0.7%	-3.6%	-1.6%	4.3%
Young chickens, including bulk, chilled, frozen, whole, and in parts	0.3%	-8.3%	3.5%	-3.0%	-2.4%	3.2%
Turkeys, including frozen, whole, and parts	2.9%	2.0%	-6.8%	-10.4%	-3.7%	14.5%
Canned, cooked, smoked or prepared poultry	-0.3%	-6.1%	-2.8%	-1.0%	1.4%	2.7%
Unprocessed and prepared seafood	0.3%	2.0%	3.1%	1.7%	-0.1%	7.7%
Unprocessed fin fish	-1.5%	-3.1%	-2.2%	13.1%	16.1%	19.9%
Unprocessed shellfish	-5.8%	2.3%	3.4%	0.4%	-9.0%	15.8%
Shrimp	-7.9%	-6.4%	12.6%	-12.1%	-30.8%	25.8%
Lobsters	-1.7%	4.0%	12.9%	-3.5%	17.8%	12.8%
Prepared fresh and frozen seafood	0.7%	2.5%	3.3%	-1.2%	-2.3%	4.4%
Prepared fresh fish/seafood, inc. surimi/surimi-based products	7.0%	2.4%	5.4%	-2.1%	-5.0%	1.8%
Prepared frozen fish	3.1%	3.2%	5.7%	2.5%	0.0%	3.3%
Prepared frozen shellfish	1.6%	0.8%	1.0%	1.6%	-6.2%	14.0%
Other prepared fresh and frozen seafood	-22.8%	1.3%	-2.8%	-12.0%	4.0%	-2.1%
Canned seafood (including soups, stews, and chowders)	17.6%	9.9%	19.2%	-3.3%	-4.7%	-2.5%
FRUITS AND VEGETABLES						
Fresh fruits & melons, fresh/dry vegs. & nuts	7.8%	-0.7%	3.8%	2.0%	3.7%	1.8%
Fresh fruits and melons	-7.4%	-1.9%	6.6%	11.7%	-0.2%	2.7%
Citrus fruits	-25.1%	7.4%	21.8%	18.1%	-0.3%	22.4%
Other fruits and berries	-1.9%	-5.6%	1.5%	11.5%	-2.2%	-2.6%
Fresh and dry vegetables	23.2%	-1.7%	6.4%	1.0%	3.2%	-1.9%
Dry vegetables	-11.7%	-17.4%	-0.7%	9.8%	-12.7%	-10.6%
Fresh vegetables (excluding potatoes)	30.6%	-1.9%	5.7%	0.2%	9.3%	-0.4%
Sweet potatoes	16.4%	-5.8%	1.3%	-7.3%	-4.7%	28.8%
Potatoes	9.8%	4.3%	11.8%	2.7%	-11.0%	-6.3%
Tree nuts	19.6%	4.3%	-11.6%	-13.7%	13.7%	12.9%
Processed fruits and vegetables	1.3%	2.4%	2.1%	0.5%	2.1%	0.2%
Canned fruits and juices	-1.4%	-1.0%	2.8%	2.8%	4.0%	1.1%
Frozen fruits, juices, and aides	-2.6%	8.1%	3.6%	0.2%	-0.5%	0.6%
Frozen fruits	3.0%	2.1%	-3.4%	-3.6%	2.0%	-9.2%
Frozen juices, aides, drinks, and cocktails	-6.4%	12.6%	9.4%	3.4%	-2.6%	10.8%
Frozen concentrated orange juice	-13.5%	3.8%	18.3%	3.1%	3.8%	24.6%
Frozen concentrated juices, excl. orange juice	6.0%	24.0%	-0.5%	3.7%	-8.9%	-0.1%
Canned vegetables and juices	4.3%	3.1%	-0.3%	-4.7%	0.5%	-0.2%
Canned vegetables	5.5%	5.4%	-0.8%	-7.5%	1.8%	-0.8%
Canned catsup and other tomato based sauces	3.1%	1.5%	0.9%	-3.6%	-0.7%	0.3%
Canned vegetable juices	8.7%	7.5%	-6.2%	5.2%	1.8%	-1.0%
Frozen vegetables	1.2%	4.4%	3.4%	0.7%	0.7%	-0.5%
Frozen potato products (French-fried, patties, etc.)	0.5%	4.3%	4.2%	0.9%	0.5%	-0.8%
Frozen vegetables (other than potato products)	2.2%	4.4%	2.3%	0.4%	0.9%	0.1%
Dried and dehydrated food	2.7%	1.6%	1.9%	4.7%	4.3%	0.1%
Chicken eggs	-45.4%	33.2%	23.6%	-59.1%	31.9%	17.8%
Eggs for fresh use	-37.9%	31.6%	15.2%	-51.0%	29.3%	14.8%

Source: Bureau of Labor Statistics

Note: Figures represent the average change in prices paid to domestic producers for their output

**Year-to-date through July 2019*

Trends in Food Commodity Prices

Producer Price Index for All Foods

Commodity	2019: Year to Date	2017 to 2018	2016 to 2017	2015 to 2016	2014 to 2015	2013 to 2014
DAIRY PRODUCTS	3.3%	-2.3%	3.4%	-1.7%	-12.7%	11.0%
Fluid milk products	3.4%	-2.1%	4.5%	-1.0%	-10.6%	11.0%
Packaged fluid milk and related products	4.6%	-2.9%	4.5%	-2.0%	-12.9%	10.6%
Cottage cheese	3.6%	-1.9%	3.0%	-0.5%	-7.8%	8.7%
Other milk products	0.9%	-0.2%	1.0%	-0.5%	-2.8%	3.7%
Bulk fluid milk and cream	3.3%	-1.9%	8.1%	1.0%	-11.3%	19.6%
Butter	2.7%	-3.0%	10.7%	1.8%	-2.8%	35.7%
Natural, processed, and imitation cheese	1.3%	-2.5%	1.4%	-2.5%	-14.7%	13.9%
Natural cheese, except cottage cheese	1.0%	-2.5%	1.5%	-2.8%	-15.3%	15.0%
Process cheese and related products	2.4%	-1.5%	0.6%	-1.4%	-13.6%	12.2%
Raw liquid whey	3.3%	-23.3%	56.2%	-22.1%	-41.9%	12.4%
Ice cream and frozen desserts	1.6%	0.9%	1.9%	0.6%	0.8%	2.1%
Dry, condensed, and evaporated milk products	9.6%	-5.3%	5.5%	-4.8%	-26.2%	5.7%
CEREAL AND BAKERY PRODUCTS	1.7%	2.2%	0.2%	-0.5%	-0.8%	0.0%
Bakery products	2.3%	2.5%	0.6%	1.0%	1.5%	1.4%
Flour and flour base mixes and doughs	-0.7%	0.9%	0.7%	-3.7%	-5.4%	0.8%
Wheat flour	-1.9%	0.9%	1.7%	-7.3%	-10.0%	1.8%
Flour base mixes and doughs	0.4%	0.9%	-0.1%	-0.4%	-0.7%	-0.4%
Milled rice and byproducts	0.9%	10.9%	-2.7%	-4.9%	-8.2%	3.3%
Head rice	-0.6%	11.6%	-2.1%	-4.0%	-7.2%	1.9%
Milled rice	9.2%	2.2%	-8.9%	-13.5%	-16.3%	16.6%
Cereal and pasta products	2.7%	1.1%	-1.0%	-0.8%	-0.3%	-4.9%
Dry macaroni, spaghetti, and egg noodle products	0.5%	0.8%	-2.9%	-4.2%	7.4%	-1.1%
Cereal and mill products, other than flour	3.2%	1.1%	-0.6%	-0.2%	-1.5%	-5.4%
SUGAR AND CONFECTIONARY	1.0%	1.1%	-0.5%	-0.4%	2.4%	-1.8%
Raw cane sugar and sugar cane mill products and by-products	1.4%	-6.2%	2.5%	5.8%	3.8%	-4.3%
Refined sugar products and by-products	0.3%	4.3%	0.5%	-2.7%	3.0%	-8.0%
Confectionary materials	1.1%	-0.3%	-0.7%	6.8%	0.6%	-13.6%
Confectionery end products	1.2%	1.2%	-0.9%	-1.8%	2.6%	3.1%
FATS AND OILS	-4.6%	-2.6%	4.1%	-0.8%	-5.6%	-6.6%
Shortening, cooking oil, and margarine	-5.6%	-2.4%	6.0%	-0.4%	-5.0%	-7.3%
Margarine, butter blends, and butter substitutes	0.3%	0.2%	-2.0%	2.7%	-0.8%	0.3%
Shortening and cooking oils	-6.4%	-2.8%	7.5%	-1.0%	-5.6%	-8.5%
Other oilseed processing	-1.7%	-1.1%	-5.3%	-3.1%	-5.8%	3.4%
MISCELLANEOUS PROCESSED FOODS	0.6%	2.3%	1.7%	-3.8%	2.3%	1.9%
Canned jams, jellies, and preserves	0.4%	0.5%	4.9%	2.0%	-0.3%	0.0%
Pickles and other pickled products, including horseradish	1.4%	4.7%	1.6%	0.4%	0.7%	0.0%
Processed eggs, liquid, dried, or frozen	-41.3%	44.3%	4.0%	-63.5%	48.7%	22.6%
Specialty canning (dry beans, soups/stews, other specialties)	4.7%	0.6%	-0.3%	-0.6%	1.7%	1.1%
Frozen specialty food	0.0%	-0.2%	-0.5%	-1.1%	0.3%	1.5%
Prepared sauces, except tomato	1.3%	1.3%	0.9%	0.1%	0.6%	0.3%
OTHER MISCELLANEOUS PROCESSED FOODS	2.8%	1.8%	2.6%	0.5%	0.1%	1.2%
Mayonnaise, salad dressings, and sandwich spreads	1.5%	1.8%	-1.1%	-1.2%	0.1%	-2.4%
Dry mix food preparations	2.9%	0.4%	1.4%	-0.4%	1.4%	2.3%
Perishable non-frozen prepared food, including tortillas	3.2%	1.3%	1.0%	0.2%	2.3%	0.6%
Flavoring extracts, emulsions, liquid flavors, and colorings	0.7%	1.3%	37.3%	18.0%	4.2%	7.8%
Soft drink flavoring syrup, sold in bulk	4.0%	3.6%	2.9%	3.2%	3.8%	3.3%
Table salt (evaporated), pepper (white and black), and other spices	13.8%	3.8%	0.8%	-1.4%	3.1%	2.7%
Peanut butter	-4.1%	3.1%	2.1%	0.0%	-6.0%	-2.9%
Ice	3.1%	1.1%	-0.1%	0.6%	2.5%	1.5%
Dairy product substitutes	-1.9%	0.1%	-0.9%	1.8%	0.8%	0.2%
Chips (potato, corn, etc.)	3.3%	3.1%	0.5%	-1.6%	-3.4%	1.3%
Vinegar and cider	1.9%	2.0%	0.4%	1.3%	0.2%	-0.4%
ALCOHOLIC BEVERAGES	0.2%	2.0%	1.1%	0.4%	0.5%	0.8%
Malt beverages	0.9%	1.1%	1.0%	0.3%	1.2%	2.4%
Distilled and bottled liquor, excluding brandy	-1.2%	7.2%	0.0%	-0.5%	-1.7%	-3.1%
Wines, brandy, and brandy spirits	0.1%	0.0%	2.2%	1.1%	0.5%	0.2%
SOFT DRINKS	4.6%	1.1%	-1.1%	4.5%	1.1%	0.6%
Soft drinks, non-carbonated, and bottled water	2.7%	0.2%	-1.1%	-0.4%	-0.5%	-0.5%
Bottled water, non-carb, processed or pasteurized	1.9%	-0.5%	-4.1%	-0.9%	-2.5%	-0.8%
Soft drinks, non-carbonated	3.0%	0.4%	0.2%	-0.2%	0.3%	-0.3%
Soft drinks, bottle/can, carbonated, all types	6.3%	1.9%	-1.0%	7.8%	2.2%	1.3%
COFFEE (WHOLE BEAN, GROUND & INSTANT)	-0.1%	0.1%	-1.2%	-4.1%	2.9%	0.5%
TEA	0.7%	0.3%	-0.3%	0.6%	1.0%	1.2%

Source: Bureau of Labor Statistics

Note: Figures represent the average change in prices paid to domestic producers for their output

**Year-to-date through July 2019*

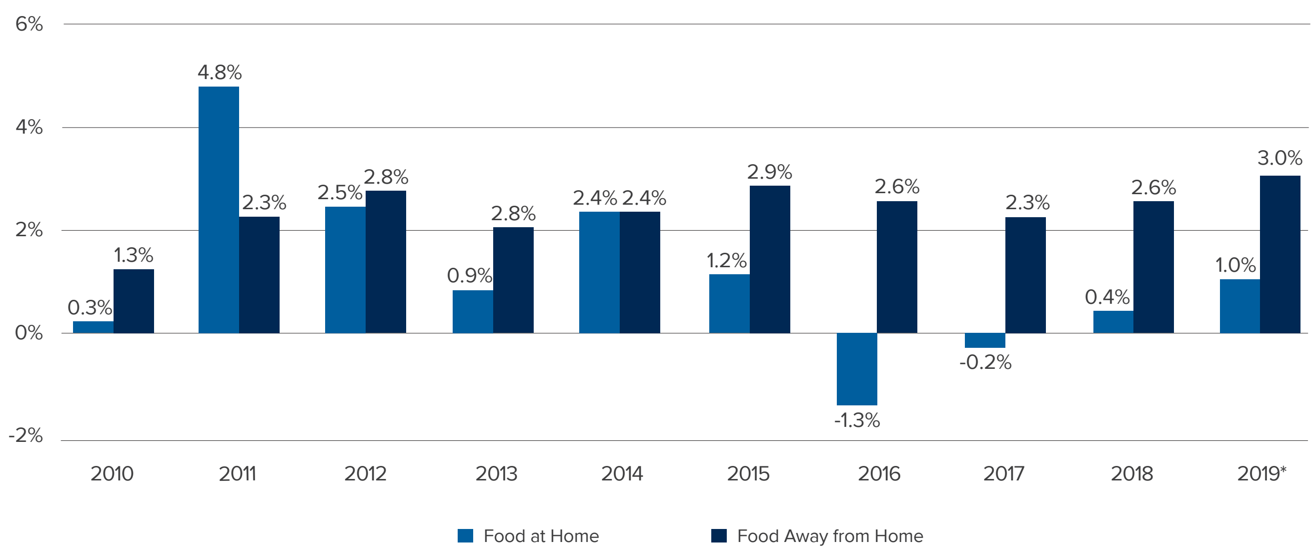
PRICES OF DINING AWAY FROM HOME CONTINUE UP

In 2019 through July, the cost of food eaten away from home rose 3 percent compared to a 1 percent increase in at-home food costs. This reflects an ongoing trend: 2018 saw prices of food away from home rise by 2.6 percent versus 0.4 percent for at-home food.

Menu prices regionally reflected comparable price rises, with the West moving from 3.3 percent in 2017 to 3.4 percent in 2018 and to 3.5 percent through July 2019. The steepest 2018-2019 rise was in the South, which went from 2.1 percent to 3.0 percent.

Menu Price Growth Continues to Outpace Grocery Store Prices

Consumer Price Index for Food at Home and Food Away from Home



Source: Bureau of Labor Statistics **Year-to-date growth through July*

Growth in Grocery Store Prices Remains Below Menu Prices in All Four U.S. Regions

Consumer Price Index for Food at Home and Food Away from Home

		ANNUAL GROWTH RATES				
REGION		**2015**	**2016**	**2017**	**2018**	**2019***
NORTHEAST	Food at Home	1.4%	-1.3%	0.2%	1.2%	0.9%
	Food Away from Home	2.3%	2.7%	2.4%	2.8%	2.7%
MIDWEST	Food at Home	0.6%	-1.3%	-0.4%	0.0%	0.2%
	Food Away from Home	3.1%	2.6%	1.7%	2.4%	2.5%
SOUTH	Food at Home	1.0%	-1.4%	-0.2%	0.3%	0.9%
	Food Away from Home	3.1%	2.0%	2.0%	2.1%	3.0%
WEST	Food at Home	1.7%	-1.1%	-0.3%	0.4%	1.7%
	Food Away from Home	2.9%	3.3%	3.3%	3.4%	3.5%

Source: Bureau of Labor Statistics **Year-to-date through July*

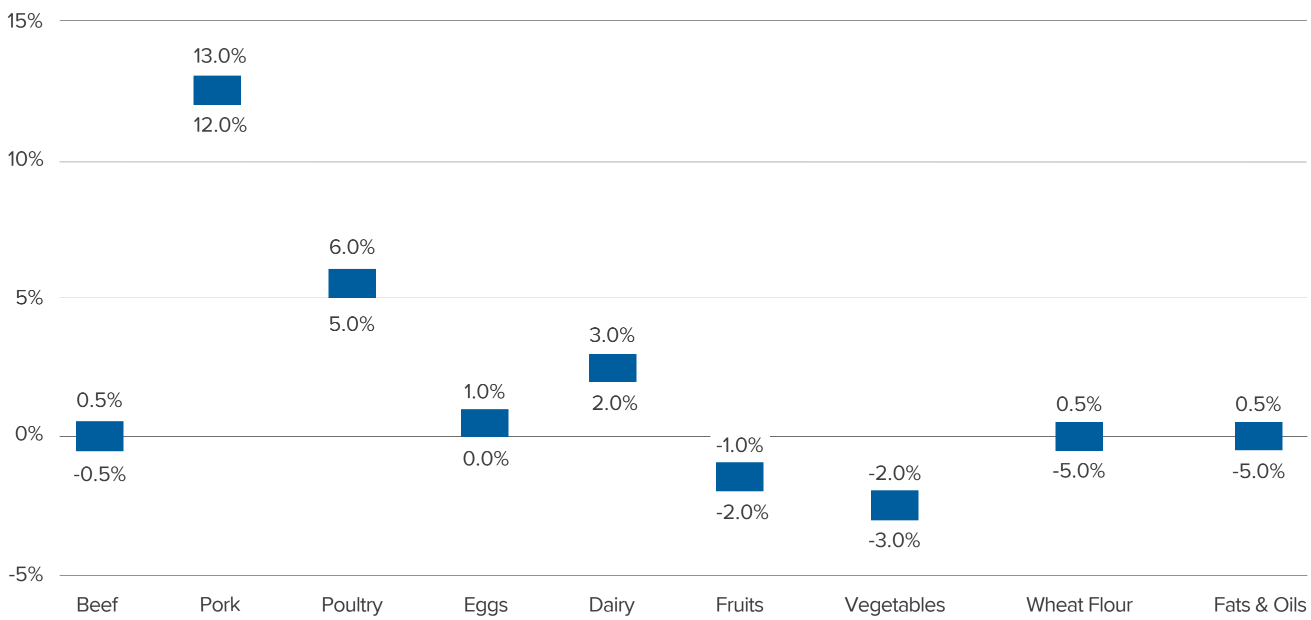
HEALTHY FOODS GET GOOD PROJECTIONS FOR 2020

Looking out toward the coming year, senior living executives can expect a mixed bag, with prices for many wholesale staples expected to rise while a few key items could see declining prices, according to data from the U.S. Department of Agriculture, Economic Research Service.

Those going for more Mediterranean Diet dining could be fortunate; prices of fruits, vegetables, and fats and oils are all projected to dip or stay steady. Pork could soar, and chicken is projected to jump by 5 percent to 6 percent

Projected 2020 Growth Rates in Wholesale Food Prices

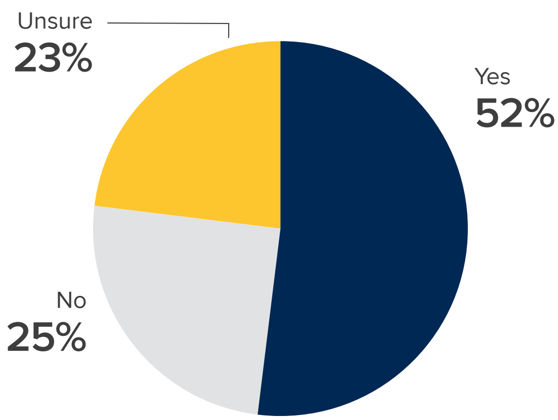
High-Low Forecasts for Prices Received by Domestic Producers



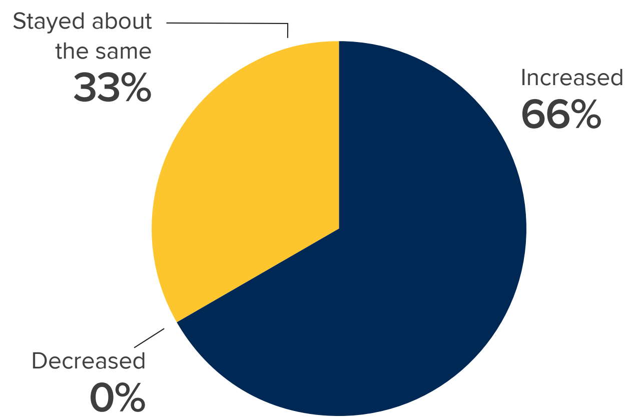
Source: U.S. Department of Agriculture, Economic Research Service, August 2019 projections

WHERE ARE YOU TARGETING YOUR FOOD-SERVICE RESOURCES?

Do you plan to devote more resources to reducing food waste in 2020?

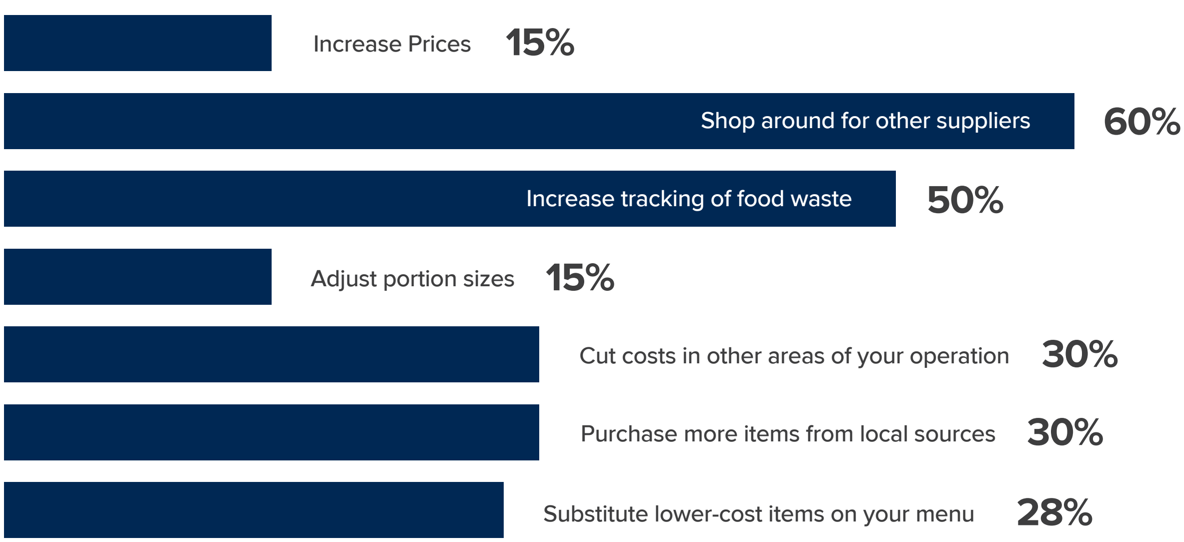


Over the past 12 months, how have your average food costs changed?



What actions have you taken to counter high food prices?

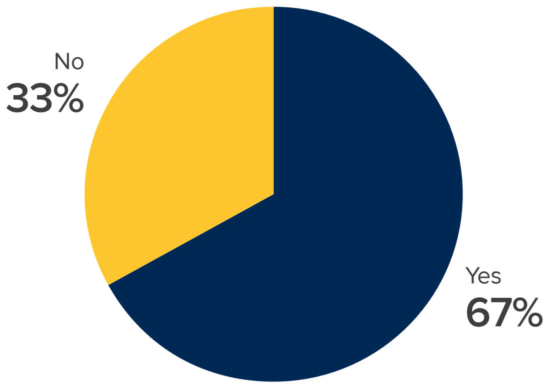
(Respondents could name more than one action)



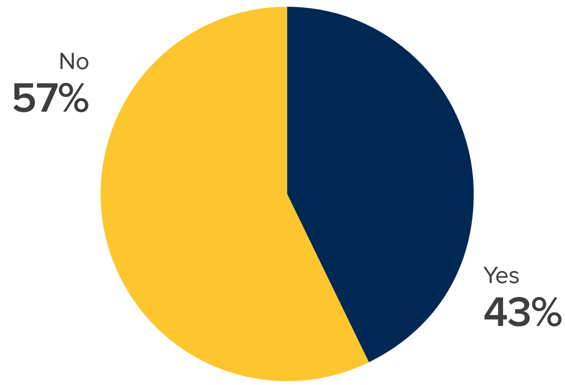
Source: Argentum survey of senior living executives

LOCAL FOOD AND SPECIAL DIETS

Do you currently offer locally sourced produce?

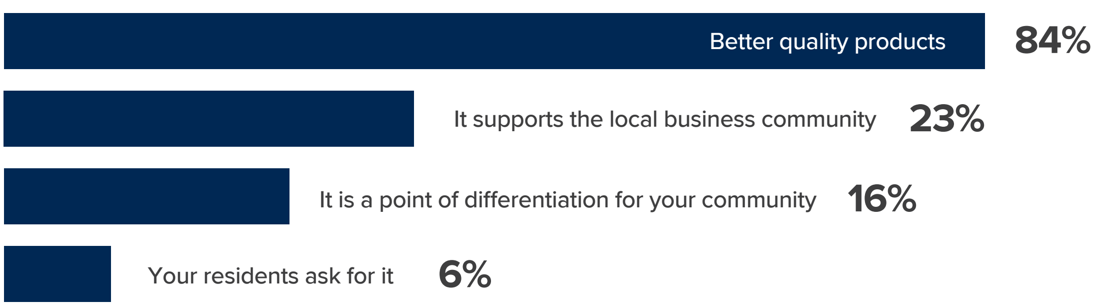


Do you currently offer locally sourced meat or seafood?



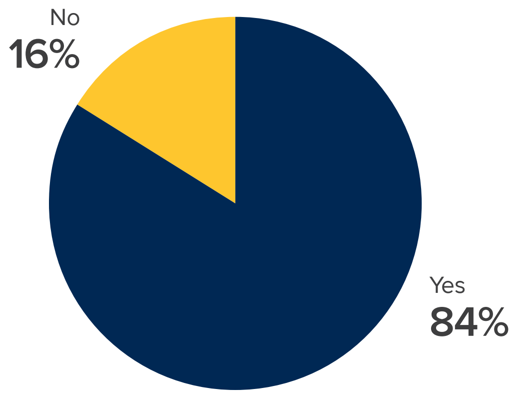
If you offer locally sourced food, what's the reason?

(Respondents could choose more than one)

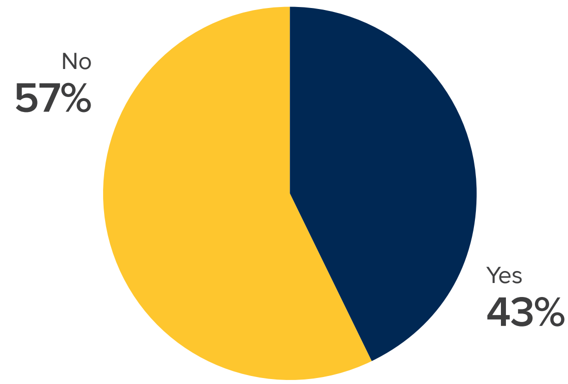


In 2020, do you plan to offer any new or additional items:

Specifically identified as healthy or nutritious

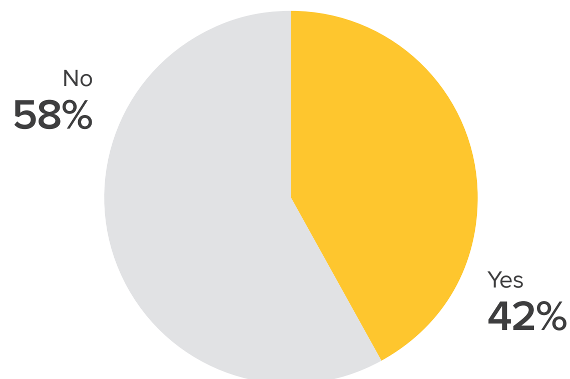


Locally sourced

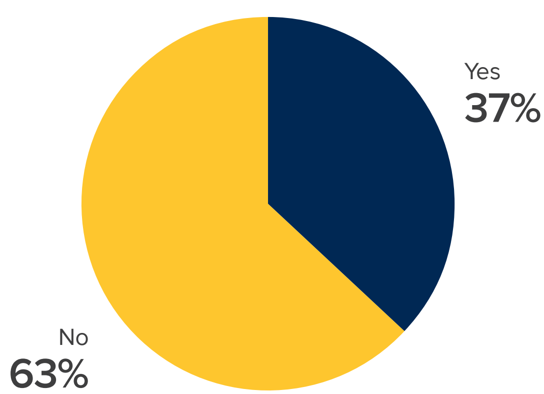


Grown in an organic or environmentally friendly way

Vegetarian or vegan



Gluten-free



NATURAL GAS AND ELECTRICITY STEADY WITH MINOR VARIATIONS

While electricity prices saw a modest decline from 2018 to 2019, they will likely experience a slight uptick in 2020, according to projections made in August 2019 from the U.S. Department of Energy, Energy Information Administration (EIA).

As energy costs overall edge up, there is likely to be some relief in the form of modest declines in the price of natural gas, as has been the trend for most markets since 2018.

Overall, the price of gas is projected to dip 0.4 percent in the coming year, to a U.S. average of $7.65 per cubic foot.

NATURAL GAS PRICES PROJECTED FOR 2020 ON A REGIONAL LEVEL:

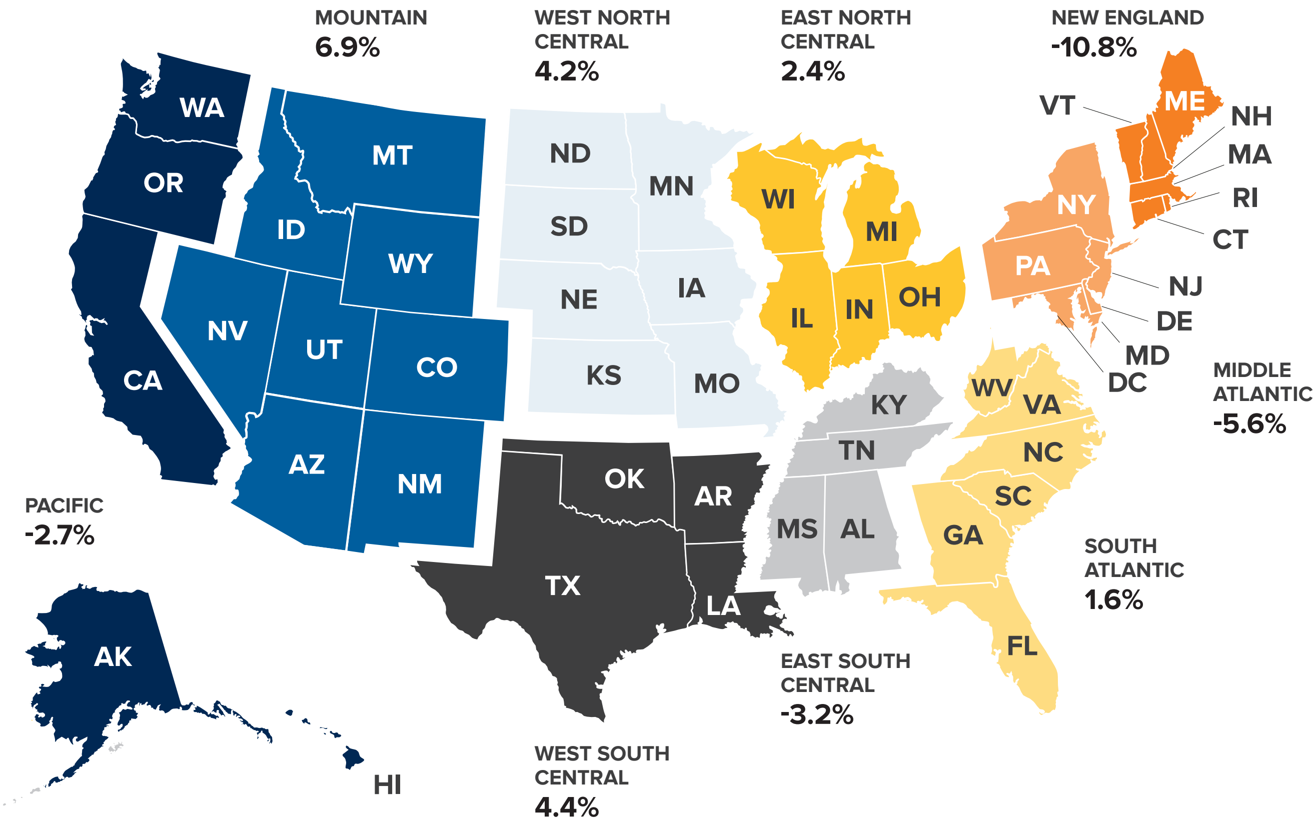
- New England should see the biggest drop, with prices declining by 10.8 percent to **$9.33 per cubic foot** in 2020, substantially below 2019 levels, which averaged $10.46.
- A 1.6 percent rise is projected for the South Atlantic, to **$9.04.**
- East South Central is projected to see a 3.2 percent decline, to **$8.56.**
- In the Pacific region, projected prices are at **$8.49,** a 2.7 percent dip.
- The Mid-Atlantic states are to see a 5.6 percent drop, to **$7.38.**
- A rise of 4.3 percent, to **$7.21,** is anticipated for West North Central.
- In West South Central, a 4.4 percent price hike takes rates to **$7.17.**
- The Mountain region sees the sharpest rise: A projected 6.9 percent spike puts prices at **$7.10.**
- East North Central should go up by 2.4 percent, to **$6.77.**

Electricity prices in the commercial sector may drop, from 10.66 cents per kilowatt hour in 2018 to a **projected 10.63 cents** in 2019. For 2020, EIA projects a climb back to 10.65 cents, a rise of 0.2 percent—a modest increase that will still leave energy prices below their 2018 mark across the commercial sector.

ELECTRICITY PRICES PROJECTED FOR 2020 ON A REGIONAL LEVEL:

- New England has seen a steady rise in energy costs: Up 1.3 percent in 2019 and projected to rise 0.4 percent in 2020. With the highest energy costs in the nation, New England users are expected to be paying **16.56 cents per kilowatt hour** in the coming year.
- The Pacific region is next-highest, with 2019 costs of 14.50 cents and 2020 anticipated at **14.70 cents.**
- The Mid-Atlantic may get some relief in 2020, with an expected 1.5 percent decline bringing energy costs down from 12.11 cents to **11.93 cents.**
- A 2.2 percent projected increase in the East South Central will push energy to **10.91 cents.**
- In East North Central, a 1.2 percent rise is projected to bring energy costs to **10.28 cents.**
- West North Central will see the Central region's biggest jump, with a 3.6 percent increase in 2020 pushing rates to **10.07 cents,** from 9.72 in 2019.
- Mountain region users can expect to pay **9.64 cents** next year, a modest rise from 9.54 in 2019 but still short of 2018's rate of 9.66 cents.
- The South Atlantic region is projected to see a 1 percent drop to **9.25 cents.**
- West South Central is to see electricity costs dip from 7.98 cents to **7.88 cents** in the coming year, the least expensive rate nationwide.

NATURAL GAS PRICES EXPECTED TO EDGE LOWER IN 2020



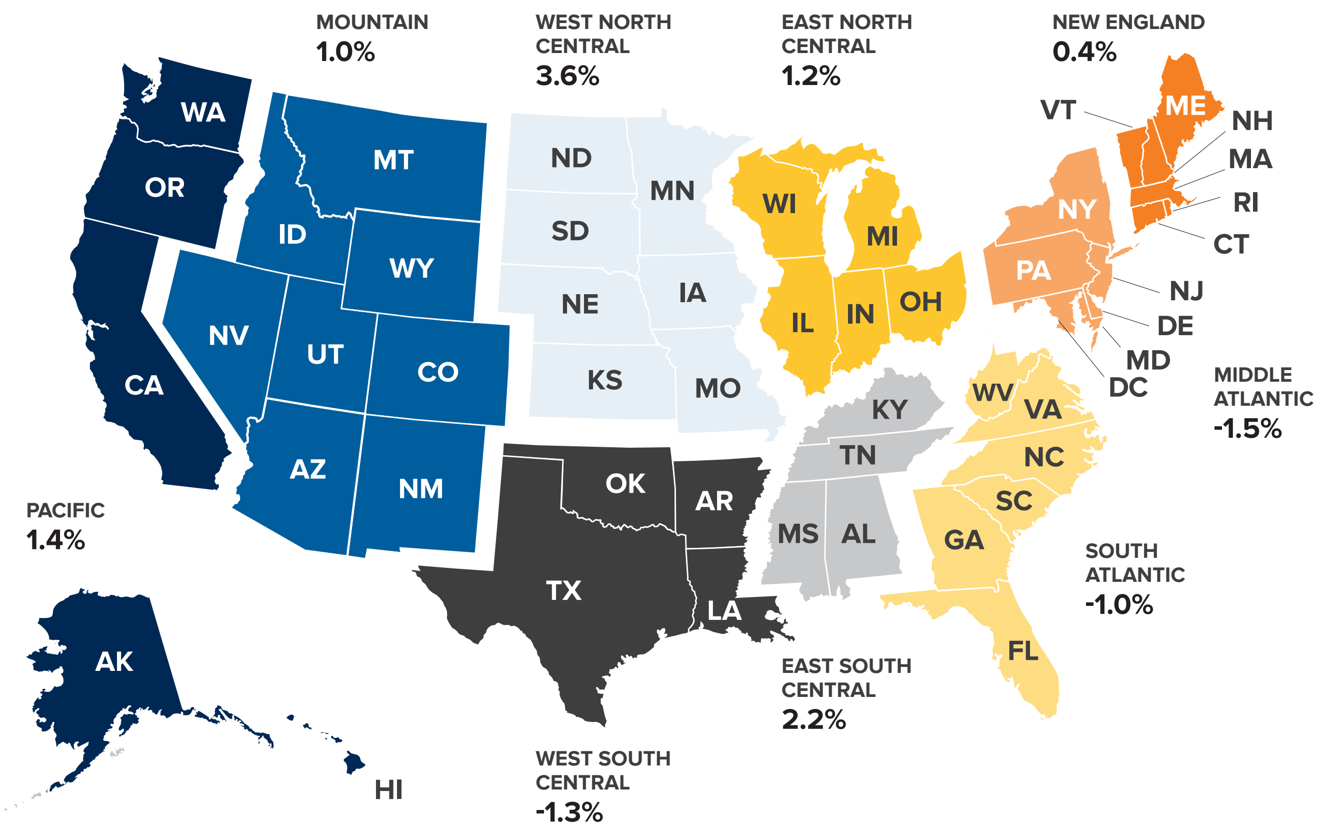
Regional Natural Gas Prices for the Commercial Sector

Dollars per Thousand Cubic Feet

	PRICE LEVEL			GROWTH RATES	
REGION	**2018**	**2019**	**2020**	**2018 to 2019**	**2019 to 2020**
New England	$10.99	$10.46	$9.33	-4.8%	-10.8%
Middle Atlantic	$7.89	$7.82	$7.38	-0.9%	-5.6%
South Atlantic	$8.75	$8.90	$9.04	1.7%	1.6%
East North Central	$6.62	$6.61	$6.77	-0.2%	2.4%
East South Central	$8.99	$8.84	$8.56	-1.7%	-3.2%
West North Central	$7.20	$6.92	$7.21	-3.9%	4.2%
West South Central	$7.44	$6.87	$7.17	-7.7%	4.4%
Mountain	$6.91	$6.64	$7.10	-3.9%	6.9%
Pacific	$8.80	$8.73	$8.49	-0.8%	-2.7%
U.S. Average	**$7.82**	**$7.68**	**$7.65**	**-1.8%**	**-0.4%**

Source: U.S. Department of Energy, Energy Information Administration, August 2019 projections

ELECTRICITY PRICES PROJECTED TO POST MODEST INCREASE IN 2020



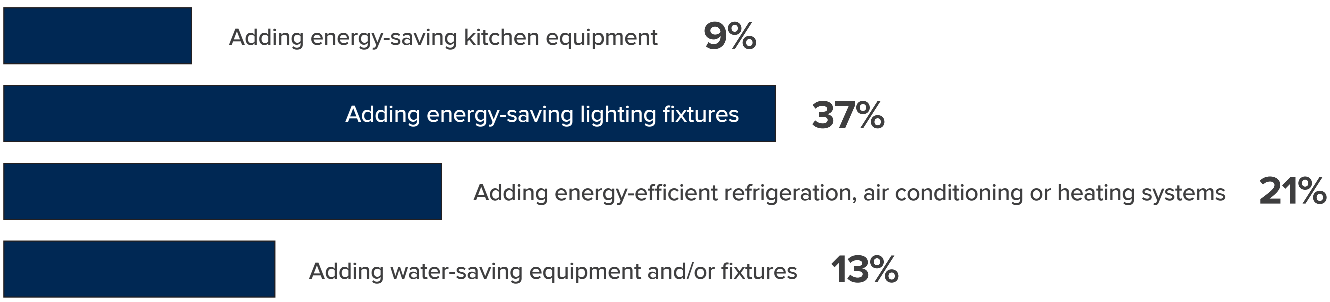
Regional Electricity Prices for the Commercial Sector

Cents per Kilowatt-hour

	PRICE LEVEL			GROWTH RATES	
REGION	**2018**	**2019**	**2020**	**2018 to 2019**	**2019 to 2020**
New England	16.28	16.49	16.56	1.3%	0.4%
Middle Atlantic	12.42	12.11	11.93	-2.5%	-1.5%
South Atlantic	9.36	9.34	9.25	0.2%	-1.0%
East North Central	10.11	10.16	10.28	0.5%	1.2%
East South Central	10.46	10.67	10.91	2.0%	2.2%
West North Central	9.73	9.72	10.07	-0.1%	3.6%
West South Central	8.15	7.98	7.88	-2.1%	-1.3%
Mountain	9.66	9.54	9.64	-1.2%	1.0%
Pacific	14.25	14.50	14.70	1.8%	1.4%
U.S. Average	**10.66**	**10.63**	**10.65**	**-0.3%**	**0.2%**

Source: U.S. Department of Energy, Energy Information Administration, August 2019 projections

Do you plan to invest in the following in 2020?



Source: Argentum survey of senior living executives

UNDERSTANDING AND ACTING ON ENERGY COSTS

Senior living professionals surveyed reported relatively low goals for energy-saving efforts. Often, myths about complexity or difficulty in changing energy use discourage managers from going after these savings.

To get an accurate picture and share some ideas on how to get started, Argentum contacted the EPA's ENERGY STAR Commercial Buildings program, the federal government-backed program providing simple, credible, and unbiased information to help consumers and businesses make decisions on energy use.

MYTH: Utility costs can't be controlled—they're just the cost of doing business.

- A large portion of utility costs are controllable. The best way to find out where you can save is to understand your energy use through benchmarking.

MYTH: As long as we're not over-budget on utilities, we're fine.

- Unfortunately, even though a community may be right on target for the utility budget, that doesn't mean it's running efficiently. When you proactively manage energy usage, you can uncover opportunities for significant cost savings—which can then be used to improve net operating income or to reinvest into areas such as resident programs or staff retention.

MYTH: New buildings are made to be greener—an old building would require too much investment to make it efficient.

- It's not the age, it's the market, the location, and the management, ENERGY STAR points out. A new building can run up costs if it's not managed well, and an old one can be managed to realize savings.

HOW TO GET STARTED: KNOW YOUR ENERGY SCORE

To find out whether you have opportunities to net savings you can use ENERGY STAR's interactive tool, Portfolio Manager. The site provides a list of the basic information data you'll need to get started (and help in looking it up), then gives you a score comparing your community to others like it.

The average score is 50. Below that, you have ample opportunities for savings; anything lower than 75 means you still have some good ways to save. It then directs you to ways to save—and how to track, document, and communicate your savings.

THE ROI ON ENERGY-SAVING EFFORTS

Senior living buildings can earn ENERGY STAR certification, just as a lightbulb or refrigerator can, says the organization. Compared to their peers, ENERGY STAR–certified buildings on average:

- Use 35 percent less energy
- Generate 35 percent fewer greenhouse gas emissions
- Cost $0.54 less per square foot to operate
- Have higher rental and occupancy rates

CONCLUSION: CONFIDENCE WINS OVER UNCERTAINTY

Despite the uncertainty ahead in the overall economy, senior living appears positioned to hold its reputation as what's often called a "recession-proof" industry.

Savings and low costs of debt service are bright spots revealed in this forecast, as is the basic net worth of older adults. Workforce continues as the top challenge for senior living professionals, and they're not alone: Unemployment is low, younger workers' participation rate is down, and more workers feel confident about quitting.

Most important, leaders in this industry have faith in its strength and resilience as a whole and feel senior living communities will continue to deliver as good or better quality of life in 2020. Where there are tough spots, they're ready to do what it takes, from investing in workforce recruitment and retention resources to reducing food waste.

INFORMATION SOURCES

The "Professional Perspectives" sections present information from a voluntary survey of senior living executives seeking their thoughts and concerns about the year ahead.

This report presents an analysis of trends and forecasts of key economic indicators as well as a focus on three areas of importance for the senior living industry: Workforce, Food, and Utilities. Due to data limitations, breakouts for independent living communities are not included in this report.

INDUSTRY DIVISIONS

The industry divisions are based on the North American Industry Classification System (NAICS), which defines the sectors as follows:

- Continuing Care Facilities for the Elderly (NAICS 6233): This industry comprises establishments primarily engaged in providing residential and personal care services for (1) the elderly and other persons who are unable to fully care for themselves and/or (2) the elderly and other persons who do not desire to live independently. The care typically includes room, board, supervision, and assistance in daily living, such as housekeeping services. In some instances, these establishments provide skilled nursing care for residents in separate on-site residences.
- Continuing Care Retirement Communities (NAICS 623311): This industry comprises establishments primarily engaged in providing a range of residential and personal care services with on-site nursing care capacity for (1) the elderly and other persons who are unable to fully care for themselves and/or (2) the elderly and other persons who do not desire to live independently. Individuals live in a variety of residential settings with meals, housekeeping, social, leisure, and other services available to assist residents in daily living. Assisted living communities with on-site nursing care capacities are included in this industry.
- Assisted Living Facilities for the Elderly (NAICS 623312): This industry comprises establishments primarily engaged in providing residential and personal care services (i.e., without on-site nursing care capacity) for (1) the elderly or other persons who are unable to fully care for themselves and/or (2) the elderly or other persons who do not desire to live independently. The care typically includes room, board, supervision, and assistance in daily living, such as housekeeping services.

DATA SOURCES

The information contained in this report is based on sources from U.S. federal government agencies:

- **The Bureau of Labor Statistics** produces a wide variety of workforce data, including employees, hours and wages, the labor force participation by age cohort, and job openings and employee turnover by industry. It's also produces data on wholesale and retail food prices, and consumer spending by age cohort.
- The **U.S. Department of Agriculture's Economic Research Service** produces forecasts of wholesale prices for major food commodities.
- The **U.S. Department of Energy's Energy Information Administration** produces historical data and forecasts of electricity and natural gas prices for the commercial sector.
- The **Federal Reserve** produces household financial data and conducts the **Survey of Consumer Finances** every three years.
- The **U.S. Census Bureau** reports data on household income by age cohort.

CENTERING WELLNESS

Managing Polypharmacy in 2020 Calls for New Approaches

To enjoy the vibrant life they expect, the new generations of older adults are using more interventions, from medications to supplements to exercise. In that complexity lies a potential for dangerous safety issues. But the solution isn't necessarily cutting the number of medications. Instead, change the system. A group of experts from PharMerica, with more than 60 years combined experience among them, recently held a conversation about new approaches they're trying—and what's ahead.

Marti Wdowicki, PharmD,
PharMerica director of
clinical operations, South

Bill Deane, RPh.,
senior vice president,
senior living, PharMerica

Stephen Creasy, PharmD,
director of clinical services,
PharMerica

Wdowicki: From a clinical perspective, I think that we in the United States have been a wellness-aware culture for a long time now, but that has been primarily applied to the young. Managed care systems, for instance, have long been keyed into preserving wellness; they may pay for gym memberships or provide incentives for optimizing BMI.

But in 2020, the first of the baby boomers turn 75. That cohort will be populating our senior living communities, and they are focused on wellness.

We've been a culture that thinks a certain amount of discomfort in aging is expected or tolerable. But that's changing. We're seeing a seismic shift in how we think about the older population: They're vibrant, productive. How do we maintain and promote wellness in that population? It's not that simple anymore.

Creasy: When we think about polypharmacy, the definition is multiple medications, anywhere from five to nine or more. The first thought is to see what can be discontinued. But what can get lost is this: Fewer medications doesn't necessarily present a reduced risk of an adverse effect. It still comes down to the mix of the medications and what they're being used for.

Wdowicki: And the only way we've been able to get good traction and have results that are impactful to the end user is through a collaborative, multidisciplinary approach to addressing the medications. It's very possible that they need every medication on their list. But are they taking it the right time? Are they taking the right combinations?

Creasy: And not all these medications are prescribed. They could be over the counter, or supplements. So it's important to make sure it all goes through one pharmacy, so that that pharmacy can accurately identify all the risks involved.

Deane: There's a study put out by the *Journal of Nutrition*[1] that says 70 percent of older adults in the United States are using one or more dietary supplements—and 29 percent among the population they identified regularly take four or more dietary supplements. The pharmacist must be heavily involved to ensure the mitigation of contrary indications or exacerbations of conditions.

1. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5610553/

Wdowicki: In our recent pilot program of this multidisciplinary team approach, we found the pharmacist was making very good recommendations. But they weren't getting follow through. Our Operator partner engaged at the corporate level to tackle this problem.

What we call an interim medication regimen review pharmacist, available 24/7, evaluates the drug regimen from the prescribers and sends their findings to a nurse in the community. The nurse does the monitoring, and it's overseen by an operator liaison from the customer side.

The problem with polypharmacy is that many seniors have multiple prescribers. It takes a central person to bring them all together in one place. As far as who's doing the work, it's a pharmacist and a nurse, and the prescribers. Designating that central person or champion is a first step in a good de-prescribing plan.

There is really not a secret sauce, you know. It's just about being organized and focused. The pharmacist is doing what they do: review and evaluate medications and make recommendations. The nurse is doing what they do: monitoring the resident and communicating with the prescriber. And the prescribers are doing what they do. It's just a matter of implementing the team system.

And then the final piece of the pilot will be the follow-up; someone to make sure that there are no consequences from the changes made, and that we've achieved a better outcome.

What we're learning out of this pilot is that whatever tools or resources I use individually as a pharmacist, it's not going to create the outcome we want, unless there is complete collaboration among the entire team: The nurse, nurse practitioner, the CNA, the caregiver, the resident. We have to involve patient goals and what the patient wants. The pharmacist can't do it alone.

Deane: EHR plays an integral role. You can accomplish much more and review many more residents' medication profiles remotely than you can going from one location to another, spending "windshield time." The prevalence of EHR use in assisted living is around 50 percent, from the most recent CDC survey.

Wdowicki: And access is going to get easier for the generations coming in, just by virtue of their own increased ability to use technology. That's going to contribute to heightened awareness and better ownership of their own health care, and better communication. It's going to change how we perceive and practice.

Deane: Pharmacists are ready to impact this segment in long-term care and take care of our residents. We've been doing this for a number of years in the skilled nursing arena. It's almost become cliché to say that our senior living residents of today were our skilled nursing residents of yesterday. Our pharmacists have been trained in this arena for decades.

Wdowicki: There has been some underutilization of the pharmacist as a resource in the senior living community environment.

Deane: As for the follow-up on recommendations, we all know there may be less oversight from a federal perspective on how things are followed through from the pharmacy. Some states don't require consulting, some require different kinds of frequency and such. But to Marti's point, the follow-up on the recommendations is what improves the quality of care clinical outcomes. And if we go up a couple thousand feet: It also mitigates the risk for our senior living operators, whom we're here to support as well.

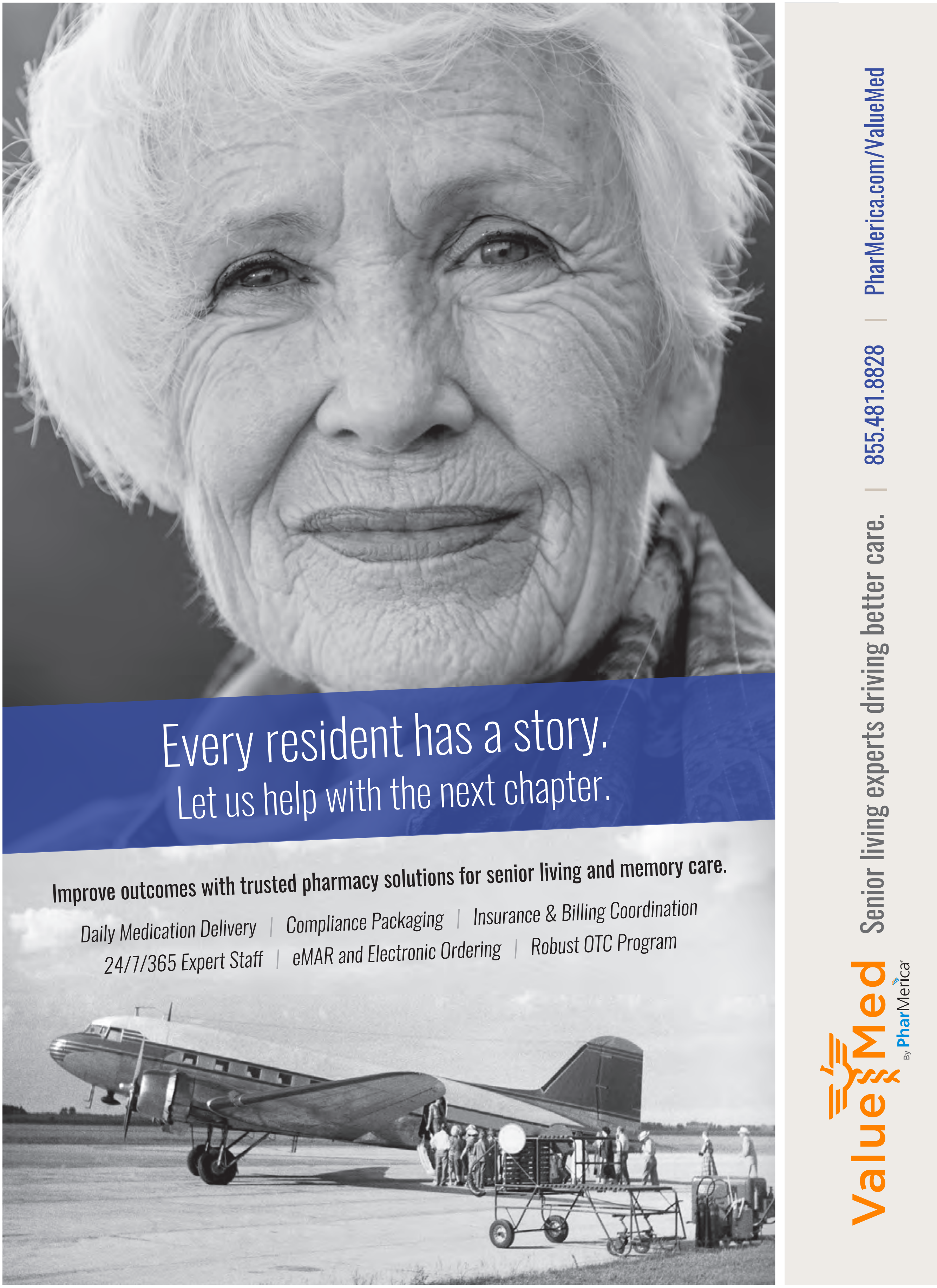
Wdowicki: It's well substantiated that diet and exercise promotes wellness, but as I said, I don't think we talk about it in the same way for the 75-, 85-, or 90-year-old as we do for the younger population. I see that changing, and wellness being critical to the conversation.

Perhaps in the future that information on diet and exercise would be part of the "hub" as well, becoming part of that person's record and taken into consideration along with everything else. If that means that nonpharmacological interventions are better than drugs, then that's what they should get.

I'm particularly motivated because I do believe that the emerging senior population has an opportunity to live a very productive, exceptional life. But that requires attention to medication management, to nutrition, to exercise. And it requires awareness, focus, and a team approach.

If all our eyes are on that outcome—what great lives seniors can live—how can you argue with that? How can you not be a team member who wants to get on board with that?

PharMerica has more than 30 years' experience in providing full-service personalized pharmacy service solutions for senior living, independent living, behavioral, infusion, skilled nursing, and post-acute care settings. We partner with you to deliver a seamless patient and resident medication experience. PharMerica's ValueMed is designed specifically for senior living communities to enhance communication among residents, families, and caregivers, streamlining medication management, reducing errors, and improving outcomes.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