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Senior Living Facility Defaults in Muni Market Break Record.

- **2021 defaults represent more than 4% of sector's bonds: MMA**
- **Vacancies, growing labor costs, burnout, stalk nursing homes**

Senior living facility defaults in the municipal bond market are at a record high and the distress won't likely end soon.

The persistence of the pandemic is driving up labor costs — and a federal mandate to vaccinate all health-care workers may amplify an already serious worker shortage. Meanwhile, occupancy at independent and assisted living facilities hasn't bounced back from record lows even as vaccination rates increase and facilities end move-in moratoriums.

About \$1.6 billion of muni bonds issued for senior living facilities have defaulted this year, representing 4.3% of the sector's \$37.6 billion of debt as of Jan. 1, according to Municipal Market Analytics. Thirty-one borrowers have missed a debt payment for the first time, tying the full year record set in 2020.

"Covid has made labor costs much higher, made staffing much more difficult and made occupancy more volatile," said Matt Fabian, a partner with Municipal Market Analytics. "Longer term it's a sector with good prospects, medium term, we're probably going to see more defaults."

The Covid-19 pandemic, which was especially lethal to the elderly, has roiled the finances of senior living facilities. Operators faced increased costs for staff and protective equipment as well as move-in restrictions from state health agencies. Now, a nationwide labor shortage has become the biggest issue facing senior facilities. Workers are leaving for many reasons: low pay, burnout, fear of contracting Covid-19 or caregiving responsibilities, according to an October Morning Consult poll.

Kept Afloat

Assisted living facility employment fell by 38,000 since the beginning of the pandemic, or 8.2%, and financially strapped providers are struggling to compete for qualified staff, according to a Nov. 10 report by the American Health Care Association and its National Center for Assisted Living.

The AHCA/NCA, which represents more than 14,000 nursing homes and assisted living facilities, said that a Biden administration mandate requiring health-care workers become fully vaccinated against Covid-19 by Jan. 4. could exacerbate a "dire workforce crisis."

"Across the country, access to long term care is becoming strained as providers have no choice but to limit admissions or even close their doors," Mark Parkinson, president and chief executive officer of AHCA/NCAL said in a Nov. 4 news release.

Occupancy at independent and assisted living facilities rose to 80.1% for the three months ended Sept. 30, from 78.7% in the previous quarter, according to survey by the National Investment Center

for Seniors Housing & Care.

While many senior living facilities were kept afloat by federal Paycheck Protection Program loans last year, additional aid hasn't been forthcoming, Fabian said.

"Many of these assisted living projects are shoestring operations, so additional mandates are difficult," he said. "A lot of them need more money."

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