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## Fitch: U.S. Life Plan Communities Experiencing Significant Labor Shortages and Wage Growth

Fitch Ratings-Austin/New York-25 October 2022: Healthcare and social assistance job vacancies remain high against a backdrop of a tight labor market; however, U.S. life plan communities have more flexibility relative to hospitals in responding to labor pressures, according to Fitch Ratings.

Fitch's analysis shows that roughly 8% of nursing facilities are reporting a reduction in beds as of Oct. 2, 2022 compared to May 24, 2020. More glaring are staff shortages, with 18.6% of nursing homes seeing a shortage of nurses and 19.6% reporting a shortage of aides. However, "LPCs have some flexibility in responding to these labor pressures as they are able to redesign the delivery of dining services and other amenities, and are able to adjust the number of skilled nursing beds in service to match its current staffing levels,' said Richard Park, Director at Fitch Ratings.

The continuing labor shortage has resulted in significant wage growth ranging from 18%-21% for LPCs, assisted living facilities and nursing facilities through August 2022 since the eve of the pandemic. These levels are well above the 13%-15% wage growth of the overall private and health care sectors during the same period. "LPCs and nursing facilities will need to continue to raise wages, revaluate service delivery and grow the workforce pipeline to alleviate current staffing challenges," said Park.

Nonetheless, with the U.S. economy headed towards a mild recession early next year (per Fitch's broader economic outlook), life plan communities may respond by rightsizing skilled nursing beds to accommodate better available staff and internal residents and investing more money in renovations to alleviate profitability and staffing issues and take advantage of national demographic shifts.

Fitch's "Life Plan Communities Labor Dashboard: October 2022" is available at www.fitchratings.com.

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