LTC Properties, Inc

3Q20 Analyst and Investor Call

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CORPORATE PARTICIPANTS
Wendy Simpson - *Chairman & CEO*
Pam Kessler - *Co-President & CFO*
Clint Malin - *Co-President & CIO*
Mark Parkinson - *President & CEO, AHCA*

PRESENTATION

Operator
Good day and welcome to the LTC Properties' Third Quarter 2020 Conference Call. After today's presentation will be an opportunity to ask questions. To ask a question you may press star and then one on your touchtone phone. To withdraw the question please press star then two.

Before management begin this presentation, please know that today's comments including the question-and-answer session may include forward looking statements, subject to risk and uncertainties that may cause actual results and events to differ materially. These risks and uncertainties are detailed in LTC Properties filings for the Securities and Exchange Commission's from the time to time, including the company's most recent 10-K, dated December 31, 2019. LTC is undertaking no obligation to revise or update these forward looking statements to reflect the events and circumstances after the date of the presentation. Please note this event is being recorded.

I would now like to turn the conference over to Wendy Simpson.

Wendy Simpson
Thank you, operator. And good morning, everyone. Welcome to LTC's 2020 third quarter conference call. Joining me today are Pam Kessler, our Co-President and Chief Financial Officer; and Clint Malin, Co-President and Chief Investment Officer. I'm excited that we also have Mark Parkinson from the American Health Care Association with us to discuss how our industry is responding to the COVID-19 crisis, specifically as it relates to the CARES Act and government support in the seniors housing and skilled nursing space.

Before I begin my business review, I want to again thank our operating partners for all of their efforts to keep their patients, residents and employees safe during the pandemic. It bears repeating that we could not be more in awe of their responses to the extraordinary challenges they have faced over the last many months. And we know they will valiantly face several months to come as some areas experience resurgence of cases as we enter the winter and flu season.

I would also like to quickly update you on the story we told you last quarter about Mary Daniels, the wife of an Alzheimer's patient at one of our communities. Mary took a part-time dishwashing job so that she could spend time with her husband amidst visitation restriction. Because the governor of Florida recently eased COVID related restrictions for senior housings and care visitation, Mary completed her professional dishwashing career and can now visit her husband at will adhering to all proper safety protocols of course. The community Rosecastle at Deerwood, which is operated for us by ALG Senior has maintained close ties with Mary. She continues to be active in the media speaking positively about Rosecastle, as well as advocating for families across the nation who are trying to find ways to see and visit their loved ones. We wish Mary and Steve nothing but the best.

Unfortunately, there has not been a consistent meaningful decrease in COVID-19 cases around the country. In fact, many states and regions are seeing spikes in new cases. Some states, however, have been able to flatten the curve, with several easing restrictions as they pertain to senior housing and care. While our industry continues to face cost challenges related to supplies, testing and staffing, I believe our operating partners now have better tools and a much better understanding of how to manage in the world of COVID.

LTC is continuing to provide support where we are needed. For example, we're in the process of rolling out a new program called Smart Design, which was conceived by our Executive Vice President and Managing Director of Business Development, Doug Korey and our Vice President Marketing and Investor Relations, Mandi Hogan. This initiative comes from LTC's desire to assist operators in upgrading their buildings for state of the art infection control protocols.

While some of the biggest operators in the country may have the resources to take on such projects on their own, smaller regional operators often don't have the same bandwidth. With that in mind, we are partnering with Avenue Development to assist our operators with turnkey and customized retrofitting options. Some features of Smart Design include air filtration, including bipolar ionization, UV sanitation devices, custom dividers and touchless equipment among others.

Avenue will be responsible for the retrofitting. While LTC will work with our partners to finance implementation of the program into current leases or providing a line of credit with attractive rates and flexible terms. While COVID was the catalyst for the program, we believe the benefits will serve us well over the long term by helping ensure our portfolios includes safer, more updated assets.

Mark is going to spend his time talking about government initiatives and relief for our industry. So I'll comment just briefly. After a considerable lobbying effort, private pay operators are now receiving government aid. They along with skilled nursing operators also receive point of care testing equipment from the government. Most recently, the government released Phase 3 of its CARES Act, which includes an additional $20 billion in funds earmarked to help cover lost revenue to healthcare providers. Government support has been and will continue to be vital for our industry. Mark will provide more insight in greater detail.

Moving now to more LTC-specific discussion, while the quarter did not include significant new investments, our focus on structured finance opportunities resulted in us committing nearly $20 million in preferred equity, some of which has already been funded, and the remainder of which is expected to be funded in the fourth quarter. Pam and Clint will provide additional details.

Although restrictions regarding visits to care facilities are starting to loosen in some parts of the country, we are cognizant of the fact that the fall and winter could bring surges of the virus and, with that, restored or additional constraints. We look forward to ramping up our engagement with potential acquisition targets when safe and as restrictions are lifted.

The market remains challenging, but I firmly believe that LTC has built a strong reputation as a creative financing partner to—in the seniors housing and care space by thinking outside of the REIT box to create solutions that provide our operating partners with the financing they need to help grow their business. The reputation will serve as well over the long term.

Moving to rent deferrals and abatements, we collected 94% of third quarter rent excluding Senior Lifestyle which I'll discuss in a moment. Third quarter rent collected was 97%. The rent deferrals and abatements were granted to private pay operators. I believe I have mentioned my dislike of the GAAP requirement to recognize straight-line rent. Subsequent to our reporting second quarter results, Genesis reported that they had a going concern issue. Genesis is current on rents with us and they have not requested any rent deferrals. Still, LTC has had to report a reduction in this quarter's revenue for the straight-line rent write-off related to this lease.

Another operator, not in our top ten, who has been a go-to operator for challenging properties, and has historically performed well has been adversely impacted by COVID-19 and began short paying rents in the third quarter and requested deferrals. Despite receiving government financial support, this operator is reluctant to actually use those funds to pay rent for fear that there may be a government payback provision. As a result, we put them on the cash basis and wrote off their straight-line balance.

Additionally, in support of this operator, we agreed to close an assisted-living facility in Florida that had drawn the attention of certain plaintiffs' attorneys, and was damaged by one of the recent Florida storms. This closure required us to record a realization reserve of $941,000. We have not released the operator of the obligation to pay contractual rents going forward. And I believe we will eventually recover our deferred rents and contractual rent, but Pam tells me my belief is not GAAP.

I'll now provide a quick update on our Senior Lifestyle portfolio. As I mentioned last quarter, we placed the portfolio on a cash basis due to a shortfall in May and June rent payments. Since that time while recent rent payments are trending up Senior Lifestyle remains in arrears.

For the 2020 third quarter, we received rent payments of approximately $3.3 million against their quarterly contractual rent obligation to LTC of approximately $4.6 million. At September 30, Senior Lifestyle owed us $3.8 million for second and third quarter rent, $2.5 million of which is recorded in our financial statements and is covered by an undrawn letter of credit which we hold. In October, we received rent of approximately $1.3 million against Senior Lifestyle's contractual rent obligation for the month of approximately $1.6 million.

In cooperation with Senior Lifestyle, we are actively working to make changes to the 23 property portfolio, which may include bringing in new operators, pursuing sales of some of the buildings, or retaining Senior Lifestyle in a few of the properties. We are currently in negotiations with several parties and expect to have resolution for the majority of the portfolio in the first quarter of 2021.

As we discussed previously, transitioning this portfolio provides LTC with the opportunity to build relationships among several different regional operators, some of whom will be new to LTC and others with whom we have an existing relationship. As a result, we will further reduce portfolio concentration, one of our key strategic focuses.

With respect to guidance, we are not providing it at this time due to ongoing COVID related uncertainties.

Now I'll turn the call over to Pam.

Pam Kessler
Thank you, Wendy. Total revenue decreased $8.9 million compared with last year's third quarter, primarily resulting from the $5.5 million write-off that Wendy discussed, a result of transitioning two leases to cash basis accounting as of September 30, 2020.

Genesis disclosed in its most recent 10-Q, that there was substantial doubt about its ability to continue as a going concern. LTC continues to collect all contractual rent due from Genesis. However, the level of certainty regarding the collectability of future rent from Genesis through lease maturity does not meet the threshold required to maintain it on an accrual basis.

The other operator did not pay its full contractual rent for the third quarter of 2020 due to COVID-19 and we wrote-off their straight-line rent balance. During the quarter, we provided this operator with rent support in the form of deferrals and abatements totaling $756,000. As with Genesis, the level of certainty regarding the collectability of this operator's future rent through lease maturity does not meet the threshold required to maintain it on an accrual basis.

Decreased rent from Preferred Care resulting from the sale of that portfolio earlier this year, lower rent from Senior Lifestyle, deferred and abated rent, and a reduction in property tax revenue also contributed to the decline in total revenue. Offsetting these reductions were contractual rent increases, increases related to acquisitions and completed development projects, and higher rent payments from Anthem.

Interest income from mortgage loans increased $244,000 due to the funding of expansion and renovation projects. Interest in other income decreased $535,000 due to the partial pay down of an outstanding mezzanine loan as well as a reduction in miscellaneous income.

Income from unconsolidated joint ventures decreased $704,000 in the third quarter due to the repayment of a mezzanine loan accounted for as a joint venture and the dissolution of our preferred equity investments in a joint venture with an affiliate of Senior Lifestyle, which occurred in the second quarter.

Interest expense decreased $466,000 due to lower outstanding balances and lower interest rates under our line of credit in 3Q 2020, partially offset by the sale of $100 million of senior unsecured notes in 4Q 2019. Property tax expense decreased $919,000 due to Preferred Care property sales and our Senior Lifestyle portfolio, offset by increases related to acquisitions and completed development projects.

During the third quarter, we recorded $941,000 impairment charge related to the closed assisted-living property in Florida. We also received $373,000 in insurance proceeds for roof damage related to a property we sold in the first quarter of this year.

Net income available to common shareholders for the third quarter of 2020 decreased $15 million, primarily due to the straight-line rent write-offs and the decreased rent from Preferred Care and Senior Lifestyle that I discussed earlier. Deferred and abated rent, the impairment charge, lower income from unconsolidated joint ventures and a $6.2 million gain on sale in last year's third quarter also contributed to the decline. The offsets included increases due to acquisition and completed development projects, contractual rent increases, and an increase in Anthems' rent, lower interest expense, and the gain from insurance proceeds.

NAREIT FFO for fully diluted share was $0.58 for the 2020 third quarter compared with $0.77 last year, excluding the non-recurring items already discussed in the current period FFO for fully diluted share was $0.71 this quarter compared with $0.77 for last year's third quarter. The $0.06 decrease in FFO excluding non-recurring items resulted from lower revenues related to property sales, reduced rent from Senior Lifestyle, deferred and abated rent, and lower income from unconsolidated joint ventures partially offset by lower interest and property tax expense.

Funds available for distribution excluding the $373,000 non-recurring insurance proceeds gain decreased $2 million due to Senior Lifestyle and deferred unabated rents in the third quarter of 2020.

During the third quarter, we invested $6.3 million of preferred equity to develop and own an assisted-living and memory care community. This investment earns an initial cash rate of 7% increasing to 9% in year four until the IRR reaches 8%. After achieving an 8% IRR, the cash rate drops to 8% with an IRR ranging between 12% and 14% depending on the timing of redemption. The investment is accounted for as an unconsolidated joint venture.

We also entered into a preferred equity agreement to invest $13 million to develop and own an independent and assisted-living community. We expect to fund this investment after certain conditions are met, the deadline for which is December 1. It will earn an initial cash rate of 8% and an IRR of 12%. This investment is also accounted for as an unconsolidated joint venture. Clint will discuss these transactions in greater detail shortly.

In the third quarter, we also funded $3.9 million in development and capital improvement projects on properties we own, $1.6 million under mortgage loans and pay $22.1 million in common dividends.

During the quarter, the development of our 90-bed skilled nursing center in Missouri was completed under budget by $1.3 million. We anticipate funding the remaining $3.1 million of project costs in the 2020 fourth quarter. The initial yield in our investment is 9.25% escalating annually by 2%. We currently have remaining commitments under mortgage loans of $2.3 million related to expansions and renovations on four properties in Michigan. We received $2.6 million in the 2020 third quarter related to the partial paydown of an outstanding mezzanine loan.

At September 30, we had $22.8 million in cash. We also had more than $510 million available under our line of credit and $200 million under our ATM program, providing LTC with ample liquidity of approximately $733 million.

Our long-term debt to maturity profile remains well-matched to our projected free cash flow helping moderate future refinancing risk, and we have no significant long-term debt maturities over the next five years. At the end of the 2020 third quarter, our credit metrics compared favorably to the healthcare REIT industry average with net debt to annualized adjusted EBITDA for real estate of 4.6 times, an annualized adjusted fixed charge coverage ratio of 4.7 times, and a debt to enterprise value of 32.9%.

The effect of the economic fallout from COVID-19 on the real estate capital markets has resulted in our debt to enterprise leverage metric being higher than our long term target of 30%. However, at 4.6 times we are still comfortably below our net debt to annualize adjusted EBITDA for real estate target of below five times.

I'll finish my comments with a brief discussion of rent deferrals and abatement. As Wendy mentioned, we collected 94% of third quarter rent. Of the rent not collected $690,000 related to rent abatement $326,000 related to rent deferrals and $1.3 million related to delinquent rent from Senior Lifestyle. During the second and third quarters of 2020, rent deferrals and abatements totaled approximately $1.4 million net of $502,000 in deferred rent repayments or 1.8% of contractual rent for the period. In October, rent deferrals were $566,000, abatements were $120,000 and delinquent rent was $264,000. Additionally, we received deferred rent repayments of $51,000 in October. As a reminder, our rent deferral agreements generally require the deferred rent to be paid within six to 24 months.

Now I'd like to turn things over to Clint.

Clint Malin
Thanks, Pam. I'd like to start today with our two recent investment commitments totaling nearly $20 million. First, as Pam mentioned, we invested $6.3 million in preferred equity in an entity that we developed and owned a 95 unit assisted-living and memory care community in Arlington, Washington, a suburb of Seattle. Magnolia Place at Smokey Point is being developed by Fields Senior Living in conjunction with RJ Development, both of whom we have successfully worked with in the past. Fields will operate the community, which is currently scheduled for completion by the first quarter of 2022. When complete, LTC will have five investments with Fields, two in California, two in Oregon and one in Washington. LTC's investment represents approximately 15.5% of the total $40.8 million estimated project cost.

The second transaction is $13 million preferred equity commitment Pam discussed. Located in Vancouver, Washington, University Village of Salmon Creek is an independent living and assisted-living community with a total of 267-units being developed by Koelsch Communities, the current operating partner. Koelsch is also working with RJ Development. Koelsch will operate the community, which is currently scheduled for completion by the end of 2022. At completion, LTC will have three investments with Koelsch, two in Texas and one in Washington. LTC's initial investment represents approximately 11.6% of the total $112.3 million estimated project cost.

In the current environment, we have focused our efforts on deploying capital in structured finance projects, and these preferred equity deals with Fields and Koelsch demonstrate our ability to successfully transact in this market. We are continuing to identify additional investment opportunities, including mezzanine loans, bridge loans, and unit tranche loans. In this environment, we like their shorter duration and what we believe to be better risk-adjusted returns.

Moving now to our developed projects. Our joint venture project with Fields Senior Living for Weatherly Court in Medford, Oregon, began accepting residents in September after putting infection control protocols in place. At October 23, occupancy was 10%. As a reminder, this community includes 78 assisted-living and memory care units. It is adjacent to Weatherly Inn, an independent living community; the joint venture acquired in 2018.

Our developed project with Ignite Medical Resorts for Ignite Medical Resorts Blue Springs in Independence, Missouri, received licensure and began welcoming patients in early October. At October 23, occupancy was 23%. This is a 90-bed property and is one of two Kansas City area skilled nursing centers we own that are operated by Ignite.

Before getting to the portfolio numbers, I like to provide some additional visibility into rent support we have committed from November through the first quarter of 2021. There are three private pay operators in our portfolio for whom we are providing either rent deferrals or abatements. One of these operators, we have provided two months of deferred rent totaling $280,000 or $140,000 in December and $140,000 in the first quarter of next year.

For the second, we have provided abated rent for November and December in the amount of $120,000 per month, which is 50% of contractual rent. The third operator was provided the ability to defer rent as needed, subject to cash flow through March 31. This operator's rent obligation is approximately $430,000 per month. Some buildings in our portfolio with these operators were a lease up before the pandemic begin. These properties were making progress pre-COVID, but the pandemic negatively impacted operations.

We believe that the path to stabilization will remain elongated, especially when compared with pre-COVID timetables. Additionally, given new government relief efforts that include private pay, as money is made available through the Provider Relief Fund, we could see more repayments of outstanding deferred rent.

Next, I'll discuss our portfolio numbers. Given the pandemic and the challenging environment it has created, we don't believe coverage is a good indicator of future performance at this time. And we are focused on occupancy trends which I'll discuss shortly.

Due to trailing 12-month EBITDARM and EBITDAR coverage using a 5% management fee was 1.27 times and 1.06 times respectively for our assisted-living portfolio. These metrics are the same with and without stimulus funds as no operators allocated these funds to their P&L statements. Excluding Senior Lifestyle from our assisted-living portfolio, EBITDARM and EBITDAR coverages would increase to 1.41 times and 1.18 times.

For our skilled nursing portfolio EBITDARM and EBITDAR coverage was 1.85 times and 1.38 times respectively, including stimulus payments made available through distribution of the Provider Relief Fund allocated and reported to us by our operators, but specifically excluding PPP funds. If those stimulus payments are excluded, EBITDARM and EBITDAR coverage was 1.64 times and 1.19 times respectively.

I'd now like to update you on some occupancy trends in our portfolio, which is as of October 16. As a reminder, for our private paid portfolio, occupancy is as of that date specifically. And for our skilled portfolio, occupancy is the average for the month-to-date. Because our partners have provided October data to us on a voluntary and expedited basis before the month is closed, the information we are providing includes approximately 71% of our total private pay units and approximately 88% of our skilled nursing beds. For additional context, we are also sharing comparative information about occupancy as of June 30, 2020 and September 30, 2020 for the same population used for the October data.

Private pay occupancy was 78% at June 30, 77% at September 30, and 76% October 16. For skilled nursing our average monthly occupancy for the same time periods respectively were 72%, 70%, and 70%.

We are actively continuing to build and enhance operator relationships so that we can return to more standard acquisition and development investments when the time is right and when those investments meet our underwriting criteria. We have always been interested in creating and enhancing growth-oriented partnerships with strong, regional operating companies and that has not changed. With the market remaining constrained, we are not sure when those opportunities will present themselves, but we are confident in LTC's ability to actively source new deals.

Our ability to complete smaller one-off deals by providing flexible solutions to our operators' changing needs is a competitive advantage. We will be ready to strategically deploy capital as soon as practical and beneficial for LTC and for our shareholders.

Now, I'll turn the call back to Wendy for her closing comments.

Wendy Simpson
Thank you, Pam and Clint. Despite the write-offs we have experienced so far in 2020, we continue to see signs of progress within our portfolio and throughout the industry as a whole. Our operators have learned a lot during the last several months, and I believe they understand the steps required to safely expand visitation and accept new admissions while still focusing on the care of their residents, patients, families and staff. Again, we owe all senior care operators, our sincere thanks for all of the hard work they have done and will continue to do.

I also want to express my gratitude to the LTC team which has seamlessly transitioned to a virtual workplace that allows our employees and their families to remain safe without missing a beat relative to their duties and responsibilities to LTC. The population is aging and their need for care is growing. This is a constant that will not change for years to come.

As we look forward to the time when there is greater sense of normalcy, I am confident in LTC's ability to build our portfolio and our diversification of investments and, more importantly, generate new opportunities to further secure our long-term path as a REIT done differently.

With that, I'm honored to welcome Mark Parkinson to today's call. Mark is currently CEO and President of the American Health Care Association, the nation's largest association of long-term and post-acute care providers. AHCA has long advocated for quality care and services for the frail and elderly Americans and has played a large part in lobbying the government for the much needed COVID-19 aid. Earlier in his esteemed career, Mark was the governor of the State of Kansas. After Mark's presentation, we will open the lines for questions. Welcome, Mark.

Mark Parkinson
Thanks, Wendy. And I appreciate the opportunity to make some comments about the sector in general. By way of background, I'm the President and CEO of the American Health Care Association and the National Center for Assisted-Living, which is the largest long-term care trade association in the country. We represent 10,500 skilled nursing facilities, almost 70% of them across the country and another 4000 assisted-living buildings. And in addition to my political background, my professional background is that my wife and I built, developed, owned and then operated both skilled nursing facilities and assisted-living facilities in the Midwest.

I'm happy to make some comments about the whole COVID situation, the DC response and where I see this headed in the future. At the outset, it was very clear, eight months ago, that the COVID crisis presented both the most significant clinical challenge and the most significant business challenge that the sector had ever faced. On the clinical side, we have never faced a virus or a disease process that killed 15% to 20% of our residents who become affected, that infected literally hundreds or thousands of people, many of them living in long-term care facilities, it is a clinical challenge that we have never faced before.

And on the business side, we knew that we had our hands full as soon as that Kirkland incident occurred and we saw what happened there, both on the census side and on the regulatory side, and then as cases started spreading across the country, we knew that from a business perspective this was going to be an enormous challenge. There were many unanswered questions back in March. Would the sector collapse, would residents flee the buildings, would the employees flee the buildings? And what we now know eight months later is that the answer to all of those questions is, no. The system didn't collapse, the facilities held together, certainly faced enormous challenges. But unlike facilities in some parts of the world where the employees literally did flee and the residents were forced to fend for themselves, our long-term care system has held it together.

There were also multiple unanswered questions about the business side of this and about the congressional response. Would we receive the funding that we needed to keep going, how bad would the census situation get? And again, from the business side, would this completely collapse? And while it has certainly been bumpy over the last eight months, the answers to all of those questions have for the most part been favorable. Yes, there has been a devastating business impact that I'll talk about here in just a few minutes. But for the most part, assistance both from the federal and state level has filled in the gaps for many of the providers and allowed the business side, although quite bumpy, has allowed the business side to continue. There were clearly times as the markets were trading in March and April, where investors were betting on a collapse of the entire system and that clearly did not occur.

So what I'm going to talk about today is I'm going to talk about three different areas that I think you may be interested in. First, I'm going to talk about the DC response on the skilled nursing side and where it has put the sector right now. Secondly, I'm going to talk about the DC response on the assisted-living side and where assisted-living stands. And then finally, I'm going to talk about what do things look like for the future for upcoming months post-election, getting into 2021, and where is this whole thing headed.

Well, let's first of all talk about on the skilled nursing side. I think on the skilled nursing side, the report would be all good. The response at the federal level has really probably surpassed what most people thought would occur. Early on the help was there, but really not material. Some of those things that happen, for example, was a lifting of the federal sequester, the 2% cut that facilities, all providers incurred about eight or so years ago. That 2% cut was taken away through the end of this calendar year, and in a normal year, that would be a big deal, but in a pandemic year 2% really is not a material number.

The next thing that occurred started to get close to material help and that was when, in the second stimulus act, the government provided some additional Medicaid money to the states through the FMAP match, which is just kind of a DC way of saying the feds are giving the states more money for Medicaid. Now, the states were given discretion on how to spend those funds. And in some of the states, there were material amounts of those funds that were provided to skilled nursing facilities, and in some states, there was no help at all. So whether the Medicaid increase and the FMAP increase helped a facility is completely dependent upon the state that it was in. But in some very large states like Texas, and California, and Florida, there has been help provided. Unfortunately in states like New York and New Jersey, there's been very little help.

So whether the Medicaid increase was helpful or not is very much a business-by-business type question, and it's completely dependent on the state that they're in. If you're in California, if you're in Texas, it's extremely helpful. And I think that, it's important for you to know that this FMAP increase will continue as long as the public health emergency is in effect. It is tied to the public health emergency.

The public health emergency is declared by the Secretary of HHS. They only have the authority to declare it for 90 days at a time. It was set to expire on October 22, but fortunately, we were able to get HHS Secretary Azar to extend it. It is now extended to January 22. And the FMAP increase is actually tied to the end of the quarter when the public health emergency ends. So if, for example, the public health emergency ends on January 22, the FMAP increase will continue until the end of the first quarter.

We're pretty confident that we're going to be able to get the public health emergency extended again in January out until April, which means that this FMAP extension would occur at least through the second quarter of 2021.

After those two things, there then began some things that occurred that were and are very material to the sector. One is that we received yet another rate increase on Medicare and there were no changes made to PDPM. We received that news on May 1 and that rule has now been finalized, which means that there's been another 2.3% increase in Medicare payments, but probably more important than the increase is the fact that PDPM was not adjusted. And as you may recall, coming into the pandemic PDPM was looking quite well for providers and giving all of us a lot of hope about the future.

The next thing that occurred was that CMS waived the three-day stay requirement that's necessary in order to skill a resident to a Medicare payment. Under the normal rules, as I'm sure you're aware, a person has to stay into a—in a hospital for three days and then get discharged to a facility before they can become a Medicare resident. CMS waived the three-day stay requirement which has allowed providers to skill people without sending them to the hospital. It's been extremely important as folks have been diagnosed with COVID. We haven't had to send them to the hospital to skill them under a Medicare rate.

And what it's done for many providers is that even though they have had a decline in census in their general population, because they've had the ability to skill Medicaid residents into a Medicare rate, they've been able to keep their heads above water. That three-day stay waiver is also tied to the public health emergency. So when we got that extended to January 22, we also got the three-day stay waiver extended to January 22, and we are optimistic that we will be able to get an extended another 90 days to April 22 as we approach 2021.

The final two things that I want to talk about have been the most material help to the sector. The first is the decision by HHS to allow people to receive a Medicare advanced payment. HHS and CMS have the authority to provide every Medicare provider with a three-month advance on their Medicare payments. It's a material amount of money to any provider and virtually all skilled nursing providers took advantage of this in March and April. That immediately solved the cash problem that any provider would have. Suddenly having in your bank, three months of Medicare cash solves a heck of a lot of problems.

Now, the challenge is that this is not a grant, it's a loan. And under the normal rules, this would have had this been start being repaid in August of 2020, a few months ago. Fortunately, we were able to get that extended so that the repayment now does not start until April of 2021 and when it does start, the repayment comes back on a pretty favorable basis. We believe that we will be able to get Congress to further delay the repayment of those funds. And there is even the possibility that's being widely discussed of Congress waiving the repayment of part of the advance not just for skilled nursing facilities, but for other Medicare providers, most notably hospitals, who are also lobbying very hard on this issue.

And then the final area of help has been the most helpful, and that's been the CARES Act funding. The most significant lobbying victory we had actually wasn't any specific grant of money, it's when we were able to convince Congress on the first stimulus bill that the so called $100 billion hospital fund shouldn't just be for hospitals, it should be for all providers. That was really the pathway that we've had to the success that we have subsequently achieved. And the subsequent success has been a multiple rounds of money out of that CARES Act for skilled nursing facilities now totaling over $12 billion, and we believe that there is more to come. Those payments that have been made out over time, have solved a lot of the cash flow issues that providers normally would have experienced and we continue to receive those funds.

Next week, for example, on Monday will be the first payment of $2 billion in additional payments that are being paid out to providers who are particularly successful in keeping COVID out of their buildings. When you add up all of these things that have occurred for skilled nursing facilities, whether it's the FMAP Medicaid money, the sequester or the CARES Act funding, the 3-day stay waiver, you add it all up and we believe that there's been over $20 billion in relief to the skilled nursing sector.

What does that mean? Well, it means that those that thought that the sector was going to disappear back in March and April were wrong. It has not collapsed. And in fact, the cash position of most providers is as good as it would have been prior to the pandemic. I think that for the overwhelming number of providers when you add up all of the things that have occurred, they're in a pretty good cash position heading into 2021 and feel, I think, pretty comfortable that if we can get a vaccine in early 2021 and census can rebound that they're going to be okay.

Now, there are still a number of providers, it's a minority, that it is—at sometimes a visible group who are struggling and the basic profile of those is that they fall into two categories and often are—unfortunately for them hit both. The first are companies that were struggling financially coming into the pandemic and this appears to be particularly the case of folks that were highly leveraged. They were struggling coming into the pandemic, it is probably exacerbated their problem over the last eight months. And secondly, facilities that happened to be in the northeast, which was particularly hit hard by COVID early on at a time when there was virtually no PPE, virtually no testing, the mortality rates were very high, those providers are struggling. They had experienced a loss greater than the national average of 10% or so. And so you will hear about some folks that are out there, and some of them are highly visible, that are continuing to struggle, but I don't think its representative of the vast majority of the sector. And my belief is that if we can get a vaccine by the end of the year, get folks vaccinated in January and February, and census can rebound, the overwhelming part of the sector is going to make it through this.

Let's secondly now talk about assisted-living. The news is not as good. And what I mean by that is we haven't been able to achieve the kind of lobbying success for assisted-living that we have been for skilled nursing. I do think that there's some important breakthroughs recently and that there will be more successes down the road. I think a lot of people wonder, well, why in the heck has assisted-living not received the funding that skilled nursing has. And it's not because HHS doesn't like assisted-living or just philosophically doesn't think that private pay should be reimbursed, it's not because they believe that assisted-living folks don't have needs and don't have the same kind of problems that people that live in nursing homes have, it's really none of those things at all. What it comes down to is that the federal government doesn't regulate assisted-living, it doesn't know very much about assisted-living. HHS provides no federal funds to assisted-living and certainly doesn't regulate that.

So when HHS was given the assignment to pass out what ended up being $175 billion in funds, it started working with the groups and the providers that it was used to working with, which did not include assisted-living. So as we were pounding the door to say, hey, assisted-living needs help as well, they were really saying, well, let's get rid of these Medicare providers first, and then we'll hear what you have to say. And they did that. They made some initial Medicare payments, and then they let us make our case and we were successful. We were able to eventually convince the policymakers that assisted-living needed help as well.

But then we ran into a very unique problem. Because they don't regulate assisted-living and because they don't pay assisted-living any money, they told us, hey, we don't even know who the assisted-living providers are. We don't have a list of companies to send funds to. And so at that point, all of the long-term care trade association, ours and others, went to work and developed a database of all the assisted-living companies in the country, the buildings, the taxpayer ID numbers, etc., and began working with HHS. And it worked, but it took a long time. It wasn't until September 7 that the first funds went out to assisted-living when the decision was made that both for folks that take Medicaid waiver and for straight pure private pay AL, they will all receive 2% of their 2019 revenue. Now, that's not enough. And the needs are still much greater. But it opened the door now to us pursuing additional relief.

And so as we talk today, the third phase of the HHS funds are under application, what they're calling the Phase 3 portal where they have specifically said that assisted-living can apply. And as they're trying to figure out how to hand out an additional $20 billion, assisted-living providers again can apply and are a part of that. So we are hopeful and optimistic that as the weeks and months continue, now that we've, kind of, broken through with assisted-living, we'll be able to have greater success down the road.

Now, let me talk a little bit about the future. What's next? And as investors, what should you be looking at and where is all of this headed. First of all, let's talk about the election. Obviously, its right around the corner, and it will have enormous implications on everything including long-term care. I believe, first of all, it will have an impact on the state as well because the last—what was going to be the last stimulus bill, obviously did not pass before the election and folks threw up their hands this week and said, let's come back after the election.

The conventional view in DC, and I agree with it, is that there is 100% chance that there will be another stimulus bill. So the outcome of the election is irrelevant whether or not there will be a bill, there will be a bill either way. Where it is relevant to is the size of the bill. If republicans retain one part of the apparatus, whether it's the presidency or the senate, the stimulus bill is very likely to be of the size that was being discussed when the discussions fell apart this week, somewhere around $1.8 trillion to $2.2 trillion. And of that significant additional funds will be added to the CARES Act funding that will then be available for both skilled nursing and assisted-living.

On the other hand, if the democrats win everything, it's possible that there won't be a stimulus bill in the lame duck. They may want to wait until they take over, but whenever there is a stimulus bill, if the democrats take over it will be larger than the $1.8 trillion to $2.2 trillion. It'll be more like the $3 trillion bill that they passed back in August and that may just be the beginning. They are clearly wanting to spend significant amounts of money to stimulate the economy in their view to fight COVID. So it's not really a question of whether there will be a stimulus bill. It's just a question of how large will the bill be and there will be important things in the bill that will help those skilled nursing and assisted-living. So first thing to look forward to is, some pretty good additional relief in the form of stimulus.

Second is clearly a whole discussion of vaccines. You're probably following the science on vaccines. The drug companies seem to be making really, really good progress. As much as we failed on the public policy side to contain COVID, the scientists have done a spectacular job on therapeutics and it looks like on the vaccine front. The good news is that we've been able to convince the policymakers that not only should assisted-living and skilled nursing be a priority for the vaccine, they've actually created a turnkey program for us to distribute the vaccine, and you probably read about the agreement with Walgreens and CVS to provide vaccinations for all assisted-living buildings and all skilled nursing buildings across the country. If, in fact, we have a vaccine that's approved by the end of the year, I think there is a possibility that all of our residents and all of our staff will be vaccinated in January and in February and it will create this wonderful time that I'm certainly looking forward to where we would be able to say to people that the safest place in the country for an older person right now is in one of the long-term care facilities that are out there.

The third thing that I would talk a little bit about is testing. Testing is continuing to get better and it's getting cheaper and we are being prioritized for it. So when you kind of look at where are we headed over the next few months, I think over the next few months there will be robust testing, a clear understanding in our—in the long-term care buildings who has COVID and who doesn't and quarantining and safety and containment and all of that. And then, hopefully, we will get into the vaccine phase, we'll get people vaccinated. And as all of this is going, we'll continue to receive the funding that we need from the state and federal level to keep our heads above water.

Now, there are two remaining questions that I'm sure are at the forefront of your thoughts as you think about investing in this space. The first is a liability situation. And the answer to whether or not there will be a federal liability solution is highly tied to the election. As long as the republicans maintain one part of the federal apparatus, whether it's the presidency or the senate, I believe that they will continue, I think that the republicans will continue to maintain that any future stimulus bill needs to have the kind of liability protection that all healthcare providers need to function going forward. If there is a democratic sweep next Tuesday, there is the possibility that this liability discussion will be set by—set aside.

Now, there is another school of thought. And the other school of thought is that if the democrats sweep everything, they have an understanding that for the economy to move forward, there's got to be some kind of liability protection. So there are some who believe that even if the democrats win everything, that in the lame duck they will want to get out of their way a smaller stimulus bill to be followed up by a bigger one in January or February and as part of this smaller stimulus bill would be some level of liability protection. Long story short, we'll know after the election whether or not liability protection at the federal level is a possibility or not, and if it is what it will look like.

And then, secondly, the whole issue of the business case of long term care. The good news on census is that although it initially declined about 10% on the skilled nursing side it hasn't collapsed any further. Now the bad news is this hasn't gotten any better either. The conventional thought among the operators that I talk with every single day is that once we get a vaccine and people feel more comfortable coming into buildings, we'll be able to rebuild the census. If that's true, we will be okay. And that is because the federal funding will be sufficient enough to get us to a vaccine. If once we get to a vaccine, we can start rebuilding census 0.5% or 1% a month, the numbers work out. On the other hand, if we get to a vaccine and census doesn't recover, we have a real problem. And so, I think, everybody's aware that it's all about census, and our belief and our hope that it will gradually improve once we get past the vaccination.

And finally, I just remind them, folks that are on the call, of something that you're clearly aware of, or you wouldn't be interested in this space at all and that is that the demographics are finally on our side. We went through this demographic trough in the 2010s where the number of people between 80 and 85 really wasn't increasing in the U.S. Well, we're past that now. We got past that in 2017. And the pandemic hasn't ended that. There will continue to be dramatic growth of the population group that needs our services. At the same time, the pandemic will lead to a discouragement of new investment, there will be less new capacity out there and you combine those two together. And I think this would be the case, medium and long-term can be made for the space. I'm not here to tell you you should absolutely continue to invest in the space, but I am saying that I am continuing to invest in the space. I continue to believe in the space. And as horrific as this looked back in March, we're in a much better spot right now.

So with that, I'll end my comments and look forward to any questions that people have.

Operator
I would like to turn the call back over to Wendy.

Wendy Simpson
Thank you, Jordan. And thank you, Mark. That was a lot of wonderful and understandable information. Jordan will now start taking questions from people on the call.

QUESTIONS AND ANSWERS

Operator
We will now begin the question and answer session. To ask a question you may press star and then one on your touchtone phone. If you are using s speakerphone please pick up your headset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question please press star then two. At this time we will pause momentarily assemble a roster. Our first question comes from Juan Sanabria with BMO Capital Markets. Please go ahead.

Juan Sanabria
Hi, thanks for the time. Just wondering on the political discussion the three-day stay waiver where it's been tremendously beneficial, what's the probability, Mark, in your viewpoint that that it gets permanently waived or do you think that's unlikely?

Mark Parkinson

Great question because you're absolutely correct. As you dive into the financials of these providers, it's been a really important thing in keeping revenue and for some companies at 2019 levels, even though census has dropped 10% or so. I feel confident that we're going to be able to continue to extend it along with the public health emergency for at least the next couple of quarters. So it's currently set to expire on January 22. I'm confident that whether it's President Trump or President Biden, that will then be extended another 90 days, and I think probably another 90 days beyond that. So that gets us, past the first half of 2021 and hopefully past the worst of the pandemic.

There is a growing appetite among providers to put at the absolute top of our lobbying list for 2021 a permanent elimination of the three-day stay. So that is absolutely on the list, that it's too early at this point to give any sort of probability that will be connected to whether or not we can succeed with that. It's going to be really interesting to go into the numbers as we're able to look at the last quarter or two, to see what the financial impact and cost is to the government and that we'll certainly be making a case for it. It's too early to know that whether or not we're going to be able to get in changed or not. I think that it probably increases the likelihood of getting the rule changed that observation days don't count for purposes of three-day stay. I think we're probably improved our chance to get rid of that rule, but too early yet to handicap a complete elimination.

Juan Sanabria
Great. And then for the LTC team, this new kind of trouble tenant that had abatements and deferrals, was there any permanent abatement? In other words, has the rent changed going forward of what was previously stuck or is the expectation that once things normalize it—that there will be a revert back to the previous rent structure and you could just give a little bit more color there.

Clint Malin
Juan, its Clint. We did not change, as Wendy mentioned in her comments, we did not change the rent going forward. What we addressed was rent through August as far as the abatement into September, and then the deferred rent that we provided for going forward. So no change to the contractual rent.

Operator
Our next question comes from Jordan Sadler with KeyBanc. Please go ahead.

Jordan Sadler
Thanks. And good morning and thank you, Mark, for all your time. A couple quick ones for you, hopefully. Coming back to this, the three-day waiver, are there any metrics around the number of beds that have been converted or that you've seen converted to skilled, and so how much providers are taking advantage of this and how pervasive it is generally? It seems like a potential area of risk in a sense on the other side. So I'm just curious, your thoughts there. And then the—just coming back to the census issue, the 1,000 or so basis points, the 10% of loss of census, where is it your sense that the patients are going, essentially that residents are going mostly that they'd have to be sort of pulled back from?

Mark Parkinson
Sure. So first on the three-day stay, we don't have any visibility on the total number of skilled beds pre-pandemic versus post-pandemic. My guess would be that it would be roughly the same, that the three-day stay waiver is neutralizing the decline that would have occurred without it. And so we're seeing less folks come in from the hospitals for a variety of reasons because—and I'll talk about in just a second because it ties in to your census question. But that's being made up for by people that are being skilled in place. And net-net, I don't think that there will be an addition. That will how it will be a provider by provider issue, there are clearly some providers that are very aggressively skilling people. And then there are other providers that that either aren't aware that they have the ability to do that, or have made the decision not to.

And so the overall, impact for them is much less, but I think net-net, we're going to see that it's a neutralizing factor to the decline in the normal post-acute census. All of that though is speculation and anecdotal, just based upon me talking with providers, we don't have any data yet.

In terms of census, I think that the hope is that census will turn on several different things. First, it will hopefully turn once we get a vaccine. And so once folks feel a little more comfortable with having loved ones in facilities, because of a vaccine it will turn at that point. Second there appears to be relationship, and I think this is probably particularly true in the AL space between visitation and census. People don't want to move into a facility, if they don't think they can have any visitors at all. So part of the slowdown I think in move-ins has been the restrictions on visitation. And obviously, as the pandemic ends, those will slowly go away.

And then finally, there's been an impact on census because of the decline in elective surgeries that occur in hospitals, a lot of the post-acute admissions are directly from hospitals as a result of elective surgeries. And as those stopped and then started up again, and now are stopping again, because of the spread of the virus, we're having a real problem there.

So I think, where are the people going? The people that aren't in our buildings, right now, it's a combination of things. First, sadly, it's because of deaths. If you think about the fact that there have been 50,000 plus people that have died in skilled nursing facilities, and we have an average occupancy of a little over a million on a long-term care basis, that's close to 500 basis points right there. A second factor is that we're not getting the elective folks, because they're just holding off on doing those surgeries. And then the third factor is that some hospitals are directly sending post-acute people to home health for their rehabilitation. The issue is, are those temporary phenomena, or are they permanent, and our hope is that they're temporary.

Jordan Sadler
Thank you for that. And then maybe just one quick one for folks at LTC. Just on SLC, any guideposts you guys can offer in terms of the net impact of transitions that you might see as we look forward to the front half of ‘21?

Clint Malin
Sure. Jordan, when you say net-net impact referring to timing of transfers?

Jordan Sadler
Okay, so your original face rent was, let's say, $20 million with SLC and right now, I think you're booking, you're assuming $900,000 a month but you actually received $1.3 million in October, I'm trying to understand, like essentially, any kind of range. Is it somewhere between the $10 million and the $20 million that you ultimately expect to receive on a run rate basis upon transition of these properties in 1Q '21 or is it narrower or wider? How do we think about it?

Clint Malin
I think at this point, Jordan, we're actively engaged in the process of re-leasing and looking at selling some of the buildings. So I think as we have more visibility, as we're making more progress, as we mentioned on our prepared remarks of having majority of the transitions completed by first quarter. Hopefully on our next call, we will have more visibility on what that looks like. We're actively in negotiation process. So it would be hard to give you the details right now, but I think in a quarter, we will be able to give you more clarity on that. But one thing I can tell you is that what will likely happen is there will be phase-in of rents over time, over a period of probably two to three-year periods as rents are stepped up over time.

Jordan Sadler
And how much did you record from them in the quarter?

Wendy Simpson
$3.3 million?

Pam Kessler
Yes.

Wendy Simpson
$3.3 million.

Jordan Sadler
$3.3 million, okay. Thank you guys.

Wendy Simpson
You're welcome.

Operator
Next question comes from Michael Carroll of RBC Capital Markets. Please go ahead.

Pam Kessler
Michael, you might be muted.

Operator
Next question comes from Daniel Bernstein with Capital One. Please go ahead.

Daniel Bernstein
Hi, good morning. I appreciate all the comments from Mark. Two questions, one for LTC and one for Mark. LTC question, a number of REITs and operators had been noting higher move-outs in senior's housing in the last few weeks or month or so. Have you see that in your portfolio, kind of what were your thoughts on that phenomena at this point, and maybe the causes for that and how systemic it is versus short-term?

Clint Malin
Sure, Dan. Being on the triplet side, we're always getting information in arrears from operators, and going into our call, we're getting updates from operators on census, which I provided. We have not had any operators express more concern recently over move-out. So that—it just seems like the deceleration of the occupancy declines, that's decelerating, but haven't had significant concerns have been communicated to us about them.

Daniel Bernstein
Okay.

Wendy Simpson
I think at this point, it's too premature to speculate on the decrease in October, because that is a point in time and you could have move-ins that come in towards the end of the month, and it would be back up to 77% like it was at September 30. So I would be reluctant to read anything into that, at this point.

Daniel Bernstein
And then, Mark, we haven't heard much about bundled payments lately, that was somewhat of a hindrance to the SNF industry, prior to President Trump's administration. If we have a changeover in administration, how concerned is the industry about bundled payments and some of those other items that had kind of been put on the backburner by the Trump administration? It seems like that would might be an issue going forward.

Mark Parkinson
Sure. Well, both the Obama administration and the Trump administration had a choice to make as it relates to post-acute payments, which is to whether to go towards a full blown bundled type payment or

whether to work with the per diem type payment. And the decision was really made, even though there was a lot of talk about bundling, the decision was really made by both administrations, but obviously, clearly by the Trump administration, to head away from bundling and finalize PDPM. And so PDPM which we talked a lot about coming into the year, and we haven't talked about it at all, because of the COVID crisis, the PDPM has worked pretty darn well. I think people that have had a chance to look at it on the policy side, think, hey, this was pretty smart.

And so I think it's unlikely that there will be a radical departure until PDPM is allowed to fully mature and work its way for a good probably three to five years. At the same time the health policy people in a Biden administration are basically going to be the same health policy people that were there in an Obama administration. And they all to a person very much like the idea of value-based purchasing, bundled payments, etc. So I think they're going to spend first year, assuming Biden wins, just kind of both fighting the COVID crisis and trying to get through COVID.

And, then I think you'll see, we get re-attention to things like bundled payments, etc. But it's going to take a while, and we don't view it as a threat at this point. We all tend to think that in a bundled world, sophisticated operators can actually do quite well in a bundled world. So there's not near the fear of it that maybe there was in the sector five or so years ago.

Daniel Bernstein
I appreciate that. I hadn't quite thought about in that way. So that's all I have. I'll hop off. Thank you.

Operator
Again, if you would like to ask a question please press star and then one. Our next question comes from Omotayo Okusanya with Mizuho. Please go ahead. Omotayo, you might be muted.

Omotayo Okusanya
Mark, thanks again for the insightful comments. Two quick ones for you. If the assisted-living industry does end up being successful in getting decent government aid, is there any risk that it gets increasingly regulated? And what form of regulation could that potentially take?

Mark Parkinson
It's a very good question and it's a question that I think the boards of all of the assisted-living associations ask themselves prior to making the decision to lobby for the funds. And ultimately, the decision was made that the need for the funds outweighed any risk of potential additional regulation. But I think you're 100% right, we've opened up the door to a discussion about it by accepting the funds. Now I still think that even with a complete democratic sweep, which would bring in a bunch of folks that are more interested in regulation than the republicans, I still think that in that scenario a full blown regulation of assisted-living that looked anywhere near like what skilled nursing is regulated under is unlikely. I don't think that that will occur.

I think at the margins, there will be some discussions about whether, for example, states should have some minimum level of regulation, whether there should be perhaps some regulations relating specifically to infection control, like all buildings having to have some sort of stockpile of PPE or all buildings having to have some sort of infection control program. I think you're absolutely correct in your question, it increases the discussion and it increases the probability. But I don't think that there will be the kind of regulatory scheme that nursing homes have suffered under for so long.

Omotayo Okusanya
That's helpful. And then you also brought up a point of some risk that even post the vaccine that census, whether it's, senior housing goes to nothing, need not necessarily go up. What kind of scenario would create that? And how do you kind of think about the risk of that actually happening?

Mark Parkinson
Well, I think, that first of all, I don't want to overstate the risk. I don't think that's going to happen. I think that census will recover slowly and a couple of years from now we'll be back to where we were pre-pandemic, maybe even a little better because of a contraction in new development. But this specific situation that would create a problem would be if discharged patterns from hospitals were permanently changed. So if hospitals decided we're able to send people home and get them post-acute in a home setting as opposed to a skilled nursing setting, that would be a significant problem. It just depends, you know, dependent upon the numbers and how big of a phenomena that was, that would be the problem. So that's probably the—the single biggest risk that we face at this point is just the change in discharge patterns.

The whole notion of whether people will feel comfortable in buildings, that's important. But it's also important to remember that people come into our buildings because they have to, they're quite old, they have significant challenges and they just can't make the discretionary decision not to come into our building. So I'm not really worried about that as much as I am about folks just deciding that they're going to try to do rehab at home.

Operator
Our next question comes from Michael Carroll of RBC Capital Markets. Please go ahead.

Michael Carroll
Yes. Thanks. I want to talk a little bit about Senior Lifestyle, make sure I understand this correctly. So the tenant is just behind on about $3.8 million of rent, but you have only $2.6 million receivable and then you have about $1.3 million of delinquent rent. What's the difference between the receivable and the delinquent rent balance?

Pam Kessler
So you recall that last quarter we put them on a non-accrual basis, so the amount reflected on the balance sheet is from the second quarter, but they were delinquent $1.3 million of rent this quarter, but it's not on the balance sheet because we stopped accruing it, but it is owed to us.

Michael Carroll
Okay. And then what is how has the EBITDAR trended on that portfolio and that was about, I think, it was—you gave us the June analyze, but where has it trended since, I guess, through September, has it gotten better or worse?

Pam Kessler
It's been trending up.

Michael Carroll
Okay. Is it in line with how much rent you're collecting? Is that what they're basically paying you or is—are they, kind of, taking money from their pockets to, kind of, pay for that? Some of that at better rent trends since its review [ph]?

Pam Kessler
No. It's commensurate with what they're paying us.

Wendy Simpson
But, Mike, it doesn't include any—it doesn't include yet any government funds they've received.

Pam Kessler
Right.

Wendy Simpson
Or will receive.

Pam Kessler
Yes.

Wendy Simpson
So that's not reflected in these numbers.

Michael Carroll
Okay. And then can you talk a little bit about what happens if you do decide to transition Senior Lifestyle out, are they—do they still qualify for, I guess, the funds from the HHS or if you do transition them out, you kind of run the risk of losing those?

Clint Malin
I guess, Mike, it's always a potential, you could run the risk, but right now, Phase Two has already been approved—being approved and being allocated actively right now. So, as I mentioned, transitions wouldn't occur until Q1. And even right now, I think, on Phase Three, as that's actively being upstanding with the November 6 deadline to submit the applications. And maybe, Mark, you could speak to this, but it sounds like the—it's likely that would be allocated and funded in 2020, we wouldn't risk that. So—and I know, Mark, if you have any thoughts on the timing of that, and whether any transition of operators, that you're aware of, from Phase Three would affect whether or not operators would get money or not?

Mark Parkinson
Well, the Phase Three quota closes next Friday. It closes on November 6. And at that point, they're going to do an accounting of how much money has been applied for, and make some decisions about trying to get the money out with the goal of trying to get it out by the end of the year. But we can't commit to that because that's their goal and there have been times when they haven't been able to achieve their timelines. But the goal is to get that money out by the end of this year.

Michael Carroll
Okay. Great. And then, Mark, is there a risk if there's transitions of an asset that you would lose potential additional funds? Because I know that they've been doing or basing a lot of those funds on prior revenues levels, I'm assuming that has to be the same operator to be able to achieve that?

Mark Parkinson
I think there's an administrative risk and the administrative risk is that people that have had a change of ownership have really been challenged in getting funds in some cases, not because philosophically HHS doesn't think that the new owner should get the money, but just because it's hard to explain to HSS what a [indiscernible] is and who the new owner is, and where the checks ought to be getting sent, etc. So I think it could slow down the receipt of the funds, but I don't think that fundamentally HHS would take the position that the new owner shouldn't get the funds.

Michael Carroll
Okay, great. Thank you.

CONCLUSION

Operator
This concludes the question and answer session. I would like to turn the conference back over to Wendy Simpson for any closing remarks.

Wendy Simpson
Thank you, Jordan. And again, thank you so much, Mark. You've provided so much insight to our analysts and our investors, and certainly to LTC too. And thank you everybody who's been on the call. We look forward to talking to you about year-end results. Stay safe, and have a good Thanksgiving. Bye-bye.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.