

# Growing the Nonprofit Presence

WHITE  
PAPER

*LeadingAge*<sup>®</sup>  
*Business Strategy Council*



GROWING THE NONPROFIT PRESENCE

Prepared by the LeadingAge Business Strategy Council

LeadingAge  
2519 Connecticut Ave., NW  
Washington, DC 20008-1520

Visit [LeadingAge.org/bsc](https://www.leadingage.org/bsc) to learn more.

## Synopsis

Nonprofit providers in the senior living field have demonstrated extraordinary creativity in navigating challenges. While the significant increase in the 65+ demographic supports continued investment, providers face important decisions on how and where to invest finite resources while continuing to provide a community benefit honoring their mission.

This paper will:

- Outline the market opportunity supporting continued investment in the nonprofit field.
- Encourage leaders to seize the moment in growing their mission.
- Examine trends and influences on the next generation of leaders and consumers.

## About the LeadingAge Business Strategy Council

Increasingly, LeadingAge's members are seeking research findings, business intelligence, and sound strategies to help them navigate the highly-pressured financial, regulatory and market-driven environment. Members need guidance in the areas of growth, management, financing and operations. LeadingAge's Gold Partners are experts in these areas.

This nexus of member need and corporate partner expertise is an opportunity to tap business partners to provide information to members and LeadingAge staff to strengthen the nonprofit aging services sector. The LeadingAge Business Strategy Council is a forum where Gold Partners can work with a select group of members to share insights and intelligence on trends and solutions.

The Council's work will be published as valuable information to help LeadingAge members with business and strategic decisions and to give Gold Partners exposure as thought leaders in our field.

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# I. Introduction

Nonprofit providers in the senior living field have demonstrated extraordinary creativity in navigating the challenges of their recent past. Challenges posed by the Great Recession, increased competition, new regulations, changes in public policy, advancing technologies, and shifting consumer preferences, to name a few, have forged a new management discipline that is improving their effectiveness.

Leaders across the industry are focused on how to respond to the growing demand for senior care services. While the significant increase in the 65+ demographic supports continued investment, providers face important decisions on how and where to invest finite resources while continuing to provide a community benefit honoring their mission.

This paper will outline the market opportunity supporting continued investment in the nonprofit field, encourage leaders to seize the moment in growing their mission, and examine trends and influences on the next generation of leaders and consumers. In addition, respected industry leaders were interviewed to learn how their organizations are moving forward to “Grow the Nonprofit Presence.”

## II. Problem

If nonprofit organizations do not lead the aging services field into the future, who will? Our leadership, ingenuity, and mission-driven passion has never been more needed.

## III. Findings

### III. A. If We Don't Lead, Who Will?

This paper is a short brief written for leaders in the nonprofit senior living sector: governing boards, CEOs and senior executives.

Our purpose is to beckon leaders to a new sense of purpose-driven excitement about the role, purpose and potential of the nonprofit sector. Through the ideas in the brief, the narrative and the inspiring stories shared in the videos with sector leaders, we hope to kindle the imagination of leaders to do more, be more, serve more.

If we do not lead, who will? Let's lead. Our leadership has never been more needed.

#### **The Role of Nonprofits ... A unique and historic role, a *life force for American culture*.**

Nonprofits are critical to the balance of civil society in the United States. Charitable tax exempt organizations, by definition, must benefit the broad public interest – interests that transcend those of specific individuals or the marketplace. These organizations have a community-building role to play.

Alexis de Tocqueville, following a visit to America in the early 1830s, wrote extensively about his observations that Americans had a particular genius for coming together in community to solve common problems. In this country, nonprofit organizations are the key vehicles for community building through their work of “organized neighborliness.”

According to Independent Sector, “America’s nonprofit community is an unparalleled force for advancing the common good. It provides millions of people with powerful, independent, and voluntary methods for addressing the issues and expressing the values most important to them.”

### **Nonprofits:**

1. Involve individuals in efforts to respond to community concerns.
2. Provide a vehicle for communities to come together to address issues.
3. Deliver services to those in need, often in partnership with government.
4. Advance knowledge for the public good.
5. Test new ideas and solutions that reap benefits for the community.
6. Engage citizens in the democratic process.
7. Petition government regarding public policy and resource allocation.
8. Raise public awareness of important issues.
9. Empower human potential and uplift the human spirit.

*(Independent Sector website accessed August 2016)*

Lester Salamon, in *The Resilient Sector*, echoes those sentiments.

*“Like the arteries of a living organism, these organizations carry a life force that has long been a centerpiece of American culture – a faith in the capacity of individual action to improve the quality of human life. They thus embody two seemingly contradictory impulses that form the heart of American character: a deep-seated commitment to freedom and individual initiative and an equally fundamental realization that people live in communities and that they consequently have responsibilities that extend beyond themselves. Uniquely among American institutions, those in the nonprofit sector blend these competing impulses, creating a special class of entities dedicated to **mobilizing private initiative for the common good.**”*

He goes on to discuss the five major nonprofit roles or functions in this way:

- **Service role:** They deliver a wide range of services including healthcare, education, housing, social services, and cultural entertainment.
- **Advocacy role:** They address issues from basic human rights to a variety of individual and communal concerns.
- **Expressive role:** They provide outlets for sentiments and impulses from the artistic to the social and religious.
- **Community-building role:** They build relationships and bonds between people and groups and those connections are important to a well-functioning democracy.
- **Value guardian role:** They embody, nurture and sustain civic values, most especially the value of individuals working together for the common good.

When living out their highest callings, nonprofit organizations are valuable witnesses to shared effort in human community and powerful contributors to individual and societal well-being.

## Nonprofits in the Field of Aging... Why must we seize the moment to grow and lead?

It is important for nonprofit organizations working in the field of aging services to think critically about their calling, to assess the degree to which they are living out their commitments to the wider community in intentional and creative ways, and to live into their highest potential. This goes far beyond current approaches to social accountability or community benefit.

Many aging services nonprofits trace their histories back 5-10 decades or more. Many were founded when a person or small group of people saw a need and mobilized to meet that need — whether to care for orphans after the Civil War, or to provide supports to people with disabilities, or to provide homes for aging individuals. These volunteers reached out proactively, often taking significant risks or leaps of faith, then created enough structure around the effort (often through faith communities or fraternal organizations) to assure continuation beyond meeting the immediate need or the short-term enthusiasms of individuals.

These organizations have evolved over time — often as seedbeds of innovation, continually reinventing themselves to move into the future. This entrepreneurial, “mobilizing creatively to meet needs” spirit has never been more needed than now. Faced with a rapidly aging population with diverse needs, preferences and means, nonprofits have great opportunity for growth and impact.

Our nation, and indeed the world, is entering a period of demographically-driven change:

- A dramatic growth in the percentage of the population over 65.
- Increasing life expectancy.
- Increasing needs, expectations, and preferences of older adults.
- A resulting increase in demand for senior living, housing healthcare services, and supportive services.
- The need to support family and informal caregivers for older adults living in the wider community.
- The opportunity to engage the gifts, skills, and energies of older adults.
- A need for trusted partners and for finding ways through a complex array of providers and services.
- An increasingly changing and challenging private and public funding and regulatory environment.

As this demand for service and trusted partners grows, the private sector will identify and take advantage of many market opportunities to provide services, often times in a high quality way, and will achieve strong financial returns as well. Competition will come from new entrants in a variety of sectors as old and new firms focus on the burgeoning older adult market.

This private sector growth will be beneficial, but **nonprofits must also seize the moment to grow and lead.**

It may be anticipated that a pure market orientation will, at times, result in cutting corners on quality. For example, several studies have found that nursing homes owned by private equity firms have lower staffing levels than nonprofits or even other for-profits. The Center for Medicare Advocacy cites data suggesting that for-profit nursing homes trail nonprofits in areas such as staffing ratios, cited deficiencies, and hospitalization rates. In 2014, *Health Affairs* published a national study entitled, “For-Profit Medicare Home Health Agencies’ Costs Appear Higher and Quality Lower When Compared to Nonprofit Agencies.” Certainly, there are many high-quality for-profit firms and quality can be uneven across nonprofits, but overall trends demonstrate higher quality in nonprofits. Measurably high quality needs to be an ongoing focus area for nonprofits and can be a market differentiator.

There are also situations in which market forces would result in unmet needs were it not for nonprofit organizations committed to their mission. When there is inadequate or non-existent reimbursement, nonprofits will often raise charitable dollars or cross-subsidize programs to assure that people without means have access to care. They also collaborate, get creative about how to meet high-intensity needs, and find ways to stay engaged in service provision even during economic downturns. Firms pressured for maximum return are often not able to make such decisions.

These realities help to frame a unique role and opportunity for nonprofit organizations in our society and within the field of aging services.

### **Nonprofit Values ... How can these guide us as we grow and lead?**

What are the possibilities as nonprofits lead into the future of accompanying people on their journeys as they age?

Governing values can be powerful and grounding, providing a sense of direction and clarity. We suggest there are many differentiators by which nonprofit boards and senior leaders might test their own sense of purpose, strategies, and paths. Common values include:

- *Motivated by mission* – a sense of calling, of being in the world to serve, to make the world a better place for older adults.
- *Valuing the gifts of all people* – older adults, co-workers, volunteers, colleagues, families, community neighbors, collaborators.
- *Promoting stewardship* – a profound respect for the assets placed in trust for the organization's leaders to use for good: financial, physical, property, reputation, history, leadership.
- *Enforcing governance* – a commitment by volunteer leaders to responsible governance, to responsive and effective service, to long-range planning, and to manage the organization's financial and other resources with diligence and effectiveness.
- *Orienting to the community* – rooted in, enriched by, and accountable to our communities.
- *Evaluating financial and programmatic effectiveness and accountability* – refuting the stereotype that nonprofit organizations are inefficient, undisciplined, and slow to change, we see nonprofit organizations as committed to the highest levels of effective stewardship and transparency.
- *Working on staying power* – Retooling and reorienting from time to time as community needs and realities change, but focused on service, stewardship and staying the course.

When asked how they hope to be known, these are the sorts of words nonprofits use:

- Effective
- Responsive and responsible
- Reliable
- Caring
- Enriching and empowering
- Visionary



- Innovative and creative
- Optimistic
- Determined and courageous
- Restless – always reaching to be more, do more, serve more
- Trusted partners with those we serve, with those who serve, with our communities
- Curious and always learning, in order to serve better

What values would your organization add to this list? How are these values made manifest in the life of your organization?

### **Leading into the Future ... How will your organization blaze the path?**

As nonprofits plan for the future, here are some brief examples of what the next stage of nonprofit leadership in the aging services field might encompass.

- Nonprofits will **build on their histories of courage and creativity**. Like the founders of most nonprofits, when we see needs we will exercise all of the ingenuity and advocacy in our capacity to address them. This surely means that we will need to innovate and experiment and it also means that we will need to develop a greater tolerance for bounded risk and sometimes even failure. There is much to learn from colleagues who have nurtured cultures of innovation within their organizations.
- **Governing boards** drawn from the wider community of stakeholders will be a key differentiator of nonprofit organizations. These are times that call for active, wise, and courageous board members who partner with chief executives to create the future. Investing time in evaluating and strengthening governance, engaging in generative conversations, and focusing boards on the future will generate good returns on that investment. Governing boards need to be asset multipliers rather than overseers and caretakers.
- As forward-thinking nonprofits position for the future, more and more will engage in **collaboration, joint ventures, affiliations, and mergers**. These arrangements often offer: a greater depth of staff expertise and opportunity; access to capital or economies of scale; a richer service portfolio; opportunities for horizontal or vertical integration; shared risk and reward; chances to pilot new programs with grant funding; access to new markets; and opportunities to serve more and do more. Collaborative relationships tend to multiply — the more relationships an organization builds, the more likely that new partners will seek them out.
- Oft-repeated popular observation about nonprofits is that they are: overly deliberative and slow to action; lacking rigor in financial management, effectiveness, and efficiency; and well-intentioned but naïve. These are not qualities rewarded in the changing context and in no way need to define the field. Leading nonprofits, in contrast, will be rigorous about: efficient systems; use of data for continuous improvement; high standards of quality; cultures of continuous learning and accountability; and governance excellence. **Good practice enhances mission fulfillment.**
- Nonprofits have rich histories of **utilizing volunteers and of leveraging their charitable status for philanthropic funding**. Cutting-edge nonprofits will find new ways to engage high-level volunteers and recognize untapped sources of human capital. They will engage a diverse donor base, particularly of younger generations who want to be hands-on in both action and giving.

- Technology is shaping the field in new and dramatic ways. Electronic records offer opportunities to make sense of meta-data. Remote monitoring of vital signs and activity, combined with a variety of applications that can compensate for a range of disabilities and medical conditions, offers new ways to provide support in people's homes. Telehealth, social media, virtual tours, virtual senior centers, care transition software, contract trackers... the list grows daily. **Leaders in nonprofits will stay up to speed on new technological developments** and will partner to employ appropriate technologies. Lots of new technologies often look for beta sites.
- **Advocacy** is a core role for nonprofits, in all aspects of the word. Speaking up for sound public policy that works for older adults and their families, providers of supports and services, and government is crucial. But also advocacy targeted to public perceptions of aging. Frameworks Institute has done groundbreaking work in the area of language and metaphors about aging based on linguistic and neuropsychological principles. LeadingAge has a vision of an "America freed from ageism." Developing strategies and joining efforts within LeadingAge and beyond positions nonprofits to lead the field in new ways of thinking about and experiencing aging.
- Maintaining a **well-trained and engaged workforce** will be an increasing challenge according to many experts. Nonprofits must take the lead on this opportunity. Nonprofits have been shown to have higher staffing ratios than proprietary firms, resulting in greater staff satisfaction and improved quality of care. Many nonprofits work to provide a living wage and benefits to employees, keep an eye on the ratio of compensation between highest and lowest paid employees, and advocate for increases in reimbursement to be targeted to staff wages. Staff training, career ladders and lattices, involving staff members in decision-making, creating cultures of engagement and a host of other human resource best practices will distinguish nonprofits. Also, there is a long history of nonprofits viewing their missions as a calling and vocation, offering "meaning" to staff rather than just work. Interpreting the work of each staff member as a calling vital to the mission imparts a different lens through which to experience one's role in an organization. We need to **cultivate leaders** who understand and live this out.
- Amid the complexity of a poorly-stitched together panoply of housing, healthcare, supports and services, consumers need **trusted sense-makers** who can help them navigate and make decisions. Nonprofits need to position themselves not just for marketing, but also as experts in aging, advocacy, community resources, available funding, and how to make referrals for services beyond the ones they provide. As they become recognized for these roles, their influence will grow, as will their knowledge of significant gaps in service that need to be fixed.
- Leadership nonprofits **look for inspiration and ideas in unusual places**. They not only keep an eye on trends in the field of aging, but also track developments outside the field. Clues to the future can be gathered everywhere from the field of disabilities, to the emerging collective impact movement, to shared value initiatives, to manufacturing, to community development, to start-up entrepreneurship, and more.
- Nonprofits are taking the lead **to move from a paternalistic "care-taking" role to a partnership role with older adults and their loved ones** as they navigate the course of aging. Going beyond person-centered care to person-directed living is key. Engaging the gifts and skills of older adults, facilitating leadership roles for residents, respecting diverse preferences and needs, exercising care in the use of language, and making sure that those with "lived experience of the issues" are at important discussion and decision-making tables are just a few methods of partnership. As the community organizing slogan goes, "nothing about us without us."

## Stretching Further — Multiple Roles for the Future ... What roles will you choose?

Not every nonprofit organization will fulfill all of these roles, but each will fulfill some.

- Understanding our current and future societal needs in the field of senior care and translating this understanding into models of effective service. Where are the demographic, psychographic, economic, and other trends in our society headed, and what needs are and will be present that need to be addressed?
- Ensuring that all seniors in all places, regardless of healthcare and socioeconomic status, race, sexual preference have access to, integration of, and navigation through a continuum of high quality services that enable the living of life to the fullest, where at all possible in the place that the senior calls home. This would particularly include understanding where the private sector will not be adequately fulfilling needs, and determining how to address those circumstances in a high quality and financially sustainable way.
- Conducting research and contributing to research and shared learning in the field of aging that continually advances quality of life for seniors, and can inform public policy and decision making.
- Working to translate the results of that research into practice, and demonstrating superior value-based outcomes, taking into account health status achievement (mobility, mental health, cognition, comfort), personal satisfaction (autonomy, empowerment, respect, security), and cost effectiveness (personal & societal).
- Being a learning laboratory for those in and entering the aging services field. Teaching the next generation of caregivers and professionals, and growing the ranks by exciting more young people about the importance, challenge, and fulfillment of caring for and serving seniors.
- Advocating for policies, at all levels of government and public opinion, that:
  - Remove barriers to care for seniors.
  - Develop new services.
  - Improve reimbursement and access to services.
  - Make America a better place to grow old.
- Perhaps most importantly, taking the lead in standing for the **greater common good**. If nonprofits look and act precisely like proprietary firms, they are not living up to their important roles as community builders. It is imperative that all nonprofits, whatever their specific missions, also look up and out and ask how they can be catalysts for the greater good.

Nonprofits can and must lead into the future. Growing missions, reaching out, and working together are imperatives. Together, we can be the trusted voice of aging.

**How shall we lead? We are needed, more than ever.**

### III. B. Leaders Speak About Growing the Nonprofit Presence

Aging services leaders were interviewed to gain their insights on the opportunities and challenges facing the field.

#### *On Mission*

“The mission of RHF is to provide a range of housing and services for older adults, persons with disabilities, and limited income families. ... Our mission is all about people. About trying to give people a good quality of life.”  
*Laverne Joseph, Retirement Housing Foundation*

“Creating communities that celebrate the lives of seniors.” *Sloan Bentley, Lifespace Communities*

“It’s really about security and peace of mind to residents that really hits all of their particular needs: social, spiritual, physical. You do the right thing no matter what the cost.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“It’s essentially just about serving others. And when we talk about serving others, it’s, of course, primarily seniors in our mission. But honestly, we’re serving staff, we’re serving families just as much. [...] And for me the bottom line is Jesus spent his life on this earth serving other people. So if it was good enough for him, it’s bound to be good enough for us.” *Ron Jennette, Methodist Retirement Communities*

“So I think the nonprofit and the mission for us comes from a calling. This is what we were asked to do on earth. This is the group of people we were asked to serve and this is how we were asked to do it.” *Kathy Anderson, Goodwin House*

“While our mission has remained timeless throughout our 75-year history, we have dramatically changed who we serve and how we serve them. We have evolved from serving ‘aging ladies of refinement from good families,’ to serving a diverse population of older adults across a broad range of income levels.” *Mary Leary, Mather LifeWays*

“At every level in the organization, it’s about inspiring people’s lives. And in reality, it’s not just staff accomplishing that, through good hospitality and good quality of life and good quality of care. It’s really about the things that the residents do for the staff in terms of their inspiration to us.” *Gary Marsh, Masonic Homes of Kentucky*

“To together transform the experience of ‘aging’ is probably a lot more than most people say about their work and what drives their work in this space, but for us, it gives us the room to innovate, it gives us the room to be creative, it gives us the room to seek impact in different ways. [...] We have seen it to be a competitive advantage as long as we stand behind it.” *Sean Kelly, Kendal Corporation*

“The mission of Hebrew Senior Life has always been to provide the best life possible in the most respectful way to older people [...] it is such a broad mission that it does not at all define how we help seniors, it totally defines the bottom line benefit that the organization is looking to bring to seniors. [...] Redefining the experience of aging in every way: how seniors look at themselves, how they envision their potential to do new things, to do different things, and also evolving the infrastructure.” *Lou Woolf, Hebrew Senior Life*

“How do we help people age well? Move into this stage in life with eagerness, with anticipation, with a sense of joy, with a sense of purpose, and realize the fullness of the age.” *John Cochrane, Cornerstone Affiliates*

“The Christian mission of Lutheran Senior Services is older adults living life to the fullest. We exist for the people we serve. [...] If we can help older adults maximize their potential physically, mentally, emotionally, and spiritually, isn't that what living life to the fullest is all about?” *John Kotovsky, Lutheran Senior Services*

## *On The Nonprofit Advantage*

“I think being a nonprofit is an advantage. I'm able to talk to prospective residents and team members and let them know that we take our profits and invest them back into our communities, and for-profits cannot do that. [...] The nonprofit advantage isn't marketed, or really messaged as well as it can be. How do we tell the prospective residents and families that advantage of a nonprofit?” *Sloan Bentley, Lifespace Communities*

“Being a nonprofit has traditionally been a competitive advantage relative to attracting older adults to senior living communities. Nonprofit senior living communities have had a ‘halo’ effect in terms of reputation, a financial advantage due to tax-exempt status, and ease in marketing due to ‘affinity’ group access. These advantages are eroding however, as for-profit companies develop strong brands, gain price competitiveness due to economies of scale and nonprofit tax exemptions being eliminated, and provide more options and choices across the continuum.” *Mary Leary, Mather LifeWays*

“[Nonprofits] don't have to be concerned about the return to stockholders and stockholders become very antsy when there's not a positive return on their investments. [...] I also find that among our potential residents or clients, if you choose to call them that, that the nonprofit image is one that puts people first. Without the nonprofit voice and mission the country would not be able to serve seniors and other persons as well.” *Laverne Joseph, Retirement Housing Foundation*

“It allows us to stay focused on doing the right things. Sometimes that costs money that in a for-profit situation you may make a different decision than making the right decision. [...] I think it is a declining advantage to be honest with you. I think a lot of consumers today are looking more at amenities in a community, and if it happens to be a nonprofit they'll live there. But they are not beginning to search only focused on nonprofits. And I think that's causing a lot of alarm with the industry.” *John Kotovsky, Lutheran Senior Services*

“We're all in this together whether its residents or staff, that we work together, we live together.” *Gary Marsh, Masonic Homes of Kentucky*

“The fact that we're a nonprofit gives us a decided advantage in part because the residents who come to be with us realize that we're not paying dividends to stockholders. We're not paying bonuses to owners. We're truly here to serve. All our remainder money strictly goes back into the community to serve that group of residents.” *Ron Jennette, Methodist Retirement Communities*

“I don't think there is any question that it is a competitive advantage. I think a lot of our reputation is based on the nonprofit aspect. [...] We've always felt that when you have the nonprofit background, you have a faith based component and then you can show the excellence on the business side where we're financially extremely strong.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“I believe we provide a high quality product and service, because any excess revenues get invested back into our communities and our residents. That's not what the for-profits do, they feed stockholder interests. But the perception in the market may not be as distinct as we know it to be.” *Joe Anderson, Senior Quality Lifestyles Corporation*

“I also think that our nonproftiness speaks to durability and speaks to the expectation of consistency over a long period of time.” *Sean Kelly, Kendal Corporation*

“And I think that nonprofits, they have that ability as well because if they understand their mission well they bring meaning. And people want to be associated with organizations that are about creating meaning. [...] I think it has a tremendous advantage over the long haul to be able to be nimble and flexible and responsive and imaginative and a pull around the table.” *Kathy Anderson, Goodwin House*

“We’re going to focus on societal needs that would otherwise be unfulfilled, I think we do have a competitive advantage in attempting to fill those needs because we have the opportunity to go to foundations, to go to philanthropists and to basically tell that story, the fact that here is something.” *Lou Woolf, Hebrew Senior Life*

“I think nonprofits are not at all taking advantage of the story that we have to tell about the good that we do and the difference we make in the lives of those we serve. [...] We have a tremendous story to tell of how we’ve helped people age well and we just haven’t told it effectively. We haven’t told the nonprofit difference. [...] I think there’s a strong, powerful, compelling story that will resonate with the consumer if we tell them the right way.” *John Cochrane, Cornerstone Affiliates*

## On Growth

“I believe in growth because if you don’t grow you’re going to become stagnant or step backward.” *Laverne Joseph, Retirement Housing Foundation*

“It’s a mission imperative. We are good at what we do, we know we’re having an impact, and if we really believe that, then we have an imperative to grow. [...] I do view growth as a necessity at Cornerstone. And I view it as a necessity for any for-profit or nonprofit. I think, number one, I think that any organization that isn’t growing is going backward. And I think if you are stagnating you can’t reward, retain and engage consumers or other stakeholders.” *John Cochrane, Cornerstone Affiliates*

“I do not think that growth is critical as an end in and of itself. I do believe that growth probably is critical because there are so many, many more seniors every day, 10,000 people now turning 70 every day, that you do continue to need to grow in order to keep up with the needs of society. And I also do believe that growth, from just an economic perspective, we are an organization that has a very robust roster of supportive services that we offer to residents, the people in the home.” *Lou Woolf, Hebrew Senior Life*

“So the question about scale and does it give you the opportunity, I think it does. And one of the reasons our organization has been intentional about thoughtful proven growth is because it, first of all, gives people opportunities. [...] It builds bench strength, it builds imagination, it builds competence because you can’t grow without having the abilities, and often you don’t have the abilities when you start to grow. So you get a stronger team and you get stronger yourself.” *Kathy Anderson, Goodwin House*

“Expanding the number of people we serve has to happen either by increasing the size of the existing communities, reaching out with community-based services, or with new sites either acquired or built. [...] So at SQLC we look at growth, whether that’s through acquisition or new campuses or a combination of the two, as a way to attain the kind of scale that we’re going to need to compete against for-profit companies. It’s driven by security for each and every resident and each community. The bigger the pool the safer every resident is.” *Joe Anderson, Senior Quality Lifestyles Corporation*

“The opposite of growth is decline. Growth may simply mean implementing new ideas to replace old ways of doing things in order to meet the changing expectations of older adults. [...] Growth exposes organizations to new concepts, perspectives, and experiences. These benefits enable our organization to embrace change and remain a relevant, contributing member of our community and industry.” *Mary Leary, Mather LifeWays*

“We don’t want to be so fixated on what’s in the mirror that we miss other opportunities that are percolating out there, whether it be a partnership, a new affiliation, a new business model, a new set of home-based programs and services that we might provide. [...] There will be possibilities that will come before us in the future where intensiveness of capital both in terms of what we have in reserve and available and what our larger profile might look like may be the difference between us being able to seize on a great opportunity and/or leaving it to someone else [...] The Kendal organizations that are right for growth, and I would submit to you that they all are, they are all growing and evolving in some way or another [...] The balance between mission and running or seeing the enterprise run really, really well is it’s easier to stay on that beam in the middle when you’re moving than it is when you’re standing still.” *Sean Kelly, Kendal Corporation*

“We’ll have the opportunity to be something that’s very preferred by groups that are looking for the benefits of what a large organization can bring, whether that’s from a training standpoint or in most cases, candidly, financially, because certainly in some cases the small multi-facility groups or the single ones are increasingly challenged by what their long-term future might be.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“I personally believe any organization that sits still is just on a downward death spiral. The world around us is changing, things are moving rapidly. If we’re not changing with the world and moving forward then we’re simply going to be left behind.” *Ron Jennette, Methodist Retirement Communities*

“It’s a matter of having that great team that are altogether moving in the same direction. [...] I’ve got a great team that is just as excited and enjoyable about making the progress that we do that we can serve the people that we can. [...] I would hope that we had expanded our organization by at least double where we are today. We’ve done what we’ve done in just a little over 10 years, but I think there are opportunities out there if we can find the right product to serve seniors in locations in the state that I think we could double our size. I believe in when you see the opportunity you seize it. And I think that that’s important that for a nonprofit to succeed, continue to grow, that they’ve got to seize the moment.” *Gary Marsh, Masonic Homes of Kentucky*

“A lot of our growth has come through mergers and affiliations, and I only see mergers and affiliations increasing in the future. [...] If you are not growing, in our opinion as an organization, you’re actually going backwards.” *John Kotovsky, Lutheran Senior Services*

“We do have a growth strategic plan that is focused on how to expand. Because we really believe that the for-profits are viable competitors in all our marketplaces. And we really want to make sure that we have the perpetuity of our mission [...] We know that there are benefits of being a larger organization. Best practices, leveraging efficiencies, also bringing in-house expertise, such as legal or clinical, etc. Growing to increase the infrastructure and the services and the mission is what we are focused on.” *Sloan Bentley, Lifespace Communities*

## *On Leadership and Culture*

“Leadership is critical. We know that somewhere around 35% to 38% of the CEOs in our business are going to consider retirement in the next 5 to 10 years. [...] There will be a leadership crisis if we don’t find younger people who are willing to step into those roles.” *Joe Anderson, Senior Quality Lifestyles Corporation*

“We are absolutely aligned around the utter importance, the imperative around developing people from within our organization, providing staff development, not just at the leadership level, but through all levels of supervision and management, and all levels on the ground. [...] The best answers to a problem, the best ideas that might emerge, the greatest innovations, the next best step forward don’t generally or maybe ever come from the mouth or the mind of one person.” *Sean Kelly, Kendal Corporation*

“I think when you talk about leadership as a whole you’re really talking about the ability to articulate a vision and then execute on that vision in a measureable and meaningful way [...] We need people who can work collaboratively and creatively and we need to attract smart people into the field and understand that sense of urgency and passion and drive is really what makes the mission thrive for us.” *John Cochrane, Cornerstone Affiliates*

“Describe what the priorities should be and in what order they should be. And we say faith, family and work [...] I think there’s a shared responsibility among employees and management about culture, I think it’s everybody’s responsibility to be protective of the culture.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“For me it has really been about talent acquisition because that’s where the magic happens. [...] I quickly have learned that communication is an ongoing process and you really can never communicate enough.” *Sloan Bentley, Lifespace Communities*

“We are an organization that really does put the patients, the residents, their families and other key constituents [...] in the center and says, you know, ‘What is the situation that you are in? What kinds of services are available? What are your needs?’ So I think one of our real core culture keys is that incredible inclusiveness and recognizing that this is a team sport and that the only way to succeed and to really understand and to succeed is by really having all hands on deck.” *Lou Woolf, Hebrew Senior Life*

“I don’t make a lot of unilateral decisions. I have input from other team members involved and allow the team to largely make decisions.” *Gary Marsh, Masonic Homes of Kentucky*

“Leadership begins and ends with integrity. My core value as a Christian is: I don’t exist by myself; I have a servant heart. I think listening is a key aspect of leadership, is don’t jump to conclusions before you know all the facts, is do your homework, work hard, and it pays off in the long run.” *John Kotovsky, Lutheran Senior Services*

“I think an organization has to be honest in every way. It has to practice integrity. It’s not necessary for the CEO to know everything. You need to put a team around you that knows more than you do about their areas of responsibility. And you need to have everybody on the team pulling in the same direction to make the mission not only survive, but prosper. And your team needs to understand the nonprofit mission and to understand: no margin, no mission.” *Laverne Joseph, Retirement Housing Foundation*

“So I think a leadership principle is abandon yourself to the strength of others. Wear the mantle of leadership for your organization in your mission. I’m sure at some level it comes from my faith perspective, but I think it comes from every faith perspective, is we’re here to serve and I’m here to listen to you, and what you have to say has meaning.” *Kathy Anderson, Goodwin House*

“My core leadership principles include: building consensus to achieve richer strategies and operational alignment; treating others with compassion, respect, and fairness; seeking to eliminate impossibilities through creativity, tenacity, and resilience; and striving to improve/enhance/transform. I encourage staff to eliminate impossibilities. As Walt Disney once said, ‘it’s kind of fun to do the impossible.’ Finally, I believe that ‘the little things’ matter (‘quality first’) and serve to create long, lasting impressions.” *Mary Leary, Mather LifeWays*



## On Competition

“I think one of the biggest threats to senior housing in the nonprofit industry is the for-profits. They’ve gotten smart. They’re very good at hospitality. It’s a new day [...] which I think is good for the industry because another nonprofit provider to me is not a competitor. Lifespace is I believe in a unique position in that we offer a traditional Type A life care contract. A lot for-profits don’t like that specific business. And so for the nonprofits to dominate that product is viable and will continue.” *Sloan Bentley, Lifespace Communities*

“I think there should be focus certainly on the importance of the nonprofit sector and how you maintain that, how you grow that and how you have a presence and you can tell a story that’s meaningful to you.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“I believe nonprofits are absolutely losing market share. The for-profits are coming into every segment. I think nonprofits have been sitting back a little bit too much waiting for something to happen.” *Ron Jennette, Methodist Retirement Communities*

“We should stop wringing our hands, in some ways apologizing for things like how difficult it might be to access capital relative to somebody that has the benefit of the backing of a REIT or some other type of mechanism that we just don’t have at this point. I think we have to play to our strengths. [...] I do think that it’s difficult if not impossible to argue that the nonprofit sector is losing market share relative to growth, relative to the overall growth of the sector. I do think that we as nonprofits need to understand the concept of market share, what it is and how it impacts us. I do think it is important that we maintain our standing in the field and in the space.” *Sean Kelly, Kendal Corporation*

“There are more and more organizations, whether it’s assisted living, whether it’s care at home, which are getting into the market. So I believe the percentage of services that are being offered to seniors is shifting more and more towards a for-profit world. I think the challenge is that we as nonprofits need to focus our attention on those areas where the for-profits aren’t going to gravitate, those unfulfilled needs. So I don’t believe losing market share is an issue. I believe just what we have to focus on is, Is there is enough critical mass of work that we’re able to do in financially viable way in order to fund a mission? And that should be the emphasis rather than market share.” *Lou Woolf, Hebrew Senior Life*

“Many nonprofits do not have the capacity, capital, or easily replicated models to keep up with the influx of capital and for-profit companies entering the senior living sector.” *Mary Leary, Mather LifeWays*

“I think the definition of market is changing. I think if market is defined as real estate product only, that’s very capitalistic economy driven, and there are advantages to the nonprofit sector and there are advantages to the for-profit sector, and in particular related to capital access. But if you define market as country that has a huge millions of people getting older [...] it seems to me that there are phenomenal opportunities for nonprofit organizations. [...] I think there are imaginative and very successful pockets across the field. I think that we need to embrace the challenges. We need to acknowledge the challenges but we need to look at the possibilities.” *Kathy Anderson, Goodwin House*

“We as nonprofits have lost in nursing home operation, assisted living operation, memory support operation, as well as generally independent living. The only area where we’ve maintained market dominance is CCRC’s and Life Plan Communities. And even there we’re seeing a big incursion by the for-profit companies. That’s concerning to me.” *Joe Anderson, Senior Quality Lifestyles Corporation*

“I don’t see us facing competition from for-profits at all. What we’ve been able to do in the Louisville market has never been done. Actually the fact that we have a life care CCRC project entry fee, we’re the only ones in

Kentucky. We don't believe that we're losing market share. We're advancing on the market and will continue to do it in every opportunity we see." *Gary Marsh, Masonic Homes of Kentucky*

"Our industry from what I've seen has much higher residence satisfaction survey rates than the for-profit providers. I think that we need to find the opportunities to present our case. [...] One of the things that I am committed to is transparency as an organization, and that in the past we may have been very close-minded about sharing information. I think nonprofits are learning to do a better job of sharing information with each other, that I think we were concerned at one point." *John Kotovsky, Lutheran Senior Services*

"Nonprofits will continue to grow and continue to thrive as long as we have the leadership and, of course, the various leadership programs that LeadingAge has, the state associations have, the Council for Health and Human Services has now as well, to train leaders to understand what the difference is and to be good leaders for the mission helps and perhaps even ensures." *Laverne Joseph, Retirement Housing Foundation*

"We have a tax advantage, we have a consumer mindset advantage [...] So this idea that we should be complaining that for-profits are coming in and eating our lunch if we want to know where the blame lies, why don't we look into the mirror? [...] When we look at existing markets we're in we are not only seeing most of the competition come from for-profits, but I think we're increasingly seeing the consumer not differentiating between the for-profit and nonprofits. Well, I would hope the nonprofits would look at this environment and look at our shrinking market share and the eroding not so much consumer confidence but the eroding sense of distinction, and stand up and fight for what we believe in. And I believe we are beginning to see elements of that." *John Cochrane, Cornerstone Affiliates*

## **Attracting New Talent**

"We can best recruit future leaders by providing opportunities for growth and development both within and beyond the walls of our organization, success begets success. Today's leaders need to develop tomorrow's leaders. A career in senior living provides a sense of purpose that is bigger than oneself. Senior living is a complex business which intersects many sectors — real estate, hospitality, health care, technology — and will experience exponential growth in the years to come, and provide incredible career opportunities." *Mary Leary, Mather LifeWays*

"If we believe that we have to create the field of leaders then we've got to be part of making that happen. It's kind of capturing the energy, teaching people how to put a good business model together but then really in terms of leadership development make all kinds of opportunities together but equipping people to be ready." *Kathy Anderson, Goodwin House*

"I think the sooner you can offer programs for college scholarships to get nursing college students for summers to work in our communities, would be great program. I think we need to reach down into the colleges and to provide more incentive and more reasons for people to want to work in our business." *Joe Anderson, Senior Quality Lifestyles Corporation*

"I think talent acquisition is one of the major issues not only for direct care givers, which is going to be a crisis in our industry in the next few years. We've brought people from for-profit, nonprofit, from hospitality and from different industries that complement what our work is. We're going to create bench strength, and I want to promote individuals and to really grow them within the organization and we should be doing that within the industry. We're recruiting young professionals just coming out of college. We're being a very professional organization and business of how we provide our mission and how we do it efficiently as well as profitably so we can support the mission that's attractive." *Sloan Bentley, Lifespace Communities*

“I think one of the things that we need to do is stop being so insular as a field. We’ve said that at least 10% of our hires need to be people from outside of the industry, and I agree we need people who aren’t bound by traditional thinking. We’ve got to be willing to bring people in who are going to challenge the status quo, who are going to think different than we do, who are going to make us uncomfortable, who are going to make our boards uncomfortable, but who ultimately are going to be the people who move the needle on our field.” *John Cochrane, Cornerstone Affiliates*

“I think the key to attracting new leaders is to grow. We’re going to have more opportunity to bring people in from the hospitality industry and other places that will make a positive impact not just to the future but even in our existing communities.” *Ron Jennette, Methodist Retirement Communities*

“What I would say to a young person who may be considering becoming part of the senior living mission, and I call it a mission instead of an industry because we’re not producing auto parts or anything like that, would be, ‘Follow your heart. What can I do to make the world a better place?’” *Laverne Joseph, Retirement Housing Foundation*

“What we want to be clear about at Kendal is to give life to what else is going on around the organization. So we want to see each one of the individuals across affiliates and across the organization as potential mentors or thought partners to colleagues. I also believe that opportunities, again, for growth within Kendal want to be stimulated by a real sense for engagement and empowerment and opportunities to innovate.” *Sean Kelly, Kendall Corporation*

“If you want to reach fulfillment in life knowing that you’ve made a difference in the lives of somebody else, that is right up our alley of what we do as an organization. Millennials think different than the generations that went before them. They want balance or they want a lifestyle and they want the money [...] We need to respect and figure out ways, how can we give them fulfillment in our industry in the jobs that they do?” *John Kotovsky, Lutheran Senior Services*

“As an industry have we done a good job at that? I would say no. No matter what the size of the organization is, you’ve got to partner with associations. You’ve got to partner with colleges, universities, technical schools, whatever’s in your community. Are you doing a good job telling the story, what you’re looking for? And it depends on the organization.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“And I think we’re living in a time where people who are young adults right now are looking to make more of a contribution to society and to make a difference than when my generation was going through graduate school and all. We get people who want to come work for us who are coming from other jobs where they know they could make more money but they’re excited about the mission. Get out there, talk about the need, talk about how exciting it is to be looking to make a difference in this environment and that there are a lot of young people out there who are looking to make a difference. We’ve talked a lot to our employees about the fact that we don’t view that fact that they have a job and that they do have a career with us.” *Lou Woolf, Hebrew Senior Life*

## **Mission vs. Margin**

“Having a strong business model is the foundation for being socially responsible. Organizations cannot be socially responsible if they are not financially sustainable. Mather LifeWays senior living communities provide cash flow that fuels mission-driven activities to serve those unable to afford market-rate senior living options.” *Mary Leary, Mather LifeWays*

“So nonprofits absolutely, to me, focus on the social need, that’s the reason why nonprofits exist. There is absolutely every reason why a nonprofit also has to be extremely cognizant of the financial side of it, the cost-effective side of it, in order to survive and in order to fulfill the mission.” *Lou Woolf, Hebrew Senior Life*

“We’re simultaneously a business and a mission. Obviously a ministry ties into social accountability. But for us the focus is simply that we want to be [...] we not only want to take a leadership presence through state associations and national associations, but we want to be the leader in that local community. And that’s really where social accountability comes into play.” *Mark Vanderbeck, ACTS Life-Retirement Communities*

“I think it’s becoming more intense. I hold town hall meetings with our residents and our communities once a year and I will tell you the last several years I’m hearing greater and greater concerns from older adults that live in our communities. Not so concerned about the entrance fees, but the monthly charges.” *John Kotovsky, Lutheran Senior Services*

“I’ll say how we strike that balance between meeting our mission and making sure that the business and the businesses are running with degrees of success that allow us to keep the lights on. I don’t think because we are Kendal or because we’re a nonprofit that we have a monopoly on altruistic innovation, but I do think, to the question of what does being a nonprofit mean, that we have given ourselves and are given room to be explicitly innovative and creative toward meeting the mission in a different way.” *Sean Kelly, Kendal Corporation*

“Balancing profitability or a positive bottom line, as we call it, with being socially accountable for us means no margin, no mission.” *Laverne Joseph, Retirement Housing Foundation*

“So if you have a strong business model you have greater opportunity to make an impact with respect to social accountability. In our case, as we have a strong business model we’re able to do more. They’re actually a lot of things we do in our communities most of which we get paid little or nothing for. We want to be an important part of that local community in every location.” *Ron Jennette, Methodist Retirement Communities*

“It’s trite but true to say no margin no mission. And I think that as a nonprofit it doesn’t mean our margin needs to be razor thin. So we’re already competing with the for-profit world on an even playing field, if you will. The difference for us, and this is the assumption with accountability, is what we do with that profit, where we apply those back in. They go back into the mission of the organization and in serving market areas and serving people and communities that otherwise would not be served.” *John Cochrane, Cornerstone Affiliates*

“SQLC, like every other member of LeadingAge, needs to be able to demonstrate its commitment to social accountability. Whether that’s paying direct benefits, scholarships, underwriting resident car subsidies, affordable housing, whatever it might be, we all need to demonstrate that we’re giving more back to our market than we’re receiving in any benefits from our tax financing or property tax easements.” — *Joe Anderson, Senior Quality Lifestyles Corporation*

“We think that if our local geographic communities do not think that we are being responsive as a nonprofit organization, then we probably aren’t meeting our social accountability goals. We can’t do anything that does not have an economic engine. But that economic engine, for some of what our community accountability goals and activities, it might be fueled by philanthropy. So I think it’s very much tied to that lattice work that I see a successful nonprofit organization as being.” *Kathy Anderson, Goodwin House*

## Your Magic Wand

“I would ask our field, our boards and our CEOs and our leadership teams to look not at what scares us and what used to be, but look at possibility, and to think about what would it get to say ‘yes’ to people who want to be served and need to be served and to think about what it would take to put a team together to explore things that haven’t been explored.” *Kathy Anderson, Goodwin House*

“I would wave it over the planning departments of every city, county and township that we deal with in terms of entitlements and approvals. The biggest barrier to our building and our growth is the red tape that we go through.” *Joe Anderson, Senior Quality Lifestyle Corporation*

“I think the answer would be I would have voided from anyone’s vocabulary, ‘I’m not ready yet and move on.’” *Sloan Bentley, Lifespace Communities*

“I would make senior living/services be the most desired/sought after career anyone could want to have.” *Mary Leary, Mather LifeWays*

“So if I can wave a magic wand that would be something you’ll want us to be able to think different about how we might empower people to age well.” *John Cochrane, Cornerstone Affiliates*

“I would want resources for providing for the unmet needs of an increasing group of older adults. We have become an anti-tax culture at this point in time, is how are we going to provide the resources for those older adults that need it, that there’s no other option out there? That would make a big difference.” *John Kotovsky, Lutheran Senior Services*

“And so I think one thing is if I could spread the geriatric knowledge that we have about healthcare senior living, all the different things that we know about seniors, to a broader market [...] that would be a huge benefit. And the second thing is the concept of a more robust array of social services that would be available to people, particularly the underserved and more vulnerable in the community.” *Lou Woolf, Hebrew Senior Life*

“I would want access to capital for rental communities so that we could serve more of the middle income.” *Ron Jennette, Methodist Retirement Communities*

“And I would wave a wand over Congress and get them to have a sustainable affordable housing program for seniors.” *Laverne Joseph, Retirement Housing Foundation*

“One thing that comes to mind is reasonable regulation. It would be a great thing just from a standpoint of how much the clinical aspect affects our communities, and it’s not just our clinical side. We say it’s the most regulated industry short of nuclear power. Another part of the wand, and I think you touched on it, would be having a magic way to attract future leaders the organization, and I’m not really sure there is one. So that’s a key element. And creating, I guess, I call it a funding arm for long-term care from a federal standpoint. And I think all three to be honest have their great challenges, but that’s why it’s a wand.” *Mark Vanderbeck, ACTS-Life Retirement Communities*

“The regulatory system is broken. The people who manage it are in it to save their jobs. I don’t have to like it, but I learn to live with it.” *Gary Marsh, Masonic Homes of Kentucky*

“If I did have a magic wand I could wave and make something or somethings happen sooner and better, it would be around the deployment of critical operations systems that can serve the existing Kendal organization in a way that helps us be maximally efficient, maximally effective and highly predictable in terms of how we deliver service.” *Sean Kelly, Kendal Corporation*

## IV. Conclusion

The challenge of “Growing the Nonprofit Presence” is not viewed uniformly by all providers in the nonprofit sector. Therefore, while observations about the industry made during our work on this paper may not apply to every nonprofit, we feel they accurately reflect the current status of the field. These observations include:

- **Opportunity** – A significant growth in demand for senior care services is undeniably upon us. Preparing for this growth can no longer be deferred to a long-term plan. Competition is aggressively investing in this very positive demographic trend and leaders are being challenged to respond.
- **Nonprofit Advantage** – Nonprofits are committed to their founding missions to serve a community need. Where “trust,” “mission,” and “community benefit” have been competitive advantages in the past, these distinctions are being lost in the barrage of information targeting seniors. Nonprofits must emphasize these important distinctions to consumers to maintain and grow market share. With increasing scrutiny at all levels, and greater transparency being required from stakeholders, maintaining trust is critical.
- **Management and Governance** – Nonprofits are adopting more business-style management techniques and recruiting board members with experience to match to drive business decisions. The challenge is to engineer a financially viable business model driving performance in a socially responsible manner.
- **Growth** – Nonprofits view growth as a necessity. They understand the need to match their programs and facilities with market demand. This includes expanding capacity to meet current and future demand; updating facilities to match market expectations; or expanding programs to serve a niche market and beyond the walls of their facilities. Growth is viewed more as the number of seniors served than the number of available units. Affiliations may become a key strategy in achieving growth.
- **Scale** – Viewing the size of an organization as a competitive advantage is relatively new to the nonprofit sector. However, leaders recognize that an advantage to growth is achieving a scale in resources allowing for efficient operations and a more competitive profile in the market. Competition in some markets is forcing organizations to seek scale to keep up with technology, attract capital, retain talent, and maintain the necessary fundraising to remain sustainable into the future.
- **Competition** – Most nonprofits are facing some form of competition. The degree to which this is a concern varies by region with some markets and older communities more protected by regulations or lack of affordable land. Nonprofits maintain a competitive advantage over national chains with a better understanding of local market dynamics and greater ties into the local community. However, as competition grows and consumers become better educated, attracting customers will become more combative.
- **Risk** – Leaders are fully aware of business risk which most feel is manageable given market demand. A critical factor is aligning with the best partners to manage performance. They also see the potential for an identity crisis in having to attract residents who can afford to pay while maintaining their nonprofit culture, and remaining affordable to as many seniors as possible. At the same time leadership turnover is bringing new energy to an enterprise culture and a growing appetite for risk.
- **Workforce** – Leaders understand attracting qualified staff is becoming a critical challenge in many markets. What once was a job is becoming a career and moving towards a profession with more employers competing for a limited pool of talent.

- **Affordable Housing** – Providing an “affordable” product in most markets is seen as a challenge without government support. The clear challenge is developing facilities and services at price points attractive to the market. Nevertheless, many see affordable housing as their responsibility as nonprofits.
- **Future Consumers** – Adapting to the needs of future consumers will require a continuing evolution, not a revolution, in the programs and services offered. Successful owners have a history of adapting their services to market needs over time.

# V. Bonus Materials: Consumer Studies

## V. A. Making Sense of Life Plan Community Supply and Demand: What it Means for Nonprofit Providers

Nonprofit senior living providers have heard a great deal about the coming age wave. While this may appear to be a trend that will impact the industry far into the future, the time for nonprofit providers to begin planning to meet this demand is now. Just under five years from now, the first of the “Baby Boom” generation will begin turning 75.

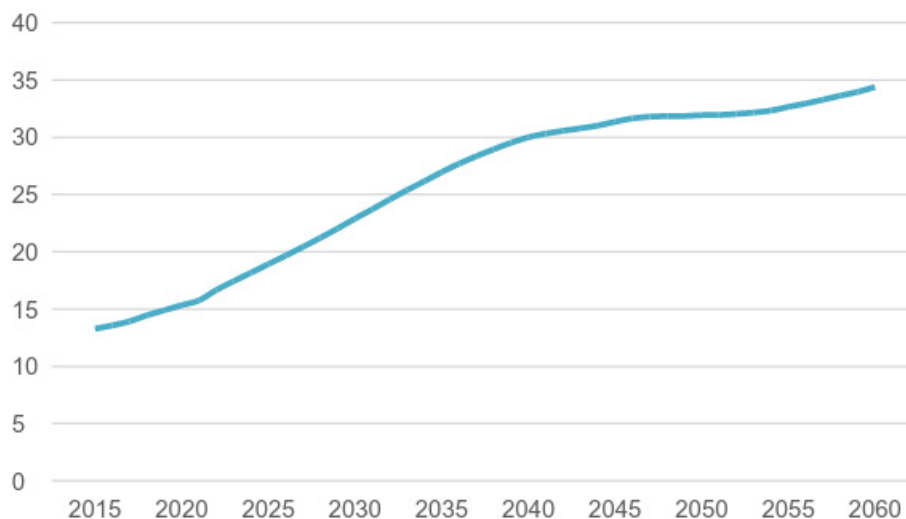
To understand the impact this demographic trend will have on the Life Plan Community (LPC) industry over the next 20 years, this paper will first outline the projected senior population over the period, project the number of new and replacement units needed and, finally, assess the potential impact of other factors on demand for LPCs.

### *Demographic Outlook*

The U.S. Census Bureau projects the number of seniors age 75 and older will double in just 20 years — from just over 20 million today to 41 million in 2035. This increase represents an average annual growth rate of 3.6% — significantly higher than the 1.6% average annual rate seen over the past 20 years.

Households age 75 and older is most commonly used to assess the market opportunity for senior living, particularly independent living. The U.S. Census Bureau does not publish projections of household numbers; therefore this analysis will use the current ratio of households to population (approximately 66%) to arrive at projections for senior households. The average household size has declined over the past several decades. As this trend is expected to continue, applying the current ratio of households should yield conservative projections of senior households. Figure 1 below indicates the projected number of households age 75 and older through 2060.

Figure 1: Projected 75+ Households





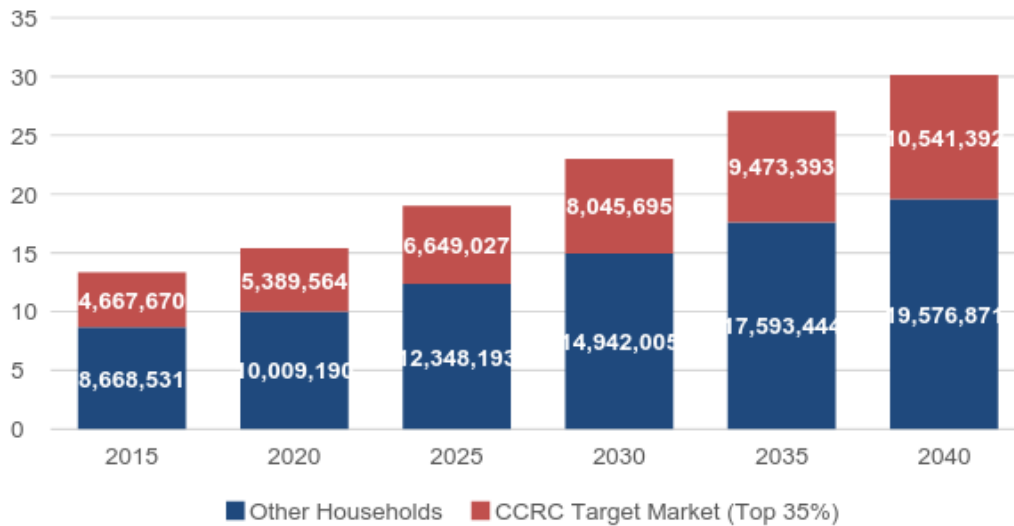
The number of households age 75+ is projected to increase from roughly 13 million today to over 15 million in 2020, at which point the growth in the senior population will accelerate as the first of the Baby Boomers begin turning 75. The number of senior households will reach nearly 23 million by 2030 and 27 million by 2035.

### Demand Projection for New LPC Supply

Predicting long-term future demand for LPCs can be a challenge due to the number of market dynamics at play, including the senior population, particularly as the projection period is extended. A directional view of demand can be achieved by determining the historic market penetration rate for LPCs and applying this penetration rate to household estimates over the projection period.

LPCs generally target the top 35% of the senior market. This percentage may vary based on the local market and age of the community, with newer LPCs targeting a smaller percentage of the market and established LPCs targeting a larger percentage of the market. Projections of the target market for LPCs is shown in Figure 2.

Figure 2: LPC Target Market – 75+ Households



Using the Ziegler National LPC Database, the number of independent living units in LPCs as of September 2015 is 269,940. This represents an increase of only 2.9% from 2010, while over the same period the number of 75+ households increased by 10.3%. This resulted in the independent living market penetration rate declining from 4.8% of households age 75+ in 2010 to 4.5% of households age 75+ in 2015. The market penetration rate of LPCs in 2010 and 2015 is shown in Table 1.

Table 1: LPC Market Penetration Rate

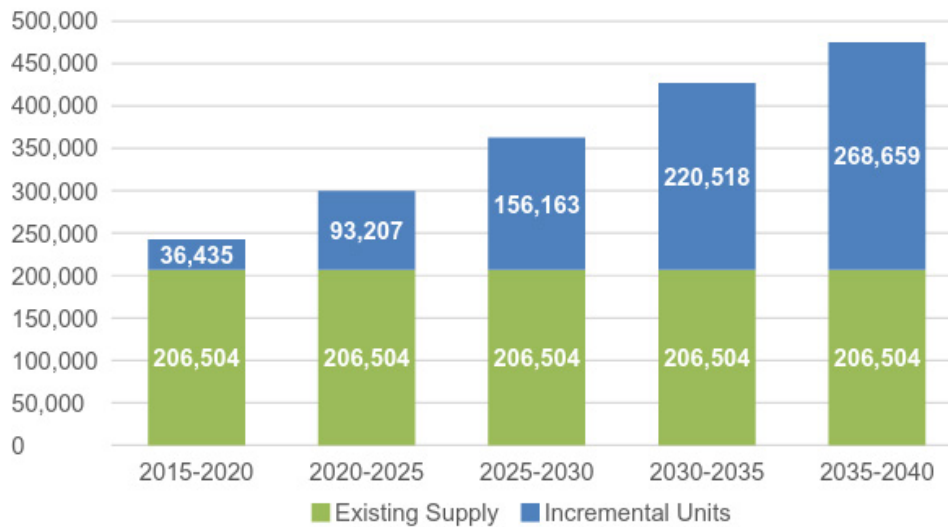
		2010	2015	Change
Number of LPCs <sup>1</sup>		1,891	1,957	3.5%
LPC Independent Living Units <sup>1</sup>		262,402	269,940	2.9%
75+ Senior Households <sup>2</sup>		11,871,249	13,089,290	10.3%
LPC Target Market	35%	4,154,937	4,581,252	
Penetration Rate (Unadjusted)		6.32%	5.89%	-0.42%
Adjust units by:				
Average Occupancy	90%			
% Residents 75+	85%			
Adjusted number of LPC ILUs		200,738	206,504	2.9%
<b>Penetration Rate</b>		<b>4.83%</b>	<b>4.51%</b>	<b>-0.32%</b>

<sup>1</sup> Source: Ziegler National LPC Database. As of September 30, 2015.

<sup>2</sup> Source: The Nielson Company

Figure 3 below outlines the incremental new unit supply needed to maintain the current penetration rate. If the current market penetration rate of 4.5% is sustained, demand for LPC independent living units will more than double — to 425,000 units — in just 20 years.

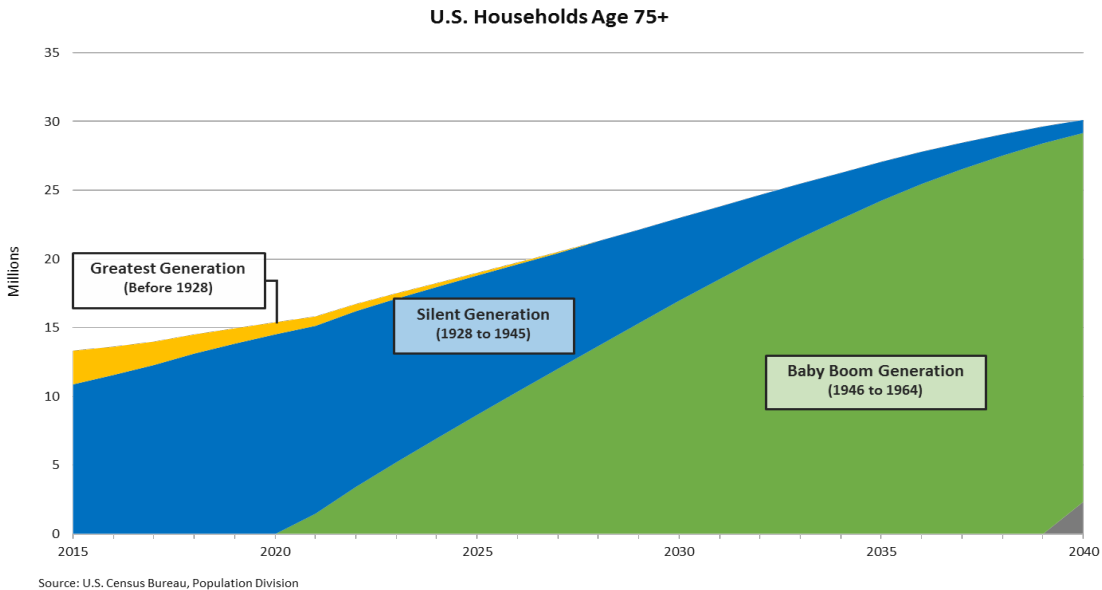
Figure 3: Long-Term Market Need for LPC Independent Living Units



## Impact of Aging Supply and Changing Consumer Preferences

The current population of seniors in senior living communities today, born before 1940, are predominately part of the “Silent Generation,” born between 1928 and 1945. As illustrated in the table below, in just 10 years, nearly half of seniors age 75 and older will be part of the Baby Boom generation.

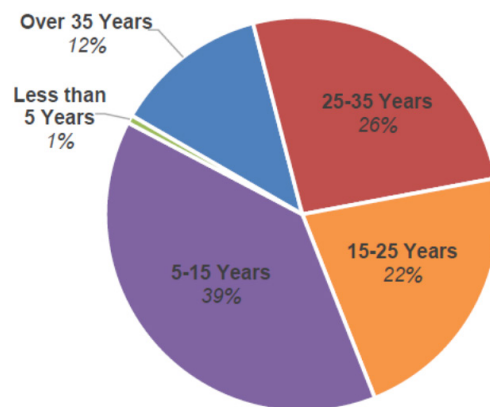
Figure 4: U.S. Households Age 75+ by Generation



Nearly 40 percent of LPCs today are older than 25 years, as shown in Figure 5. Approximately 25 percent of LPCs are more than 40 years old. Assuming a useful life of 30 years, this means that approximately 130,000 units will require replacement or redevelopment within the next 10 years and approximately 138,000 units will require replacement between 2025 and 2035.

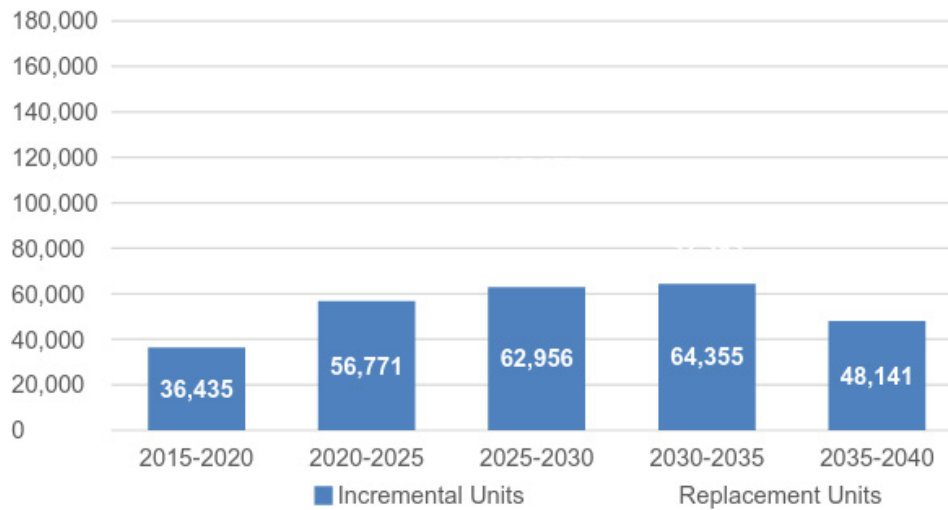
The total new and redeveloped units necessary to meet demand for LPCs over the projection period is shown in Figure 6.

Figure 5  
Age of Existing LPCs



Source: The State of Seniors Housing 2015. American Seniors Housing Association.

Figure 6: Long-Term Market Need for Incremental and Replacement Independent Living Units



While the useful life of the physical plant of a LPC has historically been considered to be approximately 30 years, the vastly different preferences of Baby Boomers compared to previous generations will likely drive this number down. It is feasible to consider that many communities far less than 30 years old will require significant capital expenditures through repositioning and redevelopment efforts to meet the demands of Baby Boomers.

## Other Factors Influencing LPC Demand

### Recent Trends in Senior Living Industry

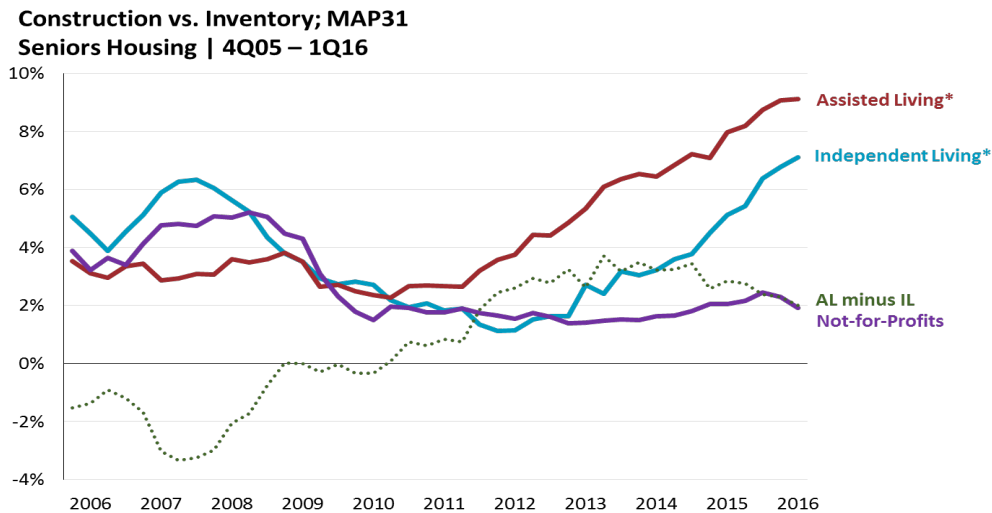
Over the past five years, many nonprofit senior living providers have remained on the sideline as the Great Recession — the economic downturn from November 2007 to June 2010 — took a bite out of employment, housing and consumer confidence. The senior living industry was not immune to the effects of the downturn. In particular LPCs, for which many seniors use the equity in their home to pay the entrance fee for the community, were impacted by the downturn in the housing market. Many providers saw occupancy rates decline as seniors chose to delay moving from their home. The availability of capital disappeared almost overnight, and many nonprofit senior living providers adopted a wait-and-see approach. In the years following the Great Recession, the volume of new money nonprofit senior living financings decreased from \$3.93 billion in 2007 to just \$968 million in 2011. This trend is illustrated by the decline in penetration rate seen 2010 to 2015, shown in Table 1 above.

The recovery many nonprofit providers have waited on the sideline for is here. After real GDP shrank in 2008 and 2009, it's now grown between 1.28 and 2.76% from 2010 to 2015. Private sector jobs have grown for a record 70-plus straight months, and the Case-Shiller Home Value Index demonstrates that home prices have largely recovered from losses following the Great Recession.

While nonprofit providers have been slow to respond to the economic recovery, for-profit providers are seizing the market opportunity. Freestanding assisted living and memory care communities — a segment dominated by for-profit providers — has seen skyrocketing construction activity over the past five years. For-profit providers responded quickly as the market recovered, leveraging the shorter development cycle for standalone assisted living communities (which is much shorter than the common development cycle for a bond-financed, nonprofit Life Plan Community) to meet growing demand and increase market share.

NIC Map tracks senior living in the 99 largest U.S. metro areas, covering approximately 62.5% of the senior population age 75+. As shown in the table below, NIC Map reports construction of standalone assisted living facilities increased steadily from just 3% of existing inventory in the first quarter of 2011 to 9% of existing inventory in the first quarter of 2016. Over the same period, construction activity by nonprofit providers averaged less than 2% of existing inventory.

**Figure 7: Construction vs. Inventory; MAP31 Seniors Housing, 4Q05 – 1Q16**



To regain the market share lost over the past five years sufficient to achieve a 4.8% market penetration rate, 6,000 incremental units are presently needed. To sustain this greater level of market penetration going forward, an additional 25,000 incremental units would be needed over the next 20 years.

Demand for independent living is influenced by a number of factors, including market acceptance, new technology that may enable residents to remain in independent living longer, and increased longevity of residents, among others. It is feasible that, as a result of these factors, the market penetration rate for LPC independent living units could further increase from the 4.8% rate achieved in 2010 to a market penetration rate of 6%, resulting in demand for 110,000 additional units over the next 20 years.

## Conclusion

There is unprecedented demand for growth; nonprofit providers must begin to act now to meet the coming demand for senior living. Conditions are prime for growth: interest rates remain at record lows, innovation in senior living products and design are aligned with what Baby Boomers will demand of communities, and plenty of markets still need the type of continuing care services that nonprofits excel at providing.

The approaching silver tsunami of Baby Boomers is closer than ever, and the time for LPCs to begin planning for this demographic trend is now. The exploding growth of the senior population, driven by the aging of the Baby Boomers, will generate demand for between 485,000 and 625,000 new and replacement units by 2035. LPCs will be presented with an unprecedented opportunity for growth, while at the same time existing providers will be required to innovate and adapt their product and service offerings to meet the demands of this new wave of consumers.

## V. B. The Life Plan Community Consumer of the Future

*Given uncertainty in the economy, changes in health care, and advances in technology—plus a target market that now includes the first Baby Boomers—nonprofit Life Plan Communities will need to adapt to serve the needs of the Consumer of the Future.*

### **Introduction**

The monumental level of demographic growth in the senior population over the next two decades as predicted by the U.S. Census Bureau is both exciting and unsettling, yielding new opportunities and challenges for the field of senior living. One thing is indisputable: The values, needs, and behaviors of the Life Plan Community (formerly known as a Continuing Care Retirement Community or LPC) resident will continue to evolve.

Consumer, industry, and economic trends will most certainly shape the development of the senior living community of the future. To prepare, nonprofit Life Plan Communities must identify the key characteristics they will need to satisfy in order to be attractive to the Consumer of the Future.

This paper will examine notable trends and influences on the next generation of senior living consumers, as well as the ways Life Plan Communities can adapt their offerings in the coming decade.

### **Methodology**

This paper represents an analysis of three major forward-looking industry research studies.<sup>1</sup> Respondents in the studies had first-hand knowledge of, or familiarity with, Life Plan Communities. Two of the studies draw on the experiences and insights of adult children of senior living community and Life Plan Community residents—including those who were of an age that made them likely to be prospects in the next business cycle. The other study integrated the knowledge of a large and diverse set of senior housing professionals ranging from chief officers, executive directors and finance professionals to professionals from related businesses.<sup>2</sup>

The studies were reviewed in depth by senior living professionals whose backgrounds represented diverse roles and responsibilities in the field. Group members were provided research articles, a set of discussion questions, and worksheets approximately four weeks before meeting. The findings were filtered through the unique experiences of the study group members. This paper describes the perceptions and the recommendations derived from their discussions.

### **1. Examining the Changing Business**

In the next 10 or 20 years, nonprofit Life Plan Community customers won't seek dramatic changes, though increasing shifts in their wants and needs can be expected. The decision to move into a senior community will continue to be influenced by three fundamental components:

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- <sup>1</sup> *Senior Living for the Next Generation: A View Through the Lens of the Experienced Adult Child, Volume 1.* 2011. The American Seniors Housing Association; *Senior Living for the Next Generation, Volume 2.* 2012. The American Seniors Housing Association; *National Survey of Family Members of Residents Living in Life plan communities.* 2011. Mather Lifeways Institute on Aging, Ziegler, and Brecht Associates, Inc.
  - <sup>2</sup> *Senior Living for the Next Generation, Volume 2.* 2012. The American Seniors Housing Association.

- Access to a continuum of care that allows residents to age in place, from independent living through skilled nursing
- Quality services and amenities that promote wellness and healthy living
- A maintenance-free lifestyle

Other factors are expected to impact the industry, including:

## *Technology*

From both a resident and business operations perspective, the increased integration with technology will be apparent over the next decade. Technologies currently being developed will enable potential Life Plan Community customers to age in place—in their own homes—longer. However, new technologies also should be viewed as assets within the Life Plan Community environment, even while recognizing the competitive threat they pose.

- New technologies will be used to meet the growing desire for transparency in the resident/community relationship, lower operating costs by creating efficiencies, and provide a degree of relief to the expected shortage of quality caregivers.
- Technology will become more pervasive, allowing residents greater access to lifestyle offerings, schedules, telehealth and medical services, and community financial information and decisions.
- The integration of campus-wide, high-speed wireless Internet connectivity will form the backbone for current and future technological applications in the community, and help serve seniors' needs as they continue to evolve.

## *Cost*

The affordability and cost of health care and changes in health care policy will continue to impact the industry, though the consequences are yet unknown.

Life Plan Community customers will demand more flexibility and choice in their financial options. This may include unbundling services or offering alternative contract arrangements, such as rental agreements.

## *Programs*

Customers will expect greater breadth in the variety of programs and services offered in their residence. They will seek programming that perpetuates, enhances, and grows individual lifestyles.

To strengthen their market position as an appealing choice, progressive Life Plan Communities already are responding to what the next generation is saying it wants: state-of-the-art fitness centers, travel, continuing education programs, flexible choices in dining, and buildings customized to emphasize the unique attributes of the locale.

## *Interactions*

Seniors will become even more receptive to collaborative relationships that enhance their independence and help them stay connected to the greater community—and their adult children will represent a significant resource in these relationships.

Open, free-flowing floor plans that accentuate the social aspect of the senior living lifestyle will become a component of resident interaction. As an example, when residents return to the community, instead of walking through a staid, formal living room, they will be energized as they pass through areas of interaction and activity.

## *Independence*

While awareness and acceptance of the senior living lifestyle is increasing in the marketplace, so is its competition with the single-family home. It is clear from the survey data that people highly familiar with Life Plan Communities believe senior living communities offer more opportunities than single-family homes—especially in the areas of personal safety, socialization, and maintenance of a healthy way of life. However:

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**Independence is the sole factor that the single-family home is considered better able to meet.**

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The Life Plan Community of the future must foster stronger independence among its residents by being the catalyst for individual desires and expectations—becoming the destination that makes it easier to continue a cherished lifestyle and promoting a life lived outside the community walls.

## *2. Visualizing the Life Plan Community of the Future*

The senior living professionals participating in the study group were asked to complete a collage exercise designed to elicit deep discussion from abstract concepts. This projective technique was used to help uncover associations and reveal subconscious beliefs. The study group was asked to be creative and use any type of visual item to represent feelings, viewpoints, and opinions about Life Plan Communities.

These images and related associations summarize the group's thoughts about the Life Plan Community of the future—what will it look like, who lives there, and what problems it will solve.



Image	Meaning
Restaurant menu	Choice; ability to pick and choose services
Convertible	Personal empowerment, individual travel or with smaller groups of friends, on-demand transportation
Three generations	More extended family involvement, younger generations
Cityscape	Walk to areas; arts, music, participate in culture
Banker's window	Affordability is a concern
Path to skyline	Technology, education, volunteering, and transportation
Fresh vegetables	A place to stay well
Dollars	Value; people want more for their money
Closet	People want to know care is there but once established, move on to things of interest
Snow blower	Keep the things Life Plan Communities are known for: maintenance-free living
Two hands shaking	Partnerships w/ resources in the greater community
Olive oil	Creative with menus; future market exposed to many different kinds of foods than current residents

### 3. Meeting Challenges & Opportunities

Maintaining a modern campus and a set of desirable amenities will continue to be important in attracting new residents. However, to give customers a reason to move out of their single-family homes, programs must focus on creating connections with the greater community and increasing the availability of independence-enhancing assistive technologies. Nonprofit Life Plan Communities will need to address:

#### *Resident age*

It is the norm to see older residents entering Life Plan Communities, raising the average age and the turnover rates. But many senior living communities now—and in the near future—could find themselves in a Catch-22 situation in which their resident populations age to the point that the community is not attractive to younger seniors in their active 70s.

Stemming “age creep” will require communities to make dramatic changes in the way they attract younger retirees. To reach this audience, communities must focus on offering services that make life easier and providing access to the greater community that these seniors can’t achieve on their own.

## Market share

To extend market share, communities will find it beneficial to connect with the growing section of the target market that chooses to age in place at home—or that simply cannot afford independent or assisted living. Options may include:

- Providing home health care services
- Offering home maintenance and renovation services—such as widening doorways, lowering countertops, and installing grab bars
- Selling access to on-campus amenities including dining, fitness center, swimming pool, and clinic services.

Each option has the potential to increase the community's exposure among prospective residents, ease the transition to Life Plan Community living, and provide the community with alternate income streams.

At the same time, communities would be well advised to conduct additional research to determine the benefits and viability of extending a set of services to nonresidents, as well as the ramifications on occupancy rates that these at-home options might have.

## Affordability

Entrance fees and monthly fees for residents are expected to continue to increase over the next 10 years, with health care costs bringing significant upward pressure on independent living prices.

The study group suggests that the most likely future residents of Life Plan Communities will have incomes of \$75,000 or more, and Nielsen estimates that about one in ten people age 65 and older have annual household incomes of at least that much.<sup>3</sup> Data from LeadingAge<sup>4</sup> shows that about two-thirds of respondents who say they are very likely to move to a Life Plan Community in the future have current annual household incomes of \$75,000 or more. Yet to broaden the customer base, consideration should be given to developing a senior living community model for middle-income residents that does not have all the “bells and whistles” associated with today's Life Plan Community, yet affords similar lifestyle opportunities that can drive occupancy.

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Two of the most important factors in deciding to move to a Life Plan Community relate to cost and the perceived value of the community.

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Managing rising costs will continue to test the nonprofit Life Plan Communities of the future. The costs of carrying adequate liability insurance and maintaining an experienced, highly trained staff—especially one that can meet the needs of an increasingly diverse and demanding customer base—will be especially challenging.

Capitalizing on economies of scale through building design is not the answer it once was. Research<sup>5</sup> suggests large senior living communities, such as those with around 150 units or more, are less attractive to the Consumer of the Future. The benefits of modular designs, energy-efficient construction, and reduced generalized common space may prove to be more cost-effective solutions.

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<sup>3</sup> Nielsen 2016 population estimates

<sup>4</sup> *Senior Living for the Next Generation: A View Through the Lens of the Experienced Adult Child*, Volume 1. 2011.

<sup>5</sup> *Senior Living for the Next Generation: A View Through the Lens of the Experienced Adult Child*, Volume 1. 2011.

Life Plan Communities can realize economies of scale by effectively partnering together. As an example, leveraging group purchasing may help the participating communities mitigate the rising costs of doing business. Structuring services so that they are more selective to the resident also may help contain operational costs—as well as add value for the consumer.

## 4. Addressing Motivations & Expectations

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**Engaging the adult children and family members of residents will be key in developing a relationship with the Consumer of the Future.**

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For those in the GI Generation (born 1901–1924) and the Silent Generation (born 1925–1945), need is a primary motivator for a move to a Life Plan Community. Those in the Silent Generation will continue to be in the target market through the next decade.

Conversely, members of the Baby Boomer Generation (born 1946–1965) are beginning to think about their retirement plans and where they will live. The motivation to move to a senior living community for these consumers is to satisfy a lifestyle change. And though they are just entering the target market for senior living themselves, Boomers today are most active as influencers with their parents and other family members of current residents and prospects.

Residents' family members are more knowledgeable about the Life Plan Community concept than the general public, and their experiences and expectations will influence their own interests and those of others.

### *Expanded interaction*

Addressing motivation from a lifestyle perspective may present new choices for Life Plan Communities. Among them:

- Blurring the barrier between the Life Plan Community and the external community to engage residents and expose prospects to the Life Plan Community lifestyle. Opportunities may include inviting the public on campus for services such as rehab therapy, fitness programs, and spa treatments, or offering space for meetings or the offices of volunteer organizations.
- Partnering with retailers for space on campus (such as spas, Starbucks, Brookstone, or an Apple Store) to help bring life outside of the community into the residents' home. Retail space overages could be passed on as savings to residents to enhance Life Plan Community affordability.
- Developing a set of standardized educational materials about the Life Plan Community lifestyle that communities can use to respond to all inquiries and generate accurate and consistent messaging.
- Lifestyle options for the Consumer of the Future will need to become even more flexible and targeted to individual desires. At the same time, as desirable as these options may be for consumers, Life Plan Communities will experience new administrative challenges related to resident health and safety when they offer additional experiences and exposures.

## *Integrated living*

Addressing the lifestyle needs of the Consumer of the Future will likely cause nonprofit Life Plan Communities to reexamine traditional approaches to property development. Changes may include:

- Building senior living communities in “walkable” interior suburbs or urban areas instead of quiet, outlying suburban neighborhoods.
- Featuring building design that incorporates the natural environment and the surrounding community.
- Promoting energy-efficient and environmentally friendly building design. Consumers will also seek convenient recycling opportunities that allow them to “live green” in their homes.
- Situating villas or townhomes near the front of the community instead of the back. This move will enhance public perception of the community as an active senior neighborhood rather than an apartment building with an attached nursing home.

## *Enhanced independence*

Life Plan Communities must begin to adapt their options, programs, and features to appeal to the interests of younger, more independent residents. Opportunities and challenges could include:

- Facilitating social interaction among smaller groups of residents. For example, including more purposeful outdoor common spaces that accommodate intimate group get-togethers, such as multiple dining areas and outdoor kitchens.
- Continuing to examine flexibility in dining options and their impact on operations. Of note: While flexible dining credits contribute to more choices for residents, they also will challenge Life Plan Communities to keep up with the dietary preferences of new consumers.
- Incorporating features into apartment design that appeal to younger residents and their continued independence. For example, increasingly user-friendly kitchens could include built-in indoor grill appliances in addition to the standard microwave oven and stove.
- Offering in-home cooking “services” for those who wish to continue to entertain in their homes as they did before moving to the community.
- Partnering with a local farmer’s market organization or small grocer to provide for easy food shopping.

The most significant selection factors for the Consumer of the Future will be the depth, variety, and definition of programming and services offered by the Life Plan Community.

## *Interest-based programs*

Progressive programs will deliver a high level of hospitality, but incorporate more wellness activities, outdoor interactions, and a broad range of activities that appeal to resident pursuits. This can mean:

- Offering continuing education programs to meet the needs of a demographic that pursued higher education in greater numbers than any generation before.
- Creating national group travel opportunities to attract younger residents and connect seniors with

others who have similar interests.

- Accessing intergenerational volunteer opportunities such as the local Foster Grandparents organization and global volunteer opportunities such as Senior Corps. Volunteering will allow the Silent Generation and emerging Baby Boomer Generation to continue contributing their resources to society.
- Maintaining residents' sense of independence with on-demand transportation or driving privileges.

## 5. *Focusing on Continuum of Care*

Over the next decade, the most important programs and services for the Consumer of the Future will still relate to wellness and the community's ability to meet future health care needs.

### *Outlook*

A potential proliferation of health care options also may reduce the demand for full-care residency agreements except in select, typically large metropolitan markets.

As qualified populations increase, a growing demand for memory care services will influence the continuum of care.

### *Adaptations*

Nonprofit Life Plan Communities will need to adapt their care offerings in response to the market conditions and consumer preferences in ways such as:

- Health services will need to be designed with greater flexibility to meet health-related needs in the least restrictive physical environment.
- Technologies will play a larger role in resident health care programs. Residents will be able to stay in independent living longer with automated medication reminders, wearable technologies, and other health care devices. They also will be able to self-report tests to their doctors via the Internet, and access online therapy delivery programs. Additionally, health care providers and family members will gain the ability to monitor and track resident health status online.
- Personal wellness programs will be run by staff members or outside providers with specific expertise, such as personal trainers, nutritionists, and other specialists.
- Other options
- An independent living/assisted living rental alternative may satisfy some of the changes in the continuum of care model. This model affords more choice and flexibility in financing for a broader group of consumers, while still offering the all-important continuum of care.
- Senior living communities could establish partnerships with reputable, outstanding health care service providers for assisted living, memory care, and nursing care to provide a seamless continuum for residents.
- Developing communities in proximity to health care service providers would benefit both providers and the community, and help residents maintain a level of vibrant independent living.

## 6. Conclusions

The Consumer of the Future is not seeking a resort community. The goal of these seniors will not be to escape to a different world. Instead, these customers will be attracted by programs and services that foster their lives in ways to which they've become accustomed. They will want to be involved, productive—and needed.

The Consumer of the Future will:

- Desire access to a full continuum of health care services
- Place high importance on wellness, transportation, and technology
- Expect personalized service packages and activities that are more about life enrichment than just passing time
- View the conveniences of maintenance-free living as affording more time for socializing, exploring new interests, and pursuing lifelong passions
- Want a residence that encourages connections with the outside community
- Prefer communities that are within walking distance to restaurants, shops, and other attractions
- Will be attracted to designs that connect them to the natural environment and the surrounding community
- Will place importance on sustainability within the community

Given the evolving nature of consumer desires, nonprofit Life Plan Communities must be amenable to breaking new ground and exploring approaches to products and services that may not have been previously delivered in senior housing.

To attract and serve the Consumer of the Future, Life Plan Communities have to explore the possibilities, embrace the opportunities, and maintain an open dialogue with customers. In this way, Life Plan Communities will ensure they are continuing to provide the services and amenities that enhance the lives of their residents and strengthen their communities.

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# VI. Appendices

## VI. A. Resources

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## VI. B. Growing the Nonprofit Presence Committee Members

**John Cochrane, Co-Chair**  
President and CEO  
Cornerstone Affiliates

**Mike Lanahan, Co-Chair**  
Co-Chairman  
Greystone

**Kathy Anderson**  
President and CEO  
Goodwin House

**Rick Exline**  
EVP  
Life Care Services

**Jill Schumann**  
President and CEO  
LeadingAge Maryland

**Lou Woolf**  
President and CEO  
Hebrew Senior Life