

Communicating the Not-For-Profit Difference in Aging Services

OCTOBER 2015

The logo for LeadingAge, featuring a stylized heart icon above the word "LeadingAge" in a white, sans-serif font, with a trademark symbol (TM) to the right.

PREFACE

LeadingAge and Its Members

LeadingAge is an association of 6,000 not-for-profit organizations dedicated to making America a better place to grow old. Our members —not-for-profit providers of care and services—are leading the field with multi-specialty, interdisciplinary approaches to aging services representing the full continuum. As not-for-profits, they are driven by a higher moral purpose to help positively transform the field from the ground up. They strive to help older persons age safely in the place they call home with the most innovative care and services and, of course, with dignity.

Purpose of This Document

This document was compiled by marketing executives within the LeadingAge membership *for members*. Our goal was to develop a communication reference guide that helps to identify differences between private equity companies, which have a directive to provide returns to their owners, and not-for-profit/nonprofit organizations, which reinvest returns in the organization to sustain their charitable stated mission.

This document includes a selection of statements relating to both for-profit and not-for profit organizations for use in marketing and communications. Not all statements will be applicable to all organizations. Rather, these statements are intended as a resource and are available to be customized by not-for-profit aging service providers based on their unique and historical practices relating to governance, decision-making, mission and stewardship of funds.



*Compiled by the Marketing
and PR Network Committee*

*Moraine Byrne, Chris McKenzie,
Cathy Ritter, Bill Silbert, Alyssa
Adam, Elaine Kaiser and Matthew
Giannini*

Asbury Bethany Village, PA

Shared Mission and Vision

- LeadingAge celebrates all organizations that share a mission of service to older persons.
- Many companies, whether private equity or not-for-profit, share a common goal of serving older persons and creating better ways of addressing their needs and desires.
- (Your organization) exists to fulfill our mission of serving people while exercising good stewardship to support a sound enterprise for many years to come.

Governance

- No one owns a not-for-profit organization in the way that shareholders own a for-profit corporation.
- (Your organization) is overseen by a board of directors whose members volunteer their time and talents to ensure quality services and management. With no expectation of financial gain, our board members are committed to making sure we remain true to our mission, respond to local needs, plan effectively for the future and manage financial resources effectively.
- (Your organization) recruits board members with expertise in a wide range of disciplines that relate to our mission. The expertise of our board members helps keep our organization abreast of community needs and expectations, trends in health care and disciplined business practices.
- Because (your organization) is overseen by a board of directors, our leadership may have more autonomy to make decisions that are in the best interest of residents than the leadership of local competitors that are part of a private equity chain.

- (Your organization) manages our financial resources in accordance with our mission. Like many not-for-profit providers of aging services, (your organization) was founded by a (faith-inspired/civic) group with a rich tradition of service to others. Those long-standing values were incorporated into our organization from the start and are reflected in our governance and management today.
- Our volunteer board members have a deep awareness of evolving local community needs. They play an important role in bridging our offerings to people outside of our communities. (Your organization) has a strong commitment to being an active, contributing member of the localities we serve. We embrace opportunities for social accountability, not only to identify community needs, but to exercise leadership in meeting them.



St. Mary's Court, Washington, DC

Mission-Driven

- As a not-for-profit, (your organization) is committed to our mission of (describe). As a chartered not-for-profit provider of senior services, (your organization) has a direct obligation to (sponsoring entity), our community-at-large and our residents and clients.
- “Non-profit institutions exist for the sake of their mission. They exist to make a difference in society and in the life of the individual. The first task of the leader is to make sure that everybody sees the mission, hears it, lives it.”

—Peter Drucker, *Managing the Nonprofit Organization*



Asbury Methodist Village, MD

Quality

- Not-for-profit providers of aging services offer a commitment to quality that stems from a mission of service and a history of compassion.
- A major study of nursing home quality in the U.S. and Canada found that not-for-profits consistently delivered better outcomes in four key areas relating to quality:
 - More or higher quality of staffing.
 - Lower prevalence of pressure ulcers.
 - Lower prevalence of restraints.
 - Fewer government citations for deficiencies.

The study, conducted by a team of Canadian researchers and published in the *British Medical Journal* in 2009, included a meta-analysis of 82 prior studies comparing quality of care in tens of thousands of for-profit and not-for-profit nursing homes, mostly in the U.S.

- The Government Accountability Office reported in 2011 that nursing facilities acquired between 2004 and 2007 by the top ten private equity firms:
 - Had more total deficiencies than not-for-profit facilities.
 - Reported lower staffing ratios.
 - Showed increased capital-related costs and higher profit margins compared with other facilities.
- According to a 2010 GAO report, Special Focus Facilities – those identified by CMS as among the poorest performing nursing homes nationwide – are more likely to be for-profit, part of a chain and operate with nearly 24 percent fewer registered nurses per patient per day and fewer nursing staff at all levels.
- A 2014 study published in the *Journal of Health Care Finance* found lower levels of registered nurse staffing in privately owned nursing homes and linked the lower mix of nursing skills to a significantly higher number of deficiencies.

These studies are provided here solely as references and do not reflect the quality of all for-profit providers.

Growth

- Growth for not-for-profit organizations is the ability to extend our services to meet the needs of the community while staying true to our mission and remaining financially sound.
- Many not-for-profit aging services organizations in the U.S. have been operating for more than 50 years and have been the breeding grounds for improvement and change in the field. While for-profits are sometimes formed to cash out after generating targeted financial returns, not-for-profits typically have no “exit strategy.” Not-for-profits are created for long-term benefit, not short-term gains.
- (Your organization) is in the business of serving others for the long term. As we create new buildings, we choose materials and designs expected to stand the test of time. When we use our not-for-profit standing to seek tax-exempt financing for construction, we expect the buildings to be in service for up to 50 years. We are not in the business of developing commercial real estate. We are in the business of creating better living options for older persons.

Stability

- At the heart of high-quality long-term care is creation of lasting relationships. (Your organization) has been serving local communities for decades with stability that gives both residents and their loved ones lasting peace of mind.

Ongoing Improvement

- As a not-for-profit, (your organization) is committed to innovation and continuous quality improvement, with a goal of improving the entire field of aging services. We tailor housing, health care and community services to address unmet needs within our communities.
- Not-for-profit organizations have been at the forefront of improving services for older persons, pioneering the introduction of new options such as “small house” nursing centers. Not-for-profits also have been driving important reforms, including reductions in the use of restraints and psychotropic drugs in nursing centers.

Profits

- Although all businesses expect to generate returns on investment, there are significant differences in the ways private equity companies and not-for-profits allocate proceeds.
 - A private equity company’s chief objective is to create financial returns for owners or shareholders.
 - A not-for-profit like (your community) cannot operate for profit or distribute corporate income to shareholders, but must reinvest returns in ways that support our mission. Revenues exceeding expenditures may be used to improve the physical environment of our (community/communities); serve more people; offer more and better accommodations and services; recruit and retain staff; and fulfill our mission of creating better options for aging.
 - Not-for-profits must use funds to help support the mission described in their charter. Every year (your community) is required to demonstrate how our work fulfills that mission and benefits the “greater good” of our local community, society or the world.
- The main focus of (your organization) is not to create revenue, but to create better options for the people we serve. Our residents and clients know we are setting high standards for quality today and are focused on constant improvement for the future.
- (Your organization’s) true bottom line is not an annual profit/loss statement. It’s resident satisfaction.

Taxes

- Because of our not-for-profit status, (your organization) is exempt from federal and state income taxes, capital gains taxes, and oftentimes, certain sales, property or real estate taxes.
- As a not-for-profit, (your organization) does not pay income tax on investment earnings or capital gains on investment returns. We can invest in taxable investments to increase our yield since our organization is exempt from income taxes.
- Some not-for-profits will offer local governments a “payment in lieu of taxes” (PILOT) even though they are not compelled to do so.

Raising Equity

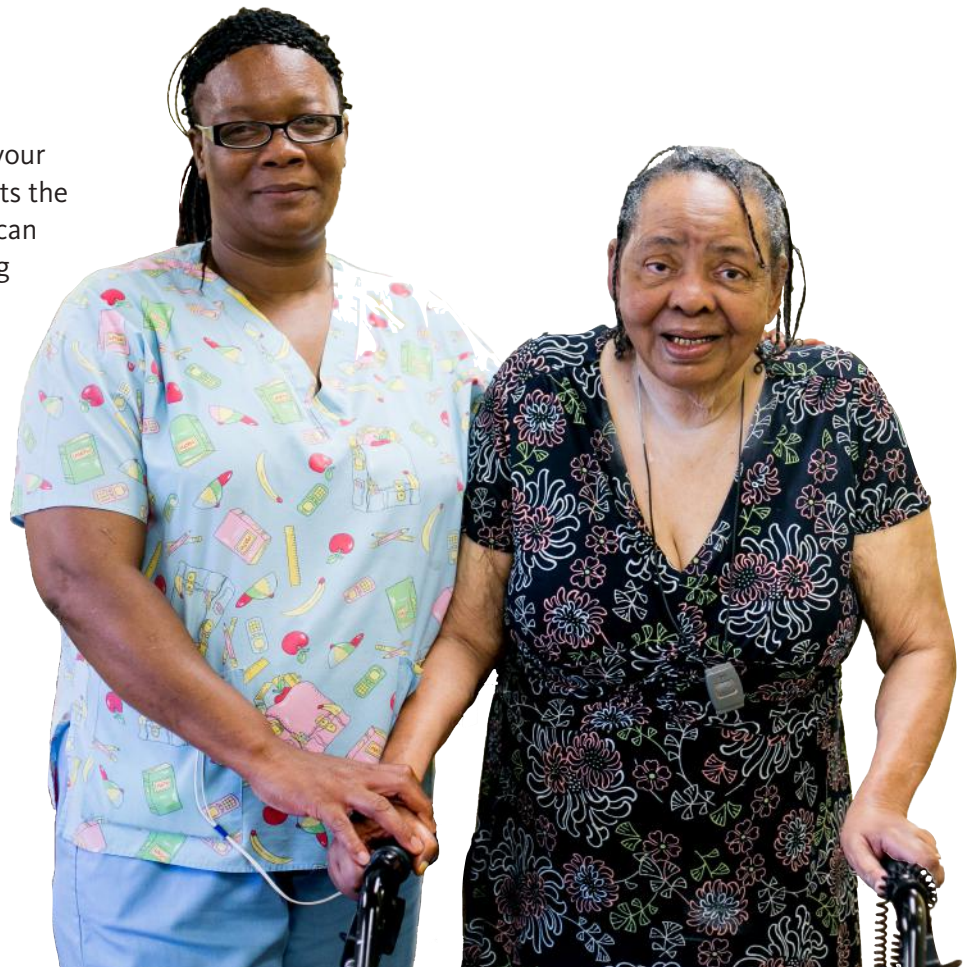
- As a not-for-profit, (your organization) cannot raise equity through investors. However, we have access to federal and state tax incentives to raise money both through charitable donations and the issuance of tax-exempt debt.
- Charitable gifts to not-for-profits are deductible to the donor.

Benevolent Care

- Like many not-for-profits, (your organization) offers residents the assurance of knowing they can have lifelong access to living arrangements and services should they outlive their financial resources through no fault of their own.

Commitment to Staffing and Staff

- As part of our not-for-profit mission, (your organization) recognizes that staff satisfaction and commitment are related to sufficient numbers of staff, fair wages and benefits, work flexibility when needed, continuing education/growth opportunities and an environment of respect.



NCBA Estates, Washington, DC

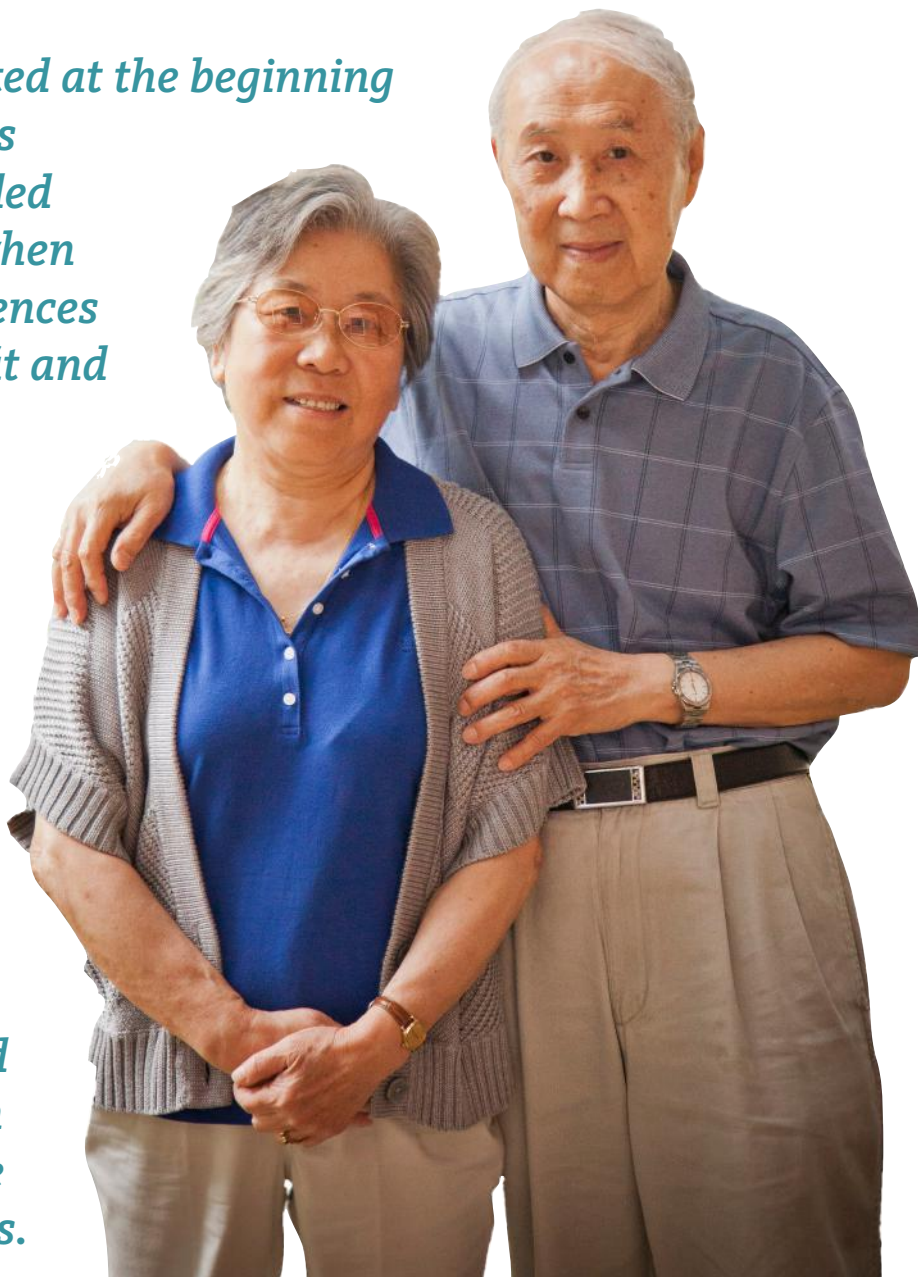
The Continuum of Care

- Like many not-for-profits, (your organization) offers multiple ways for older persons to find a satisfying living arrangement or the care they need, whether home-based or in living arrangements ranging from independent housing to 24-hour skilled nursing. This continuum of services allows people to access the services they need in the place they call home.

Person-Directed Care

- The latest evolution in senior services revolves around respecting the needs and desires of the individual, rather than fitting the individual to traditional patterns of the facility. Many not-for-profit providers are at the forefront of this change.

In conclusion, as stated at the beginning of this document, this information is provided for general context when presenting the differences between not-for-profit and for-profit providers of aging services. We recognize that there are many quality providers of care and services both in the not-for-profit and private sectors. LeadingAge and its members salute all quality providers and celebrate the mission of service to meet the needs of senior adults.



*Leading*Age™

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