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Financial News, Growth Strategies, and Best Practices for Providers and Suppliers

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Fundraising Strategies For Today's Economy

Establishing A 'Culture Of Philanthropy' Is The Important First Step

Fund development is a slow, relationship-driven process. Some organizations are extremely sophisticated in their fund development; others, not so much. If the organization has a clear message and is able to articulate its case—and people see the results of contributions given in the past—then the fundraising effort is more likely to be successful, even in today's difficult economy.

An organization can run fundraising programs and raise money but is not necessarily advancing its cause without first establishing a "culture of philanthropy," according to Allan Burrows, President of **Capital Development Services** in Winston-Salem, North Carolina. "There's a tendency for a lot of organizations, especially when the economy is tight, to worry so much about the money that they forget the larger concept of philanthropy," he said.

Establishing a culture of philanthropy starts with the board—aligning it strategically and then having a dialogue. If the board does not endorse or is not engaged in establishing that culture as a priority, it's an uphill battle. All other stakeholders must also agree. Everyone must also understand that they may be asked to contribute.

Part of the dialogue may simply involve changing the semantics or adjusting perspectives. As an example,

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Electronic Health Records: Make The Move

Using EHRs Improves Efficiency, Quality Care, and Competitiveness

Back in July 2010, the federal government, through the **Department of Health and Human Services** (HHS), instituted the Medicare and Medicaid Electronic Health Record (EHR) Incentive Program, which grants incentive payments to healthcare providers for satisfying "the meaningful use of certified EHR technology." Payments began in May of this year: Eligible hospitals receive an initial payment of $2 million, with additional payments based on a discharge formula. Eligible professionals (e.g., physicians, medical directors) receive a maximum grant of $44,000. Medicare-eligible hospitals and professionals that do not successfully demonstrate "meaningful use" by 2015 will be penalized by having their reimbursements adjusted.

Unfortunately, long-term and post-acute care (LTPAC) providers—skilled nursing, assisted living, home health, independent rehab, hospice, PACE, behavioral, adult day care—are ineligible for the incentive grants. Efforts to try to expand eligibility to

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Best Practices Q&A:
Brian Lee, Founder and CEO, Custom Learning Systems

One of the leading experts in employee retention, as well as a sought-after speaker throughout North America, Brian Lee is founder and CEO of ***Custom Learning Systems*** *in Calgary, Alberta, Canada. He has written several books and reports on the topic, and his company has published more than 60 audio and video training programs—including "Essential Secrets to Become the Health-Care Employer of Choice." Lee shared his thoughts on how long-term care providers can improve employee satisfaction and motivate staff—which should then lead to becoming an employer of choice.*

• How do you define an employer of choice?
An employer of choice is one that is recognized as a good place to work, where great talent wants to be on the short list to work there. An employer of choice has exceptional employee morale and turnover that is well below the state and national averages. An organization doesn't decide to be an employer of choice; the people who work there decide.

For most organizations, a dysfunctional culture is the biggest barrier to becoming an employer of choice. Dysfunctional organizations exist because of a lack of trust between management and the front-line staff. When those staff members aren't comfortable sharing with their managers how they truly feel about issues or problems, they whine and moan to co-workers—who can't do anything about the problem. That just contributes to further low morale.

• How do you improve employee satisfaction?
When we work with long-term care organizations, our first step is to conduct a focus group with frontline staff to determine how they really feel about their jobs and about the organization. We share their comments with members of the executive team and, with permission, share them with all the managers—who are often shocked, disappointed, frustrated, and generally in denial. So like any 12-step program, managers must first admit that they have a problem in order to turn it around.

In today's world, everyone talks about culture change; but few organizations actually have any idea about how to change a culture. They say every project they take on is about culture change. Attempting to improve the resident experience and to change employee engagement won't

work in a dysfunctional culture; but it's amazing what you can accomplish if you engage people, honor them, listen to them, and nurture, develop, value, recognize, and celebrate them.

• How important are pay and benefits?
Most managers believe that the top factors for motivating frontline staff have something to do with compensation and benefits. In reality, surveys indicate that job satisfaction is all about appreciation for a job well done, the work itself, and feeling valued. On the other hand, the organization has to be in the 50th percentile with regard to compensation, especially in long-term care. Entry-level CNAs, dietary workers, and housekeepers are working close to minimum wage, so pay does matter. Short of that, and as long as the employer is competitive, money is not a motivator. Rather, it's the intangibles—the feeling of being respected and valued for doing something important and doing it well.

We have a model that identifies five types of health-care workers: superstars (about 3% of the workforce); winners (about 20%), grinners (about 50%, who sit on the fence awaiting leadership); whiners (about 25%) and slugs (2%). What's sad—and ironic—is that almost universally in long-term care, the slugs and whiners receive exactly the same pay as the grinners and winners.

• What attributes characterize high-performing organizations?
Leadership, best practices, culture development through training and education, and—absolutely—respect and trust. It's rare, though, to find an organization that provides consistent leadership development for its executives or middle management…or for anybody. We encourage our clients to perform semi-annual retention surveys that are directly attributed to each leader. The executive team evaluates the CEO or administrator, the executives are evaluated by their direct reports, and so on. The purpose of the survey is not to identify or punish people; rather, it's to provide useful data about ways to improve. Training programs can be linked to the findings.

• What is the effect of unengaged or disengaged employees?
Employee engagement is an important subject these days. Research indicates that 23% of staff is actively engaged, 61% is ambivalent, and 16% is actively disengaged. In other words, 77% of staff needs competent leadership. They need leaders who understand how to engender their support and inspire them to do more than the bare minimum. Good leadership can move people from being ambivalent to being engaged. The vast majority of people have invested a lifetime in developing their values. They're not going to change those values because they're getting a paycheck. They can, however, change their behavior—which is why leadership matters.

The actively disengaged, though, won't change anything for any reason. Helping them get on with their lives somewhere else is the best thing to do. They shouldn't be working with the elderly, who are frail, often in fear, and in many ways defenseless. That's often how abuse takes place, so get those people out of the system.

• What are some tips for motivating people?
First, I recommend that a leader invest 30 minutes to an hour of active listening with each direct report. Start with friendly small talk to put them at ease, and then ask what three things they would change to improve patient and employee satisfaction. Ask them what they would like to be doing next year, in two years, and in three years. And listen. Then, ask them what kind of training they need to do the best job. The important thing, again, is to listen… and without being defensive. They've earned the right to be heard. In the end, the leader will know everything that needs to be done and changed.

Also, catch staff members in the act of doing things "approximately right" as often as possible, whether through a structured, formal awards and recognition program or by each leader finding every opportunity to let people know that you value and appreciate when they do things above and beyond. That way, people feel validated, reinforced, and encouraged. They know what they should be doing because they're hearing about it.

• What is daily leader rounding?
Daily leader rounding simply means connecting with people. It means that the first hour of the manager's shift is spent listening to and connecting with every direct report—and it is done consistently. They talk about something personal (How did your team in the bowling league do last night? Is your little boy feeling better?) and then something about the job (How's your job going? What can I do to support you? How can I make your job easier?).

There's nothing more motivating for staff members than being able to have a meaningful say about their work. So ban meetings for the first hour of every day—and initiate daily leader rounding, otherwise known as MBWA—Management By Wandering Around. ❑

Recent Not-For-Profit Financings and Refinancings

• ***Episcopal Senior Communities**, Walnut Creek, California, $62,000,000 financing priced by **Ziegler** (10/6/11)*

Episcopal Senior Communities (ESC) is a California not-for-profit public benefit corporation, providing housing, related facilities, and services for elderly persons on a non-for-profit, religious, and charitable basis. ESC was founded in 1963 as **John Tennant Memorial Homes** for the purpose of housing retired Episcopal clergy. ESC's sole corporate member and parent corporation is **JTM Communities**, which is also a California non-for-profit public benefit corporation. Today, ESC's obligated group is comprised of five CCRCs in Northern California. ESC and its affiliates, including JTM, also sponsor several affordable housing communities, a skilled nursing facility, and an independent living community in Palo Alto, California. The $62 million issue is a single series of serial and term bonds that carry an average yield of 6.125%. The majority of the issue was sold to institutional investors. The fixed-rate Series 2011 bonds will refinance outstanding Series 1998 certificates of participation and reimburse approximately $10 million of prior capital expenditures. ESC's obligated group is rated "BBB+" by **Standard & Poor's.**

• ***Riddle Village**, Media, Pennsylvania, $30,000,000 financing structured by Ziegler (10/3/11)*

Riddle Village, which opened in 1993, currently has 500 units that consist of 365 independent living units, 49 personal care beds, and 86 skilled nursing care beds. **Riddle Memorial Hospital** and its parent organization, **Riddle Healthcare Foundation** (originally known as Riddle Memorial Foundation), organized Riddle Village in 1990 as a not-for-profit corporation to own and operate a CCRC of the same name. The Series 2011 non-bank-qualified, direct-purchase loan proceeds are being used to redeem $29.610 million of outstanding Series 2005A and Series 2006 bonds. **Citizens Bank** provided competitive rates and a five-year term on the financing. In addition, Ziegler secured a substitute letter of credit through **Bank of America** for the $19.735 million of Series 2006 bonds, which remain outstanding. Bank of America provided competitive letter of credit pricing and a three-year commitment on the letter of credit.

• ***Lutheran Senior Services**, St. Louis, Missouri, $47,000,000 financing structured by Ziegler (9/29/11)*

Lutheran Senior Services (LSS), a not-for-profit corporation chartered by the Missouri legislature in 1863, either directly or through various affiliated not-for-profit corporations, owns, operates, and manages a regional, multisite senior living system comprised of 15 owned communities/campuses. Three communities under LSS management are not owned by LSS or its affiliates. The LSS Obligated Group for the Series 2011 bonds includes 10 senior living properties located in Missouri and Illinois, consisting of 1,200 independent living units, 360 patio homes, 715 assisted living units, and 830 nursing beds. The $47 million bond issue will finance a repositioning of the **Laclede Groves** campus in Webster Groves, Missouri, including a new 80-residence apartment building, a new town center, and renovations and additions to a skilled nursing building. The issue will also finance phase one of a repositioning at the **Lenoir Woods** campus in Columbia, Missouri, which will include construction of a 40-unit assisted living facility. The tax-exempt, fixed-rate serial and term bonds and were well received within the market. The yield on the long bond (maturing in 2041) was 6.03%, while the average yield to maturity on the entire issue was 5.81%. Bonds were sold to both institutional and retail investors in the amounts of $38,530,000 and $8,895,000, respectively. Sixteen institutional investors purchased bonds. Simultaneously, LSS entered into a variable-rate taxable construction loan with **PNC Bank** to be used for the project described above. The maximum amount permitted to be drawn under the construction loan is $25 million. In connection with the financing and the project, LSS received a rating of "BBB+" from **Fitch Ratings**, with a "stable" outlook.

• ***BHI Senior Living, Inc.**, Indianapolis, Indiana, $29,000,000 financing structured by Ziegler (9/28/11)*

BHI owns and operates three Indiana CCRCs and is the managing agent for two HUD-subsidized communities outside of the obligated group. The three CCRCs are: **Hoosier Village Retirement Center** (Zionsville), **The Towne House** (Ft. Wayne), and **Four Seasons** (Columbus). BHI's history dates back to 1904 with the building of an orphanage. The borrower shifted its focus to the area of senior living in 1952. The current campuses were originally constructed from 1956 through 1967, with numerous renovations and expansions along the way. Today, BHI owns and operates a total of 134 independent living units, 340 licensed residential care units, and 225 nursing beds (excluding the HUD properties). The $29 million bond issue will finance the construction of 100 licensed residential apartments, a new dining center, a new community center, a new memory support center with 36 private rooms, and various infrastructure projects

at Hoosier Village. The total project costs (before the financing-related items) are estimated at $35 million. The issue consisted of tax-exempt fixed-rate serial and term bonds. The yield on the long bond (due 11/15/2041) was 5.85%, while the average yield to maturity was 5.61%. Bonds were sold to both institutional and retail investors in the amounts of $25,315,000 and $3,685,000, respectively. Eleven institutional investors purchased bonds. In connection with the project and the financing, BHI retained its rating of "A-" from Fitch Ratings and received a "stable" outlook.

• ***Aston Park Healthcare**, Asheville, North Carolina, $4,780,100 refinancing insured by FHA Sec. 232.223f and structured by **Lancaster Pollard** (9/27/11)*

Aston Park is a 143-bed senior living facility that provides both skilled nursing and assisted living care. The not-for-profit organization desired a long-term, fixed-rate financing structure to refinance its existing debt, as well as to obtain capital to renovate and expand its lobby and therapy space. The transaction resulted in the replacement of a variable-rate bond issue, enhanced by a short-term bank letter of credit, with a 30-year, fully amortizing, fixed-rate debt structure and an interest rate of 4.10%. It also funded the $1.7 million renovation and added $289,601 to the organization's replacement reserves.

• ***Lakeview Lutheran Manor**, Cadillac, Michigan, $3,900,000 financing insured by FHA Sec. 232 LEAN and structured by Lancaster Pollard (8/18/11)*

Lakeview Lutheran Manor, a 163-bed nursing home operated by **Lutheran Social Services of Michigan** (LSSM**)** and originally built in 1963, is in need of modernizing in order to continue providing the efficient and compassionate skilled nursing care for which it is known. Also, demographic changes have reduced market demand for skilled nursing beds. The $3.9 million renovation will demolish two wings, completely renovate two wings, and update two more wings with minor renovations. The new floor plan includes new administration and therapy areas where resident rooms and a dining area were once located. In order to fund the project, Lancaster Pollard assisted in negotiating the release of the property as collateral from a letter of credit related to a 2007 bond issue. HUD mortgage insurance was then secured at a long-term, 4.63% rate, saving LSSM $3,000 a month over the operator's budget. After the renovations, Lakeview will operate 133 beds, with an expected improved payor mix and occupancy rate. ❑

Fundraising, *continued from page 1...*

Burrows pointed out that it's not the organization that has needs; rather, it's the residents that have needs, and the organization is best suited to provide the services that can alleviate those needs.

Likewise, the words "fundraising" and "philanthropy" have different connotations. "People don't like fundraising," he said. "Philanthropy, however, is altruistic. It reflects generosity. So simply incorporating that language into the day-to-day operations is an easy first step to begin the dialogue and help everything else—the logistics of developing a successful program—fall into place."

Accountability plays into the fundraising prioritization as much as receiving the contributions. The organization must practice good stewardship, good accounting, good acknowledgement, and good communications, as plenty of other worthy causes are competing for the same dollars.

"You can learn the skills," Burrows added. "You can provide training to the board. But you still have to develop the overarching theme of building a culture of philanthropy to make the program systemic and sustainable."

He outlined four components that, once the culture is established, become simple barometers for measuring the sustainability of a philanthropy program:

1. What is our case? Why does the organization exist? Why is it important for philanthropy to play a role?
2. What is our capacity or ability to manage a project? As we require more standardization, more processes, more time, will we also require more staffing?
3. Who comprises our prospective donor pool? How do we engage them?
4. Is the board engaged? Are board members actively assisting the philanthropic endeavors and goals of the organization?

Nurturing donor relationships

Once an organization's board, management, and development team all embrace the culture of philanthropy, articulate the organization's vision, provide fundraising tools and a structure, and build the capacity (staff) to be successful, the next step is building a donor list.

Start with closely aligned individuals—the board and related volunteers, who often give generously and, on average (per national statistics), have a propensity to give more than anyone else, according to Burrows. And while some feel staff members shouldn't be expected to give, especially the low earners, many do want the opportunity to give something.

Then look at affinity sources—residents and family members, who feel blessed regarding the benefits that they've received from the organization and, therefore, feel an affinity toward the organization. Keep moving through those concentric circles to the broader community, and you'll fairly quickly have a solid donor prospect pool.

Constantly nurture that culture of philanthropy, added William McMorran, Senior Partner at **Green Oak Consulting Group** in Los Angeles. "Reach out to residents and their families and to your other constituencies," he recommended. "Tell your story about how gifts have enhanced the overall community through the years."

McMorran also recommends that providers start building relationships with new and prospective residents *before* they move in. As part of the presentation and tour, he suggests talking about or pointing out a mural, maybe a rose garden or a music program, perhaps a bus…whatever a current or former resident has donated or endowed to enhance the resident experience.

"Donors want to give to worthy causes, but first they must believe in the mission. They need to understand why they should support your cause and exactly how you will utilize the funds—and how those funds will make the lives of residents better," he said.

Individuals who decide to become residents of a community have many decisions to consider prior to moving in, one of which may involve simplifying their assets. Without risking confidentiality, McMorran stressed, this can be a good time to have a financial discussion or consultation about charitable trusts and other ways to reduce or manage highly appreciated assets through philanthropic giving.

For example, many people who sell their homes in order to move into a community end up with a capital gain greater than the tax exemption of $250,000 (for an individual). Creating a charitable trust that offsets the taxable gain from the sale of the house—a zero-tax scenario—works beautifully, according to McMorran, "especially when it's construed as a service—somewhat similar to offering household-goods assistance."

Major gifts

Fostering relationships through peer-to-peer conversations with donor prospects is the most effective way to get them to make major gifts, according to Karen Rotko-Wynn, Senior Vice President and West Division Manager at **The Alford Group**, a consultancy based in Seattle. "Fundraising is, after all, a relationship business," she said."

While there are other ways to build a donor base (e.g., phone and direct mail), her suggestion for cultivating top-tier donors is to create a volunteer committee of individuals—including board members, generous donors, and others that care about the organization and believe in its mission—who are comfortable asking their peers, business associates, and friends to join them in supporting the organization. This is also a good strategy for tapping the top 10% of the donor base, who might give more if they were asked in a personal, thoughtful way.

"The economy has made it challenging for everyone in terms of finding new donors," Rotko-Wynn continued. "Those who are close to the organization—and who have been kept close throughout the economic downturn—are loyal donors. They may give less or skip a year, but they don't go away. They're with you as long as you keep them informed and engaged and show that you appreciate them."

Major donors, then, are generally those closest to the organization: current and former board members and current and former donors, especially consistent donors over the years. By doing a little research, the development team can identify donors with the capacity to give more if they were asked. Then have conversations with those people to determine their interests. Perhaps you'll find that they're interested in a particular program. "Do your due diligence, and bring those prospects real specifics about how their support will improve or grow that program," Rotko-Wynn recommended.

Tell A $tory...

Presbyterian Villages of Michigan (PVM) hosted a breakfast in June. Board members, executives and residents served as table captains, and each invited 10 friends to hear the PVM story. Guests were educated on PVM's mission and the needs of seniors, and residents told their personal stories. The event raised $94,000 in new gifts and pledges...in just one hour.

Why set up a foundation?

Everyone wants to protect assets. By setting up a separate foundation, a not-for-profit organization can shovel assets into it, along with contributions, and use that pool of funds to support specific programs, capital projects, a benevolence fund, or general operations. The foundation's board becomes the organization's fundraising entity, and the corporate board focuses on operational issues.

A not-for-profit foundation cannot support a for-profit organization's operations. The IRS very clearly states that 501c(3) foundation support is limited to scientific research, education, or charitable purposes. A for-profit organization may, however, work through a local community foundation. Donors contribute to that local community foundation, which is responsible for determining recipients and issuing funds. Representatives of the for-profit community may serve on the foundation's committee that doles out funds—perhaps for scholarships, nursing education, training programs, staff safety seminars, and similar causes.

Planned giving

A planned giving program is also a great tool for raising large amounts of money, and every organization should be able to ask donors and supporters to consider leaving a bequest in their will. Often, though, organizations simply mass produce a brochure that outlines the importance of "legacy gifts" to the community and place them in the lobby. "Rarely," observed Burrows, "is there a concerted effort to find out what planned giving strategies meet the specific needs and interests of the families? What is the role of philanthropy in the family's own lives? Encouraging families to think about values, legacy, generational issues, and hopefully coming to a generous conclusion—one that's generous to both family and philanthropy—is really the epitome of the culture of philanthropy environment."

As with a major gifts program, a planned giving council made up of volunteers with a combination of appropriate experience (e.g., retired CPAs, tax attorneys, lawyers, bankers, insurance people) can help with the dialogue. Once or twice a year, the council can meet to find out what's going on in the organization before tapping into their resources. What's happing in the marketplace? What strategies and tools make the most sense in the current economic environment? "Organizations don't need to know all about the tools and strategies," Burrows emphasized. "They need to be savvy about how they approach the relationships with families. Those tuned into the industry can mix and match the tools and strategies."

The most likely prospects for planned giving are residents and their families, along with others with personal connections to the community. Some residents of senior living communities have significant estates and have supported other charities for years and years. They need to be reminded that the community in which they live also needs support and has a fund—and that bequests made to that fund will be stewarded appropriately—and that the organization will use the funds to make life better for the residents.

While some organizations have established sophisticated mechanisms for planned gifts, every organization needs to clearly illustrate to the prospective donor that the bequest will be placed in an established fund that does specific things to further the organization.

"It doesn't necessarily have to be an endowed fund," said Rotko-Wynn, "although those appeal to donors. They know that, once they die, an endowed fund will continue to generate income for a program for years to come." On the other hand, it's perfectly fine to incorporate all the funds received in a given year into funding for a needed project.

Move-in time is a good opportunity to capture the imagination of new residents, although many may already have their estate plans in place by then. But it's always smart to ask. Charitable gift annuities and charitable remainder trusts are both vehicles where an individual makes a future gift commitment to the organization and, in return, receives a lifetime income plus an immediate income-tax deduction for a partial amount. And by committing an appreciated asset, they can also avoid paying the capital gains tax.

State governments regulate charitable gift annuities. In many states, they're easy to do; in other states (e.g., California, New York, New Jersey), it can be very difficult. Ohio has no regulation at all, according to McMorran, and Arizona simply requires a sentence in the contract. "Charitable gift annuities provide a steady income for the donor over time," he added. "Charitable remainder trusts are usually for bigger fish but look pretty much the same."

Also, the planned giving message should be ongoing. Every letter asking for an annual gift, for example, should have a box on the return device that says, "I'm interested in learning more about planned giving programs."

Or a specific appeal may go out once or twice a year, informing people about the organization's planned giving program and inviting them to consider leaving a bequest.

Board and staff responsibilities

The board of directors, the CEO, and staff members must all work together to articulate the case for support. "That is an essential component for growing philanthropy, said Rotko-Wynn. "It's one thing to believe the organization should raise money, but everyone must be committed to what *they* need to do within that process."

The board establishes the culture of philanthropy, and board members truly must practice what they preach. While they do donate their time and service, their talents and acumen, they should also donate from their treasure and their resources—and should be expected to do so, generously. Board members are also expected to identify others whom they know could give and to ask others to join in giving. The CEO, as well, must communicate why philanthropy is important to the organization and how it will make a difference, delivering that message within the community and out to the greater community.

"Our clients often implement a thank you program, where board members divide up the donor list of all the gifts that have come in during the previous quarter and personally thank the person for making a contribution—a telephone call, an email, or a thank you note—separate from the official one sent by the organization for tax purposes.

"This provides a great way for the board member to engage the donor in a thoughtful discussion about philanthropy in general, tell a story about the organization, share news about the organization, and explain how the gift will be used to enhance the community."

—Allan Burrows

Many organizations don't have any board members with a fundraising background, although it would be a good thing if they did. And many boards haven't focused on encouraging or expecting board members to contribute to the organization, while others practice the principle of "give, get, or get off." Sophisticated people know that if they're asked to serve on a board, they're going to have to ante up a substantial gift—but it's always important to make that expectation clear during the recruitment process.

Just as the board needs members with legal, medical, or city planning expertise, a strategic board recruitment process should reflect the need for volunteer philanthropic leadership. The nominating committee, along with the development staff and the CEO, needs to identify community leaders who have wealth, who have demonstrated their philanthropic inclinations, and who are generous donors…and then invite those people to be on the board. "You want a blend of people who bring skills, philanthropy, and generosity," Rotko-Wynn added. "A well-rounded board increases not only your representation in the community but also your reach into the community,"

As for 100% giving by board members—to the best of their ability—that sets a good example. The same is true for staff, particularly when it's a major campaign. "There's no more powerful message than going out into the community—to other donors, to foundations, and to corporations—and being able to say that you have 100% participation from your board and 100% from your staff," said Rotko-Wynn. Sometimes it's inappropriate to expect staff members to contribute; but often they are more than willing to make a small gift—particularly when another staff member asks. Again, peer-to-peer asking works best.

When searching for board members that fit into an organization's culture of philanthropy, Burrows finds two simple tools very helpful:

One is a biographical profile that indicates the person's occupations, job responsibilities, civic engagements, faith orientation, and so forth. "What you'll find are the inevitable linkages to potential donors from all that professional or civic involvement," he said. "And the number of organizations that just don't ask for that biographical information would amaze you."

Second is a personal development plan to determine the new board member's philanthropic interests. After the board orientation, a staff or fellow board member lays out the organization's annual fundraising objectives and asks the new member: Where do you see yourself fitting into the plan? The new member may be able to make a dollar contribution (large or small), perhaps host a lunch for friends and associates (potential donors), sign thank you letters, or something else that is in their comfort zone. "By crafting these personal development plans, you create advocates for your program who are also willing to take responsibility for certain parts of your overarching plan," said Burrows.

"The essence of philanthropy is building strong relationships with donors. Start with people closest to your organization and encourage them to contribute on an annual basis—through the mail, a phone call, or an event—and build your donor base.

"If donors continue to support you and believe in your mission, then ask them to make a major gift, which involves dipping into their savings and not just their disposable income. The third phase of philanthropy is helping donors understand how to leave a legacy for the organization by making a planned gift as part of their estate.

"People like to make a difference in the lives of others. Philanthropy provides the opportunity for individuals, corporations, and foundations to support vital programs for seniors."

—Melinda Conway Callahan

Communications

Most organizations vary their fundraising communications, because different donors and prospective donors respond in different ways. The most savvy have not abolished the printed piece but may be using less of that method or mailing less frequently. They're also combining direct-mail campaigns with email updates, posting information on their websites, and drawing people in with a variety of social media. "That all requires testing, but keeping communication lines open is the main thing," said Rotko-Wynn. "Make sure your message is always out there."

Everyone seems to agree that the best way to communicate is to share stories. How have people made a difference in the organization? How has a significant gift changed something? How has a contribution changed the life of a resident? Stories convey what you're doing and how that's making a difference. They put a face on it.

There are no set rules regarding frequency of the messaging. National organizations may send out a communication twice a month, which may work well for them. Many of the small- to medium-size organizations send a monthly or quarterly newsletter. "Quarterly updates tend to be enough, unless so much is changing or going on that you can justify doing it more often," according to Rotko-Wynn. "And you might reach out to different groups of people more or less frequently—families of residents vs. donors, for instance)." ❑

No Pullback In Contributions At Presbyterian Villages Of Michigan

Last year, the **Presbyterian Villages of Michigan Foundation** raised $5 million in contributions. "We're raising more money than the organization has ever raised before," said Melinda Conway Callahan, President. "There hasn't been any pullback in contributions due to the economy. In fact, we've seen a 400% increase in the overall size of gift." She attributes the Foundation's success to a well-thought-out strategic fund development plan that encompasses the entire organization and creates a culture of philanthropy.

Presbyterian Villages of Michigan (PVM), based in Southfield, Michigan, comprises 24 campuses, or villages, located throughout the state. Callahan likens the organization's funding sources to a three-legged stool: revenue from resident fees and services, government funding (HUD 202 subsidized housing and Medicare/ Medicaid reimbursements), and—the source that's the "most untapped"—philanthropy.

The organization's board members, management, and staff have made a priority of educating people about why PVM needs support, and they do it by telling and retelling the PVM story—one of three important components of the foundation's successful philanthropy plan:

1. Tell your story. Stories resonate with people. It's what they remember. They don't remember statistics or percentages.
2. Develop a relationship with the donor. Make donors part of the organization's family by using various touch points—newsletters, email, open houses, etc.
3. Make the ask! Give people the opportunity to invest in your excellent programs.

Several times each year, the Foundation does direct-mail campaigns asking for contributions. All 24 villages also participate in an annual "Friends and Family" appeal that has proven particularly successful. For that appeal, each village targets a specific project that needs support—perhaps a wellness program or a new generator or a computer lab.

Other fundraising activities and events take place during the year, including PVM's annual gala—which always sells out. The gala attracts 600 people and nets about $250,000.

Developing donor prospects

Philanthropy and developing donor prospects is not solely the responsibility of development staff or the Foundation. The board of directors plays a critical role. Typically, board member selection is based on the skill set that a prospective member brings to the table—financial, legal, marketing, etc. But the ability to support the organization's fundraising program is just as important a consideration. Who do prospective board members know? Are they members of other boards? Are they active in a church? Do they have leadership roles in business? A board member's circle of influence is very important to a fundraising program.

Teaching and training board members to be comfortable about fundraising is key. "It's an integral part of our board member orientation," said Callahan. "We also make it clear that board members are expected to contribute to the best of their ability." PVM has 250 board members in its various communities throughout Michigan, along with additional members of its corporate and foundation boards—all of which are in the organization's first circle of giving. Five or six years ago, the various boards approved a goal of 100% giving by board members. The reasoning: How can we ask anyone else if we haven't stepped up? Nobody has ever pushed back, according to Callahan. "In fact," she said, "village boards compete to see which one can reach 100% first!"

PVM management has set the same 100% goal for themselves, along with a 30% goal for employee giving. And despite the fact that many of the employees don't earn fat paychecks, 30% do make an annual donation. PVM makes donating easy for everyone by offering a payroll deduction option.

The next ring in PVM's circle of giving includes partners—people who do business or collaborate on projects with PVM. "Of the $290 billion in charitable giving that was generated in 2010, only 5% was from corporations and foundations and less than 2% of corporate and foundation funding was given to aging-related issues," Callahan noted. "So our goal is to educate our corporate and foundation partners about the 'silver tsunami' that's coming. Despite the economy, we know that people will give—and continue to give—to a good program." That's certainly proven true at PVM. ❑

EHR, *continued from page 1...*

these types of organizations have been unsuccessful…so far. And given the laggard economy and the reining in of federal funding, that's unlikely to change in the near term.

The government's ultimate goal, however, is for health-care providers to have access to a dynamic, integrated, longitudinal, person-centric EHR system by 2015. The only good thing about not being included in the incentive program is that LTPACs—unlike the hospitals and professionals—won't be penalized in 2015 if they haven't satisfied the "meaningful use of certified EHR technology."

Nevertheless, getting on the EHR bandwagon now is a smart idea for all LTPACs. Implementing an EHR system is just as relevant in a continuing care or skilled nursing setting as in any other venue, because the system will increase the organization's efficiency and effectiveness and improve the quality of care, patient safety, and continuity of care. Once a patient is registered in the EHR system, information regarding services provided at any level resides in one place.

"That creates enormous efficiencies and, obviously, higher quality care," said Walter Tanenbaum, Director of the Health Information Technology Group at **RSM McGladrey, Inc.**, in New York City. "Knowing what drugs a patient received in an acute-care hospital setting when continuing forward to a home-health environment, for example, is extremely valuable."

And as the health-care industry inches along toward accountable care organizations (ACOs), bundled payments, and shared savings scenarios, "Those that cannot run with the fastest, so to speak, are clearly going to be left behind," he added.

Definitions: EMR, EHR

EMRs (electronic medical records) and EHRs (electronic health records) are often confused and the terms are sometimes used interchangeably, although their meanings are actually quite different. It's important, therefore, to understand the difference.

An *EMR* is a collection of health-related information on an individual—an electronic version of the (old) paper charts in a clinician's office. The EMR is created, gathered, managed, and consulted by authorized clinicians and staff *within one health-care organization.* EMRs allow those clinicians to track data over time, easily identify when the patient is due for preventive screenings or checkups, check patient progress within certain parameters (e.g., blood pressure readings, vaccinations), help prevent patient rehospitalization, and monitor and improve overall quality of care within the practice.

An *EHR* does everything that an EMR can do but focuses more broadly on the total health of the patient, allowing for more coordinated, patient-centered care. An EHR reaches beyond the health organization that originally collected and compiled the patient information. An EHR can be shared among authorized clinicians and staff across *all the health-care organizations involved in the patient's care*. An EHR can also be integrated with other components (e.g., lab, radiology, pharmacy, surgery, other specialists). The data in an EHR moves with the patient to specialists, the hospital, the nursing home, the next state, even across the country, allowing all members responsible for the patient's health care to access the latest information and enabling a smoother transition from one care setting to another. The patient may access the information, as well.

Integrating with other systems

Integrating technology is a big hurdle in the traditional acute-care environment, which generally includes multiple hospitals in a geographic area, networks of community-based health centers, critical-access hospitals, etc. Integrating technology is even more difficult for continuing-care providers, mainly because the resources needed to implement a plan—including the skilled technology workers—are not readily available. Because of the requirements of the EHR initiative, the health-care industry is said to be short about 500,000 skilled technology workers, according to Tanenbaum.

In any event, the ACO model, slated to begin on January 1, 2012, makes it imperative for LTPACs to organize themselves to participate in and integrate within the new scenario—which will likely include a global payment system, as well. The entity taking the leadership position in the ACO and pulling all the moving parts together will likely be a major hospital, which will also have a head start on the technology, the most resources, and the biggest budget. The technology that the hospital already has in place—or is planning to implement—will influence the choice of technology that ACO partners must implement, both to be compatible and to accomplish the end objective (better quality of care at less overall cost).

Any EHR system, therefore, will have to be robust enough to meet the needs of the hospital and other acute-

care providers, yet scalable and affordable enough to meet the needs of a small LTPAC partner. "Most of the software companies already have multiple product lines or are merging with others to provide a solution for the hospitals, as well as for the ambulatory care environment," Tanenbaum explained. "It's a business objective to accomplish that, but the integration is very complex. So far, the systems cannot communicate well with each other—which is a huge issue."

Implementing a system

A process—a professional process—needs to be applied by an LTPAC facility that is looking to implement an EHR system in order to partner with other facilities, whether or not it's an ACO construct. And it's not a good idea to skip any of the steps in that process, according to Tanenbaum. "You don't want to learn, after the fact, that you've implemented the wrong system," he cautioned.

1. *Define your requirements*. Integration is important, but you must first satisfy the needs of your organization. The technology that you acquire has to be usable in your organization and accomplish your own objectives of efficiency and effectiveness.
2. *Vendor evaluation/selection.* Send a request for proposal (RFP) to a selected pool of potential vendors, including the vendor that serves the hospital in the ACO leadership role—which, of course, is one of the criteria for selection—with requirements that can be measured, monitored, and made quantitative. That way, you can compare vendors on an objective basis. And when you've narrowed the field to the two, three, or four viable—or potentially viable—vendors, provide scripts to each of those vendors to use in a demonstration. That way, you can compare apples to apples and make a final determination. The RFP process allows you to eliminate vendors who are least able to satisfy your requirements; the demonstrations actually show you how they will do it—and if they really can do it.
3. *Negotiate.*
4. *Implementation.* Once you've acquired the technology, you have to implement it. And you have to have skilled people available to make it work for you—and keep it working for you. Most vendors will provide on-site training at a cost of about $1,000 per day plus expenses; they will also provide online training.

"An integrated, dynamic, longitudinal, person-centric electronic health record empowers personal health accountability, wellness, and proactive care through transitions of care interoperability based on standards."
—John Derr

The biggest determinant of whether a technology acquisition and implementation project is successful is how well the current state to future state transformation occurs, according to Tanenbaum. That requires defining, at a very granular level, the workflow and work distribution of each workstation of the current operation and then, based on its features and functions, using the new system's tools to design the future state.

"Health-care organizations usually rely on vendors to implement for them," he said, "and a vendor has different objectives. They're concerned with installation—load the system and submit the bill. The organization's objective, on the other hand, is to use technology to gain efficiency and effectiveness."

It's nearly impossible to predict the future, but Tanenbaum suggests organizations adhere to the following:

- Don't lock yourself out of future innovation. Make decisions with an eye toward being able to utilize, capitalize, or leverage that technology into the future.
- It's not the technology itself but the application of that technology and how it's implemented that's important. The technology must follow the needs of the users.

Resources required: manpower and money

We tend to think about the required manpower resources in terms of the skilled technical people that implement the systems, but the resources needed to support the technology once it's implemented are really the most important ongoing consideration.

Education on these systems is a huge need, according to John Derr, President and CEO of **JD & Associates Enterprises** in Anacortes, Washington, and a commissioner on the HHS Certification Commission Health Information Technology (CCHIT) Standards Committee. Even the people who work with technology in a health-care facility may not have a clue about EHR systems.

Many small LTPAC facilities still utilize basic accounting programs and are working on paper, while some have graduated to software programs handwritten by an accounting firm. "That just won't work anymore," Derr said. "They've got to form interface portals. And some very good vendors have worked very hard to create suitable programs to help these small organizations with their interconnectivity and interoperability."

The cost of implementing an EHR system varies, depending on where a particular organization stands in terms of its current technology. Implementation can also be quite complicated, depending on the capabilities required and the number of people using the system. If the organization has no digital technology at all, it must first complete a whole level of preparatory work.

"When we help our clients define their technology requirements," Tanenbaum said, "we have them do a complete, detailed gap analysis. By identifying gaps between the current situation and the future vision for utilizing technology, they can visualize what is required to ameliorate those gaps, the level of investment they need to make, and the likely return on that investment."

So while it's difficult to pin even a ballpark cost on implementation of an EHR system, pricing for on-premises software suitable for a small- to mid-size nursing home might be in the vicinity of $25,000; hosted software-as-a-service products range from about $2,500 to $5,000 for installation plus $350 to $3,500 per month.

Now here's an idea…

Even though the cost of implementing EHR technology is not prohibitive, small, not-for-profit assisted living and nursing facilities may not be able to afford the expense—yet they will need a compatible system if they expect to partner with an ACO. Derr has an idea.

Eligible hospitals will receive federal incentives of at least $2 million (and perhaps as much as $5 million) to implement EHR systems. That hospital could, in turn, give a small portion of that grant to one or more local home-care agencies or nursing homes to assist those facilities in creating a compatible interface.

A hospital must spend its incentive money to satisfy "meaningful use of certified EHR technology"—and also needs to cut down its rehospitalization rate. If the hospital can help its partners build their interfaces, those partners can help satisfy that required "meaningful use" and also help meet the rehospitalization challenge. "That doesn't seem to be an unreasonable request," Derr said, "so don't be afraid to ask." ❑

The Acquisition Market

Remember back in 2006 and 2007 when some very high-end retirement properties were being sold at very high prices and low cap rates? In 2007, the average price paid per unit for assisted living was $159,100 and for independent living it was $174,500, with the highest price coming in at about $450,000 per unit. Those were the days, but those were times when buyers were so starved for quality that when quality appeared, prices were bid up. Although the overall market and economic environment is very different today than four to five years ago, the market psychology and demand for "trophy" properties is very similar. In others words, when you have a best-in-class property, it is definitely a seller's market, despite an economy that is going sideways.

Such was the case in the recent sale of a 116-unit community in California with about 55% independent living units and 45% assisted living units. Developed by **MBK Senior Living** in a high barrier-to-entry market in 2002, this community is running on all six cylinders and operates at an EBITDA margin of just over 43% (that's after the management fee). They may have found a seventh cylinder as occupancy at closing in late September was about 92% (average for the recent years) and hit 97% less than two weeks later.

This is a high-quality property for institutional buyers, and there were plenty of them that wanted to buy it, but the joint venture between **CSH** and **Harvard Management Company** was the winning bidder at a price close to $320,000 per unit and a sub-7% cap rate. Now, that cap rate is based on in-place EBITDA before the recent jump in census and before the buyer, together with MBK (which will stay on as the manager) create a 12-unit wing for Alzheimer's care and complete some other cosmetic improvements.

Our guess is that within six months that cap rate will top 7%. It doesn't really matter, because although the per-unit price was high and the cap rate could be called aggressive for this economic environment, the buyer could turn around and sell it for a small profit next year, because the demand is just that high for these properties. Besides, MBK and CSH/Harvard already did one transaction earlier this year and both sides are very happy with that and want to have a partnership where both sides benefit, and grow. MBK currently owns or manages 14 communities and is still looking for more. Dave Rothschild, Matthew Whitlock and Mary Christian of **CBRE** represented the seller in this transaction.

In yet another sign that buyers will pay top prices for top quality properties, **Woodmark Senior Living** sold its last two remaining properties to **AEW Senior Housing Investors**. The communities are located in Arizona and New Mexico and have approximately 275 units combined. About one-third of the units are for dementia care and the remainder offer traditional assisted living services. The communities are both about 10 years old with relatively strong occupancies, although there is room for improvement with one of them. That will be the task for **Senior Lifestyle Corporation** (SLC), which will be managing the communities on behalf of AEW and strengthening the relationship between the two entities. SLC is managing a large Florida community that AEW purchased earlier in 2011. In the current transaction, we believe the purchase price to be somewhere above $185,000 per unit with a cap rate that may be close to 7.5%. These are institutional quality properties that are a great fit for AEW's portfolio and will certainly hold their value. Lisa Widmier of **Vantage Pointe Capital Management & Advisory** represented the seller.

Moving on to a few not-for-profit skilled nursing facility sales, a local not-for-profit that wanted to exit the skilled nursing market for financial reasons sold its 101-bed facility in Sarasota, Florida. It was built in 1977 and while in decent condition with a large therapy and rehab area, and no ward rooms, occupancy was just 61%. Surprisingly, it managed to post a nearly 7% operating margin on just under $5.0 million in revenues. The Medicaid census was 87%, but since the buyer owns and operates six other facilities in Florida, we believe they will have a better handle on the market than the seller and will increase the Medicare census from its current 7%. The purchase price was $4.975 million, or $49,300 per bed. There was one little kink that had to be worked out, since the city owned the land that the facility was built on, but it agreed to sell it. Bradley Clousing of **Senior Living Investment Brokerage** handled the transaction.

In another not-for-profit sale, **Norwalk Health Care** in Connecticut sold its sole skilled nursing asset, a 150-bed facility that was losing money despite a 90% occupancy level. The quality mix, at 37%, was pretty decent as well. The problem was the high operating costs caused partly by the District 1199 union, not to mention that hospitals tend

to staff and operate skilled facilities at higher costs than other operators. Annual revenues are about $16.2 million, which comes to more than $325 per occupied bed per day, so many providers may wonder why it would lose money. The buyer, which specializes in turnaround situations and has experience in Connecticut, doesn't plan to lose money and should be able significantly impact profitability the first year. The purchase price was $5.9 million, or $39,300 per bed, and **Sabra Health Care REIT** (NASDAQ: SBRA) financed the acquisition for the buyer. Ryan Saul of Senior Living Investment Brokerage handled the transaction.

Talk about a disaster waiting to happen…again. **The Clare at Water Tower**, a 334- unit/bed high-rise CCRC in downtown Chicago owned by an affiliate of the **Franciscan Sisters of Chicago Service Corporation** has defaulted again on its debt. The last time resulted in a restructuring of the bonds at 70% of face value in the summer of 2010, which in order to have any value had to see occupancy ramp up, an assumption based on a hope and a prayer and a significant turnaround in the economy and housing market. Whoops.

More than one year later, the 248 IL units are only 33% occupied and sold, and the AL and SNF units aren't much better. For the 12 months ended June 30, 2011, total operating revenues were $10.3 million with an EBITDA loss of $4.3 million. Add to this the $5.5 million of interest expense and over $5.0 million of legal, consulting and restructuring costs, and this looks to be one of the biggest financial disasters in CCRC history. The initial total debt was about $229 million, with a sizable chunk of that going to various fees at the closing of the bond offering. This time around, the bondholders will have less patience and it may be time for a new sponsor/owner with a more realistic capital structure. We don't know if the bondholders would have the stomach for a forced sale, or whether the Franciscans would want to suffer the embarrassment of losing what was supposed to be a trophy community for them in downtown Chicago. But with the huge amount of debt, plus the refundable entrance-fee liabilities they have, the financial future is certainly bleak.

Another CCRC, **The Village at Penn State**, had previously not made a required debt payment and the borrower has retained **RBC Capital Markets** to pursue a strategic affiliation or sale of the community. It's financial condition, however, is much better than The Clare's. ❑