Londonderry Village

A COMMUNITY ROOTED IN BRETHREN VALUES

BOARD OF DIRECTORS MEETING

September 6th, 2023 Boardroom 8:30 AM

AGENDA

Welcome	Steve Tilley, Chair
Opening Prayer	Keith Wagner
Approve Minutes of 6/7/23	

Reports:

Financial Report	Henry Brubaker, VP Finance
Governance Committee	Keith Wagner
Strategic Planning Committee	Ray Flagg
Finance Committee	Roy Meyer
Development Committee	Dr. Dennis Gingrich
Resident Life & Health	George Porter
Human Resources	Sandy Pintarch
President's Report	Jeff Shireman

Executive Session

Dates to Remember:

Street Fair	*Sept 20*	*11 am to 3 pm*
Golf Tournament	*Sept 21*	*1 pm*
October Board meeting	*Oct 4*	*8:30 am*

Board of Directors Meeting • June 7, 2023

Londonderry Village

A COMMUNITY ROOTED IN BRETHREN VALUES

The Londonderry Village (LV) Board of Directors met on June 7, 2023 at 8:30 a.m. Board Chair Steve Tilley opened the meeting and Richard Hann led the group in prayer.

Present: Board Chair Steve Tilley and members: Ray Flagg, Dr. Dennis Gingrich, Dick Hann, Rev. Belita Mitchell, Sandy Pintarch, George Porter, Michael Swank, Chet Rose, Keith Wagner and Jim Williams. Staff in attendance were President Jeff Shireman and Henry Brubaker, VP of Finance/CFO

Absent: Robert Fortna, Rev. Ronald Ludwig, Roy Meyer, and Thomas Shenk

May 2023 minutes reviewed and approved as presented. **<Approved unanimously>**

Financial Report:

Henry Brubaker reviewed the April 2023 financials. Highlighted points include:

- Census in Nursing was 65 (3 mo. average: 63) and Personal Care census is almost all filled at 37 (3 mo. average: 38). Independent Living census is at 92% occupied (Apartments) (3 mo. Average: 92.9%) (Cottage/Duplex) remains strong at 92% occupied (3 mo. Average 92.1%)
- Nursing payer mix: Medicaid rose slightly to 32.3% (3-month average: 32.7%), Private Pay remained steady at 58.5% (3 mo. average: 58%) and Medicare rose to 9.2% (3 mo. average: 9.3%).
- April bottom line net increase was $ 111,000, year to date net is a positive $ 237,000; we are operating about $ 518,000 ahead of budget year-to-date. Investment earnings are recovering from the 2022 losses. April trend is slightly ahead of revenue budget, slightly under budget for expenses.

Governance Committee:

- The Governance Committee met twice to review changes to the Board Bylaws and Policy & Procedures. Term limits were discussed and Mr. Williams suggested that the Board consider allowing the immediate past chair to serve on the Board for an extra year consistent with their term as an Officer.
- The Governance Committee reviewed the Bylaws and Policy & Procedures proposed changes. There were 2 revisions.

- Provision to article 3 section 10: Indicating serving during a term. A term-limited Officer can stay on the Board for the full limit of their Officer-term.
- Members are permitted to attend meetings virtually (the prior bylaw indicating members needed approval to attend virtually will be removed).

- Sandy Pintarch reported that the Nominating Committee has extended offers to three individuals to come on the Board in 2024. Current Board members Steve Tilley and Ray Flagg have agreed to be nominated for another term (starting in 2024).

Strategic Planning Committee:

- Marketing update: There are 5 open units. Mr. Shireman commented that the IL resident population is both growing and maturing (in terms of average age). Both trends are contributing to a larger number of relinquishments each year.

- Fox Run update: There are currently 10 out of 11 units sold, mostly reserved by couples. It was noted that the preference was for 2 full bathrooms instead of 1-1/2. The plan is to recalculate the price for unit 11. There is a total of 105 units projected for Fox Run, phases 1, 2, & 3.

- There was a discussion concerning the hybrid villa apartment buildings. Costs have increased by over 20%. Jeff is waiting on calculations from AFS, and will share with the Board as soon as he gets the information. **A motion was made to construct one hybrid unit in Phase 1, and not to impose any pre-sale restrictions on this first building. [Approved**] A decision was made to wait until the units are sold before deciding on any more hybrid apartment buildings. Henry Brubaker commented that the original Fox Run Phase 1 project cost was $21.8 million, and that estimate has now increased to about $26 million. Mr. Shireman mentioned in discussions with Pleasant View Retirement Home (in nearby Manheim), that they have had good success with 35 out of 36 hybrid units already sold.

- Green House Renovations: Plans are to move Royer residents to the newly renovated Hostetter House later this month, and then move Fake House residents to Castagna, which will open Royer and Fake Houses for complete renovations. All GH renovations should be completed by the end of the year. The goal is to move Leffler Care residents and staff into the GH's. This will leave LC empty for reconstruction.

- Projects: The Stoneback Café will be renovated in June with new counter tops, and should only be closed down 2 days. There is also a plan to do minor renovations in the Convenience Store.

- First hybrid should breaking ground in September, so Marketing will have the summer months to work on selling the hybrid units. There are few people expressing interest in hybrids.

- Steve Tilley shared that prospective buyers have demurred by not seeing a model, and that our pre-sale commitment of fifty percent sent a message that we're not fully committed. Mr. Shireman mentioned that prospects are now mostly coming from Lebanon County, Hershey, Middletown, and Hummelstown.

FINANCE COMMITTEE:

- Reviewed the Fox Run progress and concurred with the motion from SPC to build a single hybrid villa building without any pre-sale requirements.

- Discussed observations from capital consultant Malcolm Nimick. With rising interest rates, very few projects are being approved.

- Investment review with our investment manager, Everence. Motion was made to modify risks and holdings at the portfolio level in each individual fund. Henry will report after meeting with Everence.

- Cash management: Additional information about the IntraFi cash accounts available at Fulton Bank was presented. These accounts allow the deposits of Londonderry Village to be spread among banks to eliminate the risk of deposits in excess of the FDIC limits. The cost of this service is 25 basis points, but with the recent changes to add a sweep feature to the operating account and the money market accounts for the other Fulton accounts, this is a reduction in the interest income rather than a new cost for LV to pay. With approximately $6 million of cash on deposit at Fulton Bank and only $250,000 protected by FDIC insurance, after discussion, a **motion was made to add the IntraFi protection to the bank deposits held at Fulton Bank and was passed unanimously. {Approved}**

DEVELOPMENT COMMITTEE:

- Dennis Gingrich took time to thank Henry and Jeff for special services he has received for his father, and for a program he does every year with pre-med students.

- First quarter is doing well with 23% of the budget goal. Looking good for the year.

- The BBQ & Auction is re-named "Summer BBQ Bash" and all activities will be consolidated into a "one day event" with expanded food options, such as BBQ chicken, pulled pork and pulled beef, and also food trucks. There will be a kids area and activities at the Shearer Family Playpark. Tickets will continue to be sold online as well as in-person. The Summer BBQ Bash runs from 11 a.m. – 1 p.m. (dine-in or drive thru). Hamburgers, hot dogs and other foods, as well as sweets and treats and food truck goodies will be available, too! A variety of food will be available throughout the entire event. The event take place on Saturday, July 29th and will include:
    - Kid Activities & Family Area throughout the day with a "magical" performance at 11:30 a.m.
    - Silent Auction from 2:00 p.m. to 4: 00 p.m.
    - Live music from 2:30 p.m. to 3:30 p.m. with Ironwood Drive Band playing a mixture of traditional and gospel bluegrass music.

- "Coney Island" themed evening starts at 5 p.m. with food and games.
- The event wraps up with festive, live popular tunes by Josh Squared Band outdoors under the tent. Concert starts at 6:30 p.m. and will include the traditional free will offering for the GSF.

- The current bench project has reached its capacity, Lisa Thomas and Francis Glynn spoke with Jeff about utilizing the South campus for continuation of the project. Benches will be sponsored at $1500. The plan is for 12 benches in the first phase, and also to offer the common courtyard as a naming opportunity.
- One of the focus topics was looking into corporate partners, and the committee came up with maybe scheduling a tour, and see what questions they have. Looking for more opportunities to incorporated businesses as well. Lisa is working on that. Chair Gingrich commented if anyone has any ideas, to get back to him. There are currently 16 corporate partners. Pastor Belita Mitchell suggested that maybe its good idea to highlight potential partners, to become partners as well. Chair Gingrich suggested involving IL residents to identify, maybe serve at looking for sponsors. Chet Rose suggested featuring one of the corporate sponsors in the IL monthly newsletter. It was suggested by Chair Gingrich to discuss at a future meeting, and have specific meetings with corporate sponsors.
- **Chair Gingrich encouraged Board members to attend the various fundraising events as able; a list of the 2023 Development Department fundraising events will be provided to all members.**

Resident Life/Health

- It was decided to change advertising to look for part-time instead of full-time LPN's in order to receive a flow of new candidates. Still searching for full and part-time dietary aides. There are more jobs than people in our market area, so recruitment remains a challenge.

Human Resource Committee:

- Sandy added that as the Chair of the Nominating Committee, she is looking at nominations for January 24. Will be needing two individuals to replace Ron Ludwig and Pastor Bellita Mitchell. Needed are 2 members of COB and 2 members from Board, whose term will end, but will renominate Chairs Steve Tilley and Ray Flagg open for nomination for 2nd year term as treasurer.
- Sandy Pintarch shared that there is a mental wellbeing app/website (Koa Foundations) for individuals to use to assist with maintain and strengthening their mental wellbeing before issues progress. This benefit will be added to our current offerings effective July 1st and will be available to all staff. Staff will be encouraged to download the app to their phone or computer.
- Farmington's open enrollment (for staff wishing to purchase optional benefit coverages) went well with 87% of staff meeting with the Enroller. In the seven days they were here, there were approximately fifty members that added or newly enrolled in one or more plans. Farmington offers a

life insurance plan (with no medical clearances), accident (comparable to Aflac), and critical illness.

- Medical insurance renewal increased 7.3% for the next plan year, which runs from July 1 – June 30. The rate will be adjusted for staff, but they will not get the full increase to keep costs in a reasonable range.

PRESIDENT'S REPORT:

- Chaplain Ken Phillips has been embraced by the LV Community.
- Jeff mentioned we recently hosted visitors from North Carolina Baptist Homes who are planning on building the first Green House in North Carolina.
- In a previous meeting, it was discussed that the DPH is holding governing authority of higher standards of what's going on in nursing homes. Mr. Shireman gave an update that the Department of Health is planning to increase their required minimum nursing hour's per-patient-day ratio from 2.7 to 3.2, which is still well below our current 5.1 PPD.
- There was a discussion about a letter received from the Office of the Attorney General (Commonwealth of Pennsylvania). The Office of Attorney General is attempting to compel nursing homes to treat individuals on opioids. Our previous admission policy was not to accept people on opiod –withdrawal medications. With this new petition, in conversations with legal counsel, we would need valid reasons to turn these people down. Mr. Porter commented that we have good lawyers with a history of good advice, and after a lengthy discussion, there was a **Motion to empower Jeff Shireman to sign a Voluntary Compliance Agreement on behalf of Londonderry Village; the Motion was Approved with 7 members in favor, and 3 abstentions.**

Next Board Meeting: September 6, 8:30 a.m. in the Board Room (Zoom option available)

Meeting adjourned at 10:45 a.m.

Respectfully submitted,
Barbara Showers, Recording Secretary

President's Report to the Board September 2023

1. The census remains high in all three levels of care. Nursing is at 69, with all 40 Green House beds filled and 29 occupied beds in Leffler. Personal Care is at 38, which leaves only 2 vacant rooms available. Independent Living has 468 residents, down slightly from previous months.

2. Londonderry Village, like most of our fellow Life Plan Communities in PA, is experiencing a minor outbreak of Covid-19 at this time. So far, we have had four staff cases (three of whom have already returned to work), three cases in Personal Care, and one case in Leffler Care. No hospitalizations due to the outbreak. We believe the Leffler case was brought in by the affected residents' visitor. The new variant is highly contagious, but does not seem to have life-threatening consequences. The folks who have tested positive commonly report head cold/allergy-like symptoms at the outset. We are requiring staff (in the affected areas only) to wear masks, but do not feel the need at this time to impose widespread masking throughout the campus.

3. Resident Services Director Mary Lee Harpel has been on medical leave of absence for several weeks following a fall at home where she broke her wrist, and required a surgical repair. We anticipate her return by mid-September. Trudy Kern, her Assistant, has been doing a great job at keeping things moving forward in that department.

4. Sales activity for independent living continues to be strong for our original Founder's Campus, with 22 contracted units under renovation for future residents. For the first time in recent memory, we do not have any unsold/unreserved units!

5. We recently experienced our first sale for the Hybrid Villa apartment building! We hope this will inspire other prospects to reserve a hybrid villa apartment.

6. Funk and Sons is building the first eleven Fox Run homes "one at a time" with a two-week stagger between start times. The first house, a Carriage Home, slated for delivery in December, is framed and having roof trusses installed as of this last week in August. Mechanical rough-ins are slated for September, and drywall for October. The second unit (a townhome) has had its footers poured and the masons are laying the foundation bricks this week. Most of the Phase 1 site work is done. The project is on schedule according to the AFS projections.

7. SFCS Architects are making some last minute changes in the drawings for the hybrid apartment building. Once the drawings are finished, we can submit them to get a Building Permit. Realistically, the hybrid building should get underway in October.

8. Beers and Hoffman architects has an appointment with the PA Department of Health in early October to complete the process of removing the Tranquil Terrace (TT) Unit from the DOH rolls of inspectable spaces. We will need to build a fire separation wall to

insulate TT from the Leffler Unit. We are still anticipating beginning construction this winter. Funk and Sons is estimating it will only take 6-7 months to complete the construction as many of the original walls and plumbing locations are being re-used.

9. We intend to pursue a donor for the naming opportunity associated with the renovated "TT" unit. We have received numerous objections over the years to the name "Tranquil Terrace", especially related to it being a Memory Care Unit. We hope to use a naming convention similar to our Green Houses (e.g., Stoneback Haven, Royer House) if we can find a willing donor.

10. The Fake and Royer Green Houses are now empty and being renovated. The elders from those Houses were successfully re-located in July and August to the newly-renovated Castagna and Hostetter Houses. The Fake and Royer renovations are currently ahead of schedule and may be completed as early as mid-October.

11. The Marketing and Dining Services Departments are putting on a Street Fair on September the 20th as a way to generate some excitement for the upcoming Fox Run expansion. In addition to LV residents, we are inviting a screened zip code list of age and income-appropriate seniors to attend. There will be food for sale, as well as games and music. So far, Francis Glynn, Tyler Weaber and Jeff Shireman are all scheduled to make appearances (and battle hypothermia!) in the Dunk Tank!

12. The Annual APG Board Forum is scheduled for September the 29th at Woodcrest Villa in Lancaster. This year's Forum will focus (not surprisingly) on Workforce Issues. Please RSVP to Jeff if you would like to attend. Seating is limited.

...Jeff Shireman, President

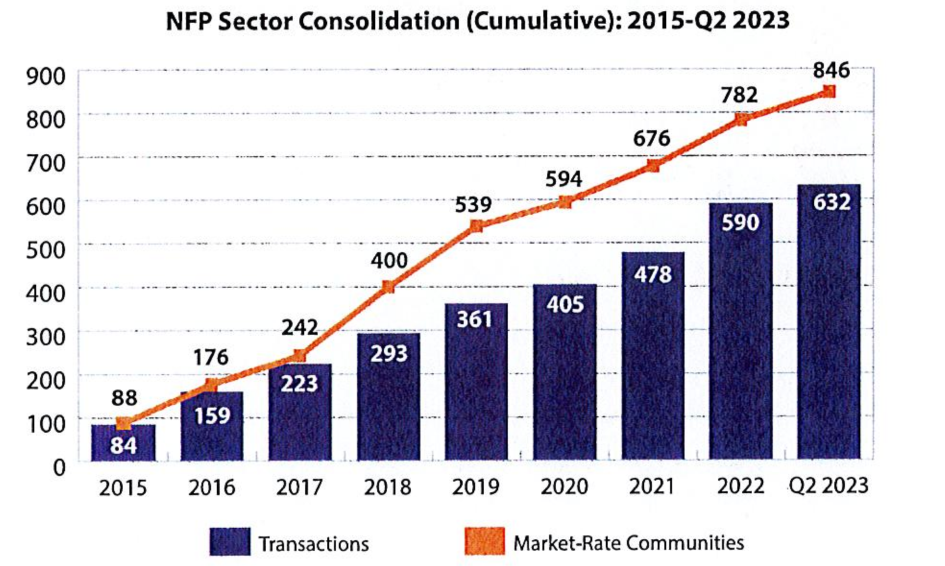
ZIEGLER INVESTMENT BANKING
SENIOR LIVING FINANCE Z-NEWS
Page 1 | Week of July 17, 2023

FEATURED ARTICLE

2023 MID-YEAR NOT-FOR-PROFIT SENIOR LIVING M&A UPDATE

We are at the midpoint of 2023 and wanted to provide an update on the not-for-profit senior living & care trends related to merger and acquisition activity. We continue to see record-level activity and organizations exploring the benefits of a potential affiliation with another not-for-profit, as well as scenarios where a disposition/sale may be the most logical alternative. These discussions take the form of both proactive organizations looking to gain scale and resources from a position of strength, and unfortunately, organizations in situations that may be in some form of financial distress with limited options. Today, common drivers for these discussions include workforce challenges, the complexities of the healthcare (skilled nursing) marketplace, CEO turnover, and for some, significant expense pressures.

Since 2015, we have tracked nearly 850 not-for-profit, market-rate senior living communities that have changed hands. When looking at some of the larger mergers, such as Evangelical Lutheran Good Samaritan Society joining Sanford Health, this number jumps to well over 1,000 communities.



Source: Ziegler Investment Banking, 7/1/23

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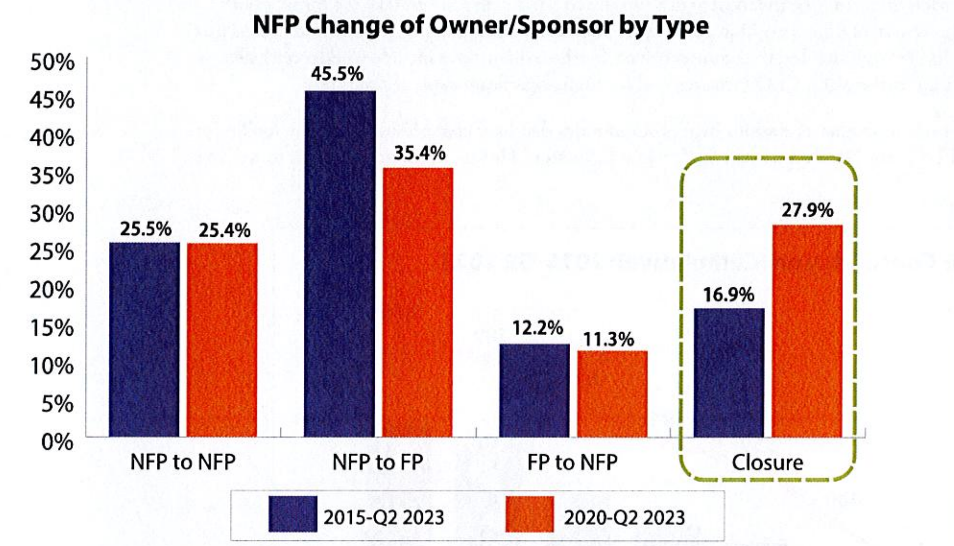
One-Quarter of New Sponsors are Not-For-Profit

A trend that has fairly been consistent over the past number of years is that only about one-quarter of the communities in transition transfer to another not-for-profit sponsor. Life Plan Communities are the most likely to remain not-for-profit unless it is a situation of financial distress where there is a sale and a competitive bidding process whereby the new sponsor/owner is generally the one with the highest bid. Since 2015, roughly 46% of not-for-profit changes have been not-for-profits being acquired by buyers from the private sector. This pattern has been most notable among freestanding nursing homes. Only roughly 10% of not-for-profit nursing homes that look for a new sponsor/owner end up going to another not-for-profit.

It is also worth noting the increased number of closures in recent years. This number has jumped since 2020 when the COVID-19 pandemic hit and placed disproportionate pressures on nursing home providers. Additionally, as we sit here in 2023, pandemic-related funds from the government are no longer available and that, coupled with workforce and expense pressures, some providers, often freestanding nursing homes, have made the decision to cease operations. The graphic below highlights the dramatic increase in the proportion of closures among not-for-profits in recent years.



Source: Ziegler Investment Banking, 7/1/23

For organizations looking to expand, we know many not-for-profits have specific positions who are charged with growth, business development and M&A activity. This is one of the more common growth strategies among today's not-for-profit providers, along with continued reinvestment and expansions of existing communities. We will continue to see these proactive not-for-profit organizations scan the market for potential partners in search of like-minded providers whereby an affiliation can be a win-win for both.

Ziegler has committed to providing support for not-for-profit providers who are exploring their options for partnerships, affiliations, and dispositions. For those who may be observing signs of distress and limited options for moving forward, we strongly encourage being proactive and not waiting until the only options are an asset sale, bankruptcy or even closure. Above and beyond tracking the data, Ziegler has resources for initiating these conversations at the board level, checklists and similar tools that can be helpful, and case studies that can often provide perspective.

If you have questions about the information included in this issue of ***Z-News*** or related items, we encourage you to reach out to the Ziegler representative in your region. For those who may have specific needs related to mergers, sales and/or affiliations, you can reach out to Ziegler's Sponsorship Transition team led by Stephen Johnson (sjohnson@ziegler.com).

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Turning to substance abuse patients to fill beds? Proceed with caution: experts

JESSICA R. TOWHEY MCKNIGHT'S LTC NEWS JUNE 9, 2023

Driven by a need to fill beds, some skilled nursing facilities are opening their doors to more individuals needing post-acute care for opioid use.

But doing so poses significant policy and operational changes, and providers interested in expanding their role will need to make critical changes to staff training and development, report the authors of a new paper published in *Health Affairs* Thursday.

"The challenges for admitting and treating individuals with [opioid use disorder] in SNFs are many, but so are the needs," the researchers wrote. "With appropriate planning, reimbursement, and training, SNFs can play a key role in combating the opioid crisis while also strengthening their own financial solvency."`2

The researchers looked at two converging trends: the need for more treatment options for opioid users after hospitalization and lagging occupancy rates in skilled nursing. Some facilities have stepped in to provide post-acute care for patients recovering from opioid use and substance abuse as a tool to fill beds.

While there has been a federal push to have more skilled nursing providers take on more substance and opioid disorder patients, not all facilities are prepared for the challenges, *McKnight's Long-Term Care News* reported in September. Being under equipped or having unprepared staff could open operators to a range of related Centers for Medicare & Medicaid Services citations.

The number of overdose deaths rose from 70,630 to 106,699 in 2021, according to the National Institute on Drug Addiction. That increase is primarily attributed to a rise in opioid overdoses, which the article says has "only become dangerous since 2021."

The *Health Affairs* article noted that a March public safety alert from the US Drug Enforcement Agency warned about a veterinary sedative being added to opioids to prolong the high, but the drug commonly results in users experiencing severe skin wounds.

“Providing well-managed and supervised post-acute care for these patients within SNFs could improve their adherence and outcomes with medical and [opioid use disorder] treatments,” the authors wrote.

But the skilled nursing workforce – both administrative and nursing – is trained to handle conditions and diseases associated with aging, and without proper and additional training, they could mistake substance use or withdrawal symptoms as behavioral problems instead of medical issues, the article said.

The authors, all of them affiliated with the Health Management Associates consulting firm, detailed three models under which nursing homes could integrate opioid and substance use patients into their residential and care models. In the first, facilities would work with substance use disorder providers to offer treatment on site..

Under the second, facilities would provide on-site counseling while a nearby substance use disorder provider handles medication-assisted treatments either at a nearby facility or even in a mobile unit in the nursing home’s parking lot. The third model calls for the SNF medical team to be trained to provide the medication-assisted treatments under the direction of a substance-use disorder provider.

Facilities would also need a reimbursement model that would cover the cost of this specialized care, the article noted.

FEATURED ARTICLE

A REMINDER OF DEMOGRAPHIC TRENDS

Just last week, the U.S. Census Bureau released a new report entitled, ***America is Getting Older***. For those of us in the sector, this was not a shocking headline per se, but the data they reported on is an important reminder of where we stand as an aging nation today and into the future. We wanted to recap some of the key statistics from this report and, also make note of other related reports and publications that have been recently shared.

Key data points from the recent report:

- The nation's **median age increased by 0.2 years to 38.9** years between 2021 and 2022. As a reminder, this was also during a time where we continued to see disproportionate deaths among older adults due to the COVID-19 pandemic.
- There have been **more births than deaths** as birth rates have gradually declined over the past two decades. Without a rapidly growing young population, the U.S. median age will likely continue its slow, but steady rise.
- A third of the states in the country had a median age above 40.0 in 2022, led by **Maine with the highest at 44.8.**
- **Utah (31.9)**, the District of Columbia (34.8) and Texas (35.5) had the **lowest median** ages in the nation. Utah's younger median age is also a function of that state having one of the nation's highest birthrates. The younger median age in D.C. is also related to a younger working-adult population common in that metro market.
- **No states experienced a decrease in median age.**
- Sumter County, Florida, home to **The Villages**, not surprisingly, had the highest median among all U.S. counties at 68.5.

We know that the aging population in the U.S. has significant implications for the senior living & care sector as it relates to not only the demand for housing and services, but also regarding the future workforce. While the demand for seniors housing and care will be supported by these demographic trends, we need to continue to innovate and think of housing and solutions that take into account the declining ratio of those of working age to the older adult population.

Other Recent Reports & Articles

Several other key reports and articles were released in recent weeks that also highlight trends among the older adult population.

- A recent article in the New York Times, ***The Greatest Wealth Transfer in History is Here***, shares interesting stats on the intergenerational transfer of wealth in the U.S. Among other data points, they note that Baby Boomers hold half of the nation's $140 Trillion in wealth. Most will leave behind thousands of dollars, a home or not much at all. Others are leaving their heirs hundreds of thousands, or millions, or billions of dollars in various assets. The full article is worth the read to dig deeper into these trends.
- Data from Transamerica Center for Retirement Studies shows that the median amount the Boomers have saved for retirement is $144K. At the same time, the Bureau of Labor Statistics reports that they in-turn, spend on average between $48K-$49K/year. Click here to read the full article and data report.
- ProMatura and ASHA just released Boomers and the ***Future of Senior Living*** report. The report provides valuable insight into demographics, future demand, and expectations of the next generation of residents. The report is available for purchase. One of the important trends that Ziegler has commented on in the past, which also surfaces in this report, is the number of Boomers without children. The current report shows that 22% of respondents have no children and 37% no grandchildren. These statistics reflect the national trends we commented on earlier regarding declining birth rates. This has notable caregiver implications.

As we regularly note, there are indeed differences across regions, states, and markets. It is important to stay on top of these demographic trends and determine how they impact current operations and future growth plans. The demographic numbers are one element of the equation. We also need to be on top of preferences and changing characteristics that the Boomer generation brings forth. Strategies that incorporate both demand characteristics and market intelligence on consumer preferences will be critical.

If you have specific questions related to items in this article or other relativeed topics, we encourage readers to reach out to the Ziegler representative in the region.

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Historic jump in nursing home costs emphasizes need for creative operational solutions, experts say

JESSICA R. TOWHEY **MCKNIGHT'S LTC NEWS** AUGUST 14, 2023

"Creative solutions" as a buzz phrase has taken on new life after it was revealed costs for nursing homes and adult care rose a whopping 2.4% in July, according to a report from the Bureau of Labor Statistics issued Thursday.

The jump is the largest single-month gain since 1997, but it could be a "one-time aberration," cautioned Beth Mace, an economist and senior advisor at the National Investment Center for Seniors Housing & Care.

"We will need to wait to see if this [is] ... part of a longer-term trend," she told Yahoo Finance, adding that before the huge jump there were three months of decline in April, May, and June.

Unlike most other businesses, though, nursing homes are limited in how much they can adjust the prices. Medicaid reimbursements lag inflationary pressures and the smaller population of private-paying or insurance-paid residents can only pay so much before prices become out of reach.

"They have a finite amount of resources that is compensating for their care until such time that they run out of funding and that burden typically moves over to the state Medicaid program," Darrin Hull, executive vice president of Consulting at Health Dimensions Group, told *McKnight's Long-Term Care* News on Friday.

Rising costs and the need to increase wages have hit nursing homes with a one-two punch, and the resulting pressures are putting facilities into a financial bind. Patrick McCormick, a partner at Plante & Moran PLLC, told *McKnight's* that wages generally account for two-thirds of a facility's cost structure. He said that some facilities are switching from one large, annual rent increase on private payers to biannual hikes to keep the percentage lower and make it easier on seniors or their families to absorb that increase.

"This high inflationary environment is part of the cause of what you are seeing in this data," he said. "I don't expect this trend to continue on a monthly basis, but the next rent increase is likely to happen on January 1. The private pay increase is still inadequate compared to the overall cost structure increase a nursing home provider is experiencing."

What can providers do?

Since they operate in a fixed environment in which private payers cannot cover their costs, Hull said providers need to get creative and try to set outside of daily operations to take a holistic view of their situation.

“The day-to-day grind is extremely taxing,” he said.

Providers can leverage technology such as automated systems for staffing management, which would eliminate human labor costs for that function. While many providers have been slow to transition to these systems, that may accelerate as a way to control costs, he said. Additionally, they can consolidate positions and responsibilities among the non-caregiving roles of department heads and higher. Efficiencies can also be found by integrating social services into recreational services.

Renegotiating fixed contracts for dietary, laundry, and housekeeping services is another area in which providers could look to save on costs. Facilities that have closed wings should try to lower costs with cleaning companies since the entire building is not being serviced, Hull said as an example of how owners can renegotiate contracts.

“Cost control, cutting costs, managing the pennies – that’s the not-so-fun part of what we do,” said Hull, who has a background in facility operations. “Providers aren’t focusing on the fixed contracts that are in place for the delivery of products and services. They fail to look at how they can better leverage their contracts. In most cases I’ve seen, vendors are very accepting when challenges force them to get creative.”

BOARD EDUCATION IS CRITICAL TO STRATEGIC PLANNING FOR SENIOR LIVING

By Tad Melton, Managing Director, Ziegler

In her recent blog, “How to Lay the Foundation for an Effective Strategic Planning Process,” Diane Burfeindt, my co-presenter in our upcoming webinar on strategic planning and the managing principal of Trilogy Connect, addressed the reasons it's important to fully educate boards on the issues facing senior living organizations so that the board can contribute to the development of an effective strategic plan. In this article, I will address a few specific examples of board education that I feel are important.

IMPROVE FINANCIAL LITERACY

Over my 20+ years in senior living, I've been surprised by how many boards of directors don't have a functional understanding of their organization's financial situation or the basic economics underpinning a Life Plan Community. At one community, a board member was on the board for 20 years and didn't understand the need to grow to create the capital capacity to finance large-scale updates to the community. Without that understanding, it's a challenge to have productive discussions around the need to make the necessary capital investments to improve non-revenue-generating amenities to stay competitive in the marketplace.
How boards get information is important. Financials are often shared in an operational, nuts-and-bolts format. That doesn't help everyone understand a concept like capital capacity.

Sometimes a board will get a forward-looking pro forma, but it often just rolls the budget out a few years and doesn't model the effects of changes in the relationship between expenses and revenue over time. As a result, the organization may get a few years down the road, need capital, and find out too late that there was a problem brewing all along. This has become even more important over the past few years where, for much of the field, operating and capital expenses have inflated faster than resident fees.

When a CEO has a strategy they'd like to pursue but can't afford, they'll model scenarios to enable implementing the strategy. That's modeling reactively. If our field could get in the habit of modeling proactively, that would be transformative. Over time, small changes that may not seem important individually can have a huge impact on an organization. For example, are entrance fees rising at the level that construction costs and home resale values are increasing? Today, the ability to add financial capacity by expanding is hindered by higher interest rates and rising construction costs. If a community had been more proactive in monitoring the relationship between its entrance fees, home resale values and construction costs over the past ten years, it could be in a significantly stronger capital position today.

VIEW AFFILIATIONS AS OPPORTUNITIES

In the past, affiliations were often undertaken as a reaction to a community or organization failing. More and more though, organizations are having proactive conversations about affiliations as opportunities to capitalize on synergies that can strengthen both parties. Yet, for many boards, it is still difficult to look at strategic partnerships and relationships when they aren't faced with an immediate, compelling crisis, even when the CEO can see a crisis on the horizon.

Whether the impending concern is a financial runway of less than a year, an upcoming CEO retirement, a lack of leadership depth, or the current cost escalations, it can be difficult to coach boards in fulfilling their fiduciary role by planning for the long-term success of the organization. For example, single-site or small multi-site organizations are finding it increasingly difficult to afford a full complement of back-office functions, like IT and HR support, and could benefit from opportunities to form partnerships to achieve economies of scale.

With a strategic plan in place, the organization can take a look at where it faces roadblocks to implementation. What do they want to accomplish that they've been unable to achieve? Those are areas where they may find success with partnerships.

IS IT TIME TO CONSIDER ALTERNATIVE BOARD STRUCTURES?

An essential component of strategic planning is the CEO building consensus with the board on a vision that achieves the organization's mission in a constantly evolving set of demographic, programmatic and economic trends. This can sometimes be a challenge with a large volunteer board.

With my experience working with boards, I've reached a conclusion: Smaller, paid boards tend to commit more attention to the nuances of the business. When managed properly, a paid board can be a dynamic partner for executives. Being a volunteer board member myself, I know how long it takes to understand the depth of an organization's makeup and the strategic position of the non-profit in relation to its field. Developing a board that truly understands the CEO's vision, then offers the insights and expertise needed to further shape that vision, could be a powerful strategic asset.

FAST COMPANY 08-24-23 BY BENHAM TABRIZI

Why the performance review is dying out—including at companies like Apple and Microsoft

Performance reviews are commonplace at big companies, and in theory enable managers to give detailed acknowledgment and constructive criticism. But in reality they do more harm than good because employees focus on impressing their manager rather than on performance per se. Microsoft made this problem worse with a stack ranking system, in which managers graded people on a bell curve, each grade going to a fixed number of employees.

As one employee remembered, "If you were on a team of ten people, you walked in the first day knowing that no matter how good everyone was, two people were going to get a great review, seven were going to get mediocre reviews, and one was going to get a terrible review. . . . It leads to employees focusing on competing with each other rather than competing with other companies." Another described sabotage, either open and direct or subtly withholding just enough information to keep colleagues from getting ahead in the rankings. Without trust, managers could not influence anyone.

Until the company finally dropped the practice in 2012, surveys regularly told leaders that employees simply did not want to work together. Performance reviews and stack ranking undermined the company's efforts to build a community around shared values. The new performance management process emphasized teamwork and employee growth, and collaboration—not to mention satisfaction and productivity—increased soon after.

Some companies favor direct feedback over occasional reviews. Tesla has kept an annual performance review, but employees say it is simply routine because managers communicate feedback continually throughout the year. As one former Tesla employee pointed out, managers focus on the moment: "If people kick ass, tell them right away. And tell them in front of people. If you have to set aside time to do this, it's wrong. . . . You want a culture of excellence that's constantly providing feedback so people feel they are growing all of the time."

Employees across organizations have this same qualm with performance reviews. In a Gallup survey, only 14% of employees strongly agreed that their reviews inspired them to improve. If managers aren't providing regular feedback, then the feedback comes too little too late; ergo, "by the time the employee is hearing praise or correction, the issues are history—they have either been resolved or are in the distant past." But nearly half of employees said they receive feedback from managers at most a few times a year, even as other surveys suggest that workers who receive weekly rather than annual feedback find that feedback more meaningful and motivating for outstanding work and to make them more engaged overall at work.

While it seems intuitive to provide immediate feedback to employees, few companies actually do so. Managers prefer the control and deliberation that annual (or quarterly) reviews give them—at the cost of discouraging immediate reactions. After Apple abolished its annual performance review, then-chief talent officer Daniel Walker called those reviews the "stupidest thing American companies do." He found them a tremendous waste of time, as there are more effective ways of relaying feedback to employees.

Likewise, Netflix dropped formal reviews in favor of informal conversations year-round—even as employment exceeded 10,000. Many HR experts can't believe that a company the size of Netflix doesn't hold annual reviews. But former chief talent officer Patty McCord, in a 2014 article, pointed out, "If you talk simply and honestly about performance on a regular basis, you can get good results—probably better ones than a company that grades everyone on a five-point scale."

Jessica Neal, Netflix's chief talent officer from fall 2017 to spring 2021, conceded that this frequent feedback can be "cold and mechanical." While many people might cringe and be frightened by Netflix's policy, she said others find it exciting. "They know that they're going to work hard and do great work. No one wants to be bogged down by people who won't do the same."

That's in stark contrast to ExxonMobil, which has clung to a variety of 20th-century norms, including annual performance reviews and internal ranking. As *Businessweek* described, "Those interviewed described an organization trapped in amber, whose insular and fear-based culture—once a beacon of corporate America—has become a drag on innovation, risk-taking, and career satisfaction." The reporters point to the company's slowness in investing in breakthrough technology, such as shale oil drilling, and the departures of employees "fed up with not innovating." The company also discourages collaboration and psychological safety while paying above-average compensation in order to convince talented people to stay.

Annual performance reviews can still be effective, but only if closely tied to company culture. Amazon regularly checks in with employees regarding their performance, but mainly to promote the company's values. The process begins with the employee discussing three such values of Amazon that he or she achieved that year, and three others to work on the following year. The manager then provides feedback bringing together the values and the performance. The process leads people to internalize the company's values and align their goals with those values.

What matters is not the exact system of performance reviews, but managers' willingness to give frequent, ideally immediate, feedback to employees. Feedback that comes out only a few times a year or that pits employees against each other will weaken, not extend, leaders' influence.

Excerpted with permission from Going on Offense: A Leader's Playbook for Perpetual Innovation *(IdeaPress; August 22, 2023) by Behnam Tabriz.*

Dancing keeps oldest adults physically active, socialized, study finds

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A community dance program geared to older adults provided a long-term boost to the physical activity and social lives of participants, including those aged 85 years and older, according to new findings from the United Kingdom.

Researchers analyzed data from the "Dance On" project, which included weekly dance classes that took place over 12 months across the urban communities of Leeds, Bradford and Doncaster, U.K. The average age among the more than 685 participants was 75. More than a third were from highly disadvantaged communities.

The dance program increased participants' weekly physical activity levels, which remained consistent over the study period, the researchers found. When surveyed, many told the investigators that their well-being had also improved and that they felt stronger, more confident and "years younger."

These findings were evident even for the oldest of the cohort, aged 85 years and older.

"Over time there has been a decline in physical activity in older adults, and this is particularly apparent in people over 75 years of age," Sarah Astill, PhD, of the University of Leeds, said in a statement. "Opportunities to engage adults in physical activity are a global priority as they support healthy aging and slow progression of disease and disability."