

The State of Transparency in ORANJ CCRCs Three Years Later

Finance Committee Report, September 2013

After many years of collecting anecdotal information on problems at CCRCs, the Executive Committee concluded that transparency was a primary requirement for resident involvement in CCRC programs and policies. Without transparency, communication was autocratic, effective resident management collaboration was minimal and lack of transparency was often reflected in uneasy relations between the two parties.

Background

Because of the pivotal function of transparency in the welfare of residents, the ORANJ Finance Committee, under the Chairmanship of Mel Williams, decided to update the study on the state of transparency in NJ CCRCs in 2010. That questionnaire and survey was completed by a committee under the direction of Don Smith of Cedar Crest. 21 of 23 communities responded, although some of the responses were incomplete. The core questions dealt with financial reporting and budgeting although other issues were relating to communication and management including the functioning of the Board and resident trustees received attention. The [report of the 2010 survey showed](#) deficiencies in transparency which were reported in articles in *The ORANJ Tree*¹ and can be found in the research and surveys section of the ORANJ website.

In 2011, our newsletter *The ORANJ Tree* had three articles and one letter-to-the-editor about the 2010 survey. The newsletters are online.¹

Additional material relevant to transparency at CCRCs can be found in the [ORANJ Finance Guide](#).²

In 2013 it was decided to carry out a follow-up to see whether the publication of deficiencies had been effective. The original, extensive questionnaire was pared down to focus more narrowly on financial reporting and budgeting and this time all 25 communities participated although, again, not all questions were answered by each respondent.

Overall Improvement of results in 2013 over those in 2010

The numerical results can be seen in the difference on

[Comparable questions of the 2010 and 2013 surveys](#). Signs of improvement were most marked on items relating to disclosure and frequency of meetings but less so on items that related directly to collaboration, which can be considered a more

stringent test. Reviewing the generally positive results of the 2013 survey, the Finance Committee suggested that the earlier study may have raised the importance of transparency in people's minds. It was suggested that publication of the earlier findings had served as a sort of consciousness raising. Transparency is now frequently discussed when policy items are on the agenda, especially when residents are informed that underlying facts and reports were "confidential" and could not be shared to clarify decisions.

The 2013 results also showed that some deficiencies persisted despite dissemination of earlier results. The remainder of this report will first set out the good news, then the mixed news, and, finally, the areas of greatest concern.

The Good News

Marked Improvements, defined as percent of positive responses, in 2013 at least doubled those in 2010. *(continued next page)*

1. There was marked improvement in availability of statement of cash flows to the Finance Committee.
2. The same level of improvement concerned availability of the IRS form 990 to the Finance Committee.
 - a. There was also marked improvement in the frequency of Board Member meetings with residents as a group and with the Executive Committee of the Resident Association. However, Quarterly meetings between residents (or their representatives) and Board members (or their representatives, not merely with the resident trustees or the CEO) have been required by law in NJ since 2007. The fact that some CCRCs still meet less than quarterly demonstrates that they are out of compliance. Therefore, despite the improvement, this area needs to be considered a serious deficiency as well.
 - b. Responses were also markedly more positive when asked whether residents felt that boards and management kept them very well informed on matters affecting their living. This is a very important indicator of resident satisfaction.

The Mixed News

Questions relating to financial reporting and budgeting which were answered by Chairs of the Finance Committees

1. Financial statements such as comparative Statements of Operations, Statement of Non-Operating items, Balance Sheet, and statement of cashflows are made available to about 70% of the communities in 2013. This is an improvement over 2010's 60% but it is discouraging that these items are not available to residents in all communities.
2. Although the number of communities that reported that the IRS form 990 was NOT made available to either the finance committee or the residents was less in 2013 than in 2010, there were 7 communities in 2013 that still denied access to this report. The 990 is a public document and a copy can be obtained from the IRS at no cost using "Guide Star Basic".
3. More than half the communities reported no discussion on long term debt and its funding in 2013. Since debt obligations affect the financial future of the CCRCs, we would have expected more positive replies.
4. Involvement of the Finance Committee in the budgeting process has hardly changed. The greatest increase was in the least significant form of Finance Committee involvement, reviewing the budget before announcement to the residents. About a quarter flatly said in both 2013 and 2010 that there was NO resident involvement at all.
5. Although there was some improvement in the number of CCRCs that reported that management solicits input from residents regarding capital expenditures, only 15 communities out of 25 reported that it occurred in 2013.
6. An annual report was made available to more residents in 2013 than in 2010 but in about 1/3 of the communities, residents still had no access in 2013.
7. Although a review of changes in the service package by the finance committee and residents is required by law at least 30 days prior to implementation, the review occurred in only 15 communities as reported in the 2013 results.
8. Only 12 CCRCs indicated that they had a formal cost reductions program in 2013 and, of those, only 3 reported any resident involvement. Since controlling cost is a major requirement of good management, the lack of a formal program indicates weakness.

Other questions

1. CCRCs reported general satisfaction with responsiveness of management to resident concerns. Most thought that management answered questions by phone or email promptly and in general encouraged questions and answered them honestly.
2. As required by law, virtually all CCRCs have appointed resident trustees to serve on the governing boards. However, resident trustee participation in Executive Functions is still limited. About half the CCRCs report that their resident trustees have not been given any special assignments, e.g. service on board committees. This is virtually the same proportion that answered this way in the earlier study. This is a serious deficiency. When representatives of the Department of Community Affairs were asked to define the meaning of “serving as a full board member” they included participation in the Executive Functions of the Board, i.e. serving on the Finance Committee, Strategic Planning Committee, and Management Evaluation/Compensation Committee of the Board. An independent study by the Department of Community Affairs corroborated this finding. It suggests that some CCRC boards are still marginalizing the resident trustees, a situation that must be remedied to fully meet the requirements of the law.

Summary

The two transparency studies carried out three years apart, unquestionably show overall improvement in transparency. In some areas there is decisive improvement, where percentage of favorable responses at least doubled in the 2013 results. There are some persistent problems which need further attention.

1. Some crucial financial information is still not available even to the Finance Committees of the CCRCs
2. Some financial issues are apparently not discussed with the residents, such as long term debt and its funding.
3. There is a continuing lack of meaningful involvement of the residents in budget preparation and review.
4. Dissemination and review of information on changes in the service package, prior to its implementation, does not meet the requirements of the law.
5. There is a lack of formal cost reduction programs, especially ones with resident involvement.

Several communities still report fewer than the quarterly meetings of boards with residents required by law.

6. About half the communities report that resident trustees do not serve on any committee that engage in executive functions of a board. There is a real question as to whether they meet the requirements as full voting members of their boards, as specified in the law.

The improvements in questionnaire results in 2013 compared with 2010 give us hope that the remaining deficiencies can and will be corrected in the future. Achieving this result will require effort not only by ORANJ but also by the communities themselves and their administrations, governors, and regulators. We trust that these coordinated efforts will succeed.

¹ORANJ Tree articles 1 about Transparency

[President's Report, Spring 2011, page 1](#)

[Fragments from the ORANJ Transparency Study, Spring 2011, page 3](#)

[Transparency, Summer 2011, page 4](#)

[Letter to the Editor, Fall 2011, page 4](#)

²[ORANJ Finance Guide](#)