Findings of the 2017 Adult Day Services Financial Indicators Study

CARF International, the National Adult Day Services Association (NADSA), and Reinsel Kuntz Lesher LLP have completed the 2017 Adult Day Services (ADS) Financial Indicators Study that offers financial benchmarks to the ADS field. 2017 marks the seventh year of this project. Throughout the years, ADS providers throughout North America have participated in this study to benchmark their individual centers to the rest of the ADS field to determine their financial performance based on fiscal year 2016 financial results.

Many leaders in the ADS field have identified the need for financial benchmarking. Other sectors, such as continuing care retirement communities, rely on financial benchmarking information to enable them to assess trends and make sound financial decisions in varying economic times. Moreover, rating agencies, banks, and accountants rely on financial ratios to assess...
organizational viability when structuring debt. The ADS field likewise can benefit from financial benchmarks not only to aid operational management, but also to fund development projects and legislative advocacy initiatives because payment for ADS is often at risk when state budgets are limited.

The 2017 study examines the following information:

- Margin (profitability) ratios for all participants, including Net Operating Margin Ratio, Operating Ratio, Operating Margin Ratio, and Total Excess Margin Ratio.
- A “same-store” analysis includes margin ratios from the same participants in both the 2016 and 2017 studies and therefore allows for comparison of the same participants’ financial results year over year.
- Ratios by various organizational characteristics, including location (urban versus rural), programming (medical model, social model, and both), and organizational structure (standalone versus consolidated, for profit versus not for profit, single site versus multi site).
- Whether the participant is CARF accredited.
- Whether the participant is an NADSA member.

Although the study does not represent a statistically significant sample size, the following observations are still important for the field. Specifically, the study revealed the following significant areas of weak operating performance compared to last year among the participants:

- Only 46% of centers have positive Net Operating Margin.
- Only 54% of study participants had an Operating Ratio at or below 100%, which is breakeven.
- Only 46% of study participants have a positive Operating Margin.
- Only 46% of participants have a positive Total Excess Margin.

The same-store analysis included 11 organizations that participated in both the 2016 and 2017 analyses. The results of the same-store analysis are generally consistent with the overall study’s results, with these organizations showing modest improvement year over year.

It is always important to remember that financial ratios should not be used in isolation to make decisions but can be one important tool for your organization to reference in decision making. As a field, it appears that ADS continues to have a revenue problem and not an expense problem, meaning the fees received for services are not adequate to cover actual costs. Because margins may be negative for some organizations, providers should continue to focus on efficiency of their operations by increasing revenue and managing expenses. Providers might want to explore other revenue sources, such as contributions and grants, to enhance financial performance.

Participating in the ADS Financial Indicators Study is an opportunity for ADS providers to add significant value to their budgeting, planning, fundraising, and advocacy efforts. We will be repeating it for 2018. Participation in this study is at no cost to an organization, and participants receive a complimentary summary of financial benchmarking information.

To learn more about the 2017 study results, or to participate in the 2018 study, please email CARF’s Aging Services Customer Service Unit at as@carf.org.
Financial Advisory Panel Member Highlight: Alan Wells

CARF is pleased to welcome Alan Wells, president of Eventus Strategic Partners, to the Financial Advisory Panel (FAP). Eventus provides strategic direction and expertise to senior living communities that are developing new projects and repositioning or expanding existing facilities. The firm offers a full array of services, including strategic planning, acquisition planning and assistance, project planning, design oversight, permits and approvals, financial planning and development, financial advisory, marketing strategy and oversight, project administration, construction oversight, and construction closeout.

Mr. Wells brings a wealth of knowledge and perspective to the FAP. As a certified public accountant and former partner in charge at one of the Big Four audit firms, his career has spanned more than 40 years and includes many facets of experience from auditing, investment banking, and consulting on a wide array of topics important to the senior living industry. His expertise includes strategic planning, financial feasibility studies, market assessments, capital structuring and financing, third-party reimbursement, organizational structuring, operations improvement and revenue enhancement, financial modeling and analysis, and management reporting.

Over his career, Mr. Wells has worked with a variety of long-term care and healthcare clients, including proprietary, nonprofit, and government-owned and operated congregate and assisted living programs; life plan communities (i.e., continuing care retirement communities); intermediate care facilities for persons with developmental disabilities (ICF/MR); skilled nursing facilities (SNFs); intermediate care facilities (ICFs); rehabilitation facilities; and acute care facilities.

CARF asked Mr. Wells to reflect on his years of experience in working with clients and how he has seen accreditation benefit senior living organizations:

“The public and consumers of senior living have become far more sophisticated and they are looking for a reliable source of recommendation (accreditation) and other markers of quality. So accreditation is especially valuable from a marketing perspective. It is important to present and show that an organization has sought an outside independent confirmation of the quality of their services and meets a higher set of standards within the industry. Accreditation is one of the criteria that our firm looks for when working with a client. We also work with clients getting them in position for accreditation.”
Prior to his role as president of Eventus, Mr. Wells served as partner in charge of KPMG’s Senior Living Services Practice and as an investment banker with Wheat First Securities. In 2005, Mr. Wells and a Philadelphia-based project development management firm began a company that would later become Eventus Strategic Partners. Mr. Wells has a bachelor of science in accounting from Pennsylvania State University and completed the Executive Management Training course through KPMG and Harvard University.

Congratulations to Aging Services Providers that Earned CARF Accreditation

Congratulations to the following providers throughout North America that achieved CARF accreditation during the third quarter of 2017.

Alberni-Clayoquot Continuing Care Society - Fir Park Village/Echo Village, Port Alberni, BC
Asbury Atlantic, Inc. dba Springhill Senior Living, Erie, PA
Bethlen Home of the Hungarian Reformed Federation of America, Ligonier, PA
Cantata Adult Life Services, Brookfield, IL
Chartwell Willowgrove, Ancaster, ON
Deupree House and Cottages, Cincinnati, OH
Downsview Long Term Care Centre, North York, ON
Elmhurst Extended Care Center, Elmhurst, IL
Glen Park at Glendale-Boynton, Glendale, CA
Glen Park at Glendale-Mariposa, Glendale, CA
Glen Park at Long Beach, Long Beach, CA
Glen Park at Monrovia, Monrovia, CA
Glen Park at Valley Village, Valley Village, CA
Huron Lodge, City of Windsor, Windsor, ON
Idlewyld Manor, Hamilton, ON
Kendal at Hanover, Hanover, NH
Kendal at Oberlin, Oberlin, OH
Kendall Health Care Properties dba The Palace Renaissance/Royale, Miami, FL
Marjorie Lee Retirement Community, Cincinnati, OH
Missing Link Home Services Ltd., Edmonton, AB
Normandy Farms Estates, Blue Bell, PA
Revera Inc–Manitoba, Winnipeg, MB
Robsag, Inc., Pasadena, CA
S&R Nursing Homes Ltd., Sarnia, ON
Schlegel Villages, Kitchener, ON
Senior Star at Villa Ventura, Kansas City, MO
Shepherd Village, Inc., Toronto, ON
Springpoint at Denville, Inc. dba The Oaks at Denville, Denville, NJ
Springpoint Senior Living at Meadow Lakes, Inc., East Windsor, NJ
St. Demetrius Supportive Care Services, Toronto, ON
CARF Releases the 2017 Financial Ratios & Trend Analysis and Webinar

The 2017 edition of *Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities* was completed in October. This one-of-a-kind reference provides a summary of the most recent ten years of analyzed information from the audited financial statements of multiple CARF-accredited continuing care retirement communities (CCRCs).

Ziegler, Baker Tilly, and CARF collaborate on this project to define, calculate, and explain these valuable industry benchmarks through graphs, tables, and charts for each financial ratio. Readers will gain a unique perspective of the financial trends resulting from a number of factors, including provider growth, operating challenges, and the resiliency of the CCRC industry.

The publication’s ratios are available for CCRCs to use as points of reference for developing internal targets of financial performance. CCRCs using the ratios should evaluate within the context of their own communities, which includes consideration of specific marketing, physical plant, and mission/vision factors.

Readers representing groups other than CCRCs, particularly those in capital markets, may use this publication to learn about the financial positions of CCRCs that have earned CARF accreditation. The ratios can also be used as benchmarks against which to evaluate nonaccredited organizations and gain a deeper understanding about the sector as a whole.

CARF-accredited CCRCs should have received their complimentary copies of the 2017 ratio trend publication by mail in October. Additional copies are available for purchase in the CARF online bookstore (www.carf.org/catalog).

The publication team values your feedback regarding the 2017 edition of Financial Ratios & Trend Analysis. If you have suggestions for changes in terminology or other clarifications for ratio calculations, the online survey is the best place to share these. Please complete the survey at: https://www.surveymonkey.com/r/RatiosPublicationFeedback.

**Webinar: Results of the 2017 Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities**

CARF held a 90-minute webinar to provide further insight on the findings of the 2017 ratio trend publication. Presenters included Tim Myers, Chief Financial Officer, Ingleside; Mark Ross, Partner & Health Care Practice Leader, Baker Tilly; and Amy Castleberry, Senior Vice President, Ziegler.
Developing Sophisticated Systems for Success

During a recent meeting of CARF’s Financial Advisory Panel (FAP), CARF staff engaged with the FAP members in a fascinating discussion regarding the observable and measurable differences they have identified between organizations that are CARF accredited versus those that are not. The discussion explored organizational strength and adaptability from the perspective of accreditation, but also more broadly.

One of the newest FAP members, John Franklin from BB&T Capital Markets, noticed a comparison between these topics and many of his professional experiences with the systems that drive success in both large and small organizations. Propelled by the momentum of the interesting FAP discussion, Mr. Franklin wrote a white paper on what drives success and what influence accreditation has on success.

The recently published BB&T white paper profiles leaders from a variety of sectors sharing their experiences regarding the cornerstones that all organizations should strive to have in place to be successful, particularly smaller organizations that have less of a “resource buffer” from a parent company.

**Developing sophisticated systems for success: How CARF accreditation exposes organizations to the systems necessary to thrive**

*by John Franklin, BB&T Capital Markets*

One of the benefits of being a member of boards, participating on various professional task forces, and serving hundreds of organizations over the past 30 years, is the opportunity to gain insights on business improvement and to share those insights with others.

My recent addition to CARF International’s Financial Advisory Panel very quickly has led me to define insights I believe are critical to the success of health and human service organizations. These insights especially are critical for smaller organizations that may lack the resources to develop and maintain what I have identified as the “Four Cornerstones of Success”—leadership, intellectual capital, technology, and sophisticated systems.

This paper will briefly discuss the Four Cornerstones of Success and describe how CARF accreditation can significantly increase the likelihood of achieving and maintaining the fourth and most important of these critical cornerstones—sophisticated systems.

Read more at:

Coaching Corner: Procedures, Planning, and Practice for an Evacuation

Emergencies and disasters can happen at any moment. Immediate and prompt action is critical to executing well-developed and practiced evacuation plans and procedures. Providing a safe environment and minimizing risk of harm to persons served, personnel, and other stakeholders is the intent of many CARF standards related to evacuation. Outlined below are standards in the 2017 Aging Services and Continuing Care Retirement Community standards manuals that will guide an organization to develop and implement evacuation procedures, planning, and practice.

**Procedures:** Standards in Section 1. ASPIRE to Excellence®—1.H.5.c.(1) and (2): There are written emergency procedures that address when evacuation is appropriate and procedures that address complete evacuation from the physical facility.

**Planning:** Standards in Section 1. ASPIRE to Excellence—1.H.6.a. through 1.H.6.b. (3): The organization has evacuation routes that are accessible and understandable to persons served; personnel; and other stakeholders, including visitors.

Standard in Section 2.A. Program/Service Structure—2.A.45.c.: The program works with local community leaders in emergency preparedness concerning the unique needs of persons served to address evacuation.

Standards in Section 3.D. Home and Community Services—3.D.8.d.(1)(a) and 3.D.8.d.(2)(a): In accordance with the choice of the person served, the home and community services program assists the person served to develop a disaster preparedness and emergency plan that considers community resources, including identification of resources for evacuation and accessibility of resources for evacuation.

Standard in Section 4.A. Dementia Care Specialty Programs—4.A.20.b.: The program works with local community leaders in emergency preparedness concerning the unique needs of persons with dementia to address evacuation.

**Practice:** Standard in Section 1. ASPIRE to Excellence—1.H.4.b.(4): Personnel receive documented competency-based training in the area of evacuation procedures, if appropriate.

Standard in Section 1. ASPIRE to Excellence—1.H.7.b.: Unannounced tests of all emergency procedures include complete actual or simulated physical evacuation drills.

**Resources:**

*Emergency Evacuation Preparedness*
Harris Family Center for Disability and Health Policy, Center for
Consult with an Aging Services Resource Specialist

Need assistance with CARF standard interpretation?

Have questions about the accreditation process?

New to CARF accreditation?

Your resource specialist can assist you with interpretation of standards, guide you through all steps of the accreditation process, and provide coaching calls to support first-time and resurvey preparation. Organizations are encouraged to contact their resource specialist early in the process, although they are available for consultation throughout the accreditation term.

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Upcoming Events

November

National Family Caregivers Month
www.caregiveraction.org/national-family-caregivers-month-theme

National Alzheimer’s Disease Awareness Month (USA)
www.alz.org
2018 Aging Services Educational Opportunities

Transforming Outcomes Data into Management Information Institute
This three-day training institute takes you through the steps required to plan and conduct a program of outcomes management and quality improvement, including:

- Outcomes system design and data collection.
- Data analysis, interpretation, and management reporting.
- Identification of areas for quality improvement activities based on findings.

February 22–24, 2018
Westward Look Wyndham Grand Resort & Spa
Register now

For further information, please contact the CARF Education and Training Unit at (888) 281-6531. Online registration is available at www.carf.org/events two to three months prior to an event.

If you have suggestions for content to be included in a future issue of Continuing Communication, please email the editor, Tonya Tobe, at ttobe@carf.org.

Please include the carf.org domain on your safe-senders list to ensure that Continuing Communication and other important emails from CARF Aging Services are not blocked by spam filters.

If a lender is interested in the systems you use to manage risk in your organization, support management competencies, measure outcomes, and foster sound business practices, please direct the lender to www.carf.org/lenders. The website includes language geared toward lenders, a five-minute webinar to educate them about accreditation for your organization, and a downloadable factsheet with key information about CARF.

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