

ORANJ TRANSPARENCY STUDY REPORT

11/20/2010

Possible Ways to Increase Transparency (included in this file)

Appendix A Summary of Responses to ORANJ Transparency Survey (separate file)

The tables for Questions 29 and 33 appear at the end of both files.

Information for this Transparency Study was gathered by a questionnaire sent to the President of each Resident Association related to ORANJ. To encourage candid answers we promised not to reveal the names of the Associations, nor of respondents selected by the Presidents. After telephone follow up calls, 22 of the 24 questionnaires were returned. A SUMMARY OF QUESTIONNAIRE RESPONSES is included with this report (Appendix B). From the questionnaires, we selected the most promising responses for analysis and inclusion in the report, in order to:

1. Compare evidences of present transparency levels with respondent's feelings about how much residents enjoy candid and open communication from boards and managements;
2. Explore possible differences in levels of transparency related to different sizes of a community's Independent Living population (IL), as reported in ORANJ occupancy reports;
3. Analyze the different roles of boards, managements, and resident committees;
4. Suggest ways that communities can improve their transparency.

Many ORANJ Communities Do Not Use Readily Available Transparency Instruments

10 of 22 do not distribute their Annual Report (Question 37)

9 out of 22 do not distribute their annual audited financial report. (Q. 37)

14 do not make available, on request, IRS Form 990 which is publically available. (Q.36)

Only 10 communities out of 22 answered "Yes" to Question 24. "Does a member of your board of directors, or a designated representative, who is not the chief executive or other staff member, hold quarterly meetings with your residents or their elected representatives?" Since this is a quoted part of the NJ State Law, 12 communities appear to be failing to comply with the law.

Section 16 of P.L.1986, c.103 of New Jersey C.52:27D-345

Residents' organizations; quarterly meeting.

b. The board of directors or other governing body, or a designated representative who is not the chief executive officer or other staff member, of a continuing care facility shall hold quarterly meetings with residents or their elected representatives of the facility, for the purpose of free discussion of subjects which may include income, expenditures and financial matters as they apply to the facility and proposed changes in policies, programs and services..... Residents shall be given at least seven days' notice of each quarterly meeting.

How Do Respondents in Communities of Different sizes feel about the Levels of Transparency in Their Communities?

Self Ratings on Transparency given in Questions 1, 2, 11 and 43 in the Summary of Responses were converted into Transparency Scores (See Endnote #2 for method of computation) Average transparency scores were computed for four groups, based on number of Independent Living (IL) units, as follows:

Large:	Above 300 IL residents	4 communities	Ave. Transparency score: 22.5
Medium	250-300 IL residents	7 communities	Ave. Transparency score 19.7
Small	175-249 IL residents	6 communities	Ave. Transparency score 19.7
Very small	Under 176 IL residents	5 communities	Ave Transparency Score 19.2

Note: The highest possible score is 24, and the lowest possible score is only 4. The lowest transparency score given by any respondent was 17. This may be interpreted as being “Fairly well informed” On questions 1 and 2 the lowest rating for either residents or for officers and committee chairs was that they feel that they are “Fairly well informed.”

The self ratings of the 4 large communities are slightly higher than those in the medium, small and very small communities. However, our samples are so small that these ratings can only be suggestive of differences in how residents feel about the level of transparency in their communities. **Answers to other questions regarding written data that is actually communicated, suggest that the self rating scores of the Very Small communities, in particular, may imply greater transparency than actually exists.**

FINANCIAL TRANSPARENCY

Question 29 is about the Standard Financial Package given to the resident Financial Committee. Question 33 asks about involvement of the Resident Finance Committee in Budget Development. **Two tables that provide the wording of Q29 and Q33 and the CCRC responses are presented on the last two pages of this document.**

Q29 - Finance committees in the Large and Medium communities are more likely to gather and use detailed financial statistics than are those in Small and Very Small communities.

The larger the IL community, the more likely, the resident finance committee is to be receiving and making use of a larger variety of financial data. For example:

- The 4 largest IL communities used an average of 8 out of the 9 instruments in the Standard Financial Package. (In the Table for Q29, see all the Number 1's indicating use of an instrument.)
- The 7 medium sized IL communities used an average of 6 out of 9 instruments.
- The 6 Small IL communities used an average of 5.3 instruments, close to the number used by the medium sized communities. However, this lower average was the result of one Small community that used none of the instruments.
- One of the 5 Very Small communities used 7 of the instruments. Another used 3 instruments and a third used only 1. Two of the Very Small communities used none of the instruments at all.

Q 33. On the positive side, 3 finance committees in the large IL group, and two in the medium sized communities work closely together, as partners with management, in ALL STAGES of budget development. How could one imagine a greater level of financial transparency than that? Two other communities participate in 4 out of 5 stages in the development of budgets.

None of the 11 finance committees in the small and very small communities had involvement in budget development, except one that participated in preliminary discussions,

and a second that took part in discussing future rate increases and in reviewing the draft budget before its approval.

The perspective of managers, who make creative use of Finance Committee members in the budget process, can best be illustrated by an interview with one of them, whose CCRC Finance committee participates in every stage of budget development. This manager expressed admiration for the competence of resident finance committee members, appreciation for how much their insights help management and great confidence in their ability to keep appropriate confidences until the budget is announced.

RESIDENTS IN VERY SMALL COMMUNITIES RECEIVE LITTLE DATA

Question 37 shows that 4 of the 6 small communities receive the annual report and 3 receive the audited financials. But none of the VERY SMALL communities receive the annual report and only 1 receives the financials. One of them wrote, "Our Finance Committee has no responsibility for financial plan beyond the Resident Council... It has no involvement with the financial apparatus of the institution," Another very small community wrote, "Residents are not informed."

The lower level of financial data that residents in VERY SMALL COMMUNITIES receive is a little puzzling, in the light of the fact that none of them rate their communities as any less than "Fairly well informed."

SOME POSSIBLE ANSWERS SUGGEST THEMSELVES.

Question 40 shows that in most of the 11 small or very small CCRC's management takes advantage of their small size to hold frequent open meetings with residents to update them on what is happening and to answer their questions. 8 meet monthly; 1 meets weekly; 1 meets quarterly and only 1 meets semi-annually. Through these meetings, is it possible that most residents might feel that they receive all the information they want?

Written comments of some respondents suggest that this might be the case. For example one small community writes: "We are a unique CCRC because we are self-sustained. All management is in the same building where residents reside, and are easily accessible. Therefore, many of the questions do not pertain to us. Management meets with us and informs us concerning all matters that relate to residents. Management meets the first Friday of each month with [our] President, Vice-President, and Secretary where any and all questions are immediately answered."

Does frequent personal contact with managers lead to confidence in their integrity and skill? Do residents receive reassuring informal information which makes them feel that they have all the information they need? These possibilities might be worth exploring further.

JOINT COMMITTEES OF RESIDENT EXPERTS AND MANAGEMENT (Q. 14)

A number of communities of different sizes reported projects that were developed by joint committees of resident experts and key management staff. Such cooperative efforts may help to develop a climate of teamwork, partnership and trust in the competence of community residents. That in turn may provide the soil in which transparency can gradually grow.

In one large community a resident with chemical engineering expertise was key to a successful joint project with management counterparts. They developed a process that converts used cooking oil from the kitchens into fuel that operates the shuttle buses within the community. How could any Board not be proud of such a money saving development?

Another resident, a former Mayor, with experience in handling emergencies, chaired a joint resident-staff committee which developed a “Reverse 911” system that, by telephone, alerts hundreds of residents to necessary emergency action, all at the same time, and within a very few minutes. Other examples given, of joint committees, include: Service Improvement; Expansion; Designing new areas of the community or rehabilitating old ones; Long Term Strategic planning; Safety; Resident Assistance; and Energy Conservation.

BOARD MEMBERS AS AGENTS OF TRANSPARENCY

A few years ago, as the result of hard work by the ORANJ Legislative Committee, the New Jersey legislature passed a law requiring all boards of Continuing Care Facilities to elect at least one resident as a full voting member of the board. Our study found that all 22 of the communities, who agreed to participate in this study, comply with that law. **(Q.15)**

However, only 9 of those boards have given an assignment to their resident board member. Assignments mentioned by respondents included: Secretary of the Executive Committee, Member of the Audit Committee, Strategic Planning, and Education of Residents. The lack of such assignments by other boards suggests that every Board of Trustees does not take the role of a resident board member as seriously as others do. **(Q 16)**

GENERAL CONCLUSIONS

Most of the respondents from ORANJ communities feel that they have a fairly good level of transparency. In all but the smallest communities, the availability from management of financial data is critical. This depends upon the openness of Board and management to making such information available. In, at least some of the smallest communities a close personal contact and monthly meetings with open management may contribute to residents feeling of transparency, even if they do not actually receive as much financial data.

(Separate page) – POSSIBLE WAYS TO INCREASE TRANSPARENCY

End Note 1: COMPUTATON OF SELF-TRANSPARENCY SCORES

Each response to **Questions 1 and 2** in the questionnaire was coupled with a number. The larger the number, the higher the rating. For example:

7 very well informed	6 well informed	5 fairly well informed	4	3 fairly poorly informed	2 poorly informed	1 very poorly informed
----------------------------	-----------------------	------------------------------	---	--------------------------------	-------------------------	------------------------------

The total transparency score was computed by adding the numbers of these responses to similar numbers for answers in **Questions 11 and 43**.

End Note 2: Tables on the last two pages illustrate the amount of data received on two questions: Q29 “Instruments used in The Standard Financial Package” and Q33 “Involvement of Finance Committee in Budget Development” of their CCRC.

POSSIBLE WAYS TO INCREASE TRANSPARENCY (Appendix A)

Findings of this study suggest a number of possible ways to increase transparency in your community. Try one or more of the following **IF YOU ARE NOT ALREADY DOING IT**:

1. Persuade your Board to hold quarterly open meetings with residents to discuss finances, and proposed changes in policies, programs and services, as required by NJ P.L. Section 16 of New Jersey P.L. 1986, c. 103 of New Jersey, Section 16 C.52:27D-345
2. Encourage Boards or Trustees to give meaningful assignments to their resident Board Members, especially committees or tasks that would help increase transparency.
3. Arrange to have your committees, and, or their chair persons, meet with management counterparts every month.
4. Have your Association President meet monthly with the Manager/CEO of your community.
5. Encourage Resident Board Members to attend BOTH all closed and open meetings of your RAC/Executive Committee in order to keep fully up-to-date on issues of importance in their communities and to pass this information along to their Boards.
6. Encourage management to hold more frequent open meetings with residents such as monthly, or even quarterly, depending upon other patterns of effective communication in your community.
7. Identify specific needs in the community which both management and residents recognize, such as conservation of energy or others mentioned earlier in this report. Find resident expertise that can help develop solutions. Then encourage management to set up a joint committee that would discover ways to meet that need. That could help develop a climate of teamwork, partnership, and trust in the competence of residents.
8. In your Finance Committee take increased initiative to ask management for the instruments that you need and the information that residents deserve. Find publically available financial instruments from government sources and on the internet.
9. Make IRS FORM 990 available to any resident, on request, and publicize its availability. Convince your management to distribute your board's annual reports and audited financial statements.
10. In key committees, such as the Finance Committee, find ways to increase the number of members with significant expertise so that management will welcome their input as helpful advice. From this, a feeling of partnership with management may grow. This in turn might gradually encourage increased transparency, provided that members are careful to maintain appropriate confidentiality.
11. Work with Management to increase the opportunities for the Finance Committee to help in the development of the budget. For example, help them realize that knowledgeable residents may be in the best position to identify potential cost savings.

2010 TRANSPARENCY STUDY

Question 33 -- Budget Development

Finance Committee Involvement in Budget Development

---Each line of 1's represents the Finance Committee of a particular Association

-- Each 1 in the chart represents participation by that Finance Committee in a particular phase of budget development. a blank space indicates a failure to participate in a budget task.

A = In preliminary discussion of developing draft budget

B = In discussions of projected future rate increases

C = In reviewing the draft budget before its approval

D = In reviewing the board approved budget before it is announced to the RAC/Exec Committee

E = In reviewing the board approved budget before it is announced to the Residents

N = Not at all

Type of Involvement	A	B	C	D	E	N
4 LARGE Above 300 Residents	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	
7 MEDIUM 250-300 Residents	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	1 1 1 1	N N
6 SMALL 250-300 Residents						N 1 N N
5 VERY SMALL 250-300 Residents	1					1 1 1