

EVOLUTIONARY GOVERNANCE IN REVOLUTIONARY TIMES

Jewish Nonprofits Respond to Eldercare Needs

MOLLY FORREST

Chief Executive Officer, Los Angeles Jewish Home for the Aging

As Jewish communal professionals, one of our challenges is to educate our boards and communities about senior care needs, identify issues relating to the provision of care, and together provide leadership in developing the answers. Jewish nonprofits should be in the forefront of examining the breadth of senior housing and care needs and determining how best to meet them in fulfillment of their organizational missions. This article discusses the ongoing evolution of the governing board of the Los Angeles Jewish Home in pursuit of this goal.

“The essence of any organization lies in what it believes, what it stands for, and what and how it values. An organization’s works, rather than its words, are the telling assessment of its beliefs” (Carver, 1997).

Jewish communal professionals in nonprofit organizations serving seniors face daunting challenges. Growing numbers of seniors, complex care needs, reduced governmental spending, heightened governmental oversight, and external competition from for-profit providers pressure the performance of nonprofit senior care organizations (Fram & Pearse, 1992). No organization can meet these challenges with outdated governance models or by recycling past problems; environmental changes require adaptation. Simply by size alone, large governing boards have difficulty responding quickly and with participation from all members (Jensen, 2002). The goal is to achieve a balance between the numbers needed for expertise and community representation and a size that is small enough to work together effectively. Identifying the need for change is one step on the complicated journey of transforming governance.

In 1996, the Los Angeles Jewish Home had a large board (113 directors), financial dependence on annual donations for 25 percent of its operating budget, and aging physical plants and facilities, all of which complicated the process of changing governance models. The board questioned whether a smaller governing board was feasible given

the Home’s fundraising needs. Because of the Home’s extraordinary reliance upon annual donations for its operation and the absence of significant¹ sustaining endowments or cash reserves, any change that affected annual fundraising results would be dangerous. The eventual plan developed was an evolutionary move to new governance during what were revolutionary times for senior health care. The process has achieved remarkable results, as described in this article.

CHANGING SOCIAL CLIMATE IN SENIOR LIVING

Across America, eldercare nonprofit agencies are challenged to meet the needs of rapidly growing numbers of seniors and a doubling in the numbers of “super-elderly” (those over the age of 85); by 2050, these super-elderly will comprise almost 5 percent of the U.S. population (*Older Americans*

¹As a reasonable goal, a sustaining nonprofit should have cash reserves equal to a minimum of six months of operating costs and an endowment approximating its annual budget. In 1996, the LA Jewish Home had no cash reserves and endowment funds were less than 20 percent of its annual budget.

2000). With expanding numbers and increased longevity, seniors are demanding increased options in housing and service delivery (Ziegler Securities, 1998). Members of the Jewish community prefer to receive needed services from Jewish nonprofits, as long as the quality and cost are equal to community standards (Los Angeles Jewish Population Survey, 2000).

At the same time, Jewish nonprofit senior care organizations face rapidly changing and uncertain environments. Declining governmental funding, political changes in traditional eldercare programs, heightened regulatory requirements, market competition from for-profit providers, and shortages in well-trained management and nursing professionals (Vladeck, 1998) add pressure to already-stressed senior care organizations and their leadership. "All of these challenges place added burdens on the nonprofit manager, who needs to promote organizational effectiveness, deal with a demanding environment, and achieve operational results" (Pearse & Fram, 1992).

Quality senior health care is a continuing high priority for Americans, with 67 percent believing that those needs are not being met ("Study: Public Wants More," 2004). The 2000 Los Angeles Jewish population study found that 56 percent of Jewish households prefer receiving services from a Jewish nonprofit provider. If quality senior health care is a need and the Jewish community prefers services from a Jewish nonprofit provider, then Jewish senior health care providers should take the lead in fulfilling that need. As Jewish communal professionals, one of our challenges is to educate our boards and communities about senior care needs, identify issues relating to the provision of care, and together, in partnership with them, provide leadership in developing the answers.

WHO DO WE SERVE AND HOW DO WE SERVE THEM?

The paradox of today's aging process is that many seniors of today do not view themselves as old, but nonetheless look for a

quality of life not found in the general community ("Not an Easy Sell," 2003). In this article, this group is referred to as the "young seniors." At the other end of the continuum, because of the changes in longevity brought about by improvements in medical care, older and more vulnerable seniors have more complex and prolonged needs for housing and services (*Aging into the 21st Century*, 2005).

Because nonprofits support programs and services that for-profit agencies do not, they can create models of senior living that promote independent, healthy aging, providing opportunities for seniors to participate in interests and activities while being assured of needed assistance. Among the housing options for young seniors who prefer to age in place are senior retirement living or the continuing care retirement community (the CCRC) model. CCRCs are not new to Jewish nonprofit providers, but are an evolutionary growth of the life-care model that nonprofits pioneered ("Continuing Care Communities," n.d.). The appeal of CCRC developments to financially capable seniors is shown in the proven market demand for them (Grimes, 2004; Ziegler, 2005). CCRCs are a unique niche for nonprofit providers as the tax impact and financial implications of CCRC developments generally preclude for-profit involvement in developing this type of housing.

Traditionally, nonprofits have focused on financially needy seniors. Yet, financially able seniors have social and security needs as well, and considering those needs is part of the board's review of its mission to serve. Luxury-style assisted living projects fulfill a commitment to seniors and to meeting their needs. The opportunity to partner with the community in creating new standards of senior living ensures both that *all* seniors have access to help and that need is not determined by finances or disabilities alone. Ideally, providing this type of lifestyle and the promise of services as needed to a *non*subsidized population that pays market rates would provide revenues to enable the non-

profit organization to fulfill its mission to serve the financially needy.

Although studies consistently show seniors would prefer to live in their own homes, about 10 percent of seniors over 65 presently reside in assisted living, residential care, and group home settings ("Harvard Study," 2000). These seniors choose a residential facility over in-home care for many reasons, including loss of a spouse, the need for more social contacts, the desire for freedom and independence, medical assistance or support needs, or their unwillingness or inability to do chores ("Not an Easy Sell," 2003).

More vulnerable elderly seek long-term care in nursing homes because of chronic care nursing needs or the need for post-acute hospital transitional or rehabilitative treatment. Because of changes in Medicare policy, seniors formerly hospitalized for recovery time following acute illnesses are now required to seek the same type of care in a nursing home. Thus, today two of every five seniors will use a nursing home for short-term care at some point in their lives (Vladeck, 1998).

Twenty-two percent of those over 85 will live the remainder of their lives in a nursing home because of disabilities and complex care needs (*Aging into the 21st Century*, n.d.).

The average nursing home resident today is substantially older, sicker, frailer, and more likely to be cognitively impaired than the average resident of even a decade ago. In part, that change in resident characteristics is a simple arithmetical result of the smaller overall proportion of the elderly who use nursing homes, but dramatic reductions in hospital utilizations have also contributed, as patients are discharged from hospitals "quicker and sicker" than in the past (Vladeck, 1998).

Future needs for nursing home beds will be determined by changes in Medicare policy, longer life spans, and the growing numbers of those over age 85.

A Jewish home's governing board is faced with determining how best to meet the

need for nursing home care in a way that furthers the organizational mission to serve. Assuring quality care and the financial support for this most intensive level of care is also part of the strategic planning process of the governing board.

What nonprofit senior living providers do most effectively is spend monies to enhance quality of life in ways that for-profit providers do not choose to do. "Jewish philanthropy cannot be captured in numbers alone; the tradition is also one of considerable thoughtfulness, deliberations and planning" (Vladeck 1998). Nonprofit providers have traditionally led in innovations in environmental design, facility uses, and program developments.

I am not suggesting that nonprofits merely "compete" with the for-profit developments, as this ignores the reasons why nonprofit providers receive philanthropic support and ongoing community partnership in fulfilling their mission. Jewish nonprofits should be in the forefront of examining the breadth of senior housing and care needs and defining how best to meet those needs in fulfillment of the organizational mission.

As the number of seniors with more extensive care needs continues to grow, policymakers will be forced to make difficult funding choices. As politicians search for ways to address the expanding numbers of aged and their diverse, difficult needs, the patchwork and fragmented programs presently provided will be found to be broken and unsustainable (Rosenthal, 2003). Nonprofit senior care providers prepared for these dramatic changes and able to lead by providing innovative, long-term, and sustainable approaches to them are critical to successfully meeting the future challenges of senior care.

EVOLUTIONARY GOVERNANCE

Nonprofit agencies may find it difficult to respond to changing needs because of their governance infrastructure, particularly the board policies and procedures. In practice, nonprofit boards are often too large for mem-

bers to effectively carry out their responsibilities as directors; modifying longstanding and now outdated policies is difficult for large boards (Jensen, 2002). The board's ability to respond will be affected by its size, the obligations of board members, and the mindset of its members.

Board Mindset

Continuous education is a must, if long-held beliefs are to give way to new realities. The LA Jewish Home experience has been that ongoing dialogues regarding the organization's current needs, challenges, purpose, and goals serve to educate board members and ignite their commitment. Inevitably, there will be attrition of board members who are unwilling and/or unable to make the desired commitment or to accept the challenges of governance responsibilities: attending meetings, participating in committees, or making a financial contribution. Over time, better educated (and therefore better prepared) and committed members will join the board. Success builds upon success with members becoming well-versed in challenges, opportunities and goals for the future. Building the board's "adaptive capacity" begins with education and continues as "the ability to manage change is essential for any nonprofit to be successful" (Connolly, 2005).

Board Size

In the United States, the average nonprofit board size was 19 members until 2004, when it decreased to 17. Yet, social scientists argue that no more than 12 individuals can function effectively as a decision-making team ("Have You Outgrown Your Board," 2004).

My nine-year experience with the board of the LA Jewish Home illustrates the challenges of changing the governance structure. When I began at the Home in mid-1996, the governing board consisted of 113 members that met quarterly and a 19-person Executive Committee that met monthly or more often. This was unmanageable in practice and in the opinion of many, but the board could not be reduced in size until the mindset was

changed. Board size and the Executive Committee's role continue to be discussion items today.

In 1999 the board adopted a strategic plan that recommended reducing the size of the board in a phased-in process: first to no more than 80 nor less than 60, then 60 to no less than 40 and in 2005, between 20 to 40 total members. Past board chairs were to be honorary nonvoting members for life. The board also adopted "Duties and Obligations of Board Service" and "Conflict of Interest" policies. After a minimum annual board gift and attendance at board meetings were required, enough board members resigned to reduce its roster to 80 people. Thereafter, the Nominating Committee reviewed each member's contribution in gifts, committee work, attendance, and conformance to board expectations before recommending whether he or she should be renominated; each year, retiring members were thanked for their services and new members recruited who were better prepared to respond to current challenges.

Today, even though the 35-member board and 8-member executive committee seem to be working very effectively and 90 percent of members attend every meeting, members still struggle with issues of size. Some feel the success is "in spite of" the board size and others feel the success is "due to" its size. The size issue is still debated openly.

Board Restructuring

As part of the 1999 strategic planning process, board committees were given information needed to evaluate members and restructure committee work.² This analysis asked these questions: Who were our board members, why did they serve, and what were their contributions to the organization? The

²The LA/JHA Executive Committee is restricted to board members only; all other committees solicit and accept community representatives to serve on committees with our board members; the chair of each committee and the majority of committees are LA/JHA board members.

results affirmed the importance of the following elements for effective board governance:

- clearly defined expectations for board membership and conflict of interest policies, each signed annually by board members
- defined responsibilities for committees in “charters” from the board approving their scope of responsibilities
- effective nominating (or governance) committee work focused on assessment of current members and identification of new members to meet organizational requirements (the recruitment focus)
- introductory sessions and orientations for new and continuing members
- timely acknowledgment of members’ contributions³
- immediate response to member’s inappropriate conduct or dysfunctional communication styles⁴
- provision of timely, accurate, and pertinent board agendas and accompanying information to members in preparation for meetings
- clearly defined members’ role in overseeing the financial results and taking responsibility for them
- celebration of and building upon each success and acknowledgment of challenges and critical issues affecting our results
- ongoing evaluation of and commitment to our mission and vision

Ideally, a well-organized board has a personal commitment to the mission of the organization; surveys have found 93 percent of

board members consider “connection to the cause” as their *primary* motive for involvement [emphasis added] (“Have You Outgrown Your Board?,” 2004). As do more than half of nonprofits (“Putting Your Money Where Your Mouth Is,” 2004), the LA Jewish Home now requires board members to make personal monetary contributions as a part of board service, and the average annual gift is in the five figures. In 1998, when the board adopted an annual gift expectation, 20 of the then-113 board members declined to stay on the board.

The subject of term limits was a difficult one. In 1997, when the board held 113 members, a three-term limit was adopted and set to be effective in 2002. When 2002 arrived and the board was reduced in size to 40 members, those who had participated in the growth and changes in the Home were reluctant to leave and the board removed the term limits policy. The bylaws were changed to require a board size of not more than 40 and not less than 20 members (including the CEO as a nonvoting member). It is now the responsibility of the Nominating Committee to adjust membership size as part of the ongoing evaluation and development process. It has evolved into a board “governance committee” with defined expectations for evaluation of current board members, recruitment of future leadership, and a focus upon ongoing board development as primary tasks.

The Board Secretary position was an ill-defined and underutilized elected position within the board, but evolved to become the “development officer” of the Board. In practice through the last five years, the Secretary has reviewed Board minutes, attendance records, and committee charters and membership and hosted orientation/introductory programs for new board members, the young leadership outreach program, and the board retreat. In addition, the Secretary has been instrumental in addressing issues relating to difficult communications between members and staff, as well as fulfillment of membership responsibilities and expectations. One result of the expansion of the Secretary’s role has been to free the

³Public acknowledgments of member contributions of time, fundraising, gifts, review of board participation, and support communicated via mailings and postings of committee assignments/results; communication with each member following the Nominating Committee review; personal notes, phone calls, etc.

⁴Unexcused absences, failure to meet board commitments, disrespectful verbal or written communications to members or staff, etc.

Board Chair to focus on new construction and an upcoming capital campaign.

Profiling current board members is a beginning point for any development plan. Personal meetings were held with each member, assessing his or her areas of expertise and interest, connections to the community, work on behalf of the organization, relationships with other board members and staff, and, equally important, personal commitment to support the agency. Given the size of the initial board, this task was difficult and time consuming, taking a full year.

The Nominating Committee solicits membership in an ongoing effort throughout each year. The CEO partners with the board in ensuring the continuing success of its recruitment and development. New members are recruited through current board members, supporting organizations, fund development contacts, and community friends, including recommendations from other Jewish organizations and educational, financial, and legal communities. All candidates are interviewed and given a tour of the Home, and they meet with the committee chair and CEO. The board is diversified in terms of background and age.⁵

The three-hour orientation time builds a foundation for future engagement. A tour of both campuses and our construction project(s) is always included with a kosher lunch! A director's manual is updated annually, explored in depth with new members, and reviewed with all members at the first meeting of each board year. The manual focuses on the mission, the results, the fiduciary responsibilities, and the board's role in leading our Home.

Any restructuring of board roles and responsibilities heightens the inherent tension be-

tween board leaders and the executive director. There have been periods of distress and disappointment on both sides. What has drawn the Home leadership together is the continued focus on the shared goals for the Home, those we exist to serve, and our community's needs. We have differed on the steps chosen as we move to the goals; there has not been disagreement over the mission. The challenge in the relationship is to keep communications open, allowing for differences of opinion and ensuring that mutual respect and consideration are demonstrated by all.

RESULTS OF EVOLUTIONARY GOVERNANCE CHANGE: A CASE STUDY

After suffering earthquake damage in 1994, the board commissioned a capital campaign feasibility study. The results were disappointing: The maximum fundraising potential was forecast to be \$12 million, and study participants raised concerns about the public image and ability of the Home to achieve its goals. The board response was to engage in a strategic planning process, first identifying critical organizational issues and then planning and implementing changes. The strategic planning process became a launching pad for dramatic results.

Recognizing the Home's heavy reliance on annual fundraising, the board accepted the need to diversify and stabilize its revenue streams. It required all new programs and facilities to be "cash neutral" or have a positive financial impact. As a result, the proportion of the budget provided by annual fundraising was reduced to 22 percent. The Home now has a board operating reserve of almost one-third of our annual budget, and our endowment has increased by 10 percent.

In 1999, the board decided to launch a \$72 million capital campaign, *Keeping the Promise*, to construct new facilities and upgrade campus infrastructure. The campaign ended successfully in 2004, after funding two buildings: a state-of-the-art, award winning Goldenberg Ziman Special Care Center, a skilled nursing but residential and home-like facility for

⁵Our longest-serving board member is a robust 95 years "young" and has been on our board for 25 years; our youngest member is in his early forties; 24 are male and 14 female; there are representatives from west Los Angeles, San Fernando valley, and the west Valley; they are affiliated/nonaffiliated; some members have had relatives in the Jewish Home, and the majority have not. Employed, self-employed, retired, and homemaker individuals are represented.

patients with Alzheimer's disease, and the Joyce Eisenberg-Keefer Medical Center, described below, that will open in 2006.

The Skirball Hospice Agency was launched in 2004 to meet the critical needs of the dying. Again, board awareness of the need brought about the response. Similarly, identifying the need for short- or longer-term assistance to enable seniors to remain in their own homes, the Home opened a home health agency in 2005 serving its residents and those in the community.

In November 2005, the Board approved a purchase-option for a six-acre site in west Los Angeles. This third campus for the Home will expand JHA geographically and in overall capacity as well. In 2006 the Home will open the Joyce Eisenberg-Keefer Medical Center, including an inpatient Auerbach Acute Psychiatric hospital of 10 beds, 239 skilled nursing beds, and the Brandman Research Institute to identify programs to build the physical fitness, mental wellness, and spiritual health of seniors. In addition in 2006, the Annenberg School of Nursing will open in response to the acute shortage of professional nurses.

In 2005, the board approved the construction of the Jewish Home's first entrance fee continuing care retirement community. Bross-Bresler will offer 108 independent living units and will be completed in 2008.

CONCLUSION

The Los Angeles Jewish Home's response to the challenges of our changing times has been to become a leader in developing new responses, which has been facilitated by an evolutionary change in governance. Our role as Jewish communal professionals working in senior care nonprofits is challenging and life-f fulfilling: to educate our boards and communities about the senior care issues and together, in partnership with them, provide leadership through innovative, long-term, and sustainable answers to senior care needs.

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Cast me not off in the time of old age...

- Psalm 71

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11000 EUCLID AVENUE CLEVELAND, OHIO 44106-1716

phone 216/421-5500 fax 216/421-5633

WWW.MTSINAIFOUNDATION.ORG