



To: Participating Communities

From: Walker Healthcare CPAs

September 29, 2016

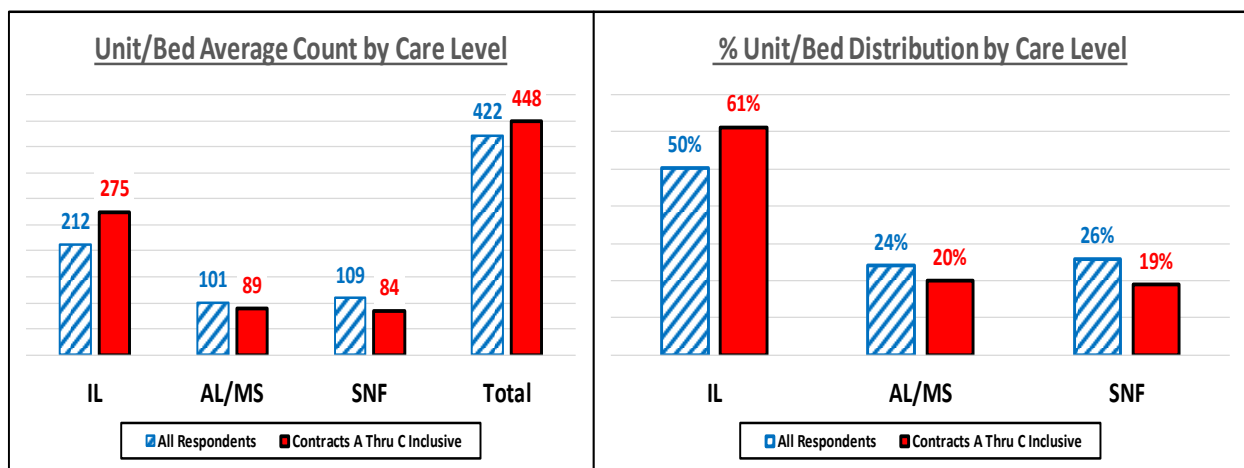
Re: Survey of Finance Full Time Equivalent Positions (“FTEs”)

Thank you for participating in this study as you are one of 21 communities who responded out of 38 surveys sent out.

About the Survey and Communities:

Only single site retirement communities were included in this survey. All participating communities are CCRC’s (i.e. each have skilled nursing, and assisted and independent living care levels) with resident contract types which span the full spectrum (i.e. from “Type-A” to pure rental agreements). To better level the playing field as best as possible, reported FTE’s are exclusive of activities needed to support payroll and the existence of a foundation.

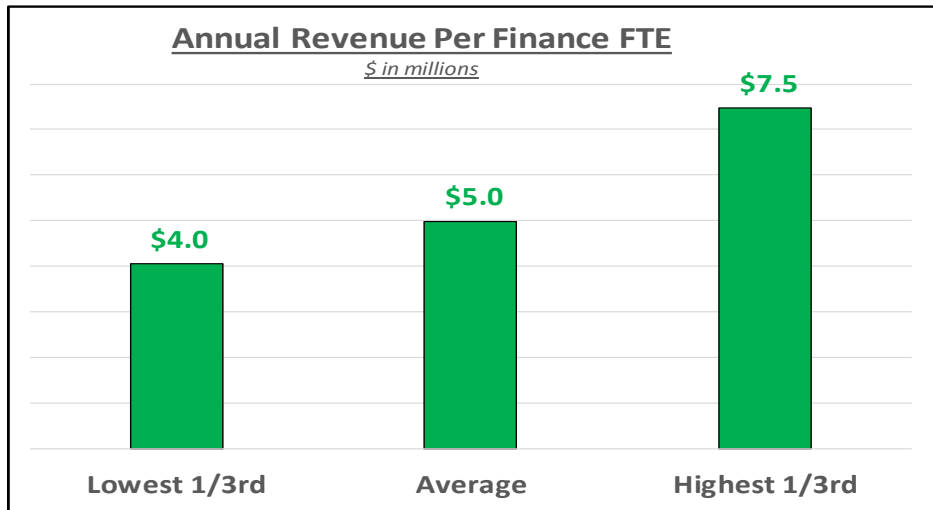
The goal of the survey is to understand relative productivity for the finance function overall and the accounts payable function specifically so that CFO’s can baseline their organizations against these metrics. Data is generally presented using a measure of work per FTE. The distribution of outcomes is presented via the average and lowest and highest 1/3rd of the population. The twenty one respondents are all “mature” CCRC’s with an average unit bed distribution by care level as follows:



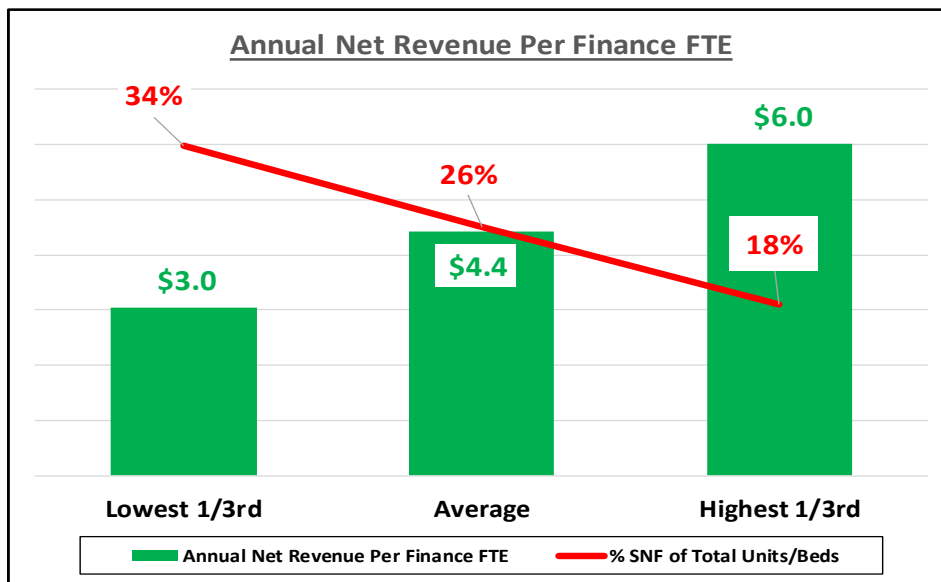


Survey Results:

Revenue & Total FTE's: On average, respondents had \$5 million of total revenue per finance department FTE, with the lowest 1/3rd averaging only \$4.0 million and the highest (and presumably most efficient) 1/3rd managing \$7.5 million or almost 2 times greater than the lowest 1/3rd...

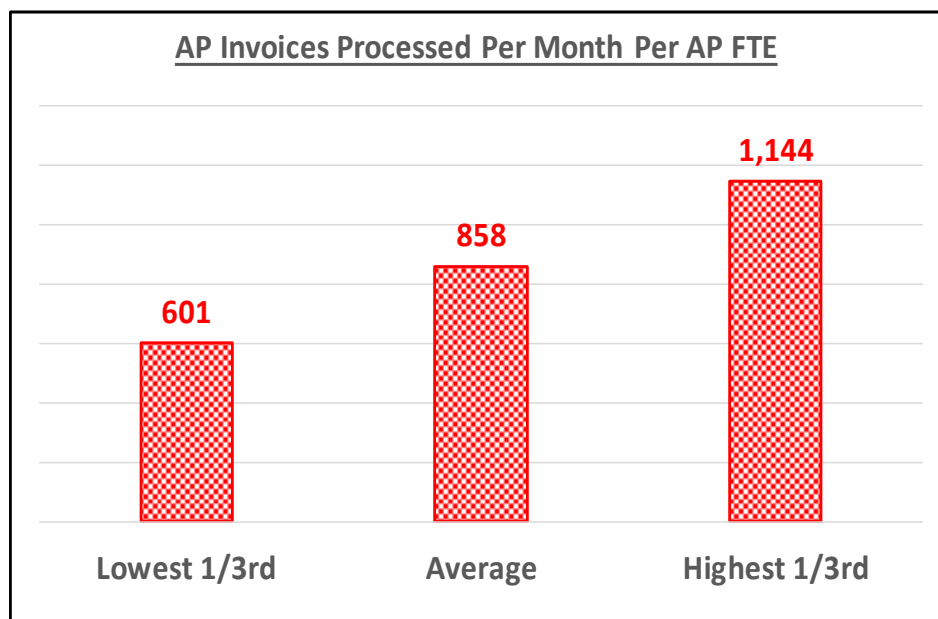


When income from earned entrance fees is excluded, (herein referred to as Net Revenues), the magnitude of dollars changes significantly but the relative distribution changes little...

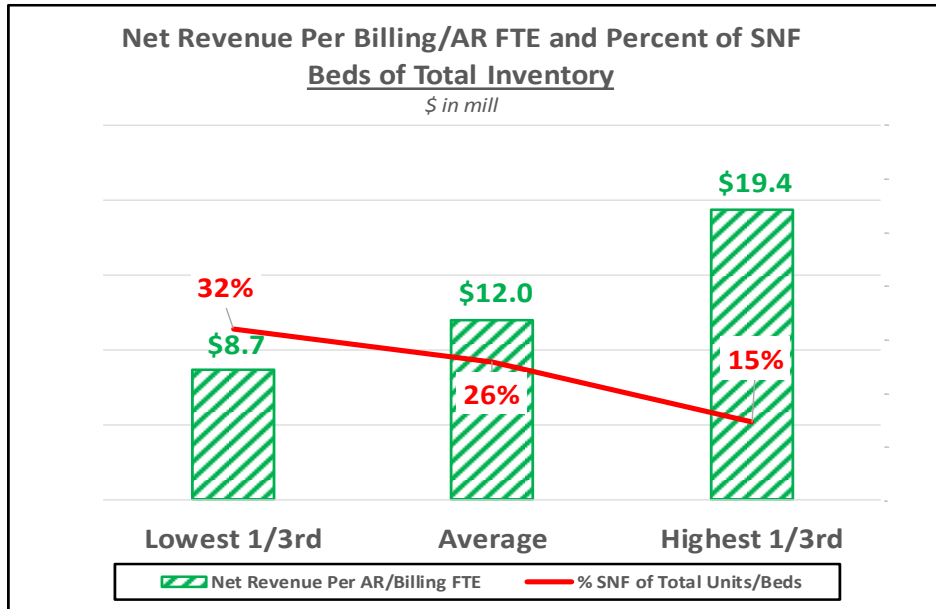


When viewed in terms of net revenues (please see preceding chart) the variability in relative efficiency (with a correlation coefficient of -1.0) appears to be completely explained by the relative proportion of SNF beds. Although the correlation between the relative proportion of SNF beds to total units/beds for a community is very high, this relationship becomes almost irrelevant when looking at community performance inside of the lowest and highest 1/3rd.... This implies real differences in productivity. The range of productivity in the lowest 1/3rd is \$2.6 mill/finance FTE to \$3.6 while the spread for the highest 1/3rd (presumably the most efficient) is \$5.5 mill to over \$6.7.

AP Invoice Processing: The number of AP invoices processed per month per AP FTE averages 858 with a fairly broad range of productivity between lowest and highest 1/3rd of responding communities. Based upon discussion with several CFO's, this disparity is not explained by the relative use of "p-cards" or "auto draft" approaches, but appears to be the result of the existence of an efficient process which comes as a result of automated requisition approval and procurement processes along with vendor management and consolidation of spend by product and service types.



For some communities, the difference between their current productivity and that of the highest 1/3rd (or most productive), equates to a full FTE or more. We believe that beyond FTE savings, streamlined processes and better vendor management would lower product/service acquisition costs, improve internal controls over procurement, increase discounts both available and taken while allowing the finance department to focus on activities of greater value to their community.



Net Revenue Per Billing/AR FTE: Over 90% of the difference between the seemingly most and least efficient billing functions is explained by the relative size of their SNF beds to total beds/units. Having said this, when looking inside the lowest third, this relationship breaks down once more, with the correlation between SNF beds as a percent of total going from -.99 to almost zero. The least efficient in the lowest 1/3rd averaged \$7.0 million in net revenue per AR/Billing FTE with the best being \$9.8 million.

We plan to perform a more detailed study within the next several months. Although no benchmark is perfect, (i.e. obtaining real apples to apples data is always a challenge) this data is useful as a community can use the survey’s ratios to determine where it falls in terms of overall efficiency. If you have any questions, please feel free to contact Ray Fisher, rfisher@walkerhealthcarecpas.com or Becky Lampkins, blampkins@walkerhealthcarecpas.com

We hope you find this information useful in your efforts to continually improve your community.

Yours Through Service,
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