



THE VALUE OF LEADERSHIP

AN ANALYSIS OF
NOT-FOR-PROFIT
SENIOR LIVING
EXECUTIVE COMPENSATION



February 2022

Introduction

Not-for-profit senior living organizations are placed in a challenging situation in the United States. On one hand, they strive for and are expected to provide the highest quality care and services possible to their residents. On the other hand, by the very nature of being not-for-profit, they are viewed through a fiduciary microscope, especially when it relates to overall financial spending and compensation of its leadership.

The leaders of these organizations are some of the most experienced individuals serving the healthcare space today. The talents and insights that they offer demand top dollar, and top benefits, as part of their compensation packages. Balancing these demands, with the optics of being a not-for-profit, have proven difficult for some providers.

With that situation in mind, LW Consulting, Inc. (LWCI), decided to undertake a systematic study of the compensation being earned by top leaders in not-for-profit aging services. This document provides a high-level overview of some of the key findings discovered in the data set.

This publication is intended for informational purposes only and should not be construed as evidence for use in executive compensation analyses by boards or their agents. However, LWCI can provide a detailed compensation analysis for organizations in need of such services.





Protection of Information

Let's face it – discussing salaries is a taboo subject in modern business.

While all the information used to create our data set is publicly available, it is not information that individuals are comfortable with being reviewed or discussed in a public setting. Frankly, some organizations have gone to great lengths to obfuscate their true business name, making it difficult to find the required form 990.

We understand that this is sensitive data.

That is why we are making three commitments to our clients and constituents regarding this report and our future work:

- 1. We will never publicly highlight or report on the compensation of a single individual.** If you want to know who the highest paid CEO is, you'll need to find that data yourself.
- 2. We will never report or analyze data in samples of less than 8.** That way, no single individual's compensation can be identified.
- 3. The data will primarily be viewed by position and job title, not individual.** The only exception to this will be the application of demographics to the data to provide broad analysis around population traits. With that said, our commitment to sample size remains the same.

Our goal is not to embarrass, shame, or call out an individual. Rather, we believe in using this data to better understand the climate of the industry and the challenges providers are facing in attracting and retaining top leaders.

Data Sources

The data used in this study comes directly from the required IRS Form 990, Schedule J, as filed by not-for-profit organizations each year. The majority of the 200 largest not-for-profit senior living providers, as published in the latest report by LeadingAge / Ziegler, were included in the study. Notably, the largest provider, National Senior Campuses, Inc, more commonly known as Erickson, is not included in the data due to their corporate structure.

All information was obtained using a custom application programming interface (API) to draw data from publicly available sources. The results were entered into an internal database and cross referenced with key industry publications and statistics for reporting purposes.

Where available, data was collected from 2017 to present. As there is a lag time in reporting 990's to the IRS, not all 2020 is yet available, and initial 2021 data sets are only now starting to be filed. The data used in the analyses presented in this publication represent the most recent year of data on file for each organization. Therefore, it will be a mix of 2019, 2020, and 2021 data.

Many not-for-profit organizations do not pay their senior leadership directly from the not-for-profit that they manage. Instead, organizations may choose to have leaders paid from allied not-for-profits. For the purposes of this data, compensation from affiliated organizations is treated the same as direct compensation. Further analysis on sources of compensation may be published later.

The results presented should not be construed as a scientific analysis of the dataset. The information provided here represents a basic overview of the data set, with broad statistical calculations applied. Some rounding may occur. Should you desire a more detailed look at the data, please contact LWCI.

LWCI intends to maintain this database, adding new data sets as they become available. Updates to this publication, along with other layers of analysis, are planned for future releases.

Included Job Titles

Not-for-profit senior living providers organize their senior leadership teams in a variety of ways. The most common titles found across all providers are President/Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Operating Officer (COO). For the purposes of this study, only individuals with exact title matches have been included.



CEO

*Chief Executive
Officer*



CFO

*Chief Financial
Officer*



COO

*Chief Operating
Officer*

Additional Job Titles

Total records in the complete data set, accounting for all possible job titles, amounted to over 3,700. However, not every record is usable. For instance, several board governance positions are reported but do not receive compensation. Additionally, specific job titles vary from organization to organization. Each record was individually reviewed and assigned a standardized job title based up on consistent criteria. Obviously, any human influence on the data set will cause unintentional manipulations. However, with the size of the data set presented, and using averages and medians, the effect on calculations is minor.

LWCI is actively engaged in parsing the data in other ways to better enhance our understanding of senior leader compensation beyond the titles contained in this report. This information will be used by LWCI's team to better advise our clients who are performing executive compensation analyses.

Understanding the Form 990, Schedule J, Part II

There are five sections of primary interest on Schedule J, Part II, labeled as Column B (I) through Column B (III), Column C, and Column D. Each column contributes to the reported total compensation. The definitions provided are taken directly from the IRS instructions found at https://www.irs.gov/instructions/i990sj#en_US_2021_publink51525qd0e657

(B-I) Base – A person's base compensation included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC issued to the person. Base compensation means non-discretionary payments to a person agreed upon in advance, contingent only on the payee's performance of agreed-upon services (such as salary or fees).

(B-II) Bonus – A person's bonus and incentive compensation included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC issued to the person. Examples include payments based on satisfaction of a performance target (other than mere longevity of service), and payments at the beginning of a contract before services are rendered (for example, signing bonus).

(B-III) Other - Other payments issued to the listed person and included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC but not reflected in column (B)(I) or (B)(II). Examples include, but aren't limited to, current-year payments of amounts earned in a prior year, payments under a severance plan, payments under an arrangement providing for payments upon the change in ownership or control of the organization or similar transaction, deferred amounts and earnings or losses in a nonqualified defined contribution plan subject to section 457(f) when they become substantially vested, and awards based on longevity of service.

(C) Deferred – All current-year deferrals of compensation for the listed person under any retirement or other deferred compensation plan, whether qualified or nonqualified, that is established, sponsored, or maintained by or for the organization or a related organization. A reasonable estimate is acceptable if actual numbers aren't readily available.

(D) Non-Taxable - Nontaxable benefits are benefits specifically excluded from taxation under the Internal Revenue Code. Examples include, but are not limited to:

- Value of housing provided by the employer, except to the extent such value is a working condition fringe.
- Educational assistance.
- Health insurance.
- Medical reimbursement programs.
- Life insurance.
- Disability benefits.
- Long-term care insurance.
- Dependent care assistance.
- Adoption assistance.

Exhibit - IRS Form 990, Schedule J, Part II

Schedule J (Form 990) 2021

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Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)–(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title	(B) Breakdown of W-2 and/or 1099-MISC and/or 1099-NEC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)–(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
	(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	(i)						
	(ii)						
2	(i)						
	(ii)						
3	(i)						
	(ii)						
4	(i)						
	(ii)						
5	(i)						
	(ii)						

Basic Statistical Analysis

The analysis presented here represents the Mean (Average) and Median for each data set.

The Mean is the average of the data set.

The Median is the middle of the set of numbers.

If the Mean (Average) and Median are close in value, it demonstrates that the spread between the lowest number and the highest number is relatively tight.

If the Mean (Average) is higher than the Median, this represents outliers at the top end of the range.

If the Mean (Average) is lower than the Median, this represents outliers at the bottom end of the range.

For instance, in the examples provided below, the Mean (Average) is consistently higher than the Median across the full LZ 200 data set. This infers that the highest compensated individuals are earning significantly more money than similarly titled individuals across the entire data set.

Simply put, the highest compensated CEOs, such as those in the LZ 1 – 25, are earning significantly more than CEOs of smaller or groups, such as those of the LZ 175 – 200. This bears out in the data when controls are set for organizational rank. There is much more consistency in the data when compared to similarly sized cohorts.

President/Chief Executive Officer

The responsibilities shouldered by CEOs of not-for-profit senior living providers can vary greatly. Obviously, the size of the organization and the number of residents served has a direct impact on the day-to-day work performed. CEOs of large multi-campus organizations that are spread out across multiple states will have a very different set of challenges than those of small multi-site or single site operators.

As humans, we like to have a single number to point to as a benchmark. Yet, for the purpose of compensation, this is a disingenuous indicator. Compensation for CEOs is very nuanced, and comparisons are better made within similarly sized and situated cohorts. Comparing the compensation of the CEOs of the 25 largest providers to those of the 25 smallest does not provide an accurate portrait. Therefore, we have broken down our findings in several different ways to illustrate these global trends.

CEO		Data	Base	Bonus	Other	Deferred	Non-Tax	Total
Cohort	All Data	Average	359,092	107,111	71,996	43,040	20,703	506,802
		Median	322,817	61,811	19,000	16,887	18,321	411,400
	LZ 1 - 25	Average	437,451	126,385	71,693	48,022	20,219	638,013
		Median	454,623	95,469	29,886	18,037	17,360	600,812
	LZ 175-200	Average	249,922	48,825	19,743	17,311	20,024	298,740
		Median	265,424	42,105	16,595	9,526	17,144	302,269

All figures represented in United States Dollars (\$).

Chief Financial Officer

It has often been said that the path to the CEO's office runs directly through the CFO's desk. Regardless of the type of business, the CFO is often viewed as the "right hand" and is usually in consideration for the top job should a change in leadership occur. Not-for-profit senior living providers are no different.

Aging services is a complex business, built on deliverables that include real estate, dining and housekeeping services, and healthcare. It can take a CFO a lifetime to learn any one of those areas, yet a senior living CFO must be competent in all three. Hence, the CFO is often the second-most highly compensated individual at many provider organizations (though not all.)

Like their CEO counterparts, CFO salaries vary considerably based up on the size and scope of the organization. We have provided a similar breakdown of CFO salaries.

CFO		Data	Base	Bonus	Other	Deferred	Non-Tax	Total
Cohort	All Data	Average	228,711	41,970	18,298	26,873	16,316	301,713
		Median	221,473	27,260	7,444	12,713	15,265	268,949
	LZ 1 - 25	Average	283,248	63,879	23,976	39,593	16,878	397,058
		Median	273,148	57,200	12,079	21,800	16,090	380,254
	LZ 175-200	Average	185,675	10,094	4,432	10,887	16,260	213,034
		Median	171,814	7,500	4,051	8,125	15,608	195,532

All figures represented in United States Dollars (\$).

Chief Operating Officer

If the CFO is the right hand, the COO is the left. They keep the organization functioning, with an eye on the quality delivery of services. CEO and CFO duties may expand depending on the size of the organization; the duties incumbent upon a COO have much more flexibility.

Within the data set, it is not uncommon to find organizations with no single COO. Rather, they opt for multiple COO roles, overseeing different parts of the portfolio. This is especially true in large, multi-site organizations where one COO might be assigned to healthcare operations, while another oversees independent living and the delivery of ancillary services. Other models forgo a COO entirely, instead relying on executive directors who report directly to the CEO.

In situations where more than one COO is reported, both sets of compensation data have been included in this report.

COO		Data	Base	Bonus	Other	Deferred	Non-Tax	Total
Cohort	All Data	Average	237,195	47,320	25,554	29,225	16,578	312,652
		Median	224,000	31,092	7,886	13,669	14,848	268,287
	LZ 1 - 25	Average	322,817	79,812	30,445	56,931	17,187	475,785
		Median	313,307	61,957	17,483	21,600	16,725	444,494
	LZ 175-200	Average	170,949	8,112	21,052	4,924	13,045	194,905
		Median	163,133	9,337	17,795	3,471	10,530	194,718

All figures represented in United States Dollars (\$).

Conclusions

Executive compensation in the not-for-profit senior living space is a unique challenge. The skill sets required to be successful are in demand in allied spaces, such as for-profit aging services and hospitals. Boards find themselves in the challenging position of needing to craft competitive compensation packages for their top leaders, while also acting as good financial stewards to the residents they serve. Certainly, Boards should perform an executive compensation study when filling a position, with intermittent reviews throughout the term of employment to ensure equity.

Based on trends in the already extent dataset, LWCI makes the following predictions regarding executive compensation, in this space, over the next year:

1. CEO compensation will continue to rise, outpacing general market increases.

With many providers involved in mergers and acquisitions, CEOs are taking on responsibilities for ever expanding portfolios. Additionally, as the labor market recovers from the pandemic, the demand for skilled and experienced executives will only increase, driving larger compensation packages to attract and retain the best talent.

2. The trend of multiple COOs will continue.

Providers are seeing the wisdom of dividing traditional COO duties across multiple positions. This enables specialization within an area of expertise, providing better accountability and performance within the organization.

3. Specialized C-Suite roles will continue to rise, most notably Chief Information Officers (CIO).

As little as five years ago, many providers did not have a seat on the executive team dedicated to technology issues. The implementation of this position continues to grow and many of the larger providers now count a CIO among their senior leadership. But, even medium to smaller sized organizations are now seeing the benefit of elevating this position within the business. We expect this trend to accelerate.

As with any review of this type, the most valuable information comes from recognizing long term trends. As the dataset continues to grow, we look forward to providing trending analyses going forward.

Looking for More?

The information presented here merely scratches the surface of what is available in the full data set. LWCI plans further publications on this topic. But, we know that some organizations need more information sooner rather than later. If that describes your situation, please reach out to us. We would love to collaborate!

About LWCI

For nearly two decades, LWCI has delivered operational and compliance improvements to acute, post-acute, and sub-acute providers and government entities involved in healthcare. This expertise is also applied to compliance actions and legal proceedings, with a specialty in serving as an independent review organization (IRO). Our clients gain peace of mind knowing that they have received reliable advice and guidance that improves their businesses.

As part of our practice, LWCI offers compensation review services for healthcare organizations, with positions across all levels of the business. Harnessing the power of the information outlined here, our expertise in senior living executive compensation is firmly rooted in data and coupled with the real-world, provider-side experience of our consultants.

If your organization is interested in more information regarding our compensation analysis services, please contact Cathy R. Benfer, MS, PHR, NHA, Manager of Recruitment Services at cbenfer@lw-consult.com or by phone at (717) 213-3125.

