



Statement of Larry Minnix
President and CEO, LeadingAge
Before the House Committee on Ways and Means
February 14, 2013

Chairman Camp, Ranking Member Levin and members of the Committee, thank you for the opportunity to testify today on the importance of tax incentives for charitable giving.

I am speaking today on behalf of LeadingAge. To expand the world of possibilities for aging, LeadingAge members and affiliates touch the lives of 4 million individuals, families, employees and volunteers every day. The LeadingAge community (www.LeadingAge.org) includes 6,000 not-for-profit organizations in the United States, 39 state partners, hundreds of businesses, research partners, consumer organizations, foundations and a broad global network of aging services organizations in more than 30 countries.

LeadingAge promotes adult day services, home health, hospice, community-based services, PACE, senior housing, assisted living residences, continuing care communities and nursing homes as well as applied research, technology solutions and person-centered practices that support the overall health and wellbeing of seniors, children, and those with special needs.

All LeadingAge members are not-for-profit. Approximately three-quarters are religiously affiliated; others are affiliated with fraternal and beneficial societies like the Masons. Many LeadingAge members were organized in the nineteenth century to serve widows and orphans. They have evolved over the years to meet the needs of a changing society.

To carry out their mission of serving frail and low-income elders and people with disabilities, LeadingAge members rely heavily on private philanthropy. Charitable giving can be seen as one of the three legs of the stool that supports the work our members do to provide the homes and services older Americans need as they age. The other two legs, private payment and public programs, would be insufficient to meet the costs of these services without the important resources contributed by charitable donors.

As discussed below, the income tax deduction for charitable giving has enabled both LeadingAge as a national organization and our members in their local communities to reach beyond our immediate tasks to provide innovative leadership in the field of aging services. LeadingAge has a transformational agenda focused on imperatives of strengthening not-for-profit leadership, engaging consumers, expanding financing options, leading innovation, developing strong leaders, and pioneering technology solutions. Our members have leveraged the power of private philanthropy into an extraordinarily diverse constellation of services for elders living both within these organizations and in the larger community.

Philanthropic giving, incentivized by the tax benefit for charitable contributions, is integral to continuous expansion of long-term services and supports choices for consumers and improved quality and efficiency of services.

I. Not-for-profits use philanthropic contributions as a catalyst for the development and dissemination of new ideas that ultimately boost economic growth.

The income tax deduction is an essential incentive for the philanthropy that contributes so much to our nation's economy as well as to the well-being of elders and people with disabilities. The economic growth and social benefit the deduction generates far outweigh the amount of tax revenue it represents.

Dr. Lester M. Salamon of Johns Hopkins University, a leading expert on the not-for-profit sector, suggests that it is the centerpiece of American culture. His book, *The Resilient Sector* (2003), offers facts and figures on the size, scope and impact of this sector on both our economy and way of life.

Claire Guadiani, author of *The Greater Good: How Philanthropy Drives the American Economy and Can Save Capitalism*, writes that, "America is not generous because it is successful, it is successful because it is generous." (<http://www.clairegudiani.com/default.aspx>).

Through LeadingAge members' long history of innovation in aging services, the not-for-profit sector has been—and is expected to be—the crucible of creative, entrepreneurial development of new services that meet consumers' ever changing needs. LeadingAge and its members continue to be recognized as leaders in innovation.

As a national organization, LeadingAge has relied on charitable donations to research, develop and disseminate innovative ideas to move the field of aging services forward. We have established three centers to focus on this work:

Our Center for Applied Research has earned a national reputation for its ability to translate research findings into real-world policies and practices that improve the lives of older Americans and their caregivers. The Center's ground-breaking work includes a national effort to address chronic staff shortages in the field of long-term services and supports and to promote the adoption of proven workforce development and improvement practices. The research agenda also addresses such significant and timely issues as nursing home quality improvement, the role of advanced directives in improving end-of-life care, effective approaches for promoting health and wellness among older people, and the role of technology in helping elders remain in control of their health and independence.

The LeadingAge Center for Housing Plus Services is developing models to enable moderate-income elders to live independently in their communities by combining affordable housing with supportive services. We envision the ultimate outcome as reducing over-reliance on relatively expensive nursing home care. We support aging in place by demonstrating the efficacy of strategies that integrate health and supportive services into federally subsidized senior housing.

Technological solutions hold great promise as a means of enabling seniors to live more independently in whatever place they call home, as well as helping to improve the quality and efficiency of services LeadingAge members provide. The LeadingAge Center for Aging Services Technology (CAST) has become an international coalition of more than 400 technology companies, aging services organizations, research universities, and government representatives. CAST is leading the charge to expedite the development, evaluation and adoption of emerging technologies that can improve the aging experience.

Our research and innovation is financed not only by contributions directly to LeadingAge but also by leveraging grants from other not-for-profit organizations that in turn have been established and supported by private philanthropy.

Many LeadingAge members and state partners have established their own research foundations within their organizations to develop and disseminate new and better ways of providing aging services. For example, LeadingAge Georgia has established the [Georgia Institute on Aging](#), which, among other initiatives, has led the culture change movement among the state's long-term services and supports providers.

II. Not-for-profit aging services providers are a significant source of employment and job creation.

Analysis of Bureau of Labor Statistics in [Holding the Fort: Nonprofit Employment During a Decade of Turmoil](#), by Lester M. Salamon, S. Wojciech Sokolowski, and Stephanie L. Geller showed that not-for-profits are major employers, providing twice as many jobs as the construction, finance and insurance, and wholesale trade industries, and nearly as many as manufacturing. The not-for-profit sector has been a major job creator, and during the recent recession, not-for-profits continued to add jobs while for-profit jobs declined by 3.7 percent a year.

LeadingAge members employ hundreds of thousands of people in their organizations. In many communities, especially in rural and frontier areas, LeadingAge members are the primary employer.

There is a not-for-profit difference not only in the quantity of jobs but also in the quality of employment. According to the study noted above, the average wage for not-for-profit jobs tends to be higher than the average for for-profit jobs in most of the fields examined.

LeadingAge's Center for Applied Research conducted a multi-year project, "Better Jobs/BetterCare," on developing a quality workforce in the aging services field. This major national initiative launched an ongoing effort by the Center to improve the working conditions and preparation of direct care workers, nurses and other staff in long-term care settings.

III. Private philanthropy bridges the funding gap between public and individual/family resources.

Long-term services and supports are an expense that few individuals and families can cover out of their own resources. Individuals often come to need the services LeadingAge members provide only toward the end of life, when savings and investments have largely been exhausted. The people we serve, especially with affordable housing, frequently have worked hard over a lifetime but may have earned relatively little. When individuals need the level of long-term care provided in nursing homes, their remaining financial resources can be rapidly exhausted. Few families have insurance to cover long-term services and supports.

Philanthropic giving enables LeadingAge members to care for and provide services to the poorest and most physically and mentally frail elders. Charitable contributions support benevolent funds that enable LeadingAge members to continue providing services to people who have exhausted their own financial resources. Contributions enable members to bridge the gap between the cost of providing care and the reimbursement provided under Medicaid.

Medicaid is the public program that provides the largest source of revenue for long-term services and supports. It pays over 40% of total costs, and almost 60% of nursing home residents are covered by Medicaid.

In most states, Medicaid reimbursement is inadequate to cover costs of care provided to those who are eligible. This situation worsened during the recent recession, when many states were forced to cut back on their Medicaid programs.

Medicaid is even less adequate as a means of financing essential capital improvements. Many of our nation's nursing homes were built in the 1950s and 60s. Quality of life for their residents requires upgrading or replacement of these facilities. Private philanthropy is one of the few sources of capital our members have for this essential work.

Ron Jennette, President and CEO of MRC and Affiliates in Texas, explains the difference that charitable fundraising has made to seniors in his communities:

A prime example is contrasting our Huntsville, Texas community with our La Porte, Texas community.

We've been operating in Huntsville since the mid 1980's as a nursing home located in a 1950's building owned by the Walker County Hospital District. This building originally was a hospital. While our license would allow up to 114 nursing home residents in Huntsville, there weren't enough bathrooms to support dignified quality service and care.

As a comparison, our nursing home in La Porte, Texas was also in a very old building that had run its course. It was 80% Medicaid, and losing around \$30,000 per month five years ago.

However, there was one big difference between Huntsville and La Porte. In Huntsville, we had \$3.5 million in donations given to help rebuild a new, more viable community. In La Porte, there had not been a fundraising campaign to rebuild something more viable; so we were financially forced to close down the La Porte nursing home, uprooting 100

residents to move into different, unfamiliar nursing homes. And we eliminated around 150 staff.

In Huntsville, though, we added another \$600-700K of donations on top of the original \$3.5 million; which barely got us to the point where a lender would take a chance on rebuilding in this area in this economy. So we rebuilt, at \$14 million, 36 Assisted Living apartments with several levels of services and care; 18 specialty memory support suites for those with Alzheimer's disease and other dementias (which was completely missing in this city); and 66 skilled nursing and rehabilitation units, at least 30 of which will remain Medicaid.

Without the donations, this location would have closed just like La Porte did; displacing its seniors and putting staff on the unemployment lines. Many of these staff have limited job opportunities in this area, and many of the residents look upon us as their family to take care of them.

Looking ahead, with so many Medicaid residents continuing to be served at \$30+ loss per day, per resident, it will be essential that we continue to generate donations year after year in Huntsville if we are to keep the jobs and serve the seniors in this area.

We also just rebuilt our community in Bryan, Texas; and would not have and could not have done that one either without being able to secure almost \$2 million in donations. Instead of closing down that community, it recently reopened as a life care continuing care retirement community to serve 2 1/2 times more seniors than the very old 1960s building that we demolished.

That particular community also began an award-winning program called WYSE (Wisdom for Youth in Senior Expertise) whereby we bring high school students together with senior residents for a 10-week program to learn from each other. The first group recently graduated with beaming parents, students who appreciate what those before them have gone through, senior residents who again feel appreciated for being given something useful and meaningful to do, teachers participating who now remember why they became teachers in the first place, and staff who truly get what it means to serve others.

The point is these communities are much more than just the staff we employ and the seniors we serve. We also touch the lives of a great many in every location where we exist. We are an integral part of the fabric of every community.

We're now in a fundraising campaign in League City, Texas, so we can add more jobs and fill a void of services for an aging population with the dignity and respect they deserve. This new community will employ about 350 people temporarily while being developed and built, then will permanently employ about 150 people to serve 300 residents in a life care continuing care retirement community.

Our other existing continuing care retirement communities in small metropolitan areas of Lufkin and Texarkana, Texas were also developed because persons in those areas were

willing to step forward with significant contributions. These public-spirited donors continue to come forward every year with additional charitable contributions to help those who have outlived their financial resources through no fault of their own. The result is jobs and service to worthy seniors in each area. Imagine what would happen in those locations without those jobs and without those services to seniors. Its unthinkable.

For the record, MRC has also sponsored five affordable housing communities for seniors; three of which it continues to manage in Bryan, Texas, and the other 2 it continues to manage in La Porte, Texas. These 319 combined total apartments run on average about 99% full, and also meet a very important need.

IV. The not-for-profit culture benefits individuals who receive aging services and their communities.

Peter Drucker, the prominent management consultant and educator, wrote that, “The role of not-for-profits, as one of three main institutions in America, is nothing less than to change lives.”

Our nation’s not-for-profit housing, community service and long-term care service and support providers are on a mission. Their objective: to provide the highest quality and most compassionate care to those they serve. By continuing a tradition of mission-driven, consumer-centered management and competent, hands-on care, not-for-profits set the standard in the continuum of housing, care and services for the most vulnerable Americans.

Not-for-profit organizations manage their financial resources in accordance with their missions. Many of these housing and service providers were founded by faith-based and civic groups of rich tradition, and their long-standing values are reflected in their governance and management. They are not driven by daily pressure to increase their “bottom line” for owners, investors or shareholders. Quality, not earnings, is the barometer of a not-for-profit organization’s efforts.

Not-for-profit organizations are accountable to voluntary boards of directors, who donate their time and talent to ensure that ethical management, financial integrity and quality services are maintained. Not-for-profit finances are always open for public inspection; with such information readily available on the Internet, the information is literally at our fingertips. Not-for-profits have a responsibility to be active, contributing members of their localities.

In the nursing home field, the not-for-profit difference in quality of care was noted in an analysis of over 40 studies dating from 1965 to 2003. This comprehensive literature review found that all statistically significant comparisons favored not-for-profit service providers. It concluded that, on average, not-for-profit service providers deliver higher quality care than for-profit service providers. (Commodore, Vikram R., Devereaux, P.J. et al. “Quality of Care in For-Profit and Not-for-Profit Nursing Homes: Systematic Review and Meta-Analysis.” [*BMJ Online First*, April 21, 2009](#)).

Our not-for-profit members also expand many of their services into the larger community beyond their doors. Many make health, wellness and supportive services available to older

residents of their communities free or at reduced cost. Others reach out to groups of children, students and other low-income populations with services including day care, literacy training and nutritional assistance.

An example is TELECU. In 1968, The East Los Angeles Community Union – known as TELECU – was established as a pioneering nonprofit community development corporation committed to service, empowerment, advancement, and the creation of self-sufficiency.

TELACLU has made the future brighter and more secure for thousands of families and seniors by creating jobs and affordable housing for people in need. Seniors and physically challenged individuals on low, fixed incomes face a particularly difficult task in finding adequate housing. By bringing together the public and private sectors, TELACU has successfully developed thousands of affordable senior and handicapped-accessible apartments throughout California.

In addition, with contributions from corporations, other nonprofits and individuals, TELACU has created academic programs and scholarships that allow disadvantaged students to flourish. In Los Angeles county, where only 40% of high school students graduate, 100% of TELACU's high school and college seniors graduate.

Another of our members, Apostolic Christian Home in Sabetha, Kansas, describes their community outreach:

We prepare and deliver meals to a local senior's center and also manage the community meals-on-wheels program. The cost of these meals to the recipients is less than the cost of preparing and delivering the meals. Contributions are used to make up the shortfall. Without these meals, some seniors would prematurely need to go to an assisted living or nursing home. In many of these cases, the cost of additional care would be borne by the taxpayer. A \$3.00 meal per day is a very attractive solution in helping to postpone the much higher daily cost of care in a facility. Donors are currently incentivized by the tax deduction they receive for charitable donations they give to us, which allows us to continue our meal programs.

The Charitable Giving Coalition documents that, "For every \$1 subject to the charitable deduction, communities reap up to \$3 in benefits. It's unlikely government could find a more effective way to leverage private investment in vital community services."

Conclusion

For today's elders, philanthropic giving bridges the gap between individual and public resources. Charitable giving allows elders and their families access to essential long-term services and supports they may not have been able to afford out of their own savings and investments. Not-for-profit providers leverage charitable contributions into greater diversity of services than may be covered under public programs like Medicaid and into continuous improvement in quality.

For the future, philanthropy is the key to the development of innovations in the delivery of long-term services and supports. New ideas, tested and disseminated by networks of not-for-profit

aging services providers, will contribute to employment and economic growth in our nation's communities.

As Carol Silver Elliott, President and CEO of Cedar Village in Mason, Ohio put it:

Without philanthropy, new programs, services and facilities will not be created and the quality of life of our older adults will suffer. Without philanthropy, life-enhancing programs, creative expression programs that stimulate and engage as well as soothe, will disappear. A world of long term care without philanthropy is a world of bare bones services, of making do even though we could do better and more, of marginalizing our older adults and failing to meet their needs.

The goals of the not-for-profit aging services sector depend on continued tax incentives for the private philanthropy that makes innovation and community outreach possible. We urge the committee to preserve the income tax deduction for charitable contributions as you consider reforms to the federal tax code.