

Continuing Retirement Care Communities

Hello!

In this first edition of Clarity's financial planning newsletter, continuing care retirement communities (CCRCs) are highlighted.

CCRCs offer a multi-level approach to the aging process as they accommodate the potentially changing needs of their residents by providing the ability for them to remain in one location. The levels in these communities can include:

- **Independent Living** – for residents who do not need personal assistance.
- **Assisted Living** – for residents who require minimal help with activities of daily living (ADLs) which includes but are not limited to eating, bathing, and dressing.
- **Skilled Nursing Care** (both short- and long-term) in an on-campus Health Care Center.
- **Memory Care** – for residents who are suffering from dementia or Alzheimer's disease.

The popularity of CCRCs has grown steadily over the past several years as more Americans are seeking out the security and comfort of having the option to remain in one place as they age. According to the American Association of Homes and Services for the Aging, at least 745,000 adults live in CCRCs throughout the U.S. and this figure is expected to continue to rise as our population continues to age.

Associated Costs

Typically, residents pay a significant deposit (entry fee) when they move in, which may or may not be refunded, depending on the terms of the contract. These entrance fees vary greatly depending on the services and location of the CCRC but usually range between \$100,000 and \$1,000,000. According to the National Investment Center for the Seniors Housing and Care Industry, the average entrance fee for each CCRC unit within the U.S. is \$249,857.

Residents also pay monthly fees that vary depending on the contract type. There are three basic types of contracts for CCRCs:

- **Life Care Contract:** This provides unlimited assisted living, medical treatment and skilled nursing care without additional charges and is the most expensive of the three types. This operates under the assumption that residents will utilize an increased level of health care in the future.
- **Modified Contract:** This contract offers a set of services provided for a specific period of time and once met, other services can be obtained, but for higher monthly fees. Residents may be eligible to receive a discounted rate for the care and a specified number of days of long term nursing care at no additional cost.
- **Fee-for-Service Contract:** This is a pay-as-you-go approach where the initial enrollment fee is lower than the life care

and modified contracts, but assisted living and skilled nursing will be paid for at their market rates.

The monthly fees usually range from \$3,000 to \$5,000, but may increase as a resident's needs change. In addition to being based on the type of service contract selected, these fees are also dependent on other factors including one's health, the type of housing selected, whether the resident owns or rents the unit (equity versus non-equity model), and the number of residents living in the facility. It is important to note that a prospective resident goes through an approval process by the CCRCs committee to determine one's physical and mental health as well as their financial stability. Many CCRCs require residents to have 2-3 times the entrance fee in assets.

These ongoing monthly charges are also subject to being increased each year due to inflation and they usually cover the cost of the following amenities and services:

- Meals
- Basic utilities (internet and cable are usually available at an extra cost)
- Housekeeping services
- Linen and laundry services
- Coordinated social activities
- Scheduled transportation
- Maintenance of the unit
- Health monitoring services
- Emergency call monitoring
- 24-hour security

Choosing a Continuing Care Retirement Community

Given the number of CCRCs out there and the different structures (for profit versus non-profit), here are some tips to use as one researches and visits CCRCs:

- Meet with a representative of the CCRC who provides tours of the different housing

options, cost structures and contracts available.

- Spend plenty of time visiting each part of the community, including the assisted living and nursing care facilities. Even if those services are not needed initially, it is important to see these areas in the event that one day, they are needed.
- Request to speak with some of the residents and inquire about their experiences living there.
- If researching CCRCs as a couple, inquire with the CCRC as to what will occur if one needs a higher level of care or passes away, or if their circumstances dramatically change. Also, determine whether there are circumstances where a refund of the entry fee would be given or if any of it can be left to their estate should a change be necessary.
- Request a copy of the facility's audited financial statements, licensing and inspection reports, as well as if there are any pending complaints. It is also important to review the facility's days of cash on hand, and compare it to that of other facilities. Accredited CCRCs with one campus usually average 306 days of cash on hand while those with multiple locations average 281 days.
- Once the CCRC has either been selected or narrowed down to a couple of facilities, request a weekend or week-long stay at the community to experience the services and amenities it offers.
- At the time one is ready to commit to a CCRC, it is advisable that the contract be reviewed by an attorney to ensure terms and conditions are spelled out as agreed upon.

It is important to note that all facilities offering continuing care contracts must first obtain a certificate of authority and a Residential Care Facility for the Elderly (RCFE) license. And for those CCRCs that offer skilled nursing services, they must have a

Skilled Nursing Facility License issued by the Department of Health Services.

Each state is responsible for the oversight of continuing care providers and here in California, it is the California Department of Social Services. The department's Community Care Licensing Division has two branches that participate in this regulation:

1. The Senior Care Program monitors continuing care providers for compliance with the Community Care licensing laws and regulations regarding buildings and grounds, accommodations, care and supervision of residents, and quality of service.
2. The Continuing Care Contracts Branch is responsible for reviewing and approving applications to operate a CCRC and monitors the ongoing financial condition of all CCRC providers and their ability to fulfill the long-term contractual obligations to residents.

It is important to do your due diligence if you decide to transition to a CCRC and know what options are available and how it can best suit your needs.