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Continuing Care Retirement Communities
(CCRC)
Life Planned Community

As we age, we've got to have some place to live. Where do you want to be? I have spent several years visiting numerous CCRC's in anticipation of downsizing and simplifying our life. Visited CCRC's in CT, NY, MD, DC, FL and VA.

This paper summarizes my experiences and provides my observations. However, one of the most important things to remember is that such a move represents a significant change in life style with very little prior experience and knowledge to guide that decision. Therefore, take the time to understand the options and considerations.

In one contractual arrangement you will be deciding where and how you will be living, what you will be eating, who your friends will be, who will be providing your medical care, what you will spending for all this and what will be left for your heirs!

BACKGROUND

We make such a move for various reasons but the primary motivator is preparation for or actual need of assistance with medical related issues.

What are healthcare costs in retirement? Actual Healthcare costs have increased in the past and we can expect they will increase in the future. With Service Retirement, Medicare and Tricare most of the medical expense is covered except Dental and Vison regardless of where one lives. However, progression from Independent Living to Assisted Living to Nursing Care to Memory Care can probably be counted upon for most of us and these costs generally fall outside of our normal medical insurance and are generally covered in all or in part by Long Term Care insurance or personal payments.

Preparation for all is a conversation each should have with the family addressing:

- Where to live/receive care,
- Who should be involved in the Decision?
- Have a corresponding plan to pay for it.

CCRC's usually offer two types of contracts, a life-care contract or a fee-for-service contract. In the former the individual's cost does not change or changes very little when one moves to a higher level of care, as for example when moving from independent living to assisted living. In a fee-for-service contract the individual is responsible for the increased cost of the higher level of care. The CCRC usually requires one to hold a long-term care policy to be eligible for the fee-for-service contract. The fee-for-service contract usually costs about 20% less than the life-care contract. It also accrues only a modest (around 5%) tax-related medical deduction compared to the life-care-contract.

CULTURAL CHANGE

For many folks moving into a CCRC creates a new lifestyle. Before CCRC we had our habits of entertainment (with neighbors and community), dining, hobbies and home maintenance. How does this change? Home maintenance will virtually disappear as the responsibility will shift to the CCRC (review this subject in the contract offered). Hobbies may change, yet many opportunities exist to practice your hobby in a CCRC.

Dining habits will likely change remarkably because your contract furnishes a generous meal plan that is baked into the contract price. That suggests less dining out at community restaurants and much less home cooking. Your practice of entertainment may change very little and indeed may increase. Your gym is now on-site. You will retain the option of community theater and sports (playing or attending) and the CCRC will likely sponsor lectures and other entertainment on the property. What really changes is interaction with your neighbors. They are closer nearby and the CCRC has many, many activities that draw you into social contact. You are free to make of this change what pleases you. Most CCRC residents will attest that they are more active with their neighbors and community than before. The medical community emphasizes a socially active lifestyle is a healthy lifestyle.

Most CCRC's offer Independent Living, Assisted Living, Nursing Care, Rehab and Dementia care and they have a process by which a resident moves from one level of care to another. This process should have participation by three entities: the Resident, the Resident's Family and the CCRC. It is not uncommon for a couple to move into Independent Living and then at some point down the road one member of the couple needs the next level of care. It is then common for the couple to occupy two separate units: one in Independent Living and the other in the next level of care. Based upon the facility and their entrance contract and monthly fee structure they may be paying for two units or only one. For what period of time? It is important to understand the pricing structure because they can balloon at the wrong time and this understanding should be arrived at when first entering into the contract with the facility.

CCRC OWNERSHIP

It is important to understand the ownership and ownership history of the facility.

In our own journey long discussion with the management teams revealed some very interesting and for us disturbing facts.

In response to the question: 'When my parents moved in 20 years ago, it was owned by AAA, then BBB then CCC and now it's DDD".

The answer and discussion were very enlightening.

> "Yes, they are all Hedge funds or private equity Investors who buy it, then fully depreciate it over 7 years and then sell it to another Hedge fund. It is all a tax profit/bottom line driven decision for them".
>
> "What is their interest in the Residents?" – "None, the focus is on the return to the investors not the residents." The resident is merely a vehicle for their Return.

COVID produced several stories about CCRC's who were understaffed and could not take care of their residents.

We discovered another wrinkle: When the 'entity' buys into the CCRC, it consists of a piece of property and an ongoing business. The entity then separates the two and sells off the business, making the business pay rent for the property. The resident has no say and is merely a vehicle for the owner's gain.

Our conclusion was that the only way around this condition was to deal with a Not-For- Profit CCRC.

But regardless of your own decision, it is important to investigate and understand the reputation of the entities that will own and manage your selected CCRC!

ECONOMICS

In common with all our prior living experiences are that we will have an up - front cost (akin to a mortgage deposit), monthly costs (think maintenance, taxes etc) and an exit cost (e.g. selling the property or just moving out) . However, within these three broad categories everything is different!

Entrance FEEs

Entering a CCRC will require a significant 'Entrance Fee'; a quarter of a million dollars, a half million or more. The new resident and the CCRC will sign a contract stipulating what will happen to these funds when the resident departs; either walks out the door or 'leaves in a box'. The Entrance Contract will stipulate what percentage of the fee will be returned to the resident or estate upon departure. Interest is not normally paid on these funds: "it may be credited against the monthly fee" or simply not paid or mentioned. Costs and Contracts vary. As an example if your contract has you owning the living space you may have to arrange for its sale either in competition with the facility owners own property to sell or on the owners terms vice yours.

As CCRC ownership is evolving these contracts may not be what they appear to be. The Entrance Fee funds may or may not be available to be paid out upon a resident's departure. The only way to know if the funds are available is through an 'Independent Audit' to verify that the funds are available to be paid out. The Consortium of Independent Auditors (CARF international) will review the books and certify every five years that the funds are available. This accreditation Certificate should be hanging on the wall for all to see. Also need to verify renter/owner terms for return of funds to estate.

Monthly Fees

The monthly fee may be between $5,000 and $10,000 a month. The fee may be changed annually in accordance with expenditures, 'margins' and prevailing economic fundamentals. A portion of this fee may be banked for the eventual need for a higher level of care. Amenities include utilities, services, cleaning and some meal plan.

- Most CCRC's that we examined offered that about one-third of the monthly fee would be set aside as a contingency for the need of additional medical assistance (Assisted Living/Nursing care) and that this one-third may qualify for an Income tax, Schedule A Medical Tax Deduction.
- If the couple has a Long-Term Care Contact, their Monthly Fee may be reduced but they may lose the Tax Sched A deduction.

FAMILY RELATIONS

As we get older in life and in the post-retirement phase, our family and friends become more important in our everyday life. Travel becomes harder and more stressful. Moving into a CCRC will enable us to make new friends and participate in numerous activities to help grow our life experiences. And it will also reduce family anxiety about how to take care of the aging parents. However, 'being near family' becomes even more important for all. An hour or two drive is much easier than a day travel to see the kids and grandkids.

SUMMARY

In summary I believe that these are the major criteria to consider when looking at a CCRC or other arrangements (you can always get on their Stand-by list and Hold):

1 – A Not for Profit For Profit or non-profit facility
2 – Audited Financials
3 – Family proximity
4 – Reputation
5 – Exit plan

It would make sense to take a hard look at all those flyers we receive in the mail for assisted living facilities and go visit and ask questions now while we can to understand better the options and issues.

And we would welcome different inputs to the class wellness web site

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