

# CCRC Vs Life Care - Which Contract is Right For You?

By [Allen Jesson](#)

The burgeoning senior care market has introduced a slew of new concepts and terms that are easily confused. Many people believe, for example, that life care and continuing care communities are the same thing, and they use these terms interchangeably. However, life care is actually a subset of continuing care.

## CCRCs vs. Life Care Communities

CCRCs offer contractual agreements to people sixty years or older, providing them with a continuum of services, usually on the same campus. These services include independent living, assisted living, skilled nursing and sometimes memory care. Although all CCRCs offer a continuum of care, some rely on contracts with other care providers to administer the higher levels of care, which may be located off campus. This means that residents who move in at the independent or assisted living levels would have access to higher levels care as their needs progress, but they may need to move off campus to access those services. Most contracts require payment of an entrance fee (sometimes referred to as a "buy-in" or "purchase" fee) and monthly fees. Some contracts include the purchase of real estate (i.e., the resident's apartment within the community), which can be willed or deeded to an heir just like any other real estate purchase. However, not all contracts involve the purchase of real estate. Under these terms, the seniors would become residents of the community, but would not own any real estate under the contract. Buy-in or entrance fees can range from \$10,000-500,000+.

Life care communities provide the same continuum of care to a resident for life, but the biggest difference is this: residents who become financially unable to pay their monthly care fees will be subsidized by the community, with the same access to services, and with no interruption in care or change in priority status. In other words, residents are guaranteed the same quality of care and access to care from day one through end-of-life, regardless of their personal financial situation. In addition, most life care communities offer all health care services on the same campus. The idea is that, after qualifying through a health and financial application process, residents will never have to move again, except between levels of care as needed. So, for example, a resident may be required to move from assisted living to skilled nursing as his or her care needs progress, but the new place of residence will be on the same campus. However, certain states allow life care communities to provide skilled nursing services off campus as long as it is under the ownership and supervision of the life care provider, and not through a contract agreement. There is one other significant difference. In a life care community, residents do not own real estate under their life care contract. Upon a resident's death, the apartment (or room) that he or she occupied reverts back to the community.

Because there is no federal agency that governs CCRCs and life care communities, the terminology and requirements vary from state to state. However, the easy way to distinguish between a life care community and a CCRC is by the contract type: Type A is considered life care; Types B and C are considered continuing care.

## **The Contract Types: A, B & C**

In general, there are three types of continuing care contracts: Type A (Extensive or Full Life Care), Type B (Modified or Continuing Care) and Type C (Fee-for-Service). Each contract type involves a different degree of risk to the resident and the community. The highest level of risk is assumed by communities with a Type A contract and the lowest with Type C. The opposite is true for residents, where Type A is the lowest risk and Type C is the highest. Each contract type has different fee structures, which correspond to the levels of risk assumed by either party. Some continuing care communities offer only one type of contract, so contact the community you're interested in to see which one(s) it offers. Here's an overview of how each contract operates:

### **Type A: Extensive or Life Care Contract**

With this type of agreement, consumers assume the least amount of risk, but pay top dollar. A Type A contract provides housing, services and amenities, and unlimited access to long-term nursing care at little to no additional cost, apart from periodic inflationary increases. The higher initial fee is based on the assumption that these residents may require-and utilize-higher levels of care as their needs develop over time. This can add up to substantial savings over a resident's lifetime, considering that Medicare does not cover custodial nursing care, which currently runs \$250+ daily, for a private room in a nursing home. In addition, the prepayment of future health care costs qualifies these residents for significant tax benefits (the IRS medical deduction). Typically, residents must maintain a minimum level of Medicare coinsurance.

Who it's good for: People who want to ensure that all of their health care needs will be covered for the remainder of their lifetime.

### **Type B: Modified or Continuing Care Contract**

A Type B contract also provides housing, services and amenities, but access to long-term health care and nursing services is restricted to a specified number of days. After that, the resident is responsible for any additional care costs incurred. Some contracts allow residents to pay for the additional care at a discounted rate once they have utilized the care included in their contract. Just as with a Type A contract, residents are eligible for the IRS medical deduction.

Who it's good for: People who are able to pay for the costs of care not covered through their contract, and those who do not expect their health care needs to increase significantly over time.

### **Type C: Fee-For-Service Contract**

With a Type C contract, access to health care is guaranteed, but residents must pay the full cost of the services they use. Under this type of agreement, residents receive housing, services and amenities as defined in the contract. Some communities do not charge an entrance fee for Type C contracts, instead charging only a monthly fee. However, other communities do charge an entrance fee, with the funds subsidizing a resident's assisted living or skilled nursing care. If the cost of care exceeds the funds obtained from the entrance fee, then the resident would be charged for the full cost of any services utilized. This can happen if a resident requires extended skilled nursing care. For those who require higher levels of health care later on, the cost can be extremely high. At a daily rate of \$250, nursing home care costs escalate rapidly, creating a major financial burden for residents without long-term care insurance or considerable financial resources. Residents do not qualify for the IRS medical deduction under a Type C contract.

Who it's good for: People who are willing to assume to the full risk of health care costs.

### **Benefits of Continuing Care**

Continuing care grants residents convenient access to most of the services that they require, all in one place. With the exception of a Type C contract, the cost of those services is included in the fees they pay under their contract. Although health care constitutes the basis of the contract, it's certainly not all about health care. Let's take a look at what's included under a typical continuing care agreement:

- \* Access to an on-site doctor by appointment, five days a week.
- \* House calls during an illness to assess the condition.
- \* Meal delivery during the illness.
- \* Daily van service to an off-campus hospital.
- \* The option to retain services under a separate medical plan, with certain provisions.
- \* Three meals a day, weekly housekeeping, and laundered linens and towels.
- \* Access to banking services, recreational outings and numerous on-site activities.

### **Regulatory Conditions**

Although CCRCs and life care communities are highly regulated in some states, there is no federal agency that oversees these types of retirement communities. However, there is a system of checks and balances in place to protect the consumer. Here's how it works. Life care providers must submit audited financial statements and reserve reports, usually to the state Department of Social Services, on an annual basis. Various financial and reserve requirements are mandated by continuing care contracts statutes, to help ensure that providers will have sufficient financial resources available to meet future obligations to residents. This is so that residents will be protected from any financial difficulties that may affect the life care provider. Providers must recalculate reserves each year. If the Department of Social Services determines that a provider is in unsound financial condition, it will exercise its statutory authority to require that corrective measures be taken.

Article republished by permission of Publisher:

EzineArticles

[http://EzineArticles.com/?expert=Allen\\_Jesson](http://EzineArticles.com/?expert=Allen_Jesson)