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Consumer Guide
to Understanding

Financial Performance and Reporting

in Continuing Care
Retirement Communities

enhancing **PEOPLE'S LIVES**

ACCREDITATION CONTINUING CARE COMMISSION

Consumer Guide to Understanding Financial Performance and Reporting in Continuing Care Retirement Communities

carf INTERNATIONAL

CARF International
4891 East Grant Road
Tucson, Arizona 85712 USA
Voice/TTY (520) 325-1044
Toll free (888) 281-6531
Fax (520) 318-1129
www.carf.org

CARF Canada
10665 Jasper Avenue, Suite 1400 A
Edmonton, Alberta T5J 3S9 CANADA
Voice (780) 429-2538
Toll free (877) 434-5444
Fax (780) 426-7274
www.carfcanada.ca

CARF–CCAC
1730 Rhode Island Avenue, NW, Suite 209
Washington, DC 20036 USA
Voice (202) 587-5001
Toll free (866) 888-1122
Fax (202) 587-5009
www.carf.org/aging

This guide is dedicated to Mr. John Endicott, the first consumer representative on the CARF–CCAC Financial Advisory Panel. Mr. Endicott has been a strong advocate for consumer information and quality in the aging services field. The need for a consumer guide such as this was first brought forth by Mr. Endicott and CARF–CCAC is pleased to offer it to the public.

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Jeffrey Boland, Beard Miller Company LLP

Dave Bond, CCRC Actuaries, LLC

John Brammeier, Pinon Management, Inc.

Thomas Brod, Ziegler Capital Markets Group

Hong Chae, Judson Services, Inc.

Matt Claeys, LarsonAllen Health Care Group

Alan Curryer, Spokane United Methodist Homes dba Rockwood Retirement Communities

John Endicott, Congregational Homes, Inc. dba Mt. San Antonio Gardens

Gerald Grant, ACTS Retirement-Life Communities, Inc.—Northern Division Office

Amy Hayman, Cain Brothers & Company

Stephen Infranco, Standard & Poor’s

Kevin Mulhearn, Alexian Brothers Health System

Richard Olson, Fairview Ministries, Inc.

J. Wickliffe Peterson, Senior Resource Group, LLC

Aaron Rulnick, Herbert J. Sims & Co., Inc.

David Scruggs, Retirement Living Services, LLC

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Introduction

When choosing a continuing care retirement community (CCRC), many factors should be considered, including the CCRC's financial status, location, and amenities; quality of care provided; and culture of the community. The following provides an overview of some key concepts related to financial performance of CCRCs and some specific issues to contemplate when considering a move into a CCRC.

Planning for a comfortable and enjoyable retirement requires much forethought. Where to live, how to ensure access to needed services and care, how to pay for expenses, and how to spend leisure time all must be considered. One option is to choose a CCRC, which provides housing, health care, and recreational activities under a contractual agreement. The decision to move to a CCRC requires a significant personal financial commitment for the consumer. In return, the CCRC has an obligation to the consumer to have the resources necessary to provide services as outlined in the contractual agreement.

CCRCs may include a combination of living arrangements, including:

- Independent living cottages, apartments, or efficiencies
- Supported or assisted living apartments or in-home support services
- Specialized dementia care
- Short-term rehabilitative and/or long-term nursing care
- Hospice care

Because CCRCs offer many services within the same campus, a consumer can receive the level of support he or she needs while remaining in a familiar community and near friends and loved ones. Typically, the consumer moves to the CCRC while he or she is still fairly independent, and the expectation is that he or she will transition to other levels of care when additional support services are needed. Knowing that care is available if an individual's needs change may offer a sense of security to consumers and their families. Similarly, CCRCs often offer other amenities such as fitness centers, dining services, hobby activities, and group outings.

Entrance Fee Structure

Most CCRCs require payment of a one-time fee, usually called the entrance fee, before moving to the community. The entrance fee amount often depends on the level of care at the time of entry, type of housing chosen (with larger units requiring a larger fee), and agreement type. The entrance fee allows the CCRC to offer lower monthly fees and provide for future needs of residents. State regulations can impact the terms of the entrance fee and in some states, refunds are called rebates. Entrance fees are typically structured in one of three ways:

Declining scale refunds, also known as amortizing entrance fees, specify a period of time in which the entrance fee will be refundable to the resident on a declining basis. For example, if an entrance fee under this arrangement declines at the rate of 1 percent each month, after 6 months 94 percent of the entrance fee is refundable.

Partially refundable entrance fees guarantee a specific percentage of the refund that will be returned within a certain period of time regardless of the term of residency. For example, 50 percent of the entrance fee may be refundable upon termination of the contract or to the estate upon the resident's death.

Full refunds offer just that, a full refund of the entrance fee. A fixed charge may be deducted before the refund is made, and the agreement generally states how long the refund is valid and under what conditions a refund is due. Entrance fees that offer full refunds are typically more expensive than those without refunds or those that are partially refundable or refundable on a declining basis.

Monthly Fees

In addition to defining the structure of the entrance fee, the contract will establish a monthly fee structure. Monthly fees are sometimes referred to as service fees or accommodation fees. As discussed below, in some CCRCs the monthly fee is the same regardless of the level of care, and in other CCRCs the monthly fee increases by a little or a lot depending on the level of care required. In addition, the contract will specify what services are included in the monthly fee and what services require an additional fee. Examples of common services include, but are not limited to:

- Dining services
- Limited transportation
- Social outings
- Housekeeping
- Laundry services
- Fitness programs
- On-site medical clinics
- Beauty salons/barbers
- Recreational programs and clubs

CCRC Contract Types

When the decision to move to a CCRC has been made, the consumer and a representative of the organization will usually complete a contract or written agreement signed by both parties. The contract specifies the obligations of both the CCRC and the consumer in regard to services provided and payment for those services. It details the accommodations, services, and care the CCRC is obligated to provide, and it sets forth the financial obligations that new residents assume (i.e., the amount of the entrance fee and the amount of the monthly accommodation fee). Within the continuing care field, there are three primary types of CCRC contracts: extensive, modified, and fee-for-service, as well as a variety of agreements for individual components of the CCRC. The naming of contract types will vary somewhat by state and not all states recognize every contract type. A CCRC may offer only one type of contract or offer a choice of contract types.

Extensive (Type A) contracts, sometimes called life care agreements, include housing; residential services; amenities; and unlimited, specific health-related services with little or no substantial increase in monthly payments, except to cover normal operating costs and inflation adjustments. CCRCs with extensive contracts usually have higher entrance fees than the other contracts highlighted below, but more predictable future costs. Similar to purchasing long-term care insur-

CARF–CCAC
A MEMBER OF THE CARF FAMILY OF ORGANIZATIONS
CONTINUING CARE ACCREDITATION COMMISSION

1730 Rhode Island Avenue, NW, Suite 209
Washington, DC 20036-3120 USA
Voice (202) 587-5001
Toll Free (866) 888-1122
Fax (202) 587-5009
www.carf.org/aging