

Life-care communities: One place to call home

If you are like some people, you may not want to leave your home, ever. But suppose that after you retire, your plan is to move out of state, or you're healthy and active but just tired of all the work associated with home ownership.

Avoiding the need to search more than once for the right place to live—not to mention the upheaval in your life that such a search can bring— may be important to you. If that's the case, consider exploring the possibilities offered by a life-care community (sometimes called a continuing care retirement community).

The concept of “aging in place”

Life-care communities allow residents to live independently for as long as they can, and then to move on to assisted living and skilled nursing care facilities, as needed, usually within a “campus” at one location. Services are tailored to suit residents' needs, abilities and preferences, and when a specific service is not required, the resident still can opt to enroll in it later.

Those who enter a life-care community are making a contract in advance, committing to a substantial financial commitment in exchange for the community's commitment to care for them in their future needs. The contract usually is explicit as to when a resident should move to another level of care. Up to that time the resident may, for example, bring in home health care services after a hospital stay or use other personal supportive services to help remain where he or she is currently.

Movement need not be in just one direction. For instance, if someone living independently becomes incapacitated to the point where he or she needs to enter a skilled nursing facility for a time, upon recovery the individual can return to his or her independent lifestyle within the community.

Entry requirements

Some communities operate as nonprofits and are affiliated with a specific ethnic, religious or fraternal order, and membership may be a requirement.

The majority of communities require applicants to have a medical examination in order to assess their physical and mental status. Selected preexisting conditions may cause a community to refuse an applicant. Some require residents to be enrolled in both Medicare Part A and Part B.

An overview of contractual arrangements

Typically, applicants will be presented with one of three types of contracts. The names may differ, and availability depends upon state laws:

A life care/extensive contract delivers the whole package—housing, residential services, amenities and unlimited long-term nursing care at little or no additional cost for as long as the services are necessary. This type of agreement is the most expensive, but in the long run could prove well worth the cost.

A modified/continuing care contract is similar, but long-term health care or nursing services are limited to a certain number of days per year or lifetime. After the specified care period, the resident is responsible for any additional cost.

A fee-for-service contract requires that residents pay separately for all health and medical services and for long-term care (although access to care can be guaranteed). This is the least expensive, but most risky, contract. If more extensive care is needed later on, the cost can be very high.

Some communities have arrangements to rent housing on a monthly or annual basis. Access to health care services are extra but *won't* be guaranteed. Other agreements may start at the assisted living or skilled nursing facility level from somewhere other than the life-care community.

An expensive solution

The cost of a life-care community has two elements: the entry (or “buy-in”) fee and a monthly maintenance fee.

The real estate values in the geographic area of the community play a key part in the amount of these fees, as does the residence chosen at the independent living level (which may range anywhere from a studio to a multi-bedroom apartment to a single-family residence).

Other factors affecting costs are: the amenities chosen; whether the living space is for one or two individuals; the type of service contract chosen; the current risk of needing

intensive, long-term care--those who are in good health at the time that they sign a contract can expect to pay less. The price tag may be several hundred thousand dollars, and at the uppermost end, perhaps \$1 million or more. Monthly fees usually will be in the four digits.

Some entry fees are refundable or amortize over a set number of months or years. For instance, under a declining scale of refunds of 1% a month, if you cancelled the contract after six months, you would get 94% of your money back. A guarantee of partial refund of the entry fee will ensure that a specific percentage of the fee will be returned within a certain time period, regardless of the term of residency (for example, a percentage of the fee to the individual upon termination of the contract or to his or her estate at death). A full refund may be available for a set time period and under certain conditions—and will mean an increased entry fee.

Scrutinize the financials

When considering a move to a life-care community, make an appointment with someone who is well informed about its financial practices. If the person doesn't have all the answers to your questions, ask him or her to follow up with you or direct you to someone who can answer them.

For in-depth guidance about examining the financials of a life-care community, you can go to <http://www.carf.org>, the Web site of an independent, nonprofit organization called the Commission on Accreditation of Rehabilitation Facilities and download its “Consumer Guide to Understanding Financial Performance and Reporting in Continuing Care Retirement Communities.” Here are a few of the questions that they recommend you ask when you visit:

- *Ownership information.* Is the community stand-alone or part of a parent corporation with multiple communities? Does the company have plans to build or acquire additional communities? Has the community changed ownership recently, or does it plan to in the near future? Does it have a governing board, and, if so, how is the board chosen?

- *Fees.* What is the deposit fee and the refund policy if one decides not to move into the community? Is there a structure for refund of the entry fee, and how does it work? What services are included in the monthly fee and what are the costs of services not covered? How are increases determined? What is the history of increases (how often and by how much)? How does the need for more services or a move to a different level of care affect the monthly fee?

• *Financial performance and security.* May I review the most recent audit, annual financial report, balance sheet and statement of profit or loss? Does the community or parent organization have a positive net worth? In the last few years, has operating revenue exceeded operating expenses? Does the community or parent company rely on nonoperating income—for instance, investment income—and to what degree? What kind of insurance protection is maintained? Are there any recent (or planned) expansions or major renovations? If so, how will they be paid for?

The regulatory environment

Besides an exhaustive examination on your own, how else can you be sure that the community you choose is fiscally sound and delivers on its promises?

Life-care communities are highly regulated in some states, but not in others. And there is no federal agency that oversees these communities. In accrediting these communities, the Continuing Care Accreditation Commission, an arm of the Commission on Accreditation of Rehabilitation Facilities, undertakes a review of: finances; governance and administration; resident health and wellness; and resident life. The fly in the ointment is that accreditation is not required. It's a strictly voluntary procedure.

If you find the concept of a life-care community attractive, before signing a binding contract, it's highly recommended that you seek financial and legal advice before making that final decision.

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