NaCCRA

Consumer's Guide to Continuing Care Retirement Communities*

*A Continuing Care Retirement Community
Is also called a Life Plan Community

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Consumer's Guide to Continuing Care Retirement Communities*

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Consumers' Guide to Continuing Care Retirement Communities

A manual for those seeking a CCRC and for those living in one.

Introduction

Congratulations on making participation in a Continuing Care Retirement Community (CCRC) part of your life plan. The communal living experience that a CCRC offers can bring you much happiness, new friends, a rich social and cultural experience, excellent health care, and genuine security and peace of mind. It is also a responsible decision, in that it ensures that you will not become a burden to the state, to relatives, or to others.

This guide will help people have a good experience both during their search for a CCRC and afterwards for the rest of their lives. Not all CCRCs are the same, which is why a guide like this is important. It is intended to help people find the great CCRCs and avoid the others. It is also intended to help those who are already CCRC residents monitor the ongoing health and performance of the community they are in.

Many aspects of a CCRC can be readily assessed even by people with little experience in the field. One can determine for oneself the suitability of the geographical location vis-a-vis the proximity of relatives or other places one might wish to visit frequently. The size and suitability of the living accommodations and their location within the community can be readily discerned. The quality of the food and the attractiveness of the grounds and other amenities are factors that can be observed and experienced directly, especially after several visits to a CCRC in which one might have an interest. The purpose of the present guide is to help people shopping for a CCRC, as well as those currently residing in a CCRC, *to evaluate important fundamental aspects which are less accessible to the view of the ordinary consumer.* This is the only guide developed entirely by residents for residents and for potential residents.

Four select matters will be the objects of focus:

1) The contract residents are asked to sign;
2) The quality of the health care provided;
3) The long-term financial strength of the CCRC; and
4) The ownership and governance of the CCRC.

There are many well-managed CCRCs, and you can be confident that, with care, you will find one. It is hoped that this guide will be a substantial help to you in your search, and that it will remain useful as you participate in the life of the CCRC you have chosen.

Section One: Contracts

The term "Continuing Care Retirement Community" is generally used to refer to any establishment which provides a stimulating and attractive living environment for residents who are active seniors, and which incorporates into the community additional facilities which allow aging in place – an assisted living unit, a skilled nursing wing, and a memory care section.

But within this broad category of CCRCs there are significant variations, one of the most important of which is how these services are paid for. It is important, when contemplating a CCRC, and especially when comparing one CCRC to another based on price, to be sure one understands the different types of contracts which are offered. To compare the entry fees and monthly fees of a CCRC which offers a Type A contract (to be explained below) to another CCRC which offers a Type C contract would be like comparing the proverbial apples and oranges.

There are two main contract types to keep in view. There are also hybrids and variations of these, but it is an aid to understanding to distinguish between these two "pure" types, and then to assess what variations might be available.

Type A Contract

This is often informally called a "full care, inclusive contract," or a "life care contract." In return for an entry fee, and for monthly fees while in Independent Living which are substantially higher than needed to pay for Independent Living goods and services, residents are guaranteed no later increases in those fees (apart from ordinary

inflation) when Assisted Living or Skilled Nursing Care becomes needed. Residents are also promised full care even if their personal assets become exhausted through no fault of their own. The residents, in effect, mutually insure themselves against catastrophic health care costs while keeping the cost of living predictable. Theoretically, the entry fees and monthly fees have been calculated actuarially to provide sufficient on-going revenue for all, whether living independently, in assisted living, in memory care, or in skilled nursing. A portion of the entry fee and of the monthly fee are (at the time of this writing) considered prepayment for future health care for tax purposes and are therefore deductible from income as a medical expense when itemizing tax returns.

Type C Contract

This is usually referred to informally as a "fee-for-service" contract. Under this system people pay for the services they use at something resembling the market rate. The entry fee, and the monthly fees as long as one is living independently, are usually considerably lower than those in the case of Type A contracts, but when assisted living, skilled nursing, or memory care is required, fees escalate dramatically in accordance with market rates. Type C contracts are attractive to individuals of high net worth who prefer to assume personally the risk of future health care costs. They are also attractive to people who themselves have (or whose employers have) invested throughout their life in a high quality long term care insurance policy which will cover any health care expenses which may arise. The absence of prepaid medical care limits the tax deduction resulting from accepting a Type C contract.

Other Types of Contracts

A Type B contract is a sort of hybrid between Type A and Type C. Higher levels of health care may be discounted for defined periods of time, before market rates kick in. Some contracts offer refundable entry fees, but often these are contingent upon the management's resale of the vacated living space, and the wait for the refund can be long. There is also a Type D contract which is, in effect, a short-term rental agreement. Each CCRC creates its own contract options, often with unique provisions.[1]

Contracts are written by providers, and so are designed to favor the provider, and must be accepted by the resident unchanged as proffered.

[1] CCRCs vary widely in the balance between entry fees and monthly fees. It is best to add the monthly equivalent of the entry fee to the monthly fee when comparing communities with similar benefits and contracts. As a rough rule of thumb, 7% of the entry fee can be taken as the monthly equivalent. so, adding that to the contract monthly fee permits comparing two offerings, much as regular apartment rental rates can be compared. Another rough rule of thumb is that the monthly cost for the care included in a Type C contract is worth between $1,500 and $2,000 a month, so adding that to the monthly cost of a Type C contract can allow a fair comparison with the more inclusive Type A contract.

It is not uncommon for contracts to contain clauses like the two examples which follow, quoted from actual CCRC contracts:

> "(The management) shall have full authority to increase or decrease daily fees, and make changes in the scope of services, upon a 30-day written notice to the resident."
>
> "Prior to reducing, changing or altering the scope of services and care provided to you pursuant to this agreement, we shall give you written notice of such reduction, change or alteration at least thirty (30) days prior to its effective date."

In other words, managements reserve the right unilaterally to change the terms of the contract upon the mere provision of thirty days' notice.

It is useful to have one's lawyer look over the contract in case there is some other provision which eludes the layperson's eye. Attorneys will invariably dislike clauses like those quoted above and may even counsel against signing such a contract. Nevertheless, since the beginning of the CCRC movement in the 1960s, thousands of people have been signing such contracts against legal advice, and almost everyone has ended up happy to have done so. However, exploitative practices, although rare, are by no means unknown. It is important to be aware that in signing such an agreement one is placing one's trust entirely on the good intentions and good motives of the management. Overall, the interest any CCRC community has in guarding its reputation for integrity has so far served to deter actions contrary to the best interest of residents.

Section Two: Health Care

To be a "continuing care retirement community," a CCRC should have facilities to meet whatever health needs may arise between active adulthood and the end of life. A primary motive that people have for entering a CCRC is to assure themselves that they are prepared to meet any contingency, and that their spouses, siblings, or other relatives are not unexpectedly left searching for ways to cope in a crisis. Thus, one can be free from the fear of being a burden to others. One can be assured that if a spouse needs a high level of care the other spouse will be nearby and have ready access. One can be assured that a surviving spouse will enjoy a high quality of life and will be well cared for. It is the assurance of ready access to high-quality health care when it is needed which is a key basis for the peace of mind which CCRC residents enjoy.

As mentioned, a continuing care retirement community will have at least three levels of care – that is, three levels in addition to their independent living facilities for well and active seniors. There will be an assisted living facility for people who needed some measure of help with the activities of daily living, such as dressing or showering. There will be a skilled nursing facility for people who are temporarily ill, are returning from the hospital after surgery or other treatments, or who are dependent on skilled nursing daily over a long term, perhaps until the end of life.[2] Finally, there needs to

[2]In some places in the country, CCRCs are giving up their skilled nursing facilities, thereby undermining the concept of "aging in place." But at the time of this guide's publication this is the exception rather than the rule.

be a memory care unit for people whose cognitive limitations make it no longer safe for them to live independently.

Some CCRCs will subdivide these various care categories into more than three levels of care. For example, there may be a skilled nursing facility for people needing temporary care and another for long-term living; there may be a unit for people with mild dementia and another for the severely cognitively disabled; and there may be separate assisted living units for people who are mildly and more seriously disabled. Even though health care is a primary motivation for entering a CCRC, most potential residents will focus entirely on evaluating the independent living amenities (which are admittedly important) and will neglect, or take for granted, the adequacy of the health care services. It is the purpose of this *Guide* to help both people seeking a CCRC and those living in one to assess the health care facilities of the communities they are exploring, or of which they are already residents.

For those seeking a CCRC to enter, it should be possible for the admissions office or marketing department to give a guided tour of the health care facilities without intruding on the privacy of residents. There are several things you want to watch for on such tours:

1) A facility at any level of care where it is expected that people will spend a considerable period should have a home-like atmosphere rather than a clinical look. Single room occupancy should be standard, and accommodations should be reasonably spacious. People should be allowed to bring a selection of their own furnishings to their living space in all the levels of health care.

2) Although CCRC administrators like to impress people with "visuals," like costly "state of the art" health care buildings and amenities, residents and patients invariably find the quality of the health care staff and the sufficiency of the staffing levels, and not the architecture, to be the most significant factor in evaluating their experience. This element of staff quality, and of the sufficiency of staff numbers, is difficult for a non-resident to assess when on a marketing tour. Some helpful resources will be mentioned in material which follows. But it is also useful to mix and mingle with residents during site visits, unaccompanied by staff, to glean what one can from informal conversations with people who have used a CCRC's health care services.

3) Health facilities should not be isolated from the rest of the community. Just because one may need help getting dressed does not mean one has lost interest in participating fully in the life of the community. Even residents in the skilled nursing facility might wish to attend concerts, lectures or films, eat in the main dining room on occasion, and play bridge. Spouses and former independent living neighbors should be able to visit easily. It is recommended that prospective

residents think carefully before entering a facility where there is not ready access between the health care facilities and the community center.

Skilled Nursing Facilities

In addition to the assessment recommended above, it is useful for both residents and prospective residents to consult www.medicare.gov/nursinghomecompare. At this government-sponsored website one will find nursing homes rated according to four separate criteria, in addition to which each are given an overall rating. If one is going to incur the expenses which CCRC living entails, one should expect that the nursing facility will be given the highest rating.

Assisted Living Facilities

At the time of this guide's publication, thirty-six states have adopted standard licensure requirements for assisted living facilities. If one is looking for or living in a facility in one of these thirty-six states, one should confirm that these licensure requirements have been met. Most better CCRCs will exceed the state's requirements in terms of the number of staff per resident, the credentials staff are required to have, the square feet of space per resident, and other requirements. In these thirty-six states, failure to have the assisted living license is a red flag, and one might be inclined to look at other CCRCs.

Whether in one of the thirty-six states or not, one wishes to see the following in assisted living facilities: single room occupancy (except in the case of spouses wishing to be together); private bathrooms; half-refrigerators, sinks, and microwave ovens in every room; television in every room; enough space for residents to bring favorite belongings, such as a lounge chair, a desk and chair, a bookcase, and similar items. Residents should be allowed to hang their own pictures with staff help.[3]

Memory Care

Memory care units should offer a home-like environment which enhances residents' feeling of security and familiarity. Rooms should be comfortable and allow for the placement of familiar furnishings and keepsakes from previous stages of life. Common areas for individual and group activities should be appropriate in size and be comfortable. There should be easy access to an outdoor space which is attractively

[3] The better CCRCs have assisted living apartments that are not much different from those in independent living. In fact, many CCRCs also provide assisted living services throughout their campus, even in apartments intended for active independent living. In these cases, it is important for residents needing assistance to be located conveniently to the community center so that they can readily socialize despite whatever assistance they might need. It is also important that the apartments and all access corridors be configured consistent with assisted living standards. In those CCRCs that provide assistance throughout, the population may shift over time more toward assisted living. Those prospective residents seeking an active living experience should be aware that they may eventually be a minority in an assisted living environment.

landscaped and secure. The memory care unit should be in a central place allowing ready access for visitors and enabling supervised excursions to community activities outside of the memory care unit itself. Staff should be specially trained for memory care work.

Health Care for Residents Living Independently

Every CCRC incorporates a health center where people living independently can get care when needed. Many CCRCs have physicians on staff, and residents are encouraged to select one as their "family doctor," although it is also usually allowed that residents pick an outside physician from an area within a reasonable commuting distance of the CCRC. If a CCRC employs in-house physicians, a resident who elects to go to, or continue with, an outside physician will usually be required to provide her or his own transportation to the doctor's office.

Some CCRCs have nurses or nurse practitioners as the primary care-givers and encourage people to link up with an outside physician as well. If this is the arrangement, one should expect that, within a reasonable travel radius, transportation to the doctor will be provided by the community without an extra charge.

When residents living independently require visits to medical specialists, the CCRC should provide transportation for such appointments without extra charge. Some CCRCs engage an array of specialists – audiologists, allergists, podiatrists, ophthalmologists, and others – to visit the facility on a periodic basis, whom residents can consult by appointment. An excellent CCRC will provide a comprehensive array of mental health services equally as effective as physical health treatments.[4]

A CCRC will usually have installed in each independent living unit an emergency pull-cord which will bring help when needed on a 24-hour/seven-days-a-week basis. Some CCRCs have motion detectors installed in apartments which can also alert staff when help is needed.

Better CCRCs employ an ombudsman, or health care advocate, to assist residents who lack a nearby relative or other personal caregiver, when such residents need to navigate the health care system when in a disabled condition. These CCRCs also have specific plans and protocols designed with sensitivity to ease the physical and

[4] In some CCRCs, residents are required to be "admitted" to the Health Center to receive services, so they cannot simply consult Health Center staff for routine illnesses. In those CCRCs, there is generally an assisted living nurses station where some services, e.g., blood pressure checks, can be provided by a Licensed Practical Nurse. Since such nurses are not authorized to diagnose, residents with symptoms may be transported – often by municipal paramedics – to the nearest fully staffed emergency facility. This can involve additional fees for outside services.

emotional stresses of a resident's permanent transition from independent living to assisted living or to skilled nursing care.

There will be appropriate care taken to ensure the involvement in important health care decisions of resident-designated health care proxies. Some residents employ independent licensed fiduciaries to be sure that there is someone looking out for their interests when the time comes, as it may, that they can no longer do this for themselves. Most residents, however, rely on their families for that purpose.

Each state should have a licensing and inspection authority for the various types of health facilities in the state, and residents and prospective residents should be able to access the relevant government websites and review inspection reports for specific organizations and facilities. Health Centers licensed as skilled nursing facilities are also subject to detailed Federal requirements and inspections.

Section Three: Long-Term Financial Strength

Being sure that a CCRC is operating on a sound financial footing, and that years down the road it will be able to provide the higher levels of care you expect when you are at the most vulnerable stage of life, is obviously an essential part of selecting a community, and of monitoring its performance once one is enrolled.

Many people erroneously think that the entry fee and the monthly fees they pay to a CCRC are comparable in risk to putting money into a bank or into an insurance policy. Unfortunately, this is not so. There is no government insurance program, such as the FDIC, for CCRCs, nor are they bound up in an industry-wide consortium which helps financially impaired entities meet their obligations, such as exists for the mainstream insurance industry.

Rather than being analogous to putting money in a bank or investing it in an insurance policy, paying fees to a CCRC is comparable to investing in a very small business firm which is too insignificant to attract the attention of the best-known stock market analysts, brokers, or rating agencies. One must make an assessment entirely on one's own.

Transparency laws in most states require CCRCs to provide residents and prospective residents with financial information when asked. But most people are not skilled at evaluating the pages of numerical data with which they may be provided.

The purpose of the present section is to outline some of the factors which a lay person can use to help assess the financial standing and capability of a CCRC.

Net Assets

Every not-for-profit CCRC is required to file a Form 990 with the Internal Revenue Service. These are public documents which are available on the internet.[5] Form 990 is a long and complex filing, but the first page contains a vital piece of information which residents and prospective residents should monitor closely. The figure on the lower right-hand corner of the first page gives the difference between assets and liabilities, or net assets. If the number is negative, that is, if the known liabilities exceed the known assets, this is a red flag; prospective residents are advised to look elsewhere. People already residing in such a CCRC should insist that management develop a plan for repairing the balance sheet.

If the number is positive, it is reasonable to ask how large a positive number is advisable. Clearly, *all other things being equal,* investing in an organization with a larger net asset position would be safer than investing in one with a smaller net asset position. As a rough rule of thumb, it is suggested that one should expect to see a net asset position equal to or larger than the organization's annual expenditure budget.

It is useful to look at Form 990s over several previous years to see what the trend is in the net asset position. One prefers to see net assets increasing or holding steady, rather than declining.

Occupancy Rate

The fiscal health of a CCRC depends upon the rate of occupancy. While some downscaling of operating costs is possible to accommodate a smaller population if there are vacant apartments, there are many fixed costs which cannot be so adjusted. If there are too many empty units, the shared costs must be spread over fewer people and rates are apt to rise. Alternatively, the organization may draw down reserves to meet the shortfall, gradually worsening the net asset position.

Often a failure to be fully occupied is not a reflection of the quality of a CCRC but is a result of an oversupply in the geographical area where the CCRC is located. The state of the national economy can also affect the occupancy rate of CCRCs. Nevertheless, a CCRC whose occupancy rate is chronically less than 90% should be regarded cautiously before making an entry fee investment. It may be exhilarating to consider entering a CCRC where there is a variety of apartments or cottages from which to choose for immediate occupancy. But it is safer to enter a CCRC where one must wait

[5]See the Foundation Center's "Form 990 Finder" on line. It allows access to the filings of all not-for-profit organizations. Using the "Finder" is free of charge.

a few years for the desired apartment. A waiting list is a better sign of fiscal health than is a vacancy rate.[6]

Maintenance

A CCRC organization may make its balance sheet look good by deferring maintenance, spending only what is necessary to keep up appearances while letting less conspicuous aspects of the buildings and equipment deteriorate, accumulating a hidden debt for the future to care for.

Residents and prospective residents should satisfy themselves that the organization has a faithfully followed schedule of capital renewal and replacement for everything from roofs to boilers to kitchen equipment to medical equipment. As a rule of thumb, the annual operating budget should include a sum for capital renewal and replacement approximately equal to or somewhat greater than the depreciation allowed with respect to plant and equipment.

The Financial Insignificance of Denominational Affiliation

Many not-for-profit CCRCs are affiliated with religious denominations, or with large institutions such as universities or hospitals. It is important to be aware that although the management of a CCRC associated with a religious denomination may sincerely try to see that the denomination's values are expressed in the life of the community, there is no implication that the larger religious community is financially responsible for the CCRC in the case of failure. Roman Catholic,[7] Protestant,[8] and Jewish[9] CCRCs have gone bankrupt without being able to access the funds of their respective denominations for help.[10]

Actuarial Computations

A well-managed CCRC not only has a positive net asset position, but it establishes financial reserves and defines its entrance and monthly fee rates with the involvement of qualified actuaries. It is always a good idea to ask the marketing staff (if you are

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[6]These cautions about occupancy rates apply to the independent living component of the CCRC. One does not necessarily want to see full occupancy of the skilled nursing unit or assisted living facility, since that might imply that space is unavailable when a resident may need it. A health center facility which is adequately scaled to the needs of the community will usually have empty spaces available for sudden need and will only very rarely be completely occupied.

[7] See: http://www.chicagobusiness.com/realestate

[8] See: http://chapter11dallas.com/sears-methodist/

[9] See: http://triblive.com/x/pittsburghtrib/news/s_702569.html

[10]In exceptional situations where malfeasance on the part of the parent corporation is demonstrated, some support from the parent corporation can sometime be obtained when bankruptcy occurs.

searching for a CCRC) or the Finance Office (if you are already in one) to let you see the actuarial report. In the absence of actuarial involvement, there can be no assurance that reserves, or that entrance screening and other practices, are properly related to the future costs of promises made to residents.

Some managements will disparage the significance of actuarial reports and will not show them, perhaps because they have not arranged to have them done. Whatever the reason, people shopping for a CCRC should look elsewhere if there is reluctance by the management to show an actuarial report that has been updated within the previous two years.

Most people familiar with not-for-profit organizational budgets look for current income to equal or slightly to exceed current expenses as a sign of health. In the case of a CCRC this rule of thumb is insufficient since the future costs of the current independent living population will escalate as they come with advancing age to need assisted living or skilled nursing care. An overutilization of current entry fees to support current operations can result, as time passes, in a reliance on the entry fees of new residents to meet the promises made to earlier arrivals.

This "Ponzi-like" financing is not unknown in the CCRC industry. As far as is known, "Ponzi" features are legally permitted for not-for-profit entities, unlike the case with publicly traded corporations. Without adequate actuarial studies supporting decisions regarding fee structures, and without actuarial reserves on the balance sheet, a CCRC's finances are in danger of drifting into unsound territory. It is wise to ask if contract reserves on the balance sheet are actuarially determined or are simply accounting estimates based on guessed-at life expectancy calculations.

Accreditation

Some CCRCs participate in an accrediting entity called CARF-CCAC, which stands for Commission on Accreditation of Rehabilitation Facilities--Continuing Care Accreditation Commission. Participating CCRCs undergo a periodic review process in which they are evaluated by CARF-CCAC staff and by the executives and Board members of other CCRCs. The review covers the full range of management practices, including financial management. It is similar to the accreditation process in which colleges and universities participate. However, only about 15% of CCRCs participate in the CARF-CCAC process.

While CARF-CCAC can be criticized as a mutual back-scratching organization, since CCRC managements are evaluating each other, participation in the process does probably indicate a higher degree of fiduciary care than is commonplace. CARF-CCAC reports usually compare the organization's standing regarding several benchmarks vis-a-vis other organizations within the accrediting system. Nevertheless, it has occurred that, at least in one instance, a CCRC organization went bankrupt while

flaunting CARF-CCAC accreditation,[11] so this is by no means a fool-proof standard. Participation in the system, and a high rating within the system, can be considered a positive sign, but is not determinative, and should be carefully weighed with the other factors described in this section.[12]

Indebtedness

It is not unreasonable for a CCRC to borrow money to finance expansions of the facility, or to add amenities like a swimming pool or an up-to-date memory care facility. If a CCRC with 400 residents has a debt of $40,000,000, it is as if each resident assumes responsibility for a mortgage of $100,000. Paying down the principal and paying the interest must come out of future fees. CCRCs in financial trouble have often gotten there by over-borrowing. If a strategic planning process is underway, or is about to be launched, it is sometimes a signal that some amount of additional debt will be assumed soon.

According to law, CCRC residents are "unsecured creditors." Bondholders, and even vendors, are ahead of residents in line for reimbursement if there is financial trouble.

While indebtedness is wrapped into the net asset position described in Section One above, it is not identifiable in the Form 990 filing. It can more easily be assessed in the annual audited report, which should be available from the admissions or marketing department. It is useful to give indebtedness a special look to be sure that it is not excessive in relation to the size of the resident population, and an inquiry should be made about any plans for additional borrowing in the near future.

The balance sheet of assets and liabilities includes data which is easy to calculate over-borrowing. A CCRC is "under water" if liabilities for bonded indebtedness plus liabilities for repaying refundable fees exceed the asset for property.

Stand-alone CCRCs and Consortia

Some CCRCs are stand-alone operations, while others are part of a consortium of institutions operating together. Such consortia may consist of a string of CCRCs in different cities, or they may be an association of many different types of institutions, all of which usually serve the elderly in some way or another.

In terms of finances, there is sometimes "safety in numbers," in that several CCRCs operating as a unit spread the risks and the costs over a larger population, giving more statistical certainty to actuarial calculations, and allowing some efficiencies in

[11] See https://seniorhousingnews.com/2013/07/10/bankrupt-florida-ccrc- /

[12] While not an accrediting organization, MyLifeSite.net offers detailed information for many CCRCs for a fee which is paid by subscribing users.

operating costs. On the other hand, it is often difficult for residents within a consortium to know whether their fees are subsidizing a poorly performing entity in a distant city or are otherwise being diverted to purposes other than their own care and housing.

Some consortia are organized so that the finances of each constituent entity are kept separate; these are easier for consumers to assess. In general, it is easier to assess the financial qualifications of a stand-alone community. Consortia that obscure individual community finances, often obligating the resident fees from a group of communities toward securing general corporate debt, have less accountability toward residents. The admissions or marketing department should be able to tell you whether a CCRC is part of such an "obligated group," the industry term for thus committing resident fees toward general corporate indebtedness.

Summary Financial Strength

Assessing the financial strength of a CCRC is one of the most challenging tasks facing residents and prospective residents. Gathering information about the recent history of net asset balances from Forms 990; researching the recent history of occupancy rates; seeking information about maintenance schedules for buildings and equipment while comparing these expenditures to depreciation; seeking actuarial reports; and defining a comfort level with respect to indebtedness; are all useful strategies in reaching an evaluation. In general, one should ascertain that the fees being paid by a CCRC's residents are not being used for any profit-making or not-for-profit activity which is not of benefit to the residents paying the fees.

One should never hesitate to ask for explanations from a CCRC management if the material given cannot be readily assimilated by a lay- person. A management without the patience to clarify things should be deemed an unresponsive one and not a good prospect for one's future.

Section Four: Ownership and Governance

The ownership and governance characteristics of a CCRC influence the quality of life residents enjoy; and affects the role they play as residents – either as more passive consumers or as more active participants in the CCRC's governance.

About 85% percent of CCRCs function as not-for-profit organizations, and about 15% are profit-making corporations. A very few CCRCs are owned and governed by the residents themselves and function as cooperatives or condominiums.

Profit-making CCRCs operate to make money for their shareholders and investors; residents have no financial interest other than as paying customers, and their governing role may be limited to influencing the program of recreational activities.

Not-for-profit CCRCs operate with the charitable purpose of providing service. Residents have an indirect, but real, investment and financial stake in the enterprise, since it is residents, and not shareholders, who provide the leveraged capital to operate the community.

At this stage in the evolution of the CCRC movement it is not possible to generalize about whether profit-making or not-for-profit organizations better serve residents. Each separate CCRC institution needs to be judged individually.

We are concerned with governance in this section of the guide, whether that of a profit-making enterprise or not-for-profit organization, whether of a consortium CCRC or a stand-alone community. Residents of CCRCs which are part of a consortium often feel that the management is remote and unresponsive, their local managers not having

freedom to make changes without the approval of unknown people in distant places. A stand-alone CCRC can seem much more responsive and communal. In the end, as a prospective resident, one needs to decide for oneself one's compatibility with the stand-alone or the consortium model.

Earlier in this Guide the advantages of Type A contracts for people who lack high quality long term care insurance were pointed out. In this section it is important to point out some of the governance implications of Type A contracts.

CCRCs are managed on a day to day basis by a staff supervised by a CEO who is appointed by and responsible to a Board of Directors. Typically, such a Board of Directors in a not-for-profit CCRC is a "self-perpetuating body," that is, the Board itself appoints its own successors, usually staggering terms in such a way that turnover occurs gradually over time, rather than all at once.

As people who have made or who will make a major risk investment in the CCRC through their entry fees and monthly payments, it is important that residents and prospective residents attend to the health of the Board process which will be determining the use of their money. It is important to review the composition of the Board, satisfying oneself that the people serving have skills in finance, institutional management, civic leadership, and health care management. CCRCs will usually post the composition of the Board on their website and will also include it in readily available literature. If there is difficulty ferreting out the details of the Board's composition, this should be considered a red flag.

It is also important to determine whether the CCRC's organizational Bylaws mandate term limits for the Board. It is not a sign of a healthy organization if the governing Board is composed of the same people who have served for decades. A simple question posed to the admissions or marketing department should clarify this. The Bylaws themselves should also be made readily available, although few people will want to plow through these.

Most important, it is the view of most CCRC consumer advocates that at least 30% of a CCRC's governing Board ought to be comprised of residents of the CCRC to ensure responsiveness to resident interests in terms of the delivery of services and in terms of the management of the very large assets which residents invest in the CCRC and over which the Board exercises a fiduciary responsibility on their behalf. Such resident Board members should similarly have essential business skills and be fully equal to other Board members, e.g., as they are appointed to operational Board committees, and as they participate in the deliberations and vote on Board decisions and resolutions.

It is also important to attend to how such resident Board members are selected for service. They should be appointed by the resident body either by direct election or

through a nomination process wholly controlled by the Residents Association. There thus should be no ambiguity regarding to whom such resident Board members are accountable. The selection process should be one which avoids the risk of "window dressing," wherein resident Board members are selected by the management. Management-selected residents may feel reluctant to raise questions which make the management which appointed them uncomfortable; sometimes they are even selected for their social graces and their "go-along to get-along" personal characteristics.

A well run CCRC will ensure that residents have access to the CEO, either by appointment, if a person has an individual concern, or at regularly scheduled "fireside chats" for open discussion which anyone can attend, for more general concerns. It is important for residents to receive regular briefings on the deliberations of the governing Board, and to have periodic opportunities to mix and mingle with Board members. Board actions should be promptly communicated to residents, and residents should have the opportunity to express opinions to the Board before it makes major decisions, such as adopting the annual budget, undertaking a facilities expansion, or developing a strategic plan.

The Executive Director's judgment, management philosophy, and personal style does much to color daily life in a CCRC. Readers already in a CCRC will know this very well. Prospective residents might have a chance to meet with the Executive Director, but one meeting is scarcely sufficient to judge. Prospective residents might best rely on their observation of the degree of satisfaction of long-term residents to get an indirect assessment of the nature of the Executive Director's impact on community life. In the normal course of events, the Executive Director may change once or twice during a resident's tenure, so once again the quality of the Board of Directors and of its personnel judgment is a key factor in keeping the CCRC operating effectively.

The CCRC industry emerged from former "old people's homes," which often cared for the indigent elderly with funds raised from members of a religious denomination. Often residents were the widows of clergymen. A paternalistic pattern of governance is a legacy of this early history, a pattern which is only gradually being overcome. Now that it is the residents who pay for the service they receive, it is appropriate that the industry evolve toward more governance accountability to residents themselves. Some CCRCs are managing this transition faster than others. As the baby-boomers, with their greater aversion to paternalism, enter the field as new residents, the CCRCs with the most robust enrollments will be those who meet this governance challenge creatively.

Bill of Rights

The National Continuing Care Residents Association (NaCCRA) has developed a Bill of Rights for CCRC Residents. Available on the organization' website,[13] it is meant to be used as a model of best practices. No CCRC is likely to implement all these best practices regarding governance. But prospective residents should use this list to clarify the practices of the CCRCs they are exploring, to be sure the configuration of practices are ones with which they feel comfortable. People who are already residents should use the Bill of Rights to assess the CCRC they are in and to prioritize the evolutionary steps they regard to be useful for moving their communities forward.

Conclusion

As mentioned in the beginning, there are many additional aspects of a CCRC to evaluate, and these factors are more easily accessed and more readily understood by lay people undertaking an exploration for the first time. If a summary of these more obvious characteristics is desired, a good place to look is a guidebook, typical of many others endorsed by the industry, prepared through a collaborative effort by the Connecticut Continuing Care Residents Association, LeadingAge Connecticut, and the Commission on Aging of the Town of Greenwich.[14]

In focusing on four topics the present *Consumers' Guide* seeks to bring into view four very fundamental issues – contracts, financial stability, health care, and governance – which are often inadequately addressed in other materials, and to offer a perspective on these very essential questions developed entirely by residents and for residents.

Moving into a continuing care retirement community can be almost magical in the lift that it gives to one's spirits. Although giving up a home of one's own can seem like a loss of autonomy, most people who have the courage to make the change are delighted with the outcome.[15]

Immediately after moving in, new friends are found. The focus on community is the essence of a CCRC and the stimulation from the new friendships that develop can bring renewed vigor and vitality to your life. Most of us in the National Continuing Care Residents Association have made that decision, and we wholeheartedly recommend it for almost everyone of retirement age.

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[13] See: http://www.naccra.com/pdfs/Bill_of_Rights-NaCCRA.pdf

[14] Download at: http://naccra.com/pdfs/Conn-consumer-guide

[15] A good book, which is intended to help people make the transition, is *Holistic Living in Life Plan Communities: Providing a Continuum of Care for Seniors,* by Frederick Herb, himself a CCRC resident. It is available from Amazon.com.