Continuing Care Retirement Communities (CCRCs)

CCRCs offer the entire residential continuum--from independent housing to assisted living to round-the-clock nursing services--under one "roof". Residents pay an entry fee and an adjustable monthly rent in return for the guarantee of care for the rest of their life. Because CCRCs maintain an assortment of on-site medical and social services and facilities, residents can enter the community while still relatively healthy and then move on to more intensive care as it becomes necessary. Nursing care is often located within the CCRC or at a related facility nearby. In addition to health care services, CCRCs also typically provide meals, housekeeping, maintenance, transportation, social activities, and security. Communities range in size from about 100 to 500 living units

CCRCs are so diverse in their offerings and personality that the saying in the industry is that "if you've seen one CCRC, you've seen one CCRC." The physical plants of CCRCs run the gamut from urban high-rises to garden apartments, cottages cluster homes, or single-family homes. Some CCRCs provide units that are designed for people with special medical conditions, such as Alzheimer's disease.

Most importantly, CCRCs guarantee a life-long place to live. Assisted living and even skilled nursing facilities make no such guarantees, and in fact they may ask you to leave if they believe they cannot provide the care you require. However, virtually no CCRC will guarantee an individual entry into the skilled nursing facility that is a part of the CCRC. If all the nursing units are filled (by either other residents or non-residents), the CCRC may place the ailing resident in another nursing home in the community. This can come as a rude shock to the affected elders, who believe precisely the opposite.

The downside of CCRCs is the cost, which can be greater than what people with low or moderate income and assets can afford. Prices depend on the amount of care provided, the type of contract, and the unit's size and geographic location. Entry fees run from $20,000 to more than $500,000, with monthly charges ranging from $200 to $3,500. Often seniors use the proceeds from the sale of their home to make the initial investment in the retirement community. However, the Internal Revenue Service does not allow home sellers to roll over their capital gains into the purchase of a CCRC unit. Thus, a tax may be due on gains from the sale of a home even though a CCRC unit is being purchased with the proceeds.

You may be entitled to a refund of your entry fee on a declining scale if the refund is requested within a short time after moving in. Generally a refund will no longer be available after a specified period of residency. Some CCRCs give residents the option of paying a higher entry fee, which remains refundable. Part of the entry fee will be refunded either to the resident when the resident moves or to the resident's estate once the resident dies.

CCRC fee arrangements

The number of payment options is growing. Although the entry and monthly fee arrangement is the most common, some CCRCs offer rental or equity arrangements. Under a rental arrangement, residents pay only a monthly fee, which typically covers housing and designated services (sometimes including health care services). Under equity arrangements, residents purchase their residence in the same way they would purchase a cooperative apartment or condominium, although the resale of the unit is usually limited to those who meet the community's eligibility criteria. Residents then may purchase service and health care packages for an additional fee.

CCRCs usually have the following three basic fee schedules:

1. Extensive contracts, which include unlimited long-term nursing care at little or no increase in the monthly fee. This arrangement requires residents to pay a higher fee initially.
2. Modified contracts, which include a specified duration of long-term nursing care, beyond which fees rise as care increases.
3. Fee-for-service contracts, in which residents pay a reduced monthly fee but pay full daily rates for long-term nursing care.

Contracts have gotten more confusing over the years, with many CCRCs offering different variations within each fee schedule. For example, a CCRC might offer two different extensive contracts and one modified contract, with different levels of refundability for each. Life care agreements usually include language limiting gifting once the contract is signed, so be sure you understand all parts of a contract and have it reviewed by an attorney before signing.

As with assisted living facilities, the regulation of CCRCs is spotty. These institutions are strictly regulated in some states, while not at all in others, and there is no overarching federal agency that watchdogs retirement communities. A private non-profit organization, the Continuing Care Accreditation Commission (CCAC), accredits CCRCs. The CCAC accreditation process is voluntary. Its high cost and the length of time it takes to complete means that accreditation is a good indicator of a facility's quality.

Nevertheless, a CCRC's lack of accreditation should not necessarily be taken as a bad sign. One of the most important considerations is the financial soundness of the facility. In selecting a community, experts recommend choosing a "mature" facility, one that has been in business a number of years. In addition, it is important to know who the CCRC's sponsor is. The Society of Friends (Quakers), for example, has been in the CCRC business for quite some time and its facilities are reputed to be excellent. LeadingAge (formerly the American Association of Homes and Services for the Aging) is the national association for the non-profit CCRCs (most CCRCs are operated by non-profit groups).

CCRC entry requirements

Most CCRCs require that a resident be in good health, be able to live independently when entering the facility, and be within minimum and maximum age limits. As a prerequisite to admission, facilities may also require both Medicare Part A and Part B, and perhaps Medigap coverage as well. A few are now even requiring long-term care coverage as a way of keeping fees down. Some CCRCs are affiliated with a specific religious, ethnic or fraternal order and membership in these groups may be a requirement. Of course, applicants will have to demonstrate that they have the means to meet the required fees. You may be placed on a waiting list, since CCRCs are often sought after.

CCRC residents usually fund their care out of their own pockets. However, Medicare, and at times Medicaid, can be used to pay for certain services, and most CCRCs accept either Medicare or Medicaid. Although Medicare does not generally cover long-term nursing care, it often covers specific services that a CCRC resident might receive, such as physician services and hospitalization. Because the financial requirements for residence are fairly strict and the costs are relatively high, very few CCRC residents are eligible for Medicaid.

How to evaluate a facility and contract

Deciding on a CCRC is a once-in-a-lifetime choice, and it is a decision that should be made carefully. Many communities allow prospective residents to experience life at the facility. Each community has an agreement or contract that lays out the services provided. You should make sure you understand the contract before signing, and you would be well advised to seek legal or financial counsel before entering into any agreement.

At Severns Associates, we regularly review CCRC contract language for our clients, and make changes to their estate plans accordingly. If you are considering making such a move, call our offices in advance of committing to any facility for a consultation and contract review.