

# Continuing Care Retirement Communities in California

*Is One Right for You?*



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## Introduction

This Consumer's Guide provides essential information to make an informed decision regarding whether a Continuing Care Retirement Community (CCRC) is right for you. Over 20,000 consumers are presently living in CCRCs in California.

The Guide presents essential background information and practical tips. For each section, there are key questions contained in the enclosed *Points to Consider for CCRC Consumers*. The topics, tips and questions are based on California Advocates for Nursing Home Reform's interaction with prospective and present residents of CCRCs and their families. The green column Tips section references forms and documents available from CCRC providers and from the State's regulatory agency (see the *Key Resources* section at the end of this guide).

Moving into a CCRC is arguably the single biggest decision consumers make during their retirement years, and involves major lifestyle changes and significant financial commitments. Economic penalties for breaking a contract are very high, leaving many consumers with no other options once the contract has been signed.

In addition to dealing with personal considerations like location, the size and age of the facility, amenities of independent living units and the overall CCRC complex, the Guide's focus is on finances – yours and the providers. Is this an affordable option for you, and can you pay the substantial upfront entrance fees and ongoing charges over your lifetime? And of equal importance: is the provider financially sound, and will it be able to meet your service and care needs for the rest of your life?

This Guide also deals with the different types of contracts, assessing the availability and quality of services and care, evaluating administrative practices, and plans for renovation and/or new construction. Finally, key resources are identified.

### i. What are CCRCs?

#### Background

Continuing Care Retirement Communities (CCRCs) offer housing, meals, transportation, activities, and provide a continuum of care including assisted living and nursing home care, usually in one location, and usually for the individual's lifetime. Increasingly, CCRCs have health clinics, wellness programs, and specialized dementia care services.

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The CCRC acts like a long term care insurance policy, guaranteeing a range of basic services at the independent living level, and higher levels of care if needed.

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The state of California authorizes the CCRC provider to enter into continuing care contracts. The key feature of the continuing care contract is the promise to provide services and care, usually, for life. There are some facilities that offer independent living and higher levels of care on



one campus, but are not licensed as CCRCs. The amount of entrance fees is limited (e.g., \$10,000), but monthly fees can be very high. Unlike CCRCs, there is no guarantee of future care. Contracts are often on a month-to-month basis. These facilities offer flexibility and care options, but do not provide the security of CCRCs. This type of senior care facility is not covered in this Consumer's Guide.

Historically, CCRCs were founded and operated by non-profit religious organizations (e.g., Presbyterians or Episcopalian and Baptist Homes) or by fraternal organizations. Although non-profit organizations still dominate the CCRC scene (i.e., more than 80% of CCRCs in California are operated by non-profits), for-profit providers (e.g., Marriot, Hyatt, Sunrise Care) are increasingly entering this lucrative market with urban based, very upscale and expensive CCRC communities.

## Oversight & Regulatory Enforcement

The financial and managerial aspects of CCRCs are approved and regulated by the Department of Social Services, Continuing Care Contracts Branch and governed by laws found in *California Health & Safety Code Section 1770 and following*. Since CCRCs offer both assisted living and nursing home care, there are additional laws and regulations governing these aspects and these units are regulated by Community Care Licensing, Department of Social Services, and Licensing and Certification of the Department of Public Health respectively.

## ii. Personal Considerations

Whether a CCRC is right for you is both a financial and a personal decision. Personal considerations will be dealt with in this section, and financial issues in the next section. Personal considerations are, by their nature, subjective – what is most important to you! Here are some important areas to explore.

### Common Reasons to Consider a CCRC

One of the main attractions of CCRCs is the peace of mind that comes from meeting one's long term care needs in a single setting. It takes away the guesswork and hassle of arranging for future care needs, and produces a real sense of security in knowing that your plans for long term care are in place. There is also the added bonus of no longer maintaining a house. It might mean moving closer to one's children or siblings to increase interaction and strengthen your informal support system. And, most importantly, it relieves the concern of being a burden on friends and family.

A primary value for couples is the ability to remain together, or at least be on the same campus, if one spouse requires a higher level of care. Although this is not strictly "aging in place" (i.e., living together in one's independent unit), CCRCs offer the option of aging in a community or on a campus.

## Tips

1. Check DSS, Continuing Care Contracts Branch website –Sections on Laws & Regulations and Residents ([www.cal-ccrc.ca.gov/](http://www.cal-ccrc.ca.gov/)) for more information on CCRCs and the role of the licensing and regulatory agency.
2. Learn about important issues for CCRC consumers on the CANHR website ([www.canhr.org](http://www.canhr.org)).

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Identify and clarify your primary reasons and motivations as you evaluate whether the CCRC option is right for you.

## Tips

1. Visit communities several times. Stay for a few days to experience the routine life and rhythm of the community, and get a sense of its culture.
2. Make sure to view all areas of the campus, including different care levels.
3. Talk with residents and staff, especially someone from Administration, not just from Marketing.
4. Enter when healthy enough to get involved in the life of the community and to build relationships before requiring higher care levels, e.g., assisted living or nursing home care.

## CCRC Community Culture

The decision to move into a CCRC offers advantages, but also poses some unique challenges. It is a permanent move and can involve leaving familiar settings like the family home and neighborhood, as well as moving to another state or part of the state. It is a major lifestyle change to go from living in your home or apartment to a more institutional setting of a CCRC. Some individuals experience a loss of freedom as they are confronted by the more structured and scheduled life of an institutional setting. Others wonder about a loss of privacy and whether they will adjust to community living with scheduled meals and planned activities.

Institutions like CCRCs also provide a number of services people might have been doing for themselves. Although this is often experienced as a relief, there is also a sense of a loss of independence and a feeling of created dependency.

One of the major adjustments can be living for the first time in a peer-aged community. All one's neighbors are in the same age range, and the only age diversity is from staff and visitors. Some miss the laughter of children and seeing different aged people interacting in their day-to-day life. But perhaps the greatest challenge is to face one's own aging process and one's own mortality. In CCRCs, one is surrounded by both the vitality of aging as well as its decline.

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The nagging questions are: Am I too young for this type of community? Will I feel comfortable in a peer-aged community? What age would I consider entering into such a community? What is the average age of others entering, and the average age of present residents?

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Another important issue is your experience of compatibility with residents you met during your visits. Is there enough common interest and background to develop relationships and to feel at home in this setting?

## Location, Facility Characteristics & Ownership

Location, location, location! Location can be as important a consideration in choosing a CCRC as in buying a house. Instead of proximity to good schools, persons want to be close to family and friends. There might also be interest in remaining in the same area where you have lived most of your life, or in an urban setting that provides the type of cultural and civic activities you are most interested in. Climate can also be an important factor in the decision due to personal preference and/or health considerations.

The newness of the facility and the layout of the campus and its grounds can be important considerations for some consumers. CCRCs in the suburbs or smaller cities might have more of a campus feel with open, green areas, while CCRCs in cities will have more of a condo or hotel environment. Newer facilities or recently remodeled ones will usually have more amenities both in the common areas as well as larger and more well appointed independent units.

Finally, it may be important to some consumers whether they live in a non-profit or for-profit operated CCRC. Non-profit providers dominate the CCRC arena. Non-profits do not have shareholders, and “profits” are supposed to be used to benefit consumers by maintaining affordability, controlling the amount of rate increases, improving services, etc. Non-profits might also have a foundation or fund to financially support residents when their age outlives their funds. However, the non-profit label can also be misleading: sponsoring organizations like churches and fraternal organizations might offer their name only, but have limited or no financial responsibility for the CCRC or its administration; overall administration might be contracted to for-profit management firms; and executive pay packages might rival for-profit providers - \$250,000 to 1 million per year.

For-profit providers are somewhat new to the CCRC field in California. Instead of experience in providing the full range of services from independent living to long term care, for-profit providers usually have experience in only one aspect of operating a CCRC, e.g., independent living with corporations like Hyatt or Marriot or nursing homes with organizations like Sunrise Care. They are often subsidiaries of larger corporations with headquarters outside of California. However, in terms of management policies and practices, there is often little to distinguish for-profit and non-profit CCRCs.

### iii. Can You Afford a CCRC?

As you have probably gathered, the cost of security and access to a continuum of long term care will be expensive. Before entering into a continuing care contract, CCRCs require full financial disclosure of your assets and income. Is entering into a CCRC an expense you are able to afford, both initially and over time?

#### Entrance Fees

Entrance fees are one-time, upfront charges for the right to enter the CCRC, occupy an independent unit and use the full range of services of the CCRC, including long term care. Entrance fees are often paid for by the sale of a home and/or of investments. The amount of the entrance fee will definitely be affected by the newness of the facility, with some studies showing that the amount of the entrance fee can be twice as high for newer facilities. Other factors that affect the amount are the location of the CCRC, the size and amenities of the independent unit, and the type of contract. As a rule of thumb, entrance fees are usually set at or above medium house values in the area where the CCRC is located and can range from \$100,000 to over 1 million dollars.

#### Monthly Fees

Monthly fees can range from \$3,000 to over \$6,000 per month for independent living units depending on size and amenities, and from \$5,000 to over \$10,000 for higher care levels. There might be a

#### Tips

Location and ownership are a few of the easiest ways to narrow the search. Review the listing of CCRCs by non-profit or for-profit status, and by their location on the state regulatory website map: [www.calccrc.ca.gov](http://www.calccrc.ca.gov)

## Tips

1. Check the General Disclosure Form: Page 1 for range of Entrance Fees and page 3 for historical increases in monthly fees for independent units and care levels.
2. Use the formula (i.e. Monthly fee x 1.6 Multiple x 12) to get an estimate of the adequacy of your income.
3. Confer with your financial advisor or accountant to evaluate the adequacy of your income over your life expectancy. Use life expectancy tables from the Social Security Administration or from the Continuing Care Contracts Branch found in *H & S Code Section 1792.6*.
4. Find out if the CCRC accepts Medi-Cal (Medicaid) or Medicare as a source of payment in the Nursing Home.

higher fixed monthly rate for a life care contract. Couples can be faced with very high combined monthly fees when one spouse remains in independent living and the other is paying for a higher care level, e.g., nursing home care.

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You also need to plan for an annual increase in monthly rates ranging from 4% to 6% for independent living units and perhaps more for higher levels of care. Generally, monthly rate increases are based on what the market will bear because excessive increases will have a negative impact on occupancy rates.

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In addition to monthly fees, there are the costs for routine living expenses, e.g., health and other insurances, primary health care and medication, car or transportation expenses, food, entertainment, etc. These costs need to be considered when analyzing the adequacy of one's income.

## Adequacy of Income Analysis

As part of the evaluation of your finances, CCRCs conduct an analysis of the adequacy of your income to cover present and projected future costs of living at the CCRC and to offset your other basic living expenses. The key criteria used to make this analysis are: the amount and sources of monthly income, the amount of assets available to produce income or to be tapped to cover future expenses, and actuarial age.

Some providers use a formula to determine an applicant's income adequacy: CCRC Monthly Fee x 1.6 (a multiple) x 12 months. The "multiple" takes into account other necessary living expenses, and might be higher for some providers. Projections of future income adequacy are done by adding 4% to 6% to the monthly fee rate, and then applying the formula.

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John Lane is 74 and his wife, Mary, is 72. They have recently sold a home, clearing \$750,000. They also have investments of around \$500,000, and monthly income from Social Security, pensions and investments of \$8,000. The unit that they are looking at has an entrance fee of \$600,000, and they will probably spend another \$75,000 to \$100,000 for improvements and moving expenses. Their monthly fees in the two-bedroom independent living unit with the two meals a day will initially be \$4,500.

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Analyzing the above example, the Lane's can afford the entrance fee and monthly fees at the CCRC, but in the fourth year of their stay they will have to begin dipping into their investment reserves. Based on actuarial tables, they have to make sure that their funds will last at least 10.830 years for John and 12.073 years for Mary, and take into account the possibility of covering increased monthly fees for higher levels of care.

It should also be noted that there are no government programs or subsidies for independent and assisted living. Most CCRCs do not accept Medi-Cal (Medicaid) payment for nursing home care, and Medicare covers only short-term rehabilitation.



## iv. What Type of CCRC Contract is Right for You?

### Key Elements of Continuing Care Contracts

A Continuing Care Contract is a promise of care for a period of at least one year or more by an organization certified by the state to enter into such contracts; it offers independent living and a continuum of care from assisted living to nursing home care.

All Continuing Care Contracts are reviewed by the state to determine whether they meet statutory requirements (*H & S Code Section 1787 – 1788.4*). These contracts strongly favor the provider and usually are not subject to negotiation. State requirements are not that stringent and leave out many important protections for consumers, e.g., no prohibitions against waivers of provider liability, weak contract termination protections, and so forth.

- **Disqualifying Conditions:** Most CCRCs require entry at the independent living level, although there might be some exceptions for one spouse entering into a higher care level. Pre-existing health conditions might be the basis for denying acceptance. Some CCRCs have an upper age limit cut off, e.g., 78.
- **Contract Termination:** Under California law, contracts can be mutually terminated during a 90-day trial period without penalty. Most contracts contain provisions prohibiting divestiture of assets that can cause contract termination. CCRCs can also terminate contracts with a 90 day notice “for good and sufficient cause” – not well defined in the statute, leaving broad discretion to CCRC providers.
- **Refundable Entrance Fees:** Some contracts provide a refund of all or a fixed percentage of the entrance fee, e.g., 90%. Others offer a partial refund on a declining scale based on a percentage, e.g., 90%, 70%, 50% etc., over a fixed number of years, e.g., 6 years or a declining rate, e.g., 1% per month. There is sometimes an option to share in the “profit” if the unit is resold at a higher amount. These refunds are paid at death usually after the unit is resold or recontracted for, and are paid to one’s estate.
- **Ownership:** Few facilities in California offer ownership of one’s unit. The sale of the ownership rights often have strict conditions and limitations, e.g., requiring payment of monthly fees until the unit is resold.
- **Improvements to Independent Units:** Modifications and improvements to an independent unit must be approved by the CCRC, usually must be done by approved contractors, and are at the expense of the resident. Unless there is an ownership agreement, any increases in equity due to the improvements belong to the CCRC, not to the individual resident.





## Tips

1. Confer with a financial advisor, accountant and/or an attorney on what type of contract and refund provisions best meet your financial ability and estate planning goals.
2. Check the contract to determine if your rights are restricted by limiting provider liability or by requiring binding arbitration.

## Basic Contract Types

A CCRC might have all or a combination of one of these three (3) major contract types. There are also variations on these basic types with over 20 different contracts offered by California CCRCs.

All contract types offer access to a continuum of care, but only the Life Care Contract promises that care at an agreed upon fee and for the life of the resident, even if the resident's funds become inadequate to cover the full costs of future services and care.

1. Life Care Contract (Also referred to as “Extensive” or “Type A” Contracts): Establishes a standard monthly fee rate for all levels of care with only annual monthly rate increases allowed and guarantees care for life, even if the resident's funds become inadequate to cover the full costs of future services and care. Care services include primary and acute care, and higher levels of care (i.e., assisted living and nursing home care) that must be provided on site or adjacent to the facility. This is usually the most expensive option, with high entrance fees, and in some instances requires the transfer of most of one's assets to the facility and high monthly rates. Entrance fees are usually not refundable beyond the 90-day trial period. It offers the most security as it transfers future risks to the CCRC provider for agreed upon fees (*H & S Sections 1771(l) and 1788(b)*).

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Life Care Contracts used to be the norm, but are going out of favor because of the high and uncontrollable costs of health care and increasing life expectancies.

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2. Modified Contracts (Also referred to as “Type B” Contracts): This option involves entrance fees and monthly fees with a guarantee of access to higher levels of care usually at a reduced rate or for a set period of time before market rate fees come into play. There might be options for full, partial or proportional refunds of entrance fees. The modified contract is usually less costly than the Life Care Contract from an entrance fee and monthly fee standpoint, but the resident shares the risk of future care costs with the provider.
3. Fee-for-Service Contract (Also referred to as “Type C” Contracts): This option involves entrance fees and monthly fees with a guarantee of access to higher levels of care. There might be options for full, partial or proportional refunds of entrance fees, and some discounts on monthly fees compared to non-CCRC contract residents. Residents pay for higher levels of care at the prevailing market rate. The resident assumes the risk of future level of care costs directly.

How might the three different contract types apply to Ruby's situation: Aged 78 (plus 10.779 years of life expectancy), assets of \$800,000 and income from Social Security and pension of \$5,500 per month? She is interested in a one-bedroom unit in a CCRC.

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- Life Care Contract (A): Ruby's entrance fee, non-refundable, is \$600,000 and her monthly fee is \$4,000. After 5 years in the facility, she needs nursing home care and continues to pay \$4,000 per month with only annual monthly rate increases allowed.
- Modified Contract (B): Here her entrance fee, refundable at 90% for six years, is \$450,000, and her monthly fee is \$3,500. If she needs nursing home care, the cost will be \$7,500 per month.
- Fee-for-Service Contract (C): Her entrance fee, fully refundable at death, is \$350,000, and her monthly fee is \$4,250. When she needs nursing home care, the cost will be \$10,000 per month or the prevailing rate.

## v. Assessing the Availability and Quality of Services and Care

Look beyond the glitter and the marketing slogans. Do not be too impressed by the certificate in the lobby that proclaims the facility's accreditation status.

Accreditation is more of a marketing tool than a guarantee of quality – it is based on voluntary, self-reported information provided by the CCRC who pays the accrediting agency. The process is conducted only once every five years; and the information that forms the basis for the accreditation is not available for public review.

Find out about the years of experience and the track record of the organization owning and operating the CCRC. Do they have experience in operating both independent living units and higher levels of care, e.g., assisted living and nursing homes? This is particularly important regarding for-profit corporations that have a long history in operating hotels, e.g., Marriot and Hyatt, or delivering nursing home care, e.g., Sunrise.

Check all levels of care and service before entering into a contract. Remember, you are planning and paying for access to long term care services that include assisted living and nursing home care if needed in the future.

### Independent Units

Consumers understandably focus on the size and amenities of the individual unit and on some of the basic services the monthly fee covers: housekeeping; food plans and food variety, quality and meal schedules; transportation to health care appointments, shopping and entertainment; and recreational and activity programs.

Since people are generally in good health upon entry, they often do not consider accessibility features in the independent living units that might allow them to safely remain in their apartments, like grab bars by the toilet and in the shower, and doorway dimensions that would permit wheelchair access.

Another important access issue is the CCRC's policy on the use of canes, walkers or wheelchairs in the dining room. Some residents might not like

### Tips

1. Check out the *General Disclosure Statement* on page 1 for a profile of services and amenities.
2. Talk with someone from Administration and with both the Director of Assisted Living and the Administrator or Director of Nursing in the Nursing Home in addition to the Marketing representative.
3. Familiarize yourself with the special rights for persons in CCRCs that apply to all levels of care, but are particularly relevant to persons in independent living units (*Health & Safety Code, Section 1771.7*).
4. Contact the regulatory agency, Continuing Care Contracts Branch, for a history of any rights violations: [www.calccrc.ca.gov](http://www.calccrc.ca.gov)

## Tips

1. Check with the local office of the regulatory agency, Community Care Licensing (CCL), on complaints against the residential care facility/assisted living unit.
2. Review CANHR's website on RCFEs/ Assisted Living for helpful consumer fact sheets on rights and protections: [www.canhr.org](http://www.canhr.org)
3. Check with the Long-Term Care Ombudsman program. Look for the posted sign: [www.aging.ca.gov/programs/ombudsman\\_contacts.asp](http://www.aging.ca.gov/programs/ombudsman_contacts.asp)

the appearance of such assistive devices, as it changes the independent living atmosphere into more of an assisted living environment –despite the fact that CCRCs are, in fact, licensed as assisted living/residential care facilities in California. Providers have expressed concerns about resident safety and concern about “image” and its impact on marketing. Many CCRCs do not allow such devices in the dining room, but provide assistance to store such devices and to accommodate residents.

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The CCRCs policy and practice in this area will be a reliable indicator of its real commitment to promoting resident independence.

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The area of greatest tension is the CCRC's policy of allowing assisted living services in the independent units. Many consumers understand that they can live in their units as long as they are able or as long as they have a spouse and/or can hire outside caregivers to provide needed assistance with activities of daily living like bathing, toileting, dressing, and so forth. However, this is usually not what the provider thinks, or in fact what the contract stipulates. When a resident needs a higher level of care, they are moved to assisted living or nursing home level based on an assessment and care transfer process.

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Find out the options and restrictions for receiving assisted living services in the independent units, and associated costs.

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There are laws that govern level of care transfer decisions and require a process that providers must follow (*H & S Section 1788(a)(10)*). What is the incidence of relocation to higher levels of care? If one spouse goes to a higher level of care, what consequences does it have on the spouse in the independent living unit? Will the spouse have to move to a smaller unit within a specific time period? What impact will this have on your monthly fees?

## Assisted Living

Besides the possibility of receiving assisted living services in one's independent living unit, residents are concerned about the availability of Assisted Living beds when needed. Does the Assisted Living accept residents from outside the CCRC? Another concern for couples is the accessibility of Assisted Living on site. Of increasing importance is the availability of specialized services like dementia care and hospice care. In urban locations, particularly where high-rise construction is the norm, residents worry about the floor location of the Assisted Living in case of an emergency evacuation. Qualifications and training of staff, and the ratio of staff to residents at each of the three shifts, are always important quality of care considerations for consumers (Assisted Living is licensed as Residential Care for the Elderly (RCFEs) in California).

## Nursing Home & Primary Care

Like Assisted Living, consumers have similar concerns for Nursing Home care. The length of service of the administrator, director of nurses and charge nurses, and the turnover rates for Certified Nurse Assistants (CNAs) significantly impacts the quality of care. The involvement of



family members, resident and CNAs in the care planning process also improves quality. Check to see if the nursing home is involved in “culture change” or has adopted some of its key principles, e.g., resident directed care and permanent staff assignments to residents.

There are some primary care services offered at most CCRCs, and these services are required for persons with Life Care Contracts.

## vi. Evaluating Administrative Practices

I entered a CCRC to ensure that my long term care needs were planned for, and for peace of mind. But I didn't leave my mind at the door! Sometimes I feel like I'm being patronized by the Administration when I raise questions or offer suggestions. “Don't worry, we'll take care of it.”

### Atmosphere of Respect

A majority of CCRC residents are satisfied with the services and care, and do not choose to be involved in the policies and practices of the facility. However, for those who want to offer their input, the above refrain is not an uncommon one. Residents come from a wide variety of backgrounds and often have rich professional experiences in the private sector, education, non-profit management or government.

Although there is usually a benign quality to administration's behavior, this attitude tends to look on questions as a form of rebellion or ingratitude, and can unwittingly create an atmosphere of passivity. In its most severe forms, such an atmosphere can even punish residents who question their policies with subtle, and not too subtle, forms of isolation and intimidation.

It is difficult to detect the presence of such a patronizing atmosphere, so it is important to evaluate your own interactions with administration and staff to decide whether you were treated respectfully as an adult. How were your questions and concerns dealt with? Do you feel that the administrator is someone you could go to with your concerns?

### Residents' Self-Determination & Independence

“A continuing care retirement community shall maintain an environment that enhances the residents' self-determination and independence” (*H & S Section 1771.7(d)*).

Paternalism is contrary to promoting resident self-determination and independence, but can unconsciously permeate a CCRC environment. After all, consumers have contracted for the security of having their long term care needs taken care of by the CCRC. Some industry representatives view this as authorization “to act in the best interest of the resident,” especially regarding health care decisions. Misunderstandings and conflict often arise when level of care transfers are initiated by the CCRC.

Ask present residents about their relationship with administration and staff. Do they feel they are heard, respected, and have input into decisions

### Tips

1. Check with local office of regulatory agency Department of Public Health, Licensing & Certification (DPH, L&C) on complaints and citations.
2. Review CANHR's website on Nursing Homes for history of citations, complaints, and helpful consumer fact sheets on rights and protections.
3. Check with Long-Term Care Ombudsman program. Look for posted sign.
4. Keep present health coverage at least until you find out the availability, extent and quality of the primary care.
5. Find out how medical emergencies are handled.

## Tips

1. Ask to speak with a member of the Resident Association and a member of an independent residents organization like CALCRA.
2. Request a copy of the *Annual Audit Report* for executive compensation.
3. For non-profit organizations, also check the IRS 990 filing on the salary levels of executives. Basic 990 information can be found on the Guidestar website: [www.guidestar.org](http://www.guidestar.org)

Check the CCRCs website for background information on executives.

that affect their lives? Explore how decisions are made, how residents' input is sought by administration, and how decisions are communicated to residents.

All CCRCs are required to encourage the formation of Resident Associations (*H & S Section 1771.7(d)(1)*). You might want to talk with someone from the Resident Association. Explore how residents' input is sought and valued, and ask for some examples of decisions that residents influenced. Also talk with someone who belongs to an independent resident organization, like the California Continuing Care Retirement Association (CALCRA), as one of the critiques about some Resident Associations is that they are puppets of the Administration and lack a truly independent resident voice.

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Most of the time services and care work well in CCRCs, but sometimes residents have concerns and problems. Are there systems in place to deal effectively, efficiently and discreetly with resident grievances? Do residents know about these procedures, do they use them, and do they experience the process as an honest and fair one?

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## Administration's Transparency & Experience

One of the most pressing issues for residents is the amount of increase in monthly fees. CCRCs are required by law to hold an annual meeting to discuss fee increases (*H&S Sections 1771.8(d)*). The clarity and openness in how administration presents financial information to support these increases is a real test of transparency. This is especially true for non-profit corporations that maintain their tax- exempt status by meeting criteria such as "to provide its services to the aged at the lowest feasible cost ..." (*Internal Revenue Code, Revenue Ruling 72-124*)

Finally, what is the experience and competence of the CEO and other top management staff? Check to see if they have experience in aging services, and in managing long term care services. For administrators, it is also possible to check on salary and benefit levels for top executives in the Annual Audit Report, and for non-profit providers on the IRS 990 filings.

## vii. Plans for Renovation/New Construction

Consumers are sometimes unpleasantly surprised to learn about major renovations and/or new construction only after they have been living in a CCRC for several years. Construction often takes several years to complete. During this period, there can be significant disruption to the environment with noise, air pollution and re-routing to access common areas in the facility. The most serious impact can result in temporary relocation from one's independent unit - that is if you call 18 months to 36 months temporary!

No one questions the need and importance of renovation to improve safety, e.g., earth- quake retrofitting or new elevators, or to maintain marketability for older facilities -necessary to attract new residents and

obtain needed capital from entrance fees. For older facilities, i.e., built 25 years ago or more, find out about their history of renovations and if any renovations or new additions are planned in the next 3 to 5 years. Ask about the proposed startup and finishing dates.

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If you are entering a new CCRC, they are usually built in phases, and can take 5 or more years to complete all the phases. It is important to find out at what stage the assisted living and nursing home care levels are planned to be in place, as you are buying into a continuum of care. Will appropriate care levels be available when you might need them?

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And finally, there is the issue of cost. What are the plans to pay for renovations and/or new construction? How will monthly rates be affected over the next 3 to 5 years? Consumers are particularly concerned whether renovations and/or new construction will benefit them directly or only benefit future residents or increase the stock of new, luxury apartments. Inquire how common areas will be improved.

### **viii. Financial Soundness of the CCRC**

Consumers are subject to full disclosure of their finances, and so are CCRC providers. Providers are required by law to share audited financial statements and different forms indicating their financial soundness prior to the signing of a contract (*H & S Code Section 1789.1*). However, if you are interested in a particular CCRC, it is important to review these documents well in advance of contract signing.

In order to be approved as a CCRC, there are significant financial requirements due to the lifetime commitments that are made to provide care. Although there have only been two closures in California in the past twenty years, some CCRCs do not present a strong financial picture. The falling housing prices and investment losses might add to financial instability, as CCRCs rely on substantial entrance fees and investment income.

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In these uncertain and unstable financial times, there is a need for more consumer caution and for greater regulatory oversight. Unfortunately, ongoing monitoring and regulatory oversight are not aggressive once a provider is certified to issue continuing care contracts.

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### **Occupancy Rates**

Occupancy rates should not on average go below 90%. CCRCs with a history of lower occupancy rates in the past 3 to 5 years or as projected for the next 3 to 5 years might be more vulnerable for closure or merger. If the CCRC is part of a multi-facility corporation, it will draw off resources from other financially sound CCRCs within the group, weakening the overall corporation.

Occupancy rates are the single most important indicator of the CCRCs fiscal viability because high occupancy generates entrance fees, and amortized entrance fees are used for maintaining moderate annual rate increases and providing funds for facility reserve funds.

### **Tips**

1. Check the state website listing of CCRCs to find out if renovations and/or new construction are planned in the CCRC you are considering. Ask the Administrator.
2. Review *Key Indicators Report: # 9 – Annual Capital Expenditures Report*, indicator of capital improvement, and #15 – Average Age of the Facility.
3. Look at *Reserve Certification Form* for funds to defray such renovation and/or new construction costs.



## Tips

Obtain from the CCRC and carefully review the following reports:

- *General Disclosure Statement*, p.1 for occupancy rates, size of facility; p.2 listing of other CCRCs, other long-term care facilities or senior housing complexes operated by organization; p.3 for Operating Income, and Net Income, Description of Secured Debt, and Historical Monthly Fee Increases.
- *Key Indicators Report*, #1 for Average Occupancy Rate, #5 – Days Cash on Hand, #8 – Unrestricted Net Assets.
- *Reserve Certification Form*.

Ask your Financial Planner or Accountant to review the *Annual Audit Report*. Make sure to separately analyze each facility within a multi-facility corporation for fiscal soundness. Weak performers are likely candidates for subsidy from financially well performing facilities or for closure.

## Operating Income & Expenses

If expenses exceed operating income as a historical pattern, the CCRC is at risk of becoming too dependent on amortized entrance fees or income from investments to meet operating expenses. This might result in cutbacks in services.

When investment income becomes too large a percentage of operating income, this can place the CCRC in a vulnerable position, especially in volatile economic times. Check on the philosophy of investment, risk monitoring procedures, and actual performance for funds invested by the corporation.

## Assets, Liabilities, Reserves & Legal Obligations

CCRCs should maintain an excess of assets over liabilities. Check to see if the CCRC is deeply indebted.

Contingency funds should cover at least 6 months of operating expenses. Note: California law only requires 75 days of net operating expenses (*H&S Section 1792.4*).

Reserve funds are another important indicator of the CCRCs financial planning and future financial viability. Adequate reserves can cover renovation and/or new construction and can also act as a restraint against high annual increases in monthly fees.

Some CCRCs have been sued for issues concerning level of care transfers, lack of closure protections and transition compensation, barriers to accessing food services, adverse impacts on quality of environment and services due to construction, excessively high annual rate increases, and so forth. As part of your due diligence, find out the status of any litigation and the potential impacts on future entrance fees and monthly rates.

## Size of Corporation

Stand alone CCRCs or CCRCs that are only one of a two-facility corporation might be more financially vulnerable. Check the contract carefully for closure and relocation protections, and if there are any plans for future mergers with other CCRCs. The location of each of the CCRCs in a two-facility corporation might also be important if one of the facilities is in an area of the state that will not meet your needs, e.g., proximity to family.

If the CCRC is part of multi-facility CCRC corporation, judge the particular CCRC in the context of the financial strength of other CCRCs within the same corporation – the corporation is only as strong as the weakest entity. What is the policy of the institution in using funds from one CCRC to offset losses and shortfalls in other CCRCs that are a part of the same corporation? Is this a common practice? What impacts will it have on services and on the performance of financially sound CCRCs within the corporation?

## Key Resources

**Primary State Regulatory Agency:** California Department of Social Services, Continuing Care Contracts Branch – Approves and monitors the financial condition of CCRC providers. The DSS Website ([www.calccrc.ca.gov](http://www.calccrc.ca.gov)) contains:

- List of CCRC providers and locator map
- References and links to laws pertaining to CCRCs
- Consumer information on CCRCs, the role of the regulatory agency, contracts, fees, and resident rights
- Section for providers containing copies of blank forms and reporting requirements

The **CCRC Branch in Sacramento (916-657-2592)** also maintains comprehensive files dealing primarily with financial reports on each CCRC. The documents that have been referenced in this *Consumer Guide* are:

- General Disclosure Statement: Comprehensive information including facility age and size, ownership type, entrance and monthly fee amounts, contract types, amenities and services, history of monthly rate increases, ownership of other CCRCs, and financial indicators covering a 4-year period.
- Key Indicators Report: 15 standardized “indicators” describing a provider’s financial condition - 5 year past performance and 5-year projections.
- Reserve Certification Form: Amounts held for debt service and operating expense reserves.
- Annual Audit Report

Note: All of these documents are public records and open to review at the Branch’s office in Sacramento. They are also available from CCRC providers.

**Resident Organization:** California Continuing Care Residents Association (CALCRA) – The only independent CCRC residents’ organization dealing with statewide policy and legislative issues ([www.calcra.org](http://www.calcra.org)).

**Consumer Advocacy:** California Advocates for Nursing Home Reform (CANHR) – The only statewide consumer advocacy organization dealing with all aspects of long term care, promoting policies and legislation to enhance consumer rights and protections. CANHR’s website ([www.canhr.org](http://www.canhr.org)) contains:

- Articles on CCRC issues
- How to File Complaints regarding CCRCs
- Assisted Living Section with consumer fact sheets
- Nursing Home Section with complaint and citation information on all nursing homes in California and consumer fact sheets
- Lawyer Referral service



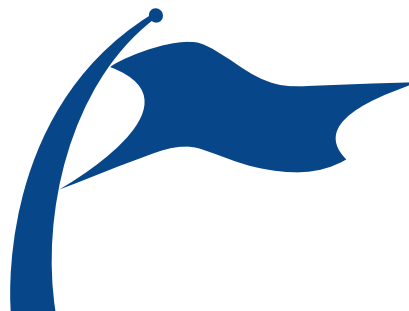
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