

Continuing Care Retirement Communities

Suggested Best Practices for CCRC
Disclosure and Transparency




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American
Seniors
Housing
Association

This paper was developed by a task force of CCRC executives of both not-for-profit and for-profit communities, consultants, financial advisors and attorneys in cooperation with the American Association of Homes and Services for the Aging, American Seniors Housing Association and National Investment Center.



Today's older adults may choose from multiple residential options. When choosing an appropriate setting, finding an option that provides a relatively stable and secure lifestyle from which to enjoy their retirement years is a primary concern of older adults. Continuing Care Retirement Communities (CCRCs) offer an innovative and independent lifestyle that differs from other housing and care options for older adults and is an attractive model, particularly for those who are making decisions for their long-term future. Through long-term service and care contracts, CCRCs provide housing, health-care services, and other amenities, generally in a campus-like setting.

The financial structure of a CCRC can be complex, and the decision to choose a CCRC involves a long-term commitment between a resident and the CCRC organization. It is thus important for a prospective resident to evaluate the financial condition of the CCRC prior to choosing a CCRC and for the CCRC to provide information and resources to assist the prospective resident with making a sound decision. It is also important for the CCRC to provide, periodically, information on its financial condition, operations and plans to its current residents. Such information enhances resident confidence and peace of mind.

Because CCRCs may offer prepaid or shared-risk medical benefit programs, many states across the country regulate CCRCs, often through state insurance departments, and require that various types of financial, operating, and governance information be provided by the CCRC to prospective and current residents. Accreditation agencies, financial rating agencies, and other oversight bodies may have their own disclosure requirements or suggested disclosure practices, as well. Those disclosure requirements, however, can vary significantly from state to state and can further vary according to the type of CCRC and whether it has chosen to be accredited or rated.

A prospective resident should keep three general goals in mind when choosing a CCRC:

- That the CCRC will provide the resident with quality, professional care;
- That the community will be governed and operated in a manner that allows it to remain financially sound and meet its long-term commitments to residents;
- That the terms of the agreement for housing, care, other services, and, if applicable according to the type of contract, a refund or repayment of the entry fee will be honored and met—including, but not limited to, how the agreement addresses the situation in which a resident’s financial resources are depleted through no fault of his/her own.

The suggested best practices for disclosure of financial information that are identified in this paper can help prospective residents assess whether the CCRC meets these three goals, support and encourage sound decision-making between the CCRC and its prospective residents, and enhance communication and understanding between the CCRC and its existing residents.

I. Suggested Best Practices for CCRC Disclosure and Transparency: Information for Prospective Residents:

A prospective resident is likely to have questions about the CCRC contract, the financial condition of the CCRC, the services and the handling of future changes in the charges or fees for those services, and the levels of care and the handling of changes in the required levels of care. Best practices to help address these questions might include:

A. CCRC Financial Condition

A CCRC should provide adequate financial information and explanations to allow prospective residents an opportunity to review financial information and understand the overall financial condition of the organization. Examples of disclosure items related to the financial condition of a CCRC include:

- Audited financial report for the CCRC for the prior fiscal year;
- Information regarding accreditation of the CCRC, if applicable;
- Key financial indicators relative to the CCRC and its ability to meet obligations to residents such as the amount of debt, liquidity measures (e.g., days cash on hand), the ability to meet debt requirements, information about reserves (e.g., reserve funds for capital improvements and replacements);
- Financial forecasts for future years (including actuarial information, if appropriate);

- Occupancy trends;
- Reserves for entrance-fee refunds, if applicable;
- Contractual terms covering the return of the refundable portion of entrance fees and the average length of time for payment of refunds, if applicable.

B. CCRC Fees

Prospective residents of a CCRC should have an understanding of the various fees charged to CCRC residents and how these fees might increase over time. Information disclosed about CCRC fees might include:

- Entrance fee amounts and other details, including refunds and refund payment provisions;
- Monthly fee amounts and the services covered by those monthly fees;
- Fees applicable to other service levels at the CCRC;
- The manner in which fees increase at the CCRC, along with fee increase trends;
- The CCRC's use of the entrance fees and monthly fees.

C. Key CCRC Contract Provisions

The contract between a CCRC and a resident sets forth the mutual commitments of the resident and the CCRC organization. The contract should be written in clear language to ensure that the prospective resident(s) have a full understanding of the contract provisions and requirements. The CCRC should provide a copy of the resident contract in advance of residency, along with information about the following contract items:

- The circumstances under which the contract may be terminated by either the resident or the CCRC;
- Provisions related to refunds upon termination of the contract;
- Provisions related to increases or decreases in CCRC fees;
- Provisions related to continuation of residency in the event the resident becomes unable to pay the required fees.

D. Resident Transfers

A CCRC should provide adequate information related to circumstances that would require a resident to move to other service levels within the community or to leave the community, including:

- How transfers from one level of service or care to another will be determined and the charges for care at service levels other than the level of care and service provided in the unit that the resident originally occupied;
- How transfers to other facilities for care will be handled in the event the CCRC is unable to meet the needs of the resident.

E. Depletion of Resident Financial Resources

The CCRC should provide information that outlines the procedure if a resident's financial resources become insufficient to cover fees, including:

- How a resident may apply for financial assistance;
- Whether the community will recover financial assistance from the refundable portion of the entrance fee.

F. Governance and Management Disclosure

Disclosure of the governing structure and management expertise of a CCRC is an important component of the information that should be available to a prospective CCRC resident when making a decision to move into a CCRC, as well as to existing residents so they better understand the operations of a CCRC. A CCRC should provide adequate information about the ownership, management, and governance of the community, including:

- The governing structure and ownership of the CCRC, including affiliation with a sponsoring organization, if applicable, and the history of the CCRC and whether it is a not-for-profit or for-profit organization;
- Names of members of the board of directors or trustees and summary information that describes how they are selected, their backgrounds, and their responsibilities;
- Any legal affiliation with other CCRCs that affects the direction of the CCRC's affairs or any management of the CCRC's primary operations by outside companies, including the nature of these relationships;

- The operational experience of the CCRC’s management team, including:
 - Training and degrees
 - Length of time with the organization
 - Significant changes from prior disclosure statements
 - Licensing and oversight body survey results and complaint history
 - The number of residents served at the CCRC and, if a multi-site organization, the number served throughout the system.

II. Suggested Best Practices for CCRC Disclosure and Transparency: Information for Existing Residents of a CCRC:

Disclosure best practices can provide reassurance to residents that the community they have chosen is financially strong and able to meet its commitments and obligations to the residents. CCRC strategies for disclosure of financial information to existing residents emphasize frequent, open, clear, credible, and honest communication with residents and may be evidenced through these types of practices:

A. Resident Access to CCRC Management

Residents of a CCRC should have appropriate ongoing access to the CCRC management, such as:

- Regularly scheduled meetings in which management engages in active listening, responds to questions from residents, and provides reports on the community’s financial health and its plans for the future;
- Policies and practices that encourage informal, ongoing dialogue with residents and a visible and accessible management presence;
- Regular community-related communications, including newsletters and an up-to-date CCRC website;
- Strategies that allow residents to address concerns to management on an individual basis.

B. Resident Access to CCRC Financial Information

Residents of a CCRC should be recognized as stakeholders and provided with regular updates on CCRC finances and operations, including:

- Resident access to:
 - Audited financial statements
 - Summaries of actuarial information, if applicable
 - Annual operating performance reports
 - Annual reports
 - Updates about the community's plans and performance and, in a system, the plans and performance of the system
- Routine financial updates addressed to resident councils or finance committees by the director of finance;
- Summary information about the community's financial and operating performance;
- Ongoing information and resident input in the budget process, including the determination of monthly fee increases.

C. Resident Access to the CCRC Board/Ownership

Residents of a CCRC may be provided periodic opportunities to meet the CCRC board or owners. The CCRC should have a methodology for resident participation in or representation to the governing body or owners regarding decisions that affect the community.

Conclusion

Overall, there are many ways in which the CCRC's disclosure practices and its culture of transparency and responsiveness can address prospective resident questions and assist them in making an informed decision for their future, as well as assure current residents that the commitment they have made to the CCRC is prudent. Ultimately, older adults will utilize their own criteria for selecting a CCRC; but armed with the information made available by these suggested disclosure practices, they should be well equipped to make an informed decision.

