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**Improving Retirement by Integrating Family, Friends,  
Housing and Support: Lessons  
Learned from Personal Experience**

By Anna M. Rappaport

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## **Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience**

By Anna M. Rappaport, FSA, MAAA

### **Introduction**

As we get older and develop limitations or illnesses, we probably will need support and/or care from other people. Such help may come from family and friends at home or from professional caregivers, often in a senior residence. This paper provides insights about choices made with regard to housing and supportive services based on personal experience and discussions with my family and friends. It is focused primarily on choices made that included a senior residence and support outside of the home. My perspective in this paper is that of a consumer and not one of an expert.<sup>i</sup>

The first story is about my mother, who had Parkinson's disease and moved from her own home into independent living, then assisted living and ultimately a nursing home. The second story mainly involves a friend interested in a continuing care retirement community (CCRC) and my attempts to investigate and understand CCRC issues on her behalf.<sup>ii</sup> Also added into the second story are experiences from friends who are CCRC residents or have parents in such facilities, and who have actuarial or retirement planning backgrounds. The third story is about people who live in a community whose residents are committed to helping each other. All the stories offered some insights, most of which were not obvious to me, and which so far as I know, are often not easy to find in the literature.

Further insights listed here are based on additional discussions with friends and on thinking through the issues.

### **The First Story—Where Is the Best Place to Be?**

My mother had Parkinson's disease, with a long period of decline in physical and mental ability. The last few years while in the nursing home, she couldn't write or speak understandably, so communication was very difficult, and she couldn't walk at all. Her four children worked cooperatively to help her during the later stages of her Parkinson's disease.<sup>iii</sup> Some of my insights are as follows:

- The ability to use the telephone unaided was highly important. When the phone was no longer available as a means of communication, it made a huge difference in her quality of life. When the ability to communicate on the telephone without help was limited, that was also important. Steps along the way included: could no longer use answering machine, could only use phone with big buttons, could only call pre-programmed numbers (up to three) on big button phone, could not have much of a conversation, and could not talk at all even when phone brought to her. Limitations in operating the phone may involve inability to pick up or hang up the phone, poor vision and cognition. I had not thought about this until we experienced it. Difficulties in using phones may be greater with cell phones.<sup>iv</sup> Others have had told me the phone is truly a lifeline, especially for a woman, and that it can require hands-on assistance.

- Managing medication was very difficult, and was a consideration in the type of help needed. Specific facilities and types of helpers offer different capabilities for managing medication. Even where help is provided, the family needs to provide oversight over management of medication.<sup>v</sup>
- The availability of family was extremely important at later stages, particularly when my mother was in assisted living and a nursing home. Earlier, access to friends and activities important to her were a top priority, particularly since she could regularly talk to the family on the phone. The ability to move to a different geographic area near those people she wanted to be near or who could help was very valuable. Because the family was so geographically dispersed, no one location would have been ideal through all the stages. This is different from many other situations.<sup>vi</sup>
- My mother moved from her own single-family home to an independent living facility, then to assisted living and finally to the nursing home. My view is that each of these facilities proved very helpful and provided appropriate support when she was there, and that it was valuable to be able to move.<sup>vii</sup>
- We couldn't predict exactly when the next stage would occur. What is a very good situation at one point may not work at all at another. (We experienced only changes in personal situation, not changes in facilities, but they can occur also.)
- My mother was able to maintain as much independence as she could handle.
- In managing her money, my mother made an interesting transition from full independence to turning over management to family members with an investment advisor. She had noticed some difficulty doing math (which can be tied to the Parkinson's disease). During the transition period, she asked the accountant's assistant to check over her payment of bills, which they did periodically. The next step was that she put them in a pile and they paid them together. Next she put them in a pile, and the helper paid them for her. This enabled her to do as much as she could for quite a while. It is valuable for people to do as much as they can, and to be able to accomplish tasks of importance to them.
- While each facility involved considerable expense, what mattered was the added cost relative to what she had previously spent. Since she sold her home at the time of the first move, she no longer had the costs associated with that home.
- Each situation is different, and there are no uniformly right answers.

This story is heavily influenced by the experiences of my family.<sup>viii</sup> The accompanying exhibits outline the transitions in my mother's living and support arrangements along with changes in her capability and activities. Exhibit I on transitions identifies each transition, the triggers for the transition, and how the decision was made. Exhibit II discusses mobility and communication issues. Exhibit III discusses activities, financial management, and support services including preparation of meals.

**Exhibit I**  
**Transitions to Different Living Arrangements**

Transition	Triggers for Making Transition	How Decision Was Made	Comments
<b>From suburban single-family home to independent living community</b>	Mother was concerned about being trapped in the winter, yard and house care, and generally managing. No family members were nearby to help.	Both my parents were in a study group that looked into the range of available options. They selected the option they preferred after visits to various choices and group discussions about different options.  Mother wanted to stay near her prior home and contacts, in a community with only monthly charges, leaving complete flexibility to change later.	Facility chosen had a two-year waiting list. My parents' names were put on the waiting list with the expectation that they would decide when their names were reached. My mother was widowed shortly before her name came up.  My parents didn't like the idea of a large upfront payment and inflexibility regarding future moves.
<b>From independent living to assisted living</b>	A key final trigger was inability to manage her medication. She had a number of meds, which had to be taken in different combinations four times a day.  The reasons for staying in the location near her prior home were ability to maintain her contacts and participation in various groups and activities. However, she was no longer participating in such activities or seeing the former contacts by the time she moved.  My mother was diagnosed with Parkinson's disease while in independent living.	Accountant expressed concerns that she was not managing well and needed support from the family.  Decision was made to explore the area near her son and daughter. A consultant known to a family member was engaged to suggest alternatives based on her situation and resources. After selecting three options, she visited them all and worked with the consultant to think through issues. My mother made the decisions to move and where to go.	This move included a location change. During her years in independent living, my mother gradually needed more help. Ultimately someone came to help her twice a day for a short period. Other support from her accountant's office gave much of the help family members often provide.  Within two weeks after the move, my mother said she was very grateful and did not know how she would have managed in the old situation.
<b>To a special assisted living unit that could handle dementia</b>	Two events signaled the need for a change: problems with a two-burner stove-top and going downstairs with a walker.	Assisted living facility said the change was required. No further decision was needed as she stayed at the same place.	Special unit offered a higher level of care, and was also locked so that individuals could not leave without an escort.
<b>From special assisted living to nursing home</b>	Problems increased as she became more paralyzed and less able to communicate.  Assisted living facility indicated that the change was required.	All four children conferred, and my brother recommended a nursing home at a new location.  Decision was made by the	This move included a change to a new location. The brother at that location was available to oversee care and visit nearly every day.

In deciding whether and where to make a move, one should consider several important issues:

- Anytime one needs to locate a new facility, there is a question of finding a new facility, whether it meets current needs, and whether a unit is available. Availability depends on both meeting the requirements for the facility and whether it is full or has space currently available. One of my contacts also found that it was very difficult to evaluate facilities, and expressed the hope that a *Consumer Reports* type of rating could be found. Issues include quality, fit to needs, and affordability. The websites I located that help one find facilities have information supplied by the facilities, not objective third-party ratings.
- One advantage of being in a CCRC is that one does not need to find a new location for the next steps, and it should have space available when needed. The later transitions are probably much easier, but can be troublesome if there is disagreement about what support is needed. However, depending on the type of CCRC contract and on personal financial resources, transitions could also be difficult within a CCRC. While some CCRC contracts do not increase fees with higher levels of care, others do increase fees to much higher levels with greater levels of care.
- People with and without family support have different issues. Those without families need to work particularly hard to find a suitable support system. A CCRC might be especially valuable for them if it's a viable choice.
- Anytime one moves, the transition requires an adjustment. The transition is often easier if there are familiar people and/or surroundings.
- Moving is stressful. A stronger person may be better able to handle the stress. That argues for moving earlier and less often.
- The transition to assisted living or to a nursing home can be very difficult if a suitable facility is not available at the time needed.
- Different situations can make a particular place desirable and feasible. Every situation is different.
- For many people, financial issues are critical. People with modest financial resources and those covered by Medicaid have a much more limited choice of options and facilities.

**Exhibit II**  
**Communication and Mobility Issues at Different Stages**

Stage	Communication and Technology	Mobility and Transportation	Comments
<b>Lived in single family home—retired</b>	<p>Used computer for writing, family history and other applications.</p> <p>Regularly used telephone and answering machine (no cell phone).</p>	<p>Walked regularly with husband (until last few months) in a nearby park, usually four to five days per week. This was a major morning activity.</p> <p>Drove or used public transportation and drove to train station.</p>	<p>Husband died shortly before she left the single-family home.</p> <p>This was the early 1990s. Today, the Internet and email would have been used for communication.</p>
<b>Independent living community</b>	<p>Could use computer for word processing and a few applications initially, but later could no longer use computer. My mother never used email.</p> <p>Very good oral communication skills. Responded to phone messages left on answering machine, but became less capable of using machine over time—big problems by time she moved away.</p> <p>Hands were getting crippled and handwriting getting worse.</p>	<p>Had no problems initially.</p> <p>Walked a mile or a little longer in the neighborhood regularly and walked to local shops.</p> <p>Drove a car at time of move, but gave up car within a few years.</p> <p>Transportation was provided for shopping and various activities.</p> <p>Used taxis as needed.</p>	<p>Remember that this was about 20 years ago. Today some facilities have computers available to residents for email and Internet service. Computers can be set up for easy use and impaired vision.<sup>ix</sup></p> <p>Phone response was a huge issue. It was very important when she could no longer answer phone messages.</p>
<b>Assisted living</b>	<p>Needed special phone with three buttons and could primarily call those numbers.</p> <p>Did not have ability to respond to phone messages.</p> <p>Later, she could not write and had difficulty with speech.</p>	<p>Could take short walks without help (about 1/4 mile).</p> <p>After a time, needed a walker.</p> <p>Could go out in car if someone took her.</p> <p>Went out quite a lot at first. More limited later on.</p>	<p>Gradually lost ability to operate television set.</p>
<b>Higher-level assisted living</b>	<p>Could not make phone calls.</p> <p>Could respond to calls if called to phone, but had difficulty with speech so it was nearly impossible to understand her.</p> <p>Could not write at all.</p>	<p>On a very limited basis, could go out in car if someone took her.</p> <p>Had a walker.</p> <p>Could barely walk prior to move to nursing home.</p>	<p>Could not operate television set.</p> <p>At this stage, probably would qualify for benefits under a typical long-term care policy.</p>

<b>Stage</b>	<b>Communication and Technology</b>	<b>Mobility and Transportation</b>	<b>Comments</b>
<b>Nursing home</b>	<p>Could not converse much at all. Mostly could nod yes or no.</p> <p>Couldn't talk on phone or write.</p>	<p>In wheelchair, needed someone else to push it. Could not walk.</p> <p>Did not go out except into garden at the nursing home.</p>	

**Exhibit III**  
**Money Management, Support and Activities at Different Stages**

Stage	Money Management*	Activities	Support and Meal Arrangements
<b>Lived in single family home—retired</b>	Managed independently with advice from accountant; active in equity investments; covered by pensions and bought income annuity in addition.	Walked regularly every morning, participated in study groups, went to symphony, had many friends.	Cooked regularly while husband present; cooked much less after he was deceased.
<b>Independent living community</b>	<p>Accountant/adviser provided quite a lot of help.</p> <p>Gradually shifted from personal management of investments to investment advisor.</p> <p>Gradually shifted from personal payment of bills to getting help from accountant’s staff. At first the staff checked over her payments, later they handled together with her, and finally bills were put in a stack and paid by accountant’s staff.</p>	<p>Continued to attend study groups (and people picked her up when she no longer drove) for quite a long time. Continued to read German weekly with a friend.</p> <p>Played bridge several times a week. Participated in organized armchair exercise classes. Went to symphony and other performances and museums. Served on residents’ council.</p> <p>Made new friends and kept in touch with old ones. Later, participation in these activities declined. Family visited several times a year.</p>	<p>One meal provided daily.</p> <p>Apartment cleaned weekly.</p> <p>Access to washing machines on each floor.</p> <p>Transportation provided to shopping, activities, etc.</p> <p>Cooked other meals in apartment. Shopping was nearby and van service was provided, but could walk to shops and often did.</p> <p>Accountant’s assistant came weekly to help with bills, correspondence etc.</p> <p>Later on, someone came for a short while in the morning and afternoon to help with personal care.</p>
<b>Assisted living</b>	Family members who were joint trustees took over all bill paying and daily money management. They interfaced with investment adviser who handled investments.	Participated in exercise program and some activities. Made some new friends. Local family visited often and other family did periodically. Took short walks.	<p>Assistance with medication, bathing, dressing. All meals provided.</p> <p>Apartment cleaned.</p> <p>Laundry service provided.</p>
<b>Higher-level assisted living</b>	Same as above.	Much more limited participation in different activities.	Assistance with medication, bathing, dressing. All meals provided. Help with moving around.
<b>Nursing home</b>	Same as above.	Observed limited activities, didn’t participate. Could not walk at all. Daily visits from local family member.	Could not walk, could not communicate well. Needed assistance with all activities of daily living.

Costs vary for different options that provide support and/or care. *HelpGuide.org* provides a current comparison of costs and estimates independent living monthly costs at \$1,500 to \$3,500,



assisted living at \$2,500 to \$4,000, and nursing homes at \$4,000 to \$8,000 (*HelpGuide.org* 2014). They also compare some of these options. The GAO analyzed 2009 costs for one person for rental options at several CCRCs that also offered a rental program. They found monthly independent living fees of \$900 to \$2,700, assisting living costs of \$4,700 to \$6,500, and nursing home costs of \$8,100 to \$10,700 (GAO, 2010). Exhibit IV draws on their analysis and some of my experience.

When making any decision about facilities, it is important to read the fine print, especially on services provided, extra services available and costs. For example, one of my friends reported that her mother had extra costs for food when a special diet was required in the nursing home. Also, what are the contractual limits on cost increases? And what have monthly fees been over the last few years?

**Exhibit IV**  
**Comparison of Senior Housing Options**

<b>Feature or service</b>	<b>Independent Living</b>	<b>Assisted Living</b>	<b>Nursing Home</b>
<b>Meals per day</b>	Depends on meal plans offered and chosen; common to have one meal per day provided.	3+ meals	3+ meals
<b>Medication management</b>	None	Yes. Cost of meds may be an extra charge. May have to use a specified pharmacy.	Yes
<b>Personal care</b>	No	Yes, with limitations; can have extra charges for more care.	Yes <sup>xi</sup>
<b>Offer activities for residents</b>	Yes, often fairly extensive. May include attendance at outside events, day trips.	Yes, but likely more limited. May include shopping and more limited outside trips.	Yes, but very limited and geared to capability of residents.
<b>Mobility assistance</b>	No, but facility likely is designed to accommodate people with limited mobility	Yes	Yes
<b>Housekeeping</b>	Varies, likely to be laundry facilities	Yes, laundry service may also be offered. Family may prefer to launder the resident's own clothes at home. <sup>xii</sup>	Yes <sup>xiii</sup>
<b>On-site nurses</b>	No	Yes	Yes
<b>Transportation</b>	Mostly yes to shopping and various activities.	Mostly yes.	Occupants probably do not go out much if at all.
<b>Alzheimer's/dementia care</b>	No	Varies, there may be special units.	Varies

**Age 55+ Communities**—Age 55+ communities are very different from facilities within the scope of this paper but are worth noting here briefly, as these communities can be an attractive alternative for some active people over 55. There are many such communities. Well-known examples are The Villages in Florida, Sun City in Arizona and Leisure World in several states. Housing costs in age 55+ communities

are usually no higher, and maybe lower, than in otherwise comparable communities in the geographic area. The types and cost of housing vary widely. Some of them have connections to or agreements with housing options that offer more support.

My experience is that middle-income age 55+ active communities have extensive facilities for activities and some have extensive activity programs. In some middle-income communities, the activities are largely volunteer-run, with little or no charge to participants. Communities with many 55+ residents but which are not 55+ communities may have similar activities. The community offers the facility, and the residents design and run their activities in large part. The activities may include exercise programs, card games, potlucks and other food functions, tennis, pickle ball, shuffleboard, petanque or bocce, etc.

### **The Second Story—Is Moving to a Continuing Care Retirement Community (CCRC) a Good Idea?**

A few years ago, a friend asked for help in deciding about moving into a CCRC. This story is based on what I learned in the process of exploring the issues, and from research and conversations with others including friends who live in CCRCs. I started by searching the literature for a good paper on how to evaluate a CCRC from the viewpoint of the individual, and at the end of the day, I did not find anything very helpful.

I talked about the issues to actuaries who had considered them or done financial work for CCRCs, to people living in a CCRC, and to planners. For one CCRC, I also inspected the documents, visited the facility, and talked with the marketing staff. The experience left me on a quest for better information, feeling that potential CCRC users lacked the data needed to make an informed judgment, especially regarding a CCRC's financial sustainability and the rights of a resident.<sup>xiv</sup>

I have three friends in CCRCs in different parts of the country, all very satisfied to be where they are. One has been in the CCRC for 16 years, one for eight years, and one for less than two years. One of them commented that aging in place is generally preferable, but the CCRC is a great option for their situation. His wife is legally blind and he's had heart problems, so it was a good move for them. The second friend had a wife with multiple sclerosis, and he had been warned that ultimately she might totally lose mobility. The third friend had experienced many challenges in caring for her parents, and she did not want to experience the same challenges herself. She and her husband decided that moving to a CCRC was a better choice for them.

The community I looked at and another one I visited since had very nice facilities and good activities. Both seemed to have a lifestyle that fit many people well, making them appear to be very good choices when one is ready and willing to be in a senior community. But CCRCs have certain characteristics that complicate the decision process, especially from a financial and timing viewpoint. Unlike other assisted living and long-term care facilities, one must apply to move into a CCRC while still in good health, and there is an admissions process.<sup>xv</sup> Moving while still in good health also enables people to build a support system of their peers at their new home. But these incentives to move to a CCRC sooner rather than later may conflict with the preference of many retirees to age in place in their own home as long as possible.

From a family viewpoint, there may be other issues. If the family is spread out geographically or not very accessible, a CCRC can be particularly valuable. But it may not match well if different family members are very available to help regularly during different years. In addition, a “blended family,” where one or both spouses have their own children, may wish to keep some of their money separate, and thus not fit neatly into standard CCRC financial rules that assume spouses pool their money.

The long-term care to be provided by a CCRC will be very valuable for some people but not for others. A cost for the long-term care is built into both the entrance fee and monthly payments, but it is not easily separated out. The fact that health care costs are built into CCRC costs means that part of the cost may be tax-deductible if it can be identified.

CCRCs offer several types of contracts:

- **Type A: Life Care or Extensive Contract:** This is the most expensive option initially, but it offers unlimited assisted living, medical treatment and skilled nursing care without additional charges. This option requires substantial entrance fees and monthly charges that do not increase substantially as residents move through different levels of care.
- **Type B: Modified Contract:** This contract offers a set of services for a certain length of time. For example, a resident may receive 30, 60 or 90 days of assisted living or nursing care before there are higher charges for such care. When that time has expired, services are repriced, generally at higher monthly fees. Entrance fees and initial monthly charges are generally lower than under Type A contracts.
- **Type C: Fee-for-Service Contract:** This has the lowest initial fees for independent living, but costs for assisted living and skilled nursing will be charged at market rates. Entrance fees are still required. The risk of long-term costs remains with the resident.
- **Type D: Rental:** These contracts generally require no entrance fees, but guarantee access to CCRC services and health care. These are essentially pay-as-you-go for the resident. The monthly fees charged vary based on the size of the living unit and services and care provided. (GAO, 2010)

I understand that some CCRC contracts include a requirement for long-term care insurance, with different methods of integrating long-term care insurance benefits with the contract. The contract should be carefully reviewed on this point. Some CCRCs may simply require that the insurance proceeds be assigned to the facility.

The CCRC I looked at required a large entrance fee, with two options—either it was non-refundable after an initial period or it was higher but was 80 percent refundable on death or exit at any time. The monthly payments were much higher than one would pay for rent. People who moved into the CCRC would be eligible to receive assisted living or nursing services at the same monthly cost as the cost for independent living in a regular apartment. This is like the Type A contract described above.

One of my friends commented that moving into the CCRC was the best investment he ever made. He was able to pay \$210,000 as an entrance fee for a unit that met his needs nearly 10 years ago,

with a monthly charge of \$3,200 for the couple.<sup>xvi</sup> This was a Type A contract. The monthly charge included a meal allowance (often one meal a day per person), cleaning and laundry service, basic cable and other essentials. About 40 percent of the monthly payments was tax-deductible as health expenses. He was able to sell his house for more than the buy-in price, so that added to his other assets. The ongoing cost of his prior home included taxes, utility payments, yard service and maintenance, so the financial transition was not a problem. He moved before 2007 when housing prices dropped. The transition became more difficult for many people after the drop in housing prices.

The financial transition can vary widely, depending on the equity and ongoing costs for one’s housing before making the move. It is much easier if the prior housing can be sold with money left over after buying into the CCRC, and much harder if there is no prior home ownership or equity. The ongoing costs associated with the prior house may include mortgage payments or rent, taxes, insurance, some utilities and other maintenance costs. Such ongoing costs may be greater or less than the monthly cost for the CCRC. There are huge variations in housing values, taxes, whether people have mortgages, etc. My friend’s situation was entirely different from the other situation I looked at where the equity in the existing home was less than half the buy-in price and the monthly expenses in the existing housing were also modest. In the second situation, the CCRC was not affordable.

A new Internet search provides some insight about current CCRC costs. The AARP’s website indicates that entrance fees range from \$100,000 to \$1,000,000 (AARP 2010). They define the fee as an upfront sum to pre-pay for care as well to provide the facility money to operate. Their website indicates monthly charges from \$3,000 to \$5,000, which might be more for couples. AARP notes that there may be additional fees for services not included in the basic package. My research a few years ago indicated that monthly fees in a CCRC even after the entrance fee could be as high or higher than the costs for assisted living or nursing home care for one person. (Of course, the CCRC costs may cover two people.) Monthly charges usually are increased periodically. The GAO found 2009 entrance fees for eight CCRCs for Type A contracts ranging from \$160,000 to \$600,000 for one person, and monthly charges for one person of \$2,500 to \$5,400 (GAO, 2010). Exhibit V shows examples of minimum entrance fees and monthly charges for CCRCs.

**Exhibit V**  
**Sample Costs for CCRCs**

<b>Facility</b>	<b>Minimum Entrance Fee</b>	<b>Minimum Monthly Fee</b>	<b>Comments</b>
<b>Clare—Chicago, Illinois</b>	\$253,500	\$2,723	Offers 1-3 bedroom units; managed by Life Care Services
<b>Sagewood—Phoenix, Arizona</b>	\$323,000	\$2,748	Owned and managed by Life Care Services
<b>Admiral on the Lake—Chicago, Illinois</b>	\$371,000	\$2,405	Offers 1-3 bedroom units and townhomes, affiliated with Kendal

Source: Data from *SeniorHomes.Com* in March 2014

Data from the public disclosure statement of a North Carolina CCRC offer more insight into entrance and monthly fees in one community. This is an example in a smaller city with a population of about 50,000 in the 2010 census, and it is not necessarily representative of other communities. This CCRC offers both Type A and Type C contracts. Based on the disclosure statement, the 2013 entrance fee for a life contract for a one-bedroom apartment with a 90 percent refund ranges from \$318,720 to \$338,320. With a declining refund, the entrance fee is \$185,300 to \$196,700. This varies based on size of unit and floor plan. These amounts are increased if there is a second person by \$46,100 for the 90 percent refund plan, and \$26,800 if there is a declining refund. When there is a declining refund, the entrance fee is amortized 2 percent per month. The monthly fees are from \$2,445 to \$2,674 for one person, and \$1,094 is added for a second person. Fees are considerably higher for larger homes. For a three-bedroom garden home, the entrance fee for one person is \$469,220 with a 90 percent refund and \$272,800 with the declining refund. The monthly fee for one person is \$3,594. The fees for an additional person are the same regardless of unit size. Under this type of contract, the monthly fee for someone in assisted living or nursing care is \$3,360 per month (The Village at Brookwood, 2013).

The Type C fee-for-service contract is available with a declining or 50 percent refund. For the larger one-bedroom apartment, the declining refund entrance fee for one person is \$185,000 with life care, and \$109,200 for the Type C fee-for-service contract. The monthly charge for one person drops from \$2,445 per month to \$1,893 per month. The additional charge for a second person drops from \$1,092 per month to \$485. With the Type C contract, the cost for assisted living is \$4,443 per person per month; for memory support, it is \$5,749 per month; and for skilled nursing, it is \$7,995 per month. (The Village at Brookwood, 2013). These assisted living costs are higher than costs cited earlier based on data from *Helpguide.org*, and the nursing home costs are at the high end of the range.

Data from the public disclosure statement of a Maryland CCRC offers added insight into entrance and monthly fees in another community. This is one example in a relatively high-cost area, and it is not necessarily representative of other communities. This CCRC uses a Type C contract. Based on the disclosure statement, 100 percent refundable independent living entrance fees for one-bedroom apartments ranged from \$474,000 to \$597,000. For a three-bedroom, three-bath unit, the fee was \$1,095,000. For the declining balance plan, the fees for the one-bedroom apartment types ranged from \$227,520 to \$286,560, and for the three-bedroom apartment, it was \$525,000. Fees shown are for one person, and there is an additional \$39,500 entrance fee for the second person for a 100 percent refundable contract, and \$18,960 for the declining balance contract. The independent living monthly fees for single occupancy for a one-bedroom unit range from \$2,517 to \$3,151, and for three bedrooms it is \$3,957. For double occupancy, add an additional \$1,022 (Kings Farm, 2011).

Assisted living in a large two-room suite is \$7,522 per month for one person in Level 1, \$8,852 in Level 2 and \$9,608 in Level 3. For a second person, it is an additional \$4,247 in Level 1, \$5,577 in Level 2 and \$6,333 in Level 3. The monthly fee for a private room in the Comprehensive Care residence (nursing home) is \$12,015 (Kings Farm, 2011). With a Type C contract, the fees change as the individual moves to a higher level of care. Fees can be increased. Residents in the community have priority with regard to entry to assisted living and comprehensive care. These assisted living and nursing home costs are much

higher than costs cited earlier based on data from *Helpguide.org*. The GAO found 2009 Type C fee-for-service entrance fees of \$100,000 to \$500,000 for a sample of CCRCs. For these Type C contracts, the independent living costs were \$1,300 to \$4,300 per month for one person; the assisted living expenses were \$3,700 to \$5,800 per month; and the nursing care monthly fees were \$8,100 to \$10,000 (GAO, 2010). The two communities and the communities studied by the GAO have significantly different cost levels, and there is no assurance that the same services are included. The two specific examples are provided to illustrate with more detail cost levels currently or recently in effect.

The costs are such that CCRCs are accessible only to the more affluent part of the population, i.e., less than 25 percent of the population can afford a CCRC according to a Society of Actuaries study.<sup>xvii</sup>

Neither the AARP data nor *SeniorHomes.com* data identified contract type. A 2013 survey from Zeigler provides insights as to which of the types of contracts are most popular (Zeigler, 2013a). Responses were received from 180 not-for-profit senior living facilities. In response to the question, “At your community, what is the predominant contract type?” 38 percent responded Extensive (Type A), 14 percent responded Modified (Type B), 35 percent responded Fee-for-service (Type C), and 13 percent responded Rental (Type D).<sup>xviii</sup>

At an independent living facility, my impression is that the monthly charge covers a combination of rent, meals provided and other services including transportation, activities, limited maid service to the units, etc. I call these services “senior services.” At a CCRC, the monthly charge is higher (but somewhat dependent on the buy-in amount). I view this charge as a combination of rent, “senior services” and pre-payment for long-term care, if such pre-payment is included.

In my exploration of whether a CCRC worked well for a household, there was a discussion of what costs the CCRC charge replaces. The CCRC charge includes replacement for housing expenses including most utilities if the prior residence was sold or if the household moved out of a rental unit where they had similar expenses. There is likely to be a reduction in food costs, and for many people, transportation cost. However, there is no change in health care costs including doctor bills, drug costs and insurance premiums.

CCRC contracts vary regarding whether any of the original entrance fee is refundable if someone leaves. [SeniorHomes.com](http://SeniorHomes.com) is a website designed to help people find options in their local areas. It also includes general information about CCRC costs, but the ranges are lower than on the AARP website. The definitions and contract types are similar. [SeniorHomes.com](http://SeniorHomes.com) also provides a list of 10 considerations in choosing a CCRC. While they mention financial status, there is little focus on the risks involved. The box below builds from their list and adds other points from my research.

### Considerations in Choosing a CCRC

- 1. Contract Type(s)**—Does the contract suit your needs? Do you understand the provisions? What is covered? What if any refund is available if you leave? Under what conditions can they force you to leave?
- 2. Your Costs**—What are regular costs and how might they increase? What costs are extra and how are they billed to you? What happens if you do not have funds to make payments? What happens if costs increase more rapidly than expected? Can you afford the costs currently and in the long term?
- 3. Health Care Services**—What professional services are provided and what is covered? How will services coordinate with your health coverage and long-term care insurance? Do you accept the physician(s) available at the facility?
- 4. CCRC's Financial Status**—What do current statements say and what factors could cause problems? Have you access to a business model or financial projection that goes beyond your expected lifetime? If there are bonds, when do they need to be refinanced, and is this a potential problem? What risks are lurking in the background, and what are their implications? What are your options and obligations if the facility goes bankrupt? What happens to residents if the facility is bankrupt?
- 5. Regulation<sup>xix</sup>**—What agencies regulate the facility? What protection does the regulation offer to consumers?
- 6. Information Sharing**—What information is shared with residents? How often are financial statements made available? How are changes in services and facility updates communicated to residents?
- 7. Safety & Security**—Do they adequately provide for safety and security?
- 8. Record of Complaints**—How many complaints have there been? Is a record available? Were they satisfactorily resolved?
- 9. Quality of Care**—What can you learn about the quality of care? Do you have any information about the experience of current residents?
- 10. Accreditation**—Are they accredited? What organization has accredited the facility? What is the rating?
- 11. Lifestyle**—What types of activities are there? What types of people? How do you feel about the food service? Do visiting options work for family and friends?
- 12. Exit Strategy**—Do you have an exit strategy if things do not work out? (This is not mentioned in any literature that I was able to find.)

More is said about questions to ask when choosing to move to any senior housing that includes support services below.

**What happens if a CCRC resident has financial problems?** One challenge I encountered in my exploration was that the “story” provided by the CCRC advocates including residents and marketing people differed from the contract. It seems that the CCRC I looked at operates with some benevolent practices, but the contract was much stricter. Apparently some not-for-profit CCRCs have charity funds for residents who need help. The first issue of concern was what happened if you could not afford to make regular payments. Some of the websites I reviewed also refer to these charity funds. The story presented was that if you had not been “foolish” in spending your money, you would not be thrown out, and the CCRC would carry you. The contract simply said you needed to leave if you could not make

payments. Apparently there was a charity fund that could carry a few people, but the contractual right asking people to leave remained. It appears likely that the number of people needing help and the size of the charity fund would be considered together to see when the contractual provision would apply. I also heard from a planner that religiously operated CCRCs might carry people. The contract I reviewed also had a provision saying you could be asked to leave if you had a condition so that they could not care for you. That provision gave you no additional right to get your money back.<sup>xx</sup> A disclosure statement for another CCRC described the existence of a support fund and stated firmly that the CCRC had total discretion with regard to providing financial support (The Village at Brookwood, 2013).

As an actuary and someone who had worked on insurance policies as well as pension plans, I considered the contract provisions critically important. I located a questionnaire from the National Senior Law Center<sup>xxi</sup> that raises the issues noted above. However, in a conversation with another very senior planner, she indicated that she had not previously focused on the importance of CCRC contracts and reviewing them carefully. I believe that many people who enter CCRCs are not aware of the contractual provisions and their potential pitfalls, and that some planners may also be unaware of them.

**What happens if the CCRC has financial problems?** One question seldom discussed is what happens if a CCRC gets into financial trouble or bankruptcy. Next Avenue, a PBS production, reported in 2012 that eight CCRCs have become bankrupt and 12 more were in trouble.<sup>xxii</sup> They also reported that in most of these cases, the individuals were able to continue without losing their investments with a new organization that took over operation of the CCRC. However, some situations experienced increases in prices and declines in service. A search has yielded several other articles about problems, but there does not seem to be any good consolidated survey. A paper from Grant Thornton provides insights into business strategies and corrective actions when CCRCs get into trouble (Grant Thornton, 2012). Reducing expenses (and services) is one of those strategies. I also find that some CCRCs have been sold or changed management companies—this seems more likely in the event of problems.

If a CCRC has been undercharging for services, the owner can increase fees, cut services or do a combination of both. One may hope that changes would be gradual. The issue of financial trouble or change in management is a real one. One of my friends reported that the CCRC they are in went bankrupt and was taken over by a new company. Another friend reported that the assisted living facility where her parents are has changed hands three times in one year, and that virtually the entire staff turned over during that year.

In the absence of government regulation of CCRCs regarding long-term solvency, consumers need useful financial evaluation, and we have not seen that. For example, it might be helpful if seniors had access to transparent financial data and ratings for all CCRCs from an independent source, somewhat like Best's ratings of life insurance companies, but this seems unlikely to happen.

One independent nonprofit organization, the Commission on Accreditation of Rehabilitation Facilities (CARF), accredits a relatively small number of CCRCs—about 1 in 6 nationwide. This is a step in the right direction, and “financial strength” is one of the many qualities needed to gain such accreditation. But it falls short of the ideal because CARF doesn't report on most CCRCs, their



accreditation report doesn't discuss long-range finances, and CARF has a potential conflict as they're paid by the CCRC applying for accreditation.

### **The Third Story—Anecdotes from Communities and Friends**

I have observed friends and people around me offering support for others, sometimes a great deal of support over a long period of time. This can work very well, but it can collapse if the person needs more support than the caregiver offers or if something happens to the caregiver. In one case, a couple avoided doing much travel for a number of years so they could care for a friend—not a parent or close family member. They checked on her daily, brought her some meals in later years, took her to the doctor and for errands, etc. They inherited her house, but I do not think they were paid for the care in any other way. In another case, I observed a neighbor calling daily on another neighbor who was crippled and unable to care for herself. The neighbors did her weekly grocery shopping and many other things to help. In both these cases, if more support was needed, the individuals would probably have had to go to assisted living (or maybe even nursing homes).

My aunt offers another story of help and support from others. She lived in a high rise in New York City for many years among a small network of friends, who offered each other various types of help when needed. As she aged, her network got smaller as people died and moved away, and ultimately she had much less support. Her children were in different locations, and when she needed more regular help, she ultimately moved to independent living near one of her children and then to a nursing home. Her network was like an informal version of the Village Movement today. The Village Movement involves neighborhood organizations where older people band together to help each other, often on a volunteer basis. This type of organization helps people stay in their homes longer, but it is not a substitute for regular care.

One other aspect of my aunt's story provides an interesting twist on volunteering. My aunt fell and broke her hip while still in her apartment and nowhere near family. For many, many years she had volunteered in a neighborhood hospital. She was brought there by ambulance. One of the hospital administrators, who had known about her volunteer work for years, oversaw her care and kept in contact with the family. Her contacts from the years of volunteering became a support network.

I have friends living in senior communities, including both independent living with some higher-level care options available, and in CCRCs. One friend decided to move when her home of 40+ years got too difficult to manage. She had been widowed nearly 10 years earlier, but was finding that coping with stairs, home maintenance and snow was too much. She was able to find a community a few blocks away, allowing her to continue all her prior activities in her old neighborhood. Another friend observed that if you move into a new CCRC or community, you can build up a new support network there. I believe it is possible to build up support networks within any type of community where people are in close contact and where some are healthy and active.

One of my friends greatly appreciates the value of the CCRC when individuals have limited mobility, and even more so after an adverse event. His wife who had severe mobility issues was able to

live a very good independent life in the CCRC for a number of years. She then suffered a fracture. After the fracture she had to be moved from bed to wheelchair with a lifter, and then stay in the wheelchair. She also needed diaper changes at that point. Because they resided in a CCRC and had a Type A contract, she could be moved to their excellent skilled nursing facility. Medicare would not have paid for her skilled nursing, so there would have been very large expenses without the CCRC. She may need skilled nursing for a long time.

People I know have decided what facility to use for many different reasons, including recommendations from friends, nearness to family, whether or not the facility allowed residents to bring in outside help, and other issues as indicated in the table above.

My friends also reported challenges in managing the health care of residents. Facilities varied with regard to the type and quality of professional care provided on-site. Sometimes it was very inconvenient or impractical to take residents out for medical care—this is a consideration in evaluation. It is very possible that there will be a change in physicians when an individual enters assisted living or a nursing home. Later it may be difficult to change physicians if the resident is not satisfied with one on-site.

### **Related Research Findings**

The 2013 Society of Actuaries Risks and Process of Retirement Survey explored several issues that are central to the discussion in this paper: likely caregivers in retirement, likelihood of staying in one's home, and expected reasons for leaving your current home (Society of Actuaries 2013). The survey looks at two samples, retirees and pre-retirees. Respondents are between ages 45 and 80. Retirees have retired from a primary occupation. Exhibit VI shows that the most likely caregiver is a spouse or partner, especially for a man. The second most likely caregiver is a child or stepchild, especially for a woman. Results are not separated by marital status, except there are separate results from the sample of retired widows.

**Exhibit VI  
Likely Caregivers in Retirement \***

	Pre-Retirees		Retirees		Retired Widows
	Male	Female	Male	Female	
<b>Your spouse/partner</b>	63%	44%	67%	51%	NA
<b>A child or stepchild</b>	31	45	30	35	49%
<b>A paid caregiver in your home</b>	15	15	17	25	34
<b>A paid caregiver in a facility</b>	8	10	11	9	17
<b>Another family member</b>	8	8	7	8	11
<b>A friend</b>	4	5	2	3	6
<b>Don't know</b>	10	10	6	11	14

\* Responses to question: "Suppose you, yourself needed caregiving (in retirement). Who do you think would realistically be most likely to provide the care you needed?"

Source: Society of Actuaries 2013

Exhibit VII shows that most people prefer to stay in their homes. Other data show that 18 percent of pre-retirees, 36 percent of retirees and 40 percent of retired widows had already modified their home or moved to a new home to make it more suitable as they aged.

**Exhibit VII  
Importance of Keeping Primary Home in Retirement \*  
(percentages of those who own homes)**

Reason for wanting to keep primary home	Pre-Retirees		Retirees	
	Very important	Somewhat important	Very important	Somewhat important
<b>Stay in a place that time has made comfortable and familiar</b>	42%	36%	55%	30%
<b>Use the money from your home as an emergency fund, if necessary</b>	24	38	20	36
<b>Leave your home as an inheritance to your children or other family members</b>	23	23	24	24

\* Responses to question: "How important is it for you (and your spouse) to keep your primary home so that you can . . ."

Source: Society of Actuaries 2013

The funds from a home could be used as an emergency fund through selling and downsizing, through selling and renting, or through use of a reverse mortgage. The home can be used as an inheritance designed to reward family or others who have provided care. The survey did not explore this issue further. It is unclear from the national experience so far under what circumstances reverse mortgages would be a good idea.

The survey also asked respondents about 10 possible reasons they might want to move from their homes. Most respondents chose more than one reason, and of course the trigger for moving will

depend on circumstances at the time. The preferred reason for moving among pre-retirees and retirees was dealing with a situation that had become difficult. Among retired widows, the top reasons were different, with more emphasis on reducing expenses and improving their living conditions.

**Exhibit VIII  
Reasons for Leaving Current Home \***

	<b>Pre-Retirees</b>	<b>Retirees</b>	<b>Retired Widows</b>
<b>Reduced responsibility for upkeep and maintenance</b>	77%	74%	63%
<b>Health or physical disability</b>	76	78	58
<b>Changed needs if you lose your spouse/partner</b>	75	78	NA
<b>Reduced housing expenses</b>	75	61	71
<b>More suitable layout</b>	70	60	70
<b>Better climate</b>	61	45	76
<b>Better access to services/transportation/support</b>	56	52	70
<b>Being closer to family</b>	59	51	63
<b>Better access to friends or activities</b>	52	42	69
<b>Tapping into the equity in your home</b>	47	38	77
* Responses to question: "Which of the following do you think might be reasons why you eventually leave your current home?"			

**Source: Society of Actuaries 2013**

### **Interesting Questions and What I Learned Should I Move and Where Should I Go?**

As indicated by the research, for many people, the first choice is staying where they are—they do not want to move. For others, moving is a dream because they want to live in a warmer climate, near family, or at a place where they can do their hobby more.

As also indicated by the research, there are many possible reasons for moving. Sometimes there is little choice. Stairs are a problem in some cases. In others, it is just much easier to move. When people move, there are many considerations as discussed below. Support can be integrated with housing—one of the major topics of this paper. When support is needed, one of the big decisions is whether an option should be chosen that integrates support with housing. The decision will be based on needs, preferences and resources—a very personal decision. The Society of Actuaries Decision Brief [Where to Live in Retirement](#) provides information about considerations.

Location is a very important issue, and climate can be a huge consideration. Some people get to really dislike ice and snow. For people with mobility or balance issues, ice and snow can be treacherous and mean that they feel trapped. People with certain health problems just ache in cold. Some people

move or become snowbirds because of cold weather. This can become a big issue if the family is no longer nearby after a move. In some cases people ultimately go back to be near the family, particularly if they need more help.

Where support is needed, that will be a consideration in staying or moving. The majority of support is provided in the home, on an informal basis, by family and friends. There are also a variety of market and community-based services that can be obtained to supplement informal support. Caregivers can be hired to come into the home. The CMS publication, [Your Guide to Choosing a Nursing Home or Other Long-Term Care](#), outlines such services and how to find information about them (Centers for Medicare and Medicaid Services, 2013).

### **Are Senior Communities a Good Place to Live?**

For many people, yes. Age 55+ communities and communities with more seniors but without support services are often lower cost than housing in many urban areas. For people who are social and like the activities involved, they may have a very good quality of life. The community does not need to be high-end for a good quality of life, and for people who like to volunteer, middle-market communities may be very good. Communities with support services come at a considerable price and mean giving up one's independent home for living in a community. Senior communities vary in what they have to offer. Some offer independent housing units (like townhouses) as well as units in apartment buildings. Some offer only apartment buildings. They may offer activities, meals, security, transportation to selected areas, some housekeeping, and some care. Those that offer activities, meals, transportation, etc. may have a lot of structure. Some people like such structure and others do not. One of the people I talked with reported that a family member became increasingly unhappy with the structure in the community where she was.

Some communities with a lot of seniors and some apartment buildings may be viewed as naturally occurring retirement communities. The activities and support networks found in some retirement communities may be found there as well, but probably not to the same extent.

The people surrounding one in a senior community are all elderly. Active living housing communities for 55+ may include a wide range of ages, with many younger seniors. But independent living, assisted living, and nursing facilities generally have much older populations and more women. What is a good choice depends a great deal on personal circumstances, support systems including individual current and expected future needs, as well as desires, resources and match of personal style to degree of structure.

### **Are People Happy in Senior Communities?**

My mother and I had several conversations about this when she was in an independent living facility. Our conclusion was that most of the people who had made their own decisions to be there were quite happy, but it was a very different story for people whose family members had decided they should

be there. The people who were there because of someone else's choice were much more likely to be unhappy and to be women living alone.

Couples where one person needs help may be quite happy to be in a place where that person can get the help yet they can stay together. The match of activities and the other people in the community to personal preferences are important.

### **What Financial and Other Issues Should Be Considered?**

When moving to any type of senior housing that includes support services, there are a variety of questions to be asked with regard to the financial structure, nature and quality of support, lifestyle, and fit of the community. Earlier in the paper, considerations in evaluating CCRCs were discussed. This is a broader list of questions, and they have been grouped.

#### Questions with regard to location, lifestyle and personal fit

- Why might I want to move, and would such a move address my issues?
- How much will I need to downsize and will I be comfortable in the living space?
- How will I feel living so close to many people?
- Why is a supported environment a better choice than a rental apartment or a condominium?
- What other options are available? How do I compare them?
- Where do I want to live?
- What are the location and surroundings like?
- What family and support system do I have, and does this move help me utilize the support system I need today?
- Does the location have good transportation for me?
- Does the location fit my preferences about climate and lifestyle?
- Are the people who reside there people I would like to be with? Are they interesting and would they make stimulating companions?
- Will I be able to have the pets that are important to me?
- Which of my prior activities can I continue?
- Do the activities and opportunities for outside activities fit my needs and preferences?
- Is there access to religious activities that fit my preferences?
- What will I need to give up to move there? How much will I have to downsize?

#### Questions about health care and services

- What support services are included in the regular fees?
- What additional services can be provided and what will they cost?
- Can the facility provide the services that I expect to need?
- Is moving to this location compatible with getting the medical care I need? Can I still access my doctors? If not, am I satisfied with what is available in the local area? What is available on-site or nearby?

- If the arrangement includes assisted living and skilled nursing, are there adequate beds? What will happen if a bed is needed and not available on-site?
- Are home health and physical therapy services available on-site? Are they Medicare-approved? Are they competitive?
- If I need more assistance in the future, what options are there without a major move?
- Are the services provided compatible with my objectives?

#### Questions about ability to stay in facility if situation changes

- If I want to leave, is there a good exit strategy?
- Will there be financial problems if I decide I wish to leave?
- Under what financial and other circumstances (if any) can a resident be asked to leave?
- Is there a trial period during which most of the entrance fee may be refunded? How would the refund be determined?

#### Questions about quality and stability of facility

- What information do I have about quality and about complaints?
- What do I know about the staff? How much staff turnover is there?
- What is the financial condition of the facility? Are there “backers” who can provide added funds if needed?
- Are there any potential problems with debt refinancing?
- What is the current occupancy in the facility and how does that affect its finances?

#### Questions about regular charges

- Are the costs, financial arrangements and contract acceptable?
- What is the monthly charge?
- What is covered by the monthly charge, and what are the additional charges for extra services?
- How often does the monthly charge increase, and what is known about likely increases? What is the history of the charge over the last five years?
- Are there any circumstances where help may be provided for people who are no longer able to make payments? How likely is it that help will be available when needed?
- Is there a requirement to maintain long-term care insurance? If so, how is it integrated into the arrangement?

#### Questions about entrance fees

- Is there an entrance fee and how much is it?
- If there is an entrance fee, how much is returned on leaving while alive, and are there conditions attached?
- If there is an entrance fee, how much is returned on death?
- If there is an entrance fee, how financially stable is the organization, and what would happen if it got into financial problems?

## General questions

- If additional help is needed, can a helper be brought in? Are there limits on using outside helpers?
- What happens when one member of a couple dies?
- What food service is provided, how is the food, and what are the arrangements with regard to food? Do they fit my needs and preferences?

When considering these questions, one should expect to make trade-offs.

## **What Are Some of the Risks in a Senior Community with an Entrance Fee?**

I spent many years involved with actuarial work, first for insurance companies, then for pension plans. My traditional view was that if a single premium financial security arrangement is sold, then actuarial reserves should be set aside to pay future benefits. I learned that there is an entirely different custom in CCRCs and other housing communities, and reserves are entirely different from those set up for single premium annuities and life insurance policies.<sup>xxiii</sup> The entrance fees can be used to meet current financial obligations, and one of the key issues with regard to future success is to have adequate occupancy.

I also was accustomed to state regulation of insurance, and learned that there is no similar regulation of these entities. They are subject to different types of regulation.

For CCRCs that provide a promise of future care, part of the buy-in is like a single premium long-term care insurance policy. One of the key issues is how many people need care and what level of care. The cost of care is also a key lever. From the viewpoint of the individual, if care is not satisfactory or available as needed, that also becomes a major problem.

Not-for-profit CCRCs may be financed through tax-exempt bonds and any communities can have debt. Interest rates are very low today, and they can easily rise in the future. The debt service—both interest and principal repayments—flows through to the costs financed out of buy-in amounts and monthly payments received. If there were significant changes in interest payments at the time of a loan refinancing, that could be a big problem. It could be a huge problem if a loan could not be refinanced.

Experience with long-term care insurance in the last few years has indicated that costs have far exceeded expectations. Carriers have exited the market, and, in addition, premiums have increased much more than anticipated.

My discussions with professionals who have worked with CCRCs have not calmed my concerns. One person questioned whether many CCRCs will be viable in the future, and whether the model will work. Another indicated that there are problems looming for these organizations that often they may not expect. Some of the references listed reinforce my concerns. Clearly some CCRCs have had problems, and in some of these situations, residents have had trouble. It is unclear to me how often that has occurred.



One of my friends pointed out that some facilities that include a nursing home which must accept Medicaid patients potentially face certain challenges. Governmental budget difficulties are such that reimbursements are likely to stay below costs, and may even drop relative to costs. That can lead to higher costs for other patients, or a decline in service.

### **Is It Important to Be in a Place that Offers Multiple Levels of Support and Care?**

It can be very convenient and helpful if you do not have to “figure it out” when you or a family member happens to need care. The transition may also be much easier if family members live in the same area. Often family members are heavily involved in figuring it out. For people without family support, it can be more helpful if it has been figured out in advance. (However, it is always possible to have conflict with the facility over what is appropriate care at a given time.)

A support system is extremely valuable and important when you need help, even if care is provided professionally. When family members or the support system are dispersed, it may be important for the individual needing more care to move. It also may be that the personal choices made early in life, particularly earlier in retirement, have people in a place that is not optimal for the support needed later. For example, my mother retired and lived many years in the location where she spent the years before retirement, with many connections and activities there. However, as she gradually became sicker and frailer, she disconnected from those activities and it became much more important to live near children who could offer support. Moving twice, once when she went to assisted living and again when she went to the nursing home, meant that she was near the best support system at the time. In that case, being able to select the appropriate facility and moving was very valuable.

I also have become aware of people who needed help and moved to be near or with family members who could help them. I also know many parents who moved to be nearer adult children and grandchildren, not generally because of care needs at the time.

My opinion is that a local support system at the place where one gets care or help is extremely important. Even if care is provided on a fully paid basis, it is still important for one to have an advocate for their needs and care. It obviously becomes much more important where family or friends are providing care.

### **Is It Smart to Move into a Senior Community or Facility that Requires an Entrance Fee?**

There are many independent living 55+ communities where one can buy a house that can be resold the same as any other house. This is a decision related to buying a house and that house should be considered as any other housing option. In such situations, houses are sold based on market value. The house is an asset if owned at death.

Other senior communities require an entrance fee, which can be non-refundable or partly refundable if an individual moves. There may be further conditions on the refund, such as the resale of the unit. There might be some residual value at death or there might not. They also have monthly fees that are much higher than the monthly fee would be in a condominium or the rent would be in an

apartment. My assessment with regard to these options is that they may offer a very good “lifestyle choice” and good care and support. My view is that a household who wishes to make such a choice should have a viable alternative and exit strategy if needed. This may be a very good choice when the household has enough resources to move out if the community goes bankrupt or if it becomes important to move for other reasons. However, if making this choice completely locks one in, then I question the choice.

The situation is further complicated because the monthly charges in the communities increase periodically (normally annually), and there is no guarantee with regard to future increases. Someone who does not have the resources to pay the monthly fees in the future could be forced to leave the community, and in that process forfeit some or all of the entrance fee plus the value of any health care pre-payments included in monthly charges already paid (i.e., actuarial reserves that theoretically should be set aside). In the community I looked at, there was a fund to help people who later were in need, but the contract said that people could be asked to leave. The research I did several years ago and recently shows only limited awareness of these issues. The Kiplinger article (Laise, 2013) and the National Senior Law Center article (National Senior Law Center, 2009) raise the issues. The experts I informally talked with pointed out the fund would provide a solution only if few people needed help. If there were more, and if economic conditions became difficult, then the provisions of the contract might be enforced and people without resources would be asked to leave.<sup>xxiv</sup> In such a case, a planner told me she thought that religiously based communities were less likely to stick to the contract.

My experience with pension plans and retiree health benefits indicates that large organizations can change their philosophy and how they deal with people mid-stream. The uncertainty about future monthly charges is another important reason to have resources to fall back on in the event living in the facility does not work out. In summary, this issue suggests to me a need for caution.

### **What Other Issues Came Up in My Research?**

Various community-based services exist to help people who want to age in place, although I do not have experience with them. Senior centers, senior day care and meals-on-wheels are three examples. Area agencies on aging are probably a good resource to locate services in a specific area. Some employee assistance programs may also offer help. Religious organizations and churches also offer facilities and services for the aged or homebound.

Elder care consultants with local experience can be very helpful in dealing with most of the problems discussed here, and sometimes can pay for themselves by helping reduce other costs. When the problem is not urgent, a local support group can be useful for studying and comparing alternatives at no cost. To find such a consultant or group, one can use personal referrals or search online.

Another issue that came up is that family members involved in caregiving and helping to manage care may also be involved in helping people deal with their stuff. One of the people I interviewed indicated that her parents had a great deal of stuff. A lot of work was needed to sort and figure out what to do before their house could be sold. This was happening at the same time that her parents needed care, help with doctor’s appointments, oversight of assisted living issues, etc.

Although I did not find good comparative information for consumers, I did find several locator websites that directed me to facilities in a given area. I also found a report on the top 100 not-for-profit systems, aimed more at investors (Zeigler, 2013b).

## Conclusions

Housing is the largest expense in retirement. Housing that integrates with support is more expensive. Location is critical in determining access to family, friends, activities of interest, and support. This paper explains some insights gained from personal experience as well as research to help people make better choices. My summary of key insights is as follows:

- There are very good options for the affluent. Options are much more limited for those with little money.
- Be very careful about paying entrance fees. They involve risks that may not be clear at the time of making the payment.
- Entering a CCRC often means making a major financial commitment without having all the facts.
- Decisions about housing and support choices are very important.
- Be prepared for the potential of a next move. Even if one believes that a choice will be good for the rest of their lives, and even if multiple levels of care are provided, there may still be circumstances where another move is very desirable.
- The best choice brings together considerations of preferences, support needs, access to family and friends, resources, quality of the particular arrangement, and location.
- The market is evolving. Individual facilities change over time. The needs of each individual also change over time.
- Many people will not have the resources to support their ideal choice and must make trade-offs.
- Moving to housing that builds in support services often involves major downsizing and reductions in living space.
- Access to family and others who can provide support is often very important. If one is expecting help from family, it is important that all parties have the same expectations and that they are realistic.
- Inability to communicate by telephone changes the options that are viable. There is a huge variation in people's ability to communicate and the media they can use. Communication ability changes over time.
- Managing medication can be a huge issue, and can create problems for those who can't handle it well.
- Be prepared for multiple transitions to be needed at unexpected times.
- People need better resources to help evaluate options. There is no well-established process for evaluating all the issues, and some issues are difficult to understand.<sup>xxv</sup>
- Staff and staff turnover are important factors in evaluating alternatives.
- Some of the potential challenges are hard to predict.

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<sup>i</sup> While the majority of Americans receive care and support at home provided largely by family and friends, these stories are about people who chose to use a senior residence where there is support and/or care provided. The majority of people prefer to stay at home, but a move may be needed if there is not a family caregiver available, or if the amount of care needed is too intensive.

<sup>ii</sup> A CCRC is a retirement community that provides lifetime housing, social activities, and increased levels of care as one ages. It is part independent living, part assisted living and part skilled nursing care, accommodating residents' changing needs. It normally requires an entrance fee and monthly charges.

<sup>iii</sup> She did not live near any of her four children, who lived in three different states.

<sup>iv</sup> Technology has changed since the experiences with my mother, and will change more. It is important to check on the most recent technology as assistive devices have improved and new options may emerge. Computers have various options available to make them easier to use.

<sup>v</sup> Two stories were shared with me. In one case, a parent's medication was changed while they were in the hospital, but when they returned to the assisted living facility, the facility was not properly informed of the change, creating problems with the patient receiving the wrong drugs. In another case, an individual had difficulty in coordinating their parent's insurance with the medications provided by the nursing home. The nursing home had its own ideas about which drugs it wanted to use.

<sup>vi</sup> A friend who is a CCRC resident commented that many of the newer residents in his CCRC first had moved to the area to be near family and then to the CCRC.

<sup>vii</sup> It should be noted that ability to move to a facility depends on meeting their entrance requirements, availability of space, and financial issues. Many of the facilities have requirements with regard to health status and support needed. Some facilities have waiting lists. Individuals relying on Medicaid have much more restricted access to care. Some facilities require people to leave if their care needs grow and exceed what can be provided.

<sup>viii</sup> This is written from recollections and some notes made in the past. Not all facts have been checked and ages are approximate. Some additional information is added based on comments and experiences of friends who reviewed the draft. Story is structured to bring out key learnings with regard to care.

<sup>ix</sup> Individuals will vary as to whether they continue to use computers. Of five friends I have who are living in senior facilities, four are regular email users. One does not use computers at all. One of the four is having increasing difficulty with computer use, probably due to cognition issues.

<sup>x</sup> Whenever there is support for money management, there is the potential for fraud. Care should be taken in choosing who will offer help in money management. Checks and balances are helpful. In our family, financial management was split between an investment adviser and two siblings who periodically discussed the result, and the results were also under scrutiny from the tax adviser. We were fortunate that this was not an issue for us. Fraud and scams can be a problem with outside caregivers who come into the home, with vendors who sell services, with advisers, and with family members. A lot of diligence is needed.

<sup>xi</sup> One person reported that nursing homes vary as to whether they would permit the family to provide personal care supplies including diapers and special food. While they had experience with one that permitted them to bring such supplies, another did not. The second nursing home supplied them but charged a very high price.

<sup>xii</sup> Two of my contacts reported doing a family member's laundry at home, and that others also did this.

<sup>xiii</sup> While laundry service is provided in some facilities, some of my friends reported that personal clothing often was lost or damaged, so they chose to launder personal clothing at home.

<sup>xiv</sup> The Commission on Accreditation of Rehabilitation Facilities (CARF) offers a Consumer Guide to Understanding Financial Performance & Reporting in a Continuing Care Retirement Community. In my view this guide does not deal with some of the longer-term issues that can create financial challenges.

<sup>xv</sup> The admissions process typically includes both financial and health underwriting. The facility wants to be sure that the individual has adequate financial resources so that they can be expected to pay charges as due. They also want to be sure that the individual is unlikely to need long-term care too quickly.

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<sup>xvi</sup> Unpublished data supplied by a friend.

<sup>xvii</sup> The Society of Actuaries study Segmenting the Middle Market-Phase II, has defined middle affluent Americans as the population segment in the top 25 percent but below the top 15 percent, based on wealth data from the 2010 Survey of Consumer Finances. Median middle affluent couples may be able to afford minimum CCRC entrance fees, but median single middle affluent individuals would not be able to afford these fees.

<sup>xviii</sup> Zeigler CFO Hotline: Resident Monthly Fee Increases, 2013, based on an October 2013 poll. This is a survey of not-for-profit senior housing to discover fee increases. Zeigler is a financial and investment banking firm with a leading presence in the not-for-profit senior housing market.

<sup>xix</sup> The GAO report referenced in this paper includes information about the number of CCRCs by state, and the state agency used to regulate CCRCs. Regulatory patterns include insurance regulation, public health regulation, secretary of state regulation, social services regulation, human services regulation, health regulation, finance regulation, consumer affairs and elder affairs regulation, and no regulation. The number of CCRCs by state vary from 1 to 189 (GAO, 2010). The GAO also found major variation in the stringency of regulation by state. Of eight states analyzed in more detail, three required regular actuarial valuations.

<sup>xx</sup> The disclosure statement for one CCRC in North Carolina included this language: *“Provider declares that it is the intent of The Village to permit a Resident to continue to reside at The Village if the Resident is no longer capable of paying the prevailing fees and charges of The Village as a result of financial reversal occurring after occupancy, provided such reverses, in Provider’s judgment, are not the result of willful or unreasonable dissipation of the Resident’s assets. In the event of such circumstances, Provider will give careful consideration to subsidizing the fees and charges payable by the Resident so long as such subsidy can be made without impairing the ability of Provider to operate on a sound financial basis. Any determination by Provider with regard to the granting of financial assistance shall be within the sole discretion of Provider.”* (The Village at Brookwood, 2013, Disclosure Statement page 24).

<sup>xxi</sup> Questions to Consider When Evaluating Continuing Care Contracts, National Senior Citizens Law Center, <http://www.nslc.org/index.php/questions-to-consider-when-evaluating-continuing-care-contracts/>, 2009.

<sup>xxii</sup> Shaky Finances of Continuing Care Retirement Communities. <http://www.nextavenue.org/article/2012-01/shaky-finances-continuing-care-retirement-communities>, Next Avenue, PBS, 2013.

<sup>xxiii</sup> I do not have information about typical reserve practices, or regulatory requirements. My understanding is that they vary by jurisdiction and that they are much less strict than the types of requirements applied to insurance products and companies.

<sup>xxiv</sup> See earlier endnote that includes language from one CCRC disclosure on support for those in need.

<sup>xxv</sup> The LeadingAge Zeigler report of the top 100 systems offers information about the major systems and their characteristics and also about accreditation and bond ratings. It is helpful for investors looking at financial information but is not designed to help consumers understand if there is a fit. The Commission on Accreditation of Rehabilitation Facilities offers the Consumer Guide to Understanding Financial Performance & Reporting in Continuing Care Retirement Communities: <http://www.carf.org/financialperformanceccrcs/>.