Continuing-Care Retirement Communities Not for Everyone

By Wesley E. Wright and Molly Dear Abshire, as published in the Houston Chronicle Senior Living Section on August 20, 2008.

In recent years, Continuing Care Retirement Communities ("CCRCs") have emerged as an increasingly attractive care option for seniors. These entities are sometimes also called Life-Care Communities or Life-Care Facilities. CCRCs differ fundamentally from assisted living facilities and nursing homes in that they require the resident to enter into a long-term (or lifetime) contractual arrangement. CCRCs are often affiliated with religious groups or fraternal orders, and membership in those organizations may be required. They have the distinct advantage of allowing the senior to age in place. For example, the resident may begin in an independent living arrangement, progress to assisted living, and ultimately require care equivalent to that provided in a nursing home. CCRCs also provide a sense of security and community, with a variety of social and recreational activities available.

But CCRCs are not for everyone. They usually require a substantial "entrance fee" (similar to a down payment), plus monthly fees, to cover the anticipated costs of care. Depending upon the resident's health at the time he/she signs the contract, the entrance fee may range anywhere from $20,000 to more than $400,000. Monthly fees may range from a low of $200 to a high of about $2,500 and more. Some contracts allow the senior to purchase an ownership interest in the CCRC, while others do not. It is important to note that contracts for CCRCs involve long-term (not short-term) commitments.

The best candidates for CCRCs are those seniors who are well-off, who are relatively healthy and independent when they sign the contract, who do not wish (or are unable) to maintain their homesteads, and who enjoy participating in activities with their peers.

One problem with CCRCs is that the entrance fee that is paid may disqualify the resident for future Medicaid benefits. The federal Deficit Reduction Act of 2005 ("DRA 2005"), effective February 8, 2006, tightened up many Medicaid eligibility requirements. The statute specifically addresses CCRCs. It provides that the entrance fee paid to the CCRC is a countable asset for Medicaid eligibility purposes if all of the following conditions are met:

(1) The resident can use the entrance fee to pay for his/her care;

(2) Any portion of the entrance fee that has not already been used for the resident's care is subject to be refunded upon the resident's death or his/her discharge from the CCRC; and

(3) The entrance fee does not give the resident an ownership interest in the CCRC.

If the above conditions are met, the amount that is counted for Medicaid eligibility purposes is the original entrance fee paid to the CCRC, less the amount of that fee that has already been spent on the resident's care at the time of the Medicaid application. Because Medicaid applicants are allowed only $2,000 in countable assets (although an additional amount may be protected for a spouse who remains at home), the entrance fee can easily disqualify the resident for Medicaid.

Thus, while CCRCs can serve a useful purpose, they may or may not be appropriate for you.

Tom Begley, Jr., a nationally recognized Elder Law attorney and co-author of Representing the Elderly Client, without commenting on any particular CCRC says that if bankruptcy of a facility occurs, it is a real problem because many seniors sell their homes to pay the entrance fee. His recommendations are:

1) Try to select a facility that has been operating for at least 7 years

2) Have an accountant review the sponsor's financials before signing the contract.