

Choosing a Continuing Care Retirement Community (CCRC) – Advantages and Pitfalls

By Steven Smith / October 27, 2021

Managing life-stage transitions is an essential component of good financial planning. Late life planning – for a time when you need help with everyday tasks on account of either physical or cognitive decline – can be a special challenge. One increasingly popular choice is the Continuing Care Retirement Community (CCRC), which provides both housing and services throughout the transition from independent living to acute nursing care, all on one campus. In this article, we introduce the various options, then drill down on how to assess the practicality of a CCRC for yourself or a loved one.

The [book](#) “Caregiving Done Differently: A Commonsense Approach” is an excellent resource for caregivers (typically family members) to help navigate the entirety of the transition.

Various Alternatives

Aging-in-Place. In some locations, there is the growing ability to “age-in-place” – to stay in your home through all life stages. [The Village Movement](#)– communities of residents banding together to ensure the availability of services nearby – has grown dramatically in recent years. A Denver based non-profit called [A Little Help](#) has spearheaded the movement in Colorado, and now sponsors satellite

communities throughout the state. The availability of these kinds of resources can relieve some of the pressure from highly stressed “family caregivers.”

Independent Living. When remaining at home is not a good choice, there are a number of stand-alone “modular” opportunities. For the younger and more active senior, there are independent living communities, with limited services, but lots of activities and opportunities for socialization. Generally, this arrangement requires no upfront cost and is paid for on a monthly rental basis.

Assisted Living. The next level includes “assisted living” facilities, which typically provide a variety of services, from dining room served meals, physical therapy, assistance with hygiene and a limited amount of health care, including some level of nursing.

Skilled Nursing Home. For the most aged and infirm, there is the nursing home; which provides 24/7 skilled nursing care. These facilities are generally for people who have either had a significant health event and who are attempting to get well enough to return to a more normal life, or who are unfortunately very near the end of life. If you are indigent, Medicaid pays for nursing home residency in this country.

When taking the modular approach, you might have to research several different facilities – at different stages of your life – and then move from one to another when the existing facility no longer meets your needs.

The Integrated Solution

An antidote to this kind of disruption is the integrated *Continuing Care Retirement Community* (CCRC), which has [all](#) of these options (plus

memory care) all in one building or on one campus. This can be an attractive option. But because of the financial commitment to obtain admission and remain a resident for the remainder of your lives (spouses typically enter these communities together) a good deal of due diligence is required to vet and choose the right facility.

There is no formal definition of a CCRC. When you buy into a CCRC you are essentially paying for four things: 1) a home, 2) health care and feeding 3) a variety of physical, social and recreational amenities and activities and 4) the contractual ability to receive whatever level of care you need (including skilled nursing) for the remainder of your life.

The average age for entrants into CCRCs has crept up in the last decade from the mid-70's to the early 80's.

How Do You Fund It?

About half of people over age 65 will need some sort of paid long-term care. Increasingly, this kind of care is received at home. But the older and frailer you are, the more difficult and expensive that becomes. The long-term-care [dilemma](#) is a perfect example of the “flaw of averages.” Which half will you be in? Here are [100](#) “must know” statistics about long-term care.

Top level, it costs about \$50,000/year to live in an assisted living facility and about \$100,000 year for private pay nursing home care. And, if you need it, the average nursing home stay is about 2.5 years. Dementia care can run twice this amount.

There are essentially [two ways](#) to pay for long-term care: 1) some kind of insurance policy or 2) self-funding. However, long-term care insurance premiums continue to rise and the coverage is increasingly difficult to obtain.

Rubik's Cube of CCRC Payment Choices

The one thing that sets a CCRC apart from the other senior living arrangements is a substantial up-front payment. In some cases, in some parts of the country, this can be into seven figures.

Broadly, there are four types of residency contracts:

Type A (Full Life Care): Residents pay an entry fee and a monthly fee that is guaranteed not to increase more than the rate of inflation as your level of care escalates. There are a number of permutations on this type of contract, including levels of refundability. This functions as a form of late-life-purchase of long-term care insurance; but limited to this one facility. Generally speaking, the non-refundable upfront portion of the entry fee that provides the price guarantee (which may be structured as a separate contract) is tax deductible as a medical expense and may ameliorate the financial burden, for example, by sheltering a significant otherwise fully taxable withdrawal from an IRA. Further, once assisted living is entered, a portion of those monthly fees may be tax deductible, as well.

Type B (Modified Life Care): Residents pay an entry fee and a monthly fee that may increase; but not to full market rates.

Type C (Fee-for Service): Residents pay an entry fee (or sometimes not) and a monthly fee that increases along with the level of care.

The monthly fees vary depending on the size and style of your living unit.

As an example, *Casey's Pond* in Steamboat Springs is a typical, relatively new facility. (Not making a recommendation or endorsement here; it just happens to be in our beautiful Colorado mountains and

publishes their fee schedule.) You can study their [pricing](#) options to get a feel for the calculus. They offer a choice of either a Type B (Advantage Life Plan) or Type C (Choice Life Plan) contract.

Equity Model: This is an increasingly rare structure in which residents own their home or a share of the community.

Do Your Homework – Top Concerns

Cost. Assuming the CCRC lifestyle is attractive to you, the first question is determining whether your personal financial resources can support the entry fee and monthly expense for the 10 – 20 years you may be living there. This can only be accomplished by crunching the numbers.

Maze of Regulation. The nursing facilities component of a CCRC, like all nursing home providers, is subject to a mix of state and federal regulation. Remember, skilled nursing home and rehabilitation services are paid for by [Medicare](#) (the medical insurance program for Americans over 65) **only** for short periods following hospitalization. Medicaid (the state administered, jointly funded program for low-income people) pays for nursing home care **only** for people who have exhausted their assets.

Nevertheless, Medicare and Medicaid combined, pay for more than half of the total amount spent on nursing homes annually. So they are [highly regulated](#) via [state surveys](#) and licensing to make sure that the homes follow the maze of federal regulations.

If you're considering a CCRC, be sure to check the quality of the skilled nursing facilities in the complex.

Range of Choices. According to this [website](#) (which may or may not be accurate), there were 29 CCRCs in Colorado at last count. And, of course, thousands more around the country.

[MyLifeSite](#) contains nationwide community profiles of CCRCs based on 50 different data points.

[A Place for Mom](#) is a nationwide network of commission compensated Senior Living Advisors to [assist](#) you in finding a facility.

Financial Stability. Given the magnitude of the resident's upfront commitment, a key consideration is the facility's financial ability to keep its promises. These are multi-million dollar businesses, with many moving parts. The financial management of a CCRC is a serious matter with [multiple challenges and risks](#) that should be vetted before signing a contract and moving in.

Some CCRCs are organized as for-profit businesses. Others are non-profit. As in the rest of the health care world, it's not clear which is the better and more durable model.

A Checklist

This [article](#) provides a good overview of some of the questions you should ask of both yourself and the facility when considering a CCRC. I suggest engaging a knowledgeable attorney to review the contract and a savvy MBA or CPA to review the financial statements of the facility. And here is a [checklist](#) we have developed to keep track of your due diligence, which you can modify for your own purposes.

Good financial planning calls for anticipating the inevitable changes of life. Examining your options for a Continuing Care Retirement Community or other late-in-life care facility can lead to peace of mind

when the time comes to make these important decisions for yourself or beloved family members.

MISSION WEALTH IS A REGISTERED INVESTMENT ADVISOR. 00862817 02/26