Over the next 25 years, the number of seniors in North Carolina will double. North Carolina ranks third among the states for in-migration of retirees, and the majority of these retirees are seeking an active, independent lifestyle with support services they will need. While it is true that an overwhelming majority of older adults live in a community without the benefit of any formal services or support, it is also known that over one-third of the 65 and older population will have at least one disability and will experience functional loss increase with age, requiring them to seek assistance at some point.

Continuing care retirement communities (CCRCs) offer a long-term care option that incorporates various levels of health care and related services in addition to providing independent housing, usually offered in one location. For the most part, they are designed for older people who are still independent, in reasonably good health, and can afford to pay an entry fee and a monthly service fee in return for a place to live and access to various levels of care for the duration of their lives. The amount of entry fee and monthly fee paid is usually reflective of the contract type, size of housing unit, refund policy, and inclusiveness of services (particularly health care).

In 1989, North Carolina enacted a statute (General Statute Article 64 Section 58) that defines continuing care as “furnishing to an individual other than an individual related by blood, marriage, or adoption to the person furnishing the care, of lodging together with nursing services, medical services, or other health related services, under an agreement effective for the life of the individual or for a period longer than one year.” Not all states regulate or monitor CCRCs, and there is no federal legislation regulating CCRCs. However, North Carolina does, and the regulatory body that oversees this long-term care option is the North Carolina Department of Insurance.

While some may believe that CCRCs are a fairly recent phenomenon, the reality is that many CCRCs across the country have been in existence for decades, with a handful in existence for over 100 years. In 2009, Kathryn Brod, senior vice president and director of research for Ziegler Capital Markets, and Harvey Singer, principal NIC-REDMARK economist, presented the “National CCRC Listing and Profile Findings.” In their presentation, they explained that approximately 1,860 entities across the country fell within the general definition of CCRC, 82% of these were not-for-profit, and approximately 37% to 44% were single site. The majority have some type of faith-based origin or affiliation and some are aligned with colleges and universities. The alignments do not necessarily indicate some form of financial support. Approximately 25% of all CCRCs are not affiliated with a faith group or any sponsoring organization such as a university.

North Carolina is home to 57 CCRCs that fall under the state’s definition. The oldest CCRC in North Carolina opened in 1913 and eight more were in operation by the 1960s. Eleven opened in the 1970s, 22 in the 1980s, 10 in the 1990s and, at the time of this writing, five additional CCRCs were developed since 2000. In North Carolina 85% are not-for-profit, with the majority operating as single site operations.

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The original continuing care communities grew out of a need to provide a modest but secure retirement living option for aged ministers, missionaries, and/or single or widowed women. The idea behind the original concept was to pool all the assets of individuals when they entered the community and augment them with charitable funds. While the practice of individuals turning over all assets has stopped, this common misperception still exists. However, the concept of pooling resources is still the underpinning philosophy of many, but not all, CCRCs, in that it presents an insurance-like risk-sharing option by tailoring services to individual residents, placing them in a coordinated care system, keeping them as independent as possible, providing support as needed, and spreading the cost over the entire community. The model maximizes the use of individual resources and minimizes their reliance on government entitlements, particularly Medicaid. For many CCRCs, the contract stipulates that residents who unexpectedly run out of funds are protected by the assurance that no one would be asked to leave because of financial hardship. For many individuals, the components of “aging friendly” housing, coordinated health care, and financial security provides peace of mind while they continue to enjoy an active and quality lifestyle.

Most CCRCs in North Carolina tend to have all three levels of care, or at least independent living with some type of nursing provided directly on their campus. Independent living is the level where most individuals enter a CCRC. Very few communities have only independent living units. Those communities that do not have an onsite health care center are defined as a CCRC if they have a formal arrangement with an outside health care facility to provide services for their contract holders. The other two levels of service traditionally offered by CCRCs are assisted living and skilled nursing. Assisted living provides support for bathing, dressing, taking medication, and other daily activities, but not 24-hour nursing care. The next level, skilled nursing, is the highest level of care that most CCRCs offer. It provides 24-hour nursing care for those with significant chronic illnesses, needing rehabilitation services, or recovering from a hospital stay.

Comparing CCRCs can be quite complex. Through the years, the types and pricing of CCRCs, as defined by their contracts, has evolved. The earliest type of CCRC to be developed is known as a Type A contract, referred to as the All-Inclusive. In this particular arrangement, an individual or couple pays a one-time entry fee, must be capable of independent living, and, after taking occupancy, pays a monthly fee. These combined fees cover housing, all residential and health related services, and unlimited days in assisted living or skilled nursing. In general, no additional fees are required as needs for services increase, including a move from an independent to a care facility.

The Type B contract, referred to as the Modified Plan, also requires a one-time entry fee and an ongoing monthly fee. Like the All-Inclusive, the monthly fee includes housing, all residential and health related services, and guaranteed access to nursing care. However, the overall cost of assisted living or skilled nursing is shared between the organization and the individual. CCRCs of this type usually offer a certain amount of “free days” in nursing care and offer a per diem discounted rate. Modified contracts vary tremendously as far as the financial responsibility and the amount of services that are covered by the basic monthly fee. This type of contract has seen the most growth over the last 10 years and offers a shared risk option for both the organization as well as the individual. In these first two types, it is expected that applicants are able to pass a health screen.

The third type, known as Type C, or the Fee for Service Plan, also includes a one-time entry fee. The monthly fee includes housing, some residential services, and guaranteed access but requires individuals to pay full market per diem rates if health care facilities are needed. In North Carolina, Type A, B, and C contracts are all present.

In the mid 1990s, the field introduced the Type D, or the Rental Plan. These are communities in which the individual or couple does not pay an up front entry fee, and the monthly fee is strictly based on a basic set of services. All additional services require an added fee. It is a type of a la carte contract. Access to health-related facilities varies greatly, and the contract does not have to be annually reinstituted. In none of these contract options does the individual purchase real estate.

The last emerging type of CCRCs that the field is seeing is known as the Type E, or the Ownership or Equity Type contract. Equity contracts involve an actual real estate purchase with the transfer of ownership of the unit. In this particular arrangement, as opposed to a contract that provides housing and services, the independent living unit is purchased on a cooperative ownership basis. Usually a very modest package of services is attached to a monthly fee, and all additional services are purchased at market rate as needed. Health-related arrangements vary significantly.

Just as the contract type and services vary considerably, so do the financial arrangements. Most CCRCs require some type of financial screen to ensure that the prospective resident is able not only to meet the entry fee but also the anticipated monthly fee and other fees that might apply. Not only do contract types affect the amount of entry fee, but also the size of the unit. Independent accommodations can range anywhere from efficiency/studio apartments all the way to free standing homes/villas. Another determining factor is the type of refund that is offered. Typically, the higher percentage of refund that is offered to an individual, the higher amount of entry fee paid. Refund policies range from no refund, reflecting 18% of the CCRCs in North Carolina, to those that offer full refund. Communities may choose to offer several options as far as refundability. According to calculations based on the Department of Insurance reference guide, 65% of North Carolina communities.
offer more than one option. Entry and monthly fees also vary based on the type of unit and the amount of services offered. Therefore, in North Carolina when one looks at the entry fees that are currently being charged by communities, the range varies anywhere from zero to over $890,000. Communities that include current and future health care as part of the monthly fee obviously have significantly higher monthly fees than those CCRCs whose health care offerings are the sole responsibility of the individual. Some CCRCs are based on actuarial principals, meaning that the entry fee is amortized over the life of each individual, rather than taking it in as expendable income. Therefore, one can readily see the comparison of CCRCs from a consumer standpoint is not a simple matter and goes way beyond just comparing square footage, amount of entry fee, and the stated monthly fee. It is a significant financial investment, and when evaluating the options, one should be aware of the numerous legal and financial aspects as well as the organization’s or owner’s past business record and experience in providing this type of service.

In the state of North Carolina, the Department of Insurance requires that every CCRC provide the consumer with a disclosure statement at the time or prior to any transfer of money and prior to entering into a continuing care contract. This document goes into detail about the corporate structure, board of directors, services and fees, major policies including types of refund and how deposits are secured, audited financials, five-year projections, status of reserves, and an actual copy of the residence and service agreement. Careful review and understanding of this document is one of the most important steps in analysis, and yet it is a step that is often overlooked by many consumers. Copies of all current CCRC disclosure statements are available for viewing of the office at the North Carolina Department of Insurance or at their website, http://www.ncdoi.com. Because of the complexity of pricing structures and the long-term commitment, consumers are encouraged to seek professional advice from attorneys or accountants prior to signing any contract for continuing care.

In 1985, the Continuing Care Accreditation Commission (CCAC) launched the first voluntary accreditation process for CCRCs. This was in response to the growing consumer concern over the need for standards to be adopted by organizations to help inform decisions and make appropriate comparisons. CCAC was acquired by the Commission on Accreditation of Rehabilitation Facilities (CARF) in 2003. It remains the country’s only accrediting body for CCRCs and other aging service networks.

Continuing care is not an option that appeals to everyone, and for some it is beyond their financial reach. However for those who are planning for the future and seeking out the various long-term care options, CCRCs can be very attractive and more affordable than previously thought.

REFERENCES