FINANCiAL fitness

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Understanding Your Payment Options for Continuing Care Retirement Communities

A Continuing Care Retirement Community is a type of retirement community that offers several levels of health care on one campus:
- Independent Living for residents who do not need personal assistance
- Assisted Living for residents who require a little help with the activities of daily living
- Memory Care
- Skilled Nursing and Rehabilitation (both short and long-term)

While some retirement communities offer one or more services to meet challenging health care needs, only one type offers them all: Continuing Care Retirement Communities (CCRCs). The most expensive of all long-term-care options, CCRCs require an entrance fee, as well as monthly charges. Entrance fees (an upfront sum to prepay for care as well as to provide the facility money to operate) can range from $100,000 to $1 million. Monthly charges can range from $2,000 to $5,000, but may increase as needs change. These fees are dependent on a variety of factors including health, the type of housing chosen, whether you rent or buy, the number of residents living in the facility, as well as the type of service contract. Additional fees may be incurred for other options including housekeeping, meal service, transportation and social activities. The American Association of Homes and Services for the Aging, a national organization which represents 5,700 senior housing facilities, has classified three common types of CCRC contracts:

Life Care Contract: This is the most expensive option because it offers unlimited assisted living, medical treatment and skilled nursing care without additional charges. Under a life care contract, a resident typically pays an upfront fee and an ongoing monthly fee in exchange for the right to lifetime occupancy of an independent living unit and certain services and amenities. Residents who require assisted or nursing care may transfer to the appropriate level and continue to pay essentially the same monthly fee they had been paying for independent living.

Modified Contract: This contract offers a set of services provided for a set length of time. When that time expires, other services can be obtained, but for higher monthly fees. A resident typically pays an upfront fee and an ongoing monthly service fee for the right to lifetime occupancy of an independent living unit and certain services and amenities. However, under this type of contract, a CCRC is obligated to provide the appropriate level of assisted living or nursing care to residents of independent living units, as in a life care contract, but only for a limited period of time at the independent living rate (e.g. 30 – 60 days).

Fee-For-Service Contract: Under this type of contract, residents who require assisted living or nursing care pay the regular per diem rate that directly admitted residents pay; however, they may receive priority admission or guaranteed admission for those services.

Continuing care grants residents convenient access to most of the services that they require, all in one place. With the exception of a Fee-For-Service Contract, the cost of those services is included in the fees they pay under their contract. The Internal Revenue Service has provided guidance that allows residents of life care communities to take a medical deduction for the portion of their monthly fee and their entrance fee that is determined to be allocable to the organizations obligations to provide medical care.

Today, seniors have more choices than ever regarding how to live out their final years. They are attracted to the idea of continued independence and the ability to make their own decisions about their future care needs. Equipping themselves with knowledge regarding their options for payment, is an important part of being able to select the contract type that is most appropriate for their situation.

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Sandy Carlson has over 20 years of wealth management experience including income taxation, retirement planning, executive compensation planning, insurance, banking, trust administration and estate planning. She is a Certified Divorce Financial Analyst™ (CDFA) and also holds the QKA designation by the American Society of Pension Professionals & Actuaries. She is President of the Financial Planning Association, a Tax Instructor in the CFP Program at Queens University, and is a member of the Charlotte Estate Planning Council. Sandy values getting to know her clients and providing creative, integrated solutions for accumulating, preserving and transferring wealth.