



The Senior Living Business – PAST, PRESENT, and FUTURE

Jim Haynes and Gerard Hyland¹

SUMMARY

The business model for homes and services for elders has significantly evolved over the years and continues to change. Initially, such homes were operated as charities by faith-based or fraternal organizations. During the 1950s and 1960s, the business model of “Continuing Care Retirement Communities” (CCRCs) first became available. That model has evolved and continues to evolve. We describe some of the recent changes and issues leading up to today and take a preliminary look ahead.

WHAT IS A CCRC?

NaCCRA uses the term CCRC to describe those residential communities for elders that provide, under one management, facilities for (a) independent living, (b) assisted living, (c) memory care, and (d) licensed skilled nursing, with all care levels always located on one campus. Having all levels of care at one site gives residents continuity, confidence, and peace of mind as they age. For the rest of their lives, they will remain in a familiar setting close to spouses and friends, engaged (as long as they are able) in the activities in which they find joy and fulfillment.

Residents sign up expecting to live the rest of their lives at their CCRC, typically for a decade or more. They commit a substantial amount of their assets to pay the Entrance Fee (typically hundreds of thousands of dollars), plus paying monthly fees comparable to or exceeding the market costs for housing, food, and supplied services.² Most of these CCRCs operate as not-for-profit charities under IRS regulations. Historically, if a CCRC registered as a 501(c)(3) with the IRS by committing to the provision of three levels of care—-independent, assisted, and skilled nursing—through the end of life whether or not a resident is able to afford care. Significantly, the Residency and Care Agreements are known to give a final determination on the care of a resident, including whether or not the CCRC is capable of caring for the resident, to the Executive Director or Chief Executive Officer of the CCRC.³ In other words, the commitments made by the CCRC to the IRS and to residents may not be enforceable by the resident.

THE EVOLUTION OF CCRCs

For more than 150 years, faith-based organizations and fraternal societies have provided homes for the aging. During the 1960s, the current business model for Continuing Care Retirement Communities (CCRC) became more common, in which residents typically paid an entrance fee plus monthly payments. This amount was expected to cover the lifetime costs of their care. The early CCRCs were also called “Life Care,” and offered what was, in effect, lifetime long-term care insurance built into the Residency and Care Agreement.

Many faith-based organizations offered these facilities to their members. Prospective residents moving into a Life Care CCRC operated by their faith-based organization had an alignment of interests and values with the providing

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² Dan Seeger, Chair, Financial Soundness Committee, *Financial Soundness Handbook for Residents and Prospective Residents of CCRCs*, January 2022, p. 7.

³ Katherine C. Pearson, Dickinson Law, Penn State, “Unilateral Attempts to Change Scope of Services in Continuing Care and Life Plan Communities.” Elder Law Prof Blog, June 3, 2021.

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organization. For CCRCs used by a fraternal organization, there was a similar alignment of interests and values. Residents were among kindred spirits, and they knew the management shared their values.

These faith-based and fraternal organizations were well-intentioned, but as time went on and conditions changed, their fee structures were not always sound. In the early 1980s, financial problems at several CCRCs led to a hearing by the U.S. Senate Special Committee on Aging, titled “Life Care Communities: Promises and Problems,” held on May 25, 1983. CCRCs, especially Life Care facilities, greatly benefit from the application of actuarial science, which became widely available at that time, and the actuarial projections became essential. Since then, CCRC management companies and investors have gradually moved away from the full Life Care model, a trend that continues. Many current CCRCs still require a large entrance fee but provide the services at “market prices” so that if a resident requires more costly care, the resident pays the market price for that care at the time it is needed. The CCRCs still are classified as not-for-profit charities by the IRS.

During and following the Great Recession of 2007–2008, there were a series of spectacular CCRC bankruptcies. On July 21, 2010, the U.S. Senate Special Committee on Aging held another hearing on the financial troubles of CCRCs, titled “Continuing Care Retirement Communities (CCRCs): Secure Retirement or Risky Investment.” Not long after these hearings, the Great Recession became the Great Recovery, and the trend was on high-end CCRCs and away from resource-intensive skilled nursing.

Around the same time, NaCCRA formed a Financial Soundness Committee

to study the CCRC bankruptcies.

The Committee, under the current Chairmanship of Dan Seeger, has recently issued two reports. The first report is *Consumers’ Guide to Continuing Care Retirement Communities*. This is a guidebook for those seeking a CCRC and those living in one. The second report is the *Financial Soundness Handbook for Residents and Prospective Residents of CCRCs*⁴: Policies, Procedures, and Issues, prepared especially for members of resident finance committees and other engaged CCRC residents.

During the 2010 annual meeting of the American Association of Homes and Services for the Aging (AAHSA) in Los Angeles (concurrently with NaCCRA), AAHSA celebrated, with great fanfare, the coming of an unprecedented explosion in the aging population – spurred by the pending retirement of 78 million Baby Boomers. AAHSA noted that the Baby Boomers would present severe challenges to providers of long-term services and support. The aging of the U.S. population would also give consumers and providers an unprecedented opportunity to create a consumer-responsive service and support system that would meet the individual preferences of older citizens while facilitating healthy aging for all. To lead the way, AAHSA changed its organization name to LeadingAge.

By 2019, it was evident that non-profit CCRCs had not been making the expected changes. These CCRCs gradually lost market share to for-profit independent/assisted living facilities, as was noted in the NaCCRA publication, *CCRCs from 2010 to 2019 – A Missed Opportunity*.

SKILLED NURSING AND CCRCs

Many CCRCs are moving away from the full Life Care model and away from complete on-site skilled nursing services. A CCRC without skilled nursing does

⁴ Continuing Care Retirement Community, also called a Life Plan Community

not meet any definition of a CCRC. A CCRC without on-site skilled nursing lacks a unique advantage of the CCRC model over a simple independent living/assisted living facility, namely integrated and complete resident care through the end of life. The other implied advantage of truly non-profit, faith-based facilities is that they offer a setting whose values and interests align with those of the residents. Today, many CCRCs that are faith-based organizations exhibit little of the values of the faith-based organization. In recent years, the role of the faith-based organization has become a hybrid, partly as a donor but also partly as an investor, legitimately seeking a return on its investment. Not-for-profit CCRCs inherently require entrance fees for their equity financing. For-profit facilities have investors for their equity financing, and most do not require entrance fees, although some do have entrance fees, and others might charge a “community fee.”

Although many CCRCs do not have skilled nursing, there are some CCRCs, usually large ones, where management has concluded that licensed skilled nursing is an integral part of the services they provide to residents. They have extensive, robust skilled nursing facilities. They usually have a Medical Director, if not one or more physicians on staff or under contract to provide on-site medical services to residents. Some CCRCs have also affiliated with nearby medical centers to facilitate a smoother transition between the CCRC, skilled nursing, onsite physician, and hospital. Other CCRCs are meeting the nursing services component by contracting with a separate, off-site nursing facility, usually to provide priority admission. This is a significant departure from the CCRC model.

THE FUTURE OF CCRCs – EXPANSIONS AND ENTRANCE FEES

As we see it, the non-profit CCRC industry failed to meet the needs of the Baby Boomer generation and objectively has lost market share to for-profit service providers. The small growth of the non-profit CCRC sector has occurred via the expansion of existing CCRCs. Too frequently, these expansions have caused a substantial increase in debt with a relatively small increase in capacity and occupancy. The result often is angst for the existing residents as they worry about the CCRCs’ ability to pay off the debt without raising existing residents’ fees.

When residents enter a CCRC and provide their entrance fee, most residents expect that they are funding their future care and that the funds will be conservatively invested for that purpose. Seldom do new residents realize they

are providing the CCRC with a source of equity funding. Their entrance fees are being “invested” in a somewhat speculative real estate transaction when the expansion occurs. This is not the type of investment a retired 80-year-old would typically make with their entrance fee funds. This trend continues.

THE FUTURE OF CCRCs – SKILLED NURSING SERVICES

Recently, NaCCRA Board Members have been researching patterns in skilled nursing care at CCRCs and in general across senior living facilities. COVID-19 has given impetus to much innovation in skilled nursing facilities’ design and operation. These innovations typically move toward clusters of smaller 6-to-12-person facilities with individual rooms connected to common areas for kitchen, living, and dining rooms. The idea is to provide separation for infection control while encouraging small-group socializing. One such innovative design is the Green House Project.⁵

The National Academy of Sciences, Engineering, and Medicine has recently published a 577-page report on nursing homes/skilled nursing, *The National Imperative to Improve Nursing Home Quality: Honor Our Commitment to Residents, Families, and Staff* (2022).⁶

The skilled nursing industry is currently unbalanced and requires significant adaptations. The medications and technologies available to treat patients provide even better care and patient outcomes. At the same time, the Centers for Medicare and Medicaid (CMS) continually raises the bar on care standards and reporting requirements while actively working to hold down costs, creating an ongoing tension. The number of skilled nursing beds is declining, and the professional nursing staff available to provide care is insufficient. The challenge is providing good skilled nursing care to all who need it.

In 2016, LeadingAge recommended that its members adopt the term *Life Plan* to replace *Continuing Care Retirement Community*, based on a marketing study of prospective residents.

We observe that a 2016 survey of prospective CCCRC residents likely included mostly Baby Boomers born after 1946 who are just now considering CCRCs. Most residents of CCRCs are members of the older “Silent Generation” born during The Great Depression and World War II. Our parents, and those of us in the Silent Generation along with them, have characteristics suffered through hardship, deprivation, homelessness, hunger, insecurity, and death

⁵ See <https://thegreenhouseproject.org/>

⁶ Source: *The National Imperative to Improve Nursing Home Quality* (<https://nap.nationalacademies.org/read/26526/chapter/1#xxv>)

of family members who did not return from WWII that distinguish us from the younger Baby Boomers born after World War II. In general, the Silent Generation, influenced by their own and their parents' experiences during The Great Depression and World War II, have a stronger preference for the security of continuing care than the younger Baby Boomers.

Whether Silent Generation or Baby Boomer, CCRCs offer the new resident attractions that nicely support an active lifestyle. Most prospective residents concentrate on the apartment specifications, dining room, gym, library, rooms for activities, the grounds, etc. They typically give little thought to the assisted living or skilled nursing facilities, even though they plan to live in the CCRC through the end of life. Living in a CCRC through the end of life means a substantial probability of needing memory care, assisted living, or skilled nursing. If skilled nursing is needed, the stay could be a few days for acute care and rehabilitation following hospitalization or one or more years for skilled nursing and medical care.

"CCRCs exist for one reason—to serve the needs of our residents," according to the American Association of Homes and Services for the Aging" (now, LeadingAge).⁷ Today, too many residents have the feeling that their CCRC exists to serve management. If the licensed skilled nursing facility is too much of a challenge to manage, management eliminates it. The outlook for the traditional CCRC of the 1990s is uncertain.

NaCCRA's Board has established a Strategic Planning Committee chaired by Jim Fennessey and a Bylaws Committee chaired by Wade Taylor. If you would like to voice your views on this article, offer suggestions, or have a discussion, we would like to hear from you. We would also like to hear from residents whose CCRCs have eliminated on-site skilled nursing and how residents were compensated for its loss. We are opening up a NaCCRA Forum for Members Only at "Trends in Onsite CCRC Skilled Nursing" for these purposes. ■

⁷ David Erickson, Vice President for Legal Affairs, Covenant Retirement Services on behalf of the American Association of Homes and Services for the Aging (now, LeadingAge) in testimony before the U.S. Senate Special Committee on Aging on July 21, 2010, p. 2.



Residents As Villagers

Jack Cumming ~ Carlsbad By The Sea

Almost without exception, CCRCs are communities of older people living together in a home they don't own. Most of the governing rules are made by others. That community, owned and run by business managers, is not a Village, but residents can form one to gain some self-determination.

Having a Village can enhance CCRC living and bring relationships into the larger community, much as a senior center can in a municipal context. CCRCs, Villages, and senior centers are not mutually exclusive. They overlap to enrich the experience of aging.

The term "Village" has come to apply to grassroots organizations formed by neighbors "who want to change the paradigm of aging," to cite the Village-to-Village Network, the national organization supporting the rapidly growing Village movement (<https://www.vtvnetwork.org>).

As the organization's website declares: "Villages

Become a Member

Join online at nacra.com.

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Go to Member Signup—top right of any page on our website.

We are the only nationwide organization that advocates, educates, and collaborates for and with residents in CCRC/Life Plan communities.

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¹If you live in a state that is affiliated with NaCCRA and is using its expanded and optimized system, you are now included in our National database and your state dues are included. This arrangement makes both the State and National organization better able to serve you.

build a sense of [belonging] and offer resources, services, programs, and activities, including social and educational programs, health and wellness activities, and volunteer assistance with [technology and more]. The Village Movement originated in Boston with Beacon Hill Village, leading the way for a more economically efficient model for aging.”

Supplementing your Resident Association with a Village that residents and others can join (or not) and associating with the Village-to-Village Network supports your marketing department by connecting with the larger community beyond the walls. The Village is a mutual support and benefits organization.

The Network’s website includes materials to help shape your Village to be the pride of your local region. Every Village, including yours, can be and will be unique to the needs of your members. Your Village will be what you and your fellow members make it.

There may already be an established Village near you, which you can determine from the Network’s website. Ilene Henshaw, AARP’s Director of Strategy Integration, observed, “Villages are instrumental in helping people remain... independent in their communities.” The Network offers groups of individuals in the exploration stage of starting a Village an Opportunity Membership for just \$175. Membership provides access to the Document Library, discussion Forums, Webinars, Toolkits, mentors, and other resources. The Village 101 Toolkit is a good starting resource.

Taking this simple step can elevate the prestige of your community in the surrounding region, give residents a resource to improve the value of residency, and make a difference in the lives of future residents and others who are growing old, as we all are. ■

Composting to Build Soil and Divert Methane

Buck Lawton ~ Seabury

In 2022, with a generous gift from the Seabury Charitable Foundation, Seabury became the first senior living community to acquire an EcoRich 300 commercial composter, enabling Seabury to turn food waste into compost that replenishes the soil. Each week, up to 2100 pounds of organic waste can be fed into the machine, resulting in 210 lbs. of compost. The compost is then used on the gardens and lawns throughout Seabury.

As Seabury residents begin to compost their food scraps, Seabury plans to expand the program to Seabury at Home members and staff. Eventually, Seabury hopes to compost additional organics, including garden waste. Residents are provided with materials to support their participation in composting. Care is taken to recommend appropriate collecting and transporting of scraps to trash rooms. It is collected every 48 hours by housekeeping staff.

Composting is considered a key strategy to reduce methane and carbon released into the atmosphere. It enriches soils, increasing the ability of soil to store carbon through more effective gardens and lawns. ■

NaCCRA Website Information

Click on the Member Login button on the top right of any page on naccra.com. If you have forgotten your Username and Password, click on the “Forgot Username/Password” link. Check your email for a link to reset your password.

After login, you will not be asked again for your username or password except in special circumstances. Click on Member Login to access the member portion of the website.

NaCCRA Strategic Planning Work – Bending the Quality Arc

Jim Fennessey ~ Oak Crest

The most recent IRS Form 990 prepared by NaCCRA describes NaCCRA's work as:

National Continuing Care Residents Association (NaCCRA) provides education and information to members on topics relevant to continuing care retirement communities (CCRC). Members are informed of issues impacting living in a CCRC, such as changes in federal [and state] laws or regulations. NaCCRA provides opportunities for CCRC residents to share information between communities and state associations.

For our strategic planning work, "topics relevant" includes the wide variety of "Life Plan Support and Care Packages" currently available, including classic CCRCs, plus the many emerging variations and extensions, broadly defined, and selected topics related to health, engagement, and quality of life affecting all elders.

Some Core Planning Questions about NaCCRA's education and information work include

Question	Notes for consideration
What Topics and Modes?	Topics: <ul style="list-style-type: none">• Financial and governance – patterns and practices• Managing business sustainability and risk• Service packages and contractual variations• Quality and value – measuring and improving• Business and industry organizations and evolution• Other relevant stories and commentary Modes: <ul style="list-style-type: none">• Educational resources such as reference documents, how-to guides, histories of relevant situations• News on current events and trends, surveys and ratings, statistical databases• Discussions and networking on topics of shared interest
How Gather and Deliver?	Gather from: <ul style="list-style-type: none">• Residents and Other Recipients• State Residents Associations• Subject Matter Specialists• Industry Journalists and Leaders• Government Sources Deliver via: <ul style="list-style-type: none">• NaCCRA Newsletter• NaCCRA Website• NaCCRA Online Document Libraries and Data Repositories• NaCCRA Forums• Curated Statistical Reports• Conferences and Conversations – in-Person and Online
Who Our Audiences and Sources?	<ul style="list-style-type: none">• Residents• Other Service-Package Recipients• Industry and Government Stakeholders• Others?

We base our work on an overall framework for Planning and Quality Assurance:

- State and Federal laws and regulations provide a “floor” ... the minimum acceptable practices for developers, owners, and providers-operators.
- Residents and other stakeholders play critical roles in quality and value assurance.
- Shared actionable information, readily available to consumers, is the key to success.
- We (NaCCRA) work on identifying, defining, highlighting, and promoting (a) Good industry systems and practices and (b) Best industry systems and practices.

We focus mainly on systems and practices by operators-providers and real estate developers and relevant activities by other players in the industry. We draw on the lived experiences of residents and their families and the experiences of other recipients of support and care packages. We are residents ourselves, and we approach the work from that perspective.

As an organization, we collaborate when practical, negotiate when appropriate, and advocate when necessary. We recognize that systems and practices for elder support and care are rapidly evolving and adapting. We maintain an ongoing strategic planning activity to help us set directions for the organization and respond to future developments as they occur.

As residents, we seek to “bend the arc” of progress in this area to benefit all stakeholders, especially residents and other recipients. If you have any suggestions or comments, please email jimfennessey@hotmail.com. ■

Please feel free to share your copy with a fellow resident or your administrators. Your comments, suggestions, and article submissions are invited.

Is My Voice Being Heard?

Dave Bayer ~ John Knox Village

Several months ago, our local newspaper, the South Florida SunSentinel, had a lead editorial titled “Make Your Voice Heard in Tallahassee.” The gist of the article was that, despite travel obstacles and pandemic worries, it’s always important to communicate with our representatives in our state capital. The editorial did a good job of explaining how to do that. I’ve tried writing letters or sending emails a few times in the past to my state representative or senator, but usually I don’t get an answer, or the one I get is a non sequitur. Of course, once they have my contact information, I’ll get requests for donations forevermore!

So, what to do? Can one voice really make a difference? Well, for the residents of LifePlan Communities like John Knox Village in Pompano Beach, Florida, making their voices heard at the state level is especially important because that’s where most regulations that pertain to those communities are generated. Our Florida State Legislature has 160 members (120 Representatives in the House and 40 in the Senate). Term limits for the Representatives are four terms of 2 years each. For Senators, it’s two terms of 4 years each. There are also some 3,000 lobbyists in Tallahassee. They, of course, are not term-limited. In that situation, making your voice heard and presenting your case in Tallahassee can be problematic.

Recognizing this problem and knowing that there is strength in numbers, a group of residents from Indian River Estates, a LifePlan Community in Vero Beach, got together with a few other communities to form the Florida Life Care Residents Association (FLiCRA). This happened in 1989. Since then, FLiCRA has grown and flourished. FLiCRA currently has over 13,000 members in 58 licensed LifePlan Communities throughout the state. FLiCRA is a resident-led association whose sole purpose is to ensure the residents’ quality of life in their communities. They do this mainly by providing the method to ensure that the residents’ voices are heard in Tallahassee.

How does that work? Our Legislature meets in a 60-day Regular Legislative Session each year. FLiCRA has a formal process for taking positions on legislative proposals. There can be over 2,000 bills filed during a typical session, and, through a small staff in Tallahassee, FLiCRA monitors those bills that might

continues



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Is My Voice Being Heard?

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impact residents' quality of life. In January, FLiCRA was already tracking over 100 bills for the 2022 legislative session.

FLiCRA knows that taking a position on a specific bill is a serious matter and follows a strict set of criteria. Occasionally, FLiCRA takes a pro or con position. In many cases, however, a neutral position is warranted. The association has been well served by "picking its fights" and not taking positions for media attention. When and if there is a need to do so on a specific bill, however, FLiCRA's Board of Directors issues a "Call to Action" to its members. These Calls explain the issues and provide guidelines for making their feelings known in Tallahassee.

A few Life Plan Communities around Florida also have Legislative Committees as part of their Resident Councils. This is the case at John Knox Village. When a Call to Action is issued, FLiCRA and our Legislative

Committee work together to enable our fellow residents to communicate in various ways to ensure that the folks in Tallahassee hear us. It should come as no surprise that, with a large portion of some 30,000 residents in Life Plan Communities in Florida speaking with one voice, our success rate is very high. The good news is that these Calls only happen every 2 or 3 years. The better information is that over the past 20 years, legislative actions that have either been initiated or supported by those Calls to Action have saved an average of over \$8,000 per LifePlan Community resident per year.

Meaning no disrespect to the SunSentinel, because its editorial on making one's voice heard in Tallahassee hit the nail on the head, it is even more powerful when many of a group of 30,000 voters speak with one voice on a matter that is near and dear to their hearts, minds, and wallets. This is our government, after all, and they need to know that we care, we are watching, and although we may not make campaign contributions, WE DO VOTE. Thank you, FLiCRA!