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Elder Law Guys: What is a continuing care retirement community? And, is it for me?

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A continuing care retirement community is a somewhat complex senior living option that offers an array of housing and health care options. The options include residential, or independent, living; assisted living/personal care; and skilled nursing services, or a "continuum of care," usually located on a campus setting.

Such communities provide these living levels generally under a contract for the life of a resident, with each having its own financial requirements for entry. Those allow residents to live in the same community even as their health care needs change.

While financial considerations are obviously important, the socialization aspects of being surrounded by others — especially if you are active — are also a major consideration.

With over 13.6 million older folks living alone — 9.3 million women and 4.3 million men — and, with 46 percent of women age 75 and older living alone, overcoming the potentially extreme negative effects of social isolation can be as important as having relatively easy access to higher levels of care. A retirement community can offer a wide range of attractive social engagement opportunities.

If you've seen one such community, you've seen one community, as the olde Slovenian proverb says.

They do vary in size and scope of services offered. The U.S. has almost 2,000 continuing care retirement communities. In Pennsylvania, about 286 are licensed by the Pennsylvania Insurance Department. Forty-one are in the seven-county southwestern Pennsylvania area, with 27 in Allegheny County.

Let's look at the most common agreements, which are based upon how potential health care needs are to be covered:

Type A, "Extensive" — You will pay a onetime entry fee, usually based upon of the size of the unit you will be occupying. In addition, you will pay a monthly fee for the use of the unit and access to the services that the retirement community offers. The entry fee and the monthly fee are essentially a pre-payment of future health care costs and can "fix" these costs at an amount significantly less than if the individual were paying fee-for-service charges for these health care services in the future. These agreements are also called 'life care" agreements. Note, however, that no two agreements are necessarily alike.

Let's assume you paid a $400,000 entry fee and are paying $4,000 a month while living in an independent living unit. Then your health declines and you need to move to either the assisted living/personal care or skilled nursing side of the community. Commonly, you will then be charged some significantly lesser amount; say, $4,500 a month when the actual fee-for-services charges are $10,000 a month for these services.

Type B, "Modified" — Here, you will pay a one-time entry fee like a Type A agreement, but usually a lesser amount. For health care services, you will pay a monthly fee higher than a Type A contract but still at a discounted rate, often 5 percent to 10 percent from the fee-for-service charges for personal or skilled nursing services.

Type C, "Fee for service" — In this type of agreement, you still pay an entry fee, usually the lowest of the three arrangements. However, if personal care or skilled nursing services are needed, you will pay full list price for these services. For example, the average Pennsylvania skilled nursing charges — both urban and rural — are $9,200 a month and in some of our urban areas, up to $12,000 a month.

Practices concerning entry fees can vary widely among facilities. However, the entry fee combined with monthly charges are what provide for future long-term care costs. The entrance fee may or may not be refundable. Here are some examples:

90 percent refundable — In this arrangement, you pay a higher entry fee, but upon your death, 90 percent of your entry fee is refunded to your estate or a designated beneficiary.

50 percent refundable — Here, you pay a lesser amount as an entry fee, but, say, after four years (amortized at 2 percent/month) and, upon your death, 50 percent of your entry fee is refunded to your estate or a designated beneficiary.

0 percent refundable — This model provides the least expensive entry fee. However, after a period of time, say, four years (amortized at 2 percent/month), there is no refund.

The consideration of a continuing care retirement community as a living option is not an easy one. There are many variables to consider.

Some of them are: Can I afford it? From where will my entry fee come — sale of my house, other sources such as my family? Can I medically qualify; am I healthy enough now to be admitted? Will I be comfortable in the new surroundings and with the people living there? Will there be enough for me to do? Do I have qualified people to assist me in reviewing the retirement community's financial statements and resident agreements?

The decision should not be a spur-of-the-moment one. You will probably be living there the rest of your life — at least that's the plan. As to when to consider a retirement community as an option, remember another olde Slovenian proverb: "Better a year too early than a year too late."

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