



CCRC Living at Its Best...

at Carroll Lutheran Village

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Advantages of Living

in a CCRC

Hermine Saunders, Director of Church & Public Relations

(Editor's Note: The following article contains material gathered by Barbara Leasure, Director of Compliance & Education, from a number of sources.)

With the snow of December 2009 and the blizzards of February 2010, perhaps this topic became more relevant than ever! The following article will outline the advantages and benefits of living in a Continuing Care Retirement Community (CCRC) and demonstrate how they apply to Carroll Lutheran Village, a CCRC recognized and accredited nationally by the Commission on Accreditation of Rehabilitation Facilities (CARF) and the Continuing Care Accreditation Commission (CCAC).

Almost always thought of first when looking at the benefits of a CCRC is how such a choice alleviates the headaches of home ownership such as maintenance, landscaping, snow removal, lawn care, etc. All of these things, down to changing a light bulb, are handled by staff or contractors, making the CCRC an excellent housing opportunity when a prospective resident would like to be doing other things.

Perhaps the second reason to choose a CCRC is the safety net system that it provides by having a full continuum of care from independent residential living through assisted living to nursing home care should that ever become necessary. As one's health status changes, it is better to transition within a familiar setting where the services are already known and understood and where friends can keep in touch.

The comprehensive array of services offered by a CCRC make it an attractive housing option as one ages. Even better is that these services can be tailored to individual residents' needs

and preferences. Besides the nursing care available in its own setting, other typical services provided for residents living independently include meals and special diets, housekeeping and personal assistance, scheduled transportation on and off campus, emergency help, to name a few. At Carroll Lutheran Village, doctors, including specialists, practice in the Medical Suite; out-patient rehabilitation services are available as well as in-patient services in the Health Care Center. At the Village, too, monthly fees include meals with choice in dining venues; transportation around campus and within a seven-mile radius; utilities in the apartments; real estate taxes that support the greater community; 24/7 maintenance and security with on-call emergency help; programs in the Wellness Center pool and gym; amenities such as walking trails, entertainment and religious programs.

As is becoming typical of the CCRC industry, such retirement communities usually take a proactive approach to health and all aspects of wellness. Programs at the Village are designed and overseen by a wellness nurse and wellness director with input from the resident's physician to maximize an individual's potential for remaining fit. That program includes a computerized study of one's needs and goals and an individualized plan of water and fitness classes to meet those needs and goals.

By being able to maintain the optimum in health and wellness, the resident of a CCRC often has the opportunity and inclination to explore interests and passions that make life more meaningful. In addition to all kinds

of wellness programming, CCRCs often provide travel clubs and trips, college classes, on-site classes, activities and social events, entertainment programming, volunteering opportunities, etc., that allow the resident to explore his or her creative and spiritual personality. At the Village, a number of residents who never put brush to canvas before during their work life are finding enrichment and fulfillment in their new found artistic ability. These "late bloomers" have never been so happy!

And of course, all these opportunities to spread one's wings can bring the resident into contact with many fellow residents of like interests and talents. The social networking provided in a CCRC setting is not to be overlooked as important to one's total health and well-being. In fact, many studies have shown that persons in a congregate setting where diverse programming opportunities exist actually add several quality years to their life expectancy.

That increased healthy lifestyle can be a boon to family members of the resident. If family members know that their loved one is receiving appropriate levels of support and is also receiving the benefits of a quality life, their lives can be less stressful since they don't have to find ways to take care of mom or dad. They can continue to be involved with their loved one in happier, more pleasant ways. Certainly that is what many older persons want, often expressing that they do not want to be a burden to their family members as they age.

Another aspect of wellness is the spiritual dimension that many CCRCs



*Continuing
a Hobby*



Family Swim

espouse. In fact, a large percentage of CCRCs have a strong religious affiliation, many founded by the nation's largest religious organizations. Church affiliation is often an important factor in quality of life issues facing aging adults and their families and is thought to promote a supportive environment. As a faith-based CCRC, Carroll Lutheran Village is rooted in the Lutheran tradition of strong social ministry to the aging. In fact, it was founded by clergy and lay persons of the Westminster Conference of Lutheran Churches of the Delaware-Maryland Synod of the Evangelical Lutheran Church in America. Its Corporation is comprised of the Lutheran churches of the Westminster Conference and First Lutheran Church, Ellicott City, who own the Village.

Financial considerations also make a CCRC a good option principally because one's financial obligations are set forth in an initial contract. That contract usually involves paying a one-time up-front entrance fee in return for housing and amenities for life as well as a monthly fee that covers meals, services and amenities. While there may be increases to those monthly fees over the years, nevertheless, the resident and the CCRC financial officer have done wise financial planning to assure the resident that his or her future needs can be met.

Often, too, CCRCs advise or even require residents to have long-term care insurance that can help pay for expenses in assisted living and nursing levels of care should they become necessary. Additionally, many CCRCs that are non-profits and/or church affiliated have established endowment funds to financially support residents who have outlived their resources, thereby eliminating the need to move to alternate housing. At Carroll Lutheran Village, during fiscal 2009, 266 residents received \$1.1 million in subsidized care.

Another financial consideration that makes a CCRC a good option centers on estate protection. More and more CCRCs are offering entrance fees that actually return 70% to 100% of that money to a resident's estate. At the Village, for instance, a resident may choose a standard entrance fee that amortizes over eight years, or, a resident may choose a 78% premium on the standard entrance fee that could return up to 90% on the entrance fee. Marketing Office personnel can explain all the variables, but choice is the key.

CCRC living is itself a lifestyle choice. Finding the right CCRC with the philosophy, mission and lifestyle that is compatible with one's own beliefs while allowing one to "soar" is the key to making the right choice, a



*Keeping fit with a
personal instructor*

choice that should last a lifetime. And if one can find an accredited CCRC, like Carroll Lutheran Village with its CARF/CCAC accreditation, then one has found the "best of all possible worlds." Accredited CCRCs meet stringent criteria in areas of finance, administration, resident life, and health care. Residents and community members obviously believe in Carroll Lutheran Village, having voted it the BEST retirement community, BEST assisted living, and BEST nursing home in Carroll County through the local Carroll County Times newspaper since 1999!

Financial Considerations of Moving to a CCRC

Darrell Duggins, VP of Finance

The decision to make a move to a continuing care retirement community (CCRC) involves a multitude of factors not the least of which is affordability. Projecting the true cost of a retirement community over one's remaining life expectancy can be a difficult task even for the most astute financial planner. For the great majority of the aging population, evaluating affordability requires assistance and advice from trusted attorneys, accountants, and insurance professionals. Projecting how finances will play out involves making assumptions about assets, investments, income, and the level of wellness. This article examines some of the cost components and terminology associated with retirement community living.

Types of Fees

In most cases, fees for retirement communities fall into one of three categories. Entrance fees, recurring periodic or monthly fees, and ancillary fees must all be considered and carefully evaluated in order to estimate the total cost of a move to a CCRC. When considering each category of cost, one must also understand the basics of the various contract types



Picking Crabs

available to the consumer. Last but not least, one must explore and understand a CCRC's ability to directly provide or access financial support for a resident who, for whatever reason, exhausts all financial resources.

Most CCRCs require a fairly substantial entrance fee that must be paid in full before the first day of occupancy. Communities that do not require entrance fees are usually described as being "rental" facilities. Entrance fees can vary greatly from community to community, and significant analysis is required to fairly compare them for units of similar size.

Entrance Fees

Entrance fees that are fully or partially refundable are typically higher than non-refundable or fully amortizing entrance fees. In the case of a refundable entrance fee, one should consider the terms under which any refund is paid. In most communities, refunds are not payable immediately upon a resident's move out of the initial residential living unit. Instead, refunds are paid some time after the vacated unit is reoccupied by a new resident who has paid a full entrance fee. Further, many communities have contract terms that defer refunds until the resident ceases to reside in the facility in any level of care. In practical terms, this means that unless the resident leaves the facility altogether, any refund will be paid to a designated beneficiary. Interestingly, most people considering a move to a CCRC tend to view entrance fees in concert with the amount of equity they have in their home, and they view the funding of the entrance fee as coming from

proceeds generated from the sale of their home. Even though most facilities do not allow for a resident to hold an equity position in their residential unit, a refundable entrance fee arrangement does tend to preserve some estate value, and, with the proper beneficiary designation in place, refunds become a means for estate distribution.

It should be understood that the "one time" nature of entrance fees, particularly nonrefundable ones, carries an important cost implication for those considering CCRCs. Specifically, the overall annual cost for the entry fee component becomes lower as the length of residency increases. Stated another way, making the retirement community decision at a younger age could serve to reduce the overall cost!

Monthly Service Fees

Periodic fees are usually billed on a monthly basis and cover a long list of items and services that must be clearly outlined in a contract. It is with this particular "bucket" of cost where the resident must understand the differences between life care (type A), modified (type B) and fee-for-service (type C) contractual arrangements. In their most basic form, life care or type A extensive contracts provide a fee structure that prepays and guarantees future use of a health care component like assisted living or skilled nursing. Fee-for-service contracts call for the resident to pay for services only as they are used. Type B modified arrangements usually provide for some limited future health services rather than a lifetime guarantee.

Determining the advantages and disadvantages of each contract type



can be a challenge. Generally, people who anticipate limited need for extensive and long term skilled nursing care might opt for a fee-for-service arrangement or protect themselves with some form of long term care insurance. In cases where an individual's health history might point to a higher probability for extensive skilled nursing, a life care contract could be an attractive option.

Ancillary Fees

Ancillary fees in many CCRCs cover a host of "add on" charges for extra services that might be needed from time to time. These might include things like housekeeping or personal laundry. Some CCRCs even charge for costs to renovate a residential unit for normal wear and tear.

Carroll Lutheran Village is a type C, fee-for-service community, which means that if a resident needs to move out of a campus apartment or home and into assisted living or skilled nursing that resident signs a new and separate agreement for that new level of care. Two entrance fee arrangements are offered when someone moves into a campus home or apartment at the Village. The most popular one amortizes the entrance fee to a zero refund after eight years of occupancy. The other allows for a refund that

can be as high as 90% of the original entrance fee. Within 60 days of the date that a vacated residential living unit is re-occupied, any entrance fee refund due is paid in full.

The list of services included in periodic or monthly fees is extensive, covering many costs that a prospective resident might overlook when comparing the cost of a CCRC with staying put. Meals, cable television, maintenance, snow removal, property taxes, transportation, access to wellness programs including a pool and fitness center, and even utilities must be considered.

Even with a clear understanding of all of the cost components of retirement community living, affordability will mean different things to different people because assumptions about the future will not only vary from person to person, but change over time as well. Viable CCRCs, like Carroll Lutheran Village, require an applicant to provide an accurate and verifiable summary of assets and income so that the finances of the prospective resident might be assessed and affordable living accommodations determined.

Sometimes, however, even the most comprehensive and conservatively crafted financial forecasts are interrupted by unforeseen circumstances like

premature or expensive medical care or an unexpected drop in investment holdings. What sets a community like Carroll Lutheran Village apart from many others is its dedication to a "ministry of caring" and an endowment that provides direct assistance for residents who, for unplanned reasons, exhaust their ability to pay in full.

You won't find it specifically written in any contract, but this kind of service mandate is fundamental to our existence as an arm of the Lutheran Church. We are challenged to grow the understanding and purpose of the organization among those we serve. As a faith-based non-profit, we continually seek ways to serve our community beyond the normal business model. The understanding of what it means to be called to care for our neighbor and to share our blessings has a direct impact on how we perceive excellence. It is our belief that our faith-based culture is a positive and attractive aspect of community life.

Financial Defense Strategies Must be *Long-term*

Darrell Duggins, VP of Finance

Over the past few years I have discovered that one of the unofficial barometers of the economic climate is the number of finance related articles I receive from the residents of Carroll Lutheran Village. In any given week during the long and deep recession that ended in 2009, it was not unusual for two or three articles, neatly clipped from magazines or newspapers, to find their way into my mailbox. The recession's tentacles reached every enterprise and household in America, reshaping and redefining all of us in some way or another. Now that economic indicators point to recovery, what have we learned, and how will things change in the microcosm of life known as the continuing care retirement community?

There are two key thoughts in the opening paragraph of this article that warrant immediate attention. First, deep and powerful recessions do, without a doubt, cause us to re-evaluate things. During these last few years, we have seen some century old icons of stability stumble and fall, with some even failing to dust themselves off and get back up. Lehman Brothers and General Motors come to mind as the extreme examples that taught us to ask a new catch phrase question about being "too big to fail." On most days during the recession, the business headlines made us feel

uneasy, but choosing a different brand of automobile or a new banking house wasn't necessarily a life changing event for most of us. In our business, however, the Erickson bankruptcy announcement caused us all to sit up and take notice. What did it mean? Were the residents of CCRCs financially vulnerable? Moreover, was there a chance that they might be displaced? Closer to home, what about Carroll Lutheran Village residents?

Building financial viability into an organization is much like developing several lines of defense around the king in a chess game. As those lines are penetrated one by one, the king becomes more vulnerable. Most people have been conditioned to place such a negative connotation around bankruptcy that it has become the media's sensational equivalent of financial checkmate. It isn't. Bankruptcy, even with all of its complication and uncertainty is simply another of those lines of defense that protect against total disruption. The Erickson filing recognizes that the company's obligations are difficult *given the current capital structure and earnings realities of the organization*. Capital infusion, debt restructuring, a positive change in operating income, or a healthy combination of all three are most likely all that is required to get things back to normal. My bet is that Erickson will soon have the pieces put back together and successfully resume development of new retirement communities. Most likely, all creditors of the organization will be paid in full over time.

There is reasonable certainty on this point because projected demand for senior living is certainly not flat or declining. In fact, population studies

indicate just the opposite. Concurrent with the nationwide real estate slowdown over the better part of the last two years, idle capacity has developed in existing senior living facilities even as construction of new capacity has almost ceased. At the same time, little real progress has been made solving medical problems like Alzheimer's and heart disease that prompt demand for senior housing and associated services. During economic downturns, senior consumers are often motivated by need alone rather than the traditional combination of choice and pending need. At some point on the emerging recovery curve, pent up demand will consume idle capacity leaving the industry scrambling to accommodate the coming tidal wave of senior consumers. Trust in this fact. The Erickson people know this. They can't wait to reorganize in time to catch that wave.

Interestingly, it is no accident that the capital infusion Erickson needed has materialized from a private source, and rather quickly. Banks and other traditional creditors have had their own long list of financial viability issues to deal with, and have had little choice but deal with their short-term problems first. In the grand scheme of things, banks will buy their way back into the mix as soon as they get their own houses in order.

Transitioning to a review of Carroll Lutheran Village's financial picture, it is most appropriate to raise the core motivation concept of mission. In the for-profit sector, the underlying premise of every enterprise involves the accumulation of wealth for those who own it. In the not-for-profit sector, the underlying premise is that the enterprise exists to extend a worthy



Enjoying each other's company



Pursuing a dream

mission to all who might benefit. In a faith-based organization, the extension of the mission takes on greater meaning. In a faith-based organization where Christianity is the guiding faith, mission embodies a way of life that is grounded in service. This is what sets Carroll Lutheran Village apart, and we are reminded of it daily.

The fact remains, however, that even Christian-faith-based, not-for-profit enterprises have financial responsibilities. Carroll Lutheran Village has always viewed the accumulated net assets of the organization as a trust fund from God, and it is our collective responsibility to be stewards of that fund in a manner consistent with mission. The long look at the Village's history reveals a steady and methodical pattern of accumulating dollars through both the good wishes of those who donate and through the efficient delivery of quality services to the aging, and then using those dollars to extend services to others. What began as a nursing facility surrounded by a handful of cottages, has grown incrementally over thirty years. At each step along the way, whether it was adding apartment buildings, the venture into assisted living with Diven House, or the major expansion that came with the Wakefield Overlook phase of development, the mission has been the guiding force requiring use of that trust. The short look at

our financial history shows that the trust grew over a period of years to provide the cushion that was sufficient to weather the economic storm of the most severe recession since the early 1900's. It was our first line of financial defense. Our organization met all of its current financial obligations on time and in full during the depth of the recession even though we had to dip into our accumulated net assets to do so.

Our second line of defense, and one that was particularly evident during the recession, came from value pricing that kept our facility full while industry wide, occupancy averages dipped to damaging levels. Most certainly our organization was in a better position than most to raise prices in an effort to blunt the effect of declining margins and investment portfolio devaluations. Double digit price increases were prevalent in the marketplace, and following suit would have been an easy solution but not necessarily one that was consistent with mission. Does it mean anything that, instead, Carroll Lutheran Village elected to improve margins through a series of precise expense reductions?

Another line of defense, and one that many aging services consumers in Maryland have little real knowledge about, is an operating reserve that is mandated by law, which can be accessed in an emergency. A reserve

of this type is simply so prudent that it's actually difficult to understand why it should have to be mandated by law, but some retirement communities would certainly choose to do without it if given the option. Carroll Lutheran Village has fully funded its reserve of \$2.5 million. In addition, our financing structure requires that we have set aside a separate debt service reserve fund of \$3.3 million specifically for the purpose of paying our "mortgage" if operating cash flows are insufficient to do so. Our board has also recognized the need for other cash reserves for things like capital improvements and has funded them in a manner that is both financially prudent and consistent with mission.

These are the basic lines of financial defense at Carroll Lutheran Village. There are others. While the demise of Lehman and GM and the daily dose of news stories serve as notice that diligence is required, the question in our residents' minds shouldn't be about displacement. Instead, it should be more focused on how soon we can return to extending our mission to others. The prognosticators are becoming more and more convincing in their predictions that 2010 will be a year of steady recovery. For me, that means that my mailbox will either be less used or, maybe instead, full of ideas about how we can use God's trust!

CCRC living at Carroll Lutheran Village—the "best of all possible worlds."





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Carroll Lutheran Village is a fee-for-service continuing care retirement community in Westminster, MD, licensed by the Maryland Department of Aging. It is nationally accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) – Continuing Care Accreditation Commission (CCAC). As a member of the American Association of Homes and Services for the Aging (AAHSA), soon to be known as LeadingAge, the Village is also rated a Quality First facility.

The residential living community of the Village consists of 100 homes and 298 apartments with many services and amenities that appeal to discerning consumers looking to “live” their retirement years. Diven House for assisted living features 50 suites of various sizes to accommodate individuals and couples in a residential atmosphere. The 103-bed Health Care Center, providing long-term care, also specializes in Alzheimer’s/dementia care and in rehabilitation therapies designed to return residents to their homes. All levels of care promote health and wellness in all its dimensions including physical, mental, social, spiritual.

Mission Statement:

Carroll Lutheran Village is a Continuing Care Retirement Community dedicated to the ministry of caring in a Christian atmosphere fostering quality life and services for the whole person.

Nationally Accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) – Continuing Care Accreditation Commission (CCAC) of the American Association of Homes and Services for the Aging (AAHSA)

