



# CALCRA News

On the web at [www.calcra.org](http://www.calcra.org)

California  
Continuing Care  
Residents Association

Volume V, Issue IV  
Summer 2009

## FROM THE PRESIDENT

Our two bills this year, AB 407 by Assemblyman Ira Ruskin of Redwood City dealing with CCRC closures and AB 1169 by Assemblyman Jim Beall of San Jose dealing with reserves, have each passed through the committee process and will be headed toward the Assembly floor shortly. We anticipate that both will pass the Assembly.



**Walter P. Rozett**

most planned renovations have been wisely deferred until more favorable conditions are promised easing prospects, at least for the near future, for disruptive temporary resident displacements.

AB 1169, which requires the detailed reporting of all reserves, has also been modified to enable its passage through the

The bills have been modified to secure passage. As part of a negotiated agreement with Aging Services, AB 407 now covers only permanent closures. With this, Aging Services has agreed to support AB 407 and to withdraw its competing bill, AB 1433. It was agreed that AB 1433 will be carried over to next year and amended to cover temporary closures with language consistent with what we have dropped this year. AB 407 is the first CALCRA bill to be supported by the provider organization.

Our prioritizing of permanent closures, responds to concerns that some CCRCs may fail under the financial pressures the industry is now facing. In the ongoing recession, occupancy levels are dropping and many CCRCs have experienced losses on investments. Recently the Department of Social Services reported that twelve CCRC providers have a negative net worth and, therefore, have no contingency reserve to carry them through difficult times. This makes it likely that unless economic conditions improve, some permanent closures may occur. On the other hand, delaying action on temporary closures was low risk since

Assembly Committee on Aging and Long Term Care. There simply was not sufficient time to get all members of the committee to understand the propriety of that portion of the bill that would prevent nonprofit providers from using funds supplied by CCRC residents for any purpose other than for the benefit of those residents. The bill, which is simply another element of provider transparency and accountability, is strongly opposed by Aging Services.

Restoring the original language is important since some providers already are using resident funds to subsidize low income housing and other charitable interests. That is totally inappropriate under the IRS ruling which established the tax free status of nonprofit CCRCs requiring that they "operate at the lowest feasible cost". Clearly using resident funds for any purpose not directly benefiting those residents is forced charity and obviously conflicts with operating at the lowest feasible cost.

**Continued to page - 3**

## Executive Board

**Walter P. Rozett**  
President

**Boyd Steele**  
Vice President

**Barbara Krings**  
Secretary

**Ed Washburn**  
Treasurer

**Ed Delaney**  
**Norm Eichberg**

**Denise Fleig**  
**Art Halenbeck**

**Sid Hanson**  
**Pat Herron**

**Stefan Moses**  
**Carl Otto**

**Bernard Werth**  
Members - At - Large

## CALCRA

1515 Shasta Dr., #2109  
Davis, CA 95616

Phone: (530) 747-6229

Fax: (530) 747-6229

Email:  
[wrozett@urcad.org](mailto:wrozett@urcad.org)

Website:  
[www.calcra.org](http://www.calcra.org)

## Inside this issue:

<i>From the President</i>	1
<i>Director Nominations</i>	1
<i>CALCRA Board Meeting</i>	2
<i>An Argument for Assembly Bill 1044</i>	2
<i>Arithmetic</i>	3
<i>Numbers Do Count as Politicians Count the Numbers</i>	3
<i>Prescription Drugs</i>	4

## DIRECTOR NOMINATIONS

Members are notified that "at large" director nominations will be accepted from July 1 until August 15, 2009. If you know of a CALCRA member in good standing who would like to become a member of the board please follow the instructions in our bylaws:

1. Obtain the qualification, experience and consent statement of the nominee.
2. Send the information to CALCRA secretary, Barbara Krings, Eskaton Village, 3939 Walnut Avenue #401, Carmichael, CA 95608

## CALCRA BOARD MEETING

The April 9 board meeting was held at The Village at Hemet. Stefan Moses and management at The Village did a fine job with the arrangements. The board and CALCRA members from other communities all felt most welcome. About seventy five residents of The Village attended.

Eight of the twelve directors were present. Bernard Werth of San Francisco Towers, Pat Herron of Spring Lake Village, Norm Eichberg of La Jolla Village Towers and Sid Hanson of Air Force Village were unable to attend but provided input prior to the meeting.

Tom Stringer, CEO of Freedom Management that owns and operates the Village, began his presentation by emphasizing the importance of CALCRA to the CCRC industry and the importance of good communications among residents, providers and the Department of Social Services. He then gave an overview of the global economy and how Freedom Village is well equipped to deal with the current economic problems because it has no debt and has sound lines of credit. He also pointed out that residents have an added level of security since

they have a first deed of trust on the property to cover their entry fees. Freedom Village demonstrates the customer orientation and the transparency and accountability that should be the standard for the entire industry.

President Rozett reviewed current legislation pointing out the importance of the permanent closure bill, AB 407, because there are twelve providers that have no excess of assets over liabilities. Continuation of current economic conditions and declining occupancy could put several of these at risk of closure. The other CALCRA bill, AB 1169, deals with a related issue, the reporting of reserves. Inadequate reserves are the early warning of potential closure problems and transparency concerning those reserves should stimulate corrective action.

Barbara Krings talked about the efforts of the Transues to form an advocacy group representing CCRC residents interests. Their visits to many CCRCs confirmed the need for resident voices to be heard and visits to Sacramento led to the conclusion that legislative action was the appropriate solution. That was the

foundation for CALCRA in 1995.

Boyd Steele was prepared to give a Power Point presentation on membership but ran into difficulties with incompatible software. He improvised and spoke about the importance of increasing membership. He discussed possibilities of multi year and life subscriptions, changing from our fiscal to a calendar year and the importance of CALCRA members encouraging other residents to join. Since then CALCRA has purchased its own projector to avoid recurrence of the software problem.

John McGrew of Air Force Village West, in Sid Hanson's absence, spoke about the problems of trans fats in our diets increasing the risk of heart disease. Unlike other fats, trans fats are everywhere in our daily food intake. In 2007 California became the first state to ban trans fats, effective in 2010 for restaurants and in 2011 for bakeries but the ban does not apply to CCRCs. John proposed that action be taken to add a ban on trans fats at CCRCs to a bill being presented to the legislature this year.

The date for the annual meeting has been tentatively set for October 15, 2009 at a place to be determined.

## An Argument for Assembly Bill 1044

by Jim Gleason, La Jolla Village Towers

Assembly Bill 1044 passed the Assembly Health Committee on April 28th. From here the bill must be approved by the Assembly, the Senate and the governor. The bill would transfer oversight of the business management elements of continuing care retirement communities from the Department of Social Services to the Insurance Department.

A resident of Classic Residence by Hyatt at La Jolla Village testified to the Committee in favor of AB 1044. He cited business practices of the provider, in conflict with its CCRC license and the contracts of residents that resulted in a 49% increase in monthly fees in six years and, if not corrected, would increase at an

accelerated rate in the future.

This situation was formally reported to the DSS which reviewed the case and told resident representatives that the department lacked resources to take corrective action. The problem concerned action by the provider contrary to promises made to residents and to the DSS in the initial license to set aside 8% of all entrance fees for long-term care. This was never done. Instead, the provider increased monthly fees to pay for this ballooning and soon-to-be unaffordable liability. In the absence of administrative resolution, residents commenced a class action suit against the provider. After almost two years, the case was equitably settled but 37 residents died in the

meantime without seeing benefits of the resolution.

The argument to the Health Committee was not critical of DSS. It was pointed out that the business management side of continuing care administration involves specialized skills and experience that is not within the DSS. The Department of Insurance does possess these skills. Management of a continuing care retirement community must include actuarial studies, analysis and projections. Liabilities and the funding mechanism to meet those liabilities must be established and monitored to assure compliance. These areas are common disciplines to the insurance industry and the Insurance Department.

# NUMBERS DO COUNT AS POLITICIANS COUNT THE NUMBERS!

by Boyd Steele, The Covington, Aliso Viejo

The last CALCRA newsletter included an article by Virginia Anderson concerning the gains in information and insight regarding CCRC operations presented to residents because of legislation achieved through CALCRA's efforts. The insert in this edition is intended to facilitate current members' discussions with non-members to encourage them to join CALCRA. Please pass copies of this along to non-members. Currently, CALCRA membership is only about 2,000 of the total population of about 20,000 in the 78 CCRC facilities in California. It is important to increase

our membership to add strength to the resident voice in communication with the Legislature and the Governor. Every CCRC member is encouraged to be actively involved in this effort.

CALCRA has a Membership Committee that can provide a speaker to review CALCRA's accomplishments, provide a report on the status of our current legislation and discuss our plans for 2010. We would particularly appreciate hearing from members who might be interested in the formation of a local CALCRA chapter or participate in the collection of dues or the distribution

of the newsletter. If you are considering formation of a CALCRA Chapter, the committee can provide communication material for developing internal membership and a sample set of bylaws. If you have a recommendation for increasing membership, let me hear from you. Send your questions or comments to [btsteele@cox.net](mailto:btsteele@cox.net) or call me: (949) 831-8870.

**EVERY CCRC RESIDENT NEEDS CALCRA; CALCRA NEEDS EVERY CCRC RESIDENT!**

## ARITHMETIC

This is prompted by a few articles from years ago in CALCRA News.

If your monthly fee was \$2,000 when you moved into your CCRC, how long would it take to double to \$4,000 per month at an increase of 4% per year? Not 25 years, 100% / 4%. Because the rate is compounded the correct answer is 18 years, a given by a rule known in financial circles as the "rule of 72." Divide the number 72 by the interest rate in % per year to get the doubling time in years - 2% per year doubles in 36 years; 6% doubles in 12 years; 12% doubles in 6 years.

In general, monthly fee increases in CCRCs are limited by and, in many cases, are based on what the market will bear. In recent years this has led to increases of up to 5% per year or so. With Social Security increases based on the Consumer Price Index of about 3% per year and many

residents having fixed pension plan income you can see how this can create problems. Persons with sound investment income may not be affected but others may be severely hurt. The compound interest law only works for you when your investments are going up. It works against you when your costs are going up.

There is another factor to consider in looking at your annual increases in monthly fees. There can be a significant difference between your "nominal" percentage increase in your monthly fee and the actual percentage increase in your CCRC's operating costs. Assuming your monthly fee increase is based on total costs including interest and depreciation the percentage increase is understated because interest and depreciation should be decreasing each year.

Depreciation, which is based on actual cost, should be flat and

eventually should decline as assets normally last longer than the anticipated life used to determine depreciation. Assuming the funds derived from depreciation and any excess of income over expense each year is used to reduce the debt of the organization net interest expense should be declining. If you exclude these two items when determining the actual percentage increase a 5% increase actually turns out to be in the order of a 6% increase based on the variable expenses such as salaries and food costs that reflect the Consumer Price Index.

All of this says that it is important for each CCRC to have a resident finance committee that understands the arithmetic and assures that management is being truly transparent and accountable in communications concerning monthly fee increases.

## FROM THE PRESIDENT CON'T....

In principle it is analogous to taxing Californians to subsidize New Yorkers because they have a serious budget shortfall.

The other bill with a potential impact on CCRC residents is AB 1044, by Assemblyman Dave Jones of Sacramento. It interests us because it would transfer financial

and actuarial oversight of CCRCs from the Department of Social Services to the Department of Insurance, emulating the practices of most other states. It seems clear that the Department of Insurance is better staffed to provide this type of oversight than DSS' Continuing Care Contracts Branch, which has only six

employees and limited financial expertise. Because we have two CALCRA sponsored bills this year, our limited resources prevent our being actively involved with AB 1044 but it appears to merit CCRC resident support. An article on page 2 provides additional information on the bill.

# PRESCRIPTION DRUGS

by Walt Rozett

Although I have a prescription drug plan as part of my retirement benefit I discovered some years ago that I was able to obtain all of the generic drugs I use through a Veterans Administration (VA) program that I was able to join. At this time generic drugs cost \$15 per month through the retirement plan and only \$8 per month through the VA. Since the VA program covers only generic drugs, on occasion, I need to use the retirement plan to cover the non-generics at a cost of \$30 or \$60 per month, depending on the drug. Occasionally I used a local drug store but, for the most part, ordered the drugs and the refills through the mail. All things considered I thought I was doing very well and was pleased that I was able to enroll in the VA program that has a limit on its membership.

Considering the current economic situation and recognizing its impact on the investment income of us older folk, I thought it would be worthwhile to pass along to you something I recently discovered concerning how to cut some prescription drug costs by

as much as 50%. It turns out that both Wal-Mart and Costco offer mail order, as well as in store, prescription drugs for as many as 500 generic drugs for \$4 per month or \$10 for a three month supply. It turns out that three of the generics I currently take are included. Additionally several of the non-generics are available from them at prices below my plan's co-pay of \$30. So I have switched a number of my prescriptions to Wal-Mart.

Both Costco and Wal-Mart have enormous purchasing power and, particularly with a commodity like generic drugs, have the opportunity to substantially reduce the price. The VA has a similar opportunity but political pressure and other considerations can make that difficult to implement. There are a number of generic drugs available under my VA plan that cost more than \$8 at Wal-Mart and Costco so I will continue to maintain my account at the VA.

You do not have to be a Costco member to join their plan but if you are a member some additional discounts are available. Both Wal-

Mart and Costco provide a list of the generic drugs covered at the \$4 rate on their websites: [www.walmart.com](http://www.walmart.com) and [www.costco.com](http://www.costco.com). Both sites enable you to register for their programs and transfer your prescriptions from your current pharmacy to theirs. Additionally the Costco site provides cost information on all of the drugs that they cover. This is useful information to check the cost of whatever you may be ordering through your own plan or Wal-Mart.

The Costco and Wal-Mart websites are a bit difficult for some older folk to navigate but, given enough time, my guess is that most will be able to handle it. If not, get one of your children or grandchildren to help you. Although their generations do not yet use the amount of drugs that ours does they may discover something that will be of value now or at some point in the future. The world is changing and it is important that we all keep up with and, at least, consider taking advantage of those changes.

**WWW.CALCRA.ORG**  
**We're on the Web!!!**

**CALCRA**  
**California Continuing Care**  
**Residents Association, Inc.**  
**1515 Shasta Dr., #2109**  
**Davis, CA 95616**