

CALCRA News

California
Continuing Care
Residents Association

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FROM THE PRESIDENT

Let me start with a personal wish that you and all of yours and CALCRA have a great 2007. Please join me in making that latter wish a reality.

As I mentioned in the last newsletter, CALCRA's primary effort this year will be directed toward increasing membership. Why? Because each addition improves our ability to fulfill our mission of representing the interests of California's CCRC



Walter P. Rozett

residents by protecting and enhancing their financial security and quality of life. We ask each CALCRA member to help with this effort to recruit added members. Our membership strength comes only from what you can accomplish locally.

Membership in some communities exceeds 50% of eligible residents because of the efforts of dedicated fellow residents who want to ensure that the CALCRA mission is conveyed effectively. Do think about being one of those activists. If you are willing to get involved we'll give you all the help you need to do the job. We can provide membership forms, material on CALCRA that details what it has accomplished, extra copies of the newsletter, and whatever else you may need. Just email us or pick up a phone and call if we can help your recruiting!

Ideally, it would be great to have a CALCRA chapter at each community. Chapters provide a very useful forum for discussing resident concerns and gathering input for the statewide organization. They also can present speakers on statewide issues, including the leadership of the Department of Social Services and CALCRA Board members. We can provide information on how to form a chapter and put you in touch with current chapters to gain insight into how they operate.

Our legislative effort this year starts with

installing procedures covering the closure of CCRCs. There are no procedures currently that relate to such closures but there are 35 pages in the Health and Safety Code covering opening one. Closures are infrequent but that is no excuse for the absence of governing procedures to protect residents when that happens.

The trauma experienced during the closure of Marguerite Terrace last year is evidence enough that such procedures are sorely needed.

The CALCRA Board has been busy reviewing a broad spectrum of critical resident issues, focusing principally on governance of CCRCs, the need to correct the imbalanced representation of providers and their management on the Advisory Committee to the Department of Social Services, and continuing deficiencies in provider financial reporting. Consideration will be given to including some or all of these issues in CALCRA's 2007 legislation.

CALCRA is also working with CANHR (California Association for Nursing Home Reform) in a complete review of information now filed by providers with the Department of Social Services and the Federal Government. The study's purpose is to determine how best to make critical elements of this information conveniently available to residents. What we are considering is the posting of all significant information on the CALCRA and CANHR websites; also, perhaps, on the Department of Social Services website. Accomplishing all of this will be an important step toward necessary improvement of provider transparency and accountability.

Come join us in these efforts.

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AN INVITATION TO OUR APRIL BOARD MEETING

All members are cordially invited to attend CALCRA's board meeting at 10 AM on Thursday, April 12 at San Francisco Towers, 1661 Pine Street, San Francisco.

CHARITABLE CCRCs AND THE GOOD AND THE BAD IN FOR PROFIT CCRCs

At present about 90% of California's continuing care resident communities (CCRCs) are not for profit, charitable organizations. A ruling by the Internal Revenue Service in 1972 found that the elderly, regardless of their financial condition, are appropriately the beneficiaries of charity because of the stress of old age. As a result, non profit CCRCs are exempt from income taxes at both the federal and state levels, pay little if any property taxes, can borrow money cheaply because interest on their bonds is free of income tax and have the opportunity to establish foundations with tax deductible contributions to provide benefits to residents.

Although charitable organizations are not permitted to make profits, they are permitted to retain income that exceeds annual expense to accumulate reserves. A well-managed CCRC can produce, with reasonable reliability, \$2 million or more annually in excess revenues which would otherwise be subject to income tax in a for-profit operation.

Since operations of CCRCs can be fully financed by entrance and monthly fees, providers ordinarily have little or no investment in these operations. A well-managed provider has the opportunity to realize generous earnings with little or no long term capital investment. In recent years for profit investors have begun to recognize this opportunity, made even more attractive because demand is certain to increase. Reflective of this, there are now more for profit than not for profit CCRCs in the licensing process at the Department of Social Services (DSS).

Tom Stringer is the managing partner of a small group of investors that own and operate two for profit CCRCs in California. He also chairs the Advisory Committee to the Continuing Care Contracts Branch of DSS. The facilities he manages, The Village in Hemet and Freedom Village in Lake Forest, are widely respected for their well earned reputation for open communications

and fair dealing with residents, prudent management that has kept monthly fees consistently below industry averages, and for their solid financial footings. They are a model of integrity and competence suitable for emulation by any other operator, whether non-profit or otherwise.

But not all for profit CCRCs in the state are viewed so favorably. At one that has an otherwise idyllic setting, residents who committed large entrance fees are anything but happy campers resulting in a complaint being filed with DSS. Their grievances are based on the provider's failure--or unwillingness--to communicate effectively with residents. Underlying this concern is the provider's disavowal of the standards of transparency and accountability that must be respected in a relationship with residents who have become captive customers after entrusting substantial entry fees to the provider. CALCRA has participated in discussion of the complaint with DSS.

In all probability this operation is on sound financial footing, but the absence of effective communication has ignited resident concerns of its financial viability, casting a totally unnecessary shadow over resident lives. Hopefully, DSS' response to this complaint will serve to encourage the provider to recognize that its interests--as well as those of the community-- will be best served by emulating the examples of operations such as Tom Stringer's.

The residents' complaint stresses that the provider's decisions on budgetary and monthly fee increases fail to comply with applicable statutes of the Health and Safety Code. The provider violates the Code by neglecting to include any input or participation in the budget process by the resident representative to the provider's governing body or the resident association. Furthermore, there has been no evaluation of the consultation process as required by

the Code every two years.

The complaint notes that monthly fee increases have been excessive.

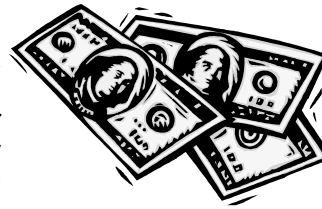
Over the last five years increases have been about double those at The Village and Freedom Village. More unsettling is the fact that the provider asserts that the increase should

have been 11% for 2007 instead of the 5% that has been imposed.

Of even greater concern is that the provider neglects to take into consideration that portion of the entry fee related to medical expense in determining monthly fees. The monthly fee calculation includes 100% of the cost of assisted living and skilled nursing. The entry fee at this CCRC is variable, depending on the amount of assisted living and skilled nursing coverage selected and the provider has issued a statement that as much as 23% of the entry fee is deductible for tax purposes as a medical expense. How can income from that portion of the entry fee related to medical benefits be excluded in determining the monthly fee when 100% of the medical expenses are included in the monthly fee calculation?

Another feature of the complaint is the provider's unwillingness to confirm if an actuarial study has been made to assure that the organization will be able to meet future medical insurance obligations, or to disclose its findings, if one has been conducted. . Additionally, the provider has failed to make available audited annual reports, as required by the Code.

While it remains to be seen how this complaint will be dealt with by DSS after it completes its investigation, it is evident that this provider needs to establish clear and credible lines of communication and to deal openly and honestly with residents. If this is not done voluntarily CALCRA will vigorously pursue amendment of the Health and Safety Code to include more stringent mandatory requirements.



CONTINUING CARE AT HOME

An exceedingly low birth rate throughout the 1930's is one of the legacies of the Great Depression. As a latter day consequence, today's elderly care industry will continue to experience limited demand until the flood tide of retiring baby boomers commences. Understandably, professional care practitioners are doing much head scratching to determine just what kind of strategies will be most attractive to serving the oncoming swarm of aging boomers.

Elderly care is, after all, a business; and like any other enterprise a professional caregiver faces a never ending challenge to adapt its operations to a changing business climate and to changing consumer tastes, or to be passed up in favor of others whose products are more in favor to serve contemporary wants and needs. All of this helps to explain what has produced the industry's new buzz words: "at home care".

A number of reasons have been advanced to support expectations that boomers will much prefer care at home over conventional nursing homes and continuing care residential communities (CCRCs). Foremost is the reality that many boomers are expected to under finance their retirement and thus will be looking for lower cost care. Such penurious ways may be essential for anyone trapped in businesses such as Enron that evaporate their pension plans as they fail; or with others whose pensions fail to meet expectations after they are negotiated downward by employers striving to remain financially viable, as is occurring with the auto and rust belt industries and with most airlines. Or it can simply be that future retirement thriftiness lies ahead for unknown numbers only because they have adopted voguish life styles to live blissfully for the present--at the fearsome cost of not preparing for self-sufficiency in their elder years. In any event, and for whatever reason, it is apparent there will be many boomers seeking retirement care on the cheap.

Some boomers will be able to afford pricey CCRCs and some with

near poverty level incomes will be eligible for low cost care. But that large group in between, overwhelmingly the largest assemblage of potential health care consumers, is the least well served by the industry's current organized services. Lower cost at home care may well be the answer for these great numbers as their aging progresses.

A number of care givers in the East have initiated at home services. Their programs are reported to provide many of the services traditional to CCRCs, including companionship, recreation, and dining--and even home and yard care!--and to also offer life care with its full spectrum of services as dependencies increase with advancing years. Available data on these pioneering operations indicate some have branched out from already established CCRCs and nursing homes and others appear to have been organized specifically for this purpose. California's regulatory environment requires enabling legislation for these kinds of ventures offering medical care, and such an initiative is reported to be under active consideration by CAHSA/ Aging Services, the provider association.

CALCRA certainly supports any expansion of worthy services to the elderly, and at home care looks like it will be a winner if properly designed. It could well be of benefit to CCRC residents in making it possible for them to extend their stay in independent living rather than being transferred to higher levels of care. We believe, however, that independent status for care at home is essential for a provider to avoid financial and operational conflicts between it and CCRC residents. As we know all too well, residents of CCRCs invest heavily to build up the financial strength of their respective communities. Their treasuries must never be exposed by their providers to any risk or added expense



associated with launching and maintaining an at home operation, no matter how good purposed it may be. Likewise, established services to residents of a CCRC must never be intruded upon or diminished by forced sharing with a provider's at home clients.

In this latter respect, our special concern is with the higher levels of care available to residents in a continuing care resident community: assisted living, skilled nursing and special care. For most such communities there is already a precarious balancing act to maintain economically acceptable levels of occupancy and to also be able to accommodate the sometimes dynamically changing needs of residents. Since at home services as contemplated by CAHSA/Aging Services will include life care, this means that a provider would be permitted to accept at home clients into higher levels of care whenever needed. It certainly isn't feasible that this obligation could be added to an established CCRC without traumatic consequences, so alternative provisions for at home clients must be required under any enabling legislation.

Obviously, it will be no small task to establish a viable at home care addition to California's aging care services, while still ensuring its operations will not in any way negatively impact residents of existing CCRCs. CALCRA is quite sensitive to the potential for serious pitfalls for CCRC residents if this enabling legislation is not thoroughly and carefully thought out. You may be assured we are fully prepared to do whatever is required to ensure that any legislation that authorizes at home care will not bring any jeopardy to California's 20,000 CCRC residents. We very much hope this can be accomplished through effective cooperation and collaboration with advocates of these new services.

MEMBERSHIP BUILD-UP

By Barbara Krings

There is a great need to reach out to more communities through our membership to arrange presentations to give CALCRA access to resident councils or groups of residents where information on CALCRA can be made available. Too many residents have no knowledge of CALCRA or do not understand what CALCRA is all about.

Every resident should be a CALCRA member because every resident benefits from the many changes in the California Health and Safety Code for which CALCRA has been responsible. CALCRA was incorporated on Dec. 21, 1995. One of the first bills that it sponsored gave residents the right to organize and participate freely in the operation of independent resident organizations and associations. This right was put into place in response to discrimination imposed on CALCRA's founder by his provider.

Since then legislators have agreed with CALCRA and incorporated additional rights into the Code which give residents access to rooms for the purpose of attending independent resident organizations meetings;

requiring resident representatives, selected by residents, to provider boards of directors; requiring regular meetings of providers with residents; improved provider financial reporting and improved access to that information; requiring adoption of a comprehensive disaster preparedness plan and the introduction of an appeal process to the provider's unilateral authority to transfer residents to higher levels of care. More remains to be done particularly in improving provider transparency and accountability and ensuring that resident funds are used solely for the benefit of residents.

CALCRA is not competitive with resident councils. Resident councils are responsible for local matters, CALCRA's interest is in statewide matters. It is simply not practical for resident councils or associations to represent residents in legislative matters. CALCRA welcomes the opportunity for dialog with residents and resident councils to listen to local concerns and to discuss its future efforts.

All CCRCs do not have problems

that need to be corrected by legislation but all residents have an interest in assuring the health of the continuing care industry since the failure of one CCRC could adversely effect all communities. It is important that residents influence the content of the Health and Safety Code and not let it be dominated by the providers because of the potential conflict of interest. Most residents do not understand the Code, the impact it has on the quality of their lives and their financial security or how the code can and should be changed for their benefit. CALCRA provides all CCRC residents the opportunity for their voices to be heard and their influence felt in Sacramento.

Please consider organizing a meeting for a CALCRA representative to come to your community. It is the right of every resident to promote CALCRA and not to fear retaliation from providers. I would be honored to be invited to speak at your community as would Walt Rozett. You may contact us through the information on the first page of this newsletter.

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

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