



How to Vet a CCRC: From the New York Times

7 Ways to Judge a Retirement Community's Financial Health, by Peter Finch, *New York Times*, March 9, 2018.

<https://www.nytimes.com/2018/03/09/business/retirement-community-financial-health.html>
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Residents of CCRCs invest significant sums as entrance fees. The amount varies depending on the type of contract: Type A contracts are all-inclusive and the fee may range into the millions of dollars; Types B and C have lower entry fees but charge more for health services. So the first question is: what type of contract does the CCRC offer? Knowing that, the following seven key pieces of information will help prospective residents evaluate and compare CCRCs.

- 1. Occupancy.** The higher the level of occupancy, the better. This indicates both good management and satisfaction among residents.
- 2. Rate.** Stable monthly fees suggest good management. Fee increases tend to average 3 – 3.5% per year in CCRC industry. Higher fee increases should prompt you to ask, “Why?”
- 3. Debt Ratings.** Capital improvements and expansions of CCRCs are often financed by bonds. Fitch Ratings of AAA – BBB are a good sign.
- 4. Profitability.** In a CCRC's financial statement, look at cash operating expenses as a percentage of cash operating revenue. A number below 100 means the CCRC's income is paying for its expenses.
- 5. Capital Improvements.** A healthy CCRC spends enough money on upkeep. On the financial statement, it's a good sign if the line for capital spending is around 50% of the line showing depreciation. Also, look around and decide if the community seems to be well cared for.
- 6. Reserves.** Does the CCRC perform a regular actuarial evaluation? They should, and you want the summary to show that future risks are in balance with liabilities.
- 7. Residents' Role.** It's a good sign if residents have a couple of seats on the CCRC board. If not, a residents' advisory council that works closely with management is the next best sign that residents play a role in major financial decisions.