Florida Life Care Residents Association
FLiCRA
A resident-led association to ensure quality of life in retirement communities

The Resident CONNECTION

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Volume XXVIII
Issue 24
4th Quarter
2018

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"A Resident-Led Association to Ensure Quality of Life in Retirement Communities"

President's Message

*I*t is with great honor and pride that I have accepted the charge of president of FLiCRA for the coming year. We all are grateful for the dedication and able leadership of outgoing president Pat Arends, and I will do my best to carry on her example. My experience as a 13-year member of FLiCRA, and past president of the chapter at John Knox Village, Pompano, will help me contribute to the work done by my predecessors. Working together your board of directors, comprised of eight regional directors and four directors elected at-large, will continue to "promote and protect the interests of the residents of Continuing Care Retirement Communities."

At this time there are two vacant regional director positions: Regions 4 and 6. It is important that we fill those positions so we can continue to support all chapters in the recruitment and retention of members.

It is the membership that is the heart of FLiCRA. The greater our membership numbers, the stronger our influence on the state legislature. It is there that the important work of our association takes place. Our executive director, Bennett Napier, who so ably and successfully represents us before the lawmakers, can tell them that we are 13,600 members strong. Because we are such reliable voters, legislators pay attention to our needs. Many of you are already familiar with FLiCRA's accomplishments, most notably our success in preventing the imposition of a "bed-tax" on our nursing home beds, and the imposition of sales taxes on our entrance fees, maintenance fees and meals. Often in collaboration with LeadingAge (the association of CCRC providers) and with OIR (the Office of Insurance Regulation) we have instituted numerous protections for all residents of CCRCs. Even those who are not members benefit from our accomplishments. You can ask your chapter president for an outline of all our accomplishments, or take a look at the FLiCRA website, flicra.com, for more information.

Much was accomplished at our recent annual membership meeting where we were graciously hosted at Fleet Landing. Our primary goal was to discuss and pass a budget for 2019. This task was accomplished. While the chapter presidents in their region elect regional directors, the delegates from the chapters in attendance at the meeting voted to reelect Jim Jandreau and to elect David Bayer to the open at-large seats. The Board convened following that election to elect the executive committee.

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The following positions were filled: David Bayer, Vice President; Jim Jandreau, Treasurer; Hugh Strachan, Secretary; Ramsey Geyer as the fifth member, and myself as President.

There was a lively discussion about the budget and the proposed dues increase. The state board had reviewed past budgets and projections of costs for the next several years. Our membership dues are the only source of revenue, and as our expenses increase so does our need for increased income. There has not been a dues increase for our members for about 10 years.

Therefore, in order to maintain our sound fiscal position, the board voted to increase dues to $22 for a single person and $37 for two people sharing the same unit. Life Memberships will increase to $200 for a single person and $325 for two people.

This represents a great return on investment, as $8,000 is saved per person per year as a result of the work done by residents and staff on our behalf in Tallahassee.

Our major challenge this coming year is to be successful in getting the state legislature to pass the bill whose purpose is to strengthen our protections in Continuing Care Retirement Communities legislation. We will continue to keep you informed about its progress. If you are curious, please go to our website, flicra.com and click on the legislation tab. You will find the latest information there.

Diane Dalsimer
FLiCRA State Board President

2018 - 2019 FLiCRA State Board of Directors

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The Region 4 & 6 Director positions are open. Interested resident members may contact Bennett Napier, CAE at bennett@executiveoffice.org for more information.

FLiCRA 2019 Dues Increase

At the FLiCRA Annual Conference and Delegates Meeting in November, the member delegates approved a dues increase that will take effect January 1, 2019.

Board Treasurer Jim Jandreau reviewed the reasons for the proposed increase:

- Membership dues are the only source of income for the association.
- It is the first dues increase in 10 years.
- Increased expenses over the next several years.
- Benefits of one sizable increase now instead of smaller increases yearly. The board does not forsee increasing dues again in the next 10 years.

Below are the new membership dues amounts:
Single: $22.00
Couple (two people in the same unit): $37.00
Single Lifetime: $200.00
Couple Lifetime: $325.00

FLiCRA Staff is currently updating the website and membership brochure. The updated brochure will be available for order in January 2019.

2019 Legislative Proposal CCRCs

A Senate Bill sponsored by Senator's Lee and Passidomo and a House Bill sponsored by Representative Clay Yarborough makes needed changes to Florida's continuing care laws to protect Florida retirees living in CCRCs. At time of the printing of the *Resident Connection*, bill numbers were not available.

Major problems occurred at University Village in Tampa, a CCRC that went into bankruptcy. In the University Village legal case, the owner's attorneys used loopholes in Chapter 651 to legally prevent the Office of Insurance Regulation from removing a general partner that illegally seized control of the community and prevented OIR from appointing a receiver.

The abuses of process caused a delay in enforcement of over 18 months which the owners used to syphon cash out of University Village, in part by assessing exorbitant weekly management fees and using the Minimum Liquid Reserve funds to illegally collateralize a sale of University Village's nursing home from one shell entity to another shell entity.

Over the past two years, FLiCRA and LeadingAge Florida have been working with providers, residents, lenders, attorneys and the Office of Insurance Regulation (OIR) on the changes to Chapter 651 needed to help prevent a recurrence of a University Village type of situation. The proposed bills focus on four primary areas:

- **Closes loopholes** - Will eliminate opportunities for abuse of process that resulted in substantial delays in the University Village case. For example, clarifies the circumstances under which OIR's remedial power may be suspended and clarifies OIR's ability to review changes in ownership or in the general partner.
- **Protects residents** – Provides clearer performance metrics that trigger OIR review of troubled CCRCs and a preference for resident claims. Also clarifies the permissible use of required reserves.
- **Provides greater transparency** - by improving the level of information shared with residents. For example, when providers submit information to OIR related to ownership changes, they must also provide the information to the residents.
- **Provides OIR with the information and enforcement tools needed** - to promptly enforce against any future rouge actors.

How to Ensure Residents Believe They Have a Voice on Campus

Most senior living life plan community CEOs will tell you they do an outstanding job of listening to the voice of residents at their campuses. Resident forums, resident councils, resident surveys — these common practices are heavily used to try to gather information on what is important to residents. And yet many residents still will reveal they don't believe that they have a sufficient amount of input in decisions that affect their everyday lives.

The disconnect is a subtle one, I believe. Primary research conducted by Holleran concludes that "voice" is one of four critical dimensions of resident engagement.

What I hear a lot from residents is that they don't always feel heard. Transparency is an area where many campus administrators struggle.

This fact has been substantiated by a recent study by Mather Lifeways entitled, "Resident Expectations Regarding Transparency and Decision Making." The report showed that 92% of campus administrators believe residents are very interested or somewhat interested in transparency and that this interest has grown over the past three years. The vast majority of these administrators, however, also believed that transparency leads to requests for more information that cannot be satisfied, and nearly half reported that greater transparency gives a sense of more control to residents and leads to more questions and more meetings.

When residents believe they are being pacified by campus administrators, we see it reflected in voice scores.

Voice scores in the Holleran resident engagement national benchmark consistently are lower than the other three engagement markers of connection, well-being and fulfillment. I believe the voice score is lower for several reasons:

- First, it involves communication and feedback, and that's a skill that is difficult for employees and administrators. They think they are hearing and responding, but that is not necessarily how the residents experience it.
- Second, residents don't rate the effectiveness of their resident associations/councils very high. The resident leaders try hard, but in general, the governance of these councils is not seen as being strong.
- And third, administrators need to be more transparent in their decision-making and be open to hearing the resident voice on day-to-day living issues.

As an example, residents don't always embrace the newer cuisines being offered in their dining experiences. Choice in dining options is directly related to having a voice. Instead of having the dining department dictate what is offered to residents, solicit direct feedback from the residents.

Everyone's taste is different, so it is a challenge, but I recently was on one campus where residents uniformly stated they dislike fancy sauces and unfamiliar, experimental dishes. This is a case where the campus has decided that the dining director's preference for creativity trumps what the residents really want.

Being responsive can be simple

Another area where room for improvement exists around giving residents a voice is a simple communication approach: Letting residents know whom to call to take care of their needs, especially over the weekends and during evening hours.

Administrators are baffled by this one, but I've heard residents say it time and again: Give us something we can put on our refrigerators so we have numbers and contact names at our fingertips for a variety of issues that crop up when the life plan community has a reduced staff level. During the week, they know who to reach out to, but over the weekend and at night, it's less clear to them.

We know Responsiveness to inquiries/problems/complaints and Responsiveness of administration are key drivers of resident voice. The strong relationship between these factors reinforces the necessity of clear and simple communication.

And finally, adopt an attitude of including resident input and opinion in smaller decisions such as common area decor and transportation.

Administrators are much, much less paternalistic than in the past. Newer residents in particular, however, want a say in just about every dimension of campus life.

We used to call these residents "rouge," which is insulting. The senior living community is their home, and they deserve a say.

Take the time to really listen and involve them in the day-to-day stuff. They have wonderful ideas to contribute. Yes, it takes time, but it is worth the effort. If it affects them, include them.

Link to the full report: *https://www.mcknightssenior-living.com/home/news/senior-living-residents-more-interested-in-how-organizations-are-run/*

Michele Holleran, Ph.D., MBA
Source: McKnights Senior Living

2018 - 2019 FLiCRA Board of Directors

Front Row: Diane Dalsimer, President; Charlotte Cummings, Region 1 Director; Hugh Strachan, Secretary. Middle Row: John Dalsimer, Region 5 Director; Steve Nash, Region 3 Director; Ray Neff, Region 7 Director. Back Row: Wayne Forehand, Region 8 Director; Jim Jandreau, Treasurer; David Bayer, Vice President; Ramsey Geyer, Region 2 Director & Executive Committee Member.

Watch for Potential Life Plan Community Liabilities

The contracts of life plan communities (also known as a continuing care retirement communities, or CCRCs) can be complex. Poor decisions by providers in designing contracts and the related fees can take decades to reveal themselves, and when they do become apparent, it may be too late to take corrective action. When providers, regulators and prospective and actual residents understand the evolution of generally accepted accounting principles to identify and record all potential liabilities, they should feel more confident in their decisions.

A life plan community is a retirement community in which a resident signs a continuing care agreement, pays an entrance fee and agrees to pay a monthly fee that is subject to periodic adjustment. In consideration, the provider agrees to provide housing and an array of services, usually including housekeeping, maintenance, dining, scheduled transportation, activities and certain healthcare services to the resident, typically for the rest of the person's life.

Life plan communities are all different, both in personality and in resident contract, so that anything said about them must be said generally, with the knowledge that there almost always will be exceptions. That said, accounting for these complex contracts has gone through an evolution over the years. A review of this history helps one understand the nature of the liabilities in providers' financial statements.

In the mid-1970s, some life plan communities still took entrance fees into income when the contract was signed and the entry fee paid. Thus, if a new resident paid an entry fee of $100,000, then the entire amount was taken into income at that time.

The contracts typically have a provision for a refund of a portion of the entry fee under certain circumstances, but the amount of the refund is reduced 2% per month so that the refund disappears after four years.

The accounting industry established a standard (GAAP) in the late 1970s that required entry fees to be deferred and amortized into income over the contractual amortization period. Using our example, this approach let the provider take $25,000 into income each year for the first four years of residency. This refund liability continues to be reflected in providers' financial statements to this day, usually described as the "contractual refund obligation" or something similar.

The next step in the evolution of the accounting for contracts came a few years later when it was recognized that the entry fee was paid for services to be provided over the resident's lifetime, so the entry fee ought to be deferred and amortized over the resident's life expectancy, as determined at the time of entrance using actuarial tables.

In our example, if the new resident had a 10-year life expectancy at move-in, then the provider took $10,000 into income each year for 10 years. If the resident passed during the initial 10 years, the provider took the remaining unamortized balance into income in the year the resident passed. If the resident lived beyond 10 years, say for 15 years, then no entry fee income was recognized in the final five years.

It was pointed out that such an approach, although a step toward matching revenue with expense, could be made even more accurate by updating residents' life expectancies annually, because the longer a person lives, the longer he or she actuarially is expected to live.

The annual calculation of life expectancy became GAAP in the early 1980s. Going back to our example, the provider would take $10,000 into income in the first year, and somewhat less than $10,000 into income the second year, and somewhat less than that in the third year and so on.

The expected life and period of amortization is adjusted annually for each resident. This liability continues to be reflected in most providers' financial statements as "deferred entrance fees," which represents the unearned balance on nonrefundable entrance fees. In other words, this is the amount the community will earn in the future either through continued amortization or at termination of the contract.

The next step in the evolution came in the mid-1980s, when it was pointed out that continuing care contracts need to be accounted for like all other business contracts. In a construction firm, for example, if a contractor enters into a contract that is going to result in a projected loss, then the estimated projected loss is booked when identified. The same should be true for life plan community contracts.

GAAP was modified to require an annual calculation and booking, if there was one, of the estimated unfunded future service liability. This complex calculation, usually performed by an actuary, looks at the combination of entry fee paid plus monthly fees to be paid over the resident's life expectancy, and compares that with the estimated cost of care and services to the resident assuming they are an average consumer of the community's care and services.

This amount, which is present-value discounted, is then compared with existing deferred or unearned entrance fees and allocated depreciation. If there is a liability, then it will show up in the financial statements as something like "estimated obligation to provide future services." If there is no obligation, then there should be a footnote stating that the calculation was done and that it resulted in no liability.

It is important to recognize that the nature of the calculation is complex and the presence or lack of a liability cannot be used by itself to evaluate the financial solvency of a CCRC.

Several years ago, the picture was made even more complex when providers began to offer contracts in which a portion of the entrance fee was guaranteed to be refunded.

Going back to our original example, there was no refund due to the resident or his or her estate after four years in the standard contract. In a guaranteed refund contract, a portion, say 50%, of the entrance fee is guaranteed to be paid back to the resident or his or her estate at contract termination. Under GAAP, these liabilities show up as "guaranteed refund liability" or "estate preservation liability," and they do not amortize into income.

Again, following our example, it is possible that one contract could have the following liabilities on the balance sheet of a provider:

- Guaranteed refund liability for contractually guaranteed refunds of all or a portion of the entry fee,
- Estimated obligation to provide future services for an estimated excess, if any, of contractually obligated costs over the revenue to be contractually provided and as yet unearned deferred entrance fees,
- Deferred entrance fees to recognize the deferred recognition of revenue from prepaid entrance fees to match revenue with expenses over a resident's life and
- Contractual refund obligation to recognize the unamortized contractual obligation of each resident contract. Some providers combine the guarantee refund liability related to refundable contracts with the contractual refund obligation on their balance sheet.

Life plan communities have been around for more than 100 years and provide an incredible service to older adults. We hope this review helps lead to their continued success.

Roger Stevens is CEO of Westminster Communities of Florida. Scot Aurelius is a principal with national accounting firm Moore Stephens Lovelace.

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CCRC Segments See Higher Occupancy Than Same Segments in Freestanding Communities

Occupancy in various levels of care or service within continuing care retirement communities generally has been higher than occupancy in freestanding, non-CCRC communities offering those same levels of care or service, according to an analysis by the National Investment Center for Seniors Housing & Care.

NIC Senior Principal Lana Peck said she compared "apples to apples" by looking at NIC MAP data from the fourth quarter of 2014 to the second quarter of 2018 for CCRCs with entrance fees and rental fees as well as independent living, assisted living and memory care communities outside of CCRCs.

In independent living, for instance, occupancy was 92.4% in entrance-fee CCRCs, 90.6% in rental CCRCs and 89.4% in non-CCRC properties.

For assisted living, occupancy was 92.3% in entrance-fee CCRCs, 90% in rental CCRCs and 86.7% in non-CCRC properties.

And in memory care, occupancy was 90.9% in entrance-fee CCRCs, 87.7% in rental CCRCs and 82% in non-CCRC properties.

Peck also found that in all three levels of living — independent living, assisted living and memory care, rent was highest in entrance-fee CCRCs and lowest in rental CCRCs. Non-CCRCs generally had higher rates of inventory growth by segment than CCRCs, with the highest coming in memory care. See Peck's complete blog post on NIC's website.

Link to full article: *https://www.nic.org/blog/apples-to-apples-how-have-ccrc-care-segments-performed-since-the-recent-market-cycle-peak-compared-to-free-standing-and-combined-care-segments/*

Lois A. Bowers/Source: McKnights Senior Living