Annual Meeting a Great Success

The MLCRA Annual Meeting was held at Orchard Cove in Canton on May 23, 2018. With representation from almost all of our member communities, we were able to accomplish a great deal in a short period of time.

After brief opening comments from outgoing MLCRA President Will Holton, Orchard Cove Resident Association President Elaine Seidenberg, Executive Director of Orchard Cove Aline Russotto, and LeadingAge President Elissa Sherman, we listened to a very interesting keynote from Jack Cumming who is the Research Director of the National Continuing Care Resident Association.

Jack Cumming Talk

Jack's talk was about the underpinnings of the CCRC movement and the assumptions that have been important but rarely talked about directly. These underlying assumptions, he feels, may have negative effects on the continuing strength of CCRCs in the future.

Foremost, the model requires collaboration between the parties involved in making CCRCs viable for older folks – the owners and managers, the Boards of Directors, and the residents. Lack of wholehearted participation from any segment leads to limited perspectives that may result in poor decision making.

Those CCRCs that are still resisting the role of their residents in decisions are setting themselves up to become less competitive in the future.

We, as residents, can only do what is available to us within the structure of our own community and continue to request a stronger voice so that the resident perspective is heard. But how do we choose a CCRC where we are well treated and have a voice in decision making. It’s hard to know. There is very little uniformity among those calling themselves CCRCs other than a few structural facts such as the large initial deposit (which in most cases is agreed to be returned in large part at some point after the resident leaves the community) and the availability of more than one level of care, of which one is Independent

Living. There are a plethora of consumer guides but still the lack of basic uniformity makes it hard to inform oneself about what we are getting into before we sign that contract. In most cases, it is an act of faith rather than a rational decision. There was some hope a few years ago that the CARF (The Commission on Accreditation of Rehabilitation Facilities) certification would help to distinguish the strong performers from the weaker ones since CARF required a community to jump through many hoops to be certified, but it hasn't turned out to be a solid basis for decision-making because CARF tends to want to support those they have certified even if, after certification, they became financially unsound.

Jack Cumming

At this point, most nonprofit CCRCs are spending more that they are bringing in. There are accounting approaches that tend to hide this from their residents and potential residents. It is one thing to look at the balance sheet for your community and another to look at the 990s that are filed with the federal government. Based on IRS 990s, the CCRC industry is currently running at a 17.6 percent deficit nationally, with some communities being in much more serious debt than others. You can check on the most recent filing for your community by going online to the IRS website and looking it up. Jack Cumming looked at the filings for Massachusetts and found only a few communities that are not running at a deficit. The GAAP (generally accepted accounting principles) accounting standards are not the best measure of the strength of a CCRC due to factors such as unrecognized property appreciation and poor information on resident life expectancy.

Most places try to do a good job in handling our money, but some are more capable than others. There are always pressures to spend and not always adequate safeguards to keep spending under control. And so we find many unrecognized property appreciation and poor information on resident life expectancy.

This is the kind of information that will come to hurt communities in the future and it is the kind of information that residents could use to help their community become more solvent if only it were shared with them. After all, the residents have a greater investment in the community financially than do the either the management or the Board and are motivated to make the community a more stable place to live.

Jack advocates looking at CCRCs in much the same way as we look at life insurance. Insurance companies are required to be adequately capitalized and to adhere to regulations that will tend to keep them from going bankrupt. There are no such regulations for CCRCs and, in Massachusetts, no enforcement authority. Most of us, when deciding to live in a CCRC, assume that there are rules about what the CCRC can do with our money, how they should keep it safeguarded, and when they should give it back. We imagine that our funds are in escrow accounts or regulated like the premiums we pay into insurance. That’s what we imagine, but that is not the reality.

Most places try to do a good job in handling our money, but some are more capable than others. There are always pressures to spend and not always adequate safeguards to keep spending under control. And so we find many communities running substantial deficits. For-profit communities tend to do a better job of staying debt-free because they see themselves as businesses, while nonprofits are often driven more by a charitable impulse and do not have the strong business mentality of the for-profits.

But for either group, Jack recommends that we work with LeadingAge and any other groups interested in the long-term health of CCRCs to pass “Guarantee Legislation” such as that which is found in the insurance industry. This would require the creation of a state-wide Board that would oversee the financial health of the CCRC communities in Massachusetts and have the resources to step in when a community finds itself in the early stages of financial trouble when problems can more easily be addressed.

We have been lucky in that no CCRC in Massachusetts has had to go bankrupt, but the potential clearly is out there. If there were to be a bankruptcy, the entire industry would suffer. There are too many other options for senior living. It might be many years and possibly other bankruptcies before the industry would be able to recover.

There have been near misses here in Massachusetts. There is a community that has been converted to a monthly payment model with no clarity about when or if the initial deposits will be returned. This situation will probably end up in the courts with the residents suing to try to get some percentage of their initial deposits back, even though there was a contractual agreement for its return. In another community, the Director felt free to spend the community's money on other projects. Luckily, it was a subsidiary of a large charitable organization that caught on to what was happening and stopped it before the loss went too far. With no state-enforced rules of financial behavior and a volunteer Board with little time to devote to the CCRC, it is inevitable that a disaster will happen at some time in the future.

Jack suggests that we work to get the legislature to see that some financial control of this industry is necessary to maintain the security of the seniors who live there.

Jack went on to pose a series of questions for the audience to consider.

- Is NaCCRA needed? What should it be doing?
- Is change desirable in the CCRC industry?
- What kind and how should we go about it?
- What can be done to improve aging in America?
- Should change come through government programs or private initiative?
- How can NaCCRA work best with MLCRA and other state associations?
- How can we attract the incisive, experienced, and effective resident leadership needed on both the state and national levels?
- What do we imagine aging in America will be like in 20 years (2038)?

Most people came away from that with a lot to think about and a lot to discuss, both with others at the meeting and at home. Really considering those questions and discussing them in depth would keep any group busy for the next year.

After a short break and some questions for Jack, we started the business part of the meeting. There was a brief discussion of the new By-Laws proposed by a committee of the Board. The By-laws were approved unanimously and were then in effect for the remainder of the meeting.

The minutes of the 2017 meeting were approved, as was the Treasurer's report that showed us with a total of $77,340.80.

There were no nominations for President or either Vice-President positions. The newly elected Treasurer is Jerry Lyle from the Willows at Westborough, Recording Secretary is Lauren Hale of Southgate, and Corresponding Secretary remains Meg Kerber from Brooksby Village. Mary Louise Eggimann from Southgate, Ruth Klepper of Sophia Snow Place, Bill Connors from Orchard Cove, and Jean Stringham of Lasell Village are members-at-large. Also serving on the Board in a non-elective capacity is Sheila McMahon of Springhouse, the Editor of this newsletter. This gives us a very diverse Board with representation from eight different communities, both for-profit and nonprofit. Hopefully our diversity will help us serve you and your community better.

The meeting concluded with round table discussions of the financial issues that were most important to the attendees. Those results will be discussed in another article in this edition.