

You Bet Your Life!



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Life Plan Communities offer a worry-free future, but finding the right plan can pose difficult decisions.

By Jimmy Magahern

Signing up for a “life plan community”—the new name for “continuing care retirement communities” (CCRCs), or retirement communities with accommodations for different levels of care—is a little like betting on your continued quality of life. How certain are you that you’ll remain healthy enough not to need assisted care, memory care or skilled nursing in later years? And if you do, would you prefer to pay more upfront to cover whatever changes may occur, or “pay as you go,” opting in at a lower rate and then paying more for assisted care if and when the need arises?

“None of us have a crystal ball,” said Gale Morgan, vice president of sales for Mather LifeWays, a Chicago-based senior residence developer which in Arizona operates Splendido in Tucson. “The real difference in plans is, under

one plan, you decide you’ll take your chances and pay depending upon need. And in the other you decide, ‘Well, I’m going to make sure I’m covered financially, whether or not I’ll need it.’ It’s kind of just two philosophies.”

Within those two philosophies, Morgan said there are actually three different financial structures that fall under the category of life plan communities, a branding change that Mather pushed the industry to adopt a couple of years ago.

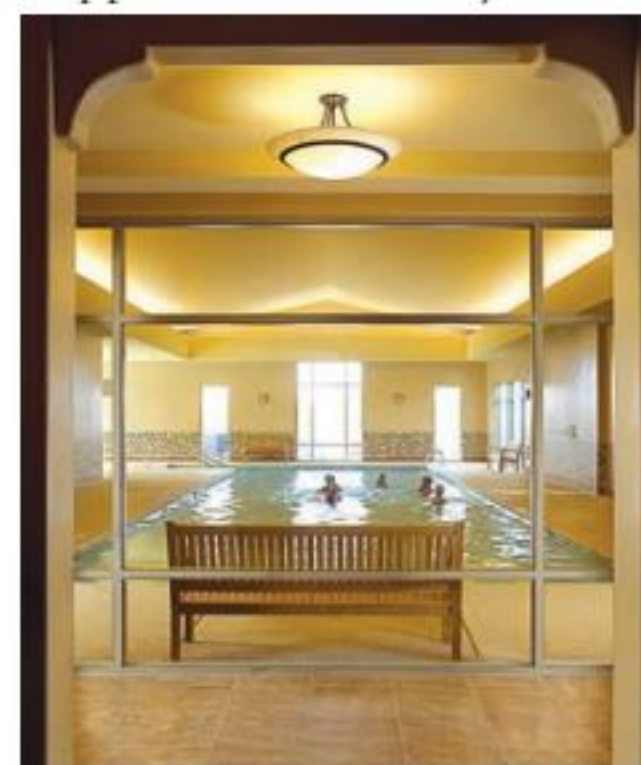
“Some are rentals; some you pay an entrance fee and then your additional costs vary depending on care. And then some you pay a higher entrance fee but all future care is included,” Morgan said. “The one thing they all have in common is they are all communities that offer a variety of levels of service. What we think of as independent living

is the first level, and then beyond that, assisted living, memory support and skilled nursing. Any community that offers some grouping of those levels of service and levels of living is a life plan community. The difference comes in how you pay for it.”

At Splendido, residents chose a home and agree to pay two fees: an entrance fee, of which 90% is returned upon their moving out (or passing away, in which case that amount is transferred to their elected heirs), and a monthly fee, which typically covers utilities, some dining experiences, recreation, use of the

fitness center and the putting course, weekly housekeeping and so on. “And then,” Morgan adds, “it includes future care.”

She walks through how a typical sign-up goes. “For example, let’s say you take a two-bedroom home that’s 1,800 square feet, and the entrance fee is \$400,000. So you pay \$400,000 when you move in, you know you’re getting \$360,000 when you move out. And then maybe there’s a monthly fee of, say, \$4,500. And that includes your restaurant use,



Top and inset: At Splendido in Tucson, residents choose a home and agree to pay two fees: an entrance fee and a monthly fee.

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fitness center, utilities, housekeeping, concierge. And then you chose the life care option, which means down the road, should you need assisted living, memory care or even skilled nursing, it's included in that fee. So your fee is not going to go up significantly. You're just going to pay for extra meals and so on. That's the life care plan: there's an entrance fee, and it includes all future care."

In the second type of community, there's a comparable entrance fee, usually with a smaller move-out refund of 50% to 80%, but then also a smaller monthly fee. "The monthly fees are less because down the road, should you need those additional levels of service—assisted living or memory support; typically these communities do not have skilled nursing onsite—you pay more. So instead of paying \$4,000 a month, you're going to pay \$7,000, \$8,000 a month. You pay for the care as you need it."

In the third type of life plan community, there's no entrance fee, but the monthly rent is typically higher. "So for that same home it may be \$6,000 a

month and then as you need additional care, when you move to those other levels, you pay more," Morgan said. "So you may go from \$6,000 to \$8,000 or \$9,000 a month. Sometimes they have skilled nursing, sometimes they don't. But because you're not paying that entrance fee, the monthly fees are usually significantly higher."

It can be a difficult decision, and one that forces those entering retirement age (LPCs or CCRCs are generally limited to people age 62 and older) to uncomfortably confront their own mortality.

"Generally what happens is people say, 'I want to live here,' and then they start looking at what's available," said Morgan. "What we suggest is that they get their information and then sit down with it and look at a scenario. So let's say they're a couple, and they go, 'We're going to live in our beautiful independent home for 8 years. And then, heaven forbid, one of us is going to get dementia and is going to need assisted living for three years, skilled nursing for three years. What will that cost us at stage A, B and C?'"



Maravilla Scottsdale offers a menu of services and amenities in an upscale environment.

"It can be really daunting," she admits. "But it truly is the only way to narrow down what your lifestyle will be and then really figure out your financial plan."

Full menu

A big part of the appeal of life plan communities is that they offer a full continuum of care in an upscale resort-

style environment. Maravilla Scottsdale, one of the most popular LPCs in North Scottsdale, located right next to the Fairmont Scottsdale Princess Resort and the TPC golf course, calls their offerings of assisted-living residences, separate units for Alzheimer's and dementia care and on-site clinic run in partnership with Scottsdale Healthcare a "comprehensive menu of services and amenities."



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"No two people are the same and everyone has a different definition of a good day," said Athena Sulcs, director of assisted living at Maravilla Scottsdale. "We are committed to helping residents enjoy their independence and ensuring they have choices."

It can indeed sound as if residents are free to roam from their independent living apartment to the assisted living and skilled nursing areas depending on how they're feeling on any particular day. In reality, however, the different zones in a life plan community are well-defined, and each requires a different fee structure to enter.

Maravilla falls into the pay-as-you-go category, where residents pay an one-time entrance fee and then a monthly fee. If a health condition arises that necessitates moving into assisted living, that requires an additional \$200 to \$300 "Medium Care Needs Fee" per month. Transfer into a "High Care Needs" situation, such as the Alzheimer's or dementia care units, and you're looking at an additional \$400 to \$500 per month.

Morgan said that kind of plan works good if you're in relatively good health and your family medical history and lifestyle suggests you're unlikely to incur any major medical issues. "It's based upon what you need," she said. "You might be lucky and be on the low end of that, where you just need basic support. Or you could eventually progress to needing more and more support. You just can't predict it. But then you pay for it when you need it."

Some go for this plan if they have long-term care insurance that may offset the cost of long-term medical care. But while such insurance policies may cover things like memory support and some skilled nursing, they may not always cover assisted living (some policies first require a physician's evaluation to determine whether or not you can perform two or more "activities of daily living"), and Medicare does not cover assisted living. As a result, those extra fees must often come out-of-pocket.



Westminster Village offers independent living with luxury elements such as served meals.

Another way to sort of beat the system is to stay in independent living and, if health problems arise, hire home health care from an outside provider, who will come into your independent living apartment and provide assisted living-type services. Once again, though, those services are typically paid out-of-pocket. "Although," as Morgan notes, "that could be your only additional expense if you go that way."

Any way you look at it, entrance-fee luxury retirement communities are not really for the Medicare crowd—they can be cost-prohibitive.

"The thing about the full life care plan where everything is paid up-front is it allows somebody to say, 'I have a million dollars. I know I'm not going to have a catastrophic health issue that takes all of my nest egg because I'll be covered in the life care,'" said Morgan. "There's planners, the folks who really want to know the answers to the 'what ifs.' They really like the life care. But some of the other folks prefer the pay-as-you-go version. They want to keep that nest egg in the bank, so the pay-as-you-go system is more comfortable for them. There's no right answer to which way is the best for everybody."

No walls

Another highly touted benefit of the life plan community is the ability to stay put among your same friends and neighbors—even if life throws a curveball and requires you to go from independent to assisted to possibly memory-supported living.

"What's great about the life care plan is that, regardless of the absence of that crystal ball, you're able to predict exactly what it may cost you," Morgan

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said. "And the second thing that's really important is that regardless of what happens down the road, you know that you, or you and your spouse, can stay there because assisted living, memory support and skilled nursing are right in the same place. For a couple, you know if the husband has a stroke and has to be in a nursing center for two years, you know the wife can just walk down the hall and see him."

Unfortunately, passage from one type of living environment to another is not always that easy. Residents of life plan communities or their families tell horror stories online about how some LPCs adopt "exclusionary policies" that keep seniors requiring different levels of care in separate facilities and activities. A *New York Times* story last year told of a woman in a life plan community in Alabama who had to transfer from her independent living apartment to skilled nursing and found herself shunned from the weekly bingo game she had come to love.

"I've seen this same thing happen," said an AARP Foundation lawyer.

"People being told: 'You can't go eat in the dining room.' 'You can't go visit your friends in independent living; they have to come to you.' It's a very segregated situation."

Fortunately, some LPCs have been taking steps to eliminate such exclusions. At Westminster Village, a nonprofit community off the 101 on Cactus Road, executive director Bud Hart touts their "Community Without Walls" concept, which is meant to downplay the separations between residents in their 250 independent living, 23 assisted living and 60 skilled nursing units.

"This is not where people go to die," he said frankly. "This is where people come to have great days. Lots of great days."

Still, some observers say these graduated care communities are marketed with only the healthy members in mind: the brochures and websites show only the active adults in independent living; nobody in walkers or wheelchairs from assisted living ever makes the cut. Residents complain of being treated as "lower



Westminster Village in Phoenix features a "Community Without Walls" concept.

status" when transferred to assisted care and feeling shut off the clique. "It is terrifying to contemplate one's own decline," noted one commenter on the *Times* story. "The pretense that this is a sort of fun country club disappears (when it looks more like) a hospital-type environment."

For Morgan, whose dad's last year

was spent in a facility 30 miles away from where her mother remained, she only wishes there was such a thing as an LPC when her parents began needing different levels of care.

"My mom and dad would have been able to remain in the same community together," she said. "That would have made all the difference in the world." ■

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