

October 26, 2009

Talking Points about Continuing Care Retirement Communities (CCRCs)

Not-for-profit CCRCs offer housing, access to health services and financial security to their residents. There are approximately 1,850 CCRCs nationally; 82% are not-for-profit organizations and many are faith-based.

Older adults benefit in many ways from living in CCRCs

- Plenty of social interaction, including clubs and programs
- A lifestyle that offers much more freedom and choice than living in an apartment
- Peace of mind for residents and their families
- A continuum of care and services to meet their needs
- Nutritious dining options
- Transportation services to get to/from physician visits, religious services, shopping, etc.
- Low-maintenance lifestyle in which the staff maintains the property

Financial stability

- Over the last 20 years, very few CCRCs have experienced financial insolvency or bankruptcy. Most states have laws and regulations to establish standards and monitoring of CCRCs, thereby protecting their residents.
- In addition to state oversight, many CCRCs are accredited or adhere to independent performance measures to maintain a strong operating profile. Financing mechanisms – such as tax exempt bonds – have very stringent performance standards and require routine assessment of operational performance measures.
- CCRCs remain a popular senior housing venue. Occupancy has remained 88 to 93% during the past 9 years.

Regarding Erickson Retirement Communities

- All (except two) Erickson-developed CCRCs are operated and sponsored by a 501(c)(3) non-profit organization affiliated with National Senior Campuses, Inc. (NSC) under a charitable mission to provide affordable housing and health care to seniors. Each NSC affiliate then contracts with Erickson on an arms-length basis to manage the community.
- Erickson's development model works this way: Erickson provides capital for initial development and construction; once a "critical mass" of units is available, entrance fees are used to fund further construction and development; and then the community is purchased by the non-profit sponsor. *Upon such purchase, Erickson becomes purely a "manager" of the campus with no ownership or equity interest.* The Erickson model of capital-intensive development and growth of retirement communities is unique and is not indicative of the senior living sector generally.
- The financial market tumult of 2008 – 2009 had a tremendously negative impact on the Erickson model on three fronts:

- The “freezing” of the capital markets, which limited Erickson’s access to construction loans and the non-profit sponsors’ access to tax-exempt financing;
 - The decline of the residential real estate markets, which made it more difficult for older adults to sell homes and pay entrance fees in retirement communities; and
 - The disruption in value of investment securities that diminished the wealth of senior living providers and prospective residents.
- The impact of the bankruptcy on so-called “Erickson communities” is widely disparate. For the majority of these communities, Erickson serves solely in the capacity of manager. Communities that are in earlier stages of development may experience some measure of disorder, however, it is too early to predict the exact outcome.
 - Fitch Ratings currently maintains ratings on three Erickson CCRCs; ratings are BBB+, A- and A, all with “Stable Outlook. Fitch announced on October 22, 2009 that Erickson’s “bankruptcy filing will have no effect on the ratings of these facilities, as all are separate, independent not-for-profit organizations, unaffiliated with Erickson.”

Regarding all retirement community

Questions and concerns about CCRCs create an opportunity for AAHSA’s CCRC members to tell their story – to residents and their families; to Board members; to the media; and to local officials and community leaders:

- Explain how your organization is continuing to meet the needs of your residents during these tough economic times.
- Describe how your organization is meeting the needs of older adults in your community – whether it’s been for the past 5 years or the past 105 years or more.
- Demonstrate how your organization practices social accountability, such as your contributions to the greater community, your programs that benefit local residents, the organizations that you partner with, etc.

Resource materials from AAHSA

See our social accountability resources: <http://www.aahsa.org/CCRC.aspx#>

See our “telling your story” resources: <http://www.aahsa.org/article.aspx?id=9776#> and <http://www.aahsa.org/mediakit/#>