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## Contracts can vary in care communities

Scrutinize all options before signing up

By Jane Adler | Special to the Tribune

Contracts are among the most confusing aspects of buying into a continuing-care community, retirement projects growing in popularity. These developments include apartments for independent seniors, assisted-care units and nursing facilities.

Residents pay a one-time fee that's usually large and monthly fees (similar to rent). In return, they have a home even if the times comes that they need a lot of care.

But contracts at such projects vary widely. Some include health-care benefits, such as a certain number of days of nursing care. Others may be fee-for-service arrangements with no nursing or assisted care in the entry fee. And there are a variety of options in between.

"It's up to the consumer to get the information about the facility and determine if the contract fits their needs," said Steve Maag, director of assisted living and continuing care at the American Association of Homes and Services for the Aging, a trade organization based in Washington, D.C.

Continuing-care contracts fall into three basic categories: lots of care, some care or pay-as-you-go.

The life-care, or extended-care, contract is the most inclusive. The industry standard for years, the monthly fee is the same whether the resident lives independently or needs round-the-clock care.

But with skyrocketing health-care costs, life-care contracts have become less common.

According to a survey by the American Seniors Housing Association, about 14 percent of continuing-care projects offer such contracts, which are the most expensive.

Residents who opt for a life-care contract can expect to pay a larger entrance fee than those who choose a fee-for-service arrangement. Those who select a partial health-care benefit will pay entry fees somewhere in the middle.

The contract affects a potential refund too. Continuing-care projects usually offer some kind of refund, with 90 percent of the entry fee fairly standard. The refund is made when the unit is resold. Generally, the bigger the refund, the smaller the health-care benefit.

For example, Friendship Village in Schaumburg has several contracts. In one building, the entry fee for a one-bedroom apartment ranges from about \$162,000 to \$197,000 for a 90/10 contract. Under this arrangement, 90 percent of the entry fee is refundable and the 10 percent is the discount on assisted-living and nursing care. All residents at Friendship Village receive 90 days of

free health care.

Under a 50/50 contract, the entry fee is higher, ranging from \$181,000 to \$216,000. This contract refunds 50 percent of the entry fee and provides a 50 percent discount on assisted-living and nursing care. A 50/0 contract has the lowest entry fees, ranging from \$95,000 to \$130,000. Half the entry fee is refundable, and there's no discount on health care.

Most residents go with the 90/10, according to Cathy Ritter, vice president of marketing at Friendship Senior Options, the parent company of Friendship Village. "They can hedge their bets without committing their assets," she said.

Friendship Senior Options plans to build a community in Geneva. Recently marketed under the Tallgrass name, the project is being retooled. In addition to reducing the number of units, it will be renamed and a life-care contract will be added. "We think it gives us a competitive advantage," said Ritter.

According to the American Seniors Housing Association, fee-for-service contracts are the most popular options, offered at about 77 percent of all projects nationwide.

Giant retirement-community operator Erickson builds only fee-for-service projects. Erickson's two Chicago-area projects are Monarch Landing in Naperville and Sedgebrook in Lincolnshire. Entry fees range from about \$180,000 to \$400,000. Monthly fees are about \$1,500. All contracts are 100 percent refundable. If a resident moves to an assisted- or nursing-care unit, there is no discount for care.

"We have studied this, and we believe a fee-for-service is the way to go," said Tom Neubauer, senior vice president of sales at Erickson in Baltimore. With about 20,000 residents in Erickson communities, Neubauer said about 10 percent of residents end up needing assisted or nursing care. On average, residents pay about \$2,000 a month for assisted care in addition to the monthly fee. But, Neubauer adds, "Residents only pay for the services they need."

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