



Highlights of [GAO-10-611](#), a report to the Chairman, Special Committee on Aging, U.S. Senate

Why GAO Did This Study

A growing number of older Americans are choosing continuing care retirement communities (CCRC) to help ensure that their finances in retirement will cover the cost of housing and care they may require. However, recent economic conditions have placed financial stress on some CCRCs.

GAO was asked to (1) describe how CCRCs operate and the risks they face, (2) describe how state laws address these risks, (3) describe risks that CCRC residents face, and (4) describe how state laws address these risks. To review these areas, GAO analyzed state statutory provisions pertaining to CCRCs with respect to financial oversight and consumer protection, met with selected state regulators, and interviewed CCRC providers, resident's associations, and consumer groups.

While GAO is not recommending specific action at this time, the potential risks to CCRC residents—as well as the potential for this industry to grow—highlight the importance of states being vigilant in their efforts to help ensure adequate consumer protections for residents.

GAO provided a draft copy of this report to the Department of Health and Human Services and the National Association of Insurance Commissioners for review, but neither commented on the draft.

View [GAO-10-611](#) or [key components](#). For more information, contact Alicia Puente Cackley at (202) 512-7022 or CackleyA@gao.gov and Barbara Bovbjerg at (202) 512-5491 or BovbjergB@gao.gov.

OLDER AMERICANS

Continuing Care Retirement Communities Can Provide Benefits, but Not Without Some Risk

What GAO Found

CCRCs can benefit older Americans by allowing them to move among and through independent living, assisted living, and skilled nursing care in one community. They offer a range of contract types and fees that are designed to provide long-term care and transfer different degrees of the risk of future cost increases from the resident to the CCRC. Developing CCRCs can be a lengthy, complex process that requires significant long-term financing and accurate revenue and cost projections. Once operational, risks to long-term viability include declining occupancy and unexpected cost increases. While few CCRCs have failed, challenging economic and real estate market conditions have negatively affected some CCRCs' occupancy and financial condition.

Seven of the eight states GAO reviewed had CCRC-specific regulations, and these states varied in the extent to which they helped ensure that CCRCs addressed risks to their long-term viability. For example, while each licensed and required periodic financial information from CCRCs, only four either examined trended financial data or required periodic actuarial reviews. The lack of a long-term focus creates a potential mismatch with residents' concerns over their CCRCs' long-term viability. CCRC bondholders and rating agencies, which focus on long-term viability, often place requirements on CCRCs that go beyond those used by states in their licensing and oversight activities. Regulators and CCRC providers GAO spoke with generally believed that current regulations were adequate, but some consumer groups felt more comprehensive oversight was needed.

While CCRCs offer long-term residence and care in the same community, residents can still face considerable risk. For example, CCRC financial difficulties can lead to unexpected increases in residents' monthly fees. And while CCRC bankruptcies or closures have been relatively rare, and residents have generally not been forced to leave in such cases, should a CCRC failure occur, it could cause residents to lose all or part of their entrance fee. Residents can also become dissatisfied if CCRC policies or operations fall short of residents' expectations or there is a change in arrangements thought to be contractually guaranteed, such as charging residents for services that were previously free.

Most of the states GAO reviewed take steps to protect the interests of CCRC residents, such as requiring the escrow of entrance fees and mandating certain disclosures. For example, a number require contracts to be readable, but not all review the content of contracts even though some industry participants questioned residents' ability to fully understand them. Also, not all require disclosure of policies likely to have a significant impact on residents' satisfaction, such as policies for moving between levels of care. According to an industry study, 12 states do not have CCRC-specific regulations, meaning an entity in 1 state may be subject to such regulations while a similar entity in another state may not, and consumers in some states may not receive the same protections as those in others. In contrast, some CCRCs voluntarily exceed disclosures and protections required by state regulations.