

A2747 Testimony Assembly Health and Senior Services Committee March 5, 2018

Good afternoon, Mr. Chairman and all members of this Committee. I am James McCracken, President/CEO, of LeadingAge NJ (LANJ), a non-profit trade association representing communities serving seniors across this State, including nursing homes, assisted living, affordable housing and, germane to today's hearing, Continuing Care Retirement Communities (CCRCs). A large proportion of the members are also faith-based sponsored organization. We are fortunate to count among our membership the preponderance of NJ's CCRCs, with 21 in LANJ.

I would like to thank Assemblywoman Munoz for her leadership in identifying opportunities to improve the existing CCRC law. We are happy to support A2747 as a substitute for A880.

There is no way one cannot understand a resident or family member's frustration with unacceptable waiting times for the refund of a refundable entrance fee. One can easily conclude that the intent of a proposed legislative "fix" is more than understandable.

Continuing Care Retirement Communities (CCRCs) deliver a residential and care model for seniors, one in which residents are assured of increasing levels of care (including nursing home beds) through the balance of their lives. In NJ, approximately 17,000 older adults live in CCRCs and over the years, these not-for-profit organizations have provided millions in charitable care to New Jersey's seniors. We are proud of our CCRCs and invite you to visit these beautiful communities.

The financing of an entrance-fee CCRC, however, is complicated. There are various types of contracts with varying benefits. Virtually all CCRCs require an often-substantial entrance fee be paid up front. On top of that, there is a monthly assessment, which covers daily living fees such as utilities, dining, services provided, etc.

Most CCRCs offer refundable contracts, with some portion of the entrance fee due back to family when the vacated unit is resold. Nationally this is the refundability policy standard for most CCRC. Therein lies the point of focus. The unit must be resold before a refund is due.

It is critical to note that the ongoing viability of a CCRC, and hence to its residents, is that healthy financial ratios are maintained and that liquidity meets certain thresholds.

Suffice it to say, some units are less desirable than others, for a whole host of reasons. That may significantly delay their resale and, in turn, delay the issuance of a refund.

Not so many years ago, the housing market in NJ, not to mention across the country, hit major doldrums. People's homes weren't selling and, for those expecting to move into a CCRC, that slowdown significantly impacted their ability to cover required entrance fees. Hence, many delayed or even cancelled their plans to move.

So, as you can imagine, as this occurred, the vacancy rates in CCRCs escalated. CCRCs were no different during that time period than other categories of real estate. This economic downturn then affected their cash flow. And so, more and more units took much longer to resell and families began to experience much-longer than anticipated refund, some quite extraordinarily long. Particularly when the community was not particularly flush, its ability to pay refunds in a timely way was crippled. Again, this was a phenomenon not unique to NJ.

As the new President and CEO of LANJ I plan to survey the CCRC members of our organization again to obtain up to date data and information.

A2747 is clearly a well-intentioned bill in that the bill requires the facility to assign a vacated unit a sequential number among all the available units with refundable entrance fees no later than 60 days after the unit is vacated. Based upon the order of the sequential number assigned to a unit, and the availability of funds from the proceeds of the resale of all vacated units with refundable entrance fees. This is commonly known in the industry as the "first in, first out" model.

The current financing model has and continues to work well in virtually all circumstances EXCEPT where a CCRC is already in precarious financial straits. A2747 attempts to address the delay in receiving a refund to resident or their estates in this circumstance.

As I mentioned earlier, I plan to survey the CCRC members of LANJ to get additional thoughts and feedback about this bill. Our CCRC's range in size and have varying contracts. Generally, we are supportive of the "first in, first out" concept, but I want to be sure our members and residents are not placed in any risk or adverse outcome. Some of the best well-intentioned bills can have harmful unintended consequences. If this bill is moved out of committee today, I hope that the sponsors will be receptive to any changes or recommendations we receive from our members.

Thank you for the opportunity to speak with you today.