A Profile of Texas Entry-Fee Continuing Care Retirement Communities

February 2017

Image: The Stayton at Museum Way, Fort Worth, TX

Image: The Crossings, League City, TX
About My LifeSite

My LifeSite develops web-based tools and resources designed to help families make better-informed decisions when choosing a continuing care retirement community (CCRC), including detailed profile reports on hundreds of CCRCs across the United States. My LifeSite is utilized by consumers, professional services providers, and continuing care retirement communities.

About Ziegler

Ziegler is one of the nation’s leading underwriters of financing for not-for-profit senior living providers. Ziegler offers creative, tailored solutions to its senior living clientele, including investment banking, financial risk management, merger and acquisition services, investment management, seed capital, FHA/HUD, capital and strategic planning as well as senior living research, education, and communication.

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Purpose
My LifeSite and Ziegler have partnered to develop a series of state-by-state industry benchmarking reports on continuing care retirement communities (also known as CCRCs or life plan communities) with the purpose of helping business service organizations, senior living providers, and consumers gain easy access to reliable and objective information related to the providers’ contract types, certifications, tax status, financial ratios, price ranges, and more.

Description
The information provided in this report is derived from My LifeSite's proprietary CCRC database (as of 01/22/2017). My LifeSite collects data directly from disclosure statements filed with the Texas Board of Insurance. Retirement communities that do not meet the State of Texas's definition of a CCRC are not represented by the information provided in this report.

Definition of a CCRC in Texas
"Continuing care" means the furnishing of a living unit, together with personal care services, nursing services, medical services, or other health-related services, regardless of whether the services and the living unit are provided at the same location to an individual who is not related to the person furnishing the care; and under a continuing care contract. “Continuing care contract" means an agreement that requires the payment of an entrance fee by or on behalf of a resident in exchange for the furnishing of continuing care by a provider and that is effective for: the life of the resident; or more than one year.

Number of Texas CCRCs Included in this Report
The state of Texas has 32 licensed CCRCs. All are represented in this report with information obtained from disclosures submitted to the state of Texas during 2016.
The data provided in this report is based on an analysis of the following 32 providers that meet the state of Texas’s definition of a continuing care retirement community.

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Contract Type Definitions

For the purposes of this report the various types of residency contracts are defined as follows:

**Type A (Lifecare):** Entry fee contract whereby the monthly service fee will remain level at a pre-determined rate over the resident's lifetime, regardless of services required, with the exception of inflationary adjustments and ancillary expenses.

*Note: Some of the lifecare contracts included in this report have “equalized rates.”*

**Type B (Modified Fee-for-Service):** Entry fee contract whereby the resident will be responsible for a portion of the increased expense associated with assisted living and/or skilled healthcare services. The resident will either pay a discounted rate for these services or receive a pre-defined number of days of care at no cost, or both.

**Type C (Fee-for-Service):** Usually requires an entry fee but not always. The resident will pay the full market rate for the cost of care in assisted living and skilled nursing care.

**Type D (Rental):** No entry fee is required for a rental contract, although a nominal “community fee” may be required. The resident will pay the full market rate for the cost of care in assisted living and skilled nursing care. Type D differs from Type C n that the contract does not stipulate that housing and healthcare will be provided for a pre-determined period of time.

*Note: Rental contracts included in this report are only those offered by providers that also offer (or maintain) entry fee contracts. The state of Texas does not include rental-only providers in its definition of continuing care retirement communities, except in the case where an entry fee provider switched to, or added, rental contracts, but still maintains entry fee contracts for some residents.*

**Equity/Co-Op:** Equity contracts are not included in this report since they are not regulated by the state of Texas as a continuing care retirement communities.
Definition of Other Terms

**Years Since Open:** Represents the number of years a provider has been in operation.

**Single Site:** The provider does not have a parent company that owns or operates other CCRCs.

**Multi Site:** The provider has a parent company that owns or operates at least one other CCRC.

**Days Cash on Hand:** Measures the number of days of operation a provider could cover with its unrestricted cash and investments. A high number indicates financial flexibility and protection against a decline in operating profit. Calculated as follows: Unrestricted cash and investments / daily operating cash expenses.

**Cash to Debt:** Measures a provider’s ability to withstand annual fluctuations in cash, either through weakened operating results or through little or no resident entrance fee receipts. A high number indicates financial flexibility and protection against a decline in operating profit. Calculated as follows: unrestricted cash and investments / (long-term debt plus capital leases - current portion of long-term debt).

**Debt Service Coverage:** Reflects a provider’s ability to fund annual debt service with cash flow from net cash revenues and net entrance fees. Calculated as follows: (Total excess of revenues over expenses + Interest, Depreciation, and Amortization Expenses - Amortization of Deferred Revenue + Net Proceeds from Entrance Fees) / Annual Debt Service.

**Net Operating Margin:** Measures the CCRC’s ability to generate annual operating surpluses to provide for future resident care expenses, capital, and program needs. Provides an indication of margin available from core operations for payment of debt service. Calculated as follows: (resident revenue - resident expense) / resident revenue.

**Total Excess Margin:** Similar to Net Operating Margin, but includes both operating and non-operating sources of revenues and expenses. Provides a total picture of performance. Calculated as follows: (Total Excess of Revenues over Expenses) / (Total Operating Revenues and Net Non-operating Gains and Losses).

**Median Low Entry Fee:** Represents the middle value in a list of the lowest entry fees offered among each of the 33 providers.

**Average Low Entry Fee:** Represents a weighted average of the low entry fee offered among each of the 33 providers.

**Median High Entry Fee:** Represents the middle value in a list of highest entry fees offered among each of the 33 providers.

**Average High Entry Fee:** Represents a weighted average of the high entry fees offered among each of the 33 providers.

**Median Low Monthly Fee:** Represents the middle value in a list of the lowest monthly fees offered among each of the 33 providers.

**Average Low Monthly Fee:** Represents a weighted average of the low monthly fees offered among each of the 33 providers.

**Median High Monthly Fee:** Represents the middle value in a list of the highest monthly fees offered among each of the 33 providers.

**Average High Monthly Fee:** Represents a weighted average of the high monthly fees offered among each of the 33 providers.
Years Since Open

Source: My LifeSite CCRC database, Jan 2017

N=32

0 - 5 years 12%
6 - 10 years 15%
11 - 15 years 12%
16 - 20 years 3%
21 - 25 years 0%
26+ years 58%
NOTE: For purposes of this report a multi-site provider is owned by a parent company that owns at least one other provider. The other provider(s) is not necessarily a CCRC or located in the same state.

Source: My LifeSite CCRC database, Jan 2017
Tax Status

N=32

Not-For-Profit Providers 97%

For-Profit Providers 3%

Source: My LifeSite CCRC database, Jan 2017
Healthcare Certifications

- Only Medicare Certified: 50%
- Medicare and Medicaid Certified: 37%
- Neither Medicare nor Medicare Certified: 13%

N=32

Source: My LifeSite CCRC database, Jan 2017
CARF Accreditation

N=32

- CARF Accredited: 12%
- Not CARF Accredited: 88%

Source: My LifeSite CCRC database, Jan 2017
### Number of Units/Beds by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Total</th>
<th>Median</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Living (Units)</td>
<td>7,115</td>
<td>194</td>
<td>80</td>
<td>553</td>
</tr>
<tr>
<td>Assisted Living (Beds)</td>
<td>1,990</td>
<td>60</td>
<td>0</td>
<td>249</td>
</tr>
<tr>
<td>Skilled Care (Beds)</td>
<td>2,620</td>
<td>60</td>
<td>32</td>
<td>228</td>
</tr>
</tbody>
</table>

Source: My LifeSite CCRC database, Jan 2017

![Pie chart showing the distribution of Independent Living Units (61%), Assisted Living Beds (17%), and Skilled Care Beds (22%).]
Contract Types Offered in Texas

Percentages add up to more than one hundred because a provider may offer more than one type of contract. For example, the data below does not suggest that 30% of all CCRCs in Texas are rental-only. Rather, 30% offer a rental contract, possibly in addition to one of the other types of contracts.

![Bar chart showing contract types offered in Texas]

**NOTE:** In accordance with the state of Texas’s definition of CCRCs, rental contracts included in this graph are only those which are offered by providers also offering, or still maintaining, previously offered entry-fee contracts, and that specifically mention rental contracts in their disclosure statement. *Rental-only* communities are not included in the state of TX’s definition of a CCRC and, therefore; are not included in this graph.

Source: My LifeSite CCRC database, Jan 2017
Number of Contract Types Offered

NOTE: Contract types refers to the four types highlighted on the previous slide: type A, B, C, equity, and rental, regardless of whether they are refundable, non-refundable, or declining-balance. In accordance with the state of Texas’s definition of CCRCs, rental contracts included in this graph are only those which are offered by providers also offering, or still maintaining, entry-fee contracts, and that specifically mention rental contracts in their disclosure statement. Rental-only communities are not included in the state of TX’s definition of a CCRC.

Source: My LifeSite CCRC database, Jan 2017
**Entry Fees Refunds and Stipulations**

- **N= 31**

1. **6, 19%**
   - Only a traditional amortizing contract

2. **10, 32%**
   - Only refundable contract(s) (no traditional amortizing)

3. **15, 49%**
   - Traditional amortizing contract and at least one refund

4. **1, 3%**
   - Do not require resale of unit

5. **29, 94%**
   - Paid after resale or max time limit, whichever is sooner
   - Paid only after resale, regardless of time frame

**NOTE:** The second chart includes providers that only offer a traditional, amortizing contract, as well as those offering return of capital contracts, since refund stipulations also apply to refunds available during the amortization period.

Source: My LifeSite CCRC database, Jan 2017
Types of Refundable Contracts Offered

Percentages add up to more than one hundred because a provider may offer more than one type of contract.

Source: My LifeSite CCRC database, Jan 2017
# Median Financial Ratios

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Not-for-Profit Providers</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liquidity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days Cash on Hand</td>
<td>298.4</td>
<td>270.2</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash to Debt</td>
<td>31.9%</td>
<td>31.9%</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Operating Margin</td>
<td>12.8%</td>
<td>12.9%</td>
</tr>
<tr>
<td>Total Excess Margin</td>
<td>-3.5%</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>

**NOTE:** The above averages were calculated using the figures available in audited financial statements submitted by each provider to the state, which in some cases may reflect consolidated financials of a parent company and not necessarily those of the individual community. There is one for-profit entry-fee CCRC in Texas, which is included in the combined column.

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Source: My LifeSite CCRC database, Jan 2017
NOTE: Data represents a true median and average for combined CCRC in the state of TX. It includes pricing for all types of contract pricing models combined, including both traditional amortizing contracts and refundable contracts.

Source: My LifeSite CCRC database, Jan 2017
Entry Fee Ranges - Type A Contracts

NOTE: In order to show a more meaningful comparison of price ranges this graph separates traditional, declining balance Type-A contracts from all Type-A contracts. The green bars reflect traditional contracts and all refundable contracts combined.

Source: My LifeSite CCRC database, Jan 2017
Entry Fee Ranges - Type B Contracts

NOTE: In order to show a more meaningful comparison of price ranges this graph separates traditional, declining balance Type-A contracts from all Type-A contracts. The green bars reflect traditional contracts and all refundable contracts combined.

Source: My LifeSite CCRC database, Jan 2017
NOTE: In order to show a more meaningful comparison of price ranges this graph separates traditional, declining balance Type-C contracts from all Type-C contracts. The green bars reflect traditional contracts and all refundable contracts combined.

Source: My LifeSite CCRC database, Jan 2017
NOTE: Data represents a true median and average for combined CCRC in the state of TX. It includes pricing for all types of contract pricing models combined, including both traditional amortizing contracts and refundable contracts.

Source: My LifeSite CCRC database, Jan 2017
NOTE: In order to show a more meaningful comparison of price ranges this graph separates traditional, declining balance Type-A contracts from all Type-A contracts. The green bars reflect traditional contracts and all refundable contracts combined.

Source: My LifeSite CCRC database, Jan 2017
NOTE: In order to show a more meaningful comparison of price ranges this graph separates *traditional*, *declining balance* Type-A contracts from *all* Type-A contracts. The green bars reflect traditional contracts *and* all refundable contracts combined.
NOTE: In order to show a more meaningful comparison of price ranges this graph separates traditional, declining balance Type-C contracts from all Type-C contracts. The green bars reflect traditional contracts and all refundable contracts combined.

Source: My LifeSite CCRC database, Jan 2017