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Elder Law Minute

Observations from the Field on CCRCs

After last week's article on negotiating with Continuity Care Retirement Communities (CCRCs), I received some very insightful comments from ELM readers.

Metta Johnson, RN, a geriatric care manager based in Atlanta wrote:

I have not found the CCRCs willing to negotiate either. I think the contracts are iron clad. I agree that it is a large investment and a big risk. I have found that the assisted living part of the CCRC provides less care than a free standing assisted living facility. I also find the nursing home part not appropriate for wanderers or those who have behavior issues, and have had to move clients to more appropriate nursing homes, thus losing the benefit of the investment.

Marshall Lichtenstein, an Atlanta attorney wrote:

I will share with you my personal insights resulting from my representation of a securities brokerage firm which was the major financier of what was then called "Life Care" facilities in the early 1980's. The concept was fatally flawed and almost all of these entities went into bankruptcy which in turn resulted in multiple class action lawsuits against the underwriters, their attorneys and accountants. The basic flaw in their calculations was that most elderly people did not want to purchase a unit when they could get a comparable luxury rental unit. Once the purchases do not meet the needed rates to pay off financing, the projects then usually started cutting corners. Then they started renting some units which obviously did not please those who had made large payments. It is interesting that the basic flawed concept is resurfacing today.

Norman Lee Plotkin, JD, CLU, ChFC, AEP, an Atlanta insurance and financial advisor wrote:

My concern is that these facilities are essentially "insuring" a possible future risk/cost. But they do not have the regulation and statutory reserves required of insurance companies. If their liabilities exceed their projections, they have to raise prices or go out of business.

I passed these great comments on to my client but nevertheless, they closed on a unit last week. Regardless of the outcome, I thank all of you for sharing your wisdom and experience.

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