NATIONAL CONTINUING CARE RESIDENTS ASSOCIATION (NaCCRA)
President: Reverend Dr. Robert D. Nicholson, 450 NE 100th Street, Seattle, WA 98125; (206) 524-6040
Administration: 325 John Knox Road; Suite L-103, Tallahassee, FL 32303; (850) 224-0711

Minutes of NaCCRA Delegation to Work on Joint Issues with LeadingAge Teleconference June 29, 2016

At the request of President Nicholson, Joint Task Group Liaison Jack Cumming, convened a teleconference of the NaCCRA representatives to the Joint Task Group. Those members are President Nicholson, President-Elect Boyer, former Director Jack Snader, Bennett Napier, and former Treasurer Jack Cumming. Mr. Napier was not on the teleconference.

The discussion lasted 25 Minutes with the following outcomes.

1. We will pursue one primary advocacy aim in order to keep it simple and actionable, though we will continue to develop a wider range of issues to follow on.

2. Our primary advocacy will be to use insurance parallels to provide guarantees for the fulfillment of obligations funded by entry fees even if the provider organization fails or enters bankruptcy proceedings. Entry fees are analogous to single premium immediate annuities and we will seek the same safeguards for entry fees as now apply to annuities.

3. If we succeed with this first advocacy aim, we will then consider next steps from among the Bill of Rights, Model Laws, Social Insurance Reform, and similar matters on which to work.

4. We have already communicated the primary advocacy objective to LeadingAge (see correspondence attached).

5. When we next meet with the LeadingAge provider representatives to the Joint Task Group, we will begin by listening to their issues. We will then take their issues under advisement for consideration and response at a later time. After listening to their concerns, we will again propose the entry fee guaranty matter as a suitable joint project. We will then reconsider our position in light of the joint discussion.

6. Mr. Boyer continues to favor a formal written agreement with LeadingAge, believing that will open access to resident leaders in CCRCs that are not now familiar with NaCCRA. Mr. Cumming questioned whether that would be permitted under privacy concerns and given the reluctance of CCRC executives to grant access to their residents. Mr. Nicholson supported Mr. Boyer's view that an agreement could help add members and he noted that the draft agreement from 2015 and earlier included a provision that LeadingAge could submit articles to Lifeline and vice versa. Mr. Nicholson believes that an article in a LeadingAge journal explaining NaCCRA could be positive. After discussion, however, it was decided that now is not the time to pursue an agreement. Messrs. Snader and Cumming believe that insistence on an agreement could derail positive joint advocacy.

7. Since NaCCRA has been the primary initiator of contact with LeadingAge in pursuit joint advocacy, and since the response has been tepid, it was agreed that we cannot compel a response from the provider side. NaCCRA has done all that it can do unilaterally within the bounds of propriety; joint work requires mutuality. Therefore, we will continue to show an openness to work with LeadingAge but we will leave the response to LeadingAge. We agreed that we cannot force a reluctant provider representation to respond merely because residents are eager to get something done.

Mr. Nicholson then cited recent instances of state LeadingAge leaders working with CCRC residents as evidence that there is a positive will to respond to resident concerns. Mr. Snader remarked that the industry would push back against entry fee guaranties even though NaCCRA may believe that they are in the industry's best interests. Mr. Cumming agreed with Mr. Nicholson that cooperation is positive but he agreed with Mr. Snader that the industry is likely to oppose any meaningful measure brought forward by residents. He noted that despite the cooperation that Mr. Nicholson observed nothing of substance has changed for residents. He said that the core question for residents is, "Am I better off for having paid an entry fee and having moved into residence in a CCRC or would I have been better served to have remained living in the wider community?"

Mr. Cumming noted that the industry has not provided a compelling response to this question. He continued that placing entry fee investments on a sound basis is in the best interests of both the industry and the residents, but that the industry is likely to oppose it. That bias toward inaction and opposition means that the industry is unlikely to restructure itself from its current configuration (entry fees to fund nonprofit ownership; residents as subordinate to executives) which leaves it open to entrepreneurial disruption. Still, we, as resident advocates, remain hopeful that these industry leaders may surprise us and respond positively and constructively to our proposal.

Mr. Cumming believes that some taxpaying, for profit providers are already considering modes of entrepreneurial disruption. Absent an unexpected change in the nonprofit CCRC industry thinking, the future will belong to the for profit operators since they have access to the equity capital markets and are more committed to consumer value (as opposed to care for the needy). Without change it seems likely that the unreformed, currently nonprofit, CCRC industry will simply devolve into high acuity assisted living or be supplanted as obsolete. The next generation of retirees is unlikely to accept that, despite high entry fees, residence leads to subordinate status in their own homes.

The meeting closed with a shared sense that we are now better prepared for a meeting with the provider Joint Task Group members when, and if, they decide that they wish to continue to pursue the joint advocacy prospect. The matters above require approval by two thirds of the Directors, per the NaCCRA Policy on Advocacy adopted at the October 31, 2015 Board Meeting.

Jack Cumming
June 29, 2016

Correspondence with LeadingAge

From: Katie Sloan [mailto:KSloan@leadingage.org]
Sent: Wednesday, December 30, 2015 5:46 AM
To: jackcumming@naccrau.com
Cc: Steve Maag <SMaag@LeadingAge.org>
Subject: Follow Up

Jack – Thanks for keeping us in the loop about your Board meeting agenda. Steve shared with me your email hoping for feedback about the item on the agenda related to entrance fees being treated the same way as life annuity contracts. We are not in a position to comment on this without understanding the idea more fully. Who pays for the insurance? Does it require a new state law in each state? How are rates set? What is the impact on non-refundable contracts or declining balance contracts? What is the rationale for tying this to OAA funding? We look forward to getting a clearer picture of the thinking that has gone along with this idea.

I hope you are having a happy holiday season.

With best wishes, Katie

Katie Smith Sloan | LeadingAge |
COO & Senior VP
202.508.9472
Connect with **LeadingAge: LeadingAge.org**

From: Jack Cumming [mailto:JackCumming@naccrau.com]
Sent: Wednesday, December 30, 2015 7:32 AM
To: 'Katie Sloan' <KSloan@leadingage.org>

Cc: 'Steve Maag' <SMaag@LeadingAge.org>
Subject: RE: Follow Up

Katie,

It's good to hear from you. I'll be thinking of you as that Waterford Crystal Ball falls slowly over Times Square since I think that's when you move into the buck-stops-here job and assume the ultimate responsibility.

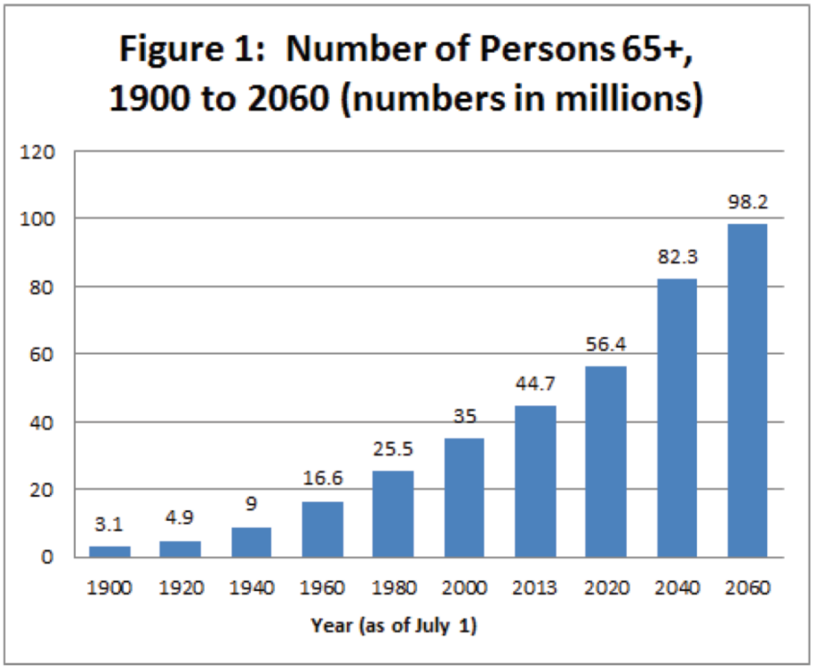
I was in touch yesterday with Chick Nelson, who speaks very highly of you. He had lunch yesterday with his daughter and a friend, both Sidwell grads, and he wore a Sidwell jacket for the occasion. Chick is very excited about the Search Committee's choice, and so is Roberta Jacobsen who can be a strong support for you.

The best place to learn about rhw life annuity guaranty is https://www.nolhga.com. There are similar websites for every state and jurisdiction. For instance, https://www.dclifega.org is the website for the District of Columbia.

We included a similar effort in NaCCRA's Model Laws (http://tinyurl.com/ModelLaws), which Steve knows about since we approached him to try to persuade a provider group to give us input on that project. Although nothing came of that effort, we remain hopeful because we believe that the best interests of the providers for continuing to attract residents and participants (CCaH), will be to be able to provide assurance to prospects that contracting with providers is safe.

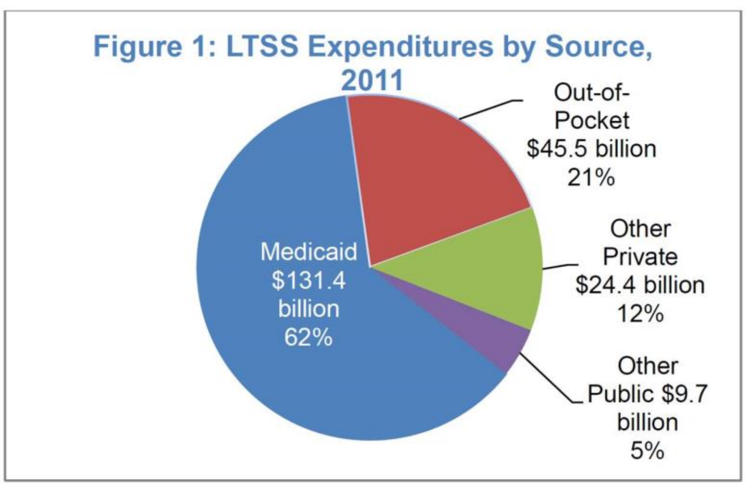
For now our focus, directed by several in our leadership group, is to have a simple beginning that has a prospect of enactment.

We look forward to working with you and your provider members. The CCRC (or Life Plan Community) industry has a bright future. The White House Conference on Aging's Final Report, which was released yesterday, aside from publicizing the President's initiatives, set the future clearly in perspective. Here's the opportunity;



NOTE: INCREMENTS IN YEARS ARE UNEVEN.
SOURCE: U.S. CENSUS BUREAU, POPULATION ESTIMATES AND PROJECTIONS.

And here's the social challenge which calls for a concerted response, including government direction and entrepreneurial response. Moreover, as telling as this graph is, it omits the bulk of the LTSS caregiving which is provided by uncompensated family members and volunteers.



Source: National Health Policy Forum, 2013

My estimate is that funding the LTSS expenditures shown in the graph alone, would cost roughly 2.7% of payrolls, and that adding compensation for family and voluntary caregiving would add another 5.6% of payroll. That's a tall order. Such coverage can only be accomplished if we were to bring overall healthcare costs down in line with, say, Germany, and if we are able to improve markedly the efficiency of caregiving itself.

We look forward to working with you and your team in 2016.

Happy New Year and Best Wishes for both the new year and your new office.

Jack Cumming
NaCCRA

From: Jack Cumming [mailto:JackCumming@NaCCRAu.com]
Sent: Saturday, February 6, 2016 8:27 AM
To: 'Roberta Jacobsen' <RJACOBSEN@frontporch.net>
Subject: Guaranty Funds

The link you asked for is https://www.nolhga.com and the California website is https://www.califega.org. Like entry fee contracts, banking and insurance are financial industries which require a higher degree of financial sophistication for their management. Because of this higher level of trust, both banking and insurance are protected by financial guaranty programs, the FDIC program in the case of banking and the NOLGHA program for insurance. Bankruptcy in other industries generally only hurts the equity investors and the banking and trade creditors, and not the customers, so similar protections are not needed.

The reasons for the NOLGHA solution over the FDIC bank deposit approach are:

1. The industry is able to intervene with industry expertise early in the development of financial challenges in an organization to prevent a collapse and to set the enterprise on a healthy course.

2. The process operates at the state level which facilitates closer cooperation between industry turnaround experts and regulators.

3. The closer relationships among industry colleagues at the state level allow friendlier interventions to avert underpricing or overspending with less public awareness and with less pain for leadership egos.

4. The FDIC pre-assessment (pay in advance) model builds a government fund which is a temptation for politicians to spend and dissipate.

5. Also, since financial troubles are unpredictable, the pre-assessment approach either over funds or under funds the need. In the face of uncertainty, the tendency is for officials to set pre-assessment to overfund rather than underfund.

6. Lastly, pre-assessment removes most incentives to adopt sounder business practices to avert the failure. We saw that recently in the cascading tumbling of bank failures during the economic slowdown which was not matched by a similar number of insurance failures for reasons detailed below.

7. The NOLGHA approach recognizes that financial failure of a state regulated industry is a failure of regulation so that the ultimate cost of the failure should fall to the state.

8. The post-assessment (pay as needed) model, i.e. the state level insurance model, ensures that assessment funds are matched to the need and not politically squandered.

9. Post-assessment charges are capped (2% of revenues), with the state budget as financial backstop, so that they are not a burden for providers or for pricing; assessments are recoverable as a tax offset.

Speaking with you made me realize that I need to put something together so that this is all clear to people. I'll be working on that. What seems complex in the post-assessment model should not be a deterrent; it's worked well in practice and it's the complexity that empowers the industry to keep its own house in order. I would have suggested that LeadingAge contact the NAIC CEO for more information on how this all works (NAIC=National Association of Insurance Commissioners), but Ex-Senator Ben Nelson, who has been the NAIC CEO, stepped down effective January 31 and the post has not yet been filled.

Ben Nelson may still be a good person to consult. He has returned to a private law practice in Washington, DC and Nebraska and is still consulting with the NAIC. Incidentally, Nelson's contract with the NAIC called for an annual base salary of $950,000. Kevin McCarty, who resigned recently as Florida Insurance Commissioner, and who testified at the July 2010 Kohl Committee hearing on CCRCs, is said to be in the running to replace him. That would mean that the NAIC CEO would at least be familiar with entry fee CCRCs though it was his mishandling of the Glenmoor CCRC bankruptcy in Jacksonville that brought him into political trouble in Florida.

A major political factor in all this is that banking and insurance are universal, affecting nearly all Americans. Thus, if I hear of a bank failure in Wichita, I may worry whether my own bank is sound or not. CCRCs are still limited to a highly select segment of the populace so there is little public notice of failures and dislocation. That may change if the industry is able to develop congregate living or continuing care at home as common models for aging. Being able to affirm the security of customer investments, especially in entry fees, may help the industry to move toward such acceptance and can assure the continuance of entry fees as a financing mechanism to help meet the industry's capital costs.

Jack

NATIONAL CONTINUING CARE RESIDENTS ASSOCIATION (NaCCRA)

President:
Reverend Dr. Robert D. Nicholson, 450 NE 100th Street, Seattle, WA 98125; (206) 524-6840
Administrative Support Center:
Bennett Napier, 325 John Knox Road, Suite L-103, Tallahassee, FL 32303; (850) 224-0711

April 21, 2016

Ms. Katrinka Smith Sloan
President and CEO
LeadingAge
2519 Connecticut Ave., NW
Washington, DC 20008-1520

Dear Katie:

We are eager to work jointly with LeadingAge to respond to the needs of our NaCCRA members who are also those served by LeadingAge's provider members. We have a number of areas of joint interest and we are ready to assign appropriate people to work with your provider leaders to help prepare senior housing and services for the demographic challenges that will soon be upon us.

Jack Cumming is our primary contact person. He has assured me that he is ready and open to working with Steve Maag just as soon as Steve has the go ahead. We want to be able to hit the ground running so that we can both report significant progress to our members – yours and ours – just as soon as possible, ideally during the Indianapolis Conference.

Let's start with a list of areas of mutual interest. Jack shared with you last December one possibility. We know that you and your provider members have others. If we can agree on common ground, we are prepared to do everything that we can to bring forward grassroots support for initiatives to help seniors.

We've written previously to Steve with suggestions for a timetable. We hope, now you have had time to settle into your new office, that LeadingAge is ready to commit to defining promising areas for mutual cooperation; to establishing an action timetable for progress; and for scheduling the next teleconference for the Joint Task Group together with a working agenda for that conversation.

On item that we've suggested twice before is the possibility that Joint Task Group have a web portal like other LeadingAge Committees through which we might share and learn from each other while developing common ground and discovering new areas of mutuality.

Thank you for writing and we are looking forward to working closely with you and your provider members.

Sincerely yours,

Rev. Dr. Robert D. Nicholson

LeadingAge

April 14, 2016

The Rev. Robert D. Nicholson
President
National Continuing Care Residents Association
450 NE 100th St
Apartment 502
Seattle WA 98125

Dear Bob,

I was pleased to hear that the meeting at PEAK between representatives of NaCCRA and members of our task force (Roberta Jacobson, Sean Kelly, Terri Cunliffe, Tom Akins and Steve Maag (as staff)) was a success. I understand it was a very broad discussion on a number of topics and issues and it laid the groundwork for future talks and initiatives between NaCCRA and LeadingAge.

I also understand that there was consensus that a formal agreement of some type was not seen as necessary for our relationship to continue. However, this letter will acknowledge our commitment to work with NaCCRA on issues and in areas of mutual interest. I am sure there are many things we can accomplish together that will benefit LeadingAge and NaCCRA members as well as seniors in general.

Steve will continue to be your primary contact person and will be following up with you to begin the process of determining what initiatives will be pursued and a schedule and process to accomplish this. In the meantime, if you have any question or concerns, please feel free to contact me.

Sincerely,

Katrinka (Katie) Smith Sloan
President and CEO
LeadingAge

2519 Connecticut Ave., NW | Washington, DC 20008-1520
P 202.783.2242 | F 202.783.2255 | LeadingAge.org

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