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New SOA Study Analyzes Demographic Experience of Continuing Care Retirement Community Residents

by Bill Breedlove

A study recently published by the Society of Actuaries provides financial and operational analyses of Continuing Care Retirement Communities and other senior congregate living arrangements.

The study, authored by Harold L. Barney, F.S.A., M.A.A.A. and Dave Bond, F.S.A., M.A.A.A., examined data from 72 facilities, developing actuarial decrement rates for mortality, morbidity and withdrawal patterns.

Several significant results were found in the study. For example, the observed actuarial decrement rates varied significantly from facility to facility. Such results may be indicative of differences in admission standards, although because the results were beyond the scope of the actual study, it has not been proven one way or another.

Another noteworthy result was that there were no statistically significant differences observed for the decrement rates between Extensive, Modified and Fee-for-Service resident contracts. As was expected, mortality and morbidity rates were consistently higher for rental contracts compared to other forms of resident contracts.

There were also some interesting comparisons between the mortality rates of CCRC residents

with annuitant buyers. The findings in this area are still open to speculation with some reservations being expressed by the reviewer.

A more expected outcome was found in the significant differences in the voluntary withdrawal rates between the contract types. As would seem to be logical, rental contracts had the highest withdrawal rates, and Fee-for-Service contracts (with no health care guarantee) had higher withdrawal rates than the Extensive contract.

Lastly, the length-of-stay analysis illustrated there was a distinct correlation between both the resident contract type and the healthcare configuration of the facility, and the time spent in the health center (assisted and skilled care) during the resident's lifetime. Contrary to expectations, residents with contracts offering extensive healthcare guarantees spent less time in health centers than their counterparts with alternative contracts.

These preceding paragraphs just skim the surface of the results found in the study. For more information—or an electronic version of the tables that are presented in the report, please contact the Society of Actuaries. □

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