Questions & Clarifications

❖ On the Table comparison of CCRCs, the entrance fee for Windsor Meade (WM) is higher than you’d expect for a C contract because the amount quoted is for a 50 refund plan. WM does not routinely offer a 0% Refund plan. It is negotiable.

❖ I posed two questions to the CCRCs: 1) one regarding a couple, where one member is the caretaker 2) Tax deductibility of entrance & monthly service fees. The answers are on the following pages. I did not hear from Patriots Colony.
1) If one member of a couple requires help with ADLs & their partner is fully independent & functions as the 'caregiver', are they eligible to enter Williamsburg Landing (WL)? Yes, depending on the degree of ADL’s needed, they could both live in IL with provisions in the event the caretaker becomes ill. They agree to bring in outside help, we have AL apartments that are 1080sf so both could be in AL, we have couples that come together so they could stay together and have help when needed. We have private duty and home health that can help as needed. We even have adult day to give the caregiver respite from being a full time caregiver. We work with couples all the time that have various need levels. The main point we look at for Independent Living is if left alone in the house, are they at risk to themselves or their neighbors. I hope that helps but please encourage them to call as needed.

2) Are a portion of the entrance fee & monthly service fees tax deductible as LTC/medical expenses? If so, could you share the % that WL residents were able to deduct. We provide a letter annually for residents to take to their accountants. It is a complex formula but yes to some degree. I will get that letter as a sample to show you and forward under separate cover.
Dear <CONTACT> <NAME>:

As a resident of Assisted Living at Williamsburg Landing, some or all of the fees paid during 2018 may be deductible for tax purposes. Our tax advisor tells us that under current Internal Revenue Service regulations, 100 percent of a resident’s monthly fee is tax deductible if both of the following conditions apply:

1. The resident is unable to perform, without substantial assistance from another individual, at least two (2) daily living activities for a period of at least ninety (90) days, or the resident requires substantial supervision to protect their health and safety due to a severe cognitive impairment. Activities of daily living include eating, toileting, transferring, bathing, dressing, and continence.

2. The services are provided to the resident pursuant to a plan of care prescribed by a licensed health care practitioner.

This letter is not intended as Federal Income Tax advice. You should consult your own tax advisor with regard to your Federal Income Tax situation.

If you have any questions, please feel free to contact me at 757-565-6511.

Sincerely,

Chester Tellis,
VP of Finance/CFO
February 7, 2019

Dear «CONTACT» «Last_Name»:

The IRS allows certain medical deductions for those itemizing their deductions from gross income. We have received legal opinions from the Internal Revenue Service (IRS), for us to inform independent living residents as to the potential deduction of certain expenses for 2018. The purpose of this letter is to provide the information to you to see if you would be eligible to receive a deduction from your 2018 independent living monthly service fees.

This letter does not cover information for those who live in assisted living or nursing homes as those deductions will be different. It is for information only for those who do not itemize their deductions.

We have prepared a letter to the IRS, and the IRS has advised us that they are in agreement with our interpretation of the regulations. The letter from the IRS is attached for your review. Based on the regulations, we have calculated the portion of the 2018 independent living monthly service fees representing medical expenses that may be deductible for 2018 independent living residents. The purpose of this letter is to provide the information to you to see if you would be eligible to receive a deduction.

We have calculated the portion of the medical expense portion of the independent living monthly service fees at $5,491 per resident. The method used for determining the medical expense portion of the independent living monthly service fees is a detailed description that is also attached. We have also calculated the average benefit attributable to the medical expenses that can be deducted for 2018. This is based on the average length of stay of Williamsburg Landing residents in these facilities. The average benefit is then divided by the average length of stay of Williamsburg Landing residents in independent living to arrive at the annual medical expense amount. We have attached our computations for your records and it is actuarially sound and consistent with prior years.

If you only lived in independent living for part of the year, you should prorate the medical expense fee reported above. For example, if you lived in independent living from January 1st through June 30th, you would be entitled to ½ of the deduction or $2,745.50 per resident.

The calculation does not allocate any entrance fee amounts you paid to the medical expense fee category as we felt it was more appropriate to utilize monthly fees as a basis for the deduction.

Please be advised of the following points relative to this subject:

1. If you choose to report this amount as a deductible item, we suggest you itemize and describe the expense as “Medical Expense” in the “Medical Expenses” section on Schedule A, Form 1040. The attachment should include a reference to line 1 of Schedule A, Form 1040. This is required for full disclosure under IRS rules.
2. Any amount compensated by insurance may not be deducted.
3. The deductible portion of independent resident fees may not exceed the amount actually paid by you.
4. Deductions under Section 213 of the Internal Revenue Code are subject to certain limitations.

On a separate note, fees paid to the Williamsburg Landing Continuing Care Program are also deductible medical expenses. In 2018 you paid $«CCP» to the Continuing Care Program as prepaid medical expenses.

This letter is sent to you as information and as such, we are not asking you to itemize any of the expenses. If you feel that you are eligible to itemize any of the expenses, we strongly suggest that you consult with your tax advisor to determine whether and how to report any such income as a deduction on your income tax return. You and your tax advisor are free to use any method deemed appropriate for determining the medical expense deductions arising from your independent living monthly service fees.

Very truly yours,

Chester Tellis
Executive VP of Finance/CFO
February 9, 2018

Dear «CONTACT»:

As a resident of Nursing and/or Memory Support at Williamsburg Landing, some or all of the fees paid during 2016 for «NAME» may be deductible for tax purposes. Our tax advisor tells us that under current Internal Revenue Service regulations, 100 percent of a resident’s monthly fee is tax deductible if both of the following conditions apply:

1. The resident is unable to perform, without substantial assistance from another individual, at least two (2) daily living activities for a period of at least ninety (90) days, or the resident requires substantial supervision to protect their health and safety due to a severe cognitive impairment. Activities of daily living include eating, toileting, transferring, bathing, dressing and continence.

2. The services are provided to the resident pursuant to a plan of care prescribed by a licensed health care practitioner.

Residents permanently transferred to Nursing and Memory Support have met the criteria listed above. You should consult your tax advisor with regard to your Federal Income Tax situation.

If you have any questions, please feel free to contact me at 757-565-6511.

Sincerely,

Chester Tellis,
VP of Finance/CFO
1) If one member of a couple needs help with ADLs and the other member is completely independent and functions as a caregiver, can they enter Windsor Meade? Yes it is possible, but it is not black and white. They would be evaluated by WM. We would want to make sure one of them is quite healthy and is able to be caregiver. Also it depends on how much care that second one already needs. IF they are quite in need of a lot of help already then it may not be the case they could both be admitted into IL. Because obviously they may need our highest level of care very quickly and our aim is to start out as couple in IL and Healthcare available as they age. So hope that helps.

2) Is a portion of the Entrance fee & Monthly Service fee tax deductible as LTC/medical expenses? If so, would you mind sharing the % that your residents were able to deduct? In the past WM had a percentage but since 2017 it has been specific dollar amounts based on entrance fees, monthly fees, specific houses and apartments, and whether it is 50% or 90% entrance fee plan (based on non-refundable portion of entrance fee). It is based on IRS guidelines and in accordance with our CPA. SO I don’t have a black and white answer for that one either. The residents each get a letter and know their entrance fee plans, and different units etc. They give CPA letter to their accountants.
Continuous Care Retirement Communities

❖ Need for CCRCs
❖ What services does a CCRC Provide?
❖ CCRC Contracts and Regulation
❖ Virtual Tour
❖ Next Steps
As we age, the facts are clear, we need more help with ADLs (activities of daily living). Along the Y axis are the percentage of the population over 65 years who will need help with ADLs. Along the X axis are the ADLs. With each succeeding decade, the need for help with ADLs increases. The need for AL is triggered by needing help with 2 ADLs or dementia which is an independent qualification.
Long Term Care Needs

Source: Depart. of Health Policy Penn State December 2005
The incidence & duration of paid LTC varies by gender. Nearly 6 in 10 men can expect to consume no paid LTC, not because men are healthier. Elderly men are more likely to be married than women largely because of gender differences in life expectancy…as a result 65% of informal care givers are women. As a result of these gender differences in life expectancy, more than half of all women can expect to need paid LTC. Medicare pays only for skilled nursing, not custodial care. caveat: after 3 day hospitalization, will pay up to 100 days
Richmond, VA

### Monthly Cost 2018

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Health Care</strong></td>
<td></td>
</tr>
<tr>
<td>Homemaker Services</td>
<td>$3,813</td>
</tr>
<tr>
<td>Homemaker Health Aide</td>
<td>$3,813</td>
</tr>
<tr>
<td><strong>Adult Day Health Care</strong></td>
<td></td>
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<tr>
<td>Adult Day Health Care</td>
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</tr>
<tr>
<td><strong>Assisted Living Facility</strong></td>
<td></td>
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<tr>
<td>Private, One Bedroom</td>
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<tr>
<td><strong>Nursing Home Care</strong></td>
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<tr>
<td>Semi-Private Room</td>
<td>$7,317</td>
</tr>
<tr>
<td>Private Room</td>
<td>$9,216</td>
</tr>
</tbody>
</table>

*Based on annual rate divided by 12 months (assumes 44 hours per week).*

The information shown above is based on a specific scenario generated by the Genworth 2018 Cost of Care. Future years are calculated by assuming an annual 3% growth rate. For more information and location comparison, visit genworth.com/costofcare.

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So you want to stay & receive care in your home because you think it’s cheaper…here’s the data. These statistics come from Genworth, a company who sell LTC policies; by going to this website you can index the costs of care by region in the country. A friend who visited WL with me said it would be cheaper for her mother to be in AL at WL than bringing in the 24 hour care for her mother at home.
It’s better to be a month early, than a day late

CCRC resident
As your health declines & your needs increase:

❖ Will home modifications be needed?
❖ What if you’re unable to drive anymore?
❖ How will you stay socially active?

So if you decide to stay in your home, are you willing to modify bathrooms & make other alterations which will make your home ‘handicap’ friendly? If you’re unable to drive, how will you socialize, secure groceries, go to Doctors appt.
As your health declines and your needs increase:

❖ Will home services be adequate?
❖ How much will home care cost?
❖ What happens when you can no longer receive care in your home?
❖ Should you consider a CCRC?
Continuous Care Retirement Communities

❖ Need for CCRCs

❖ What services does a CCRC provide?

❖ CCRC Contracts and Regulation

❖ Virtual Tour

❖ Next Steps
The concept of CCRCs began to develop approximately 100 years ago; CCRCs were originally church sponsored groups, which provided lifetime care for aging seniors who had no family in exchange for the aging senior turning his/her assets over to the organization. 97% CCRCs are not for profit. National organization for not for profit CCRC is AAHSA, American Association of Homes & Services for the Aging. Most people enter CCRCs 72-77 years. Annual turnover rate is 11%
All CCRCs Provide:

- Independent Living
- Home Care
- Assisted Living (AL)
- Memory Care
- Skilled Nursing (SN)
CCRCs provide a continuum of services

- Dining
- Fitness center
- Housekeeping (weekly or biweekly)
CCRCs provide a continuum of services

- Cottage/apartment maintenance
- Utilities: electricity, water, basic cable, internet
- Local bank, beauty & barber shop, library
CCRCs continuum of services

- Transportation to doctor appointments, shopping
- Personal Emergency Response System
- Wellness Clinic
- Rehabilitation Services
CCRCs

- Provide for Social Engagement
  - Transportation to Cultural Events
  - Numerous resident activities: bookclubs, travel clubs, Bocce Ball, etc.
  - Auditorium for lectures & movies
  - Hobby Studios for woodworking, painting, ceramics
CCRCs

❖ Financial Qualifications:

- Ensures you can afford it & your money will last

- Rule of Thumb: will pass if you have assets 3 X entrance fee and monthly income 2 X monthly service fee

- Long Term Care Insurance: usually not required, but helps with financial qualification (with type B & C contracts)

The ‘rule of thumb’ is just a guide line. some CCRCs such as Patriots colony have two choices; one plan requires a higher entrance fee, but a lower monthly service fee. the other plan has a lower entrance fee & a higher monthly service fee.
CCRCs

❖ Health Qualifications

- Must be able to live independently (walk in)

- No help required with ADLs

- Physical exam from your doctor

- May require cognitive tests by CCRC staff

Most CCRCs require that you have & maintain health insurance; Medicare A, B & D and Medicare advantage or Medigap coverage.
CCRC Fees

❖ Substantial Entrance Fee or ‘Buy in’ (depends on contract type)

❖ Monthly Service Fees

❖ Entrance Fee & Monthly service fees determined by size & type of living unit selected. A portion of both are usually tax deductible as long term health care

❖ Wait List: $1000 usually refundable. Can take 3-5 years depending on the unit desired

every year, the CCRC calculates how much of it’s income was spent on LTC. based on that percentage, you are able to deduct a percentage of your entrance fee & monthly service fees as LTC/medical expenses.
CCRC Fees

❖ Entrance Fees

- 0, 50 & 90% Refund options

- A portion may be tax deductible as long term care expenses

- Entrance Fees for Type A (Life Care) contracts are usually larger than Type B or C

The Entrance Fee accrues to the Owner at a rate of 2%/month (IL) or 4%/month(AL) beginning with the first day of occupancy until the entire Entrance Fee paid has been accrued.(0% Entrance Fee refund).

Tax deductible: a portion of the entrance fee & monthly service fees may be tax deductible as medical/LTC expenses. The deductible amount is calculated annually & provided to the residents.
CCRC Waiting Lists

❖ Fill out Application with financial & health information & specify type of housing desired

❖ Date of Application is your reservation at most CCRCs

❖ Three strikes & other rules

❖ What wait lists tells you and why >90% occupancy is desirable

❖ Benefits: use facilities(gym) & attend lectures

Some CCRCs will reduce your priority on wait list after 3 offers of residency units. Others will no longer refund your $1000 wait list fee after 3 offers. A long wait list is desirable; CCRCs depend on monthly service fees & entrance fees to sustain their bottom line; vacant units mean a lower income for the CCRC.
CCRCs

❖ Need for CCRCs

❖ What services does a CCRC provide?

❖ CCRC Contracts and Regulation

❖ Virtual Tour

❖ Next Steps
CCRC CONTRACTS

❖ Type A or Life care
❖ Type B or Modified
❖ Type C or Fee for Service
❖ Rental
❖ Equity
Type A (lifecare): Includes housing, residential services, amenities & unlimited specific health-related services with little or no substantial increases in monthly payments except for normal operating costs & inflation.

Type A or Life Care includes housing, residential services and unlimited specific health-related services with little or no substantial increase in monthly fees except for additional meals & medical supplies.
Type B (modified): Includes housing, residential services & amenities & a specific amount of healthcare with no substantial increase in monthly payments except to cover normal operating costs & inflation adjustments.

Type B or Modified includes housing, residential services and a limited amount of healthcare with no substantial increase in monthly fees. After the specified amount of healthcare is used, persons pay either a discounted rate or full per diem rates for health care.
Type B: After the specified amount of healthcare is used, persons served pay either a discounted rate or the full diem rates for required healthcare services.
Type C (fee for service): Includes housing, residential services & amenities for the monthly service fees stated in the resident agreement. Access to healthcare services is guaranteed, but it may require full fee for service rates.

Under this agreement, the resident pays for all health related services as they are needed. Fee for service contracts usually result in lower entrance & monthly fees, but shift the risk of LTC back to the residents.
CCRC Contracts Cont’d

♦ Rental Agreement: Allows residents the opportunity to rent their housing & provides, but does not guarantee, access to healthcare services paid on a fee-for service basis
CCRC Contracts (cont’d)

❖ Equity Agreement: involves the actual purchase of real estate or membership, including condominiums and cooperatives. Healthcare services are usually paid on a fee-for-service basis.

The sale & resale are usually limited to those who meet the community’s entry eligibility criteria. What happens if you need to move to a higher level of care & all your equity in tied up in your home; what if you can’t sell your home?

PAUSE FOR QUESTIONS
<table>
<thead>
<tr>
<th>Contract</th>
<th>Sq. Ft.</th>
<th>Entrance</th>
<th>Entrance 2</th>
<th>Monthly</th>
<th>Monthly 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC A,C</td>
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<td>201,730</td>
<td>234,030</td>
<td>2,578</td>
<td>3,654</td>
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<tr>
<td>WL B</td>
<td>900</td>
<td>169,161</td>
<td>182,611</td>
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<td>4,670</td>
</tr>
<tr>
<td>WM C</td>
<td>1050</td>
<td>228,900 *</td>
<td>253,900 *</td>
<td>4,050</td>
<td>5,105</td>
</tr>
</tbody>
</table>

* Windsor Meade: * Refers to the fact this is the 50% refundable plan

this chart is a comparison of three different contracts; A,B,C. PC features two different contract types, A & C. the figures quoted are for the A contract.
CCRC Regulation

- CCRCs: There is no national or federal regulation of CCRCs.
- Nursing Homes within CCRCs are regulated by the federal government.
- Assisted Living facilities located within CCRCs are regulated by state.
CCRC Regulation

❖ CCRCs in Virginia are regulated by the Bureau of Insurance

❖ Requires Annual Disclosure Statements

❖ Certified financial statements including a balance sheet & income statement
   for the two most recent fiscal years are required

❖ Highly recommend the state website

The state corporation commission Bureau of insurance has regulated CCRCs in VA since 1985. Oversight includes ensuring that proper disclosures are made as well as monitoring the CCRC’s financial condition.
Disclosure statements, continuing care contracts & audited financial statements
CARF CERTIFICATION OF CCRCs

❖ CARF: Commission on Accreditation of Rehabilitation Facilities. It is the only accrediting body for CCRCs & is recognized as a sign of excellence

❖ CARF website is a useful tool for educating yourself about CCRCs

❖ Currently the only CARF-CCAC certified CCRC in the area is Williamsburg Landing

CARF-CCAC certification CCAC: continuing care accreditation commission.
Only 15% of CCRCs nationwide have CARF certification
CCRCs

❖ Need for CCRCs

❖ What services does a CCRC provide?

❖ CCRC Contracts and Regulation

❖ Virtual Tour

❖ Next Steps
A Virtual Tour of Local CCRCs

❖ Patriots Colony

❖ Williamsburg Landing

❖ Windsor Meade
Patriots Colony

- Contract Type: Type A or C (fee for service)
- Profit Type: Non Profit 501(c)(3)
- Religious Affiliation: None
- Campus: Mixture of apartments, homes & villas on 90 acres
- Wait List: $1000/person or $1500/couple, refundable
- Reservation Fee: 10% of cost of living space
- Refund Options: 0, 50 & 95%
- Open to Retired Military Officers & Federal Civil Service GS-7 or higher

AL & SN are open to public, Min age 55, avg. age 73. PC was started in 1985
242 residential units. Pop. 310 IL, 100 AL & SN.
Williamsburg Landing

- Contract Type: B-Modified
- Profit Type: Not for Profit 501(c)(3)
- Religious Affiliation: None
- Campus: 312 Apartments & Homes on 132 acres
- Wait List: $1000, $10,000 for Ready List, both are refundable
- Reservation Fee: 10% of cost of living unit
- Refund Options: 0, 50 & 90%

Only CCRC in the area with CARF-CCAC accreditation.
min. age 62. Offer 10 days annually in SN.
Founded in 1985
Windsor Meade

❖ Contract Type: C
❖ Profit type: Non profit, 501(c)3
❖ Religious affiliation: United Methodist (Pinnacle Living)
❖ Campus: 106 acres, 85 Apartments & 96 Villas
❖ Waitlist: $1000 (refundable)
❖ Reservation fee: 10% of Entrance Fee
❖ Refund Options: 50 & 90%

Opened in 2008 Fall 2012 underwent debt restructing & voluntary Chap.11
Now doing well, 100% occupancy with waiting list of 162. Population ~300.
Avg age 77-78, youngest 63.
Community based continuing care program. Disclosure statement filed with the Virginia bureau of insurance. Licensed in 2013, started operation in July 2015. 501(c)3 corp. according to 2018 disclosure statement, 104 members. Non transferrable. Must qualify financially, physically & mentally. Must be capable of all ADLs & be functioning at a high level, mentally & physically. Google “choose care williamsburg”
Choose Home

❖ Community Based Continuing Care Program

❖ Financial Qualification

❖ Physical & Medical Qualification

❖ Non-transferable

❖ Kiplinger’s Retirement Report: September 2016; A New Option to Get Care at Home

Must apply while you’re in good health & able to live independently. must be able to carry out all ADLs & function at at high level physically & mentally.
Provides a Person Services Coordinator. recommend changes in home to accommodate aging in place.
If you’re thinking of moving out of the area to be closer to your children, this is not a good option.
Choose Home: community based continuing care

The disclosure statement for this community based continuing care organization is below:

CCRCs

❖ Need for CCRCs
❖ What services does a CCRC provide?
❖ CCRC Contracts and Regulation
❖ Virtual Tour
❖ Next Steps
NEXT STEPS

❖ Educate yourself about CCRCs & think of questions you’ll want answered, then call the marketing department & arrange a visit…take a friend or another couple.

❖ Join the waiting list; by hanging out at the facility, you’ll get to know people & figure out if you’d be happy there

❖ Each CCRC has it’s own character; some are more formal, others casual
NEXT STEPS

❖ Once you’re serious about a CCRC, it’s best to have a lawyer review the contract with you

❖ CCRCs are required by law to give you a disclosure statement; review this document with a financial advisor