



**FINAID**

Version 4.08

# **User's Guide**

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## Getting Started

### Primary FINAID Screens:

- ◆ Main screen - Create and manage files, initialize assumptions, view list of prospective resident records, and create or select individual records for editing.
- ◆ Prospect screen - Enter information for a specific prospective resident and generate reports.

### Setting Up a Community File Group:

1. Create a new file group by selecting **New** from the **File** menu on the Main screen. Details
2. Enter community and economic assumptions by selecting each item from the **Assumptions** menu on the Main screen. Details
3. Establish community admission criteria. Details

### Evaluating Prospective Residents:

1. Open the desired file group by selecting **Open** from the **File** menu on the Main screen. Details
2. Create a new prospective resident record by clicking the **New** button on the Main screen. Details
3. Enter prospective resident information on the Prospect screen. Details
4. Generate the summary report. Details
5. Interpret the results in accordance with community admission criteria. Details

[See also: What Is FINAID](#)

## What Is FINAID?

FINAID assists retirement communities in evaluating the financial condition of prospective residents prior to their entry into the community. By using FINAID, a community can implement an objective and consistent financial screening process that meets the operating goals and philosophy of the community.

FINAID projects income for prospective residents based on their financial assets and income sources and compares this revenue to projected expenses such as monthly fees, personal expenses, and income taxes. Actuarial tables projecting the length of time residents will live in each care level can be tailored to reflect individual community experience. Alternatively, FINAID can use proprietary standard CCRC actuarial tables which are based on selected experience from the A.V. Powell & Associates database (over 700,000 lifeyears of data).

Using FINAID is straightforward:

- ◆ Enter information about the community, such as contract types, fees, and economic assumptions.
- ◆ Enter information about a prospective resident, such as gender, age, income, and expenses.
- ◆ Generate a report showing the expected subsidy over the applicant's lifetime.
- ◆ Interpret the report in accordance with specific community admission guidelines.

[See also: Getting Started, Establishing Admission Guidelines, Summary Report, Interpreting Results](#)

## Establishing Admission Guidelines

All retirement communities face a financial aid risk on behalf of their residents, whether they actively seek to accept a number of residents who might need aid or try to minimize their potential financial aid requirements. For those that accept residents needing aid, the risk is obvious. For those that try to minimize the aid, the risk exists because it's rare that a resident would be asked to leave a facility as a result of depleting financial resources through no fault of her/his own.

In order to manage this risk, we recommend that management develop clear financial admission criteria that are consistent with the organization's financial capabilities and implement procedures for monitoring and measuring the financial aid obligations. There are two components to measuring financial aid obligations: (1) using objective financial admission criteria that matches, or limits, the annual increase in financial aid obligations for new residents to the organization's financial aid budget, and (2) regularly quantifying the financial aid obligations that exist for current residents.

FINAID can be used to assist with implementing component (a) management of financial aid liability for new entrants. AV Powell & Associates also provides consulting services to assist with component (b) by quantifying the financial aid liability for current residents and comparing it to benevolence funds and future expected contributions for benevolence. Contact AV Powell or Kathie Harris to obtain a fee quote for these services.

The financial criteria for acceptance or rejection of a new resident should be based on the community's philosophy and goals regarding financial aid. In particular, the criteria must reflect the community's ability to fund the potential aid

associated with a new resident. A community with limited or no financial aid resources will necessarily have more restrictive screening policies than a community that intends to accept residents with expected subsidy needs.

If a community has limited resources to provide financial aid, the admission policies are straightforward: accept those residents who are projected to require no or minimal financial aid.

On the other hand, a community with sufficient financial resources to provide aid will typically hold financial aid endowment funds and conduct annual fundraising. These resources must be allocated between obligations to current residents and the increase in financial aid liabilities (obligations) for new residents. The measurement criterion is the increase in financial aid liabilities because a new resident may present a need for aid sometime in the future instead of in the current year. If we assume that aid requirements for current residents have been properly valued and the community holds reserves to cover that liability, then the amount of aid to be given for new entrants depends on the budgeted contributions and amount of financial aid reserve surplus to be distributed for current year. FINAID provides information that allows management to quantify the amount of the increase in financial aid liabilities at the time new residents are accepted.

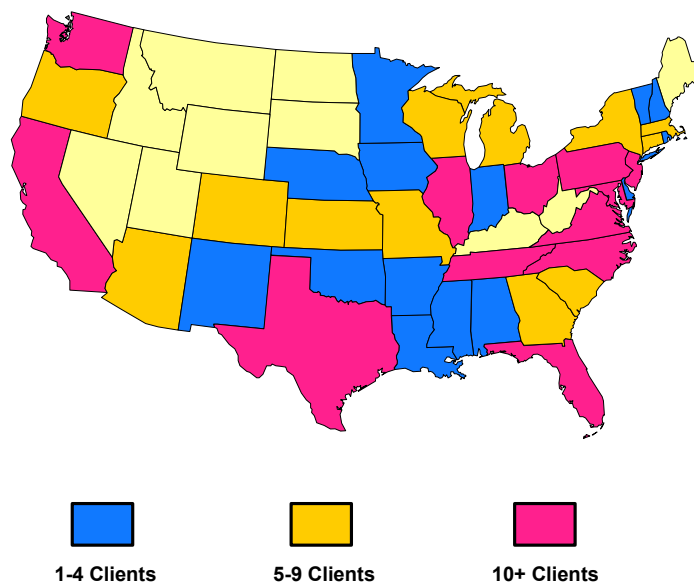
An example of such a policy may make this situation clearer. Assume that an organization raises \$400,000 annually in funds designated for financial aid and holds financial aid reserves of \$7,500,000. If the valuation of financial aid liabilities for current residents is \$5,000,000, the organization has a surplus equal to \$2,500,000. If management implements a policy that allocates \$350,000 of the annual fundraising and \$250,000 from the reserve surplus, this means the organization has decided to fund up to \$600,000 for the increase in annual financial aid obligations in the current year. The remaining \$50,000 from fundraising would be added to the financial aid reserves and potentially allocated to a future year.

The practical application is that the organization will accept new residents whose expected financial aid obligations (present value of subsidy) accumulates to \$600,000. Since actual experience may vary from the assumptions used in the calculation, we recommend that a contingency factor be applied to the annual funding threshold. Our rule-of-thumb for this contingency factor is 15%, so for the \$600,000 annual funding, the threshold would be reduced to \$510,000. The number of residents admitted with financial aid needs would depend on the individuals' needs. The needs of two residents could accumulate to \$510,000, or the needs of ten residents could accumulate to \$510,000.

[See also: Interpreting Results, Summary Report, Qualification Guidelines](#)

## About A.V. Powell & Associates LLC

**A.V. Powell & Associates** provides customized, actuarially based strategies to address the issues and concerns of Continuing Care Retirement Communities, Assisted Living Facilities, and Nursing Care Facilities. Over 300 communities in 39 states and Korea have selected **A.V. Powell & Associates** as their actuarial consulting partner.



### **We make the following commitments to you:**

- ◆ AVP consultants are specialists in the CCRC industry and will continue to place the highest emphasis on providing quality actuarial services and software.
- ◆ AVP consultants are active in professional and industry activities, always staying on the leading edge of actuarial innovation.
- ◆ AVP has proven stability. AVP will be around to back you up when you need it.
- ◆ AVP will maintain an effective support network to serve you. Our support group includes all the AVP consultants, facilitating better communication and on-going maintenance consistent with our high standards of quality.
- ◆ AVP has a unique information technology development team, including practicing actuaries, consulting accountants, and programming professionals, representing an unparalleled blend of diverse expertise and many years of application development experience. We promise to maintain this depth in our development team.

**We at AVP are committed to actuarial software and to you - our users.**

[See also: Support](#)

## **Creating and Managing File Groups**

The **File** menu on the Main screen contains items for managing file groups:

<b>Open</b>	Opens an existing file group.
<b>New</b>	Creates a new file group. A file group is identified by its community code (three alpha characters) and file group code (one alphanumeric character).
<b>Copy</b>	Makes a copy of the currently open file group and gives it a different community code and/or file group code.
<b>Delete</b>	Deletes the currently open file group.
<b>Data Directory</b>	Selects the directory where FINAID stores data files. May be located on your PC or on a server.

[See also: File System, Main Screen Options](#)

## **Creating and Managing Prospect Records**

The Main screen shows a list of existing records for the open file group. Four buttons manage the records:

<b>Edit</b>	View an existing record.
<b>New</b>	Create a new record.
<b>Copy</b>	Copy an existing record to a new record.
<b>Delete</b>	Delete an existing record.

The **Options** menu on the Main screen contains two methods of sorting the list of records:

<b>Sort by Name</b>	Show in alphabetical order.
<b>Sort by Record ID</b>	Show in numerical order.

[See also: Entering Prospect Information, Generating Reports, File System](#)

## **Entering Community and Economic Assumptions**

Community and economic assumptions are accessed from the **Assumptions** menu on the Main screen. Assumptions apply to all prospective resident calculations for the open file group.

**Community Name**  
**Care Levels and Unit Types**  
**Contracts**  
**Entry Fee Schedules**  
**Monthly Fee Schedules**

**Inflation and Interest Rate Assumptions**  
**Disposable Income Assumptions**  
**Federal and State Tax Tables**

## Spend-Down and Medicaid Assumptions Actuarial Decrement Assumptions Qualification Guidelines

### Print Assumptions

## Entering Prospect Information

Prospective resident information is entered in five grids on the Prospect screen:

1. **General Information**
2. **Demographics and Entry Fees**
3. **Monthly Expenses**
4. **Long Term Care Insurance**
5. **Assets and Income**

[See also: Prospect Screen Edit Menu, Saving Resident Data, Printing Resident Data, Creating and Managing Prospect Records](#)

## Generating Reports

Buttons on the Prospect screen generate reports:

- |                       |  |
|-----------------------|--|
| <b>Summary</b>        | Generates a report summarizing the results. The report can optionally include a second page containing the prospective resident information. See note 1. |
| <b>All Iterations</b> | Generates a report showing information for all iterations and all years. See note 2.   |
| <b>Detail</b>         | Generates a report showing year-by-year information about one iteration selected by the <b>Iter #</b> control. See note 2.                               |

Notes:

- 1) From the **Options** menu, select **Include Prospect Information in Summary Report**.
- 2) From the **Options** menu, select **Enable Diagnostic Reports**.

[See also: Prospect Screen Options](#)

## Interpreting Results

The criteria for accepting or rejecting prospective residents should be based on each community's philosophy and goals regarding financial aid. In particular, the criteria must reflect the community's ability to fund current and future financial aid. A community with limited or no financial aid resources will necessarily have more restrictive screening policies than a community that intends to accept residents with expected subsidy needs.

On the Summary report, the average value for the present value of subsidy represents the amount to fund at the time of admission in order to cover the expected subsidy needs for that resident. If this amount were funded for all residents with projected subsidy needs, the fund and its future earnings would be expected to cover the subsidy requirements. However, due to possible variations in actual experience, there is a chance that additional funding would be required or that the funding amounts would exceed actual needs.

In order to quantify the risk of depleting the financial aid funds, the model provides additional information about the distribution of funding requirements for an individual. The 50<sup>th</sup> percentile results for the present value of subsidy represents the amount of funding associated with a less than 50% chance that the resident's actual aid will exceed that value. The 75<sup>th</sup> percentile results for the present value of subsidy represents the amount of funding associated with a less than 25% chance that the resident's actual aid will exceed that value. The 95<sup>th</sup> percentile results for the present value of subsidy represents the amount of funding associated with a less than 5% chance that the resident's actual aid will exceed that value.

It should be noted that when funding aid for multiple residents, the difference between the 50<sup>th</sup> percentile and the 75<sup>th</sup> and 95<sup>th</sup> percentiles may be less than for a single resident.

The results of FINAID can be used to assist a community with implementing its financial screening policies. For example, if a community wishes to limit its financial aid obligation to the greatest extent possible, it would accept only residents who are projected to have less than a 5% chance of receiving aid during their lifetimes. This means that the

FINAID results for the resident must show \$0 present value of subsidy for the 50<sup>th</sup> percentile, the 75<sup>th</sup> percentile, and the 95<sup>th</sup> percentile in order to meet that community's financial screening criteria.

On the other hand, if a community wishes to provide some aid, it can use the average present value of subsidy results to accumulate aid for admission until the annual budgets are met. It's important to realize that with this funding approach not all aid occurs in the year of admission and that accepting a resident with projected subsidy needs may mean providing aid several years later. Therefore, if a community has a \$500,000 annual budget for the increase in financial aid obligations, it can accept residents whose average present value of subsidy results sum to \$500,000. This could be two residents if both have an average present value of subsidy equal to \$250,000. Or it could be 20 residents whose average present value of subsidy equals \$25,000 each.

[See also: Establishing Admission Guidelines, Summary Report](#)

## Community Name

**Community Name** is accessed from the **Assumptions** menu on the Main screen.

Enter the community name as it should appear on reports.

[See also: Entering Community and Economic Assumptions](#)

## Care Levels and Unit Types

**Care Levels and Unit Types** is accessed from the **Assumptions** menu on the Main screen.

### Care Levels:

Three care levels must be defined.

#### Code

Generally, the codes can be left at the default of 100 for independent living, 300 for assisted living, and 500 for nursing care.

#### Description

The descriptions can be modified to change the name of the care level, but the intent must remain the same. For example, the name "Independent Living" can be changed, but the care level is still for the most independent residents.

#### Abbreviation

The abbreviation should be a three-letter abbreviation of the description. It is used for display on some assumption input screens.

### Unit Types:

Unit types are generally set up based on the fee schedule. Sometimes unit types are modeled together using the same name and number, particularly if the fees are similar and there are not very many units of a specific type. An unlimited number of unit types is allowed, but a large number may add complexity for the user.

#### Code

The unit type code is related to the care level code. A unit is assumed to be in a certain level of care based on its code.

For example, if the first care level code is 100 and the second care level code is 300, then unit types 101 through 299 would be in the first care level. The unit type code is greater than its care level code but less than the next care level code. New unit type codes can be inserted and deleted using the **Edit** menu. Unit type codes are sorted into ascending order when saved.

#### Description

Descriptions are user-specified.

[See also: Entering Community and Economic Assumptions](#)

## Contracts

**Contracts** is accessed from the **Assumptions** menu on the Main screen.

### Code

A contract code should be set up for each contract type offered to new entrants. Entrance fees and monthly fees are entered for each contract code on another screen, so each fee schedule should have its own contract code. Use **Edit** menu to insert or delete contracts. An unlimited number of contracts is allowed, but a large number may add complexity for the user.

### Description

Enter a brief description, such as "Lifecare" or "Fee-for-service: 90% refundable".

### Min Refund % On Perm Transfer

This field is for contracts that provide a refund when the resident transfers to assisted living or nursing care. Enter the minimum percentage of entrance fee paid as a refund (if the refund grades down over time to 50%, enter 50). FINAID will calculate a lump-sum amount to add to projected assets when the last person on the contract leaves independent living for assisted living or nursing care. The lump-sum amount is equal to the refund % times the total entrance fee for the applicant. (1st person plus 2nd person entrance fee, for ILU entrants.) See Refunds for additional information on handling refund proceeds for FINAID calculations.

### Contractual Fees - Perm Year Limit and Contractual Fees - Perm Levels Limit

There are two columns related to limits on contractual fees. This feature relates to contracts that provide for different fees in assisted living or nursing care depending upon the number of days utilized. For example, the contract may require a different fee during the first two years (or 730 days) of health care than during subsequent days of health care. In this case, select 2 Year as the year-limit. The Monthly Fees screen will allow input of different fees during the contractual period and after the contractual period for all Year Limits except lifetime.

The Levels Limit is used to specify whether the contractual limit applies to time in assisted living and nursing care combined, assisted living and nursing care each, assisted living only, or nursing care only. If ALU+NCU combined, a 2-year limit would mean two years total in either one or both. If ALU+NCU each, a 2-year limit would mean up to four years total.

### IMPORTANT NOTES:

- ◆ If the fees after permanent transfer to assisted living or nursing care do not vary based on the number of days, use Lifetime for the Year-Limit and NA for the Levels-Limit.
- ◆ If the fees are different for temporary versus permanent days, code the contract to reflect the permanent day payments.
- ◆ If the permanent day payments are different for a period of less than one year, code the contract as if all the days are paid at the higher rate.

[See also: Entering Community and Economic Assumptions](#)

## Entry Fee Schedules

**Entry Fee Schedules** is accessed from the **Assumptions** menu on the Main screen.

Entry fee schedules can be set up in FINAID for each contract. If multiple contracts have the same fees, edit one contract, save it, then select the next contract. Click on **Copy From** to select the contract to copy to the current contract.

The **Insert Entry/Monthly Fees** button on the Prospect screen will load the entry fees from these schedules. Alternatively, users may prefer to input entrance fees on the Prospect screen for each applicant, in which case these schedules may be left blank.

The fees on the Prospect screen (populated by **Insert Entry/Monthly Fees** or entered manually) are used in the calculations.

[See also: Contracts, Subsidy at Entry, Entering Community and Economic Assumptions](#)

## Monthly Fee Schedules

**Monthly Fee Schedules** is accessed from the **Assumptions** menu on the Main screen.

Monthly fee schedules can be set up in FINAID for each contract type. If the contract allows for both a contractual period and a non-contractual period, then fees must be entered in both sections. Input is not allowed in the non-contractual fee section unless the contract is set up with a limit on the contractual fees.

If multiple contracts have the same fees, edit one contract, **Save** it, then select the next contract. Click **Copy From** to select the contract with the fees to be copied to the current contract.



The **Insert Entry/Monthly Fees** button on the Prospect screen can be used to load monthly fees from these schedules. Alternatively, users may prefer to input monthly fees on the Prospect screen for each applicant, in which case the Monthly Fee schedules can be left blank. The fees on the Prospect screen (populated by **Insert Entry/Monthly Fees** or entered manually) are used in the calculations.

The following rules explain how the Single and Add'l Per columns are used during each simulation year:

- ◆ If a person is a single or is the only survivor of a couple, the Single column is used.
- ◆ For a couple with both alive in the same level of care, person 1 uses the Single column and person 2 uses the Add'l Per column.
- ◆ For a couple with both alive and not in the same care level, the person in the lower care level uses the Single column and the person in the higher care level uses the Add'l Per column.

[See also: Contracts, Entering Community and Economic Assumptions](#)

## Inflation and Interest Rate Assumptions

**Inflation and Interest Rate Assumptions** is accessed from the **Assumptions** menu on the Main screen.

Inflation rates for the projection period are specified on this screen. These rates can vary during the first five years and will remain level thereafter.

### Fee Inflation

Fee inflation can vary by level of care. ILU fee inflation will be applied to independent living monthly fees. ALU fee inflation will be applied to assisted living monthly fees. NCU fee inflation will be applied to nursing care monthly fees. The Yr 1 inflation should be zero if current fees are entered in Monthly Fees or on the Prospect screen.

### Personal Expenses Inflation

Personal expenses inflation will be applied to all personal expenses entered on the Prospect screen. If current year dollars are input, the Yr 1 inflation should be zero.

### Medicaid Inflation

Medicaid inflation will be applied to the Medicaid daily rate. The Yr 1 inflation should be zero if current year dollars are input.

### General Inflation

General inflation will be applied to all income and asset items that have a check in the inflation adjustment column on the Prospect screen. For example, Social Security income and investments in stock are usually inflation-adjusted, so they would be increased at the general inflation rate. If current year dollars are input, the Yr 1 inflation should be zero.

### Present Value Discount Rate

The present value discount rate is used to calculate the present value of projected subsidy over the resident's lifetime. This rate should reflect the investment earnings rate on the community's benevolent funds. If a positive (>0%) interest rate is entered in Yr 1, then the present value calculation treats net disbursements as if they are made at end of year. If a 0% interest rate is entered in Yr 1, then the present value calculation treats net disbursements as if they are made at beginning of year; yielding a slightly larger, more conservative subsidy estimate.

[See also: Entering Community and Economic Assumptions](#)

## Disposable Income Assumptions

**Disposable Income Assumptions** is accessed from the **Assumptions** menu on the Main screen.

The distribution and earnings rates for an applicant's disposable income is defined on this screen. A portion of disposable income can be specified as "spend immediately," which means it will not be added to assets. The remainder of the disposable income can be invested in four possible categories: savings, stocks/equities, bonds taxable, or bonds non-taxable. Different earnings rates can be entered for each category and should reflect market rates of return for different types of investments. Assets can be distributed as desired among the spend or invest categories, but the total distribution must add to 100%.

Disposable income can be projected from two situations. The first is when a lump-sum adjustment is made, such as when an asset is liquidated to pay the entrance fee, or when life insurance proceeds are received, or when refund proceeds are received. In these situations, the portion allocated to "spend immediately" is ignored, and the remaining

categories are pro-rated to equal 100%. If "spend immediately" is set to 100%, disposable income will all go to savings if a lump-sum adjustment is projected.

The second situation that generates disposable income is when residents' income is projected to exceed their expenses in a year. In this situation, disposable income will be distributed according to the percentages defined on this screen.

The detail report includes a table of assets in each projection year. The first four rows of the table reflect the disposable income balances for each category. If projected income is less than expenses, assets will be drawn down in the order of the asset rows, starting with Disposable Income (DI) Savings.

[See also: Entering Community and Economic Assumptions](#)

## Federal and State Tax Tables

**Federal and State Tax Tables** is accessed from the **Assumptions** menu on the Main screen.

FINAID calculates income subject to taxation, which excludes non-taxable income and 15% of Social Security income. FINAID also reduces taxable income by an amount interpolated from the appropriate Single or Joint column in the Federal Deductions Table. The default values in the table are based on the over age-65 standard amounts from the 2002 IRS tax tables and can be modified by the user. In addition, all monthly fees paid while in assisted living and nursing care are assumed to be qualified medical expenses deductible for income tax purposes.

The Federal Tax tables are used to calculate federal taxes, based on taxable income. The default federal tax tables in FINAID are based on 2002 tax rates and can be modified by the user. FINAID will use the Single Tax Table if only one prospective resident is projected to be alive, and the Joint Tax Table if two prospective residents are projected to be alive. FINAID will look for the income level just below the taxable income. Taxes will be calculated as the constant amount plus the increment percent times the taxable income less income level.

State taxes are calculated in the same manner as federal taxes, but using the State Tax tables. The default state tax tables contain a flat 5% tax. These tables must be customized by the user for each community.

[See also: Entering Community and Economic Assumptions](#)

## Spend-Down and Medicaid Assumptions

**Spend-Down and Medicaid Assumptions** is accessed from the **Assumptions** menu on the Main screen.

If the community participates in Medicaid, the payments from Medicaid can offset all or part of a prospective resident's projected subsidy in assisted living and/or nursing care. Medicaid and community-specific spend-down thresholds affect eligibility for assistance from Medicaid and the community.

A per diem rate must be entered in the Medicaid Daily Rate field for Medicaid reimbursement to be considered in the calculations. The maximum assets that a resident can hold and still be eligible for Medicaid must be entered in the Medicaid Maximum Assets field. FINAID also has fields for community-specific maximum assets (spend-down threshold) for each level of care to reflect the current practices for benevolence.

If the projected income is less than projected expenses, the prospect's assets will be reduced to the spend-down threshold. The spend-down threshold is the larger of the Community Maximum Assets or Medicaid Maximum Assets for the lowest occupied care level. For example, if one person of a couple is in Assisted Living and the other person is in Nursing Care, the spend-down threshold will be the larger of the Community Maximum Assets or Medicaid Maximum Assets from the Assisted Living column. If either person is in Independent Living, the spend-down threshold will be the Community Maximum Assets value from the Independent Living column.

A Medicaid benefit is not possible for any of the following situations:

- ◆ Single and in Independent Living.
- ◆ Single and the Community Maximum Assets value is greater than Medicaid Maximum Assets.
- ◆ Both people are in Independent Living.
- ◆ One person is in Independent Living and the Community Maximum Assets value for Independent Living is greater than zero.
- ◆ Neither person is in Independent Living and the Community Maximum Assets value is greater than Medicaid Maximum Assets for the lowest occupied care level.

In all other situations, Medicaid reimbursement is possible.

If Medicaid is possible, the maximum Medicaid benefit will be the sum of the Medicaid Daily Rate values from the occupied care levels. When assets have been spent down to the appropriate threshold (i.e. no assets are available to pay expenses), a subsidy is projected. If the Medicaid Daily Rate is greater than zero, FINAID will adjust the subsidy to reflect Medicaid income. If the Medicaid rate is greater than or equal to the fees due, then the projected subsidy is set to zero because Medicaid will pay only the difference between resident income and expenses (fees due). If the Medicaid rate is less than fees due plus personal expenses, the projected subsidy will be the difference between the two amounts. If this difference, which is often referred to as the Medicaid contractual allowance, should not be projected as a subsidy, then the Medicaid Daily Rate needs to be changed to equal the highest possible monthly fee (converted to a daily per diem) for that care level. This convention will result in a zero projected subsidy for those residents who qualify for Medicaid reimbursements.

[See also: Entering Community and Economic Assumptions](#)

## Actuarial Decrement Assumptions

**Actuarial Decrement Assumptions** is accessed from the **Assumptions** menu on the Main screen.

The longevity (mortality), move-out (withdrawal), and health care usage (morbidity) rate tables are selected on this screen. If A.V. Powell & Associates has calculated community-specific tables to reflect individual community experience, these will be provided. Otherwise, proprietary CCRC actuarial decrement assumptions that were derived from experience in the A.V. Powell & Associates database will be provided.

[See also: Entering Community and Economic Assumptions](#)

## Printing Community and Economic Assumptions

Select **Print Assumptions** from the **Assumptions** menu on the main screen. Choose which assumptions to print.

[See also: Entering Community and Economic Assumptions](#)

## General Information

General information about a prospective resident is entered on the Prospect screen.

### Record ID

The ID number defaults to the next highest unused number, but can be changed to any unused number. If the ID number is changed on an existing record, it will be saved under the new number and the record under the old number will be gone.

### Include 2nd Person

Check here if the record is for a couple. Uncheck if prospective resident is single.

### Contract Type

Choose the contract from the drop box.

### Unit Type at Entry

Choose the unit type from the drop box.

### Expected Entry Date

Enter the expected date that the prospective resident will move into the community. This date will be used along with the date of birth to calculate age at entry. FINAID projections are annual starting with year one, not based on a calendar date. It is assumed that the values of assets, income, and expenses are current in the first projection year.

### Apply LTC Insurance

When this option is checked, a Long Term Care Insurance grid will open next to the Monthly Expenses grid.

[See also: Couples With Different Contract Types, Entering Prospect Information](#)

## Demographics and Entry Fees

Demographics and entry fees for a prospective resident are entered on the Prospect screen. It does not matter which person is person 1 and which person is person 2, as long as data is entered consistently for each person.

### Last Name

**First Name****Gender****Date of Birth****Care Level at Entry**

Choose the care level abbreviation from the drop box. Couples can enter in two different care levels.

**Entry Fee**

Enter the appropriate entry fee for each person based on the desired contract type, unit type and care level. Alternatively, use the **Insert Entry/Monthly Fees** button to fill in the entry fees. See Subsidy at Entry if any portion of the entry fee will be subsidized by the community at the time of move-in.

[See also: Entering Prospect Information](#)

## Monthly Expenses

Monthly expenses, consisting of contractual monthly fees, non-contractual monthly fees, and personal expenses are entered on the Prospect screen.

**Explanation of Single/Add'l Per Columns**

The following rules determine which monthly fee and personal expense columns are used during each simulation year:

- ◆ If a person is a single or is the only survivor of a couple, the Single column is used.
- ◆ For a couple with both alive in the same level of care, person 1 uses the Single column and person 2 uses the Add'l Per column.
- ◆ For a couple with both alive and not in the same care level, the person in the lower care level uses the Single column and the person in the higher care level uses the Add'l Per column.

**Contractual Fees**

Contractual monthly fees are entered for each person based on the desired contract type, unit type, and care level.

**Non-Contractual Fees**

Non-contractual monthly fees will be available for input only if the specified contract is defined to require different fees after a limited contractual term.

The **Insert Entry/Monthly Fees** button may be used to fill in the contractual and non-contractual amounts from the monthly fee schedules.

**Personal Expenses**

Personal expenses are entered in the Monthly Expenses grid beginning in the third row. Personal expenses can be entered in one row or multiple rows. Personal expenses must be entered as monthly amounts. They will be increased at the personal expense inflation rate in the FINAID projection.

Personal expenses can vary by level of care. Generally, personal expenses will decline as a resident moves through the continuum of care.

Personal expenses should include all non-fee expenses except long-term care insurance premiums, which are entered separately in the Long Term Care Insurance grid, and income taxes, which are calculated by FINAID. Some personal expenses to consider include life insurance premiums, prescriptions and other medical costs, meals and utilities if not included in monthly fees, travel, and gifts.

[See also: Prospect Screen Edit Menu, Entering Prospect Information](#)

## Long Term Care Insurance

Long Term Care insurance data is entered on the Prospect screen. "Apply LTC Insurance" in the General Information grid must be checked to display the LTC input grid. Enter data in the appropriate column for each person who has LTC insurance.

**Benefit Period**

The number of years that the long term care benefits will be payable. Choose the appropriate term from the drop down box. If unlimited, choose Lifetime. Otherwise, choose the number of years provided.

**Elimination Period**

The number of days before benefit payments begin. Typical elimination periods are 30, 60, 90 or 120 days. Choose the appropriate term from the drop down box.

**ALU Daily Benefit**

Enter the current daily benefit amount for assisted living care. Enter zero if the policy does not include assisted living benefits.

**NCU Daily Benefit**

Enter the current daily benefit amount for nursing care. Enter zero if the policy does not include nursing care benefits.

**Inflation Adjusted**

Check if the daily benefits increase with inflation in future years. Do not check if the daily benefits are level.

**Annual Premium**

Enter the current annual premium for the long term care policy. This amount will be added to total projected expenses. If the resident is projected to be in benefit, FINAID assumes that premiums are waived and the projected annual premium expense becomes zero. In benefit means that long term care insurance benefits are included in projected income. If the benefit period under the LTC policy is limited and the resident is projected to need care beyond that period, the income from LTC benefits becomes zero and the premium expense remains at zero (coverage has terminated).

**Premium Inflation**

Enter an assumed inflation rate to increase annual premiums throughout the projection. Since this type of insurance is relatively new, annual premiums could increase significantly more than other inflation rates. Enter 5% as "5."

[See also: Entering Prospect Information](#)

## Assets and Income

Assets and income are entered on the Prospect screen.

Assets are liquidated as needed in the order entered. The first asset row will be used toward the entry fee, continuing sequentially as needed. Therefore, the order of assets is important. A primary residence that will be sold when the resident moves in should be the first asset in the list. See Prospect Screen Edit Menu for information on how to rearrange the rows.

Each column is described below:

**Type**

Indicates the type of income or asset.

<b>Predefined Asset Types</b>	<b>Predefined Income Types</b>
Primary Residence	Social Security
Real Estate	Pension
Savings/CD	Annuity
Stocks/Equity Funds	IRA/401(k)
Bonds/Bond Funds	Roth IRA
Life Insurance	Alimony

If a prospective resident has an income or asset that does not fit one of the predefined types, use the "Other" or "Other (Income Only)" type.

**Description**

A brief description can be entered for each item.

**Own**

This field indicates the ownership of the income or asset. Valid choices are "J" for joint, "1" for a single person or Person 1 of a couple, and "2" for Person 2 of a couple. Income items such as Social Security or pension must be associated with a specific person since these amounts may cease or adjust if that person is projected to die. Assets with joint ownership will continue if one person in a couple is projected to die, but assets with individual ownership will only continue at the survivorship percentage.

**APR%**

This field is the annual percentage rate of return on an asset. The asset balance must be greater than zero to allow input in the APR% field. The APR% is generally entered as an annual amount and the frequency is annual. If the frequency is changed to be monthly or quarterly, the APR% will be recomputed on that basis. If the income is entered, the APR% will be recomputed based on the income and frequency.

#### **Freq**

This field indicates the frequency of the income payments. Choices are "A" annually, "Q" quarterly, and "M" monthly.

#### **Income**

This field is the income amount paid at the frequency indicated in the Freq field.

#### **Begin**

Indicates the projection year when the income starts. For example, if a prospective resident will begin receiving pension payments one year after move-in, select "2" (second projection year). If income is already in effect, select "1."

#### **Dur**

Indicates the duration of an asset or income amount. Typically, the duration will be "L" for lifetime. One exception is an annuity, which may have a limited duration remaining on the income. The remaining number of projection years for income payments must be selected if the Annuity type is used. If the life insurance asset type is selected, the duration will be "D" since it is payable on death.

#### **Inf Adj**

Check this box if the asset balance is expected to appreciate in addition to generating income. The general inflation rate will be applied to inflation-adjusted assets.

#### **Tax**

Indicates whether the income is subject to taxation. If the income is not taxable (such as tax-exempt investments), the Tax should be "N". Social Security items show a tax status of "SS" which indicates that 85% of that income is taxable.

#### **Surv %**

Used for couples to indicate the portion of the asset or income that will continue to the other person if the owner is projected to die first. If a pension on Person 1 is \$800 while Person 1 is alive, but only \$400 if Person 1 is deceased and Person 2 is alive, the survivorship percentage should be 50%. If none of the asset or income will continue, the survivorship percentage should be 0%. For Social Security, the survivorship percentage will be "SS."

[See also: Entering Prospect Information, Refunds, Subsidy at Entry](#)

## **Summary Report**

The Summary report is generated by the **Summary** button on the Prospect screen.

The results of the FINAID projection for a prospective resident or couple are shown on a one-page summary report. The report can include a second page containing the prospective resident information if **Include Prospect Information in Summary Report** is checked on the **Options** menu.

Using a stochastic simulation technique, FINAID applies the community's actuarial decrement assumptions to generate thousands of iterations of year-by-year care level status. Each iteration is run through the financial calculation logic to determine the annual projected subsidy. All iterations are combined to provide a distribution of projected subsidy for each year. From these distributions various statistics on the probability of subsidy are derived.

#### **Statistics Table:**

This table shows the arithmetic average and three order statistics:

<b>Average</b>	Average of all iterations (mean)
<b>50th Percentile</b>	50% of iterations lie below this value (median)
<b>75th Percentile</b>	75% of iterations lie below this value
<b>95th Percentile</b>	95% of iterations lie below this value

#### **Total Subsidy**

The total subsidy is the total amount of subsidy required after of all the resident's income and assets are applied toward fees and other expenses.

#### **Present Value of Subsidy**

The present value is based on the specified present value discount rate. The present value of the subsidy is the total subsidy in today's dollars. It is the amount that should be set aside now to fund the future expected subsidy requirements if the prospective resident is admitted to the community.

#### **Projected 1st Year of Subsidy**

The projected 1st year of subsidy is the first projection year that subsidy will be needed. In calculating this statistic, any iterations where no subsidy is projected are excluded (refer to "Probability of subsidy during lifetime" for likelihood of receiving subsidy). "NA" is displayed if all projected iterations show no subsidy, i.e., \$0 in aid. The projected year of subsidy may be different at each of the four points reported. For example, subsidy needs may begin sooner at the 95th percentile than at the 75th percentile, because the iterations with the greatest subsidies may have resulted from earlier and more extensive health care utilization projections. Alternatively, subsidy needs may begin later at the 95th percentile than the 75th percentile, because the iterations with the greatest subsidies may have resulted from longer lifetimes.

#### **Expected Lifetime**

Expected lifetimes are also shown on the summary report at each of the four statistical values. For couples, this number is based on the last survivor's length of stay in the community. Some financial aid managers like to compare the first projected year of subsidy to the expected lifetime to assess the likelihood that subsidy will be required. A better measure of this risk is the "Probability of subsidy during lifetime" statistic.

#### **ALERT STATUS:**

The alert status provides a quick indication of the likelihood that the resident meets the community's financial screening criteria as set up on the Qualification Guidelines screen.

#### **Probability of subsidy during lifetime:**

FINAID computes the overall probability that subsidy will be required during the prospective resident's lifetime. This is the percentage of the simulation iterations that result in a subsidy.

#### **30-Year Projected Results Table:**

##### **Expected subsidy if alive**

Generally this amount will increase throughout the projection period.

##### **Probability of surviving up to year**

This probability will decrease over time until the assumed end of life span at age 115. For couples, it is the probability that at least one member survives.

##### **Expected subsidy in year**

This amount equals the "expected subsidy if alive" in the second column multiplied by the "probability of surviving up to year" in the third column. The sum of expected subsidy if alive for all projection years equals the average value for the total subsidy row at the top of this report.

##### **Probability of subsidy up to year**

Generally this probability will increase throughout the projection period. It is the percentage of iterations that result in a subsidy for that year, excluding iterations where the prospective resident is not projected to be alive in that year.

##### **Cumulative expected subsidy up to year**

This amount is the sum of the "expected subsidy in year" in the fourth column from Year 1 to Year N. If the resident is projected to live for more than 30 years, the cumulative sum in Year 30 will be slightly less than the amount that is given for the average value in the total subsidy row at the top of this report.

##### **Percentage cumulative subsidy is to total subsidy**

This amount equals the "Cumulative expected subsidy up to year" divided by the "Total Subsidy" average.

"NA" is displayed when the resident is no longer projected to reside in the community.

[See also: Interpreting Results, Generating Reports, Qualification Guidelines](#)

## **All Iterations Report**

The All Iterations report is generated by the **All Iterations** button on the Prospect screen. Note that this button appears only if **Enable Diagnostic Reports** is checked on the **Options** menu.

All Iterations shows a grid of all iterations and all years. Each row of the grid is an iteration, and the columns are projection years. Each cell contains the subsidy projected for that iteration and year. Each cell also shows, in

brackets, the projected care level for that iteration and year. The first number in the brackets is the care level for Person 1 and the second number in the brackets is the care level for Person 2. The care levels are "1" for independent living, "2" for assisted living, and "3" for nursing care. If the cell is empty, the prospective resident has been projected to die before that year. The purpose of this report is to look for an iteration to specify for the detail report.

[See also: Generating Reports](#)

## Detail Report

The Detail report is generated by the **Detail** button on the Prospect screen. Note that this button appears only if **Enable Diagnostic Reports** is checked on the **Options** menu.

Detail is displayed for the iteration selected by the **Iter #** control. The report contains a summary page showing projection year, care level (CL), projected asset balance, annual expenses, annual income, and subsidy requirements (shortfall between income and expense, after assets are exhausted). Total subsidy for the projected lifetime and the present value of total subsidy are also shown.

Subsequent pages of the detail report show detail of assets, income, and expenses for each projection year, for the selected iteration. A table shows the beginning of year asset balances (after inflation is applied) for each asset type. The first four items will always be the disposable income funds, and remaining items are shown in the order entered on the Prospect screen. In the first projection year, this table reflects balances after the entrance fee has been paid. If assets such as real estate were liquidated and exceed the entrance fee, the excess funds will be in the disposable income accounts.

The table also shows other information from the income and asset grid on the Prospect screen. The last two columns of the table are annual income and annual tax free (TF) income. A line beneath the table shows annual expense detail: fees, personal expenses, long term care insurance premiums, calculated income tax, and a total of all annual expenses. Subsidy is also shown on this line, which is equal to total expense less total income. If expense is greater than income but subsidy is \$0, then the shortfall was drawn from assets. The line below expense detail shows annual income detail: income, long term care insurance benefits, Medicaid benefits, and a total of all annual income. Entrance fee refund is also shown on this line.

[See also: Generating Reports](#)

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## File System

FINAID stores all user-created information in two files, XXX#glob.fas and XXX#data.fas, where "XXX" is the community code and "#" is the file group code. These two files are referred to as a file group. When **New** is selected from the **File** menu on the Main screen, a file group is created with the specified community code and file group code.

File groups are stored in the FINAID data directory which may be located on your PC or on a server. The default location of the data directory is in the Finaid4 directory. See Setting the Data Directory for information on how to change the location.

You can back up your FINAID data by backing up all files in the FINAID data directory.

Actuarial decrement assumptions files are stored in a directory named "Common" located in the Finaid4 directory. Since these files are provided by A.V. Powell & Associates, you do not need to back them up.

[See also: Creating and Managing File Groups](#)

## Report Viewer

The Report Viewer uses a Multiple Document Interface to allow multiple reports to be displayed simultaneously. It will remain open until you close it by clicking the "X" in the upper right corner of the window. Two or more reports can be compared, even if they were generated by different file groups.

The menu items are described below:

### Print

**Print** Send to printer.  
**Print to File** Create a text file containing the report.

### Edit

**Select All** Selects all text in report.  
**Copy** Copies selected text to Windows clipboard.

### Options

**Large Font** Large font in viewer.  
**Medium** Medium font in viewer.  
**Small** Small font in viewer.  
**Status Bar** Displays optional information at bottom of viewer.  
Note: The font size in the viewer does not affect the font size in the printed report.

### Windows

Standard MDI commands.

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