Refreshing Contract Options

A.V. POWELL
& ASSOCIATES LLC
FORCAST USERS GROUP

Presenter

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Learning Objectives

1. Evaluate current contract options for actuarial equivalency and desired margins
2. Recognize the contract changes that other communities are implementing
3. Utilize FORCAST to develop appropriate fees for new contract options

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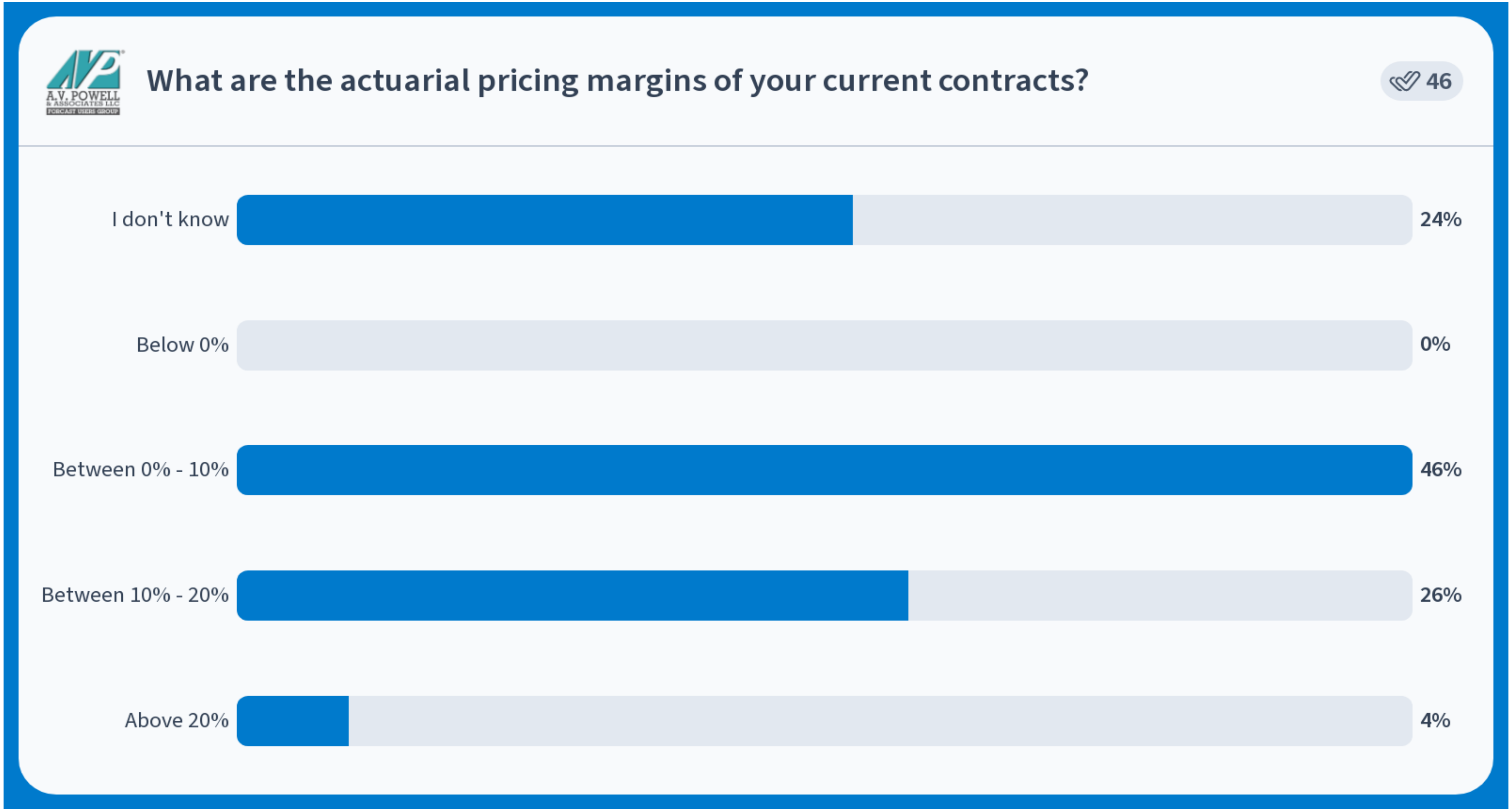
What are the actuarial pricing margins of your current contracts?
46
I don't know
24%
Below 0%
0%
Between 0% - 10%
46%
Between 10% - 20%
26%
Above 20%
4%

Discussion Outline

1. Evaluate Current Contract Results
2. Identify Areas for Improvement
3. Explore Changes to Contract Provisions
4. Summary

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A Typical Community Dashboard

Key Actuarial Metrics	12/31/2025	12/31/2024	AVP Median	AVP ASOP#3 Targets
Funded Status	102.0%	100.0%	103.0%	105.0%
New Entrant Pricing				
Nonrefundable Lifecare	8.3%	7.3%		
50% Refundable Lifecare	10.5%	9.5%		
90% Refundable Lifecare	5.7%	4.7%		
Weighted Average	7.6%	6.6%	12.1%	10.0%
10-Year Reserve Increase Factor	1.60x	1.50x	2.37x	2.00x
Unified Funded Status	103.5%	102.5%	113.5%	115.0%
Satisfactory Actuarial Balance?	Yes, with Qualification	Yes, with Qualification		
Health Care Capacity Adequate?	Yes	Yes		

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FORCAST Pricing - Table 5.1

Table 5.1

Analysis of New Entrant Fees
for Contract Type 10 (Lifecare Nonrefundable)
Entrants to A Typical Community

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	250,000	2,750	343,225	577,653	628,899	(8.1) %
121 1Br/1Ba	300,000	3,500	436,831	718,145	699,882	2.6
122 2Br/1Ba	350,000	4,200	524,198	852,397	736,494	15.7
124 2Br/2Ba	375,000	4,500	561,640	913,283	769,370	18.7
145 Duplex	400,000	4,750	592,843	967,928	811,399	19.3
151 Homes	425,000	4,750	592,843	991,371	777,215	27.6
WEIGHTED SINGLE:	343,338	4,027	502,570	824,523	731,968	12.6 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	350,000	4,750	647,414	992,018	1,121,416	(11.5) %
122 2Br/1Ba	400,000	5,450	755,296	1,149,129	1,168,641	(1.7)
124 2Br/2Ba	425,000	5,750	801,531	1,219,978	1,211,047	0.7
145 Duplex	450,000	6,000	840,060	1,283,122	1,265,259	1.4
151 Homes	475,000	6,000	840,060	1,307,737	1,221,167	7.1
WEIGHTED COUPLE:	433,156	5,711	795,546	1,222,024	1,204,274	1.5 %
TYPICAL ENTRANT:	368,416	4,497	584,372	935,508	863,839	8.3 %

Δ = 18.0%

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FORCAST Pricing - Table 5.2

Table 5.2

Analysis of New Entrant Fees
for Contract Type 50 (Lifecare 50% Refundable)
Entrants to A Typical Community

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	350,000	2,750	343,225	588,805	628,899	(6.4) %
121 1Br/1Ba	420,000	3,500	436,831	731,527	699,882	4.5
122 2Br/1Ba	490,000	4,200	524,198	868,010	736,494	17.9
124 2Br/2Ba	525,000	4,500	561,640	930,010	769,370	20.9
145 Duplex	560,000	4,750	592,843	985,771	811,399	21.5
151 Homes	595,000	4,750	592,843	1,010,329	777,215	30.0
WEIGHTED SINGLE:	480,673	4,027	502,570	839,838	731,968	14.7 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	490,000	4,750	647,414	1,014,766	1,121,416	(9.5) %
122 2Br/1Ba	560,000	5,450	755,296	1,175,127	1,168,641	0.6
124 2Br/2Ba	595,000	5,750	801,531	1,247,601	1,211,047	3.0
145 Duplex	630,000	6,000	840,060	1,312,370	1,265,259	3.7
151 Homes	665,000	6,000	840,060	1,338,609	1,221,167	9.6
WEIGHTED COUPLE:	606,418	5,711	795,546	1,250,177	1,204,274	3.8 %
TYPICAL ENTRANT:	515,782	4,497	584,372	954,408	863,839	10.5 %

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FORCAST Pricing - Table 5.3

Table 5.3

Analysis of New Entrant Fees
for Contract Type 90 (Lifecare 90% Refundable)
Entrants to A Typical Community

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	437,500	2,750	343,225	556,717	628,899	(11.5) %
121 1Br/1Ba	525,000	3,500	436,831	693,022	699,882	(1.0)
122 2Br/1Ba	612,500	4,200	524,198	823,087	736,494	11.8
124 2Br/2Ba	656,250	4,500	561,640	881,879	769,370	14.6
145 Duplex	700,000	4,750	592,843	934,430	811,399	15.2
151 Homes	743,750	4,750	592,843	955,780	777,215	23.0
WEIGHTED SINGLE:	600,841	4,027	502,570	795,770	731,968	8.7 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	612,500	4,750	647,414	986,410	1,121,416	(12.0) %
122 2Br/1Ba	700,000	5,450	755,296	1,142,719	1,168,641	(2.2)
124 2Br/2Ba	743,750	5,750	801,531	1,213,168	1,211,047	0.2
145 Duplex	787,500	6,000	840,060	1,275,911	1,265,259	0.8
151 Homes	831,250	6,000	840,060	1,300,125	1,221,167	6.5
WEIGHTED COUPLE:	758,023	5,711	795,546	1,215,083	1,204,274	0.9 %
TYPICAL ENTRANT:	644,728	4,497	584,372	912,846	863,839	5.7 %

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Discussion Outline

1. Evaluate Current Contract Results
2. Identify Areas for Improvement
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4. Summary

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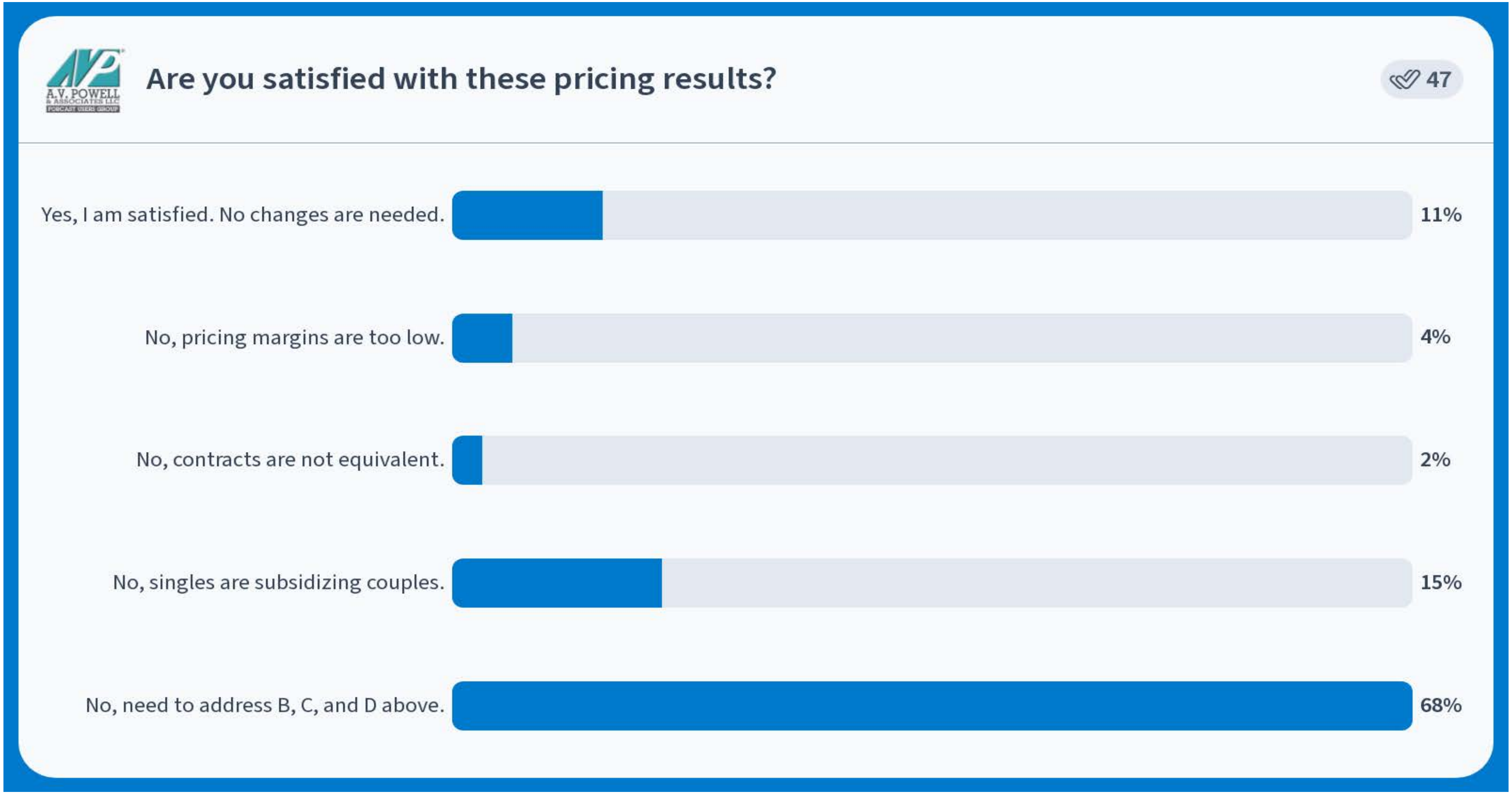
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Are you satisfied with these pricing results?
47
Yes, I am satisfied. No changes are needed.
11%
No, pricing margins are too low.
4%
No, contracts are not equivalent.
2%
No, singles are subsidizing couples.
15%
No, need to address B, C, and D above.
68%

Identify Areas for Improvement

- Nonrefundable typical entrant surplus <10%
- 90% refundable contract underpriced
- Couple surpluses < single surpluses

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Targeting AVP Median of 12% Margin

Table 5.1

Analysis of New Entrant Fees
for Contract Type 10 (Lifecare Nonrefundable)
Entrants to A Typical Community

10% Increase in Entrance Fees

SINGLE ENTRANTS *	Single Entry Fee**	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	275,000	2,750	343,225	601,096	628,899	(4.4) %
121 1Br/1Ba	330,000	3,500	436,831	746,277	699,882	6.6
122 2Br/1Ba	385,000	4,200	524,198	885,217	736,494	20.2
124 2Br/2Ba	412,500	4,500	561,640	948,447	769,370	23.3
145 Duplex	440,000	4,750	592,843	1,005,436	811,399	23.9
151 Homes	467,500	4,750	592,843	1,031,223	777,215	32.7
WEIGHTED SINGLE:	377,672	4,027	502,570	856,718	731,968	17.0 %

COUPLED ENTRANTS *	Both Entry Fees**	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	385,000	4,750	647,414	1,026,479	1,121,416	(8.5) %
122 2Br/1Ba	440,000	5,450	755,296	1,188,512	1,168,641	1.7
124 2Br/2Ba	467,500	5,750	801,531	1,261,823	1,211,047	4.2
145 Duplex	495,000	6,000	840,060	1,327,428	1,265,259	4.9
151 Homes	522,500	6,000	840,060	1,354,504	1,221,167	10.9
WEIGHTED COUPLE:	476,472	5,711	795,546	1,264,672	1,204,274	5.0 %
TYPICAL ENTRANT:	405,257	4,497	584,372	970,622	863,839	12.4 %

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Double Equalized Lifecare Contract Option

Current 1st person pays same fee as their IL unit

Current 2nd person pays $1,250/mo in HC

Both pay the same specified health care fee

Achieves more equity between singles and couples

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Double Equalized Lifecare Results

Table 5.1

Analysis of New Entrant Fees
for Contract Type 20 (Double Equalized Lifecare Nonrefundable)
Entrants to A Typical Community

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	250,000	2,750	383,838	618,266	628,899	(1.7) %
121 1Br/1Ba	300,000	3,500	456,438	737,752	699,882	5.4
122 2Br/1Ba	350,000	4,200	524,198	852,397	736,494	15.7
124 2Br/2Ba	375,000	4,500	553,238	904,880	769,370	17.6
145 Duplex	400,000	4,750	577,438	952,523	811,399	17.4
151 Homes	425,000	4,750	577,438	975,965	777,215	25.6
WEIGHTED SINGLE:	343,338	4,027	507,424	829,376	731,968	13.3 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	350,000	4,750	724,127	1,068,731	1,121,416	(4.7) %
122 2Br/1Ba	400,000	5,450	812,311	1,206,144	1,168,641	3.2
124 2Br/2Ba	425,000	5,750	850,104	1,268,552	1,211,047	4.7
145 Duplex	450,000	6,000	881,598	1,324,661	1,265,259	4.7
151 Homes	475,000	6,000	881,598	1,349,275	1,221,167	10.5
WEIGHTED COUPLE:	433,156	5,711	845,212	1,271,690	1,204,274	5.6 %
TYPICAL ENTRANT:	368,416	4,497	601,737	952,874	863,839	10.3 %

Δ = 12.9%

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Adjusting 90% Refundable Pricing

Increase add-on factor for 90% refund

Lower refundability and keep current EFs

Contract Equivalency

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Increase Add-on Factor

Table 5.3

Analysis of New Entrant Fees
for Contract Type 90 (Lifecare 90% Refundable)
Entrants to A Typical Community

Add-on Factor 1.9

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	475,000	2,750	343,225	575,016	628,899	(8.6) %
121 1Br/1Ba	570,000	3,500	436,831	714,981	699,882	2.2
122 2Br/1Ba	665,000	4,200	524,198	848,706	736,494	15.2
124 2Br/2Ba	712,500	4,500	561,640	909,328	769,370	18.2
145 Duplex	760,000	4,750	592,843	963,709	811,399	18.8
151 Homes	807,500	4,750	592,843	986,889	777,215	27.0
WEIGHTED SINGLE:	652,342	4,027	502,570	820,902	731,968	12.2 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	665,000	4,750	647,414	1,015,466	1,121,416	(9.4) %
122 2Br/1Ba	760,000	5,450	755,296	1,175,927	1,168,641	0.6
124 2Br/2Ba	807,500	5,750	801,531	1,248,451	1,211,047	3.1
145 Duplex	855,000	6,000	840,060	1,313,270	1,265,259	3.8
151 Homes	902,500	6,000	840,060	1,339,559	1,221,167	9.7
WEIGHTED COUPLE:	822,996	5,711	795,546	1,251,044	1,204,274	3.9 %
TYPICAL ENTRANT:	699,990	4,497	584,372	941,001	863,839	8.9 %

vs. 8.3% nonrefundable surplus

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Lower the Refund

Table 5.4

Analysis of New Entrant Fees
for Contract Type 80 (Lifecare 80% Refundable)
Entrants to A Typical Community

Lowering Refundability

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	437,500	2,750	343,225	581,866	628,899	(7.5) %
121 1Br/1Ba	525,000	3,500	436,831	723,201	699,882	3.3
122 2Br/1Ba	612,500	4,200	524,198	858,295	736,494	16.5
124 2Br/2Ba	656,250	4,500	561,640	919,602	769,370	19.5
145 Duplex	700,000	4,750	592,843	974,668	811,399	20.1
151 Homes	743,750	4,750	592,843	998,533	777,215	28.5
WEIGHTED SINGLE:	600,841	4,027	502,570	830,309	731,968	13.4 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	612,500	4,750	647,414	1,016,845	1,121,416	(9.3) %
122 2Br/1Ba	700,000	5,450	755,296	1,177,503	1,168,641	0.8
124 2Br/2Ba	743,750	5,750	801,531	1,250,126	1,211,047	3.2
145 Duplex	787,500	6,000	840,060	1,315,043	1,265,259	3.9
151 Homes	831,250	6,000	840,060	1,341,431	1,221,167	9.8
WEIGHTED COUPLE:	758,023	5,711	795,546	1,252,750	1,204,274	4.0 %
TYPICAL ENTRANT:	644,728	4,497	584,372	948,258	863,839	9.8 %

vs. 8.3% nonrefundable surplus & 10.5% 50% refundable surplus

Nonrefundable 2nd person EFs

Table 5.5

Analysis of New Entrant Fees
for Contract Type 81 (Lifecare 80% Refundable (2nd per EF Nonrefundable)
Entrants to A Typical Community

SINGLE ENTRANTS *	Single Entry Fee	Single Monthly Fee	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
120 Studio	437,500	2,750	343,225	581,866	628,899	(7.5) %
121 1Br/1Ba	525,000	3,500	436,831	723,201	699,882	3.3
122 2Br/1Ba	612,500	4,200	524,198	858,295	736,494	16.5
124 2Br/2Ba	656,250	4,500	561,640	919,602	769,370	19.5
145 Duplex	700,000	4,750	592,843	974,668	811,399	20.1
151 Homes	743,750	4,750	592,843	998,533	777,215	28.5
WEIGHTED SINGLE:	600,841	4,027	502,570	830,309	731,968	13.4 %

COUPLED ENTRANTS *	Both Entry Fees	Both Monthly Fees	PV of Monthly Fees	Actuarial Assets NEF+PVMF	Actuarial Liability PVFE	Percent Surplus (Deficit)
121 1Br/1Ba	575,000	4,750	647,414	1,014,069	1,121,416	(9.6) %
122 2Br/1Ba	662,500	5,450	755,296	1,174,727	1,168,641	0.5
124 2Br/2Ba	706,250	5,750	801,531	1,247,350	1,211,047	3.0
145 Duplex	750,000	6,000	840,060	1,312,267	1,265,259	3.7
151 Homes	793,750	6,000	840,060	1,338,655	1,221,167	9.6
WEIGHTED COUPLE:	720,523	5,711	795,546	1,249,974	1,204,274	3.8 %
TYPICAL ENTRANT:	634,257	4,497	584,372	947,483	863,839	9.7 %

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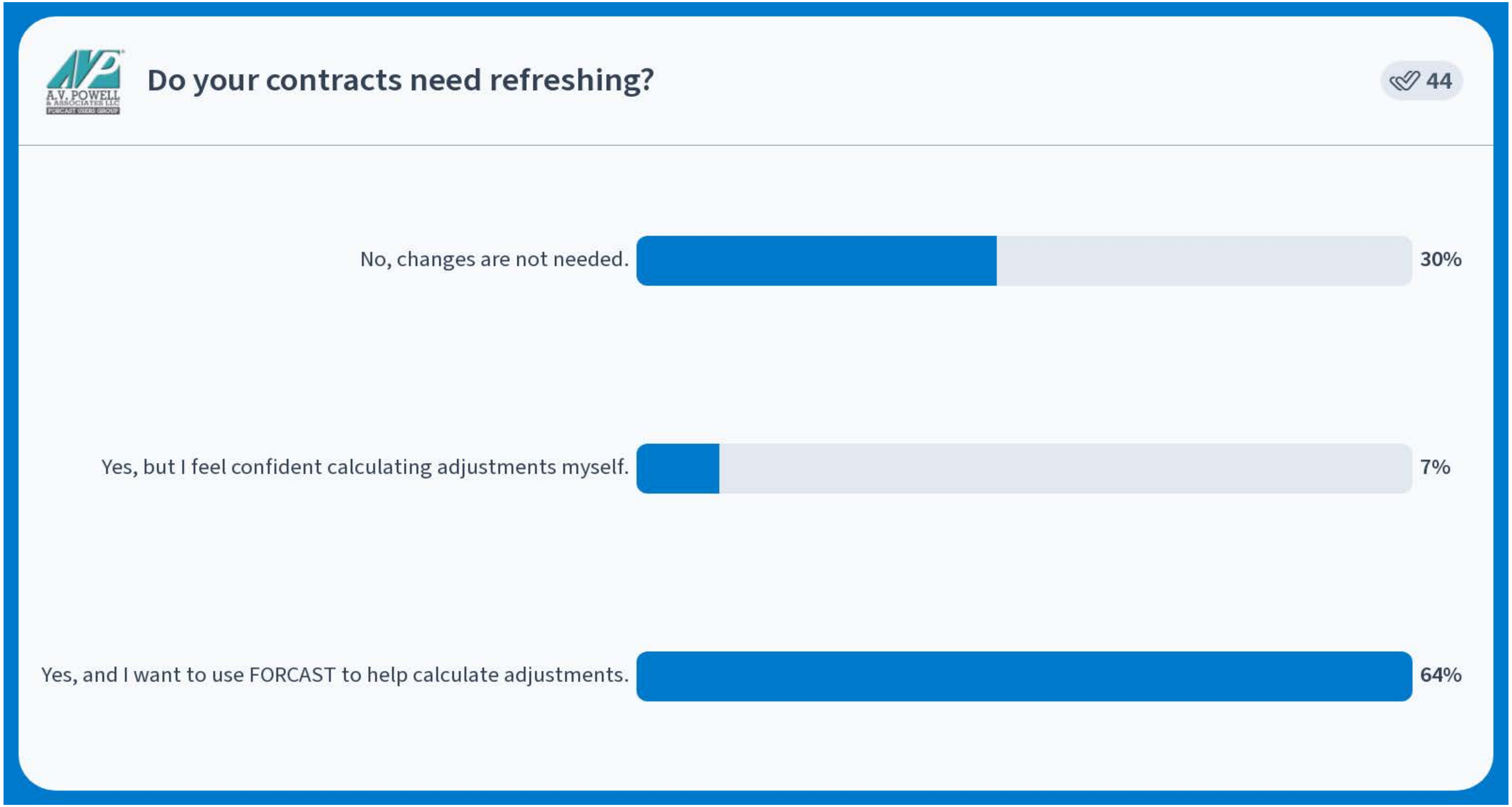
Do your contracts need refreshing?
44
No, changes are not needed.
30%
Yes, but I feel confident calculating adjustments myself.
7%
Yes, and I want to use FORCAST to help calculate adjustments.
64%

Summary

- Know your pricing margins
- Identify areas for improvement
- Use FORCAST to evaluate contract changes

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Questions & Answers