

JULY 15, 2025

**NorCCRA PRELIMINARY SUMMARY
OF
CONTINUING CARE COMMUNITIES ACT (SL 2025-58, HB 357)**

The North Carolina Continuing Care Communities Act (the Act) was signed into law July 3, 2025. The Act revises entirely the current CCRC statute (Ch 58-Art 64). The Act takes effect December 1, 2025.

The Act covers 56 pages, many more than current law. Many concepts from current law are in the Act, but are spelled out in much more detail. This detail reflects experiences like those at Aldersgate, as well as the increased complexity of CCRC legal and capital structures.

The Act does not lessen in any material way the current law protections and rights of CCRC residents. In fact it adds to those protections.

What follows is a summary of many of the major provisions of the Act. Our focus is to show how the Act changes or builds on current law. This summary covers only some of the Act's provisions¹.

1. Disclosure statement (DS) — For residents, among the most significant changes the Act makes are the additional disclosures required in the DS. Here are notable examples of these new disclosures:

a. CCRC structure — A CCRC will be required to disclose various aspects of its legal structure, including whether it is part of a group of multiple legal entities, and whether it is part of a group that has issued debt. (Ch 58-Art 64A-section 150 (hereinafter provisions of the Act will be cited as “58-64A-xxx”).)² This will help inform the Department of Insurance (DOI) and residents to see these facts more quickly.

¹ For example, the Act contains detailed rules for the development and licensure of a new CCRC. We do not cover any of those rules here. Nor do we cover how the Act might affect prospective residents.

² The text of the Act can be found here: <https://www.ncleg.gov/BillLookup/2025/H357>. Click on “SL 2025-58” on the left side to see the text.

b. Goods and services from related parties — If a related party sells goods or services to a CCRC, that must be disclosed (58-64A-150). This will signal DOI to investigate the fairness of the price the related party charges.

c. Third party manager — If the CCRC has a third party manager, that must be disclosed.

d. Entrance fee refunds — If the CCRC offers refunds of entrance fees, it must be disclosed whether the CCRC is current in paying refunds. That will alert residents and DOI to whether the CCRC is honoring its continuing care contracts and potentially the CCRC's finances.

e. **Financial ratios — Perhaps the most important change in required disclosures** is that the DS must set out eight key financial ratios for the CCRC, both for the last three years and as projected for the next three years. The financial ratios are: Days cash on hand ratio, Cushion ratio, Operating ratio, Net operating margin ratio, Adjusted net operating margin ratio, Debt service coverage ratio, and the ratios of Unrestricted cash and investments to long term debt and of Capital expenditures as a percentage of depreciation. The Act defines these ratios. They will help residents and DOI to see much more plainly a CCRC's financial condition.

f. Cover page of DS — Must state that the DS **contains all of the information required in 58-64A-150 and that it is correct in all material respects.**

g. A reminder: as under current law, the CCRC must make the DS available to residents and DOI posts the DS on its website. This is also true for any revision of the DS.

2. Quarterly reporting — Today CCRCs provide financial information to DOI (and residents see it in the DS) once a year. Another major change in the Act is CCRCs will be required to report additional financial and other information to the DOI (but not residents) on a quarterly basis. This will give DOI the chance more often to see what is happening at the CCRC. The information to be submitted each quarter are the CCRC's —

—unaudited financial statements

—12 month daily occupancy rate

—any change in the CCRC's (or its controlling person's) board of directors, president, CEO, or CFO

—any change in the CCRC's organizational legal documents (such as its corporate charter or bylaws)

The Act gives DOI power to order additional reporting from a CCRC if DOI believes it is needed to protect residents.

3. Advertisement — A CCRC cannot advertise anything that materially conflicts with its disclosures or the continuing care contracts it offers.

4. Semiannual meetings — Current law requires the CCRC to have semiannual meetings with residents to discuss its financial picture and changes in its policies, programs and services. The Act specifies these meetings must be held in a single meeting open to all residents, and that at least one independent member of the board of directors must attend. In addition, the dates these meetings are held are to be disclosed in the DS.

5. Third party manager — If the CCRC wants to engage a third party manager, the CCRC must obtain DOI's approval. The CCRC must inform residents that it has asked for this approval.

6. Operating reserve — Current law requires CCRCs to maintain a reserve that is a set percentage of the CCRC's operating costs. Amounts can be released from the reserve only with DOI's approval. The Act requires that a request for release must include a proposed schedule of when the CCRC will replenish the reserve. Plus, the CCRC must notify residents that it has made a request for release.

7. Expansion of a CCRC — If a CCRC wants to expand its independent living units by 20% or more, it must obtain DOI's approval. The CCRC must also inform residents of its intent to expand.

8. Transfer of real estate used in the operation of a CCRC— A CCRC (or other person) that owns real estate used in the operation of the CCRC can't sell or transfer the real estate without DOI's approval. Also, a CCRC must

obtain DOI approval to purchase real estate it is leasing and using in the operation of the CCRC. In either of these cases, if the CCRC gets DOI approval for the proposed transaction, the CCRC must inform residents.

9. Sale, merger, etc of CCRC — No person can enter into a contract to acquire a CCRC or to merge with it unless the acquiring person obtains the approval of DOI. If the acquiring person obtains DOI's approval, the CCRC must inform its residents. Also, the license that DOI issues to a CCRC is not transferable and has no value as property in a sale or exchange. Hence a sale of the assets of a CCRC also requires DOI approval.

10. "Hazardous condition" of CCRC — DOI is empowered to determine a CCRC is in "hazardous condition". The Act lists 15 conditions any of which allows DOI to make this determination. These conditions include the CCRC's being insolvent, or its failing to maintain its operating reserve.

11. Consequences of CCRC's being in hazardous condition —

a. Dividends or distributions of equity (or net assets) of a CCRC are not permitted if the CCRC is in hazardous condition, or if paying the dividend or distribution would put the CCRC in hazardous condition.

b. Revoking or restricting CCRC license — Determining a CCRC is in hazardous condition is one ground for which DOI has power to revoke or restrict the CCRC's license. This will occur only in extreme cases.

An alternative DOI has is to order the CCRC to submit a "corrective action plan". If DOI takes this course, the CCRC must inform residents of DOI's order. When DOI approves the plan, the CCRC must distribute the plan to residents. The CCRC must make reports to DOI as it implements the plan. These also must be distributed to residents.

c. Supervision proceeding — If a CCRC is in hazardous condition, another alternative DOI has starting a supervision proceeding, outlined below.

The Act defines 17 other conditions for which DOI can also revoke or restrict a CCRC's license. Examples of these are failing to file a DS or any other required information with DOI, and failing to fulfill a CCRC's obligations under its continuing care contracts.

12. Supervision — DOI may start a supervision proceeding if DOI finds that any of several conditions is present. Examples of these are the CCRC is in hazardous condition, or is insolvent or in imminent danger of becoming insolvent.

13. Additional notification requirement — In addition to the notification requirements mentioned earlier, the Act requires a CCRC to notify DOI and residents when any of six conditions is present. Examples of these are failure to maintain the required operating reserve, or having entrance fee refunds be more than 30 days past due.

14. Penalties, other sanctions — The Act creates new sanctions and penalties for defined failures by a CCRC.

15. Regulation of assisted living, skilled nursing — As under current law, a CCRC's upper levels of care are not regulated by DOI, but by the NC Department of Health and Human Services.