

Preliminary Exposure Draft

For Comment and Review

Text of Model Prepaid Medical Assurance Act

1. This Law shall be known as “The Continuing Care Retirement Community Prepaid Medical Assurance Act” and may be referred to as the “CCRC Prepaid Medical Act.”
2. The legislature finds that many Continuing Care Retirement Communities (CCRCs) now determine a portion of required entrance fees to be deductible as prepaid medical expenses under U. S. Internal Revenue Code Section 213.
3. The legislature also finds that the opportunity to prepay such costs is a desirable component of an entrance fee CCRC contract, and it further finds that such prepaid costs should be accounted for separately from other CCRC funds and invested prudently to ensure that the funds will be available when and as needed to meet the deferred medical costs of CCRC residents or of other similarly situated persons as defined below.
4. Therefore, any CCRC in this state which qualifies to identify part of an entrance or other fee as a prepaid medical expense under the Internal Revenue Code and any applicable Revenue Rulings or other interpretative materials shall show a liability, designated as the Prepaid Medical Account, on its books for the unexpended balance of such accumulated funds. This Law shall likewise apply to any comparable prepayment of medical expenses under a Continuing Care At Home (CAAH) contract if and when such contracts are authorized in this state.
5. Furthermore, any medical expenses, as defined by the Internal Revenue Service or any successor agency, incurred on behalf of a CCRC resident, or CCAH participant, shall first be paid from the Prepaid Medical Account before any current charges are made to the resident or participant. Since the income tax deduction is individual, expenditures from the Prepaid Medical Account shall be allocated to that portion of the collective Prepaid Medical Account attributable to that person.

6. Assets sufficient to offset the liability of the Prepaid Medical Account shall be identified for that purpose and shall be conservatively invested in investments that are considered suitable for the reserves held in support of fixed annuities by insurance companies licensed in this state [or, as determined by the legislature, investments in accordance with The Uniform Prudent Investor Act, or alternatively, investments suitable for funds held by fiduciaries in this state, or any other suitable standard for prudent statutory investments].
7. This law shall be effective for all contracts entered into for CCRC or CCAH services on or after an effective date of January 1, 20??.

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