LICENSING PROCESS FOR NEW CONTINUING CARE RETIREMENT COMMUNITIES

Any person or entity considering the development of a new continuing care retirement community (CCRC) in North Carolina must do so in accordance with N.C.G.S. § 58-64-5, including following the licensing steps detailed in 11 NCAC 11H.

The licensing steps detailed in 11 NCAC 11H follow the following four basic phases of the development process for a CCRC:

1) Discovery Phase
2) Pre-Development Phase
3) Construction/Development Phase
4) Operating Phase

Licensing Process:

Step 1 - Notification
During the “discovery phase”, and prior to the dissemination of any materials describing the intent to develop a continuing care retirement community (“CCRC”), a provider must notify the North Carolina Department of Insurance (“Department”) of their intent to market and develop a CCRC (Form CCRC-03). It is expected that prior to notifying the Department, some preliminary work in identifying a market, identifying a site within the market, and performing a preliminary market assessment will have already been done.

The non-binding reservation agreement (“NBRA”) required to be submitted to the Department during Step 1 is an agreement used by providers who are in the “discovery phase” of their development, and is designed to measure and validate the interest in a proposed CCRC. The NBRA allows a potential resident to reserve a living unit in the proposed CCRC, for a period of time, in return for a monetary deposit not to exceed one thousand dollars ($1,000.00), all of which must be placed in escrow. The deposit, with or without interest depending on the agreement, is totally refundable at any time at the request of the depositor.

Once a provider has notified the Department of their intent to market and develop a CCRC, the Department will require that a monthly status report (Form CCRC-14) be filed with the Department.
**Step 2 – Start-Up Certificate**

Prior to moving into the “pre-development phase”, a Start-Up Certificate must be obtained from the Department. The Start-Up Certificate Application (Form CCRC-01) is the most voluminous application, and it is suggested that the provider plan for and accumulate the information required in the application as far in advance as possible in order to give the Department ample time to review the completed application prior to the time that the provider desires to begin their full marketing campaign. Items required to be filed with the Start-Up Application include a disclosure statement, audited financial statements, market and financial feasibility study, and a report from an actuary estimating the capacity of the provider to meet its contractual obligation.

Upon issuance of a Start-Up Certificate, a provider may:

1) Enter into binding Reservation Agreements or Resident Agreements;
2) Begin site preparation work; and
3) Construct model units for marketing.

After the issuance of a Start-Up Certificate, a provider will be required to submit a monthly status report (Form CCRC-14) as well as quarterly financial statements to the Department.

**Step 3 – Preliminary Certificate**

When a provider is ready to move into the “construction/development phase” the provider may apply for a Preliminary Certificate (Form CCRC-05) provided however, that they have entered into binding reservation/resident agreements equal to at least 50 percent (50%) of the total number of independent living units being developed (accompanied by a deposit equal to at least 10 percent (10%) of the entrance fee or a non-refundable deposit equal to at least two months periodic for facilities that have no entrance fee).

Once the Preliminary Certificate has been issued, a provider may purchase or construct a CCRC, or renovate or develop structure(s) not already licensed as a CCRC.

Monthly status reporting (Form CCRC-14) and quarterly financial reporting to the Department will be required.

**Step 4 – Permanent License**

At least 60 days before the scheduled opening of a facility a provider must apply for a Permanent Continuing Care Retirement Community License (Form CCRC-06). The completed application must include an updated disclosure statement as well as confirmation of signed agreements for new units required by the continuing care facility to break-even, reserved by a deposit equal to at least 10 percent (10%) of the entrance fee or by a non-refundable deposit equal to the periodic fee for at least two months for facilities that have no entrance fee.

Upon issuance of the Permanent License, a provider can, presuming all other legal requirements have been met or completed:

1) Open the CCRC; and
2) Provide continuing care.

The Department will require that quarterly occupancy reports (Form CCRC-13) and quarterly financial statements be filed with the Department until stabilized occupancy is achieved, unless otherwise directed by the Department.