

THIRD READING

Bill No: AB 1983
Author: Blanca Rubio (D)
Amended: 8/21/26 in Senate
Vote: 21

SENATE HUMAN SERVICES COMMITTEE: 5-0, 6/15/26

AYES: Becker, Ochoa Bogh, Laird, Pérez, Weber Pierson

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26

AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 72-0, 5/21/26 - See last page for vote

SUBJECT: Continuing care retirement communities: repayable contracts

SOURCE: Erickson Senior Living

DIGEST: This bill adds sequential order method as a type of repayable contract that may be entered into between a Continuing Care Retirement Community and a person entering residential care.

Senate floor amendments of 8/21/26 make technical and substantive changes.

ANALYSIS:

Existing Law:

- 1) Establishes the California Residential Care Facilities for the Elderly Act to provide for the licensure and regulation of residential care facilities for the elderly as a separate category within the existing licensing structure of the California Department of Social Services (CDSS). (Health and Safety Code [HSC] § 1569 et seq.)
- 2) Provides for the certification and regulation of Continuing Care Retirement Communities by CDSS. (HSC §1770 et seq.)

- 3) Requires an applicant for a certificate of authority to operate a Continuing Care Retirement Community to obtain appropriate licenses for the entire facility, including residential care facility for the elderly and/or skilled nursing facility licenses. (HSC §1771.5)
- 4) Defines the following terms related to Continuing Care Retirement Communities:
 - a) “Continuing care contract” means a contract that includes a continuing care promise made in exchange for an entrance fee, the payment of periodic charges, or both types of payments. A continuing care contract may consist of one agreement or a series of agreements, as specified.
 - b) “Entrance fee” means the sum of any initial, amortized, or deferred transfer of consideration made or promised to be made by, or on behalf of, a person entering into a continuing care contract for the purpose of ensuring care or related services pursuant to that continuing care contract or as full or partial payment for the promise to provide care for the term of the continuing care contract.
 - c) “Repayable contract” means a continuing care contract that includes a promise to repay all or a portion of an entrance fee that is conditioned upon reoccupancy or resale of the unit previously occupied by the resident. A repayable contract shall not be considered subject to refund reserve requirements, provided that this conditional promise of repayment is not referred to by the applicant or provider as a “refund”. A provider may repay all or a portion of an entrance fee that is conditioned upon resale of the unit before the resale of the unit. The repayment of an entrance fee before the resale of the unit shall not cause any other entrance fee to be subject to refund reserve requirements, provided that the provider does not promise or represent intent to make this type of early repayment, or indicate that the provider has a practice of making this type of early repayment. (HSC § 1771)
- 5) Requires a continuing care contract to contain numerous specified elements, including, but not limited to, the duration of the contract, the list of services that will be made available to the resident as required to provide the appropriate level of care, an itemization of the services included in the monthly fee and services available for an extra charge, and others. Further requires additional information and disclosures to be attached to the continuing care contract. (HSC §1788)

- 6) Establishes requirements regarding the cancellation of a continuing care contract. (HSC §1788.2)
- 7) Requires a lump-sum payment that is conditioned upon resale of a unit to be paid to the resident within 14 calendar days after resale of the unit. Requires that this payment not be considered, characterized, or advertised as a refund. Requires any balance of the lump sum owed that has not been paid to the resident or their estate within 180 days after termination of a repayable contract to accrue interest, as specified. (HSC §1788.4)
- 8) Establishes reporting and reserve requirements for any provider offering a refundable contract. (HSC §1792.6)

This bill:

- 1) Defines “entrance fee refund” as the return of all or a portion of the initial entrance fee paid by a resident to a provider, which is required to be paid back to the resident or the resident’s estate upon the termination or cancellation of a refundable contract.
- 2) Defines “lump sum payment” as a one-time reimbursement of all or a portion of an entrance fee owed by a provider to a resident or the resident’s estate in the event of cancellation, termination, or death.
- 3) Amends the definition of “repayable contract” to mean either a repayable conditioned on resale contract or a repayable in sequential order contract.
- 4) Defines “repayable conditioned on resale contract” to mean a continuing care contract that includes a promise to repay all or a portion of an entrance fee that is conditioned upon resale or reoccupancy of the unit previously occupied by the resident.
- 5) Defines “repayable in sequential order contract” as a continuing care contract that includes a promise to repay all or a portion of an entrance fee based strictly on the sequential order in which repayable contracts are terminated. Requires a provider to repay entrance fees solely in the sequential order in which the contracts were terminated, and prohibits a provider from repaying all or a portion of an entrance fee before the resident’s sequential number is reached. Requires a provider to provide the resident, their estate, or other appropriate party with written notice of their sequential number on the repayment log at the time a contract is terminated, as specified. Requires the provider to ensure the full repayment amount and any applicable interest is kept in the sequential repayment account until the payment can be made if the resident, their estate, or

other appropriate party is unable to receive the repayment when their sequential number is reached. Requires the provider to keep records adequate to show which moneys have been designated for each resident and the moneys to be held in the account until the resident, their estate, or other appropriate party can receive the payment.

- 6) Defines the following terms related to repayable in sequential order contracts:
 - a) Defines “sequential order method” or “sequential order” to mean the repayment of entrance fees in the order in which repayable contracts are terminated. Provides that the provider shall assign each terminated contract a sequential repayment number, to be paid from a sequential repayment account funded by entrance fees received from any reoccupied residential living units with sequential order contracts. Provides that, each time a unit is reoccupied, the repayment account shall be credited with an amount equal to the repayment owed to the unit’s prior resident. Provides that, when the funds in the repayment account are sufficient to repay the next terminated contract in sequential order, the provider shall issue the repayment within 14 days.
 - b) Defines “sequential repayment account” as a separately accounted for financial bank account established and maintained by a provider for the exclusive purpose of funding repayments of entrance fees under repayable in sequential order contracts. Requires the account to indicate that the moneys are held for the exclusive benefit of the residents or their estates. Requires the money to remain separate, intact, and free from any liability the provider incurs. Prohibits the sequential repayment account from being deemed a refund reserve or subject to refund reserve requirements.
- 7) Adds repayable contract language to the list of requirements a continuing care contract must contain, where only refundable contract language exists in current law.
- 8) Requires the policy or terms of a continuing care contract for refunds or repayments due to cancellations to specify whether repayment is conditioned upon resale of the unit or subject to the sequential order method.
- 9) Requires the policy or terms of a repayable in sequential order contract to state that repayment of sequential order contracts shall be paid from a sequential repayment account funded by entrance fees received from the sale of residential living units with repayable in sequential order contracts.

- 10) Requires the policy or terms of a repayable in sequential order contract to include a disclosure with specified information.
- 11) Requires, for repayable in sequential order contracts, the full lump sum owed, including any interest accrued, to be paid within 14 calendar days after sufficient funds exist in the sequential repayment account to satisfy the contract's assigned sequential repayment number. Requires a provider that offers or maintains any repayable in sequential order contracts to establish and maintain a sequential repayment account for the exclusive purpose of funding repayments owed under those contracts.
- 12) Clarifies the provider shall be responsible for funding all accrued interest.
- 13) Provides that, for repayable in sequential order contracts, the accrual of interest, as specified, shall not alter the assigned sequential repayment number or priority of payment. Requires interest to accrue beginning 180 days after termination of the contract, regardless of whether sufficient funds exist in the sequential repayment account. Requires payment of both principal and accrued interest to occur only in accordance with the sequential order method. Makes this provision apply only to repayable in sequential order contracts entered into on or after January 1, 2027.
- 14) Provides that the accrued interest for repayable in sequential order contracts shall be repayable from the sequential repayment account at the time the terminated contract reaches its assigned repayment number. Requires the provider to ensure that the sequential repayment account is funded in an amount sufficient to satisfy both principal and accrued interest prior to issuing repayment. Makes this provision apply only to repayable in sequential order contracts entered into on or after January 1, 2027.
- 15) Requires providers offering repayable in sequential order contracts to disclose specified information in the continuing care contract.

Background

Purpose of this Bill. According to the author, "AB 1983 addresses delays and uncertainty in the repayment of entrance fees to residents of Continuing Care Retirement Communities (CCRCs). Under current law, refunds are tied to the re-occupancy of a specific unit, which can leave residents and their families waiting months or even years for repayment. The bill authorizes a sequential repayment method, in which refunds are issued based on when residents vacate rather than when a unit is resold. This approach creates a more predictable, transparent, and

equitable system, increasing fairness for residents and their families while giving providers flexibility to adopt a system that meets the needs of a growing older adult population.”

Continuing Care Retirement Communities. Continuing Care Retirement Communities offer people 60 years of age and older a full range of long-term care options that include independent living, assisted living, and skilled nursing care. This model allows senior residents to move from independence to high levels of care without leaving the community in which they reside. Typically, this is provided in a campus-like community setting, usually for a resident’s lifetime, and always for at least one year. Continuing Care Retirement Communities must be licensed with CDSS as a residential care facility for the elderly, and must be licensed by the California Department of Public Health if the campus includes a skilled nursing facility. As of June 2025, there were 109 licensed Continuing Care Retirement Communities in California with a total capacity of 34,867.

Continuing Care Retirement Communities require residents to sign a contract that sets forth the range of services, sometimes at an additional cost, depending on the type of contract, to be provided by the Continuing Care Retirement Communities to the resident. Services include housing, residential services, and nursing care. Most Continuing Care Retirement Communities require substantial entrance fees, along with monthly fees. These fees can vary significantly and depend on the level of services included in the contract and other factors associated with location, exclusivity, business plan variations, and more. Entrance fees can range from \$40,000 to more than \$2 million depending on the community, size and type of residence, location, and contract structure. According to AARP, the average entrance fee was about \$402,000 in 2021. Residents also pay monthly fees, which were an average of \$3,555 in 2021 and rise about 2% per year.

Repayable and Refundable Contracts. Continuing Care Retirement Communities often offer contracts that enable a resident, or their estate in the event of the resident’s death, to receive some or all of the initial entrance fee when the contract is terminated. In California, these contracts are classified as either “repayable” or “refundable.” Repayable contracts include a promise to repay all or a portion of an entrance fee, conditioned upon the reoccupancy or resale of the unit that was previously occupied by the resident to whom the entrance fee is owed. Refundable contracts include a promise by the provider to refund the entrance fee within a specified time frame that is not conditioned upon re-occupancy or resale of the unit. The key difference between repayable and refundable contracts is the source of the funds; repayable contracts generate the required funds as a result of reselling the resident’s unit, while refundable contracts appropriate funds from a reserve

account. Current law requires that residents be made aware of whether their contract is refundable or repayable at the time the resident signs the contract.

This bill pertains to repayable contracts. This bill adds a new type of repayable contract based on the sequential order in which repayable contracts are terminated. Under the sequential order method, a provider would assign each terminated contract with a sequential payment number and establish a designated sequential repayment account from which the owner of a unit with a sequential order contract will be repaid. This bill gives Continuing Care Retirement Communities the option to offer sequential order repayable contracts while retaining the option to offer “exact unit” repayable contracts or refundable contracts already permitted by law, which would be renamed as “repayable conditioned on resale” contracts.

Related/Prior Legislation

AB 2033 (Choi, 2018) would have revised the definition of a repayable contract to include a contract that includes a promise to repay all or a portion of an entrance fee on a sequential basis from an entrance fee repayment pool that is funded by the resale of units in the pool at the facility, as they become available. AB 2033 was referred to the Assembly Aging and Long-Term Care Committee but never heard.

AB 853 (Choi, 2017) would have expanded the definition of a repayable contract to include a promise to repay all or a portion of an entrance fee based on the sequential order of termination of all repayable contracts at the facility previously occupied by the resident. AB 853 was referred to the Assembly Aging and Long-Term Care Committee but never heard.

SB 939 (Monning, Chapter 112, Statutes of 2016) required that continuing care contracts that contain lump sum contract termination payments conditioned on resale of the unit must meet a series of requirements and timelines, must pay interest after a specified period of vacancy, and must meet other requirements.

SB 475 (Monning, 2015) would have required continuing care contracts which condition lump sum contract termination payments on resale of the unit to meet a series of requirements and timelines, to pay interest after a specified period of vacancy, and to meet other requirements. The bill would also have created a complaint process for residents if the repayment had not been made within 12 months. SB 475 was vetoed by the Governor.

Comments

This bill seeks to create a new type of repayable contract based on sequential order for Continuing Care Retirement Communities. According to the sponsor, allowing

the sequential order method would be in the best interest of the provider and the resident or their family, as the sequential order method allows for more transparency and certainty of repayment timelines. Under the sequential order method, repayment would be issued in order of who has been waiting the longest rather than based on the sale of a specific unit. This bill would make the sequential order method optional for providers.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, “The California Department of Social Services (CDSS) estimates General Fund costs of \$185,000 in 2026-27 and \$181,000 ongoing thereafter to review contracts and create an additional repayment method to review within contracts, as well as to provide training to staff on these contract types.”

SUPPORT: (Verified 8/21/26)

Erickson Senior Living (sponsor)
California Assisted Living Association
Leadingage California

OPPOSITION: (Verified 8/21/26)

None received

ASSEMBLY FLOOR: 72-0, 5/21/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Johnson, Kalra, Krell, Lee, Lowenthal, Macedo, McKinnor, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Arambula, Chen, Garcia, Hoover, Lackey, Muratsuchi, Ramos, Celeste Rodriguez

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8/24/26 11:57:10

**** END ****

