



February 12, 2021

David B. Myers
 CFO
 Westminster Canterbury
 3100 Shore Drive
 Virginia Beach, VA. 23451

Re: 2020 Medical Expense Calculation for Westminster Canterbury Early Advantage Program

Dear Mr. Myers:

At the request of the management of Westminster Canterbury, Continuing Care Actuaries, LLC (“CCA”) has calculated the amount allowed to be claimed in U.S. Federal income tax deduction(s) for prepaid medical expenses for members of the Early Advantage Program who paid membership and monthly service fees in 2020. The deductibility of medical expenses is provided for in Section 213 of the Internal Revenue Code.

The Westminster Canterbury Early Advantage Program is an at Home program providing in home and facility based medical services to its members. Members pay an initial membership fee and monthly service fees thereafter. In return, the membership fee is used to pre-fund health care expenses and provide early access to the services of Westminster Canterbury prior to admission. Additionally, a portion of the monthly service fees paid during membership is used to subsidize the eventual cost of providing care.

CCA has developed the respective fees that may be allocated to the cost of providing health care. These fees were developed by calculating the present value of contractual revenues and liabilities at the time of entry and classifying expenses as medical and non-medical. The fees were applied to the membership fees and monthly service fees paid in 2020. Based on this methodology, we believe that the following dollar amounts are reasonable deductions for amounts paid in 2020.

All Lifecare Contracts

Single	Option A	Option B	Option C
Membership Fees	\$67,000	\$82,500	\$97,500
Monthly Fees	\$490	\$322	\$155
Couple	Option A	Option B	Option C
Membership Fees	\$134,000	\$165,000	\$195,000
Monthly Fees	\$598	\$430	\$263

All Fee-For-Service Contracts

Single	Option A	Option B	Option C
Membership Fees	\$38,000	\$44,000	\$50,000
Monthly Fees	\$137	\$87	\$37

Couple	Option A	Option B	Option C
Membership Fees	\$76,000	\$88,000	\$100,000
Monthly Fees	\$185	\$135	\$85

*Please note that members may deduct 100% of any co-pays.

In order to provide full disclosure under the Internal Revenue Service rules relative to substantial understatement provisions, deductions determined to be allowable must be itemized and carefully described as “medical expense portion of continuing care monthly service fee” on an attachment to the resident’s tax return. Such attachment should reference line 1 of Schedule A, 1040. It should be noted that the deductible portion of these fees may not exceed the amount actually paid by the resident. Additionally, any amount compensated by insurance or otherwise may not be deducted. Deductions under Section 213 of the Internal Revenue Code are subject to limitations, including the provisions that such expenses are only deductible to the extent that total medical expenses exceed 10.0% of the resident’s adjusted gross income for the year.

In general, while there is substantial authority to support permitting a medical care deduction by members who pay lump-sum or annual fees for medical care, the Internal Revenue Service may disagree with the methodology used by the program or its consulting actuary to compute medical care expenses for a particular year. If, upon audit, an adjustment occurs that decreases the medical care deduction of a resident, such adjustment will probably result in an additional tax liability. Consequently, in addition to additional taxes, interest will be owed on such taxes from the due date of the resident’s tax return until the date of payment.

Please be advised that Continuing Care Actuaries are not tax experts and we are not, by this letter, rendering income tax advice or interpreting the Internal Revenue Code and Regulations promulgated thereunder. This letter is not designed to be relied upon by the program or the member in that regard. Members should seek advice from a personal tax consultant or other applicable advisor regarding eligibility for a medical tax deduction. It is a member’s responsibility, with the assistance of his or her advisors, to determine the appropriate deduction. In addition, if a member claims a medical expense deduction for a portion of the membership fee paid, and later receives a refund of all or any part of such fee, please be advised that such refund may be taxable in the year it is received.

Respectfully,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner