



Healthcare

# ALERTBULLETIN®

A Risk Management Update | 2026 Issue 2

## Independent Living: Different Models Present Distinct Risks

Independent living (IL) communities, which offer a maintenance-free lifestyle within a stimulating, amenity-rich environment, are designed to appeal to older adults who are relatively active and healthy. This type of residential living has proven popular with the public. As of the end of 2025, the IL occupancy rate was over 90 percent, compared with approximately 88 percent for assisted living facilities, according to the National Investment Center for Seniors Housing & Care.

One of the factors driving IL growth is the widespread adoption of smart technologies, such as home sensors and medication dispensers. These innovations enable some seniors with more extensive care needs to maintain their autonomy longer.

This edition of *AlertBulletin®* is intended to help readers better understand the varied and changing IL marketplace and risk landscape. It begins by describing the distinguishing features of different IL models, then discusses common liability exposures, offers guidance on obtaining proper insurance coverage and suggests risk mitigation strategies designed to address emerging resident care challenges.

### Basic IL Planning and Compliance Considerations

As resident needs continue to evolve, IL communities should focus on the following measures, among others, to help ensure that IL environments enhance safety, foster autonomy and minimize liability exposure:

- **Design spaces that promote independence and accessibility** while also incorporating appropriate safety features, such as emergency response systems and secure communal areas.
- **Periodically review admission documents to ensure they accurately represent the scope, frequency and duration of available services**, and refrain from overstating capabilities in promotional materials.
- **Institute a long-term planning process that anticipates changing demographics and consumer preferences** and encourages flexibility, e.g., adding staff when necessary to observe higher-acuity residents and respond quickly to emergencies.

Periodically **review admission documents** to ensure they **accurately represent the scope, frequency and duration of available services**, and refrain from overstating capabilities **in promotional materials**.

### Two Basic IL Models

The IL model was initially designed for seniors who could live autonomously, with the understanding that they would transition to higher levels of care as their needs changed over time. However, some IL facilities have adapted to shifting consumer desires by offering a wider range of services and amenities. The following table outlines the defining features of the two major IL models, along with a brief summary of their respective benefits and limitations:

	Life Plan Communities	Free-standing IL Organizations
<b>Structure</b>	<b>Life Plan Communities (LPCs)</b> provide a seamless continuum of care, from independent and assisted living to skilled nursing, thereby accommodating residents as their needs evolve.	<b>Free-standing organizations</b> focus on providing secure and engaging environments for independent seniors who require minimal assistance and medical support. Unlike LPCs, they do not have a continuum-of-care approach.
<b>Services offered</b>	LPCs offer a variety of services, including the following: <ul style="list-style-type: none"> <li>• <b>Housing in private apartments</b> designed with safety and accessibility in mind.</li> <li>• <b>A wide range of amenities</b>, such as communal dining rooms, fitness centers and housekeeping services.</li> <li>• <b>Abundant social programs</b> and recreational activities.</li> <li>• <b>Transportation</b> to and from medical appointments, stores and recreational outings.</li> <li>• <b>Access to on-campus healthcare services</b>, including medical clinics, laboratory facilities and rehabilitation providers.</li> <li>• <b>Wellness programs</b> and preventive health screenings.</li> </ul>	Free-standing settings promote an independent lifestyle, including the following features: <ul style="list-style-type: none"> <li>• <b>Housing in apartments</b> or detached dwellings.</li> <li>• <b>Access to meal delivery</b>, communal dining facilities and housekeeping services, among other options.</li> <li>• <b>Organized events</b>, classes and fitness programs designed to encourage social interaction.</li> <li>• <b>Transportation assistance</b> for medical appointments, shopping and day trips.</li> <li>• <b>Limited healthcare support services</b>, if desired, such as medication reminders and home health referrals.</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• <b>Promotes aging in place</b> and eases transitions.</li> <li>• <b>Enhances continuity of services</b> and coordination of care among staff and providers.</li> <li>• <b>Ensures cost predictability</b> through standard entrance and monthly fees.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Promotes autonomy</b>, while making available some support services and amenities.</li> <li>• <b>Offers customizable services</b> through third-party vendors.</li> <li>• <b>Emphasizes resident wellness</b> and disease prevention.</li> </ul>
<b>Limitations and risks</b>	<ul style="list-style-type: none"> <li>• <b>Potentially costly</b>, placing them outside the reach of some seniors.</li> <li>• <b>Greater degree of financial risk</b>, due to pre-payment and long-term contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lack of guaranteed access to higher levels of service</b> and onsite care.</li> <li>• <b>Possibility of incurring additional expenses</b> if care needs increase or changing medical status requires relocation to a higher-acuity facility.</li> </ul>

### Key Differences Between Types of IL

By recognizing the major differences between LPCs and free-standing IL organizations, administrators and providers are better suited to guide seniors and their families in selecting living arrangements that meet their current and future needs. The following diagram highlights three key factors that prospective residents should consider when choosing between the two major IL models:

	Continuum of Care	Financial Model	Exposure to Risk
<b>LPCs</b>	Offers a spectrum of onsite care services, including limited medical support.	Provides long-term care planning for a one-time entrance fee plus ongoing monthly charges.	Broader liability risks for organizations and providers, reflecting the provision of fully integrated services.
<b>Free-standing IL Organizations</b>	Offers housing and related amenities only.	Operates on a monthly lease basis, with a pay-as-you-go plan for extra services.	Exposure varies, based upon services offered and the organization’s third-party vendor arrangements.

## Liability Exposures and Insurance Considerations

As acuity levels rise, both LPCs and free-standing IL organizations become increasingly vulnerable to the following types of professional liability (PL) claims, among others:

- **Resident injury**, due to failure to implement appropriate safeguards to prevent falls, accidents, resident-on-resident altercations and other untoward events.
- **Lack of proper oversight of service vendors**, including periodic safety inspections and documentation audits, leading to performance lapses by contractors, as well as failure to comply with established policies and procedures.
- **Misrepresentation of services**, when marketing materials fail to outline the scope, frequency and limitations of available services and safety measures, potentially misleading the resident and family.
- **Failure to request that residents transfer to a facility offering a higher level of care** when staff members recognize changing needs.

As resident needs broaden, potential liability exposures increase as well. PL insurance is designed to protect IL facilities from financial losses resulting from errors or omissions in the delivery of resident services. This coverage pays both damages and legal defense costs associated with covered claims, up to the policy's specified limits. Beyond financial indemnification, PL insurance provides valuable services, such as claims management, comprehensive risk assessment and access to risk control expertise. These services help IL facilities proactively manage risks, respond effectively to incidents and maintain consistently high standards of resident care.

For essential risk mitigation measures, see the pullout below.

### Key Mitigation Practices for IL Settings

- Align insurance coverage with actual services offered**, i.e., *what services are available to residents, where they are offered and who is providing them.*
- In consultation with legal counsel, review service contracts and vendor agreements for risk transfer provisions**, such as indemnity agreements and hold harmless clauses.
- Establish and enforce policies and procedures for all services provided**, clearly delineating, among other things, the purpose of the service, the manner of delivery, associated rules and prohibitions, and specific staff responsibilities.

## Five Risk Management Strategies



### 1. Develop emergency response protocols.

Whenever unexpected events arise, effective risk mitigation depends upon sound, well-tested response measures, as well as formal reporting procedures. The following strategies can enhance the organization's ability to manage emergency situations:

- Clarify the reporting process, ensuring that staff, residents and family members understand the importance of reporting and documenting adverse events, such as falls and adverse reactions to self-administered medications.
- Develop clear protocols for post-event notification of families, as well as leadership/ownership.
- Ensure that leadership/ownership is promptly apprised of, among other things, pertinent details of the incident, post-event safety measures implemented and any determination that the resident may require a higher level of care.



### 2. Select vendors and products carefully.

Both vendors and products should be thoroughly vetted, in order to ensure resident safety and maintain regulatory compliance. The vetting process should be conducted by the organization's business office and guided by set criteria, including the following considerations, among others:

#### Vendor Qualifications:

- Basic profile, including years in business.
- Relevant experience in senior living and/or healthcare settings.
- Number of contracts with other IL clients.
- Financial strength.
- Customer satisfaction ratings.
- Liability coverage in force.

#### Product/Service Quality and Suitability:

- Compliance with specifications/codes.
- Effective infection control features and other safety measures.
- Availability of certified trainers.
- Practical implementation plans and procedures.
- "24/7" support.
- Sound warranty provisions.



**3. Conduct regular compliance reviews.** To ensure conformity with local, state and federal regulations, perform regular audits focusing on such high-risk areas as slips and falls, fire safety and environmental security.



**4. Provide safety training to staff.** By providing ongoing staff training, IL communities help foster a proactive safety culture that protects residents and minimizes loss exposure. Training sessions should encompass such critical topics as falls mitigation, emergency preparedness and communication skills.



**5. Utilize contractual arrangements to limit liability.** Residents' refusal to abide by provisions of the rental agreement or refrain from risky behavior creates potential liability for IL settings. The following contractual mechanisms can help limit these exposures:

- **Arbitration agreements in admission contracts**, which require disputes to be resolved through alternative dispute resolution services rather than litigation, thus potentially saving time and reducing legal costs.
- **Liability waivers for recreational activities**, which protect facilities from claims related to injuries suffered during voluntary activities, e.g., use of a wood shop, gym, pool or hot tub. (Note that such waivers must be clearly explained to residents and in compliance with state law.)
- **Shared risk agreements**, which divide responsibility between the facility and the resident, especially for activities or services with inherent risks, such as refusing needed mobility aids.

Note that the enforceability of legal provisions may vary by jurisdiction. To help strengthen the validity of contract provisions, make sure they are carefully drafted, reviewed and approved by legal counsel, and clearly communicated to residents.

As IL organizations expand their range of services, leadership/ownership must consider the potential liabilities that may result. The first step in constructing an effective risk control strategy is to clearly distinguish between the two main types of IL organizations: LPCs and free-standing IL settings. By understanding the common loss exposures pertaining to each of these models, leadership/ownership can obtain appropriate insurance coverage and adopt proactive safety and risk mitigation measures targeted to their own needs and situation.

### Quick Links to CNA Resources

- [AlertBulletin® 2025-Issue 2, "Change of Condition in Residents: Enhancing Detection and Response."](#)
- [AlertBulletin® 2024-Issue 4, "Serious Adverse Events: Creating a Sound Crisis Response Plan."](#)
- [AlertBulletin® 2022-Issue 3, "Multi-passenger Vehicles: A Brief Guide to Fleet Safety."](#)
- [AlertBulletin® 2022-Issue 1, "Adverse Event Review: Enhancing Analysis, Safeguarding Data."](#)
- [CNA Resource, 2022, "Emergency Planning: A Risk Management Guide for Healthcare Facilities and Providers."](#)

**Did someone forward this newsletter to you? If you would like to receive future issues of *AlertBulletin®* by email, please register for a complimentary subscription at [go.cna.com/HCsubscribe](https://go.cna.com/HCsubscribe).**

For more information, please visit [www.cna.com/healthcare](https://www.cna.com/healthcare).