THE LONG TERM CARE DISCUSSION GROUP

Senior Housing is Getting Too Expensive for Middle-Income Americans. What Can Be Done About It?

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Robert G. Kramer
Founder & Strategic Advisor
National Investment Center for Seniors Housing & Care
THE FORGOTTEN MIDDLE
Today’s Presentation

• Goal of The Forgotten Middle Study
• Background
• Dissemination of the Results
• Key Findings
• Fresh Ideas/Many Possibilities
### Middle Income Seniors

Those seniors who do not have enough financial resources to live in much of today’s seniors housing, but too many resources to be eligible for Medicaid, unless they spend down their assets

<table>
<thead>
<tr>
<th>Lower-Income Seniors</th>
<th>Middle-Income Seniors</th>
<th>Higher-Income Seniors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid-covered long-term care</td>
<td>Family and unpaid caregivers</td>
<td>Private-pay seniors housing</td>
</tr>
<tr>
<td>Medicaid home- and community-based care</td>
<td>Spend-down to Medicaid</td>
<td>Professional, in-home care</td>
</tr>
<tr>
<td>Family and unpaid caregivers</td>
<td></td>
<td>Family and unpaid caregivers</td>
</tr>
<tr>
<td>Low-income housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dual-eligible beneficiaries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Potential Market Opportunity**
Middle Market Includes Seniors in the 41st – 80th Percentile of Financial Resources Today

- Income thresholds were informed by today’s cost of seniors housing, as well as sample size constraints
- Middle-income is meant to exclude those who may be eligible for Medicaid and who can easily afford seniors housing

**Definition of Middle-Income Based on 2014 Annual Financial Resources**

<table>
<thead>
<tr>
<th>Age</th>
<th>Range</th>
<th>Excluding Housing Equity</th>
<th>With Housing Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
<td>Median</td>
</tr>
<tr>
<td>75+</td>
<td>41st - 80th Percentile</td>
<td>$44,326</td>
<td>$40,774</td>
</tr>
<tr>
<td>75-84</td>
<td>$25,001 - $74,298</td>
<td>$42,865</td>
<td>$39,685</td>
</tr>
<tr>
<td>85+</td>
<td>$24,450 - $95,051</td>
<td>$47,756</td>
<td>$43,108</td>
</tr>
</tbody>
</table>

Housing equity is not included in financial resources used to define income groups.
All projections are calculated in 2014 dollars assuming a consistent rate of inflation.
Income thresholds for future middle-income seniors are held constant from 2014-dollar values.
Dissemination of Results

• Manuscript published in May 2019 Health Affairs on Elder Care print edition; on-line version released at Health Affairs Briefing on April 24, 2019 (www.nic.org/middlemarket)
  • Coauthors:
    ▪ Beth Burnham Mace, NIC
    ▪ Charlene C. Quinn, University of Maryland School of Medicine
    ▪ A. Rupa Datta, NORC
    ▪ David C. Grabowski, Harvard Medical School
    ▪ Sai Loganathan, NORC
    ▪ Caroline F. Pearson, NORC

• New York Investor Summit: May 21, 2019
• NIC Fall Conference – Hackathon and Town Hall: Sept. 11-13, 2019
• Seniors Housing News Webinar: November 5, 2019
• NIC Spring Conference: March 4-5, 2020, San Diego, CA
Unique Aspects of This Study

- Most prior studies use household income as a measure of financial means. This study creates a financial resource measure to include income as well as annuitized assets. As a separate contributor to financial means, annuitized home equity is included.

- Measuring at the individual level provides a more accurate estimate of accessibility and needs for care and seniors housing, i.e., women have a longer life expectancy than their male partners.

- Allows us to link financial resources to individual-level measures of health and functional status that affects care needs.

- Average out of pocket medical costs for seniors included.
The Number of Middle-Income Seniors Will Nearly Double by 2029

7.94 million in 2014 (all 75+)

14.35 MILLION in 2029 (all 75+)
More Than Half of Middle-Income Seniors Won’t Have the Financial Resources to Pay for Seniors Housing and Care

- **54%** Have Insufficient Resources with 100% of Income and Home Equity
- **81%** Have Insufficient Resources with 100% of Income
- **19%** Have Sufficient Resources
Executive Summary

- Middle-income seniors will make up 43% of all seniors in 2029. Trends will continue over the next 20 years, since the oldest Baby boomer is 83 in 2029.
- Future seniors will be more racially and ethnically diverse and more educated than today, potentially altering the care needs and preferences of this burgeoning cohort.
- Many middle-income seniors may have health and mobility needs that cause them to leave their homes for additional care.
- Lower marriage rates, fewer children, and less access to caregivers may increase the need for other solutions.
- The middle-income seniors cohort includes today’s retiring workforce housing cohort -- teachers, firefighters, government workers and nurses -- individuals with financial resources between $24,000 and $95,000 annually.
- Of these future seniors in 2029, 6.6 million (46%) are projected to have the financial means to meet the estimated $60,000 annual costs of living in seniors housing and paying out of pocket medical costs.
The Model Produces Conservative Estimates of Affordability

• Assumptions in the model are conservative and likely understate the number of seniors who may have limited housing options in 2029

• The combined cost of housing and medical out-of-pocket costs are set at $60,000, but that represents low-end estimates of out-of-pocket medical expenses and rent

• Average seniors housing costs are assumed to be $55,000 and $40,000 for assisted living and independent living, respectively

• As people age and have higher care needs, the annual costs of seniors housing are likely to rise

• The definition of middle-income is set to safely exclude people who may be eligible for Medicaid, but many low-income seniors in our model also may not qualify for Medicaid
As the Baby Boomers Age, the Total Number of Middle-Income Seniors 75+ Will Grow by 82% between 2014 and 2029

Size of the Middle Income Population 2014 and 2029, by Age

- All Seniors 75+
  - 2014: 7.9
  - 2029: 14.4

- Age 75-84
  - 2014: 5.6
  - 2029: 10.8

- Age 85+
  - 2014: 2.4
  - 2029: 3.5
Women Comprise an Even Larger Portion of the Future Middle-Income Senior Population

Women will rise to 58% of the 75+ population in 2029, compared to 56% in 2014

<table>
<thead>
<tr>
<th></th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>75+</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>2029</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>75-84</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>2014</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>85+</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>2029</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of Seniors:
- 75+: 7.9M in 2014, 10.8M in 2029
- 75-84: 5.6M in 2014, 3.5M in 2029
- 85+: 2.4M in 2014, 3.5M in 2029

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Future Seniors 75+ Will Be More Diverse and Educated

Racial / Ethnic Minorities
- 2014: 9%
- 2029: 16%

No High School Diploma
- 2014: 12%
- 2029: 3%

Married
- 2014: 61%
- 2029: 52%

College and Above
- 2014: 24%
- 2029: 38%

Results for seniors age 75+
Most Middle-Income Seniors Will Have Health Needs that Present Challenges to Living at Home

Middle-Income Seniors in 2029:

8% will have **Cognitive Impairment**

60% will have **Mobility Limitations**

20% will have **High Needs***

*High needs is defined as having three or more chronic conditions and one or more functional limitations
### Middle-Income Seniors 75+ with Health, Cognitive and Mobility Limitations, 2029

<table>
<thead>
<tr>
<th></th>
<th>All Seniors 75+</th>
<th>75-84</th>
<th>85+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
<td>#</td>
</tr>
<tr>
<td><strong>All Middle-Income Seniors</strong></td>
<td>14.35</td>
<td></td>
<td>10.81</td>
</tr>
<tr>
<td><strong>Prevalence of Chronic Conditions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3+ Chronic Conditions</td>
<td>9.61</td>
<td>67.0%</td>
<td>6.97</td>
</tr>
<tr>
<td><strong>Activities of Daily Living Limitations (ADLS)</strong>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-3 ADLs</td>
<td>13.11</td>
<td>91.4%</td>
<td>10.17</td>
</tr>
<tr>
<td>3+ ADLs</td>
<td>1.24</td>
<td>8.6%</td>
<td>0.64</td>
</tr>
<tr>
<td>Cognitive Impairment</td>
<td>1.15</td>
<td>8.0%</td>
<td>0.63</td>
</tr>
<tr>
<td>Mobility Limitations</td>
<td>8.66</td>
<td>60.3%</td>
<td>6.09</td>
</tr>
<tr>
<td>Mobility Limitations &amp; Cognitive Impairment</td>
<td>0.84</td>
<td>5.9%</td>
<td>0.41</td>
</tr>
<tr>
<td>High Needs</td>
<td>2.90</td>
<td>20.0%</td>
<td>1.73</td>
</tr>
</tbody>
</table>

Note: High-needs is defined as those with three or more chronic conditions and one or more limitations in ADLs.
## Cost of Care Among Care Options

<table>
<thead>
<tr>
<th>Care Option</th>
<th>40 hours per week</th>
<th>20 hours per week</th>
<th>Percent Change Since 2018</th>
<th>Five Year Annual Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Health Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homemaker Services</td>
<td>$4,290</td>
<td>$2,145</td>
<td>7.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Homemaker Health Aide</td>
<td>$4,385</td>
<td>$2,193</td>
<td>4.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Based on annual rate divided by 12 months (assumes 44 hours per week)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adult Day Health Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Day Health Care</td>
<td>$1,625</td>
<td>$1,625</td>
<td>4.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Based on annual rate divided by 12 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assisted Living</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private, One Bedroom</td>
<td>$4,051</td>
<td>$4,051</td>
<td>1.3</td>
<td>3.0</td>
</tr>
<tr>
<td>As reported, monthly rate, private, one-bedroom</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Nursing Home Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi Private Room</td>
<td>$7,513</td>
<td>$7,513</td>
<td>1.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Private Room</td>
<td>$8,517</td>
<td>$8,517</td>
<td>1.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Based on annual rate divided by 12 months</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Genworth 2019 Cost of Care
If Operators Create More Affordable Options, Many More Seniors May Enter the Market

Average Financial Resources of Middle-Income Seniors by Income Quintile, 75+, 2029

- Average Independent Living Rent + Medical Costs = $45,000
- Average Assisted Living Rent + Medical Costs = $60,000

Note: Numbers Depicted are in 2014 Dollars
The Middle Market is many sub-markets
Fresh Ideas/Many Possibilities
How Can We Collectively As An Industry Address the Care and Housing Needs of This Burgeoning Cohort?

• Can we drive rates lower?
• What private sector solutions will work?
• Do today’s financial structures work?
• Does today’s operating model work?
• Are public/private partnerships required?
Four Key Areas That Need to be Addressed  
(Requires Scalability and Replicability)

- Physical Structures and Designs
- Operations and Operating Models
- Financing and Return Requirements for Equity and Debt
- Resident Experience
Physical Structure

• **Reduce Cost Basis with Lower Construction and Land Costs**

• **Design Structure/Architecture**
  o Micro Units with Movable Walls
  o Modular Construction
  o Flexible Construction
  o 3D Printed Housing

• **Mixed Use Development Sites**
  o Bring Retail to the Site
  o Mix Older and Younger Demographic Spaces

• **Shared Resident Rooms/Larger Common Areas**
  o Future Residents Have Lived in Dorms and Communes

• **Repurposing Older Existing Structures (Malls, Seniors Housing Properties, Hotels and Multifamily)**
Operations

• Unbundling of Services

• Adult Day Services/Abbreviated Service Models

• Technology Swap for Labor

• Partnerships
  o Third Party partnerships for services

• Commercial Kitchens (needed or not?) vs. A la Carte or Uber Meals

• Resident Volunteers / Non-Resident Volunteer Banks (pay it forward with volunteer hours today)
Financing

• **Capital Stack**
  - Debt: Freddie and Fannie: All IN!

• **Sources of Equity Finance and Return Requirements: Are They the Same for the Middle Market?**
  - Non-accredited investors
  - Pension Funds/Institutional Capital
    - Pension Funds and Socially Responsible Investing vs. Fiduciary Responsibilities

• **Partnerships**
  - MA Plans
  - Private-Public
  - Care Providers
  - PT/OT

• **Tax Incentives/Abatements**
  - Low income housing tax credits (LIHTC)

• **Joint Ventures with Life Insurance Companies**
• Health Improvement Programs—Mental and Physical

• Purposeful Aging
  o Purpose Match Maker or Activities Director?
  o Purpose adds years of life

• Community Connection
  o Affinity Groups

• Combatting Social Isolation and Loneliness
Key Challenges

- Equity Contribution
- Cost of Care
- Regulatory Framework
The Workforce Challenge

• Technology
• Immigration
• Millennials
• Displaced Workers
• Older Adults
Other Thoughts

Private/Public Partnerships

Private Sector Innovation

Public Policies
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National Investment Center for Seniors Housing & Care (NIC)

rkramer@nic.org
www.nic.org