Understanding California's Middle-Income Older Adult Population

NORC | The SCAN Foundation | West Health
October 3, 2022
Agenda

01  Project Overview
02  Key Findings from California
03  California Near Dual Eligibles
04  Illustrative Case Studies
The first Forgotten Middle studies brought national attention to the unmet needs of future middle-income seniors.

**The original Forgotten Middle study**
- Released in 2019
- Forecasted the senior population through 2029
- Relied on 2014 Health and Retirement Study (HRS) data
- Fifth most read *Health Affairs* article of 2019

**Forgotten Middle 2022 “refresh”**
- Released in 2022
- Forecasted the senior population through 2033
- Updated the original analysis using 2018 HRS data

*Purpose*: To forecast the size, demographics, health needs, and financial resources of middle-income seniors aged 75 and older.
The 2022 Forgotten Middle model uses the 2018 HRS to forecast characteristics of seniors in 2033

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2033</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age Cohort</strong></td>
<td>60-69; 70+</td>
<td>Increase age by 15 years</td>
</tr>
<tr>
<td><strong>Life Expectancy</strong></td>
<td>Entire Cohort</td>
<td>Mortality model based on</td>
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<tr>
<td></td>
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<td>sociodemographics, health,</td>
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<td></td>
<td></td>
<td>and mobility</td>
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<tr>
<td><strong>Health</strong></td>
<td>Chronic conditions,</td>
<td>Assume consistent</td>
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<tr>
<td></td>
<td>mobility limitations,</td>
<td>prevalence by</td>
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<tr>
<td></td>
<td>and cognitive impairments</td>
<td>sociodemographic group</td>
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<tr>
<td><strong>Financial Resources</strong></td>
<td>Actual income and</td>
<td>Grow based on recent rate</td>
</tr>
<tr>
<td></td>
<td>annuitized assets for</td>
<td>of change by resource</td>
</tr>
<tr>
<td></td>
<td>each individual</td>
<td>category</td>
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</tbody>
</table>
Summary of findings from the 2022 Forgotten Middle update

Over the next decade, the number of middle-income seniors will almost double by 2033—reaching 16M adults ages 75+ by 2033

Many older adults will have health needs, like mobility limitations and cognitive impairments, that make it hard to live independently

Without selling their homes, three-quarters (11.5M) of middle-income seniors have insufficient resources to pay for private assisted living
Why create a California-specific model?
The sociodemographics and senior housing costs in California are meaningfully different from national averages

- Significantly more racially and ethnically diverse than the U.S. overall
- Higher percentage of individuals with less than a high school education and those with a college degree
- More likely to not have children living within 10 miles
- Average assisted living cost is 17% more expensive in California

Senior housing and care costs are higher in California.

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percent Difference in California Costs Compared to U.S. Average, 2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing Home Private Room</td>
<td>35%</td>
</tr>
<tr>
<td>Nursing Home Semi-Private</td>
<td>24%</td>
</tr>
<tr>
<td>Assisted Living Facility</td>
<td>17%</td>
</tr>
<tr>
<td>Adult Day Health Care</td>
<td>9%</td>
</tr>
<tr>
<td>Home Health Aide†</td>
<td>19%</td>
</tr>
<tr>
<td>Personal Care Services†</td>
<td>23%</td>
</tr>
</tbody>
</table>

* Utilizes the 2021 Genworth Cost of Care Survey data converted to 2018 dollars
† Based on 44 hours of care per week
The latest Forgotten Middle analysis recalibrates the 2022 model to reflect California’s future middle-income seniors

Model Recalibration
Re-weights the 2018 HRS to reflect a California-only sample

Financial Resources
Analyzes data with Forgotten Middle and California-specific income thresholds

Illustrative Case Studies
Creates “illustrative case studies” to underscore the impact on future Californians

This analysis was funded by The SCAN Foundation and West Health
Middle-income seniors have annuitized income and assets from $25,000 to $101,000 in 2018 dollars.

<table>
<thead>
<tr>
<th>Lower Bound</th>
<th>Age Group</th>
<th>Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>$26,569 (219% FPL)</td>
<td>75-84</td>
<td>$78,959 (650% FPL)</td>
</tr>
<tr>
<td>$25,984 (214% FPL)</td>
<td>85+</td>
<td>$101,014 (832% FPL)</td>
</tr>
</tbody>
</table>

*Housing equity is not considered for the purpose of assigning seniors to income categories.
Key Findings from California
By 2033, the total senior population in California is projected to exceed 4.7M.

Of the total senior population in California, 34% will be comprised of middle-income seniors.
California is estimated to have 1.6M middle-income seniors age 75 and above in 2033.

The size of California’s middle-income senior population will increase by 60% (601K) by 2033.

The number of California’s middle-income seniors aged 85+ is expected to more than double (increasing by 233K).
California’s middle-income seniors will be more diverse in 2033, with people of color making up 47% of the population.

California remains significantly more racially and ethnically diverse than the U.S. overall.

Policymaking will require high levels of cultural sensitivity to meet the needs of all older adults.
By 2033, the majority of California middle-income seniors 75+ will have 3+ chronic conditions and mobility limitations.

Those over 85 are even more likely to have limitations in activities of daily living.

Many seniors will need additional caregiving support and may not be able to continue living independently.

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**High-needs** is defined as those with three or more chronic conditions and one or more limitations in ADLs. Not mutually exclusive with other categories.
Nearly 60% of California’s middle-income seniors will be unmarried in 2033 and 43% may not have children living within 10 miles.

**Family members, including spouses and adult children, provide most caregiving for older adults.**

Seniors who are unmarried (divorced or widowed) and those without children nearby may not have unpaid sources of care.
For California’s forgotten middle, income is the most important financial resource; 1 in 5 have significant housing equity

### Financial Resources of California’s Middle-Income Seniors 75+, by Quintile, 2033

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Housing</th>
<th>Assets</th>
<th>Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$7,817</td>
<td>$4,057</td>
<td>$31,650</td>
<td>$43,524</td>
</tr>
<tr>
<td>2</td>
<td>$13,287</td>
<td>$7,478</td>
<td>$39,969</td>
<td>$60,734</td>
</tr>
<tr>
<td>3</td>
<td>$17,485</td>
<td>$12,490</td>
<td>$45,769</td>
<td>$75,745</td>
</tr>
<tr>
<td>4</td>
<td>$29,431</td>
<td>$20,511</td>
<td>$44,492</td>
<td>$94,434</td>
</tr>
<tr>
<td>5</td>
<td>$179,306</td>
<td>$24,157</td>
<td>$45,335</td>
<td>$248,797</td>
</tr>
</tbody>
</table>

**Key Findings:**

Financial Resources

- **Income:** $31,650, $39,969, $45,769, $44,492, $45,335
- **Assets:** $4,057, $7,478, $12,490, $20,511, $24,157
- **Housing:** $7,817, $13,287, $17,485, $29,431, $179,306
- **Total:** $43,524, $60,734, $75,745, $94,434, $248,797
Excluding home equity, 89% of California’s middle-income seniors will have insufficient resources for private-pay assisted living.

Projected Financial Resources of California Middle-Income Seniors Excluding Housing Equity Compared to Assisted Living Costs, 75+ 2033

Average Assisted Living Rent in CA + Medical Costs = $75,000

Why excluding home equity matters:
- Spouse may still live in the home
- May want to keep house as “nest egg”
Even if they sold their homes, half of California’s middle-income seniors still will not have sufficient resources to pay for private assisted living.

Projected Financial Resources of California Middle-Income Seniors Including Housing Equity Compared to Assisted Living Costs, 75+ 2033

- **783K (49%)** Middle-income seniors in CA will have annual financial resources < $75,000 including housing equity.
- **Average Assisted Living Rent + Medical Costs = $75,000**

Average private-pay assisted living rent for California generated by applying the percent difference between national and California costs of assisted living in the 2021 Genworth Cost of Care Survey (17%) to the 2018 average cost of assisted living provided by the National Investment Center for Seniors Housing & Care. Average out-of-pocket medical costs and premiums from Kaiser Family Foundation.
California Near Dual Eligibles
NORC also examined California’s “near duals” cohort, which includes seniors with income-only resources close to Medicaid eligibility

- NORC’s national “Forgotten Middle” was designed to focus on individuals who are unlikely to qualify for Medicaid
- To understand the population at risk of spending down to Medicaid eligibility, NORC took an additional step to analyze the size California’s “near dual eligible” seniors in 2033
- Income thresholds for California’s near duals:

  **Lower: 139% FPL** – Ineligible for Medi-Cal Aged & Disabled Program (138% FPL)
  **Upper: 400% FPL** – Eligibility cutoff for federal marketplace exchange subsidies

*To align with Medi-Cal rules, this analysis only considers sources of income, not other assets or housing equity.*
By 2033, over 1M seniors in California are projected to have incomes within 139% to 400% of FPL.
Nearly 46% of California’s near duals cohort will consist of people of color in 2033.

The lower-middle income cohort in California will have the highest percentage of “Other” races and ethnicities, compared to the <139% FPL and >400% FPL groups.
Within California’s near duals group, 57% will have mobility limitations and nearly half will have 3+ chronic conditions in 2033

<table>
<thead>
<tr>
<th>Health or Functional Limitations</th>
<th>All Seniors 75+</th>
<th>75-84</th>
<th>85+</th>
</tr>
</thead>
<tbody>
<tr>
<td>3+ Chronic Conditions</td>
<td>48%</td>
<td>49%</td>
<td>47%</td>
</tr>
<tr>
<td>3+ Limits in Activities of Daily Living</td>
<td>11%</td>
<td>7%</td>
<td>16%</td>
</tr>
<tr>
<td>High Needs*</td>
<td>16%</td>
<td>12%</td>
<td>22%</td>
</tr>
<tr>
<td>Cognitive Impairment</td>
<td>31%</td>
<td>20%</td>
<td>46%</td>
</tr>
<tr>
<td>Mobility Limitations</td>
<td>57%</td>
<td>50%</td>
<td>67%</td>
</tr>
</tbody>
</table>

*High-needs is defined as those with three or more chronic conditions and one or more limitations in ADLs. Not mutually exclusive with other categories.

Over two-thirds of near duals over the age of 85 will have mobility limitations in 2033.
California Illustrative Case Studies
Seniors' housing & care affordability is based off financial resources and the cost of services where they live.

To illustrate this, NORC created five descriptive case studies of middle-income seniors living in California in 2033:

- Drawn from actual respondents in the 2018 HRS and enhanced with illustrative details.
- All dollar values are shown in 2018 dollars.
- Annual median seniors' housing and care costs based on Genworth's 2021 Cost of Care Survey*.
- Accounts for $2,100 in annual Medicare premium costs** (Part B & D).

* Housing and care definitions included in the appendix.
** Average monthly Medicare Part B premium for 2018 from CMS Fact Sheet: "2018 Medicare Parts A & B Premiums and Deductibles." Average monthly Medicare Part D premium for 2018 from the Kaiser Family Foundation.
Case Study #1: Maria

- **Sex:** Female
- **Race/Ethnicity:** Hispanic
- **Education:** College degree
- **Marital Status:** Married
- **Children Nearby:** Living in the home
- **Home Equity:** No

### Changes in Age, Health Status, & Health Costs

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2033</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>61 years old</td>
<td>76 years old</td>
</tr>
<tr>
<td><strong>Health, Cognitive, &amp; Mobility</strong></td>
<td>Has mild cognitive impairment</td>
<td>Cognitive function declines, diagnosed with dementia</td>
</tr>
<tr>
<td><strong>Health &amp; Care Spend</strong></td>
<td>Has low initial medical costs</td>
<td>Needs day-time care; annual out of pocket (OOP) medical spend at $1,390</td>
</tr>
</tbody>
</table>

By 2033, Maria requires full-time care due to cognitive decline. Her children work during the day, and her spouse is 88 years old with several chronic conditions and ADL needs.
Case Study #1: Maria

After medical costs, Maria’s individual annual financial resources total $79,484.

**Personal Care Services (full-time)**
- Slow rate of cognitive decline and spouse/children able to continue providing some care
  - Living in El Centro – Uses 49% of her financial resources
  - Living in San Francisco – Uses 98% of her financial resources

**Assisted Living**
- Cognitive decline rapid and children unable to provide necessary care
  - Living in El Centro – Uses 88% of her financial resources
  - Living in San Francisco – Uses 90% of her financial resources
Case Study #2: Glenn

- **Sex:** Male
- **Race/Ethnicity:** Asian/Pacific Islander
- **Education:** Some college
- **Marital Status:** Widowed
- **Children Nearby:** No
- **Home Equity:** No

**Changes in Age, Health Status, & Health Costs**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2033</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>66 years old</td>
<td>81 years old</td>
</tr>
<tr>
<td><strong>Health, Cognitive, &amp; Mobility</strong></td>
<td>Has mild mobility and cognitive impairments</td>
<td>Develops 3+ ADL needs</td>
</tr>
<tr>
<td><strong>Health &amp; Care Spend</strong></td>
<td>Has low to moderate medical costs</td>
<td>High overall medical spend; annual OOP at $2,040</td>
</tr>
</tbody>
</table>

By 2033, Glenn needs regular assistance with activities of daily living. Unfortunately, he has no family living nearby to provide caregiving.
Case Study #2: Glenn

After medical costs, Glenn’s individual annual financial resources total $35,180.

**Home Health Aide (full-time)**

Requires ADL assistance but is able and wants to remain in his current residence
- Living in Redding – **short $41K** to cover home health aide
- Living in Santa Cruz – **short $44K** to cover home health aide

**Assisted Living**

Requires ADL assistance and wants to live in an assisted living setting
- Living in Redding – **short $15K** to cover AL
- Living in Santa Cruz – **short $28K** to cover AL

### Annual Median Cost of Home Health Aide

- **Redding**: $75,881
- **Santa Cruz Area**: $79,675
- **National**: $58,537

### Annual Median Cost of Assisted Living Facility

- **Redding**: $50,600
- **Santa Cruz Area**: $63,108
- **National**: $51,169
Case Study #3: Angela

<table>
<thead>
<tr>
<th>Changes in Age, Health Status, &amp; Health Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Health, Cognitive, &amp; Mobility</td>
</tr>
<tr>
<td>Health &amp; Care Spend</td>
</tr>
</tbody>
</table>

- **Sex:** Female
- **Race/Ethnicity:** Black
- **Education:** Some college
- **Marital Status:** Widowed
- **Children Nearby:** No
- **Home Equity:** No

Angela’s mobility declines, and she is assessed to have a high fall risk by 2033. Without immediate familial caregivers, any accident or medical event could lead her into a dire financial situation.
Case Study #3: Angela

Removing medical costs, Angela’s individual annual financial resources total $25,658.

**Personal Care Services (full time)**

- Has a serious fall that results in instrumental ADL needs
  - Living in Visalia – short $35K to cover personal care svcs
  - Living in LA – short $42K to cover home personal care svcs

**Assisted Living**

- Suffers from cardiac arrest and is unable to live independently
  - Living in Visalia – short $14K to cover AL costs
  - Living in LA – short $34K to cover AL costs

### Annual Median Cost of Personal Care Services

- Los Angeles Area: $67,209
- Visalia: $60,705
- National: $56,369

### Annual Median Cost of Assisted Living Facility

- Los Angeles Area: $59,697
- Visalia: $39,229
- National: $51,169
Case Study #4: Hector

- **Sex:** Male
- **Race/Ethnicity:** Hispanic
- **Education:** High school / GED
- **Marital Status:** Married
- **Children Nearby:** Living w/in 10 mi
- **Home Equity:** Yes ($35K)

**Changes in Age, Health Status, & Health Costs**

<table>
<thead>
<tr>
<th>2018</th>
<th>2033</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>68 years old</td>
</tr>
<tr>
<td><strong>Health, Cognitive, &amp; Mobility</strong></td>
<td>Has complex health conditions but no cognitive or mobility concerns</td>
</tr>
<tr>
<td><strong>Health &amp; Care Spend</strong></td>
<td>High medical spend</td>
</tr>
</tbody>
</table>

At 83, Hector lives with worsening health conditions. His spouse (81) has several chronic conditions and is battling cancer. His children live nearby but cannot provide regular care in the event of a health incident.
Case Study #4: Hector

After medical costs, Hector’s individual annual financial resources total $71,460 (without home equity) and $106,460 (with home equity).

**Nursing Home**

Suffers a major stroke and requires full-time medical care
- Living in Fresno – short $8K to cover annual nursing home costs, even after selling home (where spouse still lives)
- Living in San Jose – short over $71K to cover annual nursing home costs, even after selling home

**No Housing or Care Services**

Medical spend to maintain complex health conditions continues to increase, but no major medical events
- Children living with 10 miles and spouse can continue to provide some support
- No major changes, whether living in Fresno or San Jose

### Annual Median Cost of Nursing Home

- Fresno: $114,135
- San Jose Area: $177,255
- National: $102,721

Hector’s situation illustrates how precarious a senior’s financial and housing status can be, even with home equity and familial support.

A single medical event could require him to sell the home where his spouse still lives – and even then, he would not be able to afford full time nursing home care.
Case Study #5: Jennifer

- **Sex:** Female
- **Race/Ethnicity:** White
- **Education:** Less than high school
- **Marital Status:** Married
- **Children Nearby:** Living at home
- **Home Equity:** No

### Changes in Age, Health Status, & Health Costs

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2033</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>81 years old</td>
<td>96 years old</td>
</tr>
<tr>
<td><strong>Health, Cognitive, &amp; Mobility</strong></td>
<td>No health or functional limitations</td>
<td>Develops mobility limitations and complex chronic conditions</td>
</tr>
<tr>
<td><strong>Health &amp; Care Spend</strong></td>
<td>Low medical spend</td>
<td>High medical spend; Needs day-time care; annual OOP at $6,950</td>
</tr>
</tbody>
</table>

Jennifer is 96 years old in 2033 and has developed several complex conditions and mobility limitations. Her spouse (86) has chronic conditions and ADL needs, and her children work during the day.
Case Study #5: Jennifer

Removing medical costs, Jennifer’s individual annual financial resources total $30,270.

**Adult Day Health Care**

- Moderate mobility limitations requiring day-time care only
  - Living in Yuba City – Uses 73% of her financial resources
  - Living in Santa Rosa – short $8K to cover adult day health care

**Assisted Living**

- A serious medical event leaves her unable to live independently
  - Living in Yuba City – short $22K to cover AL
  - Living in Santa Rosa – short $50K to cover AL

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### Annual Median Cost of Adult Day Health Care

- **Santa Rosa Area**: $31,781
- **Yuba City**: $22,173
- **National**: $19,217

### Annual Median Cost of Assisted Living Facility

- **Santa Rosa Area**: $80,136
- **Yuba City**: $52,960
- **National**: $51,169
Thank you
For the illustrative case studies, NORC used the housing and care definitions from the 2021 Genworth Cost of Care Survey

- **Personal Care Services:** Services providing help with household tasks that cannot be managed alone. Services include "hands-off" care such as cooking, cleaning and running errands.

- **Home Health Aide Services:** Home health aides offer services to people who need more extensive care. It is "hands-on" personal care, but not medical care. The rate listed here is the rate charged by a non-Medicare certified, licensed agency.

- **Adult Day Health Care (ADC):** Provides social and support services in a community-based, protective setting. Various models are designed to offer socialization, supervision and structured activities. Some programs may provide personal care, transportation, medical management and meals.

- **Assisted Living Facility (ALF):** Residential arrangements providing personal care and health services. The level of care may not be as extensive as that of a nursing home. Assisted living is often an alternative to a nursing home, or an intermediate level of long-term care. Assisted Living Facilities are referred to as Residential Care Facilities in California.

- **Nursing Home Care:** These facilities often provide a higher level of supervision and care than Assisted Living Facilities. They offer residents personal care assistance, room and board, supervision, medication, therapies and rehabilitation, and on-site nursing care 24 hours a day.

* Referred to as "Homemaker Services" in the 2021 Genworth Cost of Care Survey.