

# Understanding California's Middle-Income Older Adult Population

**NORC | The SCAN Foundation | West Health Institute**

October 3, 2022



# Agenda

**01** Project Overview

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**02** Key Findings from California

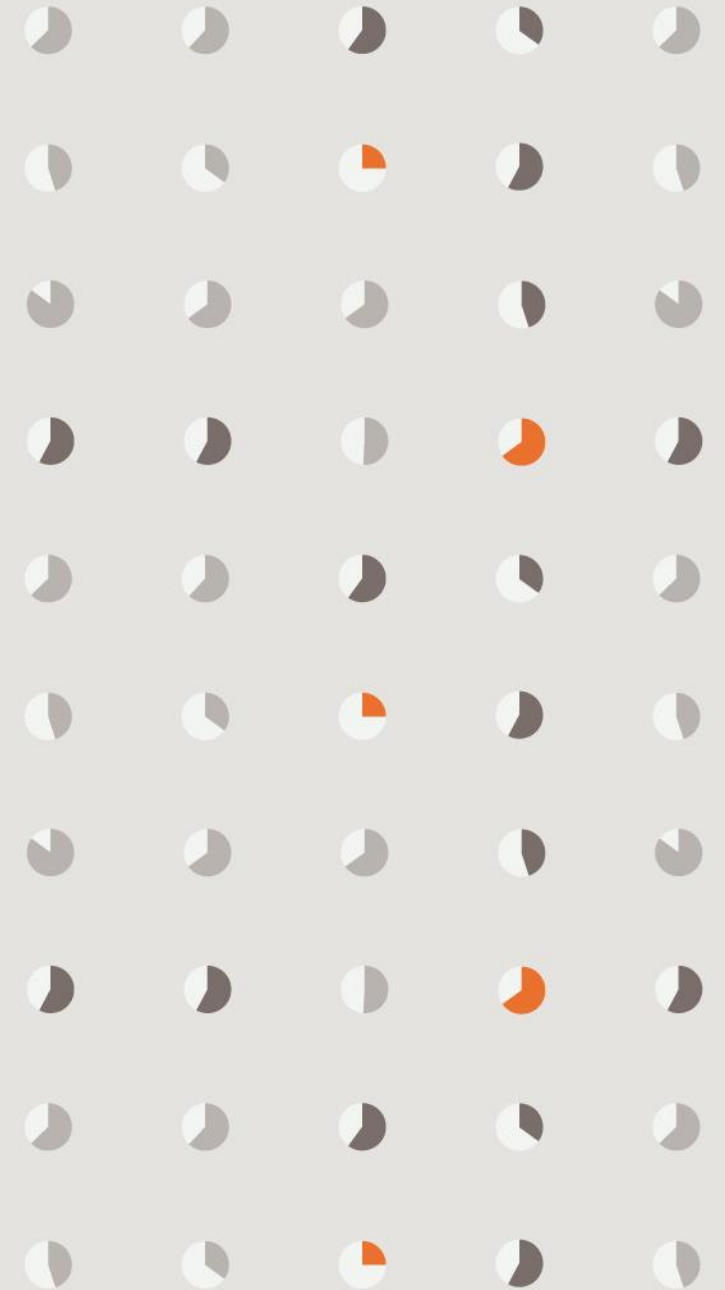
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**03** California Near Dual Eligibles

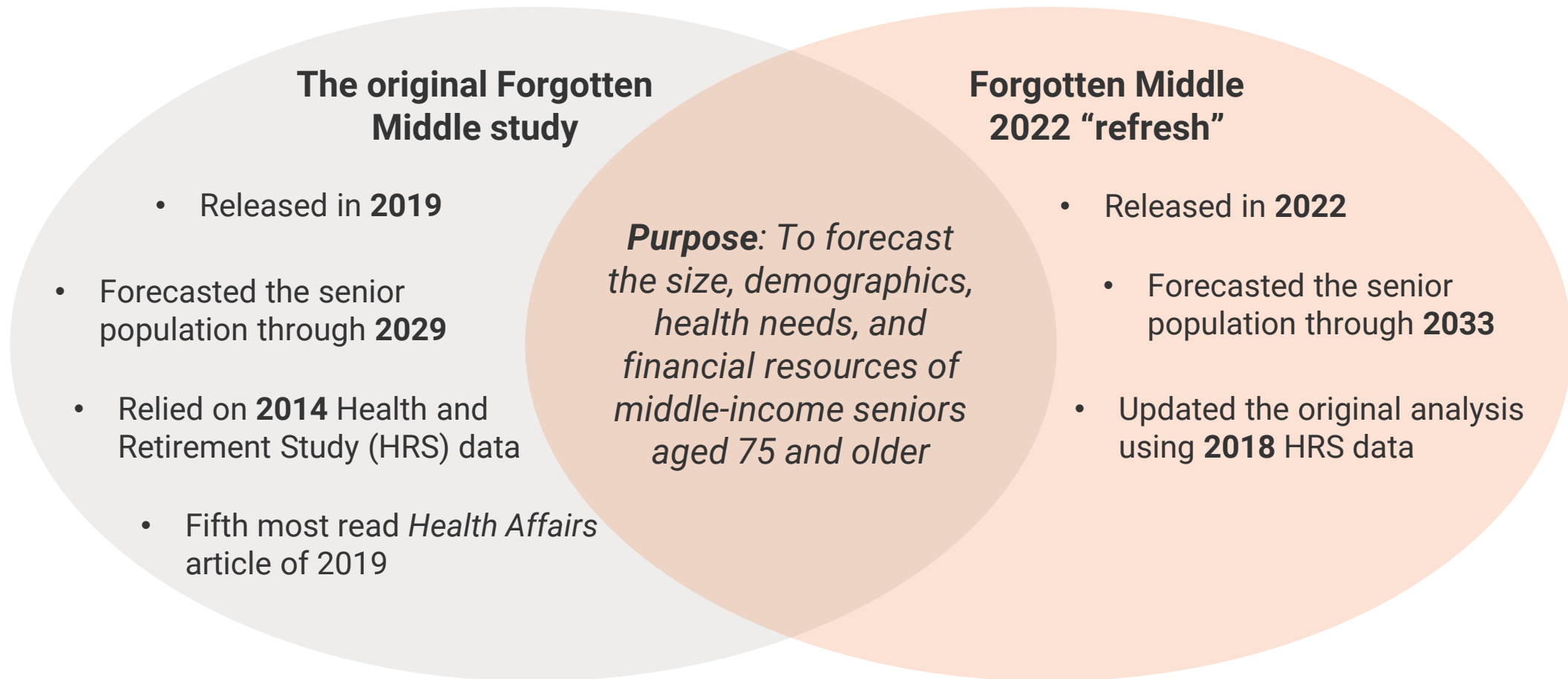
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**04** Illustrative Case Studies

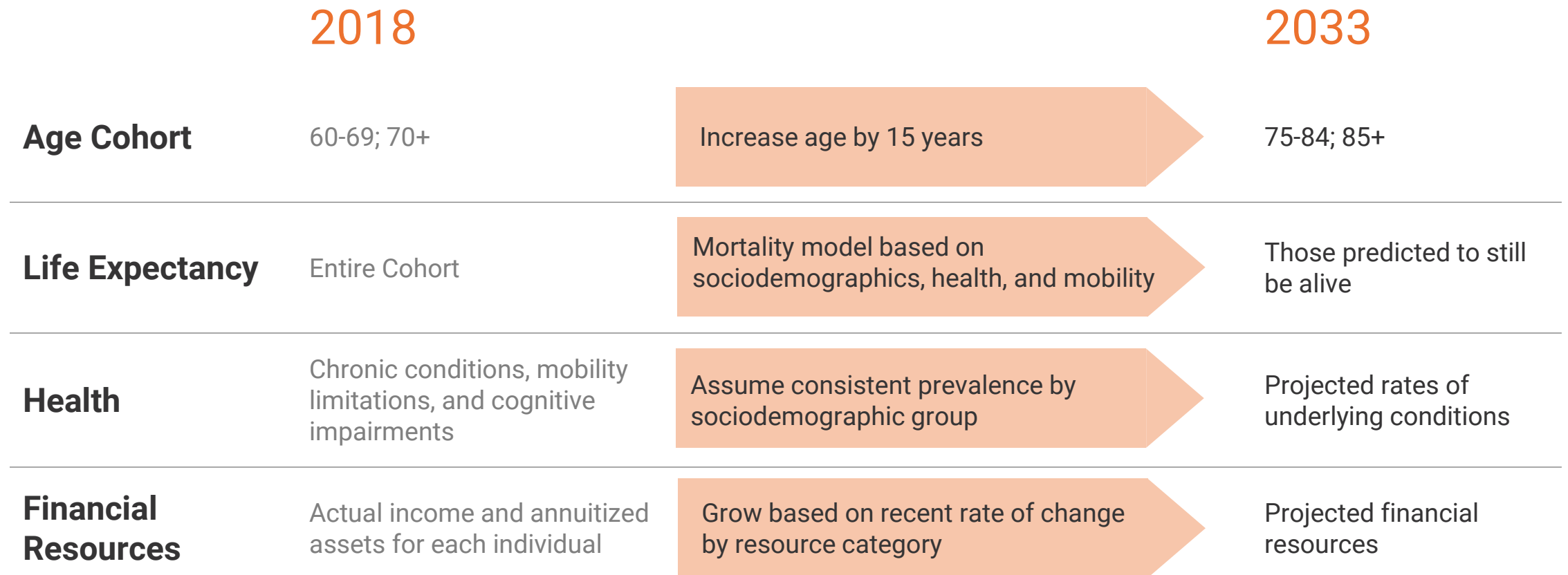
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The first Forgotten Middle studies brought national attention to the unmet needs of future middle-income seniors



The 2022 Forgotten Middle model uses the 2018 HRS to forecast characteristics of seniors in 2033



## 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



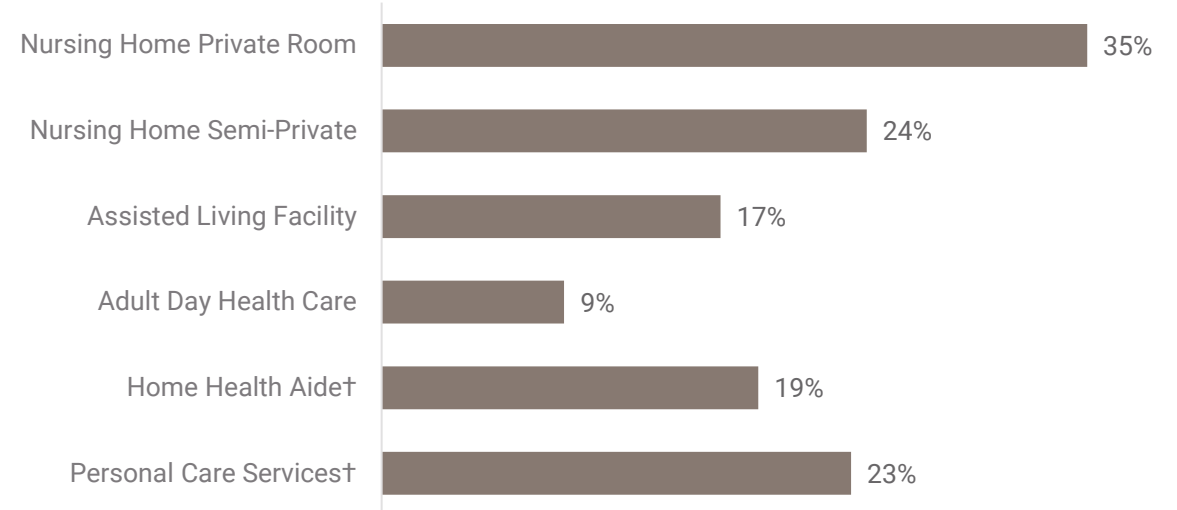
More likely to not have children living within 10 miles



Average assisted living cost is 17% more expensive in California

Senior housing and care costs are higher in California.

Percent Difference in California Housing and Care Costs Compared to the U.S. Average, 2018\*



\* 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**

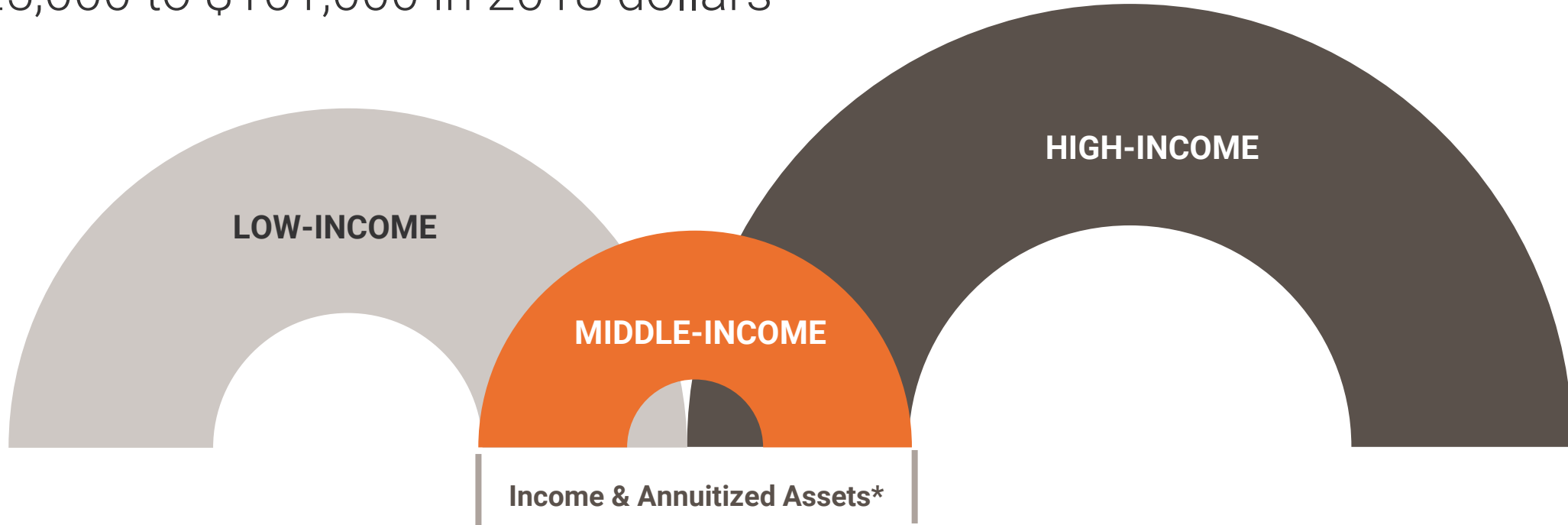
Analyzes data with Forgotten Middle and California-specific income thresholds



### **Illustrative Case Studies**

Creates "illustrative case studies" to underscore the impact on future Californians

Middle-income seniors have annuitized income and assets from \$25,000 to \$101,000 in 2018 dollars



Lower Bound	Age Group	Upper Bound
\$26,569 (219% FPL)	75-84	\$78,959 (650% FPL)
\$25,984 (214% FPL)	85+	\$101,014 (832% FPL)

\*Housing equity is not considered for the purpose of assigning seniors to income categories.

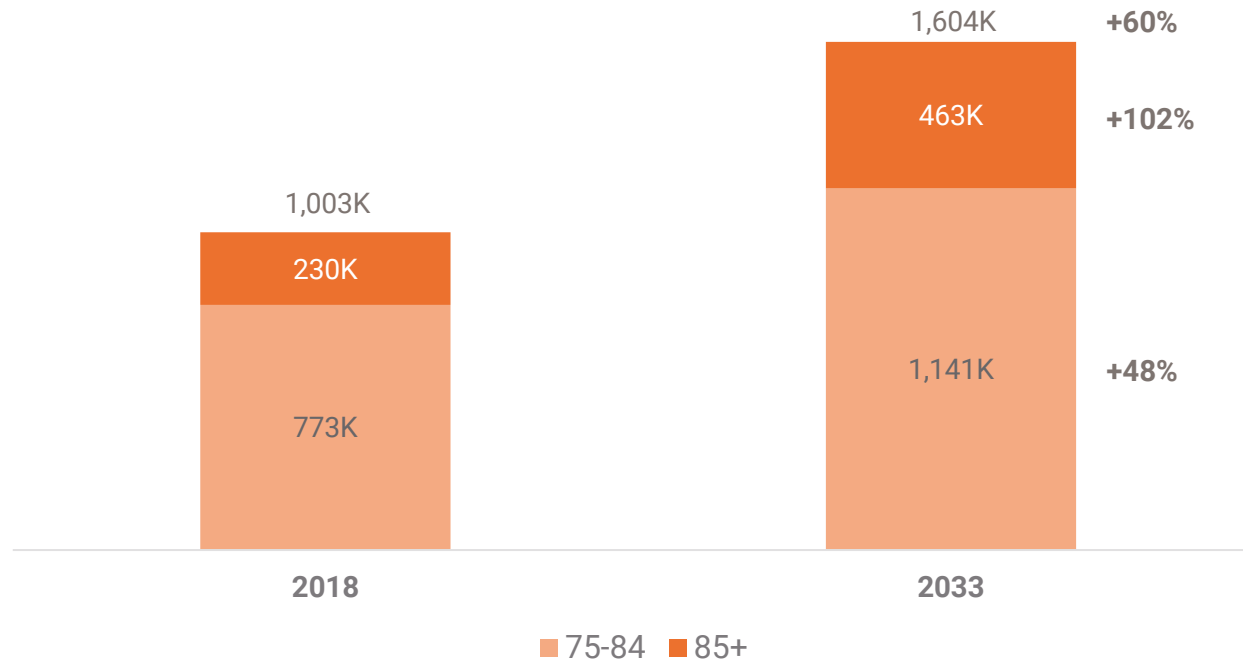


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# Key Findings from California

## California is estimated to have 1.6M middle-income seniors age 75 and above in 2033

Number of California's Middle-Income Seniors by Age Group, 2018 and 2033

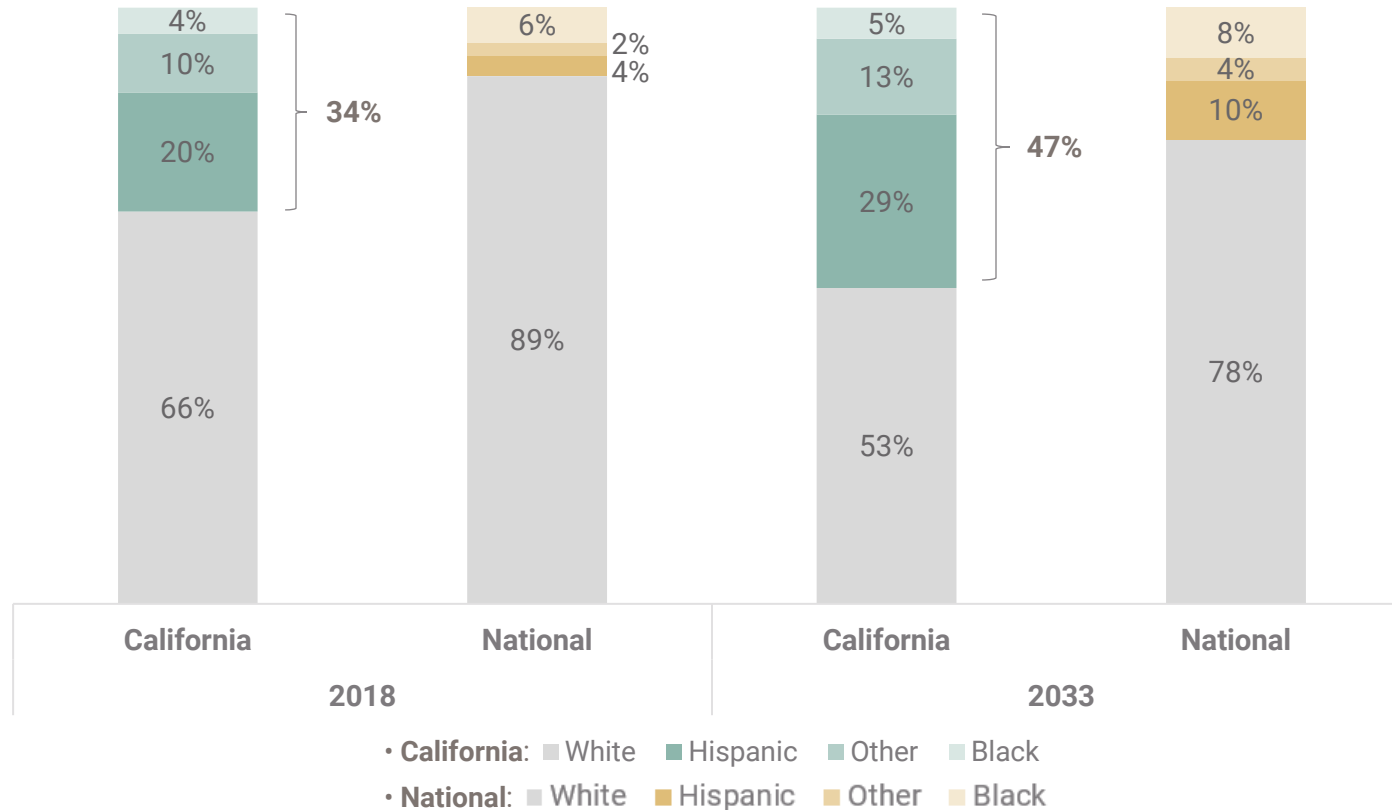


The size of California's middle-income senior population will increase by 60% (601K) by 2033

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

Middle-Income Seniors 75+ by Race and Ethnicity, California vs. National, 2018 and 2033

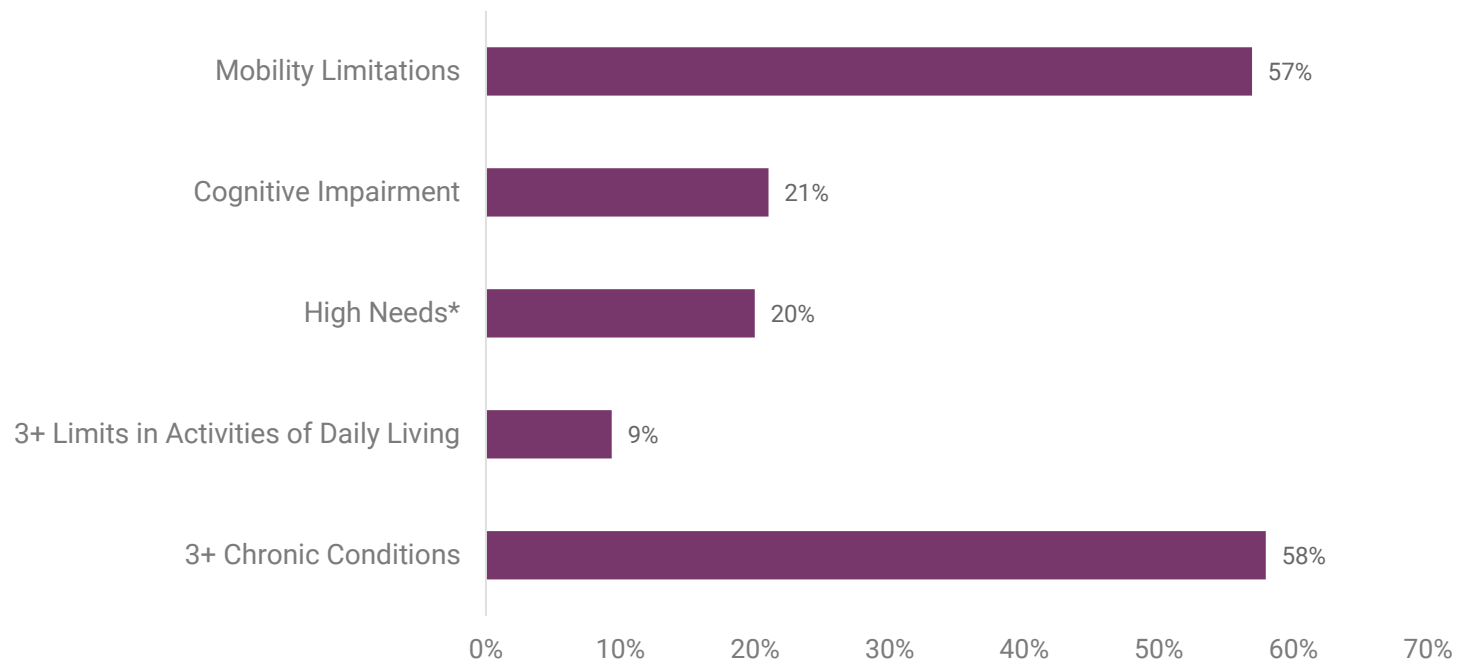


California remains significantly more racially and ethnically diverse than the U.S. overall

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

Health & Functional Status of Middle-Income Seniors in California, 2033



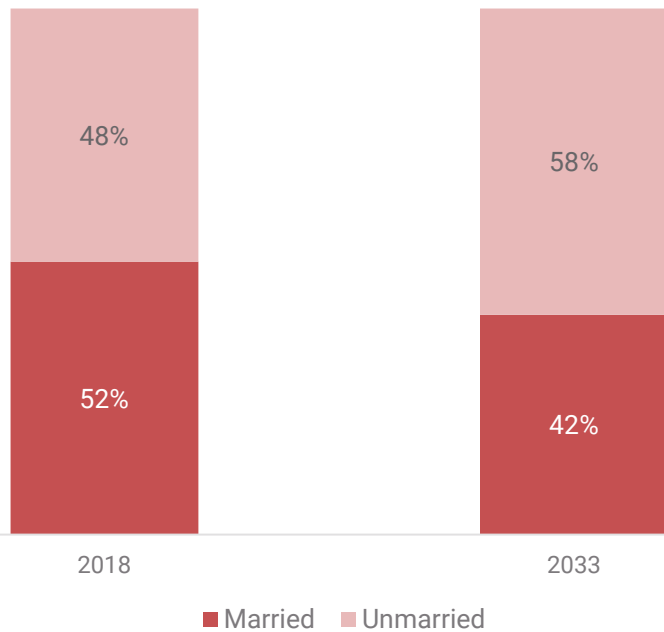
Those over 85 are even more likely to have limitations in activities of daily living

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

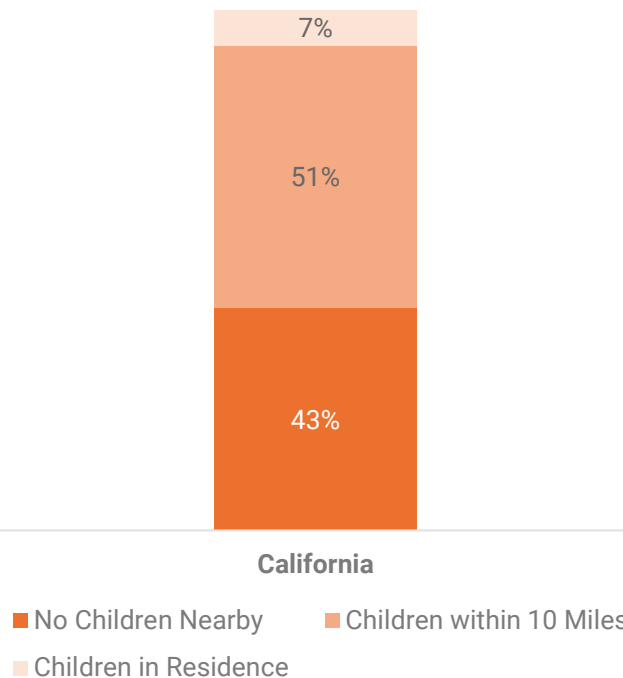
\*"High-needs" is defined as those with three or more chronic conditions and one or more limitations in ADLs. Not mutually exclusive with other categories.

# Nearly 60% of California's middle-income seniors will be unmarried in 2033 and 43% may not have children living within 10 miles

Martial Status of Middle-Income Seniors in California, 2018 and 2033



California Middle-Income Seniors' Proximity to Children, 2018

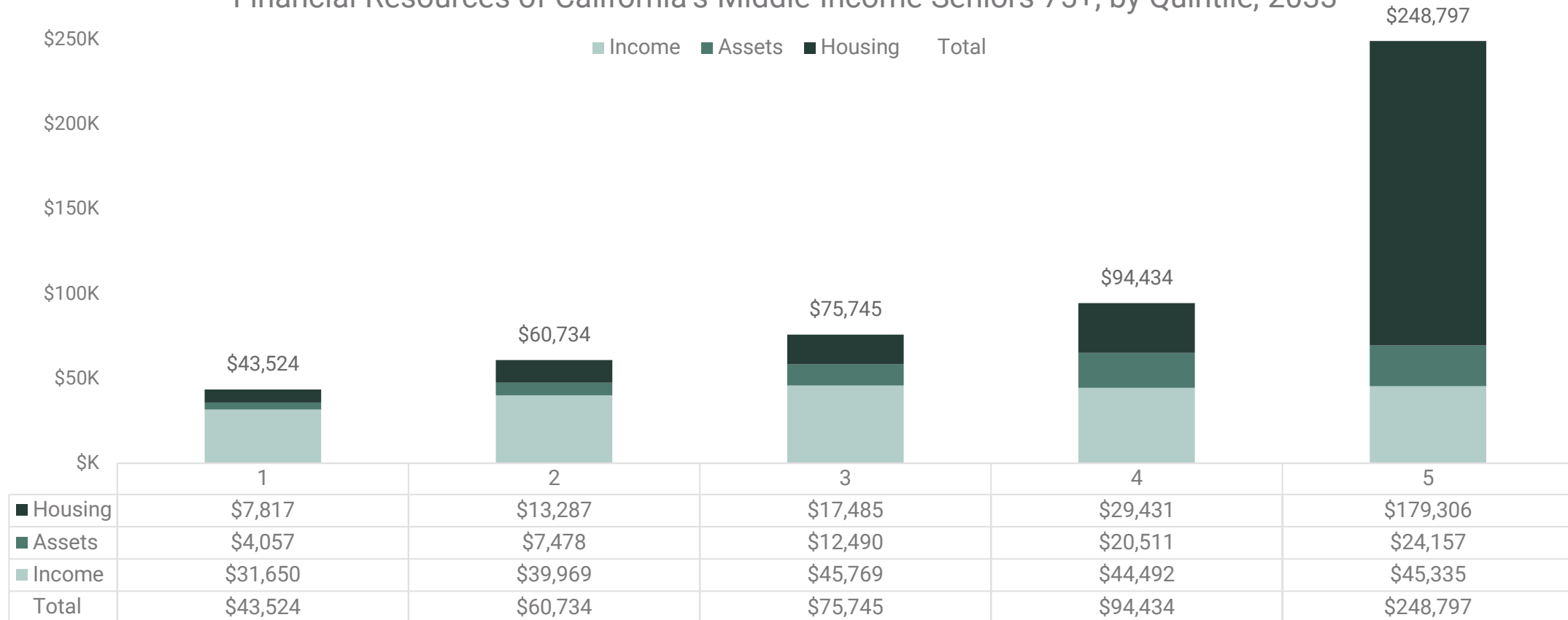


Family members, including spouses and adult children, provide most caregiving for older adults

Seniors who are unmarried (divorced or widowed) and those without children nearby may not have unpaid sources of care

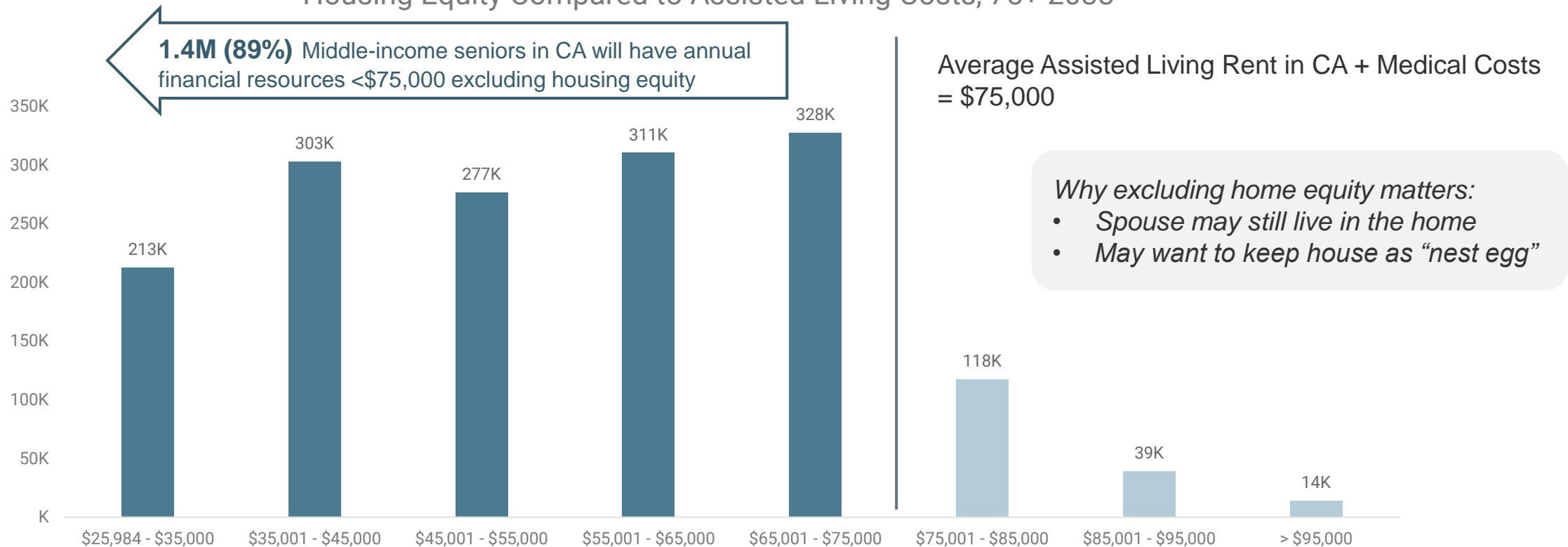
For California’s forgotten middle, income is the most important financial resource; 1 in 5 have significant housing equity

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



# Excluding home equity, 89% of California’s middle-income seniors will have insufficient resources for private-pay assisted living

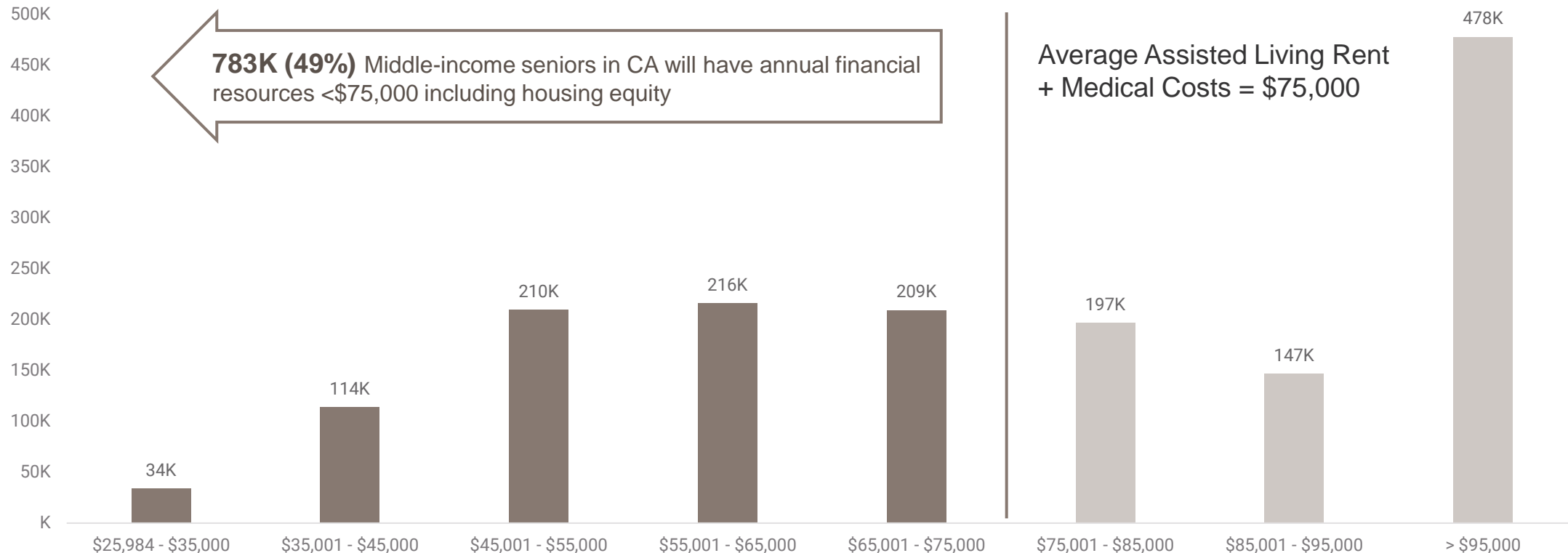
Projected Financial Resources of California Middle-Income Seniors Excluding Housing Equity Compared to Assisted Living Costs, 75+ 2033



Average 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.

# 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



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.



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# 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)

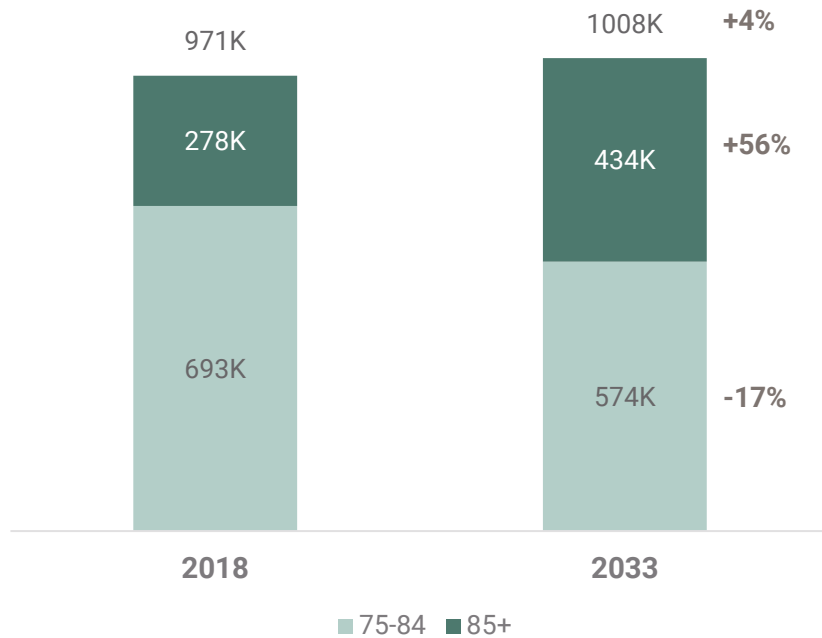


**Upper: 400% FPL** – Eligibility cutoff for federal marketplace exchange subsidies

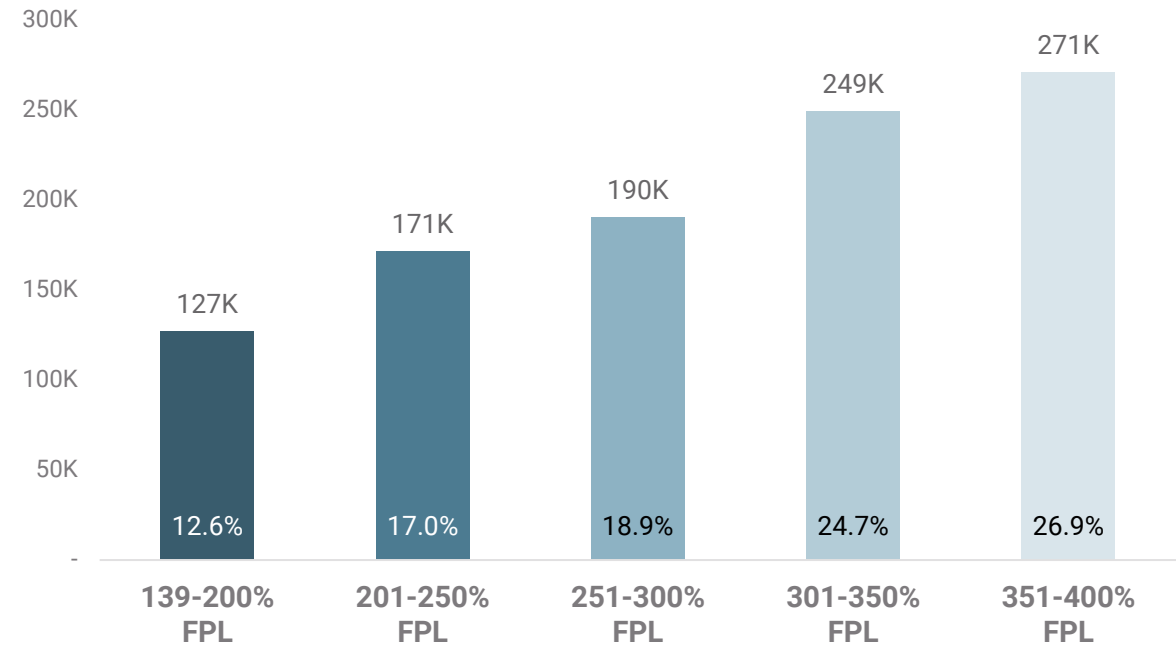
*To align with Medi-Cal rules, this analysis only considers sources of income, not other assets or housing equity.*

By 2033, over 1M seniors in California are projected to have incomes within 139% to 400% of FPL

California's Lower-Middle Income Population by Age Group, 2018 & 2033

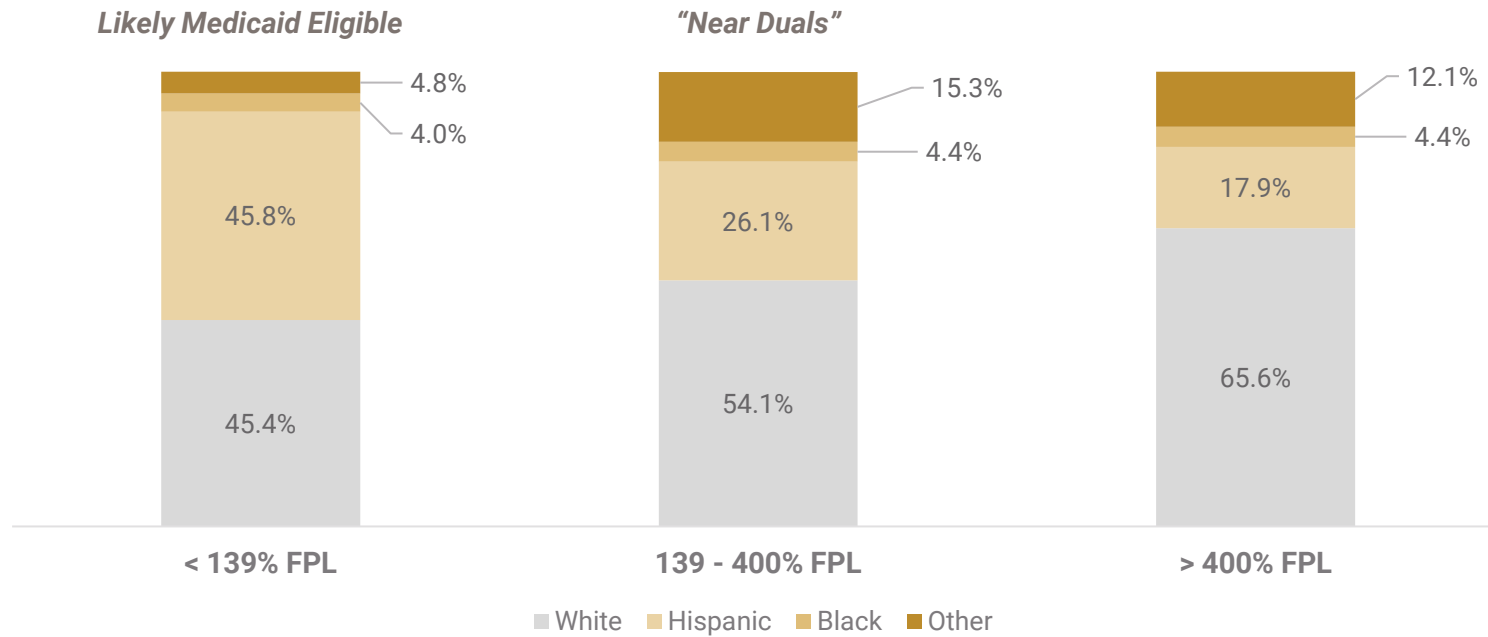


Projected Distribution of Low-Middle Income Seniors in California by FPL Range, 2033



# Nearly 46% of California’s near duals cohort will consist of people of color in 2033

California Lower-Middle Income Seniors by Race & Ethnicity and FPL, 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

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

\*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

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# 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



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

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

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

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



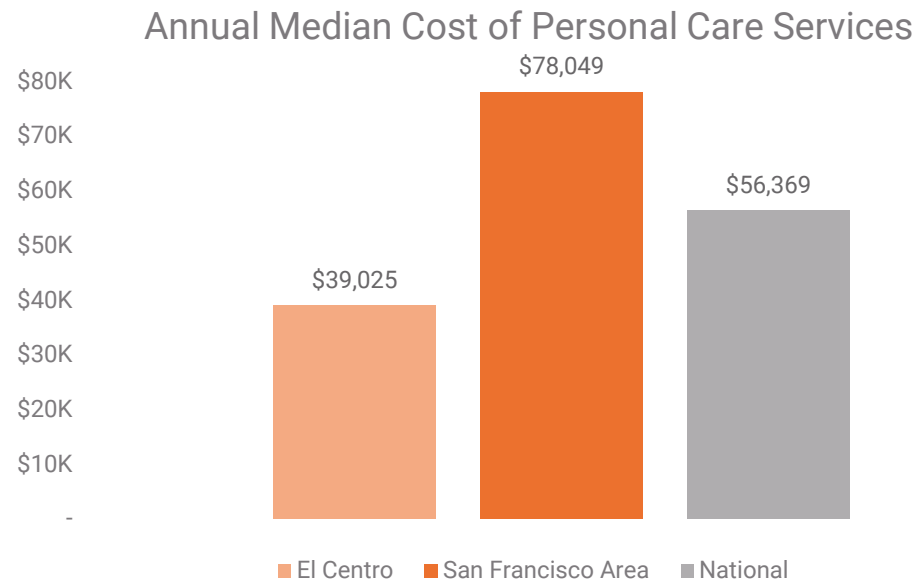
# Case Study #1: Maria

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**

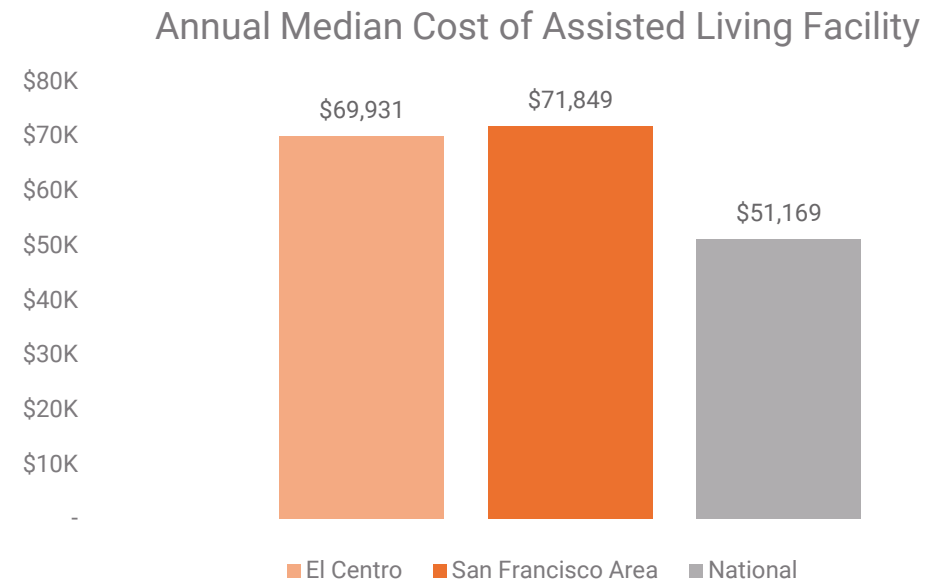
- Living in El Centro – Uses **49%** of her financial resources
- Living in San Francisco – Uses **98%** of her financial resources



## 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

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

*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

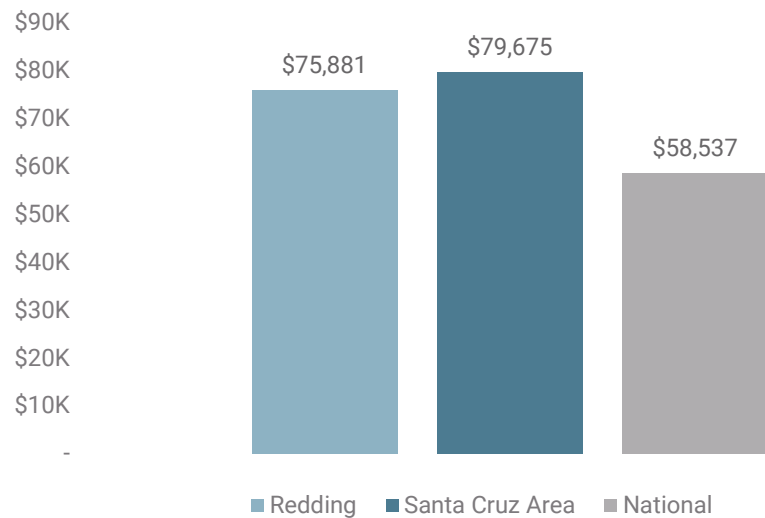
After medical costs, Glenn’s individual annual financial resources total **\$35,180**.

## 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

Annual Median Cost of Home Health Aide

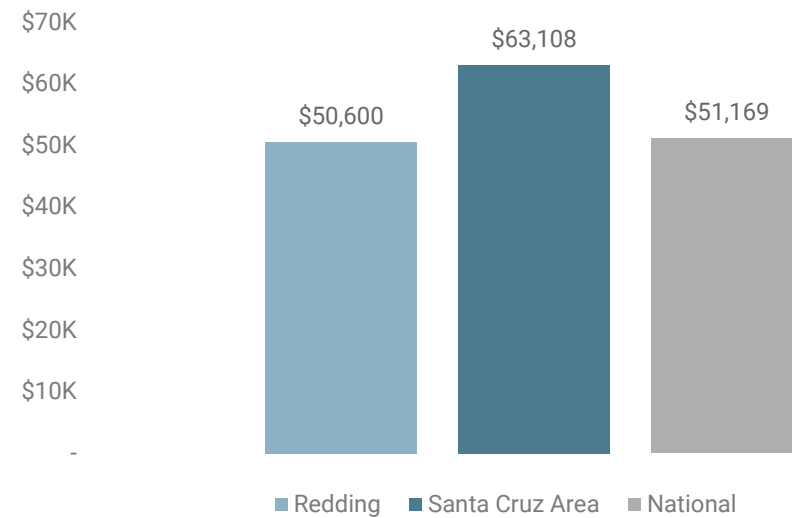


## Assisted Living

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 Assisted Living Facility



# Case Study #3: Angela



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

	2018	2033
Age	67 years old	82 years old
Health, Cognitive, & Mobility	Has some mobility limitations	Worsening mobility, high risk for major medical events
Health & Care Spend	Low medical costs	Increasing medical costs; annual OOP at <b>\$1,650</b>

- **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

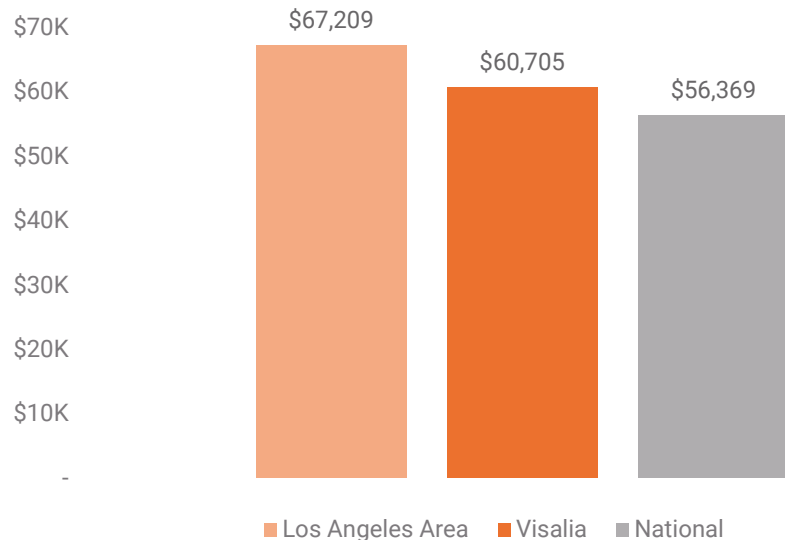
Removing medical costs, Angela’s individual annual financial resources total **\$25,658**.

## 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

Annual Median Cost of Personal Care Services

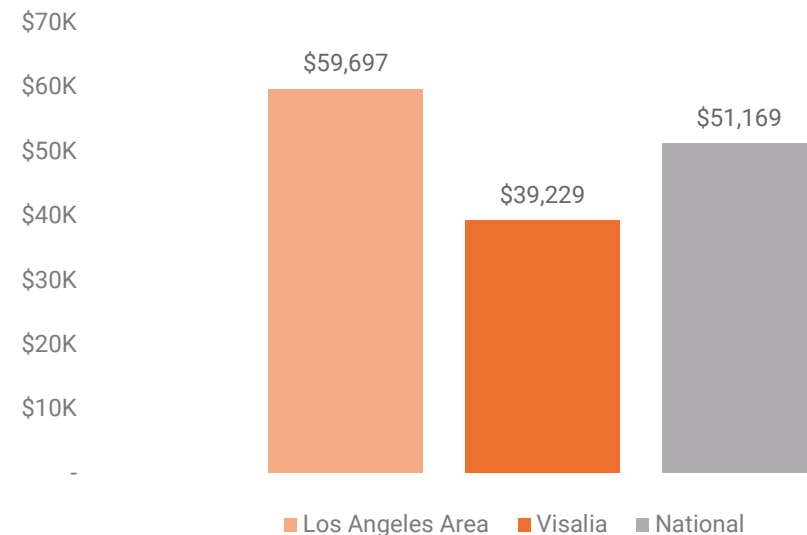


## Assisted Living

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 Assisted Living Facility



# 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

	2018	2033
<b>Age</b>	68 years old	83 years old
<b>Health, Cognitive, &amp; Mobility</b>	Has complex health conditions but no cognitive or mobility concerns	At a very high risk for major medical events (cardiac arrest, stroke, etc.)
<b>Health &amp; Care Spend</b>	High medical spend	Maintains relatively high overall spend; annual OOP at <b>\$2,040</b>

*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

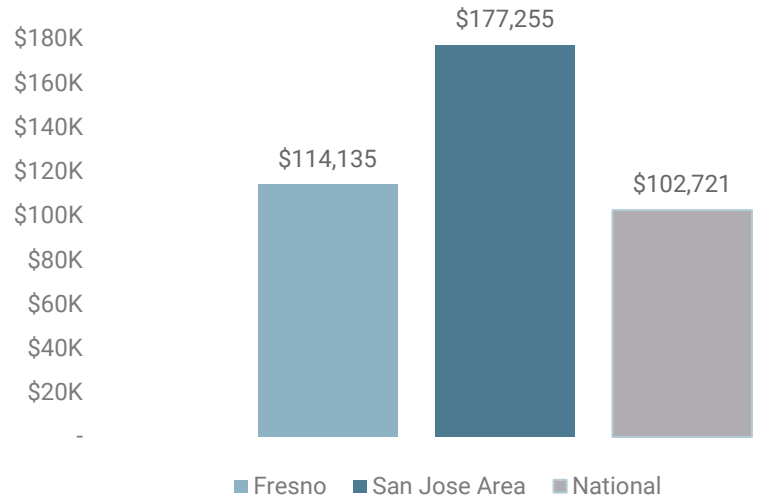
After medical costs, Hector’s individual annual financial resources total **\$71,460** (without home equity) and **\$106,460** (with home equity).

## 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

Annual Median Cost of Nursing 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

*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



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

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

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

*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

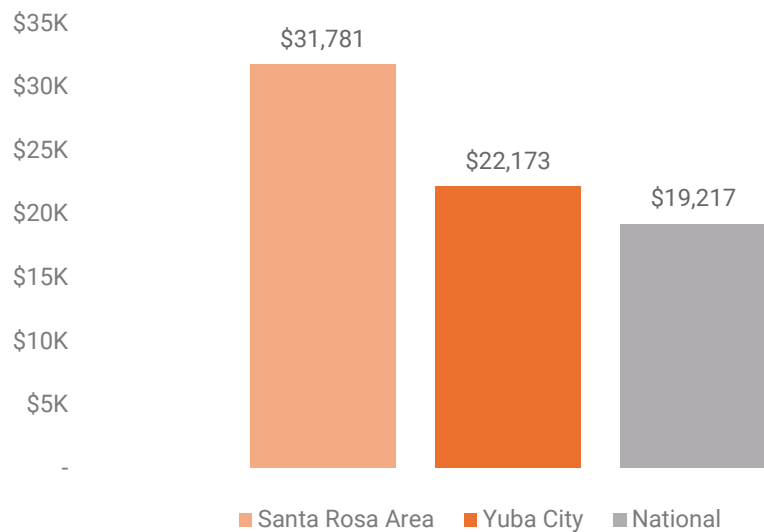
Removing medical costs, Jennifer’s individual annual financial resources total **\$30,270**.

## 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

Annual Median Cost of Adult Day Health Care

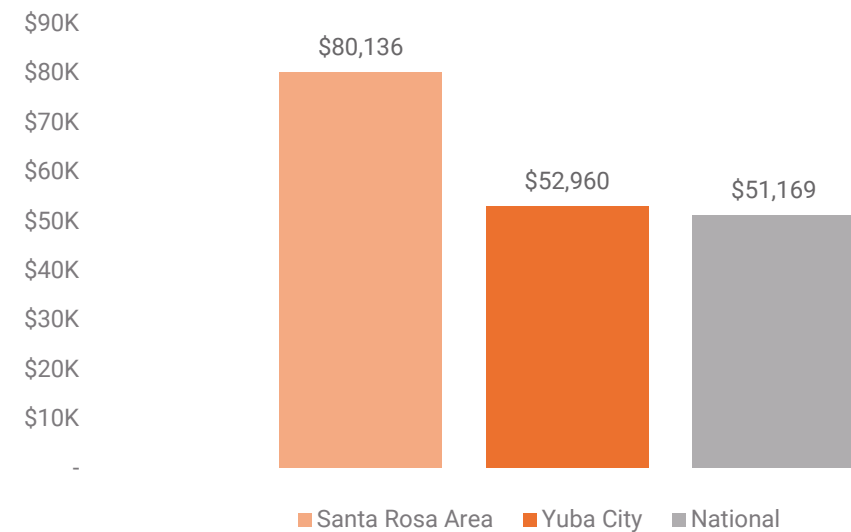


## Assisted Living

**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

Annual Median Cost of Assisted Living Facility



# Thank you

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 **NORC** at the  
University of  
Chicago

## 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 includes "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](#).