

WHITE PAPER:

**The Importance of Expanding
Affordable Assisted Living Options
and Proposed Solutions**

NCAAL[®]
NATIONAL CENTER FOR ASSISTED LIVING

OVERVIEW

The United States must find ways to make assisted living a more affordable option to meet the changing needs of a growing senior population. There are challenges that need to be addressed in order to support a focus on more affordable care, including how long term care is currently financed, chronic Medicaid underfunding, and the need for additional state and federal support.

The following white paper addresses the growing senior population and its changing needs, the challenges to offering affordable assisted living, and solutions to help low- and middle-income individuals receive the care they need in assisted living.

BACKGROUND

Assisted living is a long term care option for individuals who need help with everyday activities of daily living and some health care services but typically do not require 24-hour skilled nursing care services for extended periods of time. Assisted living communities offer a unique mix of companionship, independence, health services, and security and become residents' homes, prioritizing resident choice, dignity, and privacy.

The assisted living model is built on the concept of delivering person-centered services and supports (such as housing) that meet each resident's specific needs and preferences. In addition to supporting residents in completing activities of daily living, (e.g., bathing, dressing, managing medications), assisted living communities often provide housekeeping/maintenance, meals and dining services, social activities, transportation, and health and wellness programs. Many also provide or partner with a variety of specialized services, including social work, case management, hospice, physical therapy, or pharmacy. More than one in five assisted living providers have a secure dementia care unit and only serve adults with dementia, which is critical because an estimated 42 percent of the residents are living with Alzheimer's or other dementias.¹

States establish and enforce licensing and certification requirements for assisted living communities, as well as requirements for assisted living administrators or executive directors. While some federal laws and regulations apply to assisted living communities (e.g., Department of Labor's administration of the Fair Labor Standards Act), state-level regulation of assisted living services and operations ensures an efficient, comprehensive licensure system because the state can effectively coordinate its full range of housing and service programs available to seniors and individuals with physical, intellectual, or developmental disabilities.

The average monthly cost of assisted living is \$4,500 or \$54,000 annually,² and the median length of stay is about 22 months. The majority of residents pay privately for room, board, and services. Medicare does not cover services offered by assisted living. And while a Medicaid Waiver does not cover room and board, it may cover personal care services for eligible residents (varies by state). Currently, almost 1 in 6 residents relies on Medicaid to pay for daily services (17%).

1 - The National Center for Health Statistics report defines residential care communities to include assisted living communities and other residential communities, such as personal care homes, adult care homes, board care homes, and adult foster care. Harris-Kojetin, L., et al. (2019). Long-Term Care Providers and Services Users in the United States, 2015-2016. Centers for Disease Control and Prevention, National Center for Health Statistics, 3(43). <https://www.cdc.gov/nchs/data/databriefs/db454.pdf>.

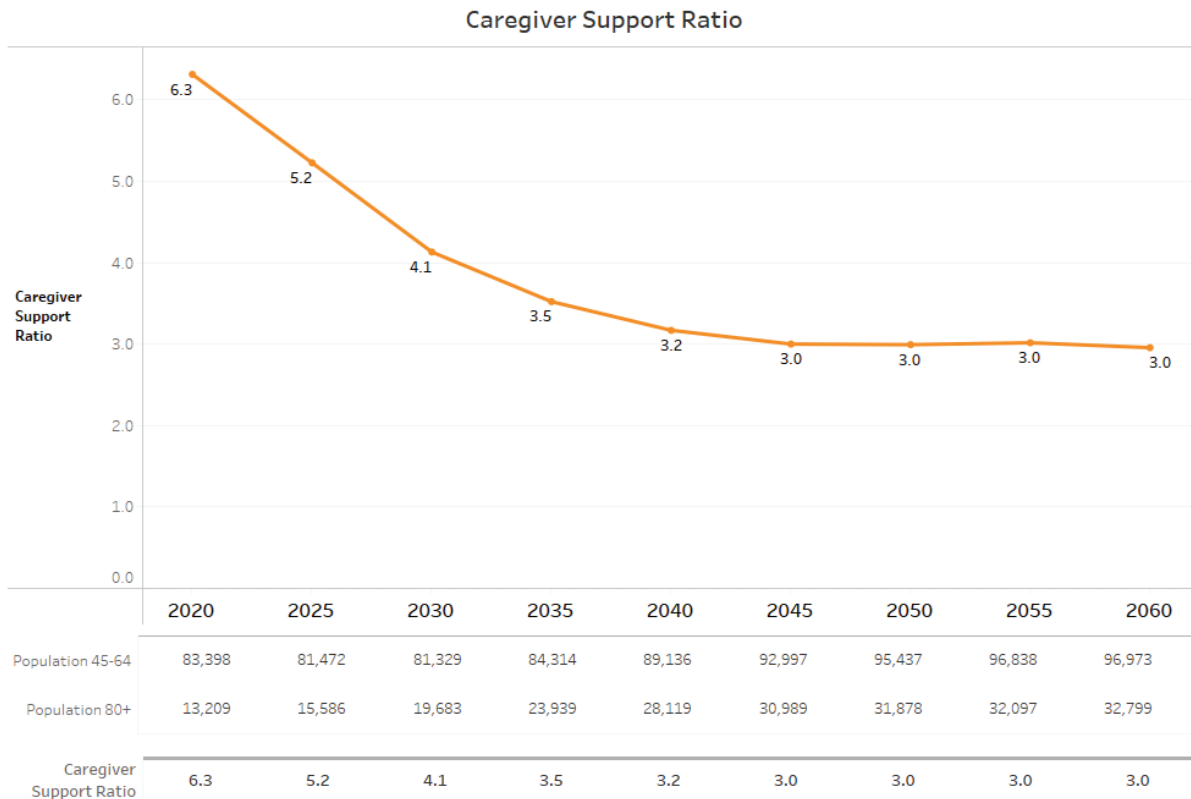
2 - Genworth Cost of Care Survey. <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>.



States can use several different Medicaid authorities to cover personal care services in assisted living. These include Medicaid state plan authorities, § 1915(c) home and community-based services (HCBS) waiver, concurrent § 1915(b) managed care waiver, or §1115 research or demonstration programs.

Research shows that the growing elderly population will need more affordable assisted living options. Nationally, the 80 and over population is forecasted to grow over 9 percent between now and 2027. Home ownership can be important when it comes to available resources for a senior transitioning to assisted living. The national average of homes with a head of household age 75 or older is approximately 75 percent. This potentially leaves roughly one-quarter of this population with fewer resources and could impact their ability to access care in assisted living.³

Additionally, the number of unpaid caregivers (such as family and/or friends) will on average decrease over the next five years, resulting in the increased need for paid caregiving in an appropriate long term care setting such as assisted living.⁴



3 - Data from certified public accounting and business advisory firm Plante Moran.

4 - Data from certified public accounting and business advisory firm Plante Moran.

The growing senior population faces financial challenges. Over 15 million (roughly one in three) older adults aged 65 and older are economically insecure, with incomes below 200 percent of the Federal Poverty Level.⁵ Furthermore, nationally, 24% of homeowners aged 65-plus earned less than \$25,000, and 31% of homeowners aged 75-plus earned less than \$25,000.⁶

The National Center for Assisted Living (NCAL) and its members are dedicated to delivering high quality care for residents, and a focus on adding more affordable assisted living options plays a key role in this effort to continue serving seniors.

CHALLENGES

There are several challenges when it comes to expanding access to affordable assisted living. The existing long term care financing system in this country is broken. Affording long term care out-of-pocket is challenging because it is a combination of housing and health care, and it is presumed the vast majority of Americans cannot afford to plan for this expense.

To qualify for Medicaid waived services, seniors often must meet the Medical Assistance guidelines in the state and may need to spend down their assets since Medicare does not help. Additionally, to qualify for Medicaid, most states require that an individual demonstrate the need for skilled nursing level care. Not everyone who needs long term care necessarily needs 24/7 support and may have their needs better met in assisted living. Seniors should not have to impoverish themselves in order to have their long term care covered, including in assisted living.

There is a significant payment deficiency within Medicaid in that it only covers assisted living services.

The Medicaid program is important for ensuring that individuals receive the long term care they need in the most appropriate setting.⁷ An estimated 48 percent of assisted living communities are Medicaid-certified to be HCBS providers, while almost 17 percent of residents rely on Medicaid to cover daily care in assisted living.⁸

However, as previously noted, there is a significant payment deficiency within Medicaid in that it only covers assisted living services. It does not pay for room/board and operating expenses. Additionally, there may be waiting lists for HCBS services, like assisted living, in some states that limit access to necessary long term care.

Assisted living communities that are a majority Medicaid are often built in areas specifically to serve low-income residents. Doing this requires an entirely different business model and vigorously looking for loans and programs to stay viable – such as HUD loans, low-income tax credits, and USDA multifamily housing direct loans.

5 - <https://ncoa.org/article/get-the-facts-on-economic-security-for-seniors>

6 - Data from certified public accounting and business advisory firm Plante Moran.

7 - Vardaman, K. (2016). The Role of Residential Care Settings in Delivering Long-Term Services and Supports. Medicaid and CHIP Payment and Access Commission. <https://www.macpac.gov/wp-content/uploads/2016/09/The-Role-of-Residential-Care-Settings-in-Delivering-Long-Term-Services-and-Supports.pdf>.

8 - <https://www.ahcancal.org/Assisted-Living/Policy/Pages/Medicaid.aspx>

Offering affordable assisted living at any level also depends on what state programs are available, reimbursement levels in the state, and the number of waiver spots that may be available.

This is in addition to an entire long term care profession that faces skyrocketing costs due to COVID-19, labor, and inflation. Assisted living, in particular, had to respond to COVID-19 almost entirely on its own. Federal and state policymakers provided little support to these communities in terms of personal protective equipment, testing, and staff support. COVID-related expenses continue today.

In the face of a historic workforce crisis, assisted living providers have been increasing wages, bonuses, and benefits to help recruit and retain caregivers. And inflation makes all other expenses in assisted living more expensive – from food, to cleaning supplies, and everything in-between.

Since most residents pay for their care through private resources, the unfortunate reality of rising operating expenses means that these increased costs must be passed onto residents and families.

SOLUTIONS

We need policies that expand opportunities for affordable assisted living so that low- and middle-income individuals can receive the care they need in assisted living communities. To address each of the challenges identified in the previous section, NCAL endorses several proposed solutions.

Medicaid

Policymakers need to expand and properly fund Medicaid assisted living services if more providers are to participate and offer care to those who need it.

Assisted living services help hundreds of thousands of Medicaid recipients access the long term care they need in the most appropriate setting. Expanding Medicaid assisted living services will not increase Medicaid expenditures. Instead, it is a rebalancing of resources or structural reform that allows services to be provided in the right place at the right time. It is smarter Medicaid where individuals receive care in the most appropriate setting. It is not only better for the beneficiary's health, but also more cost effective. Waiting lists for home and community-based services, like assisted living, represent an opportunity.

Coordinating care and bringing additional services into assisted living communities can reduce the overall health care spend, freeing up resources to invest in state Medicaid waiver programs and allowing more people to participate. When someone can utilize the Medicaid waiver programs that are in place and move into an assisted living community to get the care they need, it offers savings on the part of both state and the federal programs.

Create Flexibility for Room and Board

While it is important to keep the services provided through a Medicaid Waiver separate from room and board, one of the barriers to expanding assisted living is the insufficient payments by or on behalf of low-income seniors for room and board. It is recommended that policies are developed to reasonably subsidize monthly room and board.

Encourage Development with New Financing Incentives

There is also the need for a public-private partnership to identify opportunities that increase affordable assisted living options for low- to moderate-income older adults who can no longer live at home. Policymakers should consider expanding affordable assisted living through a variety of grants and programs available in states.

This could also be achieved through collaborative work with the provider community, federal agencies, banking and finance, and construction industry to create new financing incentives for low- and middle-income senior housing and assisted living.

IN CONCLUSION

NCAL remains committed to developing solutions that support the development and delivery of more affordable assisted living. NCAL will continue to educate policymakers at both the state and federal levels about this important issue to ensure that individuals are able to access the care they need in the appropriate setting, including assisted living.