



# Affordability in Senior Living Communities

How can middle-income seniors better afford senior living communities?

**Costs for assisted living communities are a large proportion of middle-incomes.**

In 2021, households making between \$52,000 and \$156,000 annually were classified as middle-income (Pew, 2022). Middle-income seniors are not eligible to qualify for Medicaid long-term services and housing subsidies (West and Dubay, 2019).

- Several urbanized counties in MO have high percentages of seniors who pay more than 30% of their income on housing costs (Figure 1) (JCHS, 2018).

Roughly 14 million middle-income seniors will require assisted/independent living community services by 2029, 60% of whom will have mobility issues, 20% will have heavy healthcare needs, and 54% will have financial resource limitations (Pearson, 2019).

- In 2020, the national average cost for a one-bedroom assisted living community unit was \$54,000 a year (Genworth, 2021).
- Top cited economic barriers for seniors who do not move into senior living communities

## Research Highlights

Since 2004, the median cost for assisted living facilities has doubled; private insurance premiums to cover these costs have tripled.

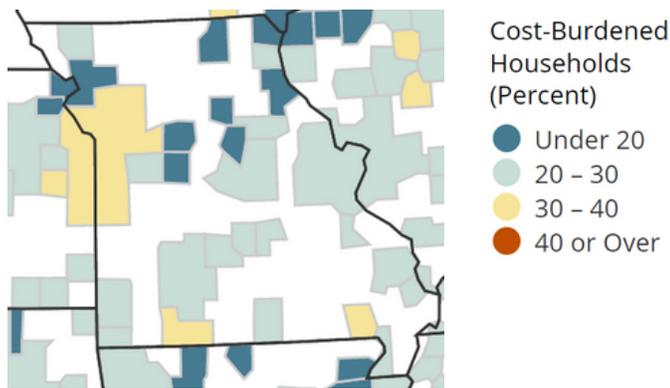
While nearly 7 in 10 seniors are projected to need daily care assistance, many cite cost as a barrier to access these services.

State and federal policies that reduce upfront or private insurance costs or expand Medicaid coverage can increase access to these services.

include high entrance fees, lack of long-term affordability, and the perception that it is a bad investment (Chaulagain, 2021).

## Assisted Living Communities (ALCs) can have health and psychological benefits.

- Residents of ALCs have better health, exercise, relationships, perceptions of aging, and higher incomes (Kozar-Westman, 2013).
  - However, outcomes for seniors are influenced by many additional factors, including geography, demographics, and prior health.
- ALCs where younger and/or low-income students and families live alongside seniors for lower rent can reduce operational costs by up to 30%, as well as reduce loneliness and social isolation in seniors (Butts, 2008; Dieker, 2019; Suleman, 2021).
  - CA law extends tax credits to housing developers that build according to this concept.



**Figure 1: Counties with high housing costs for seniors.** Shaded Missouri counties have between 20% (dark blue), 20-30% (light blue), and 30-40% (yellow) of seniors (65 and older) who spend more than 30% of their income on housing costs. Data from the [Harvard University Joint Center for Housing Studies](#).

## Policies vary to address affordability in senior housing

### Reducing Upfront Costs

The U.S. Dept. of Housing and Urban Development Section 202 program provides federal funds (up to \$175 million in 2022) to nonprofit organizations that offer senior living communities with supportive services (cleaning, cooking, transportation) ([HUD, 2022](#); [2022](#)) or convert housing units into senior assisted living units ([HUD, 2022](#)).

- In FY20, only one non-profit in MO ([Lutheran Senior Services](#) in St. Louis) was awarded this grant, totaling \$5.3 million for 80 housing units ([HUD, 2021](#)).

Thirty-five percent of individuals in assisted living (often more affluent) enroll in Medicare Advantage (MA) plans, which offer tailored services a patient may anticipate needing (such as wellness programs, medical transportation, vision, dental, or hearing)([Medicare, 2023](#)).

- While data is limited on how cost-effective MA plans are on reducing operational costs, ALCs can coordinate reimbursement for these on-site medical services in the facility planning stage ([Zimmerman, 2022](#); [Grabowski, 2015](#)).
- Given the large variety of tailored MA plans, only a third of Medicare beneficiaries have reported comparing plan options to cover their specific health needs ([KFF, 2022](#)).

### Broadened Medicaid Coverage

Medicaid is the largest funding source for long-term care (LTC) services ([KFF, 2022](#)). While middle-income seniors do not automatically qualify for Medicaid, many states (including MO) have initiated LTC partnerships for Long-Term Care Insurance Plans (LTCIP) holders to qualify for Medicaid coverage once their private policy plan maxes out ([James, 2017](#); [NCSL, 2005](#)).

- LTC services through Medicaid community providers are more cost-effective per individual (as much as 30%), with some states estimated to save from \$35 million to \$2 billion over an 8-year period ([AARP, 2013](#)). These services require waivers to federal regulations. For more information, read our Science Note [Work and Community Engagement Requirements for MO HealthNet](#).

### Long-Term Care Insurance Plans (LTCIPs)

LTCIPs cover the costs of senior living (including nursing homes, home health care, and assisted living) that extend past 100 days after a recent hospitalization that is covered by Medicare ([ACL, 2021](#)). Plans can vary significantly in the monthly or lifetime maximum of covered service costs ([MO Dept. of Insurance, 2022](#)).

For more information, please read our [memo on Long-Term Care Insurance Plans](#).