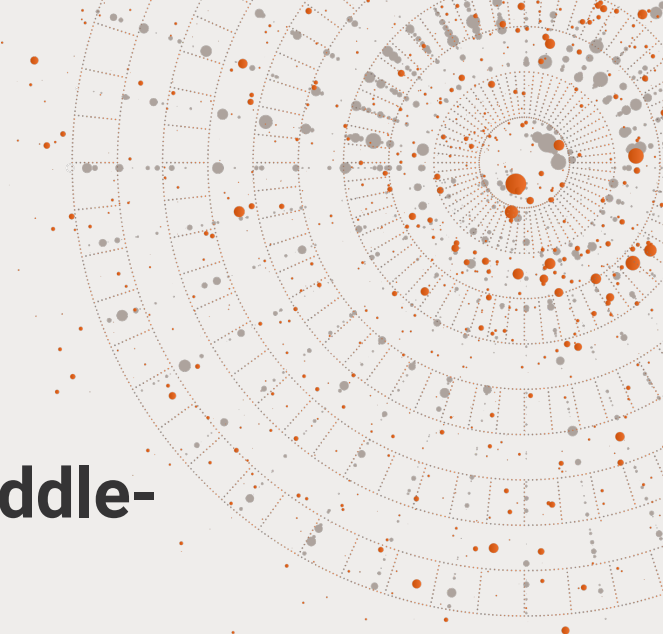


EXECUTIVE SUMMARY

Housing & Health Care Policy Solutions for Middle-Market Older Adults



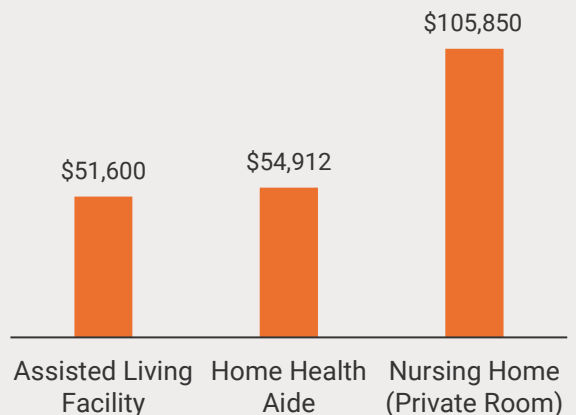
Background

NORC has spent over five years researching the demographics, financial resources, and care needs of the Forgotten Middle, defined as middle-income older adults who do not qualify for Medicaid but are unlikely to have the resources to pay for housing and care over the course of their lives. NORC’s latest research focuses on the Near Duals, the financially insecure older adult cohort that is at risk of imminent Medicaid spend-down within one to two years.

Cumulative research into these populations – which together comprise what we call “**the middle market**” – has identified a policy crisis with no clear solution: **a majority will be unlikely to afford critical long-term care and housing options should they need or want them, challenging their ability to age with dignity, choice, and independence.**

As they age, these middle market populations generally have insufficient financial resources to cover the median costs of common long-term care options.

Annual Median Costs of Certain Long Term Care Services, 2020



Near Duals*

\$11,000 to \$28,000 in annual income and less than \$26,000 in total assets

Forgotten Middle*

\$26,000 to \$103,000 in income and assets annuitized over life expectancy

*In 2020 dollars

Source: Genworth Cost of Care Survey, 2020

Solutions Development & Discussion

To address this middle market crisis, NORC and The SCAN Foundation collaborated with an interdisciplinary Expert Panel comprised of more than 20 leaders from the housing, health care, and aging sectors to establish a holistic view of the challenges and identify corresponding policy or programmatic solutions. These include:



1. Develop a Pathway for a New HCBS Benefit under Medicare



3. Expand the Scope and Eligibility of Home Modification Programs



2. Expand and Harmonize Medicaid Eligibility Requirements

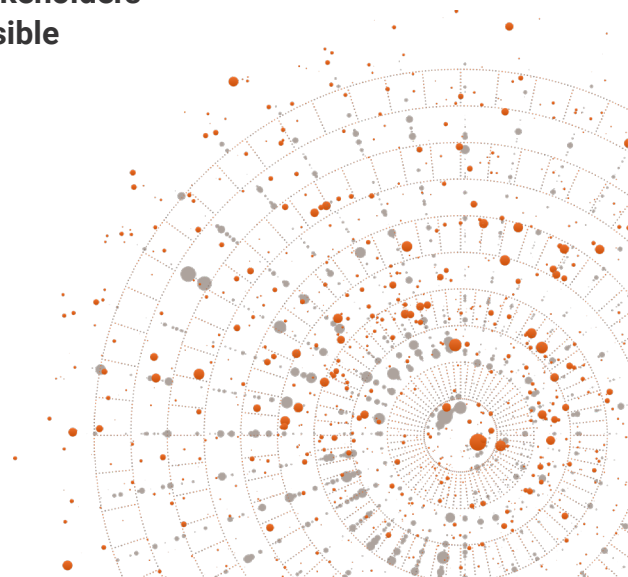


4. Increase Flexible National Funding for Community-Based Services

Proposed options vary in their potential impact and approach. The first option stands apart as one that creates a new benefit for all eligible Medicare beneficiaries, while the other three aim to effectuate change by bolstering and expanding existing systems to support the middle market. While each option varies in the size of its potential reach, most will require statutory changes to appropriate sufficient funding and operational support for implementation. Additionally, implementation and sequencing of these options should account for the anticipated timeframe and scope to maximize impact and optimize resources.

NORC's research on the middle market is just the first step to effectuating change. The challenges facing the Forgotten Middle and Near Duals are growing and will require decisive and timely policy changes to safeguard these populations.

This policy brief provides critical information for stakeholders to facilitate a more affordable, equitable, and accessible aging environment for middle-income older adults.



Develop a Pathway for a New Benefit under Medicare for Home and Community-Based Care Services

Background

In general, Medicare does not cover long-term services and supports (LTSS), which encompass care received in institutional settings as well as a range of home- and community-based services (HCBS) that include health and supportive services. [Many people who need paid LTSS rely on Medicaid](#), which has complex financial eligibility criteria for different benefits. Most beneficiaries prefer to receive care in the home and community rather than an institutional setting, but the current patchwork approach to benefit design [funded by state waivers](#) produces inconsistencies in [access to benefits across geography](#). [In the absence of Medicare coverage of HCBS, Medicare Advantage plans have used new authorities to offer some expanded supplemental benefits](#) that can fill gaps, but these services are still relatively limited in scope and only available to beneficiaries enrolled in specific plans.

Policy Recommendation

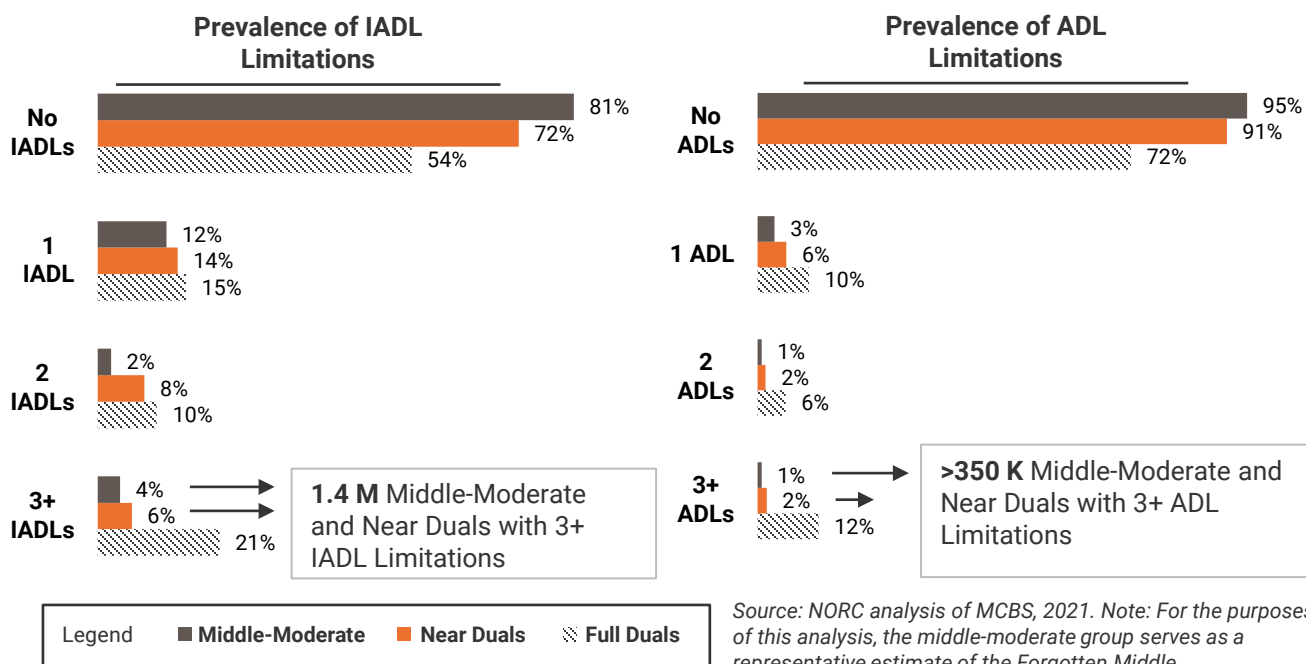
Develop a pathway to provide needs-based coverage in the Medicare program for HCBS either as a permanent new benefit or as a demonstration program. Policymakers should look to NORC's data on the middle market to inform specific eligibility requirements, which may rely on ADL/IADL limitations or chronic conditions.

What about Medicare's [home health benefit](#)?

The Medicare Home Health (HH) Benefit is not commonly utilized to meet older adults' longitudinal LTSS needs. As it is implemented and experienced by beneficiaries today, Medicare HH is much more episodic than HCBS, with a major focus on short-term rehabilitation as opposed to long-term support and maintenance. Beneficiaries must be confined to their homes to be eligible for Medicare HH services and are ineligible if their only or primary need is for aide or personal care services that are often at the core of HCBS. While there are policy reform ideas intended to increase access to aide services under the Medicare HH benefit, they should not be thought of as representing a sufficient or sustainable solution to meeting broad HCBS needs.

Understanding Unmet Needs

NORC's [latest research](#) on the Near Duals population highlights that nearly 30% and 10% of this population requires assistance with instrumental activities of daily living (IADLs) and activities of daily living (ADLs), respectively, yet these beneficiaries lack access to the Medicaid LTSS services to help meet their needs. NORC [research](#) also underscored the equity impact of the unmet need for home and community-based services, since rates of 3+ ADL limitations are higher among Black and Hispanic middle-income older adults than white older adults.



Program Design

A new program should include the following characteristics:

- A universal approach to coverage.
- A self-directed benefit that could be used on an individually defined menu of services following a needs assessment.

Public policies should ensure people with different levels of functional capabilities have access to the services and supports to meet their needs and allow them to live as independently as possible. A baseline functional limitation would be required to qualify for services (e.g., 2+ ADLs) under this new benefit, followed by regular assessments to determine specific benefit eligibility for a range of diverse HCBS services.



Menu of Services

This benefit would include a range of services, based on the functional limitations of the individual beneficiary. This menu could include services such as:

- Home modifications (e.g. installation of handrails and ramps or bathroom modifications) to allow aging in place
- In-home support services (e.g. to assist in dressing, eating, and housework)
- Home health outside of what is covered under the current Medicare benefit
- Respite care
- Adult day care
- Subsidies for assisted living

Implementation & Impacts

Two pathways to provide needs-based coverage in the Medicare program for HCBS:

1 Enact a New Limited Medicare Benefit

A new Medicare benefit could be enacted to cover limited, and needs-based, HCBS services. Specific eligibility criteria should be determined using NORC's data on the middle market and may rely on ADL/IADL limitations or chronic conditions.

This solution has the potential for the largest impact on the middle market. However, policymakers will need to devote substantial thought to financing.

Further modeling work is needed to understand the costs of this new program. The definition of functional limitations required for eligibility will inform the size of the population. The provision of HCBS for beneficiaries otherwise at high risk of hospitalization or nursing home stays could result in savings to Medicare to partially offset new costs.

2 Develop and Implement a Demonstration

Alternatively, the Centers for Medicare and Medicaid Innovation Center could develop and implement a demonstration to test the impact of a new, limited Medicare benefit to cover needs-based HCBS services for Medicare-only individuals with ADL/IADL limitations or chronic conditions.

This allows CMS to address operational challenges, potentially on a smaller scale (such as in a specific state or region, or for a more limited population), and generate data to understand potential costs and/or savings.



Expand Medicaid Eligibility and Facilitate MSP Enrollment

Background

[NORC's research](#) finds that over half of Near Duals have mobility limitations, four or more chronic conditions, and low financial resources, suggesting that this population would benefit from full Medicaid coverage and/or financial assistance through Medicaid Savings Programs (MSP). However, Near Duals face challenges accessing these resources:

Full-Benefit Medicaid

Many Near Duals do not meet the financial eligibility criteria for Aged, Blind, and Disabled (ABD) Medicaid, which is generally [under 100% of FPL](#).*

Medicare Savings Programs

[Research](#) shows that a substantial portion of those eligible for MSP are not enrolled, potentially due to application complexity and other administrative barriers.

Policy Recommendation

Incentivize states to increase their income eligibility limits to at least 138% of FPL for Aged, Blind, Disabled Medicaid. For MSP, release additional guidance and technical assistance to improve MSP enrollment for eligible beneficiaries.

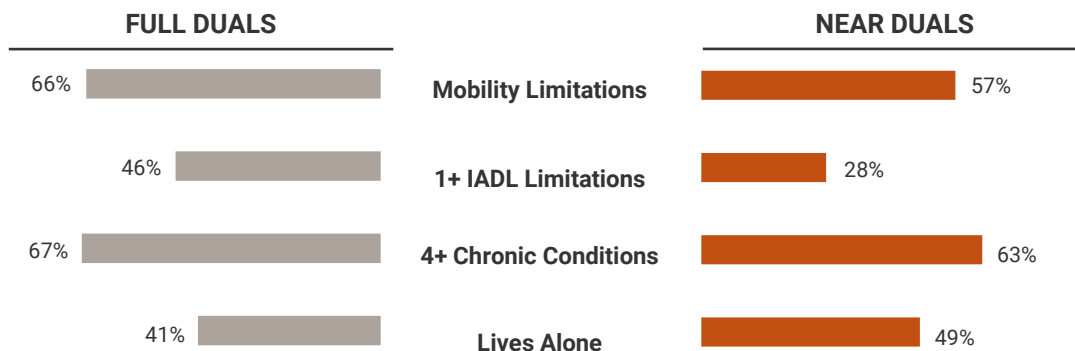
Implementation & Impacts

1 **Expand and Harmonize Medicaid Eligibility Requirements**

Near Duals have similar health and functional needs as full duals but lack access to the Medicaid LTSS available to their full dual counterparts. States can help address this issue by increasing their ABD Medicaid income eligibility limits to meet that of the expansion population (138% of FPL). Both [California](#) and [New York](#) have implemented this change.

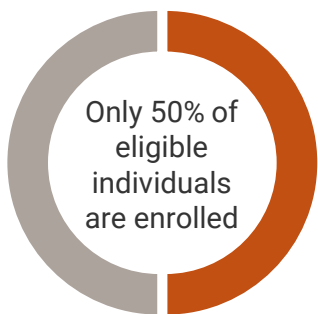
* Those with a nursing home level of care may qualify for HCBS or other Medicaid pathways with higher income levels, but these services vary by state and are not an entitlement.

At the federal level, ABD thresholds could be reset, or states could be incentivized to standardize eligibility by approving an increase to the Federal Medical Assistance Percentage (FMAP) for newly covered populations up to 138% of FPL, akin to the enhanced FMAP applied to Medicaid expansion populations. While both options would require statutory changes, expanded eligibility would extend full-benefit Medicaid coverage to approximately 3.5M individuals. This would offer access to a long-term care entitlement to help a meaningful portion of Near Duals meet their health and functional needs.



Source: NORC analysis of MCBS, 2021

2 Release Guidance and Technical Assistance to Support MSP Enrollment



Beyond expanding Medicaid access, it is also critical to address the population of older adults who are **eligible for partial or full Medicaid benefits but not enrolled**.

A 2017 report found that **only half of eligible individuals** were enrolled in the Qualified Medicare Beneficiary (QMB) or Specified Low-Income Medicare Beneficiary (SLMB) programs – two Medicare Savings Programs that help pay for certain Medicare costs – most of whom were over age 65.

To address this, **CMS finalized a rule** in 2023 aiming to streamline the MSP enrollment process. However certain provisions – such as automatic enrollment – are not mandatory in all states, and Near Duals ineligible for SSI would not be impacted. CMS can bolster MSP by providing technical assistance and guidance to states on increasing their MSP thresholds (for example, through Section 1902(r)(2)-based disregard authority) or requiring that Medicare Advantage plans provide better MSP education and enrollment support.



Expand the Scope and Eligibility of Home Modification Programs

Background

A range of home repair and modification services exist at the federal, state, and local levels to help low-income older adults remain in their homes. Examples of current national programs include:

U.S. Department of Agriculture (USDA)

Section 504 Home Repair: Provides direct loan or grant funds to very low-income applicants with homes in rural areas

Department of Housing & Urban Development (HUD)

Older Adults Home Modification Grant: Low-cost, high-impact interventions to meet functional needs of low-income older adults

However, these federal home assistance programs have experienced chronic underfunding when compared to the demand for services. Additionally, many older adults who could benefit from these types of programs do not qualify for services due to income, geographic, or disability requirements. Other programs may not cover certain types of modifications – such as weatherization, broadband access, and general home repairs – that would allow older adults to live safely in their homes.

Policy Recommendation

Increase funding for existing home repair and modification programs – such as those under HUD and the USDA – specifically designated for vulnerable low-income older adults.

With additional funding, explore expanding the scope and eligibility of programs to include low-to middle-income older adults with home modification needs that go beyond accessibility.

Implementation & Impacts

To bolster program impact, additional funds could be allocated to expand existing home modification programs that can address the needs of low- to middle-income older adults. Increasing program reach to slightly higher income brackets would provide much needed support to the Forgotten Middle in particular, [over 70% of whom are homeowners](#). To not displace funds for the most socioeconomically vulnerable, a sliding scale could be considered for subsidizing certain modifications or adjusting loan interest percentages contingent upon income bracket.

With additional funding, government departments could update the guidelines around existing programs to expand eligible populations and services. Examples include:

USDA Section 504 Home Repair

To meet the needs of the Near Duals and Forgotten Middle, eligibility for this program could be expanded in the following ways:

- Extended financial eligibility to include low-to-moderate incomes, potentially with varied interest rates and grant amounts based on income
- In addition to those residing in rural areas, include those in areas identified as being at high risk of climate change impacts

HUD Older Adults Home Modification Grant

The scope of services could be broadened within this grant program to include modifications that go beyond accessibility and focus on a wider range of health and safety challenges facing older adults, including:

- Increased broadband internet access
- Weatherization
- General home repairs

Expanding the eligibility and scope of services within these programs will offer additional supports to middle market, especially those living in areas disproportionately affected by climate change and those with home modification needs that go beyond functional limitations. Additional funding could also be considered for regional, evidence-based programs, such as [Community Aging in Place - Advancing Better Living for Elders \(CAPABLE\)](#), that are backed by evaluations demonstrating quality and cost-effectiveness.



Increase Flexible National Funding for Community-Based Services

Background

A range of flexible, community-based programs already exist to meet the unique needs of various communities, including their older adults, but funding for these critical programs is often lacking. An increase in funding for these programs can support community-based solutions to meet the needs of middle-income older adults.

- **The Older Americans Act (OAA)**, administered by the Administration for Community Living (ACL) and implemented by State Units on Aging and Disability and Area Agencies on Aging (AAA), authorizes a range of programs and services focused on helping older adults age in their homes and communities.
- **Community Development Block Grants (CDBG)**, administered through the Department of Housing and Urban Development, offers flexible grants for community development projects provided to states, cities, and counties which can be used to address the needs of middle-income older adults.

Policy Recommendation

Increase funding for programs and services provided through the Older Americans Act and the Community Development Block Grant program.

Implementation & Impacts

OAA FY2024 Funding

\$2.372 billion received; lower than the \$2.76 billion that was authorized for FY2024.

CDBG FY2024 Funding

\$3.3 billion, a substantial decrease from previous years – funding was \$3.99 billion in 2010.

Federal COVID-19 emergency relief funds for the OAA allowed the Aging Network to support more individuals than ever. These needs are expected to increase as the population ages.

Older Americans Act

The OAA provides critical home and community-based services essential for the Forgotten Middle & Near Duals:

- Personal care
- Meals
- Transportation
- Caregiver support
- Fall prevention and chronic disease self-management programs
- Home repair and modifications

Community Development Block Grants

CDGB grants can be used to address needs of the Forgotten Middle & Near Duals including housing rehabilitation, building senior centers, and other economic development projects.

- Single-family housing rehabilitation is largest use of CDBG grants, helping older adults remain in their homes.
- Grants also provide public services including meals and transportation for older adults.

Funds from the OAA and CDBG can be deployed quickly through existing infrastructure and partnerships. These programs provide flexibility for states, cities, and communities to tailor programs and services to meet the unique needs of their populations, which is important for providing culturally appropriate offerings:

- NORC's analysis identified that Black and Hispanic older adults face distinct aging challenges. HUD's CDGB 2024 proposed rule includes changes to incentivize investment in historically marginalized and minoritized communities.
- OAA services reach many rural older adults, another population that faces unique needs and access challenges. Nearly half of AAA's serve predominantly rural areas.

Increasing funding for these flexible national programs can be a cost-effective way to support community-based programs and services for older adults. Federal funding has been found to lead to other sources of funding.

Every \$1 in federal funding for the OAA leverages nearly an additional \$3 in state, local and private funding.

Every \$1 of CDBG investment leads to \$3.64 from other public and private sources.



NORC and The SCAN Foundation thank the members of the Expert Panel for their time and important contributions to this research and the field more broadly. *The opinions and policy solutions included in this document are grounded in extensive analyses of the Forgotten Middle and the Near Duals, and do not reflect endorsement by the Expert Panel.*

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The SCAN Foundation

The SCAN Foundation is an independent public charity devoted to transforming care so that every older adult has the choices and opportunity to age well with purpose. For more information, visit www.TheSCANFoundation.org.

