

The Forgotten Middle: Housing & Care Options for Middle-Income Seniors in 2033

August 31, 2022

Table of Contents

01 Project Overview

02 Summary of Findings

03 Results: Population Size & Demographics

04 Results: Financial Resources



Why focus on the Forgotten Middle?

Care Needs: As people age, they may need additional support for health and personal care needs.

- Some may also struggle to continue living independently in their homes and will seek alternative housing arrangements.
- Long-term care services include a broad range of paid and unpaid medical and personal care that helps with self-care needs due to aging or other health conditions.

Financial Resources: The range of housing and care options available in the U.S. is driven by individuals' financial resources.

- Medicaid covers long-term care services for very low-income individuals.
- High-income individuals have a wider range of paid options.

✧ **Forgotten Middle**

This analysis examines middle-income seniors.

These seniors are unlikely to qualify for Medicaid but may not have sufficient resources to pay for the housing and care options that they need or want.

The original “Forgotten Middle” study

- The first study of this middle-income senior cohort was completed in 2019 and forecast the senior population through 2029.
- The purpose of [this study](#) was to forecast the size, demographics, health needs, and financial resources of middle-income seniors ages 75 and older.
- It relied on data from the 2014 Health and Retirement Survey (HRS).
- [Published](#) in 2019, it became the fifth most read article in *Health Affairs* that year.

The original “Forgotten Middle” study was funded by a grant from the National Investment Center for Seniors Housing & Care (NIC).

ELDER CARE

By Caroline F. Pearson, Charlene C. Quinn, Sai Loganathan, A. Rupa Datta, Beth Burnham Mace, and David C. Grabowski

The Forgotten Middle: Many Middle-Income Seniors Will Have Insufficient Resources For Housing And Health Care

ABSTRACT As people age and require more assistance with daily living and health needs, a range of housing and care options is available. Over the past four decades the market for seniors housing and care—including assisted living and independent living communities—has greatly expanded to accommodate people with more complex needs. These settings provide housing in a community environment that often includes personal care assistance services. Unfortunately, these settings are often out of the financial reach of many of this country’s eight million middle-income seniors (those ages seventy-five and older). The private seniors housing industry has generally focused on higher-income people instead. We project that by 2029 there will be 14.4 million middle-income seniors, 60 percent of whom will have mobility limitations and 20 percent of whom will have high health care and functional needs. While many of these seniors will likely need the level of care provided in seniors housing, we project that 54 percent of seniors will not have sufficient financial resources to pay for it. This gap suggests a role for public policy and the private sector in meeting future long-term care and housing needs for middle-income seniors.

Caroline F. Pearson (Pearsoncaroline@norc.org) is a senior vice president at NORC at the University of Chicago in Illinois.

Charlene C. Quinn is an associate professor in the Department of Epidemiology and Public Health at the University of Maryland School of Medicine, in Baltimore.

Sai Loganathan is a senior health economist at NORC at the University of Chicago in Bethesda, Maryland.

A. Rupa Datta is a vice president at NORC at the University of Chicago in Illinois.

Beth Burnham Mace is chief economist at the National Investment Center for Seniors Housing and Care, in Annapolis, Maryland.

David C. Grabowski is a professor in the Department of Health Care Policy, Harvard Medical School, in Boston, Massachusetts.

Health problems, cognitive decline, and mobility limitations that become more common with aging often result in older people struggling to live independently. As care needs increase, people pursue a range of solutions—including increased reliance on family caregivers, in-home support services, or both and moving out of their homes into alternative housing arrangements. A number of housing options exist, including private independent living and assisted living communities for those with a range of care needs and nursing homes when high-intensity care is required. Housing options available to older people often depend on the financial resources available to them.

Over the past forty years the housing market for seniors (people ages seventy-five and older), particularly assisted living and independent living communities, has experienced tremendous growth and evolution.¹ Seniors housing provides residence and care to about two million older adults, roughly evenly split between independent and assisted living.^{2,3} Increasingly, people living in these communities have high rates of chronic illness, functional dependence, and medical complexity.^{2,4} In the context of this higher acuity, seniors generally have a desire to live and receive care in the least institutional and most homelike setting possible.⁵ The emergence of seniors housing has been influenced by consumer preference for the high level of socialization and autonomy found in these communi-

MAY 2019 | 38:5 HEALTH AFFAIRS | 851

Downloaded from [HealthAffairs.org](https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6644441/) on July 05, 2021.
Copyright 2019 NORC—The National Investment Center for Seniors Housing and Care, Inc.

This study updates the 2019 “Forgotten Middle” study to understand the needs of middle-income seniors in 2033

Objectives: To analyze the expected growth from 2018 to 2033 in the number of middle-income seniors (75+) to understand...

- Who are they?
- What will their care needs be?
- Will they have sufficient financial resources to access senior housing?

Updated analysis: Analyzes individuals who will be 75+ in 2033, including more of the baby boom generation (ages 69-87 in 2033)

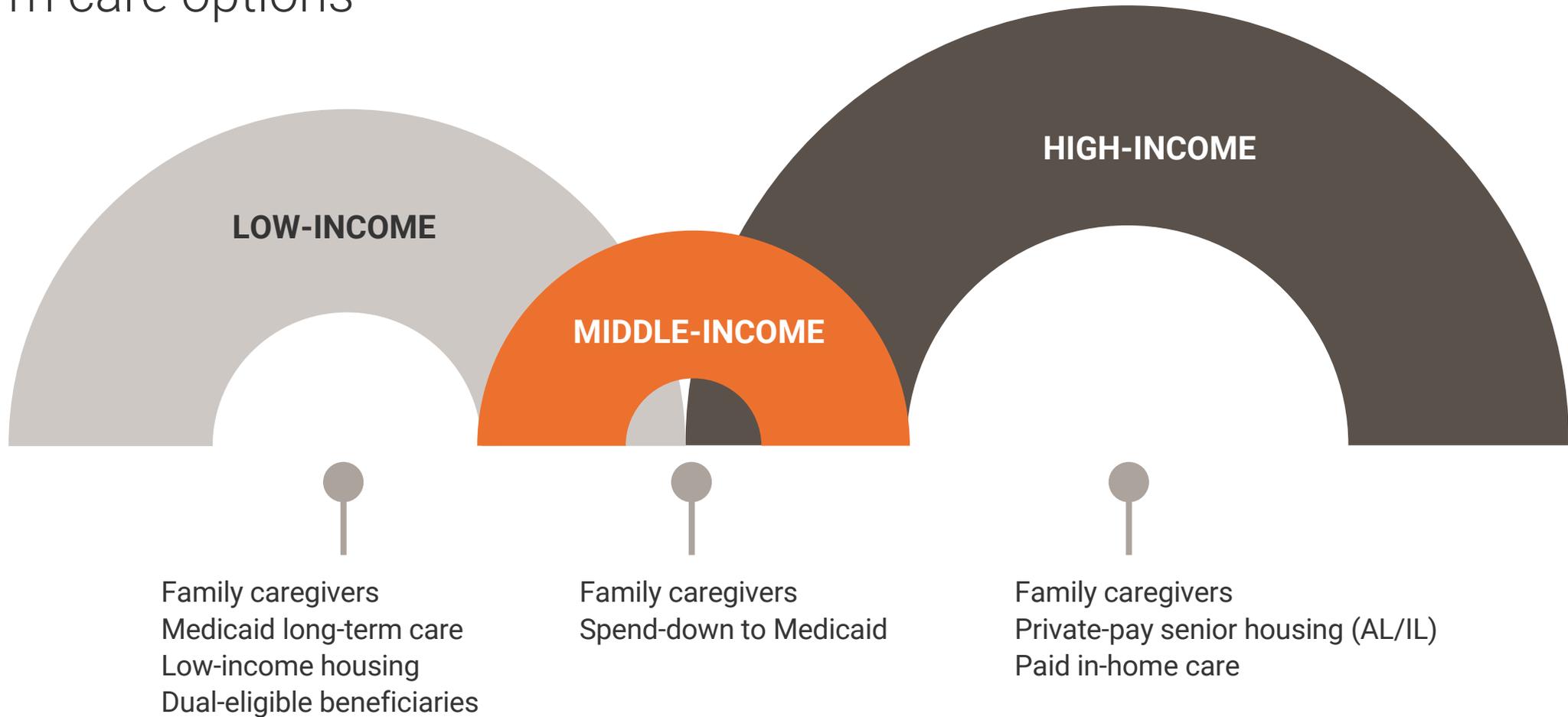
- Re-runs initial analysis using 2018 HRS data (previous study relied on 2014 HRS data)
- Reflects changes in population size and investment performance of middle-income seniors

✧ **This study update was funded by The SCAN Foundation.**

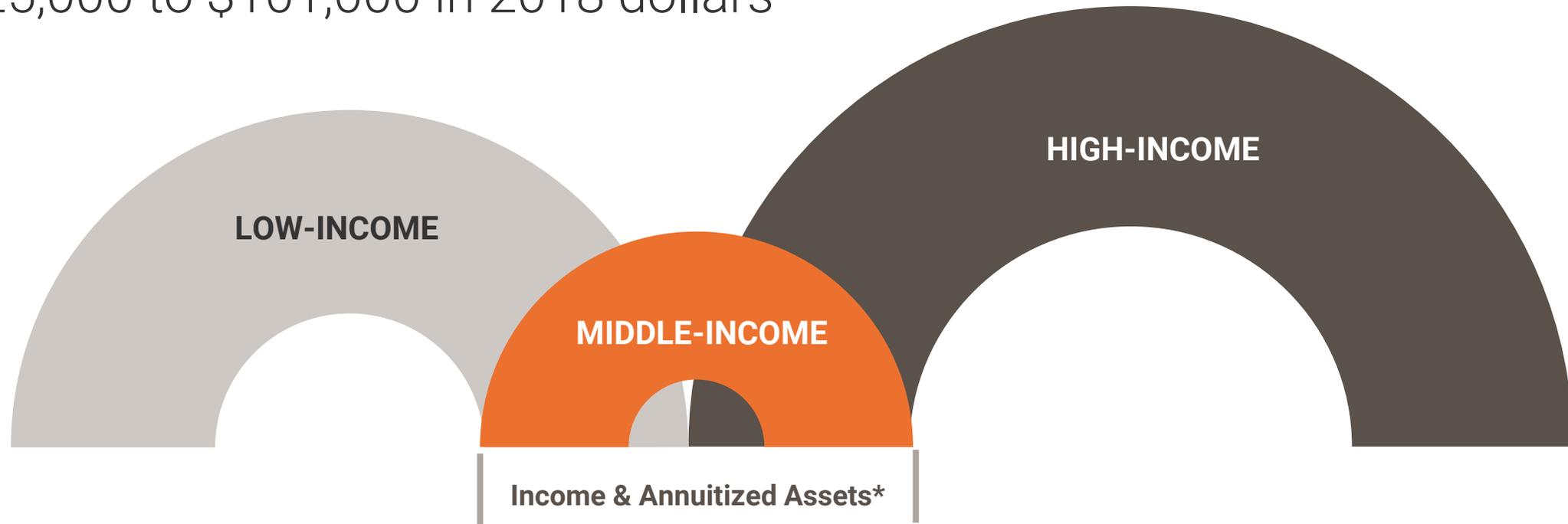


Supported by a grant from The SCAN Foundation - advancing a coordinated and easily navigated system of high-quality services for older adults that preserve dignity and independence. For more information, visit www.TheSCANFoundation.org.

Middle-income seniors are defined based on their housing and long-term care options



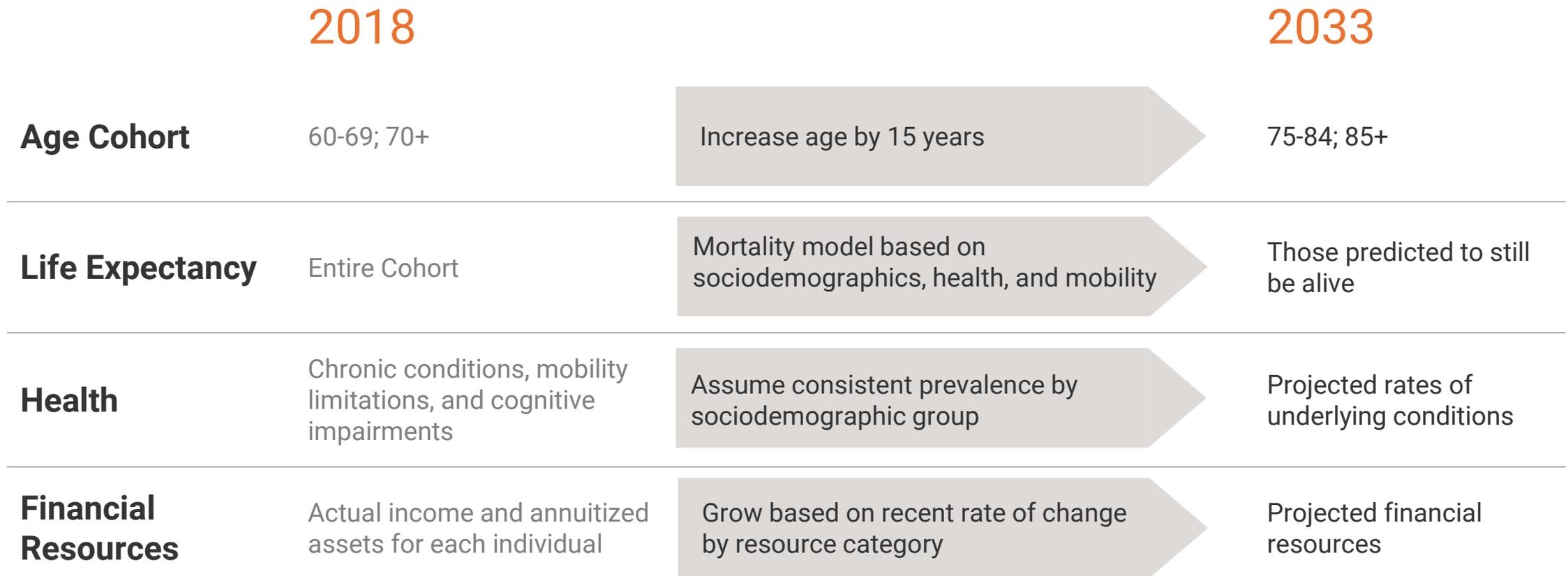
Middle-income seniors have annuitized income and assets from \$25,000 to \$101,000 in 2018 dollars



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.

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



*Health and Retirement Survey
 Note: Please see the methods supplement for a detailed description of the methodology.

Summary of Findings

Summary of Findings

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

- This group will be more racially and ethnically diverse, including 22% who are people of color.

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

- Middle-income seniors may be more reliant on paid caregiving since a majority of them will be unmarried in 2033, and many do not have children living nearby.

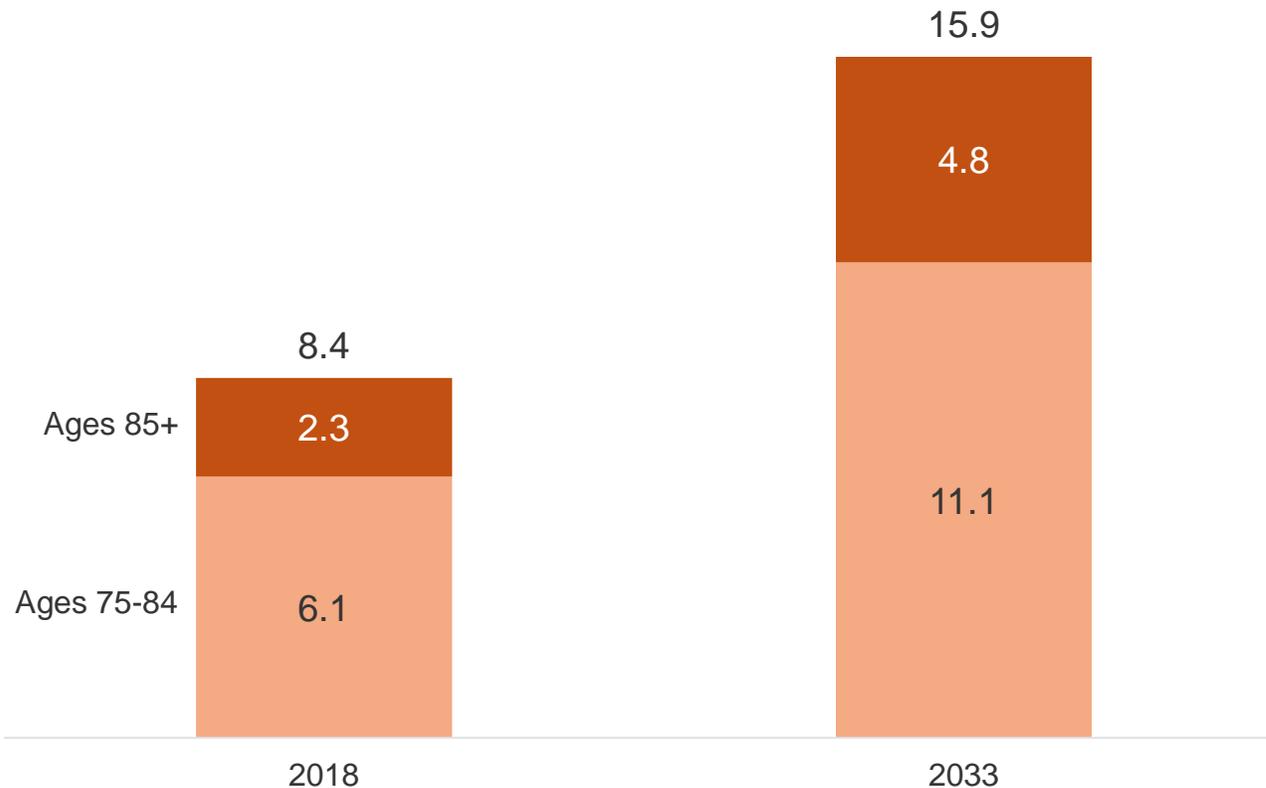
Without selling their homes, three-quarters of middle-income seniors (11.5M) have insufficient resources to pay for private assisted living.

- Many seniors are reluctant to sell their homes either because their spouse still lives there or because it is a “nest egg” to protect against unforeseen expenses or pass to their children.
- Even with home equity, 6M (39%) middle-income seniors cannot pay for assisted living.

Results: Population Size & Demographics

The size of the middle-income senior population will increase by 7.5M (89%) by 2033

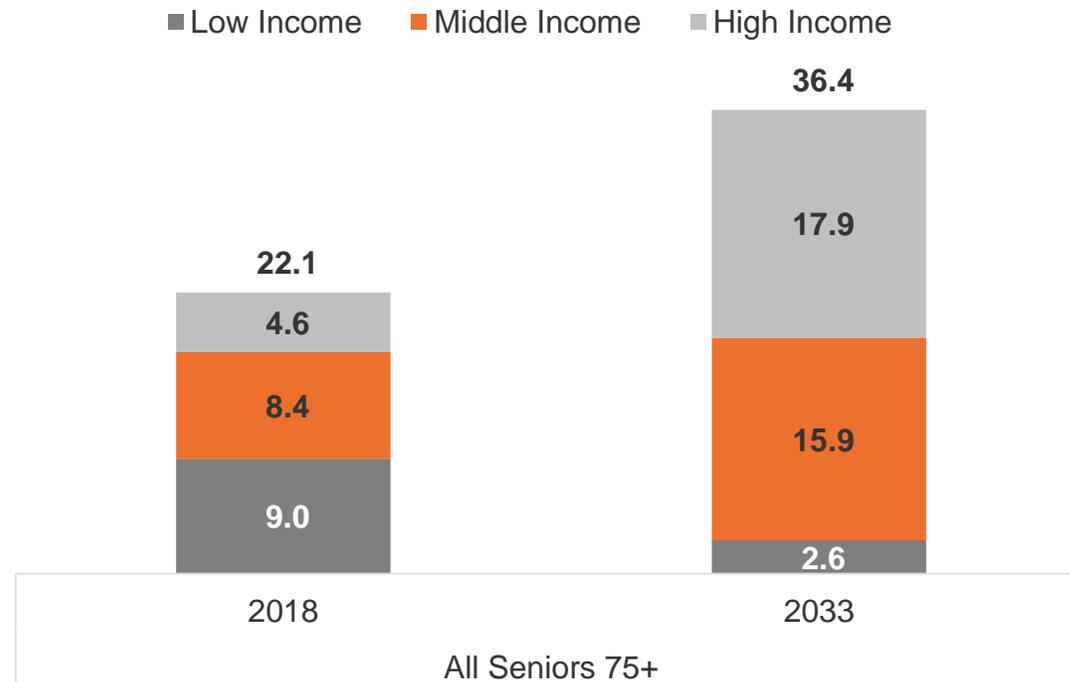
Number of Middle-Income Seniors by Age, 2018 and 2033 (Millions)



As the baby boomers age, the size of the middle-income population will increase, especially among seniors ages 75-84, which will grow by 5M.

The overall senior population will increase by 64% from 2018 to 2033

Size of the Senior Population 2018 and 2033, by Age and Financial Resources (Millions)

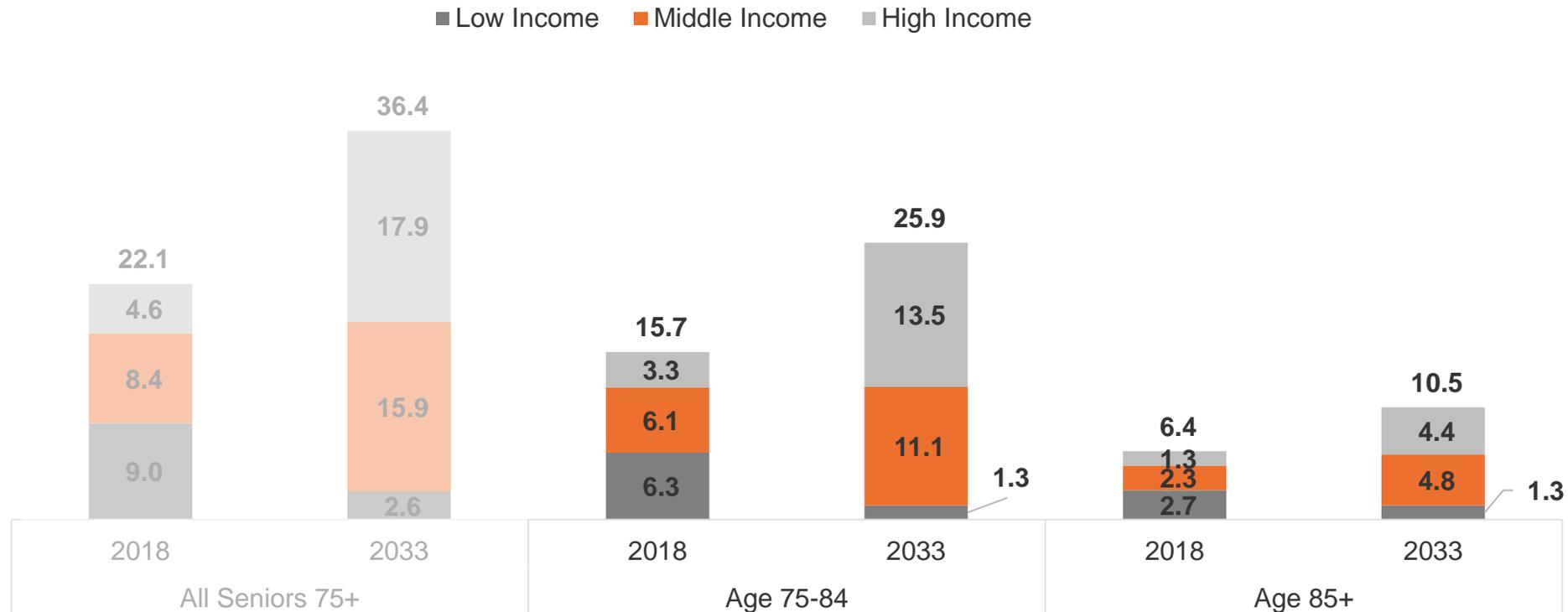


As the baby boomers age, the size of the population age 75+ will increase by 14.3M.

Seniors will also become more affluent with fewer low-income individuals and more high-income people.

As people live longer, the number of seniors age 85+ will also increase by 4.1M

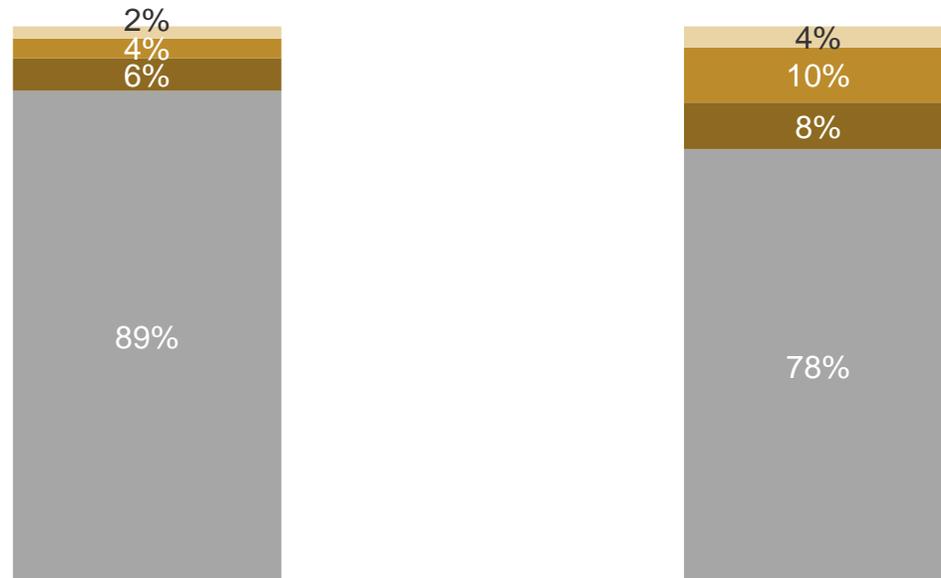
Size of the Senior Population 2018 and 2033, by Age and Financial Resources (Millions)



Middle-income seniors will be more diverse in 2033, with people of color making up 22% of the population

Middle-Income Seniors 75+ by Race and Ethnicity

■ White ■ Black ■ Hispanic ■ Other



2018

2033

Middle

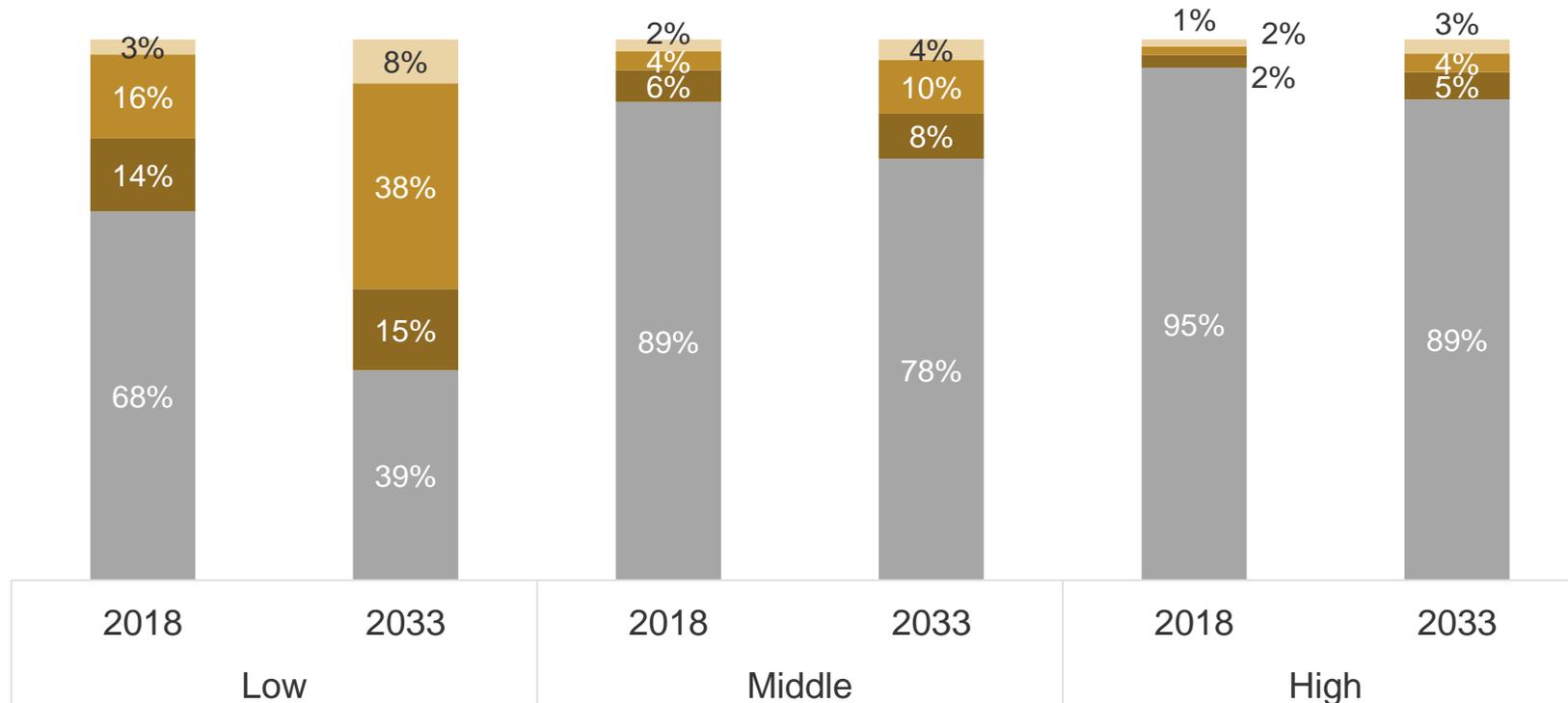


The population is becoming more racially and ethnically diverse, which demands improved cultural sensitivity to meet the needs of all seniors.

All income groups will become more racially and ethnically diverse by 2033. Low-income seniors are the most diverse.

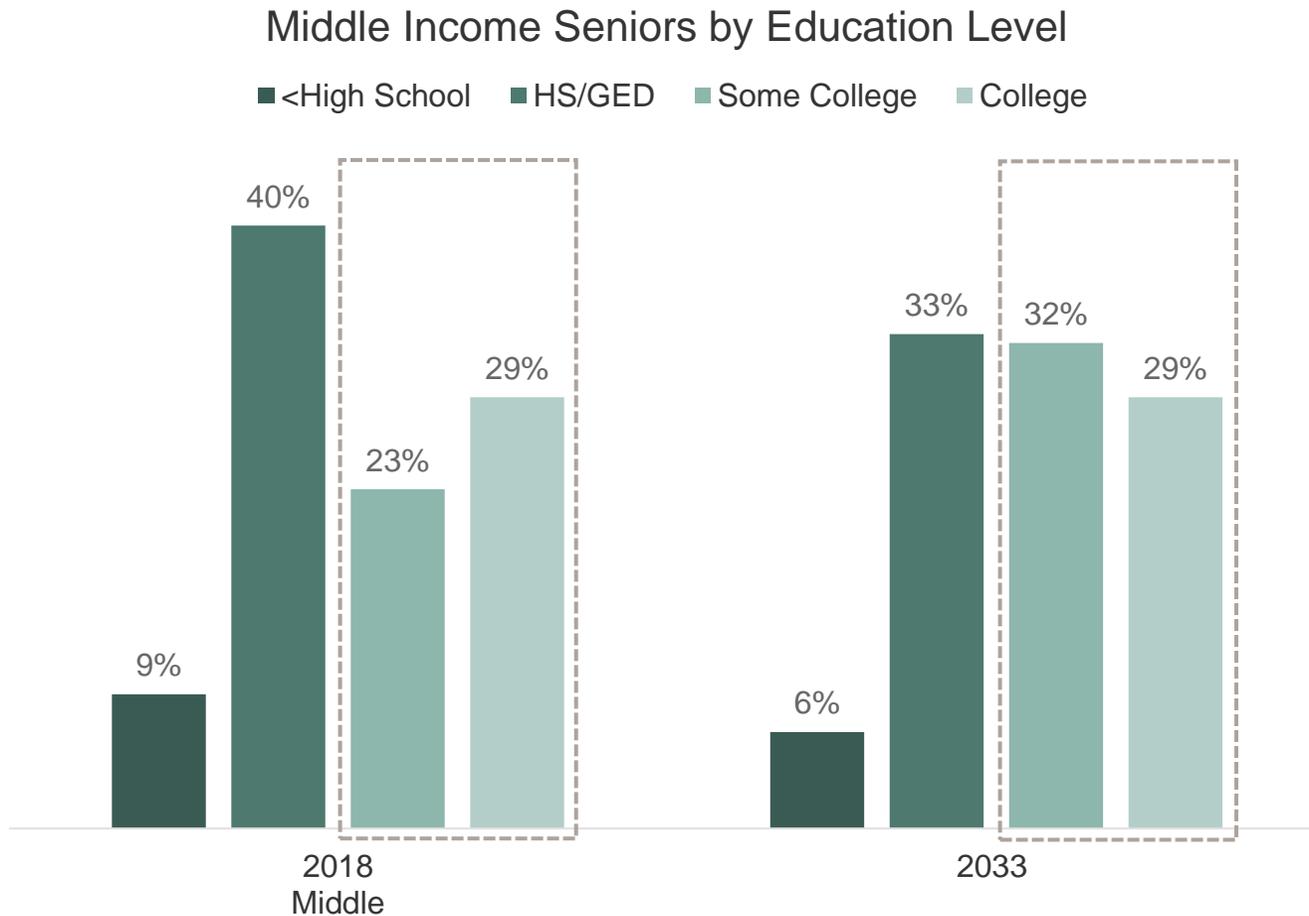
Seniors 75+ by Race and Ethnicity and Income Group

■ White ■ Black ■ Hispanic ■ Other



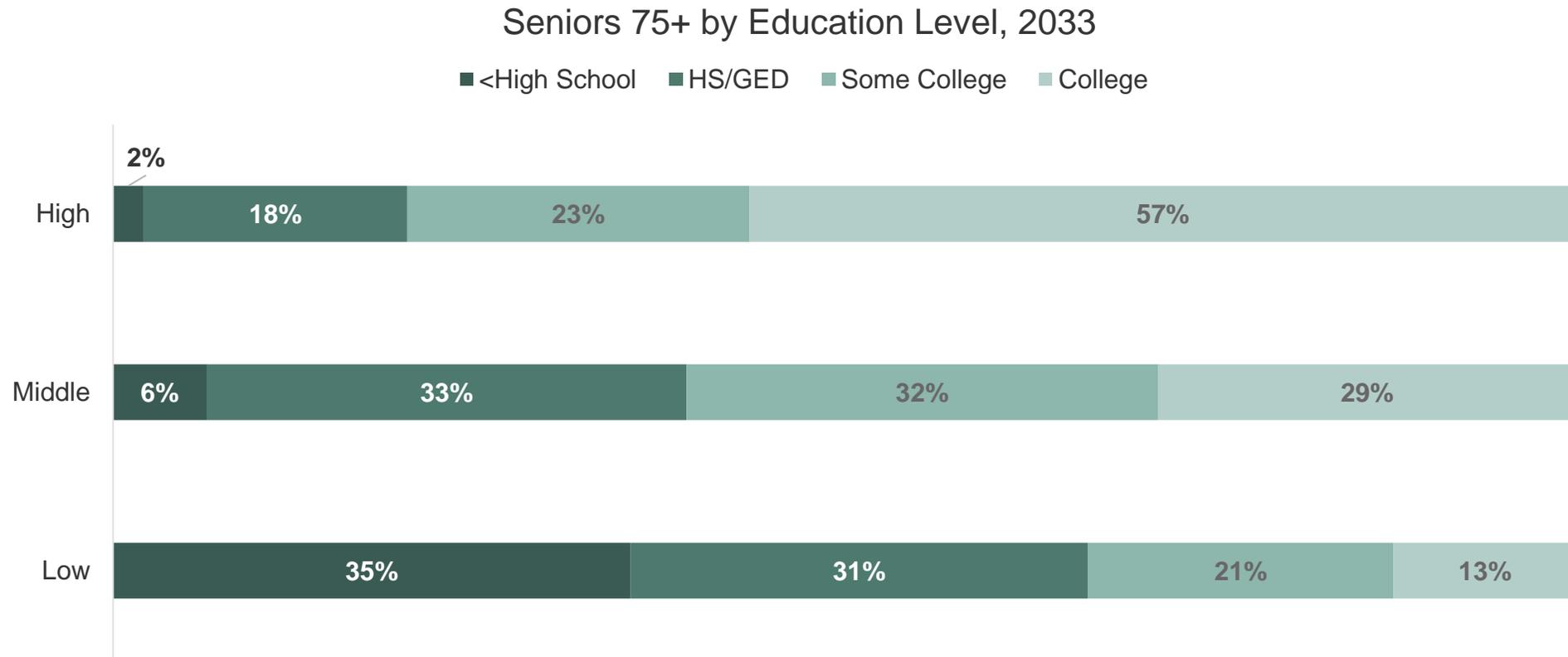
By 2033, a majority of low-income seniors will be people of color.

Education rates continue to rise for middle-income seniors, driving income growth in 2033



61% of middle-income seniors in 2033 will have gone to college, compared to 51% in 2018.

Educational attainment is directly tied to financial resources for seniors



By 2033, the majority of middle-income seniors 75+ will have 3+ chronic conditions and mobility limitations

2033	Middle-Income Seniors 75+	Middle-Income 75-84	Middle-Income 85+
3+ Chronic Conditions	54%	53%	55%
3+ Limits in Activities of Daily Living	7%	4%	13%
High Needs*	16%	13%	22%
Cognitive Impairment	31%	27%	40%
Mobility Limitations	56%	50%	68%



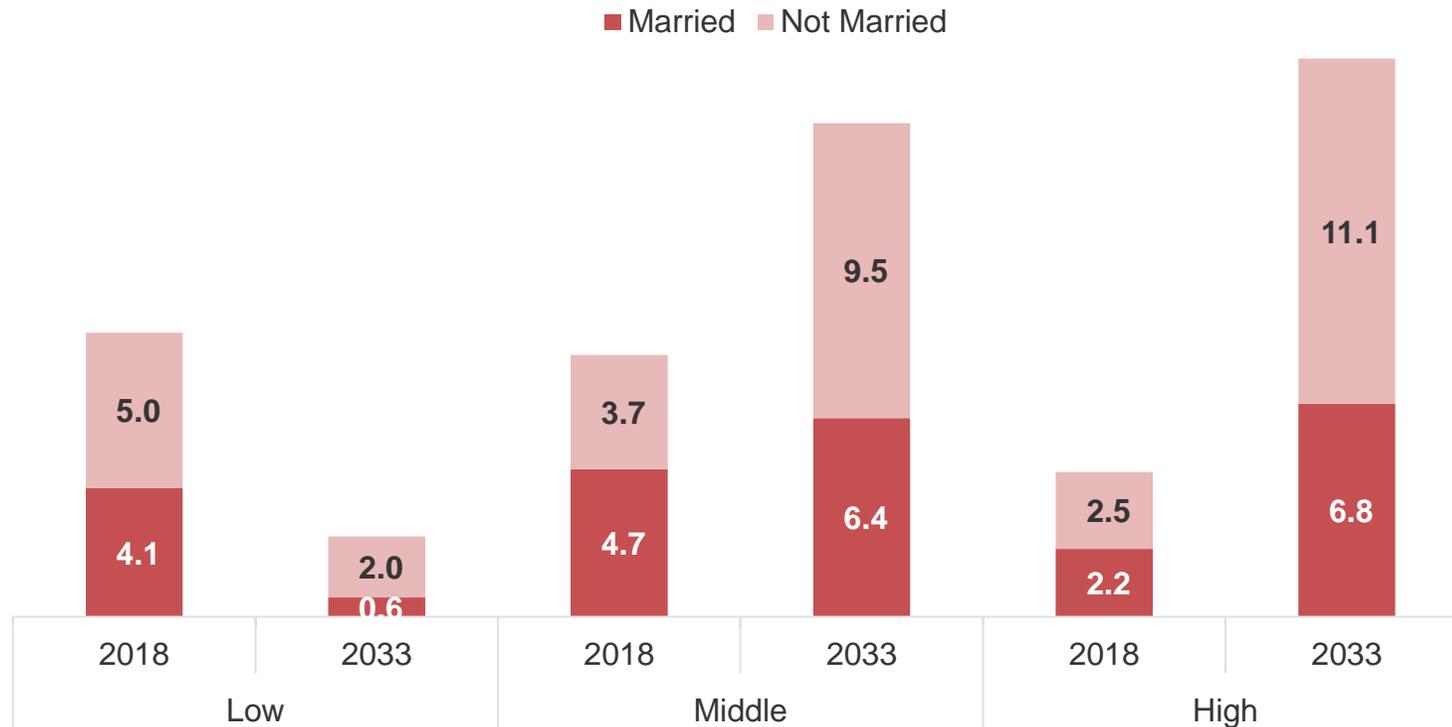
Those over 85 are even more likely to have limitations in activities of daily living.

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

More seniors will be unmarried in 2033, driving increased demand for caregiving support

Seniors 75+ by Marital Status and Financial Resources (Millions)

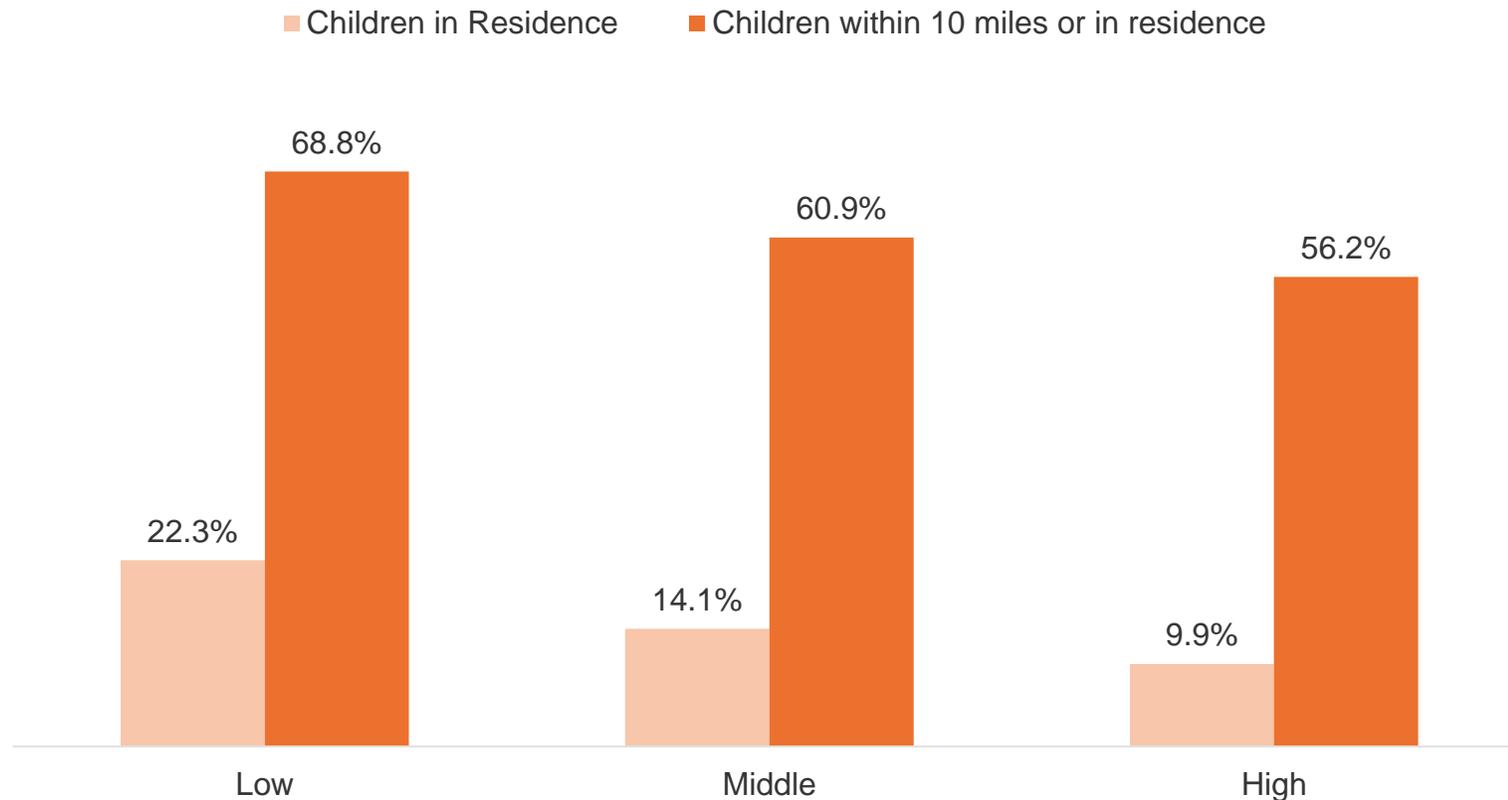


Family members, including spouses, provide most caregiving for seniors.

Seniors who are unmarried (divorced or widowed) may not have unpaid sources of care.

Middle and high-income seniors are less likely to live with or near their children, compared to low-income seniors

Percent of Seniors 75+ Living in Proximity to Children, 2018

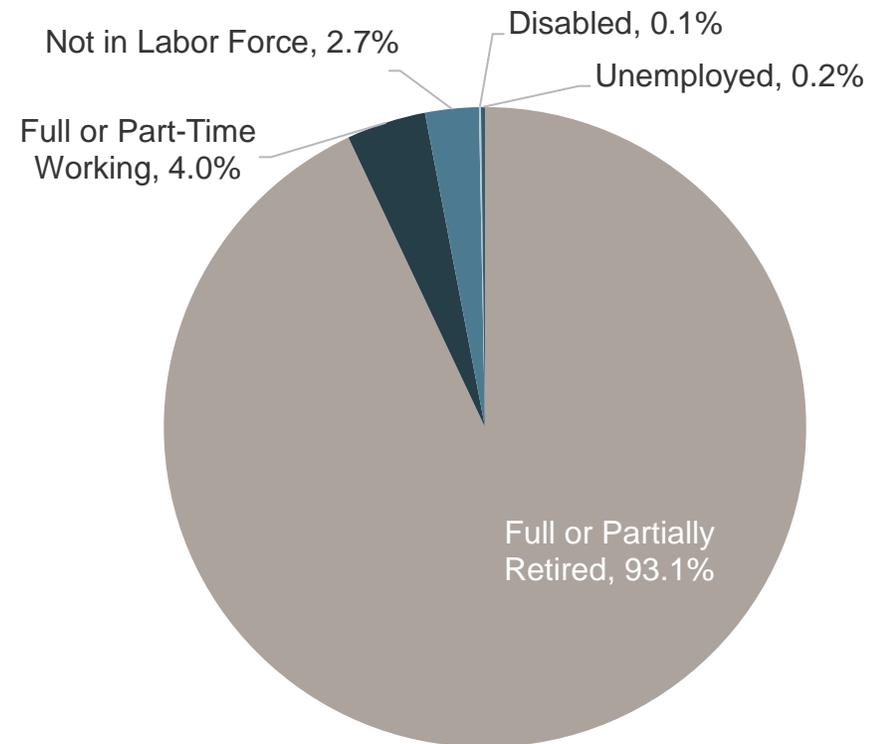


After spouses, adult children are an important source of caregiving for seniors.

Yet, 4 in 10 middle-income seniors do not have children living nearby, which will drive demand for paid support.

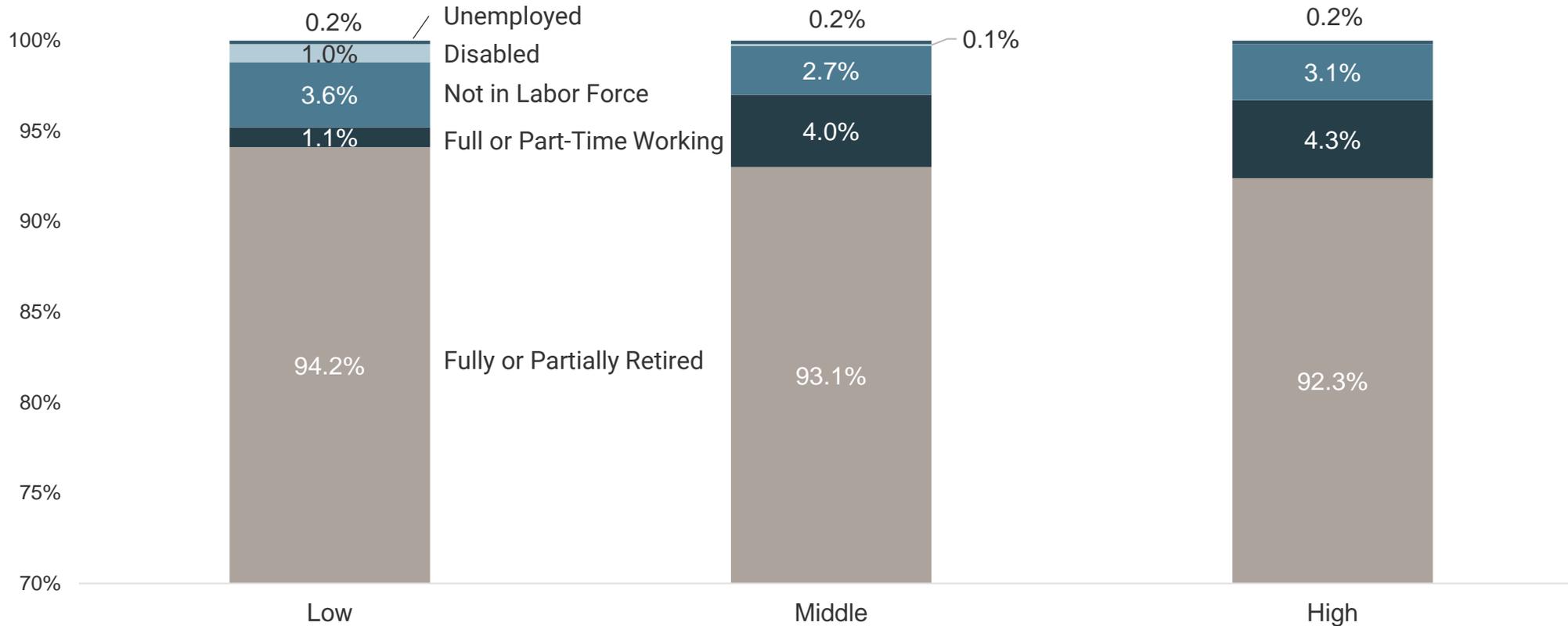
Most middle-income seniors aged 75+ were full or partially retired in 2018

Middle-Income Seniors 75+ Working Status, 2018



High-income seniors in 2018 were the most likely group to still be working after age 75

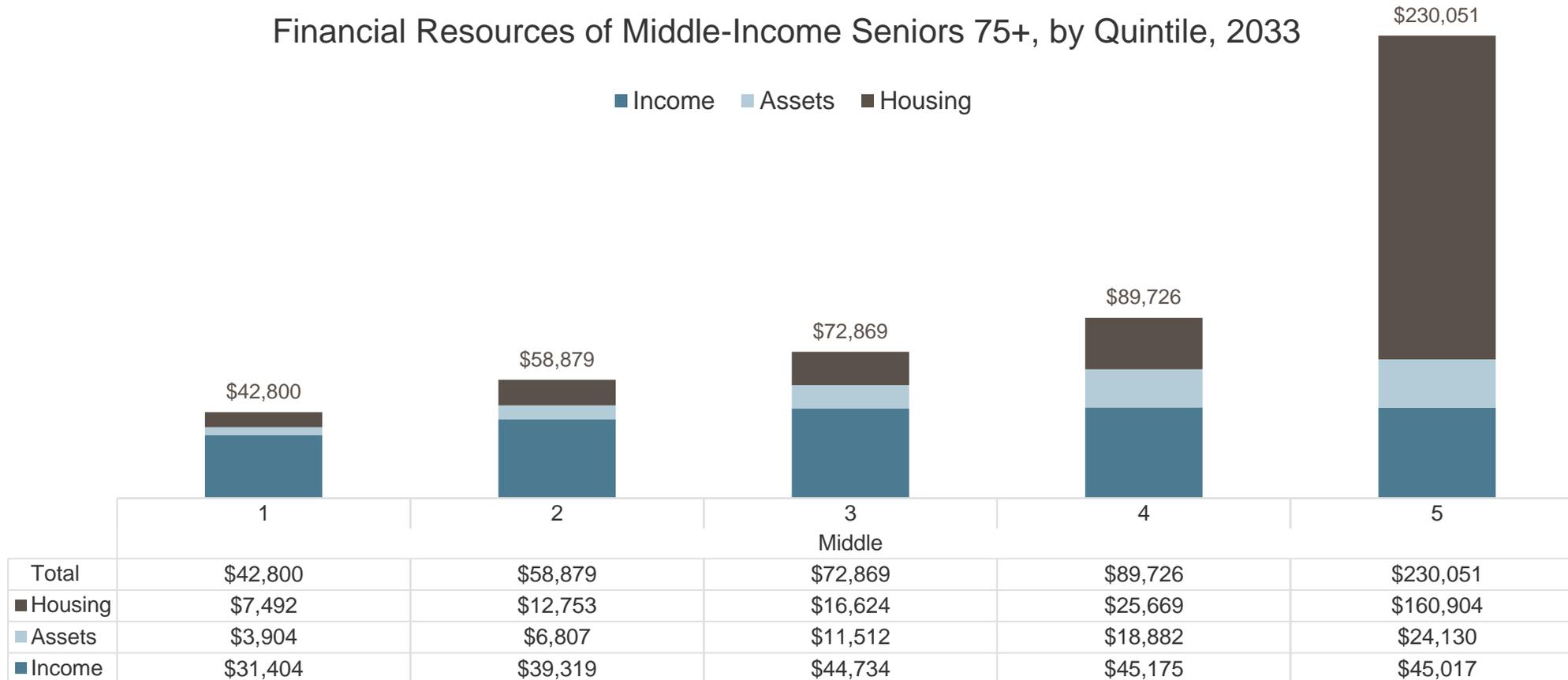
Seniors 75+ Working Status, 2018



Results: Financial Resources

Housing makes up a majority of financial resources for 1/5 of middle-income seniors. For others, income is most important.

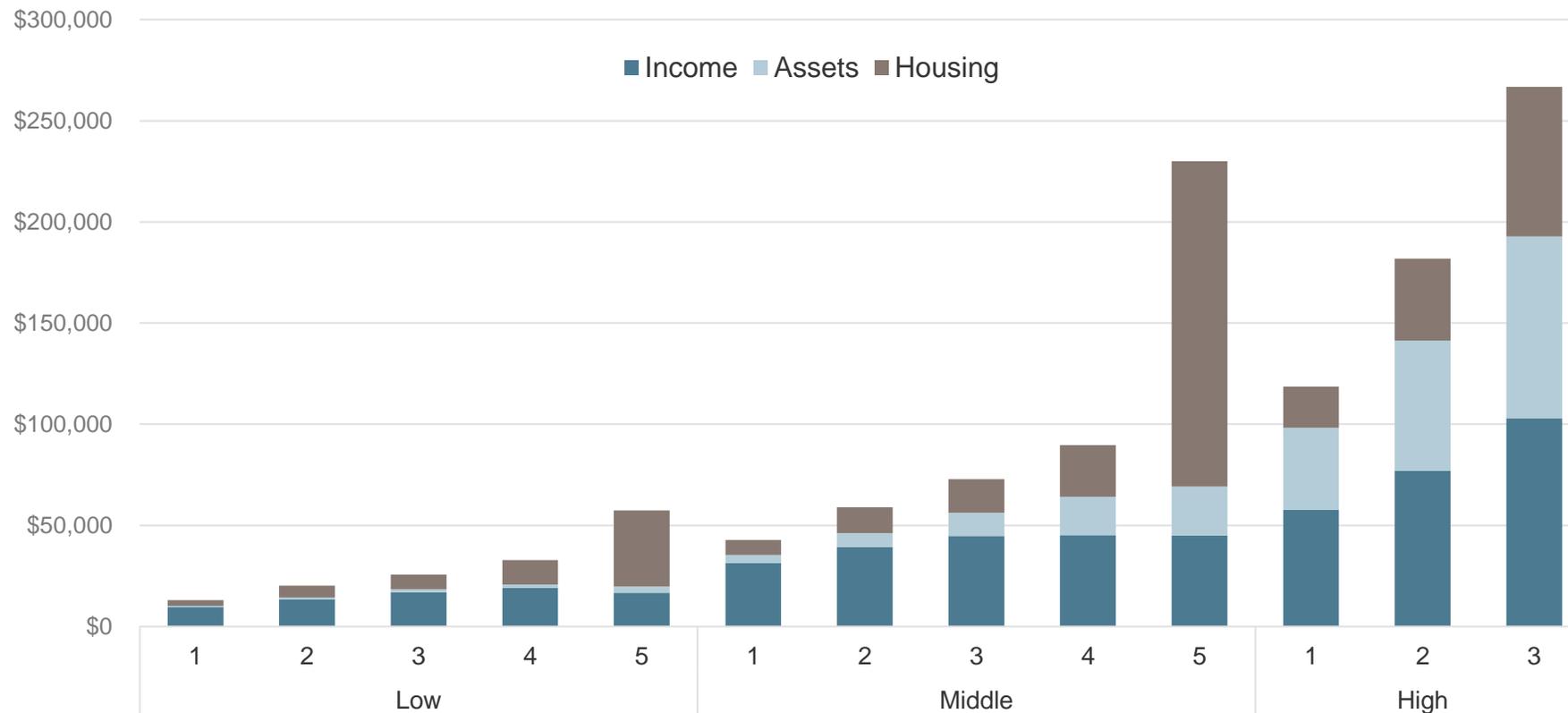
Financial Resources of Middle-Income Seniors 75+, by Quintile, 2033



There are about 3.18M middle-income seniors per quintile.

For most seniors, housing equity constitutes 20%-40% of their financial resources.

Financial Resources of Seniors 75+, by Income Group and Quintile*, 2033

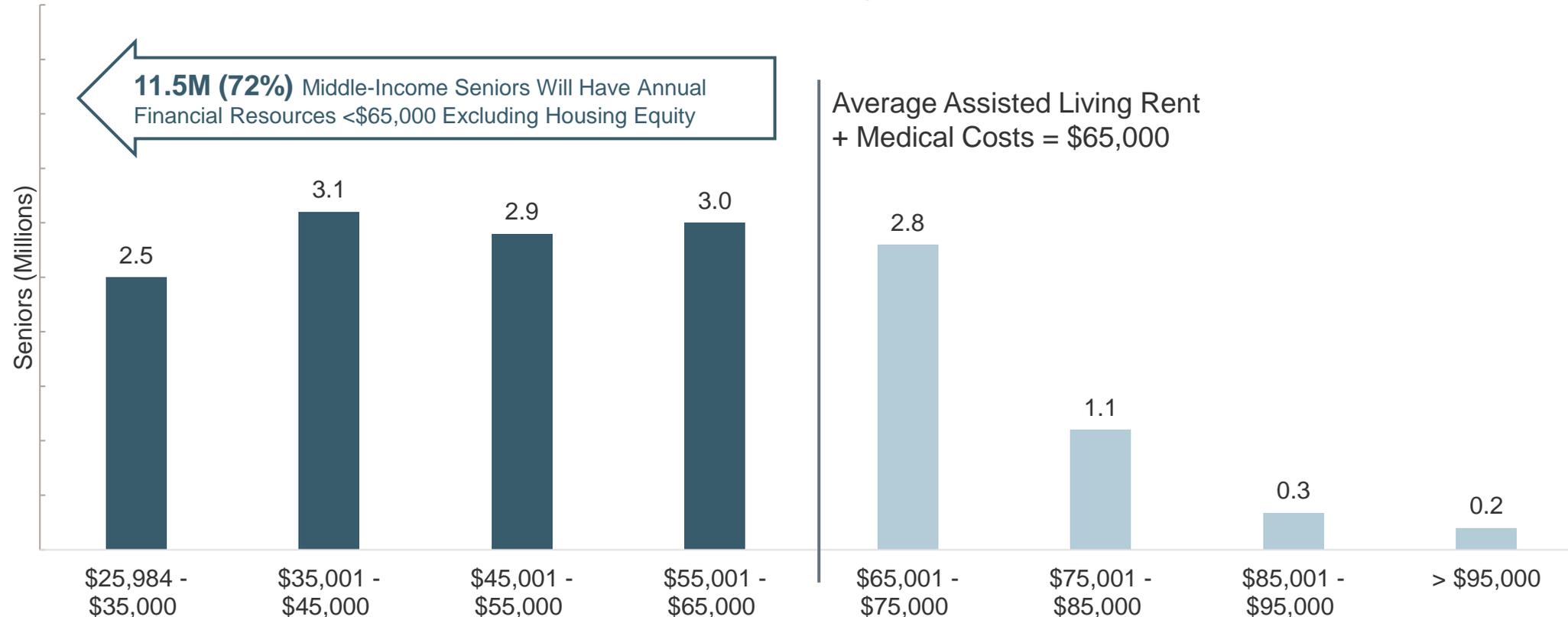


 Most want to age in place and do not plan to sell their home to pay for care.

*The top two quintiles of high-income seniors are not displayed. Total financial resources for the 4th quintile averages \$0.41M, and for the 5th quintile it is \$1.06M.

Excluding home equity, 72% of middle-income seniors will have insufficient resources for private-pay assisted living

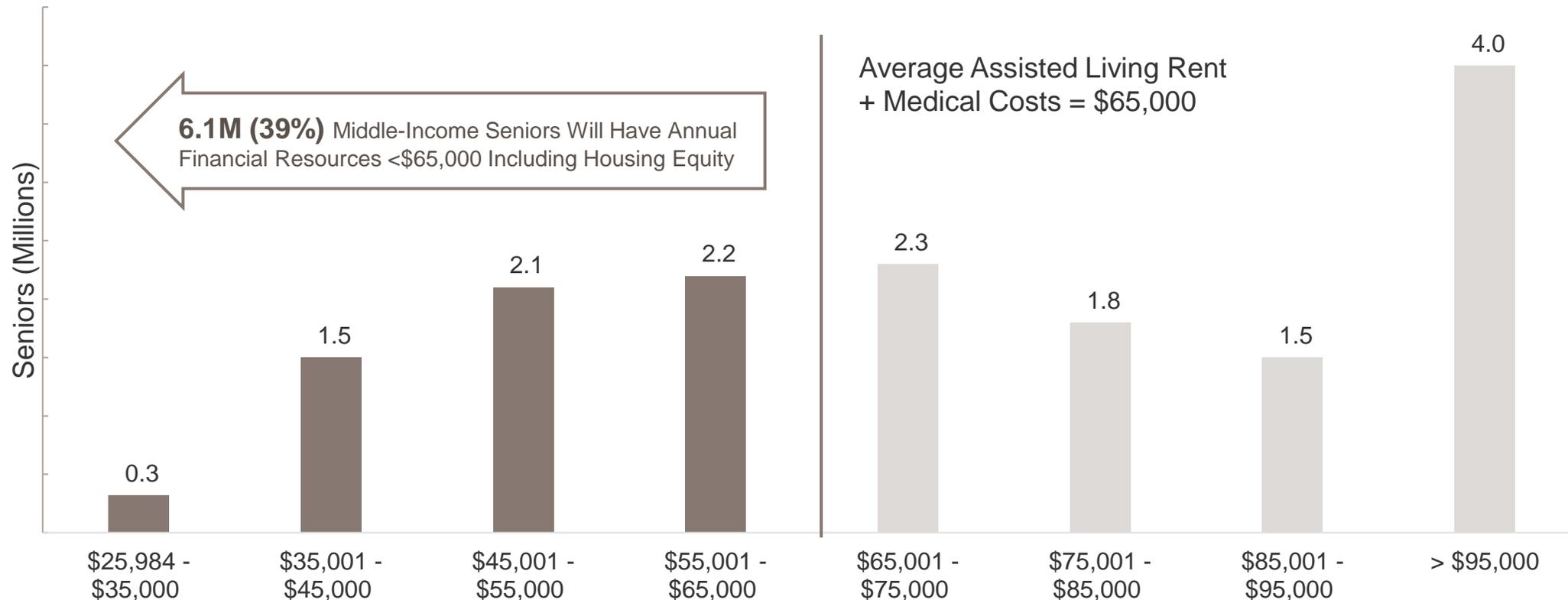
Projected Financial Resources of Middle-Income Seniors Excluding Housing Equity Compared to Assisted Living Costs, 75+ 2033



Average private-pay assisted living rent for 2018 supplied by the National Investment Center for Seniors Housing & Care. Average out-of-pocket medical costs from Kaiser Family Foundation.

Including home equity, 39% of middle-income seniors still do not have sufficient resources for private-pay senior housing

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



Average private-pay assisted living rent for 2018 supplied by the National Investment Center for Seniors Housing & Care. Average out-of-pocket medical costs from Kaiser Family Foundation.

Appendix

Methods Summary – Population Estimates

This analysis relies on the Health and Retirement Study (HRS), using 2018 as a base year. We examined individuals who were 60 and older in 2018, since they will be 75 or older in 2033. For each of these individuals in the sample, we modeled the probability of living to 2033 for inclusion in the future seniors cohort.

We then examined the time-invariant demographic attributes of this group, such as gender, race, and education. We then estimated people's health, cognitive, and mobility status assuming the same rates of these conditions that exist in the 2018 population, for each demographic subgroup.

We also modeled these individuals' future financial resources, starting from their actual income and assets in 2018. We grew these assets based on the historical rate of change for each type of financial resource, and we annuitized assets across individual's life expectancy.

Methods Summary – Financial Resources

We analyzed financial resources at an individual-level instead of a household basis, as is common. By characterizing resources at an individual level, we are better able to account for differences in life expectancy and health needs of spouses. This also enables us to compare resources against annual housing and care costs.

Our measure of financial resources includes income streams (like Social Security) and annuitized assets (like retirement savings or mutual funds). For some seniors, adult children may make financial contributions to support their senior housing and care, though this analysis does not assume any financial support from adult children. We include information about housing equity, but we hold this separately since some individuals may be reluctant to sell their home or may have a spouse who continues to live in the home. Additionally, some seniors may want to retain their home as a “nest egg” to protect against outliving their assets or a catastrophic health event.

Authors

Research conducted by NORC at the University of Chicago through a grant provided by The SCAN Foundation.

Authors of this analysis include:

- Caroline F. Pearson, NORC at the University of Chicago
- Ryan Murphy, NORC at the University of Chicago
- Kan Gianattasio, NORC at the University of Chicago
- Sai Loganathan, NORC at the University of Chicago

The authors gratefully acknowledge the National Investment Center for Seniors Housing & Care (NIC) for initiating and funding the original study.

Thank you.

For questions, please contact:

Caroline Pearson
Senior Vice President
pearson-caroline@norc.org

 Research You Can Trust™

 **NORC** at the
University of
Chicago