



April 9, 2025

Joint Hearing Budget Subcommittee No. 2 on Human Services and Budget Subcommittee No. 1 on Health

California State Capitol

10th and L Streets

Sacramento, CA 95814

Rm 444

Re: The “Forgotten Middle” – Aging Californians and Their Long-Term Care and Housing Needs

Good afternoon, Chairs Jackson and Addis and honorable subcommittee members:

My name is Dr. Sarita Mohanty, the President and CEO of The SCAN Foundation (Foundation). The Foundation envisions a society where all of us can age well with purpose. Our grants and impact investments prioritize communities that have been historically marginalized with an emphasis on: older people of color, older adults with lower incomes, and older residents in rural communities. We believe that if we improve the aging experience for these priority populations and their networks of support, we uplift the aging experience for all Californians. We appreciate the opportunity to provide testimony on the long-term care needs of California’s aging population, particularly those in the “Forgotten Middle.” The Foundation has done extensive research on and outreach to older Californians, and we are extremely concerned about stagnating fixed incomes, paired with rising costs in the affordability of long-term care to keep people independent at home.

Long-term care, which includes home and community-based services, assisted living, and nursing home care, can enable older Californians to live where they want as they age and has direct impacts on their health. The Foundation is committed to ensuring access to home and community care and supports for older adults, especially those from underrepresented and underserved communities. As a physician, I’ve seen firsthand the affordability challenges older adults face in accessing the care they need.

The Growing Aging Population, Rising Care Needs, and the Cost of Care

California’s older adult population is rapidly growing to where by 2040, 1 in 4 Californians will be age 65 and older and the population over 80 will more than double.ⁱ We know from listening to and talking with older adults that most want to age at home and in their community as they get older. Yet many will require support to do so – nearly 70 percent of Americans aged 65 and older will at some point require assistance with activities of daily living, such as bathing, dressing, and eating.ⁱⁱ Long-term care can provide these essential services, but they are out of

reach for most older Californians. In California, the cost of private long-term care ranges from \$79,568 to \$168,444 annually.ⁱⁱⁱ The median income of older Californians is just \$68,292.^{iv} This is too much income to be eligible for Medicaid (Medi-Cal in California), the primary payer of long-term care, but clearly not enough to pay for these vital supports. Family caregivers often step in to fill the gap – in California, there are 4.4 million family caregivers who provide unpaid care.^v But this creates its own challenges. It forces family members to sacrifice their own careers and wellbeing to provide care for their loved ones. That can lead to loss of income and time with their children. And in many cases, older adults may not have family members that are available to offer needed support. As there are generally two ways to pay for long-term care – Medicaid or out-of-pocket – this places middle-income older adults and their families in a precarious position.

The Forgotten Middle

In 2019, NORC at the University of Chicago (NORC) published a first-of-its-kind study about middle-income older adults that examined how their demographics, health status, and financial resources would change in the coming decade. It brought attention to the fact that many middle-income older adults will likely have health and mobility needs and will not be able to pay for services without additional financial help from family members. This population is often termed the Forgotten Middle, a group whose income is too high to qualify for Medicaid and too low to afford to care.

With support from the Foundation, NORC used updated data to dig a bit deeper into our understanding of the Forgotten Middle in 2022. This went beyond the national study and looked closely at California. The state is a bit of an outlier compared to other states, with a more racially and ethnically diverse population than the United States overall and has higher housing costs.

This study projected there will be 1.6 million older adults aged 75 and older that fall within the Forgotten Middle in California.^{vi} Nearly half of these will be people of color. The majority will experience three or more chronic conditions and limitations with activities of daily living, like walking, eating, bathing, and dressing. Caregiver support will be critical for these individuals to continue to live in community, but nearly half will most likely not have family within 10 miles to provide support.^{vii} Medicare, unfortunately, does not cover long-term care, leaving those in the Forgotten Middle with few options for accessing needed care.

Housing options like assisted living are also out of reach. The NORC study found that income is the primary financial resource for the state's Forgotten Middle, as only 1 in 5 will have significant housing equity that they might be able to rely on. Solely depending on income, 90%

will not have the financial resources to pay for assisted living in 2033. Even if they sell their home, half will still not be able to afford assisted living if they need and want it.^{viii}

Near Duals

Particularly vulnerable is a subset of the Forgotten Middle, called Near Duals. They just miss income eligibility for Medicaid yet are just as likely to have the same complex health and care needs as Medicaid beneficiaries. For the purposes of the NORC study, Near Duals were defined as older Californians with incomes between 139% - 400% of the Federal Poverty Level^{ix} (\$21,7545 - \$62,600/individual in 2025). In California, 1 in 8 Medicare beneficiaries are Near Dual and are disproportionately people of color.^x They hold fewer financial assets than other Medicare beneficiaries and are more likely to live in medically underserved areas.^{xi} Let's consider Glenn, an Asian man who lives in Santa Cruz. In 2018, at 66 years old, Glenn began experiencing some mild mobility and cognitive changes, but his medical costs were moderate. By 2033, at 81 years old, he will likely need regular assistance with activities of daily living. Unfortunately, he is widowed and has no family nearby to help him. With annual financial resources of \$35,180 (post medical costs), he will be short \$44,000/year to afford home care and \$28,000/year to afford assisted living.^{xii} Glenn is not alone. While cost of living may vary by county, there are older adults similarly struggling to afford the care they need in communities across the state.

While California offers the opportunity for older adults to spend down their income to be eligible for Medicaid, research shows that only a small percentage of Near Duals eventually transition to Full Dual status (eligible for both Medicare and Medicaid) and receive long-term care through Medicaid.^{xiii} Spending down one's income on medical costs is not always an option when you have limited income that also needs to cover housing, food, and other necessities. Through our project The People Say, an initiative to elevate the lived experiences of older adults, we spoke with many who struggle to afford health care costs and everyday needs. "Melanie", an older adult we heard from, illustrated it perfectly: "Healthcare is up there - like, number one, - but then you need food, and you need rent, and your personal items, your toiletries. But then there's nothing left for anything else. You're living on a survival mode from day to day. And that in itself is stressful and frustrating."

Advancing Solutions for Affording Long-Term Care

California has been a leader in planning for a growing older adult population through the Master Plan for Aging (MPA), with many states looking to California's MPA as a model. As a roadmap for the state to improve the aging and health service infrastructure, Governor Newsom explicitly called for a subcommittee focused on long-term care as part of the MPA

process in his executive order to bring forth recommendations to improve affordability and access. The Implementing the MPA in California Together Committee (IMPACT), a group of stakeholders that advises the CalHHS Agency on MPA implementation, has continued to carry this torch.

Since 2022, the IMPACT Committee has consistently elevated building a homecare system that works for all Californians as priority issue. I have been a long-time member of the IMPACT Committee and have had the unique opportunity to witness the state's transformation over the years because of the MPA. We've strengthened the capacity of California's Department of Aging while building cross-agency efforts to address some of the most complicated issues facing older adults. State-funded research through the Long-Term Services and Supports Affordability Initiative is underway to identify options that address the long-term care crisis. And, California has expanded Medicaid eligibility as a start to improving access to long-term care. With the uncertainty we face with the new federal administration and Congress, it is more important than ever to protect the progress made thus far.

However, the long-term care crisis is not going away:

- The older adult population is growing fast, especially the Forgotten Middle and Near Duals, and many will need long-term care to age at home and in their communities.
- Long-term care is unaffordable for the majority of older Californians and family caregiver support cannot be relied upon to fill in the gap.
- Tackling this crisis will require bold action and a continued commitment to drive us toward solutions that serve all Californians.
- It is crucial that we listen to the voices of older adults to inform program and policy design.

The Foundation is pleased to see the Assembly Budget Subcommittees on Health and on Human Services include an important topic like the Forgotten Middle on the agenda. We look forward to being a resource on the Forgotten Middle and other aging policy topics for the members of the subcommittees as they continue to explore solutions to improve access to long-term care. For more information and questions, please contact Megan Burke, Director of California Health and Aging Policy, at mburke@thescanfoundation.org.

Sincerely,



Sarita A. Mohanty, MD, MPH, MBA
President and CEO

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