

**National Council of Housing Market Analysts (NCHMA)**

**White Paper on: Overview of Senior Housing Products in Massachusetts**

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**Introduction and Purpose**

This paper provides an overview of the wide variety of senior housing products available in the marketplace today, through the lens of a Massachusetts case study. Although some of the details of various programs are specific to Massachusetts, most of the options described in this paper are universal. The purpose of this paper is to provide NCHMA members with a better understanding of the benefits and costs associated with each type of senior housing, and how choices can vary depending on the needs and resources of individual seniors and their families. The essential concept is that both level of care and cost in senior housing exist on a continuum, ranging from the lowest cost with little or no services to much higher cost with extensive medical and personal care. Determining the appropriate level of care for a particular population is crucial to understanding demand for senior housing.

**Senior Housing Products**

This paper shows that as one ages a higher level of services is required, so the income to the facility is based on not only covering the housing costs, but the service costs as well. Furthermore, when looking at demand, it is important to understand the age group you are looking at, and in the case of assisted living, the percentage of the population in need of assistance with activities of daily living by age. Furthermore, as one ages, adult children play a larger role in the decision making and therefore it is important to look at the growth of the 45-65 year old population, as many seniors will move to an area to be close to their adult children. This is especially true for assisted living. In the table below, we have provided a grid of housing and services with pricing in Massachusetts. This is followed by more detailed definitions of senior housing products. We have listed the senior housing products in order of lowest acuity level to highest acuity level.

Table 1

Type of Housing	Target Market*	Real Estate	Services	Pricing	Limitations	Cost to Resident	Paid by Government
Age Restricted Rental	55+ or 62+	1 Bed Apt.	None	Subsidized**	30% of Income	\$300	\$896
Age Restricted Rental	55+ or 62+	1 Bed Apt.	None	Self-Pay Tax Credit	60% of AMI	\$1,108	None

Type of Housing	Target Market*	Real Estate	Services	Pricing	Limitations	Cost to Resident	Paid by Government
<b>Age Restricted Rental</b>	55+ or 62+	1 Bed Apt.	None	Market	None	\$1,600+	None
<b>Independent Living - Rental</b>	55+ or 62+	1 Bed Apt.	One Meal, weekly housekeeping, activities, transportation	Market	None	\$4,000-\$5,000	None
<b>Continuing Care Retirement Community</b>	75+	Move from Apartment to AL Unit to SNF	One Meal, weekly housekeeping, activities, transportation***	Entrance fee, 90% refundable and monthly fee increases as you progress	Income/Asset and health review	\$300,000+ Buy In, \$2,000+ Month	None
<b>Continuing Care Retirement Community</b>	75+	Move from Apartment to AL Unit to SNF	One Meal, weekly housekeeping, activities, transportation***	Entrance fee, 90% refundable and monthly fee remains the same throughout	Income/Asset and health review	\$300,000+ Buy In, \$2,000+ Month	None
<b>Adult Day Health</b>	55+ **	Community Space	2 Meals/Snacks Transportation, Social Activities	Medicaid	Sliding Scale	Minimal	\$45/day
<b>Adult Day Health</b>	55+ **	Community Space	3 Meals/Snacks Transportation, Social Activities	Private	None	\$59/day	None
<b>Residential Care Home</b>	All Ages	Room	3 Meals, Transportation, Social Activities, Medication Management	Medicaid	Sliding Scale	Minimal	NA
<b>Residential Care Home</b>	All Ages	Room	3 Meals, Transportation, Social Activities, Medication Management	Medicaid/Private	None	\$3,000-\$4,000	None

Type of Housing	Target Market*	Real Estate	Services	Pricing	Limitations	Cost to Resident	Paid by Government
Assisted Living	80+	Efficiency Unit	3 Meals, Transportation, Social Activities, Medication Management	GAFC/SSIG	Annual Income <\$12,000	85% income	\$2,300
Assisted Living	80+	Efficiency Unit	3 Meals, Transportation, Social Activities, Medication Management	Pace	Annual Income <\$24,000	Sliding Scale	NA
Assisted Living	80+	Efficiency Unit	3 Meals, Transportation, Social Activities, Medication Management	Veterans Aide****			\$1,149
Assisted Living	80+	Efficiency Unit	3 Meals, Transportation, Social Activities, Medication Management	Market	None	\$4,500-\$8,000	None
Specials Needs AL	65+	Unit, no kitchen	3 Meals, Transportation, Social Activities, Medication Management	Market	None	\$6,000+	None
Skilled Nursing	All Ages	Room	Everything including health care	Medicaid/Medicare	Depends on Health Insurance	None	\$9,000
Skilled Nursing	All Ages	Room	Everything including health care	Market	None	\$9,000	None

**\*It is important to find out if the age restriction is for one household member or all. Some may have supportive services such as Meals on Wheels or case management**

**\*\*May include younger disabled persons**

**\*\*\*This is the starting point in independent living. The number of meals and level of services increase as you go through the continuum.**

**\*\*\*\*Additional supplement for any AL resident**

### **Independent Senior Housing**

Generally, independent or retirement living is housing or apartments set aside specifically for individuals over the age of 55 and is not licensed by the Commonwealth of Massachusetts. Residents are permitted to occupy living units by entering into rental contracts for fixed periods of time. Living units are usually apartments that can vary in size. While these communities are not required to be licensed, they must comply with local building ordinances and safety codes in terms of the design, construction and safety features of the building. Although residents are typically independent, some of them may use supportive services to help maintain their independence.

#### *Subsidized senior housing*

Project-based subsidized senior housing is typically age-restricted to households with head of householder age 62 and over, or for younger disabled persons. In Massachusetts, many subsidized senior housing developments are owned by housing authorities, and are either State Public Senior Housing or Federal Public Senior Housing. In addition, subsidized housing can also be provided by not-for-profit or for-profit entities. Income limits are typically at 50% of Area Median Income (“AMI”), however some programs allow for up to 80% of AMI. In most instances, households living in subsidized housing earn much less, typically at the 30% of AMI level. In subsidized housing, households typically pay 30% of their annual adjusted income towards housing costs, which include utilities, and the government pays the remainder of what are often referred to as fair market rents. For example, a resident with an annual income of \$12,000 can expect to pay approximately \$300 per month in rent. Fair market rent, as determined by HUD, is typically priced at or close to market rate.

Typically these subsidized senior buildings only provide a rental unit and common laundry. Some provide a service provider in the form of a case manager, and a community room. Some provide Meals on Wheels in their community room. But overall, residents are not provided with services such as help with getting dressed or housekeeping.

It is very difficult to build any new subsidized senior housing because HUD eliminated the HUD 202 program five years ago. This program provided both capital funds and operating subsidies for age-restricted housing.

#### *Age-restricted Senior Rental Housing*

Age-restricted rental housing is typically rental units reserved for households with a head of household age 55 and older or 62 and older. Units can either be at market rate, or they may be at a reduced (affordable rent) due to the type of funding utilized to build the

development. Affordable self-pay rent can be at the 80% level, the 60% or the 50% level. In all cases, the rents are priced so that the resident will not pay more than 30% of their income towards rent. In most instances, these types of developments are financed in part with Low Income Housing Tax Credits (“LIHTC”) and in some instances, historic tax credits and/or soft debt like HOME, CDBG and other funds. LIHTCs bring equity into a project when they are sold to investors, and they reduce the investment by the owner as well as the debt on the property, allowing for lower operating costs and therefore lower rents. We have provided below an example of affordable income limits and rents, as well as market rate incomes requirements and rents. Please keep in mind that people may choose to pay more than 30% of their income towards rent.

Table 2

Area Median Income*	1 Person Income Limit	1 Bedroom Rent	2 Person Income Limit	2 Bedroom Rent
<b>30% AMI</b>	\$20,700	\$554	\$23,650	\$665
<b>50% AMI</b>	\$34,500	\$923	\$39,400	\$1,108
<b>60% AMI</b>	\$41,400	\$1,108	\$47,280	\$1,330
<b>80% AMI</b>	\$48,800	\$1,307	\$55,800	\$1,568
<b>Market</b>	\$70,000+	\$1,800	\$83,000	\$2,200

\*Based on HUD Boston/Quincy PMSA

Sacred Heart Apartments in Lawrence is age-restricted rental housing financed with LIHTCs and therefore all units are affordable to households earning at or below 60% of AM. Rents are not subsidized, however, they are fixed at a lower level than market rents. For example, the 60% rent in Lawrence for a one-bedroom unit including utilities can be no more than \$984, and two-bedroom rents can be no more than \$1,182.

Age-restricted senior housing may only provide a unit to live in and some common space, or it may be what is often referred to as “**Independent Living.**” Independent living facilities tend to offer one or more meals per day, weekly housing keeping, transportation and social activities. Their monthly fees are significantly higher than just paying for rent. The independent living that we identified at Cambridge Homes was \$5,500-\$7,100 per month and includes, among other things, three meals a day but no personal care services.

### **Adult Day Health**

Adult day health centers are planned programs that offer a variety of services to elderly persons and others with functional and/or cognitive impairments who are unable to remain at home unattended during the course of the work day. The services are designed to keep elderly individuals in the community for as long as possible, thereby postponing or preventing institutionalization. Services can include some or all of the following: supervision, health monitoring, meals, transportation, recreational activities and therapy. Medicare does not pay for adult day services, however, MassHealth (Medicaid) covers adult day health services and dementia day programs. Individuals may also be eligible for subsidies through their local Aging Services Access Point (ASAP). The Executive Office of Elder Affairs (EOEA) has set standards for dementia and social day programs. Typically persons who attend adult day health programs are good candidates for assisted living that caters to residents with memory deficits and/or dementia.

Residents pay for adult day health on a sliding scale based on their income if they are eligible for MassHealth. There are some private pay adult health facilities located within assisted living facilities but they tend to cost \$50 or more a day or \$250 a week/\$1,000 a month.

D'Youville has a small adult day health program on its Lowell campus that sees 29 clients Monday-Friday. They charge \$59 a day for private pay customers and also accept persons with MassHealth.

At this point and time, it is difficult to build new adult day health centers/programs because the MassHealth reimbursement is not high enough to pay for the cost to own and operate facilities.

### **Residential Care Homes/Rest Homes**

Residential Care Homes (RCHs), formerly known as "homes for the aged," are licensed in Massachusetts by the Department of Health and Human Services. Residents of RCHs may have some health, social, and personal care needs, but they do not require the extensive care a nursing home provides. Most residents, however, require some assistance with Activities of Daily Living (ADLs), supervision of medications and/or protective oversight. Although they may use assistive devices, residents must be ambulatory and have some degree of independence, but they are not able to live on their own. Residents must be able to evacuate the home unassisted in case of an emergency.

Physically, they differ from assisted living facilities since they provide a room rather than an apartment, and bathrooms may be private or shared. The monthly rate depends on the home and type of accommodation chosen. Some residents use government assistance to help pay for their care. They provide residents with a communal environment. In fact, the majority of rest homes were formerly single-family homes that have been renovated.

They are required to provide three meals per day, housekeeping and laundry services, personal care, recreational activities, 24-hour supervision, and emergency call systems. Menus for meals must meet requirements set by the Department of Public Health. Staff is not required to provide nursing services; however, some homes have nurses on staff. Staff members can supervise medications that residents self-administer and may help residents schedule their physician appointments.

Somerville Home is a residential care home which charges \$100-\$130 per day or \$3,000-3,900 a month. They have two GAFC slots which share a room (see GAFC definition below).

### **Assisted Living Facilities**

Since 1995, assisted living residences in Massachusetts have been regulated by Massachusetts General Laws Chapter 19D. Each facility is certified by the Executive Office of Elder Affairs prior to opening, and recertified every other year. Assisted living is a special combination of housing, personalized supportive services and care designed to respond to the individual needs of those requiring help in activities of daily living, but not requiring the skilled medical care provided in a hospital or skilled nursing facility. Residences combine apartment-like living with a variety of supportive services, including three meals a day in a common dining room, housekeeping services, transportation, 24-hour security, on-site staff to respond to emergencies, emergency call systems, medication management, personal laundry services, social and recreational programs and assistance with ADLs such as eating, bathing, dressing, toileting and mobilizing, and instrumental activities of daily living (IADLs) such as shopping and laundry.

Assisted living residences monitor the well-being of their residents and can help coordinate health services by licensed outside agencies or providers. However, they do not provide skilled nursing services directly. The physical layout of assisted living residences includes studio, one- and two-bedroom apartments with entry doors, private bathrooms and kitchenettes. As much as fifty percent of the facility is used for common areas including lobby/reception area, administrative offices, food service, dining room, activity areas, beauty salons/barbershops, cafes/bakeries, resident laundry, central laundry, storage spaces, maintenance area, loading/trash area, mechanical rooms, employee lounge and lockers, areas for linens and cleaning supplies and ancillary uses. Units

are typically furnished with residents' belongings and furniture. Residents entering an assisted living residence sign an annual residency contract which is similar to a lease and agree to pay a monthly fee or rent that includes the cost of housing, meals and services and other amenities. Assisted living is considered to be need driven. Based on our experience, the typical customer for an assisted living facility is a one-person household that has experienced some type of crisis, either an illness or the loss of a spouse. They are no longer able to live totally independently and may need help with cooking, cleaning and/or bathing or toileting. The average assisted living customer is early to mid-80's, female and stays 24 months.

The cost to live in a typical market rate assisted living facility such as Cambridge Homes is \$5,975-\$7,575 a month. Standish Village in Dorchester starts at \$4,500 a month.

#### *Affordable Assisted Living Programs/Subsidies*

It is very hard to provide affordable assisted living due to the cost of building, which brings high carrying costs often in the form of a mortgage, as well as ongoing operating costs to pay for personnel and the cost of running a building. Therefore, in order to provide affordable assisted living one will need to have a low cost of entry (i.e. low building cost) and some type of operating subsidy to help residents afford rent. The following are funding mechanisms that can be used to assist low income residents in affording assisted living:

**PACE:** Seniors who are eligible for MassHealth and with an annual income up to approximately 40% of AMI or \$24,000 a year are eligible for PACE. However, the PACE reimbursement may not actually pay for all of the charges and facilities find other ways to meet their bottom line. For example, in Standish Village, they accept PACE but also require a family to pay to supplement the difference between what PACE pays and the cost of living in the facility. MI Residential in Lawrence couples subsidized senior housing with PACE to provide assisted living.

**GAFC:** GAFC is a Massachusetts program that reimburses a provider for providing personal care services, 24-hour access to assistance, nursing, and social work oversight to Medicaid-eligible individuals. The Department of Public Welfare, Division of Medical Assistance, in response to two major trends, created this program in 1991. The first trend was a change in nursing home admissions clinical criteria. The second was an emerging need for Medicaid to fund assistance with activities of daily living for frail individuals in the community who no longer qualified for nursing home placement. The program was modeled after the Adult Foster Care program in which an individual with at least one medical diagnosis and a need for assistance with daily personal care would move into the home of a care giving family. The GAFC program allows individuals requiring such care to continue to age in



a place by offering services in a managed housing environment while maintaining their independence, dignity and autonomy. GAFC services have evolved into Medicaid's assisted living services package.

Providers of GAFC include certified home health agencies, licensed hospitals, home care corporations, assisted living facilities, community agencies, and housing organizations that are able to meet the program requirements. The reimbursement methodology includes two components. There is a daily rate per participant for personal care, and a monthly program administration rate per participant. The average rate is comprised of the caregiver rate and the administrative rate. Residents who are clinically eligible for GAFC may also be eligible for SSI-G. SSI=G represents the base SSI payment, the supplement added by Section G plus the GAFC rate total approximately \$2,300 a month. It is important to note that in order to qualify for GAFC an individual's income needs to be at poverty level, approximately \$14,340 a year, and they must have assets of \$2,000 or less. This typically leaves residents with only \$75 a month in spending money.

***Veterans Pension Aid and Attendance Program*** – veterans or surviving spouses of veterans may be eligible for this supplemental income which can provide approximately \$1,788 or \$1,149 a month to cover assisted living costs. It is a higher amount for married couples.

***Senior Care Organizations*** – The MassHealth Senior Care Options (SCO) program is a comprehensive health plan that covers all of the services reimbursable under Medicare and MassHealth through a senior care organization and its network of providers. The SCO program offers MassHealth Standard members aged 65 or older quality health care that combines health services with social support services. By coordinating care and specialized geriatric support services, along with respite care for families and caregivers, SCO offers advantages for eligible MassHealth members over traditional fee-for-service care. SCOs are similar to an HMO and persons accessing SCOs must be eligible for MassHealth. Residents receive all health care services through the Senior Care Options network. SCOs provide services to residents living in Assisted Living Facilities.

***Long-Term Care Insurance*** – This insurance is not affordable and the industry is still in its infancy and therefore it very costly. It is best purchased before age 50. Each plan is different but it can often cover one or more years of assisted living costs.

***Other affordable assisted living***

Some facilities are built by a mission driven organization, whose mission is to provide housing to a particular population at a discounted price. For example, **Cambridge Homes** has a scholarship program for people who lived or worked in Cambridge.

About 30% of its residents are on scholarship. For example, if the resident has \$1,000 a month income from social security, and \$500 a month from a pension, the facility is paid \$1,000 a month the individual keeps \$500. Their foundation makes up the rest of the costs. This is because the organization is over 100 years old, and in a prior iteration residents donated all of their funds and were taken care of for their lifetime, and left over funds have accumulated over time.

D'Youville is building an affordable assisted living facility in Lowell. It will have 15 low income units priced at \$3,000 a month, 15 moderate income units priced at \$3,000-\$5,999 a month and 15 market units' prices at \$6,000 and above. It will also offer 15 memory care units priced at market.

### **Skilled Nursing Facilities**

Nursing homes provide both short-term and long-term care to elders who need medical care. Services typically include 24-hour nursing care, rehabilitative care (i.e. physical, occupational and speech therapy) and personal care. They traditionally provide a room with or without a private bath but no kitchen facility. Coverage for nursing home care is available under both the federal Medicare program and the state and federal Medicaid program, called MassHealth. To be eligible for MassHealth benefits, an individual must have at least one nursing need and two additional nursing or activity of daily living needs.

Studies have shown that some skilled nursing residents are actually better suited for an assisted living facility. This tends to happen when there are no alternatives (i.e. assisted living facilities) in the area.

D'Youville has two skilled nursing facilities on its Lowell Campus including 208 long-term care beds in one building and 33 short-term rehabilitation beds in its other building.

### **Continuing Care Retirement Communities or CCRCs**

Sometimes referred to as "life care communities," CCRCs provide living accommodations and a wide variety of services, including long-term health and nursing services. Various levels of care, such as independent living, assistance with daily activities, and nursing services are usually provided on a single community campus. Residents may move from one level of care to another as their needs change. Each resident is required to be able to live independently upon admission. Every resident is required to pay a substantial lump-sum entrance fee and monthly fees in exchange for lifetime housing and health-related services. These fees vary

depending on the community, the type of living unit chosen, and whether an individual or a couple is to occupy the unit. CCRC's have differing policies regarding the availability and terms of entrance-fee refunds.

Housing units can be apartments in high-rise or low-rise buildings, townhouses, garden apartments, cottages, or freestanding homes. Units can range in size from studios to three-bedrooms. Residents are not generally entitled to have equity in their units, but adhere to certain statutory requirements. The way CCRCs differ is in what they promise to deliver, and what you pay for service. There are three different types of CCRCs:

*Life Care Communities/Extensive Care Contract:* Under an extensive care contract, sometimes referred to as life care contract, a resident typically pays an upfront fee and an ongoing monthly fee in exchange for the right to lifetime occupancy of an independent living unit and certain services and amenities. Residents who require a higher level of care such as assisted living or skilled nursing may transfer to that level of care and continue to pay the same monthly fee plus the cost for additional meals. Most extensive care contract communities are owned by a not-for-profit corporation and were built in the 1980's and early 1990's. Very few are being built today due to the actuarial nature of this product. Many of the residents in these communities are highly educated and understand that they are making an investment in their future. In most instances, residents receive 90% of their entrance fee back and don't have to worry about high nursing home costs. Some facilities allow long-term care insurance to reduce entry fees.

*Modified Contract:* A resident typically pays an upfront fee and an ongoing monthly service-fee for the right to stay in an independent apartment and receive certain amenities. When a resident needs to move to a higher level of care, the facility may pay for this higher level of care for a certain period of time, or provide a discount for these services.

*Fee-For-Service Contract/A la Carte CCRCs:* This requires an entry fee, but does not include any discounted health care or assisted living services, therefore you pay as you go from one level of care to the next. Typically residents receive priority admission to the higher levels of care on the campus. Residents pay one monthly fee to live in an independent apartment, a higher monthly fee to live in assisted living, and an even higher fee to live in the skilled nursing facility. The difference in monthly fees could be from \$2,000-\$6,000. Therefore, although a resident is entitled to a refundable entry fee, facilities can spend your entrance fee in order to pay monthly service fees as you move to a higher level of care.

**Sources:**

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