



The Next Crisis: Un-Safe Housing for an Aging America

EXECUTIVE SUMMARY

Policy to House an Aging America

Experts have seen it coming for years, but Covid-19 has laid bare the looming crisis in housing for America's growing older population. Expanding nursing homes and other congregate care facilities is not the answer. Not only do most Americans *want* to age in their homes, but these large institutions are costly and not always safe, as we have tragically learned from the pandemic. Even before Covid-19, surveys have shown that **Americans prefer to live out their increasingly long lives in the homes of their choice.**

What is more, the pandemic has accelerated the trend to view **the home as a site for medical care**, which will keep many of us out of hospitals, doctors' offices, and clinics. There has been a significant increase in telehealth and new technologies available to monitor and support patients in their homes. The cost savings of this approach has been recognized by changes to Medicare and Medicaid.

Another legacy of the pandemic is that people of all ages have a new appreciation of the importance and limitations of their houses, which now serve as offices and classrooms. Aging also brings new needs that require modifications to the home. It's time to recognize these changes. **Our houses are not equipped with the safety and utilitarian features needed to support Americans as they grow older**, such as entryways without stairs, wider doorframes, and updated bathrooms and kitchens. However, while an array of helpful safety products and design modifications is available to help people update their homes, Americans are simply not planning ahead or implementing these features when building or renovating.

Now is the time for Congress to incentivize and support Americans to equip their homes with features that will make it safe for them to age in place.

In this whitepaper, we will show:

- The depth of the housing infrastructure crisis for older middle-income Americans.
- How improved housing will help control skyrocketing medical costs.
- The ways in which current government programs offer limited assistance and are, for the most part, for low-income Americans.
- An array of national program and policy options.

We must seize the moment. The time is right to empower older Americans to live safer, more dignified, and joyous lives in their homes.

ABOUT THE HOMESRENEWED COALITION

The HomesRenewed Coalition's mission is to significantly increase the number of American homes prepared for residents to live throughout the modern lifespan. We promote the establishment of consumer incentives for home updates on Wall Street, Main Street, and Capitol Hill. Updated homes are the missing link needed to avoid a crisis in housing and care for older Americans that threatens the long-term solvency of the social safety net. This broadly based coalition uses education and advocacy to promote market-based solutions to reduce medical costs, improve the delivery of services, and increase the dignity, choice, and independence of older Americans living in their homes in their communities. By crossing sectors and unifying voices, we are launching an "Aging in Place Industry." Our members include:



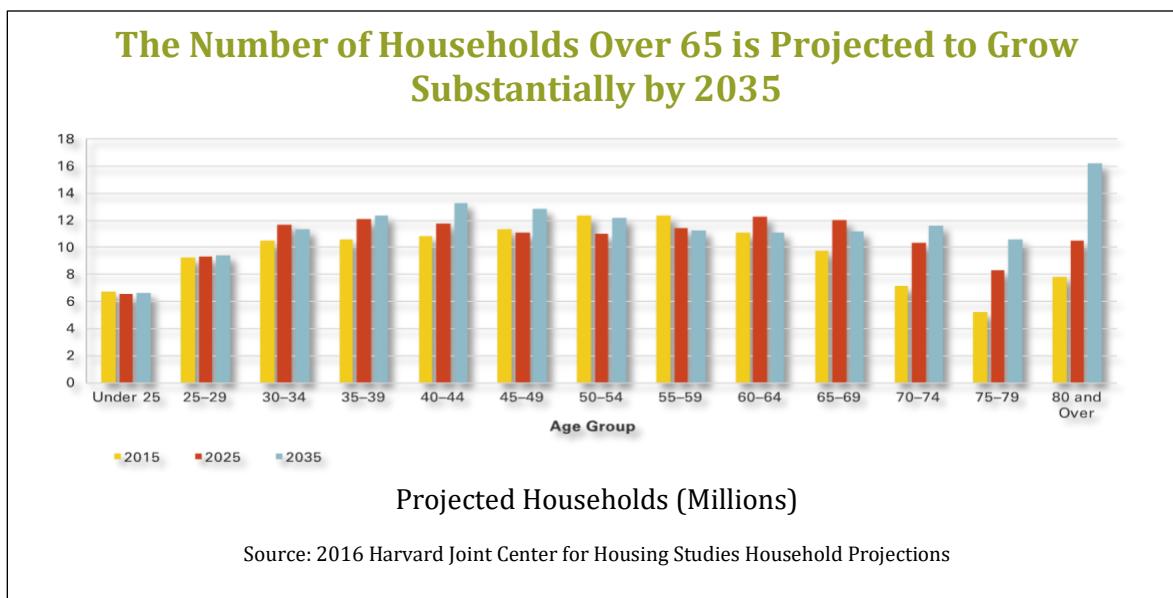
THE PROBLEM: Limited Housing for an Aging Population

The United States is in the midst of a tremendous demographic shift toward an increasingly older population. The combination of modern longevity, a larger proportion of older citizens in the population, and rising medical costs **could threaten the long-term solvency of the social safety net.**

An Aging Population

The number of adults aged 65 and older is expected to more than double between 2000 and 2030, with people older than 85, who use the most healthcare resources, doubling in number between 2020 and 2040.¹ This growth is due not just to the sheer size of the baby-boomer cohort, but also as a result of extraordinary modern medical advances that have added years to the 21st century lifespan. In fact, life expectancy has risen from 61 years when Social Security was initiated in 1935, to 70 years when Medicare was created in 1965, to 79 years in the late 2010s.²

Roughly 16% of the U.S. population was 65 years old or older in 2018 according to annual population estimates from the U.S. Census Bureau. Americans' median age continues to trend upward from 37.2 years in 2010 to 38.2 in 2018.



As people are living longer, healthcare costs have risen faster than the rate of price inflation and wage growth. These demographic realities impact the financial picture of our nation as well as individuals and families.

Insufficient Housing

At present, the quantity of senior housing is not sufficient to meet the needs of this aging population. We cannot afford, nor do we have time, to build a new housing infrastructure from the ground up.

What is more, the Covid-19 public health emergency has exposed the massive failings of nursing homes and other senior congregate care facilities. Families have been struggling to bring older relatives home from unsafe facilities where Covid-19 has run rampant. Sequestering at home has made Americans more aware of the importance and limitations of their current houses. Now that the home has replaced offices and classrooms, folks are recognizing the need to make renovations to support those needs.

Housing Not Yet Safe for Longevity

It is time to examine how America's 100 million existing houses can be made safe and accessible for aging in place. **Aging in place is a housing and healthcare option that integrates design, equipment, and services.** This enables older Americans to safely remain in the home of their choice even as their health and mobility change. It works best when people proactively prepare their home environments before accidents or injuries occur. These preparations can range from simple modifications, such as installation of grab bars, to more complex modifications, such as widening hallways, installing elevators, or altering cabinet heights.

Despite over \$200 billion spent annually on home remodeling in the U.S., home modifications to accommodate owner and visitor accessibility needs are woefully under-installed.³

While two-thirds of homeowners over age 55 say they consider themselves to be proactive in making aging-in-place renovations, home

service professionals tell a different story: over half indicate that aging-in-place projects account for less than 10% of their work. Of those projects, up to a third are in reaction to medical events,⁴ which means the updates often must be made at the last minute while the family is already coping with other healthcare needs. By proactively planning to age in place, relatively simple shifts in priorities or modest incremental increases to a project's budget can have literally life-saving impacts.

Longer term, it is widely understood that the United States is on an unsustainable fiscal path, largely due to the interaction between an aging population and a health care system . . . that is much higher [cost] than any other advanced economy. Marketplace, "Fed. Chair Jay Powell: We're Independent of Political Considerations" (July 12, 2018).

The High Cost of Falls

The number of older people who fall, injure themselves, and end up in the emergency room is of great national concern. An average fall has hospitalization costs of \$30,000,⁵ which is 100 times the average \$300 cost of a grab-bar installation. Similarly, \$4,400 spent on home updates is roughly half the cost of a single month in a nursing home.⁶ The adage that “an ounce of prevention is worth a pound of cure” certainly applies to the installation of home accessibility features.

How can long-term care needs for older citizens be met if you can't get in and out of your front door for medical appointments or social activities, or shower and use the bathroom without fear of falling?

Healthcare Is Moving into Homes that May Not Be Fully Prepared

Advances in medical technology, supported by changes in the Centers for Medicare and Medicaid Services (CMS) reimbursement structures, have begun a shift from traditional inpatient and outpatient settings to care in the home. Services previously limited to institutions or difficult-to-reach outpatient facilities can now be provided remotely, transforming the home into an extension of hospitals and clinics.

The sad reality, however, is that most homes were not designed or built to support the needs of aging residents or the provision of healthcare. External and internal stairs, insufficient railings, lack of accessible bathrooms, and lack of other safety features throughout the house often make the home a dangerous place rather than an appropriate healthcare setting. The efficacy, efficiency, and economic advances in medical care, technology, and caregiving are hampered by the deficiencies of outdated residences.

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Consumers need to update their homes for increased safety *before* they experience severe health problems. Some hospital and rehabilitation discharge or transition

programs include bringing a healthcare provider and a certified installer into the home to evaluate a patient's needs and make updates. This is too little too late. While they may remediate an urgent problem after an individual has been hospitalized, they rarely touch on prevention or a safe overall lifestyle. The narrow focus of the hospital discharge process does not allow enough time to plan and build appropriate updates, which often leads to increased costs and decreased quality in the long-run.

Lack of Funding Among the Forgotten Middle

Limited financial resources are a huge barrier. In fact, people fear the cost of cancer treatment more than the diagnosis itself. One third of all bankruptcies are tied to medical issues. According

to a study published by Health Affairs,⁷ by 2029, 54% of the 14.4 million middle-income seniors (aged 75+) will not have sufficient resources to cover the costs of the housing and medical services they are projected to need. Those needs are growing. 60% of those middle-income seniors, will have mobility limitations. Addressing other needs in addition to medical care, such as making homes accessible, may reduce healthcare spending.

An Untapped Market of Safety Products

More broadly, with the entire population forced to shelter in place during the Covid-19 pandemic, 2020 has seen home service innovations in transportation, meal distribution, and shopping. This growth will also support more people who are aging in place. However, despite many efforts to grow demand for home safety products and services, the consumer market has not developed.

The supply is there. Manufacturers and distributors have products ready at many price points and styles. AARP, similar organizations, communities, and others have produced and distributed educational materials to encourage consumer activity. The National Association of Home Builders (NAHB), the National Association of the Remodeling Industry (NARI), the National Kitchen and Bath Association (NKBA), and other organizations have curricula and certification programs for designers, health professionals, and contractors to which the industry response has been very good. These specialists are already serving and will continue to serve consumers who are reacting to accidents, illness, and health changes. They will also benefit from cost-relieving policies.

The problem is demand. The American consumer has not been willing to spend money on renovations in preparation for aging at home. Federal focus on this issue and financial incentives would soften their resistance and help build the market.

SUPPORT FOR AGING IN PLACE

AARP has consistently documented that Americans overwhelmingly prefer aging in place to alternatives.⁸ For years, this option has been seen by many advocates for older adults as more economical and the best use of family resources, giving them more choice, control, dignity, and independence – the essentials for a better quality of life.

The Impact of Covid-19

The pandemic has sped up trends already in motion across many industries to support people in their homes. In healthcare, CMS instituted an emergency authorization to allow reimbursement of telemedicine appointments.⁹ Everything from telemedicine to home monitoring and diagnostic technologies are now available in the marketplace. Technology to support seniors requires access to broadband, hardware, software, and specialized training. Having a safe physical space is key to making all these advances function more effectively to promote successful aging.

Rethinking Congregate Institutions

The tragic deaths of hundreds of thousands of nursing home residents from Covid-19 (40% of Covid-19 deaths occurred in nursing homes¹⁰) has challenged the perception that congregate housing is the safest place for older Americans. At the same time, the nursing home industry is facing an immediate financial reckoning from much higher costs and new accountabilities.

Johns Hopkins University Study: Home Updates Reduce Medical Costs

The Community Aging in Place – Advancing Better Living for Elders (CAPABLE) study conducted by Johns Hopkins University concluded that modest investments in home updates produce substantial reductions in costly hospital admissions and long-term care and rehabilitation stays for individuals with functional limitations and chronic conditions.¹¹ These findings are part of a growing body of evidence that home modifications can be cost-effective, which drove a recent decision by the Centers for Medicare and Medicaid Services to expand benefits by allowing selected Medicare Advantage plans to pay for structural home modifications as a Special Supplemental Benefit for the Chronically Ill (SSBCI) beginning in 2020.¹²

PRECEDENT FOR A GOVERNMENT SOLUTION

Incentive Programs

Incentives implemented through tax policy can be used to motivate investment. A good example is the Solar Investment Tax Credit by which a portion of the homeowner's cost for the installation of solar panels is returned to them by reducing their income tax. The program fueled a wave of individual investment reaching \$6 billion in 2018 compared with virtually nothing in 2006. The government and the consumer share the cost, so the government only bears a portion of the total investment to achieve the goal of increasing renewable energy generation.

State and Local Low-Income Programs

Programs currently exist in all states and many localities to facilitate safer housing for low-income elderly and disabled. Services provided range from conducting in-home safety assessments to installing home modifications at little to no cost for participants, to combining medical expertise with home modification experts. These



precedents provide a framework for a federal solution. State and local programs that encourage home updates (subsidies, property tax credits, or other tax incentives) can also help reduce the number of people who become eligible for Medicaid. A handful of states are leading the way with income tax incentives for home modifications: Kansas' goes as far back as 1978, while Colorado's was just enacted in 2019. These programs have limited eligibility and may impose a funding cap, but they are important initiatives that the federal government can use as models.

The Maryland Example

The Maryland Department of Housing and Community Development offers a program that provides 0 percent interest deferred loans for a term of 30 years or grants to finance accessibility improvements. These improvements may include, among others, the installation of grab bars and railings, widening of doorways, and installation of ramps. The maximum loan amount will be up to 110% of the value of the property considering any superior mortgages. The loans are to be repaid upon sale, transfer, or refinance of the property, with all closing costs included in the loan. The state can finance such an initiative through direct appropriations or through specially structured bonds, with the repayment of the loans providing funds to repay the bonds over time.

Federally Supported Medicaid Waivers

The federal government supports state-administered Medicaid waiver programs, some of which cover home accessibility needs when necessary to allow individuals to remain in the community and prevent them from being admitted to skilled nursing or intermediate care facilities. Medicaid coverage of minor home modifications varies from state to state. Some require a diagnosis, medical necessity, or recent hospital discharge, none of which is conducive to the planning needed to appropriately update a house.

The majority of these programs have age, income, or disability eligibility requirements. Virtually all are reactive to an acquired illness or disability rather than fully proactive programs to optimize fall prevention and safe aging in place.

As important as these initiatives are for the individuals who benefit from them, this patchwork quilt of programs is inadequate to address the scale of home modification needs. What is more, these programs do not serve Americans in the "forgotten middle."

THE SOLUTION

Federal support for updating homes to enable aging in place is essential. We should adopt public policies and industry incentives to optimize use of both personal and taxpayer resources to encourage home preparedness and self-sufficiency. Updated homes will make aging in place easier and less expensive. Financial incentives will motivate people to update the “age-friendly way” whenever they remodel, regardless of health or age, which will start new trends in remodeling. Aging in place presents opportunities for business growth and innovation across many sectors of the economy.

There are models in other sectors for policies and programs that encourage private spending for desired outcomes. For example, individual private investment into the purchase of hybrid cars and solar collectors has grown rapidly with incentives that reduce their costs. The consumer makes a financial investment up-front to take advantage of incentive tax credits. This model has been proven to be successful.

Create a Home Modification Tax Exemption

We envision a broad-based Home Modification Tax Exemption (HMTE), which could achieve widespread adoption over the next 10 years.

We anticipate success rates matching the 30% rate of Solar Investment Tax Credit (ITC). Since homeownership rates among older citizens are high, policies that encourage individual investment in home updates are likely effective strategies. An additional benefit of HMTE is that it will boost local economies since over a third of updating expenditures are for labor.¹³

In 2017, households 55 and over accounted for fully half of the \$233 billion spent nationally on the home improvement market.¹⁴ The first people to take advantage of HMTE, the “low-hanging fruit,” would be individuals who are already planning to remodel their homes. HMTE would encourage them to include age-friendly features in remodeling bathrooms, kitchens, entrances, and staircases. Most age-friendly modifications are one-time capital expenditures, similar to the installation of solar collectors, so the benefits are ongoing. Over the long term, incentives will create a culture in which including age-friendly elements will be the norm.

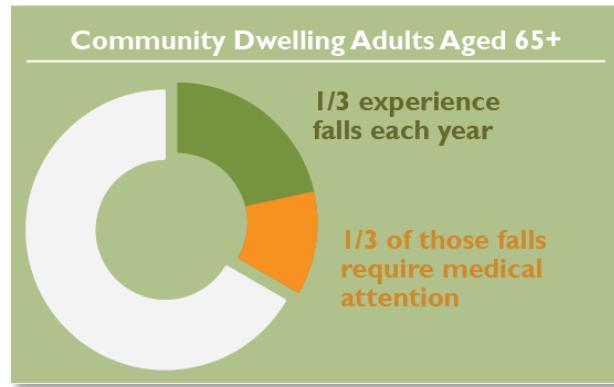
“Grab the Low-Hanging Fruit”



Incentivize consumers who are already remodeling their homes to add age-friendly features.

Balancing Healthcare Costs with Home Modifications: Preventing Falls

Falls cost \$50 billion a year in medical expenses. That number could be significantly reduced with relatively low-cost home modifications.¹⁵ The numbers speak for themselves: almost one third of Americans over age 65 fall each year, with one third of those falls requiring medical treatment¹⁶ at an estimated price tag of \$30,000 per hospital stay.¹⁷ Medicare and Medicaid shoulder 75% of those costs. Accessibility remodeling, costing approximately \$4,400 per house,¹⁸ could reduce the number of falls by 20% for those over 65 and 40% for those over 75.¹⁹



For example, assume the federal government offers a 20% tax credit for money spent on home updates, which is used by one quarter of the 16 million aged 75 and older households, the cost to the government would be \$3.5 billion. Using the numbers above, that could save the government \$4 billion in health care spending in the first year alone.²⁰

Home improvements additionally bring less easily quantified benefits such as greater personal safety, preserved mobility around and out of the house, and an enhanced ability to master one's local environment. These results, in turn, have the potential mental health benefit of reducing anxiety regarding remaining in one's home, and can reduce the likelihood of a move to more costly congregate care residences.

BENEFITS TO THE ECONOMY

Cost-sharing between homeowners and the government for a program that intrinsically pays for itself should be a legislative slam dunk. It is an appropriate use of federal dollars since updating the existing housing stock, which was built for a different era, is an infrastructure project that helps everyone. It supports seniors who are aging in place, makes the best use of family and informal caregiving resources, supports middle-aged families hosting their parents, enables the delivery of post-acute care in individual homes rather than in institutions, and enables greater freedom and visitability for those with disabilities of any age. Once installed, accessibility improvements yield a return through the useful life of the property.

Job Creation

Policy that increases home accessibility projects will create a significant number of jobs and boost local economies since over a third of remodeling costs go directly to pay for labor. For the

example cited above, 4 million projects spending \$4,400 each will generate 94,000 carpenter jobs.²¹

Efficient Use of Private Real Estate

Allowing older Americans to safely remain in their homes captures use of personally owned real estate to house older Americans. This will reduce government expenditures for rehabilitation in care facilities and expensive skilled nursing facilities. An additional benefit is the preservation of individual choice, autonomy, self-reliance, and the cohesion of local communities.

Opportunities for Entrepreneurs

The homecare industry, which is projected to grow to \$225 billion by 2024, will be supported by home updates.²² This growth will also stimulate entrepreneurial opportunities for a wide range of services, including home supplies, home-based health and safety professionals and paraprofessionals. The economic impact will be notable for these sectors, the national economy, and job growth.

Safety for Caregivers

Home improvements support the safety of caregivers as well as residents. Accessibility features give caregivers additional support to keep themselves and their clients safe, ultimately reducing on-the-job injuries. In addition, one study shows that home modifications can reduce the amount of time for family caregiver help with activities of daily living by 42%.²³

POLICY OPTIONS

We see many possible policy options that either expand existing programs or borrow strategies from other government programs that could apply here to lessen the coming housing and health cost crisis and help older Americans age in place,

TAX INCENTIVES

- **Penalty-free and/or tax-free withdrawal from retirement savings** regardless of age allowing for the use of 401K, IRA, TSP, and other workplace pensions and retirement savings accounts similar to other existing exceptions.
 - This may be subject to a cap based on a percentage of such savings used for this purpose (with a potential lifetime cap of \$150,000).
- **Tax credits to homeowners** who update their homes.
- **Tax deductions to homeowners** who update their homes.
- **Low or no interest and forgivable loans.**
- **Expanded Earned Income Tax Credit** for those at lower income levels.

WAIVERS OR OTHER MODIFICATIONS TO REGULATIONS

- **Establish a section 1115 waiver** to allow states to use Medicaid dollars to support seniors remaining at home.
- Modifications to **long-term care insurance** regulations that encourage more home updates.
- **Community Reinvestment Act** targets to encourage safe housing.
- **Home Equity Conversion Mortgage (HECM)** and other vehicles that tap home equity to allow seniors to remain at home.
- **Vouchers** for accessibility products and features
- A target or requirement for **hospitals or health insurers** to assure enhanced safety for their insured patients. This could be modelled on renewable energy credits.

CONCLUSION

Our growing population of older Americans overwhelmingly want to age in the homes of their choice. In addition, research tells us that staying at home in the community is a more dignified and gratifying way of life. At the same time, Covid-19 has spotlighted tragic safety shortcomings in many nursing homes and other congregate care facilities. However, we do not have the housing infrastructure to safely support aging in place. While there is a patchwork quilt of small government programs, **there is a critical need for a comprehensive national solution to enable the creation of better, safer places in which high-quality care can be provided, and where a healthy life can be enjoyed by older Americans.**

Establishing a national policy to empower and encourage individuals to update their homes – through tax credits, waivers or other fiscal policy, such as the HMTE – is a realistic strategy to achieve that end. We have also seen that incentivizing individuals to update their homes will both boost local economies and expand the marketplace for a wide array of businesses – from construction to food delivery – that support aging in place. In addition, there is precedent that these mechanisms will work based on the success of other similar endeavors, such as solar power and hybrid cars.

We must get started now.

The cost of doing nothing has already become clear: more and more middle-income older Americans fall into poverty, losing their homes, self-esteem, and health. Thereafter, they rely on Medicaid and other costly safety net programs of last resort. **Our challenge is to create policy and the political will to step up and take responsibility for the nation's future budgets and the lives of our older citizens.**

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- ² [https://www.statista.com/statistics/1040079/life-expectancy-united-states-all-time/?](https://www.statista.com/statistics/1040079/life-expectancy-united-states-all-time/)
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- ⁶ <https://www.homeadvisor.com/cost/environmental-safety/remodel-for-disability-accommodation/> and <https://www.thebalance.com/average-cost-of-a-nursing-home-4177589> Note: Both sites indicate a range of pricing but the median for nursing homes was \$8,800 per month and renovations cost \$4,680 on average.
- ⁷ <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2018.05233>
- ⁸ <https://www.aarp.org/livable-communities/learn/research-trends/info-12-2012/the-united-states-of-aging-2012.html>
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- ¹⁰ <https://www.nbcnews.com/know-your-value/feature/39-covid-19-deaths-have-occurred-nursing-homes-many-could-ncna1250374> See also, <https://homehealthcarenews.com/2020/09/cms-announces-165m-to-support-home-care-reduce-americas-over-reliance-on-nursing-homes/>
- ¹¹ <https://pubmed.ncbi.nlm.nih.gov/29165789/>
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- ¹³ <https://www.homeadvisor.com/r/kitchen-remodeling-costs>
- ¹⁴ *Op. cit.*, Harvard JCHS, Will, 2015.
- ¹⁵ <https://www.cdc.gov/homeandrecreationsafety/falls/data/fallcost.html>
- ¹⁶ <https://pubmed.ncbi.nlm.nih.gov/29710141/>
- ¹⁷ *Op. cit.*, Senate Falls Report, 2019.
- ¹⁸ <https://www.homeadvisor.com/r/grants-for-home-modification/>
- ¹⁹ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2344916
- ²⁰ $(16 \text{ m} \times .25) (4,400 \text{ x } .20) = 3.5 \text{ BN}$ = cost of the tax credit
 $(16 \text{ m} \times .25 \times .11) \times (.75 \times \$30,000) = 9.9\text{BN}$ falls cost for this group/year
 $(16 \text{ m} \times .25 \times .11) \times (.75 \times \$30,000) \times .4 = 3.96\text{BN}$ savings the first year: where .11 = rate of falls; .75 = govt share of medical costs; .4 = rate of falls avoided by home updates. Note: the value of the modifications remains so it will continue to provide savings for many more years.
- ²¹ 4 million projects x \$4,400 = \$17.6BN total spending
 $(17.6\text{BN} \times 30\% \text{ labor cost})/\$56,000 \text{ carpenter salary} = 94,000 \text{ jobs}$
- ²² <https://www.businessinsider.com/senior-care-market-trends>
- ²³ <https://pubmed.ncbi.nlm.nih.gov/31159396/>

Note: All websites were retrieved and active on 3.1.21