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Crisis in AZ Long-Term Care & Senior Living Facilities

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This will be the first of a series focusing on the long-term care issues of seniors. Why it matters to Seniors and Baby Boomers is that many retired Americans will not be able to afford an assisted living or nursing care facility. This leads to the hard choices of letting their parents go broke; seniors being forced to live in senior facilities that accept Medicaid and operate without full funding; paying for their parents care; or taking care of the parents (either in the Baby Boomer's home or in the home of their parents). There are major factors that are causing a crisis in AZ senior living facilities:

Medicare Cuts: According to the new American Health Care Association (AHCA) analysis of the pending House health reform bill, it finds that seniors' Medicare cuts will total \$44 billion over ten years. AHCA President Bruce Yarwood warns that the U.S. seniors' care needs are endangered by the House bill, as are the jobs of more than 50,000 caregivers nationwide.

Medicaid Cuts: A 9/1/09 story on National Public Radio was titled "Arizona Faces 'Financial Tsunami' Over Medicaid". AZ has one of the highest Medicaid participation rates in the country. About 1 out of every 5 residents is covered by the program for the poor and the disabled. That doesn't include illegal immigrants, who are barred from receiving state services. According to Dean Martin, the AZ State Treasurer, the explosion

in the cost of AHCCS (AZ Health Care Cost Containment System is AZ's name for its Medicaid program), is the single fastest increasing cost item in the state budget.

The Medicaid problem has contributed to a budget standoff between Republican Governor Jan Brewer and the GOP-controlled state Legislature. AZ was the last state in the union to embrace the Medicaid program. From the mid-1960's until 1982, the state forfeited its share of federal Medicaid money rather than create a state program. That history has supporters of expanding Medicaid worried. If Congress requires AZ to contribute more money to the program, some predict the state will say "No Thanks!"

Increased Supply: According to statistics from the National Investment Center, the biggest inventory increase in independent living units was in Philadelphia (a net gain of 1,590 units or 6%). The 2nd largest increase was Phoenix (up by 1,444 units or 11%).

Increased Vacancy Rates: According to Michael Hargrave, the V.P. of National Investment Center (a non-profit organization devoted to gathering statistics and research on senior living facilities), the U.S. statistics have shown an increased vacancy rate. For independent living facilities there was 93.6% occupancy in early 2007 vs. 89.2% in 2nd quarter, 2009. For assisted living facilities the numbers were 91.5% occupancy in early 2007 vs. 88.3% in 2nd quarter, 2009.



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The Crash of AZ real estate prices: Since the peak of early 2006, home prices in the Phoenix metro area have decreased by 55%, the largest peak-to-trough decrease in the United States. Many senior facilities have a buy in program, where they ask for as much as \$200,000+ up front, as well as a monthly fee. Historically, seniors had to sell their homes to raise this cash. Today, the home values have decreased and it can be difficult to sell. 2008 Wall Street Crash and Great Recession: According to Michael Hargrave, the unemployment rate is a major factor that forecasts the change in the occupancy rate of assisted living facilities. He believes it's because the children are paying for part or all of their parents costs in these senior facilities. With most stock portfolios dropping 30-50% in 2008 and high unemployment rates, many Baby Boomers can no longer pay for senior living facilities. Their only choice is to help their parents live at the parents' home or to move them in to the children's' home.

Conclusion: The long-term care crisis and how it affects senior living facilities will not go away, given increased life expectancies and the aging of the 78 million Baby Boomers. Future articles will analyze options to paying for the cost of senior living facilities.