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THE PRELIMINARY FINDINGS OF THE COMMISSION ON AFFORDABLE HOUSING AND HEALTH FACILITY NEEDS FOR SENIORS IN THE 21ST CENTURY

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

HOW WE CAN WORK BETTER TO MEET THE NEEDS OF A GROWING SENIOR POPULATION IN THIS COUNTRY

JUNE 27, 2002

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THE PRELIMINARY FINDINGS OF THE COMMISSION ON AFFORDABLE HOUSING AND HEALTH FACILITY NEEDS FOR SENIORS IN THE 21ST CENTURY

THURSDAY, JUNE 27, 2002

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:18 a.m. in room SD–538 of the Dirksen Senate Office Building, Senator Paul S. Sarbanes (Chairman of the Committee) presiding.

STATEMENT OF CHAIRMAN PAUL S. SARBANES

Chairman SARBANES. The hearing will come to order.

I want to thank our witnesses, Ellen Feingold, who is the Co-Chair of the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century, and John Erickson, who is a Commissioner, for appearing before us this morning.

Nancy Hooks, who is the Co-Chair with Ellen Feingold, was scheduled to be here, but she had a family emergency and was not able to be present.

John, we are most appreciative to you for your willingness to step in on very short notice.

We are very much looking forward to hearing our witnesses on how we can work better to meet the needs of a growing senior population in this country. In fact, as I understand it, by 2030, less than three decades from now, the elderly population in America will double to 70 million people, and it will then comprise 20 percent of our population.

Currently, the figure is 12½ percent. So in 30 years, we will go from 12½ percent to 20 percent of our population being elderly.

In our work on this Committee, it has become apparent that there is an affordable housing crisis, one that touches every part of the country, every segment of society. In hearings that were held earlier this year, we heard that the need for affordable housing continues to grow with almost 13 million American families paying over half their income toward rent. Working people are finding it more and more difficult to afford a decent home for their families.

We have reviewed the general housing problems of Americans, but we have not fully focused on the housing needs of this fast-growing segment of our population, the elderly. For too many seniors, especially those who rent their homes or those living on fixed incomes, decent and safe housing is not within reach.

There are currently six needy seniors for every available unit of affordable senior housing. There are over 300,000 units of affordable senior housing at risk of being lost, and it is estimated that 35 percent of all seniors pay more than they can afford for housing.

As the Seniors Commission finds in its Report, the housing shortage will become worse in the coming years. The Commission referred to this as a "quiet crisis," a crisis that has not yet come to the public's attention, but one that we cannot deny or ignore, and of course, one purpose of this hearing is to help to bring it to the public's attention.

As we look ahead, as I indicated, in the not too distant future, one out of every five Americans will be a senior citizen and we need to begin to address new programs and services to meet their needs. The Commission outlined the housing and health care needs they would face, and given the current shortage of housing, it is clear we must start preparing now to meet these needs.

I want to make this observation.

When we talk about the housing needs of elderly people, we are not only discussing bricks and mortar, the physical structure, we also need to address the necessary supportive services. Housing and services are interrelated. In fact, the ability of an elderly person to remain in their home is frequently dependent upon the availability of adequate services. Too often, the only options available to seniors are to remain in their homes, which are lacking the necessary services, or move to restrictive institutionalized settings.

Not everyone is fortunate enough to have the kind of imaginative and responsive lifestyle that John Erickson has developed with great success in meeting this challenge.

When the Congress established the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century, that was established in the 2000 HUD/VA Appropriations Act. We charged the Commission with conducting a study, and submitting a report to Congress outlining the housing and health facility needs of the elderly and making recommendations for how to best meet these needs.

Originally, there was a deadline of this past December 31. This was extended to June 30 of this year. In fact, we are almost there.

Mr. ERICKSON. To the edge.

Chairman SARBANES. With the data compiled by the Commission, we will have a better understanding of just how large a problem we face. I understand that the Commission will have both the Majority and Minority Report, which, as I understand it, differ in the extent of their recommendations.

But there is much common ground in the two statements. Both ask us to continue pushing for greater funding of housing programs, to ensure that we maintain the housing supply and that we have and expand the stock of affordable housing. Both seek better coordination of Federal housing and health care programs. And the Report will obviously reinforce the work that this Committee has been doing on the affordable housing issue.

I look forward to hearing from our witnesses this morning on the findings of the Commission and the ways that the Congress might address their recommendations to make sure that our senior citizens can live a life of dignity.

These, after all, are the men and the women who have built the strength of this country and it is only appropriate and, in fact, meeting an important responsibility that in their senior years, they be able to live in dignity.

I think these Reports will help us to counter this coming crisis.

Senator Reed and Senator Allard, who are the Chairman and Ranking Member of the Subcommittee on Housing, have been conducting a series of hearings on this important question. Both have had a very keen interest in the issue and I am delighted that both are here with us this morning.

Since I go in this direction first, I will yield to Senator Allard, and then to Senator Reed.

Senator Allard.

COMMENTS OF SENATOR WAYNE ALLARD

Senator ALLARD. Mr. Chairman, I understand we have a vote about 10:50. Is that correct?

Chairman SARBANES. It is sometime shortly.

Senator ALLARD. Yes. So, I would just like to put my statement in the record, so we can move forward and hear from the panel.

But I would also express appreciation for Rita Poundstone, who works with the Colorado Housing and Finance Authority, serving on this Commission. I have worked closely with the Colorado Housing and Finance Authority and think it is a great organization.

Chairman SARBANES. Thank you. Your full statement will be included in the record.

I say to the witnesses, that was a very gracious gesture on Senator Allard's part.

[Laughter.]

Given the way things work around here.

Senator Reed.

COMMENTS OF SENATOR JACK REED

Senator REED. Thank you, Mr. Chairman. I will also graciously ask that my statement be placed in the record.

[Laughter.]

Let me just quickly welcome Commissioner Feingold and Commissioner Erickson and thank them for their work and the fellow Commissioners for their great work.

Our challenge is to preserve senior housing. It is to expand senior housing through increased production programs. And it is also to ensure that the services are available. This is a particularly vital issue in my home State of Rhode Island. We rank sixth in population of people age 65 years and older.

So these are critical issues for all of us, but particularly for my home State. I look forward to working with Chairman Sarbanes and Senator Allard, my colleague on the Subcommittee.

Thank you, Mr. Chairman.

Chairman SARBANES. Very good. Thank you, Senator Reed.

Now, we are ready to hear from the witnesses. And Ellen, as the Co-Chair, I think we will turn to you first. If you want to take a moment or two to introduce your fellow Commissioners that are here with you today, we invite you to do that as well.

STATEMENT OF ELLEN FEINGOLD
CO-CHAIR, THE COMMISSION ON AFFORDABLE HOUSING AND HEALTH FACILITY NEEDS FOR SENIORS IN THE 21ST CENTURY

Ms. FEINGOLD. Thank you, Mr. Chairman. I would be very glad to do that. And then after I have made the introductions, I would like, with your consent, to ask Mr. John Erickson to present the Majority Report.

It seems to me appropriate that the Majority Report come before the Minority. But I will accept your invitation to introduce our Commissioners.

Chairman SARBANES. Fine.

Ms. FEINGOLD. We have with us, starting at the end, Commissioner Baumgarten from——

Chairman SARBANES. Why don't each of you stand as you are introduced?

Ms. FEINGOLD. —the State of Oregon. We have Commissioner Poundstone, whom Senator Allard introduced, from the State of Colorado. We have Commissioner Sykes from Madison, Wisconsin. We have Commissioner Thomas from Seattle, Washington. We have Commissioner Protulis, who I think at the moment is from Florida. Is that correct?

Mr. PROTULIS. Maryland. Maryland.

[Laughter.]

Ms. FEINGOLD. Maryland. Maryland.

[Laughter.]

Yes.

Mr. PROTULIS. And everybody else behind me is from Maryland.

[Laughter.]

Chairman SARBANES. Yes.

Ms. FEINGOLD. We have our Executive Director Gerard Holder and our Associate Director Dina Elani. And I am very pleased to introduce you to our principal consultant on the demographics of this problem. This is Dr. Stephen Golant, from the University of Florida.

We asked him to join us at the very last minute because we thought you would probably have more serious questions about the numbers than either John or I are expert about. Steve Golant is here to be of help to all of you.

Now, with your consent, may I turn this over to Commissioner John Erickson?

Chairman SARBANES. We would be very happy to hear from you, Commissioner.

STATEMENT OF JOHN ERICKSON
COMMISSIONER, THE COMMISSION ON AFFORDABLE HOUSING AND HEALTH FACILITY NEEDS FOR SENIORS IN THE 21ST CENTURY
ON BEHALF OF NANCY HOOKS, CO-CHAIR

Mr. ERICKSON. Thank you very much, Chairman Sarbanes, and Senators. I appreciate the opportunity to be here today, and for holding this hearing.

As you said, I am John Erickson, and for the record, Chairman of Erickson Retirement Communities, a Baltimore-based company that is a national provider of senior housing.

As 14 Commissioners, with vastly different backgrounds and life experiences, we brought a great deal of diversity of opinion to this responsibility—and that diversity is a strength that has led us to an array of thoughtful recommendations. Our Report offers over 40 specific recommendations and a wealth of new data to lay the groundwork for the changes that are needed if we are to provide Americans with the assurance that they will not be abandoned in their later years.

Our Congressional mandate laid out extensive expectations, and I am pleased to report on the vigorous effort that has been undertaken to meet them. Serving the seniors to come is a task requiring considerable preparatory work—it cannot be handled overnight and "more money" is an oversimplified and inadequate solution.

The Seniors Commission has launched a nationwide dialogue on senior housing, health care, and supportive service issues. We organized and conducted a series of coast-to-coast field hearings that resulted in our exposure to an array of innovative thinking and best practices.

At each of the five field hearings, we allocated time to allow seniors to address the Commission and we listened closely and were moved deeply as seniors and their loved ones told us about their own difficulties in housing and health challenges that they faced every day.

As a result, the Commission learned that the needs of seniors are quite diverse and that the ways in which these needs need to be met are equally diverse. What works in some cities does not necessarily work in others or in rural or suburban communities. What works for some seniors doesn't for others, or is even unavailable altogether. We learned that many Government programs do not function collaboratively, and that their failure to do so imposes added burdens on the very people that they hope to try and serve.

The Seniors Commission has highlighted America's "quiet crisis"—the senior housing and health care challenges we will face as the Baby Boomer generation reaches retirement age. Today, as we summarize our key findings, we call upon the Congress, the Administration, State and local governments, the private sector, nonprofits and faith-based organizations to recognize that senior housing and health services must become a national priority. President Bush recently announced his progressive housing initiative to promote homeownership and to increase the supply of affordable homes, and has demonstrated his leadership by identifying housing as a national imperative.

The Commission's Report contains data reflecting the present needs of seniors, and allows us to predict the range of the future need. Fortunately, all of the people that will be seniors using up our health services are currently alive today, so we have a lot of information about what to expect.

Right now, more than 80 percent of seniors own their own homes. And of those, above the age of 50, almost 60 percent have their homes free and clear. This pattern is likely to prevail, and in the future, it might even extend to a greater condition. So, aware

of this, the Commission took a serious look at health policy, especially with regard to long-term care affordability, availability, and accessibility. It is apparent that health policy, especially long-term care, compels people to leave their homes in order to receive care, favors an institutional settings and is often prohibitively expensive. Therefore, the Commission recommends encouraging the provision of Home- and Community-Based Services wherever possible.

In general, we expected Baby Boomers to begin their retirement years in better financial position than their parents. They will, nevertheless, test the limits of our housing and health system. Even if increasing incomes are assumed, large numbers of low-income seniors will continue to require significant assistance, and many middle-income seniors will find themselves on the precipice of hardship due to unforeseen health or housing expenses that may not be addressed by present policy.

The Commission heard one, consistent message—seniors wish to age as best as they can in place, which may mean in a private home, a congregate community environment, or another location of their choosing. If it can be done safely and efficiently, it should be done. Smart policy, providing the appropriate level of care and securing effective assistance in the home can avoid premature placement in institutional settings and save scarce resources for those who truly need these extensive and costly levels of care.

The Senate Aging Committee has recently conducted 13 hearings, and if you extrapolate the current usage for long-term care costs, it would ultimately absorb 75 percent of the total budget in the year 2030.

So, obviously, we have to make some changes.

Modest assistance for home modifications or repairs can allow seniors to remain in their homes, thereby reducing the need to build additional, affordable rental housing. Furthermore, service-related assistance for seniors, once again, in the home, will allow them to remain in the community, reducing the overall cost to taxpayers. In an institutional setting, for many seniors receiving Government assistance, the Government is not only paying for their health services, but also for their housing. By subsidizing health services in the home setting, substantial savings could be realized. So providing home-based assistance allows seniors to maintain their independence and their dignity, and we certainly encourage you to make it available at every possible intersection.

Enactment of a shelter deduction will help the Home- and Community-Based Services gain parity with institutional settings, just by changing the home from a liability in terms of qualifying for assistance to an asset that reduces the overall cost of providing services by removing the costs associated with this institutional component. Currently, it works against seniors to stay home and is qualified as income. But if it allowed them to have services, we could take that as a deduction.

The Commission strongly recommends private-sector solutions. We encourage Congress to provide incentives to purchase long-term care insurance, to reduce the overwhelming out-of-pocket burden on seniors, and the pressure on the public support systems. Deductibility of long-term care insurance should be a part of any tax planning in the future.

I focused on our health recommendations since, as we delved into these issues, the levels of frailty and the fragmentation of services combined with a large number of senior homeowners of all incomes indicates to us that perhaps health and health-related services are an even wider problem than the lack of affordable housing. Clearly, however, there are shortages of affordable housing and there is a need for more of it. There is no doubt about that.

There is a need for such housing to be modified and constructed with the needs of seniors in mind. Although the American Housing Survey is, perhaps, the best data set available on housing, several Commissioners identified serious flaws with that housing index, and additional research using other data sets, especially on income, serve to reinforce their concerns.

These, coupled with the Harvard Joint Center for Housing Studies' projections of greatly increased senior homeownership and an awareness that, in some communities, subsidized housing units remain vacant, raises a cautionary flag about proceeding too vigorously with housing production. What is clear is that shortages exist, and in some communities, they are extremely serious.

Some key recommendations in our Report: The preservation, modernization, and retrofitting of existing affordable senior housing—very important; expansion of all types of assisted housing programs in order to meet market demand; expansion of the role of Government Sponsored Enterprises, GSE's, in supporting senior housing needs; encouragement of service-enriched, senior housing developments by streamlining regulatory processes and by coordinating agencies that interface in the provision of housing and services at the Federal, State, and local levels; and finally, the redesign of programs to reflect the real needs of individual seniors, while providing enough flexibility to ensure that localities have the most appropriate tools to meet local needs, rather than imposing a "one-size-fits-all" type of solution.

By moving in these directions, the needs of the growing senior population can be met. To reiterate, our Report has more than 40 recommendations; it is a tool for change, a document that looks to the future in a realistic manner. I encourage you to examine the recommendations closely and to explore their implications and their impacts.

On behalf of Nancy Hooks, I thank you for this experience and the opportunity to participate in developing a comprehensive, bipartisan, and national policy statement on issues that we all care so deeply about.

Thank you, Senator Sarbanes.

Chairman SARBANES. Thank you very much, John.

Those lights up there on the clock indicate that we are now more than halfway through the time for the vote. That is why my colleagues have been leaving. So, I have to recess the hearing for a few minutes while we go and vote, and then we will return and will hear Ms. Feingold's statement and have a question period.

The hearing stands in recess.

[Recess.]

Chairman SARBANES. The hearing will now resume and we will hear from Ms. Feingold.

Ms. FEINGOLD. Thank you, Mr. Chairman.

For the record, I am Ellen Feingold. I am the Co-Chair of the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century. I am also the President of Jewish Community Housing for the Elderly in Boston, which is a nonprofit nonsectarian developer, owner, and manager of over 1,000 units of Government-funded housing for low-income elderly.

It is relevant for this Commission that I am also a founder of an organization called the Committee to End Elder Homelessness.

Every year in Boston, we do a census of elder homelessness. And this year, there were over 400 seniors who were homeless in the month of January in Boston. If you want to see the problem of lack of housing for seniors writ large, look at seniors who have become homeless.

I want to thank the Committee and especially thank Chairman Sarbanes for inviting me and the rest of the Commission to testify before you.

I also want to thank Congressman Barney Frank for the privilege of appointing me in concert with Senators Kerry and Mikulski, and Congressman Mollohan.

This has been a rare opportunity for me, I appreciate it deeply.

When we were doing introductions before, I did not introduce you to the people who represent those whose problems we have solved. I would like to introduce you to about 60 seniors in this room who are residents of Government-supported senior housing. Will you all stand up?

[Applause.]

They are residents of housing which has been developed by the Elderly Housing and Development Corporation of which Commissioner Protulis is the Director. Commissioner Protulis has made sure that there have been seniors at every single one of our public hearings. Some of them have testified before us, but many have sat and listened and they have applauded our efforts because there is nobody who understands the problems, and also the value of the solutions, the way these people do.

I am thrilled that you are all here. Thank you so much.

I come before the Committee as someone who has dealt with the problem of providing decent, supportive housing for elderly persons for over 20 years. The average age of residents in my housing is over 80, and their incomes average $10,000 a year or less. They are very old. They are very poor. And they are increasingly frail. I know first-hand how valuable the programs are that the Federal Government provides for helping people to live decent lives.

In the Commission's Report, you will find examples of how these programs are used creatively, how they are blended together, how we make a great stew out of some very disparate Government products that were never designed to work together. But we also know the inadequacy of the quantity of the resources we have.

My organization has 1,050 apartments. They are all occupied all the time. We have no vacancy rate. And there are 1,800 people on our waiting list.

The Section 202 program allocates around 150 to 175 apartments per year to Massachusetts. I could use all of it for 10 years and I still wouldn't house my waiting list. We need resources desperately.

Every day, people call me and my staff pleading, desperate, looking for housing. They probably call your staff, Mr. Chairman, and your staff probably calls me or people like me, saying, what can you do for my boss' constituent? My answer is nothing, for 6 years. They have to get on the waiting list. And I wind up telling people who are 80 that they have to wait 6 years for housing.

Now, Mr. Erickson referred to some places in the country that have vacancies in subsidized housing. That is true. But it is the rare exception, it is not the rule. The rule is massive waiting lists. The rule is people who are desperate. And we come before you to ask the Congress to really address this problem.

The question is, how much more do we need?

Dr. Stephen Golant prepared for the Commission a piece of groundbreaking research which is in the Appendix to our Report, which quantifies and puts together in one place the issues of need, the issues of affordability, and the issues of housing condition and accessibility.

Let me say at this point that the Minority of the Commission supports wholeheartedly almost the entirety of the Majority Report. The specifics that Mr. Erickson laid out before are all specifics that are important. Where we depart from the Majority is in quantifying for you the dimension of the need, the crisis of the need and to plead with you to change priorities so that we can begin to meet the need.

The Minority Report differs from the Majority Report in four crucial areas. Number one, increased housing production goals. Number two, using our resources first to meet the needs of the poorest and the frailest. Number three, begin to make major changes in the funding system for services to seniors. And number four, to deal with the issue of the resources that solving this problem will take.

We have to start now. We were asked to look at the crisis in 20 years. We have to start now because the crisis is now.

Right now, there are 1.2 million Government-subsidized rental units that house 1.3 million people. But there are 6.1 million very low- and extremely low-income seniors who have priority housing problems, who are not now living in assisted housing. That is 6.1 million. That, in a sense, is the gap.

Not all of those 6 million want to live in rent-assisted housing. But if you figured that a quarter to a half of them do, then we are looking at a gap of 1½ to 3 million badly housed, very poor old people today. Not 20 years from now. Today.

Now if you project that to 2020, Dr. Golant tells us there will be 9.5 million very low-income and extremely low-income persons with priority housing needs. That is 9.5 million. If you figure a quarter to a half of them would move into rent-assisted housing, that means we would need 2.4 million units over the next 17 years, which translates to 140,000 units a year, if we are going to catch up in 2020.

Supposing we looked just at renters. The largest number of seniors at all income levels are homeowners, but look at renters. There are 2.4 million senior renters who are very low-income or extremely low-income who are not in rent-assisted housing. Figure half of them—because they are renters—might be willing to move, would be overjoyed to move into rent-assisted housing. So today, that

number is 1.2 million. In 2020, if you look just at renters, the very poor, very needy renters, there will be 3.2 million. If we were going to house half of them, we would need to produce 94,000 units a year.

It is in the context of those numbers that the Minority recommends strongly to you that the Congress begin now to authorize 60,000 units a year of housing for low-income seniors, either through the Section 202 program or the Rural Housing Services Section 515 program, or public housing programs, or the low-income units in tax credit properties.

We also recommend to you, to prevent falling back even further, $200 million now for the Affordable Housing Preservation Act, to prevent the loss of some 300,000 senior units that are at risk today.

There is no cheap way to do it. If you do it by tax credits, you are spending tax money. If you do it by budget outlays, you are spending appropriated money. But the wood and bricks and steel and plumbers and electricians cost the same. There is no way of getting around that building housing costs money.

With respect to supportive services, we echo virtually all of the recommendations of the Majority. There are some additional recommendations in the Minority Report which are worth mentioning.

One of the problems one faces trying to put housing and services programs together is they do not even talk the same language. If you ask what is the eligibility for housing, it is calculated according to Area Median Income. So it is very sensitive to regional variations, local variations.

If you ask if someone is eligible for Medicaid, that is based on a national poverty figure. There are some parts of the country where those numbers are similar and there are some parts of the country where there are wide disparities.

In Massachusetts, you can have an income of twice the Medicaid income ceiling and be eligible for assisted housing. This means that we have many people living in subsidized housing who cannot access the services that they need.

We cannot even understand that problem until we start talking the same language.

So one of our recommendations, a small one, is to change the language, change the terminology, and use the Area Median Income for both health programs and housing programs.

The two most dramatic recommendations that we make to you have to do with Medicaid and Medicare. Both of those programs have done a terrific job at some of what they do.

Medicare, which dates from 1965, originally cover hospital costs—what in 1965 we knew to be the normal, extraordinary health needs of older people. We now acknowledge that today's normal, extraordinary needs include prescription drugs. So, Congress is preparing to add that coverage, which the entire Commission supports.

The Commission's Minority urges you to think seriously of adding long-term care service benefits to the Medicare program. It will cost both the users and the Government additional money in the short run, but Medicare has to become the long-term care insurance program for most Americans. We cannot pretend that only

hospitals and doctors are what elders need. These changes will reduce costlier and often unnecessary institutionalization.

The second major change we recommend to you is a change in the Medicaid program, which at this time entitles poor people to go to nursing homes.

When Mr. Erickson mentioned someone who lives in his or her own home, but for lack of services, has to go to an institution, the missing link there is that if that low-income person was eligible for services under Medicaid, they wouldn't have to go to a nursing home where Medicaid will pay their bill.

There is a Medicaid Home- and Community-Based Waiver Program now. It has been very successful. Different States use it in different ways. We recommend strongly to the Congress that the days of waiver and special demonstrations are over, that the Home- and Community-Based Services be rolled into the Medicaid program as a central part of that program.

Finally, I would say to you that we recognize the costs of what we are asking for. That the costs are huge. But this country has resources. The question is, how are we going to allocate our resources? We allocate them in many ways that are beautiful and we accomplish great things.

One of the things we have been enormously successful at is stimulating homeownership for people at all income levels. We have the highest proportion of homeownership in the world in the United States. And that costs us. There is a tax cost to the stimulation of homeownership of $60 to $80 billion a year.

We would like to see Congress think of what $60 to $80 billion a year would do for the housing needs of low-income renters. We would like to see parity. We would like to see poor people's housing supported at a level like that. We would like to see services for low- and moderate-income seniors supported at a level like that.

The program has succeeded. But it has left people behind. And we would urge you strongly to think about how to raise funding for low-income assisted housing up to a level that begins to meet today's and tomorrow's needs. We shouldn't have our mothers and our fathers and our grandparents risking homelessness and risking institutionalization.

We urge you strongly to look at our recommendations and to do what needs to be done so that seniors live in health and dignity and safety.

Thank you.

Chairman SARBANES. Good. Thank you very much.

One of the things the Commission did was some very important new research, and we very much appreciate a lot of this additional material. I think it is going to be very helpful to us.

As I understand it, there are about 325,000 units of senior housing that are at risk of being lost to the affordable housing stock.

Ms. FEINGOLD. Correct.

Chairman SARBANES. Through the problem of opt-outs. Correct?

Ms. FEINGOLD. That is correct.

Chairman SARBANES. I was curious. Is this housing that was originally designated for seniors, or are these units that now house elderly families through the process of aging in place? Do you know?

Ms. FEINGOLD. I do not know. I can guess, but I do not know. I would guess that it is mostly age-segregated housing. But I do not know the answer.

Chairman SARBANES. Does Dr. Golant know?

[Pause.]

Ms. FEINGOLD. It includes everything. But my guess is that it is largely senior housing. We will get you the answer. You will have the answer shortly.

Michael Bodaken, who researched preservation issues for the Commission, included all HUD-subsidized elderly housing and all other assisted multifamily housing in which 50 percent or more of the households are age 62 and over. See Appendix G3, page 13, in the Commission's Report.

Chairman SARBANES. I would be interested in that figure.

Ms. FEINGOLD. Yes.

Chairman SARBANES. You said a tiny change to equalize where you have to be financially to qualify for affordable housing and where you are in order to qualify for Medicaid. As I understand your recommendation, it was to move the Medicaid qualification standard up to the Area Median Income, which would correspond with the housing.

Ms. FEINGOLD. Correct.

Chairman SARBANES. Do you have any idea how much additional that would cost in terms of Medicaid benefits?

Ms. FEINGOLD. We are not reaching that point. What we are saying to you is, if Medicaid eligibility were calculated using the standard of Area Median Income, we would be able to see what that means. Right now, we label the eligibilities by two totally different standards and we only know when the human being comes in and says, I am eligible for this, but I am not eligible for that.

We do not know what it means.

We do know that in Boston, you are eligible for housing when you are not eligible for services. There are other places where you are eligible for services and not eligible for housing. So until we are talking the same language, it becomes very difficult to deal with.

Chairman SARBANES. But we need some factual basis if you are going to——

Ms. FEINGOLD. We are not changing the eligibility yet. Using the same standards will provide you with the factual basis.

Chairman SARBANES. The same language.

Ms. FEINGOLD. That comes later.

Chairman SARBANES. Pardon?

Ms. FEINGOLD. That comes later. Let me put it this way. If the Area Median Income, say, is $50,000, so 50 percent of the Area Median Income is $25,000, that is the HUD eligibility ceiling. Perhaps the Medicaid eligibility ceiling is $10,000. There is a huge gap. We are not saying yet, fill the gap. We are just saying, at least talk the same language so that people——

Chairman SARBANES. I am just trying to find out some figure as to the cost if you were to talk the same language. That is all.

You are advocating talking the same language. And an important factor in judging that, presumably, amongst other things, is what the cost would be.

Ms. FEINGOLD. Only if you then changed the eligibility. Right?

Chairman SARBANES. That is the only way you could talk the same language.

Ms. FEINGOLD. No, no. Right now, if you have decided in your State that the Medicaid eligibility threshold is $10,000, and you define it as 100 percent of poverty, you could also describe it as 20 percent of the Area Median Income. The same number of dollars could be described as 20 percent of Area Median Income or 100 percent of poverty.

Chairman SARBANES. So, then, what follows from that?

Ms. FEINGOLD. What would follow is one would look at it and say, well, what makes sense? And you could then decide that it doesn't make sense to go much above that, or one could decide it should go up 10 or 20 percent, and then one could cost it out. Just changing the vocabulary doesn't change the money.

Chairman SARBANES. What is the purpose of changing the vocabulary if it is not going to change the money?

Ms. FEINGOLD. So that the person who works for me and has to recertify the housing eligibility of our tenants every year, also knows without calling somebody else up in another agency who is eligible for what.

HUD housing uses Area Median Income as a standard. And if people's eligibility for services were based on Area Median Income, we would know who in our buildings was eligible for what. We would not have to have them certified for eligibility by another agency.

Chairman SARBANES. So, you all talk about predatory lending. Abusive lending practices I think is the phrase that is used in the Report, targeting seniors. This is an issue in which this Committee has taken a keen interest. And we found in a series of hearings that elderly homeowners are particular targets of predatory lending, often because they have accumulated a lot of equity in the course of their lifetime.

What did the Commission find in its hearings and research regarding abusive lending practices?

Ms. FEINGOLD. John, do you want to take that?

Mr. ERICKSON. We found that the large entities like Fannie Mae and the rest have actually developed very comprehensive programs and they have been pretty good at policing to see that there are no predatory practices.

Certainly in the small, less national policies, you could still have some abuse. But the reverse mortgage program is much more detailed and spelled out so that seniors know what they are getting into if they are using mortgages at a late time in life to finance their health costs or some of their ability to stay at home.

So the disclosure policies have gotten much stronger. It is an area that we did not find widespread abuse, but it was one of the areas that did come up and we said that we should be particularly cautious about making sure seniors are not targeted because they do not have any earnings capacity if they do make a bad mistake.

Chairman SARBANES. Well, the AARP, of course, has taken a keen interest in this issue and we have been trying to work closely with them on it.

We have found evidence of repeated exploitation of the elderly, which results in the equity being literally stripped away from them

through excessive fees, repeated refinancing, single-premium credit insurance that is built in, things of that sort. In fact, some of the more responsible lenders in the field have now ruled out some of these practices, which is a real step forward and an encouraging development. We have some legislation in that we want to take a look at.

But there are some very sharp and fast operators who just really make victims out of the elderly, and the elderly seem to be one of their target groups for exploiting. We are quite concerned about that issue.

How much work did you do on the question of senior housing in public housing?

Ms. FEINGOLD. The largest number of low-income people living in Government-assisted housing live in public housing. And we are very concerned about that group.

The Minority Report stresses the need for moving services into public housing, for the ability to renovate and retrofit public housing so that it can do a better job of housing seniors.

I do not believe we heard a great deal of testimony, but it was very clear in looking at the data that we saw. We also have among our Commissioners Mr. Thomas, who is the Director of the Seattle, Washington, public housing authority and very active nationally in housing authority organizations. He brought us a lot of the information about this.

It is a serious problem and our recommendations are that we reestablish public housing production programs for seniors. We recommend that, contingent on a large increase in Section 202 authorization, public housing authorities be made eligible to use those funds. We do not recommend this change if funding remains at today's limited levels because there is a large community of developers, nonprofit sponsors who make very good use of the Section 202 program.

But this is a program that really works, and when we get enough of it out on the street, we think that public housing authorities who exist in some 3,400 communities around the country are well-placed to become developers of senior housing using that program.

Chairman SARBANES. Does the Commission have a view on whether housing for the elderly should be, to what extent it should be for the elderly and to what extent the elderly should be in an affordable housing complex which embraces the nonelderly as well?

Ms. FEINGOLD. I think the watchword of the Commission was choice. These are not mutually exclusive. There are some elderly who want to live in seniors-only housing. There are some elders who love living in a mixed-age community or a mixed-income community. The need is enormous. We should meet it in every way we possibly can.

Chairman SARBANES. In the public housing reform bill we did just a couple of years ago, there was an effort to move toward greater diversity of income of the tenants.

Now this runs counter to the proposition that you should take care of the poorest first because it means you would have people in the affordable housing context who were not at the very bottom of the income scale.

The argument that was made on its behalf was that a better mix community in income terms—we are still talking about low-income people. It is a question of whether you are talking about just the very lowest or whether it is a mix in a somewhat broader context.

The argument was that that more diversified community would be more stable, that you would have leadership models that would be present in the community and that would therefore have an impact on a more stable housing environment.

There are good arguments in both directions, I think. But does the same issue arise with respect to senior housing, as you see it?

Ms. FEINGOLD. Most of my buildings are 100 percent low income. I have one building that is 15 percent market.

Chairman SARBANES. Let's not go there. I mean, let's not go to market.

Ms. FEINGOLD. Market is pretty low. It is just not as low as low.

Chairman SARBANES. When you say low income, do you take the lowest income first?

Ms. FEINGOLD. We are required to take a certain proportion of our tenants with 30 percent of median income.

Chairman SARBANES. Right.

Ms. FEINGOLD. We have the same——

Chairman SARBANES. Presumably, all of your tenants could be at 30 percent of median income.

Ms. FEINGOLD. Absolutely.

Chairman SARBANES. All right. Well, why don't you do that? Why don't you take the very poorest first?

Ms. FEINGOLD. Well, if you are asking me literally, because I am governed by rules that say that I have to take people in chronological order that they get on my waiting list. In fact——

Chairman SARBANES. Do you think that you should take——

Ms. FEINGOLD. —most of our tenants are at 30 percent. I mean, that is why we have tenants whose median income is $10,000 a year. Most of our tenants are extremely low income.

Chairman SARBANES. Do you think that in some way weakens the ability to have a stable housing environment as opposed to having more of a mix of income?

Ms. FEINGOLD. In senior housing, I do not think that this is as much of a problem as it is in family housing.

Again, this is an area where I do not see a need to choose. I do not see a need to say, it all must be mixed income or it all must be very low income. My experience is that both work.

The bottom line is an issue of need and how vast the need is. Whatever way we go about meeting the need is what we need to do. And to get hung up on which is the best way when both are good, I think is not productive.

Chairman SARBANES. I don't really quarrel with that, and I am one who is strongly committed to trying to get more resources into affordable housing.

Ms. FEINGOLD. Good.

Chairman SARBANES. But as long as the resources fall well short of the need, the kind of questions I have just been putting are going to continue to come to the fore.

Ms. FEINGOLD. I know.

Chairman SARBANES. And that is why I was really trying to explore your thinking on that part.

How are we going to coordinate the housing needs and the health care needs? What are the prime recommendations you would make in order to accomplish that objective?

Ms. FEINGOLD. Well, we come down very strongly, both the Majority and the Minority Report come down very strongly on the value of service coordination. Service coordinators are people who are staff in senior housing who know the resources in the community. For years, I have been hiring them, calling them brokers. They link users with resources. That works on the ground.

We would like to create programs that work, so that it is not constantly an exercise in creativity to make it work.

In the State of Massachusetts, we have a number of both State-funded and Federally-funded service programs which service coordinators link. In some cases, we can run an entire program in a housing building. But in many cases, you have to do it person-by-person-by-person.

In our Report, as I say, we come down strongly on the need for service coordinators who become expert in what is available in their areas and how to assess people for their needs and link them with services.

We are also recommending in the Minority Report a program that would enable housing sponsors to access both service money and HUD housing money in one application.

We are suggesting to you that an allocation from HHS, from DOT, from the Administration on Aging—that there be funds appropriated to those agencies and then provided to HUD, so that if I come in applying for funding to build a supportive housing development, I go to HUD and I say, I need X-number of dollars to build it. I need Y-number of dollars to subsidize the rents. I need Z-number of dollars to run transportation. I need V-number of dollars to run a meal site.

These are all pieces of funding money that currently come from different agencies. If a piece of money was coming from the agency to HUD so that a single application from a sponsor could access those funds, you would go a long way to making it easy for housers to see that their residents are getting the services that they need.

Look, the bottom line is we have a Government structure that separates functions. The silo term has become old hat. When I was first appointed to this Commission, I thought, great, we are going to figure out a way to punch holes in the silos. I had to give up on that.

What we are looking for now are the small ways in which we can make the silos work for us rather than creating constant barriers. And one way is to have these pots of money that all go to a coherent program that is administered through HUD, using the same standards each program establishes. For example, the recipients of services would still have to qualify for Medicaid.

The housing sponsor who is getting this piece of Medicaid funding which is coming from HHS to HUD to the housing sponsor will still have to follow the rules that govern that money. But the money will come to one place in one application. You will make it immensely easier to carry out the coordination of housing and serv-

ices that you are interested in. So, we are recommending that you do a demonstration program of this kind.

Mr. ERICKSON. Senator.

Chairman SARBANES. Yes, John.

Mr. ERICKSON. This is even more important for the 96 percent of seniors that are not in public housing that are either in private rental, or whatever.

If you look at the vast majority, that 96 percent that are in other forms of housing, the ability to begin demonstration programs that would capitate Medicare payments and do earlier interventions would have a huge impact. The ability to have primary care at an early point instead of urgent care in hospitals, would shift dollars and make seniors have a much higher quality of life.

Currently, capitation rules are limited under Medicare by an entire county instead of by groups.

And so, we recommended being able to break that down into much smaller entities, even a thousand seniors at a time, to say, you put in a full-service program under capitation and try and cost this and see if you can do a better delivery service and move from acute care and institutional care to home and community care.

Chairman SARBANES. Well, this has been an extremely helpful panel and we very much appreciate the Commission's work and the Report, which is about to be published, I guess.

When will it be published?

Mr. ERICKSON. We submit tomorrow and it should be printed over the weekend.

Chairman SARBANES. I thank not only the two of you, but also all of the Commissioners and the staff for the contributions they have made. I think that it is going to contribute significantly to the dialogue as we try to meet this challenge, which I think is an extremely important one.

Ms. FEINGOLD. Thank you so much, Chairman Sarbanes. I would like to offer to the Committee staff who are here the time of Dr. Golant, who is here for a little while longer. And those of you who have questions about the research, he is available to you now.

Chairman SARBANES. Yes. We appreciate that very much.

Mr. ERICKSON. Thank you, Senator Sarbanes.

Chairman SARBANES. The hearing stands adjourned.

[Whereupon, at 11:50 a.m., the hearing was adjourned.]

[Prepared statements supplied for the record follow:]

PREPARED STATEMENT OF SENATOR WAYNE ALLARD

I want to thank the Chairman for holding this hearing. I appreciate the opportunity to hear a preview of the Commission's Report today.

In 1999, Congress created the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century. I was pleased to be able to help select some of the Commissioners. I was particularly pleased to nominate Rita Poundstone to serve as a Commissioner. Rita works at the Colorado Housing and Finance Authority, an organization I have worked with closely over the years.

Over the past 2 years, the Commission has held hearings and public forums all over the country, commissioned the collection of data and compiled data on housing and services for seniors, and created a set of recommendations for Congress. We are here today to hear these recommendations which will help Congress address the needs of this increasing population of seniors in our country over the next decades.

Over the years, the Congress has enacted some very strong and effective housing programs, such as the Low-Income Housing Tax Credit and Section 8 Voucher programs. These, and other programs, meet the housing needs of many Americans, including seniors. I am interested to hear from the Commissioners and to read in the final Commission Report suggestions for continuing to met the needs of seniors in our country.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SENATOR JACK REED

Mr. Chairman, thank you for holding this hearing today.

We are happy that Co-Chairman Feingold and Commissioner Erickson of the Seniors Commission are here today to talk about such an important issue—the housing and health facility needs of our Nation's elderly. We are looking forward to hearing your recommendations about how to address these needs.

This is an issue near and dear to my heart. In my own State of Rhode Island, almost one-fifth of our residents are over the age of 60. Approximately 10 percent of Rhode Island's seniors are currently living in subsidized housing and many more are currently on the waiting lists for such housing.

About 31 percent of Rhode Island's seniors are paying more than 40 percent of their income toward their housing. For those over the age of 75, 36 percent are paying over 40 percent for their housing.

As the Commissioners are going to testify today, not only do we need to start building more units of affordable housing for the Baby Boomers that are beginning to enter their senior years, but we also need to work together to preserve existing affordable housing for seniors.

I believe this is one of the most important issues before the Congress at the moment—how we can preserve our existing senior housing stock without losing more of it to market forces. In my own State, approximately 11 percent of Rhode Island's affordable senior housing is currently in danger of being lost to the market.

In addition to struggling with the affordable housing issues, many seniors are struggling to obtain health care services. As our seniors live longer, they are having a harder time meeting their long-term health care needs, even when they are Medicare eligible.

We clearly have a problem. I look forward to the Commission's advice and recommendations regarding how the Government can help promote, encourage, and if necessary, create elderly housing with services for some of our Nation's most vulnerable citizens.

Most seniors want to remain in their own homes as long as possible. This is not only the best choice for them, it is also the best choice for the American taxpayer.

PREPARED STATEMENT OF SENATOR JON S. CORZINE

Mr. Chairman, I am very pleased that the Committee is holding this important and timely hearing today to discuss what is a growing crisis in our country—the crisis in long-term care. As we will hear from the Commission's Co-Chairs, our country not only faces a long-term health care crisis, but also a long-term housing crisis. Indeed, as the Commission's preliminary findings show, housing and health needs for our Nation's seniors are inextricably linked. We cannot adequately address the health needs of our Nation's growing elderly population without providing them access to affordable housing.

In the next 30 years, the senior population will grow to more than 20 percent of the U.S. population. Currently, 20 percent of seniors have significant long-term care needs, and as our population lives longer this number will only increase. Low-income families nationwide face severe housing problems, particularly in New Jersey where rental costs are among the highest in the Nation. But, seniors, particularly elderly women who generally outlive their spouses and are more likely to live alone, face especially complex housing problems. Fifty-seven percent of seniors who rent pay more than 30 percent of their income for housing and are likely to have significant health care needs.

Eighteen percent of seniors need assistance with at least one daily activity, such as bathing or cooking. Too many of these seniors, however, lack access to the support services they need to help them "age in place." As a result of a shortage of supportive housing and limited access to community-based services, too many of our seniors have been institutionalized, a measure that is both costly and sometimes unnecessary.

While most States provide access to certain home-based care services for elderly Medicaid recipients, these services are not guaranteed and are only available to very low-income seniors. Forty percent of our senior population has an income below 50 percent of the Area Median Income. Yet many of these seniors are not Medicaid eligible, and are too poor to pay for home care services or assisted living. And, for those who are eligible for Federally-subsidized supportive housing, there is too often a long waiting list.

Nationally, for every one senior living in subsidized housing, there are an additional six seniors on waiting lists for such housing. In New Jersey, there are nine applicants for every one available Section 202 unit. According to the Commission's preliminary findings, in order to keep pace with this 6 to 1 ratio, we will need to create an additional 730,000 additional rent-assisted units by 2020. *And that is what we need just to maintain the status quo.* The need for affordable housing production cannot be understated. There are currently 1.4 million elderly households that are currently eligible for Federally-subsidized housing but are not receiving it.

Mr. Chairman, we have a crisis in this country today that will only continue to worsen. As the Commission's findings demonstrate, the puzzle of meeting seniors' housing and health care needs requires not only creative solutions, but will also require a significant investment in the production of affordable and supportive housing that will enable our seniors to age with dignity.

Thank you, Mr. Chairman. I look forward to hearing from our panel.

PREPARED STATEMENT OF ELLEN FEINGOLD

CO-CHAIR, COMMISSION ON AFFORDABLE HOUSING AND HEALTH FACILITY NEEDS FOR SENIORS IN THE 21ST CENTURY

JUNE 27, 2002

I am Ellen Feingold, Co-Chair of the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century and also President of Jewish Community Housing for the Elderly, a nonprofit nonsectarian developer, owner, and manager of over 1,000 units of Government-funded housing for low-income elders in the Boston area.

I want to thank the Committee and especially Chairman Sarbanes for inviting me and my Co-Chair Nancy Hooks to testify before you today. I also want to take this opportunity to thank Congressman Barney Frank who, together with Senators John Kerry and Barbara Mikulski and Congressman Alan Mollohan gave me the great honor of serving on this Commission and the opportunity to work with my fellow Commissioners toward ensuring that our Nation's elders are well-housed and have the health and supportive services they need as we move through the 21st century.

I come before you as someone who has dealt with the problem of providing decent supportive housing for elderly persons every day for over 20 years. JCHE's residents' average age is over 80, and their incomes average around $10,000 a year. They are very old, very poor, and increasingly frail. I know first-hand how valuable the tools are that the Federal Government has given us to work with, and in the Commission's Report we describe the ways these tools are being used innovatively to create housing environments in which people can grow old safely, with dignity, and with the supports they need to be as independent as possible.

But we also know how inadequate the quantity of resources we have are NOW. My organization has 1,050 apartments, all occupied all the time, and 1,800 people on our waiting list at any one time. Every day, people call me and my staff, pleading

for housing for themselves or their family members. Often, your staff call me and my colleagues in your States on behalf of your constituents who are frantic with worry and need. The Commission Report has numbers and statistics describing what has become a crisis; but I hear the need from desperate seniors first-hand, as do you. What do *you* tell them? I have to tell them it will take *years* before there will be a JCHE apartment for them. Can you imagine telling an 80-year-old that they will have to wait 6 years for an apartment? This need for decent, supportive, affordable housing is not an abstract issue. These are real people, our own parents and grandparents, and their need is critical and urgent.

The Commission heard this story over and over—and we heard how very grateful seniors who live in Government-assisted housing are for their quality affordable housing, and we heard over and over that what is needed is MORE.

The Commission is presenting to you a piece of groundbreaking research, in which Dr. Stephen Golant of the University of Florida quantified today's housing need, and projected this need in 2020. In Part III of the Commission Report, Key Findings and Projections, you will find a summary of his work, and his analysis of the need and the full report is in the Appendix. Dr. Golant found that, for every rent-assisted unit currently occupied by a senior, there are almost six seniors with housing problems—either due to affordability, or poor conditions, or other problems—who cannot access decent, affordable housing.

The Commission's Minority supports most of the Commission Report—its findings and many of its recommendations.

This Minority Report goes beyond the Majority Report in calling for greatly increased housing production goals, for using our resources first to meet the needs of the poorest and frailest seniors, for major changes in the systems for providing and funding services to seniors, and for a commitment to providing the major increase in funding that these changes will require. We believe that the only way that our Nation can meet the anticipated crisis in supply is by starting NOW to meet today's huge need.

Just how great is the need? Looking at Dr. Golant's Exhibit I (Part III, page 3), you will see that there are currently 1.2 million Government-subsidized rental units housing 1.3 million seniors. Exhibit 8 (Part III, page 9) shows that there are currently 6.1 million *very low-* and *extremely low-income* seniors with *priority housing problems* who are NOT living in those 1.2 million units. In other words, today's gap is 6.1 million units. Even assuming that only one-half or one-third or even one-quarter of those 6.1 million urgently needy very poor seniors want to live in decent rent-assisted housing, you can see we are looking at a current deficit of 1.5 million to 3 million units.

Projecting to 2020, and such projections are, of course, very approximate and subject to all kinds of caveats, Dr. Golant estimates there will be 9.5 million very low- and extremely low-income seniors with priority housing problems. Again, assuming that only one-quarter of those seniors want to live in rent-assisted housing, this means we should produce 2.4 million units over the next 17 years, or 140,000 units a year, if we want to be able to provide decent affordable supportive housing to the country's seniors in 2020.

Those numbers are huge! Suppose we do the same set of calculations just looking at very low- and extremely low-income *renters* with priority housing problems. Today, there are 2.4 million seniors in that category, NOT living in rent-assisted housing. Since they are renters, one could predict that a higher proportion of them would live in rent-assisted housing if it was available. If half of them would do so, this means today's deficit for renters is 1.2 million units.

Dr. Golant estimates that in 2020 there will be 3.2 million very low- and extremely low-income renters with priority housing problems. To provide decent affordable supportive housing to half of them, we should produce 94,000 units a year between now and 2020.

It is in the context of these numbers that the Commission Minority recommends to Congress that it authorize and fund an immediate production goal for subsidized elderly housing with supportive services of at least 60,000 units a year for the foreseeable future. This housing could be developed through the highly successful Section 202 program, the Rural Housing Service's Section 515 program, public housing programs, and the low-income units in tax credit developments.

You might then ask the question: If we assume that it might take 94,000 units a year to house those very poor senior renters with unmet priority housing needs, and as many as an additional 46,000 units for very poor home owners with priority housing problems who might want to move to such housing, why recommend only 60,000 units a year? It is the Minority's view that it will take time and effort to gear up at all levels—administration, producer capacity, regulatory, etc.—to be able to utilize an authorization of even 60,000 units. This is a big jump in Federal com-

mitment—for example, this year's Section 202 authorization was for only 5,800 units, just a few hundred for Section 515, and no additional public housing units. The 60,000 units will be a serious start to meeting both today's and tomorrow's needs. But less than that would indicate an avoidance, a failure of will in heading off the crisis.

The Minority also recommends major funding of at least $200 million for the Affordable Housing Preservation Act to stem the potential loss of any of the 324,000 affordable elderly housing units at risk.

With respect to the health and supportive services that seniors need to enable them to age well in place, the Minority recommends a number of short-term and long-term steps.

First, we make a series of recommendations that are similar to those in the Majority Report to strengthen the highly successful Service Coordination Program in senior housing: That the HUD Service Coordinator grant program be expanded to all Federally-assisted low-income housing and its funding increased to a realistic level; that public housing authorities be funded to enable them to contract for services to their elderly residents; that Medicaid Home- and Community-Based Services waiver funds be guaranteed for supportive services in all Federally-assisted senior housing, including those projects utilizing the Assisted Living Conversion Program; and a number of others.

More basic, it is obvious that the current Federal agency structure, in which housing and the various services seniors need are provided separately by separate Government departments which are governed by separate Congressional Committees and separate OMB sections, does not lend itself to well-integrated and coordinated housing and service programs. When the Commission began its work, I thought this would be the single most important focus of our work. However, the Commission's limited time-frame and mandate militated against in-depth consideration of structural reorganization proposals. Instead, the Minority proposes a number of concrete steps that will begin the process of creating a coordinated system.

For example, the Minority recommends a simple change that will make eligibility determinations in HUD-funded and HHS-funded programs easier to coordinate. Currently, HUD determines program eligibility according to the regionally sensitive Area Median Income standard. HHS programs use a national standard—either the Federal Poverty Level or the Supplemental Security Income level. The Minority recommends that HHS program eligibility be based on the Area Median Income to facilitate the linking of HUD and HHS programs.

Similarly, the Minority recommends that HUD and HHS jointly develop a uniform definition of assisted living and assisted living services for seniors.

In another more ground-breaking example, the Minority recommends a new Aging in Place demonstration program that links funds provided through the HHS Home- and Community-Based Service waivers and other Federal senior supportive service programs (through AoA and DOT, for example), with HUD and RHS rent subsidies to support aging-in-place strategies for frail residents.

These are small steps that can perhaps lead to far greater linkages among the programs that help support successful aging.

And finally, recognizing that the principal payment systems for services and health care for seniors are the Medicare and Medicaid programs, the Minority offers two recommendations that will begin the transformation of these programs for the 21st Century.

First, we join the call for a Medicare Prescription Drug Benefit. The new wonder drugs available today have made possible declining hospital utilization rates as more and more serious conditions can be treated out of the hospital. But seniors often cannot afford these drugs and therefore wind up requiring the far more expensive hospital care. The Prescription Drug Benefit has become an essential prong of a comprehensive and cost-effective health policy. Likewise, the success of today's health care measures is evident in keeping seniors alive and relatively well-functioning for many years longer, but brings with it a need for home care for the resulting chronic conditions and disabilities. Again, without necessary home care, seniors will wind up in much more expensive hospital care. The Minority, therefore, recommends an expansion of Medicare coverage to include chronic and long-term care and prescription drugs.

Similarly, the relatively complete coverage that Medicaid provides to low-income seniors does not require that Home- and Community-Based Services be provided on an equal basis with institutional care and other Medicaid entitlements. Since Medicaid is a joint Federal-State program within which States have wide latitude in designing their program, there has been a reluctance to impose a new entitlement on States. The Minority believes that putting Home- and Community-Based Services on an equal footing with institutional care will, in the long run, save money, as it

will avoid the far more expensive institutional care. More important, it will respect the dignity and choice of seniors who wish to remain in their own homes as long as possible. It will also enable States to respond positively to the mandate of the Supreme Court's *Olmstead* decision that individuals have the right to choose to live in the least restrictive environment that will meet their needs.

The Minority also stresses the importance of adequate training and pay scales for the workers who provide services to seniors and we provide a series of recommendations to improve their working conditions.

In closing, you gave the Commission an enormous mandate, to look ahead at a problem that is clearly and dramatically growing in scope. The Minority believes that denial and wishful thinking have no place in trying to solve a problem. We believe that Members of Congress asked to know the scope of the problem and the hard realities of its solution. The country's unprecedented success that makes possible many more years of life for the elderly of our country than were even dreamed about just a generation ago has created an unprecedented demand for housing and health and supportive services. The hard reality is that there are unprecedented costs involved in meeting this demand.

This country *has* the resources to pay these costs. The country uses them according to our priorities and our commitments. We have used our resources with extraordinary success to create the highest rate of homeownership in the developed world by permitting the interest we pay on home mortgages to be tax deductible—a subsidy amounting to $60 to $90 billion in 1999. We must now begin to bring parity in resource allocation to the housing and service needs of low-income elders that we brought to stimulating homeownership.

The Minority urges Congress to commit the Nation once again to assuring a good old age for its seniors who have contributed so much.

The effort of this Commission, both Majority and Minority members, has been to provide Congress with information and with new tools to address the crisis ahead. We have participated in a nationwide dialogue which we have reported to you. It is our hope that the outcome will result in better health and greater independence for the huge numbers of elderly people who will surely need both.

PREPARED STATEMENT OF NANCY HOOKS

CO-CHAIR, COMMISSION ON AFFORDABLE HOUSING AND HEALTH FACILITY NEEDS FOR SENIORS IN THE 21ST CENTURY

JUNE 27, 2002

PLEASE NOTE: *Since Ms. Nancy Hooks was not able to be present at the hearing, her testimony was presented by Mr. John Erickson, Commissioner, Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century.*

Chairman Sarbanes, Senator Gramm, Members of the Committee—thank you for holding this hearing to receive testimony regarding the impending Report of the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century—the Seniors Commission.

I am Nancy Hooks of Albany, New York, and for the past 18 months I have Co-Chaired the Seniors Commission. It is a great honor to have been selected for this important mission and to be invited to share our key findings with you.

Like many of my colleagues on the Commission, I have dedicated my professional life to helping seniors live with a sense of fulfillment and of dignity. As fourteen Commissioners, with vastly different backgrounds, occupations, and life experiences, from 11 different States, we brought a great deal of diversity of opinion to this responsibility—and that diversity is a strength that has led us to an array of thoughtful recommendations. Our Report reflects a wide range of perspectives and solutions to some extraordinarily pressing problems. We offer over 40 specific recommendations and a wealth of new data to lay the groundwork for the changes that are needed if we are to provide Americans with the assurance that they will not be abandoned in their later years.

Mr. Chairman, our Congressional mandate laid out extensive expectations, and I am pleased to report on the vigorous effort that has been undertaken to meet them. I would like to begin by explaining how we have evolved. Created in the fall of 1999 by bipartisan legislation sponsored by former Congressman Rick Lazio, the Seniors Commission was not formally appointed until January 2, 2001. And we recognized our creation as a rare opportunity to be proactive—to be creative. Serving the

overwhelming and diverse population to come is a task requiring considerable preparatory work—it cannot be handled overnight and "more money" is an oversimplified and inadequate solution. Rather, the task will necessitate substantial changes in Federal, State, and local policies, service delivery and funding.

Throughout 2001, the Seniors Commission launched a nationwide dialogue on senior housing, health care, and supportive service issues. We organized and we conducted a series of coast-to-coast field hearings that resulted in our exposure to some of the most innovative thinking and best practices impacting the lives of seniors today.

In Syracuse, NY, Columbus, OH, San Diego, CA, Miami, FL, and Baltimore, MD, we listened not just to policy experts, researchers, demographers, Government officials, civic leaders, professionals and care providers, but to seniors themselves. At each of our five, day-long field hearings we allocated time in the program to allow every concerned senior present to address the Commission. We listened closely and were moved deeply as seniors and their loved ones told us, in their own compelling words, about the housing and health challenges they face each and every day.

As a result, the Commission learned that the needs of seniors are quite diverse and that the ways in which those needs may be met are equally diverse. We learned that there are policies that work for many, but not necessarily for all. What works in some cities does not necessarily work in others or in rural or suburban areas. What works for some seniors doesn't for others, or is unavailable altogether. We learned that many Government programs do not function collaboratively, and that their failure to do so imposes added burdens on the very individuals they are intended to help. We learned that Government, the private sector, nonprofits, and faith-based organizations can and must do more today to address the existing and future needs of our growing senior population.

The Seniors Commission's national dialogue highlighted what we consider to be America's "quiet crisis"—the senior housing and health care challenges we will face as the Baby Boomer generation reaches retirement age. Today, as we summarize our key findings, the Seniors Commission urges broad acknowledgement of this crisis. The legacy of this panel, and that for which each Commissioner hopes, is for Congress, the Administration, State and local government, the private sector, nonprofits and faith-based organizations to recognize that responding to the senior housing and health concerns we have identified must be a national priority. President Bush, in his recently announced, progressive housing initiative to promote homeownership and to increase the supply of affordable homes, has demonstrated his leadership by identifying housing as a national imperative.

The Commission's Report contains data reflecting the present needs of seniors and how they are met, and allows us to predict the range of future need. Today, nearly 68 percent of Americans own their own home, and that figure is over 80 percent among those aged 50 and above. Further, of those aged 50+ homeowners, 58 percent own their home free and clear.[1] This pattern is likely to prevail in the future, perhaps to an even greater extent if our projections hold true. Aware of this, the Commission took a serious look at health policy, especially with regard to long-term care affordability, availability, and accessibility. It is apparent that health policy, especially long-term care, compels individuals to leave their homes to receive care, favors institutional settings and is often prohibitively expensive. Therefore, the Commission strongly recommends encouraging the provision of the Home- and Community-Based Services (HCBS).

The senior population is expected to grow dramatically over the next 30 years due to the aging Baby Boomer generation. In 2011, this generation will begin to retire. By 2020, they will number close to 54 million and by 2030, they are expected to number 70 million. One in five Americans will be a senior.[2] America's future seniors are now in their 30's, 40's, and 50's. In 9 short years, the first wave of this generation will reach age 65, and begin to test our Nation's senior resources.

The prime focus of our mandate is housing and health facility needs. Housing and health-related needs data is vital to producing a picture of the future needs of senior Americans. Information on income and Federal investment is also important to a thorough analysis. Both factors give context to the scope of need demonstrated by existing housing and health data. The income of seniors is an essential factor in predicting their ability to cope with the challenges of aging.

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[1] United States Census, Housing Vacancy Survey, First Quarter, April 2002, Graph of Homeownership Rates.

[2] Older Americans 2000: Key Indicators of Well-Being, Federal Agency Forum on Aging-Related Statistics (August 2000): Indicator I. *http://www.agingstats.gov/chartbook2000/population.html*

A key trend is the gradual percentage reduction in the low-income and poverty level population. In general, we expect the Baby Boomers to begin their retirement years in a better financial position than that of their parents. They will be a generation of consumers who are accustomed to personal independence, financial planning, and consumer choice—their needs and expectations will differ greatly from those of our current seniors, as will their health, wealth, and social attributes. While this trend is expected to continue, the large volume of Baby Boomers moving through the various age cohorts during the period beyond 2010 will, nevertheless, test the limits of our housing and health system. Even if increasing incomes are assumed, large numbers of low-income seniors will continue to require significant assistance, and many middle-income seniors will find themselves on the precipice of hardship due to some unforeseen health or housing expenses that may not be addressed by present policy.

The different forms of assistance, the different benefits offered in each Government application, and the different income qualifications impact numerous seniors. Rent-assisted housing often has the broadest eligibility of the means-tested programs because of the Department of Housing and Urban Development's use of Area Median Income (AMI) as a guide. Medicaid, on the other hand, uses variations of Supplemental Security Income eligibility that relate to the Federal Poverty Level (FPL).[3] In many areas of the Nation, the differing standards do not make a great difference. However, in high-cost areas, they are very important, because the HUD standard tends to be more lenient, creating a disparity between eligibility for housing and eligibility for the types of health or health-related benefits many need, and that are only subsidized effectively under Medicaid.[4] In contrast, in other areas, individuals are eligible for Medicaid, but not for subsidized housing. The Commission addresses these complex issues in its recommendations.

The Commission heard one, consistent message: Seniors wish to age in place, which may mean in a private home, a congregate community, or another location of their choosing. If it can be done safely and efficiently, it should be done. We have always been a Nation that puts a high value on liberty and choices. Smart policy, providing the appropriate level of care and securing effective assistance in the home can avoid premature placement in institutional settings and save scarce resources for those who truly need the extensive and the very costly level of care provided by those settings.

The Senate Aging Committee has recently conducted 13 hearings, and has reported that Government program spending on long-term care will absorb nearly 75 percent of all Federal revenues by the year 2030.[5] Already, in 2001, State Medicaid programs paid about 62 percent of the $137 billion spent nationally on long-term care.[6] Key witnesses at the June 20, 2002, Senate hearing suggested that our Government could realize savings if Medicare and Medicaid funds could be blended to evade service duplication and if States could utilize Medicare and Medicaid funding to reimburse preventive care, thereby allowing seniors to remain at home, as opposed to moving to more costly institutional settings.[7]

Modest assistance for home modifications or repairs can allow seniors to remain in their homes, thereby reducing the need to build additional, affordable rental housing properties. Furthermore, service-related assistance for seniors, once again, in the home, allows them to remain in the community, reducing the overall cost to taxpayers. In an institutional setting, for many seniors receiving Government assistance, the Government is paying for their housing and their health services. By subsidizing health services in the home setting, substantial savings are realized. Only in the most desperate of health situations, does an institutional setting achieve real cost benefits. Providing home-based assistance allows seniors to maintain their independence and dignity, and it should be encouraged.

While there will always be a need for the skilled nursing facility level of care, Home- and Community-Based Services offer an alternative that is appropriate for most, except the very frail or seriously ill, who do not have the benefit of informal caregivers and, therefore, require intensive and extensive support. The Federal Government's involvement in the funding of such services under the Medicaid program

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[3] One hundred percent SSI is approximately 74 percent FPL; both are national standards, with minor exceptions.

[4] Robert Mollica, Personal Care Services: A Comparison of Four States, AARP (March 2001).

[5] McKnight's Online Daily Update (June 24, 2002).

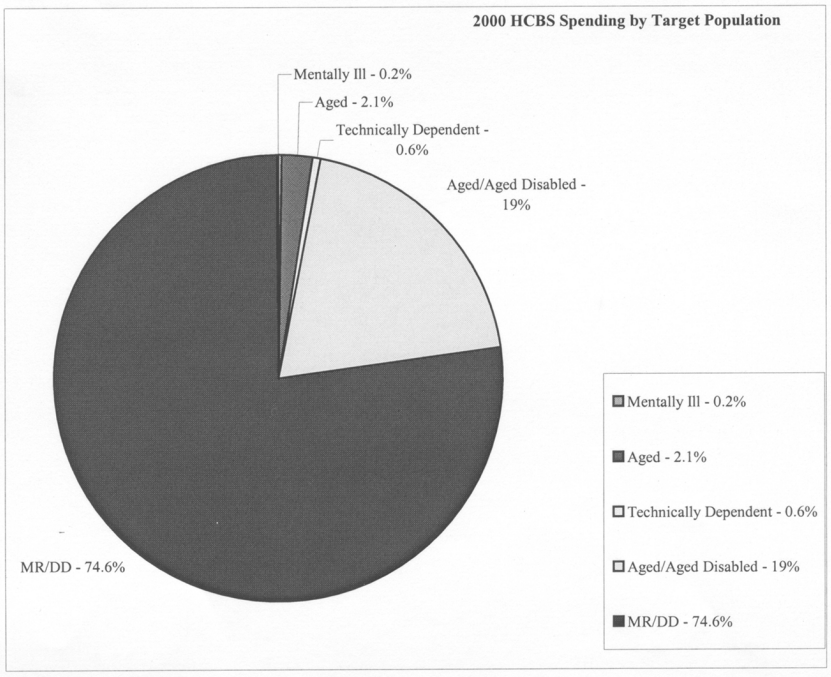
[6] Lewin Group Report to the U.S. Department of Health and Human Services, as reported in McKnight's Online Daily Update (June 24, 2002).

[7] Senate Aging Committee Report, "Aging Committee: Hearing Finding Summary," as reported in McKnight's Online Daily Update (June 24, 2002).

largely began with the use of Medicaid waivers.[8] Many State-funded programs have also recognized HCBS.[9] Although the greatest use of HCBS has been to support the de-institutionalization and expansion of community services for individuals with developmental disabilities, the waivers have become increasingly useful as a means to finance services for low-income seniors. States may also provide personal care services through the "Personal Care Option" under Medicaid, though personal care tends to be limited to nonmedical types of care.[10]

Commission research projects that, in 2020, 4.2 million seniors will need personal care, including 2.4 million seniors with incomes under 250 percent of the poverty level. Another 3.2 million will require skilled home care with 2.3 million under 250 percent of poverty. Coverage for such services under Federal and State programs becomes more limited as income increases, since Medicare is far more restrictive in its coverage of such services.[11] Given the unprecedented growth in need for these services and the present limited levels of access to such services, the Commission has developed several recommendations to improve the availability of services to seniors, regardless of their residential setting.

The Commission recommends that Congress encourage the States to continue to develop Home- and Community-Based Services as the preferable and cost-effective alternative to facility-based skilled nursing care under the Medicaid Program. For example, enacting a "shelter deduction" will help HCBS gain parity with institutional settings by changing the home from a liability in terms of qualifying for assistance, to an asset that reduces the overall cost of providing services by removing the costs associated with the institutional component.



Source: Burwell, HCFA 64 Data

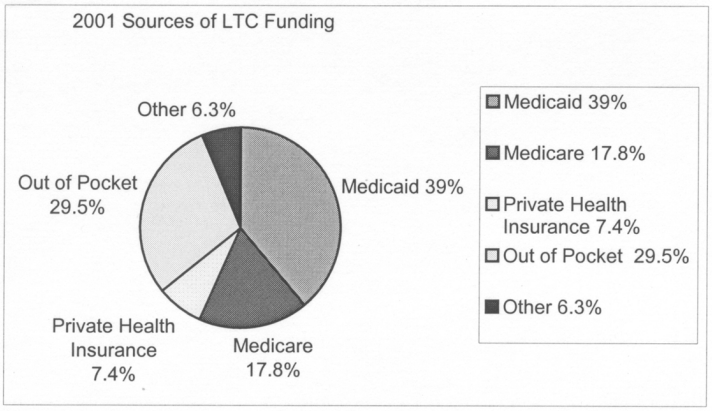
[8] Valerie Lewis, Medicaid Waivers: California's Use of a Federal Option, Medi-Cal Policy Institute (March 2000): 5–6. *http://admin.chcf.org/documents/mcpi/medicaidwaivers.pdf*

[9] Enid Kassner, Loretta Williams, "Taking Care of Their Own: State-Funded Home- and Community-Based Care Programs for Older Persons, AARP (1997). *http://research.aarp.org/health/9704*__funded.html

[10] Robert Mollica, Enid Kassner, Personal Care Services: A Comparison of Four States, AARP (2001), 1–2. *http://research.aarp.org/health/2001*__04__care.pdf

[11] Mollica, 4.

The Commission also recommends that Congress examine ways in which Home- and Community-Based Services can be modified to more efficiently and effectively support services to seniors with chronic disabilities or illnesses. The Commission believes that it is the reform, rather than the reduction of Medicare spending, that has the potential for savings.



Source: Burwell, HCFA Data

In addition, the Commission recommends private sector solutions. We encourage Congress to provide incentives to purchase long-term care insurance to reduce both the overwhelming out-of-pocket burden on seniors and the pressure on the public support systems.

For many seniors, greater availability of, and investment in, long-term care insurance will provide them with a more secure future and allow them to save their financial resources. It is important that diverse, quality products be developed and promoted. Deductibility for long-term care insurance should be a part of any future tax proposals.

I opened my remarks with a discussion of our health recommendations since, as we delved into the issues, the level of frailties and the fragmentation of services combined with the large number of senior homeowners of all incomes indicated to us that perhaps health and health-related services are a wider problem than the lack of affordable housing. Clearly, however, there are shortages of affordable housing and there is a need for more of it. There is also a need for such housing to be modified or constructed with the needs of seniors in mind.

To accommodate those seniors who cannot afford market rate housing, there is clearly a need for more affordable housing production. Although the American Housing Survey is, perhaps, the best data set available on housing, several Commissioners identified serious flaws in it, and additional research using other data sets, especially on income, served to reinforce their concerns.

Comparison of Income Reported in American Housing Survey and Current Population Survey, 1999

	AHS	CPS	Difference
All Households			
Median	$35,961	$40,816	-11.90%
<$15,000	21.00%	16.50%	27.30%
<100% poverty	14.70%	9.30%	58.10%
Age 65+ Householders			
Median	$19,712	$22,812	-13.60%
<$15,000	39.30%	29.80%	31.90%
<100% poverty	19.00%	11.40%	66.70%
<30% AMI	27%	17%	58.80%
<50% AMI	50%	39%	28.20%

Source: The Lewin Group tabulations of the 1999 American Housing Survey and the March 2000 Current Population Survey (which reports 1999 income). Prepared for the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century, (March 2002).

These, coupled with the Harvard Joint Center for Housing Studies' projections of greatly increased senior homeownership and an awareness that, in some communities, subsidized housing units remain vacant, raises a cautionary flag about proceeding too vigorously with housing production.[12]

Consolidated Projections of the Joint Center on Housing Studies[1]

Age Groups and Year	Owner Households	Renter Households	Total Households	Ownership Rate
2000				
Age 65-75	9,470,000	1,972,000	11,442,000	82.80%
Age 75 and Over	8,784,000	2,637,000	11,421,000	76.90%
2000 Totals	**18,254,000**	**4,609,000**	**22,863,000**	**79.80%**
2020				
Age 65-75	16,880,000	2,790,000	19,670,000	85.80%
Age 75 and Over	12,424,000	2,838,000	15,262,000	81.40%
2020 Totals	**29,304,000**	**5,628,000**	**34,932,000**	**83.80%**

The data found in this chart can be found on page 29 of the Joint Center's report.

What is clear is that shortages do exist, and in some communities they are very serious. They are likely to continue unless relieved by significant increases in production. Some of the key recommendations in our Report are:

- Preservation, modernization, and retrofitting of existing affordable senior housing.
- Expansion of all types of assisted housing in order to meet market demand.
- Expansion of the role of Government Sponsored Enterprises in supporting senior housing needs.

[12] State of the Nation's Housing 2001, Harvard Joint Center for Housing Studies (2002), 29.

- Encouragement of service-enriched, senior housing development by streamlining regulatory processes and coordinating agencies that interface in the provision of housing and services at the Federal, State, and local levels.
- Redesign of programs to reflect the real needs of individual seniors, while providing enough flexibility to ensure that localities have the most appropriate tools to meet local needs, rather than imposing "one-size-fits-all" solutions.

By moving in these directions, the needs of the growing senior population can be met. To reiterate, our Report has more than forty recommendations; it is our tool for change—a document that looks to the future in a realistic manner. I encourage you to examine the recommendations very closely and to explore their implications and impacts.

Will Rogers once said, "Even if you are on the right track, you are gonna get run over if you just sit there." The members of the Seniors Commission did not just sit there. And we believe our recommendations will take the Nation farther down the track toward ensuring affordable housing and addressing health facility needs for seniors in the 21st Century.

Co-Chairing the Seniors Commission has been a valuable experience and opportunity for me to participate in developing a comprehensive, bipartisan and national policy statement on the issues I care about so deeply, and I have enjoyed serving you and working to find solutions to improve the lives of American seniors.

I thank you for this valuable opportunity.