



Rural Minnesota Journal 2012

Who Lives in Rural Minnesota:

A Region in Transition

© Center for Rural Policy and Development

www.ruralmn.org/rmj/

Where Will Rural Baby Boomers Live in Their Later Years?

LaRhae Knatterud

The world is experiencing a major and permanent shift in the age of its population, the size of which has never happened before in human history. The large Baby Boom generation, born between 1946 and 1964, represents the leading edge of this historic age wave. By 2030, Minnesota will have an estimated 1.3 million individuals age 65 and over, nearly double the number compared to 2010. The Boomers will not only be a much larger group of seniors, they will have different sensibilities about what they want their aging to look like and what products and services related to their aging they prefer. The Boomers have changed society in profound ways in every phase of their lives, and experts predict they will continue to do so as they age.

One of the key areas where these new preferences may show up is in the area of long-term care. How and where will Boomers want to receive services as they grow older? Eventually, the Boomers will need assistance with day-to-day activities such as bathing, dressing, and help with household tasks. Their grandparents moved to nursing homes for care, while their parents have moved to assisted living facilities, often at the urging of their Boomer adult children. But what will Boomers do and what type of housing and services will they want at this stage of their lives?

Many are betting that they will move to “amenity-rich” senior housing as they age. The dramatic growth in service-rich senior housing (a.k.a. assisted living) in Minnesota has been under way since the mid ‘90s, but it has been accelerating in recent years. This growth—more dramatic in Minnesota

than anywhere else in the country—raises the question of whether the large Boomer generation will move to assisted living facilities when they begin to need long-term care. Given their oft-stated disinterest in anything that labels them as seniors, one could assume that most would not move into such facilities unless they have no other option or their adult children tell them they must move.

In this article, we will describe the demographics of aging in rural Minnesota and how the current elderly population in rural areas is meeting their long-term care needs. Then we will look at the future housing and service preferences of Boomers who live in the rural areas of the state and the conclusions that can be drawn from the available data about possible future scenarios for where these Boomers will live in their later years. (For purposes of this article, we are defining rural as all the counties in Minnesota outside the seven-county Twin Cities metro area. We will use the term Greater Minnesota and rural interchangeably.

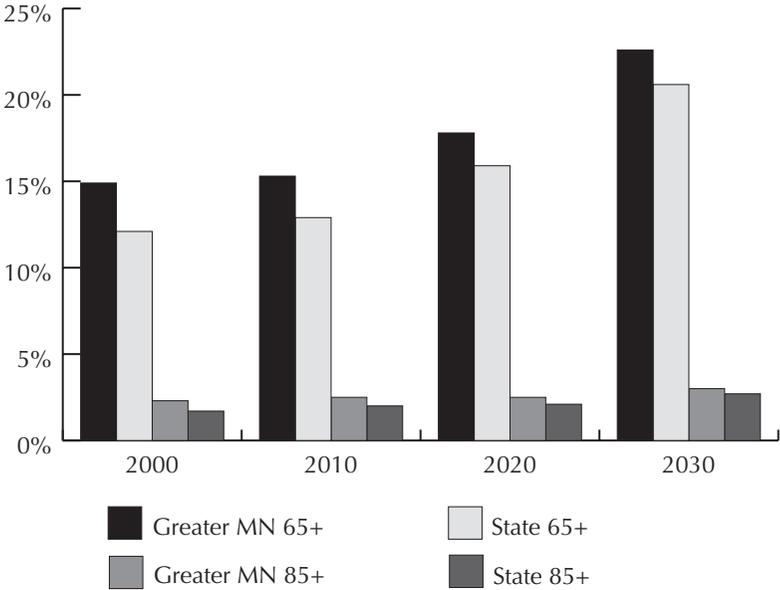
The Age Wave has started in Minnesota

Minnesota, along with the whole world, is aging. Because of longer life expectancies and reduced fertility rates around the world, our society is seeing dramatic growth in the number and percentage of older people.

Minnesota's population will age quickly over the next 20 years. The 65-and-over population will nearly double between 2010 and 2030, increasing from 683,121 (12.4% of the total population) to 1,299,460 (23% of the total population). During that same time, the 85-and-over population will also nearly double, rising from 85,000 in 2010 to 168,890 in 2030. By 2050, the 85-and-over population will double again, rising to 324,000. Finally, starting in 2050, the major increases will level off, because the large Baby Boom generation will, by that time, all be over age 85 (see Figure 1).

Rural Minnesota is already older than the state as a whole and older than the Twin Cities metro area. This trend will continue into the future. In 2030, about 22.6% of Greater Minnesota's population will be 65 and over compared to 20.6% for the state as a whole and 19% for the Twin Cities. About

Figure 1: Population Age 65+ and 85+, 2000 and 2010 (actual) and 2020 and 2030 (projections).



Source: State Demographer’s Office, 2012.

47% of the 65-and-over population lives in Greater Minnesota.

The oldest counties in the state are located in Greater Minnesota. According to the 2010 Census, Traverse County is the oldest of Minnesota’s counties, with 27.7% of its population 65 and over, followed by Aitkin County with 25.7%. These counties have more than twice the percentage of 65+ individuals in their population compared to the state overall.

The same pattern is true for the population 85 and over. Right now, the 85+ population represents a slightly larger percentage of the total population of Greater Minnesota than of the state overall; by 2030, 3.0% of the population in Greater Minnesota will be 85 or over, compared to 2.7% for the state as a whole.

Growing need for long-term care

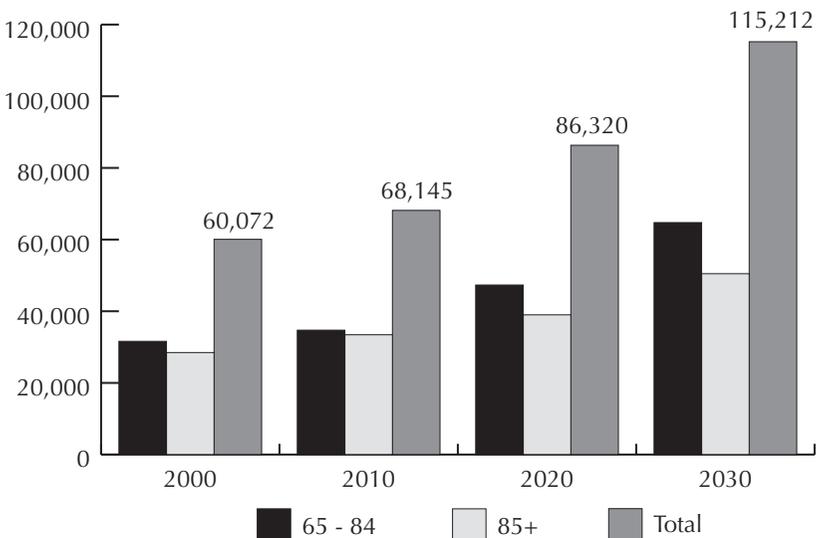
There is a somewhat higher need for long-term care in rural Minnesota, since this need is correlated with older ages. An estimated 11% of those ages 65-84 need long-term care, as do 55% of persons 85 and over.¹ Thus in 2030, an estimated 115,212 of the 65-and-over population in Greater Minnesota will need some level of long-term care (see Figure 2).

Where long-term care is provided and who provides it has changed dramatically over the past 15 years. For example, in 1984, 36.4% of 85-year olds in Minnesota were being cared for in a nursing home. By 2009, that percent was down to 15.1%.²

Minnesota's senior housing and services

Minnesota has always had a much larger senior housing stock than other states. Depending upon your viewpoint, this is either because proactive policymakers at the state and local levels worked together with senior housing and service providers to add affordable senior housing to the growing system of resources for seniors, or it is the result of having the

Figure 2: Greater Minnesota population 65–84 and 85+ in need of long-term care, 2000–2030.



Source: CBO, April 2004.

state's favorite son, Hubert Humphrey, in Washington, D.C., as vice president at a time when large amounts of housing subsidy funds were being distributed. The actual explanation is probably some of both.

Currently, there are an estimated 2,272 buildings providing subsidized senior housing or housing with services for the elderly in Minnesota.³ These buildings provide an estimated 79,000-94,000 senior housing units throughout Minnesota. This count does not include buildings for seniors that are considered "active retirement communities" or private-market (non-subsidized) senior housing with no services.

About 54% of these senior buildings are located in the Greater Minnesota area. Many of these buildings are designated as "housing with services establishments." About 44% of the buildings also have an assisted living designation. This means that the housing provider offers higher levels of supportive and health services and meets specific requirements regarding the types of services that must be offered, the type of providers that may provide those services, and several consumer protection and consumer information requirements.

The term "housing with services establishment" is a unique Minnesota creation. Any senior housing in Minnesota that offers some type of service package to residents is considered to be a "housing with service establishment." They must be registered as such with the Minnesota Department of Health. The building itself must comply with applicable housing and safety codes, and the services must be provided by appropriately licensed providers. Residents usually pay a fixed monthly base fee that includes the rent and a package of services. Which services are included in this package and which services are provided ala carte vary widely from one building to the next, as does the cost of these services. As Table 1 indicates, two thirds of the registered housing with services establishments that have an assisted living designation are in Greater Minnesota.

Historically, congregate settings like nursing homes and senior housing have played a larger role in service delivery in rural areas than in metro areas. Home health services are less

Table 1: Types and numbers of senior housing in Greater Minnesota and the Twin Cities.

Type of Senior Housing	Total Buildings	Twin Cities	Greater Minnesota
1. Subsidized housing for older adults	324	101	223
2. Rural subsidized housing for older adults	173	10	163
3. Registered housing with services settings	780	573	430
4. Registered housing with services/assisted living designation	995	362	633
Total	2,272	1,046	1,226*

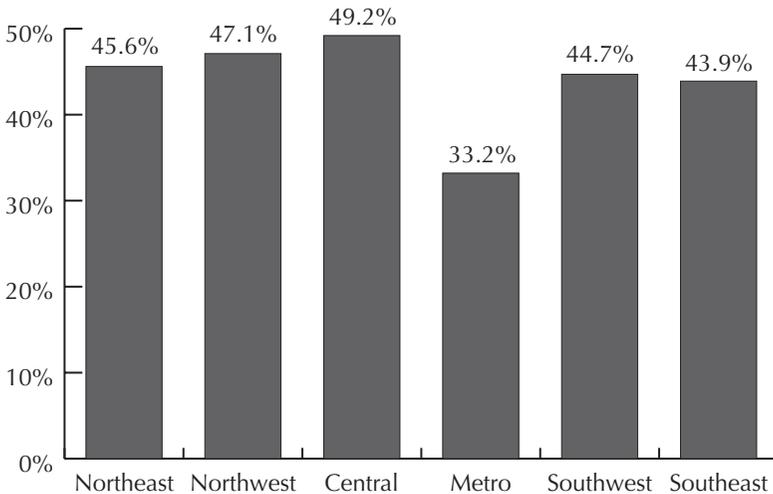
Source: [MinnesotaHelp.info/Senior Housing Locations by County](http://MinnesotaHelp.info/SeniorHousingLocationsbyCounty), June 2012 (does not add due to overlap of categories).

available in rural areas to provide services in people’s homes. For example, 73% of all professional home health agencies in Minnesota (those holding Class A licenses) are registered and serve clients in the Twin Cities.⁴ The service delivery challenges posed by long distances and sparse populations have been a barrier to formal home-based services in the past and have made service provision in congregate settings more attractive to providers and families in rural areas.

Rural seniors and leading edge boomers have lower incomes

The most recent income information on poverty rates in Minnesota indicates that persons ages 65-74 in Greater Minnesota are much more likely to have lower incomes than those in the Twin Cities metro area. Overall, 46% of the rural population age 65-74 has incomes below 200% of poverty (defined as \$22,340 per year for a one-person household and \$30,260 for a two-person household) compared to 33.2% of the Twin Cities metro population age 65-74 (see Figure 3). The recent Minnesota Elder Economic Security Initiative (EESI

Figure 3: Minnesota population age 65–74 with incomes below 200% of poverty by region. (Federal poverty guidelines: one person=\$22,340; two persons=\$30,260.)



Source: U.S. Census Bureau, American Community Survey, 2010.

study) had similar findings: that a large proportion of the current elderly population age 65 and over in rural counties did not have enough income to cover the cost of living in their county. For example, a person 65+ in Traverse County had a median income of \$26,000 in 2008 and the cost of living for an elderly person in that county was \$35,312 if you assume medium long-term care need and home ownership mortgage free.⁵

This means that as rural Boomers age and their health and long-term care expenses grow, the income of many of those Boomers will be insufficient to cover those costs.

Where do current rural elderly receive long-term care services?

In all parts of the state but especially in rural Minnesota, families and close friends provide care for frail elderly. In fact, 90% of all eldercare is provided by informal support networks.⁶ At some point, however, the needs of the elderly

person move beyond the ability of the family and friends to manage, and they begin to access formal long-term care services.

Assisted living

The Elderly Waiver (EW) is a program within Medical Assistance (MA) in Minnesota that provides funding for services in the home and community for persons 65 and over who are at risk of institutionalization and meet the income and asset eligibility requirements of the long-term care portion of the MA program. Since 2001, the program has reimbursed for services in assisted living facilities for elderly persons who qualify. When assisted living services are funded through the Elderly Waiver program, they are called “customized living services.” About 54% of the total EW client population lives in Greater Minnesota. Currently, a total of 6,645 persons receive customized living services through this program statewide. More than two-thirds, 4,478 (or 67.4%), are located in Greater Minnesota.⁷ Out of the 11,823 EW clients in Greater Minnesota, nearly 40% are receiving customized living services in an assisted living facility. As stated earlier, this high utilization is due in part to the lack of various types of home care services, but it also speaks to the large supply of assisted living in rural counties.

Customized living as a part of the waiver program has grown dramatically since 2001 and now represents over 35% of the clients and 65% of the dollars in the EW program statewide. Assisted living facilities are located in every part of the state, and many of these facilities accept public reimbursement, which is often lower than the rates these facilities charge their private-pay residents, but helps keep the facilities full.

The average monthly rate paid by the state for customized living services is now about \$2,350. Because the cost of the housing portion is often higher than the EW client can afford and because the EW program does not pay for housing costs, a number of these customized living clients also receive a state payment that goes to the housing provider to pay a portion of their housing costs, called Group Residential Housing (GRH) payments. This payment is made to the provider on behalf of

the EW client with the maximum amount set at \$846 monthly. The average GRH payment for customized living clients is currently \$230, which means the clients is paying about \$616 of the rental cost charged by the provider. GRH payments are not available for Elderly Waiver clients living in their own homes.

County gaps analysis says more affordable assisted living is needed

Every two years since 2001, the Department of Human Services has gathered information from Minnesota's 87 counties about their current gaps in services, housing, or nursing home care. Because counties work primarily with the lower-income and frail elderly, their reporting tends to reflect the needs of this group.

The most recent survey was completed in 2009, and several findings relate to housing and services needs for the elderly. Counties were asked to report on the availability of affordable and accessible housing along with resources for providing accessible housing to seniors in the community. Nearly two-thirds (65%) of the counties reported a large gap in the area of *housing accessibility*, including subsidies for low-income persons who need home modifications to make their existing housing more accessible to them. A total of 71% of the counties reported that their largest gaps in *housing availability* were subsidized rental apartments with supportive services and subsidized rental apartments with supervision/health care services. Counties reported more capacity and in some cases even surplus capacity in the area of market-rate (nonsubsidized) rental housing providing services.

What are the housing and service preferences of rural Boomers?

The data above shows a growing trend for older persons in Minnesota, especially in the rural areas, to utilize assisted living as a primary housing and service model for long-term care.

But how will the next generation of elderly in rural areas want to receive the long-term care they need? The 2010 survey of Minnesota Boomers gives us some information about their preferences.

Minnesota Survey of Baby Boomers in 2010

In July 2010, the Minnesota Department of Human Services, the Minnesota Board on Aging, and the Minnesota Department of Health conducted a survey of Minnesota Baby Boomers. As they age, these Boomers will face many transitions, including changes in work and retirement, housing, personal health, and changes in relationships and social roles. The purpose of the survey was to explore these important areas of personal transition in order to gather information on Boomer needs and preferences and to inform the policy agenda for aging at the state level.

Approximately 10,000 surveys were mailed out to a random sample of Boomers across the state, and nearly 4,000 were completed and returned, a very high response rate for a mail-out/mail-in survey. (Specific information on the survey design and methodology and full survey results can be found on the Minnesota Department of Human Services web site at <http://bit.ly/UEqtOg>.)

The responses from Boomers in Greater Minnesota were divided into three subgroups: 1) residents of larger cities, e.g., Duluth, Rochester, and St Cloud; 2) residents of smaller cities or towns; or 3) residents of rural areas. As we analyzed the results, we compared the responses of Greater Minnesota with those of Boomers in the suburban parts of the Twin Cities seven-county metro area and the center cities of Minneapolis and St. Paul. About 52% of our responses were from Greater Minnesota, even though about 47% of the Boomers live in Greater Minnesota.

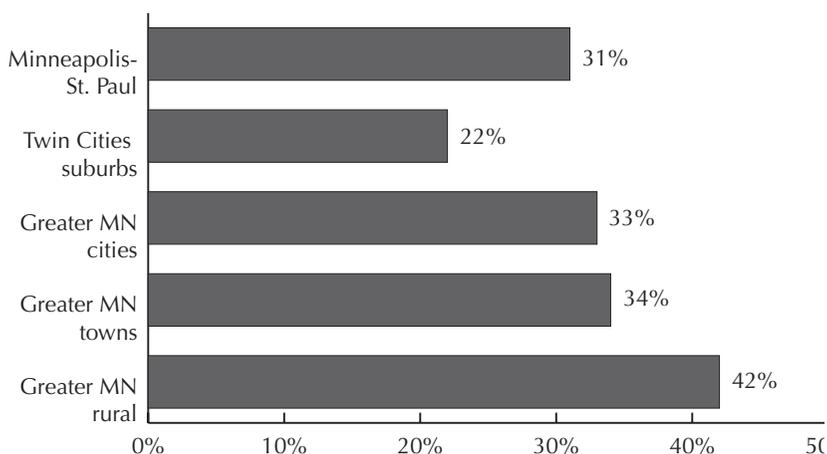
The survey included a number of questions on housing and community choices Boomers intended to make in the next 10-30 years. It asked whether the individuals wanted to age in place in their current home and community or move to another housing option or community in the next 10 years. It also asked about their preferences for receiving long-term care. Below are some of the key findings about the housing preferences of Boomers in Greater Minnesota compared to those of Boomers in other areas of the state.⁸

Rural Boomers want to stay put in their home and community

A high percentage of rural Boomers expect to remain an additional 20 years or more in their current community and in the same house (33% for those in larger communities, 34% in small cities, and 42% in the rural areas). Only 22% of suburban Boomers are planning to stay an additional 20 years or more in their community; in the center cities, about 31% plan to remain in their home or community for another 20 years. Suburban Boomers are most likely to be considering a move, and nearly one third of them are considering a move to a smaller community (see Figure 4).

Boomers living in Minnesota's large outstate cities, such as Duluth, Rochester, and St. Cloud seem the most satisfied overall with their work, personal financial situation, and their home and communities. These Boomers expressed less interest in moving closer to services and other amenities (39%) than residents of smaller cities and rural areas. Residents of small Minnesota communities were most uncertain in responding to this topic, with more than a third (37%) responding "don't know." Some of these residents likely recognize the lack of certain services and amenities in their communities, but are not sure what they will do if they must find a new situation.

Figure 4: *Percent of Boomers planning to stay an additional 20 years or more in their current community.*

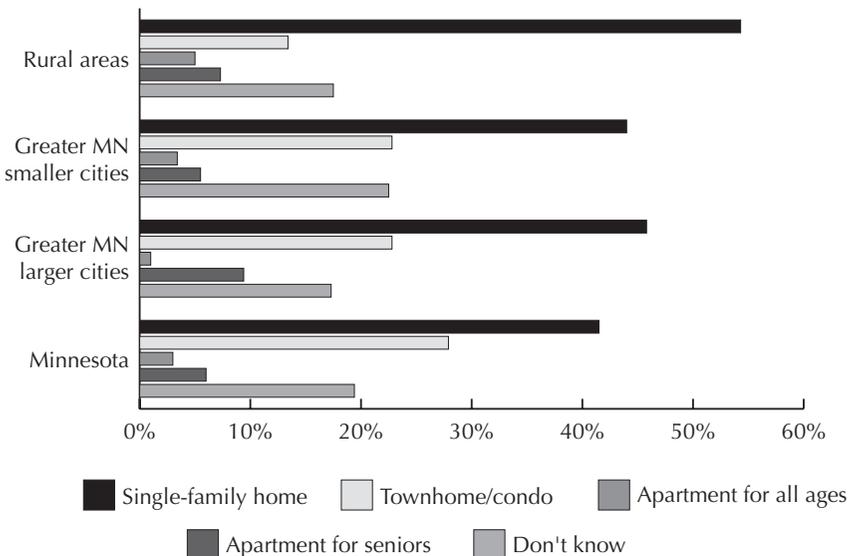


When they move, Boomers prefer another single-family home

When asked where they would move the next time they move (Figure 5), most Boomers indicated they would look for another single-family home (41.5%). The highest responses were in Greater Minnesota (45.8% of those in larger communities, 44.0% in small cities, and 54.3% in rural areas). They were less likely than suburban and city Boomers to consider a townhome or condo (27% of those in larger communities, 23%, in small cities and 13% in rural areas). This no doubt reflects the smaller supply of these options in rural communities compared to the Twin Cities suburbs. Very few would move to an apartment building for all ages (3.0% overall with 1.0%, 3.4%, and 5.0% in larger communities, small towns, and rural areas respectively).

About 6% overall stated they would choose an apartment for seniors. This response is quite a bit higher in larger communities (9.4%) and rural areas (7.3%) than in the smaller cities in Greater Minnesota (5.5%), the Twin Cities, and suburban areas. These preferences reflect the availability of

Figure 5: *The type housing Baby Boomers in Greater Minnesota believe they'll choose the next time they move.*



senior housing options (many of them with some level of rental subsidy) in many areas of Greater Minnesota. There are more senior housing units and fewer townhomes and other multi-unit options in the rural areas. However, it is important to note that nearly 20% of all those responding said they did not know what their housing choice would be in the future.

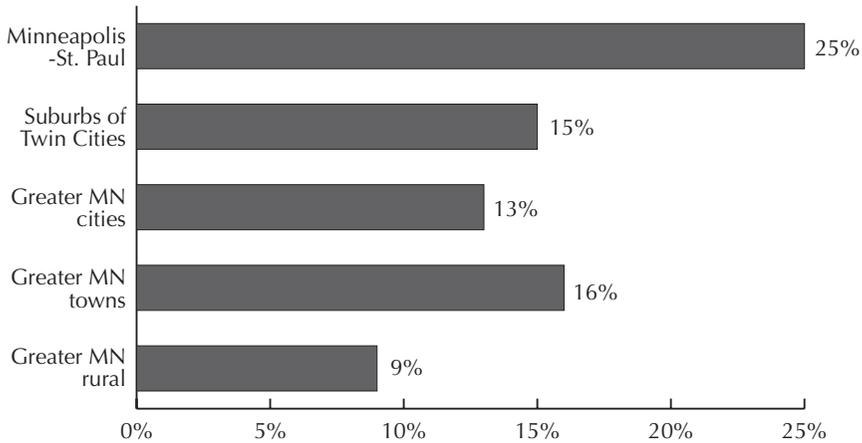
These findings tell us that Boomers in all geographic areas of Minnesota are most interested in finding a suitable single-family home if they move. Their next preference is a townhome or condo, probably because of the reduced maintenance required in this setting and/or the likelihood that this option will offer one-level living and more suitable space for aging in place. A smaller percent expressed interest in senior housing as their preferred next option. Very few would consider an apartment building for all ages.

Findings about rural Boomers' long-term care housing choices

The survey also asked Boomers about their long-term care choices. There were no statistically significant differences in these responses by geographic area. If faced with a health change that compromised their ability to live independently, 41% would seek assistance in their home from family, friends, and/or an agency to remain independent. About 27% of Boomers overall and in all geographic areas indicated that they would move to an assisted living setting if they needed long-term care services, while the same portion of Boomers were unsure about what they would do (27%). Those who said they were "living comfortably" in terms of their financial situation were more likely to say they would move to assisted living than those who were just meeting basic expenses. If long-term care services were needed, one third of Boomers (32%) were unsure how the cost of services would be covered. Nearly a quarter of Boomers (22%) plan to pay for long-term care with their personal savings. Eighteen percent of respondents said they would utilize a government program, while roughly the same portion would rely on a long-term care insurance product (16%).

Most suburban Boomers said they would use their own savings and investments (28%) to pay for long-term

Figure 6: Percent of Boomers living alone by geographic area.



care costs. The use of personal savings was less common among respondents in larger (20%) or smaller (17%) Greater Minnesota communities or rural areas (17%). Those living in all three Greater Minnesota settings were more likely to say they would use a government program to pay for their long-term care costs than Boomers living in the suburban areas.

Overall, rural Boomers are most unsure about how they will access long-term care support when they need it (29%) and how they will pay for it. More than a third (38%) of rural Boomers said they do not know how they will pay for long-term care costs. This is the highest of any of the geographic areas.

Another unique finding regarding rural Boomers is that a much smaller proportion of Boomers in the rural areas live alone than in the Twin Cities metro and suburban areas. About 9% of Boomers in the rural area live alone, compared to 25% in the central cities. Thus, about 91% live with other individuals, meaning rural Boomers have more potential for support from family members and friends in their household as long-term care needs increase in their later years (see Figure 6).

Conclusions

In this article we have presented available data on current utilization of housing and service models in Minnesota and possible future trends in long-term care housing and service preferences of Boomers in rural Minnesota. Below are some of the conclusions the author draws from these findings and some questions raised by these trends.

- Assisted living is becoming the primary housing and service model to provide long-term care and housing to older adults across the state. This is particularly true in rural Minnesota.
 - Nearly 40% of the elderly on the Elderly Waiver program in the rural areas receive their long-term care in assisted living facilities.
 - Even with large supplies of assisted living already available in rural areas, counties report large gaps in affordable assisted living to serve elderly on the EW program. The current elderly and leading-edge Boomers in rural Minnesota have lower incomes than those in the Metro area, and higher proportions have insufficient income to cover the cost of living in their county, especially if the cost of long-term care is included.
- The majority of rural Boomers prefer to remain in their homes and communities as they age and receive services there.
 - Boomers who expect to move in the next 10 years want to move to a single-family house or townhouse/condo. If this type of housing were available, the move could put them in housing that is more accessible and supportive for their aging in place. This could forestall premature movement to service-rich senior housing and extend their aging in place, hopefully reducing both their housing and service expenses.
- Over 40% of rural Boomers want to have family and agencies provide the assistance they need in their home so they can age in place.

- This has implications for our support for caregivers. In many rural areas, close friends and neighbors are often an important substitute for blood relatives and become “family” to older persons in their community. We need to ensure that these caregivers are able to find tangible supports in order to extend their caregiving as long as possible.
- About the same percent of all Boomers in all geographical areas would move to assisted living if they could no longer live independently.
 - Our survey also showed that Boomers in all three Greater Minnesota settings were more likely to use a government program to help with long-term care needs than Boomers living in the suburbs (24%).
- If assisted living continues to grow as the preferred model of care developed and offered by service providers in the rural areas, there will be a growing gap between the cost of this model and the rural Boomer’s ability to pay for it. These trends also have implications for the state’s long-term care programs.
- While assisted living is cheaper than nursing home care, it is usually more expensive than home care. If the assisted living model is being used as a substitute for care at home, we need to revisit the model Minnesota uses for home care and its use in rural areas.
 - In this vein, the Minnesota Department of Health will soon be proposing a new licensing structure for home care in the state that would include a category for basic care or nonmedical care. This change is aimed at making the licensing structure more flexible and reducing some service fragmentation.
 - We need to think anew about how we can truly create a package of services similar to the assisted living package but for persons still in their own homes, in rural areas and in all parts of the state.

- We need to make greater use of affordable technology to maintain contact and increase safety for frailing individuals at home in rural areas.
 - The increasing availability of mobile, easy-to-use technology has improved our ability to serve and monitor people in their homes, especially in rural areas. Both Finland and Japan are effectively using affordable technology to provide care for older persons in rural areas.
- As communities continue to receive requests for development of more senior-only housing, such as assisted living, they should be cautious about the potential of overbuilding a model of care that the next generation of elderly may not prefer and may not be able to afford..
 - Recent research on housing the nation's current elderly and the Boomers indicates that the nation's housing communities for seniors are on the decline. They are finding it difficult to attract new residents to replace those leaving, due in part to the high cost of retirement housing and the insufficient retirement savings among current elderly. They cite other issues at play as well, including the institutional nature of these communities. The report indicates that leading-edge Boomers are exploring a diverse mix of housing options that offer alternative ways of providing affordability and social supports, redefining "senior housing" to be any housing where seniors prefer or want to live.⁹
 - Given the preferences among Minnesota's urban and rural Boomers for single-family homes and one-level housing options, communities and housing providers should consider the development of more flexible housing options that could be used by different populations and ages as demographic shifts occur over time.

- Demand for one-level living with basic universal design features built into all units and convenient access to key amenities is growing among many groups that are or will be community residents, including Boomers.
- If communities respond to the diversity of housing preferences with flexible options and not just “senior-only” models, it could result in an investment that ensures a housing stock that meets the needs of many groups and ages for years to come. Residents would be able to age in place longer and thus spend less time in more expensive housing and service models in their final years.

References

Minnesota Department of Human Services. 2010. Survey of Minnesota Boomers. Transform 2010. Accessed on October 19, 2012 at www.dhs.state.mn.us/2030

Minnesota Department of Human Services. 2009 County Long-Term Care Gaps Analysis survey. Executive summary. October 2010. Accessed at www.dhs.state.mn.us/gapsanalysis

Minnesota Department of Human Services. March 2009. Helping Older Adults Select and Purchase Long-Term Care: A Report to the Minnesota Legislature.

Endnotes

(Endnotes)

¹ Congressional Budget Office. (April 2004.) *Financing Long-Term Care for the Elderly*. The Congress of the United States. Washington, D.C. page ix.

² Minnesota Department of Human Services. *Status of Long-Term Care in Minnesota 2010: Report to the Minnesota Legislature*.

³ MinnesotaHelp.info, accessed June 14, 2012

⁴ Minnesota Department of Human Services. March 2009.

Helping Older Adults Select and Purchase Long-Term Care: A Report to the Minnesota Legislature.

⁵ EESI data for each county accessed at <http://publicreports.dhs.state.mn.us/Reports.aspx?ReportID=12>

⁶ Minnesota Board on Aging, Survey of Older Minnesotans, 2005.

⁷ Minnesota Department of Human Services, Aging and Adult Services division, Elderly Waiver statistics, June 2012.

⁸ Minnesota Department of Human Services. Survey of Minnesota Boomers. 2010.

⁹ Urban Land Institute. *Housing in America: The Baby Boomers Turn 65*. October 2012.

