Too Much to Qualify for Help, Yet Too Little to Afford Care:

Defining Older Adults in the Overlooked Middle

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Research bridging policy and practice

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Executive Summary

This issue brief outlines the operational definition of the "Overlooked Middle"- the population of older adults who are unable to sustain the costs of long-term services and supports (LTSS) when needed without jeopardizing their daily living expenses, and yet are too wealthy to qualify for Medicaid coverage. The definition was developed in part to frame and focus a body of work developed for California's Long-Term Services and Supports Financing and Affordability Initiative of the Master Plan for Aging (MPA). This Initiative is a research effort that seeks to understand the size of this unique population, likely scope of their needs, and potential policy and programmatic solutions for consideration.

For this Initiative, the operational definition of the Overlooked Middle includes households with annual income between 139% and 500% of the Federal Poverty Level, which ranges from a low of about $21,000 to a high of $102,000 depending on household size. This definition was developed by applying principles based on the living costs for individuals with LTSS needs and the method for measuring these costs. Specifically, most households in the Overlooked Middle have (1) incomes too high to qualify for the Medicaid program, (2) can likely afford basic costs of living, and yet (3) cannot afford to pay two years of $50,000 annually in LTSS costs without compromising basic living standards, even when drawing on liquid assets to help pay for care.

The following brief describes the principles and method for arriving at this definition of the Overlooked Middle, using California as an example of how this definition can be applied to a specific population of older adults.

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Introduction

> *Currently, older adults who need ongoing care and support through paid arrangements generally have three ways of covering their costs: (1) use their own financial resources, (2) utilize private long-term care insurance that they previously purchased, or (3) for those without such resources, qualify for Medicaid long-term services and supports (LTSS) coverage.*

Older adults who need care to live safely at home typically rely on family, loved ones, or paid providers for support. These needs can range from personal care with bathing, eating, dressing, mobility, toileting, and transferring - as well as help with money management, meal preparation, and transportation. Additionally, for people with cognitive impairments, personal care can also include protective supervision to ensure the individual remains safe in their home, community, and surroundings.

Depending on the extent and duration of these needs, older adults, people with disabilities, and their families can quickly spend thousands of dollars on care at home, and even more if individuals move to an assisted living facility or nursing home. For example, one year of home care or assisted living in the U.S. can cost upwards of $75,000 and nursing home care now exceeds $110,000 per year, with annual cost increases regularly outpacing inflation.

Currently, older adults who need ongoing care and support through paid arrangements generally have three ways of covering their costs: (1) use their own financial resources, (2) utilize private long-term care insurance that they previously purchased, or (3) for those without such resources, qualify for Medicaid long-term services and supports (LTSS) coverage. Individuals with substantial income and financial assets generally use their own resources and/or an existing long-term care insurance policy. Those who qualify for Medicaid typically have limited financial means or have depleted most of their income and assets on paid care before meeting the Medicaid eligibility threshold for their state.

An often-ignored group of older adults includes those in the "Overlooked Middle" who are too wealthy to qualify for Medicaid, yet unable to sustain LTSS costs without jeopardizing their ability to cover their daily living expenses in a manner that would worsen living standards. High annual premiums generally put the purchase of long-term care insurance financially out of reach for this group, resulting in low uptake of such insurance coverage. The Overlooked Middle population often ends up depleting what resources they have saved throughout their lifetime – which for many would not pay for much LTSS at all. Little is known about this "Overlooked Middle" group of older adults, nor have they been the focus of major public policy initiatives. However, the Overlooked Middle is of key importance to local, state, and federal policy makers given the potential impact this older adult population's LTSS needs on current and future care systems, Medicare and Medicaid financing, and family caregivers of all ages.

Defining the Overlooked Middle

In order to define the Overlooked Middle, it is important to understand the rationale underlying the definition and the way it is operationalized. The definition must be theoretically and conceptually appropriate, easy to communicate to various audiences, and grounded on data that are consistently collected, publicly available, and tracked over time.

Based on these core principles, the Overlooked Middle is defined as households that can generally afford basic living expenses, but in the presence of a certain level of need for paid services (i.e., $50,000 per year, over two years), could not pay for care without compromising basic needs. The majority of these households would not, however, qualify for Medicaid (Medi-Cal) coverage even in the presence of LTSS needs. The implication is that those in the Overlooked Middle would face growing health and financial risk because paying for LTSS would be primarily their responsibility. In the context of this personal responsibility, individuals will typically allocate their income to basic living needs first (e.g., housing, groceries, medical care, transportation) before paying for LTSS. Thus, an assessment of the income available to pay for LTSS must be made only after the basic living needs are addressed. This assumption is similar to other work that has looked at the issue of how LTSS needs are paid for after other basic needs are met.

To estimate basic living needs and associated costs, the definition of the Overlooked Middle relies on the Elder Economic Security Standard™ Index. The Elder Index was developed by the Gerontology Institute at the University of Massachusetts, Boston to measure the income older adults need to meet their basic living costs and live independently in the community without assistance. Data collected to inform the Elder Index includes the cost of housing, health care, transportation, food, and miscellaneous essentials. The Elder Index is built around everyday expenses encountered by older adults and is designed to be a realistic benchmark of income adequacy that reflects regional and local variation in the cost of living. These data are reliable, consistently collected over time, and specific to household size, geographic location, housing tenure, marital status, and health status.

Next, the definition includes an estimated range of LTSS needs and related expenditures, understanding that this can vary greatly depending on individual circumstances. Some people age without ever having LTSS needs, others need help for up to two years, and still others need it for five years or more. On average, people with a moderate[1] level of need can expect to require supportive services for around two years. Thus, to operationalize the concept of moderate LTSS needs, this definition assumes a $50,000 per-year expenditure over two years, which is based on approximately four hours per day of in-home care for seven days a week. Thus, older adults who cannot afford this level of care without having to cut back on basic living expenses as determined by the Elder Index are conceptually defined as being in the Overlooked Middle. Below, the operational definition of the Overlooked Middle is applied to the older adult population in California. Elder Index benchmarks with income and asset distributions that are specific for California underly the estimates below.

[1] A moderate level of need is defined by the Health Insurance Portability and Accountability Act (HIPAA) as being unable to perform, without substantial assistance from another individual, at least two activities of daily living (ADLs) for a period of at least 90 days due to a loss of functional capacity, or requiring substantial supervision to protect an individual from threats to health and safety due to severe cognitive impairment.

Applying the Definition: Older Californians in the Overlooked Middle

Since 2019, California has shown strong leadership in prioritizing the health and well-being of older adults, people with disabilities, and caregivers through its Master Plan for Aging (MPA). The MPA serves as a blueprint for state government, local government, the private sector, and philanthropy to prepare for California's coming demographic changes. A key component of the MPA is to elevate and address LTSS financing challenges, particularly for those in the Overlooked Middle population. Funded through the state's Budget Act of 2022-23, the California Department of Aging launched the LTSS Financing and Affordability Initiative to better understand the policy and program opportunities that could help meet the needs of California's Overlooked Middle. As such, the state partnered with national and state experts to develop California-focused population analytics, conduct policy research, elicit consumer and stakeholder perspectives, and identify meaningful options to address the care and service needs of those in the Overlooked Middle.

As part of this LTSS Financing and Affordability Initiative, the project team applied the operational definition of the Overlooked Middle in California. The upper and lower income bounds of California's Overlooked Middle are expressed through various percentages of the baseline Federal Poverty Level (FPL), adjusted for couple status.

To illustrate: Figure 1 below shows the annual costs for an older adult to live in California based on family size and homeowner status using the Elder Index. The Elder Index values assume that older adults are living in the community and in poor health, which is likely to be the case in the presence of LTSS needs. On average and across all counties in California, the amount ranges between $39,000 and $63,000. This shows that depending on family size and homeowner status, there is a wide range encompassing what it costs to live independently (i.e. paying basic living expenses) in the community.

Figure 1: Annual Spending Needs of Older Californians, 2024 (Elder Index)

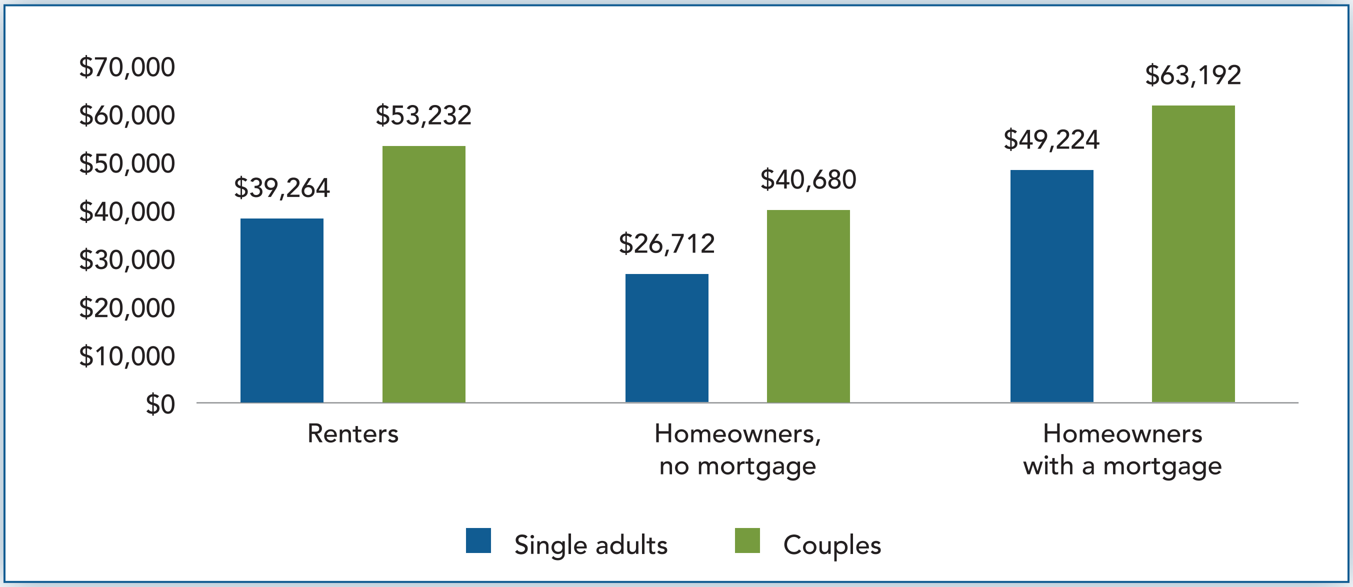
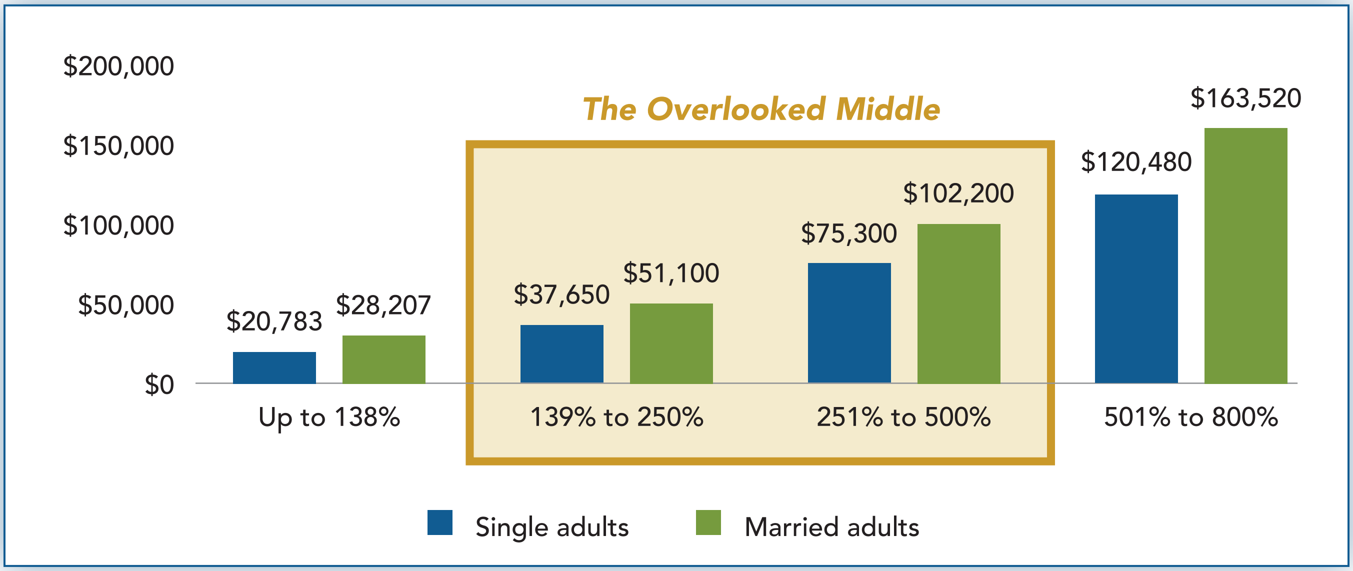


Figure 2 shows the actual upper income threshold associated with various FPL ranges. Currently, individuals with incomes below 138% of FPL qualify for Medi-Cal coverage (California's Medicaid) and are excluded from the Overlooked Middle – which sets the lower bound of the Overlooked Middle at 139% of FPL. However, as income increases, a greater proportion of individuals will be able to pay for both basic living needs and modest amounts of LTSS for some period of time. Shown, for example, is that the upper bound income level for people who are at 500% of FPL is between $75,300 and $102,200 depending on couple status. The Figure shows that for the LTSS Financing and Affordability Initiative, the income range for California's Overlooked Middle population is **between 139% to 500% of the FPL**, shown by the gold box.

Figure 2: Upper Income Threshold for Specific FPL Band by Older Californian Household Status, 2024



Source: Department of Health and Human Services, 2025.
https://aspe.hhs.gov/sites/default/files/documents/7240229f28375f54435c5b83a3764cd1/detailed-guidelines-2024.pdf

Looking Forward

Policymakers in California and beyond are increasingly concerned about the sustainability of care systems as the Overlooked Middle grows. Defining the Overlooked Middle is a necessary first step toward developing sustainable LTSS financing, affordability, and service solutions. As part of the overall California initiative, the size, socio-demographic and health characteristics, worries, concerns and living aspirations of this population will be estimated and catalogued through both quantitative and qualitative analyses. Without a clear framework, it can be challenging for policymakers to fully grasp the size, needs, and vulnerabilities of this population as well as the impact on caregivers and care delivery systems. This operational definition of the Overlooked Middle enables targeted research that better describes this population, improves policy design, and ultimately provides more valuable support for aging adults most at risk of being left behind by LTSS financing and delivery system transformations.

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