



Assisted Living: Saving Billions for Medicaid Budgets

Legislative Briefing

February 2025

Empowering all states to offer Affordable Assisted Living (“AAL”) to those entitled to skilled nursing facility benefits under existing law would:

1. Reduce aggregate Federal spending by **\$21 billion** over 10 years.
2. Enable frail seniors entitled to Medicaid benefits to choose a **higher quality, less costly living** experience with “right-sized” support services instead of sharing a room in an institutional setting (hospital or nursing home).
3. Create **\$45 billion** of private sector investment in AAL, **45,000** full time jobs, and \$2.4 billion in annual private sector payroll that comes with it.

Small changes to existing law
make this possible.

Silver Birch: a leading provider of affordable assisted living.



1,100+ Residents



550+ Employees



11 Communities
and Growing!



2.3 Conditions per
Resident Cared For



\$250M Invested
and
\$600M+ Pipeline

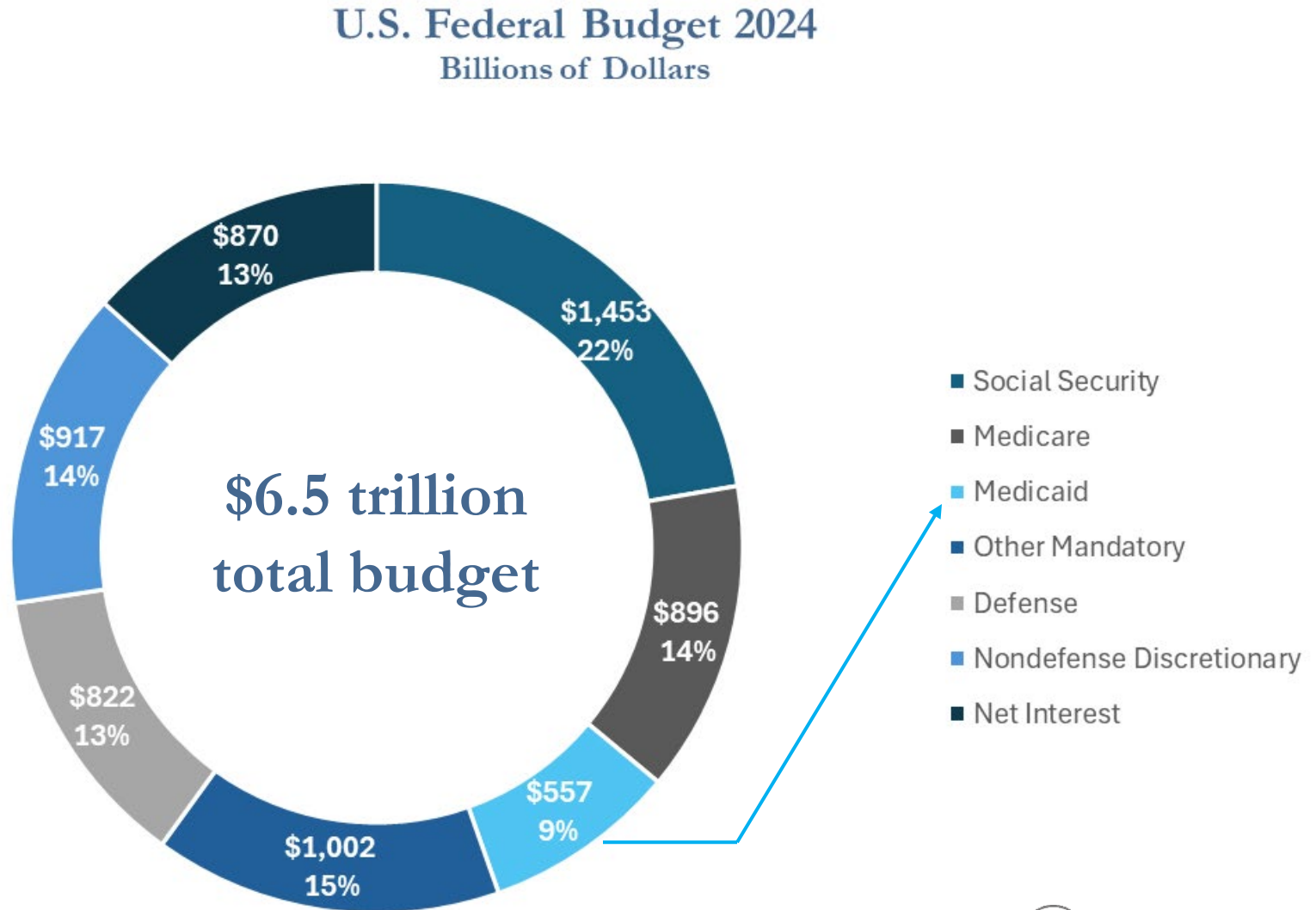


4 States
and Expanding

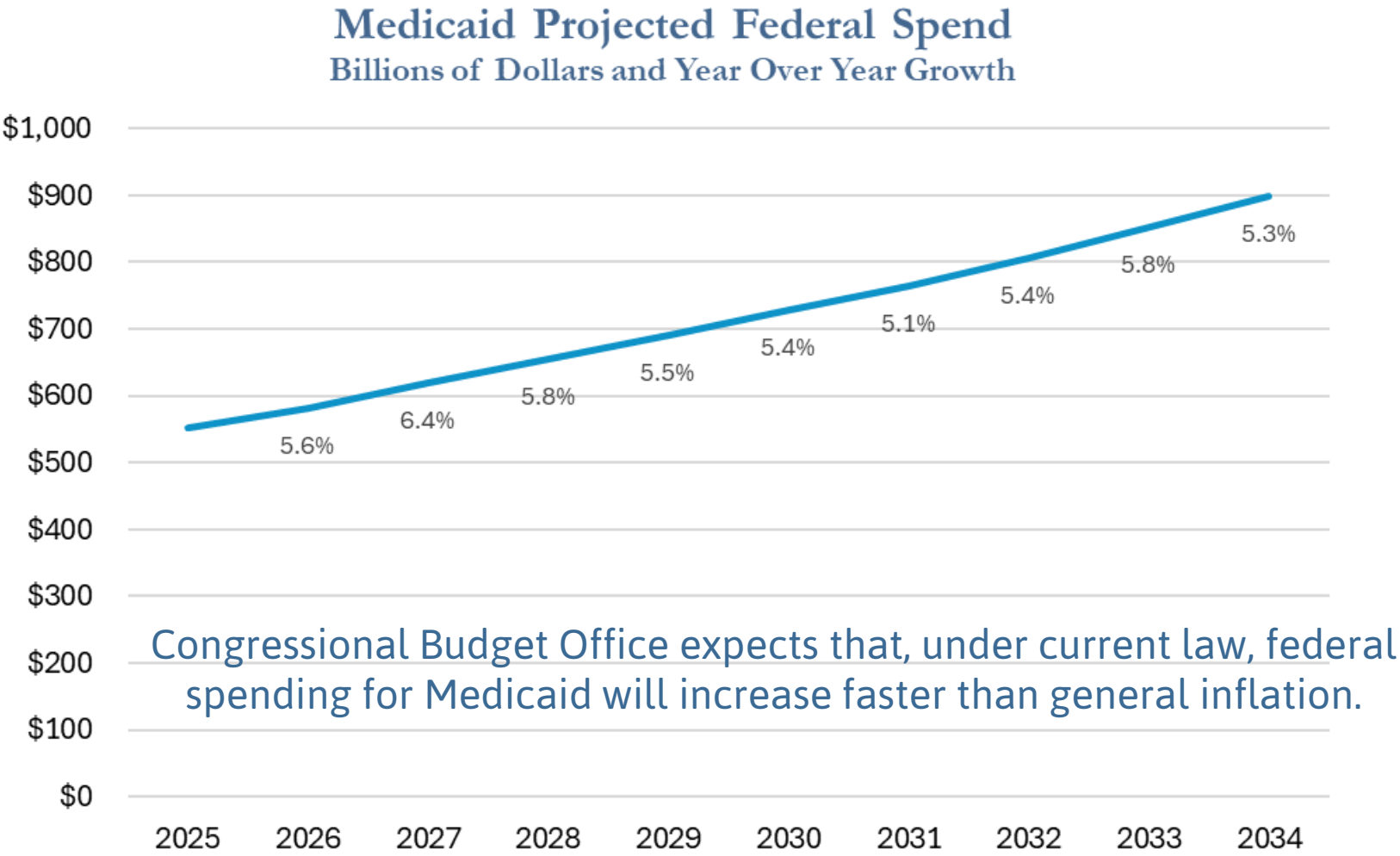


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Medicaid is the 5th largest segment of the budget.



Medicaid projected to grow 63% in the next 10 years.



Source: Congressional Budget Office – The Budget and Economic Outlook 2024 to 2034

The Social Security Act mandates that states cover certain services under Medicaid:

1. hospital (in and outpatient)
2. laboratory and X-ray
3. **nursing facility** (for 21 years or older)
4. screening, diagnostic, and treatment services (for under 21 yrs)
5. physician (in any setting)
6. nurse-midwife
7. nurse practitioner
8. freestanding birth center
9. medication-assisted treatment

A State plan for medical assistance must provide for making medical assistance available, for at least the forms of care and services above, to individuals that meet certain criteria. "Medical assistance" means payment of all or part of care and services or the care and services themselves, or both.

Source: Social Security Act, Section 1905

Since the passing of the Social Security Act, lower cost options to skilled nursing have emerged.

Home and Community Based Services (HCBS)

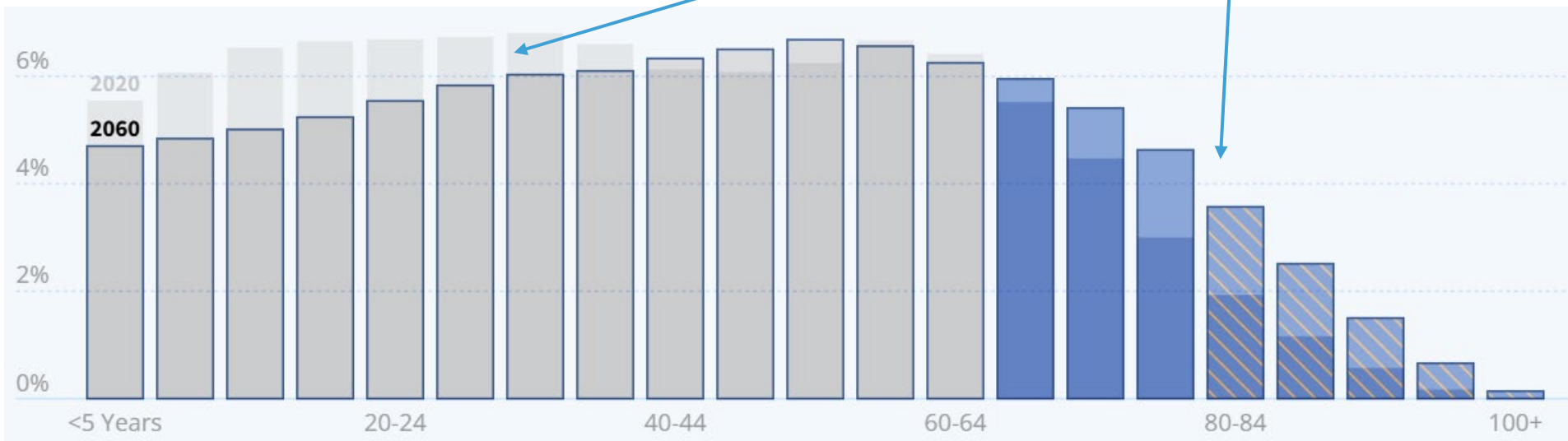


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However, not all states offer assisted living and those that do, don't always ensure it's widely available.

As the silver tsunami places additional demands on Medicaid and state/federal budgets, will low-cost, more autonomous settings be available to seniors who qualify for nursing home care?

Share of U.S. Population by Age Group,
2020 - 2060



U.S. Population

65+

65+ % of Total

2020

56 million

17%

2060

89 million

24%

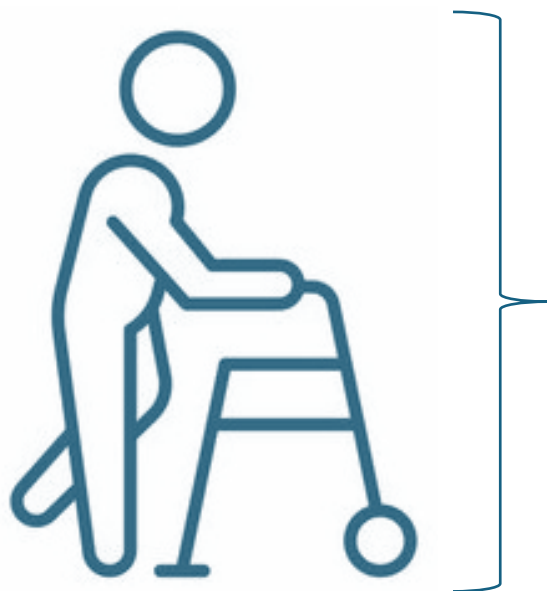
Source: KFF analysis of data
from the U.S. Census Bureau



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Affordable assisted living residents meet the same health and financial thresholds that qualify people for nursing homes.

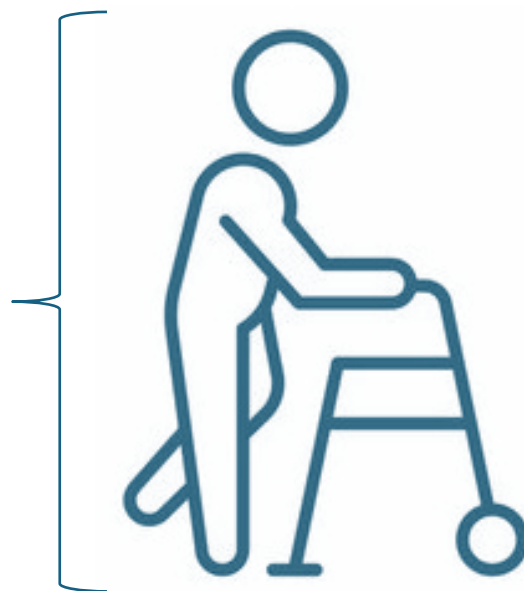
**AAL
Resident**



**Medicaid
Eligibility**



**Nursing Home
Resident**

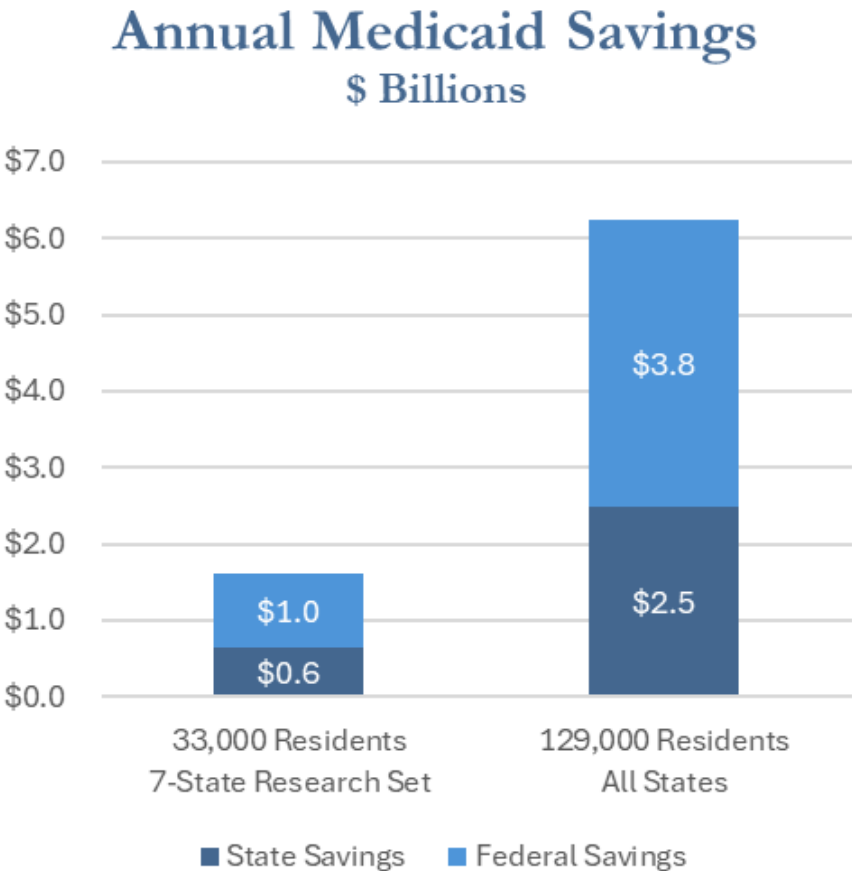
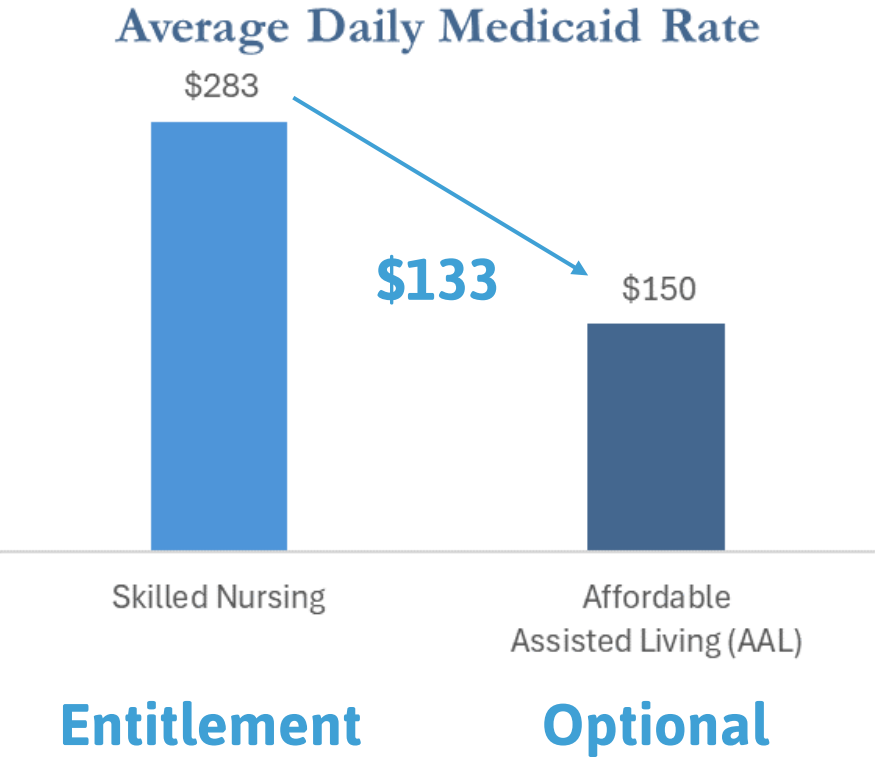


AAL residents enjoy more independence in a non-institutional setting:
right care; right time; and right place



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Widely available assisted living could save the government billions.



Source: Average Daily SNF Medicaid Rate is a 7-state average for states SBL is researching for investment.

Average daily Medicaid rates are combined state and federal rates. 2025 National average FMAP percentage is 60%, resulting in \$170/day for SNF and \$90/day for AAL for the federal portion of the rate.

AAL costs less (than other LTC settings) in part because it utilizes LIHTC to finance apartments for seniors.

However, nothing in the tax code gives preference to projects like AAL that reduce government expenditures.

About LIHTC (Low-Income Housing Tax Credits)

- The LIHTC program, created in 1986 (made permanent in 1993), is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing.
- LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing.
- Within general guidelines set by the IRS, state housing agencies administer the LIHTC program.
- LIHTC was designed for traditional apartments without care services and is prohibitive to settings that provide continuous and frequent nursing care.

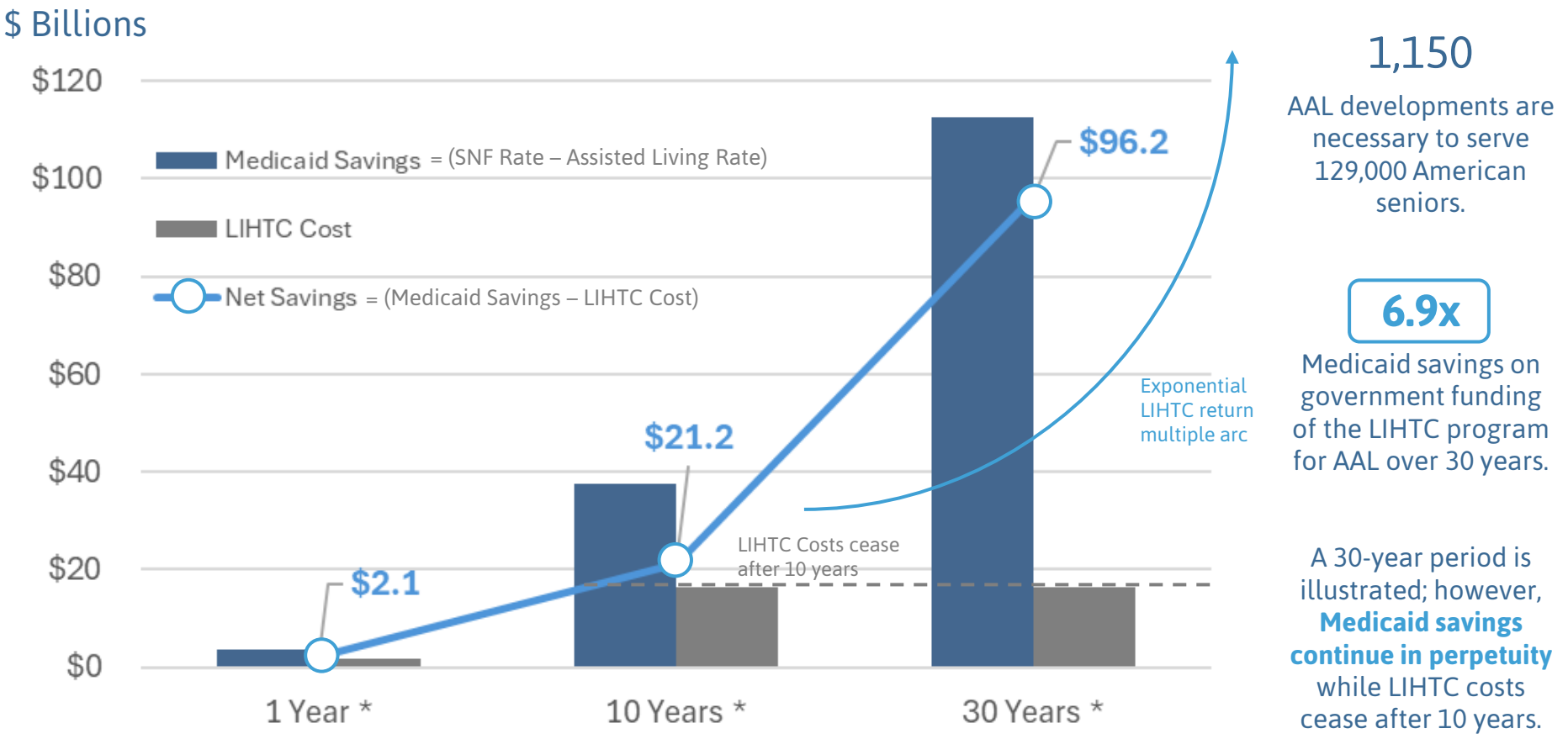
State agencies administering LIHTC will not think about federal budget savings unless federal rules force them to.

Source: Novogradac
LTC: Long Term Care



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Federal savings of \$96 billion from national enactment of assisted living waiver and LIHTC changes.



* Medicaid savings are federal only, unadjusted by rate increases or the time value of money.

After year 10 (when LIHTC costs cease) the return multiple on the LIHTC program grows, and grows, and grows..

How small changes to policy add up to billions of dollars of benefits.

1 New AAL Development	Metric	1,150 New AAL Developments
112	Average Occupied Residents	129,000
\$80	Medicaid Savings Daily Rate per Resident *	\$80
\$8,900	Daily Medicaid Savings	\$10.3 million
\$3.2 million	Annual Medicaid Savings	\$3.7 billion
\$1.4 million	Annual LIHTC Cost **	\$1.6 billion
\$1.8 million	Annual Net Savings ***	\$2.1 billion

* \$170/day Federal portion of Medicaid rate for skilled nursing minus \$90/day Federal portion of Medicaid rate for assisted living = \$80/day in Medicaid savings.

** No additional funds would be allocated to the existing LIHTC program; recognizes the net cost to the federal government using existing LIHTC program.

An average of \$14.2 million of LIHTC is utilized per AAL development (\$1.4 million over 10 years).

*** After year 10 (when LIHTC costs cease) the return multiple on the LIHTC program grows, and grows, and grows since Medicaid savings continue into perpetuity.

Rounding of individual metrics might result in numbers not tying out exactly



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Besides billions in Medicaid savings, assisted living waiver and LIHTC change is an economic catalyst.

1 New AAL Development	Economic Benefit	1,150 New * AAL Developments
\$39 million	Private Sector Investment	\$45.0 billion
39	Full Time Jobs	45,000
\$2.1 million	Payroll / Year	\$2.4 billion
\$353 thousand	Federal Income Taxes / Year	\$407 million
\$318 thousand	FICA Payments / Year	\$367 million

30-year Federal return on LIHTC besides Medicaid savings

= \$23.3 billion

* At least 1,150 new affordable assisted living developments are needed to serve the shortfall of assisted living residences for 129,000 American seniors.

The 30-year combination of Medicaid savings and economic benefits generated from every \$1 of LIHTC is over **8x**.

Living with purpose; a Silver Birch resident story.

Joe began his career working in grocery when he was in high school. His entire working life centered around working in and managing produce departments in several grocery stores.

In 2016, at the age of 63, Joe had to go to the hospital to have an artery replaced in his leg. His leg became infected and, unfortunately, he ultimately had to undergo an above knee amputation.

Prior to this life changing event, Joe was living life like most 63-year-olds, working, driving, and living independently, all the things we take for granted.

Once discharged from the hospital, Joe was sent to a local skilled nursing facility. This is where Joe lived for the next three years, in a shared companion room with no privacy. Not being a candidate for a prosthetic and unable to live alone in an apartment, this was the only option available to him.

Joe said none of his families' homes are wheelchair accessible so living with anyone of them was not possible. This was a grim reality for someone who worked hard his entire life, raised a family, and then was struck by an unforeseen medical situation in the prime of his life.

Joe moved into Silver Birch in 2019, able to afford his own private apartment thanks to the waiver program. He is again a productive member of society, living life as independently as possible.

Since moving in Joe has taken an active role, becoming a Resident Council President and Head of our Garden Club.



Three changes would be required to effectuate widespread availability of affordable assisted living.

Social Security Act

1. Section 1905(a) [42 U.S.C. 1396d] is hereby amended by adding,

(31) services provided in an assisted living residence consistent with State law permitting such services including to individuals who would require the level of care provided in a hospital, nursing facility or intermediate care facility for the mentally retarded the cost of which could be reimbursed under the State plan, and who meet the State's income and resources requirements adopted under Section 1902(A)(10)(A)(ii)(V).

2. Section 1902(a) (10) (A) [42 U.S.C. 1396a] is hereby amended to say

(For making medical assistance available, including at the least care and services listed in paragraphs (1) through (5), (17), (28), and (29), and (31) of section 1905(a) to...

Tax Code

3. 26 USC 42(m)(1)(C) is hereby amended to state

(C) Certain selection criteria must be used

The selection criteria set forth in a qualified allocation plan must include (i) project location, (ii) housing needs characteristics, (iii) project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan, (iv) sponsor characteristics, (v) tenant populations with special housing needs, (vi) public housing waiting lists, (vii) tenant populations of individuals with children, (viii) projects intended for eventual tenant ownership, (ix) the energy efficiency of the project, ~~and~~ (x) the historic nature of the project, and (xi) projects that reduce the medical assistance costs of long-term services and supports for the elderly by providing them services in a non-institutional setting.





Thank you
for your consideration to solve the
growing Medicaid expenditure problem.

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