

# Long Term Care Financing in the U.S.

Alliance for Health Reform Briefing on the  
Long-Term Care Partnership Program

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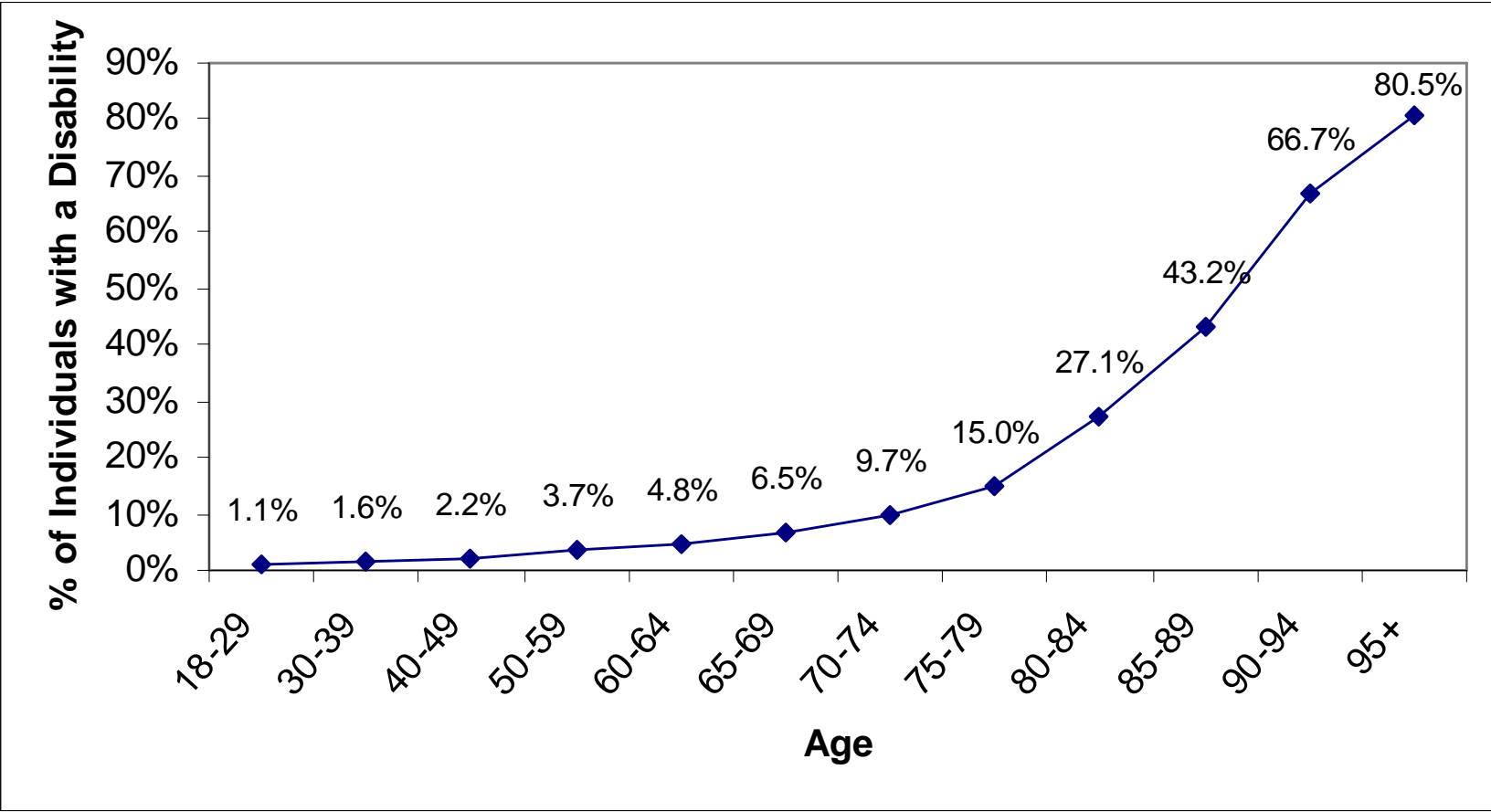


# What is Long Term Care?

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- ◆ Services and supports needed when one's ability to care for self has been reduced by a chronic illness, disability, or frailty.
  
- ◆ Services usually provided:
  - by family and friends at home
  - through home and community-based services, such as home health care, personal care, and adult day services
  - or in institutional settings, such as nursing homes or residential care facilities

# Who Might Need Long Term Services and Supports?



Source: 1999 National Long Term Care Survey and the 1994 National Health Interview Survey Disability Supplement.

# How Much Does Long Term Care Cost?

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## ◆ Nursing Home Care

- Average annual cost -- \$74,095
- \$41,975 in Shreveport, Louisiana to \$193,815 in Alaska

## ◆ Assisted Living

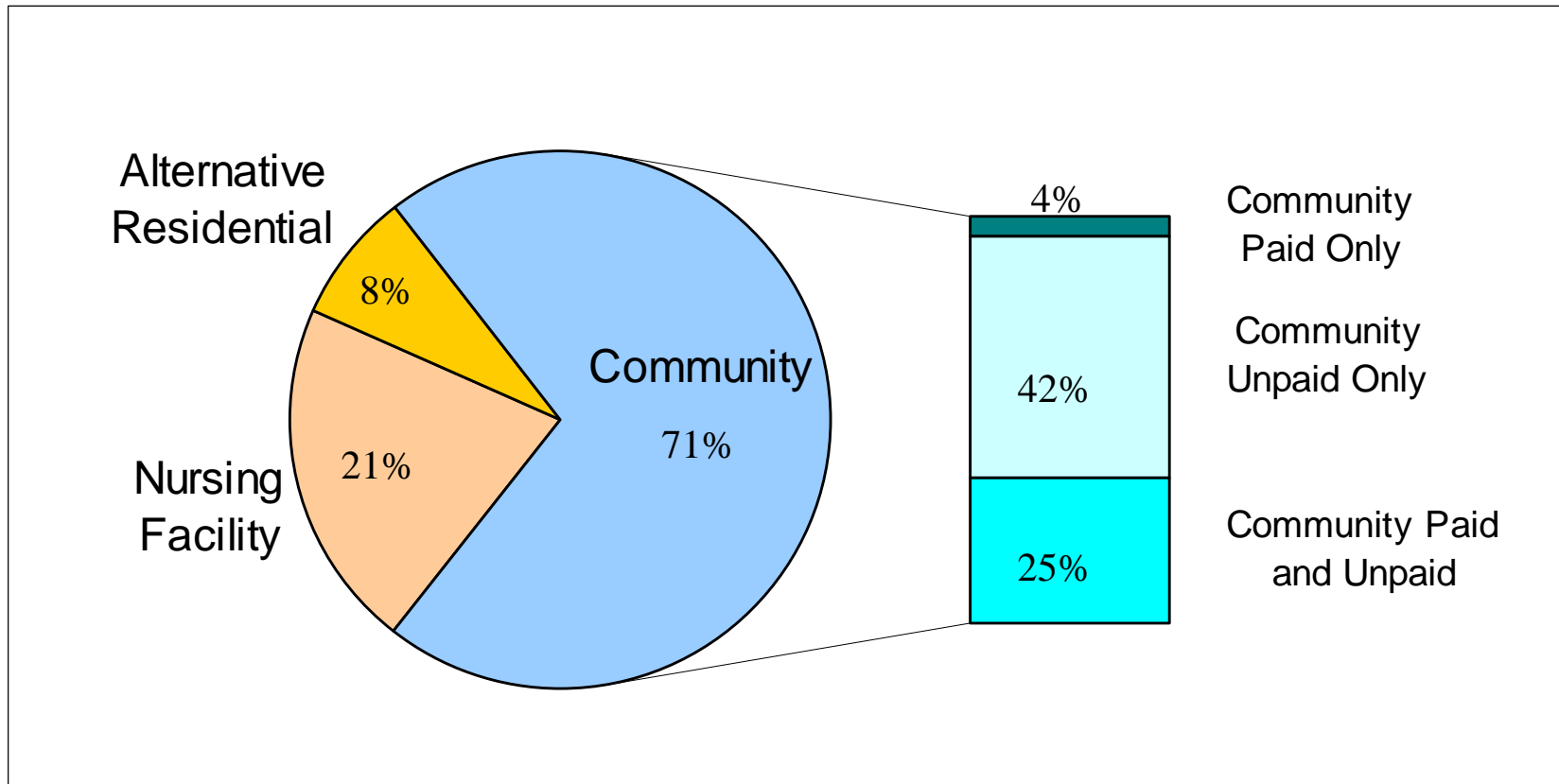
- Average annual cost -- \$34,860
- \$19,740 in Jackson, MS to \$55,548 in Boston, MA

## ◆ Home Care

- Average rate for home health aide -- \$19/hour
- \$12/hr in Shreveport, LA to \$26/hr in Colorado Springs, Co
- Average rate for homemaker/companion -- \$17/hour
- \$12/hr in Shreveport, LA to \$23/hr in Minneapolis/St. Paul, MN

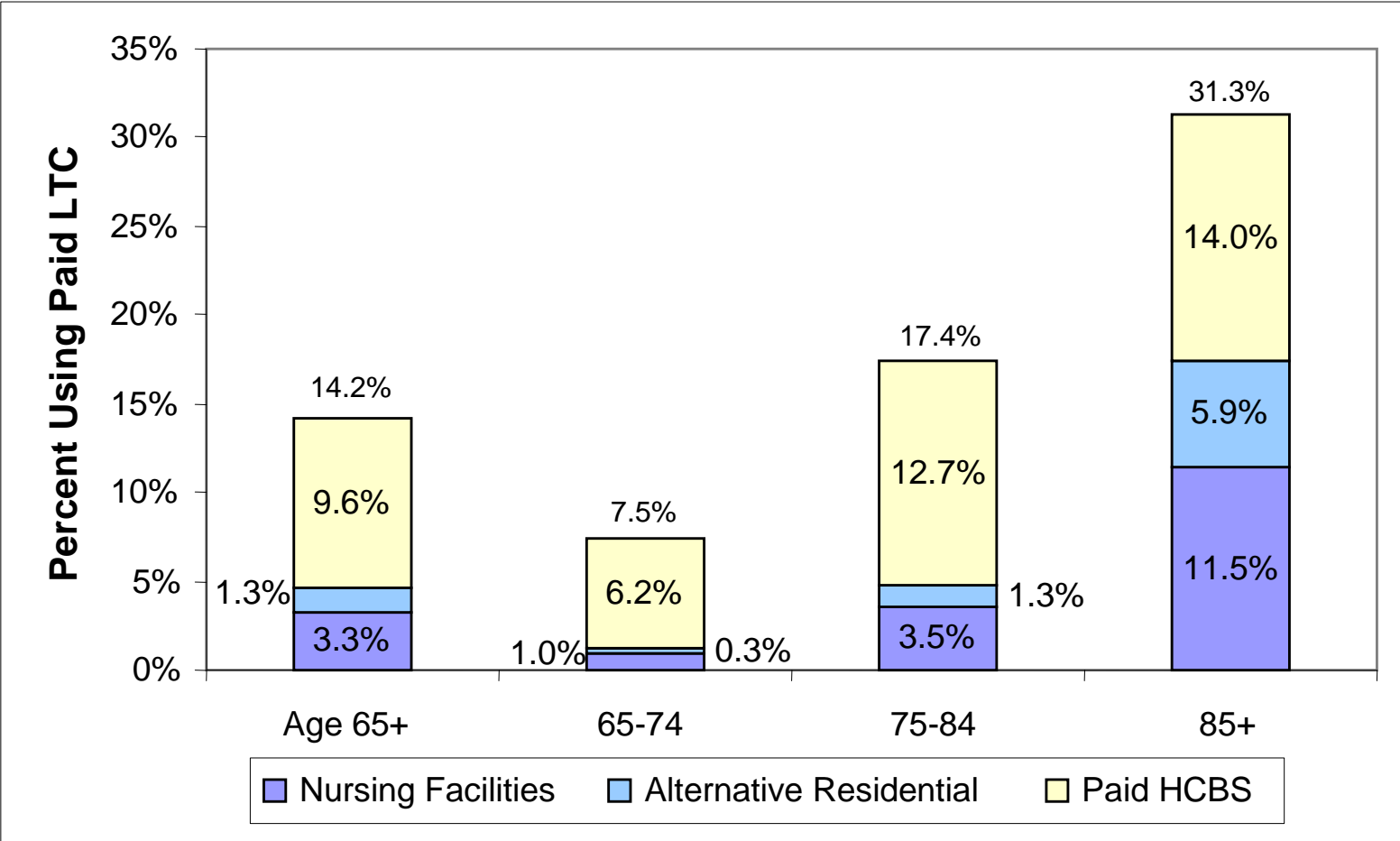
**Source:** The MetLife Market Survey of Nursing Home & Home Care Costs in 2005 and Assisted Living in 2005 which includes private pay rates and services provided by home health agencies.

# Most Seniors with Disabilities Supported by Unpaid Care in the Community



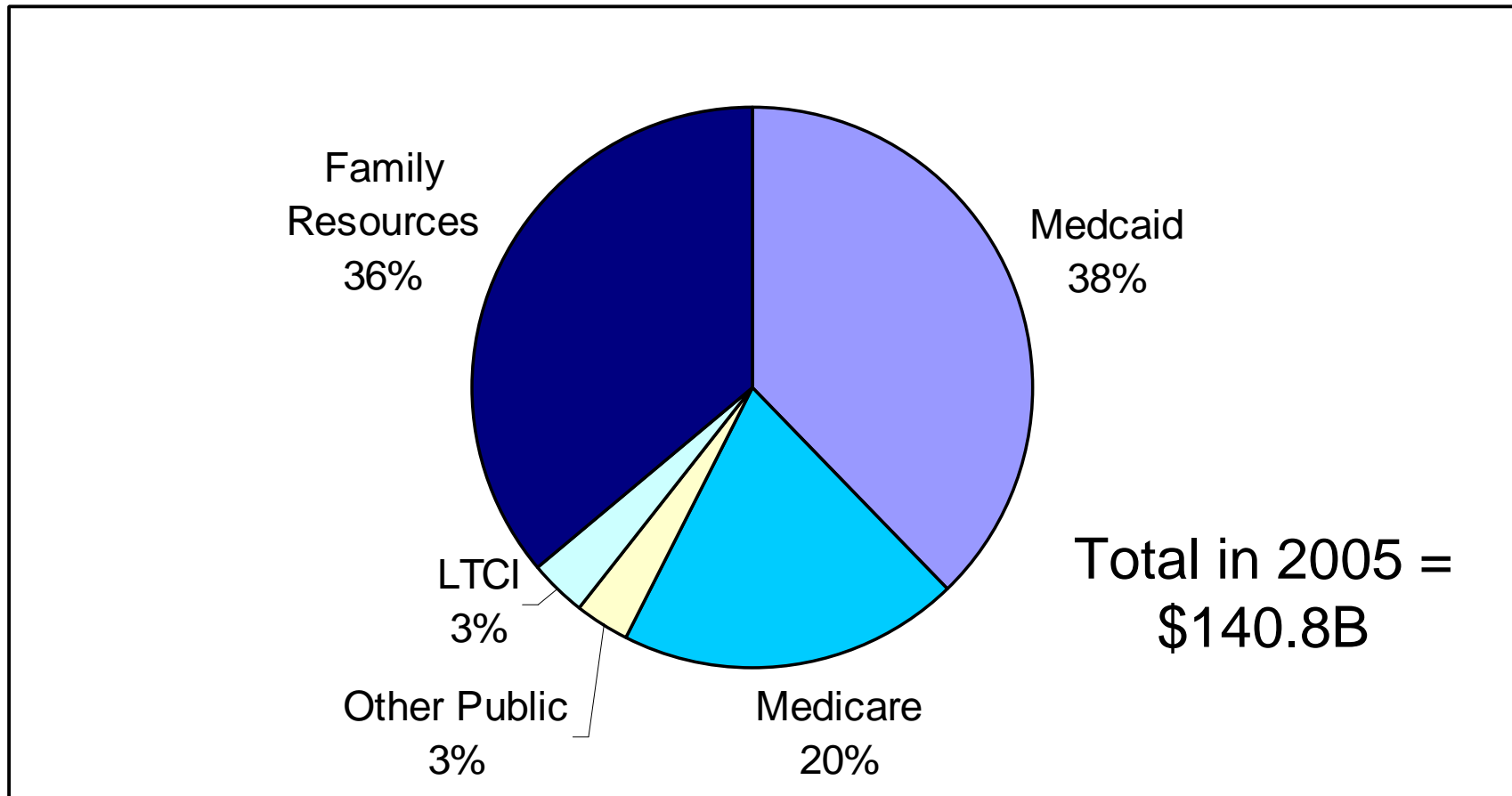
Source: 1999 National Long Term Care Survey, 2002 Medicare Current Beneficiary Survey, and 2005 CMS Minimum Data Set.

# Who Uses Any Paid Services?



Source: 2003 Medical Expenditure Panel Survey, 2002 Medicare Current Beneficiary Survey, and 2005 CMS Minimum Data Set.

# LTC Sources of Financing Among Seniors



Source: The Lewin Group based on the Long Term Care Financing Model.

# Medicare Covers Limited LTC Benefits

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- ◆ Primarily post-acute care
- ◆ Home health services
  - Beneficiaries who are homebound
  - Need part-time skilled nursing or therapy services, and
  - Under the care of a physician
  - 27 visits per user on average in 2005
- ◆ Skilled nursing facility care
  - Up to 100 days for those recently discharged from a hospital
  - 35 days covered on average in 2005

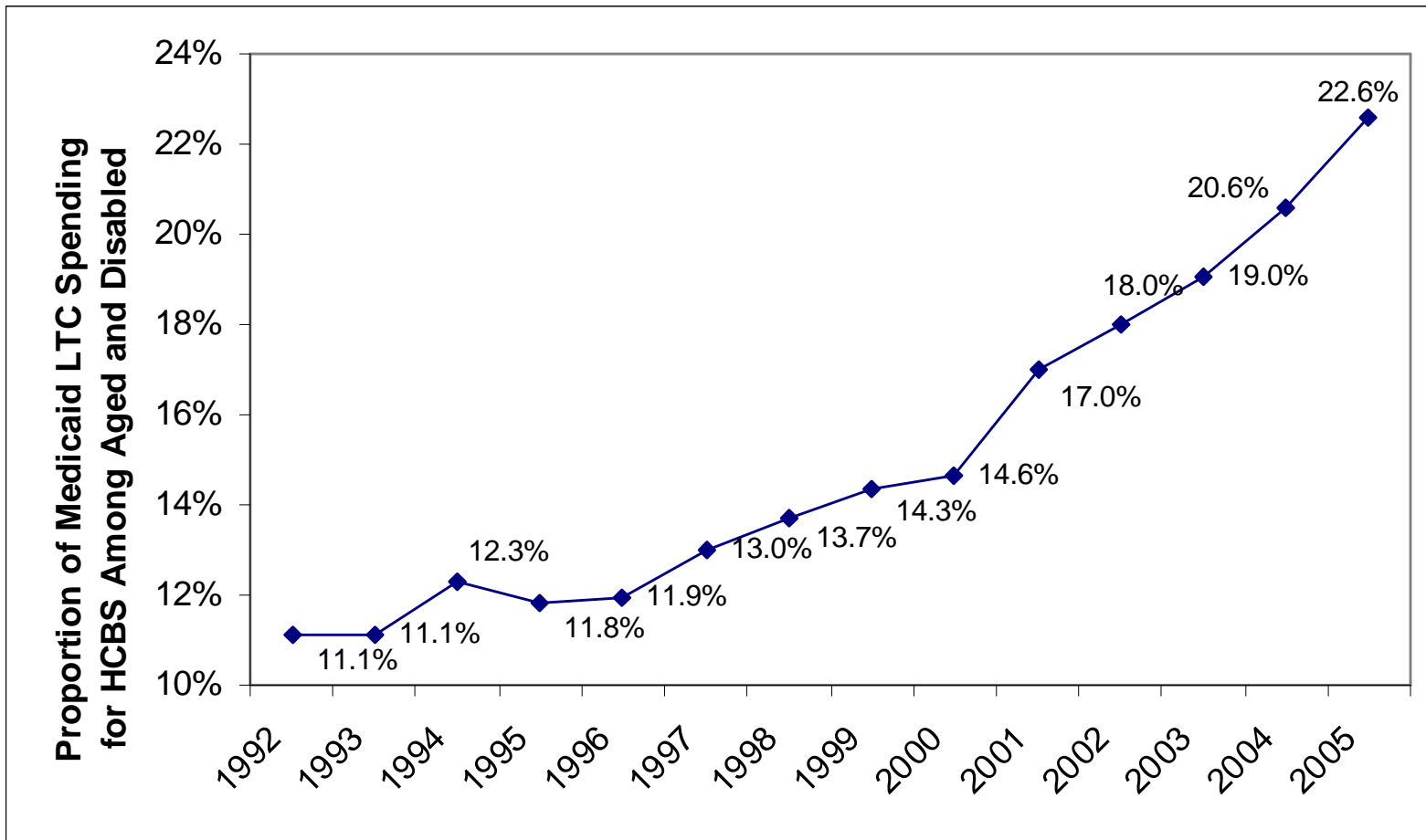


# Medicaid Long Term Care Benefits

- ◆ “Mandatory” -- Services that states must cover
- ◆ “Optional” -- Other services states can choose to cover

		Mandatory	Optional
<b>Community-based</b>	<b>Nursing Facility</b>	√	
	Home Health	√	
	Personal Care		32 states
	HCBS Waiver		All states except Arizona, 254 waivers

# Medicaid LTC Devoted to HCBS for Aged and Disabled Grew Significantly Since 2000



Source: 2005 MedStat LTC Data, Lewin Analysis. Long term care includes nursing facility, state plan personal care and home and community-based waivers for the aged and disabled.

# Long Term Care Insurance (LTCI) Plays an Even More Limited Role

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- ◆ LTCI market emerged during the 1980s
- ◆ 9.2 million total policies sold through 2002
- ◆ However, only approximately 10 percent of those age 50+ own LTCI policies because of:
  - Complicated and expensive policies -- \$1,337 to \$2,862 at age 65
  - Consumer lack of awareness and denial of need
  - Most policies must be “sold” by agents
- ◆ Limited benefit payouts
  - Early policies offered limited benefits – nursing home only and often no inflation protection
  - Benefits based on daily amount purchased and may not cover full cost of care
  - Many people lapse their policy prior to benefits
- ◆ Partnership policies address some policy limitations through required features

**Source:** American Health Insurance Plans (AHIP) (2004) Long Term Care Insurance in 2002 for number of policies sold and average premium.

# Out-of-Pocket Covers the Majority of LTC

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- ◆ Some individuals pay for LTC on their own
- ◆ Those who qualify for Medicaid also pay out-of-pocket
  - Nursing facility residents with Medicaid financing contribute all of their income with the exception of a personal needs allowance (\$30-\$100/month)
    - On average, Medicaid nursing facility residents contribute 20% of their cost
  - Many states also require cost-sharing for their HCBS waiver
  - Medicaid rules protect the primary residence while the individual or their spouse is alive
    - OBRA '93 mandated estate recovery
    - In 2003, states recovered a total of \$347.4 million – on average 0.5% of Medicaid LTC costs, however, Oregon recovered 2.2% (AARP, 2005)
    - DRA now caps home equity protection at \$500,000

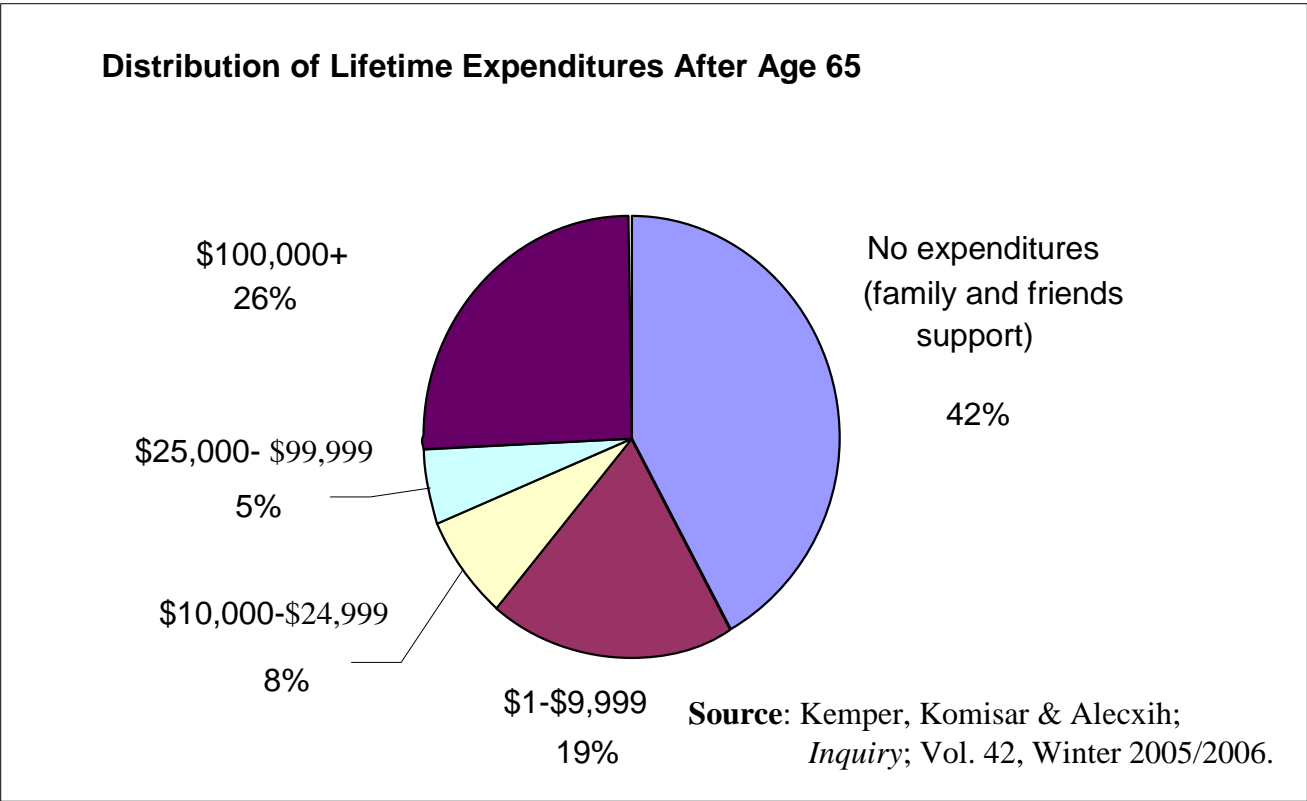
# Remaining Lifetime Use of LTC by People Turning 65 in 2005

Type of Care	Average Years of Care	% of People Using Type of Care
All LTC need	3.0	69
At home		
Informal care only	1.4	59
Formal care	0.5	42
Any care at home	1.9	65
In facilities		
Nursing facilities	0.8	35
Assisted living	0.3	13
Any care in facilities	1.1	37

Source: Kemper, Komisar & Alexih; *Inquiry*; Vol. 42, Winter 2005/2006.

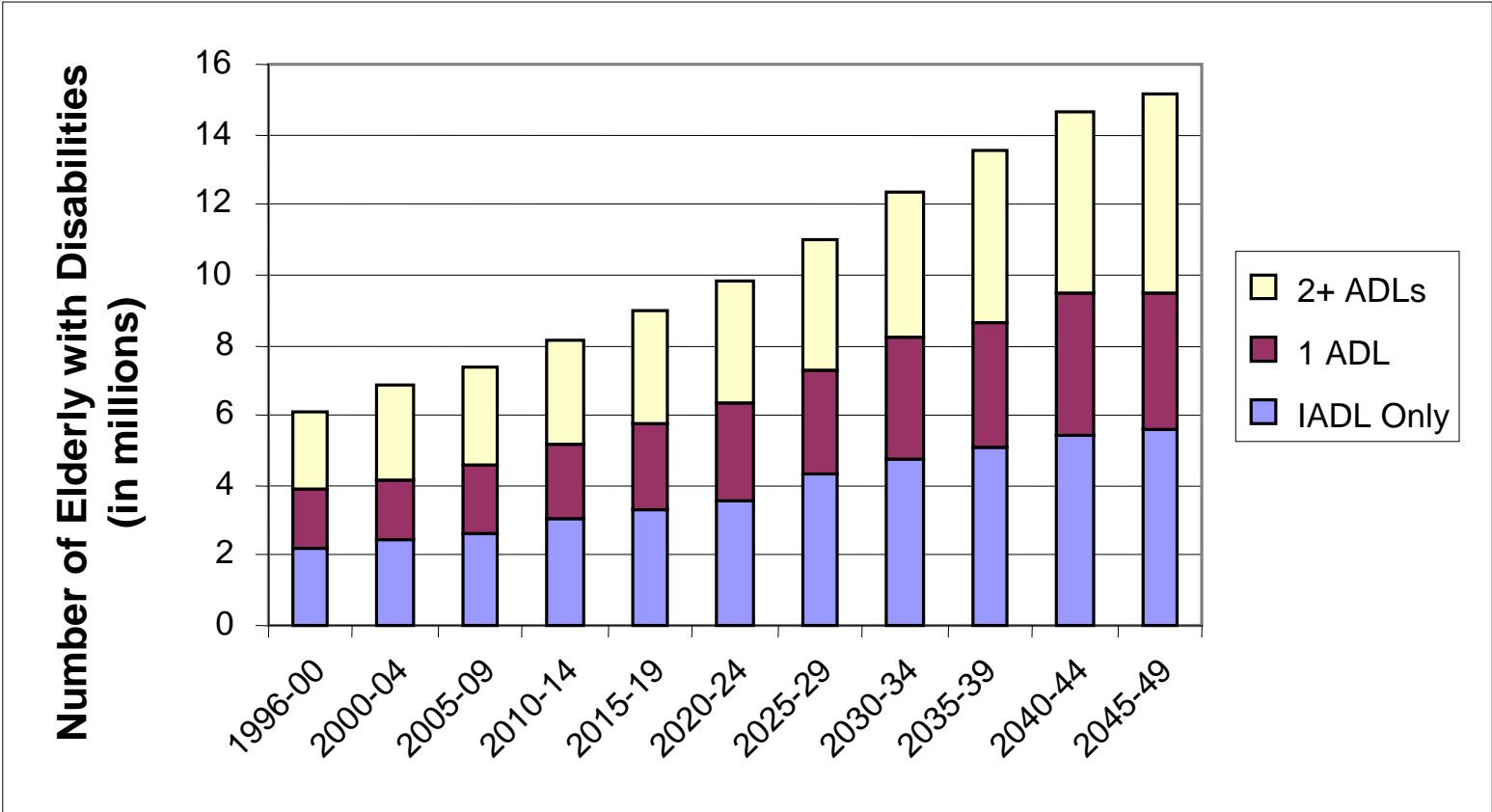
# While Most Could Save Enough, Over 25% Face Expenses Over \$100,000

- ◆ 2000 median net worth among elderly was \$110,000, but only \$25,000 excluding home equity



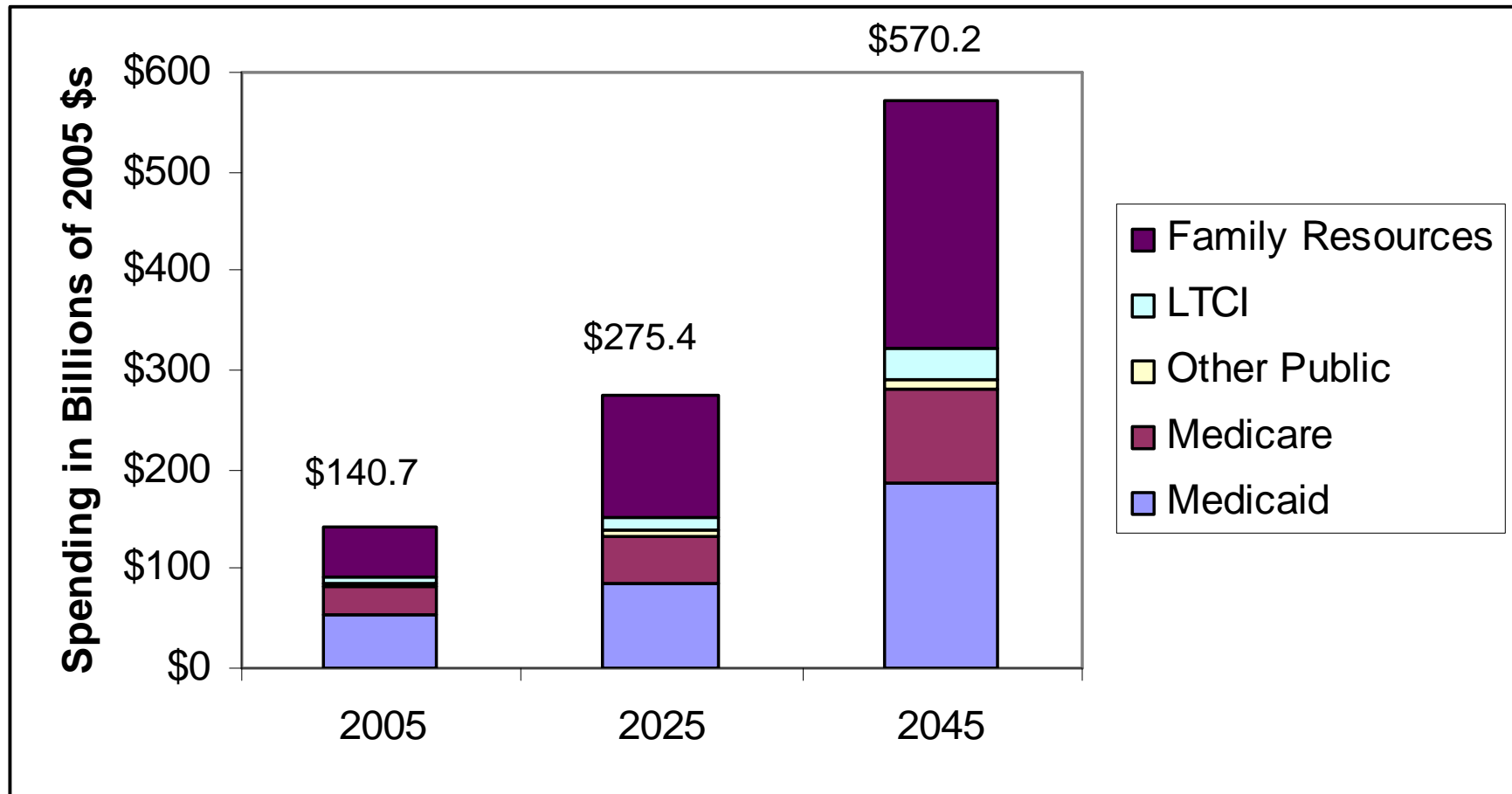
**Average lifetime per capita at age 65 = \$47,000**

# Aging of Baby Boomers Will More than Double the Number of Older Adults Age 65+ with Disabilities



Source: The Lewin Group based on the Long Term Care Financing Model.

# Projected LTC Spending



Source: The Lewin Group based on the Long Term Care Financing Model.



## Few Americans Plan Ahead for LTC Needs

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- ◆ Less than 10% of those age 50+ own a long term care insurance policy
- ◆ Baby boomers had children later than any previous generation and worry more about college tuition than financing future LTC needs
- ◆ Women age 40-44 who never had children doubled from 1976-today (10% to 20%)
- ◆ About two-thirds of all Americans will likely need some type of supportive services after age 65
- ◆ What role will DRA provisions that encourage planning for future LTC needs play?
  - Education campaigns and individual counseling
  - Partnership program expansion