



The Hilltop Institute

analysis to advance the health of vulnerable populations

You Can Run, But You Can't Hide: Facing the Costs of Long-Term Care

Harriet L. Komisar, Ph.D.

New York Institute of Technology Center for Gerontology and Geriatrics
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Reforming Long-Term Care -- Back to the Future

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The Hilltop Institute was formerly the Center for Health Program Development and Management.

Outline

- Background: The long-term care (LTC) population
- LTC Costs: Individual perspective
 - What is the lifetime risk of needing LTC?
- LTC Costs: National perspective
 - Challenges we face as a nation
- Conclusion: Policy priorities

Background

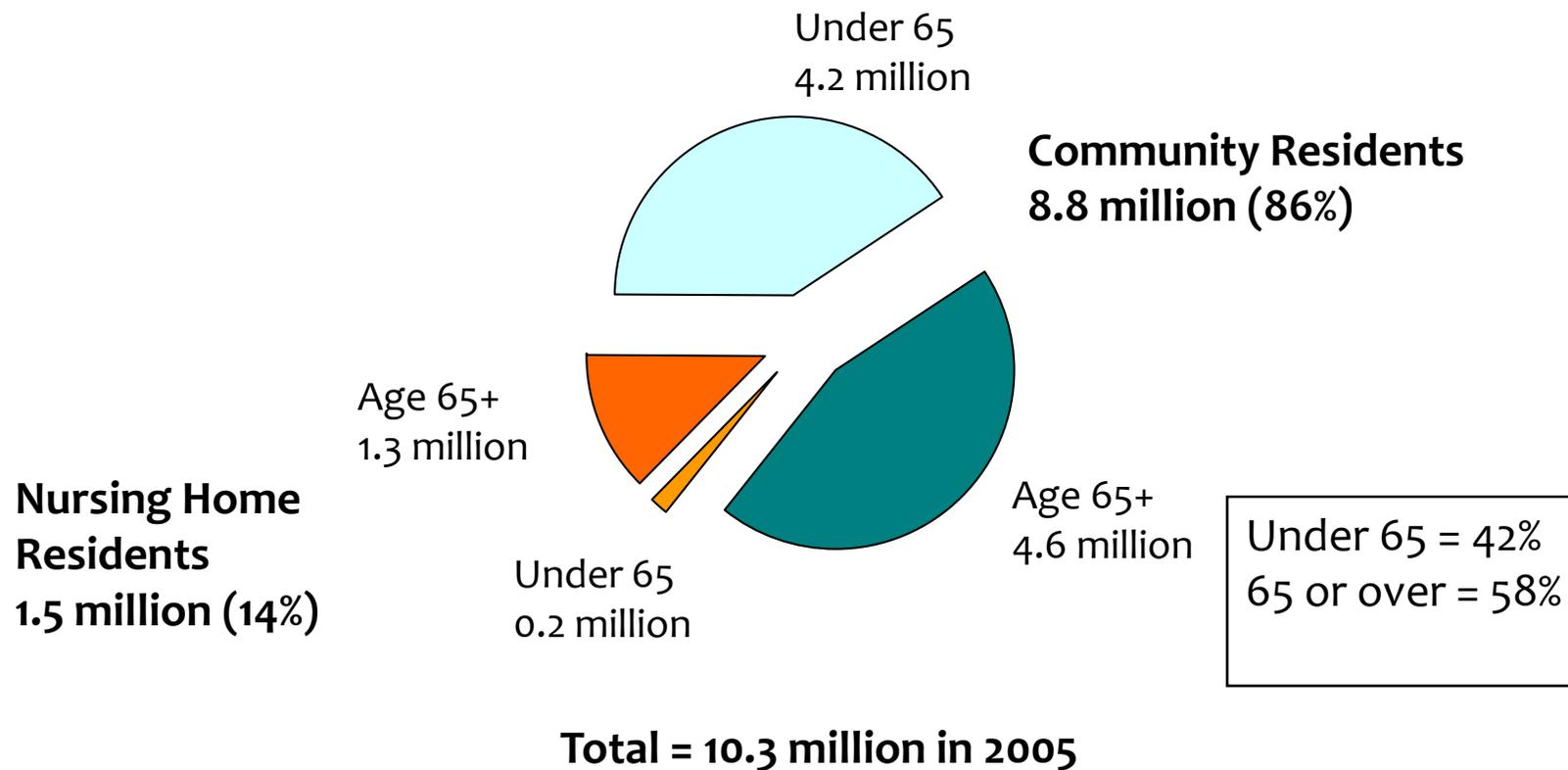
What is long-term care?

- Services and supports needed when the ability to care for oneself has been compromised by chronic illness or disability.
- Consists predominantly of assistance from another person with routine daily activities such as bathing, getting around the house, preparing meals, or managing medications.
 - Variety of settings: at home, assisted living, nursing homes
 - Majority of assistance at home is family care

Long-term care is distinct from health care

- There are important overlaps and connections between LTC and health care
- Many individuals need both, often stemming from same health condition
- Some providers deliver both, sometimes delivered together
- Coordination between long-term care and health care is important to quality of care

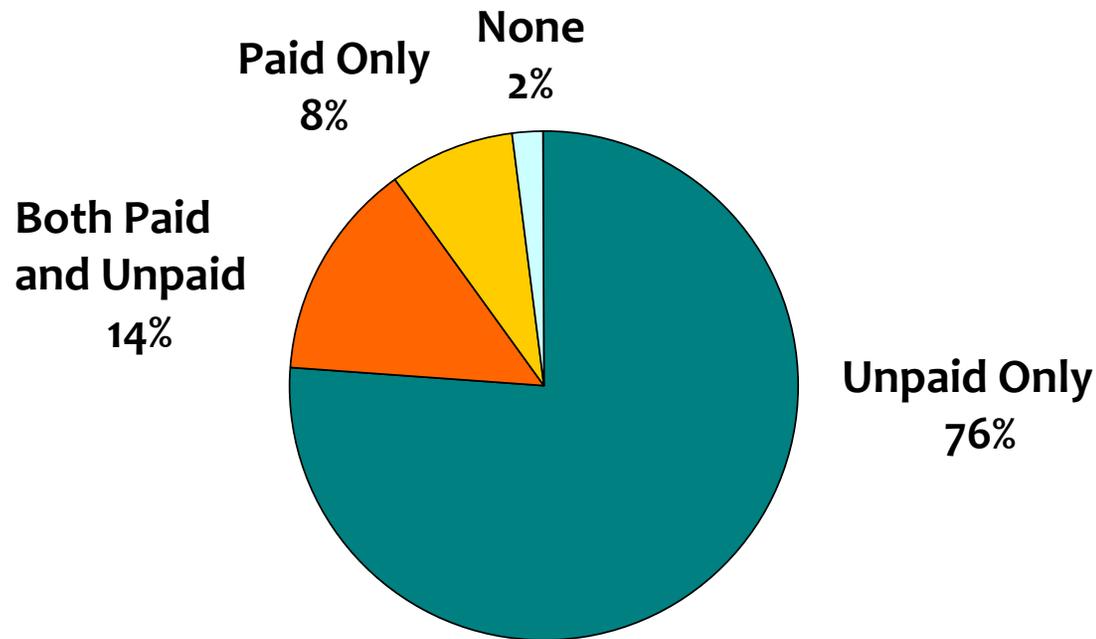
The long-term care population



Source: Feder, Komisar & Friedland, 2007.

Most people with LTC needs rely solely on unpaid care

Distribution of community adults with LTC needs, by type of assistance received



Source: Based on analysis of data from the National Health Interview Survey on Disability, 1994-1997.

Individual Perspective

What can individuals now age 65 expect over the rest of their lives?

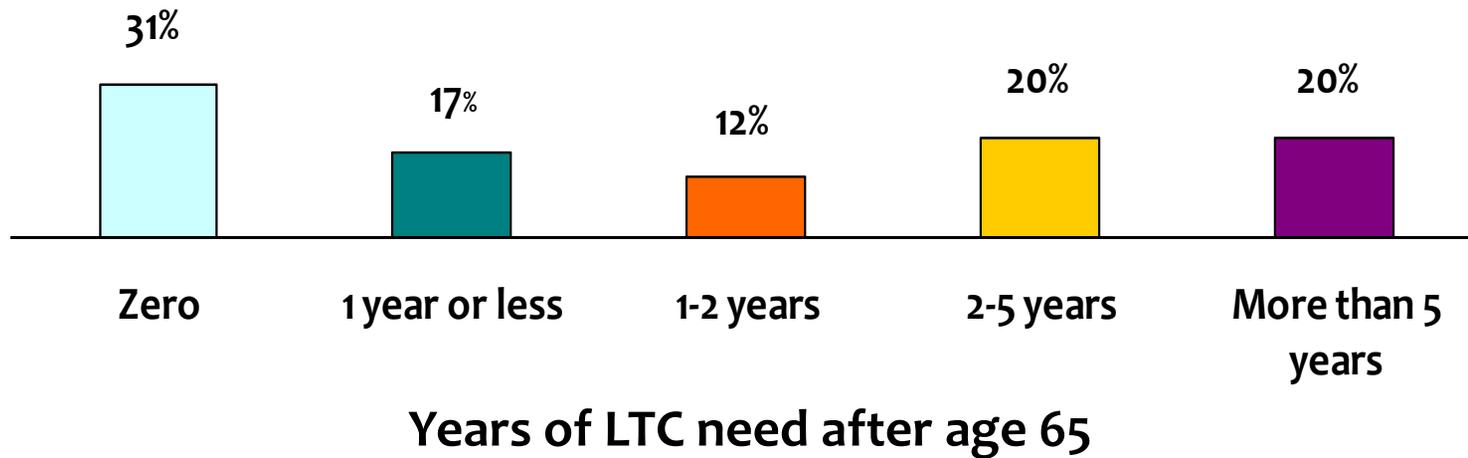
- What is the lifetime risk of needing LTC?
 - Likelihood of ever needing LTC?
 - How much LTC needed?
 - What will be spent on LTC?
- Findings
 - LTC is about risk
 - Wide variation among individuals in lifetime need and cost

Averages

- Among all people turning age 65:
 - Two-thirds will need some LTC over the rest of their lives
 - Average LTC need will be for 3 years
 - About half the years of LTC need will be addressed solely with family care

Years of LTC need will vary widely among individuals

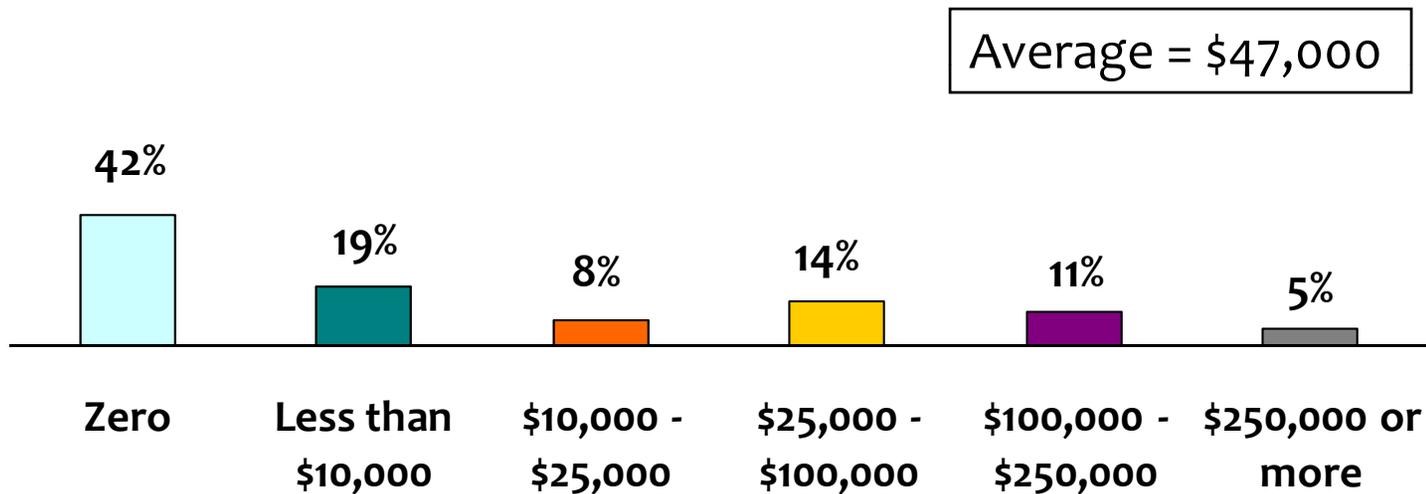
Percent of people now age 65



Source: Kemper, Komisar & Alecxih, 2006.

Spending for LTC will vary widely among individuals

Percent of people now age 65



Total LTC cost after age 65 (all sources of payment)
Present discounted value in 2005 dollars

Source: Kemper, Komisar & Alecxih, 2006.

LTC risk is largely uninsured

- Unpaid care (family and friends): Large role
- Medicare
 - Limited coverage of nursing home and home health care for medically related, rehabilitative services
- Medicaid: Safety net
- Few people have private LTC insurance
 - 0.2% of age 20-49; 6% of age 50-64; 10% of age 65+

Why the private LTC insurance market is limited

- Underwriting means many people can't purchase it
 - An estimated 28% of people age 65-69 would not pass underwriting
- Demand is low
 - Premiums are high relative to resources of many people who cannot afford or have higher priorities: medical insurance, medical care, education, retirement savings
 - High administrative costs make premiums high relative to expected claims
 - Uncertainty about stability of premiums and insurer
 - Concern about benefit adequacy

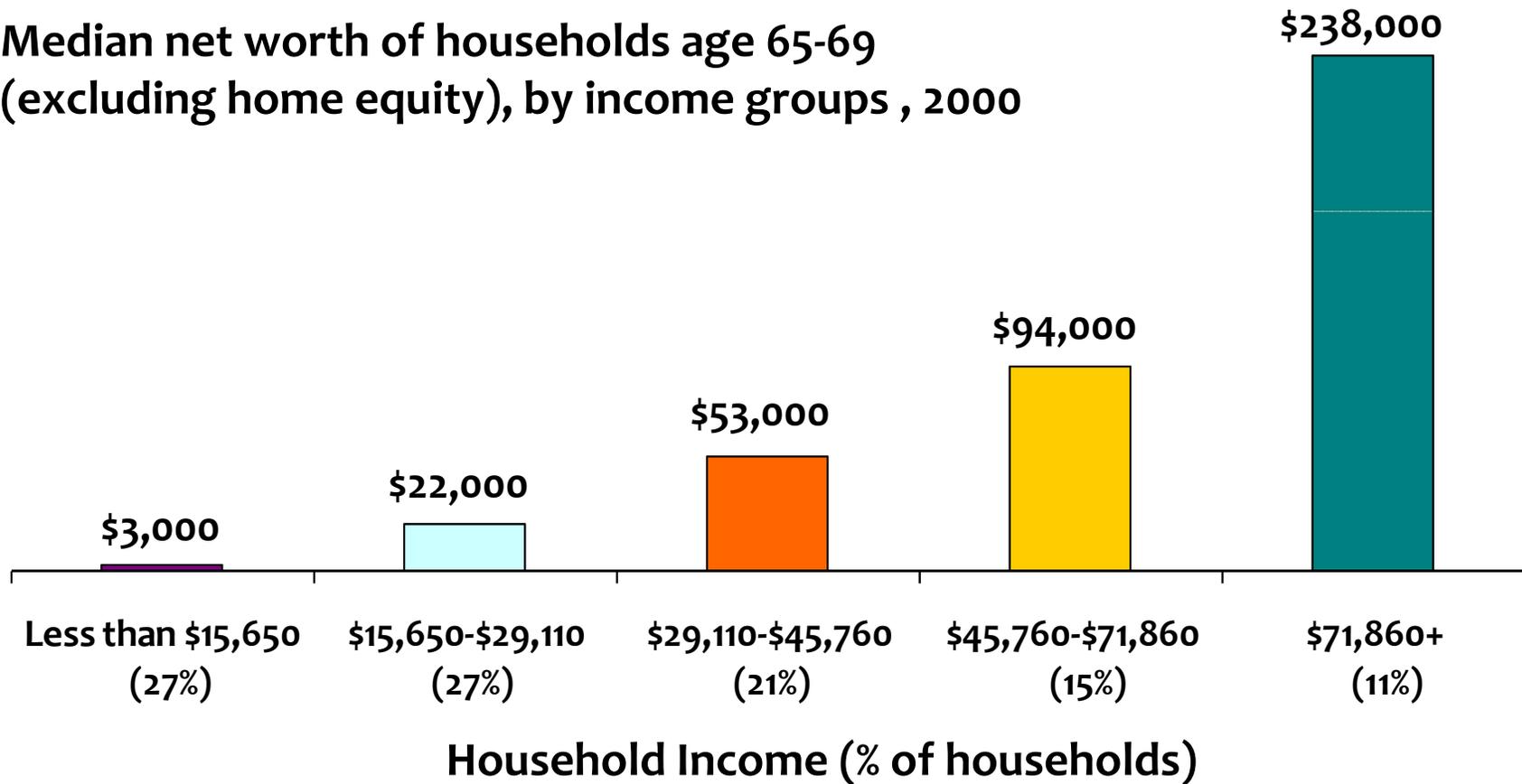
LTC services are expensive

- Nursing home
 - Nationwide average: \$77,400 per year in 2008
 - More than \$125,000 per year, on average, in several of the most expensive market areas (including New York metro area)
- Assisted living
 - Nationwide average: \$41,000 per year (base rate \$36,400 plus \$4,600 for ADL support). Wide range among, and within, locations.
- Home care (home health aide)
 - Nationwide average: \$20 per hour. Varies by location: \$12 to \$28
 - 20 hours/week @ \$20/hour = \$20,800 per year

Sources: *The MetLife Market Survey of Nursing Home & Assisted Living Costs, 2008*; and *The MetLife Market Survey of Adult Day Services & Home Care Costs, 2008*.

Most people have limited savings at retirement

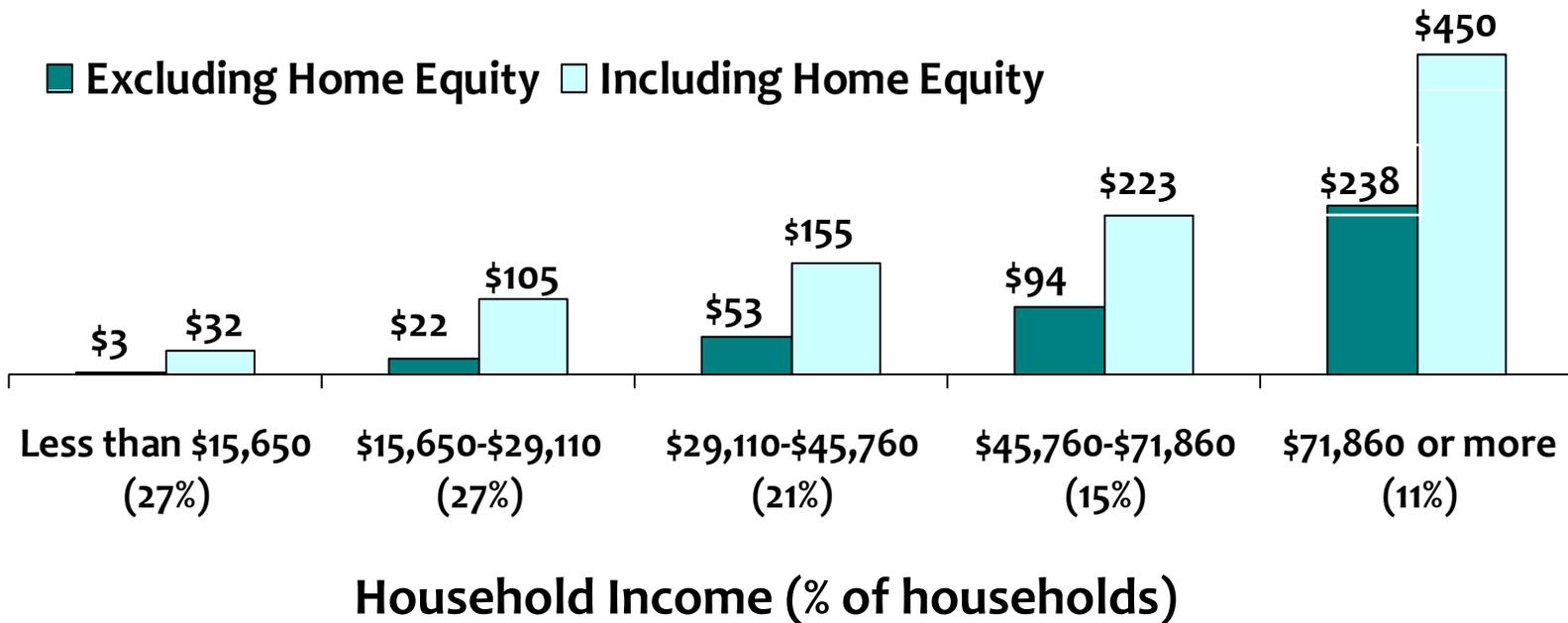
Median net worth of households age 65-69 (excluding home equity), by income groups, 2000



Source: Orzechowski & Sepielli, *Net Worth and Asset Ownership of Households*, U.S. Census Bureau, 2003.

...even when home equity is included

Median net worth (in \$1000s) of households age 65-69 in 2000



Note: Income groups are income quintiles for households of all ages.
Source: Orzechowski & Sepielli, *Net Worth and Asset Ownership of Households*, U.S. Census Bureau, 2003.

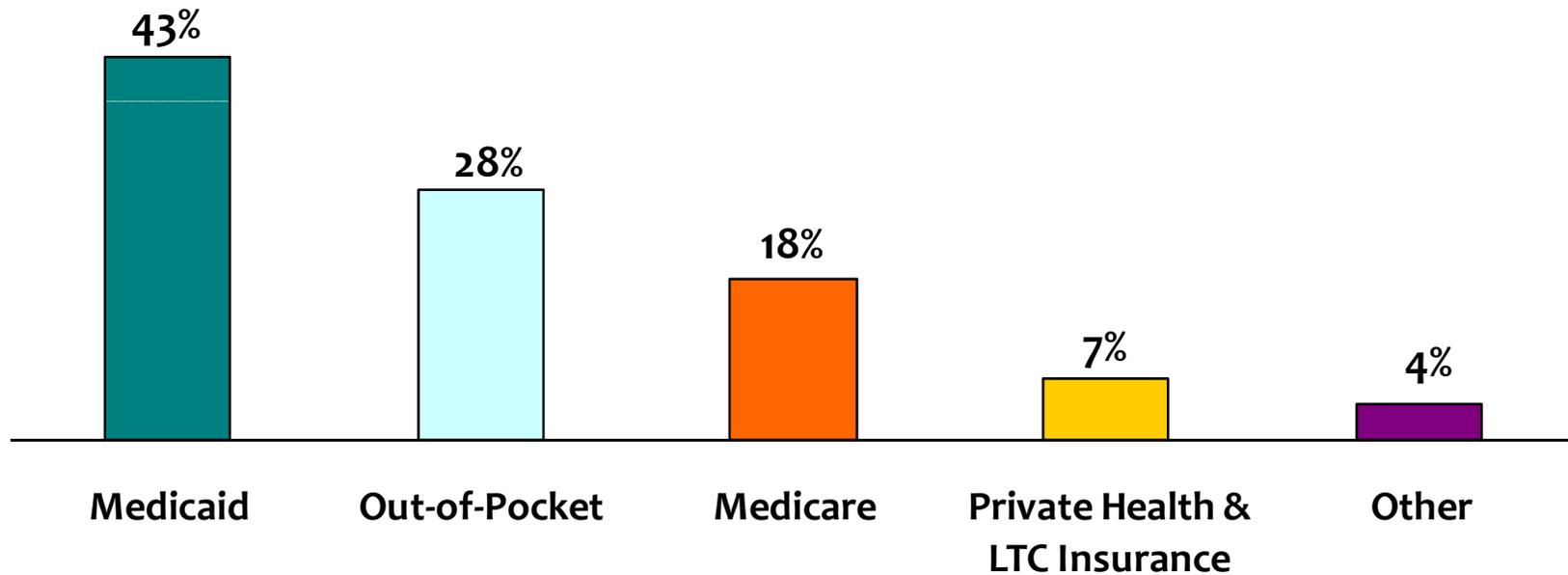
Summary: Individuals

- Individuals face a significant risk of needing LTC in the future
- The risk is largely uninsured
- Thus, in the event of needing extensive LTC, most people are at risk of exhausting resources and relying on Medicaid

National Perspective

Medicaid and out-of-pocket spending pay for most LTC

Distribution of national spending for LTC, by payer

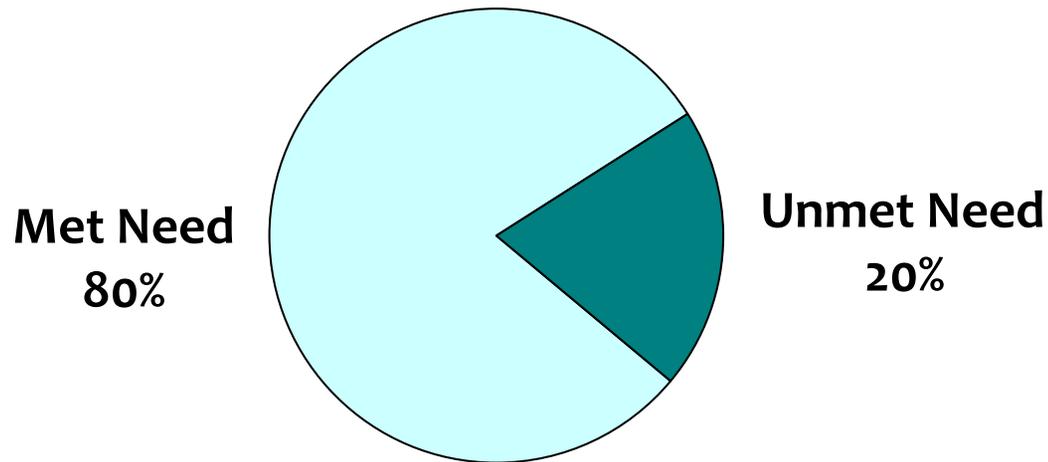


Total = \$231 billion in 2006

Source: Avalere Health, *Long-Term Care--An Essential Element of Healthcare Reform*, The SCAN Foundation, 2008.

Too many people go without needed care

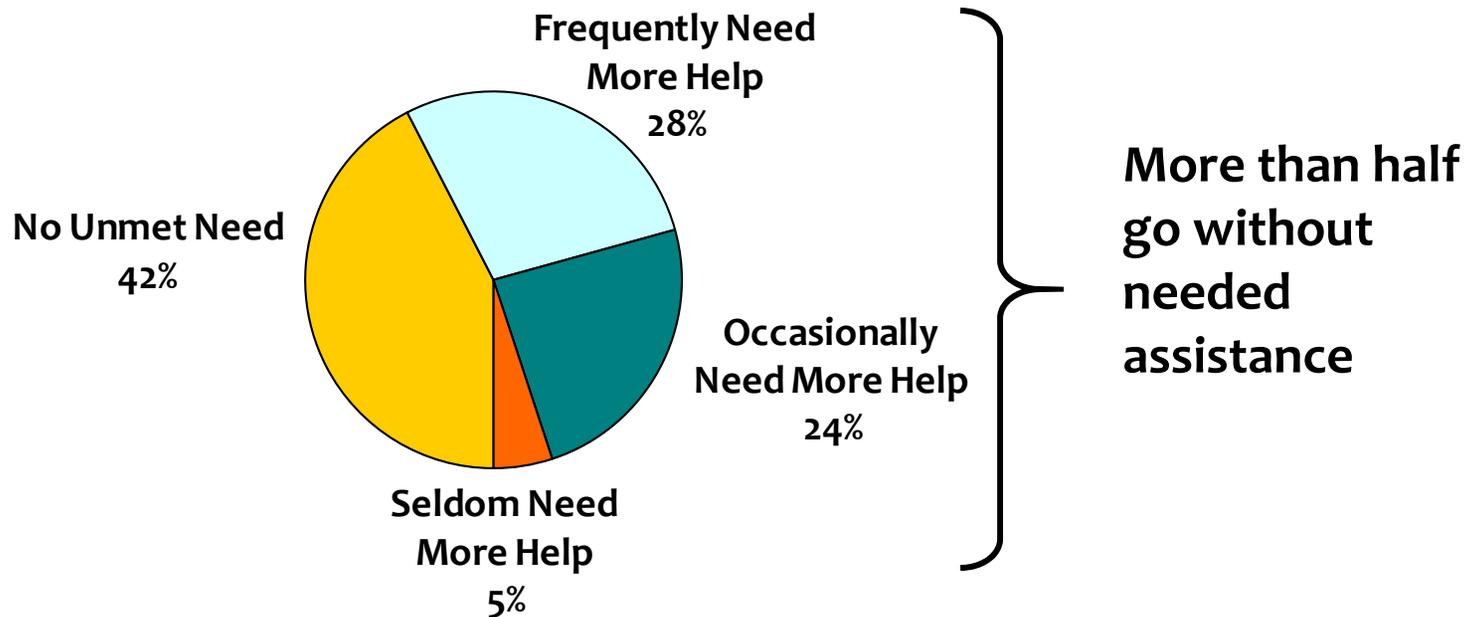
Prevalence of unmet need among community adults who need LTC



Source: Based on analysis of data from the National Health Interview Survey on Disability, 1994-1997.

Unmet need is even higher among people with low incomes

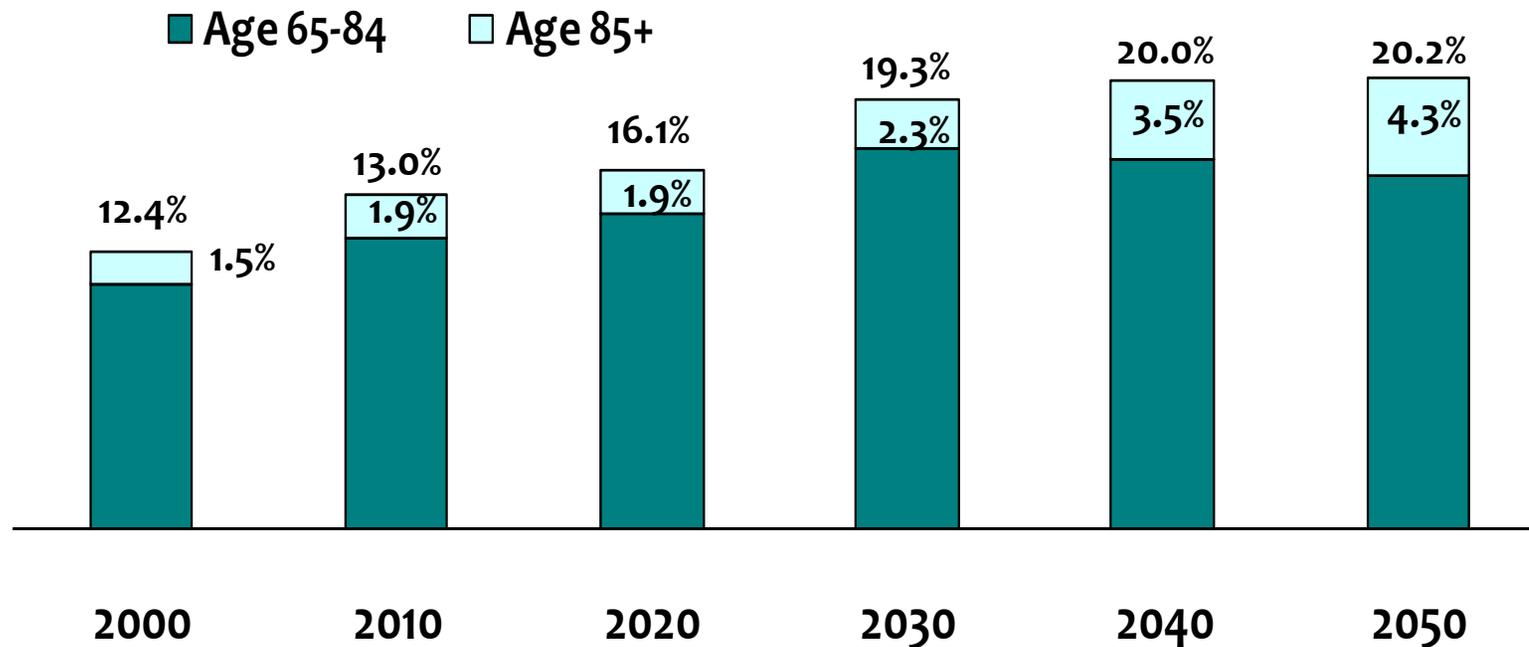
Among community Medicare-Medicaid dual-eligibles who need help with activities of daily living



Source: Komisar, Feder & Kasper, Unmet Long-Term Care Needs: An Analysis of Medicare-Medicaid Dual Eligibles, *Inquiry* 42(2), 2005. Based on a survey in six states.

In the future, seniors will be a growing share of the population

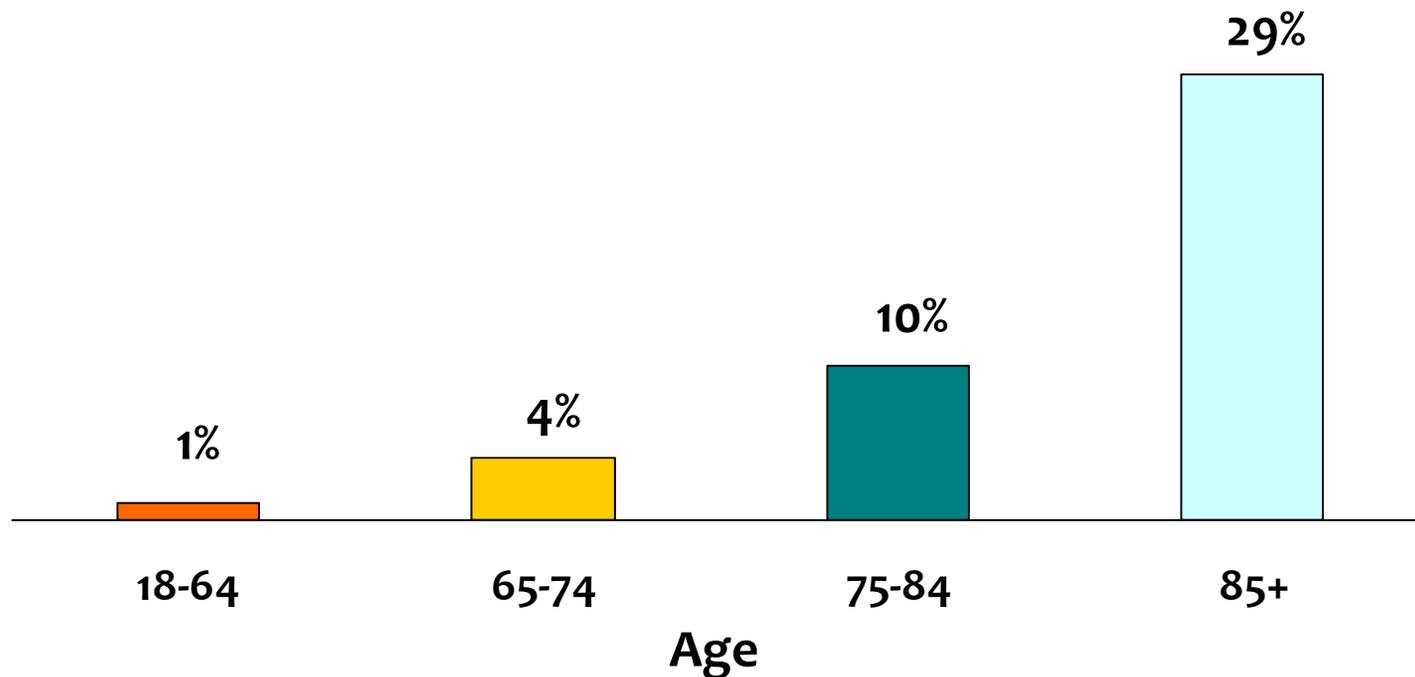
People age 65 and older, as a percentage of total population



Source: U.S. Census Bureau Projections, August 2008.

And the risk of needing LTC rises steeply with age

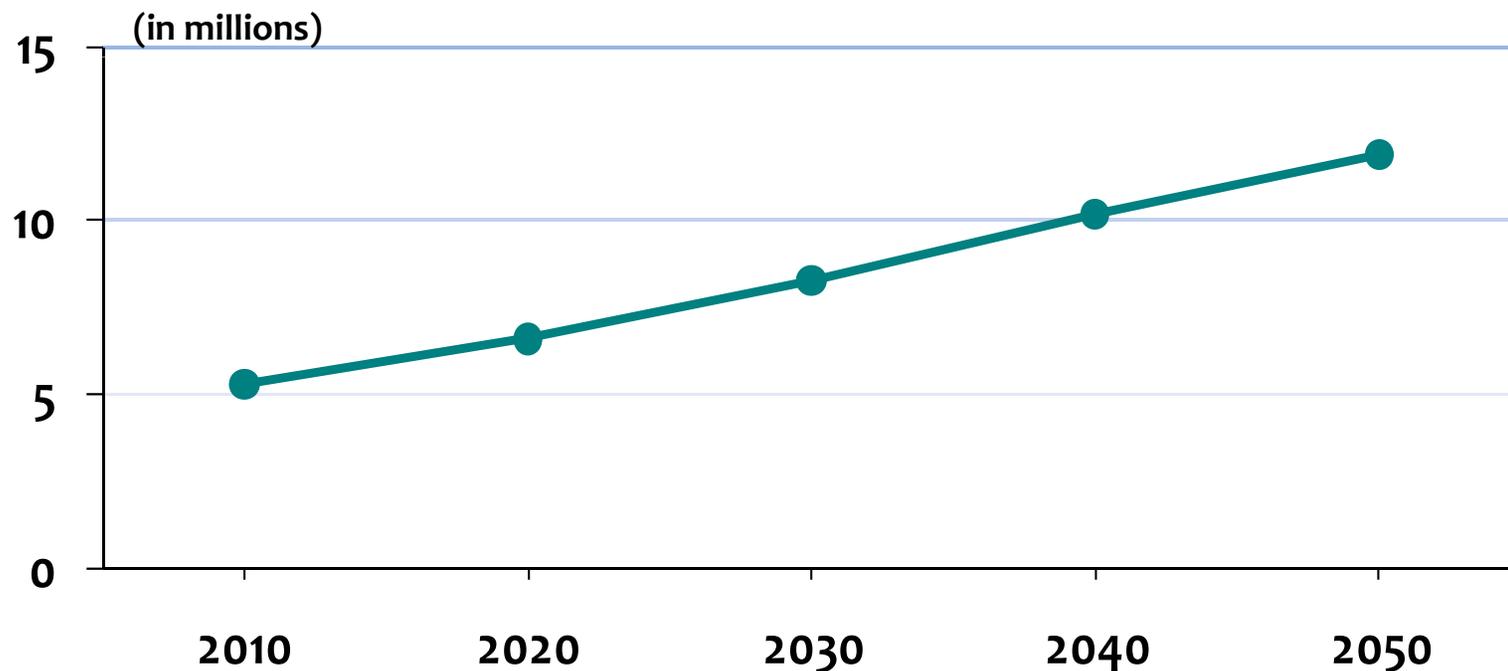
Percentage of people in age group who have moderate to severe LTC needs, 2005



Note: Estimate for 2005, based on nursing home residents and community residents needing assistance with activities of daily living.

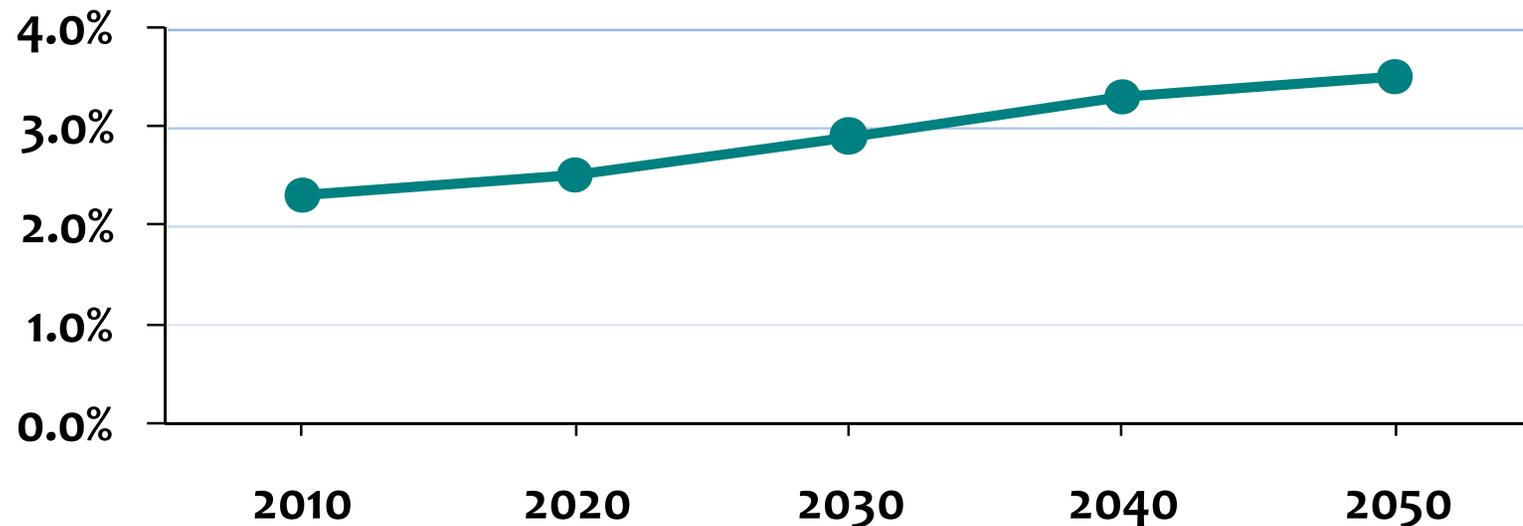
In future decades, the LTC population will grow in number

Projected number of adults with moderate to severe LTC needs, 2010-2050



And as a percentage of the population

Projected adults with moderate to severe LTC needs as a percent of the total adult population, 2010-2050



Summary

- LTC is a risk faced by people of all ages – and that risk is mostly uninsured
- Thus, most people are at risk of financial catastrophe and reliance on Medicaid, in the event of needing extensive LTC
- Often, LTC needs are not adequately met

Preparing for the future

- Improve financing to share the financial risk of LTC in an equitable way
 - Better financing will reduce unmet need
- National cost of LTC is likely to grow
 - But by a manageable amount!
 - Better LTC will reduce adverse medical events
- There are a lot of ways to move forward

Sources:

- Komisar, H., Tumlinson, A., Feder, J. & Burke S. (2009) *Long-term Care in Health Care Reform: Policy Options to Improve Both*. Long Beach, CA: The SCAN Foundation.
<http://www.thescanfoundation.org/article/commissionedreports/reports.html>
- Feder, J., Komisar, H., & Friedland, R. (2007) *Long-Term Care Financing: Policy Options for the Future*. Washington, D.C.: Georgetown University Long-Term Care Financing Project.
<http://ltc.georgetown.edu/papers.html>
- Kemper, P., Komisar, H., & Alecxih, L. (2006) “Long Term Care Over an Uncertain Future: What Can Current Retirees Expect?” *Inquiry*, 42(4), 335-350.

About The Hilltop Institute

The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and social outcomes of vulnerable populations. Hilltop conducts research, analysis, and evaluation on behalf of government agencies, foundations, and other non-profit organizations at the national, state, and local levels.

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Contact Information

Harriet L. Komisar, Ph.D.

Senior Research Analyst

The Hilltop Institute

University of Maryland, Baltimore County (UMBC)

410.455.6740

hkomisar@hilltop.umbc.edu

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