Long-Term Care in the United States: Who Pays?

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The LTC “Perfect Storm”

- Baby Boomers are reaching age 65 – at a rate of 10,000 a day until 2030
- Life expectancy for 65 yr olds: 85
- Medical advances extend life, but new treatments come at a cost
- 80% of older adults have at least one chronic condition; 50% have at least two

CDC, 2012
Who receives care?

- 10-15 million currently receive LTC
  - 1.5 million in skilled nursing facilities
- Of those living in the community
  - 25% live alone
  - 50% have income < 200% FPL
    (median household income = $32,000/yr)
- Women more likely to receive LTC
- Diversity of LTC recipients roughly mirrors general population

CMS, 2010; Kaye, Harrington, & LaPlante, 2010
Who provides care?

- 45-60 million unpaid caregivers in US
  - 62% of LTC recipients have no paid help
- 60% of caregivers also have paid jobs
  - 40% work full-time
  - 42% have incomes below $50,000
  - Median household income: $57,000
- Almost half over age 50
- 66% are women; 70% White
- Roughly 1/3 have children at home

AHRQ, 2010; NAC/AARP, 2009
Who else provides care?

- 3 million employed as direct care workers
- Most employed by for-profit companies
  - 12% self-employed or have private arrangements
- Avg. annual salary: $17,000
- 47% rely on public benefits (SNAP, Medicaid, etc.)
- 47% White, 30% Af-Am, 16% Latino
- Avg. age: 42

PHI, 2011
What does LTC cost?

- $240 billion spent in US in 2009
- 69% of this paid by public programs
  - 19% paid by families
  - 7% paid by private insurance
- Avg. annual nursing home cost: $88,000
  - Over $100,000 in 10 states
  - MO: $55K; NY: $123K
- Less than 10% of US has LTC insurance

http://www.genworth.com/content/non_navigable/corporate/about_genworth/industry_expertise/cost_of_care.html; KFF, 2012
Other costs?

- Families provided $450 billion worth of care in 2010
- Out of pocket expenses can be significant
  - Estimated at $5,500 to $12,000 per year
- Important health and mental health impacts
  - Higher rates of mortality and morbidity among caregivers
  - Stress, lack of training, physically demanding tasks are primary challenges

Evercare/NAC, 2007
Longevity as an Economic Liability

• Costs increase with longevity
• Public programs and private households both at risk
  – Medicaid is insurance for most, but requires impoverishment
• Those already more vulnerable to poverty affected disproportionately by LTC
  – Women more likely to need care and to give care
  – Minority populations more likely to have low-wage caregiving jobs
  – Cumulative disadvantage may make some populations less resilient to economic shocks
Recent Policy Innovations

• Shift from nursing home care to home- and community-based services (HCBS)
  – Also called Consumer-Directed Services
  – Money Follows the Person, Cash & Counseling written into ACA

• Theory is that this will save money and improve consumer satisfaction

• Two big questions remain:
  1. DOES it save money?
  2. SHOULD it save money?
Recent Policy Innovations

- **CLASS Act**
  - Written into Affordable Care Act
  - Created a national, voluntary, long-term care insurance program
  - Would have paid $50/per day when help with 2-3 ADLs was needed
  - Plan scrapped because of actuarial issues

- **State LTC Insurance Partnership Program**
  - Provides incentives for individuals to purchase private insurance
  - Has had very low uptake
Where do we go from here?

- LTC is an insurance problem
  - The not-so-small risk of a catastrophic loss
  - The private insurance market has failed
  - Public policy solution not politically feasible

- LTC is a also social justice issue
  - Vulnerable populations affected at same rates
  - Life course cumulative disadvantage may make affects of LTC and caregiving costs worse
  - Vulnerable populations virtually absent from the discussion
The work ahead

We need to more about:

• Financial impacts of caregiving
• Economic effects of shift to HCBS
• How vulnerable populations are affected by LTC, caregiving, workforce issues
• How various policy solutions would affect consumer behavior
  – Add LTC to Medicare, or expand Medicaid, or make CLASS program mandatory
  – Impose workforce regulations
References


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