

LTC Planning

How Much Do You Really Know About Long Term Care?

According to estimates by the Centers for Medicare & Medicaid Services, two out of every five people in the U.S. will eventually require some form of Long Term Care.¹

LONG TERM CARE DOES NOT MEAN NURSING HOME CARE

Most of us assume that long term care simply means care in a nursing home. But that's not the case. The easiest way to understand long term care is to remember that it is not defined by the setting in which it takes place, but by the type of care that is actually needed.

Long term care is the type of help you need when you're not able to perform daily activities such as eating, bathing and dressing by yourself. Typically, it's not provided by doctors or skilled nursing professionals and its goal isn't to cure an illness.

Some people do receive long term care in a nursing home, but the lion's share of care – over 80%² – takes place in the community. Family members, adult day care centers and assisted living facilities are among the most common care providers.

WHO'S MOST LIKELY TO NEED LONG TERM CARE?

Long term care is most often associated with the elderly. And statistics show that Americans who reach age 65 face a 40%³ lifetime risk of needing some form of long term care. Additionally, estimates show that the number of persons who need long term care could grow by 35% over the next 20 years; and by 82% over the next 40 years.⁴

Long term care is not limited to people over age 65, however. Many working age adults require long term care due to accidents, injuries or chronic conditions. Many of these people receive care from family members who must continue to work and meet other obligations in addition to caregiving.

WHERE IS LONG TERM CARE PROVIDED?

Remember, it's the type of care and not the setting that matters most. Long term care can be provided in a variety of settings: at home, in assisted living facilities, in a community setting such as an adult day care center, in hospice home-care programs or facilities, in nursing homes and more.

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WHAT DOES LONG TERM CARE COST?

Long term care services can be very expensive. The average cost for a year in a nursing home is \$57,765, with that figure being twice as high in some parts of the country.⁵

Home care can be less expensive, but it still adds up. Bringing an aide into your home five times a week to help with dressing, bathing, preparing meals, and similar household chores can easily cost \$2,900 each month or \$34,800 a year.⁶

These costs are likely to rise in the years ahead. In fact, long term care costs are rising at a higher rate than inflation and other health care costs.⁷ Experts predict that by the time America's 77 million baby boomers reach their retirement years, costs for long term care services will have quadrupled.⁸

THE NEED FOR LONG TERM CARE AFFECTS EVERYONE INVOLVED

Whether you need care yourself, or you find yourself in the position of caregiver, the impact of long term care can affect your entire family. Most older persons with long term care needs – 65% – rely exclusively on family and friends to provide assistance.⁹ Of these informal caregivers, 7 out of 10 are women,¹⁰ and 89% of them reported increased levels of stress,¹¹ negatively affecting both their family life and health. Over half of those caring for an elderly relative or friend are employed full time,¹² and 54% of those working caregivers have made changes at work¹³ – going in late, leaving early, turning down additional responsibilities – to accommodate their caregiving commitments.

Caregivers, or those in need of long term care, often must sacrifice savings earmarked for college tuition, retirement or nest eggs they have planned to leave behind for family members. When funds are exhausted, many in need of long term care may require entrance into a nursing home

because that's the primary type of care funded by Medicaid.* A long term care need can happen to anyone. Most associate long term care with the elderly, however people of all ages can have these same needs as a result of auto or sports accidents or a debilitating disease. Consider the lifestyle changes working-aged individuals and their families may face:

- annual nursing home costs of \$40,000 to \$80,000¹⁴ (depending on where the individual lives)
- liquidation of valuable family assets
- decisions about where care can/will be received
- the possibility of a family member assuming some caregiving responsibilities

Having long term care insurance can help preserve your assets, and allow you to have choices – including staying at home – because most long term care policies can provide benefits for home health care.

FICTION AND FACT ABOUT LONG TERM CARE

Fiction: If I need long term care, I'll simply pay for it with my savings.

FACT: Very few people can afford to pay for long term care services from savings. As a national average, a single year of long term care is \$57,765,¹⁵ with costs increasing to nearly twice that in some regions.

Fiction: Medicare, or my health insurance, will pay the costs of my long term care needs.

FACT: Far too many people assume Medicare* will take care of long term care expenses. In reality, long term care isn't adequately covered by familiar forms of insurance like health insurance, retiree health plans, Medicare supplement plans and Medicare, to name a few. These plans only pay for skilled medical care and most long term care is just maintenance – helping someone bathe, dress, move around, use the bathroom, etc. And, you must be at least 65 years old to be eligible for Medicare.

1. Fitch IBCA, "Long Term Care: An Industry in Transition," January 18, 2002

2. Long Term Care: An Overview, Statement of Carol O'Shaughnessy, Specialist in Social Legislation, Congressional Research Service, March 27, 2001

3. Health Insurance Association of America, "Guide to Long Term Care Insurance," 2002

4. Long Term Care: An Overview, Statement of Carol O'Shaughnessy, Specialist in Social Legislation, Congressional Research Service, June 28, 2001

5, 6, 14, 15. MetLife Mature Market Institute, Market Survey of Nursing Home and Home Care Costs, August 2003

7, 8. The American Council of Life Insurance, "Can Aging Boomers Avoid the Nursing Home?" 2000

9. U.S. Administration on Aging (2000, Fall). "America's Families Care: A Report on the Needs of America's Family Caregivers."

10. Statement of William Scanlon, Director Health Care Issues. General Accounting Testimony before US Senate Committee on Finance, 2001

11. Genesis Health Ventures and National Association of Female Executives, October 2002 Poll

12, 13. National Alliance for Caregiving, Senior Market Advisor Study, November 2002

* For more information regarding benefits provided by Medicare or Medicaid, visit www.cms.hhs.gov. Medicaid guidelines vary by state. Contact your local Medicaid office for details.