



Understanding the Value and the Options

# PLANNING FOR LONG-TERM CARE

# LONG-TERM CARE; WHAT IS IT?

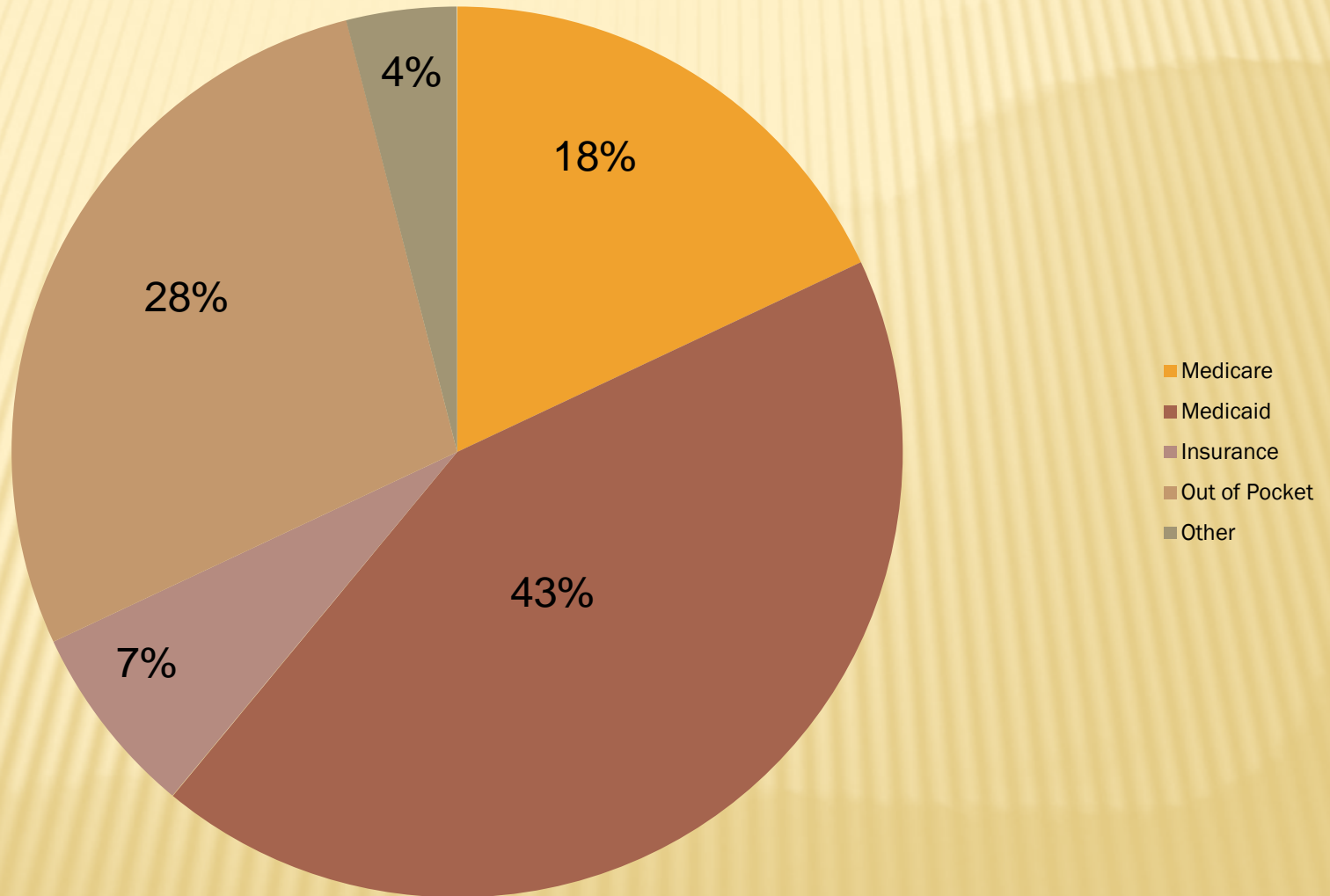
- ✘ Primary focus is on care and services that assist an individual with the performance of ADL/IADL tasks or performs an ADL/IADL task(s) for an individual.
- ✘ Can be formal or informal – institution focused or community based/home focused.
- ✘ Not age specific but the bulk of long-term care expenditures correlate with advancing age.

# WHO PAYS FOR LONG-TERM CARE?

- ✖ Medicare pays for less than 20% of all long-term care with the focus being a very narrow component that is post-acute related.
- ✖ Medicaid pays for approximately 45% of all long-term care.
- ✖ Private resources/funds and insurance account for 35% with private resources, etc. accounting for more than 70% of non-nursing home related care.



# LONG-TERM CARE EXPENDITURES: U.S.



# THE “NATURE” OF LONG-TERM CARE

- ✘ More than half of all long-term care provided is informal, provided by family. An estimate provided by AARP suggests an economic value of \$400 billion.
- ✘ Institutional care is the most expensive: More than \$75,000 annually for Nursing Home and \$45,000 for Assisted Care. Home health care at 6 hours per day equals \$60,000 to \$80,000, depending on the skill level required.

# THE “NATURE” OF LONG-TERM CARE, CONT.

- ✖ Today, less than 10% is covered by private insurance.
- ✖ Medicaid access continues to be an issue nationally; expense and coverage issues.
- ✖ Medicaid expenditures projected to grow to 6.5% of GDP by 2015!
- ✖ The “growth” in aged cohorts combined with a growth in life expectancy and a growth in disability survivorship = funding dilemma.



# A BIT OF HISTORY

## Size of Total and Age 65+ Population 1950-1970

U.S. Population	1950	1960	1970
Total population	151,000,000	179,000,000	203,000,000
Population age 65+	12,300,000	16,500,000	20,000,000
Age 65+ / total population	8.1%	9.2%	9.8%

# A BIT OF HISTORY, NURSING HOMES

Nursing Home Supply and Utilization	1954	1963	1969
Number of nursing homes	9,000	13,100	15,300
Number of beds	260,000	507,500	879,000
Number of residents	260,000	470,000	793,000
Nursing home residents / 65+ population	2.1%	2.8%	3.9%



# A BIT OF HISTORY; LTC EXPENDITURES

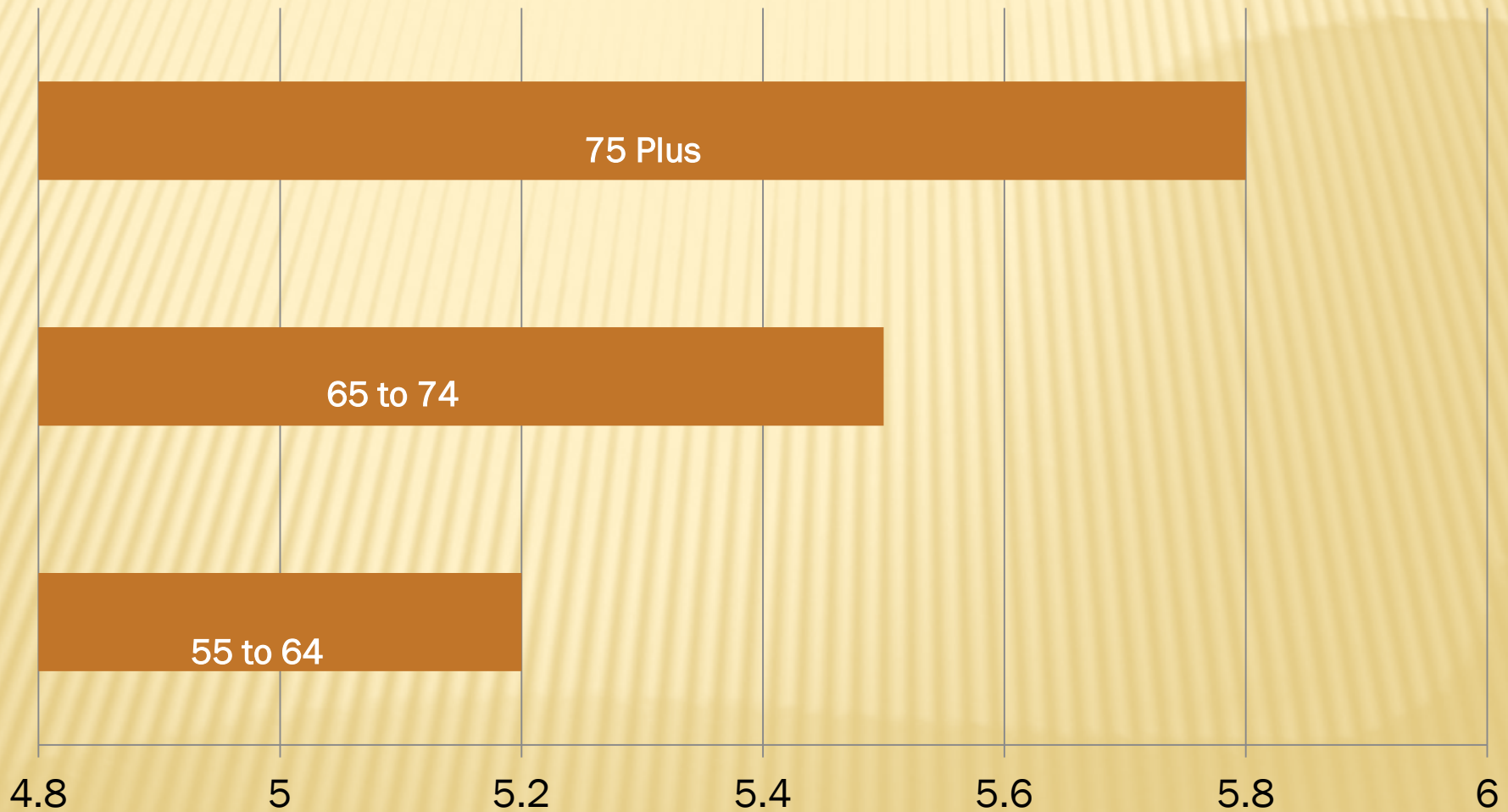
National Nursing Home Expenditures	1950	1963	1969
National spending on nursing homes (millions)	\$187	\$1,055	\$3,567
Expenditures per resident	\$700	\$1,800	\$5,300

# WHERE ARE THE RISKS?

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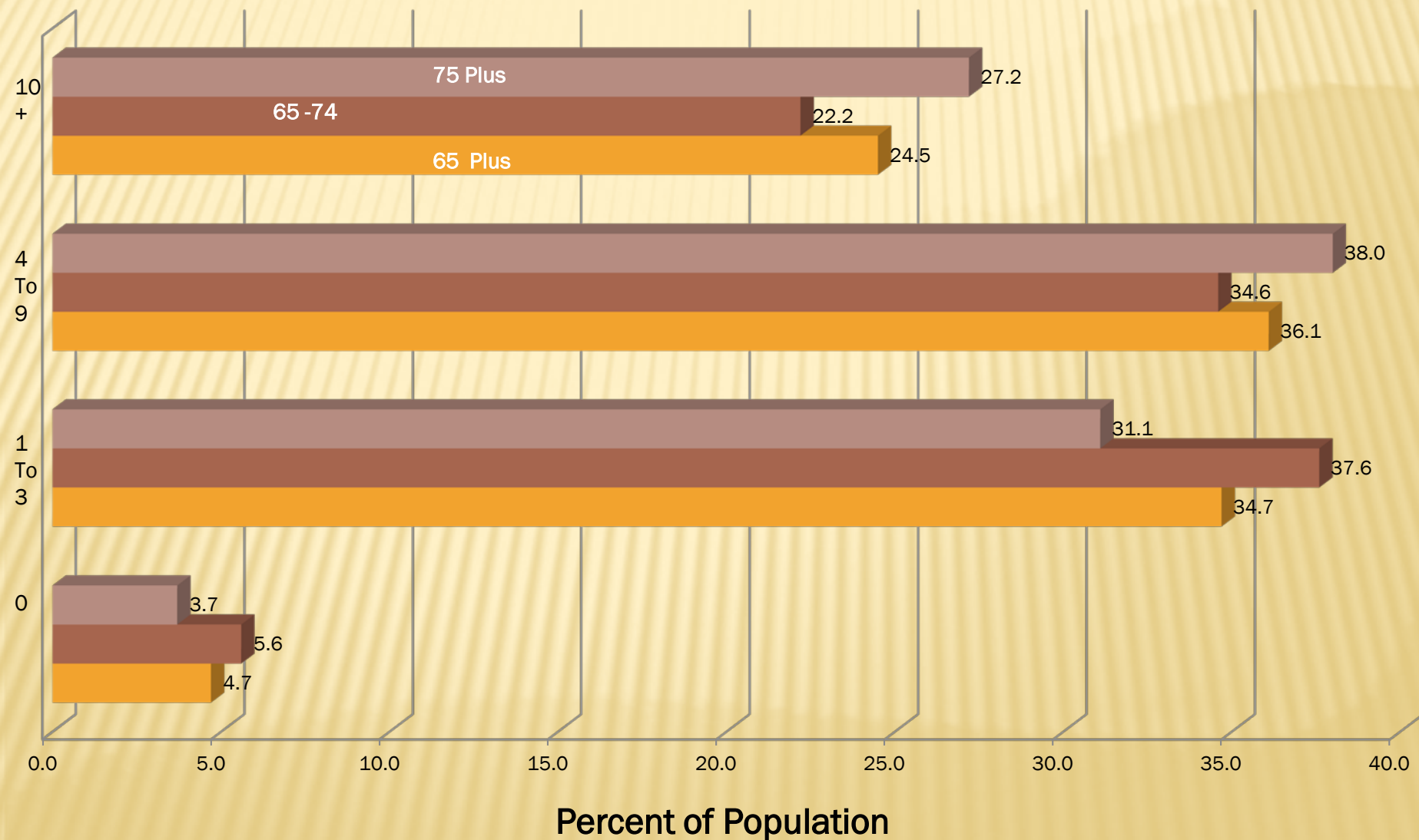
- ✘ Chronic Conditions: Currently, 80% of all older adults live with one chronic condition, 50% live with two.
- ✘ More than 2/3rds of current healthcare costs are tied to treating chronic conditions.
- ✘ Falls are the leading cause of injury deaths for seniors with hip fractures being the most costly fall related injury – 29% of all elderly hip fractures lead to death within one year.

# AVERAGE HOSPITAL DAYS OF CARE

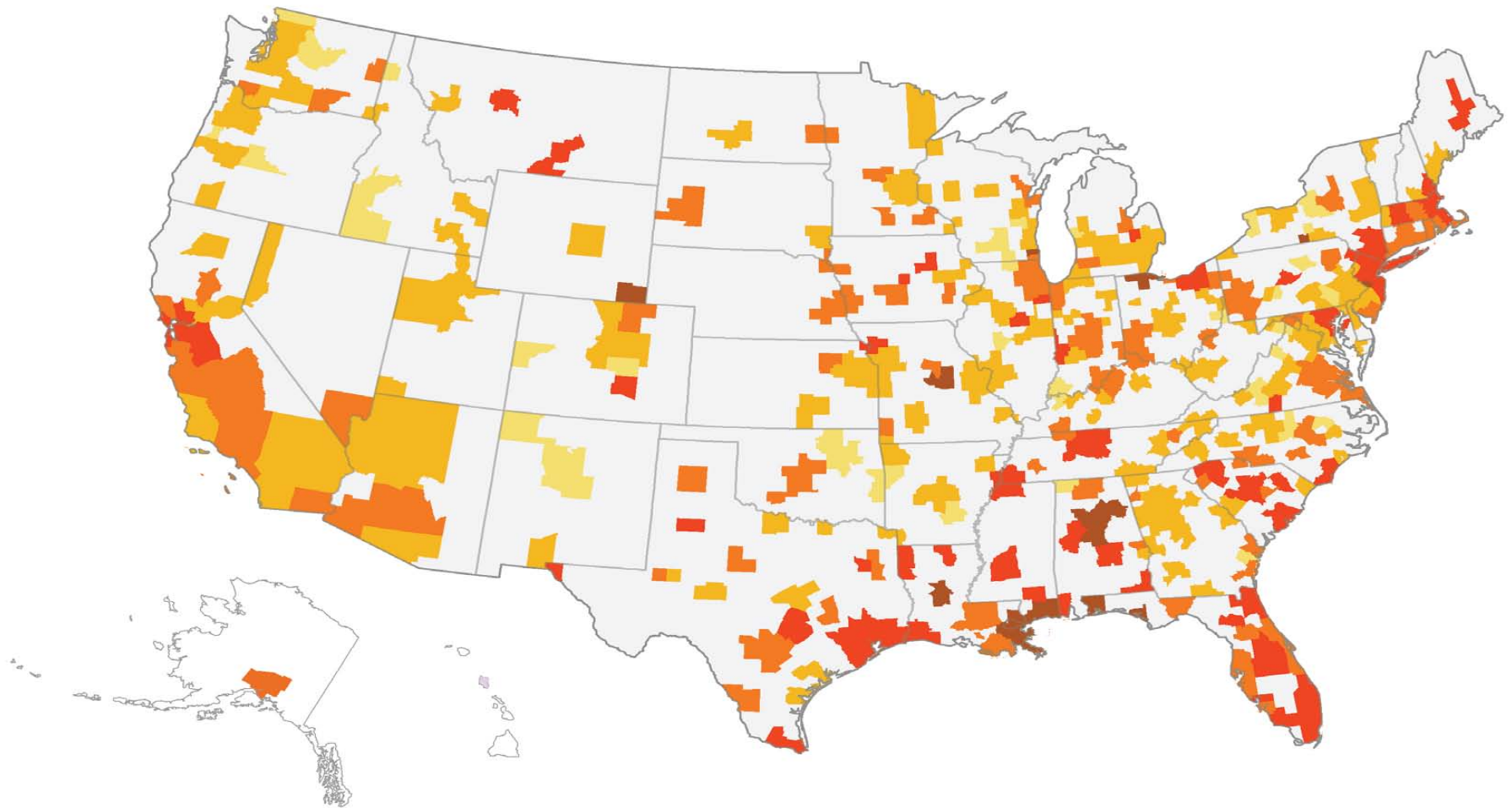




# PHYSICIAN VISITS



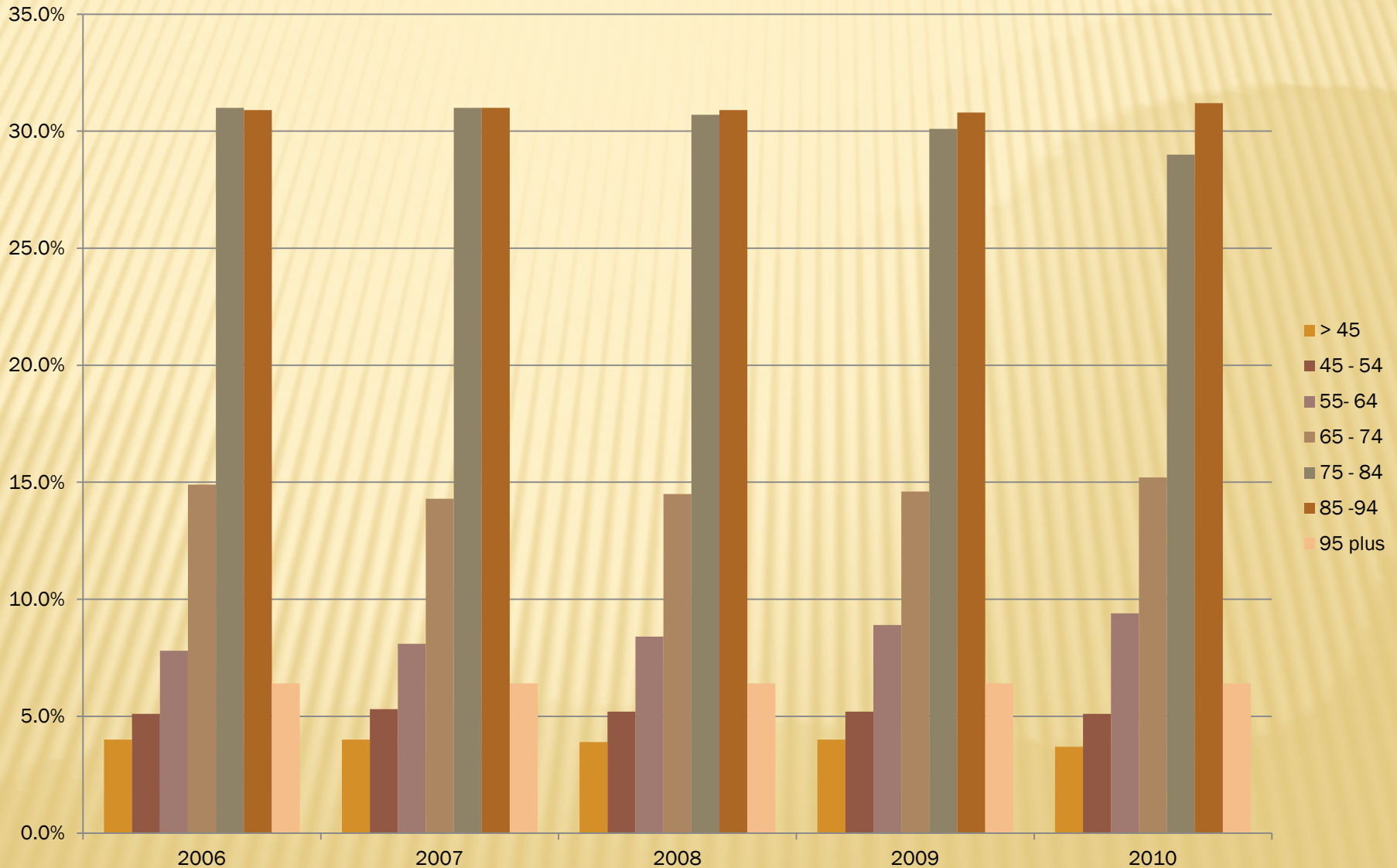
# VARIATION IN HEALTH SPENDING



**Metropolitan Statistical Areas (MSA), ages 65 and older**

■ \$7,362 - \$9,764   ■ \$9,765 - \$11,589   ■ \$11,590 - \$13,579   ■ \$13,580 - \$16,741   ■ \$16,742 - \$22,685

# NURSING HOME PATIENT PROFILE BY AGE





# FEDERAL HEALTH SPENDING FOR SENIORS

	Spending			Percent of Total Spending		Percent of Program Spending		
	Medicare	Medicaid	Total	Medicare	Medicaid	Medicare	Medicaid	Total
Total	148,488	44,503	192,991	76.90	23.10	100.00	100.00	100.00
Inpatient	72,041	1,630	73,671	97.80	2.20	48.50	3.70	38.20
Physician	44,506	6,424	50,929	87.40	12.60	30.00	14.40	26.40
Outpatient	12,588	667	13,256	95.00	5.00	8.50	1.50	6.90
Total Acute	129,135	8,721	137,856	93.70	6.30	87.00	19.60	71.40
Nursing Home	10,066	27,058	37,124	27.10	72.90	6.80	60.80	19.20
Home Health	6,524	718	7,242	90.10	9.90	4.40	1.60	3.80
Home Health & PSS	6,524	3,407	9,931	65.70	34.30	4.40	7.70	5.10

# POPULATION WITH LONG-TERM CARE INSURANCE

## *By wealth quintile*

	<i>Whole</i>	<i>Top</i>	<i>Fourth</i>	<i>Third</i>	<i>Second</i>	<i>Bottom</i>
<b>Whole sample</b>	13.8%	26.9%	19.0%	10.7%	6.6%	4.1%
<b>By gender</b>						
Men	13.6%	25.5%	17.1%	10.0%	4.8%	5.5%
Women	13.9%	28.4%	20.7%	11.2%	7.8%	3.3%
<b>By marital status</b>						
Married	16.3%	28.0%	19.2%	10.3%	5.9%	5.5%
Single	10.4%	23.5%	18.8%	11.2%	7.3%	3.6%
<b>By age group</b>						
60–64	12.7%	24.1%	18.7%	9.3%	5.8%	4.7%
65–69	14.7%	29.6%	19.4%	8.8%	5.9%	5.5%
70–74	15.0%	29.6%	16.8%	14.8%	6.6%	3.5%
75–79	14.7%	28.2%	21.1%	10.5%	8.6%	2.6%
80–84	13.9%	25.0%	20.8%	12.5%	6.9%	5.0%
85+	10.9%	22.1%	19.2%	8.7%	7.6%	1.6%

# THE SCOPE OF LTC RISKS

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- ✖ 70% of people over the age of 65 will use some element of Long-term Care during their lifetime.
- ✖ Government as a payer of long-term care is a minimal player, unless and until, personal resources are exhausted.
- ✖ Nursing home residency is less than 25% of the risk in terms of costs and days of utilization!
- ✖ In totality, the quantified risk per individual today is \$240,000 in today's dollars.



# PLANNING AND ASSESSING YOUR RISK

- ✗ Current health status – Limitations? Chronic Diseases? Age? Medical and Familial History?
- ✗ Financial Situation – Estate value and income stream
- ✗ Years to Insure
- ✗ Risks/Care Levels to Cover
- ✗ Familial/Social Support
- ✗ Personal Values

# “INSURING” AGAINST THE RISK

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- ✖ Building a Plan Encompasses the Following;
  - + Insurance vs. Private Funds
  - + Exposure/risk to cover
  - + Care options and locations (institutional, home, etc.)
  - + Level of care desired/lifestyle
  - + Quality vs. Quantity
  - + Time/Years Before Utilization

# OPTIONS: SELF-FUNDING

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- ✘ Using your estate value, setting dollars aside, typically in a trust, to fund needed care
- ✘ Benefits: Control over assets, investment returns, flexibility, ability to tailor amount over time.
- ✘ Detractions: Expensive, investment risk, time value of money vs. current age, reliance on others to spend wisely when incapacity arises.



# OPTIONS: LONG-TERM CARE INSURANCE

- ✗ Purchasing a policy to cover long-term care costs.
- ✗ Benefits: Source of funds when needed, care coordination benefits, portability
- ✗ Detractions: Age vs. cost, purchasing enough coverage = expensive, years of payments before benefits, limitations on coverage, underwriting risk and insurer stability.

# OPTIONS: GOVERNMENT

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- ✘ Medicare covers minimally and only, true post-acute cases.
- ✘ Medicaid requires virtual financial exhaustion to provide coverage.
- ✘ Medicaid comes with “enormous” provider risk
  - the best providers will not participate or place strict limits on access.
- ✘ Bottom Line: Both programs come with policy and provider risk that can't be easily managed.

# OPTIONS: HYBRID

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- ✖ Using a combination of purchased insurance and self-funding to secure risk.
- ✖ Look heavily at integrated care sources such as CCRCs – very favorable.
  - + Pricing/cost breaks.
  - + Guarantees of care access.
  - + Bundled services and care coordination.
  - + Protection against cost creep and estate evacuation.



# THE BEST APPROACH

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- ✘ Insuring and planning for LTC requires financial savvy and understanding the market risks and provider risks.
- ✘ Recommend: Look carefully at what you can afford first and then where those dollars will be spent. Don't ignore "location" and "access" issues – rarely will you be in full control when the time for care arrives.

# CLASSIC MISTAKES TO AVOID

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- ✗ Time is of the essence!
- ✗ Its not all about money!
- ✗ Failure to assure control and location!
- ✗ The government is on your side!
- ✗ Not being abundantly clear about your life goals and choices!
- ✗ Thinking too short-term! Life expectancy is longer and chances are, you will need care!