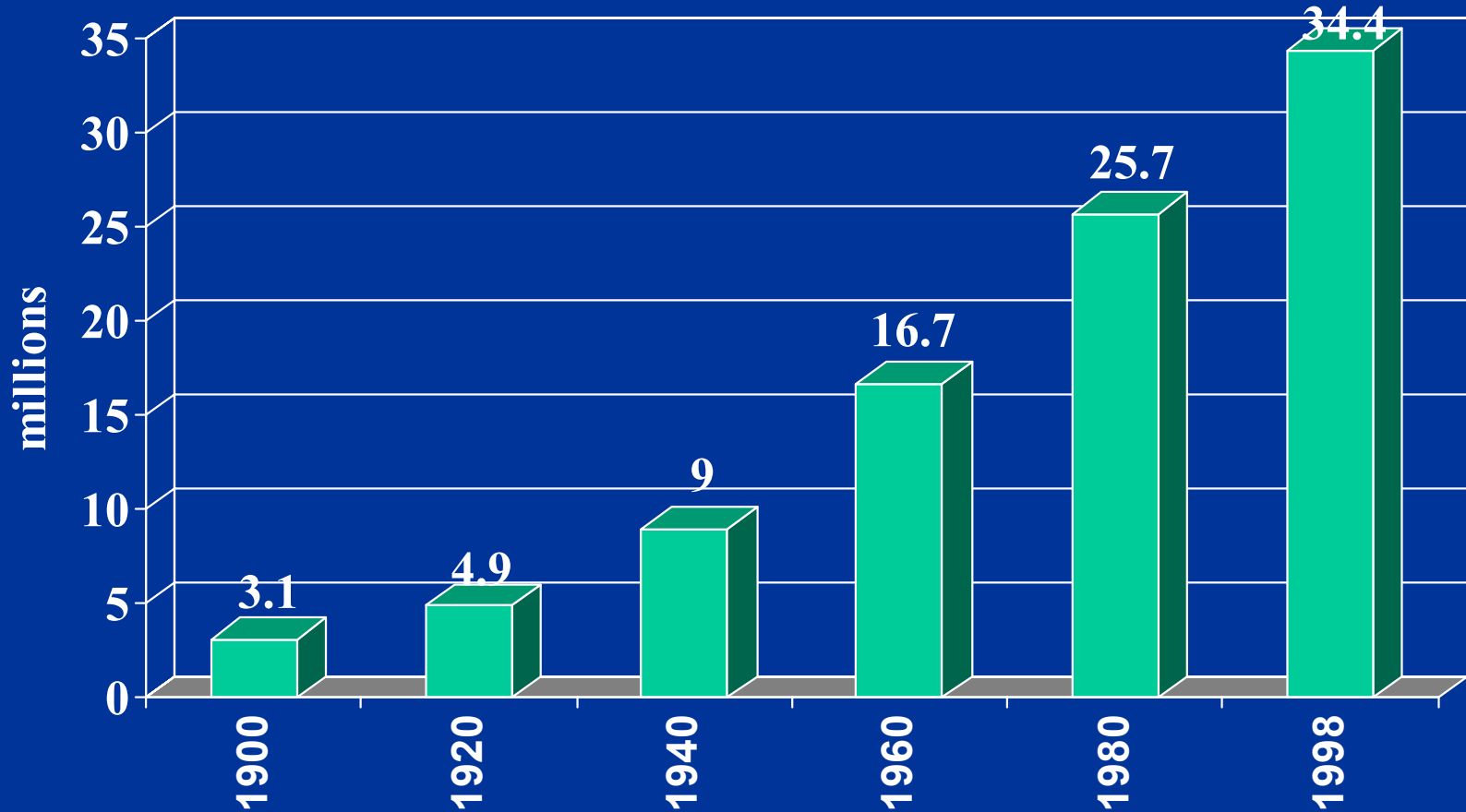


Financing LTC: Policy and Politics

**Robert B. Friedland
Center on an Aging Society
Georgetown University**

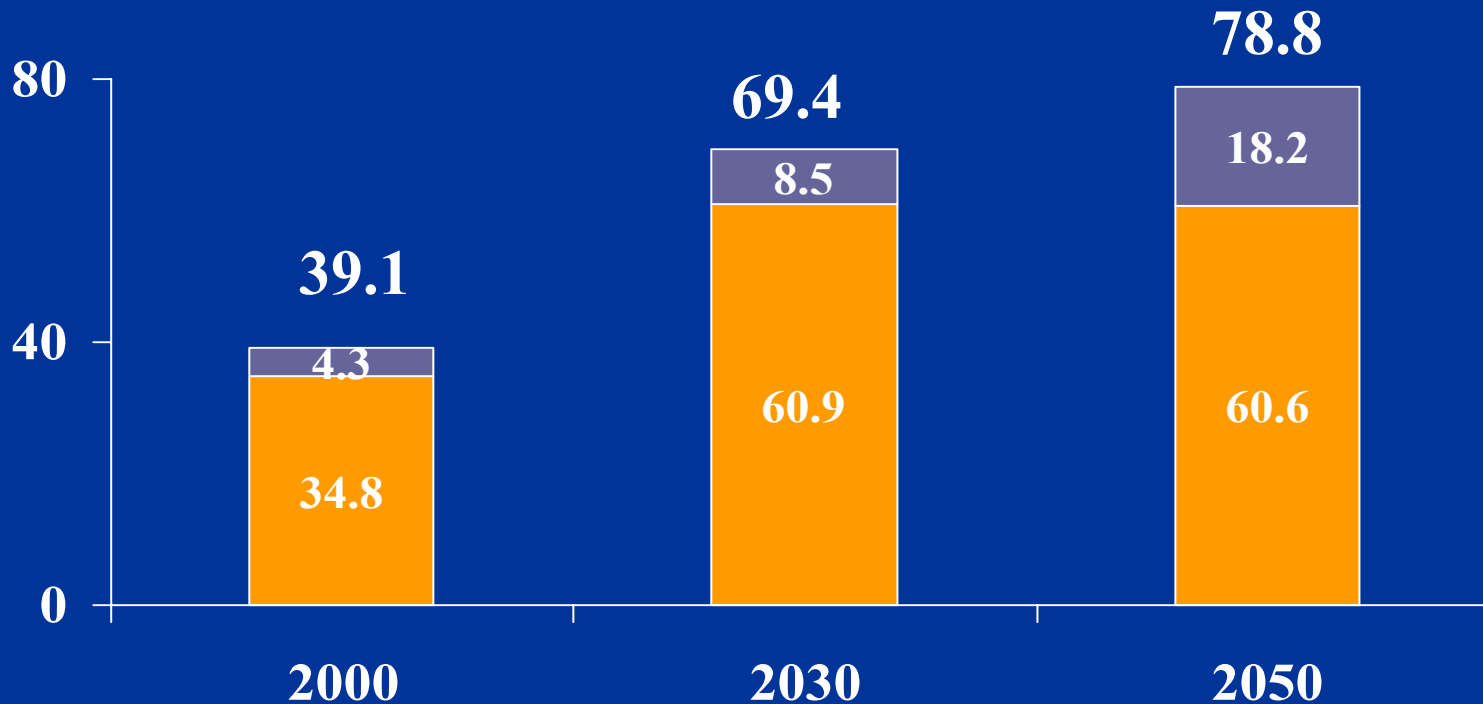
Number of People Age 65 and Older in the Past



U.S. Bureau of the Census

Projected Growth of the Elderly Population

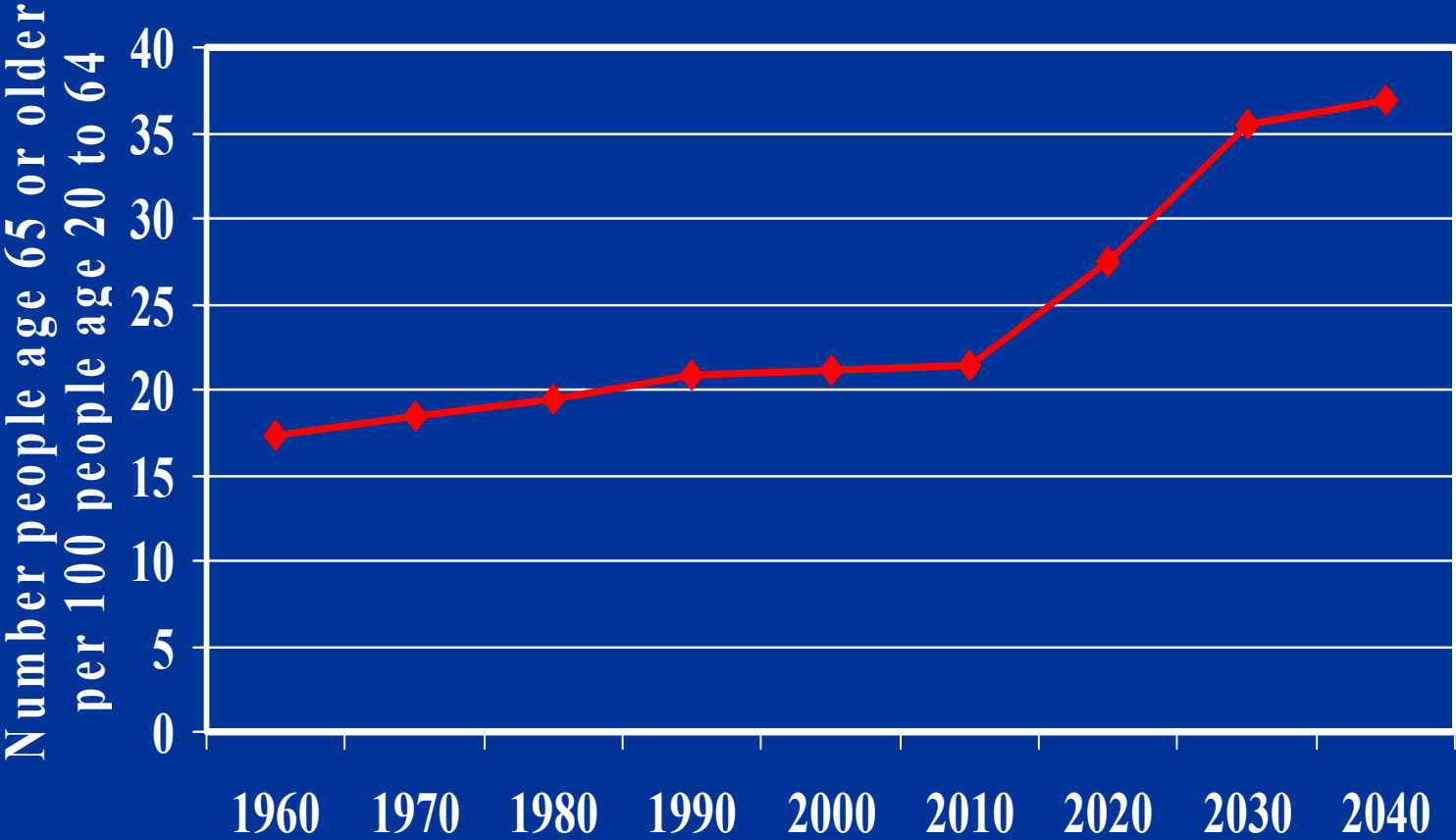
■ 65-84 ■ 85 and above



In Millions

KFF, *Medicaid and the Uninsured*. Nov. 1999

Past and Projected Increase in Population Age 65 and Older Relative to Adults Under Age 65



Demographic Changes

- Longer life expectancy
- Declining fertility rates since the mid-1950s

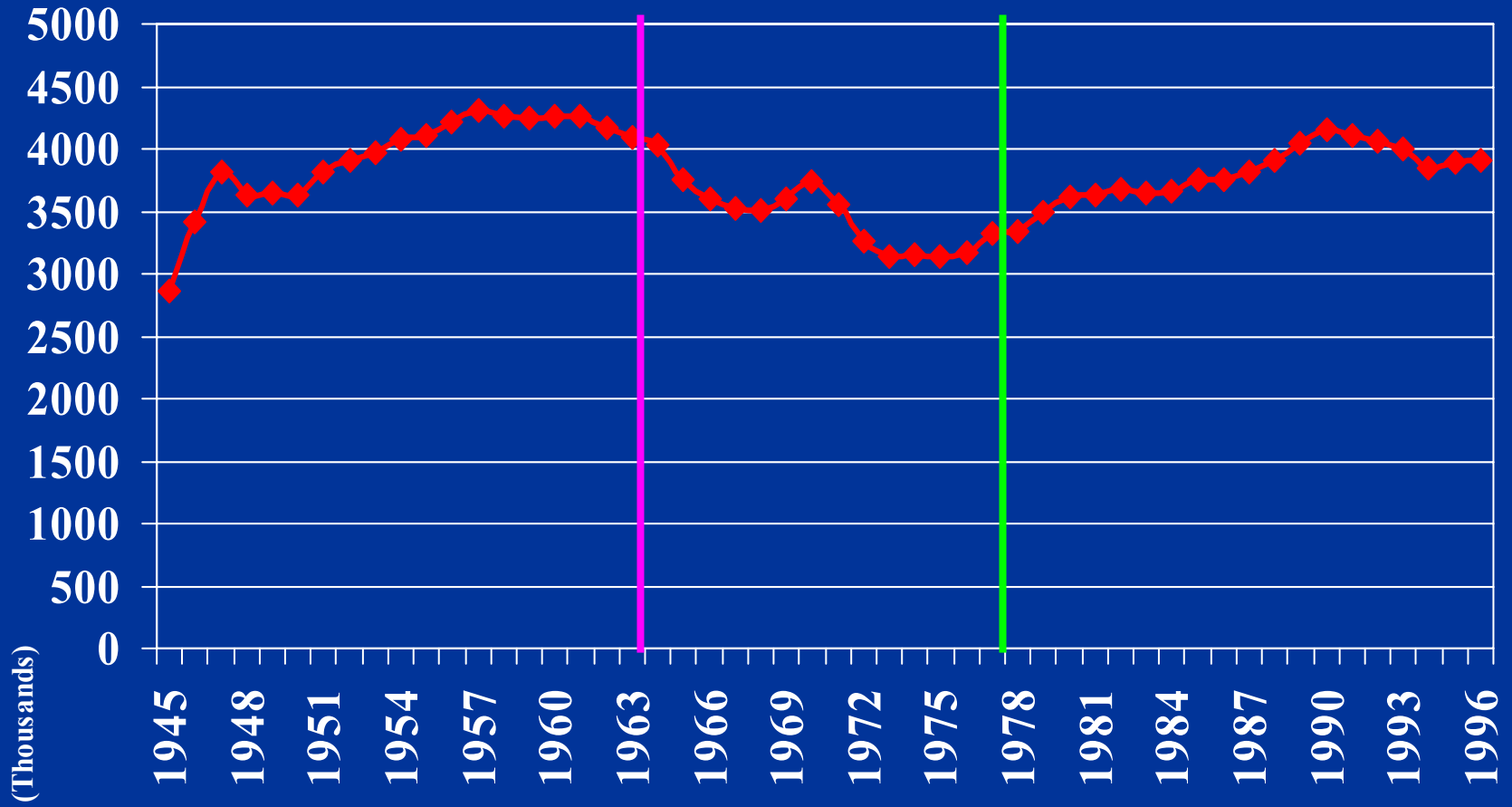
Changing Risks For Individuals

- Increased likelihood of surviving an acute care episode and more likely to acquire a chronic and disabling condition.
- After 2020, greater probability of needing long-term care but having fewer, if any children, upon which to turn for assistance.

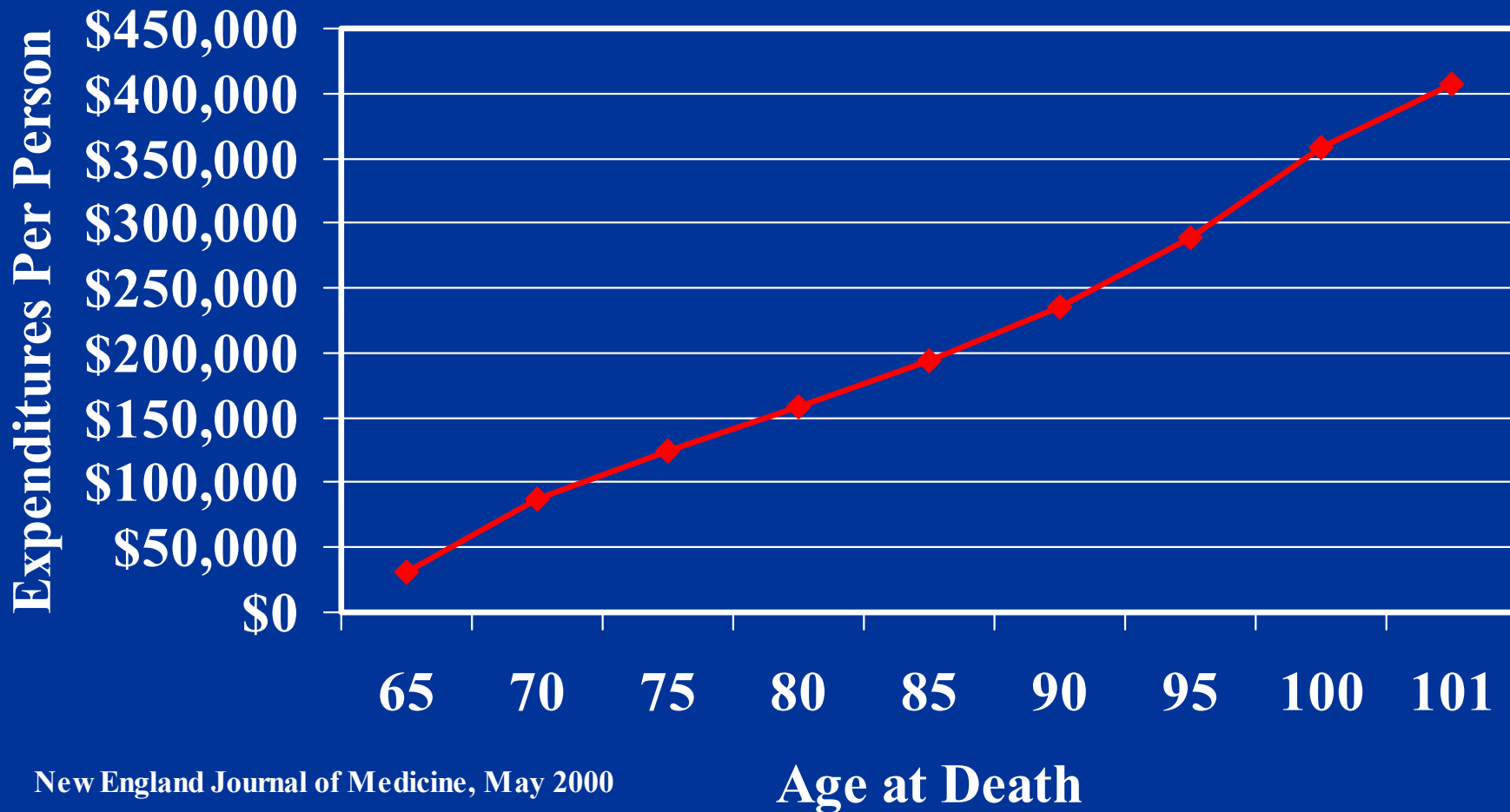
Changing Risks For Society

- Larger proportion of society that is older
- More people in need of long-term care
- After 2020, exceptionally slow labor force growth, including people who could provide long-term care

Births, 1945 to 1996

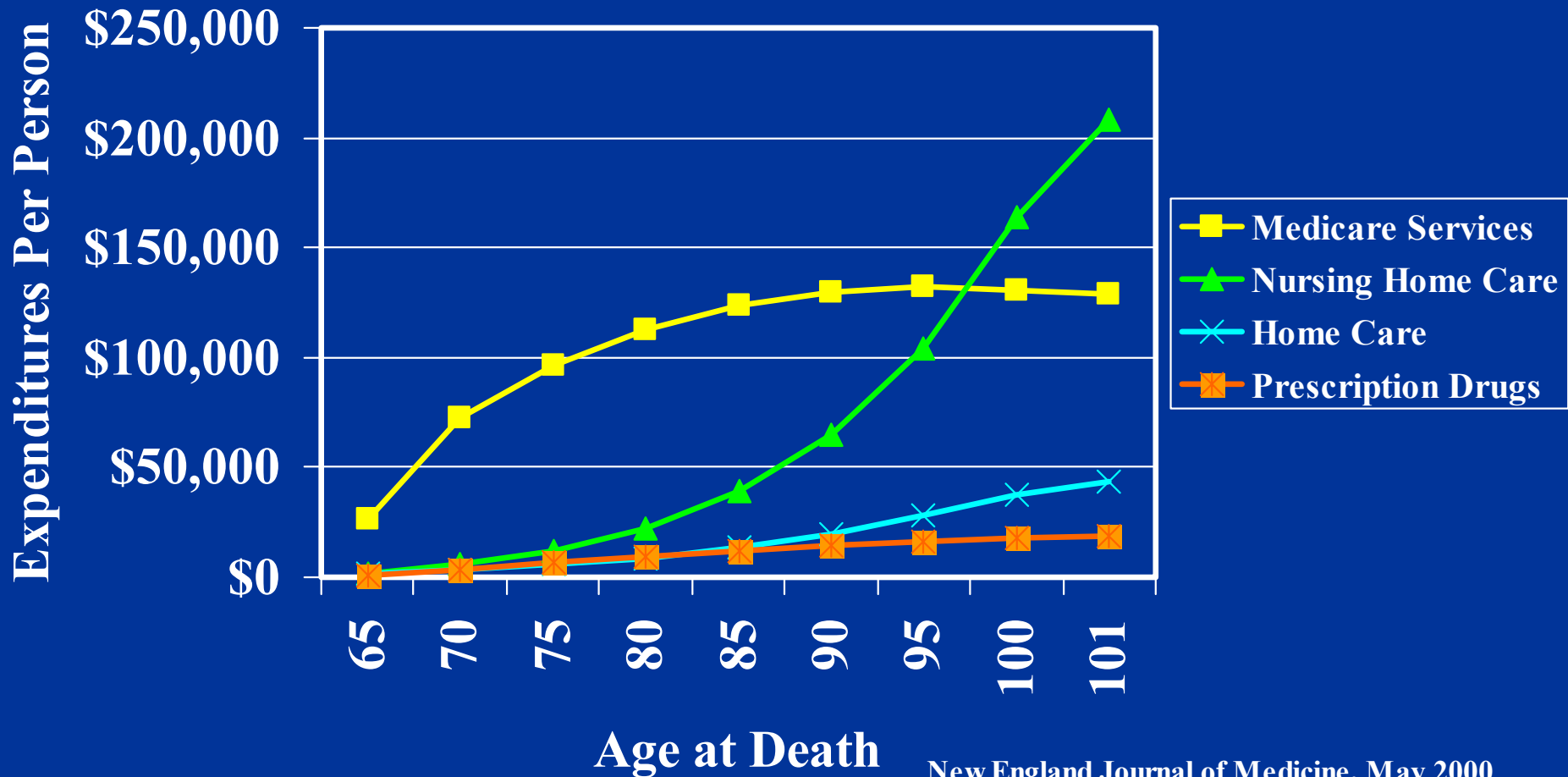


Total Cumulative Health Care Expenditures at Age of Death

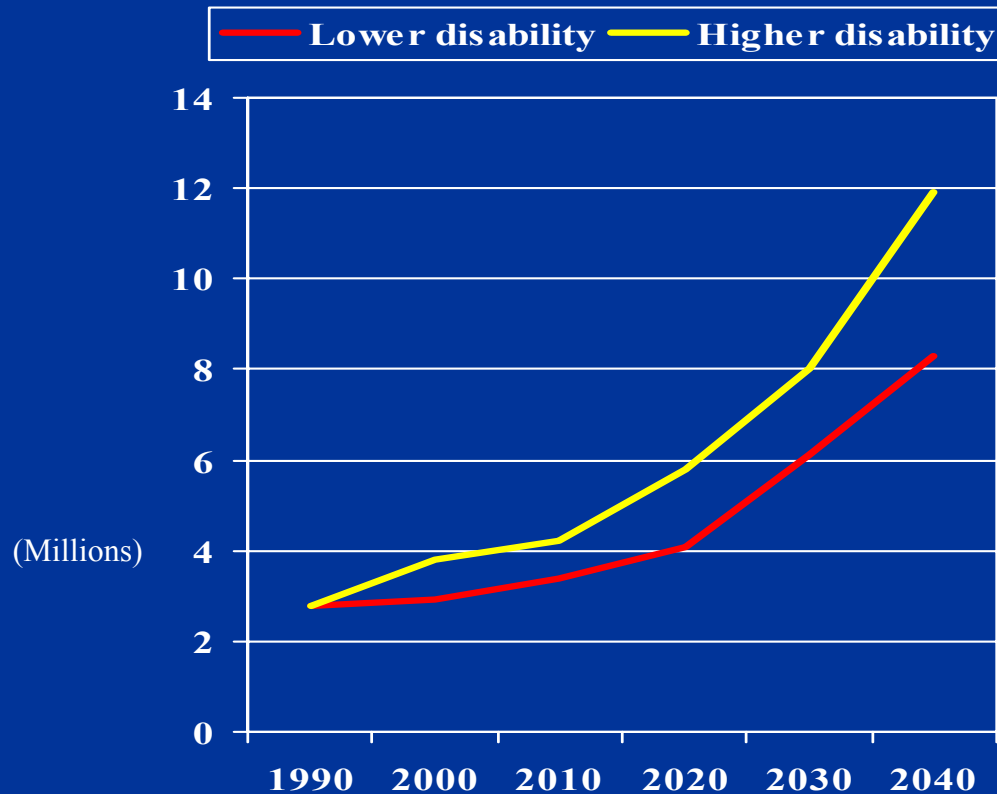


New England Journal of Medicine, May 2000

Cumulative Health Care Expenditures at Age of Death



Total Projected Population 65+ With Severe Disability



The number of people severely disabled will double by 2030, even if disability rates continue to decline!

Caring for Persons with Chronic Illness

The lives of people with complex chronic illness are characterized by:

- **continuing care needs**
- **periods of functional stability**
- **repeated episodes of the chronic illness**
- **episodes of complicating, intercurrent acute illnesses**
- **inevitable decline in health**

Services That May Be Needed by Older Adults or Their Families

Diagnosis

Acute medical care

Ongoing medical supervision

Treatment of coexisting
medical conditions

Medication

Multidimensional assessment

Skilled nursing

Physical therapy

Occupational therapy

Speech therapy

Adult day care

Respite care

Family/caregiver education

Family/caregiver
counseling

Family support groups

Patient counseling

Legal services

Financial/benefits
counseling

Mental health services

Protective services

Supervision

Home health aide

Homemaker

Personal care

Paid companion

Shopping

Home-delivered meals

Chore services

Telephone reassurance

Personal emergency
response system

Recreation/exercise

Transportation

Escort service

Special equipment

Vision care

Audiology

Dental care

Nutrition counseling

Hospice

Autopsy

Services That May Be Needed by Older Adults or Their Families, *Covered by Medicare*

Diagnosis

Acute medical care

Ongoing medical supervision

Treatment of coexisting medical conditions

Medication

Multidimensional assessment

Skilled nursing

Physical therapy

Occupational therapy

Speech therapy

Adult day care

Respite care

Family/caregiver education

Family/caregiver
counseling

Family support groups

Patient counseling

Legal services

Financial/benefits
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Mental health services

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Audiology

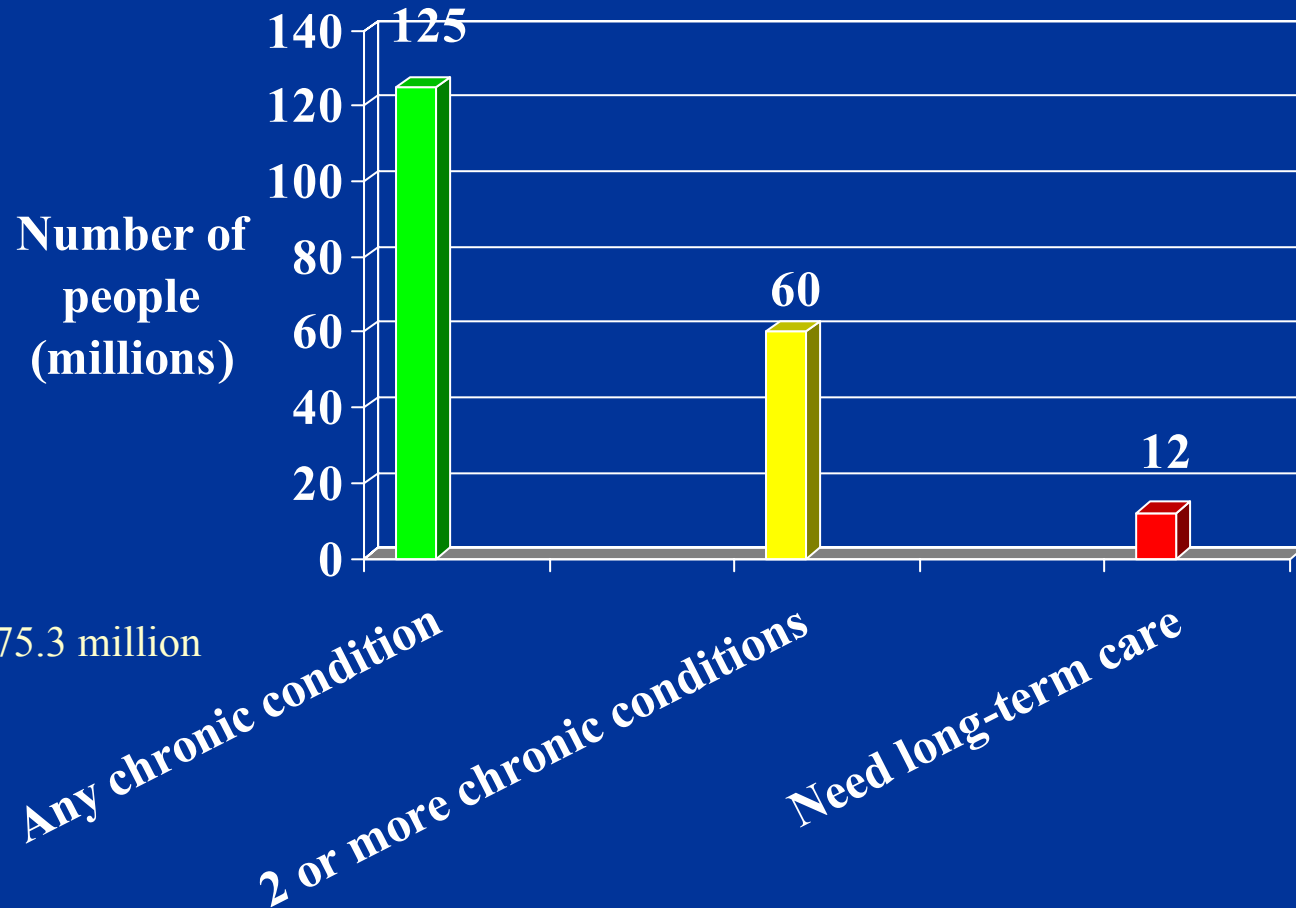
Dental care

Nutrition counseling

Hospice

Autopsy

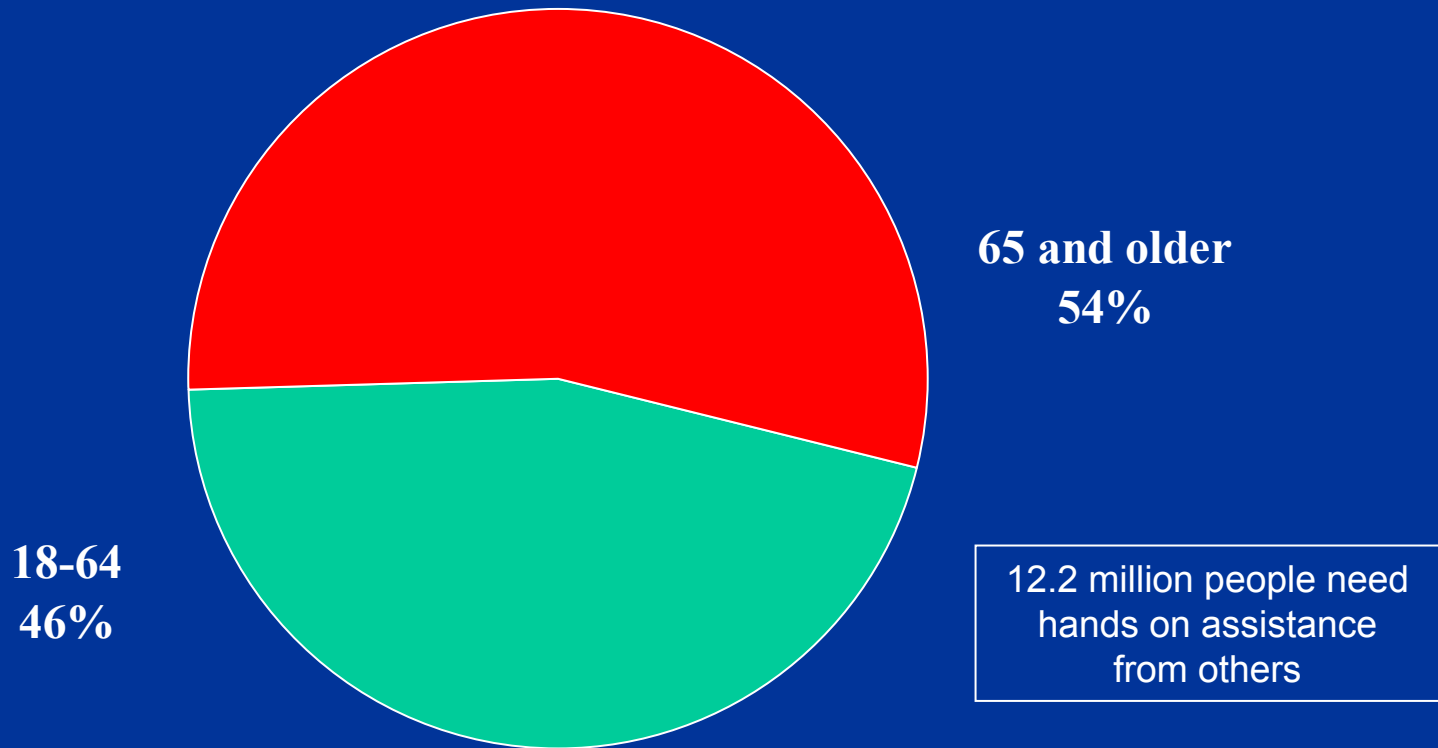
Differentiating Chronic Conditions from Long-Term Care



Total population is 275.3 million

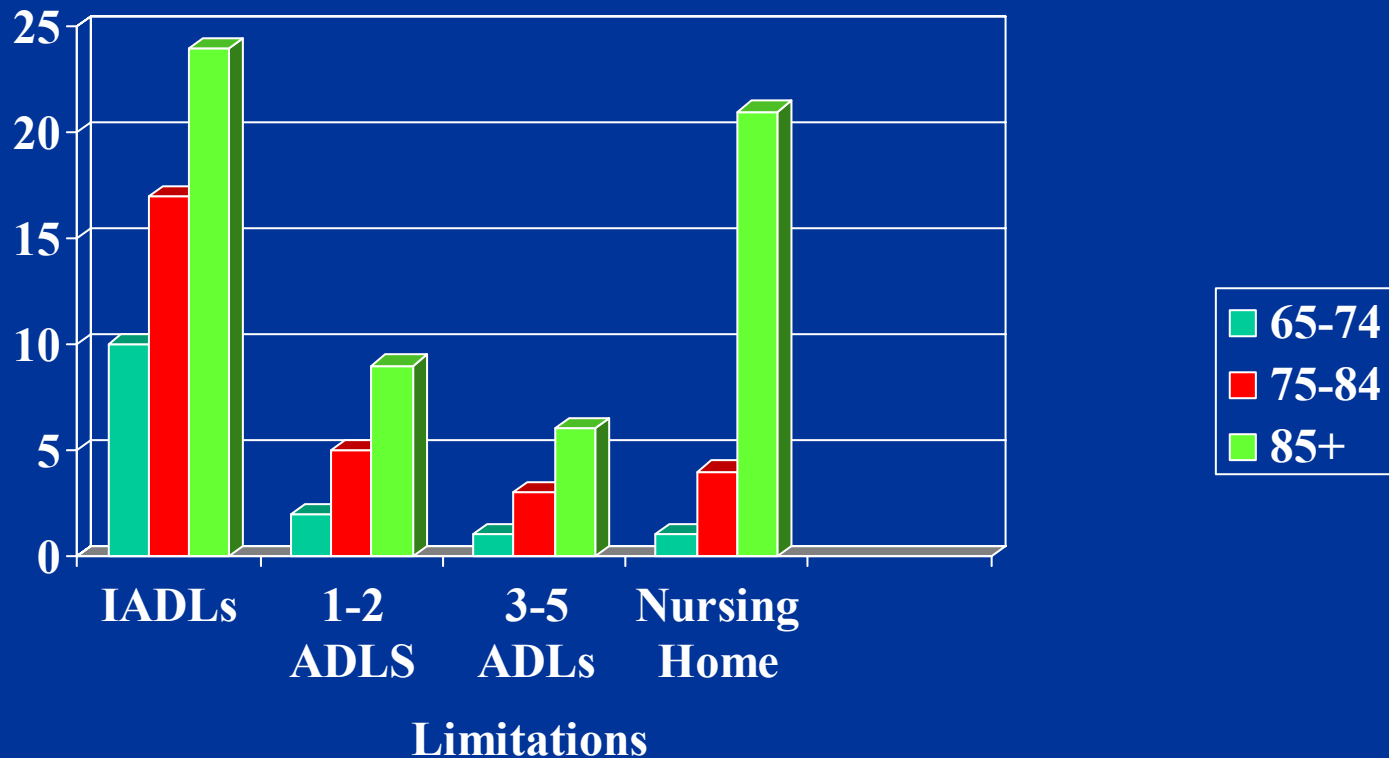
Note: People with long-term care needs are people receiving or needing help of another person with one or more of the following activities of daily living: (ADLs): walking, getting in or out of bed or chair, bathing, using the toilet, dressing, and eating; and/or people who because of a health or physical condition have difficulty with and receive or need help of another person with at least one of the following instrumental activities of daily living (IADLs): preparing meals, shopping, managing medication, using the phone, light housework, managing money, and getting about outside.

The Age Distribution of the Long-Term Care Population



SOURCE: H. Komisar & M. Niefeld, unpublished analysis of the 1994-1995 National Health Interview Survey on Disability Phase II (April 2000); M. Adler, "People with Disabilities: Who Are They?" unpublished analysis of the 1994-1995 National Health Interview Survey on Disability, Phase I (November 1996); and N. Krauss and B. Altman, *Characteristics of Nursing Home Residents-1996*, MEPS Research Findings no. 5 (Rockville, MD: Agency for Health Care Policy and Research, December 1998).

Prevalence of Long-Term Care Needs Increases with Age

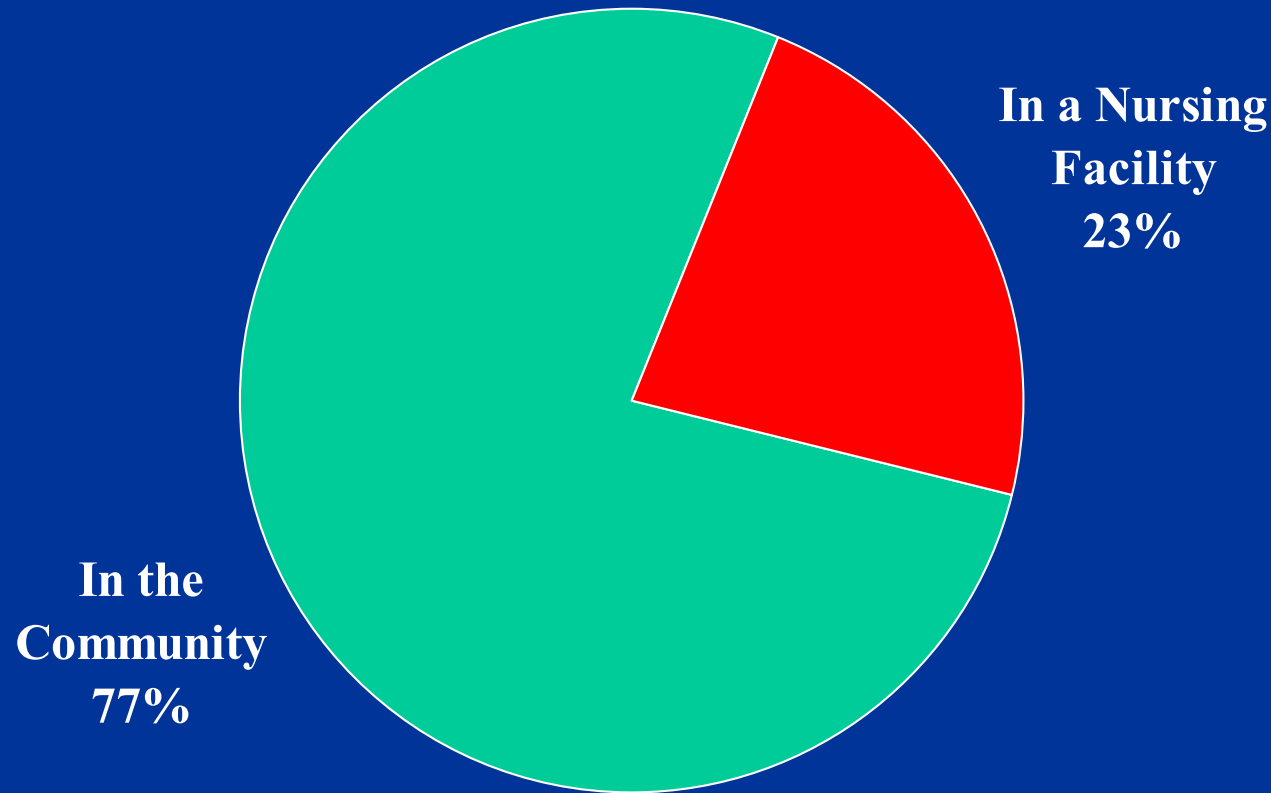


Note: People with long-term care needs are people receiving or needing help of another person with one or more of the following activities of daily living: (ADLs): walking, getting in or out of bed or chair, bathing, using the toilet, dressing, and eating; and/or people who because of a health or physical condition have difficulty with and receive or need help of another person with at least one of the following instrumental activities of daily living (IADLs): preparing meals, shopping, managing medication, using the phone, light housework, managing money, and getting about outside.

Places Where Long-Term Care is Provided

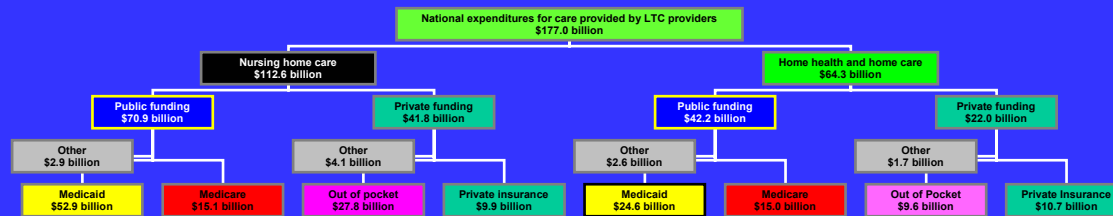
- At home by family
- At home by skilled and less skilled personal assistance
- At day care centers
- In a variety of senior housing alternatives
- In assisted living facilities
- In nursing homes

Living Arrangement of The Long-Term Care Population Age 65 and Older

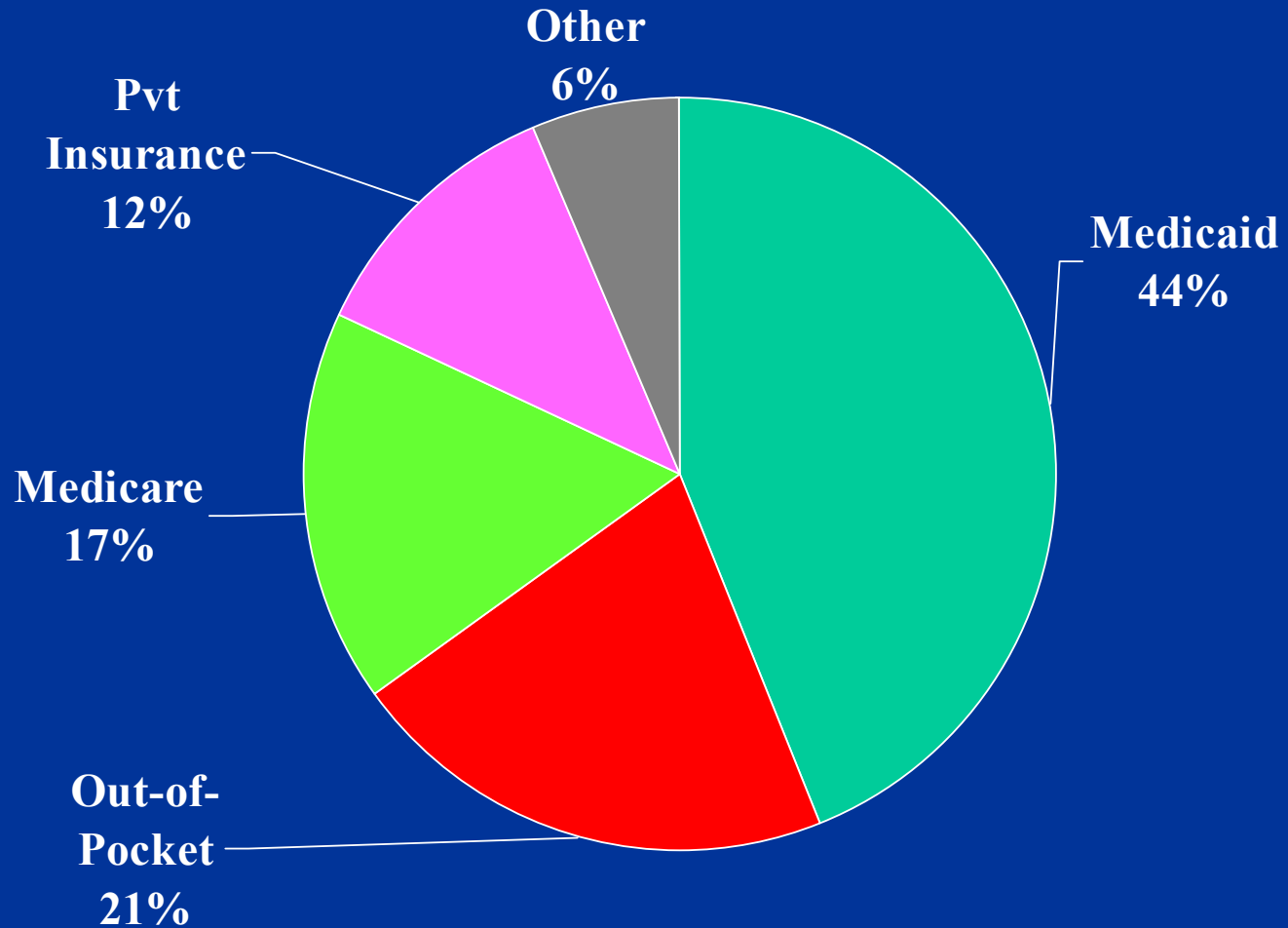


SOURCE: H. Komisar & M. Niefeld, unpublished analysis of the 1994-1995 National Health Interview Survey on Disability Phase II (April 2000); M. Adler, "People with Disabilities: Who Are They?" unpublished analysis of the 1994-1995 National Health Interview Survey on Disability, Phase I (November 1996); and N. Krauss and B. Altman, *Characteristics of Nursing Home Residents-1996*, MEPS Research Findings no. 5 (Rockville, MD: Agency for Health Care Policy and Research, December 1998).

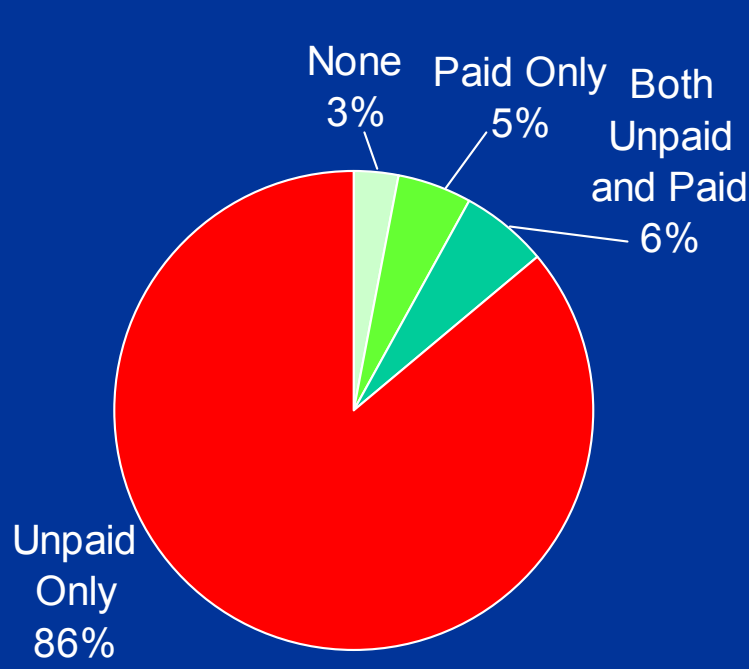
Sources of Long-Term Care Funding, 2001



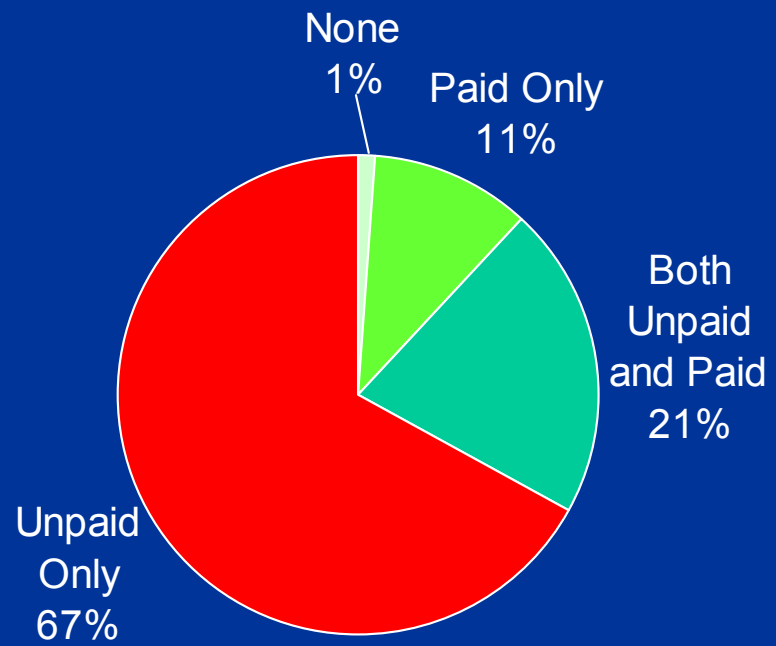
LTC Financing, 2001



Use of Paid and Unpaid Long-Term Care in the Community



Age 18-64

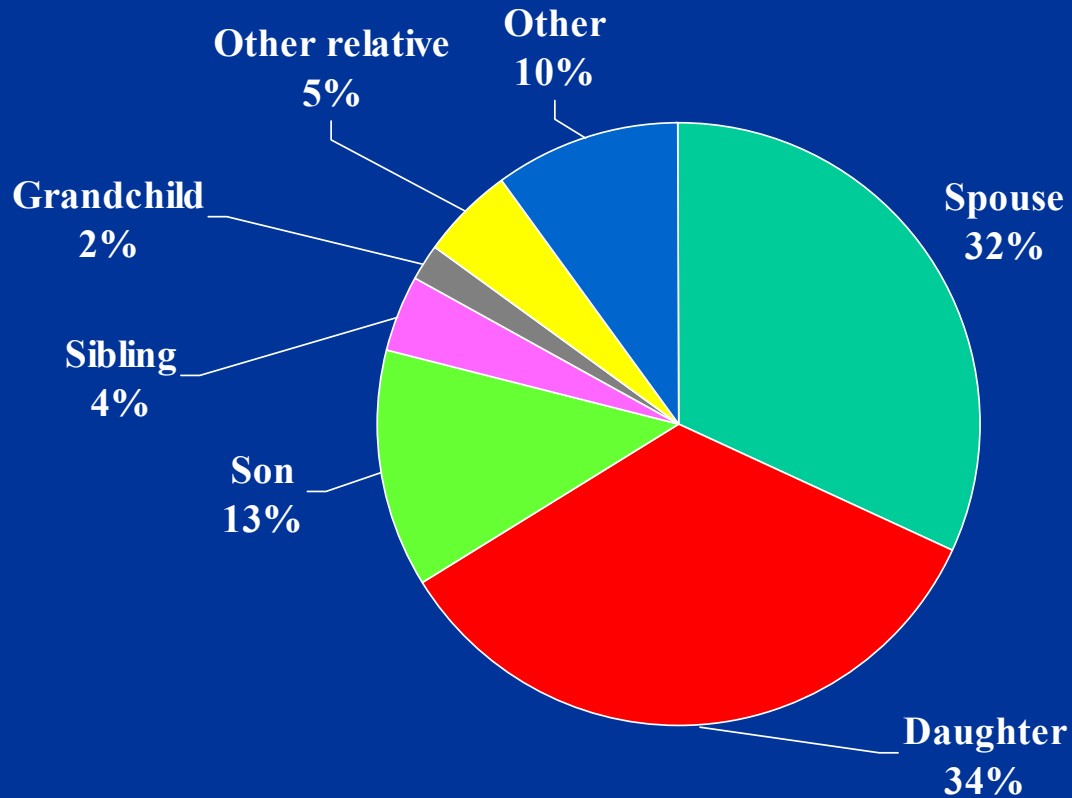


Age 65 and Over

Source: Georgetown University Institute for Health Care Research and Policy analysis of data from the 1994-1995 National Health Interview Survey on Disability, Phase II (April 2000).

Who are the Unpaid Caregivers?

Distribution of Primary caregivers of people age 65 and older



Options for Individuals to Finance Long-term Care

- Retirement savings and assets
- Move into a continuing care retirement community (CCRC) or life-care community
- Purchase long-term care insurance

Long-term Care Insurance

- **Number of Americans purchasing LTC insurance increased from 1.9 in 1990 to 5.2 million people in 1999.**
 - There are an estimated 57.8 million people age 55 and older in good health or better.
- **3,200 employers offered LTC insurance to their employees in 1999**
 - More than 9.8 million businesses had receipts of \$25,000 or more

Price of a Long-Term Care Insurance Policy At Different Ages of Initial purchase

Age at initial purchase	Annual Premium
45	\$ 670
50	\$ 724
55	\$ 961
60	\$ 1,166
65	\$ 1,422
70	\$ 2,441

100 Day elimination period; \$120/day benefit; \$175,200 limit

Income Distribution and Financial Assets of the Population age 65 and Older, 1998

- Median income of each household is \$24,680
 - 40 percent of the population have incomes of less than 200 percent of poverty.
 - (200 percent of poverty is \$17,720 for an individual and \$23,880 for a couple)
- Median financial wealth was \$42,599 for couples and \$7,200 for individuals
 - 60 percent have financial net worth of \$43,900 or less.

Accumulated Savings of People Age 50-60

- 1% hold 30% of wealth
- 20% hold 80% of wealth
- 10 % have no wealth
- 70% of the population share 20% of the wealth
 - Median Net Wealth (including home equity) was about \$134,000 in 1998.
 - Median Net Worth excluding the home was about \$59,000
- Median incomes are about \$25,000 for men and \$15,000 for women

Current LTC System

- Little planning, especially on the part of individuals
- Health insurance does not integrate social services
- Medicare does not cover most long-term care needs
- Medicaid, by default, has become the primary source of financing
 - Medicaid eligibility varies by state
 - Medicaid home and community-based waiver services vary from county to county
- Availability of services varies dramatically by region
- Neither private long-term care insurance nor Medicaid cover the full array of long-term care needs
- Hard to know what to do or where to go for help (including information)
- Everyone wants to remain at home, but assistance from Medicaid is much more likely from a nursing facility

Plenty of Denial About Dependency, But

- Greater sense that society is aging
- More discussions about workforce issues
- Long-term care is much more likely to be discussed in the “life-style” section of the daily newspaper
- Greater sense of awareness of chronic and disabling conditions with age

Increased Attention to Social Insurance

- First Half of Baby-Boomers are age 45 and older
 - Discovering LTC
- States are in fiscal crisis
 - Governors have expressed a desire to trade responsibilities
- Growing interest in “Aging” among Foundations
 - Geriatric Care; End of Life Care; Chronic and Disabling Conditions; Financing LTC; Labor Force Issues
- Growing questions about defining the “*problem*”
- Growing recognition that there are real limits in the ability of private insurance to “*solve the problem*”
- Long-term care did get discussed in the last Presidential Campaign

Reasons Social Insurance for LTC Might Not Gain Political Traction

- Even modest coverage will require new public dollars
- There are plenty of family members around through 2025
 - Currently 10, 50-64 year olds for every person age 85 and older. By 2040 the ratio will be 4:1.
- Private insurance coverage continues to grow