

# Long Term Care Trends in the United States

Choices for Independence Summit

Lisa Alexih

Vice President

December 5, 2006



The LEWIN GROUP

## Overview

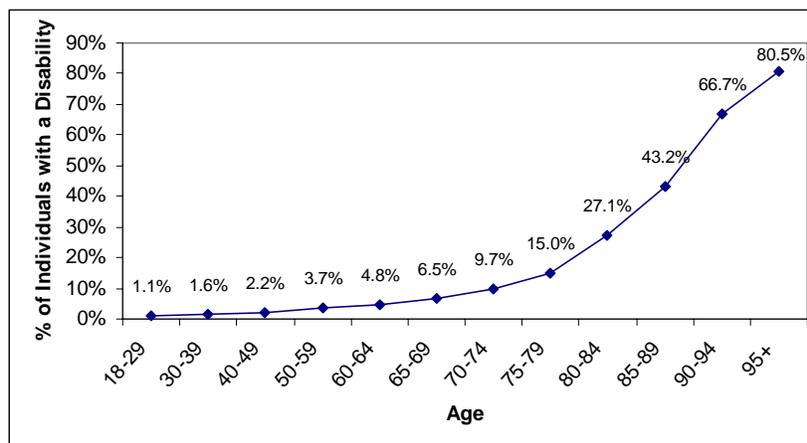
---

- ◆ **Review of the Basics**
- ◆ **Major Trends**
  - Demographics
  - Delivery
  - Financing
- ◆ **Implications for the Future**

## What is Long Term Care?

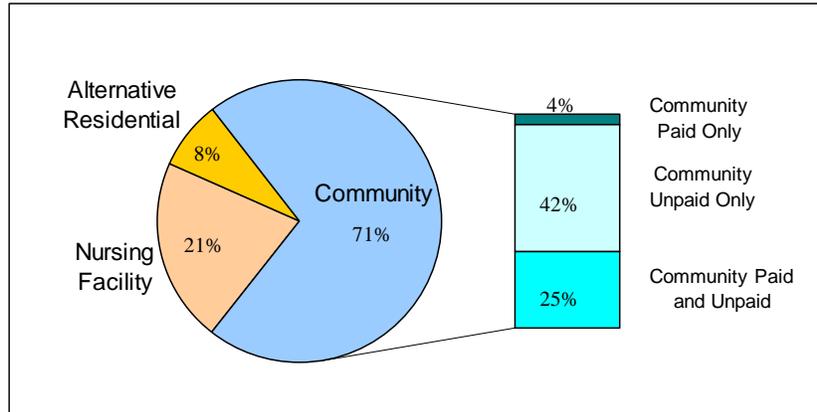
- ◆ Services and supports needed when one's ability to care for self has been reduced by a chronic illness, disability, or frailty.
- ◆ Services usually provided:
  - by family and friends at home
  - through home and community-based services, such as home health care, personal care, and adult day services
  - in institutional settings, such as nursing homes or residential care facilities

## Who Might Need Long Term Services and Supports?



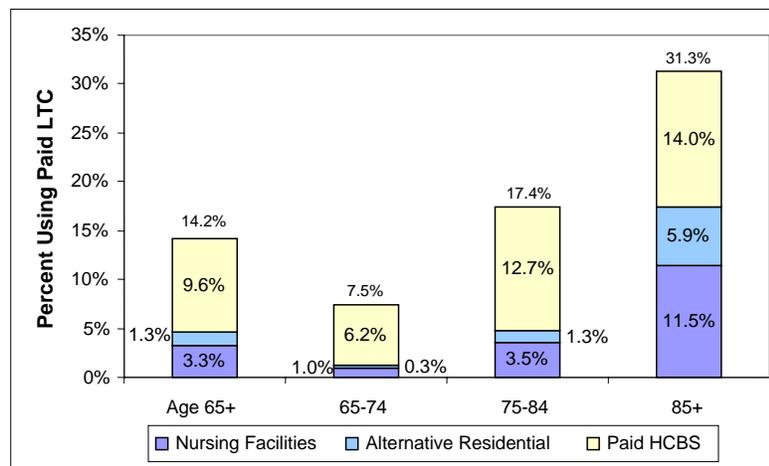
Source: 1999 National Long Term Care Survey and the 1994 National Health Interview Survey Disability Supplement.

## Most Seniors with Disabilities Supported by Unpaid Care in the Community



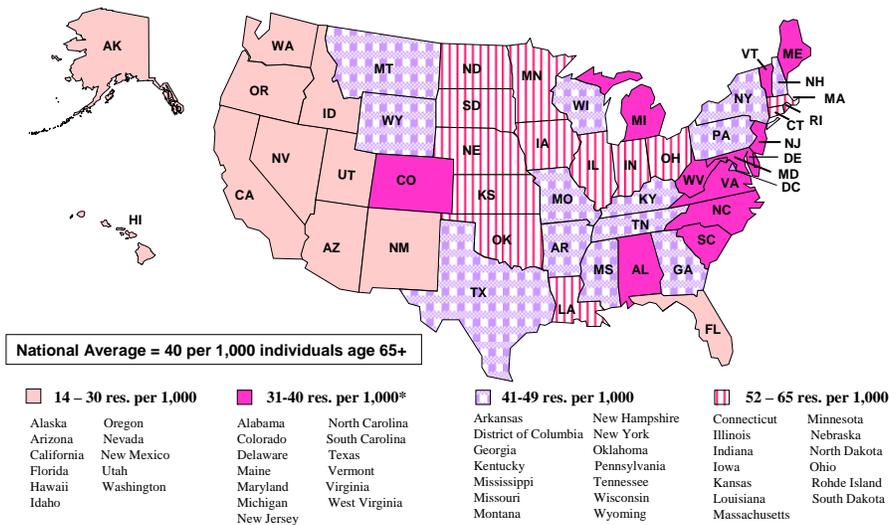
Source: 1999 National Long Term Care Survey, 2002 Medicare Current Beneficiary Survey, and 2005 CMS Minimum Data Set.

## Who Uses Any Paid Services?



Source: 2003 Medical Expenditure Panel Survey, 2002 Medicare Current Beneficiary Survey, and 2005 CMS Minimum Data Set.

## Nursing Facility Residents per 1,000 Individuals Age 65+, 2005



## How Much Does Long Term Care Cost?

### ◆ Nursing Home Care

- Average annual cost -- \$74,095
- \$41,975 in Shreveport, Louisiana to \$193,815 in Alaska

### ◆ Assisted Living

- Average annual cost -- \$34,860
- \$19,740 in Jackson, MS to \$55,548 in Boston, MA

### ◆ Home Care

- Average rate for home health aide -- \$19/hour
- \$12/hr in Shreveport, LA to \$26/hr in Colorado Springs, Co
- Average rate for homemaker/companion -- \$17/hour
- \$12/hr in Shreveport, LA to \$23/hr in Minneapolis/St. Paul, MN

**Source:** The MetLife Market Survey of Nursing Home & Home Care Costs in 2005 and Assisted Living in 2005 which includes private pay rates and services provided by home health agencies.

## Medicare Covers Limited LTC Benefits

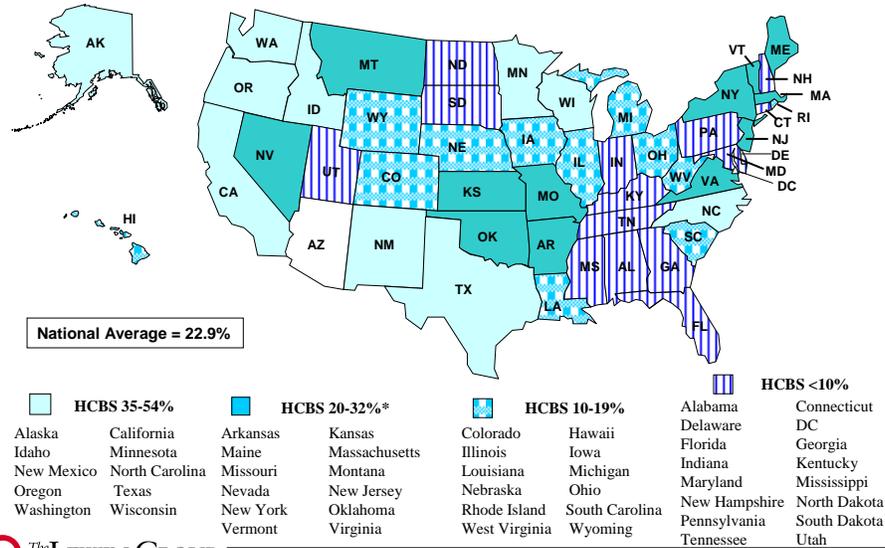
- ◆ **Primarily post-acute care**
- ◆ **Home health services**
  - Beneficiaries who are homebound
  - Need part-time skilled nursing or therapy services, and
  - Under the care of a physician
  - 27 visits per user on average in 2005
- ◆ **Skilled nursing facility care**
  - Up to 100 days for those recently discharged from a hospital
  - 35 days covered on average in 2005

## Eligibility Criteria Among LTC Users Makes Medicaid the Payer of Last Resort

Pathway	Income Eligibility	Asset Limit Individual/Couple
<b>Mandatory Population</b>		
SSI Cash Assistance	≤ 74% of poverty (SSI income eligibility)	\$2,000 \$3,000
<b>Optional Populations</b>		
Medically Needy*	Spend income down to a specified level (\$100-\$825; \$416 on average)	\$2,000 \$3,000
Poverty Level	≤ 100% of poverty	\$2,000 \$3,000
Special Income Rule for Nursing Home Residents	Income < 300% of the SSI level (1,809/month)	\$2,000 Spousal Impoverishment
HCBS Waivers	Income up to 300% SSI level (37 states); 8 states at poverty level; some states allow spousal impoverishment	\$2,000 \$3,000 or Spousal Impoverishment

\*Medicaid benefits may be more limited than for SSI.

## Percent HCBS of Medicaid LTC Among Aged/Disabled, 2005



10

## Out-of-Pocket Covers A Significant Portion

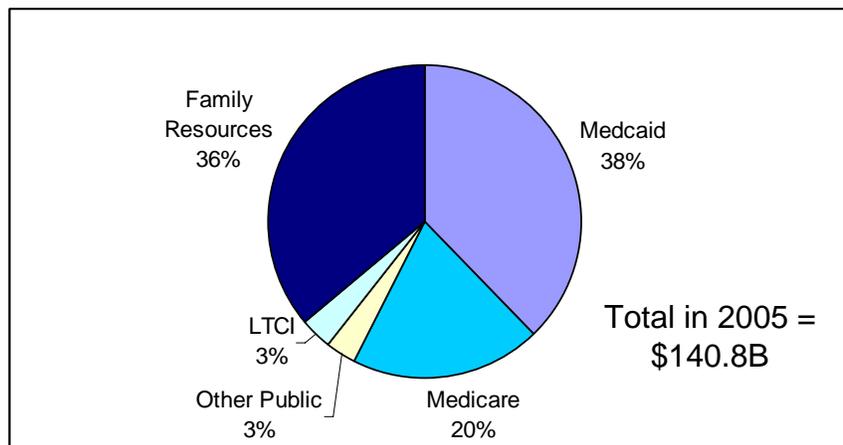
- ◆ Some individuals pay for LTC on their own
- ◆ Those who qualify for Medicaid also pay out-of-pocket
  - Nursing facility residents with Medicaid financing contribute all of their income with the exception of a personal needs allowance (\$30-\$100/month)
    - On average, Medicaid nursing facility residents contribute 20% of their cost
  - Many states also require cost-sharing for their HCBS waiver
  - Medicaid rules protect the primary residence while the individual or their spouse is alive
    - OBRA '93 mandated estate recovery
    - In 2003, states recovered a total of \$347.4 million - on average 0.5% of Medicaid LTC costs, however, Oregon recovered 2.2% (AARP, 2005)

## Long Term Care Insurance (LTCI) Plays a Limited Role

- ◆ LTCI market emerged during the 1980s
- ◆ 9.2 million total policies sold through 2002
- ◆ However, only approximately 10 percent of those age 65+ own LTCI policies because of:
  - Complicated and expensive policies -- \$1,337 to \$2,862 at age 65
  - Consumer lack of awareness and denial of need
  - Most policies must be "sold" by agents
- ◆ **Limited benefit payouts**
  - Early policies offered limited benefits - nursing home only and often no inflation protection
  - Benefits based on daily amount purchased and may not cover full cost of care
  - Many people lapse their policy prior to benefits

Source: American Health Insurance Plans (AHIP) (2004) Long Term Care Insurance in 2002 for number of policies sold and average premium.

## LTC Sources of Financing Among Seniors



Source: The Lewin Group based on the Long Term Care Financing Model.

## **Major U.S. Long Term Care System Trends**

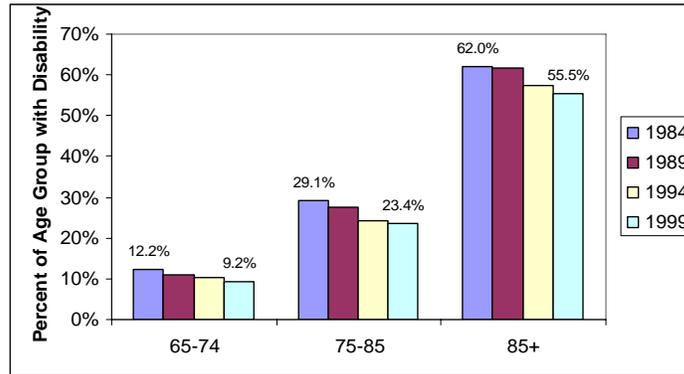
---

- Demographics
- Delivery
- Financing

## **Demographic Trends**

## Disability Rates Declined Between 3.0 and 6.5 percentage points or 10.5 to 25 percent

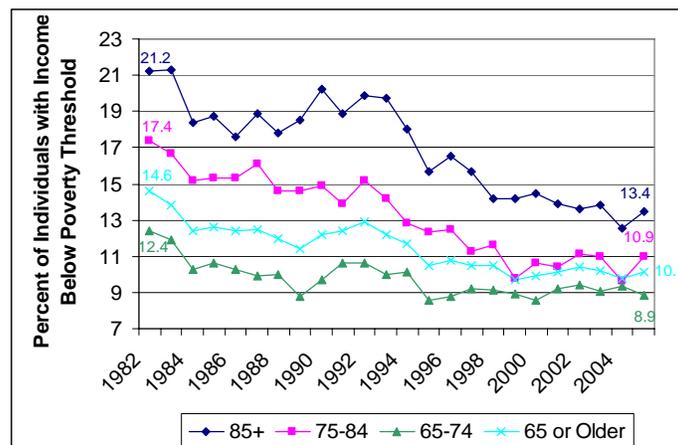
Disability Rates Among Individuals Age 65 and Over by Age



Source: Brenda C. Spillman (2003) *Changes in Elderly Disability Rates and the Implications for Health Care Utilization and Cost* for the Office of the Assistant Secretary for Planning and Evaluation at <http://aspe.hhs.gov/dalcp/reports/healthcst.htm>.

## Poverty Rates Among Oldest Old Declined by More Than 1/3<sup>rd</sup>

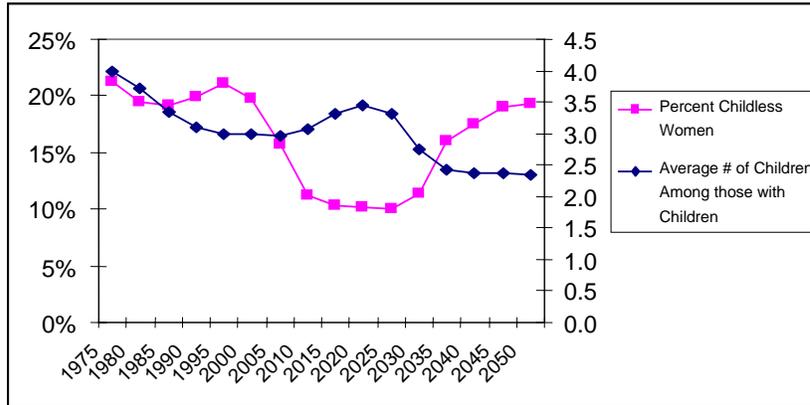
Elderly Poverty Rates Over Time



Source: Current Population Survey, Annual Supplement, 1983-2006.

## Dip in Childless Women & Spike in Average Number of Children Among Mothers

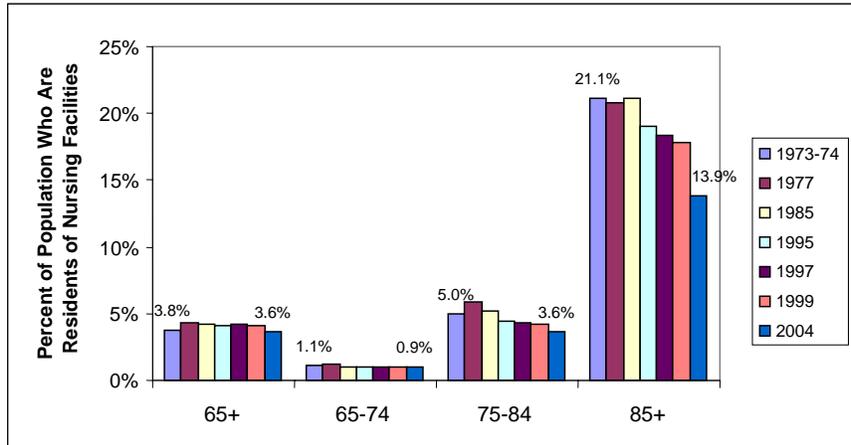
Status at Age 40-44 and Year When Age 85-89



Source: Bureau of the Census data.

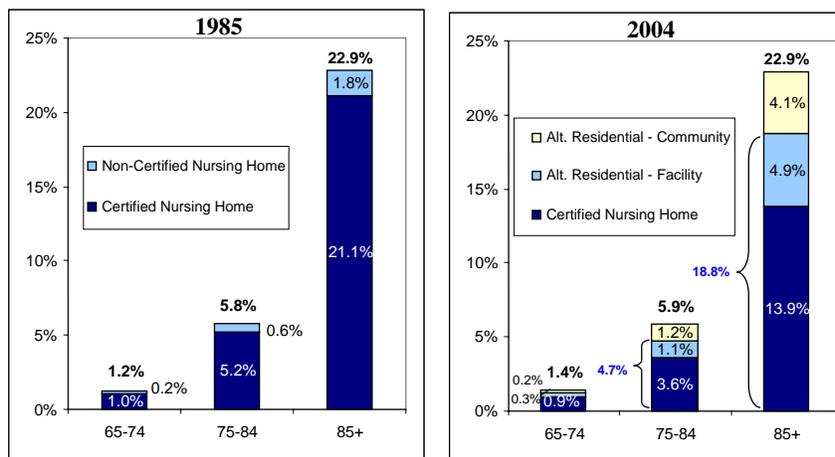
## Delivery Trends

## Significant Declines in the Use of Nursing Facilities Among Oldest Old



Source: 1973-4, 1997, 1985, 1995, 1997, 1999 and 2004 National Nursing Home Survey.

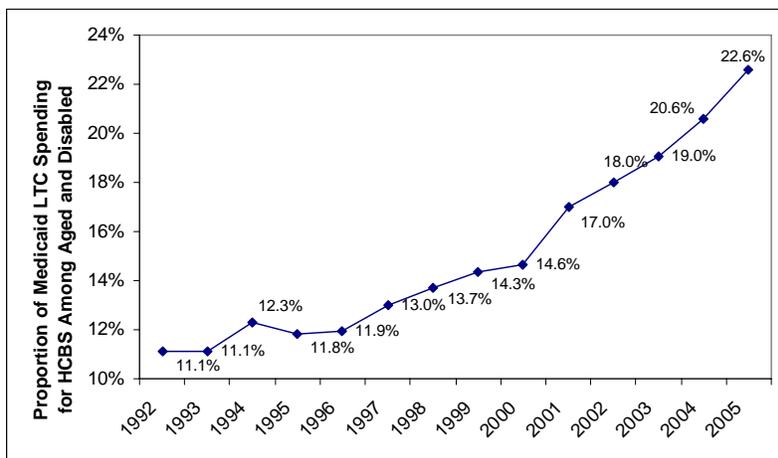
## Much of Decline From Growth in Alternative Residential Settings



Source: 1985 and 2004 National Nursing Home Survey and 2002 Medicare Current Beneficiary Survey.

## Financing Trends

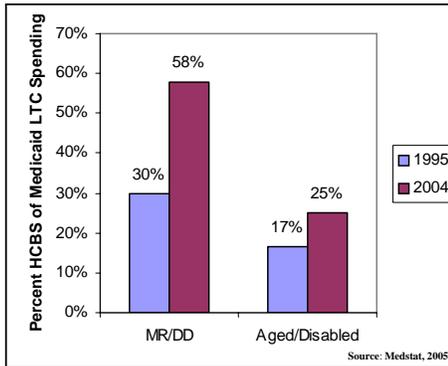
## Medicaid LTC Devoted to HCBS for Aged and Disabled Grew Significantly Since 2000



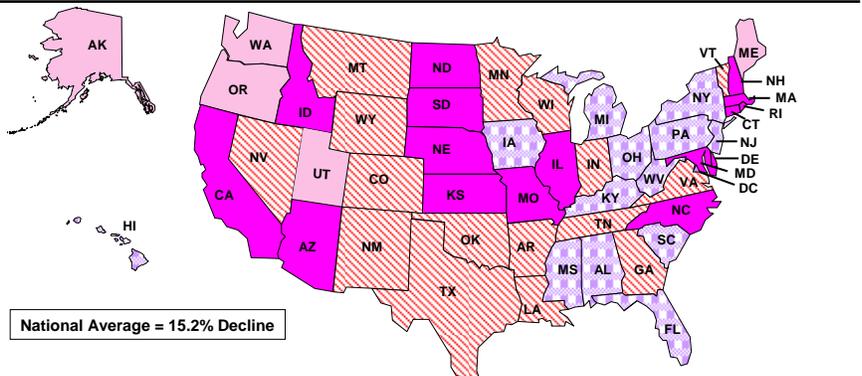
Source: 2005 MedStat LTC Data, Lewin Analysis. Long term care includes nursing facility, state plan personal care and home and community-based waivers for the aged and disabled.

## Greater Progress “Rebalancing” LTC for MR/DD than Aged and Disabled

- ◆ Proportion of Medicaid LTC spending on HCBS for MR/DD nearly doubled over the past decade while A/D grew at half that rate
- ◆ Progress is also uneven by state



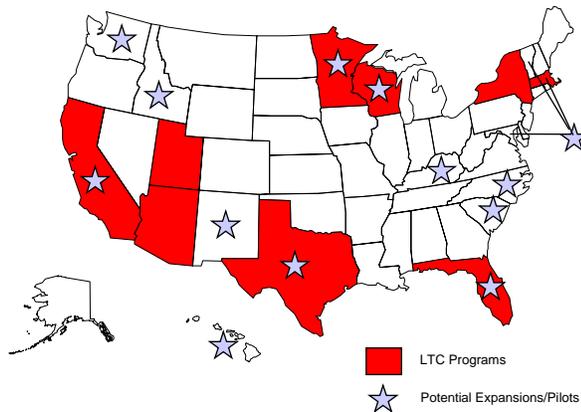
## Change in Per Capita Medicaid Nursing Facility Residents, 1995-2005



30% or More Decline	20% to 30% Decline	10% to 20% Decline	Less than 10% Decline
Alaska Maine Oregon	Arkansas Colorado Georgia Indiana Louisiana Minnesota Montana Nevada	New Mexico Oklahoma Tennessee Texas Vermont Virginia Wisconsin Wyoming	Arizona California Connecticut Delaware Idaho Illinois Kansas Maryland
Washington Utah	New Mexico Oklahoma Tennessee Texas Vermont Virginia Wisconsin Wyoming	Massachusetts Missouri Nebraska New Hampshire North Carolina North Dakota Rhode Island South Dakota	Alabama District of Columbia Florida Hawaii Iowa Kentucky Michigan Mississippi New Jersey New York Ohio Pennsylvania South Carolina West Virginia

## Many States Looking to Managed Long Term Care to Rebalance Medicaid

A few well established programs and numerous start-ups.



### Active & Pending Programs

#### Top Managed Care Programs:

Arizona – 42,125 lives (8/2006)  
New York – 16,224 lives (4/2006)  
Florida – 13,600 lives (8/2006)  
Wisconsin – 12,545 lives (8/2006)

#### Remaining Programs:

Massachusetts – 3,700 lives (2/2006)  
Texas – 3,300 lives (4/2006)  
Minnesota – 2,100 lives (1/2006)  
California -- *unknown*

#### New Programs:

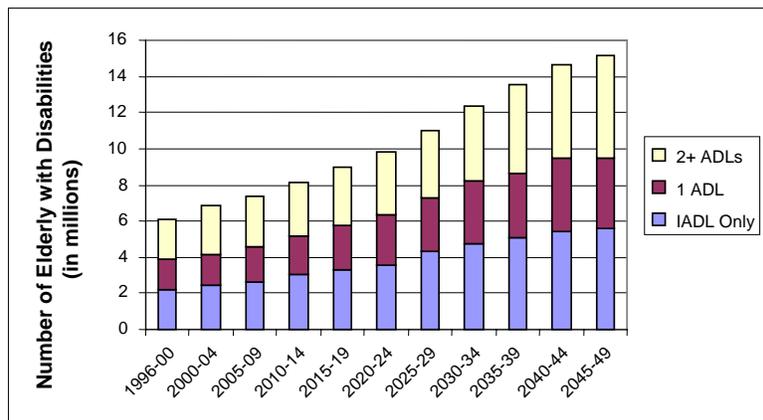
Kentucky      Hawaii  
Idaho          Maryland  
New Mexico    North Carolina  
South Carolina    Washington  
Vermont

## Implications of Financing System

- ◆ Financing silos and institutional bias of Medicaid eligibility make rebalancing difficult
- ◆ Olmstead Decision and President's New Freedom Initiative focus on individual choice and shifting the balance
- ◆ Lack of insurance to spread risk means individuals responsible for paying for much of their care
- ◆ Medicaid managed care re-emerging as states seek to eliminate institutional bias, improve service provision, and control costs
  - May stand in contrast to consumer direction movement

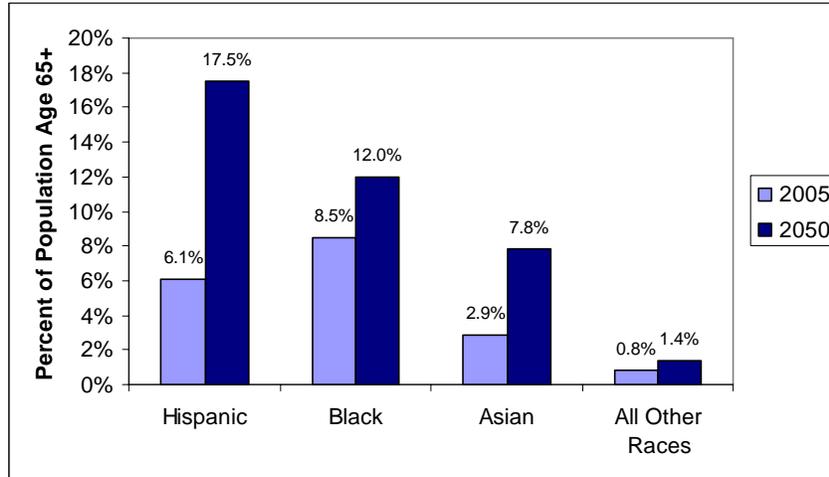
## Preparing for the Future

## Aging of Baby Boomers Will More than Double the Number of Older Adults Age 65+ with Disabilities



Source: The Lewin Group based on the Long Term Care Financing Model.

## Increasing Minority Representation



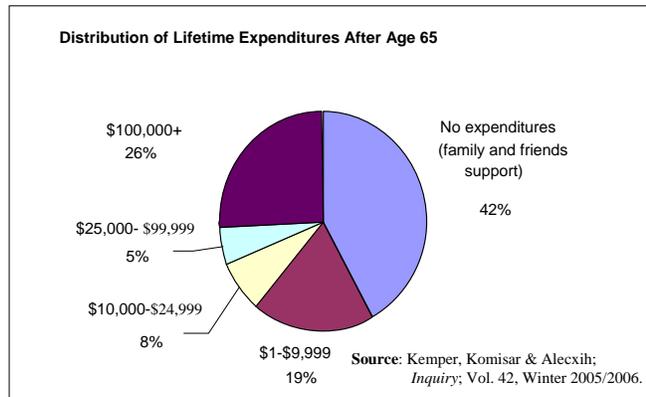
## Remaining Lifetime Use of LTC by People Turning 65 in 2005

Type of Care	Average Years of Care	% of People Using Type of Care
All LTC need	3.0	69
At home		
Informal care only	1.4	59
Formal care	0.5	42
Any care at home	1.9	65
In facilities		
Nursing facilities	0.8	35
Assisted living	0.3	13
Any care in facilities	1.1	37

Source: Kemper, Komisar & Alecxih; *Inquiry*; Vol. 42, Winter 2005/2006.

## While Most Could Save Enough, Over 25% Face Expenses Over \$100,000

- ◆ 2000 median net worth among elderly was \$110,000, but only \$25,000 excluding home equity

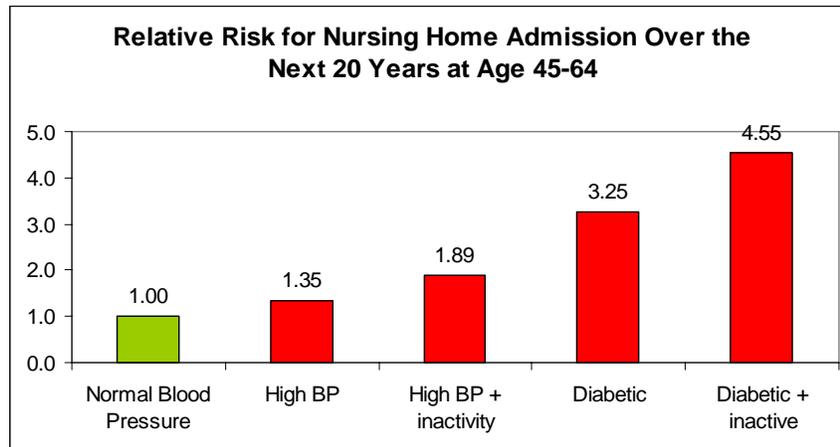


**Average lifetime per capita at age 65 = \$47,000**

## Few Americans Plan Ahead for LTC Needs

- ◆ Less than 10% of those age 65+ own a long term care insurance policy
- ◆ Long term care insurance policies can be expensive and may be unaffordable for many middle-income Americans.
- ◆ Baby boomers had children later than any previous generation and worry more about college tuition than financing future LTC needs
- ◆ Older adults own nearly \$3 trillion in home equity, yet few take advantage of methods to tap this resource.

## Lifestyle Choices Affect Nursing Home Use



Source: Valiyeva E, et al. Lifestyle-Related Risk Factors and Risk of Future Nursing Home Admission. Archives of Internal Medicine. 2006; 166:985-90. May 8, 2006.

## Conclusions

- ◆ Consumers need trusted and reliable information about their options to make informed decision
- ◆ Expect support options to continue to evolve:
  - Respond to market demand
  - Role of technology
  - States interests in lower cost alternatives
- ◆ Encouraging purchase at younger ages would be the most effective policy for increasing the role of LTC insurance.
- ◆ Standardizing the reverse mortgage process could promote the use and/or access to assistance for care planning when using personal assets.