

Long-Term Care: Issues and Policy Considerations

Currently 15 million Americans receive long-term care (LTC) services on a yearly basis.¹ Older Americans age 65 and above receive the majority (63% in 2000; Figure 1) of these services. Projections indicate that the number of individuals 65 and older will increase from 35 million to 87 million persons between 2000 and 2050.² Due to this rapid growth, it is estimated that the number of people using LTC services (e.g., in a nursing facility, an alternative residential care facility, or in their own home) could almost double to 27 million by 2050.³

Even under the most optimistic scenarios, providing LTC services to all of those in need will increase the strain on families and institutions. In the coming years, policymakers will be challenged with the provision and financing of LTC services in this country. This fact sheet explores the current state of long-term care in the U.S. and identifies several public policy issues that must soon be addressed at both the state and national level.

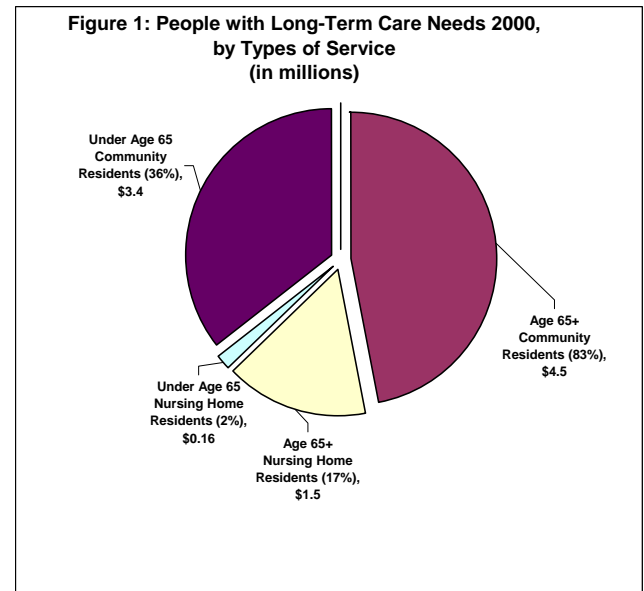
Background

LTC describes a variety of services including medical and non-medical care to people who have a chronic illness or disability.⁴ LTC consists predominantly of assistance with essential, routine tasks of life. The need for LTC is often measured in the extent to which an individual needs assistance or supervision with “activities of daily living” (ADLs), such as bathing, dressing, toileting, or eating, or “instrumental activities of daily living” (IADLs), such as shopping or cleaning. People who have limitations and need assistance with ADLs or IADLs are said to have LTC needs. According to the 2004/2005 National Long-Term Care Survey, approximately 7 million older people have difficulties with ADLs and IADLs.⁵

Types of Long-Term Care Services

LTC services include:

- *Home care:* Most people with LTC needs (83 percent) live in their own home with family, friends, and volunteers (as well as hired personnel) providing most of the care.⁶
- *Residential care (or assisted living and other congregate settings):* A wide range of housing options are included within this subset of LTC services. These facilities typically offer older adults basic services (e.g., group meals, housekeeping, medication reminders, and help with ADLs) and round-the-clock oversight.⁷



Source: S. Rogers and H. Komisar, Who Needs Long-Term Care? (Washington, DC: Georgetown University Long-Term Care Financing Project, May 2003, fact sheet).

- *Nursing homes:* These institutional settings primarily serve persons with severe medical conditions and disabilities. In December 2006, 1.4 million adults lived in Medicare and Medicaid-certified nursing homes, and about 90 percent of these residents were age 65 or older.⁸

Financing

LTC is currently financed through a mixture of Medicaid, Medicare, out-of-pocket payments, and private insurance. In 2004, national spending on LTC totaled \$194 billion (Figure 2).

Medicaid

Accounting for 49 percent of spending in 2004, Medicaid is the nation's largest source of LTC financing. Each state designs and administers its own Medicaid program, which is financed through a combination of federal and state funds. Under federal law, state Medicaid programs provide nursing home and home health care (including nursing and therapy services and related medical supplies) for people who meet income and asset eligibility criteria. For most individuals this requires spending nearly all of their personal resources on LTC services before becoming eligible for coverage through Medicaid.

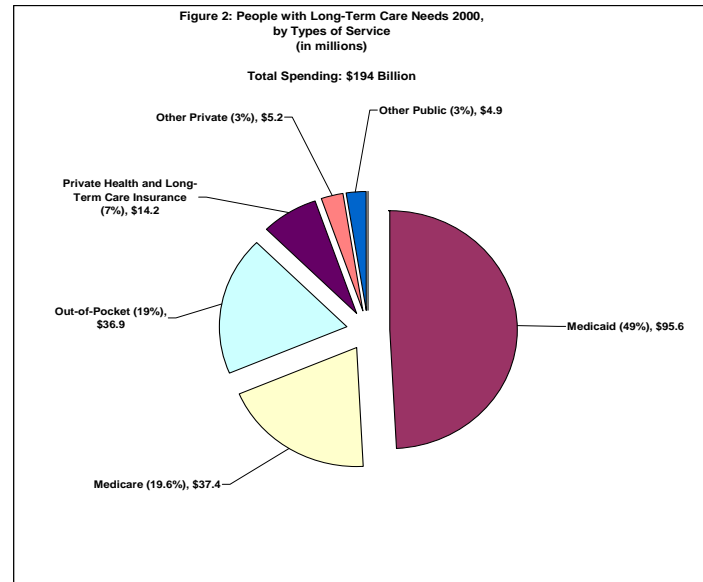
Medicare

The federal Medicare program, which provides health insurance to people age 65 or older and to some people with disabilities under age 65, financed 19.6 percent of national LTC spending in 2004. Although Medicare is not designed to pay for LTC, it does cover the first 20 days of nursing home and home health care. It also covers a portion of an additional 80 days of LTC services in a skilled nursing facility following a hospital stay of at least three days. Furthermore, Medicare pays for home health care for individuals who are homebound and require part-time skilled nursing or therapy services. For eligible Medicare enrollees, this home health benefit covers home visits for skilled nursing; physical, speech, and occupational therapy; and home health aide services.

Out-of-Pocket Payments

Out-of-pocket spending constituted 19 percent, or about \$37 billion, of the cost of LTC services in 2004. However, because a majority of LTC services are provided by unpaid family members and friends, this figure would be significantly larger if these costs were included.⁹ Furthermore, there are indirect costs (e.g., time away from paid work and other activities) when individuals provide unpaid LTC that while difficult to measure may nevertheless be significant.

Private Insurance



Source: Georgetown Long-term Care Financing Project

In 2004, private insurance (both standard health coverage and LTC insurance) accounted for 7 percent of national LTC spending. Like Medicare, private health insurance usually covers a limited amount of nursing home and home health care for rehabilitation following hospitalization or outpatient medical care. Private LTC insurance currently plays only a small role in financing long-term care services. In fact, only 6 million people had private LTC insurance policies in 2002 and insurers paid about \$1.4 billion in claims.¹⁰

Policy Issues

As the baby boom generation reaches the retirement age, the increasing need for LTC services will significantly magnify problems with the current system. Several policy issues associated with LTC services will need to be addressed in the near future.

Lack of Preparation

Most people have not planned for their LTC needs (e.g., purchasing private LTC insurance, etc.) and will have to exhaust their personal savings before qualifying for Medicaid. Additionally, as the number of individuals requiring LTC increases, so too will the burden on their family members (e.g., lost wages, lack of productivity in their employment, loss of family time, and symptoms of depression and other conditions associated with mental stress).

Increased Funding for Medicaid and Medicare

In 2005, expenditures on LTC accounted for 31 percent of all Medicaid spending, or \$95.6 billion. The U.S. Congressional Budget Office projected that Medicare and Medicaid LTC expenditures for older adults would roughly double between 2000 and 2020 and triple between 2000 and 2040.¹¹ The need for increased funding comes at a time when federal and state governments have been attempting to control health care related spending by limiting and/or cutting the Medicare and Medicaid programs.

Barriers to Private LTC Insurance

Despite a push by the federal and some state governments to promote the purchase of private LTC insurance, a number of obstacles limit their uptake in significant numbers, including:

- the inability of many older people to afford coverage,
- the failure of some policyholders to maintain their premium payments (and therefore lose their coverage), and
- the reluctance of private insurers to write policies for those in poor health (who are the individuals most likely to require LTC services).

Disincentives for Home- and Community-Based LTC

Despite recent improvements, Medicaid rules still make it difficult for older adults to receive subsidized care at home. Federal law stipulates that special Medicaid initiatives to provide home- and community-based services to people with disabilities must not increase Medicaid spending; this stipulation forces states to limit eligibility for these services and

impose other requirements to keep costs down. As a result, some Medicaid enrollees cannot afford to remain in the community because the monthly stipend provided by the program is too small to cover their living expenses.

Lack of Home and Community-Based LTC Capacity

Many policymakers and advocates believe that the advantages of home- and community-based settings (e.g., consumer satisfaction, dignity, quality of life, and reduced family burden) are worthwhile at any cost. However, maintaining the ability and increasing the capacity to provide these services to an aging population will become increasingly challenging over the next several decades. The future success of community-based programs hinges on the ability of state and the federal governments to build consumer-friendly, coordinated programs while maintaining costs that will be both affordable for taxpayers and effective in meeting beneficiary needs.

Considerations

As the number of older Americans grows, so too will the need for LTC services. The current system of LTC is unlikely to make quality, affordable services available in sufficient quantity to meet the growing demand. While some policymakers believe that increasing the purchase of private LTC insurance will resolve the issues related to LTC, current product designs and prices structures suggest otherwise. In the absence of a comprehensive insurance system, which includes an LTC component, the low- and moderate-income elderly will be disproportionately affected (e.g., have to spend their personal savings, rely on unpaid family members for care, etc.). As policymakers begin to think about a system of LTC, they should not focus solely on controlling costs, but also on ensuring that the most vulnerable have access to adequate care without running the risk of unsustainable medical bills.

Endnotes

¹ S Rogers and H Komisar, "Who Needs Long-Term Care?" (Factsheet), Georgetown University Long-Term Care Financing Project, May 2003.

² U.S. Census Bureau, "Projected Population of the United States, by Age and Sex: 2000 to 2050," U.S. Census Bureau, 2004. Available at <http://www.census.gov/ipc/www/usinterimproj/natprojtab02a.pdf>.

³ U.S. Department of Health and Human Services (HHS) and U.S. Department of Labor (DOL), "The Future Supply of Long-Term Care Workers in Relation to the Aging Baby Boom Generation: Report to Congress," Office of the Assistant Secretary for Planning and Evaluation, 2003. Available at <http://aspe.hhs.gov/daltcp/reports/lcwork.htm>.

⁴ U.S. Department of Health and Human Services (HHS), Centers for Medicare & Medicaid Services, "Long-term Care" (Fact Sheet), HHS, 2007. Available at: <http://www.medicare.gov/LongTermCare/Static/Home.asp>.

⁵ K Manton, X Gu and V Lamb, "Change in Chronic Disability from 1982 to 2004/2005 as Measured by Long-Term Changes in Function and Health in the U.S. Elderly Population," Proceedings of the National Academy of Sciences 103.48 (2006): 18374–79.

⁶ L Thompson, "Long-Term Care: Support for Family Caregivers" (Issue Brief), Georgetown University Financing Long-Term Care Project, 2004.

⁷ C Hawes, M Rose, and C Phillips. *A National Study of Assisted Living for the Frail Elderly: Results of a National Survey of Facilities* (Washington, DC: Office of Disability, Aging, and Long-Term Care Policy, Assistant Secretary of Planning and Evaluation, U.S. Department of Health and Human Services, 1999).

⁸ American Health Care Association, "Trends in Nursing Facility Characteristics," American Health Care Association, 2006. Available at http://www.ahca.org/research/oscar/trend_graph_facilities_characteristics_200612.pdf; A Jones, "The National Nursing Home Survey: 1999 Summary," Vital Health Statistics 13.152 (2002).

⁹ S Rogers and H Komisar, "Who Needs Long-Term Care?" (Factsheet), Georgetown University Long-Term Care Financing Project, May 2003.

¹⁰ S Coronel, *Long-Term Care Insurance in 2002* (Washington, DC: America's Health Insurance Plans, 2004).

¹¹ U.S. Congressional Budget Office, "Projections of Expenditures for Long-Term Care Services for the Elderly" (CBO Memorandum), U.S. Congressional Budget Office, 1999. Available at <http://www.cbo.gov/ftpdocs/11xx/doc1123/lcicare.pdf>.