

Sourcebook

February 2002



Long Term Care Insurance
We bring good things to life.



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I. The Probability of Needing Long Term Care

Although baby boomers have a very positive view of aging, there is an overwhelming level of denial regarding the likelihood of needing long term care.

**STAT Research Survey study conducted by Center for Aging Research and Education;
Commissioned by the GE Center for Financial Learning, 6/28/01**

A major “at risk” group identified by the study are female baby boomers. Many will enter their 80’s and 90’s as single individuals without the economic support required to address a long term care event.

**STAT Research Survey study conducted by Center for Aging Research and Education;
Commissioned by the GE Center for Financial Learning, 6/28/01**

Everyone is at risk not only of having a family member in need of long term care, but also of needing assistance themselves. About 45 percent of the long term care population is under the age of 65. Yet, although the need for health insurance to cover a patient’s medical expenses in case of catastrophic illness is widely recognized, few people are insured against the costs of providing long term support services for that same person. This lack of insurance coverage jeopardizes the financial security of families and diminishes the economic security of the country.

**Submitted Testimony of the Honorable David F. Durenberger;
Chairman, Citizens For Long Term Care
To the United States Senate Special Committee on Aging, 6/28/01**

If used, the following quote must be contextualized:

In 1997, 52.6 million people (19.7 percent of the population) had some level of disability and 33.0 million (12.3 percent of the population) had a severe disability.

**“Americans with Disabilities” 1997 Report;
US Census Bureau, issued February 2001**

If used, the following quote must be contextualized:

< In 1997>About 10.1 million individuals (3.8 percent of the population) needed personal assistance with one or more ADLs or IADLs.

**“Americans with Disabilities” 1997 Report;
US Census Bureau, issued February 2001**

I. The Probability of Needing Long Term Care (cont.)

If used, the following quote must be contextualized:

<As of 1997>The likelihood of having a disability increased with age. Among those 45 to 54 years old, 22.6 percent had some form of disability, 13.9 percent had a severe disability, and 3.6 percent needed personal assistance.

Among those 55 and 64 years old, 35.7% had some level of disability, and 24.2% had a severe disability. For those 65 to 69 years old, the comparable estimates were 44.9 percent, 30.7 percent, and 8.1 percent. For the oldest age group, 80 years old and over, the estimates were 73.6 percent, 57.6 percent, and 34.9 percent.

**Source: “Americans with Disabilities” 1997 Report;
US Census Bureau, issued February 2001**

The projected need for long term care assistance from 2000 to 2020: 5 Million to 7.4 Million = 42% increase

Based on data from US House of Representatives 2000 Green Book

What more classic intergenerational issue is there than long term care? Presently, it is estimated that 40 percent of those persons receiving long-term care are not seniors, but are those between 18 and 64.

**Submitted Testimony of Robert B. Blancato
President, Matz, Blancato & Associates, Inc.
Executive Director, 1995 White House Conference on Aging
To the United States Senate Special Committee on Aging, 6/28/01**

If used, the following quote must be contextualized:

<As of 2001> there are just 1.5 million nursing home residents over the age of 65. Assisted-living facilities – private apartments with staff to provide some care – now serve about 800,000. Independent apartments with simpler services, like prepared dinners, serve 1.5 million. Another 625,000 seniors live in continuing-care retirement communities, which offer all the levels of care people need as they age, from independent apartments to full nursing care. Tens of thousands more live in group homes and adult foster-care facilities. And some 6 million chronically ill and disabled older people get help at home, sometimes even with ventilators, IV tubes, and other complex medical procedures.

U.S. News & World Report, 5/21/01

If used, the following quote must be contextualized:

<In 2001>It is estimated that 12.1 million Americans of all ages need assistance with everyday activities, such as eating, dressing and bathing.

Chicago Tribune, 5/9/01

Some 42% of Americans who reach the age of 70 can expect to utilize some type of long-term care during the remainder of their lives, according to a study by the Agency for Health Care Policy and Research.

PR Newswire, 6/19/01

According to the National Academy on an Aging Society, the number of elderly needing long term care is expected to increase from seven million in 1997 to nearly ten million in 2018.

Wall Street Journal, 2/21/01

II. Nursing Home Care

There has been a general decline in the use of the most traditional long-term care service: the nursing home. A number of factors account for this decline: restrictions on supply, growth in home-and-community-based care networks, a greater number of assisted living facilities, and a decline in age-specific rates of disability. Even so, the nursing home remains a key provider of long-term care services of more than 1.5 million people, most of whom are over age 65. Over time, if current trends persist, assisted living and hybrid home care institutional care alternatives may dominate.

**“Who Buys Long-Term Care Insurance in 2000?” Report,
Health Insurance Association of America, October 2000.**

Nearly three million Americans spend at least some portion of the year in our nursing homes.

**Submitted Testimony of Tommy G. Thompson;
Secretary Dept of Health and Human Services
To the United States Senate Special Committee on Aging, 6/28/01**

If used, the following quote must be contextualized:

<Long Term Care Insurance> is most attractive to people of means – just not enough means to afford nursing home costs, which average \$56,000 a year.

Time, 5/21/01

People age 85 and older are the most likely Americans to live in nursing homes. In 1997, only 11 people per 1,000 age 65 through 74 lived in a nursing home, compared with 192 people per 1,000 among those 85 and older. About three-fourths of nursing home residents are women, roughly equal to their representation in the population age 85 and older. People in nursing homes today are more functionally impaired than their counterparts in previous years. The percentage of nursing home residents who were incontinent, who needed help with eating, or who were dependent on others for mobility increased slightly between 1985 and 1997.

**“Older Americans 2000 Report”
Federal Interagency Forum on Aging-Related Statistics, 8/10/00**

More than half of all women and a third of all men who survive to age 65 will spend time in a nursing home before they die.

Wall Street Journal, 2/21/01

Nearly 20 percent of the population age 85 and older (currently) lives in nursing homes.

Wall Street Journal, 2/21/01

The average cost of a nursing home stay... is almost \$56,000 a year, and it can run much higher in major metropolitan areas.

Reuters, 12/13/00

II. Nursing Home Care (cont.)

A year in a nursing home can cost more than \$100,000 a year in New York City; the national average is almost \$50,000.

New York Times, 2/16/00

After a 3-day hospital stay, nursing home costs for each benefit period are as follows:

Days 1-20	Medicare pays 100%
Days 21-100	Medicare pays all but the first \$99.00 per day
Days 100+	You pay all costs beyond 100 th day in benefit period

2001 Guide to Medicare

In 1997, over one-half of elderly nursing home residents were 85 years of age or older. In 1985, 45 percent of elderly residents were age 85 or older.

More residents (of nursing homes) required assistance with activities of daily living (ADLs) such as bathing, dressing, and eating in 1997 than in 1985.

Demand for nursing home and other health care services for the elderly are expected to increase significantly as the baby boomers age, presenting formidable challenges.

The average length of stay in nursing homes grew shorter between 1985 and 1997.

Average number of days residents lived in nursing home (as of 1997) is 903. (2.5 years)

The Changing Profile of Nursing Home Residents 1985-1997
Center for Disease Control and Prevention
National Center for Health Statistics Aging Trends Report #4, March 2001

III. Home Health Care

In 2000, nationally, home health care aides typically charged an average of \$61 per visit.

In 2000, nationally, a severely impaired person could expect to pay over \$15,000 annually for an aide to visit daily.

In 2000, nationally, adult day care was available on weekdays and averaged \$50 per day.

**Source: Can Aging Baby Boomers Avoid the Nursing Home? Report
American Council of Life Insurers, March 2000**

Most people traditionally have gotten long-term care at home, usually from a family member. But today there's often no one nearby to help out – a result of high divorce rates, smaller families, and more mobility.

US News & World Report, 5/21/01

At-home costs: The fee for a private-pay, licensed home health aide runs about \$15 an hour. A nurse can cost two to three times more.

US News & World Report, 5/21/01

Home care can cost \$15 to \$50 per hour.

**Source: Long Term Care Planning Guide
United Seniors Health Council, Jan 2001**

If used, the following quote must be contextualized:

<In 2001>More than 90% of seniors say they have no intention of leaving the comfort of their home or community <to enter a nursing home.>

US News & World Report, 5/21/01

If used, the following quote must be contextualized:

<In 2001>More than one-quarter of the adult US population has provided care for a chronically ill or aged family member or friend during the last year, according to a study by the National Family Caregivers Association.

Chicago Tribune, 5/9/01

If used, the following quote must be contextualized:

Helping individuals stay in their own home <to receive care> for as long as possible is generally the best choice for beneficiary and taxpayer alike.

**Submitted Testimony of Tommy G. Thompson;
Secretary Dept of Health and Human Services
To the United States Senate Special Committee on Aging, 6/28/01**

III. Home Health Care (cont.)

For those who receive home care, the nature of assistance may be changing. Most home care is provided informally by family, friends, and the community, as it has been for quite some time. But since the 1980s, the use of informal support as an exclusive means of help appears to be declining. The percentage of older people receiving only informal care dropped from 74 percent in 1982 to 64 percent in 1994, while the use of combined formal and informal care increased from 21 percent to 28 percent during the same time period.

**Press Release regarding "Older Americans 2000 Report"
Federal Interagency Forum on Aging-Related Statistics, 8/10/00**

A National Family Caregivers Association survey indicates that 26.6 percent of the adult population was involved in caregiving during the past 12 months. Based on current census data, that translates to more than 54 million people.

54 percent of family caregivers are between 35 and 64 years old. Tending to a friend or relative during these key wage-earning years takes a huge toll on the financial well-being and earning potential of these workers.

The new survey shows a much more even split (of the male/female ratio involved in caregiving): 56 percent female, 44 percent male.

NFCA (National Family Caregivers Association), 10/13/00

The extended family of yesteryear has all but vanished. Families are increasingly spread apart, with Mom and Dad living in one part of the country, while their children reside thousands of miles away.

Wall Street Journal, 2/21/01

In 1997, at least one family member in each of more than 22 million households was providing some form of unpaid caregiving.

National Institute on Aging, Congressional Justification FY 2001

IV. Assisted Care Facilities

In 2000, nationally, assisted living costs ranged from about \$25,300 annually for basic living expenses to \$36,000 or more for those with substantial long term care needs.

**Source: Can Aging Baby Boomers Avoid the Nursing Home? Report
American Council of Life Insurers, March 2000**

Assisted living costs: A private studio apartment runs about \$27,000 a year, less than two thirds the cost of a nursing home.

US News & World Report, 5/21/01

If used, the following quote must be contextualized:

<In 2000>Average daily rates (rounded) for private rooms <in an Assisted Living Facility>:

- Studio \$74
- One bedroom \$85
- Two bedroom \$102

**ALFA's Overview of the Assisted Living Industry, c.2000,
Assisted Living Federation of America
as reported in LTC News and Comment, March 2001**

V. Reasons to Buy Long Term Care Insurance

Considering that the average cost of nursing home care is approximately \$60,000 a year, and home care costs can range from \$50 to more than \$200 a day, long-term care insurance makes a lot of sense for millions of Americans.

Chicago Tribune, 6/19/01

For many, it may make sense to purchase long-term care insurance when they're relatively young, because the sooner they start, the lower the premium they pay. For those in their 50s, the average annual premium can be less than \$1000. A better reason to begin early is that changes in your health may prevent you from buying it later.

Chicago Tribune, 6/19/01

Government picks up the tab for nearly 60 percent of nursing home costs nationwide. But it won't help much with these new forms of long-term care. Though 38 states pay for some assisted living, the programs are miniscule, covering fewer than 100,000 poor people. Medicare covers home care, but just 100 visits in the weeks following a hospital stay. So seniors increasingly are paying their long-term care bills out of their own pockets.

US News & World Report, 5/21/01

If used, the following quote is For Rep Use Only and Not for Consumer Use:

Baby boomers are in denial about their rapidly approaching senior years and unless they start preparing for long-term care now, many will wind up bankrupting themselves with out-of-pocket healthcare expenses.

United Press International, 6/28/01

“The good news is that people are living longer, and the bad news is that people are living longer.”

**Senator John Breaux; Chairman;
Senate Special Committee on Aging
United Press International, 6/28/01**

At more than \$4,500 a month, the cost of even a short stay in a nursing home or other facility has the potential to exceed the financial resources of many Americans, especially those no longer able to work. A long stay in a nursing home or extensive use of home and community-based services can easily (and quite often does) consume a lifetime of financial resources. Upon exhausting their own private resources, individuals and families must turn to the federal-state Medicaid program as the payer of last resort. The current Medicaid based financing system, which is the largest single payer of long term care, dictates that people must effectively impoverish themselves in order to receive government assistance.

**Submitted Testimony of the Honorable David F. Durenberger;
Chairman, Citizens For Long Term Care
To the United States Senate Special Committee on Aging, 6/28/01**

Average (health care) costs have not risen steeply during the 1990s. The cost of health care and use of services is closely associated with age and institutional status, with higher expenditures incurred by the oldest Americans and those living in long-term care facilities.

Press Release regarding “Older Americans 2000 Report”

Federal Interagency Forum on Aging-Related Statistics, 8/10/00

V. Reasons to Buy Long Term Care Insurance (cont.)

29.5 percent of elderly long term care expenses are paid out-of-pocket. Medicaid pays 39 percent, Medicare pays 17.8 percent, private insurance 7.4 percent, (and) 6.3 percent comes from other sources.

**Health Care Financing Administration
Department of Health and Human Services, 2000**

- Sixty percent of women do not realize that they need to save more money for retirement than men because on average women live seven years longer than men.
- Women do not know they earn considerably less money throughout their lifetimes (due to childbearing and family responsibilities), which will lead to smaller pensions and Social Security payments.
- One quarter of women think \$100,000 or less will be enough to support them for a retirement spanning 20 years or more.
- Women's generally conservative investment style undermines their retirement savings because the smaller returns from "safe" investments result in a small retirement account balance.

Source: "Women Unprepared for Retirement," Yahoo Finance, 7/10/01

As of July 2000, the Bureau of Labor Statistics estimates that during the course of a 30-year retirement, a retiree's budget needs are likely to increase by a multiple of three, based on historical inflation rates.

**Source: Fidelity Outlook Special Report
Fidelity Retirement Services, October 2000**

The average lifetime (long term care and medical) costs per Alzheimer patient is \$174,000.

Alzheimer's Association, 9/12/00

VI. The Long Term Care Insurance Market

The number of Long Term Care Insurance policies has doubled in the past five years, as people recognize that Medicaid will cover them only after their assets have been “spent down.”

Time, 5/21/01

The US Bureau of Labor Statistics today released the Consumer Price Index (for Nursing Homes and Adult Day Care) for 2000. There is not CPI for home care. Over the last four years, the only years for which this index exists, it has annually average 4.25% growth.

If used, the following quote must be contextualized:

<In 2001>It appears that a 5% compound inflator for nursing home care more than covers inflation in this sector, at least for the last four years. This index measures the out-of-pocket costs consumers themselves pay for these services. It focuses on urban consumers.

LTC News and Comment, 1/17/01

If used, the following quote must be contextualized:

<Long Term Care Insurance>Coverage is much more comprehensive today than it was just a few years ago. The proportion of dual-coverage policies (i.e., those that cover both institutional care and home care) grew from 37 percent in 1990 to 77 percent in 2000.

“Who Buys Long-Term Care Insurance in 2000?” Report, Health Insurance Association of America, October 2000

Over the past five years, the average daily nursing home benefit has increased by 28 percent, which is higher than the rate of inflation.

“Who Buys Long-Term Care Insurance in 2000?” Report, Health Insurance Association of America, October 2000

If used, the following quote must be contextualized:

Average annual premiums <for Long Term Care Insurance> have increased 11 percent between 1995 and 2000 from \$1,505 to \$1,677. Given the comprehensive nature of the policies, one would have expected average policy premiums to increase by more than 20 percent. Clearly, long-term care insurance is a better buy today than it was five and ten years ago, and consumers are receiving more value for the premium dollar.

“Who Buys Long-Term Care Insurance in 2000?” Report, Health Insurance Association of America, October 2000

If used, the following quote must be contextualized:

The number of policies sold (either on an individual basis or through employer-sponsored plans) has increased to more than 6 million. <As of the year 2000>

“Who Buys Long-Term Care Insurance in 2000?” Report, Health Insurance Association of America, October 2000

VI. The Long Term Care Insurance Market (cont.)

The average age of individual buyers has declined from 69 years to 67 years. Perhaps the greatest change relates to the under-65 age group. A third of all individual long-term care policies sold are purchased by people younger than 65.

***“Who Buys Long-Term Care Insurance in 2000?” Report,
Health Insurance Association of America, October 2000***

More than three in four current nonbuyers would be more interested in buying a policy if they could deduct premiums from their taxes. If they thought the government would provide stop-loss coverage once their private insurance benefits ran out, or if they felt premiums would remain stable over time.

***“Who Buys Long-Term Care Insurance in 2000?” Report,
Health Insurance Association of America, October 2000.***

Do You Have Enough Long-Term-Care Coverage? People who are tapping their policies are happy with their coverage. Their main regret, common among policyholders of any kind when it comes time to make a claim: They wish they had bought more.

Kiplinger.com, March 2001

VII. Aging America

For America's 77 million baby boomers, paying future long-term care costs remains as their largest looming expense. According to the Bureau of the Census, in 2020, one out of every six Americans will be age 65 or older – roughly 20 million more seniors than today. Furthermore, by 2020, the number of Americans 85 and older – the people most likely to use long-term care – will double to seven million, and double again to 14 million by 2040.

Health Insurance Association of America, 6/28/01

If used, the following statistic must be contextualized:

<Year 2000> Population:

65 years and over:	34,991,753 = 12.4%
Male:	14,409,625 = 5.1%
Female:	20,582,128 = 7.3%

**Profile of General Demographic Characteristics: 2000
US Census Bureau, issued May 2001**

People are finding more housing options for the aged than ever, but learning that neither health insurance nor the government covers the costs. And while a third of long-term care insurance policies belong to people younger than 65, including boomers, experts on aging say that most members of this huge American generation are in denial and unprepared.

The Times-Picayune (New Orleans), 5/14/01

If used, the following quote must be contextualized:

The number of older people in the US has increased ten-fold since 1900. <In 2000>, an estimated 35 million people, 13 percent of the population, are age 65 and older. By 2030, 20 percent of Americans, about 70 million, will have passed their 65th birthday. The population age 85 and above is currently the fastest growing segment of the older population; its growth is particularly important for anticipating health care and assistance needs, because these individuals tend to be in poorer health and require more services than people below age 85.

**Press Release regarding "Older Americans 2000 Report"
Federal Interagency Forum on Aging-Related Statistics, 8/10/00**

In June, the US Census Bureau forecast that the current estimate of 64,000 to 75,000 centenarians will balloon to 129,000 in the year 2010; 235,000 in 2020; and 381,000 in 2030.

**Source: Fidelity Outlook Special Report
Fidelity Retirement Services, October 2000**

Women reaching age 65 in 2000 are expected to live, on average, an additional 19.2 years compared to 15.8 years for men. Life expectancy rates at age 65 are anticipated to increase to 20.2 years for women and 17.1 years for men in 2030.

**Social Security Online, May 2001
www.ssa.gov**

VII. Aging America (cont.)

The older population (65+) numbered 35.0 million in 2000, an increase of 3.7 million or 12.0% since 1990.

The number of Americans aged 45-64 – who will reach 65 over the next two decades – increased by 34% during the 1990s.

As of 2000, about one in every eight, or 12.4%, of the population is an older American.

As of 2000, older women outnumber older men at 20.6 million older women to 14.4 million older men.

As of 2000, about 30 percent (9.7 million) noninstitutionalized older persons live alone (7.4 million women, 2.4 million men.)

As of 2000, half of older women age 75+ live alone.

By the year 2030, the older population will more than double to about 70 million.

The 85+ population is projected to increase from 4.2 million in 2000 to 8.9 million in 2030.

A Profile of Older Americans: 2001
Administration on Aging
US Dept of Health and Human Services

VIII. Medicare and Medicaid

There's a good chance your parents don't understand that Medicare or their Medicare Supplement Insurance won't help them pay for their quickly approaching long-term care needs, according to a new national study. This on-going lack of knowledge is a looming liability for Americans that has created a crisis for the entire country.

Business Wire, 6/26/01

...nearly two-thirds of people who are 65 and older either do not know, or have incorrect information about Medicare coverage for long term care.

Business Wire, 6/26/01

According to a study by the National Association for Home Care done last year, only 40 percent of the annual estimated home-care expenditure was paid for by Medicare.

Chicago Tribune, 5/9/01

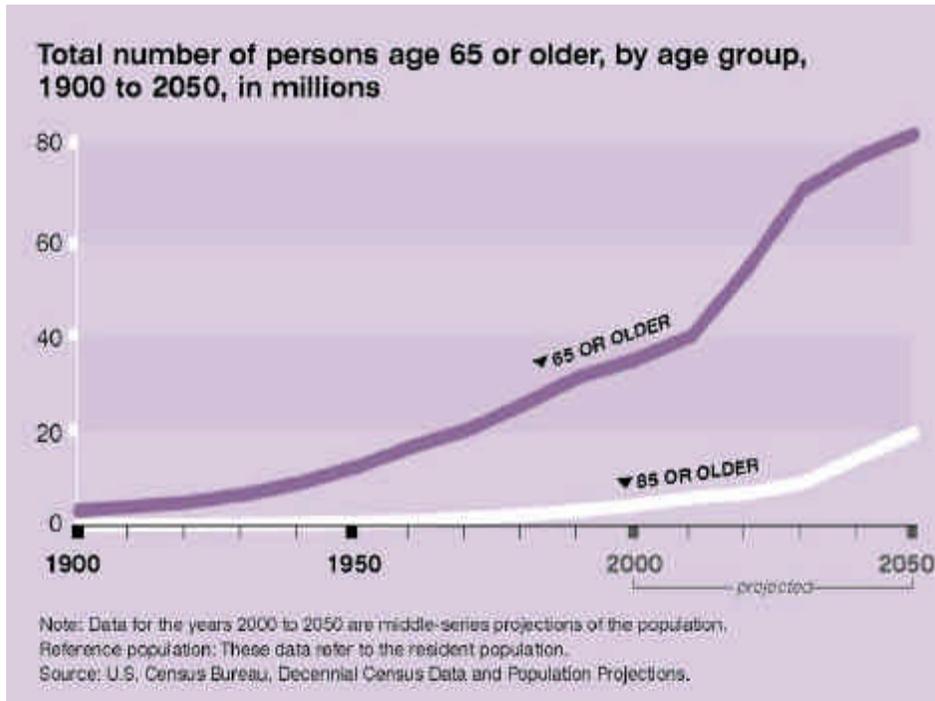
Only about 40 percent (of the elderly and near elderly) believe that they or their family will be responsible for paying for their long term care. Some mistakenly believe that public programs, including Medicaid and Medicare, or their own health care insurance will provide comprehensive coverage for the services they need.

**Testimony before the Special Committee on Aging,
U. S. Senate, 9/13/00**

Medicare offers little help. It pays for 20 days in a skilled nursing facility and part of the cost for the next 80 days – but only after a hospital stay of three days or more. Medicare also pays nothing for simple, long-term custodial care.

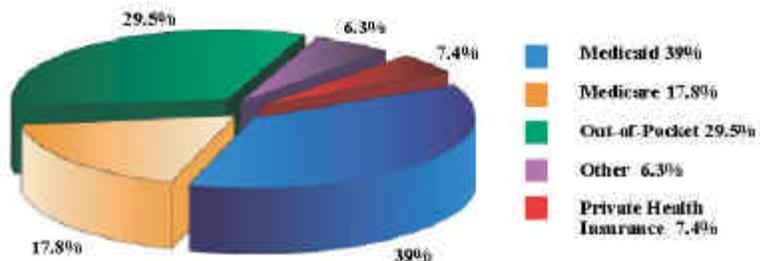
CBS Marketwatch.com, 11/2/00

IX. Tables, Charts & Graphs



Above chart included with “Older American 2000 Report”
Federal Interagency Forum on Aging-Related Statistics, 8/10/00

Who Pays for Long Term Care?



Source: Health Care Financing Administration, Dept. of Health and Human Services 2000.

IX. Tables, Charts & Graphs (cont.)

Cost of Services: Aging in Place vs. Institution, 2000

	2000
Home Care	
Adult Day Care	
per day	\$50
per year	\$12,981
Homemaker	
per visit	\$58
per year	\$15,110
Home health aide	
per visit	\$61
per year	\$15,743
Assisted Living	
per year	\$25,300
Nursing Home	
per year	\$44,100

Note: Per year calculations for a homemaker or home health aide assume five visits per week.

**Source: Can Aging Baby Boomers Avoid the Nursing Home? Report
American Council of Life Insurers, March 2000**