



Is Long-Term Health Care Part of Your Financial Plan?

When planning for retirement and older age, people tend to think about IRAs, stocks and mutual funds. What people often forget to think about are their long-term health care needs.

However, you need to consider your long-term health care options and make long-term care a part of your financial plan. Use the information in this article to consider your possible future long-term needs.

What is Long-Term Health Care?

Long-term care includes a broad range of personal, social, and medical services provided

either at home or at a formal institution. The type of care needed varies substantially from one elderly person to the next.

Two common categories of level of assistance are Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL). ADLs include eating, bathing, dressing, getting out of bed, walking, etc. IADLs include less physical assistance, such as help with managing money, shopping, meal preparation, and doing heavy housework.

When planning for your long-term care needs, remember that long-term care includes more than nursing homes. Only 5.1% of people 65 years or older are in a nursing home on any given day.¹ In 1998, about 1.5 million persons received long-term care services in more than 17,000 certified nursing homes. In contrast, about eight million people received medical and personal care services from more than 20,000 home health care agencies and hospices in 1998.²

1997, family members provided about two-thirds of the long-term care needed by people age 65 or older. The rest of the care was paid care: either in one's home or in a formal institution such as a board and care home, a continuing care retirement community, or a nursing home.²

Will You Need Long-Term Care?

Although you can't predict with certainty all your future needs, you can consider these risk factors.

- * As you get older and more physically disabled, the risk of needing long-term care rises.
- * If you have chronic health problems, you are more likely to need long-term care.
- * An elderly woman is more likely to use a nursing home than an elderly man.
- * Individuals without children or other family members to provide informal care at home are more likely to use a nursing home.

What is the Cost of Long-Term Care?

Undoubtedly the costs of long-term care can be expensive. However, the costs vary significantly depending on the level of care needed. In 1997 in the United States, the average cost for nursing services or physical therapy at home was \$77 per visit. Assisted living rates in 1998 ranged from several hundred dollars a month to more than \$3000 a month. In contrast, the U.S. average, annual cost of care in a nursing home was \$56,000.² Average costs may be less in Illinois. For example, the average, annual cost of a nursing home in Illinois is \$51,000 for a single-occupant room and \$44,165 for a double-occupant room.³

It's difficult to predict your possible future costs from averages of all elderly people. *Many elderly people continue to live at home; however, they're able to do this with the help of home care services.* For example, some Registered Nurses will come to a person's home to provide medical assistance. In 1998 in Illinois, the average salary of a Registered Nurse was \$17.95 per hour. A home health aide is paid about \$6 to \$8 per hour.³

Your costs for at home services will vary depending on the level of assistance you need. In the United States, the average out-of-pocket payment for all people with ADL or IADL dependencies was \$250 per month in 1994. However, for people with only IADL needs or one ADL dependency, the

average out-of-pocket payment was \$110 in 1994.⁴

In contrast, people with three or more ADL dependencies spent, on average, \$578 in 1994. This amount goes up even more with older people (75 years or older plus three or more ADL dependencies spent, on average, \$631) and unmarried individuals (unmarried with at least 3 ADL spent \$756). People who were incontinent had the highest average monthly out-of-pocket expenses.⁴

Who Pays for Long-Term Health Care Costs?

You may have an option of how to pay for these costs. Spillman and Kemper found that 73% of the elderly long-term care population relied entirely on out-of-pocket expenditures and unpaid caregivers as opposed to public resources to pay for their care.⁵

However, as expenses increase third-party payers (such as Medicaid, Medicare, or private long-term insurance) become important. In 1998, expenditures for major long-term care services, including

nursing home and home health care, totaled \$117.1 billion. *Medicare and Medicaid paid for over half these costs.* Individuals paid out-of-pocket for almost 30 percent of the costs, and private health insurance paid another 7 percent.²

While predicting the future is impossible, you can be aware of long-term health care costs and your alternatives for managing these costs. Now is the time to consider the possible impact of long-term health care costs on your financial plans.

Sources:

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- ⁴ Liu, K., Manton, K.G., & Aragon, C. (2000, January). *Changes in Home Care Use by Older People with Disabilities: 1982-1994 – Executive Summary* [Online]. Available: http://research.aarp.org/health/2000_02_homecare_1.html.
- ⁵ Spillman B.C. & Kemper, P. (1992) Long term care arrangement for elderly persons with disabilities: Private and public roles. *Home Health Care Services Quarterly*, 13(1/2), 5-35.

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