

*To Have or Not To Have LTCI:  
The Economic Evidence*

*Norma B. Coe*

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# What is Long-Term Care?

LTC: help with life; not curative

– IADLs:

- Managing finances, Managing transportation, Shopping and meal preparation, Housecleaning and home maintenance, Managing communication, Managing medications.

– ADLs:

- Walking, Feeding, Dressing and grooming, Toileting, Bathing, Transferring.

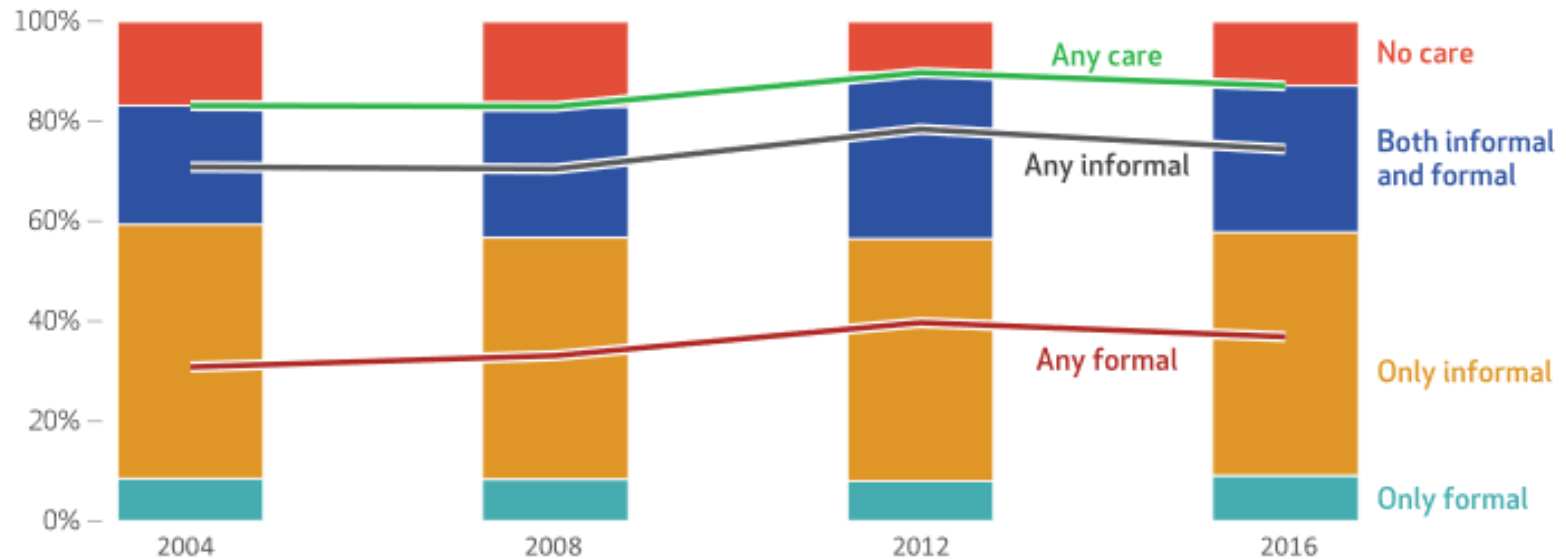
# Long-Term Care can be delivered in many places ... and the landscape is changing.

- Family (paid and unpaid) care
- Home health care
- Adult day care
- Assisted living/ residential arrangements
  - 29K communities with 1m licensed beds
- Nursing homes
  - New onslaught of closures

# Trends in Home Health Care

## EXHIBIT 1

Use of home care among community-dwelling people ages sixty-five and older with two or more limitations in activities of daily living/instrumental activities of daily living, selected years 2004-16



**SOURCE** Authors' calculations using the 2004, 2008, 2012, and 2016 waves of the Health and Retirement Study. **NOTES** The weighted percent adjusts for age, sex, and number of limitations in activities of daily living/instrumental activities of daily living. Formal home care does not include transportation services and meals.

# Growth in Assisted Living vs. Nursing Homes

**Table I.** Descriptive Statistics of Residential Care Community Characteristics.

Residential Care Community Characteristics	2015	2016	2017	2018	2019	Growth 2015–2019
Total number of facilities	8,166	8,412	8,655	8,907	9,078	11.2%
Average number of residential beds per facility	129.48	128.93	128.82	128.74	129.03	–0.3%
Facility type						
Assisted living	4,941	5,144	5,345	5,550	5,704	15.4%
Continuing care retirement communities	1,839	1,857	1,859	1,859	1,851	0.7%
Independent living	1,386	1,411	1,451	1,498	1,523	9.9%
Average number of residential beds adjusted per 10,000 adults aged 65+	379.67	377.38	374.13	372.1	367.73	–3.1%
Average number of skilled nursing facility beds adjusted per 10,000 adults aged 65+	326.81	316.85	305.99	295.69	284.94	–12.8%
Facility characteristics						
For-profit, %	80%	80%	81%	81%	82%	2.5%
Chain, %	67%	68%	70%	72%	73%	9.0%

Source. Author calculations using NIC Map Data Service and Area Health Resource File (number of skilled nursing facility beds and population).

Miller et al. “Growth of Private Pay Senior Housing Communities in Metropolitan Statistical Areas in the United States: 2015-2019” MCRR Feb, 2023

# Largely Not Insured in the US

## Medicare

- covers post-acute care in nursing homes, not LTC
- Must be Homebound to get home health, need part-time or intermittent **skilled** care

## Medicaid

- Means tested, unlimited nursing home benefit
- Waiver program for home care, still optional in state

## Private Insurance

- ~10 percent of current 65+ have private insurance

(<https://www.mcknightsseniorliving.com/home/news/business-daily-news/survey-only-10-percent-of-americans-have-long-term-care-coverage/>)

# Other Demographic Changes that impact Health and Long-term Care

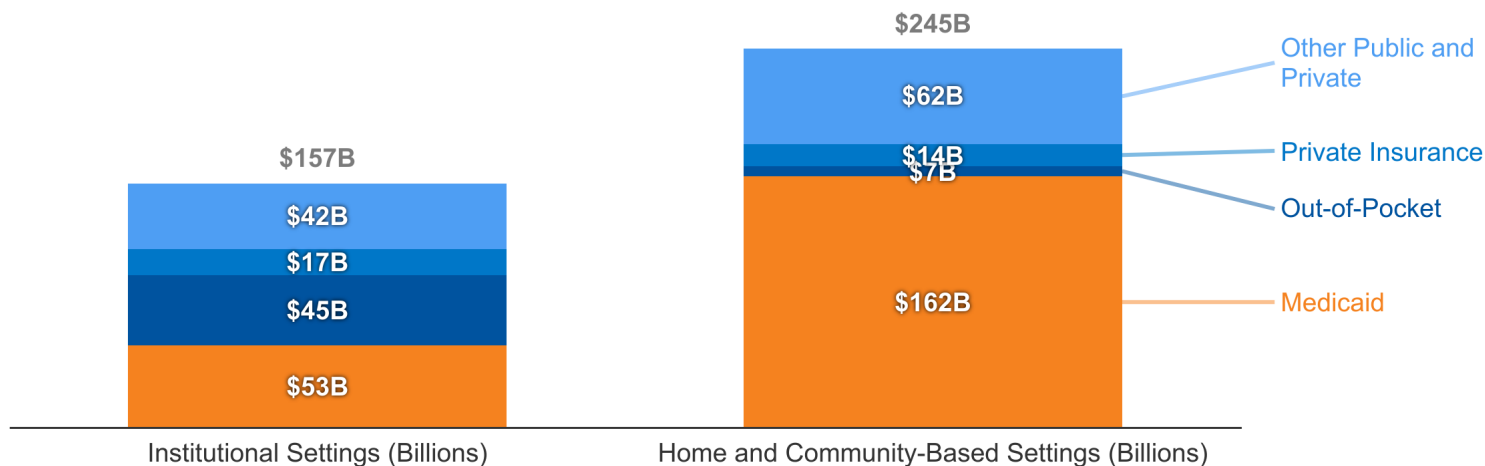
- Higher divorce rates
- Lower birth rates
- Increases in women in the workforce
- Immigration
- Income growth, and income inequality growth
- Narrowing of the gender gap in life expectancy

# Who pays for long-term care in the US?

Figure 3

The U.S. Spent Over \$400 Billion On LTSS In 2020, Nearly 10% Of All National Health Care Expenditures.

Medicaid paid \$53 billion on institutional care and \$162 billion on care in home and community settings, over half of all spending on LTSS.



NOTE: Total paid LTSS expenditures include spending on residential care facilities, nursing homes, Medicaid home health services, and home and community-based waiver services but excludes Medicare post-acute care. Other Public and Private includes Children's Health Insurance Program, the Department of Defense, the Veterans Health Administration, worksite health care, other private revenues, Indian Health Services, workers' compensation, general assistance, maternal and child health, vocational rehabilitation, other federal programs, Substance Abuse and Mental Health Services Administration, other state and local programs, and school health.

SOURCE: KFF estimates based on 2020 National Health Expenditure Accounts data from CMS, Office of the Actuary





# Is Informal Care really preferred?

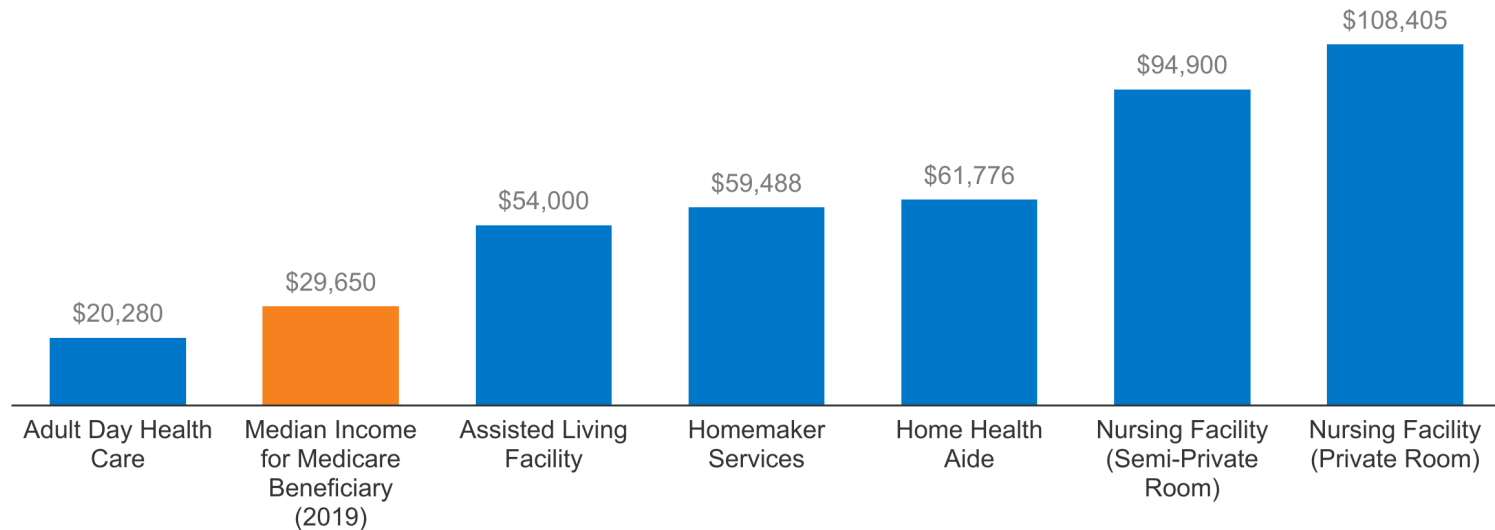
- National survey: 40% prefer professional care  
31% prefer care from family  
(Brown, Goda, McGarry, Health Affairs, 2012)
- Prefer care at home vs. institutional care unless severely impaired, then no difference (Guo, Konetzka, Dale, 2014)
- Desired role of children: “Support but not burden”  
(Sperber, Voils, Coe, Konetzka, Van Houtven, 2016)

# Or is it just what is “affordable”?

Figure 2

## LTSS Are Extremely Expensive and Generally Not Covered By Medicare.

Nursing facility costs are higher than those of other services but many people living outside of nursing facilities use multiple services simultaneously. Medicare only covers home health and skilled nursing facility care on a time-limited basis.



NOTE: Dollar amounts are annual costs for each type of care in 2021.

SOURCE: KFF analysis of Genworth 2021 Cost of Care Survey; KFF, Medicare Beneficiaries' Financial Security Before the Coronavirus Pandemic, Urban Institute / KFF analysis of DYNASIM data, 2019.

**KFF**

# Institutional care: Expensive (?)

## Informal care = A LOT of Time

- 20-65 MILLION informal caregivers in the U.S.

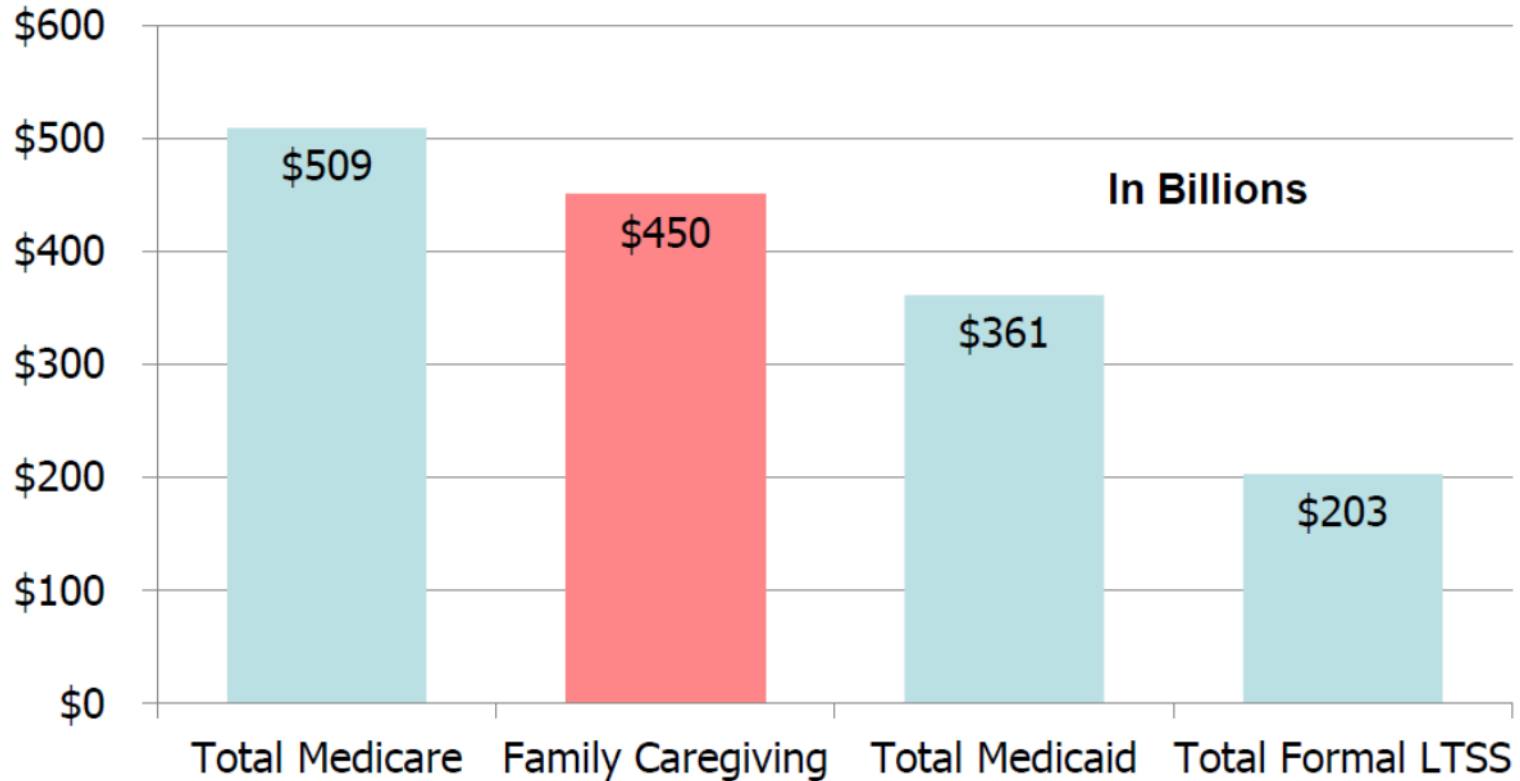
“The majority of family members providing care to people with multiple chronic physical and cognitive conditions were:

- Female (58%)
- Age 50 + (66%)
- Caring for a parent (38%)
- Caring for three + yrs (44%)
- Employed (47%) and making less than \$50,000 annually (48%)

(Kaiser Family Foundation, 2013)

# If Family hours counted...

**Family Caregiving is as big as Medicare and Medicaid**



AARP Public Policy Institute, 2009 data

# Welfare Costs of Informal care by type of limitation

Coe, Skira and Larson (October 2018, JAGS)

	Median Current Foregone Labor Income	Median Welfare Cost
Across all non-healthy states	24,460	179,478
ADL problems only	23,560	166,756
Memory problems only	24,990	162,873
ADL and memory problems	29,970	144,302
Cannot be left alone	22,320	201,896

# Informal Care- Quality?

- Informal care vs. Formal home health care:
  - Untrained
  - Typically more hours of observation
  - Relationship
- We ask caregivers to perform tasks that a home health aide is not legally allowed to provide, and to do so with less training.

# Quality of Care

- Quality typically measured as “unmet needs” or “gross neglect/abuse”
  - Still have “low-quality”
- So what are we getting for no money?
  - Lower Medicaid costs, delayed nursing home entry – is that a good thing?

# Coe, Guo, Konetzka and Van Houtven (Health Economics 2019)

- We use data from a RCT in the CCDE in the late 1990's
  - Offered Medicaid HHC recipients the ability to pay family and friends for care
  - Randomization changed who was providing care
- Family involvement lowers Medicaid utilization in first 9 months
  - Shorter LOS
  - delays hospitalization
- Is this because of better health or lower levels of care?
- Health Benefit: Fewer infections and bedsores



# There are costs to not having LTCI

Coe, Goda and Van Houtven (JHE 2023)

Parents having LTCI causes children to:

- Be less likely to co-residence
  - Be more likely to move away
  - Increase in full-time work
- 
- Our incomplete system is costing the entire economy

Thank you!

[nbcoe@pennmedicine.upenn.edu](mailto:nbcoe@pennmedicine.upenn.edu)