

Who Pays for Long-Term Care in the U.S.? (Updated)

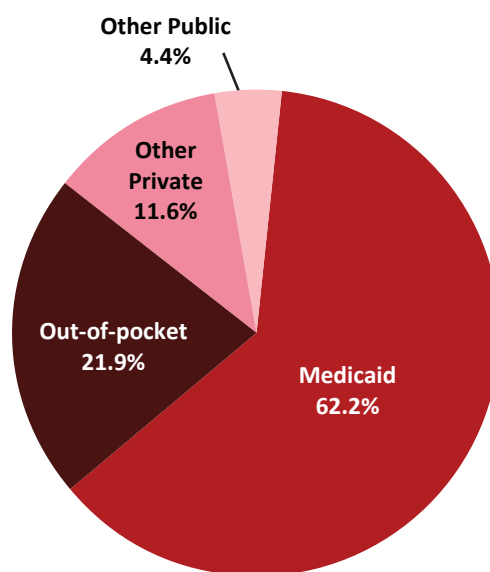
Many older adults and people with disabilities of all ages require supportive services, known as long-term care. As the population ages, demand for long-term care is increasing, along with the spending on these services. Long-term care services are financed primarily by public dollars, with the largest share financed through Medicaid, the federal/state health program for low-income individuals. Long-term care services are also financed privately through out-of-pocket payments by individuals and their families and long-term care insurance.

This fact sheet describes how long-term care is financed, nationally.

Long-Term Care Costs

- Long-term care spending includes spending for nursing homes that provide medical and supportive services to people with significant functional and/or cognitive impairment; intermediate care facilities for individuals who do not need continuous nursing care, but require supervision and personal assistance; home health services; and home- and community-based services (HCBS), such as personal assistance with eating, bathing or dressing provided in one's home or community.
- In fiscal year (FY) 2010, **total spending** (public, out-of-pocket and other private spending) for long-term care was **\$207.9 billion**, or **8%** of all U.S. personal health care spending.¹
- **Medicaid is the dominant source of payment for long-term care**, followed by out-of-pocket payments by individuals and families (See Figure 1).¹

FIGURE 1 Long-Term Care Expenditures by Source, FY 2010

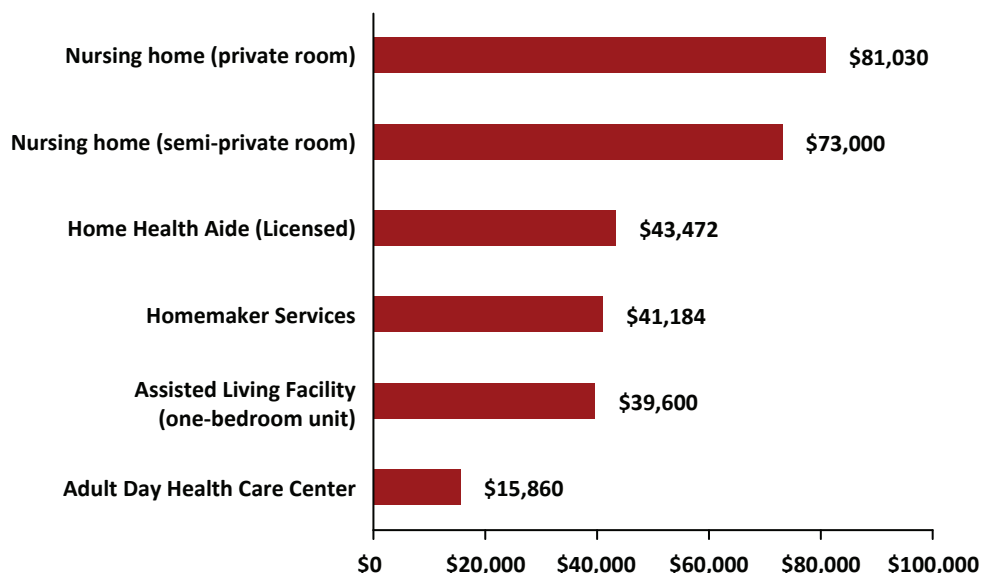


Source: O'Shaughnessy CV. The Basics: National Spending for Long-Term Services and Supports. 2012

Note: "Other Private" includes private long-term care insurance, other health insurance, and other private spending for nursing homes and home health services. "Other Public" includes Department of Veterans Affairs, state and local programs, and general assistance spending for nursing homes and home health services.

- Long-term care expenditures from all sources combined are projected to increase from **\$207.9 billion** in 2010 to **\$346 billion** in 2040.²
- The median annual cost for different types of long-term care services in the U.S. in 2012 varied, with **nursing homes** being the most expensive (See Figure 2).⁴

FIGURE 2 Median Annual Costs for Selected Long-Term Care Services in the U.S., 2012



Source: Genworth Financial. Genworth 2012 Cost of Care Survey: Home Care Providers, Adult Day Health Care Facilities, Assisted Living Facilities and Nursing Homes. 2012.

Note: Annual costs for home health aide/homemaker services are based on 44 hours of care per week, multiplied by 52 weeks. Annual costs for adult day health care are based on a daily 6-8 hour rate for 5 days a week, multiplied by 52 weeks.

Public Financing

- **Medicaid long-term care expenditures** for FY 2010 totaled **\$129.3 billion** or approximately **31%** of total Medicaid spending.¹
- In FY 2010, **approximately 45%** of Medicaid long-term care funding was spent on HCBS. About 55% was directed toward institutional long-term care, which includes nursing homes and intermediate care facilities for people with developmental disabilities, and mental health facility services.⁵
- The Program of All-inclusive Care for the Elderly (**PACE**) provides integrated care to vulnerable elders from an interdisciplinary team of health care and other professionals.⁶ **Medicaid expenditures** for the PACE program in FY 2010 totaled about **\$775.5 million**.⁵

Out-of-Pocket Spending

- Nationally, median annual private pay costs for nursing home services average **241%** of an older person's annual income. This ranges from 166% to 444% across states.⁷
- Median annual private pay costs for home health services average **88%** of an older person's annual income, nationally. This ranges from 55% to 125% across states.⁷
- **One in four people age 45 and over are not at all prepared financially** if they suddenly required long-term care for an indefinite period of time.⁸
- **Approximately 56% of individuals age 65 and older** (as compared to adults 45-64) and **more than half of adults with incomes over \$25,000** annually were more likely to say they feel financially prepared for long-term care than their counterparts.⁸

Private Long-Term Care Insurance

- Private long-term care insurance is one way that individuals can finance their long-term care needs. In 2010, between **7 and 9 million** Americans owned a private long-term care insurance (LTCI) policy, reflecting between 5.7% and 7.4% of the US population age 45 and older.^{9,10}
- The composition of the private LTCI market has changed as employer-sponsored LTCI has grown as a share of the total LTCI market. In 2011, **employer-sponsored LTCI represented about one-third** of all active policies, compared with less than 3% in the mid-1990s.¹¹
- Among employers offering LTCI, the federal government is the largest employer offering group LTCI.¹¹
- The average annual premium for a long-term care insurance policy purchased in 2010 was approximately **\$2,255** for individuals age 55 to 64, **\$2,759** for those age 65-69 years old, and **\$3,294** for those age 70 to 74.¹¹

Role of Family Caregivers

- Most long-term care is provided, unpaid, by family members and friends. The estimated economic value of unpaid caregiving in 2009 was **\$450 billion**, compared to \$375 billion in 2007.³ Including these costs in the total estimate of long-term care spending would increase this figure by about 116%.

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