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New Research from EBRI:

Nursing Home Entry Rates Rise, Weigh on Wealth Levels

WASHINGTON—As more American senior citizens are entering nursing homes they face the likelihood that their household wealth will be quickly depleted, according to new research by the nonpartisan Employee Benefit Research Institute (EBRI).

The EBRI research notes that nursing home stays among older Americans have increased steadily during the past decade: Nursing home stays increased from 6 percent of those age 65 and older in 2000 to 8.5 percent in 2010.

Seniors face a number of retirement planning uncertainties like longevity risk, inflation risk, and investment risk, but perhaps none as critical to their retirement security as health risk. EBRI's research also shows dramatic differences in wealth levels between those who enter a nursing home and those who do not, based on data from the Health and Retirement Study (HRS).

For instance, after respondents' first entries into a nursing home, total household wealth fell steadily over a six-year period. By comparison, household wealth increased steadily over the survey periods for those who never entered a nursing home. The EBRI report notes that the average cost for a semi-private nursing home room in the United States is \$207 a day (or \$75,555 a year) and between 10–20 percent of those who enter a nursing home will stay there for more than five years.

“Given the potentially catastrophic expenditure shock associated with nursing home stays, it is very important to examine how those who entered nursing homes in the past or those who are still living in those facilities manage their portfolios following a nursing home entry,” said Sudipto Banerjee, EBRI research associate and author of the report. “Almost all types of assets decline fast and steadily for those who enter nursing homes. In contrast, similarly aged people who never enter nursing homes experience a steady increase in their assets.”

The full report is published in the June 2012 *EBRI Issue Brief*, “Effects of Nursing Home Stays on Household Portfolios,” online at www.ebri.org Among its other findings:

- For those who lived in a nursing home for six months or more, the median (mid-point) total household wealth was only \$5,518. Median housing wealth falls to zero within six years after the initial nursing home entry.
- Among those who experienced nursing home stays, purchase of long-term care insurance (LTCI) also increased steadily during the past decade, but coverage remains low (14 percent in 2010).
- For those who spent six months or more in a nursing home facility, nearly half were covered by Medicaid.

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