

Long-Term Care: What's Ahead?

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Current Planning Options for Individuals' Financing Long-Term Care

- Purchase long-term care insurance.
 - Purchase a home in a life care community.
 - Include saving for long-term care in retirement planning.
 - Save for retirement and hope for the best.
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“Hoping for the Best” Seems to Dominate Most Planning

- Not many people have purchased long-term care insurance.
- There are relatively few life care communities.
- Professionals have only recently included long-term care in retirement planning.

Prospects for Long-Term Care Insurance

- After more than 20 years, long-term care insurance remains a hard product to sell.
 - About 6 million people had long-term care insurance policies in 2001
 - ❖ About 11 percent of people age 65 and older.
 - ❖ At most, 8 percent of the population age 55-64.
- However, growth in sales continues and now the largest employer offers it to employees, parents, and retirees.

Long-Term Care Insurance Comes in a Variety of Forms

Initial Age	Facility only \$100/Day	Comprehensive \$100/Day	Comprehensive \$150/day
40	\$ 353	\$ 521	\$ 950
50	\$ 509	\$ 746	\$1,364
60	\$ 775	\$1,118	\$2,045
65	\$1,008	\$1,420	\$2,596
70	\$1,334	\$1,853	\$3,380
Note: inflation and 90 day waiting period	3 years of benefits	3 years of benefits	Lifetime benefits

Federal plan, based on rate calculator, 11/25/03
(ltcfeds.com/NASApp/ltc/do/assessing_your_needs/ratecalc)

Current Circumstances Should Not Be Too Surprising

- Among the population currently age 65 and older:
 - 38.4 percent have incomes that are within 200 percent of poverty.
 - 65 percent rely on Social Security for 50 percent or more of their retirement income.

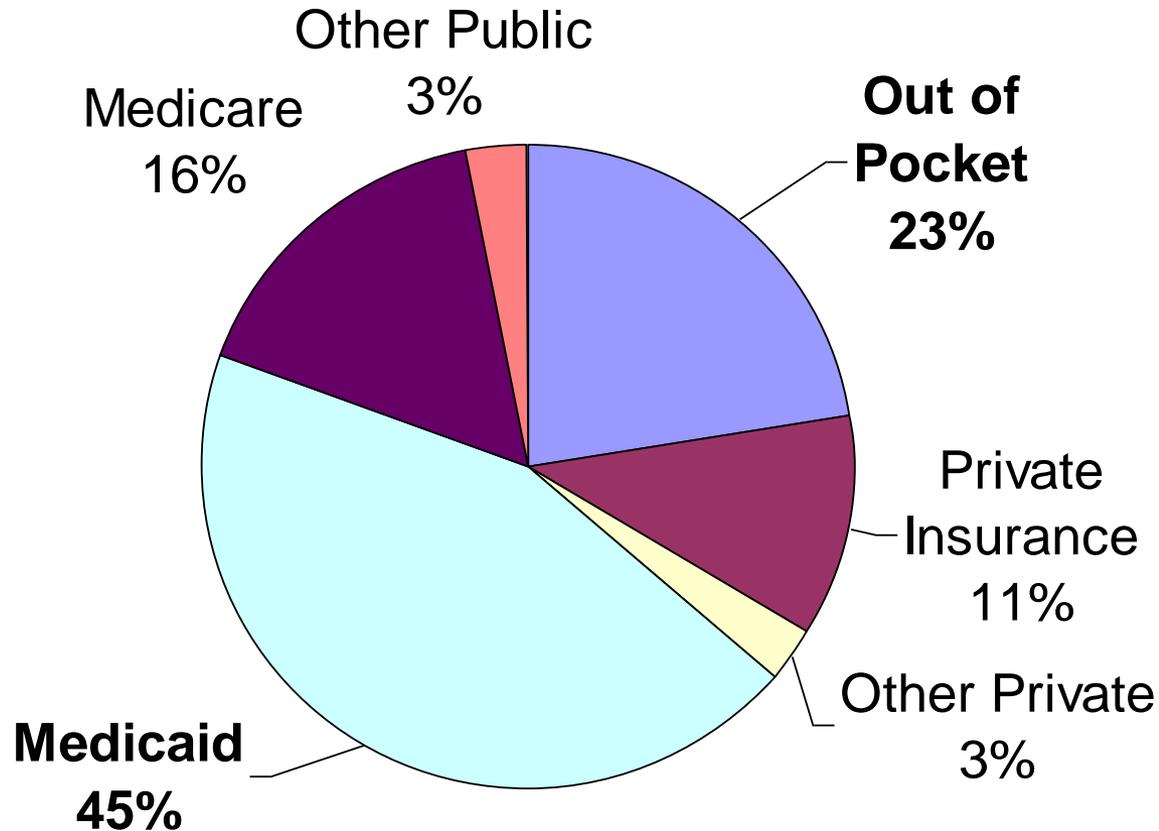
43 percent have “countable” assets of less than \$50,000

Distribution of "countable" assets among the population age 65 and older by marital status, 2000



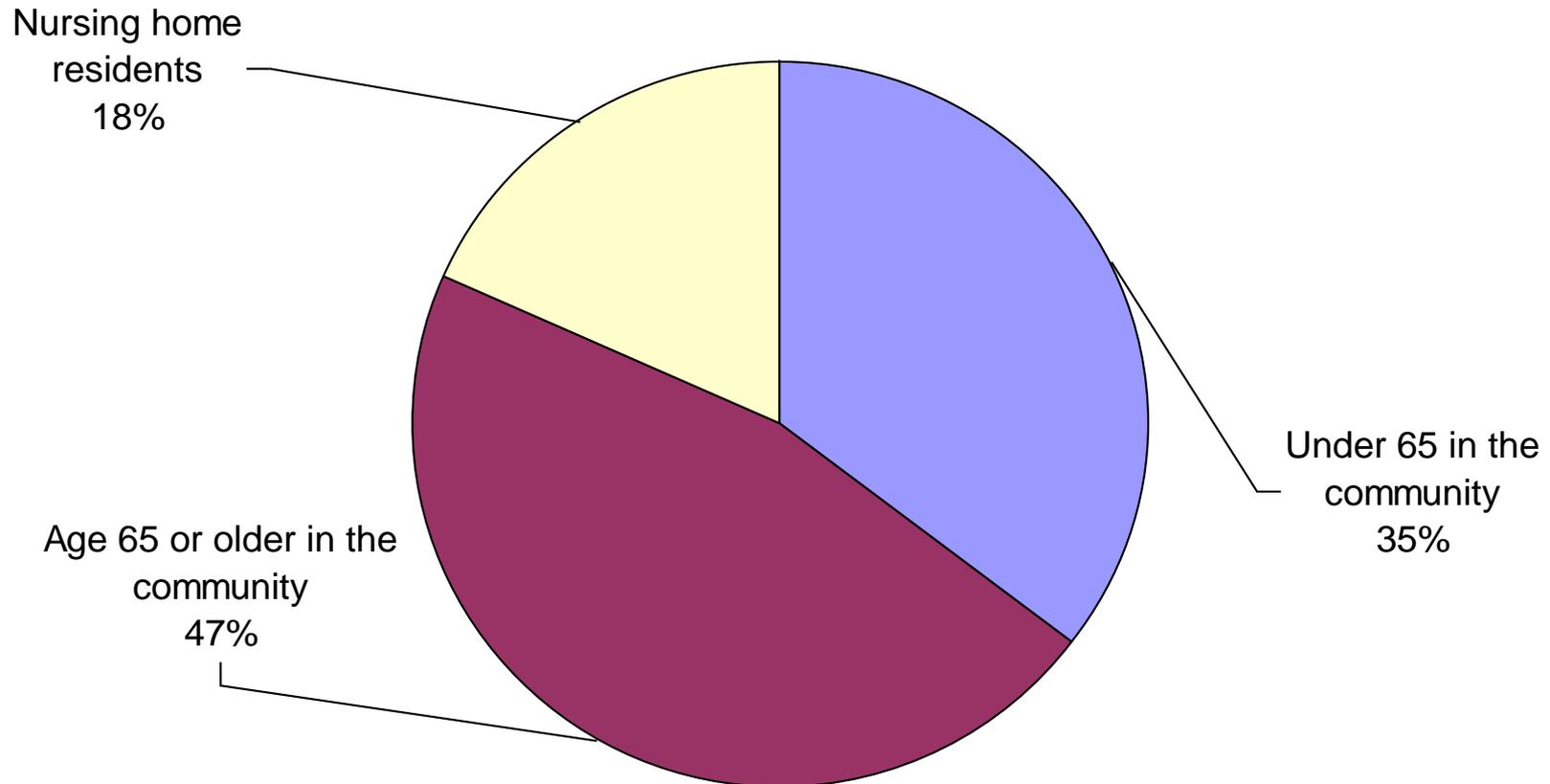
Countable assets include financial assets, cars in excess of \$4,500, and real estate other than the primary home. Source: Center on an Aging Society, HRS, 2000.

As a consequence, primary source of financing long-term care is individuals and Medicaid



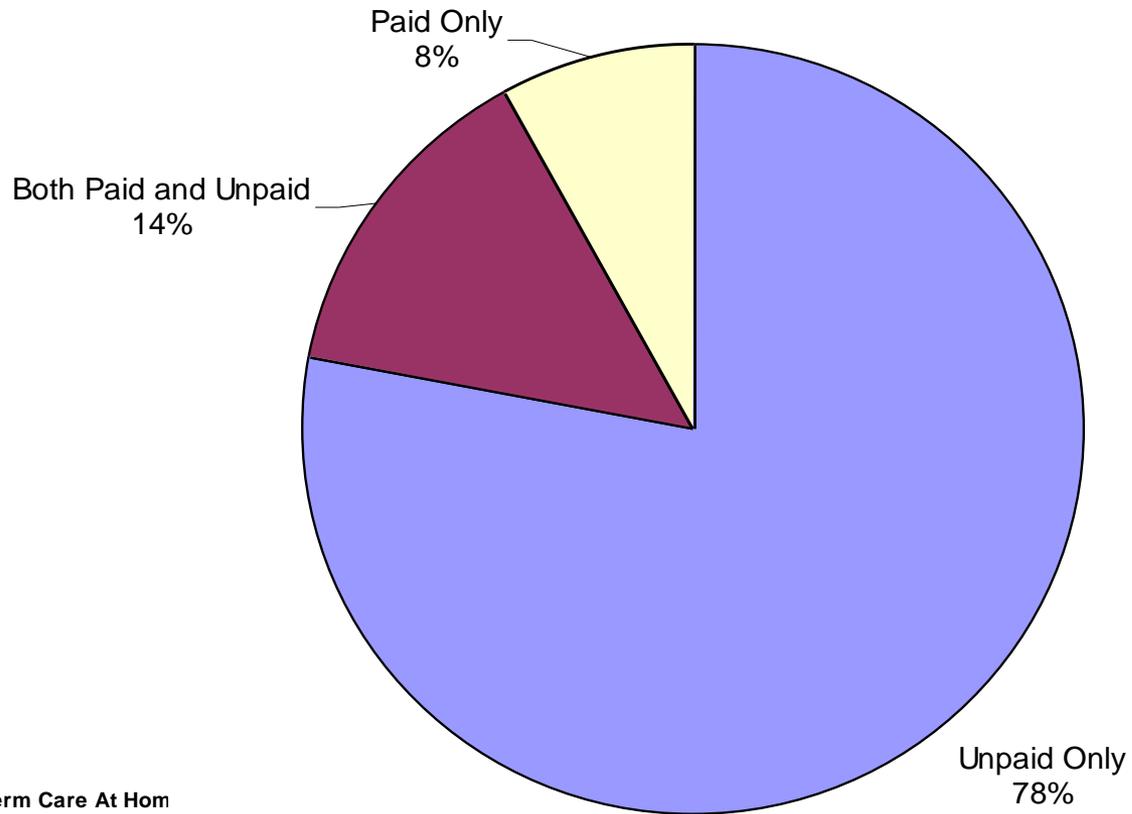
Total=\$172.5 billion, 2001. Source: Georgetown University Long-Term Care Financing Project

Not Everyone Needing Long-Term Care Lives in a Nursing Home or is Old



Total population with ADL and IADL limitations = 9.5 million people. About 37 percent are under the age of 65. Source: Georgetown University Long-Term Care Financing Project, NHIS, 2000.

Most of the Long-Term Care Population Lives in the Community and Does Not Purchase Assistance



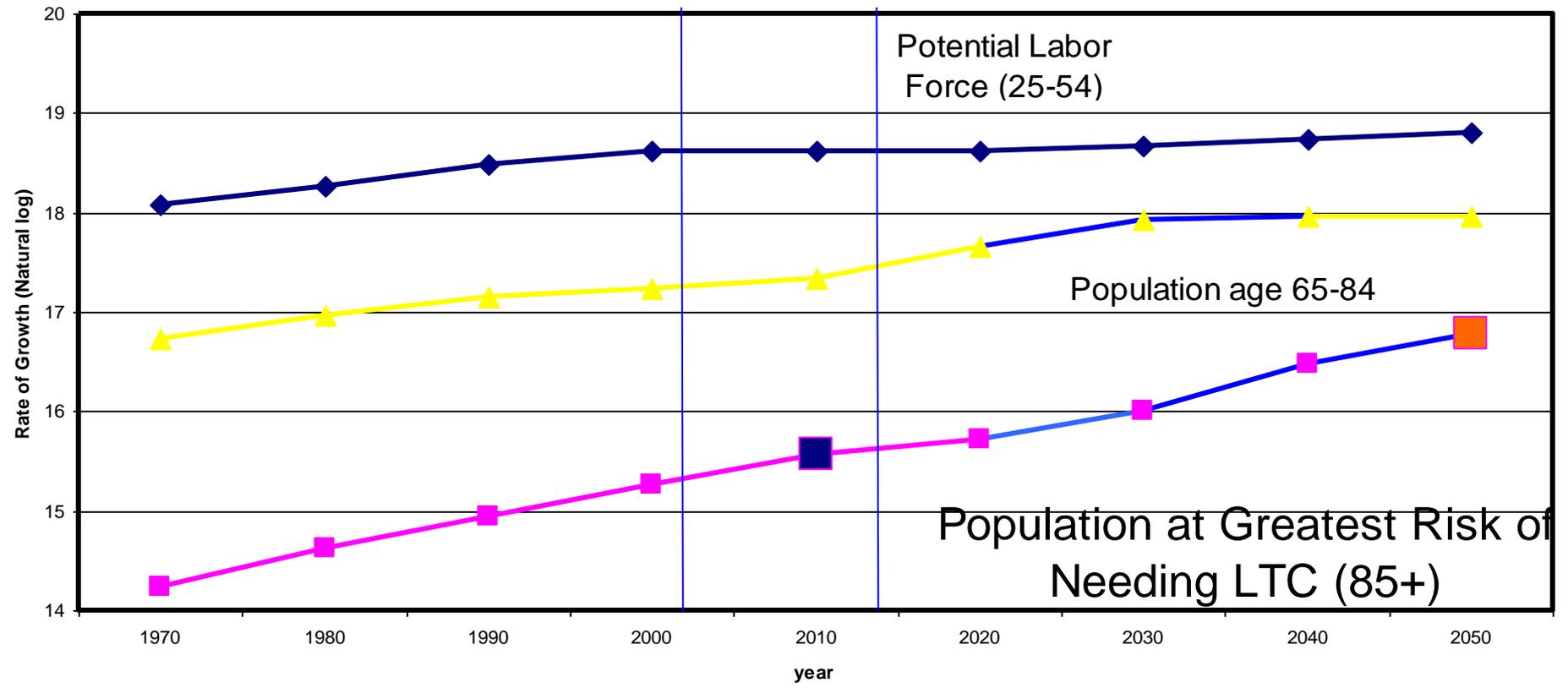
Distribution of Adults Receiving Long-Term Care At Home

Source: Georgetown University Long-Term Care Financing Project, NHIS, 2000.



Who Will be Available to Provide Long-Term Care?

Rate of Growth in Select Population Groupings



Prospects for Pooling the Financial and Access Risks of Long-Term Care

- Declining fertility rates since the mid 1950s will ensure upward pressure on labor costs.
 - This will encourage more investment in labor saving technologies.
 - This will help to make workers more productive.
 - Richer workers, but potentially costlier goods and services (including long-term care).
- After 2030, cohorts reaching age 85 earned more and are likely to have saved more than their parents. However,
 - Will the additional savings be sufficient to offset longevity and inflation? (**EBRI model suggests that most will not**).
 - Will these cohorts establish provisions for long-term care? (**Market is still evolving, but past experience is not encouraging**).
 - Will there be a push for public policies that collectively pool the financial risks of long-term care? (**Presently barely a blip on the political radar screen**).