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Covering the Rising Cost of Long-Term Care

By CAITLIN KELLY

FEW sticker shocks are as bracing as the price of hiring someone to help with the simplest activities — bathing, toilet use, dressing, eating and moving. Whether recovering from surgery or a stroke or suffering a chronic illness like arthritis, those needing skilled help need deep pockets indeed.

And those requiring full-time nursing or assisted-living care face even steeper costs.

A 2013 report by Genworth Financial, an insurance provider based in Richmond, Va., estimates the national median daily cost of a private room in a nursing home at \$230 a day, an increase of 3.6 percent over 2012 — some \$6,900 per month. Sharing that room is only \$27 less a day, according to the report.

“Over all, the cost of care among facility-based providers has steadily increased,” according to the report. “For example, in 2008 the median annual rate for a private nursing home room was \$67,525, compared with the 2013 median annual rate of \$83,950. This means that Americans can expect to pay approximately \$16,425 more per year today for a nursing home than they had to pay in 2008.”

For those who need less care, an assisted-living facility’s median national daily cost is \$3,450 a month, an increase of 4.55 percent since 2012. Those able to remain in their homes will pay a median national wage of \$19 an hour for a licensed home health aide or \$18 an hour for a helper.

For those healthy enough to remain at home, even while needing a range of medical or daily living care, an aide, nurse or senior companion can address their needs more affordably. Charles Meadows, 56, who lives with his 83-year-old mother, Nancy Meadows, in Laguna Niguel, Calif., has been using such services since 2005, when his father died.

But his experiences have left him cautious and wary, after seeing a wide variety of quality in the workers sent to care for his mother, who suffers from mild to moderate dementia. He once came home to find a caregiver’s handgun, carried for self-defense when working in rough neighborhoods, sitting on a table and easily reachable by his mother.

Mr. Meadows has learned to ask two key questions when choosing a caregiving agency — how large is the agency and how large do you hope to become? “To me, managing about 25 caregivers is the maximum. Some of them have 30 or 40 clients, or even 60. How much attention will you get from them?”

He has been using a caregiver from Nurse Next Door, a franchise company with 2,000 employees in Canada and the United States, since January and “could not be more pleased with them because of the consistency of care my mother gets.”

“One of my requirements is having someone she can develop some familiarity with,” he said. “The other agencies I tried were not able to do that.”

For four days a week of care, five to six hours a day, Mr. Meadows is paying \$1,500, money available thanks to his mother’s pensions.

Starting in April 2013, two major vendors of long-term care insurance — John Hancock and Genworth — raised their rates for women by 15 to 40 percent, said Brian Gordon, president of MAGA, an insurance agency in Riverwoods, Ill. “I was surprised that this didn’t happen a long, long time ago,” said Mr. Gordon, whose company has been in business since 1975. Not only do women live longer than men, he said, but they tend to use more care themselves in later life, typically after caring for, and losing, their spouses. “I’ve seen some women needing long-term care for 14 to 16 years,” he said. “The longest I’ve seen with a man is two or three years.”

In the past, retirees relied on defined-benefit pensions to help defray these costs and were often able to sell their homes for a healthy sum, providing the means to pay for institutional care, while those with more limited means rely on Medicaid.

But the stock market crash of 2008 diminished the value of many nest eggs, and the housing market has not fully recovered in some regions. Preparing for the cost of long-term care is now a concern for many aging Americans.

Mary Reed, 63, a self-employed writer in Austin, Tex., bought long-term care insurance to avoid burdening her three sisters, should she need the care. But her husband, Rodney Root, 70, is bipolar, and no company would sell him this insurance, she said. “We’re just going to cross our fingers for him.”

The couple has no children, but owns several commercial properties in downtown Austin, which Ms. Reed says she will sell if they need to pay for care. “This kind of insurance is expensive,” she says. She has seen firsthand how complicated and costly it can be to arrange

caregiving. Her mother-in-law, who died in April at 93, experienced a sudden and rapid decline in health after being highly active and independent.

“Applying for Medicaid is a long and drawn-out process, and it costs money,” she said. “We didn’t have that kind of time.”

She was able to move her mother-in-law into a cousin’s home, but still had to hire and pay for a health aide; 12 days of that basic care, 59 hours’ worth, cost \$1,004.60, she said. Contrary to popular belief, Medicaid does not pay for in-home care, she said.

Some 730,000 Americans live in assisted-living facilities, says Maribeth Bersani, senior vice president for public policy at the Assisted Living Federation of America, an industry association based in Alexandria, Va. The average resident of an assisted-living facility stays only two years, entering at the age of 87, she said. Care is typically financed through the sale of a home, Social Security payments and savings.

With 10,000 baby boomers retiring every day for the next 19 years, the issue of how to pay for care is more pressing than ever. That challenge is receiving attention from lawmakers, with the creation in December of a 15-member federal commission on long-term care, responsible for finding more affordable solutions for older Americans.

State lawmakers are also pushing insurance companies to make clear to policyholders that they can sell a life insurance policy to pay for long-term care. State Representative Robert R. Damron, Democrat of Kentucky, is spearheading the battle through the National Conference of Insurance Legislators.

Only seven or eight states have a statute requiring insurers to notify policyholders, or their heirs, that they have unclaimed property, policies whose face value can be worth thousands of dollars. “I’ve settled three estates in my family, so I’ve been through this personally,” Mr. Damron said. “I was never sure if they had policies or what they were worth. People put them away, or lose them.”

Some insurance companies also allow life insurance holders to convert the value of a policy to a long-term care policy, but this varies by carrier. Mr. Damron said he had personally chosen to buy only life insurance and cash in its value later, if necessary.

State legislators, he said, are newly interested in helping constituents claim the value of all possible assets as “Medicaid costs are out of control.”

“We’re looking for any way to save money that we can,” he said.

The need to pay out of pocket for care — whether in-home or elsewhere — can be shocking emotionally as well as financially, Mr. Meadows said. Just when you most need the loving attention of people who know you best, younger relatives may live too far away or be too busy with work, and older friends may suddenly vanish. His mother, a former operating room nurse, “had a lot of friends.”

“Some have died, and some have moved away, but much to my chagrin, when she was diagnosed with dementia, they just disappeared,” he said. “Once someone is no longer their ‘normal self,’ people withdraw or disappear. It’s a source of anger for me and my sister.”

Like millions of Americans, Mr. Meadows has faced a daunting learning curve in this respect.

“I’m flying solo here,” said Mr. Meadows, who also commutes 80 miles each way four days a week to his job in San Diego with the Marine Corps. “I’m not trained to do this. This is all stuff I’ve never had to encounter before. It’s certainly opened my eyes. But this is going to be a major issue for all of us in the next 30 to 40 years.”

This article has been revised to reflect the following correction:

Correction: May 16, 2013

An article on Wednesday about the rising cost of nursing homes and assisted living misidentified the location of the headquarters of Genworth Financial, an insurance provider. The company is based in Richmond, Va., not in Waltham, Mass.