



The Long-Term Care Crisis and You

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The long-term care dynamic has taken a dramatic turn for the worse in terms of managing the overall expense for individuals, as well as the overall cost for the economy. Several factors contribute to this significant cost burden. First and foremost, there has been a marked increase in life expectancy. Second, there has been an increase in both the absolute size of the population, as well as the overall percentage of the population at retirement age or older. Third, the cost of medical care for the aging population has increased at a high rate of inflation. Additionally, care workers are also in high demand as there are currently limited care provider resources in the marketplace, as well as a paucity of care facilities, resulting in an inflationary cost/demand pull. Fourth, as the population has aged the incidence of chronic and longer-term illness has increased. The treatments and the quality of care have improved dramatically for chronic illness resulting in better, yet more costly, care. The family dynamic has also changed, and it is less likely that family will live near aging relatives and be able to provide support for individuals in need of long-term care. At-home care by family members is provided at a much lower cost than professional care at nursing homes or assisted living facilities.

Insurers of long-term care have generally provided prefunded insurance for cost benefits of provision of services. The prefunded insurance was typically provided many years before services were utilized. The insurance results for the prefunded insurance model were extremely unprofitable as inflation, and the cost, as well as timeframe, for the benefits increased dramatically beyond insurer expectations. The dynamics of the increased cost of care vary as to whom they may fall on depending upon the wealth of the individual and the ability or desire to pay. The cost can be catastrophic in terms of wealth management for low to middle income households. The cost can be substantial for more wealthy individuals. As the financial burden cannot be borne solely by the patient, the costs will also be incurred by healthcare providers and by potential government subsidies (e.g., Medicare), as well as the individual. The cost of care and available resources also vary significantly depending on geography. Rural areas may not have the same cost, demand, and availability of coverage as high-cost, highly populated urban areas. We detail below information underlying population dynamics driving the state of the long-term care marketplace.

In the year 1880, the United States (U.S.) reached a milestone in its population: “surpassing 50 million Americans living on its soil.” In 1880, the median age of the U.S. nation was 20.9 years old. Now, almost a century and half later (145 years), the U.S. has grown nearly seven-fold to 340 million and nearly doubled the median age to 38.8 years old. While this dramatic change represents both the increased prosperity of America and the improvements to healthcare over time, it also reflects a much more serious issue. Our population is aging, and with advancements in healthcare, we are quickly finding ourselves overrun by increasing medical expenses, escalating surgery costs, and a need for assisted living arrangements for our elders. All these issues stem from three notable metrics: time, family dynamics, and money.

First, we need to discuss the modern dynamics, as it concerns long-term care (LTC) for families in the United States, and why these phenomena are posing a serious issue for Long Term Services and Supports (LTSS). Almost 30% of all

Americans are over the age of 55 and entering their retirement years. This makes them susceptible to multiple forms of LTSS such as in-home nursing care, medicine, therapy, and surgery, among other healthcare needs. While the avenues for long-term care depend heavily upon the aging individual involved, the brunt of the decisions rest equally heavily on the person's family. It becomes more difficult if family members do not live in the same household. It is estimated that approximately 20 million U.S. adults over age 55 live alone which suggests increased population health risk due to lack of personal oversight, thereby signaling the need to plan for LTSS. Furthermore, in 2023, the Bureau of Labor Statistics found that Americans spend only 30 minutes a day caring for and helping household members, seemingly suggesting a critical juncture in family management for LTSS. Unfortunately, it does not appear that living with your elderly relatives is a mitigating solution as 25.2 million family households were reported to have at least one 65+ year old living under the same roof, capturing approximately 30% of all family households. Additionally, 59 million family households claim to have at least one dependent under the age of 18 and one 65+. Of households with dependents under 18 years of age, 42.7% have to split their time between child-raising and managing their aging family members. With the passage of time and likely health declines in aging parents, heads of households are going to face a time management crisis if they choose to care for family members themselves.

There appears to be mounting issues related to less hands-on oversight of our elders, whether because of heads-of-households juggling younger families and aging parents with other tasks (the "sandwich" generation) or that elders are living on their own. If these trends continue, it is highly likely that we'll see a continued increase in demand for LTSS. Furthermore, if providers are not prepared for this increase in demand, they are not going to have an adequate supply to match market needs. Increased demand and (at best) fixed supply is a recipe for increased prices and, factoring inflation into the equation, suggests that the entire scope of caring for aging family members becomes financially infeasible without advanced planning.

The fact pattern prompts the following questions:

- What are Americans capable of affording?
- What are strategies for individuals seeking to provide the financial means for LTSS in America today?

In 2022, a person over the age of 65 spent approximately \$120,000 annually over the remainder of their life for LTSS care. While insurance and additional public programs may help with some of these costs, families, on average, are paying approximately 40% of this cost out of pocket. With an average monthly cost ranging between \$8,500 to \$10,000 for nursing home arrangements, families are expected to cover roughly \$4,000/month on basic expenses alone (presuming that families are receiving coverage from insurance companies and public programs as financial supplements). JRC Insurance Group, as well as AHIP, report that only seven million people over the age of 65 have some form of Long-Term Care Insurance (LTCI). This constitutes approximately 15% of all Americans over the age of 65, meaning that a vast majority of people aren't going to be receiving full benefits to cover LTSS costs.

For the sake of illustration, we can construct a reasonable, hypothetical LTSS care situation:

- A monthly cost of elder care at \$9,000, out of pocket, for a standard nursing home arrangement for one resident.
- The average family median household income of \$75,000 in 2025, according to the U.S. Census Bureau.
- After tax, the average family's monthly income is \$5,000 (assuming an average blended U.S. Federal/State tax rate of ~20%).

Excluding costs of monthly family necessities, such as housing, food, utilities, etc., the average U.S. household is \$4,000 short of private pay for elder care creating an untenable LTSS circumstance.

Given this fact pattern, how might the average U.S. family manage LTSS spending in a more viable fashion? To begin, purchasing LTCI plans or even life insurance policies with accelerated death benefits provide options. The accelerated death benefits (ADB) may provide additional financial support if an elderly family member's health rapidly declines, or they have a chronic condition/are terminally ill. ADBs may provide a certain stipend of their death benefit in regular intervals to cover medical costs and treatment, thereby relieving some financial strain. Additionally, purchasing annuities, managing investments, or seeking other incremental payment plan options might further alleviate the burden; however, investment strategies require advance planning to allow for appropriate future financial support. According to an article on www.schwab.com regarding long-term care cost management, investing in a Health Savings Account (HSA) provides a way to have a dedicated account for health expenses. HSA accounts are also tax-advantaged, if used accordingly, and allow you to maximize the benefits of the savings plan.

Currently, Americans are at a crossroads in relation to financial planning around LTSS: costs are escalating, the population is aging, and socioeconomic trends make finding and retaining quality care difficult. Improvements in medical technology, improved standards of living, and even average life expectancy are all driving this sharp uptick in costs. While there are planning strategies to employ, such as purchasing insurance plans and investing in HSAs, these solutions require years of forethought and planning and will not alleviate short-term challenges. Many families must, unfortunately, contend with the fact that the costs of LTSS are simply growing too quickly for their budgets, and our aging population is at risk in managing LTSS.

In conclusion, to best drive optimal outcomes for LTSS, Americans need to carefully consider how time, shifting family dynamics, and proper financial pre-planning can inform decision-making in caring for our aging population.

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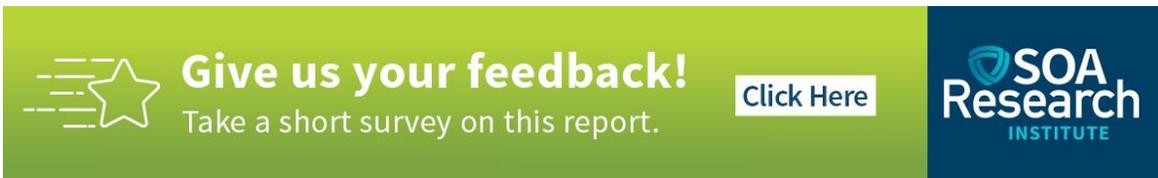
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