

Research Highlights

AN UPDATE FROM THE EDWARD AND ESTHER POLISHER RESEARCH INSTITUTE OF PHILADELPHIA GERIATRIC CENTER

Who's buying long-term-care insurance?

PGC study maps trends in long-term-care financing

The cost of nursing-home care—averaging about \$115 per day, and fast on the rise—is well beyond what most people can pay out of pocket. So who's paying the bill for the some 1.5 million American seniors who will live in nursing home this year?

The reality is not what many Americans might think, says Joel Leon, Ph.D., director of PGC's Polisher Research Institute. He is leading an exhaustive survey of financing for long-term care, supported by the National Investment Center. One goal is to better understand the market for long-term-care insurance. Another is to assess the need for better consumer education.

"Many people are under the impression that Medicare pays for long-term care," says Dr. Leon. That's not the case, he points out: Medicare, the nation's health plan for the elderly, pays certain costs associated with acute illness, but generally does not cover long-term care. Actually, it is Medicaid—the state-run public health program for low-income Americans—that pays for nearly half of all nursing-home care. A typical scenario is that people "spend down" their assets, and then qualify for Medicaid.

Where does long-term-care insurance fit into the picture? In this interview, Dr. Leon and colleague Jonas Marainen, a PGC research analyst, provide insights based on their recent overview of the field.

Q Who are the people buying long-term-care insurance today?

A They tend to be wealthier and better-educated than the general population. Some statistics: People who look into buying policies are three times more likely to have single-earner incomes over \$50,000 than those who never considered



it. Those who actually end up buying insurance, compared to those who consider it but decline, are more often female and college-educated. About half of those who buy are age 70 or older.

Q How many policies are being sold?

A In 1999, there were about 2.5 million individual policies in force. But that's a relatively small percentage of the population. One study showed that of all people in nursing homes today, only about three percent have some type of long-term-care insurance.

Q Why aren't more people buying it?

A There are a few reasons for this: First, many people just don't believe they'll ever need long-term care. Second, even when they do think about the prospect of needing a nursing home, they don't realize how expensive it could be. Third, they feel the premiums are too high. Yet another reason has to do with Medicaid. Many people figure, why should I pay for insurance when the government will end up covering me anyway, through Medicaid?

Q So why should people pay for insurance when they know the government will step in—in the form of Medicaid—to foot the bill when their own resources run out?

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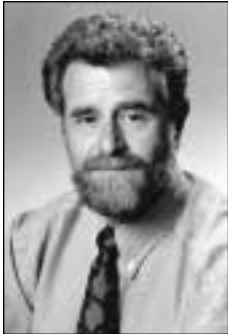
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A Significant Under-Funded Liability: The High Cost of Long-Term Care



Joel Leon, Ph.D.

By Joel Leon, Ph.D.
Director, Polisher Research Institute

The average annual cost of nursing home care today is \$42,000 and can reach as high as \$80,000. The average stay in a nursing home is about two and half years. While not every elder needs nursing home care, after age 85 the need for some type of long-term care climbs dramatically.

Of all types of long-term care, nursing homes are the most expensive and the most difficult to finance. Most financing comes from two sources. One is Medicaid, the joint federal and state health insurance program that pays for nursing home care for low income elderly. The other source is personal assets. Nationally, about 42 percent of nursing home care is paid by the elderly themselves or their families.

A popular misconception is that Medicare pays for long-term nursing care. In fact, Medicare covers short nursing home stays associated with episodes of acute illness, but can only be used after a hospital stay of three days or more. Even then, it only covers a maximum stay of three months after each episode of illness. It does not cover nursing home care resulting from chronic conditions, such as Alzheimer's disease.

Many people who enter nursing homes typically begin by paying with their own assets. They quickly exhaust their resources and then qualify for Medicaid. Some people, who anticipate the need to enter a nursing home, transfer their income and assets so they immediately qualify for Medicaid. Since the Omnibus Reconciliation Act of 1993 (OBRA 93), that option has become more hazardous.

OBRA requires state Medicaid programs to proactively recover assets from the estates of those who divested themselves of their assets in order to obtain Medicaid services. The recovered amount can be equal to Medicaid payments received by the deceased or to the total value of the estate if its value is less than the Medicaid payments received. States do allow for hardship cases.

If the only asset is a home and there is a surviving spouse, the state will usually wait until the spouse dies before recovering the funds. States have had these programs for some time, but have not been as aggressive in their recovery efforts as they are now. Moreover, not all nursing homes accept Medicaid. If seniors

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Long-term-care insurance: The basics

■ **What does it cover?** Policies vary widely. Some policies pay only for nursing-home care; others cover nursing home, assisted living, home care, and other settings. There may be restrictions as to what types of professionals may provide care. There may be deductibles or benefit "waiting periods," as well as limits on the dollar amounts and duration of care. It is important to read the policy carefully.

■ **Who's eligible for coverage?** People at almost any age can buy coverage, but naturally the premiums

go up considerably with age. Most companies will deny coverage for people with pre-existing conditions such as Alzheimer's disease or physical disabilities. Others will provide coverage, but at very high premiums.

■ **How much are the premiums?** While amounts vary greatly, based on the company, area of the country, and benefits offered, the average policy for a 65-year-old, with inflation protection, costs around \$2,000 per year. This would include four years of nursing-home coverage, with a \$100

per day benefit, and a one- to three-month deductible period.

■ **Where can consumers go for more information?** The best source for information is a trusted insurance broker who knows long-term-care insurance products and is not tied to selling policies from a single company. The best advice is to shop around and buy before you need. One good website for keeping up on new developments is sponsored by the Center for Long-Term Care Financing: www.centerltc.com.

Disease up—but disability down—among elderly

Seniors today are functioning better physically than in the past despite higher rates of chronic disease. The explanation? Certain diseases, while more prevalent, are less debilitating in their effects.

That's the finding of a study by PGC researcher Vicki Freedman, Ph.D., and colleague Linda Martin, Ph.D., of the New York-based Population Council. They published their work in the November issue of the *American Journal of Public Health*.

The study analyzed data from the National Center for Health Statistics. The percentage of older people with limited lower-body functioning dropped from 34 percent in 1984 to 29 percent in 1995. The percentage of seniors with upper-body limitations dropped from five percent to about four percent. The data were based on older people's reports about their ability to perform basic tasks such as reaching, grasping, walking and climbing stairs.

In terms of its findings on disability, the study reflects an emerging consensus among researchers: "There's a growing body of evidence that disability among older Americans is on the decline," notes Dr. Freedman, a Yale-trained epidemiologist.

The same health reports revealed an increase in chronic illnesses usually associated with disability: arthritis, stroke, cancer, diabetes, obesity, heart disease, osteoporosis, and broken hip. However, some of these conditions—namely osteoporosis and arthritis—were significantly less debilitating in 1995 than in the previous decade. With all other factors controlled for, people reporting these conditions in 1995 could manage better with everyday tasks than respondents reporting the same conditions in 1984.

Dr. Freedman believes this may be due to earlier detection and more successful management of these conditions (*see sidebar*).

"Arthritis is a good example," says Dr. Freedman. "The increased use and accessibility of anti-inflammatory drugs and, for women, estrogen-replacement therapy, may be associated with fewer debilitating effects."

Dr. Freedman's work, funded by the National Institute on Aging, should be of interest to health-care policymakers. For health-care economists, the study sheds light on issues affecting the Medicare system, which pays for medical care for the nation's seniors.

Explains Dr. Freedman: "Other researchers have said that declines in disability mean that health-care costs might be manageable in the future—that is, that Medicare could remain solvent well into the future if disability declines continue. Our study suggests more caution is warranted: If the trends we find of more disease but less disability continue, there could very well be more treated disease, and hence, larger Medicare costs."

More research is needed, she says, before firm conclusions can be drawn.

"There's a growing body of evidence that disability among older Americans is on the decline."

—Dr. Freedman



Further research to probe role of medication

Can the increased use and effectiveness of certain drugs explain the drop in disability rates among seniors, despite higher rates of chronic disease? Dr. Freedman will address that question in new research, funded by the Assistant Secretary for Planning and Evaluation of the U.S. Department of Health and Human Services.

"The debate is now moving from addressing the question of whether or not elderly disability rates have fallen, to understanding the reasons for the decline," says the PGC researcher. Her hypothesis is that advances in drug therapy are driving the trend.

"During the 1980s and early 1990s there have been major shifts in the classes of drugs prescribed for some of the more debilitating chronic conditions, such as arthritis and depression," she points out.

The study will examine health reports of people aged 51 to 61 in 1992 and 1998. Dr. Freedman will look at changes in medication use of older adults with common medical conditions such as hypertension, diabetes and arthritis. As the public policy debate on prescription drug coverage for seniors continues, the results of this study will offer valuable data.

'What's working' in Alzheimer's design

PGC to produce guidebook for dementia-care facilities

What color should carpeting be in a nursing home? Should it be solid or patterned? Should there be carpet at all?

Where should memory boxes and plate rails be placed? Do they have more benefit if they're accessible to residents, or out of reach?

When creating a home for people with Alzheimer's disease, there are countless details to consider. Every facet of design—from the placement of furniture and fixtures to the overall shape of the building—can be critical. Every feature can enhance or detract from residents' independence, comfort and orientation.

PGC, with a panel of top experts from around the country, is creating a "lexicon" on dementia-design that will serve as a guide for administrators, architects, and others involved in designing living spaces for seniors with Alzheimer's disease.

"Our final product will allow any professional involved in the design process to look up spaces, objects, functions, systems and user needs and see up-to-the-minute comments about the advantages and disadvantages of each," says M. Powell Lawton, Ph.D., director emeritus of PGC's Polisher Research Institute. He pioneered the field of

designing special dementia-care environments in the 1960s.

PGC research and administrative staff worked closely with outside consultants over the past few years to design the Center's upcoming new campus in Horsham, Montgomery County, Pa. The campus, incorporating the latest advances in Alzheimer's care, will open in the fall of 2001.

The new guide will include more than descriptions of the latest concepts in Alzheimer's design; it will include the results of six months of observations at facilities—including the new PGC—where these features are in place. How well do they work? How do residents respond? How could they be improved?

Dr. Lawton's vision for the design lexicon is that it be a living, working document, to be expanded and revised in the future as new knowledge comes to the fore.

"The result will be an open-ended lexicon of immediate use to designers, but done in a format that will allow the ongoing incorporation of new material as it becomes available."

The research is funded by the national Alzheimer's Association, with support from PGC's Harry Stern Family Center for Innovations in Alzheimer's Care.



Artist's rendering of a den in PGC's future Residence for nursing care.

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PGC commissioned by Commonwealth to assess caregiver workforce needs

One of the nation's fastest-growing job sectors is long-term care. Not only are there more older people in the United States than ever before, but there are fewer younger people to care for them. Between 1994 and 2005, the demand for personal-care and home-health aides is expected to grow by nearly 120 percent. In Pennsylvania, the demand will increase by more than 86 percent.

What does this mean for the Commonwealth? Will there be enough workers to fill the demand? What can the state do to ensure an

adequate workforce to care for its elderly and disabled citizens?

PGC's Polisher Research Institute, with funding from the state Department of Aging and Department of Public Welfare, is surveying industry leaders to provide answers. Among those interviewed will be heads of nursing homes, assisted-living facilities, adult day-care centers, and home-care agencies. PGC will also talk to consumers who use the state's "attendant-care program," which provides caregiving services to some 1,500 disabled Pennsylvanians.

The study will outline issues in hiring, training and retaining qualified workers, and describe the effects of the current workforce shortage on both consumers and industry.

"It's imperative for the Commonwealth to gather information on the number of caregivers necessary to serve the older and disabled populations," says Joel Leon, Ph.D., PGC director of research, "and to analyze options to expand the pool of qualified workers in the field."

New and noteworthy

The following is a partial list of recent publications authored or co-authored by PGC research staff.

BOOKS AND BOOK CHAPTERS

“Best Practice Models in Special Care for Persons with Alzheimer’s Disease and Dementia: A Guide for Educating Direct-Care-Staff Study,” by Joel Leon, Ph.D., and Katy Ruckdeschel, Ph.D., The Polisher Research Institute, Philadelphia Geriatric Center, July 2000.

“End of life in nursing homes,” by Miriam Moss, M.A., in *Annual Review of Gerontology and Geriatrics*. American Psychological Association Press.

“Evaluation in the bereavement narratives of elderly Irish American widowers,” by Anne Bower, Ph.D., *Language and Communication in Old Age*. Garland Publishing.

“Enhanced Interdisciplinary Care Planning for Nursing Home Residents with Dementia: Catalyst for Better Care,” by Kimberly Van Haitsma, Ph.D.; Katy Ruckdeschel, Ph.D.; Ruth Mooney, M.S.N., et al, *Interventions in Dementia Care: Toward Improving Quality of Life*. Springer Press.

“Nursing home staff reactions to resident deaths,” by Miriam Moss, M.A., and Sidney Z. Moss, M.S.W., *Disenfranchised Grief: New Directions*. Research Press. (In press)

Old Souls: Aged Women, Poverty and the Experience of God. By Helen K.

Black and Robert L. Rubinstein, Ph.D. Aldine de Gruyter.

“R-E-M: A psychotherapy for institutional residents with depression and dementia,” by Brian Carpenter, Ph.D.; Holly Ruckdeschel, Ph.D.; Kimberly Van Haitsma, Ph.D.; and Katy Ruckdeschel, Ph.D., in *Mental Health and Aging: Meeting New Challenges*. New York Statewide Resource Center for Geriatric Education.

JOURNAL ARTICLES

“A Demographic Profile of Nursing Home Residents Suspected of Having Dementia with Confirmed Cognitive Impairment: Finding From the National Institute on Aging Special Care Initiative Studies,” by Joel Leon, Ph.D., and Jean Teresi, Ph.D., *Research and Practice in Alzheimer’s Disease*.

“The contribution of chronic conditions to aggregate changes in old-age functioning,” by Vicki A. Freedman, Ph.D., and Linda G. Martin, Ph.D., *American Journal of Public Health*.

“Health-Related Quality-of-Life and Service Utilization in Alzheimer’s Disease: A Cross-Sectional Study,” by Joel Leon, Ph.D., Peter J. Neumann, Sc.D., Richard C. Hermann, M.D., et al, *American Journal of Alzheimer’s Disease*.

“Incorporating assistive devices into long-term-care arrangements: Analysis of the Second Supplement on Aging,” by Emily Agree and Vicki A. Freedman,

Ph.D., *Journal of Aging and Health*.

“Jake’s story: A middle-aged, working-class man’s physical and spiritual journey towards death,” by Helen K. Black, *Qualitative Health Research*.

“Life as gift: Spiritual narratives of elderly African-American women living in poverty,” by Helen K. Black, *Journal of Aging Studies*.

“Long-term admissions to home health agencies: A life table analysis,” by Vicki A. Freedman, Ph.D., *The Gerontologist*.

“Observed affect and quality of life in dementia: Further affirmations and problems,” by M. Powell Lawton, Ph.D.; Kimberly Van Haitsma, Ph.D.; Margaret Perkinson, Ph.D.; and Katy Ruckdeschel, Ph.D., *Journal of Mental Health and Aging*.

“The psychosocial preferences of older adults: An examination of content and structure,” by Brian Carpenter, Ph.D.; Kimberly Van Haitsma, Ph.D.; Katy Ruckdeschel, Ph.D.; and M. Powell Lawton, Ph.D., *The Gerontologist*.

“Traditionality, modernity and household composition: Parent-child co-residence in contemporary Turkey,” by Hakan Aykan and D.A. Wolf, *Research on Aging*.

“Two transitions in daughters’ caregiving career,” by M. Powell Lawton, Ph.D.; Miriam Moss, M.A.; Christine Hoffman; and Margaret Perkinson, Ph.D., *The Gerontologist*.

Who’s buying long-term-care insurance? *Continued from page 1*

A Some people want to avoid relying on the government to pay for their care. Or they feel they will have more care options, such as assisted living, if they carry private insurance—even if paying the premiums will be a significant burden. For those who are financially well-off, insurance can be a means of protecting their assets.

Q Is the insurance industry doing anything to make long-term-care policies more attractive to consumers?

A There is an effort to increase the number of employers offering long-term-care insurance. This still accounts for a small segment of the market, but is growing in popularity. This has been seen as a key to solving the problem of

financing long-term care: If you can get people to buy long-term-care insurance at a younger age, they are likely to be able to afford keeping the policy throughout their old age, when they need the care. Like life insurance, the premiums for long-term-care insurance are much lower for younger purchasers and, by law, premiums must generally remain fixed for the life of the policy. This would benefit both the individual and the state and federal budgets. Of course, how do you sell a product to someone who won’t need it for decades?

Q What is the government’s role in all this?

A It’s clearly in the interest of the government to promote long-term-care

insurance for those who can afford it. There have been many calls for tax incentives or subsidies to stimulate the sale of long-term-care insurance. Others say the government should do more to educate consumers about who really pays for long-term care, and about the need to plan for their future needs. Currently, the government, mainly at the state level, does play an important role in regulating the industry and protecting consumers. There are laws, for example, regulating how policies can be marketed, and when benefits apply.

The Edward and Esther Polisher Research Institute of Philadelphia Geriatric Center (PGC) serves as an umbrella under which psychologists, anthropologists, nurses, social workers, sociologists and physicians work to understand the process of aging. Established in 1959, it was the first gerontological research center in the nation to be sponsored by a geriatric facility.

The Institute is supported by major grants from the National Institutes of Health, the Alzheimer's Association, private foundations, and contributions from individuals interested in fostering research on aging. PGC is a nationally recognized leader in geriatric care, education and research.

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Viewpoint: The High Cost of Long-Term Care

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enter nursing homes as private paying residents at these homes and run out of money, they may need to move.

Private long-term-care insurance offers an alternative to exhausting personal resources or obtaining Medicaid. The drawback to purchasing these policies is the high cost of the premiums. Like life insurance, premiums increase based on the age at which the policy is purchased.

Buying long-term-care insurance requires doing some homework. Issues like types of service coverage, maximum benefit periods, and inflation protections all need to be considered. Buying bad insurance may be worse than no insurance.

People may ask, "if the government will ultimately pay for nursing home care, even if I lose all my assets, why spend the money on premiums?" The answer, in my opinion, is that it is a matter of choice and control. Insurance offers the consumer the ability to choose the type of care he or she wishes and not

be dependent on other family members or government restrictions. Purchasing power is the best way to guarantee the opportunity of receiving good quality care. If a provider does not meet expectations, you can find one that does.

Although saving towards educating children has become almost a reflex, we have scarcely recognized the high cost of buying good quality long-term-care services. And saving for that goal may not even be practical. However, long-term-care insurance designed to cover substantial daily costs, can be well worth the premiums and enable the consumer to purchase a wide range of good services for a long period of time.

Younger people would be wise to begin saving for their long-term-care needs just as they save for retirement. With sufficient resources, they could simply self-insure against the potential high costs. But for the elderly and near-elderly, private long-term-care insurance may be the best alternative.