Paying for Senior Care

Consumers Should Shoulder the Load, But With Some Help from Washington

Home Instead SENIOR CARE®

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Introduction

Policymakers who undertake the urgent task of reforming and strengthening the care continuum for America's seniors must respond to a daunting double challenge: An "age wave" of baby boomers is about to descend upon the nation – by 2025, the number of seniors will approach 72 million – yet the nation faces an economic crisis that will impose severe long-term restrictions on what the state and federal governments can afford.

A major component of the response to the age wave should be to shift the existing emphasis in senior care away from costly facilities and toward more affordable alternatives, like in-home care that allows seniors to age in their own homes supported by caregivers who provide companionship and assistance with daily activities.

The response to the second part of the challenge – paying for senior care in the face of a painful recession – should begin with a fundamental statement of principle: Seniors and their families must be responsible for funding and managing their own care. But government policies should support them by:

- Helping make care costs affordable
- Educating seniors and their decision-makers about all the options that are available on the care continuum
- Guiding seniors toward the safest, most effective and least costly options
- Ensuring that the number of qualified caregivers is adequate to meet the soaring demand for senior care.

Assessing the Cost Differentials

The traditional American model for senior care consisted of two parts. When mom and dad could no longer get along on their own, family members – often a busy but concerned daughter – stepped in. The aging parent either stayed at home while the caregiver came by as often as possible, or the parent moved into a son or daughter's house. When the parent's condition became too demanding for further family care, he or she was sent to a nursing home, often a wrenching decision for everyone involved.

For several decades, nursing homes were the default caregivers for seniors, and they still remain the option many Americans think of first. Unfortunately, government policy has tended to encourage this choice, or at least failed to discourage it, at considerable cost to the nation. For example, in 2007 the United States spent $161 billion on nursing home care from all sources, both public and private.

A portion of the nation's annual expenditure on nursing homes is undoubtedly necessary – many seniors need the labor-intensive services those facilities provide. But much of it could be avoided by encouraging the use of less costly alternatives. Consider these figures based on 2008 data:

- Average annual cost of one nursing home resident: $70,000.
- Average annual cost of one assisted living facility resident: $35,000.
- Average annual cost of providing nonmedical care to a senior in his or her home: $21,600.

The policy implications are clear: If placing someone in an assisted living facility is 50 percent less expensive than a nursing home, and if nonmedical in-home care is just 31 percent of the cost a nursing home stay, then seniors and their decision-makers need to be fully informed of these facts and encouraged to make the most affordable decision.

It should be added that not only is in-home care the least expensive alternative, it is what the overwhelming majority of seniors want. According to a survey conducted by AARP, 89 percent of seniors want to age in their homes.

Who Should Be Responsible for Senior Care?

Personal responsibility is a hallmark of the American character. It is a principle that should apply, as in so much else, to senior care.

After all, consumers have always been the best judges of how to invest and spend their money. Why would we not trust them with their retirement dollars? If they are given the opportunity to drive the senior-care process by making the choices they think best for themselves and their loved ones, the free market will respond to their needs.

In any case, with the federal budget deficit at an all-time high, and with the need for further deficit spending extending well into the future, the economic rationale for keeping the cost and responsibility for senior care in consumers' hands is compelling. Even if the U.S. were enjoying a boom economy, the soaring numbers of Americans entering their senior years would outstrip government's ability to pay.

The Goal of Government

The federal government's goal should be to *a)* shift the responsibility for senior care to the consumer and *b)* shift the nation's tax and social policies in ways that encourage seniors and their decision-makers to make the most economical and personally satisfying choices at each step in the process.

This "double shift" is a win-win situation. It will ease what could be a crushing and unaffordable burden on federal, state and local budgets. And it will help seniors understand all the options along the care continuum and choose the ones that are best suited for them in each phase of life.

Policy Proposals

How can Washington tailor tax and social policies to encourage seniors and their decision-makers to optimize their choices on the care continuum? While what follows is far from an exhaustive list, it indicates the clear direction policymakers can pursue to get the best results at the lowest cost.

- Tax credits for the purchase of long-term-care insurance policies that include provisions for in-home care and other less expensive alternatives to nursing homes. In the past, long-term-care policies were geared almost exclusively to nursing homes. Using tax credits to encourage the inclusion of less expensive alternatives will help families manage senior care within the limits of their budgets while lowering insurance costs.

- Tax credits for the purchase and installation of senior-care products in seniors' homes – for example ramps, grab bars and walk-in showers.

- Tax credits for families that choose less expensive senior care options, like in-home care.

- Creation of a Senior Corps similar to the Peace Corps that would defer the repayment of student loans for those who commit to serving seniors for a specified period of time.

- A study of the approaches already adopted by several European countries to raise the quality of senior care while lowering costs. These include:

    - Sweden, Portugal, Ireland and France encourage seniors to age at home at their own expense by reducing the tax on in-home non-medical services.
    - Ireland and France offer tax credits of up to $30,000 a year for the consumption of in-home non-medical care services.
    - Iceland has adopted a national policy that calls for 75 percent of seniors 80 years and older to be in good health and live at home with the appropriate level of in-home support. As a result of the government funding for seniors and their caregivers, most Icelandic seniors do live at home rather than in senior residences.
    - Switzerland no longer invests in building nursing homes and instead encourages in-home care through a government health agency.
    - The United Kingdom permits seniors to hire caregivers of their own choice and pay for them with government funds designated for senior care.
    - Germany permits those of military age to care for seniors as an alternative to army service.

Conclusion

The United States urgently needs a policy for senior care that *1)* responds to the impending "age wave" of retiring baby boomers, *2)* recognizes the inability of federal, state and local governments to fund all or even most of the cost of senior care, *3)* leaves the largest share of the cost in the hands of the consumers who are the best judges of how to spend their own money and make their own choices, *4)* educates seniors and their decision-makers about the best and most economical options that are available to them along the care continuum, and *5)* encourages in-home non-medical care as the first and least expensive option for seniors who are capable of living on their own but in need of some weekly assistance to maintain their independence.

The “double shift” of senior-care costs away from government to consumers and away from expensive nursing homes to far more affordable in-home care will be a win-win for the nation. It can be achieved through the thoughtful application of tax and social policies that encourage wise choices by seniors and their caregivers and that create incentives for people to go into the senior-care field.

A comprehensive program to meet the care needs of the nation’s growing senior population is a necessary – indeed, mandatory – part of any effort to reform the healthcare system of the United States. No proposal will be complete that fails to include a significant, well-thought-out senior-care component.