



# Is Long-Term Health Care Part of Your Financial Planning?

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*When planning for retirement and older age, people tend to think about IRAs, stocks and mutual funds. What people often forget to think about are their long-term health care needs.*

*You need to consider your long-term health care options and make long-term care a part of your financial planning. Use this information to understand your possible future long-term needs.*

## What is Long-Term Health Care?

Long-term health care includes a broad range of personal, social, and medical services provided either at home or at a formal institution. The type of care needed varies substantially from one elderly person to the next.

Two common categories of level of assistance are Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL). ADLs include eating, bathing, dressing, getting out of bed, walking, etc. IADLs include less physical assistance, such as help with managing money, shopping, meal preparation, and doing heavy housework.

*When planning for your long-term care needs, remember that long-term care includes more than nursing homes. Only 5.1% of people 65 years or older are in a*



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nursing home on any given day.<sup>1</sup> Over five times as many people receive medical and personal care services in their homes than are in nursing homes.<sup>2</sup>

## What is the Cost of Long-Term Care?

Undoubtedly the costs of long-term care can be expensive. However, the costs vary significantly depending on the level of care needed. In 1997, in the United States, the average cost for nursing services or physical therapy at home was \$77 per visit. Assisted living rates in 1998 ranged from several hundred dollars a month to more than \$3000 a month. In contrast, the U.S. average, annual cost of care in a nursing home was \$56,000.<sup>2</sup>

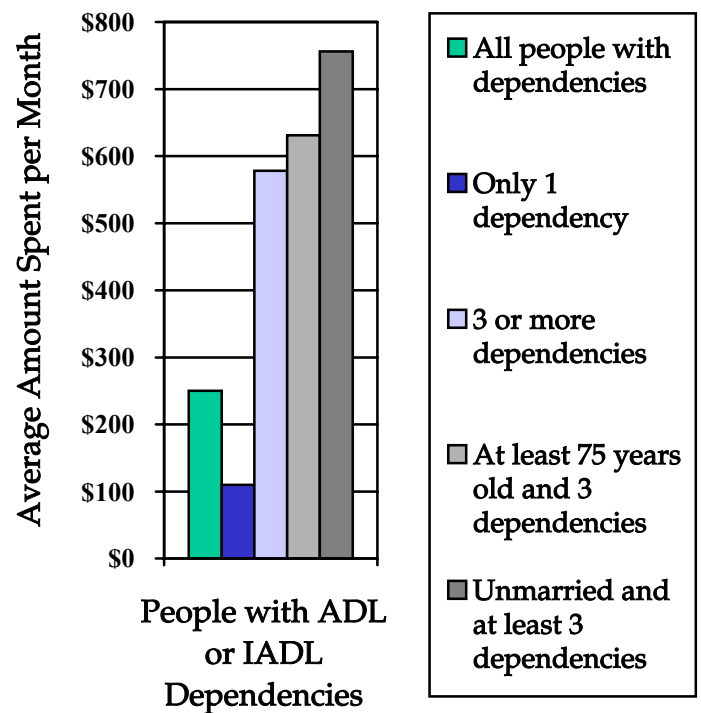
Overall average costs may be less in Illinois. For example, the average, annual cost of a nursing home in Illinois was \$51,000 for a single-occupant room and \$44,165 for a double-occupant room.<sup>3</sup> *It's important to remember that inflation will affect these costs.* Keep this in mind when planning your finances.

It's difficult to predict your possible future costs from averages of all elderly people. *Many elderly people continue to live at home; however, they're able to do this with the help of home care services.* For example, some Registered Nurses will come to a person's home to provide medical assistance.

What does it cost for these services? In 1998 in Illinois, the average salary of a Registered Nurse was \$18 per hour. A home health aide was paid about \$6 to \$8 per hour.<sup>3</sup>

*Your costs for at home services will vary depending on the level of assistance you need.* People who need more assistance pay more for home health care services. For example, people with three or more ADLs or IADLs dependencies spent, on the average, about five times more on home services than did people with only one ADL or IADL dependency.<sup>4</sup>

Cost of Home Services in 1994



Be aware that these dollar amounts are dated; unfortunately these are the most current figures available. The data does show how costs increase as people need more assistance.

## Who Pays for Long-Term Health Care Costs?

Health care data shows that family members provide about two-thirds of the long-term care needed by people age 65 or older. The rest of the care is paid care: either in one's home or in a formal institution such as a board and care home, a continuing care retirement community, or a nursing home.<sup>2</sup>

You may have an option of how to pay for these costs. Researchers have found that 73% of the elderly long-term care population relies entirely on out-of-pocket expenditures and unpaid caregivers as opposed to public resources to pay for their care.<sup>5</sup>

As expenses increase third-party payers (such as Medicaid, Medicare, or private long-term insurance) become important. Medicare and Medicaid pay over half the costs for major long-term care services, including nursing home and home health care. Individuals pay out-of-pocket for almost 30 percent of these costs, and private health insurance pay another 7 percent.<sup>2</sup>

## Will You Need Long-Term Health Care?

Although you can't predict with certainty all your future needs, you can consider these risk factors.

- ✧ As you get older and more physically disabled, the risk of needing long-term care rises.
- ✧ If you have chronic health problems, you are more likely to need long-term care.
- ✧ An elderly woman is more likely to use a nursing home than an elderly man.
- ✧ Individuals without children or other family members to provide informal care at home are more likely to use a nursing home.

While predicting the future is impossible, you can be aware of long-term health care costs and your alternatives for managing these costs. Now is the time to consider the possible impact of long-term health care costs on your financial plans.

## Sources:

<sup>1</sup> Stum, M.S. (2000, February). *Can We Talk? Critical Conversations About Financing Long Term Care*. Presentation at the Eastern Family Economics and Resource Management Annual Conference, Champaign, IL.

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<sup>2</sup>Tucker, N., Kassner, E., Mullen, F., & Coleman, B. (2000, May). *Long-Term Care* [Online]. Available: <[http://research.aarp.org/health/fs27r\\_care.html](http://research.aarp.org/health/fs27r_care.html)>.

<sup>3</sup> *Public Health – Long Term Care Facility Profile*. (1999, October).

<sup>4</sup>Liu, K., Manton, K.G., & Aragon, C. (2000, January). *Changes in Home Care Use by Older People with Disabilities: 1982-1994 – Executive Summary* [Online]. Available: <[http://research.aarp.org/health/2000\\_02\\_homecare\\_1.html](http://research.aarp.org/health/2000_02_homecare_1.html)>.

<sup>5</sup> Spillman B.C. & Kemper, P. (1992). Long term care arrangement for elderly persons with disabilities: Private and public roles. *Home Health Care Services Quarterly*, 13(1/2), 5-35.

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See the fact sheet *Will I Need Long-Term Health Care?* for more information about long-term care.

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