The Powers Report Podcast

Episode 18

Getting Old Is Hard to Do: Thoughts on Long-Term Care

Welcome to The Powers Report Podcast. I am your host, Janis Powers. The show brings you candid, unique and data-driven perspectives on the health care industry. I believe that any solution that is going to positively impact the American health care system has to satisfy two major criteria: financial viability and behavioral incentive alignment. In other words, access to high quality care can only be achieved if we can afford it, and if we behave in ways that optimize our health. Please subscribe to our show on iTunes or on your preferred podcasting platform and connect with us on social media. Again, this is Janis Powers, and welcome to The Powers Report Podcast.

In this episode, I will talk about an issue that scares me and should scare you, too: long-term care. Every day, 10,000 people age into the Medicare program (1). More people are getting older at a quicker clip and they're living longer. The older people are, the more likely they are to need some sort of long-term care, which makes this topic especially important.

The thing that's most concerning about long-term care is that we don't know if we're going to need it. If we do need it, we don't know what kind of care we're going to need, and we don't know how long we're going to need it. We can buy long-term care insurance but since we can't articulate what we're going to insure for, we won't know if our insurance is satisfactory until maybe, it's too late.

In this show, I will talk about the different kinds of long-term care there are, because it's a big umbrella term. I'll talk a lot about payment and coverage options because I always like talking about how things are supposed to be funded. And I'll pepper in some advice about what you can do ... besides pray that you'll never need long-term care.

So, let's take a step back. Long-term care is an all-encompassing term that can include a lot of different options. The most extreme long-term care is for patients who will never be able to live independently and are housed in facilities that offer a high level of clinical care. This applies to folks with major physical disabilities and/or those with cognitive issues, like dementia. On the other end of the spectrum there is Home Health Care that comes to a patient's home a couple of times a week to help with non-clinical "life" issues, like shopping and cleaning. And there's every permutation in between.

There's also a dizzying array of coverage options. The most important thing to know is that Medicare offers limited coverage for long-term care (2). In fact, it's easier to say that Medicare just doesn't cover long-term care. When we're talking about an extended condition which requires staying in a specialized facility, the entire stay probably won't be covered.

But the program does cover some stuff like skilled nursing care required after at least a three-day hospitalization. This is when your grandmother falls down the stairs and breaks her hip. She needs a hip replacement. She's in the hospital for at least three days because aside from the hip replacement, which may not require a three-day stay, she gets pneumonia. And that keeps her in the facility for a while. She's going to need help recovering from that.

- Medicare will cover the first 20 days of skilled nursing after the hospitalization. So, she gets about three weeks of coverage in a Medicare-approved facility.
- For days 21 to 100, the patient, your grandmother, is required to pay a co-pay. That's going to run about $150 a day (3). That's about $4,500 a month, just for the facility co-pay. That may not include certain drugs or equipment that might be needed. Those things may or may not be covered at different rates, depending on your insurance (although Medicare covers a chunk of costs for the equipment).
- After the 100th day, Medicare doesn't cover any facility costs.

As a side note, there's a great link by Genworth that is worth checking out (4). I found it through the longtermcare.gov site, so I guess that makes the Genworth information pretty well sanctioned by the federal government. It shows the rates for different kinds of long-term care – from Home Health Care to Nursing Home Care – broken out by state and metro region. If you're planning for long-term care for yourself or you're curious about costs for a loved one, this is a great resource.

Anyway, back to what Medicare will cover. The program covers services that a doctor deems to be medically-necessary. This can include rehabilitation and occupational therapy and mental health services and home care. The medically-necessary designation is somewhat subjective which means that care delivery can vary based on the doctor, the patient and even the facility providing the care.

Medicare will also cover hospice care when patients approach end-of-life. Since it's hard to know exactly when someone will die, the end-of-life designation may not come soon enough, and families may bear the burden of paying for medical care out of pocket if alternative coverage options aren't available. It would be nice if Medicare would just look at the death date and cover the two weeks of care prior, but the program doesn't work that way.

Now that you know that you'll be on the hook for paying for a good portion of your long-term care, what are the odds that you'll even ever need it?

According the Department of Health and Human Services, which has Medicare and Medicaid under its purview, about half of Americans will have a disability that will require Long-term care services in their lifetime (5). I think that estimate is low. Chronic disease is an increasingly significant problem in America. Over two-thirds of Americans over 65 have more than one chronic disease (6). As these conditions worsen with age, they will require more hospitalizations, which will drive up the need for long-term care.

The reference study notes that long-term care services aren't just clinical, nursing home-type scenarios. A lot of it relates to the Activities of Daily Living – which is the bathing and the shopping and the cleaning. Very few people are comfortable with a complete stranger coming to the house, particularly to do personal stuff like bathing. Most prefer the help of a family member to perform these functions. If the family member can't do it, at least they'll be there to provide peace of mind when an aide is around, so the coverage option is nice.

That works great if there's a spouse or partner. More often than not, that spouse or partner who's helping is a woman. Women typically marry men who are older than they are, and women typically live longer than men. So, it's kind of a double-whammy for women. According to the Centers for Disease and Control (the CDC), by age 65, women will live two and a half years longer than men (7). That means that if your husband is three years older than you are, you're looking at living alone for the last five and a half years of your life.

The underlying message: women should marry men at least two and a half years younger, just to try to even out the odds of spousal caretaking responsibility.

And then there are the financial issues. There's a significant out of pocket financial burden to pay for Long-term care, which means the couple's financial resources will get whittled down and often depleted to pay for whoever it is that gets sick first. There may not be anything left for partner #2 after partner #1 dies. As noted, partner #2 is often a woman. She'll be a widow with depleted financial resources.

But it gets worse.

Women are much more likely to develop Alzheimer's Disease than men. Two-thirds of Alzheimer's cases in America are women (8). Sure, Alzheimer's impacts more people as they get older, and women live longer than men. So, we'd expect more women to have the disease. But the living longer factor alone doesn't explain the lopsided incidence of this heartbreaking condition.

Women have higher rates of depression than men. Depression is a key link to Alzheimer's, which is one reason more women develop it. Scary.

Depending on the severity of the disease, many Alzheimer's patients can't live by themselves. They need to be either in a special facility or they need to live with someone who can help with not only watching these patients but also conduct the support needs to care for them. Again, Medicare may cover some help, but coverage will vary. Increasingly, families are burdened with paying out of pocket for care.

So, let's get to funding options outside of Medicare, since it's clear that the program cannot be relied on to provide all the care that's needed for its enrollees. And I'm not totally slamming

Medicare here. Aging populations are a problem across the globe. When Medicare was designed, we didn't expect life expectancy to stretch out as long as it has. Not to mention that fact that people are a lot sicker (hence the bit about the chronic conditions). And a substantial cost bleed for Medicare relates to the new drugs and therapies that are being rolled out. We have more and more expensive care options to spend money on, making it tougher to devote resources to long-term care.

That said, there are a few categories to pay for the long-term care aside from Medicare. Many people will use a combination of these options. You may leverage long-term insurance, if you have it; you could pay out of pocket from savings or other assets; your family members might kick in resources and/or Medicaid will cover costs.

First let's talk about insurance. Many Medicare enrollees requiring long-term care are finding that the insurance they signed up for isn't enough. The reason? Many long-term care programs are underfunded. They're underfunded for many of the reasons that Medicare is underfunded. The people who designed these insurance plans didn't expect the costs to be so high. They underestimated the longevity of many of their covered lives and they also didn't properly predict the cost of care, especially the facility costs. Remember – the monthly co-pay – not total facility fee – for the 21st through 100th day of long-term care after a hospitalization was $4,500.

One of the most newsworthy cases of such underfunding relates to the long-term insurance plans offered by General Electric (9). GE has had to up premium payments and is trying to cover its multi-billion dollar liability related to these plans. This liability is one of the reasons why the company has had so many problems. GE used to be one of the most trusted corporate brands in the world. But the company's been in a free-fall for years and was booted from the Dow Jones Industrial Average last year.

Underfunded long-term care plans mean one of two things, both of which are bad for the patient and their family.

The first is that the company just files for bankruptcy. The policy holder may be entitled to some cash settlement, or not. Cases could be held up in court before any funds are disbursed, at which point the covered individual might be dead. If there's a legal way to shield payments in a bankruptcy, clever corporate attorneys will find it. Just ask the Sackler Family, who is the major stakeholder in Purdue Pharma's smash product, OxyContin (10). But I digress…

The second is that the company finds some way to reduce benefits and or jack up the patient's responsibility for payment and/or premiums. The insurer may put a cap on the number of days of coverage. They could require higher co-pays. They could demand their own physicians assess patients to ascertain the optimal (read: cheapest) mode of care approved for the patient. All of these things are happening.

Underwriters have learned their lesson. Long-term care plans are structured better today, at least as far as the underwriter is concerned. That means that coverage will be more expensive.

And given the complexity of the different types of care, buyers of long-term care really need to know what they're getting.

What's worse, at least for women, is that rates for long-term care are higher for women than they are for men (11). This is a function of the longevity factor (they live longer), the widow factor (money that a couple had may have been spent on the husband, who got sick first) and the Alzheimer's factor (it's more prevalent in women and requires a higher level of long-term care). There are probably other factors too, but it's tougher for women to buy long-term care than it is for men, at least from a rates perspective.

You can buy insurance from a broker, you might be able to get it through your employer, you can buy a plan that covers you and your spouse at a blended rate…there are options. The sooner you buy, the cheaper it is.

Another important thing to consider is your genetic composition. I've talked a lot about predictive analytics and genetics on this podcast. There are some excellent genetic tests that can identify markers for Alzheimer's, depression, anxiety and Parkinson's Disease. You'll need to consult with a genetic counselor and your doctor, but if you've got a strong genetic predisposition for a serious condition, then you may be more incented to buy long-term care.

I suspect that pretty soon long-term care companies will be requiring genetic tests so they can increase the rates for people with these conditions. Legislators are debating how and if insurers can use genetic testing, but you never know what's going to happen. If you're worried, buy early and try to lock in lower rates.

Now let's talk about using your savings and assets to pay for long-term care. There are lots of creative ways to leverage this option and you don't have to worry about the results of genetic testing or rate discrimination to do so. You just have to worry about completely liquidating all of your net worth.

There are long-term care annuities, which require you to put aside a chunk of money up front. Not many of us can do that. Some life insurance products have a long-term care option which will allow you to tap into the life insurance benefits to pay for your long-term care benefits. That means that the money you were going to leave to your heirs to pay for your funeral and help them financially when you're gone will dwindle as you use it for your long-term care costs. But hey – I guess it's better to spend your money on you than to spend your child's money on you. Which I will get to in a minute.

One of my favorite options in the Health Savings Account, or HSA. You can start saving in an HSA at any point as long as you have a high deductible health plan, which an increasingly significant percentage of Americans do. You and sometimes your employer put money into an HSA pre-tax. The money earns interest that is also not taxed. You contribute and the fund can grow until you reach age 65. At that point you can use it to pay for long-term care premiums and of course, for long-term care. This is probably the most tax-advantaged and flexible way to save for long-term care because you can also use your HSA investment for some Medicare expenses.

All of that is fine and dandy if you have thought ahead and had the resources to save money for long-term care. Which most people don't or can't or haven't. Then what happens…

This is where it gets ugly. I mean, losing control of your faculties is hard enough, but now the financial burden and the administrative mess spread to family members, whether or not they expected it or wanted it.

If there's not enough cash, then the government can do a spend-down. In simple terms, this is basically a liquidation of the patient's assets. The money gets used to pay for care. The individual then qualifies for Medicaid, which will supplement the costs of care not covered by Medicare.

If the sick individual expected to age in place in their home, that won't happen. If the patient's children expected to inherit the proceeds of a sale of a house, that won't happen. If the family wanted choice in where and how their loved one will be cared for, that, too will be limited to the options covered by the safety net programs.

Regardless, many see this as a win because then the responsibility to care for the sick individual gets shifted to a neutral party, the government. And in many cases, the social workers and navigators assigned to manage this transition know a heck of a lot more about the process than everyone else.

Other not so extreme options include the reverse mortgage. This is a program that targets seniors, many of whom don't have a mortgage payment but also don't have enough cash flow for things like long-term care. They basically borrow against the equity in the house and they still have to pay taxes and everything else. The loan gets settled when the person dies, and the house is sold. Then the bank gets repaid.

Sadly, these loans are complicated. Many seniors have lost their homes prematurely – i.e. before they've died – because they haven't been able to keep up with all the payments, taxes, etc. Some people consider this a scam. Just because the loan terms are confusing doesn't make it a scam. Most seniors don't understand the terms of their Medicare coverage either. Does that make Medicare a scam? No.

The real issue with reverse loan mortgages is the stubborn and totally understandable desire for the elderly to want to age in place. They want to keep their home and they want to stay in it with all of their stuff. Sadly, what we're finding is that we all can't have everything we want for the rest of our lives.

Tech people tout all these neat IoT – Internet of Things – gadgets that are going to help people age in place. Here's an example. Jeremiah Smith gets up every morning at 6:15 and the first thing he does is walk to his refrigerator and he opens it. So IoT wizards put a sensor on the fridge. If the unit doesn't get opened by 6:30 in the morning, then maybe something is up with Jeremiah Smith. He gets a phone call to make sure that he's OK.

Other devices can notice changes in gait, or variations in breathing which can signify a near term potential health issue like a heart attack (12). All of this is super cool. But none of these devices can bathe an obese patient with bed sores.

We love technology because it can do cool things and it is perceived to be cheaper than human labor. I'm all for innovation but sometimes we lose sight of what's important. It's sort of like looking at Big Pharma and marveling at the fact they there are drugs that can cure Hepatitis C, but we can't cure the common cold.

The real expense with keeping old people in their homes is bathing and the hands-on activities of daily living. We know that human touch and interaction are essential in enhancing mental wellness. So, unless the elderly can afford to have someone help them with these activities, then they cannot live in their homes anymore.

Which brings me to the next issue, child guilt. Gen Xers are dealing with aging parents as well as the needs of their own children. They're the so-called Sandwich generation. Our parents or more likely *parent* or even more likely, *mothers*, can't live alone and don't have money for help. So, we feel like we need to do something.

Like have them live with us. Or pay for some of the care. Although both of these options are not realistic for a lot of people.

I think the most important thing that Gen X kids can do is to start talking to their siblings, if they have them, and their parents as soon as possible about what's going to happen to them when they get older. For example, if the parents live in a different state, then the parents need to think about moving closer to one of the kids. Parents may object and kids may not want them close but it's going to be a lot easier for everyone if there's proximity.

It's better to talk to parents about finances early too. Remember - this is a group who aged with the promise of Medicare security. They believe that they've paid into the program, so they deserve coverage. Yet a current Medicare enrollee paid maybe half of the dollars into the system that they actually use (13). Put another way, they're spending twice as much as they contributed. That's a programmatic problem with how Medicare was designed and how the program has failed to control costs as it has grown. But it means that the elderly will pay more for Medicare coverage than they think and they're going to have to pay for the majority of long-term care coverage, which they may believe is covered by Medicare too.

In addition, get all the Medical Power of Attorney, Medical Directives, Do Not Resuscitate or DNR orders in place. Some states have additional end-of-life paperwork that complicates things at the worst time if it isn't completed. Talk to your parents' primary care doctor and ask what forms need to be completed. He or she may have to sign some of them. It's an annoyance. But when you're dealing with a health crisis for a loved one, the last thing you want to think about is paperwork.

In many cases we can't control whether we'll need long-term care. But we can help ourselves by living healthy lives. Healthy individuals have higher immune systems, recover from illness faster and can forestall the development of many major diseases and conditions. When thinking about long-term care, maybe the best thing you can do to prepare is to live a life where you're as healthy as you can be.

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