

The Uncovered Costs of Increased Longevity

In the 1970s, a TV episode of *The Odd Couple* taught viewers never to assume.¹ It's a lesson we appear to have forgotten. Many Americans assume Medicare will provide financial assistance to help with long-term care costs in retirement. In fact, when asked, more than one-third (38 percent) of Americans age 40 and older put Medicare at the top of the list.²

The unfortunate reality, according to *Long-Term Care in America: Expectations and Preferences for Care and Caregiving* (2016 AP-NORC report), is Medicare does not typically cover long-term care needs.²

What is long-term care?

The term 'long-term care' covers a lot of ground. It can include a variety of medical and social services that support people who are plagued by chronic health issues, as well as those who need assistance with everyday activities. The *American College of Healthcare Executives (ACHE)* explained:³

"The goals of long-term care are much more complicated and considerably more difficult to measure than the goals of acute medical care. While the primary goal of acute care is to return an individual to a previous functioning level, long-term care aims to prevent deterioration and promote social adjustment to stages of decline."

The need for long-term care is likely to increase significantly in the coming decades because the population of Americans age 65 or older is expected to double between 2012 and 2050.⁴ In addition, increases in longevity may mean long-term care services will be needed over longer periods of time. During 2014, a 65-year-old American could expect to live past age 84, and at age 75, he or she may live to age 87, on average.⁵

How much does long-term care cost?

A variety of factors may contribute to the cost of long-term care: the facility, the provider, and the services required, are a few examples. *Long-Term Care in America: Americans' Outlook and Planning for Future Care* (2015 AP-NORC report) found annual spending on long-term care services and support was approximately \$310 billion in 2015. That was more than national spending on prescription drugs, which totaled \$259 billion.⁶

The 2015 AP-NORC report estimated the median cost of care in the United States ranges from \$45,760 per year (for 44 hours of care each week, provided by a home healthcare aide) to \$91,250 per year (for 365 days in a private room at a nursing home). Since the median income of Americans 65 and over in the United States is \$19,604 annually, paying for care can be quite a challenge.⁶

It's important to remember these amounts are averages. The cost of care varies significantly from state to state. That said, what doesn't vary is the fact almost eight out of 10 people (77

percent) would like to receive long-term care in their homes, if they need it. Seven out of 10 would like their loved ones to receive care at home, as well.²

What does this mean to you?

Long-term care creates opportunities for investors. AARP has pointed out there is a real need for technological solutions that help caregivers provide services more effectively and reduce the emotional, financial, and day-to-day stresses associated with caregiving. They identified six market segments that have potential:⁷

- **Transition support:** Home modification services, long-term care insurance planning and provider referrals, legal assistance, hospice/funeral planning
- **Care coordination:** Care planning and care professional engagement, records and benefits management, recovery support
- **Health and safety awareness:** Health alerts, diet and nutrition, medication management, personal safety monitoring, and digital health
- **Daily essential activities:** Meals, home and personal care, home repair, grocery and goods delivery, transportation
- **Caregiver quality of life:** Respite and backup care, social support, health and wellness
- **Social well-being:** Digital inclusion, life enrichment, empowerment, networking

The likelihood of needing long-term care also makes including the cost in your financial and retirement plans important. If you haven't already investigated long-term care insurance, it may be a good idea to talk with a financial or risk management professional about your options.

Sources:

¹ <http://www.shmoop.com/quotes/you-should-never-assume.html>

² http://www.longtermcarepoll.org/PDFs/LTC%202016/AP-NORC%20Long%20Term%20Care_2016.pdf

³ <http://www.ache.org/pubs/1mccall.pdf>

⁴ <https://www.census.gov/prod/2014pubs/p25-1140.pdf>

⁵ <http://www.cdc.gov/nchs/data/hus/hus15.pdf#014> (Page 95, Table 15)

⁶ <http://www.longtermcarepoll.org/PDFs/LTC%202015/LTC-2015-NORC.pdf>

⁷ <http://www.aarp.org/content/dam/aarp/home-and-family/personal-technology/2016-01/2016-Caregiving-Innovation-Frontiers-Infographics-AARP.pdf>

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