Preparing for the Impending Long-Term Care Crisis

By Harry S. Margolis, JD
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Due to a combination of demographics and lack of planning, the United States is facing a predictable crisis in about 10 years: a huge increase in the need for elder care.

As a nation, we can take steps now to mitigate the coming crisis if we have the political will. But that’s a big if. Our record with housing, climate change, mental health care, protecting workers from the adverse effects of globalization, and transportation infrastructure is not reassuring. That means that it’s incumbent on baby boomers and their advisors to plan on an individual and family basis.

The roots of this crisis have been a long time coming. They include demographics (the size of the baby boom population), our decentralized and rather chaotic system of providing care, smaller families, reluctant funding for care (which contributes to underpaid and undertrained caregivers as well as high turnover), and even restrictions on immigration given that most non-family caregivers are immigrants. Just like climate change, some of this is in our control and some of it is not, but we can mitigate the effects.

THE COMING SURGE

Right now, we’re in something of a lull in terms of the need for long-term care services. Most people don’t need care until they are in their 80s or older. Although only 8 percent of Americans ages 75–84 require assistance with personal care, 21 percent of those age 85 and older do. A relatively small number of people fall into this cohort today because birthrates dropped during the Great Depression and World War II.

Their number is dwarfed by the baby boomer generation, which is now 70–million strong and between the ages of 58 and 76. Within 10 years, the oldest baby boomers will reach age 85 and we’ll begin to see large numbers needing care, the number rising inexorably for two decades as more and more baby boomers reach this threshold. The number of Americans older than age 85 is projected to more than double from 6.5 million in 2018 to 14.4 million in 2040. The need for caregivers will double as well during the next 20 years, and it will continue to grow after that because the youngest baby boomers won’t be 85 until 2049.

A recent study by the Urban Institute projects the number of older Americans with significant disabilities will almost double from 7.6 million in 2020 to 14.7 million in 2065. The same study projects the costs of paid care to average $120,000 per senior. But that’s an average including seniors who never need care. The study projects that those who will need paid care will face average costs of $245,000, with women having higher costs than men. This is no doubt because they live longer on average, meaning they can care for their male partners, but their male partners are less likely to be around to care for them.

THE NEED FOR PAID CAREGIVERS

The Boston Foundation has issued a report describing the challenges of caregiving in Massachusetts that highlights the gendered and racial makeup of the caregiving workforce as well as its low pay and poor benefits. Both the difficult working conditions and our dependence on care workers were made more apparent by the pandemic.

According to the report, a third of Massachusetts residents ages 80–84 and 45 percent of those ages 85–89 have two or more disabilities. The Boston Globe reported that in 2020 before the start of the pandemic 17 percent of certified nursing assistant positions were vacant. As of March 2022, 28 percent of nursing facilities nationally reported a staffing shortage.

The Massachusetts Executive Office of Labor and Workforce Development projects the overall workforce in the state to grow 3 percent from 2018 to 2028 but the need for personal care attendants and home health aides to grow about 20 percent each during the same 10 years—and that’s before the baby boomers start needing care.

PAYING FOR CARE

Baby boomers by and large have neither the financial resources to pay for their own care nor as many family members as prior generations to provide the care on an unpaid basis. According to the Census Bureau, the number of childless adults in the United States has been
growing with each generation. Only 11 percent of Americans older than age 75 are childless. Sixteen percent of those ages 65–74 and almost 20 percent of 55– to 64-year-olds have no children. Even baby boomers who do have children have fewer than their parents did.

The result is that baby boomers will have to rely more on paid caregivers and our disjointed and confusing financing system for payment. Just like daycare for young children, elder care is expensive and the caregivers are underpaid. The result is a mismatch that is going to take a large investment in recruitment, training, and financing to resolve.

Medicaid, the safety net health insurance program, is the only federal program that pays for long-term care. Administered by each state, both the rules for eligibility and the extent of coverage differ from state to state. In addition, the eligibility rules are quite complicated. A whole legal industry of elder law is devoted to representing clients concerned about long-term care costs, which means that those without legal advice often unnecessarily fall into traps that put their life savings or homes at financial risk.

Unfortunately, Medicaid also is skewed toward paying for nursing home rather than home or assisted living care, forcing many beneficiaries into nursing homes when they would prefer to stay at home or be in a less institutional facility. The extent of coverage for non-nursing home care also varies by state, often with different eligibility rules depending on where the care is being provided.

THE EFFECT ON FAMILY CAREGIVERS

The cost of future care will affect the financial well-being of baby boomers and so will the care they provide their parents. According to a study published by the Center for Financial Security at the University of Wisconsin–Madison, the burdens of family caregiving force workers out of the labor force. The study found that female caregivers often return to work after two years but work fewer hours or are likely to be self-employed, and male caregivers often never return to work. This has obvious detrimental effects on both their earnings while providing care and their eventual retirement savings and Social Security or other pension income. Caregivers also are more likely to begin taking Social Security retirement benefits early or to qualify for disability benefits, both of which reduce their later Social Security benefit levels.

In addition to giving up income, both while providing care and in the future, family caregivers also dip into their own pockets. AARP reports that on average family caregivers spend more than $7,000 a year of their own funds on care-giving, representing 26 percent of their income.

WHAT CAN STATES DO TO PREPARE?

The coming crisis in long-term care is both a public policy challenge and an individual one. Some states are at least taking baby steps to address the issue.

Washington. Beginning July 2023, workers in Washington state must pay 58 cents of every $100 they earn into the Washington Cares Fund to help pay their long-term care costs in the future. Those with qualifying long-term care insurance can qualify for an exemption. Beginning in 2025, those Washington residents who have paid in for at least three out of the prior six years, or for 10 years in total, will be able to withdraw up to a total of $36,500 to pay for their costs of care. This is an attempt by the state of Washington to fill a huge gap in our patchwork long-term care system.

California. California brought the eligibility threshold for Medicaid from $2,000 to $130,000 in total assets beginning July 1, 2022, and will eliminate any asset test by the end of 2023. New York state also is considering similar legislation. Doing so will greatly increase the availability of Medicaid coverage and eliminate the need for complicated financial and legal gyrations to achieve eligibility and preserve assets.

Massachusetts. Although the Boston Foundation report highlights the coming caregiver shortage both nationally and in Massachusetts, it also points out that Massachusetts is in fact better off than most other states because of its protections for all workers. Its statewide minimum wage will reach $15 an hour in 2023 and it recently implemented paid medical and family leave for all workers. This makes caregiving more competitive with other employment opportunities and reduces caregiver turnover.

WHAT CAN BABY BOOMERS DO TO PREPARE?

Although there’s much policy makers can do to plan for the coming long-term care crisis, we can’t count on whatever steps they take being sufficient or working for everyone. Baby boomers and their advisors need to take steps to prepare for themselves and their families. Here are a few actions they can take.

WORK LONGER

Unfortunately, the reality is that most baby boomers don’t have sufficient funds or guaranteed income for a comfortable retirement, much less the costs of long-term care. Working longer can help stretch funds and provide a cushion that can make all the difference when the need for care arrives. Having funds available may mean the ability to hire help on a short-term basis, help subsidize a family member who gives up work to provide care, pay for home modifications, or allow for a move to an assisted living facility.

BUY LONG-TERM CARE INSURANCE

According to the American Association for Long-Term Care Insurance, only 7.5 million (out of 330 million) Americans had long-term care insurance in 2020.
Unfortunately, because the insurance is expensive, there’s something of an inverse ratio between need and coverage—those who can afford the insurance are likely to have other resources to pay for their care if needed.

TAKING STOCK AT 75
Although baby boomers and their advisors can review their long-range plans at any age, most people remain healthy and active at least through age 75. It’s after that that the aches, pains, illnesses, and disabilities of old age begin to accumulate and create the need for care.

Turning 75 is a good time for people to consider how they want to live out their lives. Here are a few questions they might ask themselves:

- If they were to need care, where would they want to receive it?
- Who would provide the care?
- What happens if they can no longer drive?
- If they are married, what will they do after the death of the first spouse?
- What brings them joy and how can that be maximized?
- What carries the most stress or anxiety for them and how can that be minimized?

This evaluation also will involve considering the following:

MOVE
Residential development in the United States since World War II has favored suburbs dependent on the automobile for transportation. This may work well and be desirable for most Americans, but it’s not conducive to safely aging in place. When older individuals in these homes can no longer drive the homeowner can become isolated, lonely, and unsafe. Maintenance of single-family homes also can become expensive and difficult if homeowners can no longer do the work themselves.

Further, if that home is not near one’s natural caregivers, usually an adult child, it can make caregiving difficult.

It’s a lot easier for a son or daughter to drop in on a parent who is a five- or 10-minute drive away than one who is three hours away or cross country. Some seniors as they age simply need someone checking in on them from time to time. If they don’t have that they may deteriorate and require significantly more care than might have been the case otherwise.

Baby boomers should consider moving while they are able to do so. Would they be better off in a condominium, apartment, or townhome than in a single-family house? Would it be easier for everyone if they lived nearer to one child or another? And if it’s grandchildren who bring them joy, wouldn’t it be better to live nearer to them? Thinking through a move can allow a transition to occur on the homeowner’s timeline rather than having to sell a home when the market has dropped or on an emergency basis to finance assisted living or nursing home care.

TALK WITH FAMILY
Any decision about where to live can’t be made in a vacuum. Those baby boomers who have children need to discuss their plans with them. They might not know about such discussion who could step in if they needed care, or who would be comfortable having them live nearby (or in an in-law apartment) and who would not. It might not make sense for the parents to move across the country to be near their children when she and her spouse are planning to take early retirement and sail around the world.

Continuous (non-judgmental) discussions can forestall many potential future misunderstandings.

UPDATE ESTATE PLANS
In addition to considering where best to live, age 75 is a good age for baby boomers to review their estate plans. They may want to name new people to serve on their wills, powers of attorney, healthcare directives, and trusts. If they don’t have these documents in place, now is the time. Appointing agents in the case of incapacity can be vital to preserving assets, getting appropriate care, and, if necessary, qualifying for public benefits. It may be time to consider Medicaid planning to shelter certain assets from having to be spent down to qualify for coverage of care needs.

We know a long-term care challenge is coming both for the nation and for many aging baby boomers. Let’s plan now.

ENDNOTES
2. See endnote 1.
4. See endnote 1.
9. See endnote 5.


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13. See https://wacaresfund.wa.gov/employers/.

14. See endnote 5.


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