Kemper et al., “Long Term Care Over an Uncertain Future: What Can Current Retirees Expect?”

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- the baby boom generation is nearing retirement and will need a considerable amount of LTC
- microsimulation model predicts that people will need 3 years of LTC on average
- some covered by public programs, some privately insured, some uninsured
- burden is unequally distributed across individuals

research questions:

- What remaining lifetime risk of needing LTC do retiring baby boomers face?
- For how long are they likely to use paid and unpaid LTC?
- Who will finance their LTC?

paper focuses on distribution across individuals and risks

previous research:

- most previous literature looks at averages rather than distributions
- estimates of years with disability range from 1.6 to 2.6 years for men and 2.6 to 4.9 years for women
- previous literature does not address use of home and community-based or informal care
- estimates of the risk of use of nursing homes range between 35% and 55%; 1.8-2.8 years; 12-21% for more than 5 years
$44,000 estimated nursing home expenditure

- **methods:**
  - need to predict life expectancy, income, assets, marital status, nursing home use and cost
  - use an existing dynamic microsimulation model to make projections of remaining lifetime need, service use, and financing of LTC for people turning 65
  - advantages of microsimulation: simulate all variables needed, base all parameter estimates on best data source, able to analyze distributions
  - variables: family status, work history, retirement income and assets, disability and mortality, use of LTC, financing of LTC
  - representative sample of U.S. population based on CPS
  - supplemental data from PSID, BLS Employee Benefits Survey, HRS
  - empirically estimate transition matrices for these variables, and apply these matrices to simulate transitions
  - model ensures that key projections match external benchmarks

- **results:**
  - 65-year-olds will need LTC for 3 years on average (2.2 years for men, 3.7 years for women)
  - lot of variation: 31% will not need LTC, 20% will need more than 5 years of LTC; top 10% will account for 37% of need
  - 3 years of LTC: 1.4 years at home without formal paid care, 0.5 years at home with formal paid care, 0.8 years in nursing facilities, 0.3 years in assisted living facilities
  - but lot of variation in predicted LTC experience
  - $47,000 average predicted LTC expenditure
  - 53% paid by government programs, 2% by private insurance, 45% uninsured private expenditure

- **discussion:**
  - private and public insurance options need to be expanded to spread financial risk
  - private insurance can only pay a limited role
  - Medicaid coverage could also be expanded
  - problem of in-kind care provided by family
  - could provide insurance with home care benefits, pay family members for care they provide, or pay cash disability benefits