

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

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Kemper, Peter, Harriet L. Komisar, and Lisa Alecxih, “Long Term Care Over an Uncertain Future: What Can Current Retirees Expect?” *Inquiry* 42(4): 335-350 (Winter 2005/2006).

- 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