

Aging baby boomers raise the risk of a long-term-care crisis in the U.S.



KEY FACTS

- When the oldest baby boomers begin turning 80 in 2025, there will be a growing wave of people who need more support and services, and the burden will be heaviest for their children.
- “Advances in technology and public health have allowed people to live longer in a condition of frailty, and we haven’t developed a long-term care system to keep up with that,” said Howard Gleckman, a senior fellow focused on health care at the Urban Institute.
- The Center for Retirement Research at Boston College estimates that about 55% of Americans will have low to moderate LTC needs and 25% will have “the type of severe needs that most people dread.”

It is easy to feel pessimistic — even apocalyptic — about the looming challenge of long-term care for the nearly 71 million baby boomers heading into their golden years.

Consider a few numbers:

- There are currently 14 million people receiving some form of long-term care. That number will double by 2050, according to estimates from the U.S. Centers for Medicare and Medicaid Services.
- About 70% of people over age 65 will need some form of long-term care before they die, per an analysis by the Urban Institute.
- The average annual cost of a private room in a nursing home was \$102,000 in 2019, according to a survey about the cost of care.
- Research by the Insured Retirement Institute found that 45% of boomers have no retirement savings and more than a quarter of those who do have less than \$100,000.

“This is an enormous issue,” said Howard Gleckman, a senior fellow focused on health care at the Urban Institute. “Advances in technology and public health have allowed people to live longer in a condition of frailty, and we haven’t developed a long-term care system to keep up with that.”

When the oldest baby boomers begin turning 80 in 2025, there will be a growing wave of people who may need more support and services, and the burden will be heaviest for their children. Most long-term care is provided by a spouse, by children — daughters more often than sons — and by other family members.

With the baby boom generation having fewer children than their parents, there are fewer informal caregivers to shoulder the coming load. That suggests a growing need for more expensive formal care, either in-home or in an institutional setting.

“Most long-term care needs arise when people are in their 80s,” said Gal Wettstein, a senior research economist at the Center for Retirement Research at Boston College. “We’re not there yet with the boomers, but that is the big concern.”

Based on data from the long-running Health and Retirement Study at the University of Michigan, the center estimates that 20% of Americans will need no long-term care services before they die, about 55% will have low to moderate needs and 25% will have “the type of severe needs that most people dread.”

It also estimates that 33% of retirees don't have resources to cover even minimal LTC needs, and only a fifth could afford "severe" long-term care needs of four years or more.

As currently structured, the public health payment systems are not well-positioned to deal with the coming challenge. The Medicare system does not generally pay for long-term care services, other than for recovery from acute health problems.

The Medicaid system does, but it is available only to those who have no financial resources or who have fully exhausted them. It also generally pays only for care in nursing homes — an extremely unpopular alternative for virtually everyone — and not the nursing homes that cost \$100,000 for a room.

There are numerous "Medicaid waiver" programs being tested by states that aim to finance more popular and humane home- and community-based care services — notably in California and Washington state — but the taxes to fund them are never popular.

"The reality is that care costs of \$100,000/yr for any length of time can unravel almost any retirement plan," says Peggy Fields. She speaks frequently with both boomer and younger clients about long-term care for themselves or their parents.

There are solutions to this problem...having a plan in place.

For more information, contact Peggy Fields, Senior Long-Term Care Consultant

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