Primer: Long-Term Care

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Introduction

Long-term care (LTC) is the assistance given to patients who are chronically disabled or functionally impaired. LTC is distinguished from post-acute care\(^1\), in that it is not skilled nursing or rehabilitative care. LTC provides the assistance with tasks the care-recipient cannot perform independently, or in the case of mental impairment, provides supervision to ensure safety. LTC providers help the care-recipient with Activities of Daily Living (ADLs), which are necessary activities like dressing, eating, using the bathroom, and bathing. These providers may also assist with Instrumental Activities of Daily Living (IADLs) such as grocery shopping, meal preparation, house cleaning, and financial management.

Long-Term Care Recipients and Providers

70 percent of Americans over the age of 65 will need LTC at some point\(^1\) and 19.6 percent of the entire population will have some degree of disability\(^2\). There are 10.9 million LTC recipients in the community\(^2\), 75-80 percent of which are receiving LTC from informal caregivers, who are usually friends or family. The remainder of community LTC recipients receive paid services in their home or assisted living facility. Nursing homes provide care for an additional 1.8 million patients needing LTC. The above numbers originate from a compilation of five national surveys. Surveys are necessary because much of the paid LTC is provided by independent home health aides, who are often paid under the table and there is no way of knowing the exact size and scope of this labor force.

The severity of impairment determines whether home care or institutional care is appropriate for some patients. The institutionalized population, however, is

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\(^1\) It is important to note that post-acute care can sometimes be provided in an LTC Hospital.

\(^2\) Community refers to a private residence, group home, or assisted living facility.

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only marginally needier than their non-institutionalized counterparts. Insurance status, patient preference, the referring providers’ relationship with care settings, proximity and access to facilities, and patient’s age are all factors that determine where most LTC recipients receive care. There is minimal peer-reviewed research comparing quality of care between care settings.

Goals for LTC include giving the care-recipient the most independent life possible, reducing unnecessary hospital and nursing home admission, and coordinating care among medical providers and long-term caregivers through increased communication, bundled payments, and implementation of health information technology.

Most Common Types of Long-Term Care Providers:

**Informal Care**

Informal caregivers are the friends and family providing unpaid assistance to those with long-term care needs. This is a major workforce of adults who are often providing care in addition to their formal employment. On average, caregivers spend 20 hours per week providing assistance. However, informal caregivers who help frail seniors spend much more time, an average of 50 hours per week, providing care. This is a large burden on the families and networks of LTC recipients who rely on informal care to get by. Informal caregivers are more likely to leave the workforce early and suffer adverse mental and physical health effects, both of which put them at an economic disadvantage.

**Home Health**

In addition to LTC, home health agencies provide medical services such as physical, occupational and speech therapy, and skilled nursing. There are 223,000 home health agencies in the US with annual revenue of $66 billion and profit of $4.5 billion. Home health agencies are experiencing strong growth (projected annual growth is 5% from 2011-2016) but declining profit margins. This is a very fragmented industry with the largest company (Apria Healthcare Group) holding only 3% of the market-share. Firms are consolidating and specializing with specific disease or chronic care management programs to distinguish themselves.

Generally, home health is seen as more cost effective than inpatient care or nursing homes and is the preferred option for patients. The industry received closer scrutiny in the past decade due to high levels of Medicare and Medicaid fraud. Efforts are underway to address fraudulent billing practices and other criminal activity.

As mentioned previously, there are also many home health aides that operate independently, but there is limited information on this workforce. These independent aides have no formal training and are less expensive than an aid working for a home health agency.

**Nursing Homes**

Nursing homes provide both inpatient skilled nursing and long-term care services. There are 40,095 nursing home companies serving 1.8 million residents with annual revenue of $99.8 billion and profit of $3.3 billion. Similar to the home health industry, nursing homes face declining profit margins but are still experiencing some growth due to an increase in the patient population. Projected annual growth is less than 1 percent over the next five years.

This is a highly fragmented industry. The largest company (HCR Manor Care) controls only 3.8 percent of the market share. However, recent trends show nursing homes consolidating and adding more skilled nursing and rehabilitative treatment, which carry higher reimbursements than LTC.
Several problems plague the nursing home and skilled nursing facility industry. Cheaper substitutes such as outpatient rehabilitation centers and home health agencies create pressure on nursing homes to keep costs down. In general, nursing homes have improved and are offering an increasingly home-like and patient centered experience. However, there is still a perception of nursing homes as expensive settings for substandard care, and reports of elder-abuse persist.

Measuring quality has been helpful in identifying ways in which nursing homes need to improve. Roughly one-quarter of Medicare beneficiaries that transition from a hospital to a skilled nursing facility are readmitted to the hospital and many research projects have found that the overwhelming majority of these re-hospitalizations are unnecessary and could have been avoided. High staff turnover contributes to the care problems and decreases consumer satisfaction.

**Figure 1:** National Spending on Home Health

![Circle graph showing national spending on home health](#)

- Medicare: 20%
- Medicaid: 33%
- Private Insurance: 8%
- Out-of-Pocket: 29%
- Other: 10%

Total: $68.3 billion

**Figure 2:** National Spending on Nursing Homes

![Circle graph showing national spending on nursing homes](#)

- Medicare: 44%
- Medicaid: 36%
- Private Insurance: 7%
- Out-of-Pocket: 9%
- Other: 4%

Total: $137.0 billion

### Long-Term Care Financing:

Long-term care is very expensive. The cost of home health care averages $13,700 annually and the cost of nursing home care averages $83,585 annually. This is paid for by LTC insurance, Medicaid and/or out of pocket spending.

Only 10% of adults have private LTC insurance coverage. LTC insurance plans vary, but an individual is often eligible for coverage when he or she is unable to perform certain ADLs independently and the benefits are paid up to a maximum time or cost cap.

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3 This average is calculated for the median of 60 hours of unskilled home health aide service per month. The Department of Health and Human Services estimates the average spending on home health aides at $18,000 annually.

The Patient Protection and Affordable Care Act includes the Community Living Assistance Services and Supports Act (CLASS Act), which creates a national LTC insurance program. Participants pay premiums that vary with age and income and then are eligible for benefits after 5 years should they need LTC. Health and Human Services Secretary, Kathleen Sebelius, has said that the act cannot be implemented as currently written, so the details of how the program will work are currently unknown. It is likely that insurance premiums would be unaffordable for most Americans and thus plans would not be widely purchased. Medicare does not provide LTC benefits, only short-term (for 100 days) skilled nursing and rehabilitation following an acute episode or hospital stay.

Medicaid pays for the LTC for adults with disabilities and impoverished seniors. Medicaid spends over $100 billion annually on LTC benefits\textsuperscript{xvi}. Many seniors who are receiving LTC in nursing homes are paid for by Medicaid but did not enter the nursing home as a Medicaid beneficiary. Often the cost of nursing home care depletes a senior’s assets and then Medicaid covers their costs.
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Operation Healthcare Choice is the Forum’s public policy center focused on promoting high-value healthcare and higher quality health insurance that expands consumer choice. Operation Healthcare Choice experts conduct research, offer commentary, and develop policies aimed at eliminating healthcare’s burden on the economy.

References


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