

# Caring for the Aging:

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The Old System Is Obsolete, Time to Create a New Model



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July 2009

A Home Instead Senior Care White Paper

# **Caring for the Aging:**

The Old System Is Obsolete,  
Time to Create a New Model

## **Introduction**

Rational, economical, sustainable reform of America's healthcare system is a national imperative. There are many parts to achieving reform, but no plan will be complete if it fails to address the issue of providing for the care of America's aging population.

Indeed, in view of the impending "age wave" of baby boomers that is descending upon the nation, it is not too much to say that senior care must be one of healthcare reform's highest priorities

The current unstructured system for senior care evolved haphazardly during the 20<sup>th</sup> century and is hopelessly inadequate to the challenges that lie ahead. For decades, it consisted of what one might call a binary situation: You cared for mom as long as you could, then put her in a nursing home.

Today, a range of options has grown up, from seniors aging in their homes while they are supported by nonmedical caregivers who provide companionship and help with daily chores, to assisted living facilities, to nursing homes – with many choices in between.

Unfortunately, government regulations and financing have failed to keep pace with this dramatically changed landscape. It is necessary, therefore, as part of any healthcare reform plan, to develop a comprehensive national policy for senior care.

When properly done, the policy will maximize the choices that seniors and their caregivers have while keeping costs manageable for all the parties involved. It will insure that the care is safe and well-regulated. It will keep seniors fully informed about their many options. And it will strive to maintain a supply of caregivers that is sufficient to meet the nation's needs.

## **Defining the Challenge**

The baby boomers are becoming senior boomers. Some 78 million men and women – 26 percent of the nation’s population – were born between 1946 and 1964. In 2011, more than 8,000 people will turn 65 every day, and by the end of the year, according to even the most conservative estimates, the senior population of America will reach almost 49 million – greater than the current population of Spain. By 2025, it will grow to nearly 72 million.

(It should be noted that what is true for the United States is true for most of the rest of the world. In fact, for the first time in human history – and probably for the rest of history – people 65 and older will outnumber children under 5, according to a study conducted jointly by the National Institutes of Health, the National Institute on Aging, the Department of Health and Human Services and the State Department.)

Not only are millions of baby boomers about to reach retirement age, but thanks to the advances of modern medicine, it is safe to predict they will live longer on average than any cohort in history. The estimated number of centenarians in the U.S. in 2007 was already more than 79,000, the largest such population in the world. That number is expected to reach an extraordinary 1.1 million by 2050.

All this comes at a moment when the U.S. is in the grip of a severe recession and the global economy is in equal or worse distress. Even before the downturn it was well known that the age wave would place enormous strains on government programs, especially Medicare and Social Security, as well as creating major challenges for the healthcare system. Now the challenges to the public and private sectors are incalculably greater.

### **The High Cost of Facilities Care**

In 2007, the United States spent \$161 billion on nursing home care from all sources, both public and private. Quite clearly, nursing home care is a major expense for the nation, yet it is impossible to know how much of that enormous expenditure was absolutely necessary and how could have been avoided by making use of less costly alternatives for senior care. Consider these figures from 2008:

- Average annual cost of one nursing home resident: \$70,000.
- Average annual cost of one assisted living facility resident: \$35,000.
- Average annual cost of providing nonmedical in-home care to a senior: \$21,600.

What those figures do not include, however, are the capital costs of senior-care institutions. Facility care is, in fact, very capital-intensive. According to published reports, many companies in the nursing home business have abandoned plans to build new facilities despite the obvious growing demand, in part because of weaknesses in the economy, but also because of the heavy capital costs.

The United States is hardly the only nation to confront this challenge. Many European countries have already come to grips with it and are pursuing policies to encourage aging at home as a less costly alternative to facilities care.

Switzerland no longer invests in building costly nursing homes, choosing instead to encourage in-home care for seniors through a government health agency.

Several others – including France, Germany, Iceland, Ireland, Portugal, Sweden and the United Kingdom – have adopted tax and social-service policies that support in-home care for their seniors.

France and Ireland, for example, offer tax credits of up to \$30,000 a year for the consumption of in-home nonmedical care. Portugal and Sweden have also adjusted their tax policies to encourage seniors to age at home. The United Kingdom permits seniors to hire caregivers of their choice and pay for them with government funds designated for senior care.

The time has come for the U.S. to pursue policies that shift the emphasis in senior care from facilities to less costly, more desirable home care.

### **The Health-Care Continuum**

As is so often the case with policy making, the closer one looks at the issue of providing safe, reliable, affordable senior care, the more complexity one finds. For example, the kinds and costs of care that seniors require vary greatly, from minimal to intensive, depending on their age and health status, yet there are no easily defined patterns – some people are “old” in their late 50s or early 60s while others are “young” and independent in their 80s and 90s.

The levels of care seniors receive vary just as widely, too, depending not only on their financial resources and health insurance, if any, but also on the ability – and, often, willingness – of spouses, family members, friends, neighbors and community-service agencies to provide what is needed.

In response to these complexities, a mixture of public and private options for senior care has grown up in the United States:

- **Aging in place.** Several studies have found that the overwhelming majority of seniors – 89 percent, according to an AARP survey, for example – want to age in their own homes for as long as possible. The decision-makers in their lives, usually spouses or other family members, support this choice 76 percent of the time, according to a survey sponsored by Home Instead Senior Care. As the seniors age in place, however, it is often necessary to begin making modifications to the home to suit their needs – for example, grab bars, walk-in showers and ramps. Aging in place often involves . . .
- **Family care,** the traditional form of senior care for those who are largely independent but in need of some form of assistance. Usually, family care is provided in the senior’s home, although it may also be in a family member’s home. Most often, it is a son or daughter who provides the care – most often a daughter. When it is children who are the caregivers, they usually remain close to the parent: 69 percent live with them or within 10 miles. And the children tend to remain in close contact with the parent – more than half visit at least once a week. The popular stereotype of scattered families and long-distance decision-makers is more fiction than fact.
- **Senior centers.** The nation’s senior centers play many roles, but two are of special importance: Supplying seniors with many of their weekly meals and creating a social life, from a place to meet and talk with people, to game and dances, to organized excursions. For seniors who are independent or semi-independent, especially those on limited incomes, the centers are essential to the quality of their lives.
- **Adult day-care centers.** These centers are enhanced versions of community senior centers. In addition to providing meals and a social life, they supply care and services for seniors who are cognitively or physically challenged but not in need of full-time attendance. There are an estimated 4,000 adult day-care centers in the U.S., and they are a mixture of public and private, nonprofit and for-profit.
- **Adult day health care centers.** As the name implies, these are a more intensified version of adult day-care centers. Usually staffed by registered nurses and other health professionals, they typically

provide physical, occupational and speech therapy, as well as meals and some socializing.

- **Nonmedical in-home care.** Many of those who age at home reach a point when they need more assistance than family members, friends or neighbors can provide. The assistance they require is often practical and nonmedical, including help with housecleaning, preparing meals, shopping, running errands, making trips to the doctor and being reminded to take medications. Even those suffering from early stages of Alzheimer's disease or dementia can function well when they receive such nonmedical in-home care.

This assistance – which is often for a few hours a day, a few days of the week – provides not only essential services, but also companionship that makes seniors feel safe, confident and independent, an intangible but invaluable benefit.

The cost of nonmedical in-home care varies with the number of hours a week that are required by an individual. But once a senior's needs rise beyond the level that family caregivers can provide, nonmedical in-home care is the least expensive of all the options on the care continuum and the most sensible alternative to costly facilities care.

- **Medical in-home care.** This is the next stage of care for those who are still able to remain in their homes but whose medical needs have reached a level that requires the attendance of a registered nurse or other health professional.
- **Independent living communities.** The seniors who move into these communities have opted to leave their family homes to live in a townhouse, apartment or mobile home among fellow seniors. The residents are typically active and able to live with little or no assistance. The services the communities provide are usually of a general nature – building maintenance, security, social activities – although some offer separate assisted living facilities that residents can move into when they are no longer able to function on their own.
- **Assisted living centers.** The residents are seniors who require some assistance with the activities of normal daily life, but not constant care. These include bathing, dressing, eating, laundry, housekeeping and taking medications. Essentially, the centers are the bridge, the intermediate stage, between independent living and nursing homes.

- **Skilled nursing homes.** While the quality of these homes varies greatly, as a general rule they are no longer the warehouses for the dying they were once perceived to be. At their best, they provide 24-hour medical care and rehabilitation services as well as custodial care. Despite their expense – an average annual cost of \$70,000 per patient – nursing homes remain a preferable alternative to the old practice of putting ailing seniors in hospital beds.

### **The need for public education**

Surprisingly few seniors and their caregivers are fully aware of the range of options for senior care, and too few bother to plan in advance, waiting until circumstances force them to make critical decisions. Far too many Americans leave one of the most important events of their lives to chance.

In a survey conducted by Home Instead Senior Care, more than one-third of decision-makers said they had had no prior discussion about senior care before facing a crisis. Some 70 percent of respondents said the chief sources of their information about senior-care options were relatives, friends, neighbors and other users of care. The health care professionals who would be the best source of information were the least likely to be asked.

The lack of public education about senior care options will inevitably lead to poor decision-making by many aging Americans, diminishing the quality of their lives and inflicting much greater costs on them and the healthcare system.

Part of any national healthcare reform program should include, therefore, a fully developed, ongoing public education campaign to make seniors and their decision-makers fully aware of all the options that are available to them, as well as the benefits and costs each involves.

### **Summary**

The Obama Administration's determination to carry out national healthcare reform is commendable and necessary. It will be incomplete, however, if it fails to include provisions to strengthen the American system of senior care. The challenge is to do this at a time when the United States is in the grip of a severe recession and when the "age wave" of baby boomers is about to descend upon the nation.

This perfect storm of economics and demographics requires new, more creative and flexible approaches to the care of America's senior population. Options do exist, and many are good. Public policy and government regulation must recognize and adopt them.

The challenge for policymakers, therefore, is:

- First, to recognize that the traditional model of senior care is no longer adequate to the need.
- Second, to optimize the care continuum – that is, make the right level of care available at the right stage of life.
- Third, to maximize the impact of every dollar spent by supporting the most cost-effective response at every stage on the care continuum.
- Fourth, to organize and mount an ongoing public education campaign to ensure seniors and their decision-makers understand all the options and costs before them.
- Fifth, to put in place policies and programs that will help ensure an adequate supply of caregivers for the millions of Americans who enter their senior years in the next three decades.
- Sixth, to make it a national policy to stress home care over more costly institutional care.

It is this last step that will best suit what the vast majority of seniors want, which is to stay in their homes as long as possible; that will provide seniors with safe, reliable care and companionship while enabling them to remain happy and independent for many years; that will shift a major portion of the cost of senior care from the public sector to the private sector, and that will significantly, even dramatically, reduce the looming national expenditure on senior care.