

# Home health care and the caregiver crisis in America



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America is facing a crisis. As baby boomers age into retirement, the demand for senior services and long-term care (LTC) supports continues to grow. So far, boomers are the largest population to retire, yet they face a unique challenge that past generations escaped: Who will be available to provide the care they may need?

Studies show that most people would prefer to receive LTC at home<sup>1</sup>. However, the number of people available to work for agencies that provide home health care (HHC) is barely growing compared to the number of people who will need these services, which is estimated to be 120 million by 2024<sup>2</sup>. To make matters worse, turnover rates in the home care industry are high, exceeding 70%<sup>2</sup>. Therefore, the HHC industry is bracing itself for a labor shortage and the challenge to fill these much needed caregiving positions.

This situation could increase the need for informal caregivers to step in and provide care to help prevent an individual from being forced into a facility simply because professional care services at home were not readily available. However, the people charged with these tasks may not be financially able to reduce their working hours or step away from their job.



<sup>1</sup> Health Care and Long-Term Care Study, presented by The Harris Poll for Nationwide, March 2018

<sup>2</sup> www.1800homecare.com; "Massive Caregiver Shortage Expected as Demand for Home Care Services Rises", Christopher Adrien, March 20, 2017

<sup>3</sup> The Hill; "Family care needs upgrade; Millennials are the new 'sandwich generation'", Nancy LeaMond and Jen Mishory, April 12, 2017

# What is an informal caregiver?

Simply put, an informal caregiver is an unpaid individual—usually a spouse or partner, family member, friend or neighbor—who assists an individual requiring help with activities of daily living (ADLs) or other living needs. Some of these tasks may be what are called instrumental activities of daily living (iADLs). This care usually takes place in a home setting.



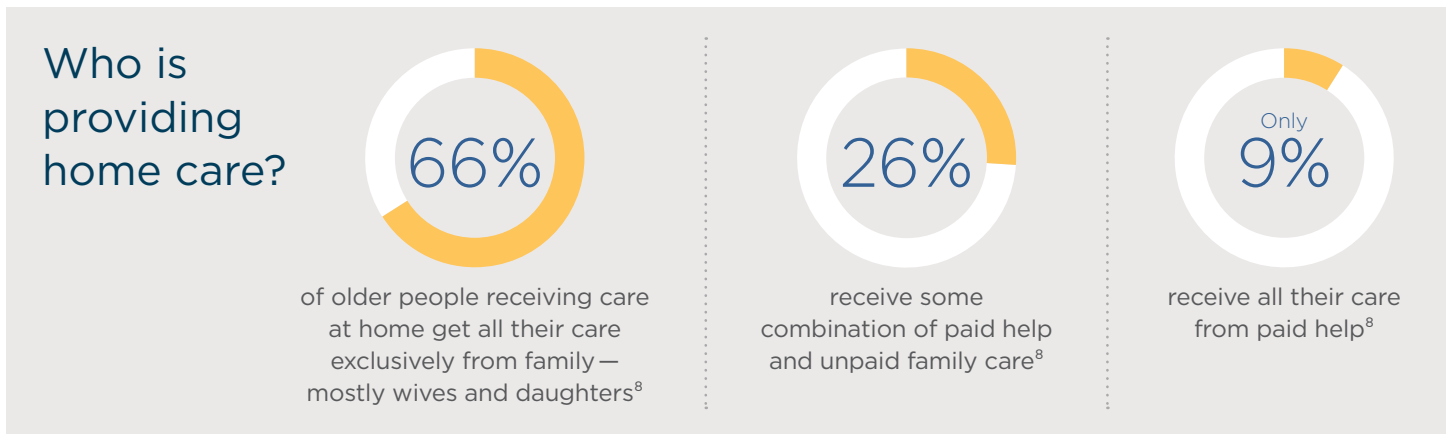
It's important to note that 25% of informal caregivers are millennials who have less income and assets than their parents did at the same stage in life<sup>3</sup>.

The resulting cost in cash and lost opportunity costs to people providing informal care is more than double the paid cost of home health care and facility care combined:

- **241.7 billion** = annual cost of paid care at home or in a facility<sup>5</sup>
- **\$522 billion** = annual cost resulting from people providing informal care<sup>6</sup>

To put these numbers in perspective, the cost of informal care is greater than the 2016 sales for Walmart, which totaled \$482 billion<sup>7</sup>.

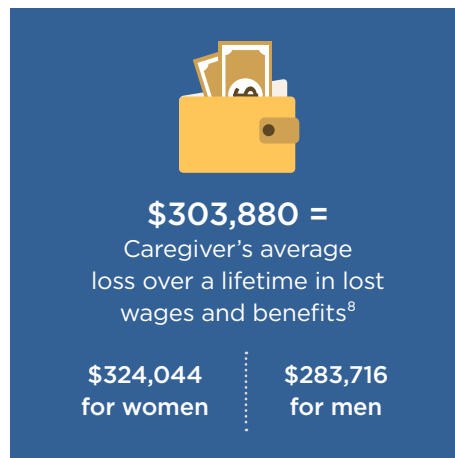
Activities of Daily Living <sup>4</sup>	Instrumental Activities of Daily Living
<ul style="list-style-type: none"> <li>• Bathing</li> <li>• Dressing</li> <li>• Eating</li> </ul>	<ul style="list-style-type: none"> <li>• Transferring</li> <li>• Toileting</li> <li>• Contenance</li> </ul>
	<ul style="list-style-type: none"> <li>• Household chores</li> <li>• Meal preparation</li> <li>• Managing money/paying bills</li> </ul>
	<ul style="list-style-type: none"> <li>• Transportation</li> <li>• Shopping</li> </ul>



## Economic impact to caregivers

People may perceive informal care as being free, but there is an economic cost to family and friends who make sacrifices to provide the care.

The average caregiver is a 49-year-old female who is married and employed<sup>8</sup>. Caregiving reduces paid work hours for these women on average by 41% and results in other career sacrifices such as passed-up promotions, taking a leave of absence, quitting their job entirely or retiring early<sup>8</sup>. Individuals who return to work when caregiving ends often end up in a job that pays



less and offers fewer benefits than their previous job.<sup>8</sup>

To add to the economic sacrifice, caregivers typically have out-of-pocket expenses related to their caregiving responsibilities:

- **\$7,000** = approximate average annual out-of-pocket expense for family caregivers<sup>9</sup>
- **\$12,000** = approximate average annual out-of-pocket expense for long-distance caregivers<sup>9</sup>

<sup>4</sup> The Internal Revenue Code Section 7702B(c)(1)

<sup>5</sup> U.S. Dept. of Health and Human Services; July 6, 2016

<sup>6</sup> NBC News, Jean Chatzky, "How to Care for your Aged Parents—Without Going Broke", April 24, 2017

<sup>7</sup> www.statista.com//statistics/183399/Walmart-net-sales-worldwide-since-2006/2016

<sup>8</sup> Family Caregiver Alliance, National Center on Caregiving, November 2016

<sup>9</sup> AARP Study, "Family Caregiving and Out-of-Pocket Costs: 2016 Report"

# Time spent caregiving

Caregivers often invest a significant amount of time into helping their loved one. This results in time away from their own family, friends and personal and work responsibilities.



**24 hours a week**  
the average amount of time spent in the role of caregiver<sup>10</sup>



**4 years**  
the average amount of total time devoted to caregiving<sup>10</sup>



**30 billion hours**  
the total number of hours spent each year on informal caregiving (22 billion of these hours come from people with full-time jobs<sup>10</sup>)

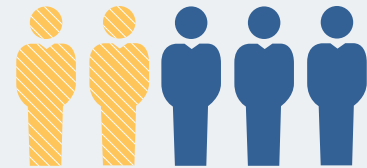
## Health impact on caregivers

Economic, time, physical and emotional challenges associated with caregiving can impact the health of the caregiver. In fact, informal caregivers are more susceptible to<sup>8</sup>:

- Emotional stress
- Anger and anxiety
- Substance abuse
- Higher mortality rates



**Caregivers are twice as likely to say their health is poor compared to the general population<sup>11</sup>.**



**40% of sole caregivers predecease the patient they are caring for<sup>12</sup>.**



## Meeting the challenge

How can advisors help clients address some of these challenges? That's where long-term care insurance coverage may help. Any type of LTC coverage can provide additional funds to help cover the cost of qualifying LTC expenses. This provides an individual with more care options beyond depending on family or friends.

However, when discussing LTC coverage with a client, the advisor should ask what type of care is desired. Clients who express an interest in paying family members or unlicensed caregivers, or are looking at alternative care services for their LTC needs may want to consider a cash indemnity policy.

<sup>10</sup> The Caregiving Landscape: Challenges and Opportunities for Employers, Nobel, Weiss, Sasser, Sherman, Pickering, March 2017

<sup>11</sup> 2015 AARP Research Report—Caregiving in the U.S.

<sup>12</sup> Caring.com, Ron Kauffman—“I’m Losing Myself Being a Caregiver”, October 16, 2016

## Cash indemnity – value vs. price

When considering the available policies, how do you determine which one is worth more? On one hand, a reimbursement policy has more potential benefit dollars, but it only reimburses actual cost of care covered under the policy provisions up to the benefit amount. A reimbursement policy may not pay for less expensive unlicensed caregivers and certain types of alternative care. And it generally does not reimburse payment for an immediate family member to provide care. But a reimbursement plan may be a better choice when spendthrift concerns exist.

On the other hand, cash indemnity LTC benefits pay the full available monthly benefit and can be used 100% without restriction from the insurance company. That includes using LTC benefits to pay a family member or friend to provide the care. This could replace some, or all, of the income the caregiver may have to sacrifice when taking on the caregiving responsibilities<sup>13</sup>.

There is also a future value to cash indemnity benefits in that they can be used to pay for the unknown. As other creative solutions to LTC services and supports – such as robots – come

into being, cash indemnity benefits will be available to pay for whatever is needed. Therefore, some clients may find more value in a policy with a benefit pool that is open to any care option – without the need for approval from the insurance company.

As this shift in the LTC workforce takes place, it's likely that LTC services and supports will continue to evolve to meet the ever-changing needs people will face. Owning cash indemnity LTC coverage is one way to prepare for those changes as it provides flexible funding to pay for family care.

<sup>13</sup> Please consult your tax advisor when paying an informal caregiver as there may be tax implications to such an arrangement.

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### Clients

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For more information, please contact your financial advisor.

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### Financial Professionals

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