



Facts about Homecare, Aging, Long-Term Care

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Homecare Usage and Expenditures in the United States

Approximately eight million Americans require some type of medical care in the home. Today, virtually any medical procedure short of surgery can be performed in a patient's home. Homecare represents a small but cost-effective portion of the nearly \$2 trillion national health expenditures (NHE) in the United States.

In 2005, the latest year for which numbers are available, total U.S. spending on home medical equipment (or durable medical equipment) such as respiratory equipment and therapies and mobility devices was \$24 billion. Medicare spent \$6.8 billion on home medical equipment (less than 2 percent of the total Medicare budget).

U.S. spending on home health care, such as skilled nursing and therapies, was \$47.5 billion in 2005. (Source: *Health Affairs*, January/February 2007, vol. 26, no.1, pp. 142-153).

Demographics of Older Americans

Size of Older Population

There were 36.8 million older Americans (age 65 or older) in 2005, representing 12.4 percent of the population in the U.S. There were 4.6 million elderly Americans aged 85 and older. By 2030, there will be about 71.5 million people over 65, more than twice their number in 2000. The population aged 85 and older is the fastest-growing segment of the older population, with a projected increase from 4.6 million in 2002 to 9.6 million in 2030. (U.S. Administration on Aging: <http://www.aoa.gov/prof/Statistics/statistics.asp>).

Disability and Activity Limitations

More than 27 percent of Medicare beneficiaries living in the community (noninstitutionalized) over age 65 in 1999 had difficulty in performing one or more activities of daily living (ADLs) and an additional 13 percent reported difficulties with instrumental activities of daily living (IADLs). ADLs include bathing, dressing, eating, and getting around the house. IADLs include preparing meals, shopping, managing money, using the telephone, doing housework, and taking medication.

Life Expectancy

Children born in 2003 have a life expectancy of 77.6 years. Persons reaching age 65 have an average life expectancy of an additional 18.5 years (19.8 years for females and 16.8 years for males).

Medicare and Medicaid Coverage

Medicare is a federal health insurance program for Americans age 65 and older and for people with permanent disabilities, regardless of age. Medicare covers approximately 43 million Americans. Total Medicare spending was \$342 billion in 2005.

Medicaid is a state/federal partnership program that provides health care benefits to more than 53 million low-income Americans including children, the elderly and persons with disabilities. Federal and state spending on Medicaid was \$313 billion in 2005.

Medicare Coverage of Homecare

To qualify, the beneficiary must be homebound, under a doctor's care, require skilled nursing care, and require a part-time home health aide and medical services. Coverage includes:

- Physical or speech therapy.
- Home-health aide services for bathing and dressing.
- Medical equipment and therapies.

What is paid: All medical services; 80 percent of medical equipment such as hospital beds and walkers; and skilled nursing and home health aide services for up to 8 hours per day or a maximum of 28 hours per week.

Medicare Coverage of Nursing Homes

To qualify, beneficiaries must have been hospitalized 3 days prior to needing skilled-nursing care, and have a doctor certify need. Coverage includes:

- Semiprivate room.
- Nursing services (not private duty).
- Supplies and equipment, and medicine furnished by facility.

What is paid: Skilled nursing facility expenses for 20 days. The beneficiary is responsible for a co-payment. The plan ceases payments after 100 days per benefit period. A benefit period begins the first time the patient is hospitalized and ends after the patient has been out of the hospital for 60 days. (Summary from *Consumer Reports*, Nov. 2003.)

Cost-Effectiveness and Clinical Effectiveness of Homecare

U.S. Department of Health and Human Services Secretary Michael Leavitt has called home and community-based care "radically more efficient" than institutional care. Advances in technology and trends such as telemedicine are making homecare more cost-effective. A

recent survey of medical literature shows the cost-effectiveness of homecare. Studies published in the *Journal of the American Medical Association*, the *New England Journal of Medicine*, and other sources support the value of homecare versus institutional care and hospitalization. (Compiled by American Association for Homecare. See more detailed summaries of studies at www.aahomecare.org.)

Homecare Reduces Costs by 37 Percent for Heart Failure Patients

The May 2004 *Journal of the American Geriatrics Society* reports that homecare directed by Advanced Practice Nurses (APNs) reduced total costs of care for patients suffering from heart failure and comorbid conditions, attributable to fewer and later hospitalizations and fewer deaths. (“Transitional Care of Older Adults Hospitalized with Heart Failure: A Randomized Controlled Trial,” *Journal of the American Geriatrics Society*, May 2004.)

Cost of Home Intravenous Antibiotic Treatment Lower than Hospital, SNF Settings

This 1998 study in *Clinical Infectious Diseases* quantifies cost savings of a home intravenous antibiotic program in a Medicare managed care plan. The average cost per day of home therapy was \$122, compared to \$798 in the hospital and \$541 in a skilled nursing facility (SNF) setting. (Dalovisio, J., et al, “Financial Impact of a Home Intravenous Antibiotic Program on a Medicare Managed Care Program,” *Clinical Infectious Diseases*, 2000.)

One Year of Long-Term Oxygen Therapy at Home Costs Less than One Day in the Hospital

Oxygen can be provided to a chronic obstructive pulmonary disease (COPD) patient who lives at home for one year at less than the average Medicare cost for one day in the hospital, which is \$3,606 (Annual Statistical Supplement, 2004, Social Security Bulletin). Direct medical costs for COPD in the U.S. total \$18 billion per year, nearly 9% of Medicare expenditures. (Dunne PJ. “The Demographics and Economics of Long-Term Oxygen Therapy,” *Respiratory Care*. 45:223-228, 2000.)

Review of Medicaid Homecare in Seven States Shows Reduced Costs

A 2002 study published in *Health Care Financing Review* describes the characteristics of Medicaid home and community-based (HCB) programs in seven states. In Washington, the state imposed strict fiscal caps, keeping spending to 40 percent of the cost of nursing home care on a per capita basis. In 1999 in Alabama, spending per enrollee in HCB services was \$6,612 compared to a per capita cost in nursing homes of \$22,771. (Wiener, J., et al, “Home and Community-Based Services in Seven States,” *Health Care Financing Review*, Spring 2002.)

Homecare Saves 65 Percent in Post-Acute Care

A 1999 study reported in the *Journal of the American Medical Association* reported savings of about 65 percent in a randomized-controlled trial of post-acute home-based management by advanced practice nurses. (Naylor, MD, et al, “Comprehensive Discharge Planning and Home Follow-up of Hospitalized Elders,” *JAMA* 281:613-620, 1999.)

Long-Term Care Financing

At the end of 2001, more than 8.3 million individual and group long-term care insurance policies had been sold, with about 5.1 million policies still in effect (i.e., that had not lapsed). While this reflects a tremendous rate of growth, particularly since the mid-1980s, the proportion of the population age 50 or older with a long-term care insurance policy is still relatively small. Less than 11 percent of the population age 65 and older has a policy.

To date, most long-term care insurance policies sold have been sold individually, but employers are an important part of this growing market. At least 4,700 employers, including 27 state governments provide access to long-term care insurance to their retirees, employees, and to the parents and dependents of their employees. In 2002, the largest employer in the country, the federal government, offered access to a long-term care insurance policy to federal employees, retirees, and family members of federal employees. (“Choosing a Long-Term Care Insurance Policy,” Center on an Aging Society, Georgetown University, <http://ihcrp.georgetown.edu/agingsociety/pubhtml/choosingltci.html>)

Long-Term Care and Home Equity

Currently, the costs of long-term care are primarily paid out of pocket by consumers or by Medicaid, the federal/state program designed to pay costs of healthcare for low-income individuals. In 2000, the U.S. spent \$123 billion on long-term care for those 65 and older, with the amount likely to double in the next 30 years. Most of those dollars pay for care in skilled nursing facilities. (National Council on Aging / NCOA)

Recent studies show that older Americans, including those who have serious health problems and need long-term care, want to live at home rather than in an institution. Most elders (81 percent of those age 62 and older) own their homes, and 74 percent of those own them free and clear. With \$1.9 trillion tied up in home equity, this financial resource has the potential to dramatically increase the ability of seniors to pay for long-term care at home. Reverse mortgages can free up needed cash while enabling seniors to continue to own their home.