



Long Term Care Insurance Background

Here are some statistics about aging, long term care, and long term care insurance that may be useful to you as you put the Federal Long Term Care Insurance Program in perspective.

Aging of the Baby Boomers

- Baby boomers, born between 1946 and 1964, first boomer turned 50 in 1996
- By 2030, when the youngest Baby Boomers reach retirement and the oldest are approaching their 85th birthdays, the number of older adults will double from 35 million to nearly 70 million¹
- By 2030, more than 20 percent of the population will be over age 65 compared to 13 percent in 1990²
- Life expectancy is increasing: over the course of the 20th century, average life spans have increased by more than 30 years³

Need for Care

- Average annual cost of a nursing home stay is \$50,000⁴
- 48.6% of people 65 and older may spend time in a nursing home⁵
- 71.8% of people 65 and older are expected to use some form of home health care⁶
- 40% of the people receiving long term care are between the ages of 18-64⁷

Funding for Long Term Care

- In 1999, spending for nursing home and home health care was about \$134 billion⁸
- Individuals needing care and their families paid for almost 25 percent of these expenditures out-of-pocket, public programs (predominantly Medicaid and Medicare) funded 61 percent, private insurance (including long term care insurance as well as services paid by traditional health insurance) accounted for about 10 percent, and other private sources paid the remaining 5 percent⁹
- An estimated 60 percent of the disabled older adults living in communities rely exclusively on their families and other unpaid sources for their care¹⁰

Lack of Preparedness for Long Term Care Needs

- Less than 10 percent of older adults and even fewer near-older adults (those aged 55 to 64) have purchased long term care insurance.¹¹

Caregiving

- The number of employee caregivers is expected to increase between 11 million and 15.6 million employees, or one in ten employees, over the next 10 years¹²
- Working caregivers spend an average of 22 hours a week providing elder care and caregiving responsibilities can last as long as eight to 10 years¹³
- Working caregivers lose an average of \$650, 000 over their lifetimes in lost wages, lost Social Security benefits, and forfeited pension contributions¹⁴

Long Term Care Insurance Industry Growth

- The individual insurance market represents more than 75 companies selling a product, nearly \$1 billion of premium sales and \$4.5 billion of in-force premium. The group market is comprised of twenty-eight organizations that insure or administer a group product and these companies have \$100 million of premium sales and \$520 million of in-force premium.¹⁵
- From 1995 to 2000, individual premium sales grew at a compound average annual growth rate of 13 percent and individual in-force premium grew at a rate of 21 percent. Group insurance sales grew at a compound average annual growth rate of 35 percent and in-force grew at a rate of 16 percent.¹⁶

¹ Mulvey, Janemarie and Barbara Stucki, "Who will pay for the baby boomers' long-term care needs?" American Council of Life Insurance, April 1998, p. 3.

² Ibid

³ Ibid

⁴ "Who Buys Long Term Care Insurance in 2000?," prepared for the Health Insurance Association of America by LifePlans Inc., October 2000.

⁵ Lewin-VHI, in "Long-Term Care: Knowing the Risk, Paying the Price," Health Association of America, 1997, p. 12.

⁶ Ibid

⁷ Conning & Company, *Long-Term Care Insurance — Baby Boom or Bust?*, 1999, page 13.

⁸ U.S. General Accounting Office, Testimony on Long Term Care, "Baby Boom Generation Increases Challenge of Financing Needed Services," March 27, 2001.

⁹ Ibid

¹⁰ Ibid

¹¹ U.S. General Accounting Office, Testimony on Long Term Care, "Baby Boom Generation Increases Challenge of Financing Needed Services," March 27, 2001.

¹² MetLife Mature Market Group. 1997. MetLife Study of Employer Costs of Working Caregivers. Metropolitan Life.

¹³ Ibid

¹⁴ Ibid

¹⁵ Douglas, Jennifer, "Long Term Care Insurance: Trends and Outlook," LIMRA International, 2001, p. 4.

¹⁶ Ibid