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## Long-Term Care for Farmers and Ranchers

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# CORNHUSKER ECONOMICS

## Long-Term Care for Farmers and Ranchers

Market Report	Yr Ago	4 Wks Ago	2/18/11
<b><u>Livestock and Products,</u></b>			
<b><u>Weekly Average</u></b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$90.21	\$106.00	\$109.41
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. ....	121.04	146.00	139.00
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. ....	102.92	126.30	131.00
Choice Boxed Beef, 600-750 lb. Carcass. ....	144.58	172.52	167.75
Western Corn Belt Base Hog Price Carcass, Negotiated. ....	66.10	74.05	80.36
Feeder Pigs, National Direct 50 lbs, FOB. ....	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean. ....	69.24	85.52	89.87
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct. ....	*	159.50	162.62
National Carcass Lamb Cutout, FOB. ....	253.88	344.95	355.28
<b><u>Crops,</u></b>			
<b><u>Daily Spot Prices</u></b>			
Wheat, No. 1, H.W. Imperial, bu. ....	3.88	7.41	7.80
Corn, No. 2, Yellow Omaha, bu. ....	3.50	6.28	6.86
Soybeans, No. 1, Yellow Omaha, bu. ....	9.19	13.50	13.41
Grain Sorghum, No. 2, Yellow Dorchester, cwt. ....	5.36	10.54	11.50
Oats, No. 2, Heavy Minneapolis, MN, bu. ....	2.30	3.86	4.15
<b><u>Feed</u></b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. ....	135.00	140.00	140.00
Alfalfa, Large Rounds, Good Platte Valley, ton. ....	87.50	88.00	72.50
Grass Hay, Large Rounds, Premium Nebraska, ton. ....	*	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average. ....	103.00	195.00	*
Wet Distillers Grains, 65-70% Moisture, Nebraska Average. ....	35.50	66.00	*
<b>*No Market</b>			

The population of the United States is aging. There will be 2.5 million Americans who will have their 65<sup>th</sup> birthday in 2011, which equates to nearly 7,000 per day. By the end of the year we should have 41 million Americans over the age of 65. The potential cost of long-term care and the impact on the farm business is a significant concern for many Nebraska farmers and ranchers. Many have become increasingly aware of how easily the cost of long-term care can wipe out a lifetime of savings, or hamper the transfer of a family farm, ranch or business to future generations.

### What are the costs of long-term care?

When examining costs of long-term care one should consider not only the potential cost of nursing home facilities, but also other paid alternatives such as assisted living or adult day care, as well as the unpaid options, such as home and community based care provided by family, friends, neighbors or volunteers.

There were approximately 16,000 nursing home facilities in the United States according to 2009 data. The cost for nursing home care varies widely by location. Rural areas tend to be somewhat less expensive than urban areas. Recent surveys of Nebraska nursing homes indicate the cost of a semi-private room ranges from \$113/day to \$217/day, for an annual average cost of \$56,940/year. The cost of a private room ranged from \$118/day to \$240/day, for an annual average cost of \$62,050/year. The national annual average cost of a semi-private room is \$74,825. The national annual average cost of a private room is \$83,585. In addition to the base rate, most nursing homes charge extra for any additional care or services that may be needed.

There were approximately 39,500 assisted living facilities in the United States in 2009. Assisted living

provides a somewhat less costly alternative. Assisted living facilities provide an apartment-like atmosphere with a central meal service. Individualized assistance is typically available for cleaning and other personal care needs. Recent surveys indicate the cost of care in an assisted living facility in Nebraska ranges from \$1,600/month to \$3,620/month, for an annual average cost of \$32,568/year. The average national annual cost for an assisted living facility is \$39,516/year.

A relatively recent addition is the adult day care alternative. Under this option a loved one, friend, neighbor or volunteer would pick-up the individual that needs assistance and drop them off at the adult day care center. Rates in Nebraska range from \$17/day to \$155/day. Although this alternative may appear somewhat less expensive, remember to consider the housing, the transportation to and from adult day care, as well as the time commitment from a family member, neighbor or volunteer.

Living in one's home is usually preferred for as long as possible by most individuals. A health aide or a homemaker aide can be hired to come in to provide needed assistance on an "as needed" basis. Average cost for an aide is around \$20/hour. Remember, when comparing the total out-of-pocket costs you should include a charge for housing, health care professional assistance and food.

Home and community based care provided by family, friends, neighbors and volunteers may, on the surface, appear to be the least expensive option. However, one must consider the time commitment, added stress and opportunity cost for the person providing the care or transportation.

### **What are the risks of needing long-term care?**

- About 70 percent of individuals over age 65 will require at least some type of long-term care services during their lifetime.
- Over 40 percent will need care in a nursing home for some period of time.
- Estimates indicate that this year, about nine million Americans will need some type of long-term care services. By 2020, that number is projected to increase to 12 million.
- Approximately 1.7 million Americans currently reside in nursing homes.
- Sixty percent of nursing home residents are over the age of 65.
- Twenty-seven percent stay in the nursing home less than three months,
- Twenty percent stay three months to one year.
- Thirty-four percent stay one to five years, and
- Nineteen percent stay more than five years.

### **Planning for the cost of long-term care?**

It is difficult to accurately predict future long-term care costs. Health care costs have been rising at a faster rate than most other areas of the economy. Thus, the funds needed to offset the costs of long-term care are also very difficult to predict. Currently, \$6,000/month to \$8,000/month is a planning point.

- **Providing for long-term care through income or a reduction of assets:** Individuals have a variety of sources that can be drawn upon to help provide the income to pay for long-term care, if the need arises. Most people have some income from retirement sources, such as Social Security, pensions or other retirement accounts. Many receive income in the form of dividends, interest, rents, installment sales contracts, reverse mortgages and profits from their farms or businesses. If income alone is adequate to pay potential long-term care costs, the preservation of assets should be possible and the desire to pass an inheritance to the heirs will not be adversely affected. If income alone is not adequate, then assets will need to be liquidated and the proceeds used to pay long-term care costs.
- **Providing for long-term care through the use of Long-term Care Insurance, also called Nursing Home Insurance:** Should you buy long-term care insurance? One question to consider concerns the cost of the premiums, the amount of your disposable income and financial situation. For those who wish to purchase long-term care insurance, most experts advise spending no more than five percent of disposable income on premiums. Premiums paid for long-term care insurance are determined by the age, health and domicile of the applicant. The length of benefit payments and the daily payment amount represent the most expensive features in long-term care insurance. Other factors that contribute to premium rates include:
  - Are payment benefits restricted by the periods of confinement?
  - Is home care, assisted living and adult day care coverage included?
  - What are the "triggers" or covered events that activate payments to the policy owner?
  - Is there an elimination period included before payment begins, such as 0, 20 or 100 days, the most common periods in which no payment is made under a policy? (This elimination period amounts to a deductible.)
  - Is there an inflation rider that increases coverage as time passes?
  - Is indemnity paid out on a dollars/day basis or as a reimbursement of incurred expenses?

- Is there a waiver of premium option that allows the owner to stop paying premiums once a nursing home stay begins?
- Is there a premium refund option that would return all or part of the premiums paid if benefits are not needed?

When buying nursing home insurance it pays to shop around. Find the answers to the above questions. Companies vary and most offer several products with a vast array of features and options. Find a reputable company with a good track record. Choose the policy that best fits your situation, at a price that you can afford. And remember, the Nebraska Long-Term Care Insurance Act regulates long-term care policies. Among the most important regulations of this Act are: insurance policies may not require prior hospitalization before nursing home care is covered; Alzheimer's and related diseases may not be excluded from coverage; and policies may not provide coverage for skilled care only.

In Nebraska, there exists a Long-Term Care Ombudsman Program which is administered by the Department of Health and Human Services through its Aging and Disability Services. The Program serves as the advocate for long-term care facility residents. Ombudsmen investigate any concern on behalf of a long-term care facility resident, and mediate and negotiate to resolve the complaint to the resident's satisfaction. The Ombudsmen Program may be reached at:

HHS Aging and Disability Services  
Office of the Long-Term Care Ombudsman  
P.O. Box 95044  
Lincoln, NE 68509-5044  
Phone: (402) 471-2307  
1-800-942-7830 (Nebraska only)

- **Providing for long-term care in the absence of income, assets or insurance:** Medicaid acts as a safety net for those that are not otherwise able to provide for the expenses incurred through long-term care. To qualify for Medicaid, individuals must meet a strict series of eligibility requirements. Tests regarding status, resources and income must all be met before Medicaid will step in to pay for nursing home costs. Originally designed as a program for the impoverished, state and federal Medicaid funds are available only after all other sources are exhausted. Federal budgeting issues suggest the potential for changes to occur in the Medicaid eligibility requirements.

Long-term care for an aging population will become increasingly important to the stability of Nebraska's farms, businesses and communities. An extended nursing home stay may have an extremely serious impact on a family farm or business. Individuals must carefully weigh the costs and the risks associated with such a stay. Education and planning can assist parents and their families with the process of transferring farms, businesses and estates to the next generation.

#### Sources:

- U. S. Census Bureau, Current Population Survey
- AARP Foundation
- Center for Disease Control and Prevention
- National Center for Health Statistics
- National Vital Statistics System
- American Society on Aging
- Family Caregiver Alliance
- Administration on Aging
- U. S. General Accounting Office
- MetLife, Mature Market Institute, Market Survey 2010
- U. S. Department of Health and Human Services
- National Association of Area Agencies on Aging

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