

# Informal care giving and home health care

The crisis facing America

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Informal caregiving is facing a crisis in America — “baby boomers” are aging into retirement, and with that is the increasing need for senior services and long-term care (LTC) supports. The boomers thus far 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 **74%** of 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 that will need HHC services — estimated to be **120 million by 2024**.<sup>2</sup> To make matters worse, turnover rates are high in the home care industry, exceeding 70%.<sup>2</sup> Thus, the HHC industry is bracing itself for a shortage of labor to fill the much needed caregiving positions.

That could bring a greater need for **informal caregivers** to step in and provide help in order to keep an individual from being forced into a facility simply because professional care services at home were not readily available. But the people charged with these tasks may not be able to financially afford to step away from a job or even reduce working hours.



**By 2024, it is estimated that there will be a critical lack of home health care workers.<sup>2</sup>**



**25% of informal caregivers are millennials who have less income and assets than their parents did at the same stage in life.<sup>2</sup>**

### What is an informal caregiver?

Simply put, it is an unpaid individual — usually a spouse or partner, family member, friend or neighbor — who assists an individual in need of help with activities of daily living (ADLs) or other living and medical needs. Some of these needs may be what are called instrumental activities of daily living (iADLS). This care is usually given in a home setting.

#### Activities of daily living

Bathing	Dressing
Eating	Transferring
Toileting	Continence

#### Instrumental activities

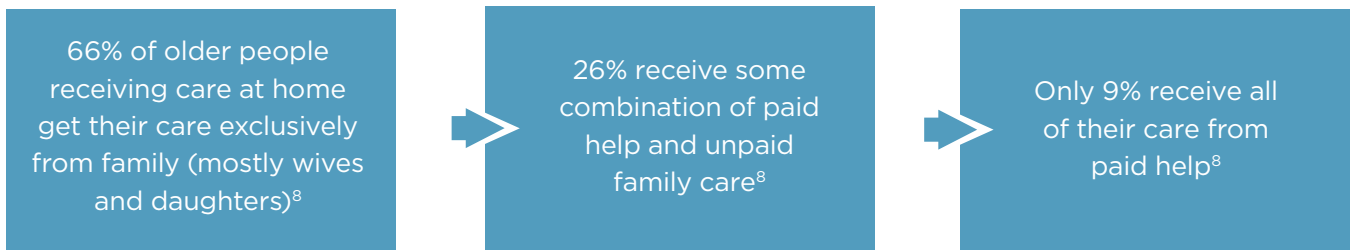
Household chores	Meal preparation
Managing money	Paying bills
Shopping	

**The resulting cost to people providing informal care is more than double the cost of HHC and facility care combined**



**To put those numbers in perspective, there is more overall cost to informal care than the total sales for Walmart in 2016 (\$482 billion)<sup>7</sup>**

## Who is providing home care?



People may perceive informal care as being “free”, but in reality there is a big cost connected to the sacrifices family or friends make to provide care. The cost to caregivers includes:

- Economic
- Time
- Health

## Economic impact to caregivers

The average caregiver is a married 49-year-old female who is employed.<sup>8</sup> Caregiving reduces paid work hours for these women on average of 41% and results in other career sacrifices in the form of passed up promotions, taking a leave of absence, quitting their job entirely or retiring early.<sup>8</sup> Individuals returning to work when caregiving ends often wind up in jobs with less pay and less in benefits than the job they previously held. In addition, caregivers generally have out-of-pocket expenses relating to their caregiving responsibilities. This adds up to a large economic sacrifice.

- \$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>
- \$303,880 — caregiver’s average loss over a lifetime in lost wages and benefits<sup>8</sup> (Men — \$283,716; Women — \$324,044)

## Time spent caregiving

Caregivers often invest significant 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 time, in total, an individual devotes to caregiving<sup>10</sup>
- 30 billion hours — the total number of hours spent in the U.S., per year, on informal caregiving<sup>10</sup> (22 billion hours are performed by people with full time jobs)

## Health impact to caregivers

Economic and time challenges coupled with the physical and emotional stress associated with caregiving can impact the health of the caregiver. There are four health concerns<sup>8</sup> to which informal care givers are more susceptible:



- Caregivers are **2x** more likely to say their overall health is poor vs. the general population<sup>11</sup>
- **40% of sole caregivers** predecease the patient for which they are caring<sup>12</sup>

## Meeting the challenge

How can advisors help clients address some of these challenges? That's where long-term care insurance coverage can help. Any type of LTC coverage can provide additional funds to help cover the cost of qualifying LTC expenses; and possessing funds for LTC leaves an individual with more care options outside of depending on family or friends. However, when discussing LTC coverage with a client, the advisor should ask what type of care is desired. Clients expressing interest in paying family members or unlicensed caregivers, or looking at alternative care services for their LTC needs may want to consider a cash indemnity policy.

## Cash indemnity – looking at value vs. price

When you consider the policies available, what is worth more — a reimbursement policy with more potential benefit dollars or a cash indemnity policy paying the full available monthly benefit with no restrictions on use? A reimbursement policy “may” pay for alternative care services if the insurance company chooses to approve the expenditure, but they generally do not reimburse for the cost of care provided by an immediate family member or for care from unlicensed caregiver (which can be less expensive).

However, cash indemnity LTC benefits can be used 100% without restriction from the insurance company; thus the policy owner can pay their daughter, niece or other family member, or a friend to care for them. This could help replace some or all of the income the caregiver may have to sacrifice in order to take on the caregiving responsibilities.<sup>13</sup> In addition, there is a future value to cash indemnity benefits — paying for the unknown. As other creative solutions to LTC services and supports come into being (for example non-human help such as robots), cash indemnity benefits will be there ready to pay for what is needed. Thus, some clients may find more value in a policy whose benefit pool is open to any and all care options without need for approval from the insurance company.

LTC services and supports are likely to continue evolving into the future to meet the ever changing needs people will face as the shift in the LTC work force takes place. Owning a cash indemnity LTC solution is one way to prepare for changes and have flexible funding to pay for accessible care.



- <sup>1</sup> Health Care and Long-term Care Study, presented by Nielsen for Nationwide, Nov. 2015.
- <sup>2</sup> [www.1800homecare.com](http://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
- <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> The Opportunity Costs of Informal Elder-Care in the United States; Health Services Research, June 2015
- <sup>7</sup> [www.statista.com/statistics/183399/Walmart-net-sales-worldwide-since-2006/2016](http://www.statista.com/statistics/183399/Walmart-net-sales-worldwide-since-2006/2016)
- <sup>8</sup> Family Caregiver Alliance, National Center on Caregiving, February 2015
- <sup>9</sup> AARP Study, "Family Caregiving and Out-of-Pocket Costs: 2016 Report"
- <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> Careing.com, Ron Kauffman - "I'm Losing Myself Being a Caregiver", October 16, 2016
- <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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