

Are Personal Care and Skilled Nursing Really More Expensive Than Remaining at Home?

As the baby-boom generation prepares to explode into retirement, more and more boomers are examining the potential impact a long-term illness or disability could have on their financial independence. These days, there are nearly as many opinions on how best to prepare for such an event as there are people exploring the possibilities. Unfortunately, a lot of misinformation accompanies the mountains of articles and online resources that address the subject. One prevailing misconception is that the cost of moving into a Personal Care or Nursing Home is more expensive than staying at home. As you'll soon discover, this theory should be tested and not simply taken at face value.

Let's begin by taking a look at some relevant statistics.

Seventy-five percent of individuals over the age of 65 will need long-term

care services at some point during their lifetimes.¹

Currently, the average length of a Nursing Home stay is roughly 2.5 years.² It is estimated that members of the baby-boom generation will need double (or more) that amount – between four and six years of skilled-nursing care – during their lifetimes.

In 2006, 62 percent of the one-million Americans above the age of 85 who were considered at “high risk” for needing nursing care had only enough money to cover one month or less of such care.³ Given the recent economic crisis and presuming these postulations hold up, it will be extremely important to understand the costs associated with an event that is 120 plus times more likely to occur than an insurance claim for a car accident.⁴

When it comes to accommodations in your senior years, there are several

options, both inside and outside your primary residence. The four most common care service arrangements include:

- **Personal Care** – Also commonly known as Assisted Living, Personal Care provides housekeeping, laundry, three meals a day and supervision, as needed. Personal Care also provides occasional assistance with Activities of Daily Living (ADLs, which include eating, toileting, dressing, bathing, transferring and continence), scheduled activities, transportation and more.
- **Skilled Nursing** – Also commonly known as Nursing Home Care, Skilled Nursing offers nursing and rehabilitative care through the supervision of skilled medical professionals on a 24-hours-a-day, seven-days-a-week basis. Individuals commonly in Skilled Nursing need daily assistance with their ADLs.
- **In-Home Care** – In-Home Care services are provided in one's residence by a non-medical provider. Meal preparation, minimal assistance with ADLs, running errands and scheduling appointments are a few of the many services In-Home Care providers offer.

• **Live-In Care** – Live-in Care involves having a non-medical caregiver live with the care recipient. The person receiving the care is responsible for providing the caregiver with a bedroom and meals. Services similar to In-Home Care are offered to the care recipient.

The typical costs associated with these various accommodation arrangements are found in the chart to the left. Your costs may

	Personal Care ⁵ (private room)	Skilled Nursing ⁶ (semi-private room)	In-Home Care ⁷ (8 hrs/day, 7 days/week)	Live-In Care ⁸ (care companion living with care receiver)
Monthly Fee	\$3,263	\$6,780	\$4,800	\$4,350
Mortgage / Rental	0	0	?	?
Real Estate Taxes	Included	Included	\$300	\$300
Utilities (Electric, Gas, etc.)	Included	Included	\$125	\$125
Home Owners Insurance	N/A	N/A	\$100	\$100
Security Service	Included	Included	\$50	\$50
Laundry and Housekeeping	Included ⁹	Included	\$75	\$75
Meals / Groceries	Included	Included	\$400	\$600
Activities and Entertainment	Included	Included	\$100	\$100
Fitness	Included	Included	\$40	\$40
Telephone	\$35	\$35	\$35	\$35
Cable	Included	Included	\$35	\$35
Internet	Included	Included	\$35	\$35
Water and Garbage	Included	Included	\$50	\$50
Lawn and Garden	Included	Included	\$50	\$50
Home Maintenance and Repairs	Included	Included	\$75	\$75
Car Maintenance, Car Insurance and Transportation	Included	Included	\$125	\$125
Medical Alert	Included	Included	\$35	\$35
Total Monthly Cost of Living	\$3,298	\$6,815	\$6,430	\$6,180

vary, and I encourage you to take a look at your situation and replace the assumed values for the costs you currently incur.

Of course, not every expense is listed in the chart, but as you can see, the costs for staying at home can easily outpace the cost of moving into a Personal Care or Skilled Nursing setting.

It is also important to remember that Personal Care Homes increased their rates approximately 13 percent from 2006 to 2008, the largest cost-of-care increase, while Skilled Nursing facilities' rates increased approximately seven percent over the same period. In-Home Care providers experienced the smallest rate increase – five percent. According to the survey performed by Prudential in 2008, almost half of the Assisted Living facilities and Nursing Homes expect to raise their rates over the next year, while one in four home healthcare agencies expect to increase costs in 2009.¹⁰ These cost increases should be weighed against what you expect the inflationary pressures of the economy to do to your current expenditures.

Regardless of which path you choose, it is paramount that you are financially prepared to pay for any services that may be needed. With the recent changes in Medicaid laws, special long-term care insurance plans can now offer guaran-

teed protection of your assets in the event you require care that your assets cannot accommodate. Consult your financial planner, estate-planning attorney and geriatric consultant to ensure that you are prepared for retirement living, as well as the seeming likelihood of some level of care in your future. For more information on the personal financial considerations, please refer to *Lancaster County* magazine's August 2008 *Caregiving 101* column, "How Are We Going to Pay for These Services?" (www.pavelko.org/news).

If you decide to take the leap and move into a non-Home Care arrangement, it is a transition that often benefits both you and your family. For those who would otherwise rely on family members for care, nearly all family caregivers find peace of mind knowing that their loved one will be under supervision 24 hours a day, seven days a week. From the financial side of that equation, studies suggest that the cost of informal caregiving in terms of lost productivity to U.S. businesses is \$11 billion to \$29 billion annually.¹¹ Productivity is not the only loss; lost wages, Social Security benefits and pension benefits for caregivers average over \$600,000 per person over the period of caregiving.¹²

It can take several weeks or even months for an individual to adjust to a

community; however, once an individual has made the transition, he or she may find the vast array of activities, socialization with others, nutritious meals and daily assistance to be extremely beneficial. Many individuals report feeling healthier, more social and generally happier. People with similar interests, values and points of view can make all the difference in the quality of life you maintain during your golden years.

If you are in or approaching retirement, I hope that you will seriously consider these facts and engage in some exploration of your own situation to see which of the various levels of care are appealing to you and which of the levels are most cost-effective. ❖



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families by assisting them in making certain all of the resources are being utilized that best meet an individual's needs. PSCS acts as an advocate and navigator for seniors, and helps them and their family members make wise decisions regarding the care that they desire and deserve. For more information, contact PSCS at 717-517-8871, e-mail at info@pavelko.org or visit www.pavelko.org.

1. LTCtree.com Staff Research 2007
2. Genworth Financial 2006 Cost of Care Survey, March 2006
3. Genworth Financial 2006 Cost of Care Survey, March 2006
4. Genworth Financial 2006 Cost of Care Survey, March 2006
5. Prudential's Long-Term Care Cost Study Research Report 2008, average cost of Assisted Living in PA
6. Prudential's Long-Term Care Cost Study Research Report 2008, average cost of Skilled Nursing in PA
7. Prudential's Long-Term Care Cost Study Research Report 2008, average cost of Home Health Care in PA
8. Based on 2009 Figures provided by Live in Care of PA
9. Most communities offer laundry, housekeeping and a social room with cable TV. Some communities will charge a fee for laundry services and if one desires cable TV in their own room, often there is a small fee incurred.
10. Prudential's Long-Term Care Cost Study Research Report 2008
11. Family Caregiver Alliance (www.caregiver.org)
12. Family Caregiver Alliance (www.caregiver.org)