

# New Hampshire's system of long-term care: Unaffordable and Unsustainable

We can reform the system to make it more efficient and provide our elders with cost-effective choices they want and deserve.

New Hampshire is aging. The 60+ population is expected to swell from 262,047 today to 419,080 in 2020 and then jump to more than 504,000 by 2030.<sup>1</sup>

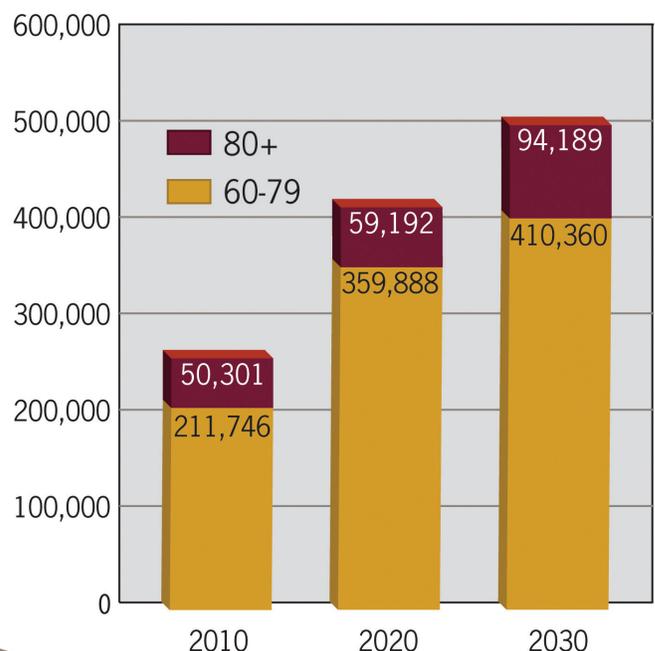
That means the number of people in the state over the age of 60 is projected to grow from a number equaling the combined populations of Manchester, Nashua, Concord and Keene – to a number equaling the combined populations of Manchester, Nashua, Concord, Keene, Portsmouth, Dover, Laconia, Berlin, Hudson, Lebanon, and Rochester – in less than ten years!

Stop for just a moment and think about the substantial implications this growth has for public policy, especially how New Hampshire supports and funds a system of care to meet the needs of this older population.

What we are facing is both a challenge and an opportunity. While the number of residents over the age of 80 – with their higher health care needs – will double, so will the number of healthy, active residents between the ages of 60

and 79. This latter group represents a tremendous resource in terms of expertise and volunteer capacity, and they have a history of community involvement, in which they have worked with frail seniors, children, nonprofits and local governments. Through their volunteerism, they will help us rise to the challenge of meeting the long-term care needs of those 80+. Their service must be part of the solution.

Our aging population presents both a challenge and an opportunity.



## Not their needs – *our* needs.

The growing segment of our 60+ population are people just like you, just like your family members, just like your neighbors. They have worked hard, raised families, volunteered, and been active and productive members of their communities. They've been self-sufficient and self-reliant and want to remain independent as long as possible.

At a certain point, many of us will need help due to declining health and age-related issues. Many of us have the financial resources – as well as family and friends – to assist us in being independent as long as possible and to remain in our homes and in our communities. Some of us are not as fortunate.

## What is long-term care?

Long-term care is a variety of services and supports necessary to meet health or personal care needs over an extended period of time. Most long-term care is non-skilled personal care assistance – help performing activities of daily living such as eating, bathing, dressing, transferring to

Most of us will need the assistance of New Hampshire's long-term care system at some point in our lives. But the current system is neither sustainable nor cost-effective. It favors more expensive institutional care over more desirable and cost-effective home- and community-based care.

The time has come to rebalance our long-term care system in order to give people the care they want and need, in the setting of their choice, at a lesser price. The cost of inaction is too great, especially with our aging state.

or from a bed or a chair, using the toilet or caring for incontinence.

The goal of long-term care services is to help people function and maintain their independence when they are unable to fully care for themselves.

## Who needs long-term care?

Long-term care is needed when someone has a chronic illness or disability that causes them to need assistance with activities of daily living. Their illness or disability could include a problem with memory loss, confusion, or disorientation.

According to the U.S. Department of Health and Human Services National Clearinghouse for Long-Term Care Information, about 70% of individuals over age 65 will require at least some type of long-term care services during their lifetime. Over 40% will need care in a nursing home for some period of time.

The bulk of those who need this care will need it from the age of 80 onward.

It is difficult to predict how much or what type of care any one person might need. On average, according to the Clearinghouse for Long-Term Care Information, someone age 65 today will need some long-term care services for three years. Service and support needs vary from one person to the next and often change over time.

Women need care longer than men (3.7 years vs. 2.2 years, on average.) While about one-third of today's 65-year-olds may never need long-term care services, 20% will need care for longer than five years.<sup>2</sup>

When someone needs long-term care, they may need one or more of the following:

- Care or assistance with activities of daily living in their home from an unpaid caregiver who is usually a family member or friend.
- Care at home from a nurse, home health aide, therapist, or homemaker.
- Care in the community.
- Care in a variety of long-term facilities, such as a nursing home.

Services provided by caregivers who are family or friends are generally unpaid and are sometimes called *informal care*. Paid services are sometimes referred to as *formal care*. Paid services often supplement the care provided by family and friends.

The goal of long-term care is to help people maintain their independence at a time when they are unable to fully care for themselves.

## How do care needs change over time?

Many people who need long-term care develop the need gradually. They may begin needing care only a few times a week or one or two times a day, such as help with bathing or dressing. Care needs often progress as we age or as a chronic illness or disability becomes more debilitating, causing one to need care on a more continual basis, such as help using the toilet or ongoing supervision because of a progressive condition such as Alzheimer's disease.

Some people need long-term care in a facility for a relatively short period of time while recovering from a sudden illness or injury, and then may be able to be cared for at home. Others may need long-term care services on an ongoing basis as in someone who is disabled from a stroke.

Some people may need to move to a nursing home or other type of facility-based setting for more extensive care or supervision if their needs can no longer be met at home.<sup>2</sup>

### The continuum of care over the long term



## How much does long-term care cost?

Formal (professional/paid) long-term care is expensive. One year of care in a nursing home, according to the NH Department of Health and Human Services, costs about \$245 per day or more than \$89,000 per year for a semi-private room for a private-pay patient. The average paid by Medicaid in New Hampshire for a year of care in a nursing home is lower, approximately \$66,203.

On the other hand, one year of care at home, assuming a person needs periodic personal care from a home health aide for a few hours

(the average is about three times a week),<sup>2</sup> costs about 60% less than cost of nursing home care for a person paid for by Medicaid or private-pay.

When you consider that an elder at home is independent and still contributing to the local economy by paying rent or property taxes, utilities and other services, the case for in-home and community-based care becomes even more attractive.

Care is expensive, but more cost-effective at home

	Medicaid (yearly)	Private Pay (yearly)
Nursing Home	\$66,203	\$89,000
Care at Home	\$25,401	\$36,900

## Who pays for long-term care?

Consumer surveys have revealed common misunderstandings about which public programs pay for long-term care services. Medicare only pays for long-term care if someone requires skilled services or recuperative care for a short period of time. Medicare does not pay for what comprises the majority of long-term care services – non-skilled assistance with activities of daily living.

Medicaid pays for the largest share of long-term care services, but only for those who meet strict financial and functional criteria. Currently the federal government pays for half of the cost of Medicaid to the states and in New Hampshire the counties pay the other half of long-term care Medicaid expenditures. A brief overview of these programs follows.

### Medicare

Medicare is a federal program designed to cover health care for people age 65 and older and people under age 65 with certain disabilities. It only covers medically necessary care and focuses on medically acute care (doctor visits and hospital stays) or short-term services for conditions expected to improve.

Generally, Medicare does not pay for most long-term care. Medicare does not pay for personal or custodial care (help with activities of daily living), which is the greatest part of long-term

care services. Medicare will help pay for a limited skilled nursing facility stay, hospice care or home health care if a person meets certain conditions.

### Medicaid

Medicaid is a joint federal and state government program that helps pay medical costs for some people with limited incomes and resources. People with Medicaid may get coverage for services such as nursing home and home health care if they meet the eligibility requirements.

Medicaid was originally designed to provide health care to poor families, children, the aged, and the disabled. Over time, the number of people served, as well as the cost of serving those people, has increased dramatically. A large part of that growth has been the number of people receiving long-term care services and the cost of providing those services.

Medicaid pays for nursing facility services for all eligible people as well as home health care for those who would need to be in a nursing home if they did not receive the home care services.

However, not every nursing home or health care provider accepts Medicaid patients. Some facilities choose only to provide care to private-pay patients. Others may not participate in the Medicaid program because they do not comply with Medicaid standards.

## What kind of long-term care services do people want?

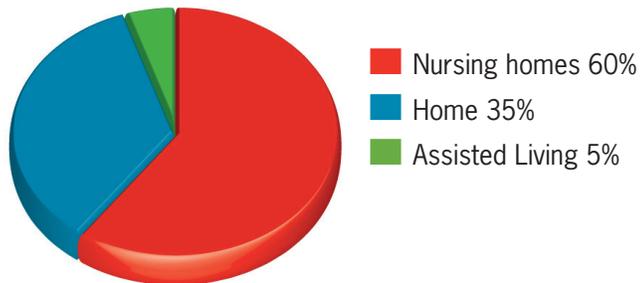
Consumers are expressing a strong desire for home- and community-based long-term care services. A recent survey of Granite Staters 50+ found over 9 out of 10 expressed that it is important to stay in their home as they get older.<sup>3</sup>

So, people prefer home- and community-based services and these services are good for the state's pocketbook and our communities. But New Hampshire's current long-term care system spends over 80% of its long-term care budget for the more costly facility care.

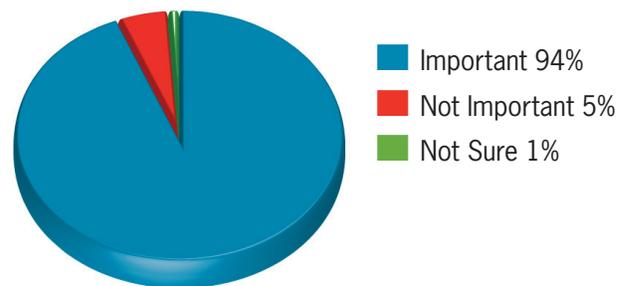
It's time for change. While the system we have in place today may have met our needs in the past, we must rebalance our system of long-term care to meet our needs for the future.

The time has come to shift from a system that favors institutional care to one that favors less expensive home- and community-based care; to support volunteers that augment formal long-term care services; to support community-based programs such as Meals on Wheels; and to strengthen our informal networks and caregiver supports.

Where people on Medicaid receive services<sup>11</sup>



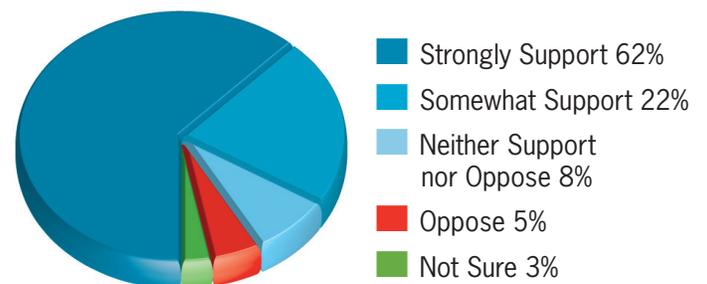
Importance of aging in one's own home



## Why redirect funds toward home- and community-based services?

Additionally, more than eight in ten Granite Staters 50+ support shifting some of the long-term care funding so a greater percentage of funding goes to home- and community-based services.<sup>3</sup> Currently, about 80% of the long-term care funding in New Hampshire goes to nursing homes, and less than 20% goes to home- and community-based services.<sup>4</sup>

People strongly support change in funding priorities



## If we rebalance, will people come out of the “woodwork?”

There is a perceived barrier to enhancing Medicaid coverage of home- and community-based services called the “woodwork effect.” Some policy makers believe that if Medicaid coverage for home- and community-based care were widely available, many people – who now rely on unpaid help from family and friends – will “come out of the woodwork” to ask for coverage for their needs, and drive up the costs of long-term care.

A study by the Policy Resource Center concluded that while the total number of individuals who access Medicaid long-term care services might increase, expanding the availability of home- and community-based services makes sense for the following reasons:

- 1) Any woodwork effect in New Hampshire would be relatively minor because of the state’s low poverty rate and disability rate.
- 2) Even though an increased number of people might receive services, the total cost to the

state’s Medicaid program would decrease because of the much lower cost of home- and community-based care vs. institutional care.

- 3) A stronger home- and community-based care system would encourage private-pay individuals to use it, which would avoid Medicaid estate planning and premature spend-down for Medicaid eligibility.
- 4) A stronger home- and community-based care infrastructure would support informal (unpaid) caregiving and serve more individuals who need long-term care assistance.<sup>5</sup>

In addition, an analysis of state-by-state Medicaid long-term care spending for 1995-2005 shows that spending growth was greater for states offering limited non-institutional services than for states with large, well-established non-institutional programs. Expansion of home- and community-based services appears to entail a short-term increase in spending, followed by a reduction in institutional spending and long-term cost savings.<sup>6</sup>

## How does informal caregiving and volunteering fit into the long-term care system?

Unpaid caregivers remain the backbone of the long-term care system.

A 2004 study by the National Alliance for Caregiving and AARP estimates that 21% of the U.S. population provides unpaid care to family and friends age 18 and older, such as help with activities of daily living. The study found that the typical caregiver is a 46-year-old female who provides more than 20 hours of care each week to her mother. Six in 10 caregivers are employed and nearly 39% are male. The average care recipient is 75, over half (55%) live in their own homes, and one out of four live alone.<sup>7</sup>

A New Hampshire survey commissioned by AARP in 2010 found that nearly one out of every three adults (31%) has provided unpaid care to an adult relative or friend during the last year, a figure much higher than the national average of 21%.<sup>12</sup>

While this care is unpaid, its value has been estimated nationally at \$350 billion dollars per year, roughly as much as the total national spending for the Medicare program.<sup>5</sup> In New Hampshire, nearly 220,000 family caregivers provided unpaid care, with an annual value of \$1.83 billion.<sup>8</sup>

The value caregivers bring to those who receive care – and to the long-term care system – is evident. Building support services for caregivers will be a vital component for the future

sustainability of the system. AARP's 2010 survey respondents said that the most important caregiving support service to help them in their personal and professional lives was a flexible work schedule (81%), followed by a list of community caregiving resources so they know where to find help (74%). Other important support services included having Meals on Wheels delivered to a friend or loved one (68%), respite services (68%), having an outside service provide transportation for a loved one (61%), and availability of adult day care (53%).<sup>7</sup>

Senior volunteers are part of the solution.

New Hampshire residents age 55 and older are taking ownership of today's challenges and making themselves part of the solution as they lead the way for future volunteers. Annually, nearly 3,400 Senior Corps volunteers provide more than 645,000 hours of service throughout the state. AARP members in New Hampshire agree – 70% have indicated a desire to volunteer to help solve problems.

Community-based programs such as Meals on Wheels, Senior Companion and the Retired Senior Volunteer Program (RSVP) provide a cost-effective solution to the long-term care challenge. These senior volunteer programs return hundreds of thousands of dollars in volunteer time and experience to the community for the relatively small investment made to recruit, train and support these volunteers.

# What does the state of New Hampshire spend today on long-term care?

Investments in long-term care are predominately made through the New Hampshire Department of Health and Human Service budget. Outlined below are the specific line items within the

FY 2010-FY 2011 state budget dedicated to Medicaid and non-Medicaid long-term care programs and supports as well as the senior volunteer programs.

Budget Line	Service	FY 2010	% Total	FY 2011	% Total
<b>Facility Based Services</b>					
504	Nursing Home Payments	\$182,714,115		\$173,747,826	
505	Mid-Level (Assisted Living)	6,238,902		8,817,653	
514	Proshare	9,813,725		26,301,353	
516	Medicaid Quality Incentive	87,860,053		84,472,196	
	<b>Sub-Total</b>	<b>286,626,795</b>	<b>80%</b>	<b>293,339,028</b>	<b>79%</b>
<b>Home Based Services</b>					
506	Home Support Waiver Services	35,610,488		33,962,848	
529	Home Health Care Waiver Services	14,106,768		16,827,088	
7872	Administration on Aging Grants	11,101,459		15,427,614	
9255	Social Services Block Grant	10,096,956		10,841,532	
	<b>Sub-Total</b>	<b>70,915,671</b>	<b>20%</b>	<b>77,059,082</b>	<b>21%</b>
<b>Volunteer Services</b>					
9010	Volunteer Activities	57,465		31,813	
8919	Retired Senior Volunteer Program	126,762		73,295	
8918	NH Foster Grandparents	97,064		53,727	
	<b>Sub-Total</b>	<b>281,291</b>	<b>&lt;1%</b>	<b>158,835</b>	<b>&lt;1%</b>
	<b>Grand Total</b>	<b>\$357,823,757</b>		<b>\$ 370,556,945</b>	

## Why rebalance New Hampshire's long term care system?

New Hampshire's long-term care system is out of balance. More than 80% of the state's long-term care funding goes to institutional care – such as nursing homes – and only 20% to less expensive and more popular home- and community-based care. Additionally, more than eight in ten Granite Staters 50+ support shifting some of the long-term care funding so a greater percentage of funding goes to home- and community-based services.<sup>3</sup>

Given our aging population and a challenging budget and revenue picture in New Hampshire,

funding more home- and community-based services makes good public policy and sound financial sense. The current system may have met our needs in the past, but the numbers show that it won't in the future.

Rebalancing the state's system of long-term care will give people more choices, more flexibility, more control for quality of life and independence, while addressing the unavoidable state budget challenge of meeting the health care needs of a steadily growing elderly population.

## How do we rebalance the long-term care system?

1. Respond to the needs of the individual, not the needs of service providers.

As a 2009 AARP survey of its New Hampshire members found, the vast majority of people (70%) want to remain in their homes as they age and need care, but our current long-term care system is structured to place and serve our older people in nursing homes. Consumers should be at the center of deciding how, when, and where they receive long-term care services.

According to data from the NH Department of Health and Human Services, 60% of older residents receive care in nursing homes and only 35% receive care in their homes. Not only is this expensive and unsustainable over the long term, it's not what most people want or need.

2. Commission an independent analysis.

Policymakers need good data to make good decisions. A comprehensive analysis of the state's long-term care system, using county-level data aggregated to the state level, would be an invaluable tool for joint planning by a county/state long-term care finance commission. This work would help legislators understand the state-level priorities, financial strategies and county-level impacts of our long-term care system. In addition, individual county-level strategies could be determined based on the priorities, needs and financing strategies for a given county. Such an analysis would include, at a minimum, demographics, nursing bed utilization, community services such as family caregiver supports, home health Medicaid waiver services, home support Medicaid waiver services, services covered by the Older Americans Act, and Title XX services.

## How do we rebalance the long-term care system? *(continued)*

### 3. Prioritize community settings and consumer choice.

People want to receive services in their own homes or other community-based settings, rather than in institutional settings, and it's less expensive. A New Hampshire resident who is eligible for Medicaid may automatically receive nursing facility care (at a current cost of \$66,203 per year) but if that person wants to receive care at home or in the community (at a cost of \$25,401 per year) they face more administrative barriers and it takes longer to get the (less expensive) care they need.<sup>4</sup>

To rebalance the long-term care system in the state, we should begin to align current and future financial support with the need for home- and community-based care. In addition, adopting more efficient budget mechanisms, such as consolidating the long-term care line items within the state budget into a single line, will better position state agencies to respond to individual choice of long-term care services.

#### 4 Save money by integrating care for dual (Medicaid/Medicare) eligibles and others.

Individuals eligible for both Medicare and Medicaid are among the most vulnerable, highest need, and highest-cost beneficiaries in the U.S. health care system. Caring for these “dual eligibles” costs federal and state governments more than 35% of combined Medicaid and Medicare spending. One of the most challenging aspects of providing care for this population is that responsibility for administration, oversight, and financing for their services

is split between the federal and state governments. This has resulted in a system of care that is difficult to navigate, inefficient, and costly.<sup>9</sup>

One of the positive features of the Patient Protection and Affordable Care Act (ACA) passed by Congress was a significant shift in the government's interest in dual eligibles. It establishes the first legislation in decades to bring together Medicare and Medicaid and includes numerous provisions designed to improve service delivery and financing for this population. In addition, New Hampshire could potentially see financial savings from better care management that would otherwise be kept by multiple contractors or Medicare.

The new health law includes provisions that improve states' ability to coordinate waiver applications and renewals, and increases flexibility in the development of Health Homes and Accountable Care Organizations, promising new entities for integrated care.

New Hampshire should consider broadening its long-term care support system to include managed medical services for the dual eligibles and consider bridging these systems to integrate services.

In addition, an assessment of a managed care system in New Hampshire should include all those served by the Medicaid system including children, families, disabled adults and the elderly. Each proposed system and its component elements must be closely examined. Combining improved care management and cost containment can best be achieved by careful balancing to ensure quality and patient protection. This will result in savings for the state Medicaid program and be more cost effective for the state.

## How do we rebalance the long-term care system? *(continued)*

### 5. Make direct care a more viable work choice.

Across all long-term care settings nationally, direct care workers provide an estimated 70 to 80% of the paid, hands-on long-term care and personal assistance received by Americans who are over the age of 65 or who have disabilities or other chronic conditions.

The need for direct care workers, such as nursing assistants, home health aides and personal and home care aides, will skyrocket over the next decade and beyond. The challenge will be in attracting and retaining employees in a demanding field that pays modest wages (\$9-\$12 per hour) and offers limited benefits. The average direct care worker in New Hampshire working full time makes \$20,500 – roughly half the state’s median annual salary.<sup>10</sup>

Initiatives such as tiered or pay-for-performance agency reimbursement structures, rational rate setting, and training programs for direct care workers will help to address the projected workforce shortage in these fields.

### 6. Give unpaid caregivers a break.

Unpaid caregivers remain the backbone of the long-term care system. Continued support for family caregivers through two statewide respite care programs – the Family Caregiver Support Program delivered through ServiceLink and the Alzheimer’s Disease and Related Disorders grant program – provide a cost-effective way for family members to care for their loved ones at home longer.

### 7. Reinvigorate volunteer programs.

Programs like the Foster Grandparent, Senior Companion and Retired Senior Volunteer Program recruit, train and mobilize more than 3,300 seniors in the state each year. Not only do the programs provide meaningful community involvement for the participating seniors, the seniors contribute hundreds of thousands of volunteer hours, many assisting their peers with activities of daily living so they can remain independent at home, or volunteering at assisted living or other health care facilities.

In return for a modest investment in state funding, these programs provide a huge value to seniors and communities throughout the state. Not only do they recruit volunteers, they partially support themselves through community fundraising, further lowering the direct cost of the benefits they provide. Just \$157,000 in state funding leverages \$1.7 million in federal matching dollars and brings 650,000 hours of volunteer service to nonprofits, schools, and people across the Granite State.

Community-based programs such as Meals on Wheels, transportation services and adult day care rely in part on community volunteers and local fundraising to supplement state and federal funding. If we don’t support these programs, we move more people from the community-based informal system to the professional Medicaid system, which depends almost solely on state and federal funding and professional staffing.

Given the low wages paid to direct care workers, as well as the near certainty that public funding

## How do we rebalance the long-term care system? *(continued)*

will not increase to meet these needs, it is certain there will not be enough people in the traditional workforce to fill direct care positions in the traditional way.

As a state with a strong ethic of volunteerism, we can position ourselves to capitalize on services provided by volunteers and part-time older workers to support community-based programs

to meet the needs of seniors and others in our communities. We just need to make a modest investment in the infrastructure to recruit and train these volunteers.

Ironically, in the last state budget cycle, funding for senior volunteer programs was cut by 50%, jeopardizing nearly \$1.7 million in federal matching dollars and 650,000 hours of volunteer service.



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