

**How Prepared are Parents to Pay for Long-Term Care?
A Survey of Adult Children's Perceptions**

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Abstract

Paying for long-term care is an important economic issue for families. A survey of family and consumer science teachers provided information about their perceptions of parents' preparation to finance long-term care. A logistic regression showed that adult children's parents were more likely to be prepared if the elderly parent was a mother older than 75, more sources of information were used, a financial adviser was consulted, and long-term care insurance (LTCI) was purchased.

Purpose

Long-term care is defined as a wide range of medical, personal, and social services provided over a prolonged period of time for people who have some degree of physical or cognitive incapacity. Approximately 12.8 million Americans reported needing long-term care in 1997 (National Academy on Aging, 1997). The number of people needing long-term care is predicted to increase dramatically in the next 25 years when the baby boom generation enters the elderly years. Much of long-term care is unpaid care provided by family and friends. A survey by the National Alliance for Care Giving and the American Association of Retired Persons estimated that 23% of all households are involved in care-giving (Aldrich, 1997, p. 88). The survey showed that 73% of care-givers are female, and 64% of all care-givers are employed. While much is known and has been published about care-giving, there is little research about preparation to pay for long-term care (Hudson, 1997). Therefore, the purpose of this study was to examine preparation to pay for long-term care. Specifically, adult children were asked whether their parents were prepared to pay for their own long-term care.

Paying for Long-Term Care

Paid long-term care is covered primarily by Medicaid, out-of-pocket costs, and private insurance. In 1995, public programs financed about 57% of nursing home and home health care. Of these programs, Medicaid was the main source of publicly funded long-term care. Elders who have spent down their assets may be eligible to receive Medicaid

coverage. Before 1993, it was not uncommon for disabled seniors to transfer most of their assets to their children and then qualify for Medicaid. To curtail widespread abuses, Medicaid laws were changed to impose a 60-month "look-back" period to make sure applicants were not hiding assets before they were granted eligibility (Simonoff, 1998). The "look-back" period is 3 years (36 months) for gifts and other transfers of property and 5 years (60 months) for assets transferred to a trust ("What to expect," 1997). In 1995, Medicaid covered about 38% of long-term care costs while Medicare covered about 18%. Medicare was not intended to cover long-term care, but it does provide some post-acute care services.

In 1995 about one-third of all long-term care was paid out-of-pocket. Stum (1997) interviewed families about allocating resources when elders face long-term care. Out of 33 families with an elder in a nursing home, 32 of the families had used family or private resources to pay for care during part of the stay. A survey for Phoenix Home Life Mutual Insurance found that 40% of people with living parents said they support them financially or expect to in the future. This is an increase from 21% in 1994 (Shellenbarger, 1997, p. B1). Private insurance accounted for less than 6% of expenditures for nursing facilities and home and community based services in 1995 (National Academy on Aging, 1997).

Methodology

Because so many families provide or are expecting to provide care for elderly family members (Shellenbarger, 1997; Stum, 1997), the study was based on the premise that adult children were knowledgeable about their parents' plans to pay for long-term care. This means that adult children would be aware of risk factors such as age, a parent living alone, and anticipated need for long-term care. Also, the amount of experience adult children had with providing long-term care, personal care, or money management could indicate that some planning for future long-term care would be needed. It was hypothesized that adult children who had been involved with care-giving in some aspect would be more likely to have parents who were prepared to pay. It was also hypothesized that, as parents aged, adult children would be more likely to plan for the possibility of long-term care. When both parents are living, it is possible that one parent might be a care-giver to the other, but having a single living parent could mean that there is no one available to provide daily care (Shilling, 1997).

Another set of factors that would influence planning for long-term care would be knowledge of available resources and ways to pay for future long-term care. It was anticipated that adult children may have

received information from a variety of sources, including Cooperative Extension Service, financial advisors, and magazines, radio, and television. It was hypothesized that adult children who had sought information from more resources would be more likely to report that preparations had been made for parents to pay for long-term care. Although resources in each community differ, resources that might be used to provide long-term care could include community services, home care, and shared living arrangements. Finally, means of payment could be the use of current income, savings, and investments, long-term care insurance (LTCL), or Medicaid. They may have considered qualifying for Medicaid or purchased LTCL. Elderly parents may plan to use their own savings or adult children may be planning to use current income or savings. If these resources have been considered or some planning actions have taken place, adult children would be more likely to report that elderly parents were prepared compared to those who had not been involved in any of these activities.

The strong likelihood that the care-giver would be an employed woman was one reason for surveying a sample of family and consumer science teachers. Another reason was that family and consumer science teachers with their educational background and experience might be more involved with planning than the population in general. The lack of research on this topic suggests that it is important to start with a group that is likely to respond to a survey. In contrast, a random sample of the population would need to be very large to ensure an adequate response rate.

After a pilot test and revision, the final survey instrument consisted of 40 questions. The surveys were mailed to 925 family and consumer science teachers in a Midwestern state. There were 499 replies resulting in a 55.4% response rate. Of the 499 replies, 382 had living parents. The respondents with living parents were used for the study. The research question was stated as, Have preparations been made for your parents to pay for long-term care? The variable was coded as 1 if the response was yes and as 0 if otherwise. Logistic regression was used because the dependent variable was dichotomous (1 or 0) (Maddala, 1992, p. 327).

Results

One-third of adult children reported that parents were prepared to pay for long-term care. Twelve percent of parents were currently receiving care; 17% were expected to need it within a year and 39% were expected to need it within 2 to 3 years. On average, the adult children used two sources of information to learn about paying for long-term

Table 1. Coding of Variables, Descriptive Statistics, and Regression Results

Variable	Frequency or Mean	Beta	P-value	Odds Ratio
Mother older than 75	38.5%	0.625	0.0308*	1.868
Father still living	60.5%	0.264	0.3713	1.302
A lot of experience with LTC	16.9%	0.739	0.1239	2.095
Need a lot of personal care	14.3%	0.137	0.7795	1.148
A lot of help managing money	10.2%	-0.643	0.2597	0.525
Parents currently receiving LTC	11.9%	0.138	0.7831	1.148
May need LTC within 1 year	17.4%	0.651	0.1236	1.918
May need LTC in next 2-3 years	39.0%	0.023	0.9411	1.023
How many sources of information	1.58	0.214	0.0127*	1.239
Would use community services	36.6%	-.0805	0.0167*	0.447
Would use at home LTC	63.4%	-0.065	0.8157	0.937
Would share living arrangements	25.7%	0.311	0.3635	1.365
Would use Medicaid	47.6%	0.156	0.6043	1.169
Have worked with advisor	11.0%	2.243	0.0001***	9.426
Have purchased LTCI	20.4%	1.457	0.0001***	4.293
Would use own current income	28.3%	-0.154	0.7191	0.857
Would use own savings	27.2%	-0.001	0.9971	0.998
Use someone else's savings	42.6%	0.156	0.5687	1.169

Chi-square for covariates 112.427 with 18 DF (p=0.0001)

*** p < .001, ** p < .01, * p < .05

care. The most commonly reported sources of information were family and/or friends (used by 35%), and magazines, radio and television (used by 27%). Resources that would be used to provide long-term care included: community services, 37%; at-home care, 64%; and shared living arrangements, 26%. Eleven percent had used a financial advisor. Means of paying that would be used were LTCI, 20%, Medicaid, 48%; adult children's current income, 28%; adult children's savings, 27%; and someone else's savings, 43%.

The results of logistic regression showed that hypotheses for several factors were supported, particularly those involving resources. In contrast, the variables measuring "experience with a lot of experience with long-term care" and "may need long-term care within the next year" were not significant (p = 0.12) so these hypotheses were not supported. The elderly parents were significantly more likely to be prepared if the mother was older than 75, a financial advisor was consulted, LTCI had been purchased, or more sources of information were used by adult children. Also, those who were prepared to pay for long-term care were significantly less likely to expect to use community services than those who reported no preparation. See Table 1 for means, frequencies, and regression results.

Discussion and Implications

The respondents in this study were primarily white, with a college education, and middle income. Thus, the results may be applicable only to those with similar characteristics. Nevertheless, the study provides strong support for using a financial adviser and purchasing LTCI. These adult children appear to have acted in a rational manner in seeking financial advice. The purchase of LTCI shows some foresight. Perhaps a secondary goal was the preservation of assets. A question about preservation of assets was not included in this study, but it could be included in future research.

The intention to utilize community resources poses an interesting question. Are those who plan to use these resources familiar with what is available, the cost, and eligibility guidelines? People may perceive that community services are a substitute for paid care. People could incur major costs if they thought they could utilize relatively inexpensive community resources, and then learned that the elder was not eligible because of income or other factors.

Almost half of adult children believed that Medicaid would be used to pay for parents' long-term care. Several situations are possible. The elderly parents may have few resources and are likely to qualify for Medicaid, they may be planning to spend down to qualify, or they may

be uninformed about the requirements for using Medicaid. Recently the federal government has passed laws that include tighter Medicaid eligibility and tax deductions for long-term care expense (West, 1997, p.16). Future research should include questions to learn if respondents are knowledgeable about Medicaid requirements.

Over 60% of adult children said they would provide at-home care. This could mean that the adult child would quit working, cope with care-giving while working, or have someone else help to provide care. This is another question for future research; if at-home care is needed, how would adult children, especially in households when the intended care-giver is employed, manage to provide that care? In a similar vein, future research should be designed to collect information from both employed and non-employed potential care-givers to learn about similarities and differences in preparation.

Finally, as shown by the lack of significance for variables that measured experience with long-term care, it may be that experience alone is not enough to prompt adult children to dialogue with elderly parents on planning to pay for long-term care. Many researchers and the popular press (Chatsky, 1997; Leaf & Anderson, 1997) recommend that education is needed to help people understand how long-term care can be financed. DeVaney, Bechman and Zhang (1998) found that consumers had some knowledge of LTCI, but were uninformed about newer financing alternatives such as reverse mortgages and accelerated death benefits. Stum (1997) concluded that consumers must seek information on various long-term care options from different sources, and then, on their own, determine how the factors fit together. We believe that consumer educators have a crucial role in a holistic approach to financing options because they do not have an industry bias or self-interest in promoting a particular option for financing long-term care. Consumer educators can show the pros and cons of various financing options. Also, people need to be made aware that most long-term care is provided informally and that informal care can be costly in terms of time, energy, and personal resources.

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