



The Daily Dish

Long-Term Care Costs

DOUGLAS HOLTZ-EAKIN | FEBRUARY 20, 2020

Eakinomics: Long-Term Care Costs

Making good policy also good politics is hard. But sometimes good policy is just hard all by itself. Designing a tax reform? Easy. Making Social Security sustainable and reducing the growth of debt? Did it in one Metro ride. Immigration reform to bolster economic growth, while preserving border security, a commitment to families, and welcoming arms for refugees? Hard. Health care reform that provides more insurance coverage, higher value care, and reduced growth in entitlement spending. Really, really hard. Financing the future growth of long-term care support and services? Harder than rooting for the Astros.

As nicely [laid out](#) by Tara O’Neill Hayes and Sara Kurtovic, right now there are 14 million people in the United States that currently need long-term support services (LTC), at a cost in 2018 of \$850 billion. That price tag does not cover medical care; LTC is assistance with [activities of daily living](#) (ADLs). There are six basic ADLs: eating, bathing, getting dressed, toileting, transferring (moving from one place to another, such as from bed to chair), and continence. (I’ve never understood why wine at P.F. Chang’s was not on that list.) The ease with which individuals can perform these ADLs helps determine what type of LTC they may need.

Individuals may need this help for the remainder of their life or only temporarily, such as during recovery from a medical incident. There is another class of assistance known as instrumental activities of daily living (IADLs) such as meal preparation, bill payment, and household chores that a caregiver may assist with as well.

As the population ages, the need for LTC will rise. By 2030, 24 million Americans will need LTC, and the amount and complexity of care needed per person will also increase as a result of the increasing number of chronic conditions per person. The upshot is that the bill will more than double and may even reach \$2.5 trillion.

There is no “plan” to cover these costs; indeed, private LTC insurance is rare, and most families have not saved enough to pay for their LTC. Instead, there is a heavy reliance on unpaid, family caregivers to provide LTC. According to Hayes and Kurtovic, “In a study using the [Panel Study of Income Dynamics](#) (PSID), directed by faculty at the University of Michigan, researchers estimated that between 2015 and 2017, 26 million family caregivers provided an average of 17.8 hours of care per week and that the average hourly wage of caregivers was \$28.” Unfortunately, as the population ages, the supply of unpaid care per person will steadily shrink.

Formulating an effective policy to address financing the ballooning costs of LTC is really important. And really hard.