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When the bill comes due

How to plan for rising nursing-home costs

By [Robert Powell](#), CBS MarketWatch.com

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BOSTON (CBS.MW) -- You may never need to stay in a nursing home or hire a home-health aide. But if you do, watch out. It could fry your nest egg.

Nursing home costs average \$70,080 a year for a private room, or \$192 per day, up 6 percent from 2003, according to the just-released 2004 MetLife Market Survey of Nursing Home and Home Care Costs. If you take up residency for 2.4 years, the average length of stay, you'll shell out \$168,192, the study says.

Of course, you're thinking there's no way you'll end up in a nursing home or need home health care. But the study shows the odds are increasingly against you.

For starters, people are living longer, but that doesn't translate into a healthy life. In 1940, a 65-year-old woman could expect to live an additional 14.7 years. In 2000, a 65-year-old woman was projected to live 19.5 years. By 2040, that same woman is expected to live an additional 22 years.

Medical advances notwithstanding, the study says it's likely people will develop a chronic condition or physical or cognitive disability for which they will require some sort of assistance as they age. Consider that almost 38 percent of people aged 65 or older are diagnosed with a severe disability and 47 percent of those aged 85 and older have Alzheimer's disease or another form of dementia.

At present, there are some 1.6 million people living in the 18,000 nursing homes in the U.S.; 10 percent are under 65 and 46.5 percent are 85 or older, according to the National Center for Health Statistics. Seventy-two percent are women and 75 percent require assistance with three or more activities of daily living.

There are also 1.3 million people receiving home health-care services from 7,200 U.S. agencies in 2000, with more than half getting help with at least one daily activity. Seven in 10 people were 65 and older, and 65 percent were women.

So what's a person to do to fund the possible need for home-health or nursing-home care? Well, there are a few options - self-funding, Medicaid and long-term care insurance.

For most people, self-funding an additional \$200,000 or so in retirement expenses is not a reasonable or likely option. Most people don't even save enough to fund retirement living expenses not inclusive of their additional health-care costs. So why could they ever expect to self-fund a nursing home or assisted-living facility?

For others, Medicaid is an option, but not always the best one. People must spend down (or transfer their assets if they want to play that game) to qualify for such assistance. In essence, you have to go broke. And if that wasn't bad enough, studies suggest that nursing homes treat Medicaid patients differently than private-pay patients, and not for the better.

There's also the chance you won't get to pick the nursing home where you reside. It could be far from those you

love. And then there's the big unknown. More and more states face escalating Medicaid costs without a commensurate increase in revenue, and that could spell trouble for Medicaid programs and patients in the years to come.

That leaves long-term care insurance as perhaps the best option. As with most insurance, it is by no means certain that you will ever use it. It is by no means certain that if you buy it that it will cover whatever condition or circumstance you may face.

But given the cost, it just might be the answer for those who don't want to chance it. What are the costs? Well, premiums vary based on such things as the daily benefit amount, benefit period, maximum lifetime benefit, the waiting period, and the age of the insured. Generally, however, the younger you are, the less expensive the premiums, says Sandra Timmermann, director of MetLife Mature Market Institute.

One can get a sense of pricing at the Federal government's Long-Term Care Insurance Program's [Web site](#). That site features a premium calculator that allows current and former government employees to compare and purchase pre-packaged long-term care insurance from John Hancock and MetLife.

What will you find at that site? Well, a 64-year-old who buys a policy that kicks in 90 days with a \$100 a day benefit with a benefit period of 3 years would pay \$112 a month for coverage. By contrast, a 44-year-old buying the same policy would pay \$50 a month.

Of course, those policies only pay for what it is now half the current average daily cost of a nursing home. That means, you'll be on the hook to fund the rest of the daily expense. Or, it might just mean that you'll have to move to a place that has lowest nursing home costs in the country -- Shreveport, Louisiana where nursing homes cost only \$36,135 a year or \$99 a day. You'll want to avoid the state of Alaska where the cost is \$204,765 a year or \$561 a day on average - the highest in the country.

Robert Powell, co-author of "Decoding Wall Street" and executive producer of PBS' "More Than Money," is the editor of Retirement Weekly - a service of CBS MarketWatch. [Click here to learn more about or to subscribe to Retirement Weekly.](#)

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