

# The Costs of Long-Term Care: Public Perceptions Versus Reality in 2006

## AARP FACT SHEET

December 2006

### OVERVIEW:

Our findings show that little has changed regarding public perceptions about long-term care services since our original survey in 2001.<sup>1</sup> Americans age 45-plus know less about long-term care than they think they do. They underestimate, or simply do not know, what long-term care costs. They often think long-term care will be covered by public programs when it may not be covered. People may also believe they have long-term care insurance when they probably do not.

Yet, the need for long-term care is expected to increase. An estimated nine million people 65-plus will need long-term care in 2006, and that number may increase to twelve million in 2020.<sup>2</sup> The costs of long-term care are also increasing. Therefore, it is important that Americans become more informed about the costs, funding sources, options, and state and community resources available so they can make informed choices. Here are a few highlights from our new research.

### KEY FINDINGS:

#### Familiarity with long-term care

- Three in five (60%) of Americans age 45-plus say they are at least “somewhat familiar” with long-term care services currently available, including about one in five (21%) who say they are “very familiar” with these services. This finding is virtually unchanged since 2001, and it is still not supported by respondents’ reported knowledge of long-term care costs.

#### Knowledge of costs

- Less than one in ten (8%) correctly estimate the monthly cost of a *nursing home* within +/-20 percent of the national average cost.
- Less than a quarter (23%) correctly estimate the monthly cost of an *assisted living facility* within +/- 20 percent of the correct cost.
- Twenty-three per cent say they don’t know the cost of an *in-home visit from a skilled nurse*. There is no real cost consensus among those who offer an estimate.
- One in five (20%) say they don’t know the cost of an *in-home visit from an aide*. There is no real cost consensus among those who offer an estimate.
- A substantial proportion (21-40%) of people who estimated the cost for the above noted services say their estimate was based on “just a hunch.”
- Almost three in ten respondents age 45-plus (29%) say they purchased long-term care insurance. Although it is difficult to know how many Americans currently have long-term care insurance policies, Johnson and Uccello (2005) estimate that about nine percent of adult’s age 55-plus had private long-

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<sup>1</sup> We define long-term care as care provided on a regular basis for three months or more for age-related or chronic conditions. The Costs of Long-Term Care: Public Perceptions Versus Reality, AARP, December 2001.

<sup>2</sup> U.S. Department of Health & Human Services, Medicare, Long-Term Care Home, (<http://www.medicare.gov/LongTermCare/Static/Home.asp>)

term care insurance coverage in 2002.<sup>3</sup> We found those who think they have long-term care insurance are more likely to say they feel at least “fairly prepared” financially if they suddenly required long-term care. If people mistakenly think they have long-term care insurance when they do not, they may have a false feeling of financial preparedness to handle long-term care costs.

- While the majority of Americans age 45-plus (61%) say they know people close to them who have had or are currently receiving some kind of long-term care, having personal experience with long-term care doesn’t improve a person’s ability to estimate long-term care costs of a nursing home or assisted living facility.

#### Knowledge of Funding Sources

- Most (59%) think Medicare will pay for extended nursing home stay, but it doesn’t. Fifty-two percent incorrectly believe Medicare covers assisted living costs. Another 18% “don’t know.” Even people who have personal experience with long-term care do not appear to understand Medicare’s limitations.
- In California, 40% incorrectly believe Medi-Cal will defray assisted living costs.
- Only 1 in 10 Florida residents can estimate the cost of a visit by a home aide within  $\pm 20\%$  of the average.
- Nearly half of Ohio respondents (45%) incorrectly believe Medigap/Medicare Supplemental Insurance covers assisted living costs.
- More than half of Pennsylvanians (54%) estimated too low when asked about the cost of a nursing home stay.
- About half of South Carolina respondents (48%) incorrectly believe Medicare will pay for assisted living residence care.

#### SURVEY METHODS:

- The results are based on telephone interviews with a nationally representative sample of 1,456 Americans age 45-plus. In addition, 400 people age 45-plus were interviewed at the state level in California, Florida, Ohio, Pennsylvania and South Carolina (margin of error =  $\pm 3\%$  at the national level and  $\pm 5\%$  at the state level with a 95% confidence level). The full report is available at:

[http://www.aarp.org/research/longtermcare/costs/ltc\\_costs\\_2006.html](http://www.aarp.org/research/longtermcare/costs/ltc_costs_2006.html).

#### WHAT AARP IS DOING?

- AARP is using the findings from this survey to educate its members, the public, and policymakers.
- AARP encourages people to think about what they want, and discuss it with their family so they can have a greater chance of living the kind of lifestyle they want in their later years.

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<sup>3</sup> Johnson, Richard W. and Cori E. Uccello, “Is Private Long-term Care Insurance the Answer?”, Issue Brief 29:4 published by the Center for Retirement Research, Boston College, March 2005.