

Retirement Basics: Long-Term Care

When planning for retirement, it is important to understand and account for health care expenses. While many retirees and near-retirees are aware of the costs associated with Medicare, Medicare Advantage, or an equivalent plan, fewer have accounted for the potential costs of long-term care, which includes in-home care, assisted living, and nursing homes. Yet, it is estimated that roughly 7 in 10 will require long term care at some point in their lives.¹

The chart below summarizes the national median annual cost of long-term care (LTC), according to the Genworth Cost-Of-Care Survey:²

	Median Cost (2020)	Average Annual Increase (2014-2020)
Assisted Living Facility	\$51,600	3.62%
Home Care Homemaker	\$53,768	3.80%
Home Care Home Health Aide	\$54,912	3.71%
Private Room Nursing Home	\$105,850	3.01%

Typically, patients seeking LTC begin with an assisted living facility or some form of home care. Some will eventually progress to a nursing home. Taken together, it is not uncommon for long term care to span 4-5 years and cost in excess of \$300,000.

LTC costs are rising for the same reason costs are increasing for other items; providers have the same competition for staff as all employers. While the pandemic has been one of the drivers of increased costs, it has also highlighted the value in home health care. That will be an area to explore as it could eventually result in an overall cost decrease. For more information, see this report on the [Drivers of the Cost of Care](#) from the Genworth study.

¹ U.S. Dept HHS <https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>. Site accessed 01/07/2022.

² [Genworth Cost of Care Survey Median Cost Data Tables, conducted by CareScout, August 2020.](#)

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The cost of LTC is highly dependent on location. Based on the survey, the charts below show the three most- and least- expensive states for LTC as well as Massachusetts and New York:³

State	Assisted Living		Home Care		Home Care	Private Room	
	Facility	State	Homemaker	State	Home Health Aide	State	Nursing Home
DE	\$80,280	WA	\$71,294	MN	\$75,504	AK	\$436,540
NH	\$79,800	MN	\$70,356	WA	\$72,369	DC	\$172,280
NJ	\$79,800	CA	\$66,352	RI	\$70,928	CT	\$167,900
MA	\$73,020	MA	\$66,352	MA	\$67,793	MA	\$162,425
NY	\$57,600	NY	\$57,772	NY	\$59,488	NY	\$155,525
US	\$51,600	US	\$53,768	US	\$54,912	US	\$105,850
UT	\$40,800	AL	\$41,184	WV	\$42,328	LA	\$70,080
AL	\$37,800	MI	\$41,184	AL	\$41,184	OK	\$69,350
MO	\$36,000	LA	\$38,896	LA	\$38,896	MS	\$68,985

The full dataset can be found here:

<https://pro.genworth.com/riiproweb/productinfo/pdf/298701.pdf>

In Massachusetts, for example, the median cost of a private room in an assisted living facility (\$73,020) and a nursing home (\$162,425) were 41.5% and 53.4% more expensive than the national medians, respectively. Based on these costs, extended LTC for a Massachusetts resident could reasonably be expected to approach \$500,000.

It is worth pointing out that LTC expenses can vary widely by facility, even within the same general location. In our own informal survey of Massachusetts-based assisted living facilities from 2020, for example, we found the following monthly ranges for a private 1-bedroom apartment:

- Boston area: \$4,000-\$6,800
- Amherst area: \$2,450-\$6,750
- Orleans area: \$3,300-\$7,400

³ [Genworth Cost of Care Ranked State Data Tables, conducted by CareScout, August 2020.](#)

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One common tool for addressing the potential costs of LTC is LTC insurance. While all LTC insurance contracts are different, a contract typically specifies the types of services covered, the maximum daily and lifetime benefit limits, and any optional benefits selected (e.g., daily limits that increase over time to keep up with inflation). Most contracts written today are comprehensive, meaning the daily benefit can be used for any of the following:

- Nursing home care
- Assisted living facilities
- Adult day care services
- In-home care
- Hospice care
- Respite care
- Occupational, speech, physical, or rehabilitation therapy

In addition to the types and magnitude of coverage selected, LTC insurance pricing is affected by the age, gender, health status of the insured and inflation protection. According to a 2022 study conducted by the American Association for LTC Insurance, the average annual premium for a 55-year-old couple for a level benefit of \$165,000 was \$2,080; for a single man and woman, this figure dropped to \$1,500 and \$950, respectively. Growth rates of 3% & 5% for the couple increased the cost to \$5,025 and \$8,575, respectively ⁵

For those interested in learning more about LTC, we would recommend visiting the following U.S. Department of Health and Human Services website: <https://longtermcare.acl.gov/>.

If you have any questions about LTC costs, don't hesitate to call the West Branch Capital office. We are here to help.

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⁵ [2022 National Long-Term Care Insurance Price Index, American Association for Long Term Care Insurance.](#)

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