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Long-Term Care And PAYMENTS REPORT

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FEATURE STORY – PAGE 9

Yardi On How Online Payments Systems Can Power Financial Management Of Senior Care

Long-Term Care

AND PAYMENTS

REPORT

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Acknowledgment

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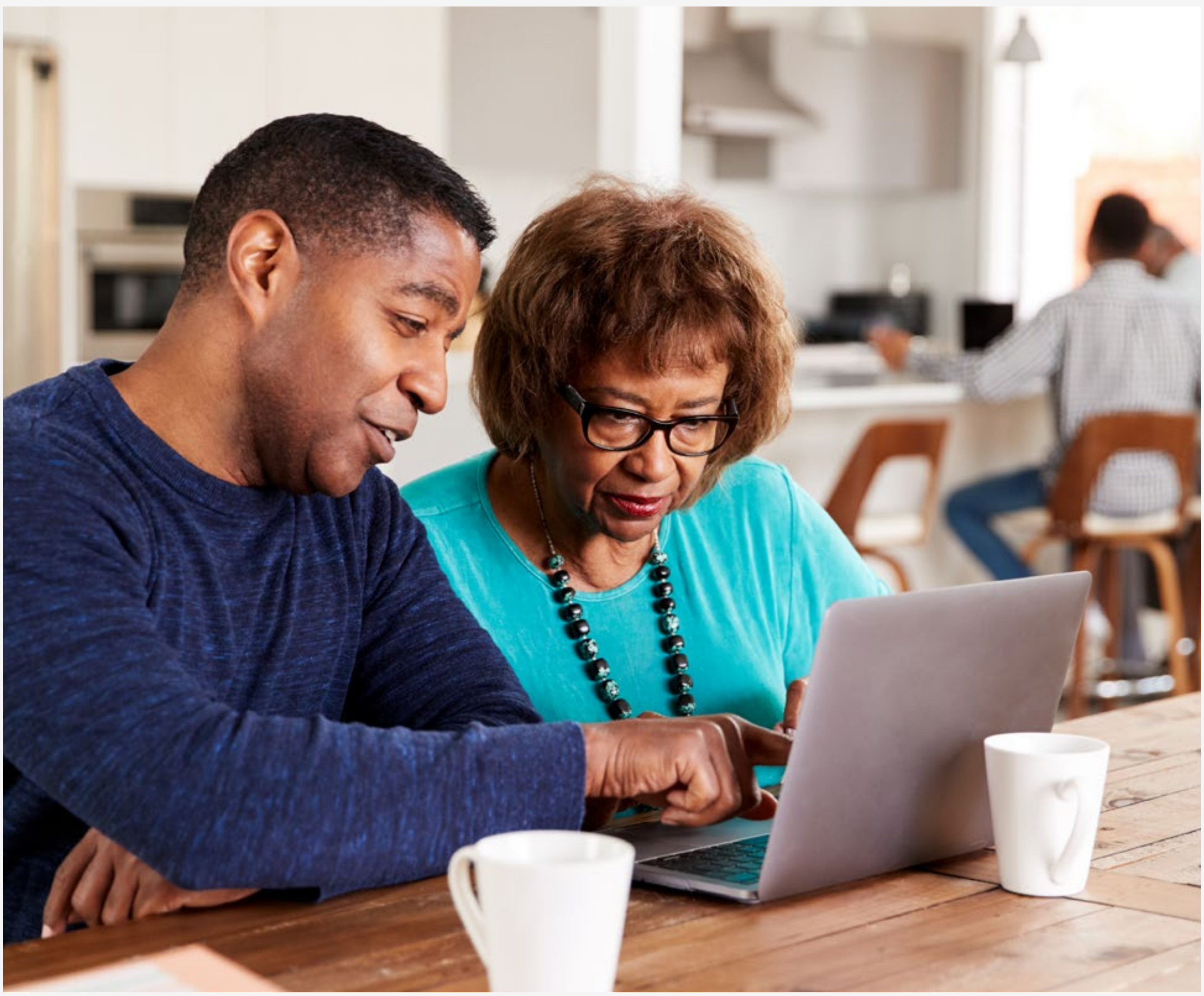
WHAT'S INSIDE

Within nine years, every member of the baby boom generation will be 65 or older, a realization that is creating a sense of urgency around the long-term care payments space. The United States Congress is considering several bills regarding long-term care, including the Build Back Better Act, a $3.5 trillion spending plan proposed by the Biden administration to increase wages for home healthcare workers and produce more affordable housing for seniors. Older adults still face many challenges in paying for long-term healthcare, and 67 percent of workers are not comfortable with the amount they have set aside for it.

There are four ways to pay for long-term care aides and facilities: traditional long-term care



policies, government programs, hybrid policies and personal savings. Veterans and those with low-income circumstances may be eligible for programs through the Veterans Health Administration or Medicaid to cover long-term care costs. At the same time, hybrid or traditional policies can serve those who do not qualify for federal assistance.

Paying out-of-pocket allows for the most flexibility, but many people's retirement plans do not have sufficient funds to cover such expensive services. Seeking an estimate of potential care costs is the first step in determining which option best suits the future retiree.

AROUND THE LONG-TERM CARE AND PAYMENTS SPACE

Baby boomers now entering retirement will need to consider potential long-term care preferences. Nursing and assisted living homes, hospitals and in-home services are some options should care become necessary, but rising costs are a pain point for retirees and their families. Assisted living facility fees are up 79 percent, according to a recent survey, and U.S. citizens paid $63.4 billion out-of-pocket for long-term care services in 2019. Many older adults have insurance plans, but most policies do not cover long-term care costs that extend past basic needs.

Financial advisers believe it is essential for their clients to factor long-term care into their financial plans. The costs of senior healthcare have climbed steadily over the years, yet just 10 percent of older adults have a plan to pay for it. Rising premiums make traditional long-term care policies less attractive than in previous years, and older Americans now are considering other options, such as annuities and asset-based long-term care insurance.

Most Americans want to grow old in their own homes with a caregiver's aid rather than in a hospital or a nursing home, according to a new poll from the American Association of Retired Persons (AARP). Survey participants strongly favored a proposed $5,000 tax credit for family caregivers in the Credit for Caring Act. The provision is part of the Biden administration's $3.5 billion spending bill known as Build Back Better, which would also provide better pay and expanded training opportunities for home health aides and more affordable housing for older Americans.

For more on these stories and other long-term care and payments headlines, read the Report's News and Trends section (p. 13).

HOW OLDER ADULTS AND THEIR FAMILIES ARE PAYING FOR SENIOR CARE SERVICES

Consumers of all generations have become accustomed to the conveniences offered by online and alternative payment options. In the senior care payments space, electronic payments are easing the financial stressors associated with senior living by giving residents and their loved ones a transparent look into the billing process. In this month's Feature

Story (p. 9), Ray Elliott, vice president of senior living at Yardi, discusses how aging Baby Boomers are paying for senior care costs and how electronic payments can help senior living operators better serve their clientele.

DEEP DIVE: HOW CONSUMERS CAN PLAN TO PAY FOR LONG-TERM CARE

Traditional long-term care insurance providers keep raising their policy premiums, and many Americans cannot afford to pay them. There are alternatives on the market, but 48 percent of financial advisers say they are not well-equipped to discuss long-term care options with their clients. Older adults and their families need to educate themselves on the possible costs if long-term care becomes necessary. Some seniors never use their long-term care plans, but many end up depending on them to cover the costs of nursing homes, home health aides, hospitalization and assisted living communities. This month's Deep Dive (p. 17) examines an array of payment options that can help older adults alleviate the financial burden of long-term care.

Industry INSIGHT

How have seniors and their families traditionally paid for long-term care, and how has digitization of the long-term care payments space benefitted them?

"Senior living providers have generally been slow to adopt new digital billing and payments solutions, instead opting for check and [automated clearing house] (ACH)-based processes for their residents and their families. While change typically happens gradually over time, the pandemic accelerated the adoption of new technologies. Digital, contactless payment solutions were an absolute necessity for health and safety. The payments landscape, in general, has changed dramatically over the past 19 months and online payments are part of the new normal. It's what customers expect, and they actually enjoy the ease of use. More and more senior living providers are implementing advanced software solutions to manage many pieces of the senior living ecosystem, especially with payments. Providing convenient and easy ways to pay online is a great way to meet the residents' and their families' expectations, as they can now use their preferred payment method, whatever it may be."

CHRISTOPHER MANGONE

Vice President of Acquisition
Partner Management,

American Express

FIVE FAST FACTS

64%

Portion of consumers who use personal funds for prescription drugs and healthcare visits, including patients with insurance

43%

Segment of seniors and baby boomers who paid for their most recent healthcare visits entirely with insurance

24%

Share of consumers with out-of-pocket expenses for healthcare-related needs who paid a copay and used insurance to cover the remaining balance for their most recent visits

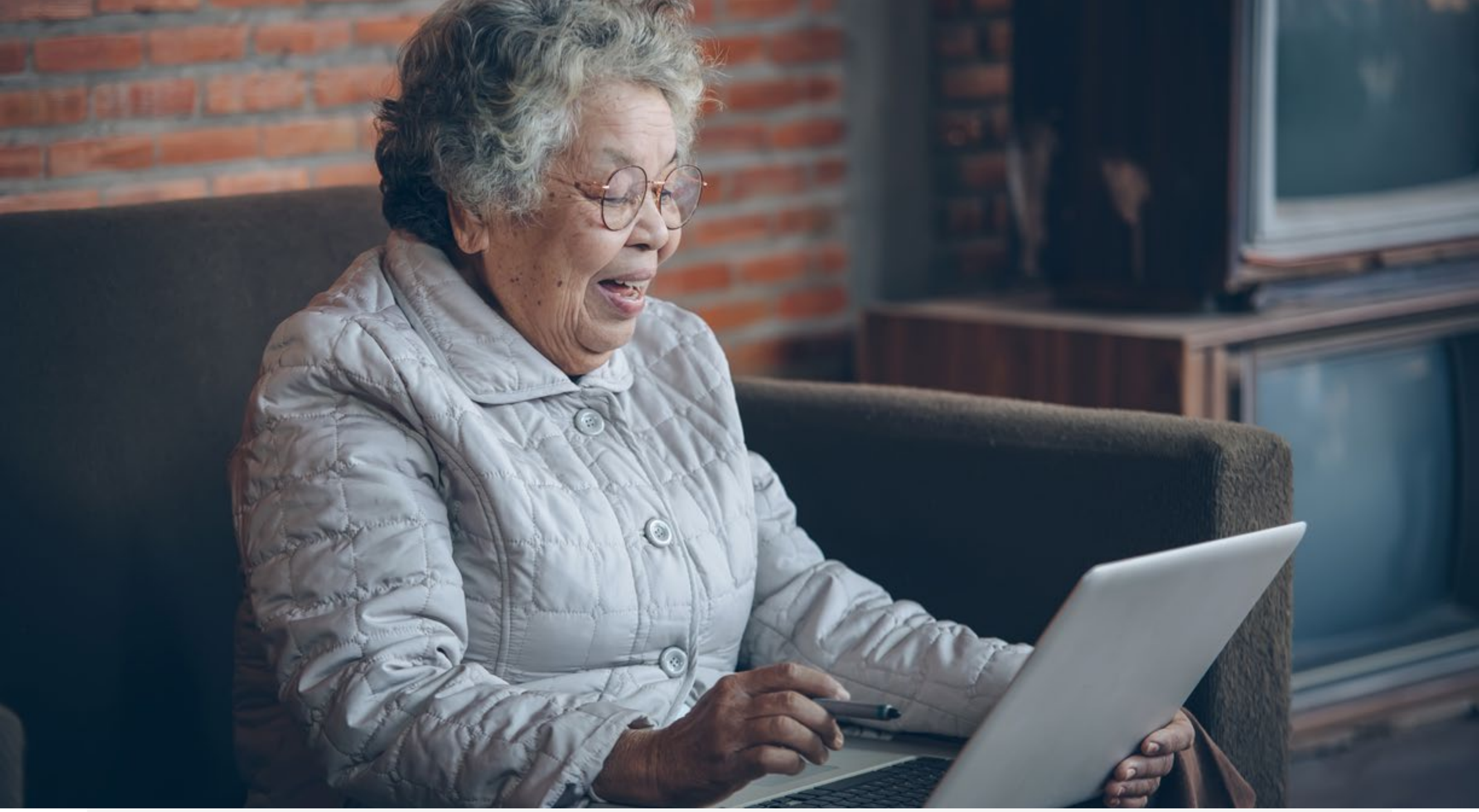
18%

Portion of patients who have out-of-pocket expenses for healthcare visits and prescription drugs who split the total bill with their insurance company

55%

Share of survey respondents who consider whether providers offer payment plans an important factor when making appointments

FEATURE STORY



Yardi On How Online Payments Systems Can Power Financial Management Of Senior Living

The baby boomer generation is known for being one of the largest generations in history and for its extended lifespan. As this generation outlives its predecessors, providing and paying for senior care poses a new set of financial challenges, for both aging adults and their families. Transferring basic operations online such as bill payment and activity registration can ease some of the burden for families and allow senior care professionals to better analyze trends among the senior living community, said Ray Elliott, vice president of senior living at property management software provider Yardi.

"When I talk about payers, typically it's a child of the resident or multiple children," said Elliott. "It could just as easily be some form of insurance, and it could be some combination of that. So the system is set up so that you've got one bill that's due, but a number of different payers. They could all be contributing toward the payment of that bill…[Yardi's platform is] structured in a way that a number of different entities could make the payments."

Less than one-quarter of U.S. citizens ages 67 to 73 are confident that they can pay all their medical expenses, meaning other parties most likely will be involved in the planning and executing of their care. The digitization of the senior care payments space provides family members and other payers with transparency into the patient's financial situation and day-to-day activities. Access to online billing systems then permits involved parties to synchronously plan for upcoming costs and divide fees among payers or insurance providers.

TRADITIONAL PAYMENT PRACTICES CREATE FRICTION IN THE SENIOR CARE PAYMENTS SPACE

Younger generations historically display a greater willingness to adopt new payments technology, yet older generations adopted online banking practices out of necessity during the pandemic. A report by the American Bankers Association (ABA) and Accenture showed 68 percent of baby boomers had increased online banking usage, and 85 percent of respondents will continue conducting some or all of their transactions digitally. The overwhelming approval rate of online banking can be attributed, at least in part, to the numerous conveniences and reduction in friction when compared to antiquated paper processes.

"I think the biggest challenge [in the senior care payments space] is just manual payments," Elliott said. "Still, a lot of operators are offering that and allowing residents to pay by check, but to me, there are just a lot of unnecessary steps — the mailing of statements, the receiving and processing of paper checks. When you get a check and it doesn't match what the resident owes, correctly applying the payments to the open receivables can be complicated. To me, it just seems like it's a labor-intensive manual process."

It is not uncommon for more than one individual to partake in the senior care payments process. One of the older adult's children may pay for housing, for example, while another might cover caregiving expenses. Sending and receiving documentation by mail is slower than online transactions, and all parties involved may not receive the proper correspondence. With an all-in-one digital platform, everyone has access to the same information.

"And then on top of that, [there is] some level of risk of applying the payment to an incorrect resident, you know, those kinds of issues," continued Elliott. "There's a lot of friction points there, whereas, if they [use] electronic payments and pay for it online or have autopay, it's just a lot easier [to see] what's being paid for, and it also ends up, for the consumer, that they have more control of that as well."

CONSUMERS WANT TO CHOOSE HOW THEY PAY FOR SENIOR CARE

Interest in digital avenues spans a multitude of marketplaces. A recent PYMNTS report showed 49 percent of consumers are highly interested in receiving online banking services from a large company, and 28 percent are "extremely" or "very" interested in obtaining online banking services from large retailers. Forty-one percent are interested in the same services from their employers. Evidence also suggests that consumers use a variety of digital methods to organize their finances.

"I think, certainly in senior living as I'm sure with other markets, any time you can offer choice to the resident or to the payers, it's an attractive thing," Elliott said. "Nobody wants to be told that there's only one way that you can do this and, you know, you don't have a choice on what you want to do. I think for the payers [electronic payments] provides more flexibility to choose what payment method is best for them."

There are several different ways to finance senior care costs, whether out-of-pocket, some form of supplemental insurance or a government-assisted program such as Medicaid. Many older adults are not aware of the actual cost of senior care, and those who rely on Medicare may not be aware that it does not cover everything. The patient or a family member likely will need to cover some portion of senior care expenses from their personal accounts. In this scenario, the option to pay by credit card can be particularly attractive because rewards points may help to offset the extra costs.

"Again, some will ultimately choose the physical check, but I think a lot of others are looking to pay electronically and use a credit or debit card," added Elliott. "In terms of the message from the community, I think it just gives the resident confidence that we understand that one size doesn't fit all. And, like I said, I think that is important in the senior living market. They want to feel like they're being listened to."

NEWS & TRENDS

Long-term care costs

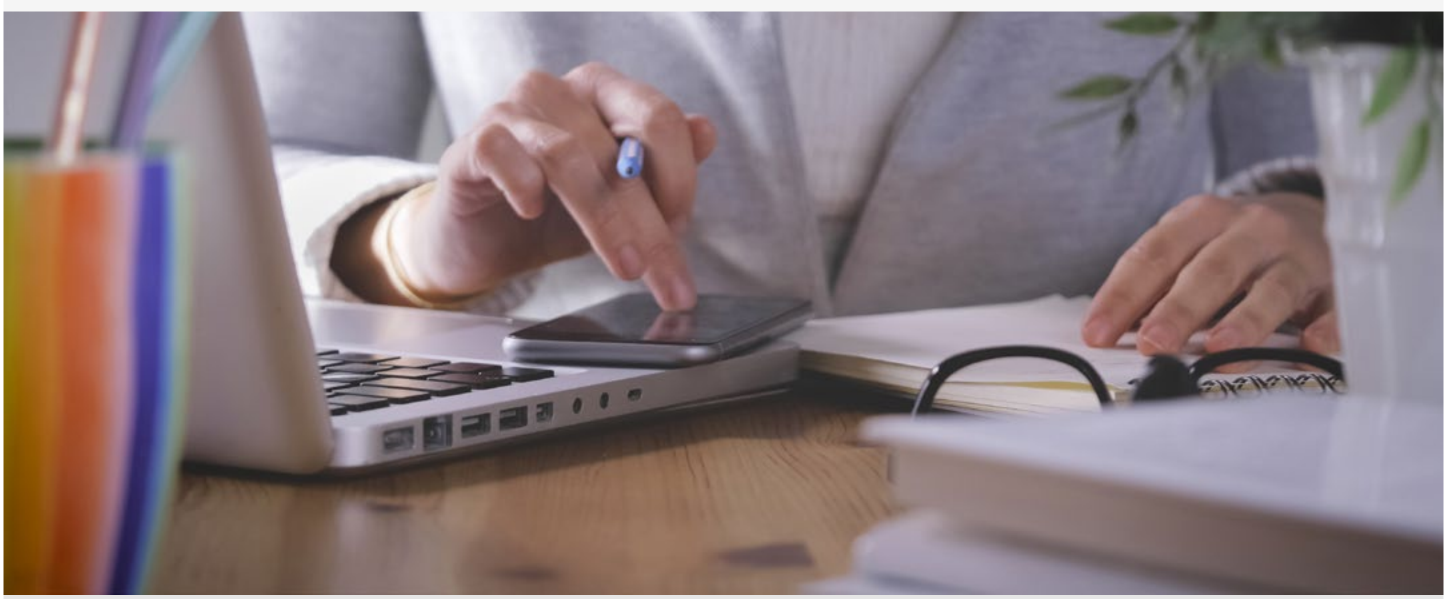
US RESIDENTS NOW PAY MORE THAN $60 BILLION IN LONG-TERM CARE COSTS

As a large segment of the population reaches an advanced age, there is greater demand for senior care services. Nursing facilities often come with a hefty price tag and the financial burden is expected to worsen. A recent survey shows a 62 percent increase in the cost for a private room in a nursing home and an alarming 79 percent rise in assisted living facility fees. Americans paid $63.4 billion out-of-pocket for long-term care costs in 2019, noted the Congressional Research Service (CRS).

Expenses for long-term care are not the same across the board and can vary by facility and location. On average, an American turning 65 can expect costs upward of $138,000 for future long-term care assistance. Research from the Office of the Assistant Secretary for Planning and Evaluation (ASPE) predicted that the patient or their family and friends will front nearly half of the costs with personal savings, and one in six will pay more than $100,000 out-of-pocket. Even with insurance, most long-term care offerings do not extend past services for basic needs, such as assistance with bathing and eating.

NEW RESEARCH SHOWS RETIREES' LONG-TERM CARE NEEDS ARE NOT ONE-SIZE-FITS-ALL

Aging Americans must consider their future healthcare needs as retirement approaches. Recent analysis from the Center for Retirement Research at Boston College showed 20 percent of 65-year-olds will never need any form of long-term care, and an additional 20 percent will require minimal assistance. Twenty-five percent, however, will need a considerable amount of aid for one to three years, and 38 percent will require moderate care in that same time frame.



The cost of care fluctuates greatly depending on the type of aid and length of service. The median price for full-time support at an assisted-living facility is $51,600 per year, $93,072 yearly for a semi-private room in a nursing home, $54,912 annually for a home health aide and $53,772 a year for homemaker services. Research indicates that there is a 50 percent chance retirees will need to use long-term care insurance if they opt into it, but out-of-pocket costs will place a heavy financial burden on the patient and their family if it does become necessary.

LONG-TERM CARE IS AN ESSENTIAL PART OF FINANCIAL PLANNING, FINANCIAL ADVISERS SAY

Long-term care needs are a reality for many aging adults, but the cost of aid can reach far outside of patients' budgets. The rising price of senior healthcare costs has 98 percent of financial advisers saying families need to discuss long-term care, and 96 percent feel it is an essential part of any future retiree's financial plan. On the other hand, a mere 10 percent of older citizens have planned for long-term care. While 48 percent of advisers insist they have spoken to their clients about long-term care, just 38 percent of clients said their advisers reviewed any policies with them.

Common practice for long-term care is to buy a standalone policy rather than buying in combination with other healthcare insurance. It still is a viable option, but it has become less popular because premiums have gone up at an astronomical rate, making long-term care insurance unaffordable for many applicants across the U.S. Other options to consider are life insurance with a long-term care provider, annuities and asset-based long-term care insurance.

> **96 percent** of financial advisers say long-term care is an essential part of a financial plan, **yet only 10 percent** of older Americans have planned for such care.

Senior healthcare legislation

A NEW SPENDING BILL LOOKS TO INCREASE FUNDING FOR HOME HEALTHCARE SERVICES

The U.S. Congress is working on a spending bill to offset the expenses for home healthcare services. Legislators are presenting a multitrillion-dollar package, which includes $190 billion for aid to allow seniors and disabled individuals to remain at home and in community settings rather than going to long-term care facilities and hospitals. The funding also would increase wages for home healthcare workers and support additional employee training.

Nicole Jorwic, senior director of public policy for national disability advocacy group The Arc, told UPI that the pandemic exposed cracks in the system regarding over-reliance on nursing homes. The urgency comes as every member of the baby boomer generation will turn 65 or older by 2030. The bill would offset the insufficient funding of government programs such as Medicaid and will require them to cover home expenses in addition to nursing homes.

Outlook for seniors seeking long-term healthcare

SENIORS PREFER THEIR HOMES TO ASSISTED CARE FACILITIES

A new AARP poll of voters aged 50 and older showed that 87 percent of Americans want to age in their homes with a caregiver's support and want to select how long-term care services will be administered. Most participants are in favor of the bipartisan Credit for Caring Act, which will afford a $5,000 tax credit for family care providers. The respondents displayed a heavy bias toward improved resources for in-home care and a Medicaid-covered home care option for seniors who require long-term assistance.

The Biden administration proposed Build Back Better, a $3.5 trillion spending plan to increase home healthcare worker wages, expand their benefits and incorporate better training opportunities. The plan also would expand affordable housing for older adults. Additional bills, including the Caring for Credit Act and the Choose Home Act, also are on the table for discussion.

AGING AMERICANS NOT FINANCIALLY PREPARED TO PAY FOR LONG-TERM AID, REPORT FINDS

It has become common practice for family members to provide care for their elderly loved ones. CCR researchers found that family members such as children and spouses account for 60 percent of all caregiving for those 65 or older. The lesser coverage options include out-of-pocket payments, long-term care insurance or Medicaid, and just 11 percent of adults over 65 have a long-term care insurance policy. Medicaid is government funded, but it requires that the patient exhaust all personal expenses before qualifying for additional benefits.

The ability to pay for long-term care unequivocally affects women and minorities. The CCR study shows that 5 percent of Black and Hispanic households can cover long-term care costs of three or more years, compared to 25 percent of white households. Additionally, women tend to outlive their male counterparts, and approximately 70 percent of women over 75 live alone, compared to 30 percent of senior men.

DEEP DIVE

How Taking Stock Of Their Long-Term Care Options Can Help Consumers Prepare For Retirement And Beyond

Advances in science have enabled consumers to live longer on average than previous generations, leaving many aging adults worried about outliving their savings. The U.S. Department of Health and Human Services reports that approximately 70 percent of retirees will require some form of long-term care, though just 33 percent of workers feel comfortable with the amount of funding they have set aside for such care. To compensate for the difference, some consumers purchase standalone long-term care policies to shore up any shortfalls in funding. Still, the rising premium costs for these plans are creating roadblocks for many consumers examining this route.

Approximately one-fifth of consumers age 65 and older will not require long-term care, and an additional 20 percent will need minimal assistance for the remainder of their lives. This is not the case for all aging Americans, however, as roughly 25 percent will require a substantial amount of support for up to three years. It is nearly impossible to predict which older adults will need a long-term care plan and which will remain entirely or primarily independent, making choosing a course of action an incredibly nuanced financial decision for older consumers and their loved ones.

The following Deep Dive examines the financial burden long-term care requirements can place on older adults and their families and friends. It also discusses various payment options that can help consumers offset or cover the costs of care.

AMERICANS ARE MISINFORMED ABOUT THEIR LONG-TERM CARE OPTIONS

Nursing homes, assisted living facilities, hospitals and home caregivers do not come cheap. Data from the CRS shows that Americans collectively pay more than $60 billion annually in long-term care costs. Long-term care insurance often bears the brunt of the bill, but premium costs can vary and depend on factors such as gender, age, location and health. A healthy 55-year-old man, for example, may pay between $1,375 to $3,685 per year, while a woman of the same age and health may spend $2,150 to $6,400 per year for equivalent coverage. Estimates from the American Association for Long-Term Care Insurance show that on top of the high premiums, there is a 50 percent chance policyholders may never use the services they are paying for.

A report from the Urban Institute shows that the number of older adults with substantial care needs will surge by more than

60 percent by 2040, significantly increasing the demand for long-term care services. The government funds Medicaid and covers some long-term care expenses, but it caters to low-income adults, with all others forced to spend their own funds. Even the minority of seniors who qualify for Medicaid are likely to feel its inadequacies. There are discrepancies in Medicaid spending on long-term care and home- and community-based services (HCBS), ranging from 33 percent in the lowest HCBS spending states to 77 percent in the five highest-spending states.

There also is an abundance of misinformation surrounding healthcare coverage for seniors, and many Americans far underestimate the actual costs of long-term care. The average annual cost of a stay in an assisted living facility in the U.S. is $51,600, while fees typically reach upward of $105,000 for private nursing home rooms. Financial advisers shoulder some of the blame. Ninety-eight percent of advisers believe it is important to discuss long-term care with their clients, but just 38 percent of clients say their advisers have discussed the subject. Only 17 percent report having planned for their long-term care needs.

HOW FUTURE RETIREES CAN PAY FOR LONG-TERM HEALTHCARE COSTS

Premiums continue to rise for traditional stand-alone long-term care policies, opening the door for other, more financially attractive options. Annuities are part of most Americans' retirement plans, and many of them now have riders that can help customers tackle long-term care needs should they need to do so. Unlike most other plans, these riders typically do not have underwriting requirements, a huge perk for clients with underlying conditions. Annuities can offset the costs for assisted-living facilities and nursing homes, and retirees will never have to consider rising premium costs.

Life insurance with a long-term care rider is another viable option for retirees. Clients can purchase life insurance policies and attach long-term care riders as an additional benefit in these instances. Doing so allows patients to use death benefits for long-term care requirements while they are still alive.

Asset-based long-term care insurance is yet another option. It is similar to life insurance with a long-term care rider in that policyholders can leverage their death benefits for long-term care while they are living, and their families still will be covered when they pass away. This option is particularly attractive because, unlike traditional life insurance, the unused long-term care funds are relinquished tax-free to heirs once the policyholders are deceased.

Additionally, retirees with ample health savings can use those pre-tax funds to cover any unpredicted long-term care needs. Low-income consumers may want to consider their options via Medicaid, as they may be eligible for free or low-cost long-term care services.

It can be challenging for consumers to determine which long-term care plan best suits their needs, and fewer than half of all financial advisers say they are very prepared to discuss these needs with clients. As additional payment options for care plans expand within the space, it will be necessary for advisers and clients to educate themselves about their choices.

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