Healthcare and Long-Term Care

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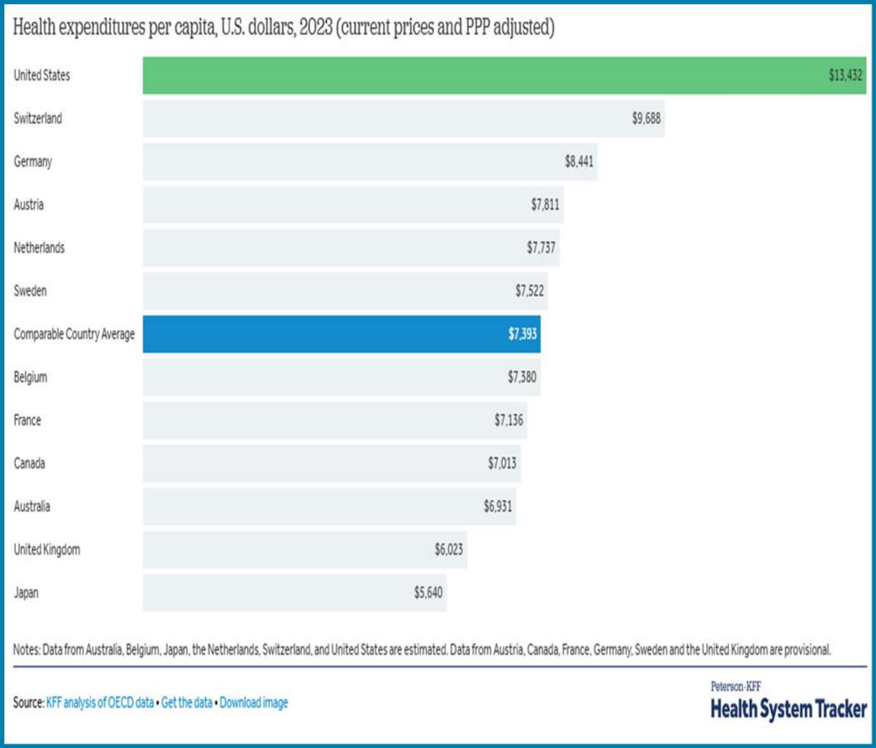
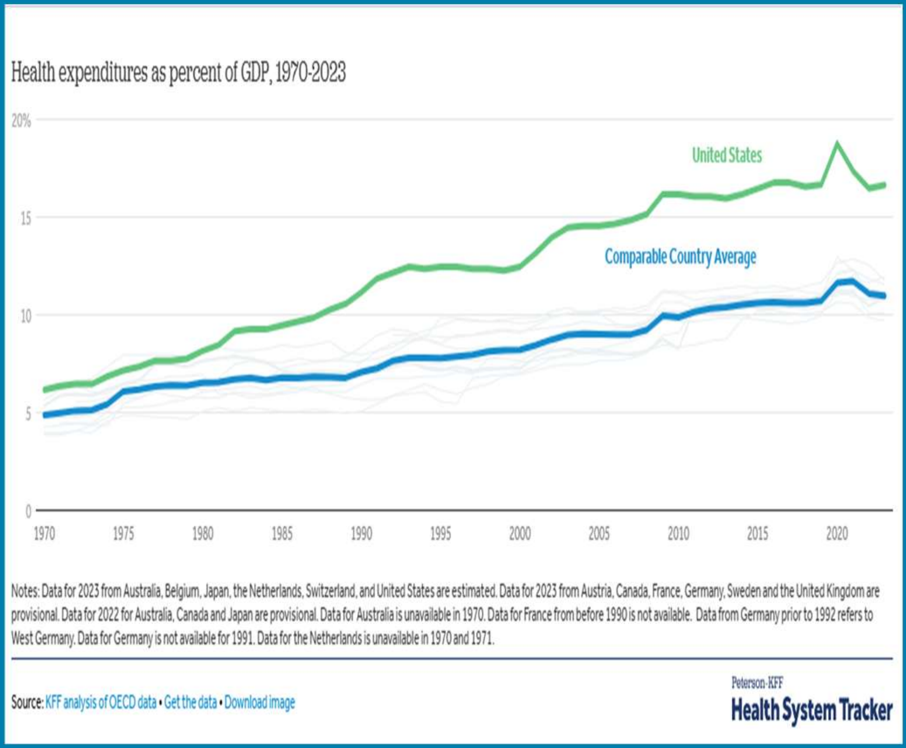
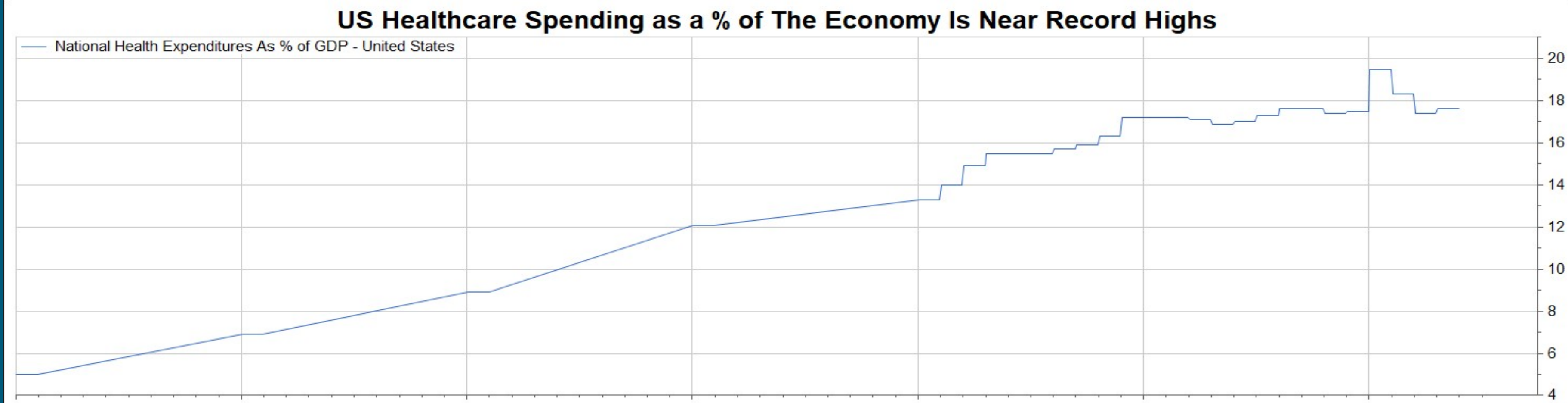
CANDOR ASSET ADVISORS

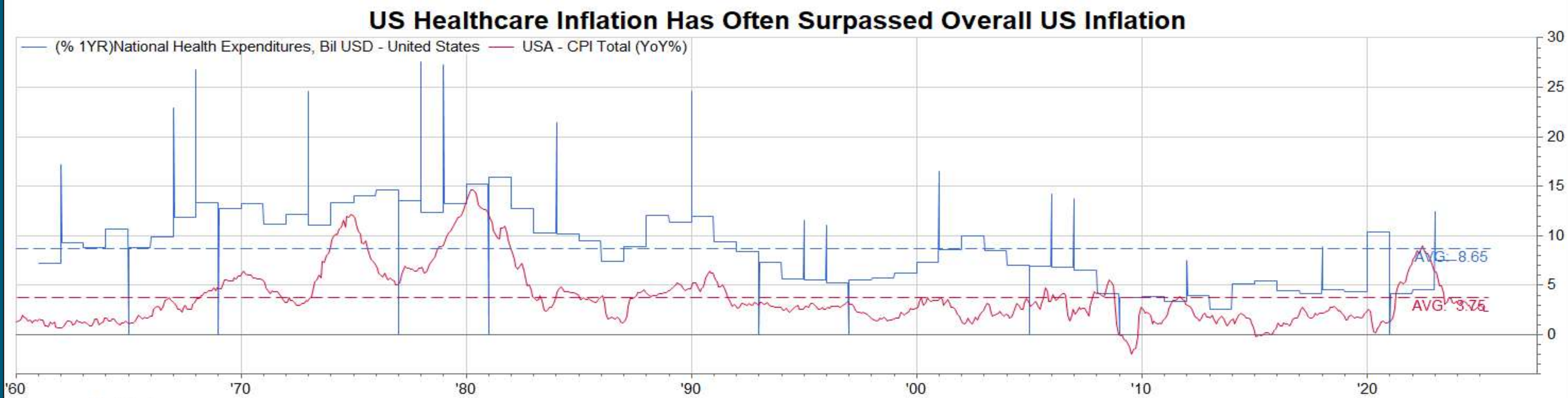
US healthcare statistics are noteworthy

The US spends significantly more on healthcare than the rest of the world



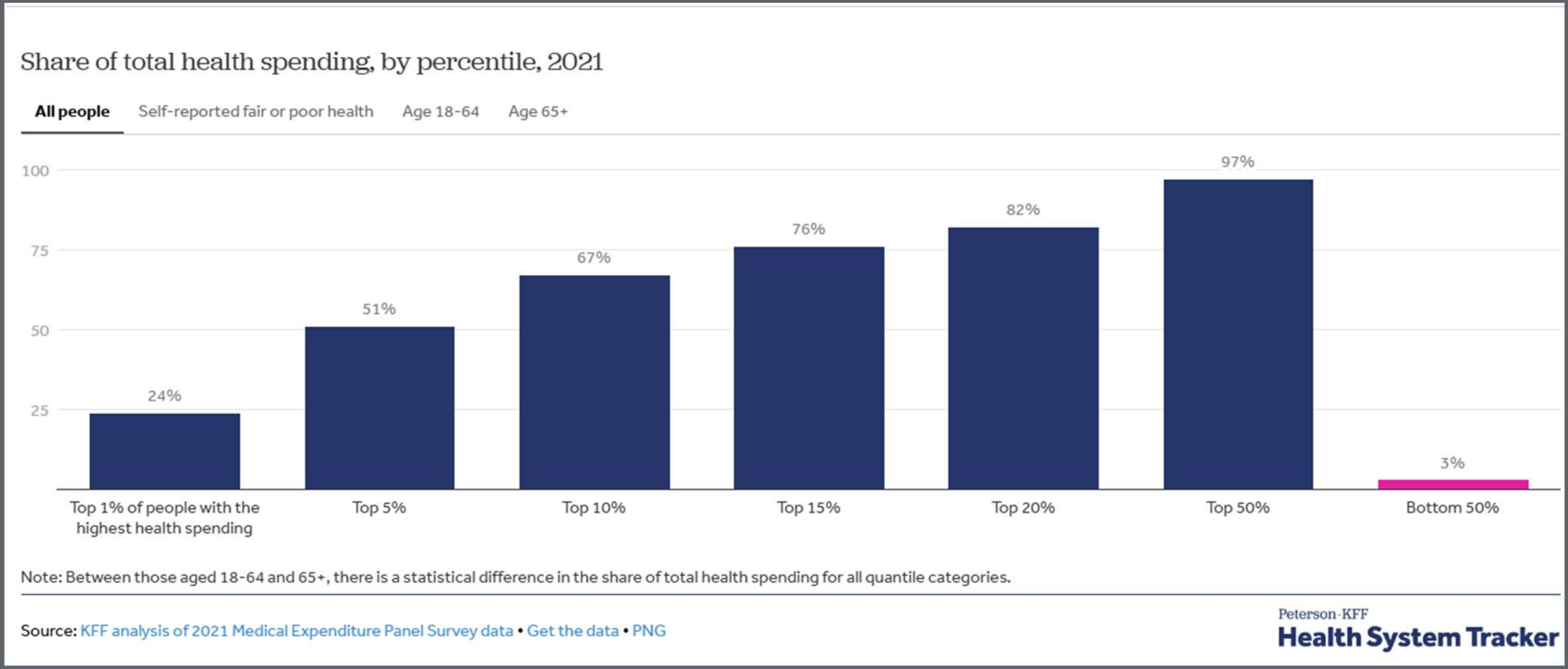






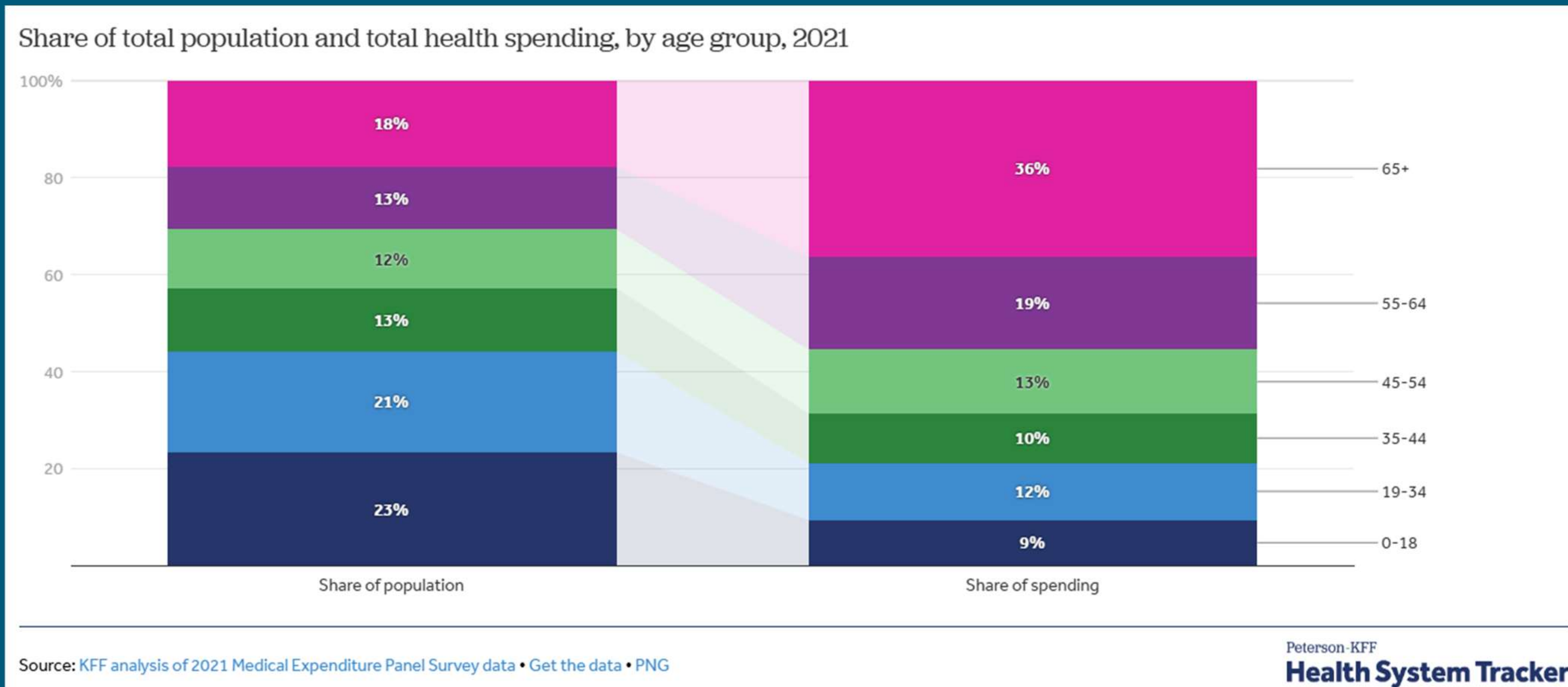
Source: FactSet

The sickest individuals represent a disproportionate percentage of spending

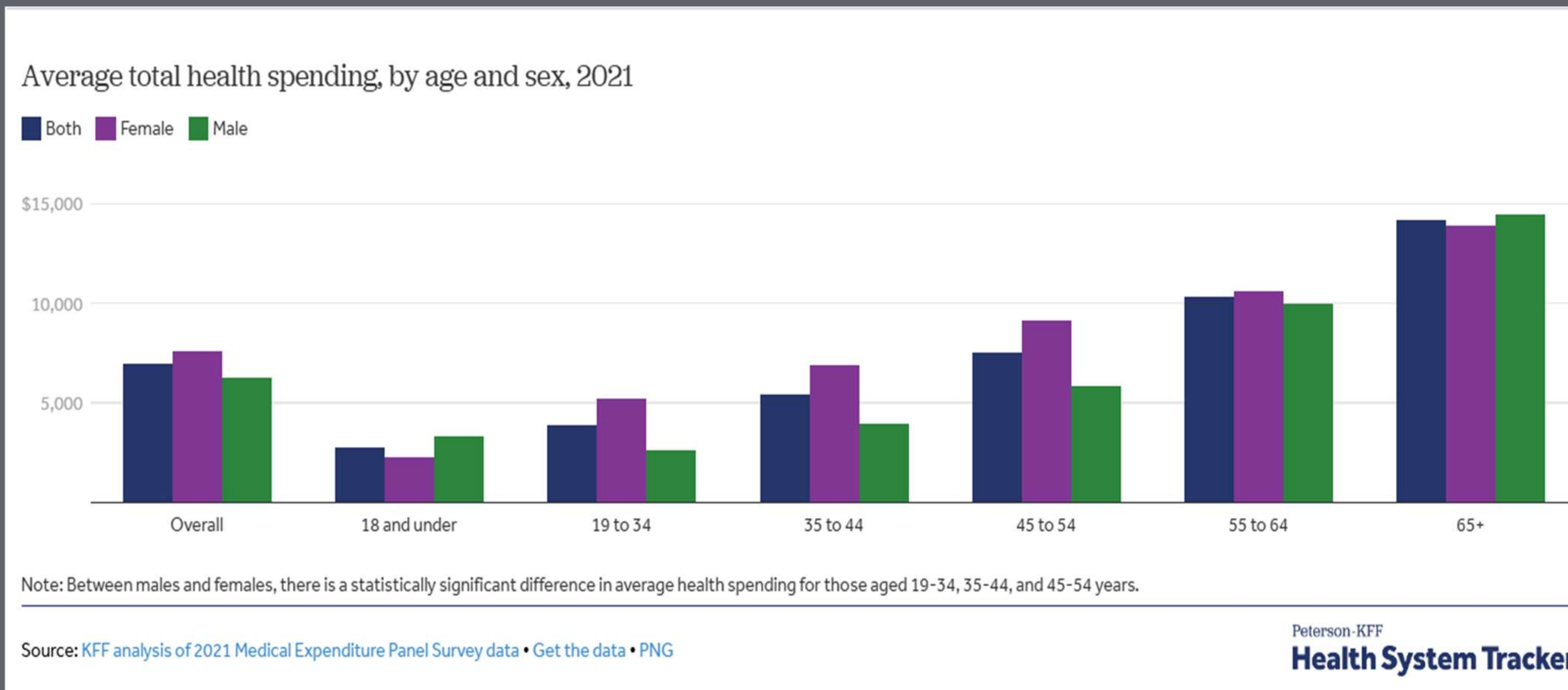


Senior healthcare cost considerations

People age 55 and older account for over half of healthcare spending but only 31% of the population



Healthcare spending often increases as you age



Hospital, physician and care setting costs represent about 79% of healthcare costs for individuals over age 65. Medicare pays about half of the expenditures.

2020 Age 65+ Spending Breakdown				
Cost	Care Breakdown		Payer	Payor Breakdown
Hospital Care	34.0%		Medicare	50%
Physician and Clinical Services	21.7%		Other Payers and Programs	14%
Nursing Care Facilities and Continuing Care Retirement Communities	13.0%		Out-of-Pocket	13%
Prescription Drugs	9.9%		Private Health Insurance	13%
Home Health Care	6.1%		Medicaid	10%
Other Nondurable Medical Products	3.7%			
Other Health Residential and Personal Care	3.6%			
Other Professional Services	3.3%			
Dental Services	2.9%			
Durable Medical Equipment	1.8%			
Source: CMS.gov				

Home healthcare and nursing care as a % of spending increases dramatically as you age

	2012 Spending Breakdown									
Age group	Hospital Care	Physician and Clinical Services	Other Professional Services	Dental Services	Other Health Residential and Personal Care	Home Health Care	Nursing Care Facilities and Continuing Care Retirement Communities	Prescription Drugs	Durable Medical Equipment	Other Non-durable Medical Products
Total	38%	24%	3%	5%	6%	3%	6%	11%	2%	2%
0-18	41%	25%	3%	11%	7%	3%	0%	7%	2%	1%
19-44	40%	27%	4%	5%	9%	2%	1%	10%	2%	2%
45-64	39%	26%	3%	4%	6%	2%	3%	13%	2%	2%
65-84	36%	22%	3%	3%	4%	4%	11%	12%	2%	3%
85+	29%	13%	2%	1%	4%	11%	30%	6%	2%	2%

Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

What is long term care?

- When you need a caregiver to assist you with two+ daily living activities

ADL	Description
Bathing	Washing oneself in a tub, shower, or by sponge bath
Dressing	Putting on and taking off clothes and any necessary braces or artificial limbs
Toileting	Getting to and from the toilet, using it appropriately, and cleaning oneself
Transferring	Moving in and out of bed or from a chair without assistance
Eating	Feeding oneself by getting food into the body from a plate or cup
Continence	Controlling bladder and bowel functions

Source: Downers Grove Rehab and Nursing

TABLE 3. Probability that Adults Will Ever Develop Severe LTSS Needs and Receive Paid LTSS after Age 65 (%) *(by LTSS type and personal characteristics)*						
	Severe LTSS Needs	Any Paid LTSS	Paid Home Care	Residential Care	Long-Term Nursing Home Care	
					Any	Medicaid-Financed
All	70	48	29	5	28	13
Age at Death						
65-74	51	23	17	<1	9	5
75-84	63	36	24	1	19	9
85 and older	75	54	31	5	34	15
Sex						
Men	64	38	24	3	20	8
Women	75	55	33	6	34	17
Race and Ethnicity						
NonHispanic White	70	48	28	5	29	12
NonHispanic Black	73	49	32	2	26	18
Hispanic	73	47	39	2	17	13
Education						
Not high school graduate	72	49	30	3	29	17
High school graduate only or some college	70	48	28	6	29	12
Bachelor's degree or more	66	48	34	7	25	5

SOURCE: Author's estimates from the HRS.
NOTES: Probabilities were derived from hazard functions estimated for each outcome. The analysis classified individuals as having severe LTSS needs if they received paid or unpaid LTSS and had 2 or more ADL limitations or SCI. ADLs included getting in and out of bed, dressing, walking across a room, bathing or showering, eating, and using the toilet. The analysis counted only LTSS received by adults with severe LTSS needs and only those nursing home stays that lasted at least 90 days.

Key Findings

- There is a 70% probability an individual over age 65 will need long term care and the risk increases as you age.
- Women have a greater likelihood of needing long term care as they often live longer.
- Paid care occurs 23-54% of the time and the probability grows as you age.

Source: HHS, April 2019

TABLE 4. Distribution of Duration in Years of Severe LTSS Needs and Paid LTSS after Age 65 (%)
(older adults with severe LTSS needs or receiving paid LTSS)

	No More Than 2	2 to 4	4 to 6	6 to 8	8 to 10	More Than 10	All	More Than 4
Older Adults with Severe LTSS Needs or Receiving Paid LTSS								
Severe LTSS needs	40	22	14	9	5	9	100	38
Any paid LTSS	49	23	12	7	4	5	100	28
Paid home care	58	20	8	6	2	6	100	22
Long-term nursing home care								
All	50	25	13	7	3	2	100	25
Medicaid-financed	53	24	10	8	3	2	100	23
All Adults Surviving to Age 65								
Severe LTSS needs	28	15	10	6	4	6	70	26
Any paid LTSS	24	11	6	3	2	2	48	13
Paid home care	17	6	2	2	1	2	29	7
Long-term nursing home care								
All	14	7	4	2	1	1	28	8
Medicaid-financed	7	3	1	1	0	0	13	2

SOURCE: Author's estimates from the HRS.
NOTES: Estimates were restricted to adults with derived from hazard functions of time to the end of severe LTSS needs (through permanent recovery or death) or receipt of services. The duration of LTSS needs estimates were restricted to adults with severe needs, and duration of paid LTSS estimates were restricted to users of those services and supports. The analysis classified individuals as having severe LTSS needs if they received paid or unpaid LTSS and had 2 or more ADL limitations or SCI. ADLs include getting in and out of bed, dressing, walking across a room, bathing or showering, eating, and using the toilet. Paid LTSS included nursing home care that lasted at least 90 days, paid home care, and residential care. The analysis counted only LTSS received by adults with severe LTSS needs.

Key Findings:

- About 50% of paid long-term care occurs for less than 2 years.
- 20-25% of paid care occurs for 2-4 years.
- Women average 3.7 years of care while men average 2.2 years of care.
- 70% of individuals will need long term care
- 48% of individuals receive paid care
- 29% of individuals receive paid home care
- 28% of individuals receive paid care in a nursing home.

- Source: HHS, April 2019 Brief, Morningstar 100 Long Term Care Facts 2023

Types of caregivers

Type of Caregiver	Key Responsibilities	Work Setting	Additional Skills
Certified Nursing Assistants (CNAs)	ADLs, clinical tasks	Healthcare facilities	Clinical tasks
Home Health Aides (HHAs)	ADLs, light housekeeping	Home settings	Supervised by nurse/therapist
Personal Care Aides (PCAs)	ADLs, meal prep, medication management	Private/group homes	Community engagement
Home Health Caregivers	ADLs, wound care, vital sign monitoring	Home settings	Medical tasks

Type of Caregiver	Required Qualifications	Training Focus
Certified Nursing Assistants (CNAs)	State-approved program, competency exam	Basic nursing skills, patient care
Home Health Aides (HHAs)	Certification, training program	Personal care, basic healthcare, home management
Personal Care Aides (PCAs)	High school diploma/GED, on-the-job training	ADLs, community engagement
Home Health Caregivers	Certification as CNA, HHA, or PCA	Medical tasks, wound care, injections

Source: Downers Grove Rehab and Nursing

Types of senior living options

- Life Plan Community/Continuing Care Retirement Community (CCRC)
  - Independent living, assisted living, memory care, skilled nursing
- Rental Communities
  - Independent Living, Assisted Living and Memory Care
  - Assisted Living and Memory Care
  - Group Homes: 8 residents Max
  - Memory Care Only
- Skilled Nursing or Long-Term Care

Source: Silver Bridges Consulting

Genworth Long Term Care Cost Estimates

Annual median costs: USA - National (2024)

In-home care	2024
Homemaker services [1]	$75,504
Change Since 2023[2]	10%
Home health aide [1]	$77,792
Change Since 2023[2]	3%

Community and assisted living	2024
Adult day health care [3]	$26,000
Change Since 2023[2]	5%
Assisted living community [4]	$70,800
Change Since 2023[2]	10%

Nursing home care	2024
Semi-private room [5]	$111,325
Change Since 2023[2]	7%
Private room [5]	$127,750
Change Since 2023[2]	9%

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Source: Genworth Long Term Cost Estimator

Financial plans are hypothetical in nature and intended to help you in making decisions on your financial future based on information that you have provided and reviewed. Assumptions need to reviewed regularly. Past performance is not a guarantee or predictor of future performance.

Genworth Long Term Care Cost Estimates

Annual median costs: Austin area, TX (2024)

In-home care	2024
Homemaker services [1]	$73,216
Change Since 2023[2]	No Change
Home health aide [1]	$77,792
Change Since 2023[2]	-11%

Community and assisted living	2024
Adult day health care [3]	$78,000
Change Since 2023[2]	n/a
Assisted living community [4]	$79,800
Change Since 2023[2]	10%

Nursing home care	2024
Semi-private room [5]	$77,745
Change Since 2023[2]	1%
Private room [5]	$113,150
Change Since 2023[2]	20%

Print to PDF

Source: Genworth Long Term Cost Estimator

Financial plans are hypothetical in nature and intended to help you in making decisions on your financial future based on information that you have provided and reviewed. Assumptions need to reviewed regularly. Past performance is not a guarantee or predictor of future performance.

Who pays for long term care?

- Traditional Medicare does not cover the cost of long-term care, which is primarily considered non-medical or "custodial" care. This includes help with basic personal tasks of everyday life, also known as "activities of daily living," such as bathing, dressing, and eating. Short term coverage is limited to:
  - Short-term skilled nursing facility care: If you have a medically necessary inpatient hospital stay of at least 3 days and require daily skilled care (like nursing or therapy) related to that hospital stay, Medicare Part A may cover up to **100 days of care** in a Medicare-certified skilled nursing facility. Medicare covers 100% of the cost for the first 20 days. For days 21-100, you pay a daily coinsurance ($204 in 2024), while Medicare covers the rest. After 100 days, you pay all costs
  - Home health care: If you are homebound and require **short-term,** medically necessary skilled care, Medicare may cover some part-time or intermittent home health services. This is not intended for round-the-clock care. You pay $0 for Medicare-approved home health services, except for 20% of the Medicare-approved amount for durable medical equipment after meeting your Part B deductible.
  - Hospice care: Medicare Part A covers hospice care for individuals who are terminally ill and **have a life expectancy of 6 months or less**. This includes medical care, pain management, and other support services. Medicare Part A covers hospice services in full.
- Medicare Advantage usually has very similar provisions as traditional Medicare and thus doesn't cover long term care
- Medicaid:
  - Does pay for the largest share of long-term care services, but to qualify, your income must be below a certain level, and you must meet minimum state eligibility requirements
  - Such requirements are based on the amount of assistance you need with ADL
  - Learn more about Medicaid coverage for long-term care
- Other federal programs such as the Older Americans Act and the Department of Veterans Affairs pay for long-term care services, but only for specific populations and in certain circumstances
- Other options are to buy long term care insurance or life insurance policies that have long term care benefit provisions or self insure (have money set aside for these anticipated costs).

Source: longtermcare.gov, Google AI search

Ways to fund long term care

- Reverse mortgage
- Real estate bridge loan - <3 year loan, <80% LTV , ~2% above fixed mortgage rates, closing costs ~3-5% of real estate value
- Fund from investments
  - Qualified retirement accounts
  - Taxable accounts
- Use up savings and CDs
- Life insurance loans borrowing cash value – interest rate low, low interest rates
  - Reduces death benefit via cash value
- Sell life insurance policies – pay % of life insurance face amount, % of settlement amount or % of settlement amount – cash value (% of amount over cash value you would have been paid)
- Long term care insurance
- Hybrid life insurance
- Medicaid
- Medicare
- State Partnership LTC Plans
- Kids buy LTC insurance for you
- Corporate LTC policies
- Short term care insurance
- Annuities
- Trusts
- Asset Based LTC plans- put in a lump sum amount and get paid a multiple of it on claim, a death benefit or return of premium + low interest rate
- 1035 Exchange Non Qualified Life and Annuities and Not Pay Gains – Use proceeds for care
- Annual VA coverage- $28,296 if single, $33,540 if married or $18.180 if widow of vet but need assets below <$155,356 and maximum pension below $16,551-21,674

Long term insurance can cover a portion of long-term care costs. Most individuals purchase these policies between ages 50-69. The largest carriers are provided. Note, the average annual premium increased 3.8% annually from 1990-2015.

American Association for Long-Term Care Insurance

Age of Buyers (%); Individual Traditional LTCi

Age 40 or Under	6%
41 - 49	11%
50 – 69	78%
70 or Over	5%

Source: American Association for Long-Term Care Insurance (www.AALTCI.org) based on accumulated industry data, 2024

See Latest LTC Data – Facts – Costs
www.AALTCI.org / LTCFacts-2024

American Association for Long-Term Care Insurance

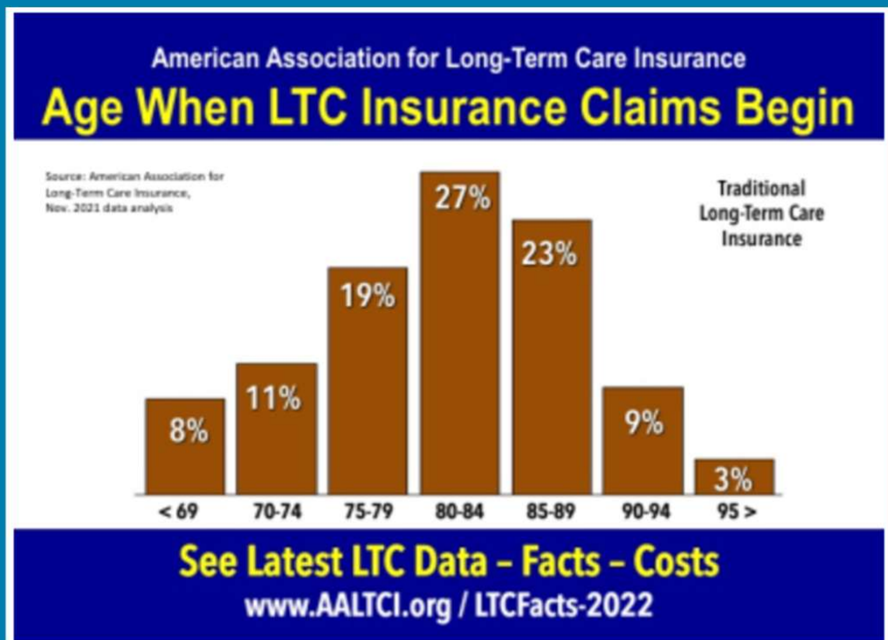
Long-Term Care Insurance – Lives In Force

Company Name	Lives 2013 Report	Lives 2023 Report
Genworth (DE, NY)	1,303,890	1,102,315
John Hancock (MI, MA)	994,657	837,923
Northwestern Mutual (WI)	168,256	270,689
Mutual of Omaha (NE)	110,664	212,213
New York Life (NY)	136,132	164,302
Bankers Life & Casualty (IL)	298,591	128,466
Thrivent Financial (WI)	126,154	113,317
State Farm Mutual (IL)	131.004	109,936

Source: American Association for Long-Term Care Insurance analysis of 2023 and 2013 LTC Insurance Experience Reports (NAIC) reporting Lives In Force – End of Year - for selected 'traditional' LTC insurance providers data from previous year.

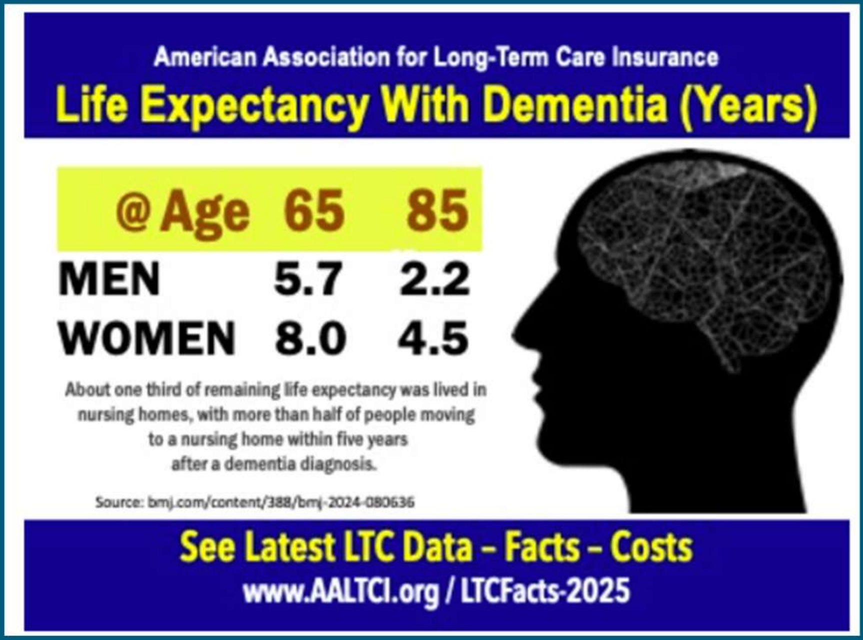
Source: American Association for Long Term Care Insurance, Financial Planning Association

Most long-term care policy claims start between ages 75-94



Source: American Association for Long Term Care Insurance

Dementia long term care cases can be more costly due to care settings and/or duration of care. 12% of men and 21% of women have a lifetime risk of dementia. The estimated lifetime cost of living with dementia is $321,780 at home and $195,176 in a nursing home.



Source: American Association for Long Term Care Insurance, Alzheimer's Association, Morningstar

For more information

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www.candorassetadvisors.com

- We discuss where we see opportunities in stocks, fixed income and other asset classes in our investment strategy commentaries

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William E. Hawes, CFA, CFP®
President and Chief Investment Officer

With over 26 years of industry experience, Bill brings a wealth of knowledge in investment management and financial planning. Prior to earning his MBA, Bill worked in mortgage banking and insurance, and the insights gained provided him with a broader perspective of the financial issues facing clients.

Bill has been a Chartered Financial Analyst since 2000 and is a Certified Financial Planner. Bill also enjoys golf, travel, studying history, watching his favorite sports teams, and spending time with family.

Before founding Candor Asset Advisors®, Bill co-created and managed Century Management's Large Cap Absolute Value and Large Cap Value strategies. Bill also analyzed companies in a variety of industries for the firm's all-cap value strategy.

Prior to moving back to Texas, Bill served as an equity analyst for Engemann Asset Management in Southern California. He co-managed a mid-cap growth fund and served as a multi-sector analyst for the mid-cap and large-cap growth teams.

After graduate school, Bill served as co-portfolio manager and equity analyst at Franklin Templeton. While there he served as portfolio manager on All Cap, Large Cap Core, and Consumer Sector portfolios. Notable institutional clients included CalPers, Mitsui Trust, Norges Bank, and Penn Mutual. He also spent considerable time analyzing auto, transportation, and consumer stocks.

Bill earned his Master in Business Administration from the University of Southern California. While there he also served on USC's MBA student investment fund.

Between his graduate and undergraduate studies, Bill worked at North American Mortgage Company in California as a management trainee and later as a financial analyst and marketing coordinator. The experience gave him a better understanding of the mortgage and real estate markets which he leverages to this day.

Bill earned his Bachelor of Business Administration from the University of Texas at Austin. While a student, he also served as a special agent for Northwestern Mutual. The experience gave him an understanding of life and disability insurance and the work ethic, tools, and temperament needed to grow a financial services practice.

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