



SENIORS & THE INFORMATION GAP

As Baby Boomers begin turning 65, neither they nor their adult children are well enough informed to plan for their future care.

A WHITE PAPER FROM



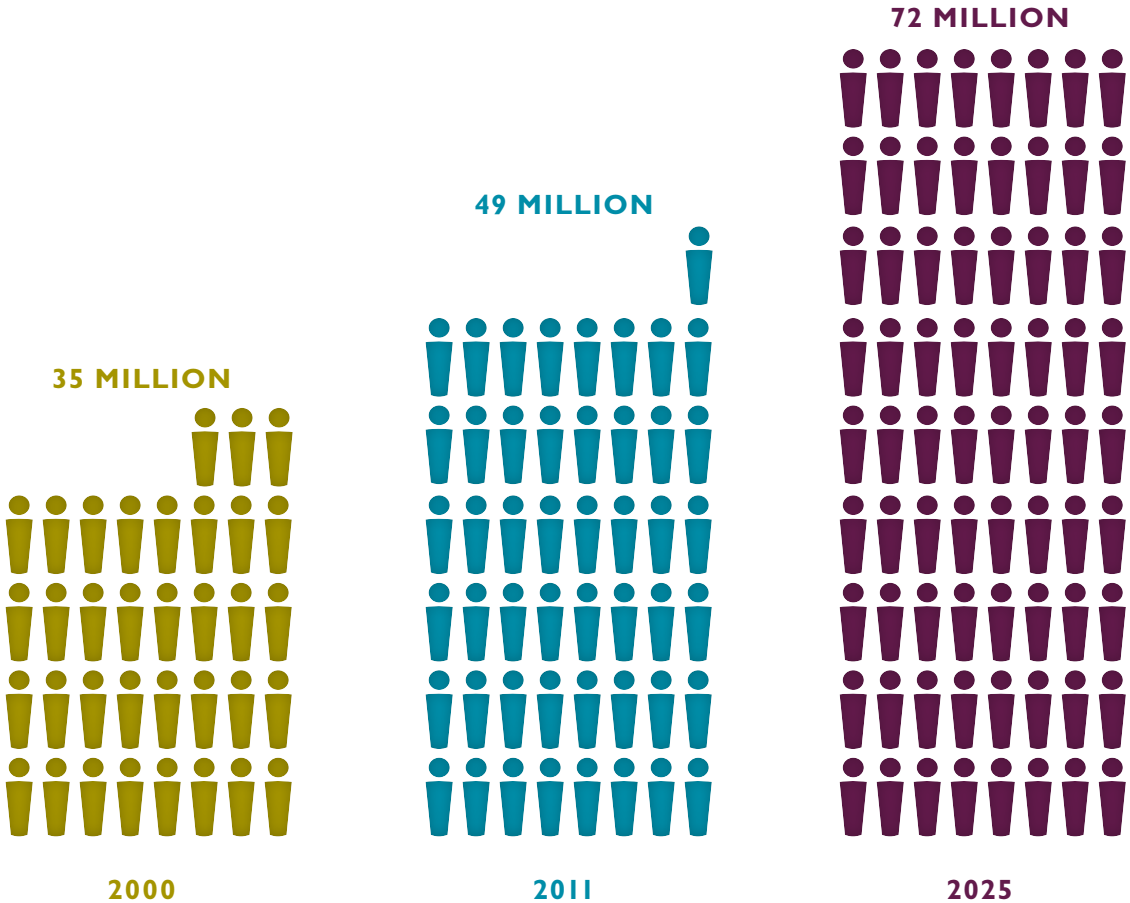
To us, it's personal

INTRODUCTION

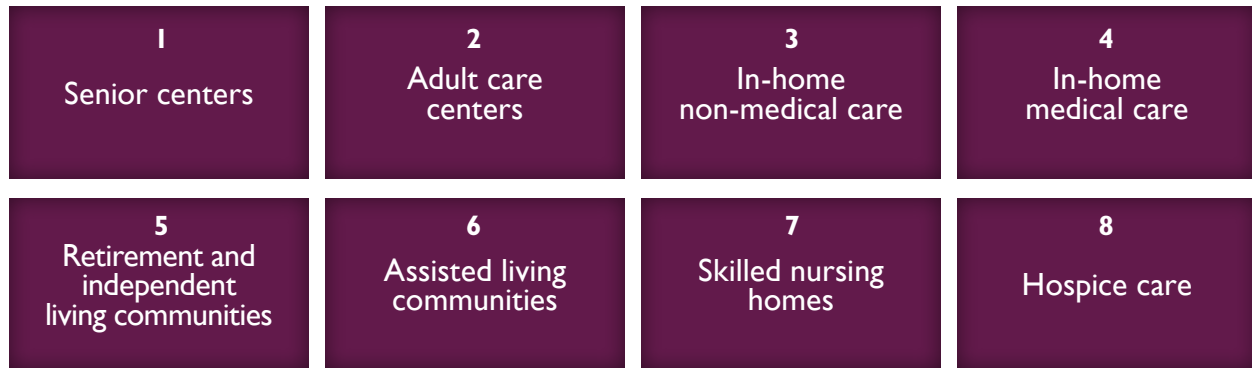
The number of senior citizens in the United States is about to increase to game-changing levels. Some 78 million men and women – the generation known as the Baby Boomers – were born between 1946 and 1964. The first wave of Boomers will start turning 65 in 2011 at a rate of more than 8,000 a day. By year's end, the nation's senior population will grow by almost 3 million, to a total of nearly 49 million. By 2025, the senior population, which was 35 million in 2000, will have more than doubled to 72 million.

The ramifications of these demographics are far-reaching, from escalating costs for federal entitlement programs, especially Social Security and Medicare, to major new demands on the nation's medical and senior-care systems, to increasing stresses on the families of the aging.

Fortunately, the nation's senior-care network is far more extensive and sophisticated than is widely recognized. The number of workers directly involved in providing care for seniors is still inadequate to meet the need, a serious national challenge; but the system itself has evolved dramatically in the past four decades. The old binary model that many Americans have in mind – mom ages home as long as possible, then goes into a nursing home – has been replaced by a structure in which at least eight distinct levels of professional care can be identified, each tailored to the special requirements of seniors at the different stages of aging.



These eight levels of professional care are:



The extent and sophistication of this new system means, however, that seniors and their families need to spend considerable time gathering information and conferring with one another about individual responsibilities, financial arrangements and decision-making. Then and only then will they be able to choose the option that is right for each senior at each stage of the aging process.

Yet according to a study commissioned by Home Instead Senior Care®, large numbers of seniors and their adult children have failed to educate themselves on this most personal of subjects, much less make adequate plans for the future.

Call it the Senior Care Information Gap.

The Home Instead study found that seniors and their adult children:

- Know little about the care options that are available
- Are badly misguided about the costs of those options
- Are inadequately informed about what financial resources will be needed to cover the cost of care.

Among adult children in the U.S., 73 percent said they have neither thought about nor planned for the care of their aging parents or relatives. Shockingly, 50 percent of seniors – those who are directly affected – said they haven't planned for their own futures.

This Information Gap poses a major challenge for public officials, social planners, health-care workers, community leaders – and the affected families. The nation's failure to recognize and address this situation could lead to serious disruptions, personal suffering and even bankruptcy for countless millions in the years ahead.

Conversely, better educated Americans will be better positioned to make informed choices from the spectrum of care options. Knowing how to choose the right level of care will improve the quality of seniors' lives, saving them, their families and their insurers – including, yes, U.S. taxpayers – vast sums of money and ensuring a smoother transition to a new era in American history.

SECTION I

About Home Instead Senior Care

Home Instead Senior Care is a U.S.-based international franchise network that provides high quality, non-medical senior home care. Home Instead's network consists of more than 875 locally owned and operated offices that help senior and their families through the home-care stage of aging. Franchise offices are located throughout the United States and in Australia, Austria, Canada, Finland, Germany, Ireland, Japan, New Zealand, Portugal, South Korea, Spain, Switzerland, Taiwan and the United Kingdom.

The Home Instead franchise offices employ nearly 65,000 trained CAREGiversSM who provide millions of hours of elder care services annually through more than 60 home-care activities. The care services may include assistance with trips to the doctor, reminders to take the right medication at the right time, meal preparation, light housekeeping, errands, shopping and even Alzheimer's and dementia care. The result is companionship that allows seniors to feel safe and independent while they age in place in the homes they've lived in for years.

In situations in which a client has aging-related medical needs beyond the capabilities of home-care workers, referrals are made to Home Instead's partners in the health care industry.

Home Instead was founded by Paul and Lori Hogan in Omaha, NE., in 1994 and began franchising in June 1995. It was Paul's own family experience caring for his grandmother for 12 years that made him realize the need for non-medical home care and elder companionship services to help seniors live independently at home. By 1998, Home Instead Senior Care had grown to 99 offices and was recognized by *Entrepreneur* magazine as one of the 100 fastest growing franchise companies in the United States. In 2000, Home Instead began international development with the opening of a partner relationship in Japan.

The Home Instead Senior Care Foundation was created in 2003 to further the philanthropic mission of franchisees. The foundation's objective is to provide financial assistance to non-profit organizations specializing in projects that improve the quality of life for seniors.

Home Instead has been cited for its business success by the International Franchise Association and by several publications including *Time*, *The Wall Street Journal, Inc.*, *Entrepreneur* and *Franchise Times*. CEO Paul Hogan has also taken on several advisory roles on aging issues, including serving as an at-large delegate to the White House Conference on Aging.

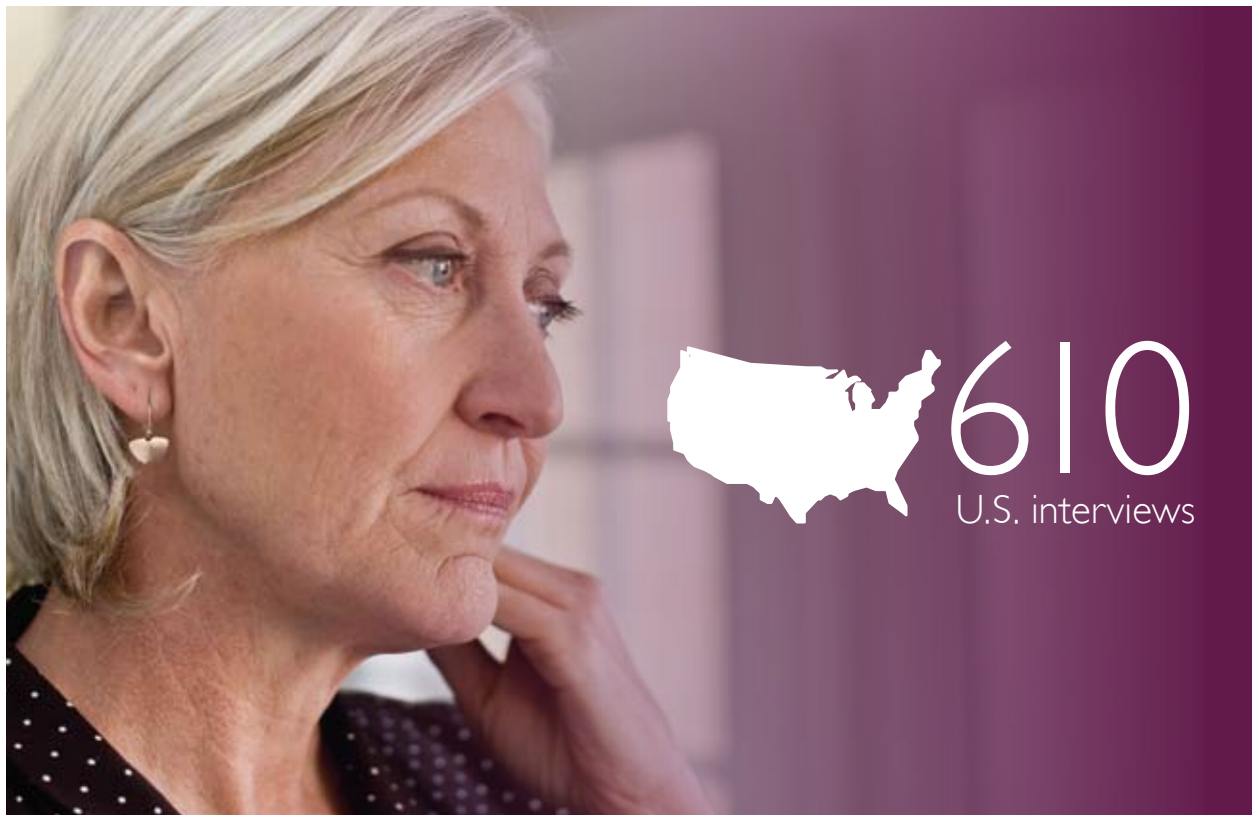
SECTION II

About the Study

The study was commissioned by Home Instead Senior Care and conducted in 2009 by the Boomer Project, a research-consulting firm headquartered in Richmond, VA, specializing in studying Baby Boomers and their senior parents and relatives.

The study consisted of an online survey of adult children (35-64) and seniors (65-75) in the U.S. and Canada supplemented by a telephone survey among current Home Instead clients.

In the U.S. the online survey consisted of 610 interviews. Of those interviewed, 209 were seniors and 400 were adult children.



SECTION III

The Study Findings

Overview: A Wide Information Gap

The study revealed a troubling lack of information about senior care issues among both adult children and seniors themselves. In general, most respondents:

- Knew little about the care options that are available
- Were misguided about the costs of those options
- Were poorly informed about what financial resources will be needed to cover the cost of care.

One of the most disturbing findings was that the majority of respondents have failed to think about – much less plan for – senior care. Seventy-three percent of adult children said they have neither thought about nor planned for the challenge. Even more troubling, 50 percent of seniors – those whose lives are directly affected – said they haven't planned for their own futures.

Care Options: Only a Partial Knowledge

When asked what choices they believe are available for senior care, 71 percent of adult children could name “off the top of their heads” a maximum of only two of the eight non-family care options (that is, the options available outside the family home and involving services provided by professionals). Sixty-six percent of seniors showed the same lack of knowledge.

By a large margin, the two options most often cited by adult children and senior respondents were skilled nursing homes and assisted-living centers – no surprise, since these are the best-known, most traditional options.

The aided-awareness numbers were better. When shown a list of all eight care options, 67 percent of adult children said they were aware of at least four, and 76 percent of seniors were also familiar with at least four categories.

When asked to assess their knowledge of each of the eight care options, relatively few adult children rated themselves as “familiar” or “very familiar” with them. The levels of familiarity ranged from a low of 26 percent for adult day care to a high of 48 percent for skilled nursing homes.

Seniors fared somewhat better in their knowledge about the eight care options, with ratings ranging from 35 percent who were familiar with adult day care to 61 percent who knew about skilled nursing homes. (That last figure represents the only rating in either group above 50 percent.)

Estimating Costs: Too High or Too Low

When asked to give their estimates of the expenses involved at each of the various levels of care, respondents were almost always wrong. They consistently **overestimated** the cost – except in the case of skilled nursing homes when they seriously **underestimated** the cost. Following are breakdowns of the participants' median estimates and the actual costs (all figures are annual):

Responses from Adult Children (ages 35-64)

Senior Centers

- Their estimate: \$26,000
- Actual cost: nominal (typically levied as a per-day fee for congregate meals and other activities)

Adult Day Care

- Their estimate: \$26,000
- Actual cost: about \$15,250

In-Home Non-Medical Care

- Their estimated: \$29,000
- Actual cost: about \$18,000

Independent Living

- Their estimate: \$46,000
- Actual cost: less than \$30,000

Assisted Living

- Their estimate: \$47,000
- Actual cost: about \$36,000

Skilled Nursing Homes

- Their estimate: \$59,000
- Actual cost: about \$78,000

Responses from Seniors (ages 65-75)

Senior Centers

- Their estimate: \$18,000
- Actual cost: nominal (typically levied as a per-day fee for congregate meals and other activities)

Adult Day Care

- Their estimate: \$22,000
- Actual cost: about \$15,250

In-Home Non-Medical Care

- Their estimate: \$28,000
- Actual cost: about \$18,000

Independent Living

- Their estimate: \$47,000
- Actual cost: less than \$30,000

Assisted Living

- Their estimate: \$49,000
- Actual cost: about \$36,000

Skilled Nursing

- Their estimate: \$65,000
- Actual cost: about \$78,000

Meeting the Costs: Coming Up Short

When asked what financial resources they thought would cover the cost of their senior care, adult children most typically cited Social Security, Medicare and their parents' or relatives' retirement accounts and pensions. Only 18 percent cited long-term-care insurance.

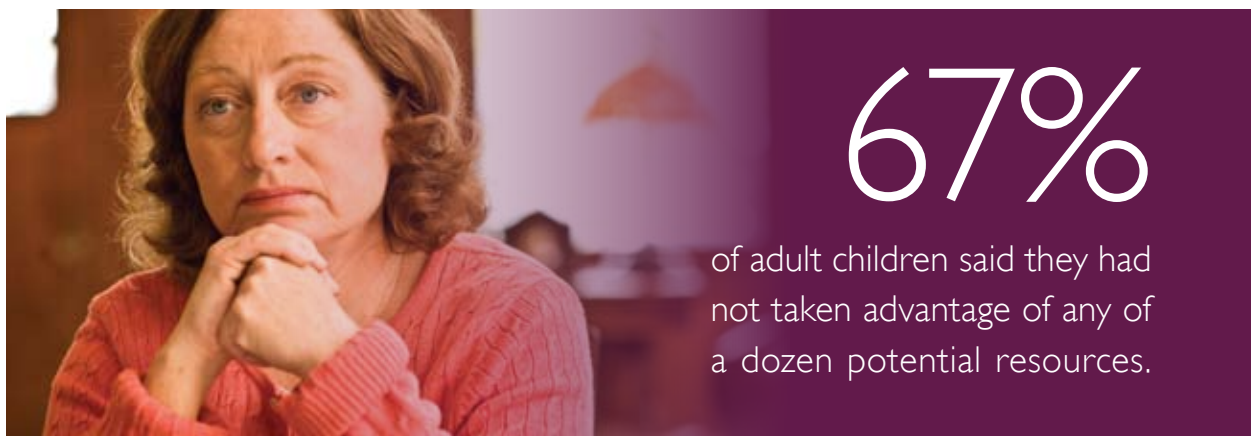
When seniors were asked about resources, they too cited Social Security or Medicare and their own savings or retirement accounts and pension plans as their top potential means of funding senior care. Only 21 percent mentioned long-term-care insurance.

The lack of awareness about long-term-care insurance is another of the study's troubling findings. Most experts in the aging field consider LTC insurance an essential asset for working and middle-income families and even for the well-to-do, because, according to one estimate, more than half of Americans will spend part of their senior years in long-term-care situations. Few people have the personal resources to cover such a major expense, and Medicaid and Medicare offer only limited coverage under certain circumstances. Hence the need for a private long-term-care insurance plan.

Filling the Information Gap: Few Have Tried

When asked what sources of information on senior care they had looked into, 67 percent of adult children said they had not taken advantage of any of a dozen potential resources.

Responding to the same question, 54 percent of seniors said they had not tapped any of the potential sources of information about their own care. This finding is clear evidence that unless a concerted effort is made to educate them, millions of Americans are headed for serious trouble when they reach the point of making decisions about senior care.



SECTION IV

Impact of the Information Gap

Overview

The fact that so many seniors and their families have such a poor grasp of the facts about senior care and have done so little planning for the future raises serious challenges for the nation.

- Ill-informed, ill-prepared seniors may spiral downward into health, housing and financial crises that neither they nor their families are able to handle.
- Medical and health care facilities may be overwhelmed by a tide of seniors whose situations have deteriorated into a crisis or near-crisis state.
- Elected officials may find themselves under siege from angry, frightened seniors demanding they approve hundreds of billions of dollars in spending – money the nation cannot provide without taking on more massive debt.

Just as serious as the lack of information is the inaccurate information – or more properly, misapprehension – that so many Americans have about the costs of senior care, according to the Home Instead-commissioned study. Adult children who believe, for example, that adult day care costs \$22,000 a year when it is actually about \$15,500 may reject this option as too expensive, depriving frail and early-stage dementia seniors of just the daily care and supervision they need.

Avoiding these painful consequences will require a nationwide campaign to close the Information Gap. Americans have responded many times before to drives to change attitudes and behavior. For example, the number of cigarette smokers has fallen by 50 percent since the 1970s, from 40 percent then to about 20 percent today. Given the personal self-interest that everyone has in dealing with aging issues, a concentrated campaign to increase levels of awareness about the stages of senior care should have a far-reaching impact.

Individuals

Begin with the fact that in the coming decades not only will the percentage of Americans who are seniors reach historic highs, but their life expectancies will be greater than at any time in history. According to projections based on U.S. Census Bureau data, the most reasonable estimate of the number of people over the age of 100 in 2050 will be 834,000 – and it could be more than 1 million, depending on several variables.

A longer life will be a blessing for seniors who are able to remain healthy, active and well-connected with family and friends. But the phenomenon raises the ante for everyone, since many seniors will eventually be stricken with disabling ailments, diseases or injuries, as well as dementia and Alzheimer's. In the absence of proper planning and informed decision-making, the physical and emotional toll will be terrible and the financial cost intolerable.

Without adequate information, great numbers of seniors and their families will make poorly informed choices about the care they get. For example, many people may assume that when the first signs of aging appear – like difficulties in performing household chores and forgetfulness about taking medications – the time will have come

SECTION IV Impact of the Information Gap (continued)

to move into a nursing home, which is one of the most expensive forms of senior care. In fact, far better and far less expensive alternatives are available, such as non-medical home care or medical home care provided by visiting professionals. The expense of such care is a fraction of nursing home costs, and it enables seniors to continue doing what the great majority – up to 85 percent – say they want to do, age in their homes.

In other cases, seniors who live alone and whose family and friends are long distances away may feel trapped in stifling isolation, not realizing that the nation has an extensive network of senior centers that offer classes, meals and activities, and the chance to make new friends. Adult day care centers provide the same sort of services for those with age-related disabilities, from physical frailty to early-stage dementia.

Poor decision-making based on inadequate or outdated information will inflict unnecessary suffering and costs on seniors and their families unless steps are taken to better educate the American public.

Health & Medical Facilities

The nation's medical facilities and health care services already face a looming gap of their own – a shortage of training professionals to handle the rapid growth of geriatric cases.

According to the American Geriatrics Society:

- Only 7,345 certified geriatricians now practice in the U.S. – a 5.4 percent decrease from the year 2000 and roughly half the number currently needed.
- Currently about 1.1 million 65-and-older Americans are in need of the care of a specialist on aging – a shortfall of 8,421 geriatricians.
- The nation now has only 1,596 geriatric psychiatrists - one for every 11,372 older Americans. That ratio is projected to decrease by 2030 to one geriatric psychiatrist for every 20,195 Americans who are 75 and older.
- In 2007, 91 residents who graduated from U.S. medical schools entered geriatric medicine (slightly more than 0.5% of all medical students in that graduating class), down from 167 in 2003.
- Only 24 residents entered geriatric psychiatry in 2007 (less than 0.2% of all medical students in that graduating class), down from 30 in 2003.

The nation faces a similar shortfall of nurses. The American Association of Colleges of Nursing (AACN) states: "The United States is in the midst of a nursing shortage that is expected to intensify as Baby Boomers age and the need for health care grows."

The AACN estimate is based on these findings:

- More than 19,400 registered nurse vacancies exist in long-term care settings. These vacancies, coupled with an additional 116,000 open positions in hospitals, bring the total RN vacancies in the U.S. to more than 135,000. This translates into a national RN vacancy rate of 8.1%.
- The shortage of registered nurses is projected to grow to 260,000 by 2025. This would be twice as large as any nursing shortage experienced in the U.S. since the mid-1960s.
- More than 1 million new and replacement nurses will be needed by 2016. To meet this need, 30,000 additional nurses should be graduated annually, an expansion of 30% over the current number.

Home care is yet another category that faces major shortages. According to one estimate, the U.S. will require almost 1 million additional home care workers by 2017 and as many as 3 million more by 2030.

The mismatch between the rising tide of elderly patients and the inadequate numbers of medical and senior care professionals is, in and of itself, a major challenge for the nation. If this situation is compounded by millions of seniors and their families making poorly informed decisions about care, the challenge will expand into a calamity.

One foreseeable consequence is that hospitals, nursing homes, assisted living facilities and other institutions that provide senior care will be confronted with countless numbers of patients who need their services but lack the resources to pay the bill because of uninformed and inadequate financial planning.

National Politics

Predicting what will happen in politics over the long term is a risky enterprise, but based on past experience it's reasonable to assume that if enough seniors are plunged into physical suffering and financial crisis in the years ahead because of inadequate information, poor planning and bad decision-making, the nation's elected officials – local, state and federal – will come under enormous pressure to respond.

While not an exact parallel, one recent example is the Medicare prescription drug plan that was pushed through Congress in 2003. The driving force behind its passage was the demand for financial assistance from seniors who had seen the cost of prescription drugs escalate at double-digit rates for several years. The first stirrings of concern surfaced around 2000, and the Medicare Prescription Drug Improvement and Modernization Act followed just three years later, an extraordinarily short timeframe by Washington standards. The estimated cost through 2015 is \$724 billion.

It requires little effort to imagine a similar wave of public sentiment arising if enough seniors fall into the Information Gap. And because it is a truism in politics that “seniors vote,” elected officials would be confronted by a virtually irresistible political force. How the nation would pay the bill if Congress and the White House agree to partially nationalize senior care is, however, a daunting question.

SECTION V

An Action Agenda

Given the potentially damaging consequences of the Information Gap, the United States needs to mount a major education campaign to alert families about aging issues and to direct them to comprehensive and reliable sources of information about senior care.

This education campaign should be mounted as a public-private partnership. At the federal level, the Administration on Aging within the Department of Health and Human Services would appear to be the right organization to lead and coordinate the campaign. Most states and many localities have agencies that specialize in aging issues, and they should be more than willing to cooperate.

In the private sector, the field of possible participants is larger and more diverse. There are scores of companies, foundations and organizations that should be willing to cooperate, including those that are directly involved in providing services to seniors, like Home Instead Senior Care, and those whose client base encompasses but is not limited to seniors – from pharmaceutical companies to hospitals.

The cost of such a campaign should be relatively modest, since much of the effort could consist of pro bono contributions from the private sector.

The objective would be to reach out to seniors and their adult children and guide them to the safest, most effective and least costly care options. There are many ways to go about this:



A Web site with links to federal, state and local aging agencies and other reputable sources of help and information.



Social networking, including blogs, Facebook and Twitter.



A series of print, radio and television public-service ads that raise awareness about the dangers of the Information Gap and call attention to the Web site and other sources of information.



A speakers bureau consisting of volunteers from public and private agencies who would deliver talks about the Information Gap and how to bridge it before business clubs, fraternal organizations, PTAs and other grassroots community groups.



Outreach to the producers of popular television shows to ask them to consider working the perils of the Information Gap into story lines.

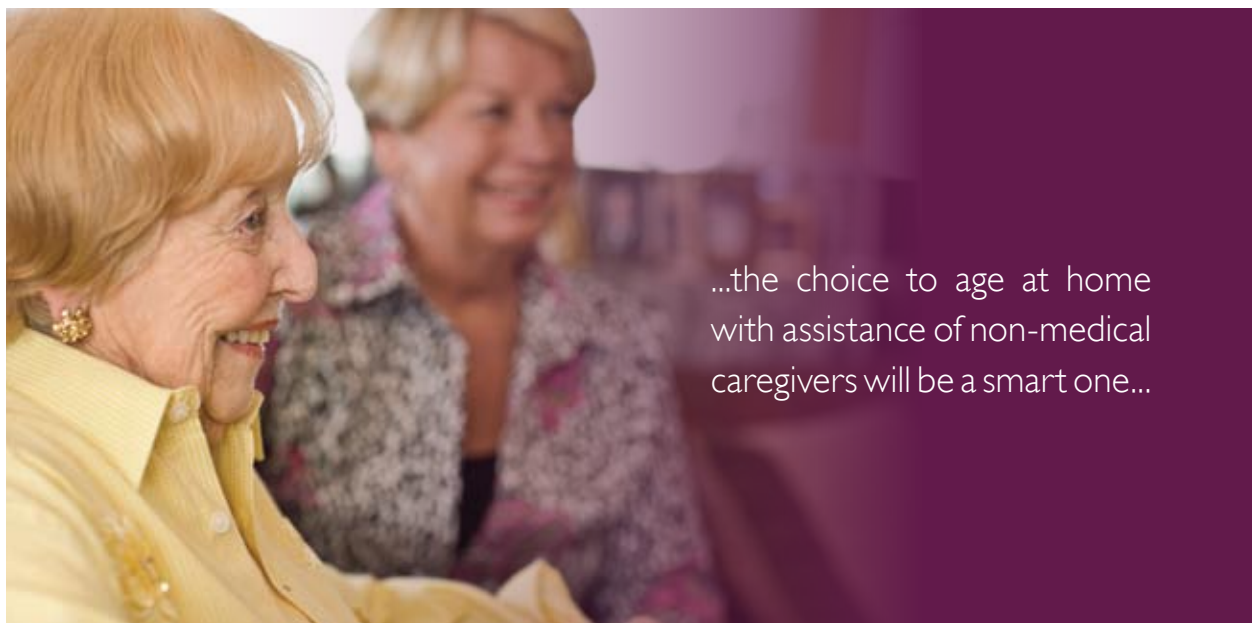
Assuming that the public education campaign is successful and that seniors and their adult children do begin educating themselves about the challenges that lie ahead, state and federal officials should also consider various measures to support their efforts.

For example, the choice to age at home with the assistance of non-medical caregivers will be a smart one for millions of seniors, but the decision will require them and their caregivers to deal with a range of aging-related safety issues. Governments should consider, therefore, tax credits for the installation of ramps, walk-in showers, grab bars in bathrooms, improved lighting and other safety-enhancing equipment.

Officials should also consider tax credits for the purchase of long-term-care insurance policies that cover in-home care and other affordable alternatives to nursing homes.

And it would be a win-win if the federal government were to create a Senior Corps similar to the Peace Corps and Americorps. One way to attract volunteers would be to postpone student loan payments for college graduates who agree to aid seniors for a specific period of time.

Finally, both the public and private sectors need to address the looming shortages of doctors, nurses and professional caregivers. This presents serious challenges at a time when the nation is in recovery from a severe recession and both Washington and most states face enormous budget shortfalls. Nevertheless, in the face of the coming wave of senior Baby Boomers and the already serious shortages of trained elder-care workers, this is an issue that is in urgent need of action.



...the choice to age at home with assistance of non-medical caregivers will be a smart one...

SECTION VI

Summary

America faces a double whammy:

- The explosive growth of the senior population as the Baby Boomers begin turning 65 starting in 2011.
- A dangerous Information Gap among seniors, soon-to-be seniors and adult children about the care options that are available, the cost of those options and the ways in which these factors can affect a series of decisions they will need to make.

These intertwined problems will place terrible strains on families, communities, elder-care facilities and hard-strapped governments. They will be compounded by a serious shortage of the doctors, nurses and professional caregivers who tend to the needs of the nation's aging population.

A wide range of steps must be taken by the public and private sectors to deal with these challenges. Of these actions, the most urgent – and the most cost-effective – is a public information campaign to educate seniors and their adult children about the need to plan for the future and about the many senior-care options that are now available to them.

It is a warning sign for the nation that the Home Instead Senior Care study found the failure to learn about senior care is widespread not only among adult children, but among great numbers of seniors themselves. Even more troubling was the lack of information among both groups about the true costs of senior care and the accompanying failure to prepare adequate financial plans.

Armed with enough accurate information, seniors and their caregivers will be able to make informed choices about the most appropriate and affordable kind of care at each stage of the aging process. Absent of such information, many will make choices that are wrong for the senior's situation and budget-busting for the family.

A public information campaign to bridge the Information Gap would pay for itself many times over in lowered costs for senior care and less suffering for millions of Americans.

The campaign should tap every source of modern communications to reach the widest possible audience. This is a serious national challenge, but it can be met with a combination of old-fashioned American know-how and up-to-the-minute communications technology.



To us, it's personal®

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