



## The Use of Nursing Home and Assisted Living Facilities Among Private Long-Term Care Insurance Claimants: The Experience of Disabled Elders

Little is known about individuals in nursing homes (NHs) and assisted living facilities (ALFs) who receive private long-term care (LTC) insurance benefits. No one knows whether claimants and/or their families feel they are getting good value for their premiums, or whether the presence of private insurance influences the type of care people get. This brief provides descriptive information on disabled private LTC insurance policyholders receiving LTC benefits in these settings, comparing them to institutionalized elders who lack such insurance. The information shows that private LTC insurance benefits are targeted to individuals with significant functional and/or cognitive impairments; that claimants are satisfied with their policies although many report unmet needs; and that private LTC insurance gives claimants access to alternatives to nursing home care.

### Who are privately insured claimants in nursing homes and assisted living facilities?

Most privately insured claimants, whether residing in NHs or ALFs, are over age 80, female, unmarried, have 2 or more ADL limitations, and have experienced some cognitive impairment or disorientation (Figure 1). Most also have incomes above \$30,000.

### How are privately insured ALF residents different from nursing home residents?

Nearly three in ten (28%) of our sample of private LTC insurance claimants who live in residential care facilities receive services from ALFs, with the remainder (72%) living in nursing homes. As Figure 1 shows, claimants residing in ALFs are less functionally and cognitively impaired than are their insured counterparts in nursing homes:

- Ninety percent of nursing home claimants have 2 or more ADL limitations, compared to two-thirds of assisted living claimants. (The average number of ADL limitations for nursing home claimants is 4.7

### Data Sources

This study sample is composed of (466) randomly selected individuals in nursing home or assisted living settings receiving benefits from one of eight large LTC insurance carriers representing approximately 80% of the market. Individuals were 65 years of age or older; had LTC insurance policies covering community and institutional care; and were receiving benefits under their policy while living in nursing homes or assisted living facilities. Information was gathered from in-person interviews of claimants (conducted in 1999 and 2000), which was then linked to policy design and claim information generated from the administrative systems of the participating insurance companies. A proxy was interviewed in cases where the claimant was cognitively impaired.

A sample of comparable non-privately insured individuals matched on level of disability was obtained from the 1994 National Long-Term Care Survey (NLTC) and the 1995 National Nursing Home Survey (NNHS). The care of these non-privately insured individuals was either paid for out-of-pocket or by public sources such as Medicaid. The NLTC collects data about the health and functioning of Medicare beneficiaries age 65 and older who have at least one chronic limitation in either an instrumental activity of daily living (IADL) or in activities of daily living (ADLs). The NNHS collects information about the health, care and conditions of nursing home residents. The resulting samples are comprised of 1,158 residents from the 1994 NLTC, 6,492 residents from the 1995 NNHS and 322 privately insured nursing home residents.

Information about assisted living residents is based on published reports and studies by the National Center for Assisted Living and the Assisted Living Federation of America in association with Coopers and Lybrand.

whereas this figure drops to 2.8 for assisted living claimants.)

- The prevalence of cognitive impairment is also higher among nursing home claimants. Overall, claimants in the nursing home are 1.3 times more likely to be cognitively impaired than are those found in assisted living facilities.

Although the prevalence of cognitive impairment is significantly higher among nursing home claimants than among ALF claimants, nearly one in four claimants with dementia receives care in an ALF. Thus, for some cognitively impaired individuals, dementia-related assisted living care appears to be a viable alternative to nursing home care. Nevertheless, the level of cognitive impairment is somewhat lower among ALF claimants than among nursing home claimants, suggesting that the two service settings are not perfect equivalents for treating dementia clients.

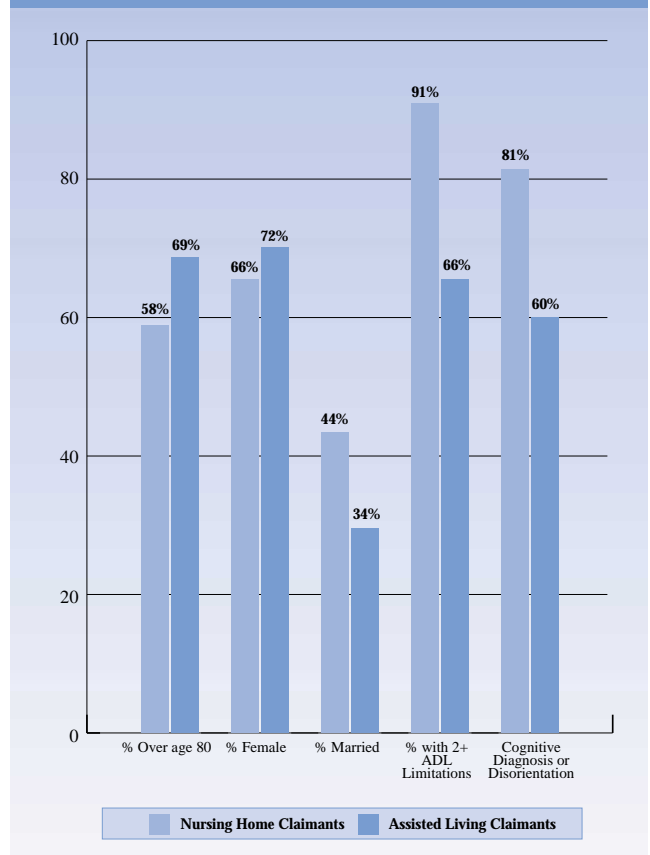
### What are the paths that lead to nursing home and assisted living facility use by LTC insurance claimants?

All claimants in this study had policies that covered both home care and residential services. The majority of both ALF and nursing home residents had accessed other long-term care services before entering their current setting.

- Six in ten nursing home claimants (63%) had either been a previous resident in an assisted living facility or nursing home or had used home care prior to entering their current facility. The comparable figure for ALF claimants is 73%. Slightly less than two in five NH and ALF claimants had used home care services at some point before entering their current residence.
- About one-quarter of ALF residents had been transferred to assisted living from a nursing home.

These data show movement in both directions along the continuum of care: from assisted living to nursing homes and from nursing homes to assisted living.

**Figure 1:**  
Characteristics of Insurance Claimants by Site of Care



However, some of those who moved from nursing homes to assisted living facilities may have used the nursing home for post-acute or rehabilitative services rather than long-term care.

### What are the benefits paid under the insurance contract compared to the costs of care?

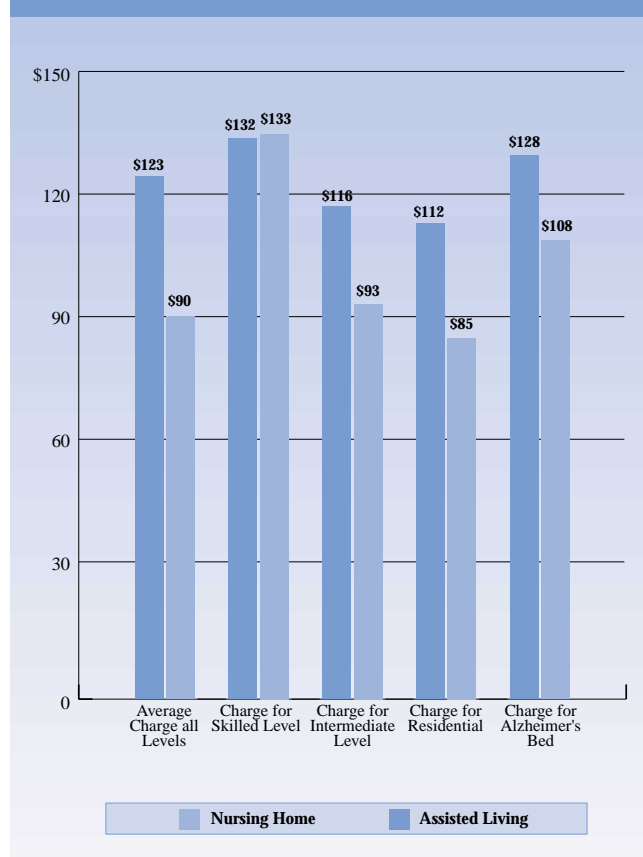
On average, the daily billed charges for claimants in ALFs (\$90) are lower than for claimants in nursing homes (\$123). However, charges for skilled care are equivalent in both settings (Figure 2). The tendency for ALF charges to be lower for all but the skilled level of care probably reflects the fact that at virtually all levels of care except the most skilled, nursing home residents use more medical, nursing, nutritional and social services than do assisted living residents.

The average daily benefit paid on behalf of claimants is sufficient to cover approximately 90% of the daily cost of ALF care, but only two-thirds of the cost of nursing home care.<sup>1</sup>

- The average monthly insurance benefit paid to nursing home claimants is about 23% higher than assisted living benefits: \$2,251 versus \$1,827.<sup>2</sup>
- The uncovered liability faced by nursing home residents is about \$1,144 per month. The vast majority of individuals use their own income and assets to cover these costs.

Six in ten insured individuals have policies covering four or more years of care at an average daily amount of \$83 – about \$161,000. More than half of claimants have policies that cover the equivalent of daily care for a five-year period, which should provide pay-

**Figure 2:**  
Average Daily Changes Billed for All Care



ments for the total duration of care for all but 15% of nursing home claimants.<sup>3</sup> Given the lack of information about the average length of stay in assisted living facilities, we cannot be certain that policies will cover most of the ALF residents.

- At the time of the interview most individuals had been on claim for approximately 17 months. These individuals had used up about 18% of their benefits.
- Forty-five percent of the claimants have policies that include some level of inflation protection.

### Are nursing home and assisted living claimants satisfied with their policies?

As demonstrated in Figure 3, claimants are generally satisfied with their insurance policy, with most being very satisfied.

- The majority of claimants in both NH and ALF settings agree that it was at least somewhat easy to file a claim (84%); they understood their coverage (85%); and they did not have any disagreements with the insurance company (90%).
- However, the proportion of assisted living claimants who are dissatisfied with their policy, while relatively low (11%), is more than double that for nursing home claimants.

### Do nursing home and assisted living claimants report their needs are being met?

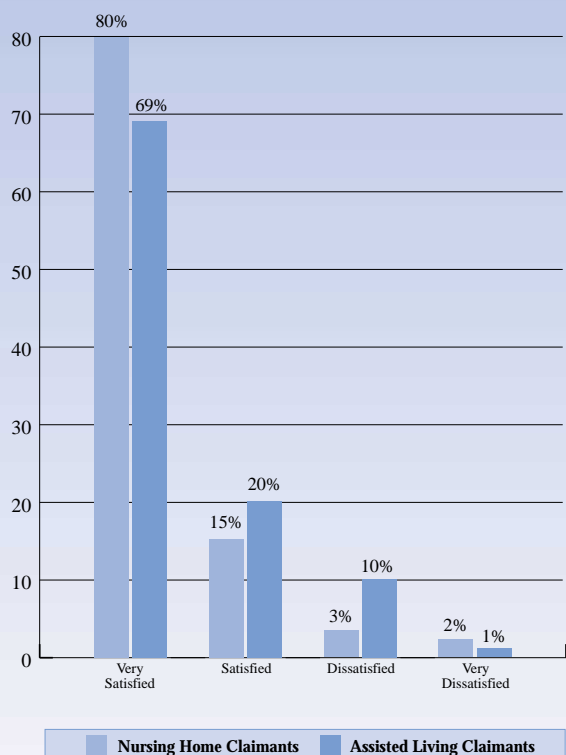
Although satisfaction with their insurance policies is high among all claimants, Figure 4 shows that even in the presence of insurance-financed care, many

<sup>1</sup> For most policies the assisted living benefit equals the nursing home benefit. In some policies, however, assisted living is only reimbursed at a rate of 80% of the allowable reimbursement maximum for nursing home care. We make the simplifying assumption that the assisted living benefit is equal to the nursing home benefit for nursing home care.

<sup>2</sup> It should be noted that our method of calculation may underestimate the average monthly claim payment. This is because these figures are derived by taking the total dollar expenditure per claimant and dividing this by the amount of time that the individual was on claim. Expenditures are a function of submitted bills. In some cases, claimants may hold bills for a few months before submitting them for payment to the insurance company. An accurate accounting would require us to use closed claims, something that is outside the scope of the current inquiry.

<sup>3</sup> For more information on nursing home utilization, see Spence and Weiner (1990). Nursing Home Length of Stay Patterns: Results from the 1985 National Nursing Home Survey. *The Gerontologist*, Volume 30, Number 1, February.

**Figure 3:**  
Satisfaction with Long-Term Care Insurance  
Policy by Residence



claimants do not feel that their needs are being met – especially those policyholders residing in nursing homes. This may be related to the proportion of costs covered by insurance in NHs versus ALFs. It may also relate to how services are provided (e.g. responsiveness and quality) or whether services are provided at all (e.g. staff availability and staffing ratios).

**Within a service setting, how do privately insured claimants compare to those without private insurance?**

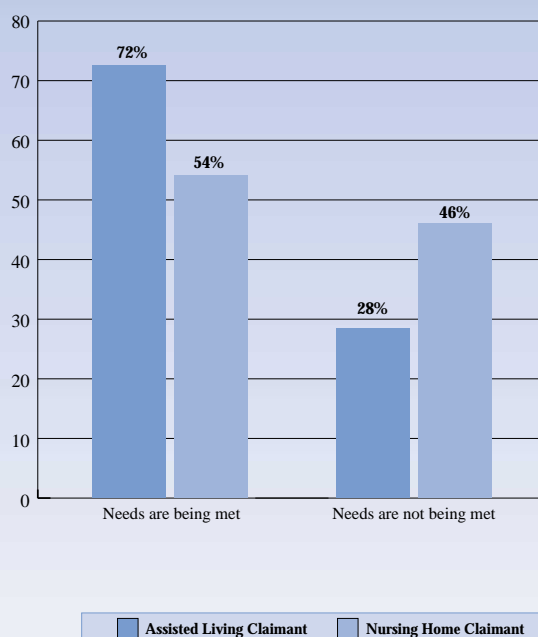
In addition to examining the differences between privately insured individuals who live in nursing homes and those who live in ALFs, the study also compared privately insured and non-privately insured residents within each setting.<sup>4</sup>

## Nursing Home Residents

Some demographic differences can be found between privately insured and non-privately insured nursing home residents, although the two groups are relatively similar in the proportion with 2+ ADL limitations and with cognitive impairment (Figure 5). Privately insured residents are:

- Somewhat younger (the proportion of nursing home claimants aged 85 and over who are privately insured is only half that found in the general population of nursing home residents)
- more likely to be male
- more likely to be married
- more likely to be college graduates

**Figure 4:**  
Extent to Which Claimants Feel their Needs are Met



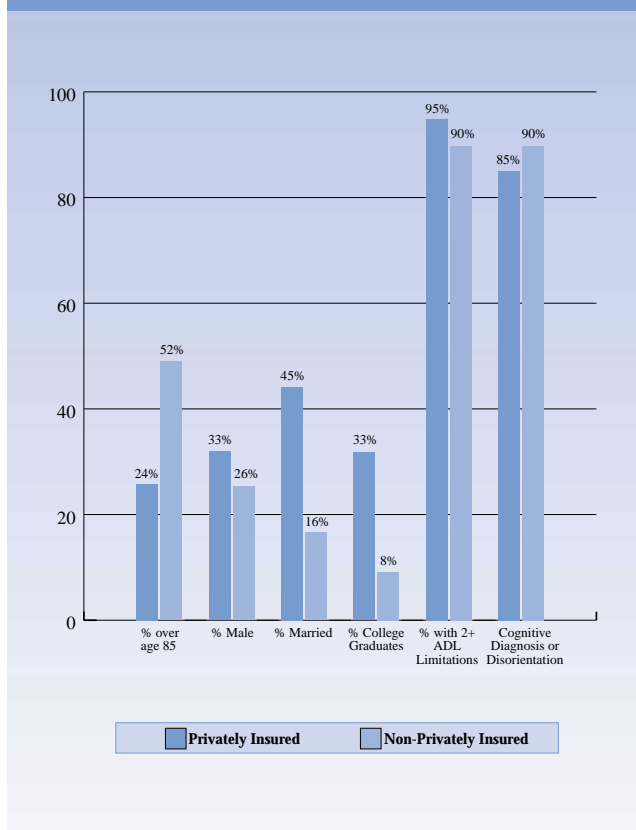
<sup>4</sup> Those without private insurance include individuals whose care is paid for by public programs or individuals who pay out of pocket for care.

## Assisted Living Residents

With the exception of cognitive impairment, similar trends are apparent in the assisted living population as in the nursing home population.<sup>5</sup> Compared to those without private insurance, privately insured assisted living residents are somewhat:

- more likely to be younger
- more likely to be male
- more likely to be married
- have a somewhat higher income than their non-insured counterparts
- have more functional impairments than non-insured residents
- twice as likely to be cognitively impaired as non-privately insured assisted living residents<sup>6</sup>

**Figure 5:**  
Sociodemographic Characteristics of  
Nursing Home Residents by Insurance Status



vately insured assisted living residents<sup>6</sup>

The costs associated with care for insured assisted living residents are roughly 1.3 to 1.8 times higher than for residents without private insurance. There are a number of possible explanations for this finding:

- These claimants are more impaired than the average non-privately insured assisted living resident, thus they may require more care.<sup>7</sup>
- Privately insured individuals may use more expensive facilities
- Privately insured individuals may use more discretionary services

## Summary and Implications

- **Long-term care insurance benefits are well targeted.** Insured individuals have significant ADL dependencies or are cognitively impaired.
- **Nursing home and assisted living facility claimants are very satisfied with their policies.** Overall, they experienced few problems filing their claim, rarely disagreed with the company, and understood what their policy covered. Levels of satisfaction are even higher among NH claimants than they are for those in ALFs. This may be because the latter have higher expectations, or it may be that there is more confusion about what assisted living – as a relatively new and less regulated type of LTC – is supposed to offer and what the LTC insurance policy actually covers.
- **LTC insurance benefits cover a higher share of assisted living charges than of nursing home care.** The average daily insurance benefit at the time of the study was \$83, while the daily charges for ALF claimants were \$90 and for nursing home claimants,

<sup>5</sup> It is important to note that we could not conduct statistical tests of significance because the national comparison data is from published studies only. We did not have access to the datasets themselves. Thus, we cannot be certain whether the observed differences are statistically significant or due to chance.

<sup>6</sup> It may be that some of this observed difference in the prevalence of cognitive impairment is explained by the differences in the measurement of cognitive impairment across the studies.

<sup>7</sup> The information about average charges from other assisted living residents represents summaries of basic service package charges rather than actual charges on a per-resident basis. Consequently, one cannot make direct comparisons between actual claimant charges and aggregate service package charges for non-insured residents.

\$123. Although the average monthly insurance benefit paid to nursing home claimants was about 23% higher than the benefit paid to assisted living claimants, the uncovered liability for nursing home claimants was over \$1,000 per month.

- ***Nursing home claimants are more likely than ALF claimants to report unmet needs.*** Despite the increased financial protection provided by private LTC insurance, forty-six percent of NH claimants and 35% of ALF claimants feel their needs are not being met. This may reflect the fact that the average daily benefit for ALF residents covers about 90% of incurred costs, while only two thirds of nursing home costs are covered by insurance. It may also reflect perceived differences in the quality of care provided.

Nursing homes remain a key source of long-term care to more than 1.5 million people. The use of ALFs has also grown in the last decade to provide care to over 1 million people. There are, however, high costs associated with care in either type of setting that pose a financial hardship to many individuals. Private long-term care insurance facilitates access to the full continuum of service options – including assisted living facilities and nursing homes – and can provide substantial financial protection to disabled elders in need of care. The growing proportion of insured individuals who use their LTC insurance to access assisted living suggests the increased attractiveness and importance of this care option as a private LTC insurance benefit.

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The Home Care Research Initiative, a program of The Robert Wood Johnson Foundation, was established to support research and analysis that will improve the knowledge base underlying home care policy and practice. It is based at the Center for Home Care Policy and Research at the Visiting Nurse Service of NY.

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