

# The Cost of Assisted Living Could Increase as Resident Acuity Rises

Since assisted living came into being in the 1950s, the industry has seen steady growth throughout the years. With the vast majority of residents being private-pay, assisted living has been spared of the challenges faced by many skilled nursing facilities: chiefly declining reimbursement and unpaid receivables, coupled with the increased scrutiny of government and quasi-government regulators.

According to the National Center for Assisted Living (NCAL), the national median annual rate for assisted living is \$48,000. Memory care rooms easily add an average of \$1,200 per month, which is still considerably less than the annual median of \$89,297 and \$100,375 for a nursing home semi-private and private room, respectively.

PayingForSeniorCare.com notes that most assisted living communities offer residents the choice of all-inclusive or a la cart/fee-for-service pricing – the former covering rent, meals and any additional services like housekeeping or transportation. “Typically, if a resident intends to use the full suite of services an assisted living residence offers, it is less expensive to choose the all-inclusive model,” the website adds.

Lately, the cost of assisted living (both financial and otherwise) seems to be getting more attention from owner-operators and residents alike. The cause for this increase is two-fold: a critical mass of the baby boomer generation has reached assisted living age, and these new residents are bringing a higher level of chronically acute care needs with them.

Genworth, a large nationwide long-term care insurer, noted in October 2018 that a nursing shortage, rising memory care costs and higher patient acuity needs were set to drive up assisted living costs nearly seven percent. That projected hike eclipsed the cost increases for nursing homes, adult day care centers and the ubiquitously costly home health care. Based on the data accumulated by Genworth, assisted living costs have climbed 67 percent over the last 15 years.

## How assisted living care is paid for

In five years, it's anyone guess how much what you're reading will bear out. Such is the nature of innovation. The Internet of Things. Silicon Valley. Et cetera.



One thing is for certain, those naysayers' ranks we mentioned earlier are beginning to thin. Think artificial intelligence, robotics and virtual reality. Think there's no application for that in senior living? Think again.

Use your imagination when it comes to telemedicine. Resident engagement Today, well over 80 percent of all assisted living care is paid for with private funds. According to NCAL, most of those private funds are in the form of savings or long-term care insurance. Per AboutAssistedLiving.org, long-term care insurance benefits range from \$1,500 to more than \$9,000 per month.

The same site lists the other payment sources:

- Life insurance. Increasingly popular options among seniors include conversion programs that turn a portion of the projected death benefits into monthly payments, and cash-out programs that allow seniors to sell their life insurance outright, usually for a fraction of the death benefit.
- VA benefits. The program reportedly provides generous perks for residential care, especially if a veteran was injured or disabled on active duty. There's also a "Non-Service Connected Improved Pension Benefit with Aide and Attendance" benefit extended to vets or a surviving spouse who is disabled and whose income is below a certain limit.
- Reverse mortgage. The concept is simple: The bank sends you a monthly stipend to cover assisted living expenses until your asset is depleted, and in some cases, allows a "healthy" spouse to remain in the home. When the equity is exhausted, the sale of the home is used to repay any remaining debt.
- Bridge loan. These increasingly popular instruments are used when there is a delay in selling a home after entering an assisted living facility.
- Annuities. This is how AboutAssistedLiving.org explains the good problem many healthy and wealthy seniors have: outliving their savings. "When you purchase an annuity, you pay a lump sum to the underwriters and then you will receive regular payments over a specified time period (usually the rest of your life)." Another perk: The Medicaid program, for now at least, doesn't treat part of the cost of annuities as income when applying for government assistance.

## Medicaid program taking notes

The next largest source of the industry's operating income comes from Medicaid. An estimated 47 percent of assisted living communities are Medicaid-certified to be home and community-based service (HCBS) providers. Currently, Medicaid pays for some of the cost of assisted living in 44 states, as well as the District of Columbia. According to NCAL, approximately 15 percent of assisted living residents (about one in six) rely on the federal Medicaid program to cover their assisted living services – but not room and board. Low-income individuals may be able to utilize Medicaid to help cover the cost of room and board and other assisted living services, depending on their state's Medicaid program.

In January 2018, the Government Accounting Officer published a report, "Medicaid Assisted Living Services: Improved Federal Oversight of Beneficiary Health and Welfare is Needed." Among its findings was just four years prior, state Medicaid agencies in 48 states that covered assisted living services reported spending

more than \$10 billion (federal and state) on assisted living services. These 48 states reported covering these services for more than 330,000 beneficiaries through more than 130 different programs.

Most programs were operated under Medicaid waivers that allowed states to target certain populations, limit enrollment, or restrict services to certain geographic areas. With respect to oversight of their largest assisted living programs, state Medicaid agencies reported varied approaches to overseeing beneficiary health and welfare, particularly in how they monitored critical incidents involving beneficiaries receiving assisted living services.

A primary takeaway of the report was that effective state and federal oversight is necessary to ensure that the health and welfare of Medicaid beneficiaries receiving assisted living services are protected, especially given the vulnerability of many of these beneficiaries to abuse, neglect, or exploitation.

Medicare does not cover long term care services and supports, but most assisted living residents are Medicare beneficiaries. As stated by [PayingForSeniorCare.com](http://PayingForSeniorCare.com), some Medicare Advantage plans may cover the cost of personal care assistance, as well as other supportive services in assisted living facilities. This could include medical and non-medical transportation and assistance daily living activities, such as bathing, dressing, eating, laundry, and light housecleaning.

## With rising acuity comes rising costs?

At an education session during the American Health Care Association/NCAL annual convention last fall, Ed McMahon, vice president for quality at Sunrise Senior Living, discussed the cost/care conundrum many assisted living operators face. “Nurses are now having to stage pressure ulcers, providing dressing changes, but they’re not the direct providers of that care, by law. There’s a real blurring of the lines here [between assisted living and skilled care]. Some states say if you have a Stage 2 pressure ulcer, you cannot stay in assisted living. You have to go to skilled care,” says McMahon’s, whose comments were reported in McKnight’s Senior Living.

Also last fall, a Genworth spokeswoman told McKnight’s Senior Living that a survey participant noted that “due to the more specialized care being required and the trend toward more time being needed with each individual, assisted living facilities are starting to look and act more like nursing homes.”

Observers are hinting that assisted living may, at some point, have to bear these costs in the form of higher prices.

*As the industry grapples with rising acuity and potentially increasing regulation, costs will remain in flux. ValueMed responds to both issues, with cost-effective medication programs, assistance with compliance, and pharmaceutical expertise to respond to more complex resident needs. Contact us at [ValueMed@PharMerica.com](mailto:ValueMed@PharMerica.com) or 866-628-2583 to learn more.*