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## Cost of elderly care in 2011 was >\$400bn: CBO

By Editor Test    Thu, Jun 27, 2013

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*A new study estimates that more than two-thirds of 65-year-olds will need help dealing with a loss in functioning at some time during their remaining years of life. Article provides link to data-rich pdf.*

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The total value of long-term services and supports for elderly people, including the estimated economic value of informal (or donated) care, exceeded \$400 billion in 2011, according to a the Congressional Budget Office [report](#) released June 26.

Expenditures for institutional care—provided in skilled nursing facilities, nursing homes, and nursing facilities located in continuing care retirement communities—totaled \$134 billion in 2011, or about 31% of all expenditures for LTSS (long-term services and supports) expenditures. Expenditures for home- and community-based service providers, such as home health and personal care agencies and adult day care providers, totaled \$58 billion.

Informal care, usually provided by family members and close friends, accounts for more than half of the total economic value of long-term services and supports. The economic value of informal care in 2011 was about \$234 billion, CBO estimates.

Choosing to provide informal assistance to a frail elderly person may entail a substantial sacrifice of free time on the part of a caregiver; more than half of all informal caregivers work full time in addition to providing such care, and the burdens for caregivers who do not work full time may also be substantial.

By 2050, one-fifth of the total U.S. population will be 65 or older, up from 12% in 2000 and 8% in 1950. The number of people age 85 or older will grow the fastest over the next few decades, constituting 4% of the population by 2050, or 10 times its share in 1950. That growth in the elderly population will bring a corresponding surge in the number of elderly people with functional and cognitive limitations.

On average, about one-third of people age 65 or older report functional limitations of one kind or another; among people age 85 or older, about two-thirds report functional limitations. Functional limitations are physical problems that limit a person's ability to perform routine daily activities, such as eating, bathing, dressing, paying bills, and preparing meals. Cognitive limitations are losses in mental acuity that may also restrict a person's ability to perform such activities.

One study estimates that more than two-thirds of 65-year-olds will need assistance to deal with a loss in functioning at some point during their remaining years of life. If those rates of prevalence continue, the number of elderly people with functional or cognitive limitations, and thus the need for assistance, will increase sharply in coming decades.

LTSS expenditures for elderly people now account for an estimated 1.3% of gross domestic product (GDP).

That share is likely to rise in the future as the population ages. To explore the potential implications of the

growing elderly population, CBO developed three alternative scenarios regarding the future prevalence of functional limitations among the elderly, holding constant other factors affecting those expenditures, such as growth in prices for LTSS, changes in family structure that could affect the provision of informal care, and changes in how services and supports are delivered.

In those scenarios, LTSS expenditures were projected to range from 1.9% of GDP to 3.3% of GDP by 2050. (The combination of actual future prevalence of functional limitations and changes in those other factors could result in LTSS spending that was less than 1.9% of GDP or more than 3.3 percent of GDP by 2050. Spending could be higher, for example, if the provision of informal care fell relative to the provision of formal care as a result of a shrinking average family size.)

Projections of LTSS expenditures are subject to considerable uncertainty. In addition to estimates of the prevalence of functional limitations, they require judgments about future innovations in the delivery of care, changes in the use of services, and future rates of growth in the costs of labor and other inputs to long-term care.

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