Reverse Mortgages Can Help Seniors Pay for Long-Term Care Needs

In 2000, the nation spent $123 billion on Long Term Care for adults age 65 and older, with that amount likely to double in the next 30 years. Nearly half of the expenses were paid out of pocket by individuals and only 3 percent by private insurance, while government health programs covered the rest.

The last wave of baby boomers will soon reach sixty; meaning half of all Americans must contemplate eldercare for themselves or a loved one. That's 200 million of us dealing with eldercare. Now consider that those same 200 million live in a country steeped in denial of its aging, frightened by the specter of dependency and death. That's 200 million of us dealing with eldercare.

The preliminary findings of a new study under development by The National Council on the Aging (NCOA) shows that using reverse mortgages to pay for long-term care (LTC) at home has real potential in addressing what remains a serious problem for many older Americans and their families.

Out of 27.5 million elder U.S. households (age 62+), 15 million could qualify for a reverse mortgage and of that total 13.2 million are candidates for using reverse mortgages to pay for LTC at home, according to the study, which is being funded by the Centers for Medicare and Medicaid Services and the Robert Wood Johnson Foundation.

The 13.2 million LTC target households have accumulated $1.9 trillion in home equity. Using mortgage rates for the week of 2/2/04, NCOA concluded that $953 billion of home equity could be tapped through the reverse mortgage program to finance seniors' long-term care needs, or $72,128 per household.

Using the $72,128 figure, an individual household could pay for nearly three years of daily home health care, over six years of adult day care five days a week, or to help family caregivers with out-of-pocket expenses and weekly respite care for 14 years, NCOA reported.

The preliminary findings are part of the NCOA's National Blueprint for Increasing the Use of Reverse Mortgages for Long-Term Care due to be published in June. The blueprint will offer new insights into the potential market for reverse mortgages along with recommendations for administrative action, regulatory changes, consumer protections, and demonstration programs. The study results were announced on April 15 at a press briefing at the American Society on the Aging/National Council on the Aging joint conference in San Francisco.

Up until now, most seniors have not tapped the equity in their homes—estimated at some $1.9 trillion—to pay for home modifications that support aging in place or for healthcare services at home. Noting that the average income of men aged 65 and over is $28,000 and $15,000 for women, Bell added, "This study shows that unlocking these resources can help millions of 'house rich, cash poor' seniors purchase the long-term care services they feel best suit their needs."

Identifying Hazards In the Home

Many seniors are beginning to think about ways their homes can be modified to adapt for current or future age-related concerns. Solutions for problems often exist but people are not always aware that products, or often simple changes, can be incorporated into the home that provide greater safety and accessibility.