AARP Montana

PUBLIC HEALTH, WELFARE & SAFETY
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TO: The members of Senate Public Health, Welfare & Safety

FROM: Claudia Clifford, Associate State Director – Advocacy AARP Montana

RE: Support of SB 155 The Older Montanans Trust Fund

Mr. Chairman and members of the committee, on behalf of AARP Montana, a non-profit, non-partisan organization with 153,000 Montana members, I strongly urge your committee to support SB 155 creating an Older Montanans Trust Fund. By offering this legislation, the Governor and the Department are taking the prudent step toward preparing for a dramatic change in our state's demographics. By 2030, Montana's population over age 65 will grow 112%, while our total population will grow 33%. (See handout with map of population change.) By then, our state is expected to rank 3rd in the nation in the percent of people over age 65 at 25.8%. The question is will our elders age with dignity and independence?

Nationally, AARP urges all Americans to prepare for their retired years both financially and by taking good care of their health. Unfortunately, recent surveys show that only 1 in ten Americans, including Montanans, can come close to estimating the cost of care during their final years. Many people think that Medicare will pay for extended long-term care. (See handout article, "Getting a Clue About Long-Term Care".) Another recent article points out the trend of retirees raking up debt. (See USA article, "Retirees up Against Debt".) This is to say that there is significant uncertainty that our aging population will be prepared financially for all of their final years. The safety net of aging services will be more essential than ever. We will need more services to help people live independently and avoid the high cost of nursing home care, a significant burden to the Medicaid system. We must prepare our state for the growing number of older people and the increased demands it will place on our communities and families.

AARP appreciates the intent of this bill to establish an Older Montana Trust for the purpose of expanding aging services and funding innovative services to meet the needs of seniors. Using the $5 million dollars projected to be unspent in FY'07 by the pharmacy assistance programs under SB 324 of last session is an appropriate use of one-time funding. Seniors worked hard on the passage of I-149 tobacco tax increase and since the pharmacy assistance programs are still being established, this is a good use of leftover funds. By design this funding source is meant to establish the trust and we will advocate to future legislatures that another funding source is needed.

We are excited about the prospect of this trust as a catalyst for discussions about the future of aging services. We will be advocates that this trust expand home and

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community-based services and innovative long-term care arrangements, like the 8 – 12 person care units called "greenhouses". Overwhelming Americans want to age in their homes and communities and the Older Montanans Trust Fund will be an important resource for making that possible. We strong urge your support of SB 155.

Queen City NEWS
Helena's FREE Weekly Newspaper

Getting a clue about long-term care

Don Redfoot, strategic policy advisor, and *Claudia Clifford*, AARP Montana
Wednesday, December 27, 2006

Advances in medical technology and treatment have meant that more Americans can live longer lives than ever before. This certainly is good news–but there's a catch.

In 2006 alone, about 9 million Americans age 65 and older need long-term care services, according to the U.S. Department of Health and Human Services. By 2020, it is estimated that the number of older Americans needing long-term care services each year will reach 12 million.

According to a new AARP report, "The Costs of Long-Term Care: Public Perceptions and Reality in 2006," most American families aren't prepared for the time when a loved one needs long-term care. They have little idea how much long-term care really costs or how to pay for it. They may feel as if a ton of bricks has fallen on them.

These issues will be particularly important here in Montana, where the Census Bureau projects that the population 65 and older will grow by 64 percent between 2005 and 2020–from 13.8 percent to 20.7 percent. Montana will leap from the ninth-oldest to the third-oldest state in the country during that time. We must prepare our state for the growing number of older people and the increased demands they will place on our long-term care system.

For example, here in Montana, the average annual cost for nursing home care is more than $52,000, which is roughly twice the annual median household income for those older than 65 years old in the state. But Montanans, like people around the country, have little idea about the actual costs of such care. Fewer than one in 10 (8 percent) of people in AARP's national survey of people age 45+ estimated within ±20 percent of the national average cost when asked what they thought it would be.

Another 17 percent admitted that they simply didn't know the cost of nursing home care. The survey respondents are equally unaware of the costs of assisted living. Nationwide, assisted living facility costs average nearly $3,000 per month. But fewer than one-quarter (23 percent) of the survey respondents came close to estimating this amount.

Many Montanans think Medicare will pay for extended long-term care services, but it provides only limited coverage for home health and skilled nursing care. Most people receiving long-term care need ongoing help with bathing, dressing, eating, and other daily living tasks. Medicare does not pay for this so-called "custodial care." Nor does it pay for assisted living. Yet, many people say they would rely on Medicare to pay for a long-term nursing home or assisted living residence stay.

Unless you're rich enough to pay these high costs–or poor enough to qualify for Medicaid–your options to pay for long-term care are very limited. Medicaid will help only after individuals exhaust their life savings. In fact, at least 75 percent of long-term care in America today is provided by family members and friends–without compensation. *The bottom line: the richest country on earth has no national long-term care system. And, worse, as the AARP report has found, the majority of the American people don't know it.*

AARP will use the findings of this survey to educate our members, the public, and our policymakers.

We will encourage families to talk about how they want to live their lives as they age and to plan realistically for their future needs.

Here in Montana, AARP is taking a leading advocacy role to assure that our members have access to affordable, quality long-term care services through, for example, support for family caregivers, increased funding for state services, expanded service options so that people can remain at home, and improved quality of care.

AARP Montana will be supporting the legislative proposal to establish an Older Montanans Trust Fund to begin saving for increased needs of our aging population during the next decades. We remain committed to bringing about social change so that our 50+ residents have more and better choices as they age.

For more information, see www.aarp.org/mt.

Retirees up against debt

USA TODAY

Updated 1/23/2007 2:12 PM ET
By Kathy Chu, USA TODAY
Across the nation, seniors are becoming the face of the indebted.

In Austin, Ronald and Carol Godwin, 65 and 63, depleted their savings years ago and have since turned to credit cards and home equity to pay medical bills. They're struggling in retirement to pay off loans they took out years ago for a grandchild's college education.

In Scott Depot, W.Va., Carl Brown, 68, has an impossible decision to make every month because his Social Security check usually doesn't cover all of his mortgage, utility, food and medical costs.

"I know there's no way for people to believe this, but there are times when I get my Social Security check and just send everybody I owe $15 to $20," says Brown, a widower who has suffered a heart attack and stroke. "There are times when I can't buy groceries or medicine."

Retirement used to be a time for people to enjoy life without a mortgage or high credit card bills, a time when heavy debts were mostly a thing of the past. Increasingly, that's no longer true. Some seniors are taking on debt in retirement to fund a trip they've always wanted to take. But a growing number are in debt because they have no choice, according to debt counselors and a growing body of research.

Soaring health care costs are hitting seniors at a time when more employers are cutting back on retiree medical and pension benefits. People are living longer. Yet many seniors subsist on fixed incomes and have little means to boost their incomes. For them, debt provides a temporary — and often costly — reprieve from unexpected expenses.

From 1992 to 2004, the percentage of households 55 and older with overall debt grew faster than the rate of the overall population. Those 75 and older packed it on most quickly: The average load for those households with debt shot up 160% to an average of $20,234 during this time, according to research by the Employee Benefit Research Institute, a non-partisan group that studies economic security.

Among households 65 and older, the average amount of credit card debt more than doubled from 1992 to 2004, to $4,907, according to Demos, a New York think tank. Seniors' debt levels are catching up to those of younger people.

Seniors in and approaching retirement — such as the oldest baby boomers — are carrying "debt loads that their parents would not have considered," says Sally Hurme of AARP, the advocacy group for people 50 and older. "This does not bode well for financial health."

Unmanageable debt is forcing some older people to delay retirement. It's nudging others already out of the workforce back in. And it's causing a record number of seniors to seek bankruptcy-court protection.

Seniors 65 and older represent the fastest-growing group seeking bankruptcy protection, though they made up only 5% of all bankruptcy filers as of 2001, the last year for which figures are available, according to research by Deborah Thorne, assistant professor at Ohio University; Elizabeth Warren, a Harvard Law School professor; and Teresa Sullivan, a former professor at the University of Texas at Austin.

As the first wave of the 79 million baby boomers begins retiring, debt problems are likely to swell. "People are having their cycle of expenses later in life," because they're postponing marriage and children, says Deanne Loonin, a staff attorney at the National Consumer Law Center. "They're resolving expenses later."

Mary Alice Jackson, an elder-law attorney in Sarasota, Fla., says, "We're at the tip of the iceberg. This generation will have no problem at all racking up debt and worrying about it later."

Seniors' debt levels began surging in the 1990s as health care, housing and energy costs soared. Their incomes failed to keep up with higher consumer prices.

The booming stock market of the late 1990s offset higher prices by boosting most investors' wealth on paper. But seniors didn't benefit as much because most of their assets were in conservative investments, such as bonds and certificates of deposit.

Fixed incomes

Complicating matters is that many seniors live on fixed incomes. One illness or disability can plunge them into crushing debt. Retirees "don't always have the ability to say, 'I'll work harder, I'll work more,' " if they need more money in retirement, says Howard Krooks, an elder-law attorney in Boca Raton, Fla.

Seniors such as Irvin Towson, 84, find themselves needing a job to pay off debt. Towson, of Goldsboro, N.C., was laid off as a fire-department fundraiser in 2005 after having a heart attack and a stroke. For about a year, he's been unable to pay the minimum on about $15,000 in credit card bills. "They send you credit cards in the mail, and you take them and use them because you don't have any idea that you're going to get sick one day," Towson says. "I had no plans to retire. I was going to go as long as I could."

Card debt is one of the top reasons seniors seek bankruptcy protection, according to an analysis of bankruptcy filings in central Florida by professor Rebecca Morgan and associate dean Theresa Pulley Radwan of Stetson University College of Law in Gulfport, Fla. "We've heard anecdotes of individuals who would get a credit card offer in the mail and didn't understand that when you have a credit card, you have to pay it back with interest," Morgan says.

Those seniors who are less accustomed to spending on plastic are more vulnerable to falling into a cycle of card debt, fed by rising interest rates and late fees, says Loonin of the consumer law center.

The good news is that fewer older people live in poverty compared with other age groups, largely because of Social Security benefits, experts say. But as baby boomers retire, that may change because of "the combination of higher debt levels and the (possible) erosion of this safety net," Loonin notes.

Gail Storer, 58, and her husband, Donald, 61, left the workforce early because of disabilities. Now, they live on Social Security payments of $1,800 a month. They also receive Medicare because they've both been disabled for more than 24 months. But it's not enough to cover expenses related to Gail's breast cancer and Donald's lung disease.

That's why in 2005 the couple began turning to payday loans — month-long loans with interest rates that work out to a heart-stopping 180% or more annually — to pay rent, car repairs and health costs. The Storers, of Smithfield, Va., owe $4,255 on 12 payday loans. They just want to get themselves out of what they call a "vicious merry-go-round" of debt. So they're talking to financial experts about how to get rid of the debt.

"I say to people all the time, 'Our golden years have a lot of rust on them,' " says Gail. "Major health problems put a dark cloud on what were supposed to be these great years of our lives."

Tommie Nell Hettick, 74, didn't expect to be saddled with credit card debt in retirement. Nor did she figure on being unable to afford to maintain a car or to visit her three kids — who are spread around the country — whenever she wants.

"I had the impression I'd do more" in retirement, says Hettick, who lives on $1,100 a month from a pension and Social Security. With her limited income, "If I have to visit someone, I can't do it. I had to give up the car because it costs so much in insurance."

After breaking her arm, dislocating her hip and hurting her back in recent years, Hettick used credit cards to pay for medical costs not covered by insurance. The debt — accruing at rates of 20% to 30% — eventually became too much to handle, prompting her to seek help last year from a credit counseling agency. She owes more than $6,000 in card debt and pays $200 a month, aiming to erase the debt in three years or so.

"It hit me all of a sudden that I was never going to get it paid off" because of the high interest rates, says Hettick of West Palm Beach, Fla. "I don't have 30 more years." She doesn't ask her kids for help, she adds, because of what she calls "old Southern pride" and the desire to "stand on my own two feet."

Yet Krooks, the elder-law attorney, says roughly half the seniors he counsels receive financial help from their adult children.

Getting help

Across the USA, a rising number of seniors like Hettick are flocking to counselors for help with debt. David Jones, president of the Association of Independent Consumer Credit Counseling Agencies, says he's noticed a "major uptick" in older clients seeking counseling. The trend is most pronounced in states such as Florida and West Virginia, which have the highest proportions of residents 65 and older.

Cathy McConnell of West Virginia Senior Legal Aid says seniors' "unbelievably easy access to credit" makes it all too easy for them to topple into debt. Surging health care costs are also causing more seniors to turn to credit cards as a safety net, experts say.

"The biggest complaint I hear is, 'I pay and pay and pay every month, and my debt doesn't go down much' " because of high interest rates and a slew of penalty fees, McConnell says.

In desperation, some seniors will pay off their bills at the expense of their health and well-being. In Scott Depot, W.Va., Brown says he often makes monthly payments toward his $8,000 in medical bills, $5,000 in credit card debt and $78,000 in mortgage debt before buying groceries or medicine because, "My word is my bond. You tell someone you're going to do something, you're going to do it."

On Jan. 3, Brown received his monthly Social Security check of $1,100. Two days later, after paying bills, he had $24 left to buy food — less than $1 a day to get him through the month.

Homes at risk

Amid the soaring housing market of recent years, those 55 and older, like others, have piled up record amounts of mortgage debt. They've refinanced their homes and cashed out equity. They've also turned to reverse mortgages, borrowing from home equity to receive a stream of income. From 1992 to 2004, the percentage of households 55 or older with housing debt rose to 36% from 24%, the Employee Benefit Research Institute found. The median amount of mortgage debt rose 63% during this time, to $60,000.

Rising mortgage debt poses a serious threat to seniors' financial well-being, says Craig Copeland of the research institute, because they're "putting at risk their most important asset, their home."

Worse, a growing number of seniors with mortgage debt also carry credit card debt, says Loonin of the National Consumer Law Center. "The two are interconnected, because if you're taking on more debt because you're short of cash, then you're going to be taking on both kinds of debt."

Some seniors use one creditor to pay off another. This strategy becomes especially dangerous if seniors tap out all their lines of credit, debt counselors say.

Over the past decade, the Godwins of Austin used credit cards to pay off about $140,000 in medical bills that insurance didn't cover. The bills piled up after Ronald Godwin lost most of his vision in the late 1990s and Carol Godwin was diagnosed with cancer in 2005. As interest rates on the cards jumped, the Godwins moved into a smaller house. Then they refinanced the house to pay off credit card bills. Now, they're crossing their fingers that they won't have more unexpected health costs.

"I didn't expect all this (debt)" in retirement, Ronald says. "I had saved money, but it just seemed like it went away overnight."