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# The Lifetime Risk of Spousal Nursing Home Use and Its Economic Impact on the Community-dwelling Spouse

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Successful financial planning for retirement requires gauging the financial risks the household will face in retirement. One of the largest risks is having to pay out-of-pocket nursing home expenses. With an annual cost of about $90,000 and growing, a nursing home stay would rapidly deplete most households' assets. Private long-term care insurance is available in the U.S. to help cover the cost of nursing home care, but only about 12% of households have purchased such insurance. Couples face the risk of impoverishment should one spouse reside in a nursing home while the other remains in the community, despite Medicaid provisions that shield some spousal assets. For financial planning purposes, families need to know the lifetime risk of this happening. This project has two main objectives: 1) to estimate the lifetime risk that a married person will reside in the community while his or her spouse resides in a nursing home, and 2) to find how such spousal nursing home episodes affect households' financial positions.

We used the Health and Retirement Study (HRS), a nationally representative survey of the older U.S. population, which interviews the same sample members and their spouses every two years. We use the HRS data to estimate the lifetime risk of spousal nursing home use by accumulating nursing home episodes over time. Though the data covered a long period (1998 to 2018), some sample members survived to the latest HRS survey wave and their end-of-life nursing home trajectories were not observed. These cases (12.5% of the sample) were modeled with a sophisticated imputation algorithm that we developed.

We found that a 70- to 74-year-old married individual in the U.S. has a 34.3% chance that his or her spouse would ever move to a nursing home. This estimate is substantially larger than ones based on cross-sectional data or on statistical models typically used in the literature. Thus, it is important to use longitudinal models, because the qualitative and quantitative conclusions are very different from those based on cross-sectional models. We analyzed the cumulative duration of spousal nursing home stays and the associated out-of-pocket medical expenditures. Conditional

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on experiencing any such episodes, we found that spouses spend about nine months, on average, in nursing homes over time, and families spend about $19,800 (2019 dollars) out-of-pocket on these spousal nursing home episodes. We found sizeable variation across demographic characteristics, but note that the lifetime risk of a spousal nursing home stay was substantial in all groups. For example, we found that the risk was highest among women (40.8%) and smallest among non-Hispanics of other race (e.g., Asian, Native American, multiracial individuals) at 18.7%.

In the second part of the paper, we examined the impact of spousal nursing home use on households' financial position, such as medical expenditures, assets, income, Medicaid eligibility, and poverty status. We found robust evidence that spousal nursing home use had substantial adverse effects on households' financial positions. These effects were found on multiple financial outcomes and across various estimation methods (cross-tabulations, histograms, regression models). For example, in families without nursing home use we found that medical expenditures increased by 7.1% between two HRS survey waves. However, in households in which the spouse entered a nursing home for short stays (less than 100 days), household out-of-pocket expenditures increased by 49.1% between waves; and when the spouse spent more than 100 days in a nursing home, out-of-pocket spending increased by 100.4%. These patterns held up in regression models with many control variables. Our most detailed regression model predicted that short spousal nursing home stays increased total household out-of-pocket nursing home expenditures by about $2,000 (2019 dollars) over a two-year horizon, and long stays (longer than 100 days) increased out-of-pocket spending by about $18,000. Furthermore, we documented adverse effects on total household assets, nonexempt household assets for Medicaid, total household income, nonexempt household income for Medicaid, Medicaid eligibility, Medicaid coverage, and poverty status.

We also investigated whether spousal nursing home use increased the chances of extreme outcomes that are the hardest to handle for families. To do so, we studied the entire distribution of the financial outcomes. Long nursing home stays substantially increased the chances of extreme adverse financial events such as very large out-of-pocket medical spending or very large decreases in household assets. In households with no or only modest nursing home use (less than 100 days), medical expenditures (over two years) very rarely increased by more than $10,000. In households where the spouse spent 100+ days in nursing homes, large increases were much more common. For example, 7.8% of these households experienced an increase between $30,000 and $40,000 and 4.4% experienced an increase between $40,000 and $50,000 over the same two-year period.

We finally estimated whether Social Security benefits mitigated the adverse effects of spousal nursing home use on household finances. Though our regression models predicted that Social Security benefits had a positive impact on households' financial outcomes, we did not find evidence that Social Security income mitigated the adverse effects of spousal nursing home use on financial outcomes. ❖

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**Sponsor information:** The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center (MRDRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRDRC.