Drivers of the Cost of Care
Objective & Methodology

Objective
To better understand the drivers of the cost of care, as well as the impact the COVID-19 pandemic has had on the long term care provider industry, Genworth sought insight from key decision makers associated with care facilities and homecare service providers.

Methodology
Online, facilitated discussions were conducted with 79 participants in key decision-making roles at Home Health, Assisted Living Facilities and Nursing Homes. The majority have been in the industry for 10+ years.

Sessions were conducted in collaboration with J&K Solutions, LLC, a boutique market research firm based in Cincinnati, Ohio.

Nationwide recruitment was facilitated by CareScout®, leveraging their relationships with care providers. 32 states were represented.

Data was collected online over the course of 3 days, September 23 – 25, 2020.
The cost of long-term care support services continues to rise. According to the 17\textsuperscript{th} annual Genworth Cost of Care Survey, care costs for 2020 are up year over year by 3\% to 6\% with national annual median costs ranging from $51,600 to $105,850 depending on care category.*

Increasing demand and strained supply are driving up costs. 92\% of all participants see demand for homecare services increasing. 54\% cited “shortage of skilled labor” as the main driver of increased rates.

COVID-19 intensified the supply and demand gap. 53\% of Homecare providers reported serving more clients this year than last. Recruitment and retention efforts struggle in the face of alternative employment opportunities, rising minimum wages and regulatory requirements.

While providers attempt today to absorb costs associated with cleanliness and safety, future costs are expected to rise along with standards for the quality of care. 43\% of participants expect clients’ costs to increase by more than 5\% in the near future.

* Genworth Cost of Care Survey, Conducted by CareScout®, August 2020
The Cost of Care Continues to Rise

2020 National Median Care Costs & Results

<table>
<thead>
<tr>
<th>Category</th>
<th>2018 vs. 2019 % Increase</th>
<th>2019 vs. 2020 % Increase</th>
<th>Monthly</th>
<th>Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homemaker Services</td>
<td>7.14%</td>
<td>4.44%</td>
<td>$4,480</td>
<td>$53,768</td>
</tr>
<tr>
<td>Home Health Aide</td>
<td>4.55%</td>
<td>4.35%</td>
<td>$4,576</td>
<td>$54,912</td>
</tr>
<tr>
<td>Adult Day Health Care</td>
<td>4.17%</td>
<td>-1.33%</td>
<td>$1,603</td>
<td>$19,240</td>
</tr>
<tr>
<td>Assisted Living Facility*</td>
<td>1.28%</td>
<td>6.15%</td>
<td>$4,300</td>
<td>$51,600</td>
</tr>
<tr>
<td>Nursing Home - Semi Private Room</td>
<td>0.96%</td>
<td>3.24%</td>
<td>$7,756</td>
<td>$93,075</td>
</tr>
<tr>
<td>Nursing Home - Private Room</td>
<td>1.82%</td>
<td>3.57%</td>
<td>$8,820</td>
<td>$105,850</td>
</tr>
</tbody>
</table>

Genworth Cost of Care Survey, Conducted by CareScout®, August 2020

1. Based on 2018 and 2019 Annual Percentage Change
2. As reported, private, one bedroom
3. Based on annual rate divided by 12 months
4. Based on 44 hours per week by 52 weeks
5. Based on 5 days per week by 52 weeks
6. Based on 12 months of care, private, one bedroom.
7. Based on 365 days of care
* Referred to as Residential Care facilities in California

47% Annually set new client/care recipient rates.

23% set new rates every couple of years.

30% set new rates as needed depending on internal & external factors.
Demand For Services Is Increasing

Consumers’ desire for Homecare vs. Facility Care has risen over the last year.

78% of Homecare Providers felt demand for their type of services had increased.

Only 5% felt demand had decreased.

Less than half of Facility Care Providers felt demand for their care setting had increased.

More than a quarter felt demand decreased.

The majority of Homecare Providers served more clients this year vs. last.

53% of Homecare Providers reported an increase in the number of clients served.

12 out of 17 Facility Care Providers said they’d served fewer clients this year compared to last year.

Preference for Homecare expected to continue while demand for all services grows.

92% of all participants see demand for Homecare services increasing.

67% see demand for Assisted Living Facility care increasing.

60% see demand for Adult Day Healthcare Services increasing.

51% see demand for Nursing Home care increasing.

As a homecare company, due to people being scared of going to a skilled nursing facility, we’re finding that we would be able to grow rapidly if we had adequate staff. We’ve actually had multiple hospice patients who were previously in-patient hospice who wanted to move home to be with their families. That’s actually happened four times in the past two months which is unheard of for us. Usually we get a 24/7 once every 3 months, but getting four in two months is strenuous.
### Ability To Staff Skilled Labor Is Strained

#### Drivers of Care Costs

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage of Skilled Labor</td>
<td>54%</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>22%</td>
</tr>
<tr>
<td>COVID-19 Procurement of Materials, Policies and Procedures</td>
<td>8%</td>
</tr>
<tr>
<td>Changes in the Care Recipients (Younger, Sicker, etc)</td>
<td>4%</td>
</tr>
<tr>
<td>Changes to Government Programs (Medicare/Medicaid) and its Financial Support</td>
<td>4%</td>
</tr>
<tr>
<td>Competition from Other Care Settings</td>
<td>4%</td>
</tr>
<tr>
<td>More Luxury Accommodations / Expensive Activities for Residents</td>
<td>3%</td>
</tr>
<tr>
<td>Restrictions in Immigration Policies</td>
<td>0%</td>
</tr>
<tr>
<td>Lack of Space in Facilities</td>
<td>0%</td>
</tr>
</tbody>
</table>

- Rising minimum wage
- Cost of running a business (labor, insurance, supplies, food, etc.)
- Inflation / general living costs increasing
- Higher demand due to higher numbers of people (Boomers) needing care
- Regulatory Requirements (see page 8)
- Long Term Care Insurance Policies shift cost/benefit for policyholders, increasing demand

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*Shortage of labor is definitely our biggest problem. The competition is pretty crazy. We’ve had to raise wages to compete with even Target.*

*The cost of doing business...in California the minimum wage is going up, registration fees are going up. It’s already not affordable for most families.*

*We have increased our monthly recruitment budget nearly 50% and are still driving fewer candidates than a year ago.*
Regulations & Licensing Affect Cost

Do you expect any changes related to provider licensing / regulations?

- Yes: 59%
- No: 41%

Participants’ Expected Changes

- Stricter guidelines on infection control and enforcement
- Flu / COVID vaccination for all caregivers without exception
- North Carolina is moving to Medicaid Managed Care (5 different Primary Healthcare Providers instead of just 1)
- Federal regulation of Assisted Living Facilities
- Coming reforms to Medicare/Medicaid provisions for in-home care
- Electronic Visit Verification
- Pending Maryland state regulations

"Licensing/regulations are like taxes. They are inevitable and ever increasing."

"It seems as if the licensing process and regulations for operating have become more and more strict. This will eventually drive many assisted living homes out of business because we will not be able to keep up with all the requirements. I fully expect the quality of care will decline substantially if long term care becomes more streamlined and mom & pop homes are driven out of business."
More certifications and trainings will require higher wages.

They will make it easier to obtain to get more interest due to such vast staffing shortages in healthcare all around.

Each organization now has an opportunity and responsibility to invest in the continued education of the staff at all levels.

Participants’ Expected Changes

- Certification requirements for in-home non-medical care might need to perform some degree of medical care in order to provide supports in the home
- Infection Control/OSHA/PPE requirements
- Training for Qualified Medication Administration Personnel and other administrators
- Federal standardization of state certifications and licensing

Employee Certification Affects Cost

Do you expect any changes related to certifications for your employees?

40% Yes

60% No
While “Retention” ranks comparatively lower, many Providers discussed the perceived need to offer bonuses, increased wages, PPE, and new benefits such as flexible hours and 401k opportunities all in an effort to retain employees and avoid retention issues.
When the question of the rate comes up, that’s usually where the conversation stops. So something’s going to have to happen. I believe that the government needs to look very strongly at creating a carve out with Medicare to cover the cost of homecare, and maybe even team up with Long Term Care Insurance companies to create a system where more people are covered.

The Cost of Care Will Continue To Rise

Participants acknowledged that their rates will continue to go up, and that services can already be prohibitively expensive to consumers.

62% of Participants plan on increasing costs in next 6 months

43% Expect clients’ costs to increase by more than 5%

4% Was the overall average increase in rates expected

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Trying To Insulate Clients From Costs

Cleaning and safety supplies have further driven up the cost of doing business, but at the moment providers are absorbing those costs.

84% said companies have absorbed extra expenditures related to COVID-19 internally. 25% said their companies have offered options for care recipients to reduce their costs.

- “We are providing at no charge a HIPAA compliant Alexa based home monitoring system. Also, where possible (usually some kind of senior community) we will offer smaller minimum shifts, i.e. 2 hour visits rather than 4 hour visits.”
- “Long term clients who want to keep family members home but need to increase to 12 hours daily or 24/7 care to do so, we offer a reduced flat rate if finances are an issue.”
- "Discounted rates, shared rooms and reduced care levels."
- “We have offered to push back rent increases to those families experiencing financial hardships during this time.”
- “Free nursing assessments and follow ups.”

Accounting for COVID-19 Costs

- 84% Company Internally Absorbed
- 15% Shared by Both
- 1% Passed Directly to Care Recipients
Future residents will continue to look at the same things when choosing a facility: reputation, quality of care, access to care and proximity to their current living situation. What will change is how the pandemic affects a facility’s ability to provide those things, quality of care, access etc. The financial constraints providers are going through is going to make it difficult to maintain a higher quality of care.
About Genworth Financial

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