Retirees, Get Ready to Need Long-Term Care. Here's What to Know.

Demand and costs for care are rising at the same time that a labor shortage threatens to worsen. How can you plan for this need now?

By Mark Miller, The New York Times, May 24, 2025

Samir Shah is a forecaster — but he's an expert on the U.S. long-term care industry, not the weather. Right now, he is seeing storm clouds gathering for the Americans who will need help with basic living needs in the years ahead.

"Demand is rising at the same point that supply is decreasing, and both are happening at a very rapid pace," said Mr. Shah, chief executive of CareScout, a company that publishes an annual study on the cost of long-term care.

On the demand side of the equation is an aging population. In 2026, the oldest baby boomers will start turning 80, an age when the odds of needing care grow. The U.S. Census Bureau forecasts that the number of people 85 and older will nearly double by 2035 (to 11.8 million people) and nearly triple by 2060 (to 19 million).

At the same time, the care industry has a shortage of workers that is driven partly by low wages. The median hourly wage for all direct care workers was $16.72 in 2023 — lower than the wage for all other jobs with similar or low entry-level requirements, according to an analysis by PHI, a nonprofit research and policy organization.

Experts fear that shortage will be exacerbated by the Trump administration's immigration crackdown. Immigrants make up 28 percent of the long-term care work force — a figure that has been rising in recent years, according to KFF, a health policy research group.

The price of some long-term care services in 2024 rose as much as 10 percent, according to the CareScout study — more than triple the 2.9 percent general rate of inflation that year.

Much of your medical care in retirement will be covered by Medicare. Long-term care refers to help with daily living for people who are frail or disabled — bathing, dressing, using the toilet, preparing meals, shopping, walking and taking medications.

Most Americans have misconceptions about how they might pay for those needs, or haven't planned for them at all. KFF polling shows that 23 percent of all adults — and 45 percent of those age 65 or older — incorrectly believe that Medicare will cover their time in a nursing home if they have a long-term illness or disability. Fewer than half of adults said they've talked seriously with loved ones about how they would obtain or pay for long-term care. And among near-retirement individuals, just 28 percent say they have set aside money for it.

How should you think about the risk of needing care, what it will cost and how to pay for it? The answers might include long-term care insurance, savings, finding ways to optimize your guaranteed retirement income, Medicaid or reliance on a family member.

Will you need care, and what will it cost?

Looking at the risk for people aged 65 and older, the Center for Retirement Research at Boston College concluded that about one-fifth of retirees will require no long-term care support, and that 20 percent are likely to experience a severe need. Between these extremes, 25 percent will have low and 37 percent will have moderate needs.

For any individual, these likelihoods can be very difficult to predict.

According to the CareScout survey, last year, the monthly median cost for an assisted living community nationally was $5,900 per month, homemaker services cost $6,292 per month, while a private nursing home room cost $10,646. The escalation of these costs is not uniform. The cost of assisted living communities, nursing home care and homemaker services all jumped roughly 10 percent in 2024, but the cost of home health care aides rose just 3 percent, according to CareScout.

And costs can vary depending on your level of need and location.

The administration's crackdown on immigrants is widely expected to accelerate costs further and harm the quality of care. "Long-term care providers would be in a really challenging place, as would long-term care recipients, without them," said David Grabowski, a professor of health care policy at Harvard Medical School who has studied that work force.

Dr. Grabowski's research also has found higher-quality care in regions with more immigrant workers.

Demand for workers is expected to be strong in the years ahead. Home and residential care providers are expected to add 817,000 new jobs by 2032 for direct care roles, according to analysis of federal employment projections by PHI. That is the most new positions of any job category across the U.S. economy.

"We're simply not going to have enough people to take care of everyone" who needs care, said Mollie Gurian, a vice president at LeadingAge, a nonprofit that represents providers of aging services.

Ms. Gurian also worries about the possible effect on costs if Congress cuts funding for Medicaid, which covers 61 percent of all long-term care, according to KFF. "Providers would have to either reduce the number of Medicaid patients they accept, increase private pay rates or close facilities," she said.

Paying for care

Insurance. Confusion is widespread over what Medicare and Medicaid cover. Medicare generally covers up to 100 days after a hospitalization in a skilled nursing facility. Medicaid covers long-term care services over a longer period of time, either in an institutional or home setting — but only for people with very low income and assets.

“Most people have this misconception that Medicare covers long-term care when we know that it is Medicaid that is the primary payer,” said Priya Chidambaram, senior policy manager for KFF’s program on Medicaid and the uninsured. Medicaid most typically covers care in a nursing home — the services it covers at home are more limited, she said. Medicare will cover some types of care at home for people who are homebound or qualify for skilled care.

Insurance companies have been selling long-term care insurance policies since the early 1980s, but they have never gained widespread popularity. The policies are complicated and costly — and many people resist buying them because they worry about funneling thousands of dollars into coverage they may not ever need to use. Moreover, the industry has been hurt by high-profile, large premium increases from some carriers.

The market has been shrinking, said Brian Gordon, president of Gordon Associates, an insurance brokerage in Bannockburn, Ill., that specializes in long-term care coverage. “When I started selling these policies 35 years ago, there were more than 125 insurance companies to choose from,” he said. “Now there might be a dozen options.”

Those choices would include sellers of traditional long-term care policies and so-called “hybrid” policies that combine life insurance with a long-term care benefit, which have been gaining some traction. These policies make a long-term care benefit available through a death benefit that can be tapped early to pay for a qualifying long-term care need. “These policies allow you to use the death benefit while you are living,” Mr. Gordon said.

Sample policies provided by Mr. Gordon show that a 55-year-old couple could buy a shared or joint policy of this type that pays a $5,000 monthly benefit, or a shared pool of benefits between the two of $534,000. They could fund that with 10 annual premium payments of $16,500. By contrast, the same couple could buy a traditional long-term care policy that pays a similar monthly benefit funded by 10 annual premium payments of $18,000.

Insurance companies require that customers pass a medical exam to qualify for commercial policies, and that becomes more difficult to do for older customers, who are more likely to have disqualifying conditions, Mr. Gordon notes.

Self-fund. Affluent households may be able to fund a long-term care need out of pocket, but this strategy should be part of a broader plan for aging, said Carolyn McClanahan, a physician and certified financial planner in Jacksonville, Fla. “We have conversations about this with our clients when they’re in their late 50s or early 60s,” she said. Key topics include desired locations and identifying trusted family members or friends who might be available to help make health care decisions. Will you want to age at home, or are you willing to move?

Self-funding makes the most sense for single people who don't have children and are not leaving money to heirs. "If I have a client who wants to leave a legacy to their children, that's where having an insurance policy is a nice option," she said.

How much to set aside? The specifics depend on factors like health status, desired care scenario, and personal financial situation, Dr. McClanahan said. For clients with health issues, she suggests planning for two to three years of long-term care needs, and up to five years for those at higher risk of dementia or with good health and longevity prospects. And she recommends keeping at least five years' worth of expenses in easily accessible money like cash or short-term bonds.

Another key consideration is whether the funds might need to cover one person or two, she added. "A couple should make sure that they aren't setting themselves up to possibly decimate the surviving spouse financially by funding care for one person. That's where you might want to maybe consider insurance that funds a first long-term care need."

Funding might come from tax-deferred, tax-free or taxable accounts, she said. "We're always working with clients to make sure we're maximizing lower tax brackets to at least remove money from I.R.A.s to fill their taxable bucket or do Roth conversions, so that gives them more tax flexibility down the road when they may have higher cash flow needs for things like long-term care."

Health Savings Accounts offer one attractive option for people able to fund the accounts at maximum levels and avoid drawing them down to pay for health care at younger ages, she added.

Guaranteed income from Social Security can help meet a long-term care expense — and often is overlooked, Dr. McClanahan said — and it's a good reason to maximize your benefit by delaying your claim as long as possible.

Most people turn to informal care from family members or friends — 64 percent of caregiving hours are provided by children, spouses, other relatives or nonrelatives, according to CRR. But that can have financial consequences for the caregivers — a KFF poll found that 56 percent of people who provided or paid for someone's long-term care cut back on spending on food, clothing or other basic needs; one-third had trouble paying rent or utility bills. And time away from work often translates to lower career earnings, fewer Social Security benefits, and lower levels of savings.

"It's felt at a moment in time, but it's felt continuously for many, many years to come," Mr. Shah said. "There's a domino effect."

The good news is that we’re living longer. The bad news is you need to save for all those future retirement years.