Background of the Problem

The purpose of this study is to investigate the cost effectiveness of home health benefits for the

elderly. Many aging adults fear having to living in a long term care facility or nursing home. Fear of

abuse or neglect, loneliness, and rapid physical decline (Coach, 2006) are some of the reasons cited for

fears associated with nursing homes. However, for some families, taking care of a loved one at home has

become too difficult or time consuming. Adult children have jobs and financial responsibilities to their

families. Sometimes a particular illness, like Parkinson’s or Alzheimer’s Disease makes it too much of a

burden for one caregiver to handle on a regular basis.

Medicare benefits do not pay for nursing home care. Private insurance will pay, but usually if

the policy holder has long term care coverage. There are many more people who become eligible for

Medicaid. Adult children who feel responsible may experience feelings of guilt, it they are unable to

provide full time care. However, most insurance and Medicare benefits do not pay for home health care.

It has been argued that, as many aging adults want to remain in their homes, the cost of providing home

health care benefits would be far less than the cost of a skilled nursing facility, and would allow aging

adults to alleviate the fears of declining health, with increased age. The daily national average for nursing

home care is $200 per day, for a double room, $6,753 per month, and roughly $50,000 per year (Genworth,

2012).

**Research Question**

Though most third party payers do not pay for nursing home care, both Medicare and Medicaid pay

for home health services. When third party payers don’t pay for complete home care, adult children or

spouses pick up the slack and in some instances, may provide most of the care. Such caregivers

may experience stress related health issues, which may result in more money spent on health care,

particularly if health issues require hospitalization or ongoing treatment. The Illinois Homecare and

Hospice Council (2010) claims the cost of providing care at home, similar to that in the nursing

home, is $150 per day. This would result in a savings of $18, 250 annually, for home care rather than

nursing home care.

Though home care may be less costly, there are other variables that may influence cost, such as

transportation to a facility for diagnostic testing or procedures, potential costs for injuries due to accidental

falls and other accidents, and costs associated with failing/forgetting to take necessary medication. Nursing

homes and long term care facilities can take advantage of economies of scale, particularly when it comes to

ordering supplies and establishing relationships with suppliers. This means Medicare or Medicaid will likely

pay more for supplies sent to individual households, rather than to entire 100-bed facility, for example.

The research question of interest then is “are annual home healthcare benefits for the elderly more cost

effective than benefits of long term institutional care?”

**Hypotheses**

Given that A=home care benefits and B= nursing home(long term care benefits,

Research hypothesis HA :  cost A < cost B

Null hypothesis H0 : Cost A >/ = cost B

**Literature Review**

Currently, programs that pay for elderly care services pay less overall for home care services,

than for care services in long term care facilities. “A recent study of Medicare claims data showed that

when used as the first post-acute care setting for hip fracture patients, homecare saves the Medicare

system $5,411 per patient” (Hoak, 2012). This figure is for a single incident of hip fracture. If cost

savings are similar for other health issues, the potential for government healthcare programs aimed to

serve the aging population, to reduce expenditures, is great. However, cost is only one aspect of

cost-effectiveness. For services to be of value in maintaining or improving health, they must be

effective. Home care services are only effective if they allow aging seniors to remain in their homes

and to maintain relatively health. Stuck, et al., (1995) suggest that comprehensive geriatric involvement

can allow seniors to maintain health, when visits are conducted by nurse practitioners. Such services,

however, may be more costly than visits by registered nurses or home health aides. When measuring

and comparing costs for care, the types of services received at home should be similar to those received

in the long term care facility.

Many family members provide care for aging seniors when home health services are not

available on when the limit on the number of daily hours has been met. What makes this difficult to

measure, is the number of informal care givers providing care for aging seniors and the ability to assign

a cost to this type of care. Chappell, et al. (2004) have conducted an investigation comparing home care

and institutional care costs, which “reveal that home care is significantly less costly than residential care,

even when informal caregiver time is valued at replacement wage.” This means the care provided by

spouses, children, and other relatives or friends is given a monetary value in determining cost.

However, the care family members may provide can end up taking a toll on the physical and/or

emotional health of the family member, particularly when most of the care is provided by one family

member and home health services provided by a professional service are limited. It becomes more

difficult to place a monetary value on the costs to the family care giver. At the same time, the quality

of care provided by the family care giver may be different from that provided by a professional home

care service organization.

Quality of life, for elderly living at home, can be compromised. While many fear their quality

of life will be negatively affected in a nursing facility, it can be affected at home, by reduced mobility,

decline in ability to provide self care, and decline in cognition. If professional and skilled health care

providers are not available to promote the services required and do not take a proactive approach, those

elderly who choose to remain at home many experience poor quality of life (Markle-Reid, et al., 2006).

Though costs for home care may be lower, this does not necessarily translate into better or more effective

care to maintain or improve quality of life at home.

You may need to summarize the points and the discuss cost-effectiveness measures further.

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