

“Retirement Security for Family Elder Caregivers with Labor Force Employment”

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1. Problem and Target Population

The economic value provided by family caregivers to frail elders has been estimated to range from \$45 billion to \$200 billion annually (Wolff and Kasper 2006). For many of the elderly, this informal caregiving both enhances quality of life and permits them to continue living in the community, rather than the much more expensive and less desired alternative of nursing home institutionalization. However, provision of in-home elder caregiving generates large and often insurmountable opportunity costs to the caregivers, as they are forced to curtail or stop employment due to their caregiving activities for older and more disabled elders.

The problem we address is the deleterious impact on retirement financial security and Social Security benefits from reduction in work effort due to elder caregiving. This opportunity cost of elder caregiving may encompass reduction from full-time to part-time employment, or withdrawal from the labor force, or reduction in employment mobility and promotion. Given the growing numbers of elderly in the U.S., elder care responsibilities are likely to force increasing numbers of caregivers, particularly women, to retire early or shift from full-time to part-time employment (Johnson and Lo Sasso 2006).

Elder caregiving may impoverish the caregiver by diminishing both current earnings and future entitlement receipts. Because elder caregiving is often associated with chronic illnesses, their caregivers on average spend about four years providing help (National Governors’ Association 2003; Johnson 2007). No existing public policy takes full account of the demands and financial ramifications of caregiving. Thus, all too often, the reward for providing valuable services of elder caregiving that saves substantial federal and state dollars is the impoverishment of the caregiver. Most, but not all, of this impact is incurred by women, who are likely to earn less than men (Denton and Boos 2007) and more likely to be primary caregivers. Further, since Social Security benefits may be derived on the basis of marital status, in lieu of one’s own record, those never married or widowed, particularly women, are among the most vulnerable to the negative financial consequences of elder caregiving.

The target population of this proposal is elder caregivers who are or have been employed in the labor force. As more people are living longer, increasing numbers of the elderly have disabilities and chronic illnesses (Wakabayashi and Donato 2006) that necessitate increased caregiving, most of which is provided by family members, usually by daughters or daughters-in-law. In 2004, over a 34 million adults, or 16% of the adult U.S. population, provided care to frail

persons age 50 and over (Johnson 2007). These caregivers are primarily daughters or daughters-in-law (36%), sons (16%), or spouses (28%) (Johnson 2007). Yet, these caregivers encounter numerous and often serious problems of their own. The U.S. Department of Health and Human Services Administration on Aging (U.S. HHS AoA) (2003) describes the caregiver population as: 24% report difficulty providing care because of their own physical limitations, 37% also care for someone else, 33% are over 65 years old themselves; and 74% of the elders they care for are at least 75 years old and 32% are 85 or older. Using the HRS database for 1992 and 2000, with a definition of caregivers as women who provide ADL help to parents, Wakabayashi and Donato (2006) found that caregivers who stop work had a 13% chance of living in poverty compared to a 3% chance among non-caregivers who stopped work.

Our focus is on the nearly 48% of caregivers who are employed full time with an additional 11% employed part time (Family Caregiver Alliance 2005). Among those caring for frail parents, 53% are employed full-time and another 10% are employed part-time (Johnson 2007). Further, almost two-thirds (63%) of all elder caregivers age 51 – 64 are employed and 75% of these work full-time (McNamara 2006). Over the course of a year, about 17% of workers have responsibility for elder care (McNamara 2006).

Eldercare issues also impact employee productivity negatively, even when the worker is actually at the office (McNamara 2006). Two-thirds of employed elder caregivers report rearranging their work schedules, decreasing work hours, or taking unpaid leaves (U.S. HHS 1998). Additionally, 44% report work interruptions for eldercare issues, 41% report concentration problems, and 3% report excessive phone calls/business during work hours (McNamara 2006). Almost three-fifths (57%) of employed caregivers indicate that they may be late getting to work or have to leave early; 17% reported having to take a leave of absence; while 4% note turning down a promotion (Johnson 2007). Johnson (2007) finds that less than a fourth (23%) of businesses with at least 100 employees provide elder care support programs among the benefits available.

Despite the evidence of labor force commitment on the part of caregivers, they are highly likely to suffer reduced economic welfare or impoverishment as a result of their caregiving dedication (Kingson and O'Grady-LeShane 1993; Sandell and Iams 1996; O'Grady-LeShane and Kingson 1996; Detinger and Clarkberg 2002). Employed caregivers are two and a half times more likely to end up in poverty than their non-caregiving counterparts (Wakabayashi and Donato 2005). Almost ten years ago, MetLife determined that the average Social Security benefit lost due to elder caregiving was \$25,494 and an additional \$566, 433 in wage wealth (i.e. present value of lost wages), as well as \$67,202 in pensions (MetLife 1999). Further, employers

also encounter the costs of employee elder care, as 30% of employees are family caregivers to elder loved ones or aging parents, and by 2010 this share is projected to increase to 54% (Marak 2007).

Caregiver burdens will inevitably increase over time, because the baby boomers are now aging. Further, increased longevity indicates there will be increasing numbers of older persons with disabilities. By 2030, the population age 65 to 84 is projected to be 61 million, with an additional 9 million 85 and over (Knickman and Snell 2002). By 2050, the population age 65+ is projected to increase from 35 million to 87 million, and those age 85+ are projected to increase from 4 to 21 million (Johnson 2007). Thus, the number of frail elderly is likely to at least double during this period; and caregiver burdens will further increase as more women enter or continue in the labor force. These data reveal that “public policy changes must begin soon” so that “meeting the financial and service burdens of growing numbers of elders will not be a daunting task” (Knickman and Snell 2002, page 849-850).

2a. Current Policy

Currently, Social Security contributions (FICA taxes) and benefits are determined by employment status, amount of earned income, and years of employment; and marital status may also determine benefits (Curl and Hokenstad 2006). Taking on the family responsibility of elder caregiving is one of the major causes of employment diminution or reduction in promotion and mobility. When workers reduce their employment due to transitions from full-time to part-time employment or withdrawal from the labor force, their stream of future retirement benefits declines (OWL 1995; OWL 2008).

There are several varied policy approaches that offset some of the burdens of caregiving; however, these do not compensate for the risks associated with loss of caregiver income and future retirement benefits. The current Family and Medical Leave Act allows workers to take a leave to care for an immediate family member (spouse, child, or parent) with a serious health condition for up to a total of 12 workweeks of *unpaid leave* during any 12-month period (U.S. Department of Labor 2008). Nonetheless, there are numerous constraints of this act for elder caregivers. The most notable is that it provides for unpaid leave so that wages are reduced during any leave period taken, which reduces both current Social Security contributions and future benefits. Eligibility is limited to employees who have worked for that employer for at least 12 months, and for at least 1,250 hours of service. Further, the national law applies to all public organizations, but not to private firms with fewer than 50 employees. Therefore, workers with

small firms are not even guaranteed this option, although some states provide an exception to the small firm exemption (National Governors' Association 2003).

Two additional major pieces of legislation are directed toward relieving caregivers of some stresses and strains of caregiving, as well as potential role conflicts with labor force participation. These are the National Family Caregiver Support Program (NFCSP) of the Administration on Aging, authorized by the Older Americans Act of 2000, and the Older Americans Act (OAA) that funds some home and community-based services (U.S. HHS AoA 2003). The NFCSP is based in large part on successful programs and the needs expressed by family caregivers. It provides assistance in accessing services, with counseling and training services, and also provides respite care and supplemental services. Under the NFCSP, some states allow direct payments to caregivers in the form of cash or vouchers to purchase services and support to meet their needs (U.S. HHS AoA 2003). Although programs exist in all the states and DC, funding is generally inadequate which reduces their effects (Johnson 2007). The OAA recognizes that caregiver burden is significant and provides services to elder care recipients that lessen the burden of caregivers. Typical support is provided through OAA-funded home and community-based services such as home delivered meals, personal care, transportation and chore services. These services help lessen the burden on family caregivers and help them maintain their caregiving role in a healthy way (U.S. HHS AoA 2003).

There have also been several attempts to pass specific legislation to amend Title II of the Social Security Act to credit individuals serving as caregivers of dependent relatives and address future retirement needs. These included: in the 107th Congress, H.R. 4743, in the 108th Congress, H.R. 474, in the 109th Congress, H.R. 5936, and in the 110th Congress, H.R. 1161, each of which was termed the Social Security Caregiver Credit Act and sought to determine "entitlement to and the amount of any monthly benefit, including any lump-sum death payment, payable under OASDI" (GovTrack.us 2007). These acts proposed that the caregiver would be deemed to have been paid a wage (based on the caregiver's historical wage or self-employment income record) for each month during which the caregiver spent at least 80 hours providing unpaid care to a dependent relative. A maximum of up to five years of such service would be allowed (GovTrack.us 2007). This legislation was sponsored by Rep. Nita Lowey [D-NY] and has not moved beyond committee status. The primary concerns with this legislation have been a lack of good estimates of the program costs and a question of whether the program should be implemented by Social Security or at the state level. In this legislation, chronically dependent is defined as having at least two limitations in activities of daily living (ADLs). While this

legislative proposal encompasses a wide range of dependent relatives, we focus in this research only on caregivers of elder relatives.

In addition, some states have passed legislation that supports caregivers. Recognizing that caregivers typically spend \$12,500 annually on expenses related to their caregiving responsibilities and spend about four years providing help, some states grant dependent care tax deductions or tax credits to provide caregivers financial relief. While some states offer a deduction for expenses, up to \$2,400, at least 26 states and the District of Columbia have refundable or nonrefundable dependent care tax credits, ranging from \$500 to \$1,500. Building on the federal tax credit, these programs, reduce the amount of income taxes a family owes and are often viewed as the most equitable way of providing caregiver tax incentives, as they tend to benefit low-income taxpayers (National Governors' Association 2003).

Kingson and O'Grady-LeShane (1993) suggest several approaches for future research on the policy implications of women's high opportunity cost of lost wages due to elder caregiving. These include various approaches to effectively raise the caregiver's primary insurance amount (PIA), such as: filling the time-gap in earnings with a calculated dollar allocation, increasing the number of dropout years to eliminate some years of zero earnings, incorporating spousal earnings-sharing, and providing credit for years of lost wages incurred due to caregiving. In this proposal, we focus on the latter of these concepts and analyze the potential for calculating the future Social Security value of earnings forgone by elder family caregivers.

2b. Proposed Change - Policy Solution

It is frequently acknowledged that policy solutions are developed and passed as "today's answers to yesterday's problems." Because medical science and generally improved health and nutrition are motivating longer lives of many more persons, the issues of elder caregiving require "today's answers to yesterday's, today's, and increasingly tomorrow's problems." Therefore, we propose a policy solution that will enable the Social Security program to facilitate the critical contributions of caregivers to individuals, families, and society. The intent is to assist maintenance of the elderly within the community, or aging in place, and concurrently to reduce or postpone the need for much more expensive institutionalization in nursing homes. The assistance of family caregivers "often keeps older people out of expensive nursing facilities and in their own homes which most prefer. Informal family caregivers also save the public billions of dollars every year by reducing nursing home admissions and limiting use of paid home care" (Johnson 2007).

We propose that the Social Security system recognize the value of time and effort contributions of elder caregivers that replace (or substantially postpone) costly nursing home care for elderly parents or other elderly relatives. Instead of assuming that family member caregivers will opt to keep older relatives out of nursing homes with costless voluntary caregiving, we note that this caregiving impacts the family caregiver with long-term costs in the form of foregone wages and, hence, reduction of or foregone Social Security benefits in the future. In addition, by reducing the long-term burden of the choice to provide support for employed family members, implementation of this proposal would assist those elderly persons who face potential institutionalization if they do not have adequate informal caregiving. This innovative policy will strengthen Social Security coverage for a generally unrecognized vulnerable population – the retired caregivers of parental and other family elders who make deleterious workplace adjustments during their work lives in order to provide this caregiving.

Implementation of this concept would require continuation of the current requirement of certification by physician authorization of the medical health care need for nursing home level care or home assistance (Wenzlow et al. 2008). We propose that the criteria for authorizing caregivers to qualify for the Social Security caregivers' category be based on the three most intense levels of caregiving (Levels III, IV, and V) identified by the National Alliance for Caregiving and AARP (NAC-AARP) (1997) for its Burden of Caregiving Index.

In the Burden of Caregiving Index, the levels of care reflect both the weekly quantity of hours of caregiving support and the type and intensity of care. Level III is 21-40 hours of support for care of at least one ADL and possible Instrumental Activities of Daily Living (IADL) care; Level IV is considered “constant care” and includes 41 or more hours of caregiving support for at least two or more ADLs; Level V is constant care, as well as support for at least three or more ADLs (NAC-AARP 1997; NAC-AARP 2004). For a sample of caregivers to adults, NAC-AARP (2004) reported that caregivers for those with Levels III, VI, and V of adult ADL care have a 63%, 75%, and 83% chance, respectively, to be late for work or leave early. Leaves of absences are predicted at 14%, 22%, and 41% for Levels III-V. Transitions to part-time were reported at 9%, 15%, and 37% respectively for Levels III-V caregivers. The chances of quitting jobs were 4%, 4%, and 35%; and the chances of early retirement were 2%, 3%, and 12% respectively for Levels III-V caregivers (NAC-AARP 2004).

Once an elder relative became physician certified for this level of intensive care need, then the caregiver who opted to reduce or abandon their labor force employment could be authorized to receive continuing Social Security credit for caregiving efforts in lieu of foregone workplace employment. This proposed extension of Social Security coverage requires both a

statement of the caregiving time period allowed and the wage basis on which the amount ascribed is determined. Based on the average time period for elder caregiving noted above (Section 1), we suggest that the maximum time period for such Social Security credit to be allocated to an individual caregiver would be four years. The wage basis for the value of the Social Security credit would be the average wage or self-employment income earned over the past three years by the worker for those full-time workers who leave the work force prematurely or suffer an employment hiatus due to caregiving for elderly relatives. For workers who are forced to reduce their work effort from full-time to part-time, their lost earnings would be calculated on the basis of their previous full-time earnings over the past three years for up to four years of reduced employment. These data are already available in the worker's Social Security record. Thus, we propose using the individual worker's own opportunity cost to calculate the value of the Social Security credit allocated for elder caregiving.

We conclude that the most advantageous approach to keeping elders out of nursing homes and reducing costs of institutionalization is to complement existing caregiver policy efforts that focus on providing some financial aid and respite support during caregiving periods with a strategy to create clearly defined caregiver replacement Social Security wage/salary credits to support future caregiver retirement income needs. These credits could be financed based on the reduction of expenditures for nursing homes. The credits would enhance the future Social Security benefits of caregivers of elderly persons certified as needing nursing home level care who are enabled to remain in the community. The Social Security credits would compensate for reduction or stoppage of labor force employment by the elder caregiver. This proposed policy is consistent with a significant theme of public input received in the New Freedom Initiative to strengthen support provided to family caregivers.

We also perceive that the proposed Social Security policy change will ameliorate another often-unrecognized caregiver issue. New research (Akamigbo and Wolinsky 2007) indicates that the racial gap in nursing home placement continues unabated, with blacks less likely to use nursing homes and more likely to use informal care. Because blacks have lower labor force wages, black labor force transitions due to caregiving may present an even larger future retirement burden than those of other population groups. Thus, our proposed policy will simultaneously address issues of racial inequality that have been exacerbated over time due to the assumption of larger elder caregiving responsibilities by blacks.

The proposed policy to enhance the viability of non-institutional caregiving will also ameliorate an additional projected informal caregiving issue. Adult child networks of caregivers, particularly among siblings, are being recognized as more critical to elder caregiving than has

often been perceived (Szinovacz and Davey 2007). As family size declines, the potential size of sibling caregiver networks also decreases, forcing greater and longer-term caregiver responsibilities upon fewer adult children. Szinovacz and Davey (2007) highlight projections of a declining dependency ratio of potential caregivers to elderly age 65+ from 5.7 in 1960 to only 2.7 in 2030. This represents a decline by more than half. This critical projected decline in the dependency ratio provides further evidence of the likelihood of future caregivers having to reduce employment or leave the labor force and risk impoverishment.

3. How would the proposed change address the problem?

The vast majority of individuals who need long-term care prefer to receive that care in their homes and by family members or friends (U.S. HHS AoA 2003). Most persons perceive that they have an informal caregiver available if needed; however, several factors increase the probability of reporting no caregiver available. These include being female, white or unmarried or older than 85 or having serious health issues (Roth et al. 2007). Keeping older/disabled persons out of nursing homes is desirable – they prefer remaining “in place” in the community and nursing homes are the most expensive living alternative and also place a huge burden on state Medicaid expenditures.

Extensive research has demonstrated that keeping persons out of nursing homes requires community or family caregivers. Having at least one daughter or sibling results in a reduction of elder care nursing home admission by one-fourth (Freedman 1996). Further, long nursing home stays are significantly reduced by informal care; this risk is reduced by 9.3% when the burden of caregiving is shared by a spouse and children (Boaz and Muller 1994). Charles and Sevak (2005) showed that not only does family care substantially reduce the probability of nursing home use, but it also produces savings to Medicaid budgets.

More than 1.6 million Americans are now nursing home residents at an annual cost of over \$115 billion, with 44% of this total cost covered by Medicaid (McNabney et al. 2007). The possibility of reducing the institutionalization of higher functioning nursing home residents clearly exists with adequate home or community-based caregivers. McNabney et al. (2007) defined higher functioning nursing home residents as those with 0 to 2 ADLs, and they concluded that about one-fifth of nursing home residents met these criteria. By this criterion, all Level I-III care recipients are defined as high functioning, with no more than 1 ADL. As described above (page 6), Level IV caregivers provide support to those with 2+ ADLs; and thus some, but not all, Level IV care recipients may be higher functioning. Level V care recipients require the most extensive care, support similar to that provided in nursing homes.

Since family care is less expensive than nursing home care, both states and the federal government would benefit by reductions in institutionalization of the elderly. The major way this can be achieved is by encouraging and subsidizing family members who participate substantially in elder care. Since state and federal taxpayers benefit from the reduction of government budgets by reducing nursing home use, it is reasonable for national policies to promote and pay for marginal Social Security benefits due to credits that assure coverage of elder caregivers who have reduced their employment to engage in informal caregiving. The total cost of these marginal Social Security benefits will be offset by the significant reduction of nursing home costs, so that net expenditures on caregiving for the elderly decline. And since older persons clearly express their preference to remain in their communities, our proposed policy presents a “win-win” situation for elderly persons, their caregivers (whose financial security in retirement is bolstered), and taxpayers.

4. Who would it help? Illustrate how and how much.

This suggested expansion of Social Security credits is designed to assist elder caregivers who have been forced to reduce or end their labor force commitment. Workers who have left the labor force or curtailed their employment to care for elder family members are faced with potentially severe reduction of their future Social Security benefits due to the reduction or cessation of their earned income. The years of caregiving will be included in the calculation of their future Social Security benefits, that are based on their 35 years of highest earnings, even if they have limited or no employment income during some years of that period. This situation is most likely to impact women, who comprise at least two thirds of elder caregivers (Johnson and Lo Sasso 2006). In particular, those caregivers who are unmarried, or were divorced after less than ten years of marriage and do not have access to Social Security benefits on their spouse’s record, would be the most deleteriously impacted by stopping or reducing work in order to provide caregiving to older relatives.

Johnson and Lo Sasso (2006) analyzed the impact of time transfers to the care of elderly parents on the labor supply of midlife (age 55 to 67) daughters. They found that time devoted to help parents substantially reduced these daughters’ labor supply. They found that those women who assist their parents reduce work hours by an average of 41%; and they concluded that “providing informal care to elderly parents may be incompatible with full-time paid employment at midlife” (Johnson and Lo Sasso 2006, page 206).

This policy change would primarily help Level IV and V elder caregivers, for whom substantial changes in labor force activity are most likely associated with caregiving. These

caregivers are primarily female (66% for Level IV and 71% for Level V), age 50-64 (32% for Level IV and 38% for Level V), high school graduates with some college education (60% for Level IV and 64% for Level V), and earn \$30,000-\$49,000 (28% for Level IV) or less than \$30,000 (34% for Level V) (NAC-AARP 2004).

The proposed Social Security coverage expansion would also help older persons who need caregiving, particularly those who are relatively high functioning and might be enabled to stay out of nursing homes or postpone entry into nursing homes, if more caregiving is available. Most frail older persons needing caregiving are female, possibly widowed, in their 80s and 90s and have little education and limited financial resources; and most of them live at home not in nursing homes. Almost three-fifths (57%) of frail elderly receive help from unpaid caregivers, including 81% of those with severe disabilities (Johnson 2007). In 2001, median income of older persons with severe disabilities was \$14,160, for those with moderate disabilities it was \$18,480, and for those without disabilities it was \$30,264 (Johnson 2007). Less than half of frail older persons have more than a few thousand dollars that can be drawn upon for meeting health care needs (Johnson 2007). Thus, implementing the proposed policy to increase or facilitate the assistance provided by family members will substantially enhance the quality of life for some of society's most physically and financially frail elderly.

The potential of reducing the nursing home use of higher-functioning nursing home residents exists with adequate home or community-based caregivers. McNabney et al. (2007) found that almost two-thirds (64%) of higher functioning nursing home residents had mental disorders, 40% had impaired mobility, 18% required rehabilitative therapy, 9% had severe sensory impairment, and 43% had CHF, pulmonary disease, diabetes, or Parkinson's. Thus, they concluded that many of these long-stay nursing home residents had chronic care needs similar to the needs of others continuing to live in the community (McNabney et al. 2007). This indicates that some long-stay nursing home residents could transition back to the community with adequate planning and community-based long term care to help meet their needs.

5. What cohorts would (or could) feel the full positive effect of the policy change?

Nearly one fourth of U.S. households provide at least some caregiving to family or friends age 50 or over (Elderweb 2004). Women bear the burden of the costs of elder caregiving and consequently incur the largest impact on their economic well being (Wakabayashi and Donato 2005 and 2006). Women who assume caregiving roles are 2.5 times more likely to live in poverty and five times more likely to receive Supplemental Security Income (SSI) than non-caregivers; and non-married caregiving women were four times more likely to live in poverty

and 46% more likely to receive SSI (Medical News Today 2004). Overall, caregivers are as likely to be in the labor force as non-caregivers, but are more likely to work fewer hours. Further, only heavily involved caregivers are more likely to withdraw from the labor force than non-caregivers (Lilly, Laporte, and Coyte 2007).

Wakabayaski and Donato (2005) found that informal caregiving is unevenly distributed among various groups, with the most substantial costs incurred by women who were older, had fewer skills, and encountered more competing roles. They found significant reductions in hours worked and earnings among women who initiated caregiving. Women aged 46 and older or 19-25 and those with less than a high school education experienced large declines in hours worked when they began caregiving. Further, stopping caregiving did not permit these women to recover from the earnings losses (Wakabayaski and Donato 2005). Wakabayaski and Donato (2006) extended their research to analyze whether caregiving increases women's poverty in later life. They concluded that caregiving in earlier life raises the likelihood of later poverty and reduced economic well-being in retirement, due to reduced work and earnings and declining health. Just eight years later, women who spent 20 hours per week on parental caregiving were 25% more likely to live in poverty, 27% more likely to receive public assistance, and 46% more likely to receive Medicaid than non-caregivers (Wakabayaski and Donato 2006). It appears that many women caregivers, due to their caregiving responsibilities and costs incurred, are unable to prepare for their own aging.

Lilly, Laporte, and Coyte (2007) extensively reviewed research on the relationships between employment and informal caregivers to the elderly. They found that specific factors characterize the caregivers who are more likely to leave the labor force or reduce work hours or adjust work schedules. These factors include: women, poor health, older caregivers nearing retirement age, greater involvement in caregiving tasks, immediate family members, and care recipients with more ADLs or health limitations, having younger children at home, lower income, or less education. They further noted that caregivers had less labor force attachment if they co-reside with the elder care recipient or if the care recipient receives public subsidies. Thus, those least likely to leave the labor force or those maintaining the strongest employment attachment were caregivers with the highest opportunity cost, which is consistent with the general microeconomic model of labor supply (Lilly, Laporte, and Coyte 2007).

In particular, the cohort of elder caregivers who would feel the greatest impact from the proposed Social Security credits change includes women who were never-married and had low income or who were married for less than ten years prior to divorce and are ineligible to claim Social Security benefits on a spousal record. Additionally, ethnic minority groups, including

African-Americans, Hispanics, and Asians are less likely to place elder relatives in nursing homes, due to cultural preferences and experiences of discrimination. Further, minority elders have less economic resources and are likely to encounter earlier onset of disability, necessitating caregiving at earlier stages of the caregiver's potential labor force activity. Thus, these groups are more likely than whites to engage in hands-on elder family caregiving and for longer periods of time.

When would it help the target group?

The proposed policy change would provide substitute Social Security credits for work time and income foregone in the future calculation of caregivers' retirement benefits, in order to prevent the deleterious effects of reduced labor force participation due to caregiving. This policy would only help those in the target caregiver group following the individual's decision to start collecting Social Security on their own record (i.e. not on a spouse's record) at their designated full retirement age or a reduced amount at their earlier allowed Social Security eligibility age.

Caregivers who reduce employment hours, while maintaining part-time employment, and those who choose to leave the labor force temporarily would benefit in the future when they retire and initiate Social Security benefits. These caregiver benefits, as well as the substantial societal benefits, are discussed below with detailed dollar estimates presented in Table 3. In contrast, those who initiate the caregiving role post-retirement would not recognize any caregiver credit benefit if they have already initiated receipt of Social Security benefits. While most persons do not collect Social Security benefits until after retirement from the labor force, those who are employed past age 65 may choose to initiate benefits while they are still in the labor force, because there is no earnings cap on receiving their full benefit amount. The specific wording of the policy change would need to accommodate this relatively small group.

Since earned wages are only credited to the worker's Social Security record once annually after the end of the year, we assume that caregiver credits would be individually determined and credited in the same pattern. Therefore, the program would not effectively generate any changes for at least a year after implementation, unless it is passed as retroactively for the year in which the policy is implemented. Thereafter, each caregiver eligible for credit under the program would have to file annually at the close of the calendar year for up to four years to obtain or maintain caregiver credit for the past year. To maintain reasonable limits on the credits generated under the program, the four-year limit would apply regardless of the extended length of caregiving or the number of elder relatives who received care from any one caregiver (i.e. there is no potential for repeated periods of credit received).

Would some cohorts feel little or no impact?

The cohorts of elder caregivers who would feel the least impact from the proposed Social Security change include several groups. These are married or previously married (for at least 10 years) homemakers who do not anticipate collecting Social Security benefits under their own record, because they plan to receive benefits under their higher-earning spouse's record. Also, those who have sufficient personal financial resources for retirement would find that the proposed Social Security benefit might provide only a small marginal addition. For those workers fortunate enough to be in a workplace setting that has a caregiving policy with pay, the proposed change may have little impact on their financial situation. However, as we note above, such situations are rare and only 23% of businesses with 100 or more employees provide elder care support programs (Johnson 2007). In addition, of course, there would be no benefit to caregivers who pass away before collecting Social Security benefits on their own record and minimal marginal additions to those who live for only a short period after initiating benefits.

Two categories of elder caregivers would be excluded. Levels I and II elder caregiving efforts are not covered by this proposed policy, as they involve only 20 or fewer hours of caregiving weekly. Additionally, non-relatives who provide unpaid care, about 17% of caregivers (NAC-AARP 2004), would not benefit from this policy change. This exclusion would have greater impact on African American caregivers who are more likely to care for fictive kin than white caregivers (White-Means 1993). We predict that caregivers who are eligible for Social Security benefits, even reduced early retirement benefits, would be highly unlikely to delay filing for Social Security in order to generate the proposed credits for their caregiving service time. Thus, they would retire and lose eligibility for the credits post-retirement and prior initiation of Social Security benefits.

6. What would be involved in implementing the proposal?

Legislation revising Social Security policy would have to be passed by Congress to expand the criteria for establishing work time that counts for Social Security credit, as well as the determination of earned income credits. Such legislation would be similar to, but more limited than, the previously proposed legislation discussed in 2a above. This requires amending Title II of the Social Security Act to give credit (including both time and earnings credit), comparable to employment credit, to individuals serving as caregivers of dependent elder relatives.

This proposal is operational, because the Social Security Administration already has the worker's basic employment and earnings data. In addition the system for physician verification

of eldercare need for institutionalization already exists within the Medicare and Medicaid systems. Such verification could be demonstrated by physician documentation of medical need for Levels III-V caregiving, as well as a medical statement of the care recipient's ability to continue to age in place, in lieu of institutionalization, if adequate caregiving is received.

Following the physician verification of the elder family member's need for extensive in-home care to postpone or avoid institutionalization, the worker must become certified as the primary caregiver meeting those needs. To implement the proposed Social Security legislative change, caregivers would have to verify their labor force reduction from full- to part-time or leaving the labor force, due to caregiving, based on the physician documented need characteristics of the elder family care recipient. This step necessitates the development and implementation of one new stage in the process of primary caregiver certification by Social Security.

7. Who else would be affected? Consider unintended Consequences.

The major cost consequence of the proposed change in Social Security legislation is that the marginal increase in benefits for elder caregivers has the cost of increasing the tax burden on Social Security taxpayers. This could potentially also accelerate the depletion of the Social Security Trust Fund if no counter-balancing policy change, such as we describe below, is made.

While we generally perceive that women, particularly older women suffer severe negative financial consequences from their elder caregiving, U.S. businesses are also impacted negatively. The Metropolitan Life Insurance Company has compiled and conducted studies (1997) of the costs of elder caregiving to businesses demonstrating that "employers, as well as employees bear a large financial burden from personal caregiving" (MetLife 1997). The major effects of caregiving on workplace productivity can be viewed in several categories: turnover or replacement costs for employees who quit, costs of absenteeism or partial absenteeism, costs of work interruptions or eldercare crises, and costs of supervising these employed caregivers (MetLife 1997).

MetLife (1997) reports that in 1996 there were 14.4 million full and part-time workers balancing caregiving and work roles. They calculated that the cost incurred by business was \$1,142 per employee in 1996 dollars which totaled almost \$11.5 Billion (\$11,474,323,263) U.S. employer costs of lost productivity due to elder caregiving (MetLife 1997). Using the appropriate annual Consumer Price Index (CPI) as inflators and assuming a constant number of employed elder caregivers (which is a very conservative assumption), we raise these 1996 costs to 2008 costs. We find that current estimates of business costs of lost productivity due to elder

caregiving are \$1,564 per employee and a staggering \$15.7 billion (\$15,714,347,384) total cost to U.S. business in 2008.

In addition, working caregivers often depend upon other workers to informally support their work. Almost half (47%) reported seeking support at work sometimes and an additional 15% reported seeking support at work often (MetLife 1999). The dollar costs of this process of shifting workloads and imposing upon fellow workers due to caregiving is not calculated, but clearly affects productivity of other workers.

The consequences of the proposed Social Security legislative change for workplace productivity are unclear. The proposed legislation might encourage experienced workers to leave the workforce, generating even higher turnover costs to firms. Alternately, the proposed legislation might encourage workers distracted by the necessity of caregiving to temporarily leave the workforce and be replaced by undistracted temporary workers.

In addition to these consequences, this proposal to aid elder caregivers could potentially reduce the demand for nursing home care, as more potential caregivers find it less deleterious to reduce employment to care for family members. More in-home caregiving would be provided to highly functioning elders and some with more extensive disability. This reaction would have the positive effect of reducing nursing home costs, particularly those covered by Medicaid, which would facilitate reduction of both federal and state health care expenditures. However, with the growing elder population and their increasing longevity, it is likely that the rate of growth and potential wait-time queues for nursing home admissions would be reduced rather than numerical reductions in nursing home admissions. Further, it is likely that this policy change might postpone nursing home admission, rather than curtail it, which would mean the sicker and even frailer persons would be entering nursing homes, although possibly for shorter periods of time.

8. What would it cost? (Gather any available estimates or order of magnitude).

Cost of the proposed policy addendum would likely begin at the earliest a year after passage of the required legislative change by Congress, as noted above. The cost of the proposed amendment to the Social Security Act depends upon several population factors, as well as levels of earned wages and age of retirement. The population issues will be determined by the number of elder persons and their disability status, which motivates the number of workers who reduce or cease employment to undertake caregiving. Among caregivers in the labor force, 26% had to withdraw from the labor force. These included 17% who took a leave of absence, 3% who took early retirement, and 6% who gave up work entirely, so that a third of those who left the labor

force withdrew permanently. An additional 10% shifted from full to part-time employment (NAC-AARP 2004).

Projections of the older population of the U.S. indicate that by 2010, there will be over 40 million persons age 65 and older (13% of the population), composed of 21 million persons 65-75 years of age (6.9%) and another 19 million over 75 (6.1%). By 2040, these shares are projected to be almost 87 million persons age 65 and older (20.4% of the population), composed of over 35 million persons 65-75 years of age (9%) and another 44 million over 75 (11.4%) (U.S. Bureau of the Census 2000).

As the U.S. becomes more diverse, the population age 65+ also experiences greater diversity, and this trend is projected to continue (NIA 2006). Projections for 2050 indicate the number of elderly persons doubling among whites but quadrupling among blacks (White-Means and Rubin 2008; U.S. Bureau of the Census 2000). In fact, the percentage of racial/ethnic minority older persons is projected to grow at a much higher rate than non-Hispanic white older persons. More specifically, the Census Bureau estimates that by 2030, 72% of older Americans will be non-Hispanic white, 10% black, 11% Hispanic, and 5% Asian, compared with 83%, 8%, 6%, and 3% for these groups respectively in 2003 (NIA 2006). Concurrently, disability rates among older racial and ethnic minorities are higher than among whites and these differences will tend to affect the demand for long-term care, especially family caregiving (Pandya 2005). Thus, our estimates provide a lower bound on cost.

It is critical to recognize that future costs incurred due to this proposed policy depend only upon the marginal addition to Social Security benefits earned by caregivers in the labor force, which are limited to four years of earnings credits attributed to caregiving. However, such marginal beneficiary payments will feed into the calculation of the basis of all future Social Security benefits of these recipients. These costs would require annual estimates for as long as the policy is in effect following implementation of the proposed expansion of Social Security. Further, calculation of these additions to Social Security payouts would need to be discounted to their annual Present Discounted Value. For determination of the societal costs of Social Security benefits, the following model presents the basic variables to be included in calculations of projected future costs:

$$DPVC = \sum_{i=1}^n \sum_{h=a}^z \frac{E_{CG,i} * T_i}{(1+r)^{h-a}}$$

where:

DPVC = Discounted Present Value of the projected societal costs of the stream of future added Social Security benefits for qualifying caregivers

n = Number of caregivers who qualify for Social Security caregiver credit *and* who will draw benefits on own record

$i = [1, n]$ = individual qualifying caregiver who draws benefits on own record

$E_{CG,i}$ = Marginal annual earnings credit attributable to caregiving for each qualified individual

T_i = Time (years and months) of caregiver retirement (based on life expectancy of qualified caregivers who will draw benefits on own record)

a = the year retirement Social Security benefits begin for the i^{th} caregiver

z = the year of last Social Security benefit payment received by the i^{th} caregiver

$h = [a, z]$ = number of years of each caregiver's receipt of Social Security benefits

r = the discount rate.

There are several factors that influence the magnitude of the impact the proposed policy will have. For each qualified caregiver who receives Social Security benefits on his or her own record, the marginal addition to Social Security benefits is their caregiving earnings credit times the number of years of receipt of Social Security benefits. The size of the projected future cost depends on the extent to which caregiving may engender early retirement or labor force accommodation beyond what would have occurred without the policy. It may also vary with the projected annual rate of inflation that raises benefits the following year and subsequent years. The cost will also vary depending on whether caregivers will draw benefits on their own or a spousal record; if a worker draws benefits based on a spousal record, then this policy does not apply and does not generate any additional costs to Social Security.

In order to make data-based estimates of the potential projected costs to Social Security of implementation of our proposal to allocate Social Security "work" credits for elder caregiving to eligible workers, we utilize data from the National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP) 2004 caregiver survey.¹ The NAC-AARP survey was "designed as a telephone survey to be used with a nationwide random sample of caregivers age 18 and over, with oversamples of black, Hispanic and Asian caregivers to ensure adequate numbers of each of these groups for analytic purposes" (NAC-AARP 1997; 2004). We use the weighted sample data to represent accurate national household projections. The survey data for "employment issues" include only respondents who were employed while caregiving. Even applying this useful database to the issue we address, it was still necessary to make research-

based assumptions for variables not explicitly covered in the survey as, for example, caregiver lost earnings and married caregiver share of family income.

From the NAC-AARP survey microdata, we determine a caregiver profile for caregivers who are either in the labor force or have reduced or given up employment for elder caregiving. Using the weighted survey data, we calculated mean values to determine caregiver profiles, presented in Table 1. (For comparison, the unweighted 2004 NAC-AARP microdata are shown in Appendix Table 1A.) Based on the weighted 2004 NAC-AARP data reported in Table 1, about 51% of level III-V elder family caregivers were employed while caregiving. As commonly reported for other caregivers, these employed caregivers made difficult employment choices that included, moving from full to part-time, taking time off, taking leaves of absence, turning down jobs, promotions, and benefits, giving up work entirely, and choosing early retirement. The most likely employment choices for these high intensity caregivers were taking leaves of absences (29%) and moving from full- to part-time (28%). Unique for Level V caregivers was also the high probability of giving up work entirely (36.6%). The data show that caregivers of Level IV elderly were more likely to be caring for spouses, to be white, less likely to have college education, and to have lower incomes, all of which indicate that this group differs from the other two caregiver groups.

The weighted data indicate that the caregivers of Level III to V elderly family care recipients are taking care of mothers (35%) and spouses (19%). The caregivers typically are married or living with a partner (63%), have less than a college education, and are female (63%). The racial/ethnic composition is 73% are white, 11% black, 3% Asian, and 12% Hispanic. Average income of these caregiver households is \$52,106 in 2004 dollars. Caregiving hours are extensive, and on average are comparable to full-time plus part-time employment (67 hours weekly), with an average of 32 hours for Level III caregivers, 88 hours for Level IV caregivers, and 91 hours for Level V caregivers.

To further detail the estimates and cost projections for our proposed policy, we also examine the data in depth disaggregated by marital status. Table 2 reports annual household income and employment choices, based on the NAC –AARP 2004 data source, for all caregivers (also referred to as the “typical” caregiver) and for married versus single caregivers. As expected, caregivers in married households have greater average income (\$57,777) than those in single households (\$42,549). Single caregivers are more likely than married caregivers to remain employed while caregiving; and they are also more likely to lose job benefits and to give

Table 1. Caregiver Profiles from the National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP) 2004 Caregiver Survey*: Weighted Data

	Level of Care			
	All	Level 3	Level 4	Level 5
N	2,220,000	880,000	190,000	960,000
Labor Force Employment Status	%	%	%	%
Working full-time	41.4	46.2	21.2	39.4
Working part-time	11	14.1	10.4	8.4
Unemployed, looking for work	5.4	8.4	4.2	4.1
Not in the labor force				
Retired	22.1	14.6	42.3	26.1
Other (incl home-makers)	19.5	16.5	21.8	20.6
Employed while Caregiving				
Yes	51.2	54.3	37.4	53.7
No	48.7	45.6	62.5	46.3
Employment Issues among Those Employed: Did you have to				
move from full- to part-time				
Yes	27.6	26.2	21.3	33
No	71.4	73.8	78.6	64.6
go in late, leave early, take time off				
Yes	79.8	76.2	76	84.3
No	20.2	23.8	24	15.6
take leave of absence				
Yes	29.1	21.3	34.9	37.7
No	70.6	78.7	65.1	62.3
turn down promotion				
Yes	10.6	6	96.9	17.7
No	88.6	94	3.1	81.2
lose job benefits				
Yes	12.7	12.3	15.8	14.2
No	87.3	87.7	84.2	85.8
give up working entirely				
Yes	18.6	5.1	15.8	36.6
No	81.4	94.9	84.2	63.4
choose early retirement				
Yes	8.6	4.9	15.8	13.4
No	91.1	95.1	84.2	86.1
Relationship of Care Recipient				
Spouse	19.2	16.2	43.1	19.7
Mother	34.9	33.7	19.3	40.24
Father	14.3	18.1	7.6	9
Mother-in-law	3.9	8.1	6	4.8
Father-in-law	2.7	1.7	9.1	2.8
Brother and Sister	3.3	1.8	6.4	2.3
Grandparents	12.1	15	8.2	12.3
Other	5.9	5	0	8.7
DEMOGRAPHIC FACTORS	%	%	%	%
Marital Status				
Married or living with partner	62.8	66.8	58.3	60.9
Currently single	36.2	33.1	41.6	37.17
Education				
<= some HS	38.8	37.4	47.9	39.2
some CLG	36.9	38.7	35.5	34.8
CLG+	24.3	23.9	16.5	25.9
Gender				
male	36.6	43.1	24.6	33
female	63.4	56.9	75.4	67
Race				
White	73.3	58	85.7	72.8
Black	11.1	17.4	0	7.2
Asian	2.8	1.4	2.8	3.8
Hispanic	12	10.6	7.4	11.3
Mean Annual Household Income (\$)	\$52,106	\$59,173	\$43,213	\$47,443
Length of Time Providing Help (years)	4.8	3.9	3.8	5.4
Average Caregiver Age (years)	51	47	55	53
Average Number of ADLs (#)	3.6	3.4	2	4.7
Average Number of IADLs (#)	5.7	5.7	5.6	6
Average Caregiving Hours (#)	67.3	31.9	87.9	90.9

Notes: Sample includes care recipient age 50+ with levels 3, 4 or 5 care.

Source: National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP). 2004. Caregiving in the U.S. Washington DC: NAC and AARP.

up work entirely. They are significantly more likely to go in late, leave early, or take time off without pay. Married caregivers are more likely to move from full- to part-time employment,

turn down a promotion, or chose early retirement; and they are significantly more likely to take a leave of absence. For those caregivers choosing to remain in the labor force, the two most likely employment choices that affect the caregiver's income for married caregivers are taking a leave of absence (35%) and moving from full- to part-time work (30%). In contrast, the two most likely employment choices for single caregivers are moving from full- to part-time (25%) and giving up work entirely (23%). Married caregivers are primarily caring for spouses and parents, whereas single caregivers are primarily caring for parents and grandparents.

Our underlying assumptions for the Social Security policy we propose are consistent with the descriptive NAC-AARP caregiver survey data outlined above. The average caregiver is age 51 (53 for married and 46 for single), thus supporting our assumption that these extensive caregiving activities occur during pre-retirement ages and at life junctures where leaving the labor force prematurely, even if temporarily, may result in limited or reduced labor market earnings opportunities post-caregiving. In addition, our limit to a maximum of four years of Social Security caregiving credit is consistent with the average number of years typically reported by Levels III-V caregivers (4.8 years), with 4 years for married caregivers and slightly over 6 years for single caregivers.

Based on the NAC-AARP Caregiver Survey data, we develop three examples of typical caregivers, who might receive the benefit of the proposed Social Security credit. These three examples, detailed in Table 3, are for all caregivers, and separately for married and for single caregivers. For each example, we assume the typical caregiver is female, and for several years has been earning \$16.30 per hour, the average wage for caregivers or \$34,000 annually (White-Means 2007). Given the reported caregiving hours, she has qualified by verifying that she provides at least 30 hours weekly of support for an elderly disabled parent needing Level III-V care, who has been physician certified as requiring assistance with at least three ADLs. For the All category, our typical caregiver is 51 years old in 2004 (born in 1953) and she will retire at age 66 in 2019, qualified to receive full Social Security benefits. Based on the Social Security actuarial tables, her life expectancy at age 66 is 16 years and she would receive full Social Security benefits until age 82. Since the average length of caregiving in the NAC-AARP database is 4.8 years, we assume that she will receive credit for the maximum allowed four years. We also assume that she will reduce her paid employment to half time during the caregiving period, and she will return to full-time employment following her years of elder caregiving until her retirement in 2019.

Table 2. Caregiver Profile by Marital Status from the National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP) 2004 Caregiver Survey: Weighted Data

	Married	Single
N	1,394,160	803,640
Employed while caregiving	%	%
Yes	46.32	59.49
No	53.68	40.51
Move from full to part-time		
Yes	30.24	24.7
No	68.01	75.3
Go in late, leave early, take time off		
Yes	71.57	90.65
No	28.43	9.35
Take a leave of absence		
Yes	35.34	18.11
No	64.66	81.09
Turn down a promotion		
Yes	11.68	9.48
No	87.51	89.81
Lose job benefits		
Yes	10.42	16.32
No	89.58	83.68
Give up work entirely		
Yes	15.69	23.17
No	84.31	76.83
Chose early retirement		
Yes	10.98	5.49
No	88.74	94.15
Relationship of Care Recipient		
Spouse	25.2	9.3
Mother	30	43
Father	15.5	12.7
Mother-in-law	10.2	1.4
Father-in-law	4.3	0
Brother and Sister	3.3	3.8
Grandparents	6.3	23.1
Other	5.7	6.8
Labor Force Employment Status		
Working full-time	34.5	52.1
Working part-time	13.5	6.9
Unemployed, looking for work	2.1	11.3
Not in the labor force		
Retired	24.9	17.7
Other (incl home-makers)	25	12
Mean Annual Household Income (\$)	\$57,777	\$42,549
Length of Time Providing Help (years)	4	6.1
Average Caregiver Age (years)	53.4	46.1
Average Number of ADLs (#)	3.5	3.8
Average Number of IADLs (#)	5.6	5.9
Average Caregiving Hours (#)	67.3	66.7

Source: National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP). 2004. Caregiving in the U.S. Washington DC: NAC and AARP.

Similar underlying assumptions are made for the married caregiver; however, her average age is 53 so that she would retire in 2017 at age 66. For the single caregiver, the NAC-AARP data indicate that her average is 46. She would retire at age 66 in 2024. The data also indicate that single caregivers would be more likely to remain employed while caregiving and are also equally likely to move from full-time to part time employment as to give up work entirely. Therefore, we make the assumption that our single caregiver spends two years in half-time employment and leaves the labor force for two years while providing elder family care.

Annual salaries are reduced due to caregiving for each of the three example caregivers. The total salary reduction due to caregiving choices is larger (\$102,000) for the single caregiver, who combines part-time and labor market withdrawal, than for the typical or the married caregiver (\$68,000), who both choose to spend the entire four years in part-time employment. Thus, when we recalculate the average annual salary that Social Security uses to determine monthly benefits, the annual salaries are \$32,057 for typical and the married caregiver examples and only \$31,086 for the single caregiver.

We used the MetLife Social Security Tool (MetLife 2008) to calculate two approximate monthly Social Security benefits for each of our example workers; the first is the full benefit without the proposed credit and the second is the full benefit incorporating the proposed caregiving credit. We found that the typical caregiver would receive \$1,105 monthly without the credit and \$1,149 with the credit, generating an annual marginal value of the Social Security credit equal \$528, or a lifetime marginal value of \$8,448. For married caregivers, the lifetime marginal value of the credit is \$8,064 and for single caregivers it is \$13,632.

Another important component of determining the total cost of this policy change is the number of caregivers who may be covered. We use the NAC-AARP data again to estimate the caregivers who will participate in the proposed policy. Starting with the population-based estimates of all caregivers, 51% were employed while caregiving and 27.6% of these shifted from full-time to part-time employment, giving an estimate of 312,487 caregivers who would participate in the proposed policy. Similarly, looking at marital status, we estimate that 195,282 married caregivers and 114,741 single caregivers would participate. Thus, for all caregivers, the total lifetime marginal supplement costs would be \$2.6 billion, and \$1.6 billion for both married and single caregivers.

Table 3. Estimated Social Security Cost and Nursing Home Savings Simulations Based on 2004 NAC-AARP Data (2008 dollars)

	All	Married	Single
Caregiver Characteristics			
Average Household Income	\$52,106	\$57,777	\$42,549
Annual Caregiver Income (full-time work)	\$34,000	\$34,000	\$34,000
Average Age	51	53	46
birth year	1953	1951	1958
retirement age	66	66	66
retirement year	2019	2017	2024
Life expectancy	82	82	82
Length of Caregiving	4 years	4 years	4 years
Among the Employed			
Worklife history	35 years	35 years	33 years
Caregiving break	1/2 time	1/2 time	2 years half time + 2 years full-time
Annual Salary reduction due to caregiving	\$17,000	\$17,000	\$34,000
Total Salary reduction due to caregiving	\$68,000	\$68,000	\$102,000
Ave. annual salary for Social Security calculation, given caregiving break	\$32,057	\$32,057	\$31,086
Social Security Estimates			
Social Security without Credit	\$1,105	\$1,084	\$1,140
Social Security with Credit	\$1,149	\$1,126	\$1,211
Marginal value of credit - month	\$44	\$42	\$71
Marginal value of credit - Year	\$528	\$504	\$852
Lifetime Social Security Supplement	\$8,448	\$8,064	\$13,632
Estimated Number of Caregivers participating in Policy	312,487	195,282	114,741
Total Lifetime Supplement Cost	\$2,639,891,866	\$1,574,756,736	\$1,564,142,559
Nursing Home Cost			
Ave. Annual Nursing Home Cost	\$66,795	\$66,795	\$66,795
Number admissions postponed by caregivers participating in policy	312,487	195,282	114,741
Annual cost savings due to caregiving	\$20,872,582,524	\$13,043,883,459	\$7,664,092,007
Total 4-year nursing home cost savings	\$83,490,330,096	\$52,175,533,835	\$30,656,368,030
Total 4-year Medicaid Nursing Home Cost Savings with Caregiving Replacing Nursing Home			
	\$36,735,745,242	\$22,957,234,887	\$13,488,801,933
4-year Medicaid Savings minus Social Security Lifetime Supplement Cost			
	\$34,095,853,377	\$21,382,478,151	\$11,924,659,374
Total 4-year Nursing Home Cost Savings minus Social Security Lifetime Supplement Cost (Net)			
	\$80,850,438,230	\$50,600,777,098	\$29,092,225,470
Source: Estimates calculated by authors.			

The legislation may also encourage an increase in caregiving among those in the workforce, with some employed caregivers choosing to provide home care for higher functioning elder relatives in lieu of their nursing home institutionalization. This, in fact, would be viewed as an objective of the proposed legislation to reduce the much more costly institutionalization. About one-fifth of nursing home residents (approximately $1,600,000 \times .20 = 320,000$) are estimated to be higher functioning (McNabney et al. 2007). These are the less extremely disabled who might be deinstitutionalized, given adequate in-home caregiving support. This might generate additional caregivers eligible for the proposed Social Security credit.

9. How would you pay for it?

The most likely source of payment for the proposed Social Security coverage is cost savings to Medicaid from reduced institutionalization enabled by enhanced support for elder caregivers in the community. We propose that sufficient “saved” Medicaid expenditures from the reduction of nursing home utilization be allocated to Social Security to generate the proposed caregiver retirement benefits. If the proposed legislative change in Social Security is accomplished, then the growth of Medicaid expenditures on nursing homes will be slowed. Medicare and Medicaid expenditures on nursing home care increased six-fold from \$9 billion in 1980 to \$54 billion by 1999 (Knickman and Snell 2002). Excluding the value of all family caregiving efforts, the cost of long-term care was estimated at \$123 billion in 2000. It is projected that this cost will more than double to \$295 billion by 2030 (Wolff and Kasper 2006). Enacting policies that promote informal family caregiving in the community to reduce these institutional costs by any significant amount will more than pay for themselves if appropriate financial transfers can be implemented between the Medicaid and Social Security bureaucracies.

From the MetLife Institute (2006) nursing home survey, we find that daily nursing home rates range considerably by region with the lowest rates for a private room averaging \$111 per day and a semi-private room averaging \$104 reported in Shreveport, LA, and the highest averaging \$578 daily for a private room and \$570 for a semi-private room in Alaska. Overall, the national average daily rate for a private room in a nursing home is \$206 or \$75,190 annually, and for a semi-private nursing home room the national average daily rate is \$183 or \$66,795 annually. Almost half of the elderly (age 65+) will have some nursing home care and two in three of these will have their nursing home care at least partially covered by Medicaid (GAO 2003). The GAO (2003) reported that Medicaid nursing home expenditures exceeded \$43 billion in 2003; and total Medicaid spending for fiscal year 2003 was expected to double by 2012. The Centers for Medicare and Medicaid report \$53.5 billion in Medicaid expenditures in 2005

(National Center for Health Statistics 2007). In Florida, a state with a uniquely high proportion of elderly population, nursing homes accounted for \$2.3 billion of the total Medicaid budget (Florida Medicaid Report 2005).

With this as background, as shown in Table 3, we estimate that the nursing home cost reduction due to caregiving would be approximately \$20.8 billion annually or a total of \$83.5 billion over four years of delayed nursing home entry due to caregiving. This cost saving would be projected to grow with increases in the number of elderly persons. These calculations further assume the caregiving and the nursing home patient mix are unchanged and that employed caregivers are encouraged by the proposed legislation to maintain moving higher functioning elderly relatives who are nursing home residents back into the community.

Almost half (44%) of total nursing home expenditures are covered by Medicaid (McNabney 2007; National Center for Health Statistics 2007), which is funded by a combination of federal and state funding. According to our calculations, success of the proposed policy would yield a 4-year savings to Medicaid of approximately \$36.7 billion. These dollars more than adequately cover the projected cost to Social Security of the lifetime marginal supplement embodied in our proposal (approximately \$2.6 billion), with a net savings of \$34 billion generated by the combination of our proposal and the corresponding reduction in Medicaid nursing home costs.

Other non-Medicaid sources of funding could also be tapped. We note particularly that there is a huge societal net gain from implementation of the proposed policy. This is because total 4-year nursing home cost savings with our proposed Social Security policy, generating lifetime supplemented benefits to caregivers, provides a net gain to society of \$80.9 billion during a 4-year time period.

If it were not possible to shift any of the Medicaid nursing home cost savings to the Social Security Administration to fund this proposal, then an alternative approach might be to raise or remove the cap on covered Social Security taxable earnings. The CATO Institute has estimated that \$1.3 trillion would be raised over a ten-year period, and Citizens for Tax Justice has estimated a more conservative figure of \$124 billion if the Social Security cap is lifted (Miller 2008). Moreover, this strategy would completely cover the shortfall in Social Security. The alternative strategy of raising the cap to \$140,000 would cover an estimated one-third of the long term shortfall in Social Security as currently designed (Miller 2008). A February 2005 Washington Post poll of Americans indicated that 81% supported removing the Social Security wage cap. Therefore, if shifting a relatively small share of “saved” Medicaid nursing home expenditure to Social Security is not possible, we suggest that mitigating the regressive tax

structure in Social Security and increasing the Social Security tax paid by the highest income earners by about 4% (Miller 2008) would provide substantial support to enhance long term caregiving for those able to remain in the community.

10. Has this been done (or tried) before in the U.S. or internationally; in the private sector?

What was the experience?

Although direct policies to address the issue of enhancing the equity of Social Security for elder caregivers have been introduced several times in Congress, they have repeatedly failed to pass, in part due to a lack of good estimates of the program costs and a question of whether the program should be implemented by Social Security or at the state level. Refer to section 2a above for a detailed list of these attempts over several years, each of which was termed the Social Security Caregiver Credit Act. Knickman and Snell (2002) report that “in most [other] countries, these items tend to be financed socially” (page 851).

11. What variations in your policy parameters would increase (or lower) its impact and cost?

Variations in the policy parameters that would increase cost of implementation include: 1) length of caregiver credit time allowed (i.e. increasing to more than 4 years allowable credit), 2) allowing credit for caregiving of non-relatives, and 3) allowing all levels of caregiving (e.g. Levels I-V) to be covered by the credit. Allowing additional caregiver credit for those who serve for longer than the average would provide Social Security credits for all years of actual caregiving. Allowing caregiving credit for non-relatives would expand the base of possible recipients and might also mitigate some of the racial/ethnic inequity found in the present proposal, as outlined above. Allowing additional caregiver credit for a wider range of disability levels, for example adding Levels I and II, would expand the base of caregivers eligible for the credits.

Variations in the policy parameters that would lower cost of implementation include: 1) reduction of caregiver credit time allowed to less than four years, 2) allowing credit only for parental caregiving rather than including other relatives, and 3) allowing caregiving for fewer care levels, for example Level V only.

12. Are there other Social Security options to help this group? Why is your policy approach better than others?

One option is to provide a fixed, one-time lump sum Social Security bonus to all employed persons who can document that they had a reduced spell of labor force accommodation associated with caregiving. They would also have to provide care for an elder relative who meets the elder care disability criteria specified above. By not tying the Social Security supplement to the caregivers' real opportunity cost of caregiving, this strategy is not as equitable as the one we propose that considers that the sacrifices made by caregivers are not homogeneous.

Appendix Table 1A. Caregiver Profiles from the National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP) 2004 Caregiver Survey*: Unweighted Sample

	Level of Care			
	All	Level 3	Level 4	Level 5
N	216	83	17	97
Labor Force Employment Status	%	%	%	%
Working full-time	41.2	47	23.5	39.1
Working part-time	10.2	12.1	11.8	8.2
Unemployed, looking for work	7.4	9.6	5.9	7.2
Not in the labor force				
Retired	21.8	15.7	41.2	24.7
Other (incl home-makers)	19.5	15.6	17.5	19.5
Employed while Caregiving				
Yes	53.1	61.8	37.5	50
No	46.9	38.1	62.5	50
Employment Issues: Did you have to				
move from full- to part-time				
Yes	27.7	27.4	14.3	30.5
No	71.6	72.6	85.7	67.8
go in late, leave early, take time off				
Yes	80.1	77.4	85.7	81.3
No	19.9	22.6	14.3	18.6
take leave of absence				
Yes	31.2	21	42.9	42.3
No	68.1	79	57.1	57.6
turn down promotion				
Yes	9.2	4.8	85.7	13.5
No	87.3	95.2	14.3	81.3
lose job benefits				
Yes	12.1	9.7	14.3	13.5
No	87.9	90.3	85.7	86.4
give up working entirely				
Yes	16.3	4.8	14.3	30.5
No	83.7	95.1	85.7	69.4
choose early retirement				
Yes	8.5	6.5	14.3	11.8
No	90.1	93.6	85.7	86.4
Relationship of Care Recipient	%			
Spouse	17.6	15.7	41.1	16.4
Mother	39.4	39.8	23.5	43.3
Father	13	15.7	5.9	9.2
Mother-in-law	5.6	6	5.8	4.1
Father-in-law	2.3	1.2	5.8	3.1
Brother and Sister	4.2	3.6	5.9	3.1
Grandparents	11.6	13.3	11.7	11.2
Other	6.5	4.8	0	9.2
DEMOGRAPHIC FACTORS	%	%	%	%
Marital Status				
Married or living with partner	61.6	61.4	52.8	63.9
Currently single	37.9	38.6	47.1	35.1
Education				
<= some HS	38.6	37.4	52.9	37.5
some CLG	35.4	37.4	29.4	34.3
CLG+	26.1	25.3	17.6	28.1
Gender				
male	36.6	43.4	17.6	31.9
female	63.4	56.6	82.4	68
Race				
White	51.9	47	70.5	51.5
Black	13.9	24.1	11.7	10.3
Asian	12	7.2	5.9	16.5
Hispanic	20.8	21.7	11.7	20.6
Mean Annual Household Income (\$)	\$51,197	\$56,296	\$40,416	\$49,023
Length of Time Providing Help (years)	4.7	3.9	3.8	4.8
Average Caregiver Age (years)	50	47	53	52
Average Number of ADLs (#)	3.6	3.4	2	406
Average Number of IADLs (#)	5.8	5.7	5.5	6
Average Caregiving Hours (#)	67.3	31.8	88.1	89.1

Notes: Sample includes care recipient age 50+ with levels 3, 4 or 5 care.

Source: National Alliance of Caregivers and American Association of Retired Persons (NAC-AARP). 2004. Caregiving in the U.S.

Washington DC: NAC and AARP.

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