

Spend Down and the Probability of Entering a Nursing Home

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Abstract: The aging population of the United States and the increased need for long-term care by the elderly is a growing concern for state governments obliged to provide last resort long-term care funding. There is a theoretical consensus that seniors spend down, depleting assets or dissaving, to become eligible for Medicaid. However, the empirical literature in this area is less developed. This paper examines the relationship between the rate of change in the assets of households near retirement age as a function of the perceived probability of entering a nursing home and other demographic characteristics. Least squares estimates indicate older households do not spend down. However, using simultaneous equations to account for the relationship between spend down and probability of entering a nursing home suggest that married households do spend down assets. Thus, our results indicate that the impact of simultaneity is likely to be substantial.

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Introduction

With improvements in the quality of both preventative and basic health care, the population of the United States and most other developed countries can expect to live longer. It is expected that 20% of the U.S. population will be age 65 or older by the year 2030 (Rice, 1989; Norton, 2000). Kemper and Murtaugh (1991) estimate a person who reaches age 65 has a 43% chance of entering a nursing home prior to death. Of those who enter a nursing home, individuals spend on average 2.4 years in nursing homes (Murtaugh, Kemper and Carlson, 1997). Mellor (2001) reports the costs of a 1-year stay in a nursing home ranges from \$40,000 to \$50,000, on average. Yet, even with the high costs of nursing homes, a relatively small proportion (less than 5%) of the elderly purchases long-term health insurance (Mellor, 2001). Thus, Medicaid and other publicly provided insurance programs are often viewed as the last resort for healthcare.

The increased need for long term care by the elderly becomes a growing concern for state governments who are obligated to provide last resort long-term care funding. The rising financial burden for states creates a need to understand how individuals fund their potential long-term care expenses. From a state budgeting perspective private provision of long-term care is preferred while private individuals may prefer the state to pay. Means testing on assets and income by state Medicaid programs intends to insure only the truly needy gain access to the safety net.

To be Medicaid eligible, an individual's monthly income and assets must fall below legislatively pre-determined levels. Currently the federal Medicaid guidelines require individuals to have little in the way of assets and income (with eligibility requirements as low as assets of \$2000 and \$3000, monthly earned income of \$1213 and

\$1777 and monthly unearned income of \$584 and \$866 for individuals and couples, respectively).¹ Once in the program, the individual is subject to very high co-payments. In the case of long-term care, these co-payments can amount to 100% of income for single headed households. These provisions may be viewed as punitive taxes creating an incentive for individuals to avoid the tax. This point has not escaped the public as a consensus that seniors spend down their wealth to become eligible for Medicaid seems to exist. Additionally, it is argued that government provided "insurance" for long-term care crowds out the private insurance market and may discourage savings.

Hubbard, Skinner and Zeldes (1995) examine a model of life-cycle savings patterns incorporating means tested welfare programs and uncertainty about future spending. They find that means testing discourages savings by households with low expected lifetime income. Interestingly, their results suggest that social insurance programs reduce the incentive to save by low income households regardless of whether the household experiences catastrophic medical expenses and whether they actually receive transfer payments or not. Hubbard et al argue the breakdown in the savings rate is weaker for those with higher incomes due to the allowable consumption floor being a much smaller proportion of lifetime income and the uninsured risks of medical spending are a smaller proportion of lifetime wealth.

This and other theoretical models show that means tested programs such as Medicaid may discourage savings and more generally financial planning for future unexpected medical expenses. Additionally, the elderly may prefer to spend down their assets by increasing consumption, giving away their assets, putting assets into trusts or a

¹ www.medicare.gov and <http://www.cms.hhs.gov/medicaid/eligibility/ssi0104.asp>.

primary home so that they are shielded from the asset tests of Medicaid.² Although the theoretical argument that means testing may affect individual saving behavior seem well developed, the empirical literature is less well developed.³ In this paper, we focus on households near the retirement age who are surveyed in the Health and Retirement Study (HRS). The HRS allows for the inclusion of the respondent's own perceived probability of entering a nursing home. This variable, while not used in other comparable studies, is likely to be an important determinant in the financial planning of aging individuals. Previous work by Lindrooth, Hoerger, and Norton (2000) suggests that individuals expectations of entering a nursing home align relatively well with actual outcomes. An inverse relationship between the probability of entering a nursing home and the rate of change of assets within the household provides support for the hypothesis that households save less and consume relatively more, that is to say they spend down their assets. However, if those individuals likely to enter the nursing home do not rid themselves of their assets at a significantly higher rate, this study will provide evidence that spend-down is a theoretical but not real problem in the provision of long-term care for older households. Thus, this study will provide insight into the empirical importance of asset testing for Medicaid benefits. In other words, we examine the relationship between the rate of change in the assets as a function of the perceived probability of entering a nursing home and other demographic characteristics.

Literature Review

² Sloan, Hoerger, and Picone (1996), Hubbard, Skinner and Zeldes (1994,1995).

³ Rice (1989), Mor, Intrator and Laliberte (1993), Norton (1995) and Spillman and Kemper (1995).

Recent theoretical work has demonstrated that means tested social insurance programs may dissuade individuals from saving⁴ while relatively little literature has sought to identify spend-down from survey data. Gruber and Yelowitz (1999) look at the effects of Medicaid on the savings behaviors of individuals aged 18-64 using 1983-1993 data from the Survey of Income Program Participation (SIPP) and the Consumer Expenditure Survey (CES). While their focus is not on the elderly, the general asset and means tests for Medicaid eligibility are similar to those for long-term care eligibility. Gruber and Yelowitz find Medicaid reduces savings by households, reducing wealth holdings over the period by 87.2%. Furthermore, the incentive for households to reduce savings is larger if there is an asset test.

Gruber and Yelowitz estimate household net worth or consumption as a function of instrumental variables measuring current and future Medicaid eligible dollars, education, a set of family demographic controls and controls for state and year. The impact of Medicaid on household savings is measured by the magnitude of the associated reduction in medical expenditure risk for the household. They note future eligibility and expected future dollars received via Medicaid are important determinants of asset accumulation/decumulation as are current eligibility and dollars received. Their results suggest that spend-down and dissaving are a potential problem for states.

Spend-down may not occur in older households at the same rate as estimated in the younger population given here. Gruber and Yelowitz purposefully drop families with members over age 64 to avoid negative effects of medical risks associated with age on

⁴ See Hubbard, Skinner, Zeldes (1995, 1995), Sloan Hoerger, and Picone (1996), Browning and Lusardi (1996)

consumption.⁵ The younger population may see their spend-down as a way to gain health insurance and income supplements throughout the lifetime rather than as a last resort for nursing home care when death is near. Eligibility into Medicaid is correlated with other social programs such as AFDC, which may have other independent income and wealth effects. Furthermore, younger individuals may not have the same aversion to welfare programs as the elderly.

Norton (1995) focuses on the rate of spend-down by individuals in nursing home care. In his study of 1985 and 1989 nursing home residents, Norton investigates the relationship between spend-down and the occurrence of residents entering as a private payer but being discharged as Medicaid patients. Contrary to the popular belief that individuals rid themselves of assets to gain access to Medicaid, Norton finds no evidence of spend down. Furthermore, Norton finds evidence that some residents receive transfers from their children to help fund long-term care expenses. Norton argues this result is explainable by welfare stigma associated with Medicaid ala Moffitt (1983). The elderly may not wish to take advantage of the social services but would rather fund care privately to avoid the negative perceptions associated with welfare programs. Here, we look at whether individuals that have not yet entered nursing care are preparing for possible large medical costs by spending down or depleting savings.

Although the literature examining the importance of spend down by the elderly is somewhat less developed, some guidance on factors important to decision making for the elderly may be gleaned from complimentary literature on the demand for nursing home beds and the demand for long-term care insurance. Several studies examine the

⁵ The average age of the head of the household in Gruber and Yelowitz sample is 39.79 with an average of .92 children under the age of 18.

characteristics that are associated with nursing home enrollment. The primary determinant appears to be health status. The most common and consistent predictors used to measure health status are measures of "activities of daily living" and "instrumental activities of daily living."⁶ These are measures of a person's ability to perform certain fundamental tasks such as getting out of bed with or without assistance. Generally those individuals who need more assistance with either ADL's or IADL's are more likely to enter a nursing home.

Most studies examining the observed or actual propensity to enter a nursing home include the standard set of demographic characteristics such as age, education, race, gender and marital status.⁷ Generally the results indicate that age is positively correlated while education, race and marital status are negatively correlated with nursing home entry. It is likely that age and education correlate well with health status while race may proxy for differences in the opportunity cost of time. Married individuals are more likely to receive care in the home from the spouse and/or children. This is also tied to gender as women tend to live longer, they are likely to care for the husband in the relationship.

Income and assets are also commonly examined as explanatory variables. Generally these are viewed as measures of ability to pay. Individuals with a higher income and greater wealth may be more able to pay for nursing home coverage and thus be more likely to enter. However, due to means testing of social insurance programs, the level of assets may be a function of the individual risk associated with potential nursing home stays.

⁶ Garber and McCurdy (1993), Liu, McBride, and Coughlin (1994), Reschovsky (1996)

⁷ Murtaugh, Kemper and Spillman (1990), White-Means (1997)

Several studies examine the characteristics associated with the propensity to purchase long-term health insurance⁸. The literature often argues that presence of adult children or other non-spouse informal caregivers may substitute for formal care and therefore long term care insurance, empirically the evidence is weak. Income, age, wealth, education, health status, race, marital status and gender are the typical characteristics included models estimating the purchase of long term care insurance. Education, household income and net worth are found to have positive significant impact on the purchase probability. Self-reports of being in poor health are negatively related to purchasing insurance, this likely due to insurance company screening.

Pauly (1990) argues that the non-purchase of long-term care insurance may be a rational decision. Essentially, children concerned with the bequest they expect to receive can be induced to provide informal care to protect the bequest. Mellor (2001) examines the role of children as substitutes for long-term health insurance using PSID and AHEAD data. While Mellor found some evidence that informal caregivers is seen as substitute for formal market care her results do not suggest caregiver availability discourages parents from obtaining market purchased insurance for long term care needs. Mellor reports the presence of caregiver lowers the probability of having long term health insurance. However, the effect becomes insignificant when demographic variables are included in estimation of purchasing long term care insurance.

Sloan and Norton (1997) investigate adverse selection, moral hazard, intergenerational concerns, and bequest motives as reasons for the rational non-purchase of long term care insurance. Using AHEAD and HRS data to examine the propensity to purchase long-term health care insurance, the authors find that public long-term care

⁸ McCall, Mangle, Bauer, and Knickman (1998), Sloan and Norton (1997), Mellor (2001)

insurance may crowd out the demand for private long-term care insurance for persons over age 70 but not for persons in the 51-64 cohort. They argue the difference may lie in differences in the labor force participation of the groups. Importantly, the marginal effects of the most senior group were relatively small in magnitude and insufficiently large to explain the low proportion of elderly with long-term care insurance.

One explanation for the low purchase rate of long-term care insurance is that individuals underestimate the likelihood of entering a nursing home. To investigate the validity of this explanation, Lindrooth, Hoerger, and Norton (2000) estimate the relationship between the characteristics of individuals and the self-reported expectations of entering a nursing home using AHEAD data. In short, they find that individual expectations align relatively well with the actual outcomes. Their results indicate that number of children and having a spouse present reduce the probability of entering a nursing while age and education have a positive effect. Their results suggest that individuals' expectations of entering a nursing home are consistent with the characteristics of actual entrants and thus underestimation or a poor ability to predict the need for nursing home care is not supported as a reason for low rate of purchasing private long-term care insurance.

Here, we attempt to bridge together previous work examining the probability of entering a nursing home and the financing of long term health care by spending down assets. If individuals are rational, then the manner in which assets are accumulated or spent as an individual approaches the age that formal long-term care is often necessary should be influenced by their own assessment of their own health and own likelihood of needing formal care. The related research often has omitted a measure of the estimated probability of entering a nursing home or has relied on econometrician measured

likelihood, when the individual's own perception is really what the individual considers when making financial decisions.

Data

The Health and Retirement Survey (HRS) is the source of data for the analysis in this paper. The targeted respondents are non-institutionalized men and women residing in the United States born between 1931 and 1941. Spouses and partners of the original sample are also interviewed regardless of age. The first wave consisted of 12,654 respondents from 7,703 households and was conducted in 1992-1993. The respondents are re-interviewed every two years.⁹

The HRS asks questions regarding many aspects of the respondent's life. Basic demographic information about the respondent and their family are contained in the data. Detailed information about current and past health problems and source of health insurance are also available in the HRS. Furthermore, the study provides detailed financial information including current and past employment, wealth, assets, monies from both income and non-income sources, financial transfers and housing. The HRS also asks respondents about expectations of their health, living and financial situations.

In this study, we seek to examine how individual's expectations of entering a nursing home will affect their savings behavior. To measure this behavior, we calculate the rate of growth of assets for each household. The HRS survey collects assets on a variety on housing and non-housing assets as well as debts for each household. For each observation, we collect information on the total assets held by each household for 1994

⁹ A more complete description of the HRS can be found in Juster and Suzman (1995).

and 1996. We then calculate the instantaneous rate of change implied by the asset measures for use as the dependent variable in our analysis.

In the 1994 and 1996 waves of the HRS, respondents age 60 or older at the time of that interview are asked to report their perceived probability of entering a nursing home in the next five years. Once dropping the households where both this measure and quality asset measures are unavailable, we are left with 922 married couple households and 654 single headed households. This is a disappointing loss given an initial 1992 sample of some 7,600 households; we are left with approximately 1 in 5. Clearly, the factors that led to a person being questioned on their probability of entering a nursing home will lead to some degree of selection bias. We do not control for this and as a result, are estimates must be interpreted within the constraints of the selection criteria.

We divide the sample along married and single lines as we expect the decisions across these households will not mirror each other. For example, the presence of a spouse may lead the individuals to lower their beliefs they will enter a nursing home because they expect to receive in-home care.

The control variables we use are largely dictated by evidence from previous related studies discussed above. Specifically, we gather data on the age of household members, their race, years of education, if they are retired, doing any work, number of children, whether the individual is divorced or widowed in the past, and health conditions. Descriptive statistics for the 962 household observations are presented in Table One. Many of the covariates in the analysis are measured for both men and women in the household. In the tables listing results for married households, the second column denotes if the estimate is for the male member of the household, the female member or the household unit. We observe that within the household men are older, have a higher

estimated probability of entering a nursing home, are less likely to report retirement, although also report that they are less likely to be working. Finally, we note that their self reported health is generally worse.

Across the married and single households, we note that these individuals do not appear to be dramatically different except in the percent divorced or widowed in the past, the level of initial non-home assets and the proportion that are minority (Mixed Family). These differences are not surprising. Additionally, these households are less likely to have children.

Results

Column three of Table Two presents the results for least squares analysis of the relationship between household asset growth and the control variables. From the control variables, only female age, male still working, no children and divorced partner are statistically significant to at least the ten percent level. Non-Home Assets in 1994 is included to control for the initial level in calculating the rate of growth. This is not surprisingly significant.

The variables of interest in the analysis are the respective probabilities of entering a nursing home. Observe that both coefficients are positive although only the coefficient for men is significant. The signs indicate that households do not spend assets down in response to a relatively higher spending risk of future long-term care expenses. These results must be interpreted with care, as one might expect the coefficients to be biased. In general, those unobservable factors that induce people to perceive a high risk entering a nursing home may also affect the spending decisions of the household. To account for this, the relationship is estimated in a simultaneous equations setting.

Columns four through six present results for simultaneous equation estimates of the relationship, columns five and six estimate the model for the sample broken down into low and high asset groups. Table Three presents estimating equations used to predict the probability of entering a nursing home. We include age of both household members, an indicator for the presence of children, measures of health status and dummy variables for mixed household. The results indicate significant differences in the perceptions of entering a nursing home by race. Generally, households with a minority member have lower expectations of entering a nursing home. This is consistent with other findings discussed in Norton (2001). Surprisingly, the health measures show little significance and call into question the strength of the results. The predicting equations do not seem to have strong predictive power with R-squareds for these equations generally below ten percent.

The upper portion of Table Two gives the results for the asset change equations. As opposed to the least squares equation, the simultaneous equations model yields a negative and significant coefficient on both male and female age. As expected, older couples spend down their assets. Of the remaining control variables, only female years of education and divorced partner are significant. The results for the probability of entering a nursing home variables are substantially different from the least squares estimates. Whereas in least squares the coefficient on the male probability is positive and significant, the simultaneous equations estimate is negative and significant. Similarly for women, the estimate is negative and significant in the simultaneous equations estimates. When controlling for simultaneity, there appears to be spend down. Households whose residents face a high probability of entering the nursing home deplete assets more quickly.

Hubbard et. al. (1995) argue that we should expect to see differences in behavior across high and low asset categories. The final two columns of table three examine differences along these lines. In column two, results for low asset households are presented. The cutoff for high and low assets is set at \$78,600, the median of 1994 assets. The control variables show some differences although no dramatic changes seem to exist. Interestingly in the low asset households, the effect of the woman's probability of nursing home entry seems to be much larger (by a factor of over 2) and is significant as compared to the male coefficient (which is insignificant.) Conversely, in the high asset households, there does not appear to be a spend-down effect related to nursing home entry.

Table Four presents estimates for single households. The only control variables that show significance in the table are years of education, widow and non-home assets while working is significant in the final specification. Further, these results do not seem to be similar to the results for married households. In all specifications, the probability of entering a nursing home is insignificant. It appears that while married households show a spend-down effect, single households do not. One explanation for this might be that these households have already spent down prior to being surveyed in order to be eligible for other aspects of Medicaid or more generally other welfare programs.

Conclusions

In this paper, we examine the relationship between peoples perceived probability of entering a nursing home and the rate of change of their assets. Theory predicts that households may choose to spend down in order to become eligible for Medicaid funding of nursing home expenses. We gather data on household assets for both 1994 and 1996

from the Health Retirement Survey and calculate the instantaneous rate of change of assets over this period. This is then regressed as a function of the probability of entering a nursing home and other control variables. Least squares estimates for married households indicate that there is no spend-down, rather indicating that households spend down more slowly as a hedge against spending risk. Conversely, least squares estimates for single households show no relationship.

Simultaneous equations estimates are employed as it may be argued that unobservables that affect household spending decisions may also be related to the individual's perception of their risk of entering a nursing home. The estimates using two-stage least squares for married households show that spend-down is an important phenomenon. The coefficients on variables measuring the nursing home entry probability are negative and significant for both men and women in the household. Splitting the sample between relatively high and low asset families demonstrate that the spend-down is more important for low-income households, consistent with the predictions of Hubbard et.al. (1995). Interestingly, similar estimates for single households show no spend-down for either group.

Several avenues of further research are implied by this study. It appears that the use of assets in studies examining the choices made by the elderly over, for example, the decision to purchase long-term care insurance, may be misleading. Our estimates indicate that the impact of simultaneity is likely to be substantial. Additionally, the results reported here indicate that there are significant differences across racial categories. It appears that minority households have lower expectations of entering a nursing home. These differences merit further study as states struggle with limited budgets and an increasingly older population.

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Table One
Descriptive Statistics
(Standard Deviations in Parenthesis)

		Joint Household	Single Household
Asset Rate of Change	Household	-0.0053 (0.6079)	-0.0440 (.7893)
Pr(Entering Nursing Home)	Male	27.259 (26.473)	30.3964 (29.8966)
	Female	31.391 (26.904)	
Years of Education	Male	12.511 (3.196)	12.5855 (2.9961)
	Female	12.378 (2.615)	
Retired	Male	0.4957 (0.5003)	0.4856 (0.5002)
	Female	0.7171 (0.4507)	
Working	Male	0.3359 (0.4725)	0.5553 (0.4973)
	Female	0.4190 (0.4937)	
Age	Male	61.3866 (3.7061)	58.2753 (1.8455)
	Female	58.5356 (2.2647)	
Body Mass Index	Male	27.0036 (3.7135)	26.8764 (5.5002)
	Female	26.5420 (5.1016)	
In Fair to Poor Health	Male	0.1890 (0.3917)	0.2269 (0.4192)
	Female	0.1555 (0.3626)	
ADL	Male	0.0190 (0.2100)	0.0242 (0.1724)
	Female	0.0159 (0.1410)	
IADL	Male	0.2553 (0.5365)	0.1951 (.5050)
	Female	0.1348 (0.4348)	
Divorced Partner	Household	0.0867 (0.2815)	0.5386 (0.4989)
Widowed Partner	Household	0.0518 (0.2217)	0.3404 (0.4742)
Mixed Family	Household	0.1311 (0.3377)	0.2753 (0.44702)
Non-Home Assets	Household	187,696.9 (419,527.5)	91042.21 (228622.3)
No Children	Household	0.0616 (0.2405)	0.1119 (0.3155)
Female			0.3283 (0.4699)

Table Two
Estimates of the Relationship between Asset Growth Rate
and Probability of Entering a Nursing Home
(absolute value of t's in parenthesis)

Asset Rate of Change		OLS	2SLS	2SLS	2SLS
		Full Sample	Full Sample	Low Assets	High Assets
Pr(Entering NursingHome)	Male	0.002 (1.97)**	-0.029 (1.80)*	-0.021 (1.21)	-0.001 (0.17)
	Female	0.001 (0.81)	-0.030 (2.38)**	-0.048 (3.79)***	0.008 (0.90)
Age	Male	0.001 (0.26)	-0.046 (1.97)**	-0.026 (1.00)	-0.008 (0.62)
	Female	-0.020 (2.23)**	-0.041 (2.57)**	-0.068 (2.47)**	0.001 (0.10)
Mixed Family	Household	-0.053 (0.92)	-0.413 (3.06)***	-0.307 (2.45)**	-0.043 (0.33)
Years of Education	Male	0.004 (0.51)	0.005 (0.55)	0.028 (1.96)*	0.007 (0.73)
	Female	0.011 (1.16)	0.033 (1.77)*	0.056 (2.78)***	0.015 (1.12)
Retired	Male	-0.018 (0.40)	0.061 (0.75)	0.144 (1.33)	-0.037 (0.71)
	Female	0.035 (0.66)	0.040 (0.69)	0.154 (1.69)*	-0.030 (0.52)
Working	Male	-0.138 (3.02)***	-0.058 (0.66)	-0.117 (1.32)	-0.076 (1.13)
	Female	0.034 (0.70)	0.069 (0.93)	0.161 (1.63)	-0.066 (1.07)
No Children	Household	-0.160 (1.93)*	-0.138 (1.04)	0.173 (0.67)	-0.083 (0.70)
Widowed Partner	Household	-0.025 (0.34)	-0.083 (0.90)	-0.071 (0.42)	0.005 (0.06)
Divorce Partner	Household	-0.095 (1.89)*	-0.175 (1.87)*	-0.205 (1.43)	-0.128 (1.77)*
Non-Home Assets	Household	-0.000 (2.63)***	0.000 (0.09)	-0.000 (2.59)***	-0.000 (0.14)
Constant		0.925 (1.50)	6.559 (2.87)***	6.687 (2.28)**	-0.053 (0.04)
		922	922	458	464
* significant at 10% ** significant at 5% *** significant at 1%					

Table Three
 First Stage Estimates of the Probability of Entering a Nursing Home
 (absolute value of t's in parenthesis)

	Full Sample	Low Assets	High Assets
Pr(Entering Nursing Home)			
Male Age	-1.547 (6.63)***	-1.404 (4.08)***	-1.704 (5.39)***
Female Age	-0.194 (0.51)	-0.744 (1.35)	0.365 (0.70)
Mixed Family	-6.490 (2.71)***	-4.661 (1.54)	-7.839 (1.86)*
No Children	3.705 (1.05)	7.464 (1.42)	-0.248 (0.05)
Male Body Mass Index	0.034 (0.16)	0.149 (0.46)	-0.333 (1.04)
Male In Fair to Poor Health	0.275 (0.15)	-0.703 (0.25)	0.794 (0.22)
Male ADL	-5.418 (1.33)	-5.064 (0.92)	-6.584 (0.77)
Male IADL	0.110 (0.08)	0.864 (0.39)	-3.063 (1.31)
Constant	133.537 (5.26)***	152.085 (4.08)***	122.383 (3.51)***
Pr(Entering Nursing Home)			
Male Age	-0.155 (0.64)	-0.021 (0.06)	-0.217 (0.65)
Female Age	-0.561 (1.41)	-0.408 (0.74)	-0.961 (1.73)*
Mixed Family	-7.610 (3.02)***	-4.058 (1.33)	-10.155 (2.21)**
No Children	-2.916 (0.79)	3.397 (0.64)	-9.993 (1.97)**
Female Body Mass Index	0.078 (0.51)	0.232 (1.26)	-0.224 (0.79)
Female In Fair to Poor Health	0.071 (0.03)	1.732 (0.68)	6.815 (1.75)*
Female ADL	0.048 (0.01)	1.510 (0.34)	17.715 (0.68)
Female IADL	-0.827 (0.46)	-1.767 (0.88)	-0.774 (0.22)
Constant	73.166 (2.84)***	46.739 (1.30)	111.619 (3.08)***
Observations	922	418	464
* significant at 10%			
** significant at 5%			
*** significant at 1%			

Table Four: Estimates of the Relationship between Asset Growth Rate and Probability of Entering a Nursing Home – Single Households
(absolute value of t's in parenthesis)

Asset Rate of Change	OLS	2SLS	2SLS	2SLS
	Full Sample	Full Sample	Low Assets	High Assets
Pr(Entering Nursing Home)	0.000 (0.37)	0.005 (0.50)	-0.009 (0.96)	0.021 (1.29)
Age	0.020 (1.14)	0.022 (1.24)	0.045 (1.59)	0.014 (0.53)
Nonwhite	-0.064 (0.90)	-0.046 (0.57)	-0.092 (0.85)	-0.150 (1.03)
Years of Education	0.024 (2.23)**	0.023 (2.03)**	0.046 (2.75)***	0.033 (2.29)**
Retired	0.050 (0.66)	0.045 (0.55)	0.011 (0.09)	0.199 (1.95)*
Working	0.023 (0.30)	0.026 (0.29)	-0.027 (0.22)	0.277 (2.12)**
No Children	0.010 (0.11)	0.001 (0.01)	0.102 (0.60)	-0.054 (0.35)
Widow	-0.148 (2.02)**	-0.142 (1.91)*	-0.026 (0.21)	-0.205 (2.10)**
Divorce	0.007 (0.10)	-0.002 (0.03)	-0.027 (0.24)	0.006 (0.09)
Female	-0.005 (0.07)	0.006 (0.08)	-0.017 (0.14)	0.080 (0.80)
Non-Home Asset	-0.000 (2.90)***	-0.000 (2.88)***	-0.000 (5.44)***	-0.000 (2.03)**
Constant	-1.440 (1.41)	-1.688 (1.62)	-2.428 (1.48)	-2.255 (1.40)
Pr(Entering Nursing Home)				
Age		0.404 (0.64)	0.545 (0.57)	0.337 (0.41)
Nonwhite		-5.086 (1.92)*	-3.251 (0.89)	-5.757 (1.38)
No Children		4.771 (1.28)	5.800 (1.02)	3.171 (0.66)
Body Mass Index		0.545 (2.49)**	0.604 (2.05)**	0.493 (1.49)
In Fair to Poor Health		2.248 (0.76)	5.120 (1.36)	-2.077 (0.53)
ADL		-4.449 (0.65)	-0.450 (0.06)	25.442 (1.25)
IADL		0.521 (0.22)	2.774 (0.92)	-6.038 (1.94)*
Female		-1.400 (0.56)	-1.427 (0.36)	-2.225 (0.70)
Constant		-6.701 (0.18)	-21.245 (0.37)	2.402 (0.05)
Observations	654	654	330	324
* significant at 10% ** significant at 5% *** significant at 1%				