

News Currents

In Brief

Medicare RUG 'Fix' Averted For Now

SNFs Get 3.4 Percent Hike

The so-called Medicare resource utilization group (RUG) "fix" proposed recently by the Centers for Medicare & Medicaid Services (CMS) in a 2009 payment rule has been delayed until further notice, giving skilled nursing facilities (SNFs) a reprieve from what was estimated to be a \$770 million cut.

The agency announced during a July 31 press call that facilities would instead get a 3.4 percent market basket update for 2009, or what amounts to an estimated \$780 million pay raise.

In its final rule on the matter, CMS said it was putting the measure on hold in order to further evaluate the data. "In view of the potential ramifications of this proposal, and the complexity of the issues involved, we believe that it would be prudent to take additional time to evaluate the proposal in order to further consider consequences that may result from it," the agency wrote. "We are not proceeding with the proposed recalibration at this time, pending further analysis."

Also contained in the final rule, however, was an assurance from the agency that it plans to address the issue again: "We note that as we continue to evaluate this issue, we fully expect to implement such an adjustment in the future."

A statement from CMS Acting Administrator Kerry Weems signaled that the agency was acting in response to industry backlash to the proposed cuts. "In view of the widespread industry concern that a recalibration could potentially have adverse effects on beneficiaries, clinical staff, and the quality of SNF care, we will continue to evaluate the underlying data carefully as we consider implementing an adjustment in the future," he said.

In a proposed rule published last May, CMS had indicated that it would make changes in the RUGs

"to establish payment rates that more accurately reflect the needs of patients."

In response to the announcement, the American Health Care Association (AHCA) applauded the decision and credited key Republican and Democratic congressional leaders with spearheading a successful effort to avert the cuts. "The bottom-line news is that Medicare beneficiaries are deservedly the big winners and will continue to benefit from ready access to the high-quality, post-acute care they need and deserve," said Bruce Yarwood, AHCA president and chief executive officer.

"Members of the House and Senate have worked effectively in bipartisan fashion with the administration to

'In view of widespread industry concern, we will continue evaluating the data.'

Poll: Long Term Care Needs Attention

The presidential candidates' health care reform plans should address the quality and financing of long term care, according to a panel of "opinion leaders" polled recently by the Commonwealth Fund.

The panel, which included experts from academia, health care, business, labor, consumer advocacy, and government, cited an adequate workforce, improving quality, and securing adequate financing as the most urgent challenges facing long term care today.

More than 80 percent of the panelists agreed that developing a health care workforce that is sufficient in size and skill to provide long term care is either an "urgent" or "very urgent" challenge that policy makers and health care leaders must address.

Adding a long term care benefit to Medicare that is financed by a premium was also favored by nearly four of five respondents.

The panel gave high marks to a long term care pay-for-performance concept. Fifty percent of the respondents indicated it would be an "effective" strategy, while 24 percent rated it as "very effective."

—Meg LaPorte

ensure U.S. seniors' ongoing care needs are protected."

AHCA and the Alliance for Quality Nursing Home Care specifically praised Sens. Kent Conrad (D-N.D.), Norm Coleman (R-Minn.), and John Sununu (R-N.H.), as well as House members Earl Pomeroy (D-N.D.), Shelley Berkley (D-Nev.), and Shelley Moore Capito (R-W.V.) for their help in rallying the Senate and House to urge CMS to drop the cuts.

—Meg LaPorte

House Examines Resident Sex Offenders

Providers Faced With Complicated Decisions In Admitting Offenders

The American Health Care Association (AHCA) is calling for a federal definition of sex offenders, and the creation of a national sex offenders registry, as critical starting points for identifying current and incoming long term care residents whose criminal past could pose a threat to the general population.

At a recent hearing of the House Small Business subcommittee on investigations and oversight, nursing facility provider Tom Coble, president and chief executive officer of Elmbrook Management Co. in Ardmore, Okla., told lawmakers that providing long term care for residents with any type of criminal past “is a critical societal issue, the solution for which must encompass not only health care providers and their patients but also law enforcement and our health care oversight federal and state agencies.”

The fundamental question is how to meet the health care needs of individuals who have “paid their debt for prior criminal activity,” said Coble.

Oklahoma is unique in its recent enactment of legislation authorizing the construction of a long term care facility dedicated to elderly registered sex offenders. State representative Kris Steele (R), who authored the bill, said in a prepared statement at the hearing on predators in long term care that 30 registered sex offenders currently reside in nursing facilities across the state. Another 2,450 inmates convicted of sex crimes or violent offenses will be released from prisons in the next 10 years, he said, and 26 percent of them will be 51 or older and will possibly



Coble

need long term care services soon. Coble said that providers are often unaware of a person’s criminal past when they are admitted to a facility—and even if providers do learn of prior acts, Medicare and Medicaid rules may limit their ability to transfer or discharge a resident. Furthermore, federal privacy laws may restrict notification to other residents, family members, and staff.

“If the sex offender has exhibited no behavior endangering the safety of others in the facility, the status as an offender may not be sufficient” to justify a

transfer or discharge, Coble said. Another key barrier is the failure of law enforcement officials in most states to notify long term care facilities of an incoming resident’s criminal history.

Coble called for improved notification, a federal definition of the term sex offender, a national registry where providers could proactively check the status of known offenders, and policies that support the protection of residents without violating state or federal regulations.

“AHCA is deeply concerned about the issue of sexual predators in nursing home, and will continue to work to ensure that all residents, families, and staff are safe in their facilities,” Coble said.

—Lynn Wagner

Study: Vacancy Rates Jump, Turnover High

Vacancies among nursing-related staff in nursing facilities jumped by more than 14,000 between 2002 and 2007, according to a survey conducted recently by the American Health Care Association (AHCA).

The survey, “Nursing Staff Vacancy and Turnover in Nursing Facilities,” includes data for five nursing-related staff positions: directors of nursing, registered nurses with administrative responsibilities, registered nurses (RNs), licensed practical and vocational nurses (LPNs), and certified nurse assistants (CNAs).

There has been an increase of nearly 15 percent in the number of vacant positions from 2002 to 2007, says Bill Hartung, AHCA’s vice president of research.

“One of the most significant findings is the staff RN vacancy rate,” he

says. “At 16.3 percent, one out of every six staff RN positions is vacant.”

Also high was the vacancy rate for LPNs, which registered at 11.1 percent in 2007.

According to the report, CNAs represent the greatest nursing staff skills needed in nursing facilities. Despite the relatively low vacancy rate of 9.5 percent, there were still nearly 60,300 full-time equivalent CNA positions estimated to be vacant last year.

Staff turnover rates also remain elevated in nursing facilities, according to the survey. CNAs ranked highest in vacancy rates last year, at 65.6 percent, while the lowest rates were among administrative RNs, at 28.7 percent.

“Overall, America’s nursing facilities...are facing a serious workforce shortage,” the study says.

—Meg LaPorte

Anti-Arbitration Bill Clears Committee

Senate Committee Still Deliberating Issue

Legislation that would bar the use of pre-dispute arbitration clauses in nursing facility contracts passed the full House Judiciary Committee on a five to four vote in late July.

Bruce Yarwood, president and chief executive officer of the American Health Care Association, warned that the action “needlessly discriminates against long term care providers and the patients and residents in our nation’s nursing facilities and assisted living residences,” depriving them of a critical option for “timely, less adversarial settlements.”

Pre-admission arbitration agreements allow facility staff to concentrate on patient care and help ensure that scarce Medicaid resources are used to improve care, as opposed to funding “the escalating cost of lawsuits,” Yarwood said.

U.S. Department of Health and Human Services Secretary Michael Leavitt tried to discourage advancement of the legislation, HR 6126, with a letter expressing the administration’s opposition to the measure.

“Because arbitration is often a more cost-effective and efficient means of resolving disputes, precluding patients’ and providers’ reliance on it will only increase the costs of long term care,” he said in the letter addressed to Rep. John Conyers Jr. (D-Mich.), chairman of the Judiciary Committee. Calling pre-dispute arbitration agreements “an excellent way” for parties to “control costs, resolve disputes, and speed resolution of conflicts,” Leavitt said the bill “deprives potential nursing home residents of an important option.”

He also pointed out that current law “provides ample safeguards” for residents, prohibiting nursing facilities from retaliating against residents for

disagreements over binding arbitration agreements. Furthermore, such agreements do not preclude survey agencies or the Centers for Medicare & Medicaid Services from citing facilities for regulatory violations, Leavitt said.

Banning arbitration agreements “would increase litigation costs and

insurance costs,” he said, “imposing new burdens on the Medicare and Medicaid programs and on state health care budgets.”

A Senate version of the same measure has been referred to the Senate Judiciary Committee.

—Lynn Wagner

Drum Circle Aids Therapy

Residents and members of the medical and nursing staff at Jewish Home Lifecare, New York City, take part in a drum circle as part of therapeutic recreation on July 24. The improvisational jam sessions take place every Thursday at the 514-bed nursing facility. Research has shown that drum playing gets people in touch with their inner rhythms, boosts the immune system, releases emotional trauma, and produces feelings of emotional well-being.

Photos: Monika Graff.



A Look At Mobility Aids

Assisted Living Centers Risk Liability When Restricting Use

Requiring seniors with motorized scooters to buy liability insurance or prohibiting them from access to the dining room are discriminatory practices under the Fair Housing Act, say two long term care attorneys.

The Fair Housing Act makes it illegal to have discriminatory housing policies against individuals with disabilities, including seniors. Barbara Duffy and Robin Dale, attorneys with Lane Powell in Seattle and Olympia, Wash., told providers during a recent National Center for Assisted Living webinar that they are seeing increasingly more litigation cases involving violations of the Fair Housing Act among four specific areas: mobility aids, including wheelchairs, motorized wheelchairs, and motorized scooters; transfers



between levels of care; private duty aides; and service animals.

“Generally, it is not a good idea to assume that someone using a mobility aid is going to be harder on a residence,” Duffy said.

She recommended that providers avoid policies that require a competency exam to determine if a resident is capable of driving the motorized scooter or wheelchair. Providers should also avoid implementing policies that require damage deposits, insurance, or indemnifying the residence from building or bodily damage.

In addition, policies that require residents to undergo medical screenings, implement rental premiums, or prohibit mobility aids from specific areas of the residence are also discriminatory.

Duffy explained that there are permissible policies that can include reasonable rules, such as driving the scooter on the right hand side of the road. In addition, providers can assess a fee after a resident causes damage to a building, but not before. Assisted living residences can also limit the use of motorized scooters and wheelchairs to individuals who have disabilities.

If it is apparent to the assisted living operator that a particular resident on a scooter or wheelchair poses a direct threat to another resident or staff member then the operator can implement a restriction on the resident with the mobility aid, Duffy said. However, she emphasizes that in these cases, providers need to “document, document, document.”

Duffy also reviewed several Department of Justice (DOJ) consent orders entered into with continuing care retirement communities (CCRCs). These consent orders

Stock Check

PROVIDERS	Symbol	Where Traded	% Current Price 7/31/08	Adjusted P/E Ratio	Change From 1/1/08	52-Week Range High Low		PROVIDERS	Symbol	Where Traded	% Current Price 7/31/08	Adjusted P/E Ratio	Change From 1/1/08	52-Week Range High Low	
Skilled Nursing								REITS							
Advocat	AVCA	NASDAQ	\$10.70	6.9	-3%	\$12.54	\$9.37	Care Investment Trust	CRE	NYSE	\$10.75	6.3%	0%	\$13.97	\$8.79
Ensign Group	ENSG	NASDAQ	\$12.00	6.0	-17%	\$16.65	\$7.50	Health Care Property Investors	HCP	NYSE	\$36.07	5.0%	4%	\$38.75	\$25.30
Kindred Healthcare	KND	NYSE	\$26.97	8.6	8%	\$32.34	\$17.35	Health Care REIT	HCN	NYSE	\$49.87	5.5%	12%	\$50.49	\$35.08
National HealthCare	NHC	AMEX	\$50.89	8.3	-2%	\$55.75	\$42.75	Healthcare Realty	HR	NYSE	\$29.01	5.3%	14%	\$29.89	\$18.00
Skilled Healthcare Group	SKH	NASDAQ	\$14.61	9.1	0%	\$16.81	\$9.83	LTC Properties	LTC	NYSE	\$29.23	5.3%	17%	\$29.27	\$19.02
Sun Healthcare Group	SUNH	NASDAQ	\$14.29	8.9	-17%	\$18.78	\$11.72	National Health Investors	NHI	NYSE	\$30.89	7.1%	11%	\$33.45	\$27.00
Assisted/Independent Living								Nationwide Health Properties							
Assisted Living Concepts	ALC	NYSE	\$5.74	9.3	-23%	\$10.13	\$5.05	NHP	NYSE	\$37.11	4.7%	18%	\$37.67	\$22.63	
Brookdale Senior Living	BKD	NYSE	\$15.26	11.8	-46%	\$48.41	\$14.06	Omega Healthcare	OHI	NYSE	\$17.27	6.9%	8%	\$19.23	\$12.35
Capital Senior Living	CSU	NYSE	\$6.94	10.6	-30%	\$10.12	\$6.32	Senior Housing Properties Trust	SNH	NYSE	\$21.05	6.7%	-7%	\$25.21	\$16.22
Emeritus Assisted Living	ESC	AMEX	\$16.85	13.7	-33%	\$33.38	\$13.29	Universal Health Realty	UHT	NYSE	\$34.97	6.7%	-1%	\$39.05	\$28.50
Five Star Quality Care	FVE	AMEX	\$4.39	8.9	-47%	\$10.20	\$3.66	Ventas	VTR	NYSE	\$44.86	4.6%	-1%	\$50.39	\$26.50
Sunrise Senior Living	SRZ	NYSE	\$17.93	N/A	-42%	\$40.20	\$16.27								

Quotes courtesy of www.seniorcareinvestor.com, Norwalk, CT (203) 846-6800
 (1) Adjusted P/E=(market cap + total debt + capitalized leases = cash)/annualized EBITDAR based on the most recent quarter.

The rate used to capitalize the leases has been changed from 12.5% to 10.0% effective 1/31/06 to better reflect market conditions

resulted from agreements between DOJ and a CCRC after DOJ had completed its investigation into Fair Housing Act violations and was about to file a lawsuit.

To avoid litigation costs, the CCRC may agree to enter a consent decree with DOJ and thereby implement new policies that are stipulated in the consent decree. The new policies are often attached to the decrees as an exhibit and would provide the basis for a nondiscriminatory mobility aid policy that assisted living providers could develop.

Once the provider develops a policy, it should be submitted to an attorney for legal review before implementing, said Duffy.

According to Duffy, one DOJ case that illustrates what providers can, and cannot, do with mobility aid policies is the Twining case. In *DOJ v. Twining Service Corp.*, a Pennsylvania CCRC, the CCRC had employed a policy that required residents to forego the use of a manual wheelchair, motorized wheelchair, or scooter from its dining rooms, the assisted living hall, and the community center.

In addition, the Twining policy required residents using a mobility aid to indemnify Twining for injuries or damage resulting from the use of mobility aids. The Twining policy also required residents using mobility aids to submit to an evaluation and training program every year, regardless of the resident's driving record.

According to the consent order, these policies were discriminatory. The consent order rewrote a new mobility aids policy for the CCRC that specifically stated, "residents of Twining Village who have physical disabilities that require the use of mobility aids, such as wheelchairs, motorized wheelchairs, or scooters, may use such aids through the entire Twining Village complex, including, but not limited to, the dining rooms and community center auditorium."

According to the new agreed-upon policy, Twining "will not require individuals with disabilities who use motorized mobility aids to indemnify or otherwise insure [Twining] against injuries or damage resulting from the use of such aids, but may assess a fee from any resident whose neglect or failure to adhere to [Twining] policies results in physical damage to the facility."

The new policy might allow Twining to prohibit a resident from using a motorized wheelchair or scooter "if there is evidence that he or she is operating the aid in such a way that it would constitute a direct threat to the health or safety of others or would result in substantial physical damage to the property of others."

It also prohibited any Twining employee or sales agent from requiring individuals with motorized mobility aids to undergo a yearly evaluation or exam in order to continue using the aid on campus.

"The hallmark of discrimination is the assumption that people with mobility aids are going to cause problems," she said.

—Lisa Gelhaus

Feds To Investigate Medicare Auditors

Leaders of two powerful House committees have asked the Government Accountability Office (GAO) to study the Medicare Recovery Audit Contractor (RAC) program and make recommendations for improvement, as the program rolls out on a permanent basis nationwide by 2010.

RAC was created by the Medicare Prescription Drug, Improvement, and Modernization Act of 2004. Designed to identify improper provider payments, RAC

began as a three-state pilot program, which ended in March. The Centers for Medicare & Medicaid Services (CMS) recently reported that between 2005 and 2008, the initiative yielded \$693.6 million in payments that were recovered and returned to the Medicare Trust Funds.

Providers reported several problems with the program, however, including overzealous recovery by contractors. In a letter to GAO, key house members said an independent review of the pilot programs, conducted for CMS by AdvanceMed, found that the California RAC had "incorrectly denied 40 percent of the recouped inpatient rehabilitation claims."

"Further, it was reported that the contin-

gency fee structure for the RAC demonstration project was inherently prone to contractor abuse because it allowed the RAC to keep the contingency fee if their recoupment survived the first level of provider appeal, regardless of the final determination," said the letter, requesting GAO review, signed by Reps. John Dingell (D-Mich.), chairman of the Committee on Energy and Commerce, Frank Pallone (D-N.J.), chairman of the panel's health subcommittee, Charles

Rangel (D-N.Y.), chairman of the Ways and Means Committee, Pete Stark (D-Calif.), chairman of the health subcommittee, and Lois Capps (D-Calif.).

CMS said, in a recently released assessment of the RAC demonstration, that it has made, or plans to make, numerous changes to the program as it goes nationwide on a permanent basis. These include shortening the RAC look-back period from four to three years, requiring RACs to refund contingency fees if a determination on overpayment is overturned at any level in the appeals process, and requiring RACs to document "good cause" for reviewing a claim.

—Lynn Wagner



False Claims Act Rewrite Alarms Long Term Care Providers

Legislation that would dramatically revamp the federal False Claims Act (FCA) has advanced in the House of Representatives, clearing the Judiciary Committee by voice vote. Similar legislation passed the Senate Judiciary Committee earlier this year.

The False Claims Act Correction Act of 2007 has alarmed the long term care profession, along with providers across the continuum of care, for provisions that would significantly broaden opportunities for FCA lawsuits to be filed, heightening providers' exposure to liability.

The legislation would "impose enormous burdens on the long term care industry," said Bruce Yarwood, president and chief executive officer of the American Health Care Association (AHCA). "Retroactively expanding the universe of claims, many of which would not involve truly false claims nor involve any loss to the federal treasury, will unnecessarily complicate management of government programs."

The False Claims Act is intended to shield federally funded programs from fraud and encourage whistleblowers to come forward. The FCA Correction Act, however, "abandons the twin goals that the FCA has always sought to balance—encouraging prompt whistleblowing while discouraging opportunistic claims," Yarwood said in a statement.

AHCA was one of 20 national organizations that signed on to a letter addressed to House Judiciary Committee leaders objecting to the legislation. The Department of Justice (DOJ) has also weighed in with a 16-page analysis that opposes most of the bill's provisions.

AHCA is most concerned that nursing facilities could be vulnerable to False Claims Act lawsuits stemming from survey deficiencies if providers are deemed to have inappropriately

received Medicare or Medicaid funds related to those services.

The FCA Corrections Act would also create a new breed of class-action lawsuits by allowing private citizens to sue for alleged harm to anyone who

receives federal dollars, regardless of whether the transaction in question involved federal funds. It would allow whistleblowers to file FCA lawsuits based on publicly available data.

—Lynn Wagner

Health Workforce Needs Critical Care

Report Calls For More Attention To Long Term Care Staffing

While long term care providers represent an increasingly important subset of the health care workforce, staff shortages in this setting are magnified by the fact that the number of aging baby boomers are growing at a rapid pace—setting the stage for repercussions in credentialing, oversight, and continuing education requirements, according to a new report from the Association of Academic Health Centers (AAHC).

Low wages, high stress, shift work, and job dissatisfaction are amplified in the long term care sector, and as it grows, any changes in the settings, organization, and delivery of care could have major implications, the report says.

In addition to underscoring the need to shore up the nation's health care workforce, "Out of Order, Out of

Time: The State of the Nation's Health Workforce" warns that the nation must act quickly to ensure that even an adequate workforce will meet the needs of the burgeoning aging population.

The influx of new long term care professionals, especially nurses, is constricted by faculty shortages and competition with other economic sectors, the report says. In addition, workforce capacity is hampered by high rates of turnover and vacancies, often connected to the work environment.

Low salaries and benefits are particularly problematic, the report notes, and with almost 30 percent of long term care paraprofessionals living at or below the poverty line, they are less likely than the average U.S. worker to have health insurance.

"It is essential that the nation take a

critical look at its policy-making framework that has created a system for the health workforce that may no longer be adaptable to changing national health needs," said AAHC President and Chief Executive Officer Steven Wartman, MD.

The report makes the following observations about long term care workforce needs:

- Increased longevity of a growing population will change national health care needs.

- At the same time that demographics will be increasing, the looming retirement of the baby boom cohort of health professionals will exacerbate shortages in the health workforce.

- The impact of socioeconomic factors is magnified in the long term care health workforce.

- The health workforce is not keeping pace with the increasing diversity of the U.S. population.

Key recommendations in the report include:

- Making health workforce a priority domestic policy issue;

- Developing an integrated, comprehensive national health workforce policy that recognizes and compensates for the inherent weaknesses and vulnerabilities of current decentralized multi-stakeholder decision making; and

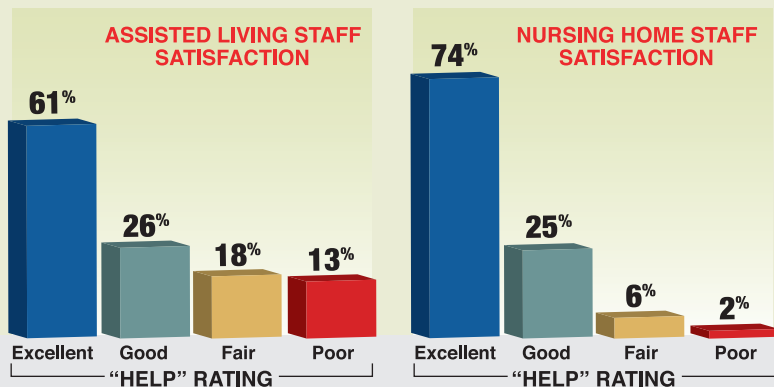
- Establishing a national planning body to create a national workforce agenda and promote a national health workforce policy that ensures the nation's health and economic well-being.

Wartman suggested that academic health center leaders have a unique vantage point on the workforce, given the leadership role their institutions play in education, research, and patient care.

—Meg LaPorte

By The Numbers

Managers who help with job stress have more satisfied staff



Scores represent the percentage of employees who gave an "Excellent" rating on the survey item "Overall satisfaction" for each level of response ("Excellent," "Good," "Fair" or "Poor") to "Rate this community/facility on helping you to deal with job stress and burnout."

Source: 2007 Assisted Living and Nursing Home Employee Satisfaction Surveys conducted by My InnerView Inc.

Group Wants Community-Based Care

States Chided For 'Institutional Bias'

States' efforts to spend Medicaid dollars on home- and community-based services (HCBS) for individuals with developmental disabilities should be used as a model for how state long term care dollars are spent on the elderly, according to a new report from the AARP Public Policy Institute.

The report, entitled "A Balancing Act: State Long-Term Care Reform," praises states for how they balance long term care costs for people with developmental disabilities, but criticizes their poor track record on long term care spending for elderly individuals with disabilities.

According to the report, states are biased toward institutional care for the elderly while more dollars spent on individuals with developmental disabilities go to HCBS.

The policy that requires institutional care over HCBS for elderly individuals "is backwards," said Susan Reinhard, senior vice president at AARP.

Although nursing facility care is often more costly than HCBS, Reinhard said, such services are preferred by older residents.

"Our research shows that older people want to remain in their homes as they age. They want independence, choice, and control over everyday decisions," she said.

Only four states spent more than 50 percent of their Medicaid long term care dollars on HCBS for older individuals, while the remainder continue to spend the majority of their long term care budget on institutional care, according to the report.

"What states have accomplished for people with developmental disabilities is remarkable," said Reinhard.

The report cites Alaska, Oregon, Washington, and New Mexico as best

practice models because they spent more than 50 percent of their Medicaid long term care budget on HCBS for elderly individuals in 2006.

"It proves that balancing long term care is achievable and should be used as a model to help states provide [HCBS] for older adults," Reinhard said. The report recommends that federal and state policy be changed to allow consumers to receive services in the setting of their choice, adopt diversion programs that prevent people

from ever entering a nursing facility, facilitate states' ability to establish a unified global budget for funding long term care, and increase affordable public and private financing options to give people more choice and control over the services they need.

AARP claims that the report is the first to examine Medicaid spending on long term care for adults with physical disabilities separate from other long term care users.

—Meg LaPorte

Savings Inadequate For Most Retirees

Most middle class Americans will outlive their financial assets if they attempt to maintain their pre-retirement standard of living, according to a recent study from Americans for Secure Retirement, a coalition of more than 50 organizations representing a variety of interests.

A secure retirement is much more likely for retirees if they have a guaranteed source of retirement income beyond Social Security, such as an annuity or defined benefit plan, the study finds.

For example, married couples who have a guaranteed source of retirement other than Social Security income making \$75,000 at retirement have a 31 percent chance of outliving their financial assets if they retain their pre-retirement standard of living.

Those with Social Security as their only guaranteed income have a 90 percent chance of outliving their financial assets during retirement.

"As a guaranteed source of retirement income, life annuities relieve the risks and burdens of managing a nest egg and can

maximize savings' value over the course of an individual's retirement years," said Joe Reali, chairman of Americans for Secure Retirement.

Middle-income Americans entering retirement will have to reduce their standard of living by an average of 24 percent in order to minimize the likelihood of outliving their financial assets, according to the study.

Those Americans seven years out from retirement are even less prepared, the study estimates. "They will have to reduce their standard of living by even more, an average of 37 percent."

These reductions will be necessary even when assuming that retirees can maintain the same standard of living with income equal to 59 to 71 percent of their pre-retirement wages. "Many Americans envision a retirement where their lifestyle continues much as before," said Tom Neubig of Ernst & Young, the company that conducted the study. "Our work shows that this is not a realistic expectation."

—Meg LaPorte

