

LeadingAge

**PATHWAYS**

State Conversation Exploring  
Pathways for LTSS Financing Reform

September, 2014

# Meeting goals

- ▶ Raise awareness of LTSS financing challenges and the need to address them
- ▶ Explore potential federal responses to the challenges
- ▶ Identify potential state-level responses
- ▶ Discuss interest in pursuing state-level action

# Long Term Services and Supports (LTSS) Landscape:

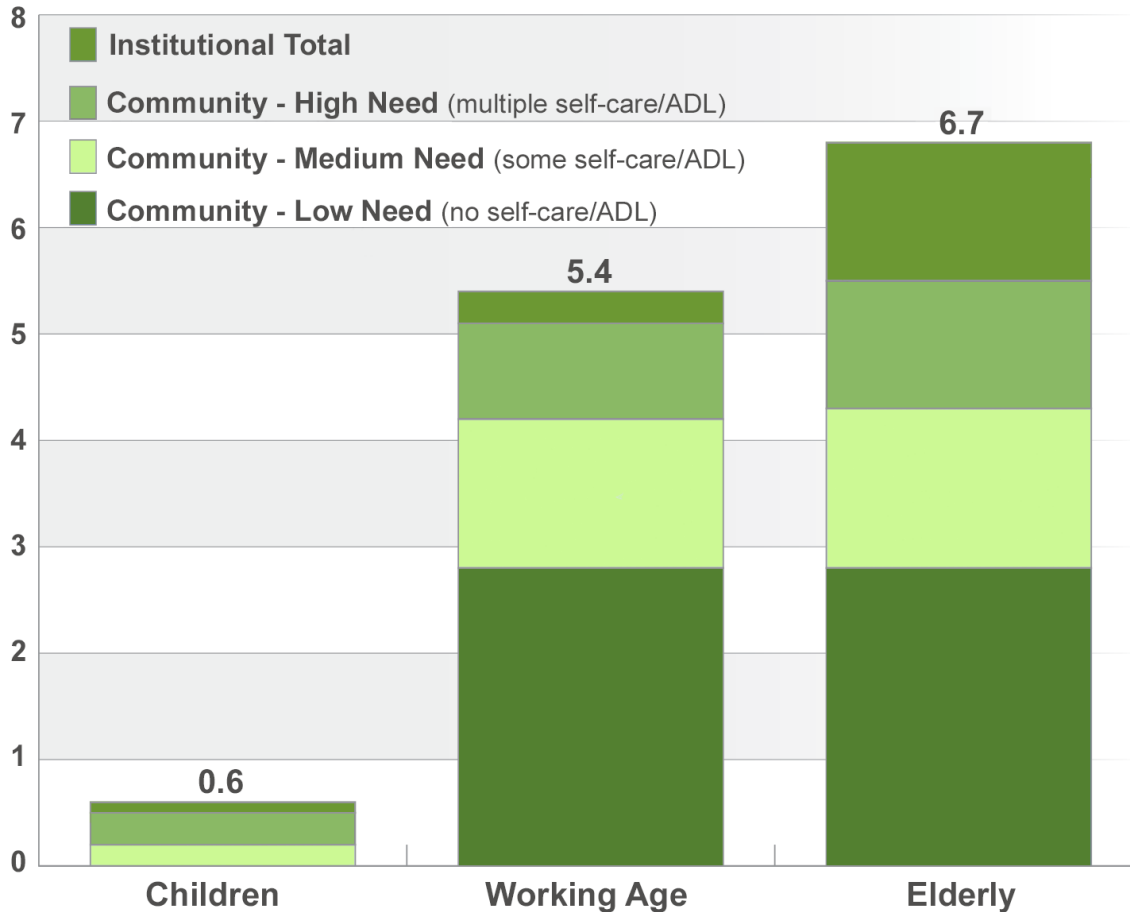
*Are we heading into the Perfect Storm?*

# What constitutes LTSS?

## LTSS:

Assistance with activities of daily living (ADLs) and Instrumental activities of daily living (IADLs) for people who cannot perform these activities on their own due to a physical, cognitive, developmental or chronic health condition that is expected to last for an extended period of time, typically 90 days or longer.

# Who uses LTSS in the U.S. today?

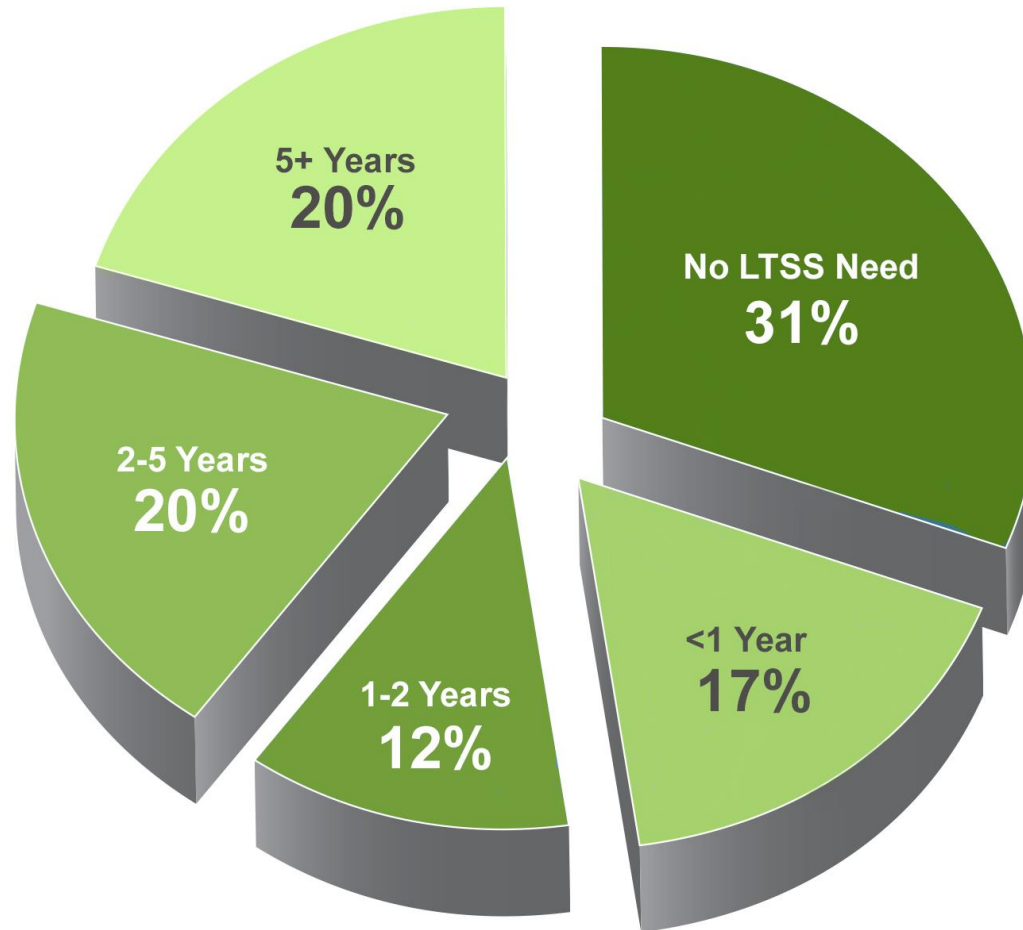


**12.7**  
**million**  
Americans  
Need LTSS

**80%**  
of which is  
provided in  
home and  
community  
settings

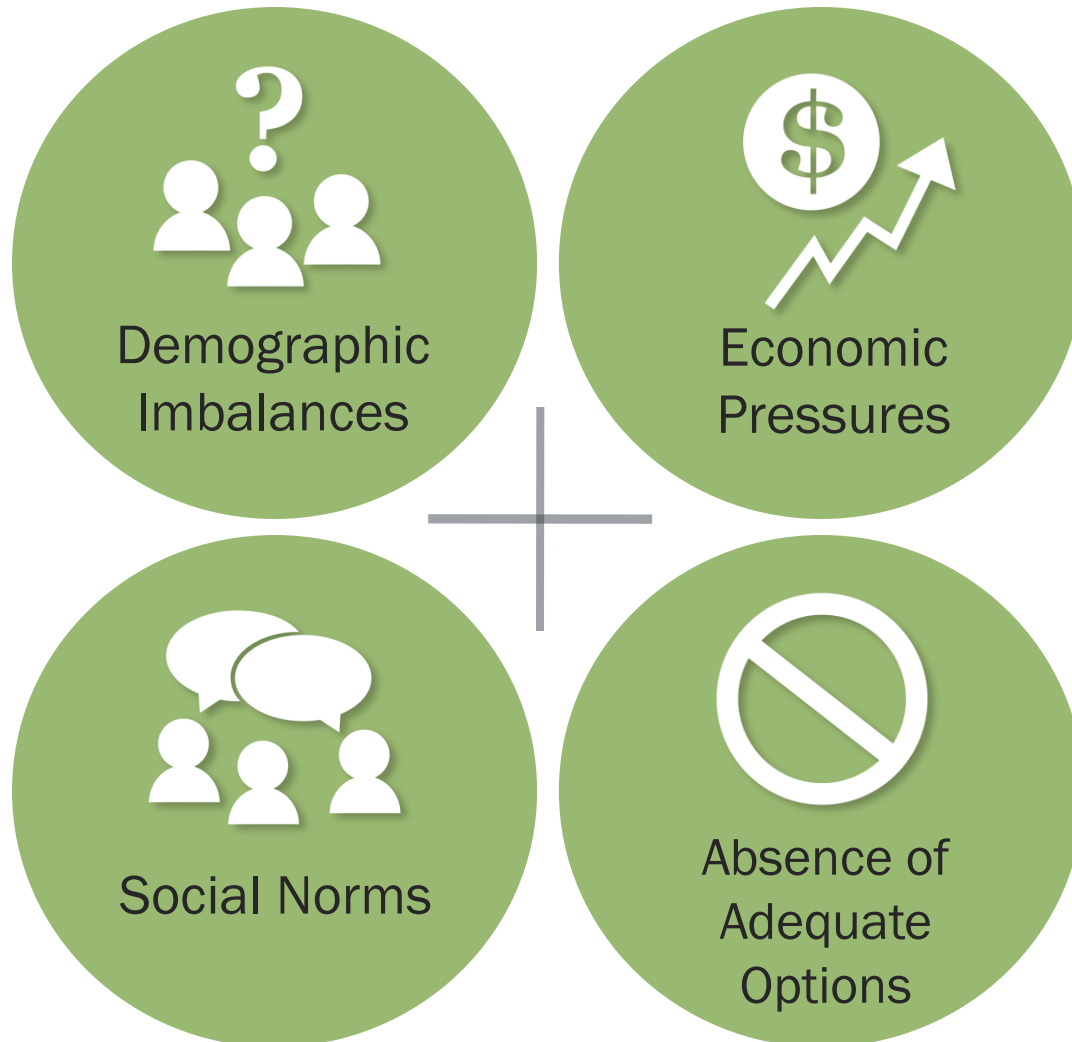
## Population Needing LTSS, by Age Group and Level of Need (Millions)

# What are expected future needs for LTSS?



**70% of People 65+ will need some LTSS**

# What are the perfect storm conditions?

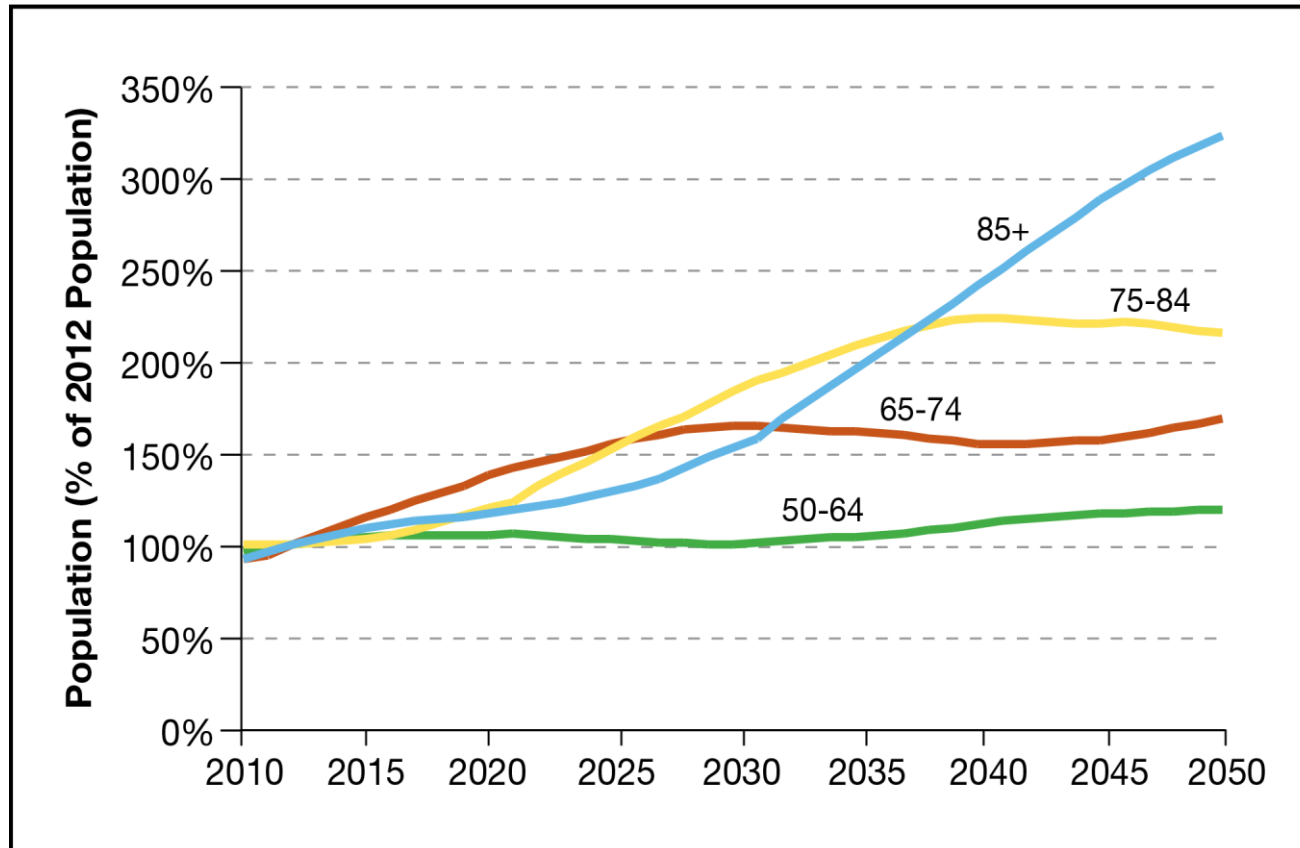




# Demographic Imbalances



# The aging U.S. population increases need for LTSS



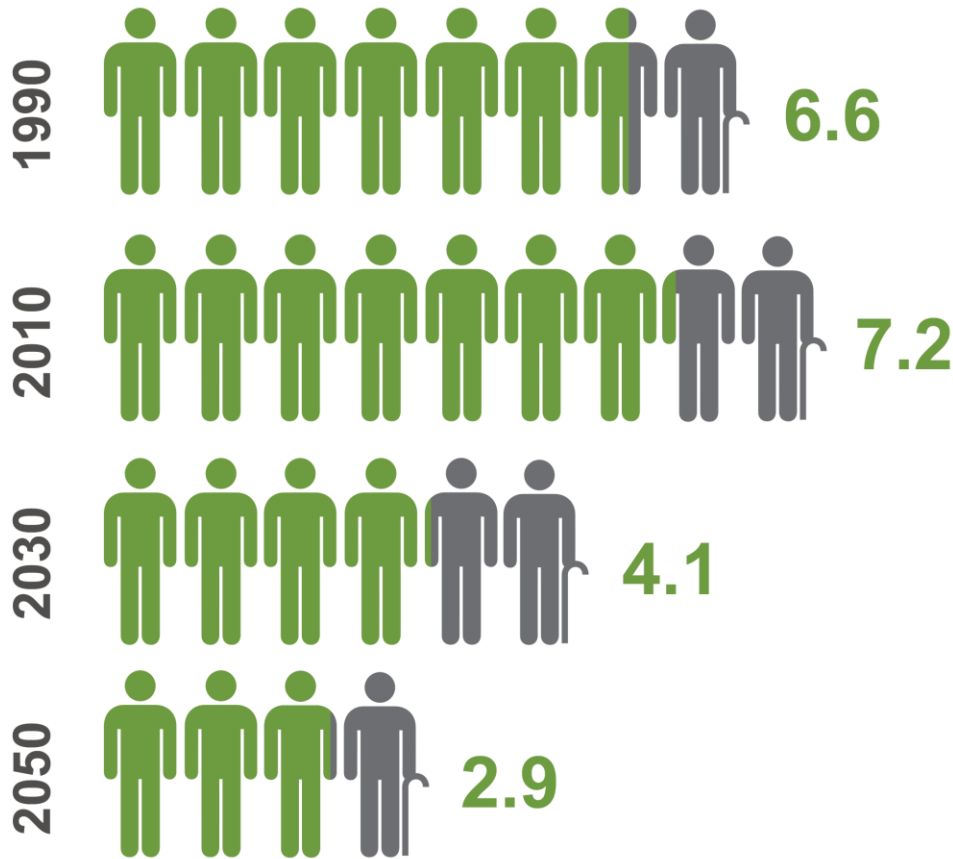
Projected Growth in the Older Population in the United States as a percentage of 2012 population, by Age Group

# The California population is Aging

Population & Projections	Year	State Pop. (1,000s)	% of Total Population	Rank	U.S.	% Change from 2012	Rank	U.S.
All ages	2012	38,163		1	315,311			
	2032	45,655		1	376,660	+20%	25	+19%
	2050	53,159		1	434,447	+39%	21	+38%
Age 50-64	2012	6,885	18.0%	44	19.2%			
	2032	7,635	16.7%	11	16.4%	+11%	7	+2%
	2050	8,148	15.3%	46	16.6%	+18%	25	+19%
Age 65+	2012	4,556	11.9%	45	13.6%			
	2032	8,662	19.0%	38	19.8%	+90%	8	+74%
	2050	10,866	20.4%	21	20.4%	+138%	9	+107%
Age 65-74	2012	2,471	6.5%	47	7.4%			
	2032	4,514	9.9%	26	10.1%	+83%	5	+64%
	2050	4,756	8.9%	37	9.1%	+92%	9	+69%
Age 75-84	2012	1,391	3.6%	45	4.2%			
	2032	2,912	6.4%	41	6.8%	+109%	15	+94%
	2050	3,545	6.7%	12	6.6%	+155%	9	+116%
Age 85+	2012	694	1.8%	38	2.0%			
	2032	1,236	2.7%	38	2.9%	+78%	18	+69%
	2050	2,564	4.8%	22	4.8%	+270%	11	+224%

- The number of Californians age 65+ will increase 138% to nearly 11 million people (20.4% of the state's population) by the year 2050
- The number of Californians age 85+ will increase 270% to 2.5 million people (4.8% of the state's population) by 2050

# The caregiver dilemma



**1/2**  
as many  
caregivers  
will be  
available in  
**2050**

## Ratio of Potential Caregivers to Those Needing Care<sup>1</sup>

1. Ratio of # people in most common caregiving age ( 45-64 ) to those at most risk for needing care (80+)

AARP PPI "The aging of the baby boom and the growing care gap: A look at future declines in the availability of family caregivers

# California caregiver dilemma

## Ratio of potential caregivers to those needing care<sup>1</sup>

	1990	2010	2030	2050
US Total	6.6	7.2	4.1	2.9
California	7.6	7.7	4.4	2.7

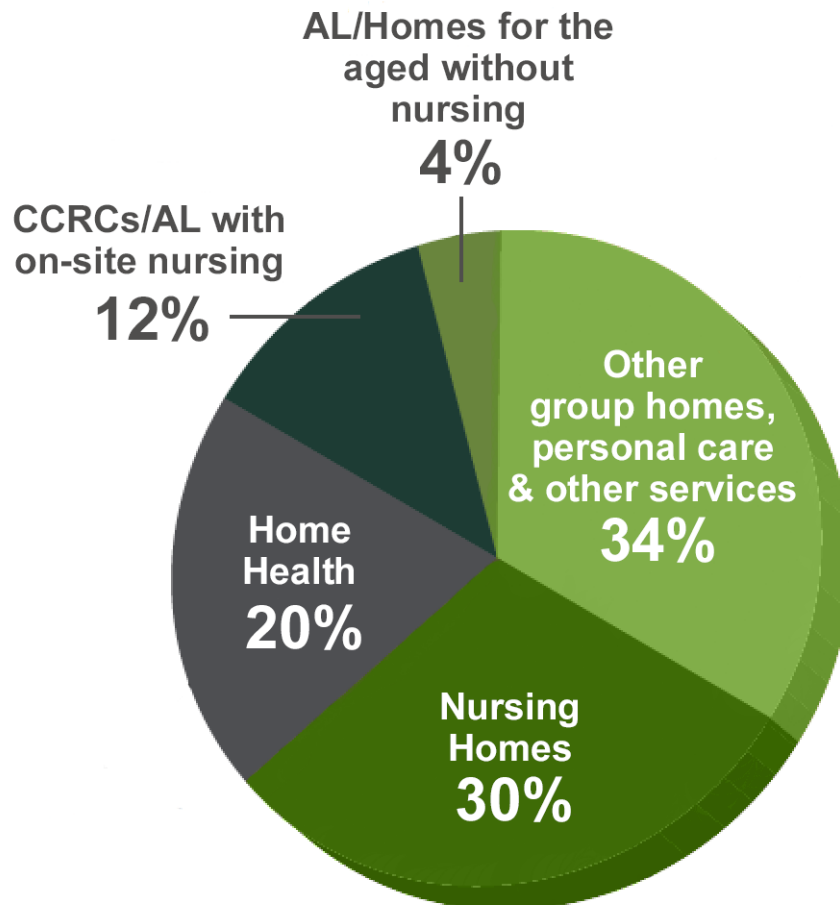
1. Ratio of # people in most common caregiving age ( 45-64 ) to those at most risk for needing care (80+)

AARP PPI "The aging of the baby boom and the growing care gap: A look at future declines in the availability of family caregivers



# Economic Pressures

# U.S. LTSS expenditures



**2011**  
Long-Term  
Services and  
Supports =  
**\$363**  
**billion**

# LTSS funding sources

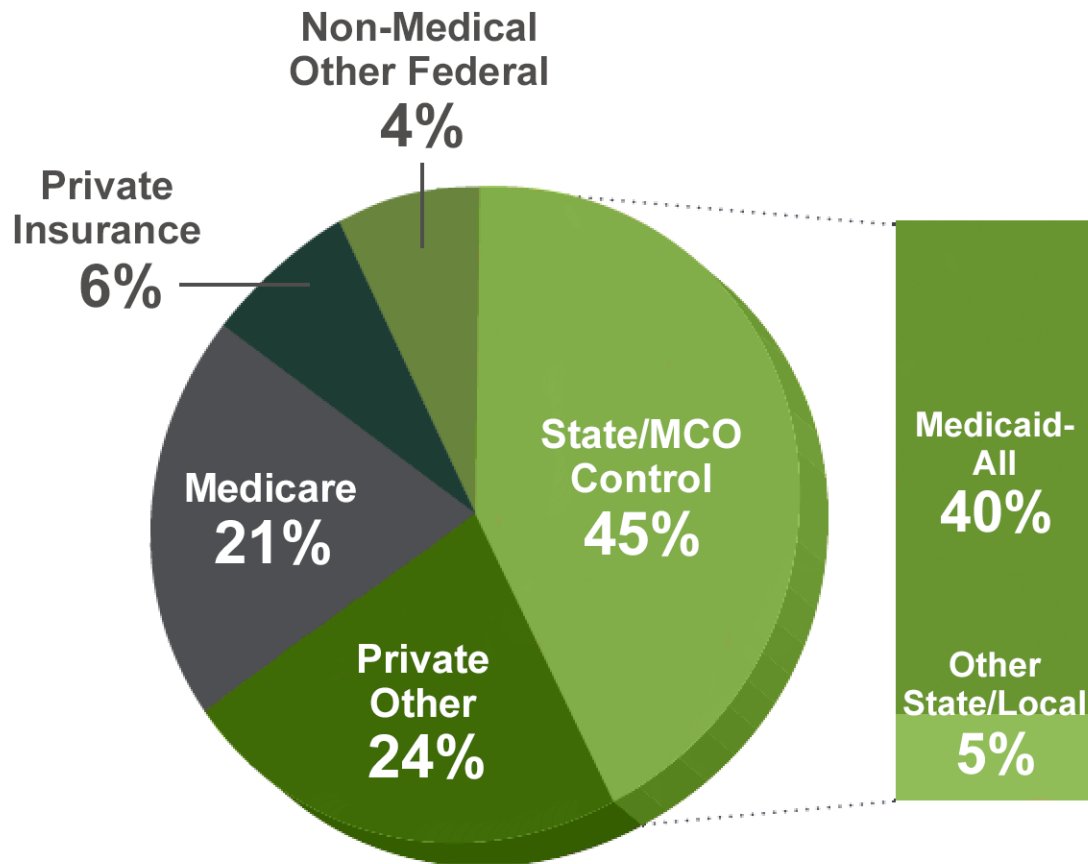


Figure does not include unpaid family care valued at \$450 billion annually

## LTSS Funding by Program

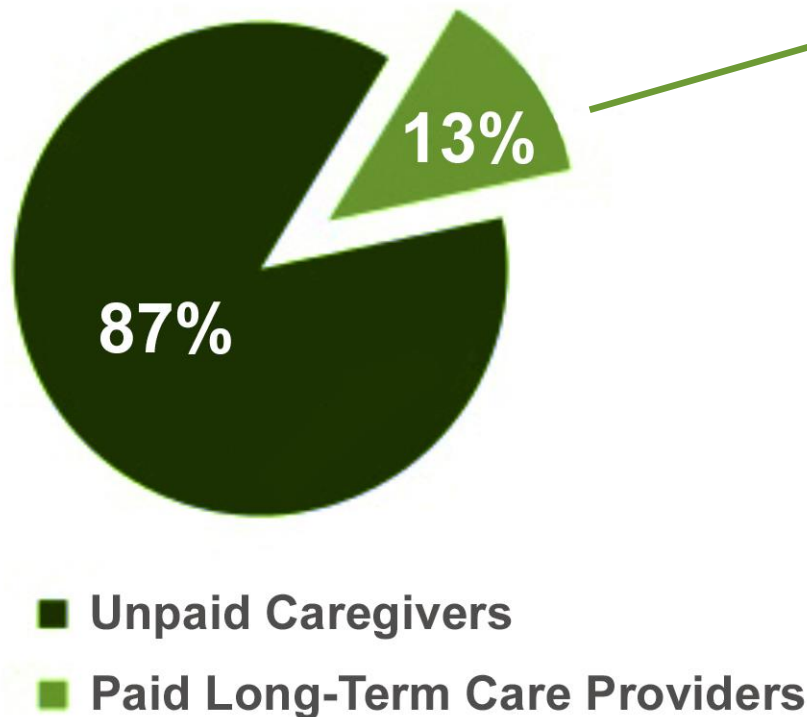
Source: Manard, B., Analysis of data in National Health Expenditures (2011); U.S. Census Bureau 2007 Economic Census; and National Health Expenditure Accounts Methodology paper, 2011

# Cost of paid care

		Median Annual Rate	Five-Year Annual Growth
HOME	Homemaker Services <b>Hourly Rates</b>	\$ 43,472	1%
	Home Health Aide Services <b>Hourly Rates</b>	\$ 45,188	1%
COMMUNITY	Adult Day Health Care <b>Daily Rates</b>	\$16,900	3%
FACILITY	Assisted Living Facility (One Bedroom, Single Occupancy) <b>Monthly Rates</b>	\$42,000	4%
	Nursing Home (Semi-Private Room) <b>Daily Rates</b>	\$77,380	4%
	Nursing Home (Private Room) <b>Daily Rates</b>	\$87,600	4%



# Unpaid caregivers provide most LTSS today



## Types of Paid Long-Term Care Providers:

- ▶ 20-30% Physicians, nurses, and therapists
- ▶ 70-80% Home health aides, certified nursing assistants, and personal care aides

Unpaid Caregiving valued at \$450 billion annually

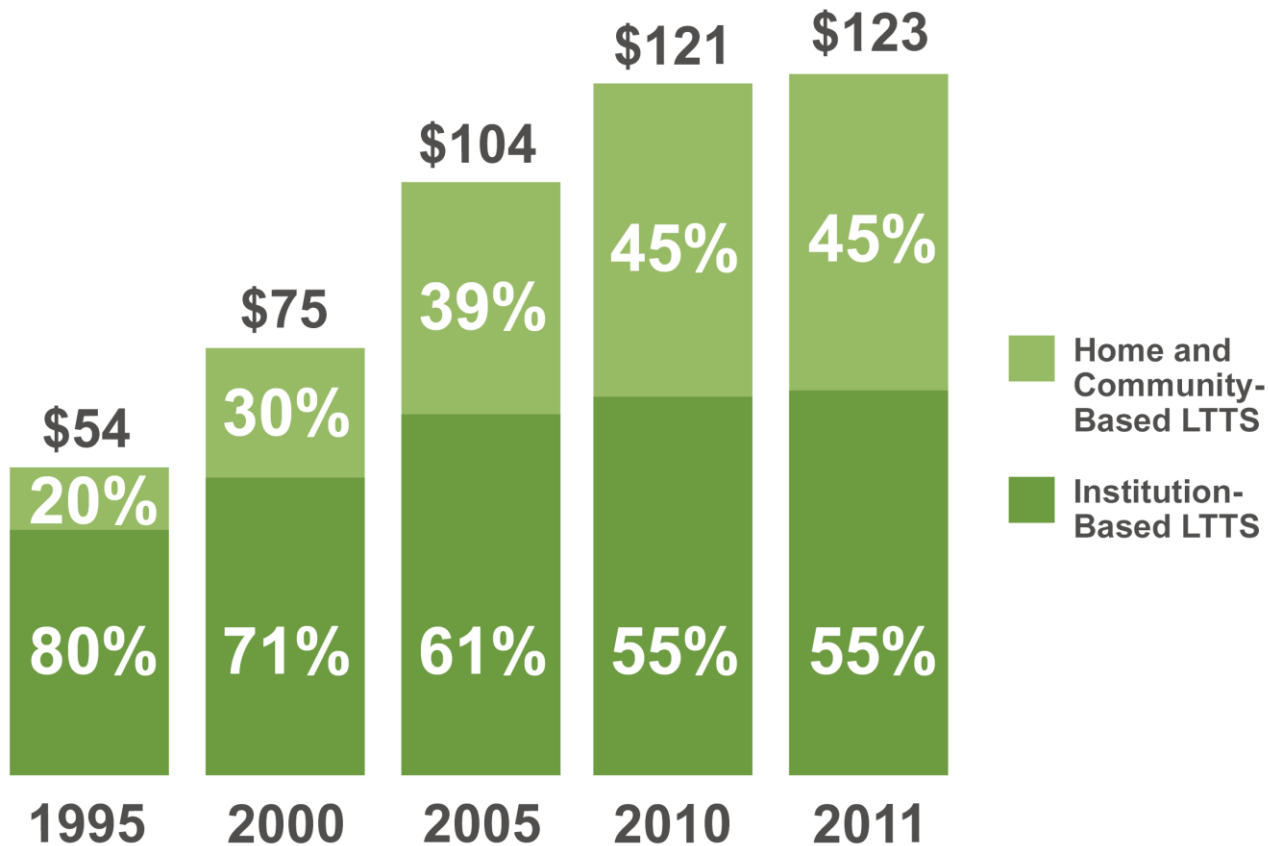
# Federal and State Medicaid spending

Year	Total Medicaid \$	Federal Medicaid \$s	State Medicaid \$s	Avg. Federal %
2011	\$ 427.4	\$ 270.7	\$156.7	63%
2012	\$ 431.0	\$ 248.8	\$182.2	58%
2013	\$456.4	\$262.2	\$194.2	57%
2022 (est.)	\$853.8	\$511.1	\$342.5	60%

Medicaid spending will **more than double** in the next **10 years**

1. The 2013 CMS Actuarial Report- "The Financial Outlook for Medicaid"
2. National Association of State Budget Officers "Report of the State Budget Crisis Task Force 2012"

# Impact on Medicaid budgets



## Growth in Medicaid Expenditures, 1995-2011

Source: KCMU and Urban Institute analysis of CMS-64 data

**LTSS = 27%**  
of federal Medicaid expenses in 2013<sup>1</sup>

Medicaid has become the default LTSS funding source

<sup>1</sup>. Congressional Budget Office  
"Baseline Projections 2014"

# Impact of Medicaid on state budgets

2012

Medicaid became the largest single component of state spending, nationwide.

23.8%

2011

23.7%

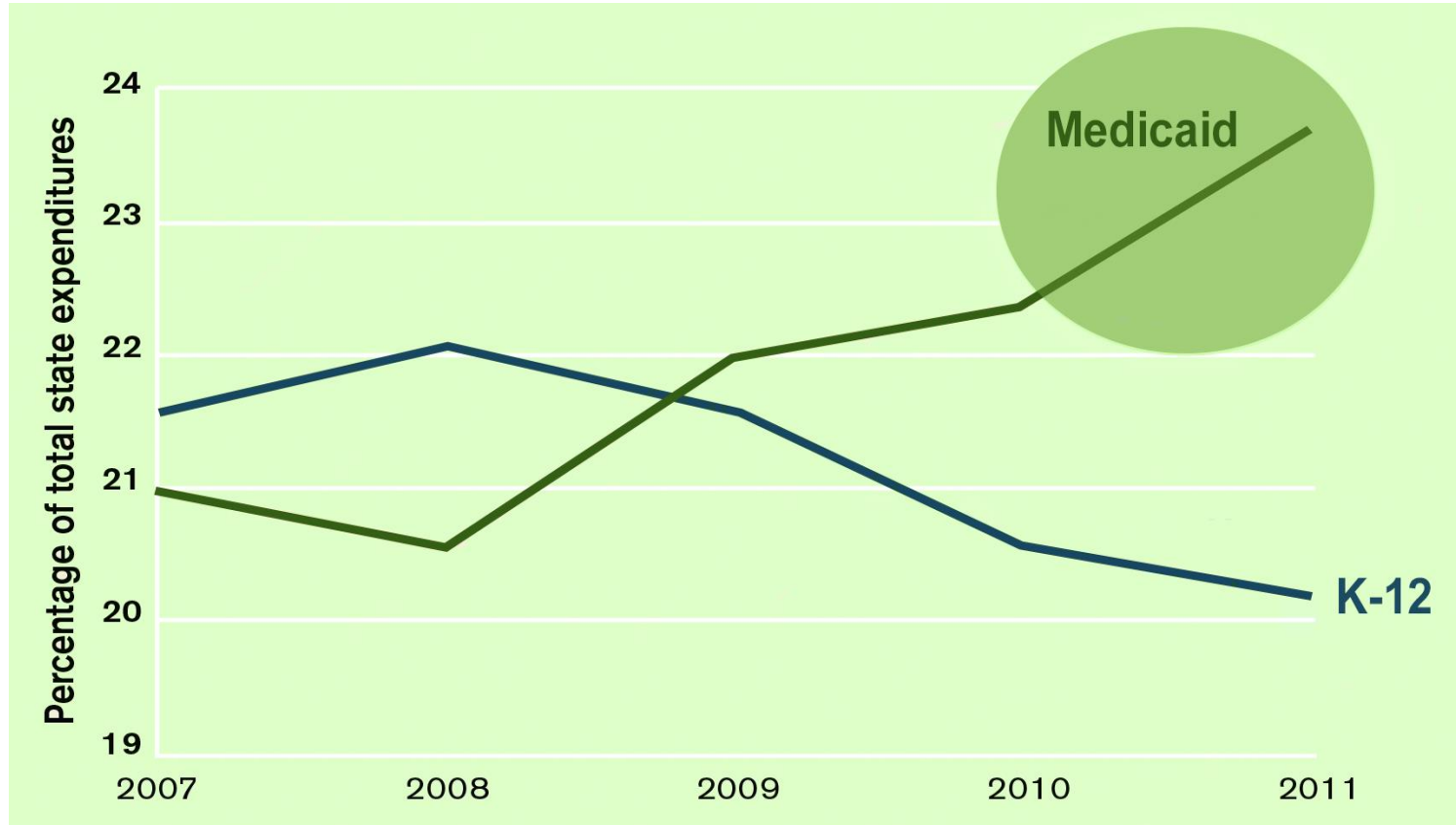
2012

24.4% (est.)

2013

## National Average % of State Spending;

# Medicaid is beginning to crowd out other expenditures in state budgets



Note: Figures are for total state expenditures, including both general fund spending and federal funds  
Source: National Association of State Budget Officers (NASBO), State Expenditure Report, 2010

# Impact on the State of California Medicaid program (millions \$s)

Year	Total Expenditures	Fed'l Expenditures	State Expenditures	Avg. Fed'l %
2011	\$51,503	\$30,746	\$20,757	60%
2012	\$43,052	\$26,446	\$16,606	61%
2013	\$55,885	\$33,267	\$22,618	60%

National Association of State budget officers, "State Expenditure report 2011-2103"

- Total Medicaid Expenditures increased by more than 8% between 2011 and 2013- ~ 4% per year
- State expenditures over the same time increased by 9%, more than 4% per year
- Federal and state expenditures dropped dramatically in 2012, but increased again in 2013

# Spend Down is a Common Path for Those Needing Formal LTSS

Likelihood of Needing formal LTSS at age 65+	48%
Over a 10 to 12-year period, study found:	
• Likelihood of spending down to Medicaid if formal LTSS needed at 65+	33%
• Medicaid population 50+ using LTSS personal care services that spent down	40%
• Medicaid population 50+ using LTSS nursing services that spent down	72%

In 2010 the pricetag for California for just those who spent down to Medicaid due to LTSS needs was \$4 billion, by 2020 it will be \$5.3 billion and by 2030, \$7 billion (and these are probably conservative for a variety of reasons).

Source: "Medicaid Spend Down: New Estimates and Implications for Long-Term Services and Supports Financing Reform," Weiner, Anderson, Khatutsky, Kaganova, O'Keefe, RTI International, prepared for the SCAN Foundation, March 2013.

# Implications for California

	HCBS Participants*	Nursing Facilities (aged 65+)
LTSS Medicaid HCBS recipients (2008; 2010)	438,942	103,424
Estimated spend down rate	40%	70%
Number spending down	175,577	72,397
Medicaid Spending per person (2008)	\$10,232	\$28,341
<b>Medicaid Spending on Persons Spending Down</b>	<b>\$1.8 billion</b>	<b>\$2.1 billion</b>

Just those who spent down to Medicaid due to LTSS needs was \$4 billion, by 2020 = \$5.3 billion and by 2030 = \$7 billion

\*For older people and adults with physical disabilities; excludes 86,000 receiving home health care  
Source: "Across the States, Profiles of Long-Term Services and Supports 2012," AARP



# Who Spends Down?

*Of people who did NOT qualify for Medicaid at the baseline period, percentage who spent down in 10-12 years:*

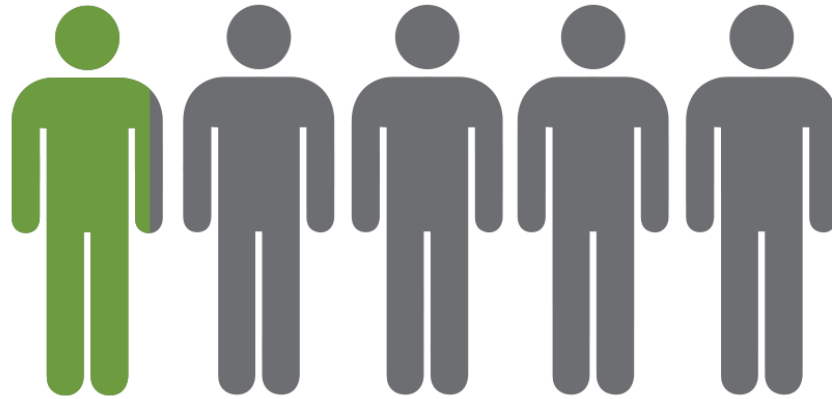
<i>Income in 2013 dollars</i>	Under 65			65+		
	No Spend Down	Spend Down	Total	No Spend Down	Spend Down	Total
Under \$23,067	11%	53%	14%	23%	61%	28%
\$23,067-\$46,176	20%	28%	20%	37%	30%	36%
\$47,176-\$88,273	32%	15%	31%	26%	7%	23%
\$88,273+	38%	4%	35%	15%	2%	14%
<i>Median income for those 55-64 in 2013 was \$57,538; for those 65+ it was \$35,611</i>						

**Roughly 40% had middle class incomes of \$25,000-\$100,000**

Source: "Medicaid Spend Down: New Estimates and Implications for Long-Term Services and Supports Financing Reform," Weiner, Anderson, Khatutsky, Kaganova, O'Keefe, RTI International, prepared for the SCAN Foundation, March 2013.

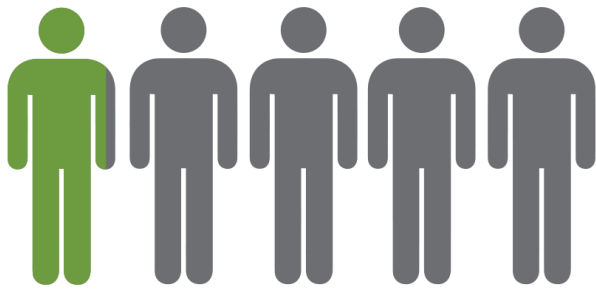


# Social Norms: Awareness, Knowledge, Planning and Policy Heritage



Less than 1 in 5 Boomers have taken any action to prepare for LTSS care.

# More Boomers prepare for death than life



**17%**  
Have prepared  
for care during life



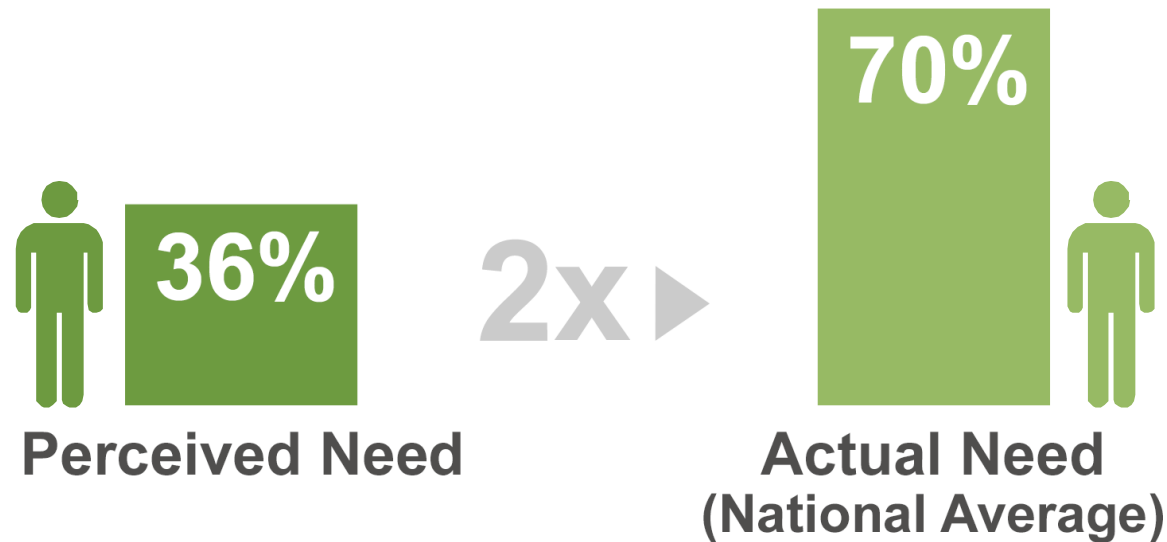
**81%**  
Have prepared  
for death

Approximately  
**5x more**  
Boomers have  
taken action to  
**prepare**  
**for death**  
**vs. life**

## Action Taken to Prepare for Life vs. Death

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013

# Boomers are poorly informed regarding LTSS need



## Boomer Long-Term Care Expectations and Reality

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013; Aging and health: Expectations about Future Use of LTSS Vary by Current Living Arrangement, *Health Affairs*, January, 2015, 34:139-47—60% of people 40-65 underestimate their future needs for LTSS.

# Boomers Are Poorly Informed Regarding LTSS Cost



Home Health  
Aide Estimate  
(hourly cost)



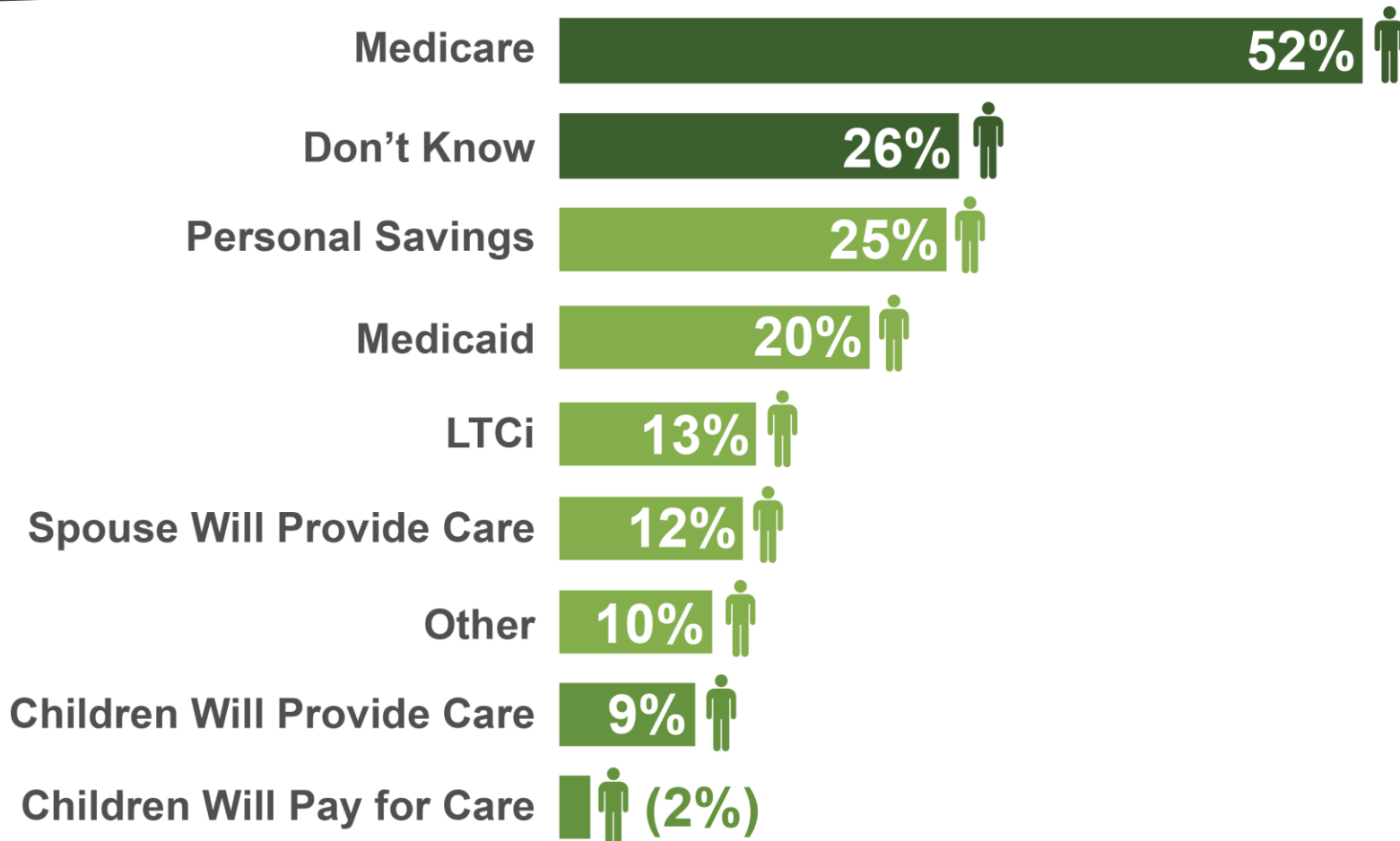
Nursing Home  
Care Estimate  
(annual cost)

 Don't Know Costs     Provided a Response

Approximately  
**80%**  
of Boomers  
**don't  
know**  
estimated  
costs of care

## Pervasive Care Cost Uncertainty

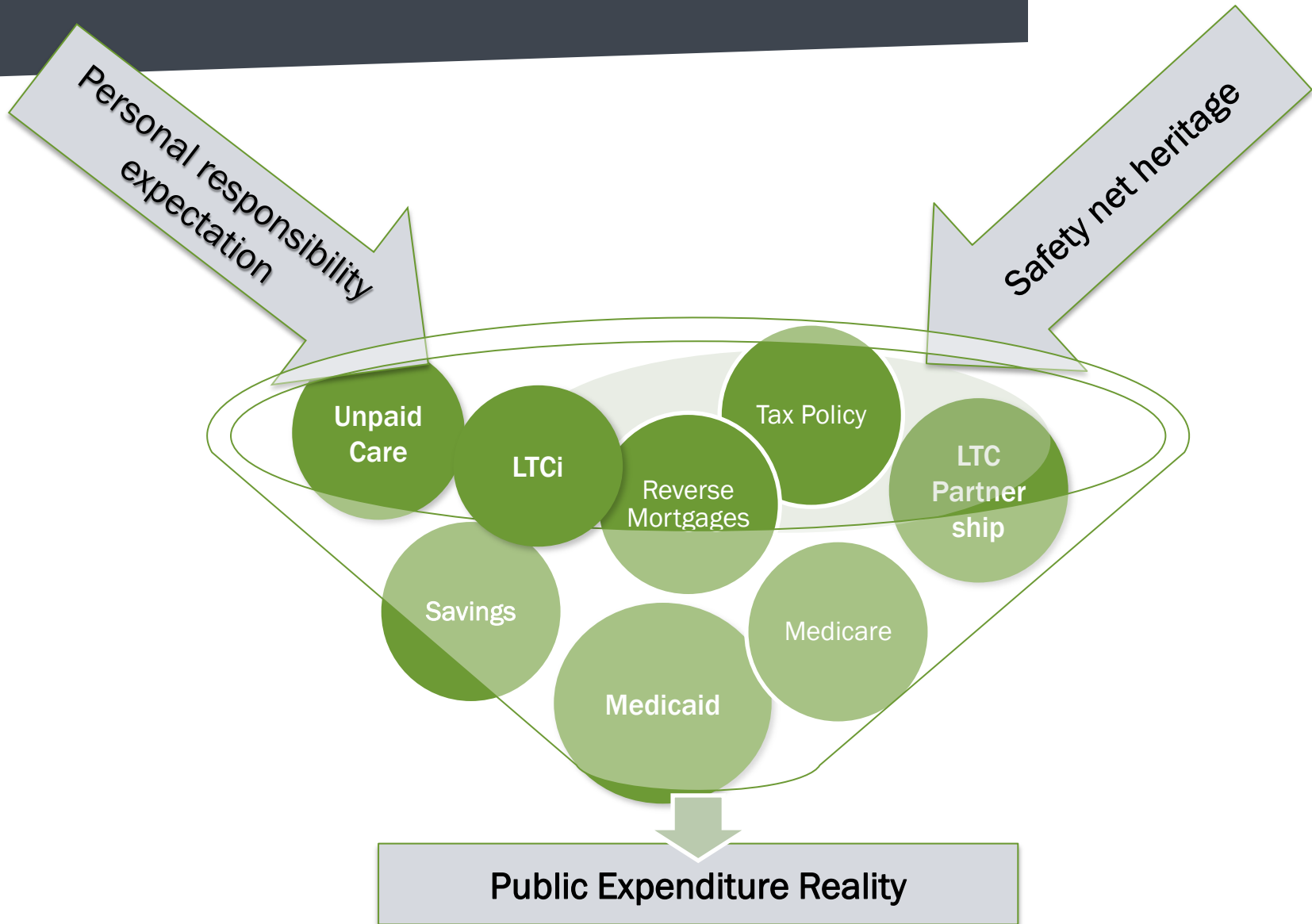
# Boomers are poorly informed regarding LTSS payment



## Perceived Methods for Funding Ongoing Long-Term Care

Source: Retirement Care Planning: The Middle-Income Boomer Perspective, Bankers Life and Casualty Company Center for a Secure Retirement, August 2013. LTCi = Long Term Care Insurance

# LTSS policy heritage in U.S.

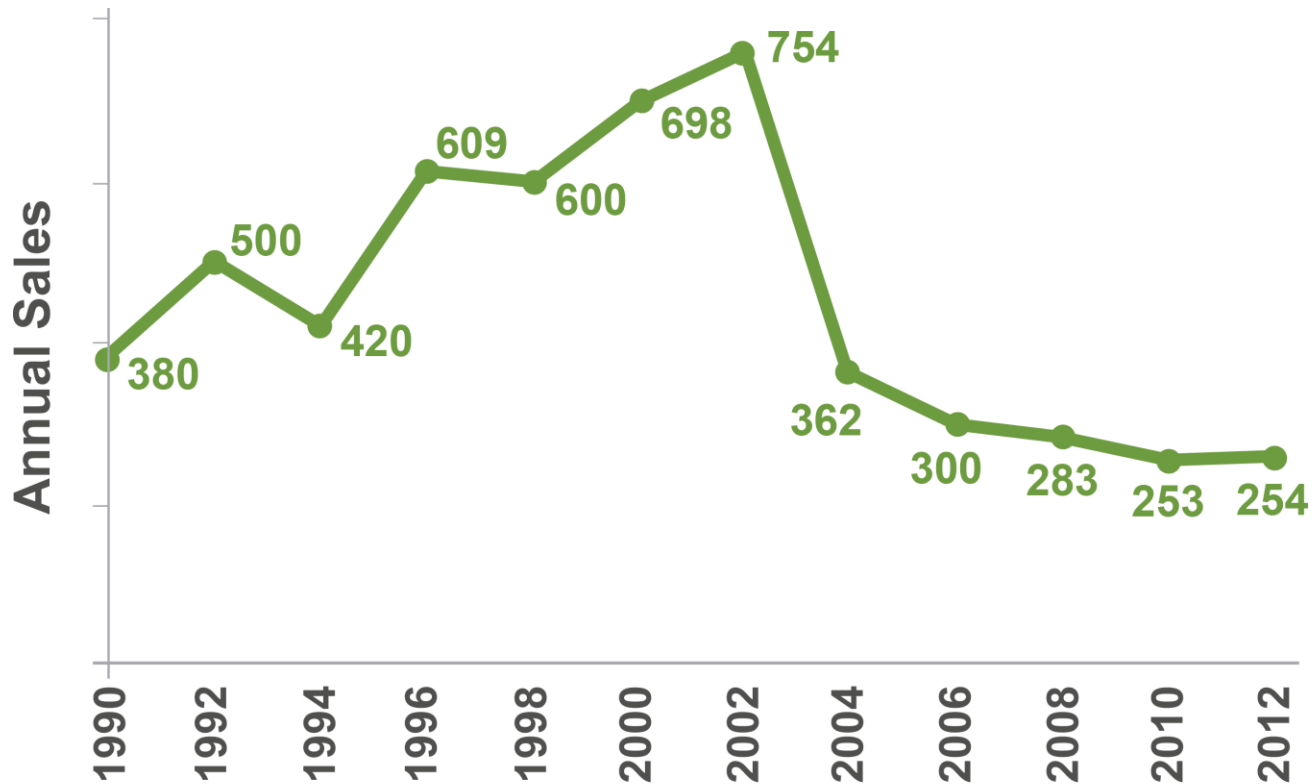






# Absence of Adequate Options to Address LTSS Needs

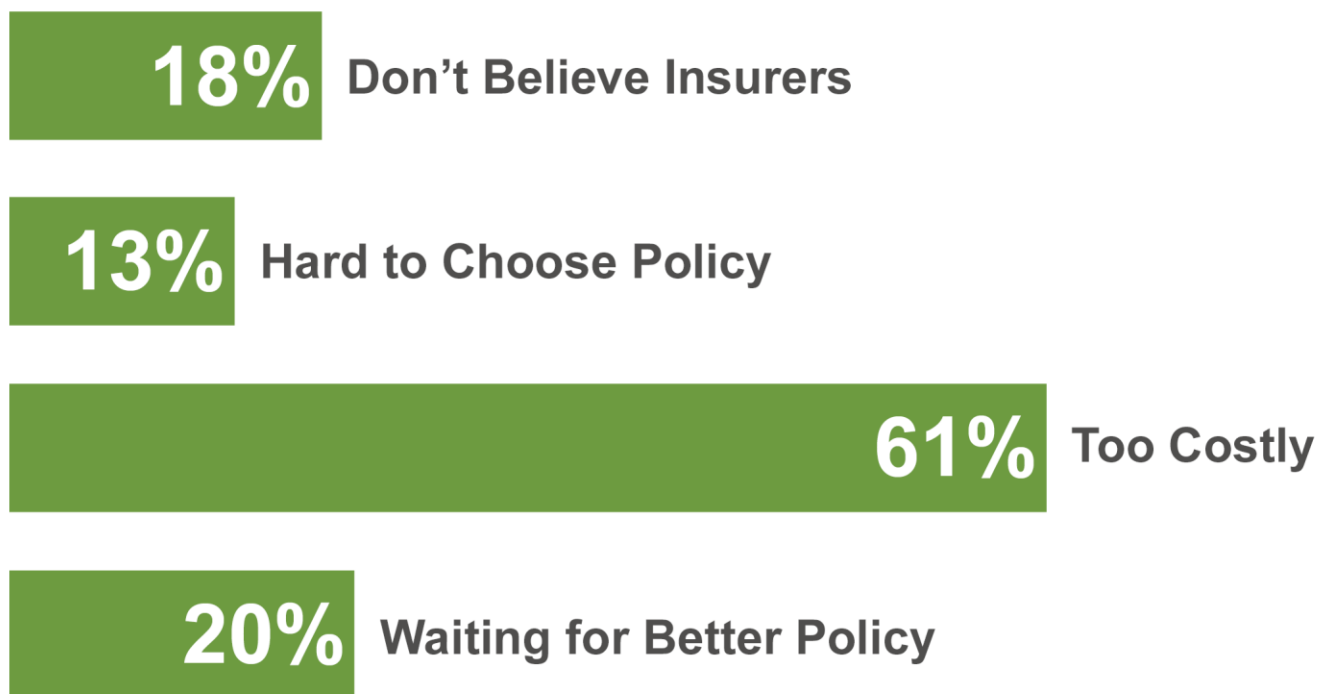
# Sales of LTC insurance are declining



## Annual Sales of Individual LTC Insurance Decline Since 2002

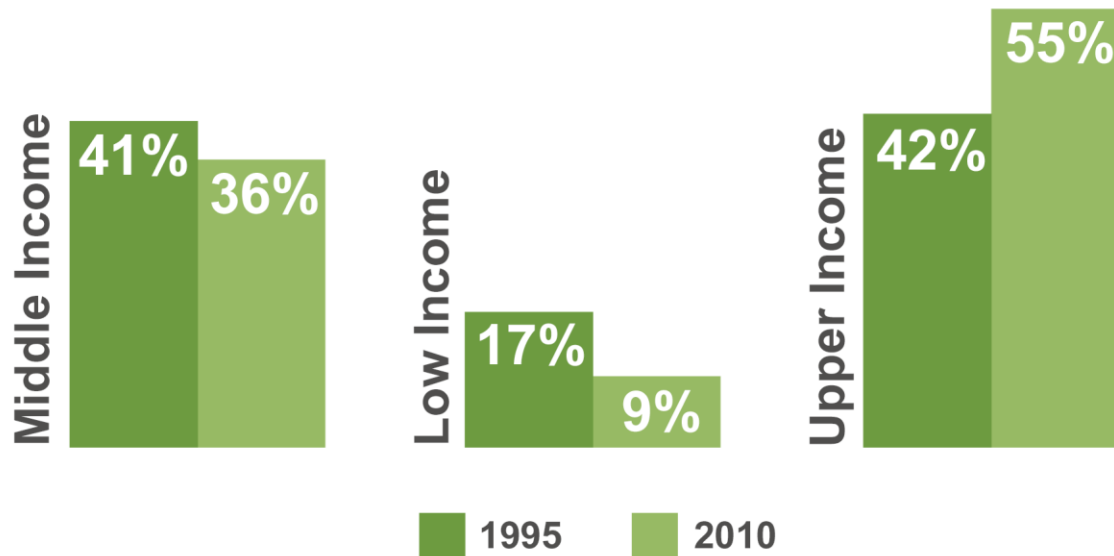
Source: LifePlans. LifePlans analysis based on AHIP, LIMRA and LifePlans sales surveys, 2013. Beginning in 2009, LTC Partners data for annuitants included in counts.

# The current LTCi situation



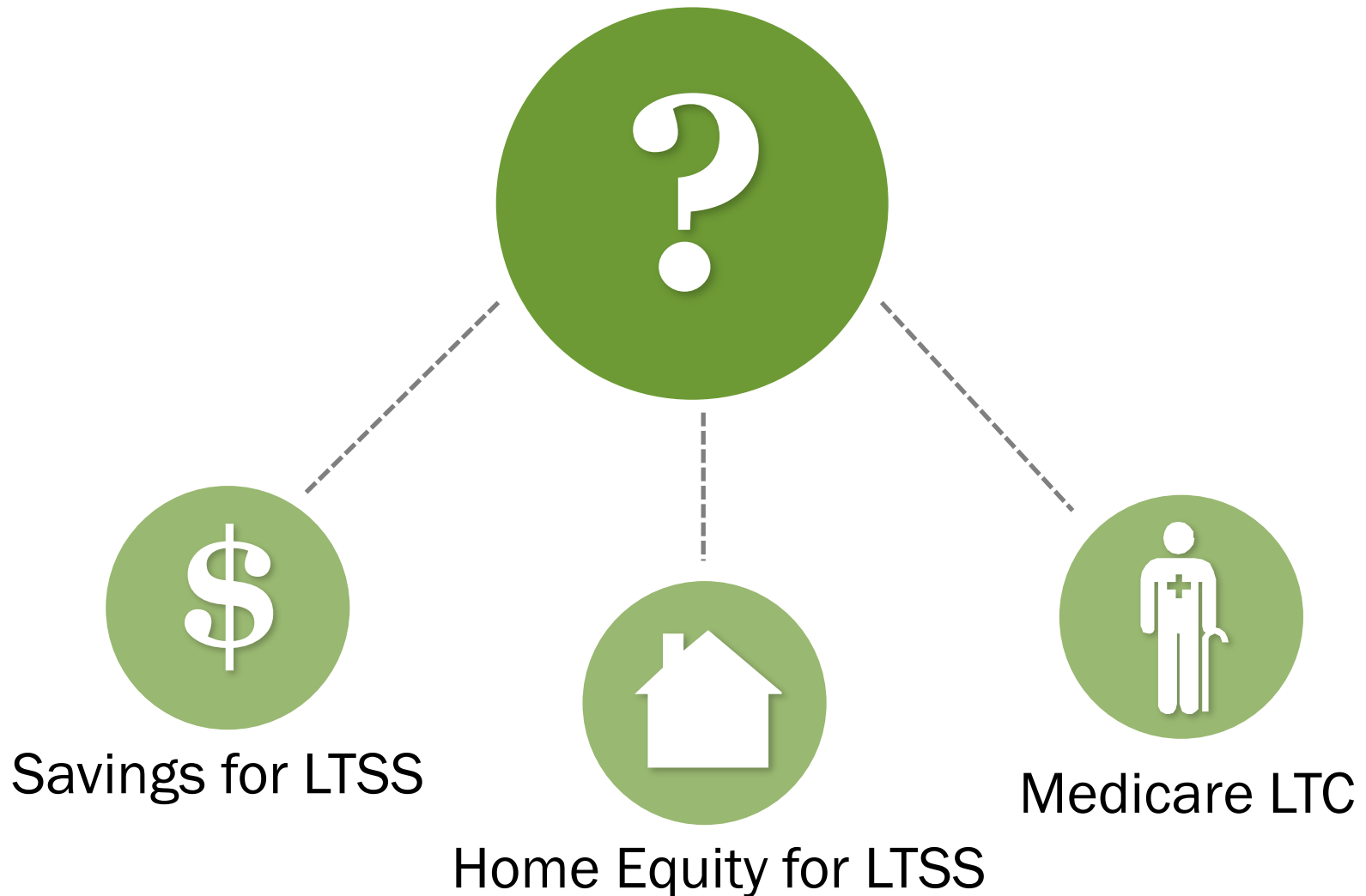
Most People Choose Not to Buy Policies Because They Are Viewed as Too Costly

# The current LTCi situation



The Share of LTC Sales to the Middle Market  
Age 40-69 is Declining

# Savings and other potential LTSS financing options are not sufficient



# Why does this matter and to whom?

- ▶ Current and future older Americans
- ▶ Caregivers
- ▶ Families
- ▶ Employers and employees
- ▶ States
- ▶ Federal government
- ▶ Taxpayers

# How Might We Weather the Storm?

# Define the problem



Our country and its people cannot meet their long-term service and support needs.



# Address the problem

## Pathways to LTSS Reform

LeadingAge initiated Pathways to foster federal and state reform.

# Pathways: overall initiative summary

## WHAT?

Foster state and federal LTSS reform that helps our country and its people prepare and pay for LTSS.

## HOW?

1. Messaging/Mobilization
2. Federal Proposal Development
3. State Conversations and Action
4. Political Alignment

**DESIRED OUTCOMES**



# Pathways: desired outcomes

**2017**

A federal LTSS reform package is signed into law.

**2016**

At least 5 states adopt LTSS reforms that foster preparing for and financing LTSS.

# Pathways: Federal Reform

## Foster Adoption of Federal LTSS Package

# Federal Reform Pathways



- 1** Status Quo
- 2** Personal Responsibility
- 3** Private Market
- 4** Private Catastrophic
- 5** Public Catastrophic
- 6** Public Front End
- 7** Public Comprehensive

# Pathway 1: Status Quo



- ▶ Expectation of personal responsibility
- ▶ Public support is primarily safety net (must be impoverished) through Medicaid
- ▶ 70% of expenditures are paid through public sources
- ▶ We currently spend as much as some countries with formal LTSS systems



The U.S. is spending \$ anyway,  
so can we do it better?

# Pathway 2: Personal Responsibility



- ▶ Tighten safety net with intention to spur more private savings and purchase of insurance
- ▶ Gov't does little to encourage/support private market options



# Pathway 3: Private Market



- ▶ Gov't seeks to activate personal responsibility by encouraging new and more affordable products
- ▶ Gov't may offer subsidies and tax incentives for purchase
- ▶ May be some vehicle for re-insurance (gov't or private)

# Pathway 4: Private Catastrophic



- ▶ Individuals required to purchase private catastrophic LTC insurance
- ▶ Gov't may offer subsidies and tax incentives
- ▶ Safety net (Medicaid) becomes primarily for those who can't get covered in private market
- ▶ Reinsurance through portion of catastrophic premium

# Pathway 5: Public Catastrophic



- ▶ Individuals required to contribute to and participate in public catastrophic LTC insurance
- ▶ Gov't may offer subsidies and tax incentives for front-end coverage

# Pathway 6: Public Front End



- ▶ Public program offers basic “front-end” cash and services
- ▶ Limited dollar and/or time limit
- ▶ Reaches more people, more immediately than catastrophic coverage

# Pathway 7: Public Comprehensive



- ▶ Combines public front-end and catastrophic coverage in a comprehensive program
- ▶ Participation mandatory or voluntary opt-out
- ▶ Safety net serves only those who can't afford co-pays/deductibles/out-of-pocket

# EVALUATING PATHWAYS IN TERMS OF POTENTIAL OUTCOMES

	Gets people care	Supports family caregiving role	Achieves “right” balance b/n private vs. public and individual vs. shared responsibility	Achieves “right” balance across generations	Addresses stress on federal/ state budgets	More likely to be adopted/ accepted
STATUS QUO						
PERSONAL RESPONSIBILITY						
PRIVATE MARKET						
PRIVATE CATASTROPHIC						
PUBLIC CATASTROPHIC						
COMMON GOOD/PUBLIC FRONT END						
PUBLIC COMPREHENSIVE						

# Which Pathway most resonates with you?

- A. Personal responsibility/  
Private market
- B. Private catastrophic
- C. Public catastrophic
- D. Public front-end
- E. Comprehensive

# Which Pathway least resonates with you?

- A. Personal responsibility/  
Private market
- B. Private catastrophic
- C. Public catastrophic
- D. Public front-end
- E. Comprehensive



# In weighing the options, what outcome is most important to you?

- A. People get care and support family caregivers
- B. “Right” balance b/n private/public and individual/ shared responsibility
- C. “Right” balance b/n LTSS costs of this generation and future generations
- D. Address federal/ state budget pressure
- E. Adopt *some* policy that moves us forward

# What outcome is second most important to you?

- A. People get care and support family caregivers
- B. “Right” balance b/n private/public and individual/ shared responsibility
- C. “Right” balance b/n LTSS costs of this generation and future generations
- D. Address federal/ state budget pressure
- E. Adopt *some* policy that moves us forward

# What outcome is least important to you?

- A. People get care and support family caregivers
- B. “Right” balance b/n private/public and individual/ shared responsibility
- C. “Right” balance b/n LTSS costs of this generation and future generations
- D. Address federal/ state budget pressure
- E. Adopt *some* policy that moves us forward

# Proposal Development: Economic Modeling Project

- ▶ **Goal:** Inform potential LTSS financing solutions with credible, updated data and projections
- ▶ **Consistent with but not specific to Pathways**
  - Status Quo
  - Private Market
  - Public Catastrophic
  - Public Front End
  - Comprehensive

(Also potential impact of changes to Medicaid)

# Proposal Development: Economic Modeling Project

## ▶ Key Participants

- Model Executors- Milliman actuarial and Urban Institute using the Dynasim3 micro sim model
- Project Funders
  - SCAN Foundation
  - AARP
  - Leading Age
  - Office of the Assistant Secretary of Planning and Evaluation (ASPE) HHS

# Pathways: State Reform

Support State-Level Conversations  
Regarding LTSS Reform

# State conversation goals

## In addition to weighing in on LTSS Federal Reform Pathways:

1

Build capacity in states to engage in LTSS reform discussion

2

If feasible, foster state level LTSS reform with emphasis on middle class solutions

# Conversation approach

1

Develop and offer a starter conversation for a state

2

If there is momentum, follow up with 2 additional conversations and technical assistance that may aid a state in getting traction for state level reform



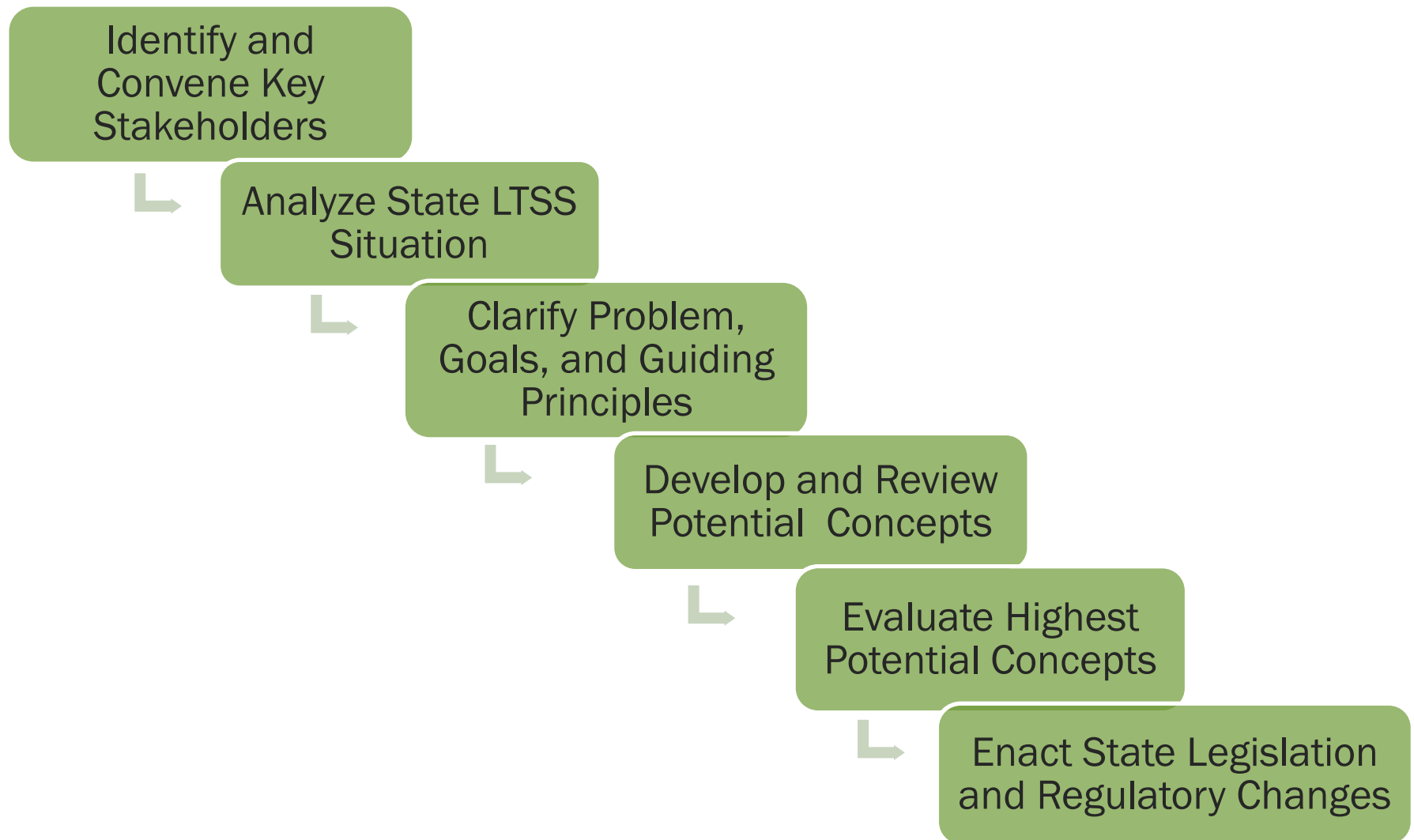
# Theory behind conversations



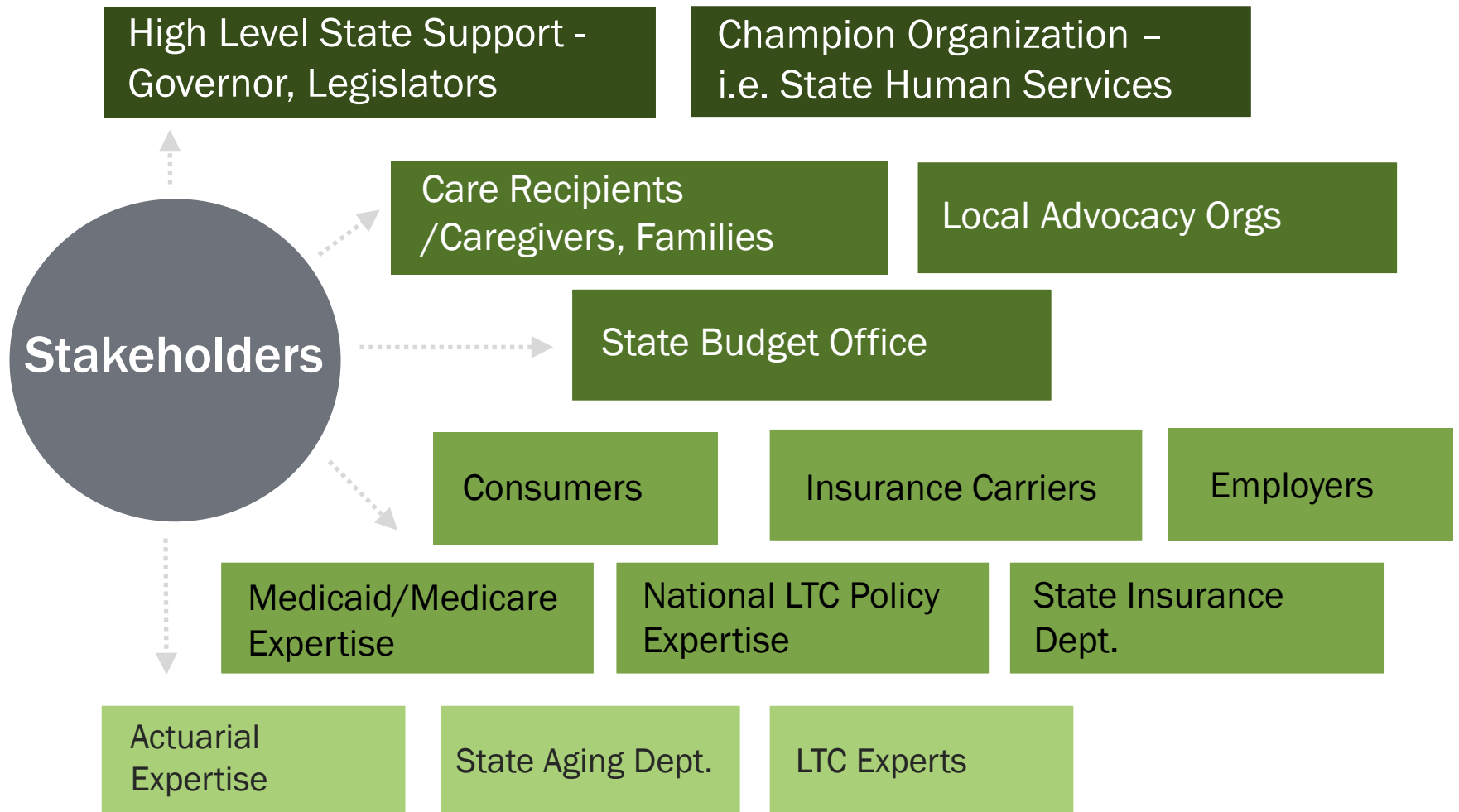
Community engagement consists of multiple stages:

- ▶ Initiate broad based coalition
- ▶ Establish structure
- ▶ Educate and build capacity for action
- ▶ Plan for action
- ▶ Implement
- ▶ Monitor progress

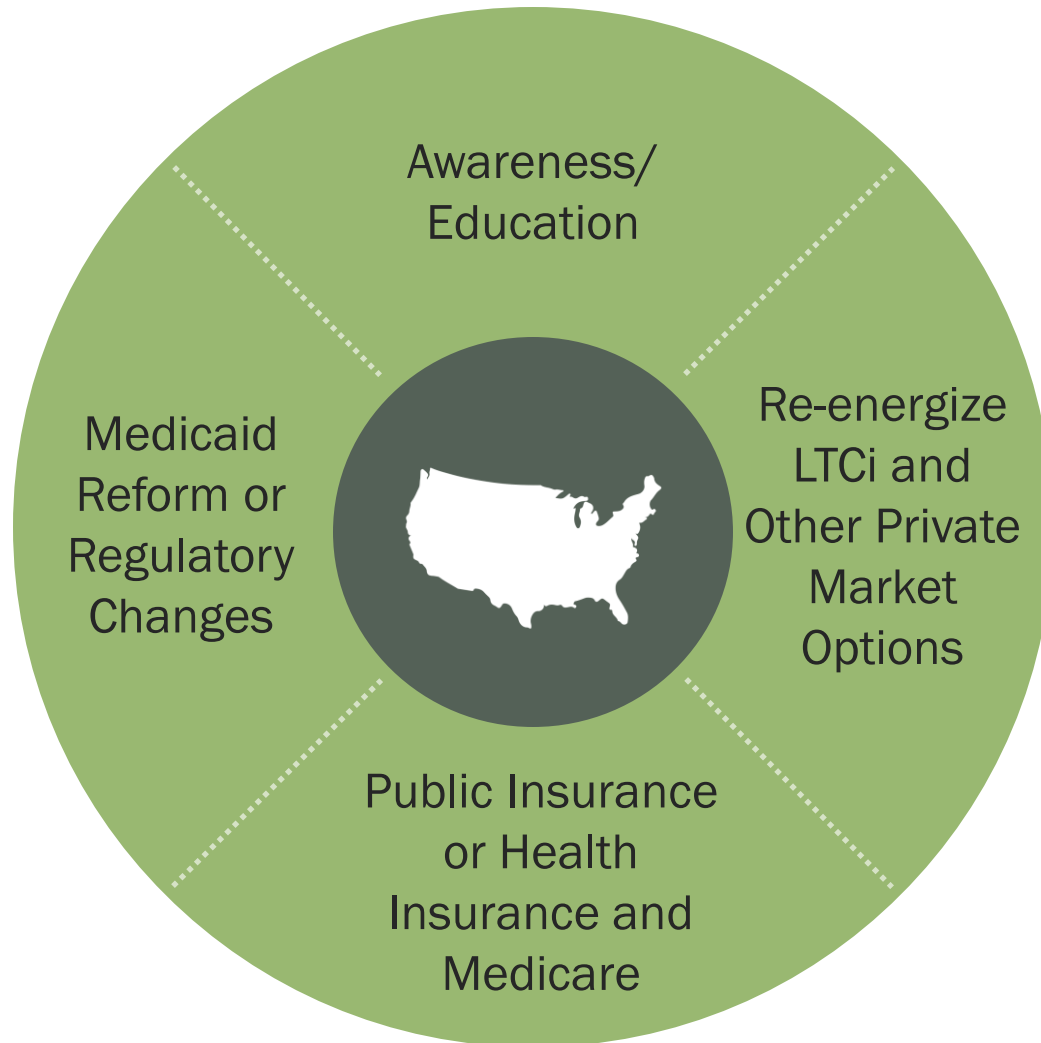
# Process map for developing a state approach to LTSS financing



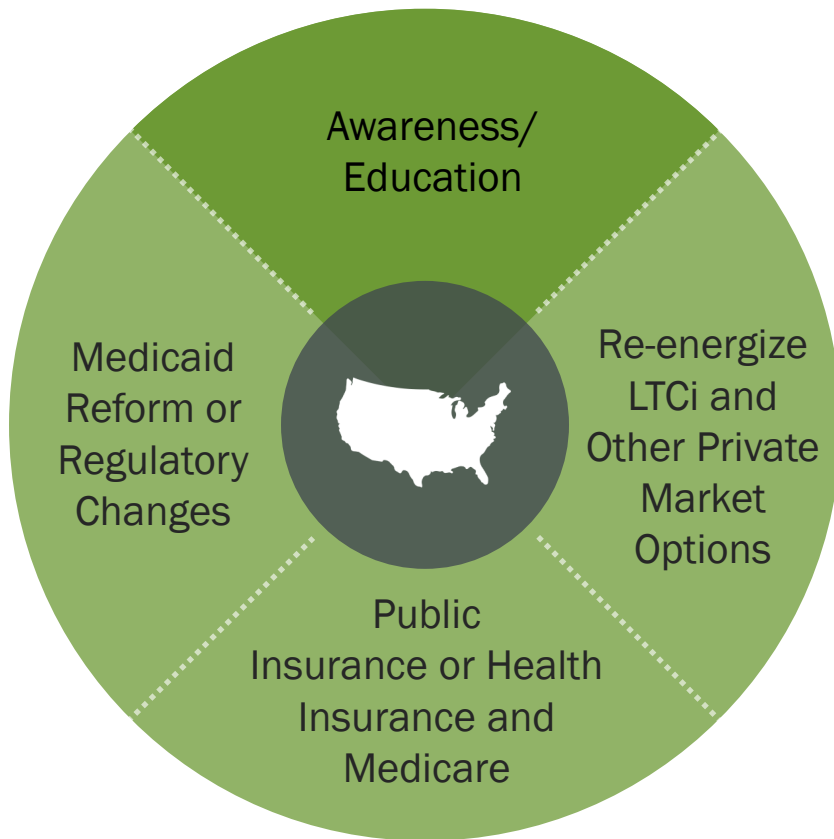
# Potential stakeholder involvement



# Potential state actions

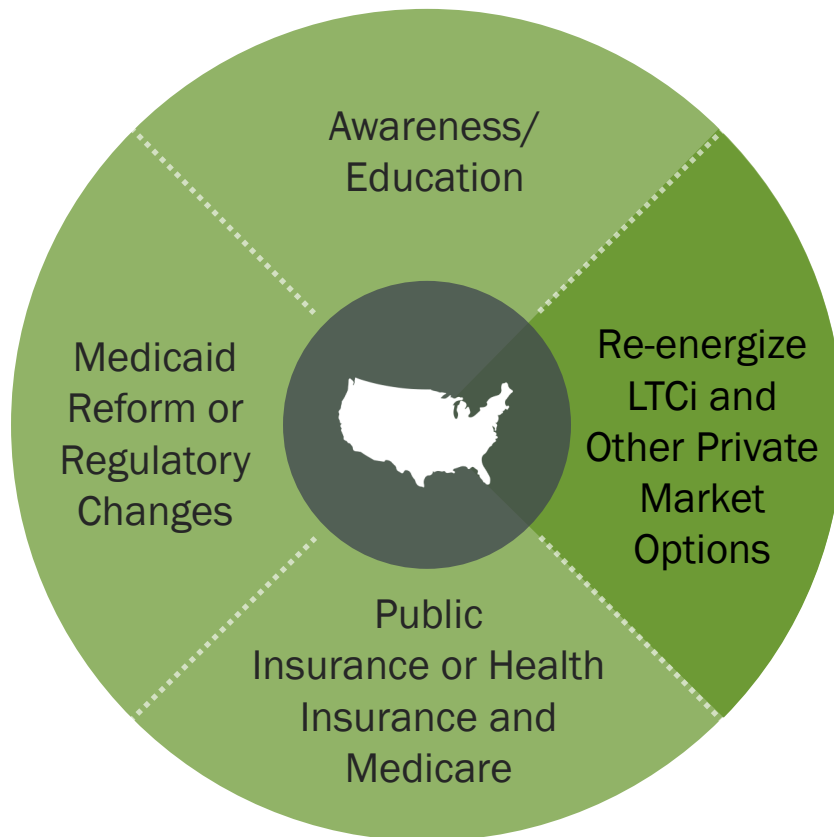


# Potential state actions



## Awareness/Education

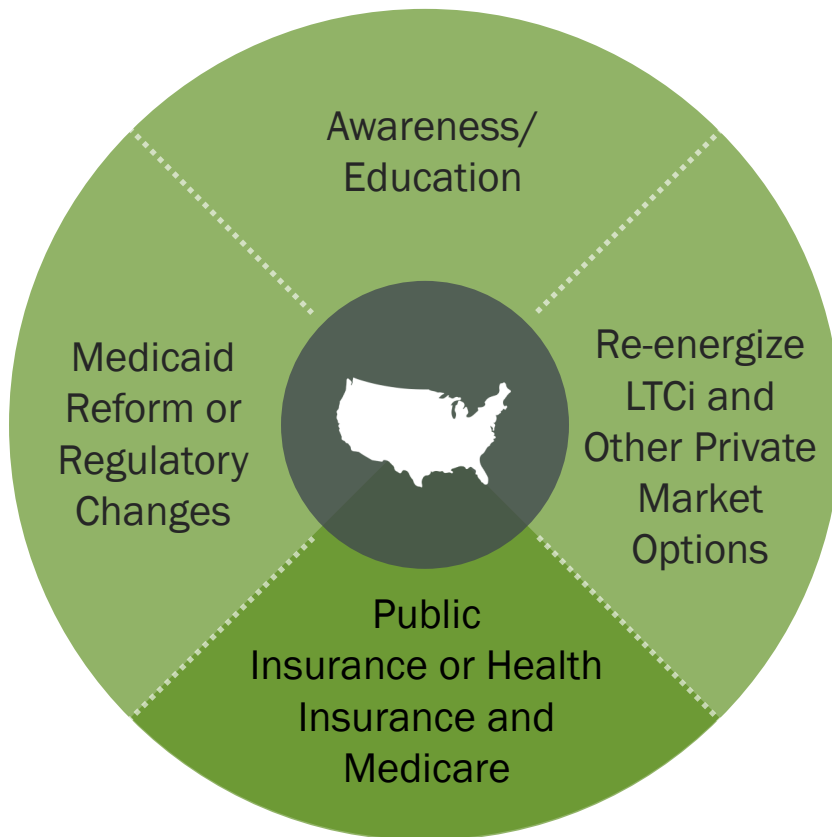
- ▶ Own Your Future Campaigns
- ▶ State-Employer joint education
- ▶ LTCi counseling through Health Exchanges



## Re-energize LTCi and Other Private Market Options

- ▶ New private insurance options/or regulatory reforms
- ▶ Incent LTC purchase or savings via tax policy
- ▶ Reinsurance pools
- ▶ Other insurance, savings, tax approaches
- ▶ Improve utilization of others consumer assets

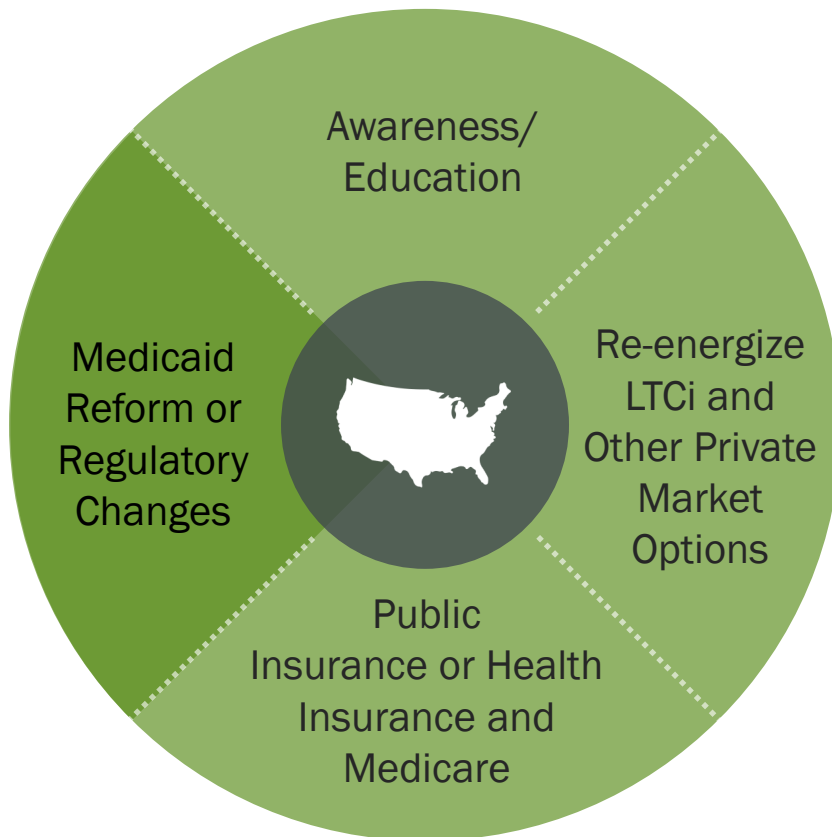
# Potential state actions



## Public Insurance or Health Insurance and Medicare

- ▶ Public catastrophic or front end coverage
- ▶ Improve LTSS integration with health insurance, Medicaid and Medicare

# Potential state actions



## Medicaid Reform or Regulatory Changes

- ▶ Re-evaluate spend down requirements
- ▶ Evaluate impact of tighter/looser eligibility
- ▶ Evaluate impact of HCBS rebalancing
- ▶ Develop earlier intervention model to minimize NH stays



# State action discussion framework

- 1 What problems are we trying to solve?
- 2 What principles will guide us?
- 3 What potential solutions might we pursue?

# State action discussion framework

## 1 What problems are we trying to solve??

- Lack of public awareness of need
- Lack of planning and saving
- Medicaid budget pressures
- LTSS delivery bias towards institutions
- People not getting needed care
- Unpaid caregiver burden/supports
- Lack of adequate private market solutions for all/for middle and lower income

# State action discussion framework

## 2 What principles will guide us??

- Ensure a strong public safety net for the poor and most vulnerable;
- Assure quality of care and cost efficiency;
- Limit financial pressure on the state financing system to preserve state funds for those most in need;
- Encourage personal planning for financing LTSS;
- Enable middle-income people to access LTSS without becoming impoverished;
- Better support unpaid caregivers;
- Allow people to age with dignity

# Next steps planning



Additional stakeholders needed at table



Future meeting schedule



Additional questions/concerns/ideas