America’s Newest Challenge: Meeting the Needs of an Aging Population
What is Long Term Services and Supports “LTSS” Need?

LTSS Need

General LTSS Need

High Need (Insurable)

More than 70% of Americans 65+ will need some form of LTSS

More than half of 65+ population will have high need LTSS
What is “LTSS need”? 

**LTSS Need**

- **General LTSS Need**
- **High Need (Insurable)**

**Definition**: Needing help with basic/everyday activities like walking, bathing or eating.

**Definition**: Need for assistance with at least two everyday activities expected to last at least 90 days; or need for supervision due to severe cognitive impairment.

Auto Analogy: The Insurable Risk

Wear and Tear

Fender Bender – Major Accident
Forces driving need for reform

Demographic Imbalances

Economic Pressures

Social Norms

Absence of Adequate Options
Demographic Imbalances
The aging population will increase future demand for LTSS.

By 2055, there will be almost **90 million people** aged 65+

Those age 75+ (heavier users of LTSS) will represent close to half of that number.

Projected Number of People Age 65 or Older by Year

Projections of lifetime risk of long-term services and supports at ages 65 and older under current law from DYNASIM, June 8, 2015, Urban Institute.
The national caregiver dilemma

Ratio of Potential Caregivers to Those Needing Care

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

1/2 as many caregivers will be available in 2050
Unpaid caregivers provide most LTSS today

Unpaid Family Caregiving:
- $470 billion annually
- 40 million family caregivers
- 37 billion hours of care
- Averaging 20-22 hours per week

Paid caregivers: 70-80% home health aides, certified nursing assistants, personal aides

Economic Pressures
The cost of doing nothing

LTSS spending in the US is projected to grow from approximately $200 Billion to over $3 Trillion by 2070, more than a ten-fold increase, if we do nothing.

Favreault M, & Johnson R, Microsimulation Analysis of Financing Options for Long-Term Services and Supports November, 2015, Urban Institute
The financial burden of LTSS falls on two principal sources:

- One third of costs are borne by Medicaid. Medicaid is the default public LTSS payer for long duration LTSS need.
- Half of costs are borne by people who use LTSS (and their families) through out of pocket expenditures, especially in early years.

Average LTSS expenditures at an individual level

- $180,000 for females
- $90,000 for males

12% of females and 5% of males can expect LTSS expense >$250,000. This reflects longer LTSS need duration.

8% of females and 7% of males can expect LTSS expense <$10,000.

People are not prepared for LTSS costs

In 2014, those 65 and older had median financial assets of $76,000 and median home equity of $80,000 or less, woefully deficient amounts for meeting average lifetime LTSS costs.
Medicaid became the largest single component of state spending, nationwide.

<table>
<thead>
<tr>
<th>Year</th>
<th>National Average % of State Spending</th>
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<tbody>
<tr>
<td>2011</td>
<td>23.8%</td>
</tr>
<tr>
<td>2012</td>
<td>23.7%</td>
</tr>
<tr>
<td>2013</td>
<td>24.4%</td>
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<tr>
<td>2014</td>
<td>25.8% (est.)</td>
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</table>
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
Social Norms:
Awareness, Knowledge and Planning
Less than 1 in 5 Boomers have taken any action to prepare for LTSS care.
More Boomers prepare for death than life

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

17% Have prepared for care during life

81% Have prepared for death

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 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 Mental Model Barriers

LTSS planning/options not integrated with other life planning

Life, health, savings and other planning
Absence of Adequate Options to Address LTSS Needs
Sales of LTC insurance are declining

Annual Sales of Individual LTC Insurance Decline Since 2002

So What Should We Do?
Define the problem

Our country and its people cannot meet their long-term service and support needs.
Clarify the goal(s)

Help families prepare and pay for LTSS

Better address pressures on Medicaid programs
Get smarter together about options

Funded economic modeling on 3 new options

FULL DURATION COVERAGE

INITIAL COVERAGE

COVERAGE THAT STARTS AFTER 2 YEARS OF NEED

1 2 3 4 5+

Years of need

-- private/public
-- voluntary/mandatory
Match goal(s) with approaches that have impact

**Reform Private Market**
so that people can afford to pay for their care in early years

**Offer Catastrophic Program**
to help those with long duration need and ease Medicaid pressures

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Families

LTSS Financing Balanced Package

Medicaid
Packaging efforts for greatest effect

**Public Awareness**

- Education Campaign and Call to Action

**Responsive Options/Incentives**

- Offer People Options that Meet Initial and Catastrophic Need

**Opportunity to Act**

- Incent Action and offer When People are Making Similar Decisions

Combine with service and delivery innovation and rebalancing
Given the political climate, what can we do to foster reform?

Start the footrace now:

1. States will have to start this movement (MN, CA, IN, NE, WA, OH, TX)

2. Pursue delivery innovation and integration in broader continuum

3. Press for federal reform in areas that states cannot impact
LTSS Reform Conversations: A path for states to play a critical role in LTSS reform
State conversation goals

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
Process map for developing a state approach to LTSS financing

1. Identify and Convene Key Stakeholders
2. Analyze State LTSS Situation
3. Clarify Problem, Goals, and Guiding Principles
4. Develop and Review Potential Concepts
5. Evaluate Highest Potential Concepts
6. Enact State Legislation and Regulatory Changes
Potential stakeholder involvement

Stakeholders

- High Level State Support - Governor, Legislators
- Champion Organization – i.e. State Human Services
- Care Recipients / Caregivers, Families
- Local Advocacy Orgs
- State Budget Office
- Consumers
- Insurance Carriers
- Employers
- Medicaid/Medicare Expertise
- National LTC Policy Expertise
- State Insurance Dept.
- Actuarial Expertise
- State Aging Dept.
- LTC Experts
Potential state actions

- Awareness/Education
- Medicaid Reform or Regulatory Changes
- Re-energize LTCi and Other Private Market Options
- Public Insurance or Health Insurance and Medicare
Questions?

For more information:
www.leadingage.org/pathways

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