State Conversation Exploring
Forging a Path for LTSS Financing Reform
Presentation goals

- Raise awareness of long term services and supports (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
Information Sources


- Health Affairs - Financing Long-Term Services And Supports: Options Reflect Trade-Offs For Older Americans And Federal Spending (2015)
Pathways: State Reform

Support State-Level Conversations Regarding LTSS Reform
Long Term Services and Supports (LTSS) Basics:
What is “LTSS need”?

- LTSS Need
  - General LTSS Need
    - High Need (Insurable)
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**
Who has high need LTSS?

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

More than half of 65+ population will have high need LTSS

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
Who has high need LTSS?

- 47% > 5 years
- 14% 2-5 years
- 12% 1-2 years
- 8% < 1 year
- 19% 0 years

How long does the need last?

- 36% for 5+ years
- 27% for 2-5 years
- 22% for 1-2 years
- 15% for 1 year or less

Those who have high (insurable) need levels have a 27% of needing LTSS for 5 years or more.

Who is at greatest risk of high need LTSS for 5+ years?

- Women: 82% higher chance than men
- Bottom Income Quintile: 87% higher chance than highest income quintile
- Unmarried People: 26% higher chance than married people
- Fair or Poor Health: 45% higher chance than those with excellent health

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
LTSS Landscape: What is Driving the Need to Reform LTSS Financing?
Driving forces

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
By approximately 2030, over 20% of the US population will be over 65.
Ohio population aging resembles national rate

- Ohio residents age 65+ will increase from 1.7 mm to 2.7 mm in 2032 and 2.9 by 2050
- The number age 85+ will increase from 260k to 390k in 2032 to 700k by 2050

AARP “Across the States, Profiles of Long Term Services and supports 2012”
The national caregiver dilemma

1/2 as many caregivers will be available in 2050

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
The caregiver dilemma- less than 1/3 as many caregivers in 2050

Ratio of potential caregivers to those needing care

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2010</th>
<th>2030</th>
<th>2050</th>
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</thead>
<tbody>
<tr>
<td>US Total</td>
<td>6.6</td>
<td>7.2</td>
<td>4.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Ohio</td>
<td>6.8</td>
<td>6.7</td>
<td>4.0</td>
<td>3.3</td>
</tr>
</tbody>
</table>

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

- Today the majority of LTSS is provided by family members, but the supply of caregivers is not going to keep pace with the future need
- Today in Ohio there are nearly 7 caregivers for each person needing care
- By 2030 that ratio will drop to around 4 to 1;
- By 2050 there will be only 3 caregivers for each person needing care in Ohio

AARP PPI “The aging of the baby boom and the growing care gap: A look at future declines in the availability of family caregivers” 2013
Unpaid caregivers provide most LTSS today

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

Unpaid Family Caregiving:

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

Economic Pressures
LTSS is expensive

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
Medicaid Impact

Baseline Medicaid High Need LTSS Expenditures by Year

Medicaid expenditures will similarly increase, exceeding $1 Trillion by 2070

Favreault M, & Johnson R, Microsimulation Analysis of Financing Options for Long-Term Services and Supports November, 2015, Urban Institute
Family out of pocket expenses on LTSS costs will rise to exceed $1 Trillion dollars by 2060 and $2 Trillion dollars by 2070.
Most LTSS expenses occur in the first two years of need.
Interplay between payers

Family financing (out of pocket) and Medicaid come into play at different points in the LTSS need spectrum

Overview of growth across all payers

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 financial burden of LTSS falls on two principal sources:

Approximately half of costs are borne by people who use LTSS (and their families) through out of pocket expenditures, especially in early years.

Over one third of the costs are borne by the Medicaid program. Medicaid has become the default public LTSS payer for long duration LTSS need.

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Average LTSS expenditures at an individual level

12% Can expect LTSS expense >$250,000

5% Can expect LTSS expense <$10,000

Reflects longer LTSS need duration

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.
Impact on state Medicaid budgets

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<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>
</tr>
<tr>
<td>2014</td>
<td>25.8% (est.)</td>
</tr>
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</table>

National Average % of State Spending;

In Ohio state Medicaid $ spending is on the rise +29% in 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Medicaid</th>
<th>Federal Spending</th>
<th>State Spending</th>
<th>Federal % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$8,653</td>
<td>$4,422</td>
<td>$4,231</td>
<td>51%</td>
</tr>
<tr>
<td>2013</td>
<td>$8,046</td>
<td>$4,032</td>
<td>$4,014</td>
<td>50%</td>
</tr>
<tr>
<td>2014 (est.)</td>
<td>$9,471</td>
<td>$4,962</td>
<td>$4,509</td>
<td>52%</td>
</tr>
</tbody>
</table>

• In Ohio, Medicaid expenditures increased by approximately by 29% between 2013 and 2014
• The state’s share of that expenditure increased by 12% in 2014
• Federal and state Medicaid increased significantly in 2014, and are expected to continue growing, going forward.

In Ohio Medicaid now accounts for more than 1/3 of state spending.

Medicaid is the largest component of state spending in Ohio.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>28.9%</td>
</tr>
<tr>
<td>2013</td>
<td>29.2%</td>
</tr>
<tr>
<td>2014*</td>
<td>35.8%</td>
</tr>
</tbody>
</table>

Average % of State Spending- 2014 estimate

National Association of State Budget Officers “State Expenditures Report 2012-14”
LTSS is also key to Ohio’s Medicaid increases

- At $6.3 billion, LTSS represented approximately 38% of Ohio’s Medicaid spending in 2012.  
- Ohio LTSS spending is projected to increase to more than $11 billion by 2022.  
- In Ohio more than 4 in 10 LTSS dollars are spent on HCBS.  
- Importantly, projections thru 2022 do not fully reflect the impact of baby boomers which will be felt in 2030 and beyond.

1Medicaid expenditures for LTSS 2012-CMS and Truven Analytics  
2Financial Outlook for Medicaid 2013- CMS Actuary; O’Leary Marketing Associates LLC  
3Medicaid expenditures for LTSS 2012-CMS and Truven Analytics
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

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

- Medicare: 52%
- Don’t Know: 26%
- Personal Savings: 25%
- Medicaid: 20%
- LTCi: 13%
- Spouse Will Provide Care: 12%
- Other: 10%
- Children Will Provide Care: 9%
- Children Will Pay for Care: 2%

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 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

The current LTCi situation

The Share of LTC Sales to the Middle Market Age 40-69 is Declining
Why does this matter and to whom?

- Current and future older Americans
- Caregivers
- Families
- Employers and employees
- States
- Federal government
- Taxpayers
So What Should We Do?
Address the problem

Pathways to LTSS Reform

LeadingAge initiated Pathways to foster federal and state reform.
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
Outline possible options

- Status Quo
- Personal Responsibility
- Private Market
- Front-End (Public or Private)
- Catastrophic (Public or Private)
- Comprehensive (Public or Private)
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
Package 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. Foster reform efforts at state level
2. Press for federal reform in areas that states cannot impact
3. Pursue delivery innovation and integration in broader continuum
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
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

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

Public Insurance or Health Insurance and Medicare

Re-energize LTCi and Other Private Market Options
Potential state actions

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

**Awareness/Education**
- Own Your Future Campaigns
- State-Employer joint education
- LTCi counseling through Health Exchanges
Potential state actions

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

Awareness/Education

Medicaid Reform or Regulatory Changes

Re-energize LTCi and Other Private Market Options

Public Insurance or Health Insurance and Medicare
Potential state actions

- Medicaid Reform or Regulatory Changes
- Re-energize LTCi and Other Private Market Options
- 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
State action discussion framework

What approaches might we pursue?

- Education campaigns;
- Paired with call to action;
- Paired with new options and incentives;
- Paired with joint-employer marketing;
- State employee pilots;
- State sponsored options;
- Refined partnership products
Next steps planning

- Additional stakeholders needed at table
- Future meeting schedule
- Additional questions/concerns/ideas
For additional information contact: Aaron Tripp, atripp@leadingage.org
Or Olivia Mastry, olivia@collectiveactionlab.com