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

- Review output of first meeting and clarify scope
- Review and explore possible avenues for Ohio to move forward on LTSS financing reform
- Identify high priority options for further analysis and development
- Identify next steps and accountabilities
Ohio Specific Environmental Landscape Updates
Ohio-specific data requested during Meeting 1

- Information on Ohio Medicaid portion of state budget
- Information on County Levy data to fund in-home services
- Information on # of people with LTSS insurance in Ohio
- Information on Ohio Partnership program uptake if any and product specifications
- Information on income levels/assets of over-65 Ohio residents
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>Average % of State Spending</th>
<th>Year</th>
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</thead>
<tbody>
<tr>
<td>28.9%</td>
<td>2012</td>
</tr>
<tr>
<td>29.2%</td>
<td>2013</td>
</tr>
<tr>
<td>35.8%*</td>
<td>2014</td>
</tr>
</tbody>
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*2014 estimate*

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National Association of State Budget Officers  “State Expenditures Report 2012-14”
Quick Refresher
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.

Average LTSS expenditures at an individual level

- Women: $180,000
- Men: $90,000

- 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.
Boomers are poorly informed regarding LTSS need

Boomers Are Poorly Informed Regarding LTSS Cost

Pervasive Care Cost Uncertainty

Approximately 80% of Boomers don’t know estimated costs of care.

Home Health Aide Estimate (hourly cost)
- 81% Don’t Know Costs
- 19% Provided a Response

Nursing Home Care Estimate (annual cost)
- 78% Don’t Know Costs
- 22% Provided a Response

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 mental model barriers

LTSS planning/options not integrated with other life planning

Life, health, savings and other planning
The middle class impact

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

Funded economic modeling on 3 new options

FULL DURATION COMPREHENSIVE

INITIAL COVERAGE

COVERAGE THAT STARTS AFTER 2 YEARS OF NEED

OR

1 2 3 4 5+

Years of need

-- private/public
-- voluntary/mandatory
What Did We Learn from the Project about New Options?
Modeling Caveats

- Limited options were tested
- Only high need LTSS
- Only 65 plus
- Lots of assumptions—little changes could have big impacts
- Best use: directional as a starting point to guide discussion
- Not as definitive as many hoped
- Medicaid numbers are the shakiest
Most affordable options require participation

### Payroll tax rate for mandatory programs

<table>
<thead>
<tr>
<th></th>
<th>Premium at $70k salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Front-end</td>
<td>.6%</td>
</tr>
<tr>
<td>Back-end</td>
<td>.74%</td>
</tr>
<tr>
<td>Comprehensive</td>
<td>1.35%</td>
</tr>
</tbody>
</table>

- **Front-end**: $35/mo, $420/yr
- **Back-end**: $44/mo, $525/yr
- **Comprehensive**: $78/mo, $945/yr
Voluntary programs are more expensive

Premiums for Voluntary Programs
Issue age 55

- **Front-end**: $156/mo. $1870/yr.
- **Back-end**: $244/mo. $2930/yr.
- **Comprehensive**: $289/mo. $3470/yr.

Premium at $70k salary
New options ability to offset Medicaid costs

New insurance - Offsets versus Medicaid Baseline

- Medicaid Mandatory Comp
- Medicaid Mandatory FE
- Medicaid Mandatory 2 yr BE

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Medicaid Mandatory Comp</th>
<th>Medicaid Mandatory FE</th>
<th>Medicaid Mandatory 2 yr BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2050</td>
<td>$154</td>
<td>$46</td>
<td>$178</td>
</tr>
<tr>
<td>2060</td>
<td>$247</td>
<td>$57</td>
<td>$276</td>
</tr>
<tr>
<td>2070</td>
<td>$402</td>
<td>$93</td>
<td>$446</td>
</tr>
</tbody>
</table>
New options ability to offset OOP costs

New insurance - Offsets versus OOP Baseline

Out of Pocket front end  |  OOP Mandatory Comp  |  Out of Pocket 2 year BE

2050: $130  |  $190  |  $108
2060: $205  |  $294  |  $169
2070: $352  |  $498  |  $276
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
What Might We Do in Ohio?
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
Clarify desired goals for Ohio

State Policy Preparation for LTSS Need and Financing

Individual Awareness and Preparation for LTSS Need and Financing

LTSS Service Delivery Rebalancing, Innovation and Integration
Clarify desired goals for Ohio

State Policy Preparation for LTSS Need and Financing

- Understand costs drivers of need and Ohio LTSS status quo
- Align state and county levy policies to foster a shared goal of delaying/ avoiding Medicaid dependence
- Consider multiple private/public options for shifting reliance off of Medicaid for LTSS needs
- Ensure that people with lower and middle incomes get quality care
- Formulate plans that support unpaid family caregivers and address workforce shortages
- Foster change through a collaborative, collective approach that engages multiple stakeholders
Clarify desired goals for Ohio

**Individual Awareness and Preparation for LTSS Need and Financing**

- Foster public awareness about and planning for the urgent need to prepare for LTSS needs
- Assure affordable options for LTSS for Ohio citizens through a combination of approaches (e.g. new products--Ohio LTC Partnership products; new services)
- Foster individual uptake of LTSS protection options and increase number of options available
- Offer supports to unpaid family caregivers to sustain caregiving role and future financial health and LTSS preparation
Clarify desired goals for Ohio

LTSS Service Delivery Rebalancing, Innovation and Integration

- Support early interventions that delay or prevent catastrophic need through a diversity of services/housing options and policies
- Continually rebalance care delivery toward lower cost, community-based supports
- Ensure sufficient community-based supports
- Foster innovation that reflects services people would want to purchase
- Foster innovation to address workforce shortages and unpaid caregiver sustainability
- Foster integration between LTSS and other parts of the care continuum
Clarify desired scope of Ohio effort

In light of past work on LTSS, what is desired scope for Ohio’s LTSS Financing Reform conversation?
Next Steps
Possible options to consider in Ohio

- Are there private market insurance options that could help people with out of pocket costs and offset Medicaid costs?
- Could a refined LTC Partnership product serve in this role (limited dollar, comprehensive product)?
- What other options might we explore?