

Future of LTC: The National Dilemma – How to Finance?

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Challenges with Current LTC Financing

- Managed LTSS moving towards controlling costs and shifting to home and community based services
- Medicaid can not be the solution for middle income people
- Middle income seniors poorly prepared for LTC costs
 - Losses in home equity and retirement following recession
 - Medicaid “safety net” requires spending down of assets

More Californians have “great deal of concern” about paying for care

41% of
Californians

29% of
Americans

Associated Press- NORC Center for Public Affairs Research;
April, 2013

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Lack of LTC Financing System Put People at Substantial Financial Risk

- Family members provide **\$450 billion** in unpaid caregiving
- Estimated **\$34 billion** loss annually in lost revenue/productivity by working caregivers (Alz Assoc 2014 Facts and Figures)
- After age 65 estimates that 70% will need some LTC support during lifetime
- Dementia is leading cause of LTC Insurance claims – more than 3 x's that of stroke (next leading cause)

Financing for Long-Term Care: 1989 and 2010, (\$ billions)

Financing Source	1988	2011
Medicaid	24.4	136.2
Medicare	2.9	62.5
Other payers	5.0	9.7
Out-of-pocket	15.7	45.5
Private insurance and other private	4.0	24.4
Total	52.0	278.3

Source: Truven Health Analytics, various years; Centers for Medicare & Medicaid Services, various years; National Health Policy Forum.

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Medicaid Expenditures for LTC, 1988 and 2010 (in \$ billions)

Type of Service	1988	2011
Non-institutional LTC Services	2.4	64.3
Nursing home	14.6	52.4
ICF-IID	5.9	13.3
Mental health facilities and mental health DSH	1.5	6.2
Total LTC	24.4	136.2
Total Medicaid	58.6	410.9

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Source: Truven Health Analytics, various years

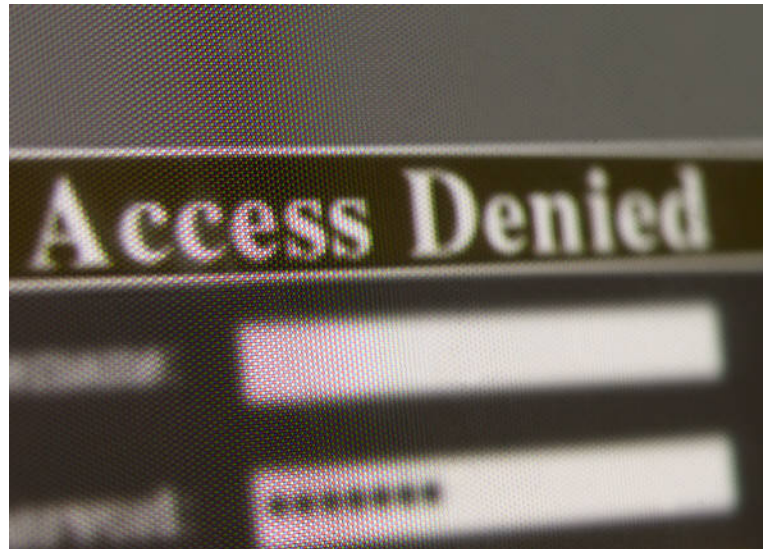
Private Long-Term Care Insurance

- “The Dream”
- Market begin in mid-1980s, prior to that long-term care thought to be uninsurable
- 1988: 0.5 million policies; 2010: 7.3 million policies
- After 25 years, about 6% of 45+ have private long-term care insurance; 12% of 65+
- BUT.....

Private Long-Term Care Insurance (cont.)

- Market collapse:
 - Most insurers exit market
 - 12 companies (2013) actively writing business in CA
 - 45 companies have withdrawn
 - Most insurers have substantially raised premiums (100% not unusual), including on existing policyholders
 - Tighten underwriting and reduce benefits
- What's going on?
 - Low to negative rate of return on reserves
 - Lower lapse rate than assumed

**Thus, LTC Insurance is Not Accessible
to Majority who will Likely Need it.**



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Possible Options May Include:

- New models of back-end catastrophic coverage
- Front-end insurance with some requirements for purchase for a defined period prior to coverage
- Tax-deferred savings accounts to cover LTSS costs and premiums for LTC insurance
- Less likely – comprehensive mandatory prefunded LTSS

*LeadingAge™ PATHWAYS:
A Framework for Addressing
Americans' Financial Risk for
Long-Term Services and Supports*



October, 2013
Final Report: Phase 1

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Potential Pathways

1. Status Quo
2. Personal Responsibility
3. Private Market
4. Private Catastrophic
5. Public Catastrophic
6. Common Good/Public Front End
7. Comprehensive



Private-Public Spectrum

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What Can States Do?

Awareness/ Education	LTCi Access/Affordability	Delivery Reforms
<ul style="list-style-type: none">• State-Employer joint education and counseling campaigns• LTCi counseling through Health Exchanges	<ul style="list-style-type: none">• Develop new private insurance options/or regulatory reforms• Incent LTC purchase or savings via tax policy• Offer insurers a government-sponsored or collaborative stop loss program• Offer public catastrophic or front-end coverage program	<ul style="list-style-type: none">• Rebalance towards HCBS• Develop work force initiatives to expand capacity• Conduct EMR interoperability demonstrations• Develop Caregiver support centers

Minnesota Example

- Minnesota work on LTC Financing Reform
 - Focus on Middle-income individuals
 - Provide LTC planning information for consumers
 - Utilize workplace to educate younger workers
 - Develop insurance products that are simplified, affordable, flexible and portable
 - Consider tax credits for LTC insurance premiums



THE IDEAL

- **Values:** Covering the costs of LTC should not require impoverishment, and then totally reliance on Medicaid as the safety net
- **Necessary Components:**
 - Some level of public/private solution
 - Focus on service-enriched housing for all income levels
 - Flexibility in benefits and their application
- **Barriers:** THIS IS HARD STUFF! Our nation has been working on this for decades, yet the crises is only getting bigger
- **How do we Achieve the IDEAL:** Dialogue! Agreement on potential models of personal responsibility vs. public/private catastrophic coverage