

LeadingAge

PATHWAYS

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

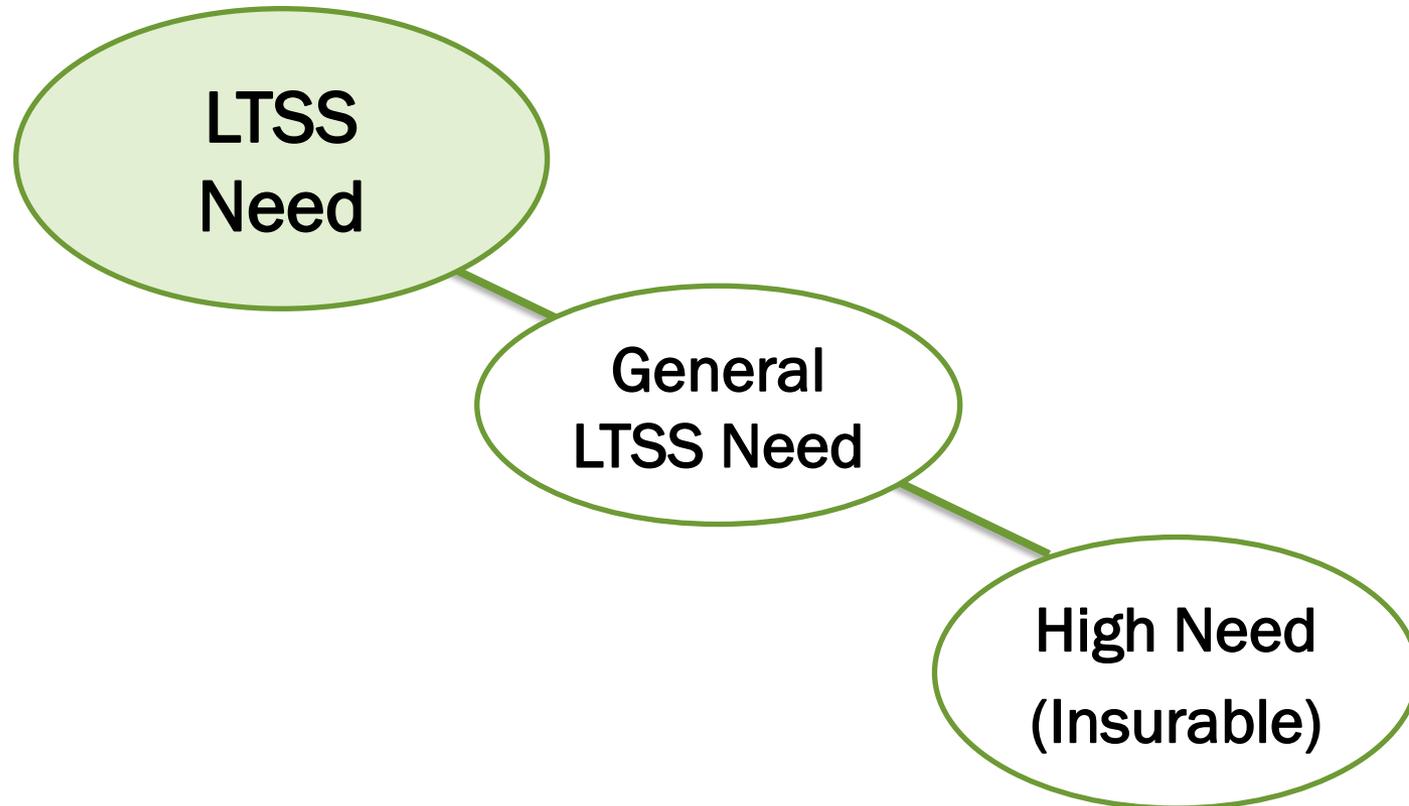
- [ASPE Issue Brief - Long-Term Services and Supports for Older Americans: Risks and Financing \(2015\)](#)
- [Health Affairs - Financing Long-Term Services And Supports: Options Reflect Trade-Offs For Older Americans And Federal Spending \(2015\)](#)

Pathways: State Reform

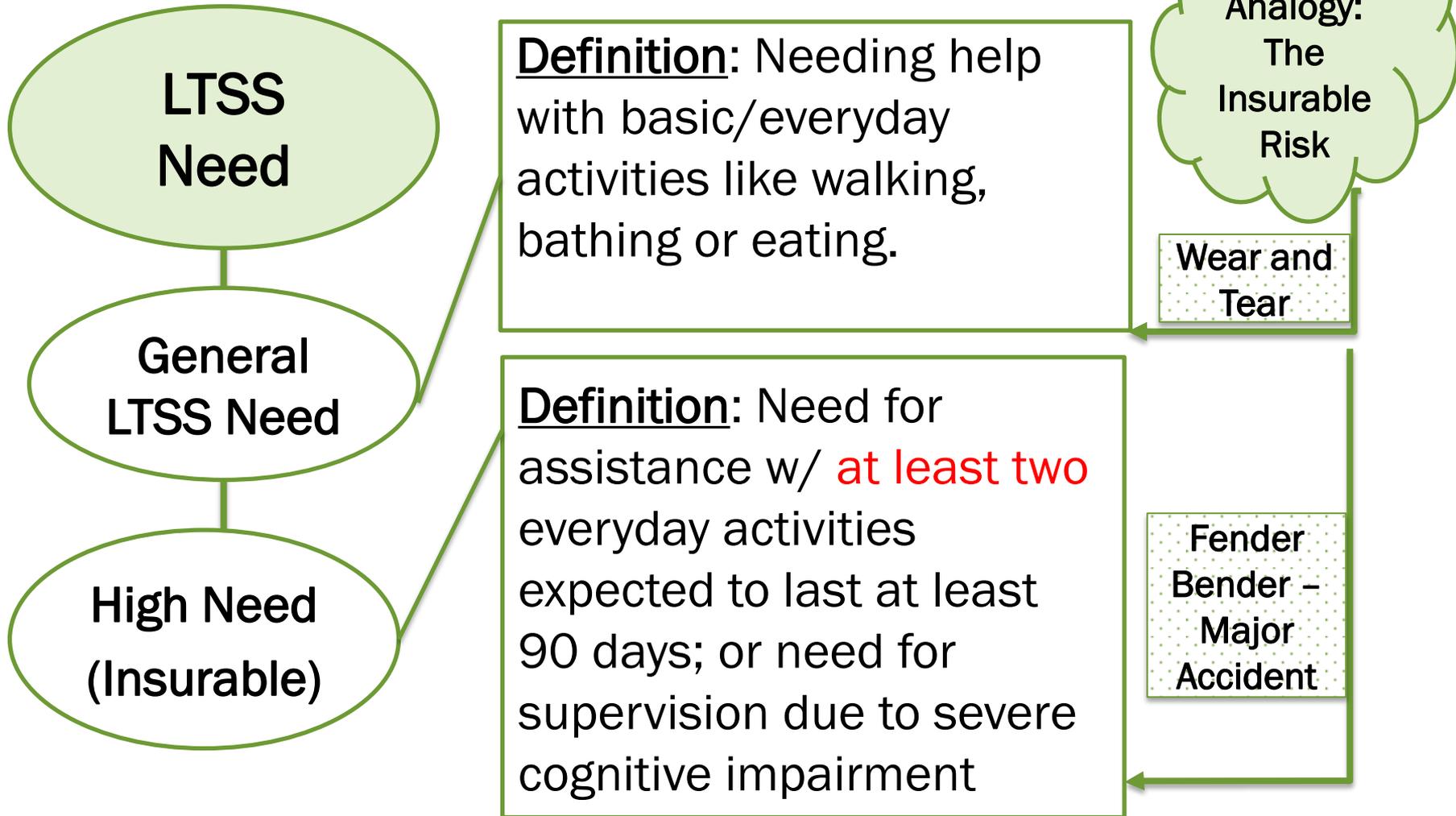
Support State-Level Conversations
Regarding LTSS Reform

Long Term Services and Supports (LTSS) Basics:

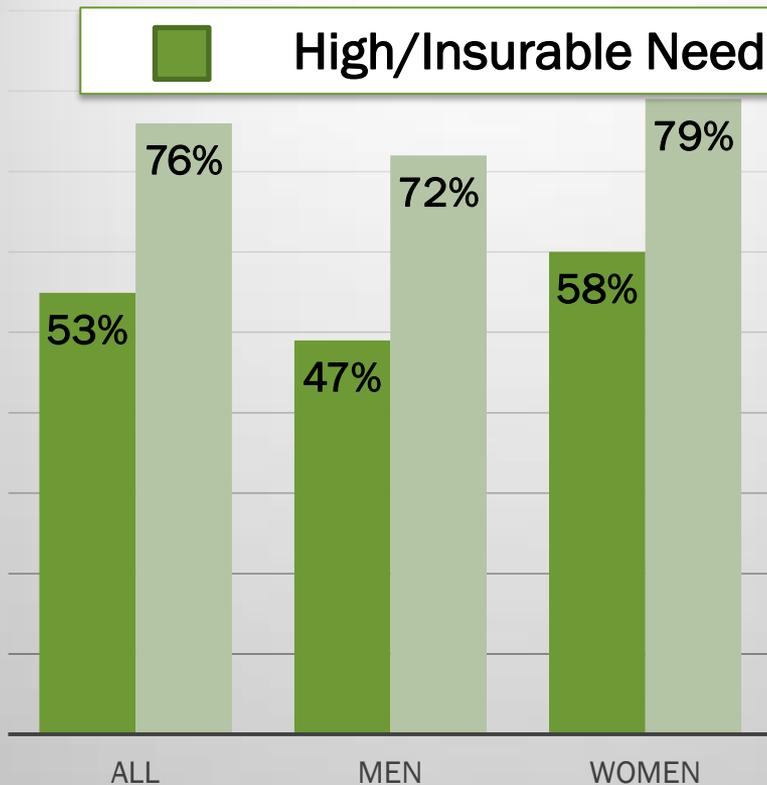
What is “LTSS need”?



What is “LTSS need”?



Who has high need LTSS?

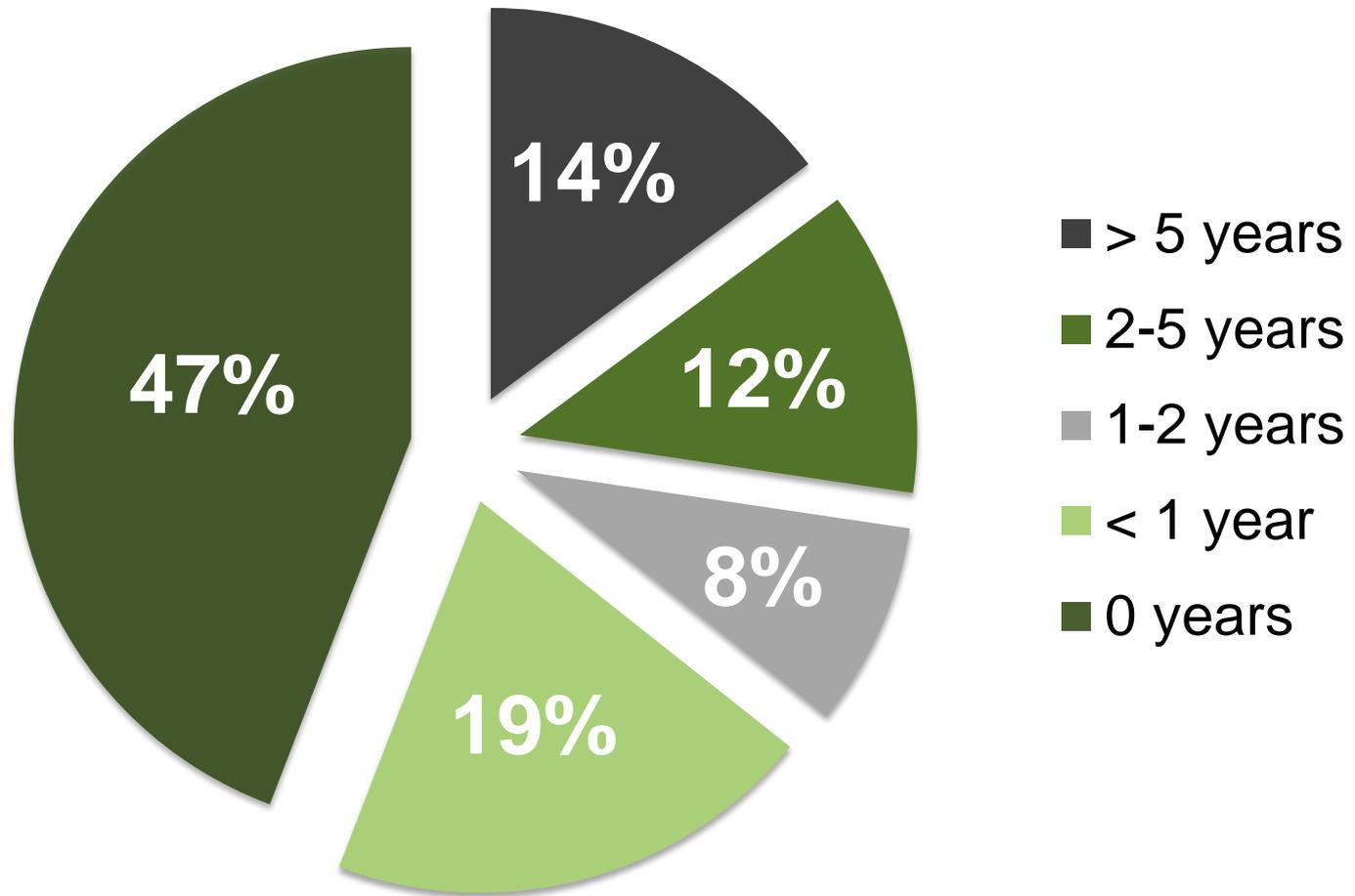


More than 70%
of Americans 65+
will need some form
of LTSS

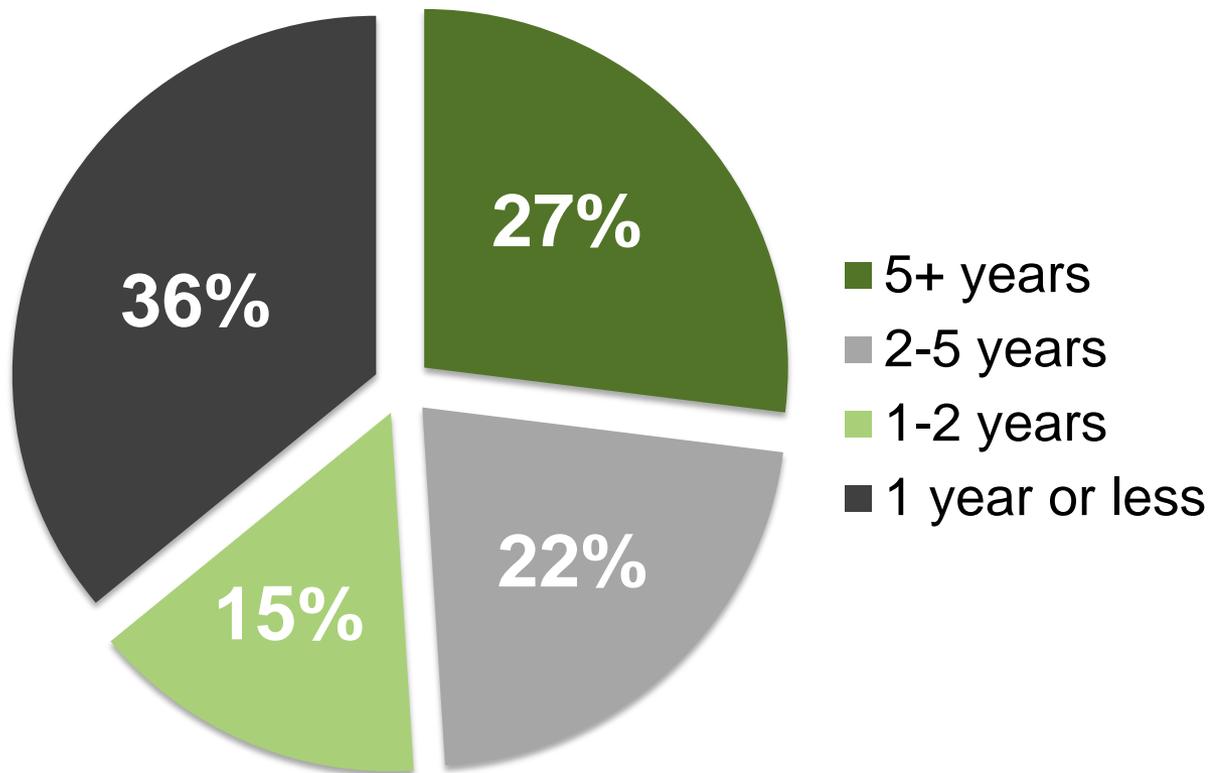
More than half
of 65+ population
will have high need
LTSS

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?



How long does the need last?



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

87%
higher chance
than highest
income quintile



**Bottom
Income
Quintile**

**Unmarried
People**



26%
higher chance
than
married
people

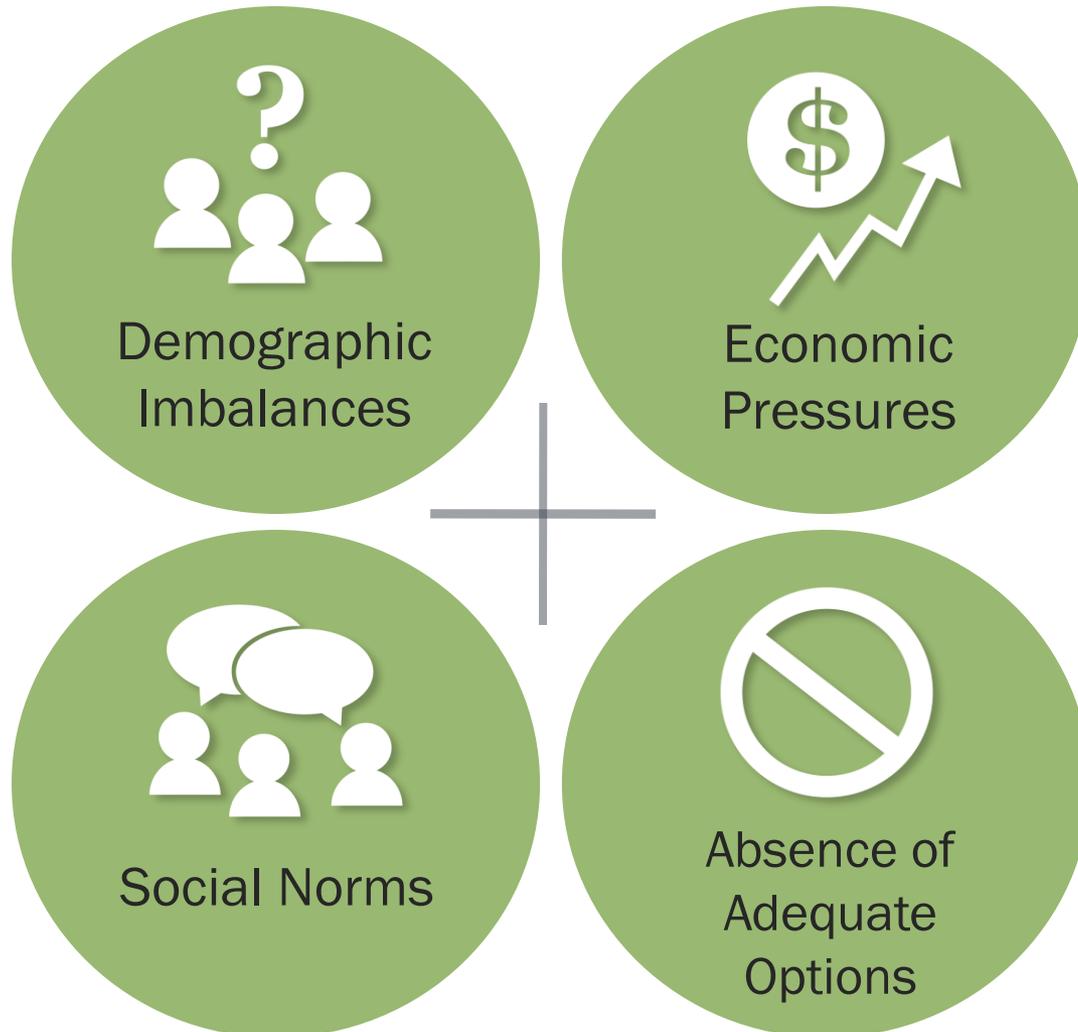
45%
higher
chance than
those with
excellent
health



**Fair or Poor
Health**

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

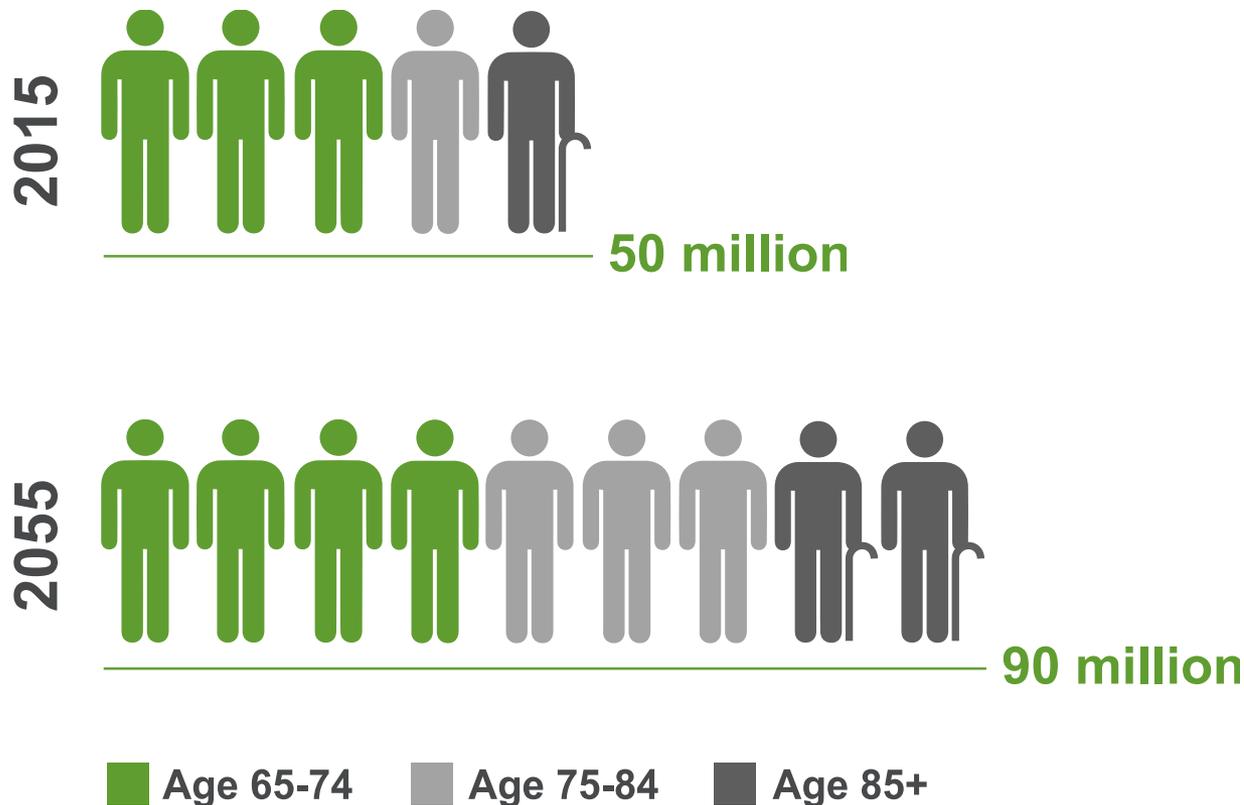
Driving forces





Demographic Imbalances

The aging population will increase future demand for LTSS



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

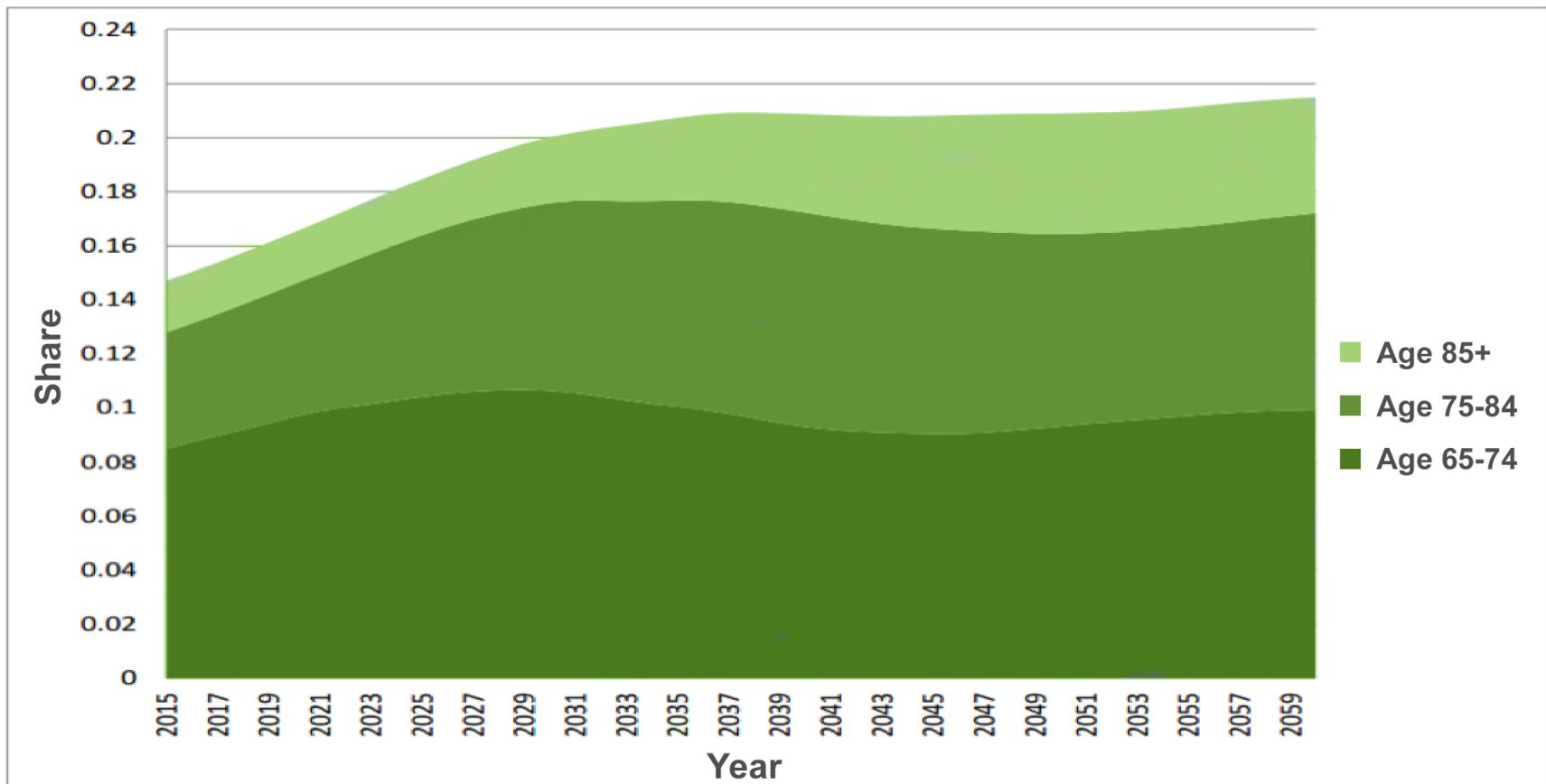
Those age 75+ (heavier users of LTSS) will represent close to half of that number

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

Over 65 population growth

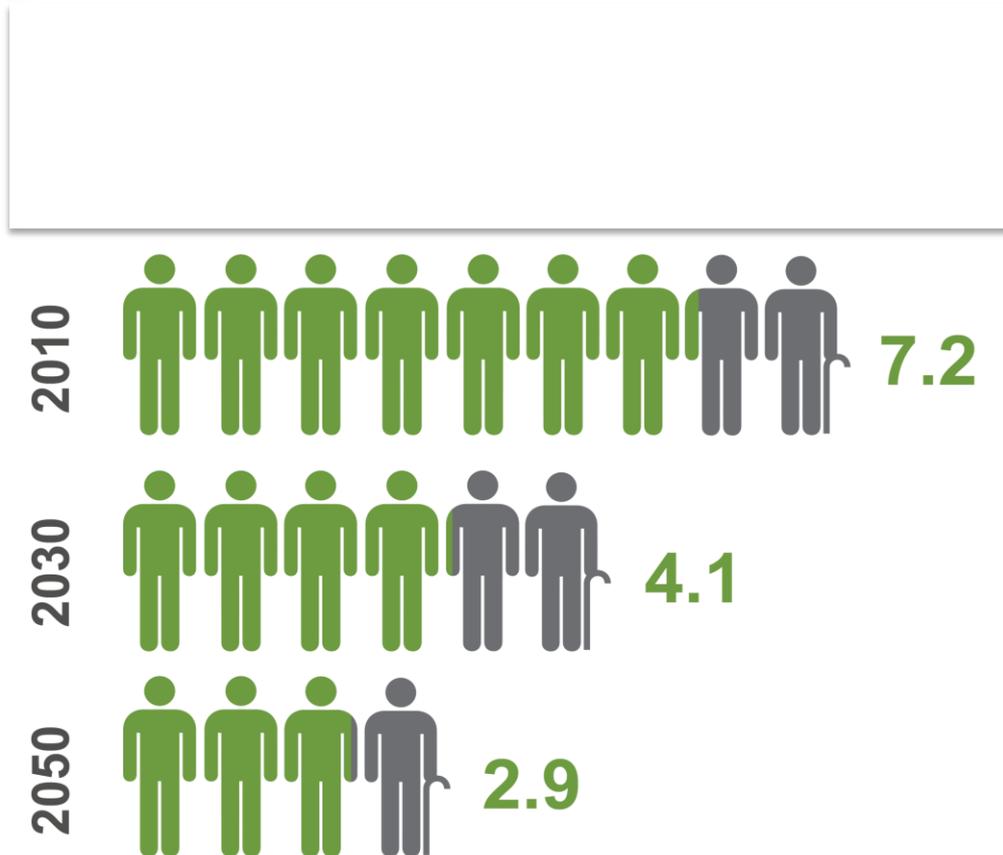
By approximately 2030, over 20% of the US population will be over 65



Ohio population aging resembles national rate

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

The national caregiver dilemma



1/2
as many
caregivers
will be
available in
2050

Ratio of Potential Caregivers to Those Needing Care¹

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 care¹

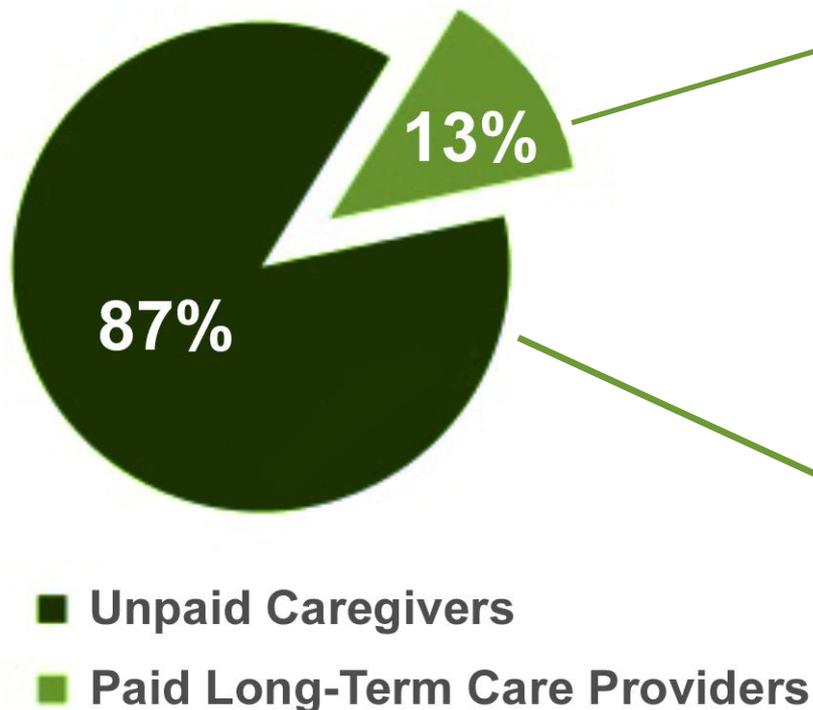
	1990	2010	2030	2050
US Total	6.6	7.2	4.1	2.9
Ohio	6.8	6.7	4.0	3.3

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



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

Unpaid Family Caregiving:

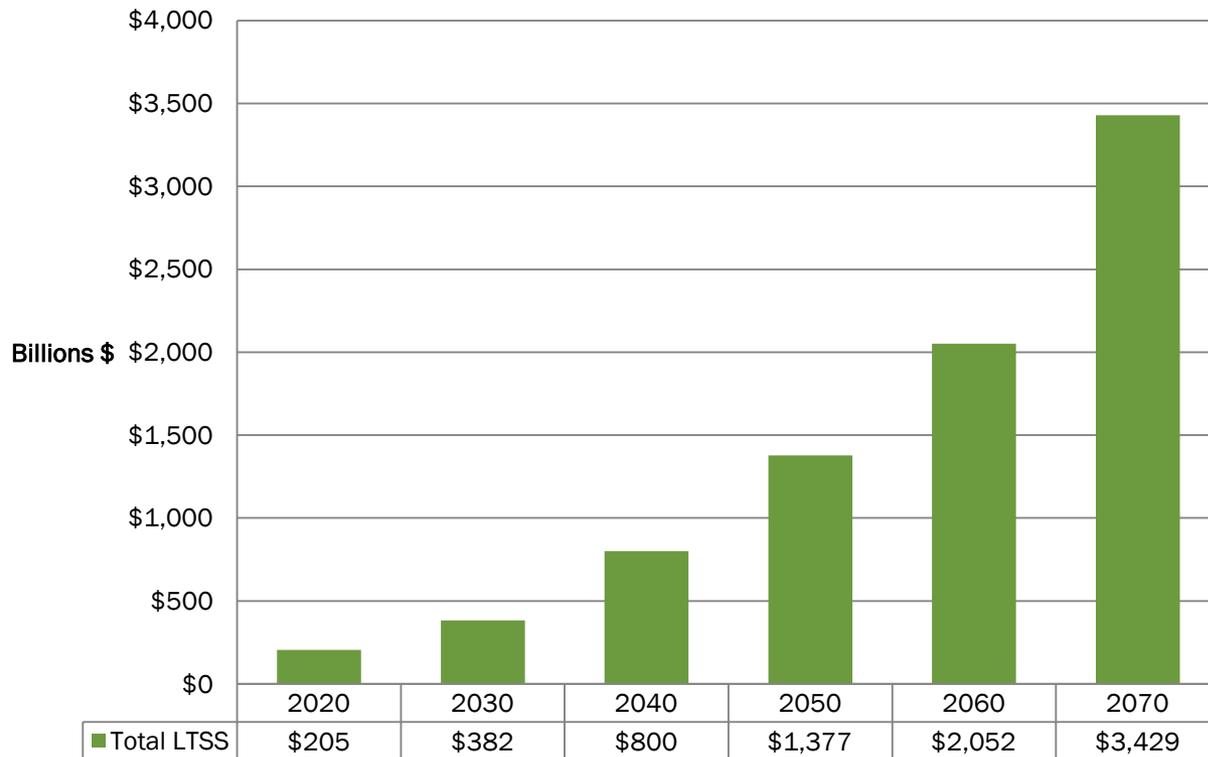
- \$470 billion annually
- 40 million family caregivers
- 37 billion hours of care
- Averaging 20-22 hours per week



Economic Pressures

LTSS is expensive

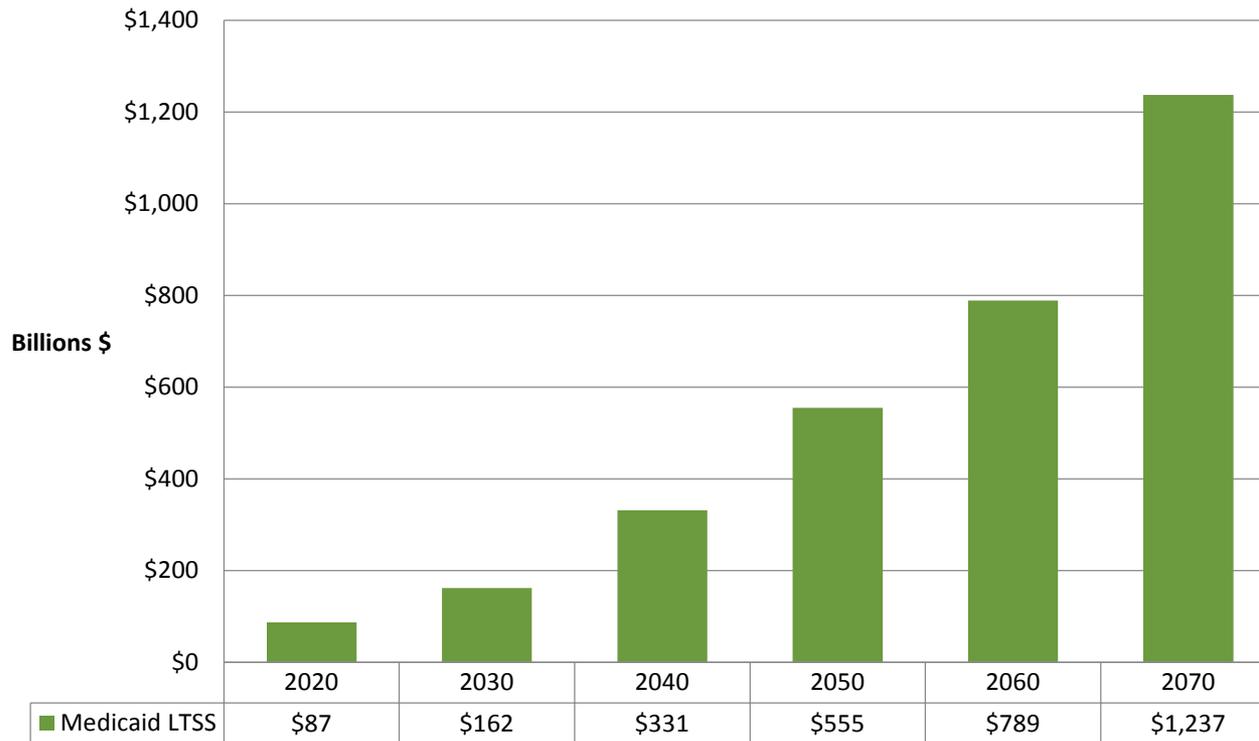
Total Baseline High Need LTSS Expenditures by Year



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.

Medicaid Impact

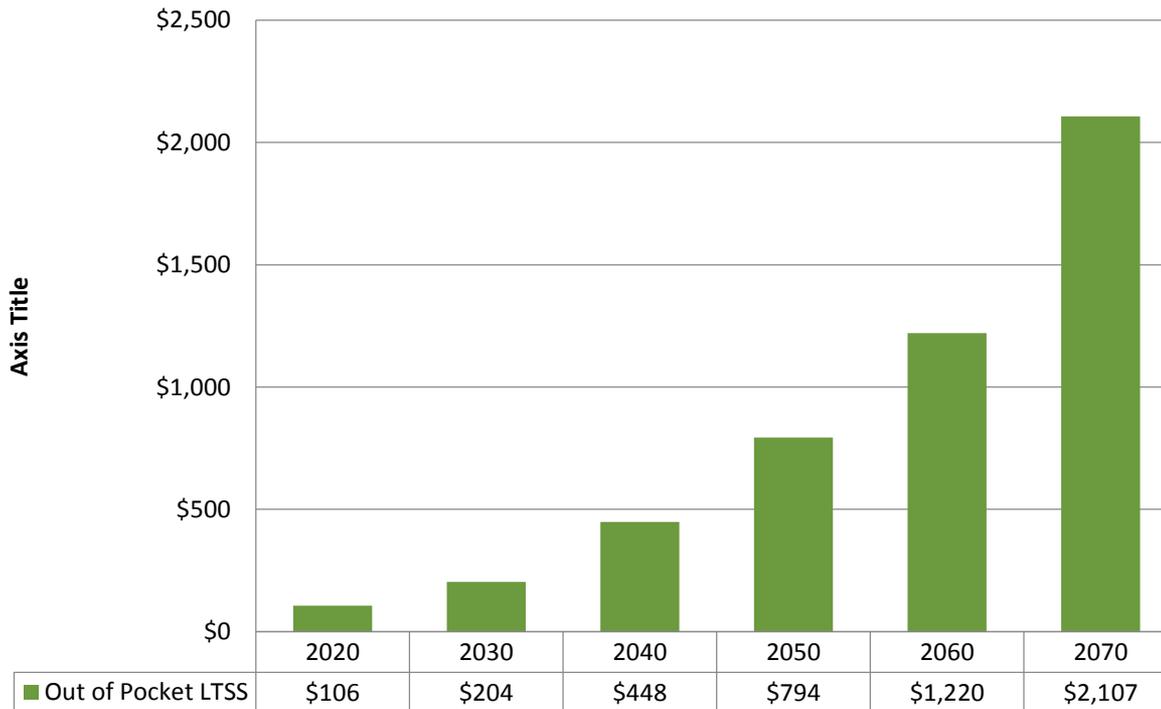
Baseline Medicaid High Need LTSS Expenditures by Year



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

Family Out of Pocket Impact

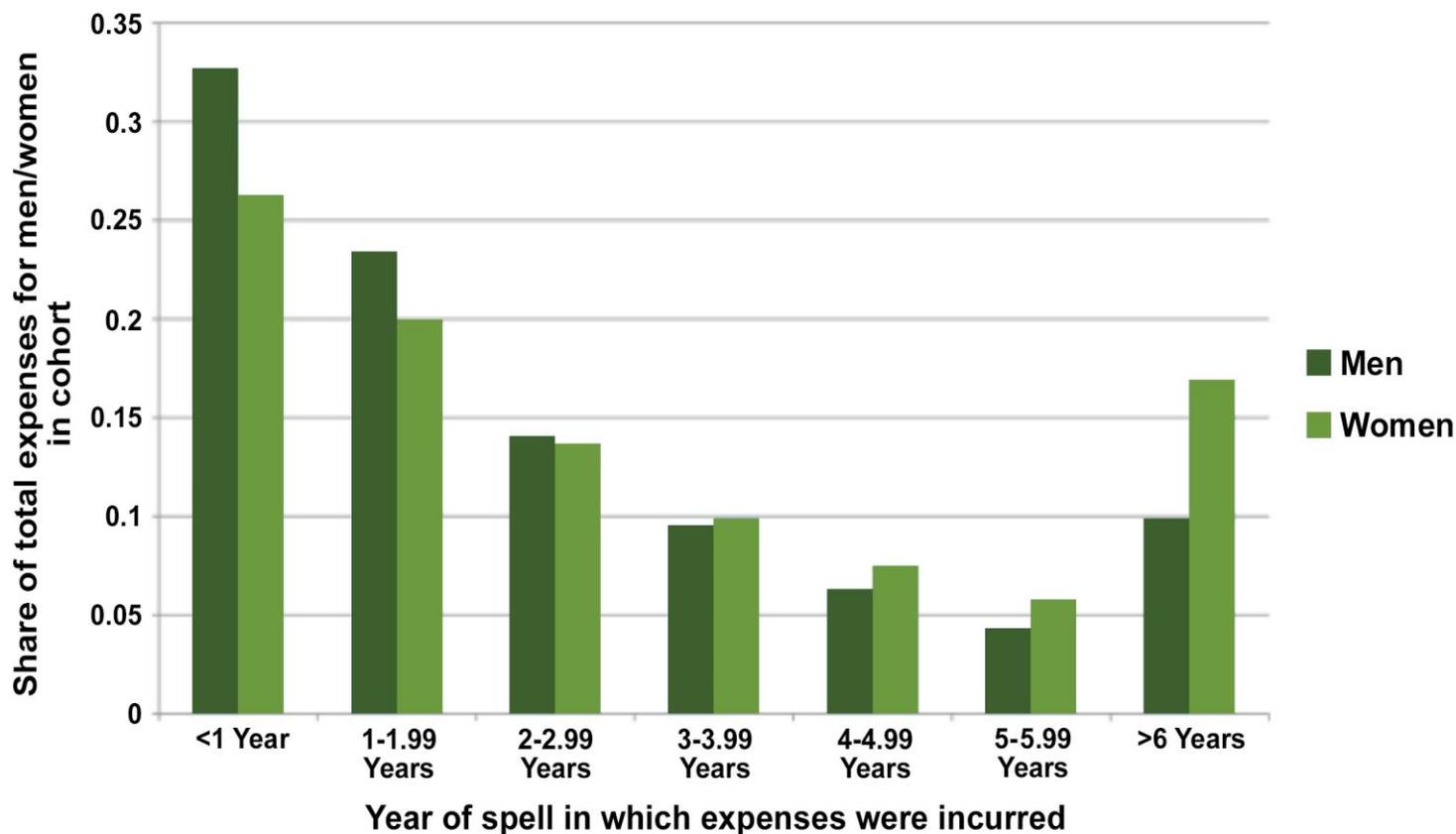
Baseline Out of Pocket LTSS Expenditures by Year



Family out of pocket expenses on LTSS costs will rise to exceed \$1 Trillion dollars by 2060 and \$2 Trillion dollars by 2070

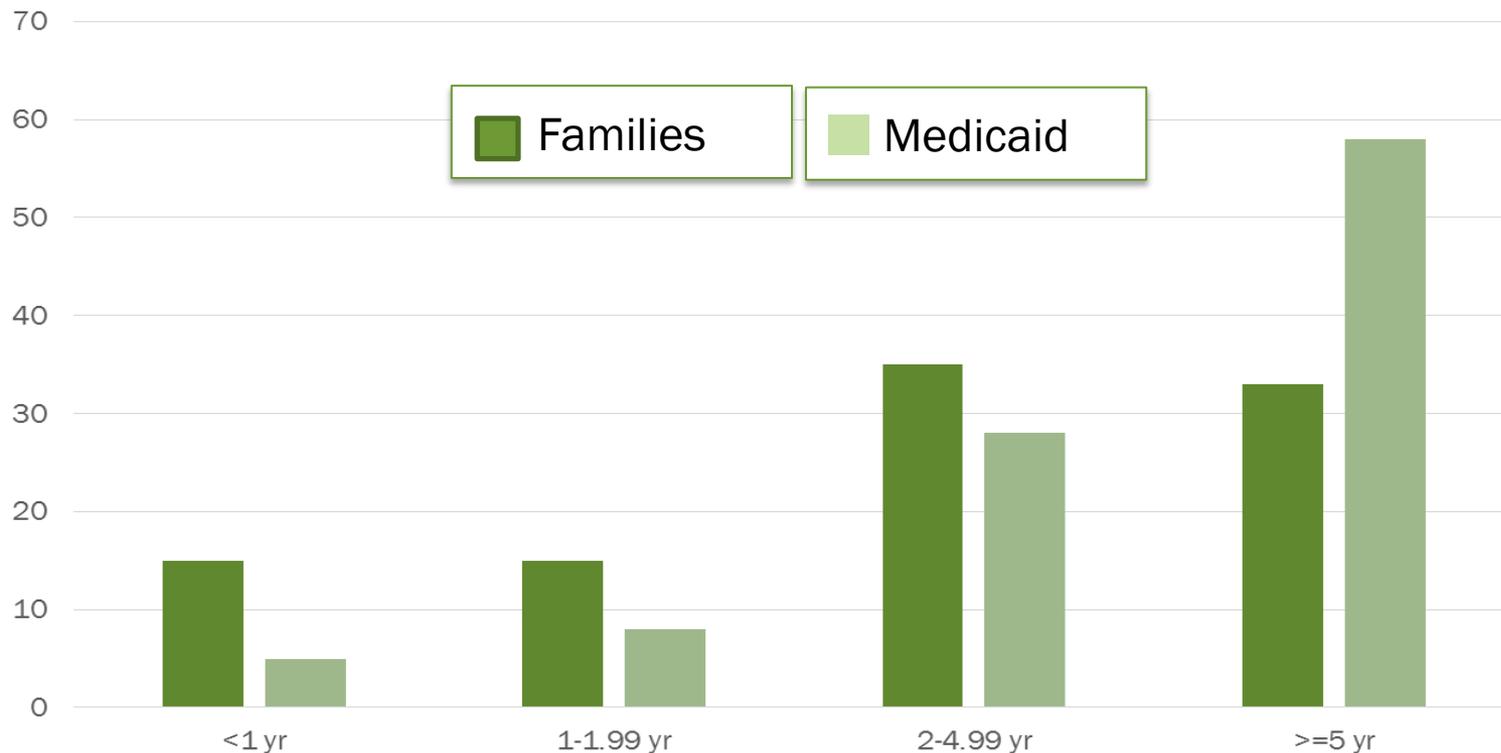
Most LTSS expenses occur in the first two years of need

Share of Lifetime LTSS Expenditures at Age 65 in 2015-2019,
By Point in Spell in Which They Were Incurred

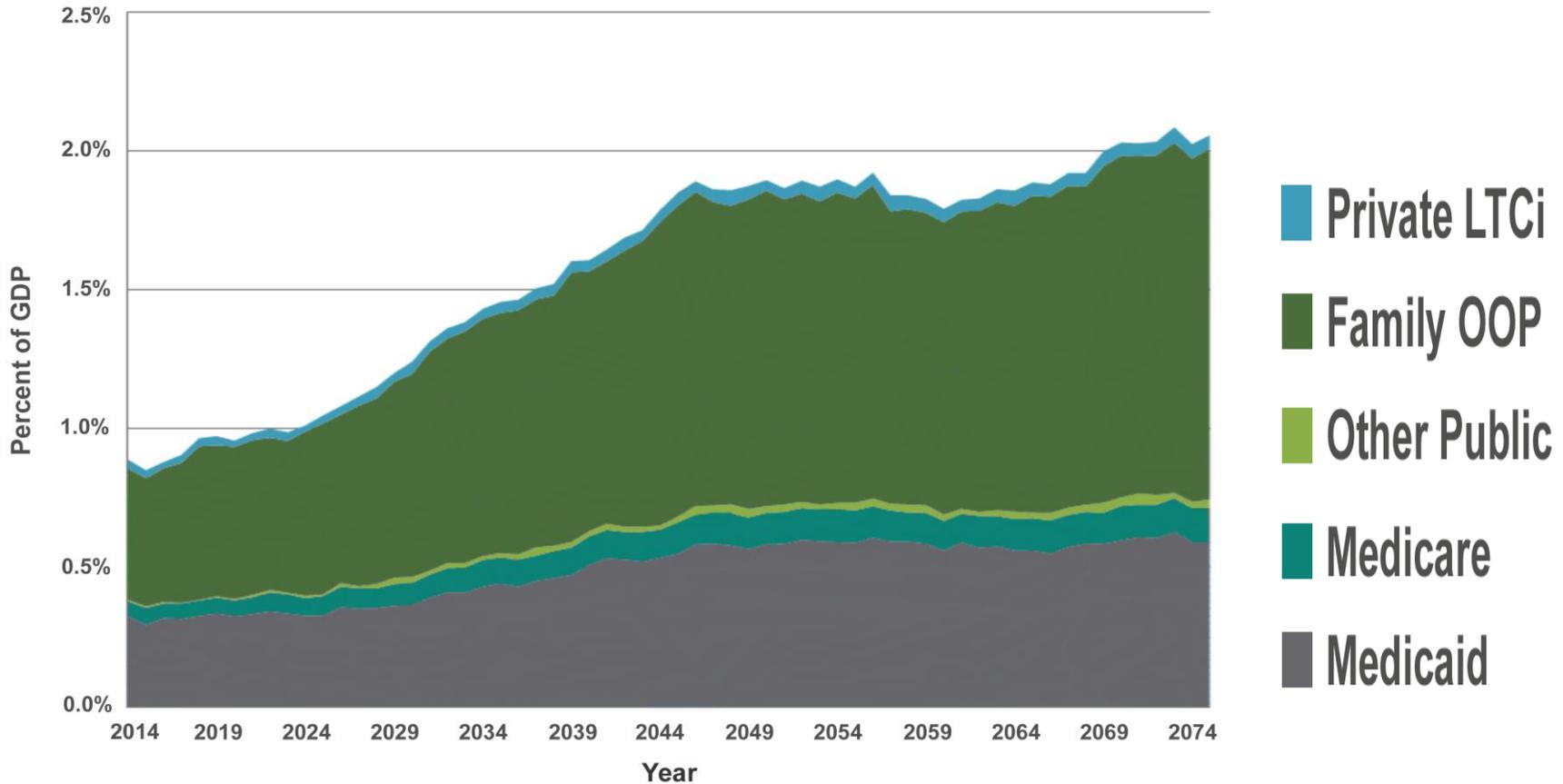


Interplay between payers

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

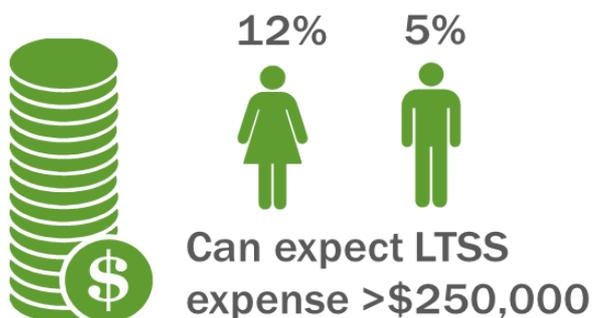
The financial burden of LTSS falls on two principal sources

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

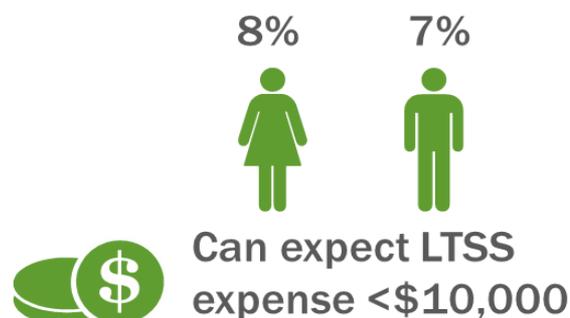
Over one third of the costs are borne by the **Medicaid program. Medicaid has become the default public LTSS payer for long duration LTSS need**



Average LTSS expenditures at an individual level



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

2012

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

23.8%

2011

23.7%

2012

24.4%

2013

25.8% (est.)

2014

National Average % of State Spending;

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

Year	Total Medicaid	Federal Spending	State Spending	Federal % of Total
2012	\$8,653	\$4,422	\$4,231	51%
2013	\$8,046	\$4,032	\$4,014	50%
2014 (est.)	\$9,471	\$4,962	\$4,509	52%

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

- 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

28.9%

2012

29.2%

2013

35.8%*

2014

Average % of State Spending- 2014 estimate

LTSS is also key to Ohio's Medicaid increases

- At \$6.3 billion, LTSS represented approximately 38% of Ohio's Medicaid spending in 2012 ¹.
- Ohio LTSS spending is projected to increase to more than \$11 billion by 2022 ².
- In Ohio more than 4 in 10 LTSS dollars are spent on HCBS³.
- 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

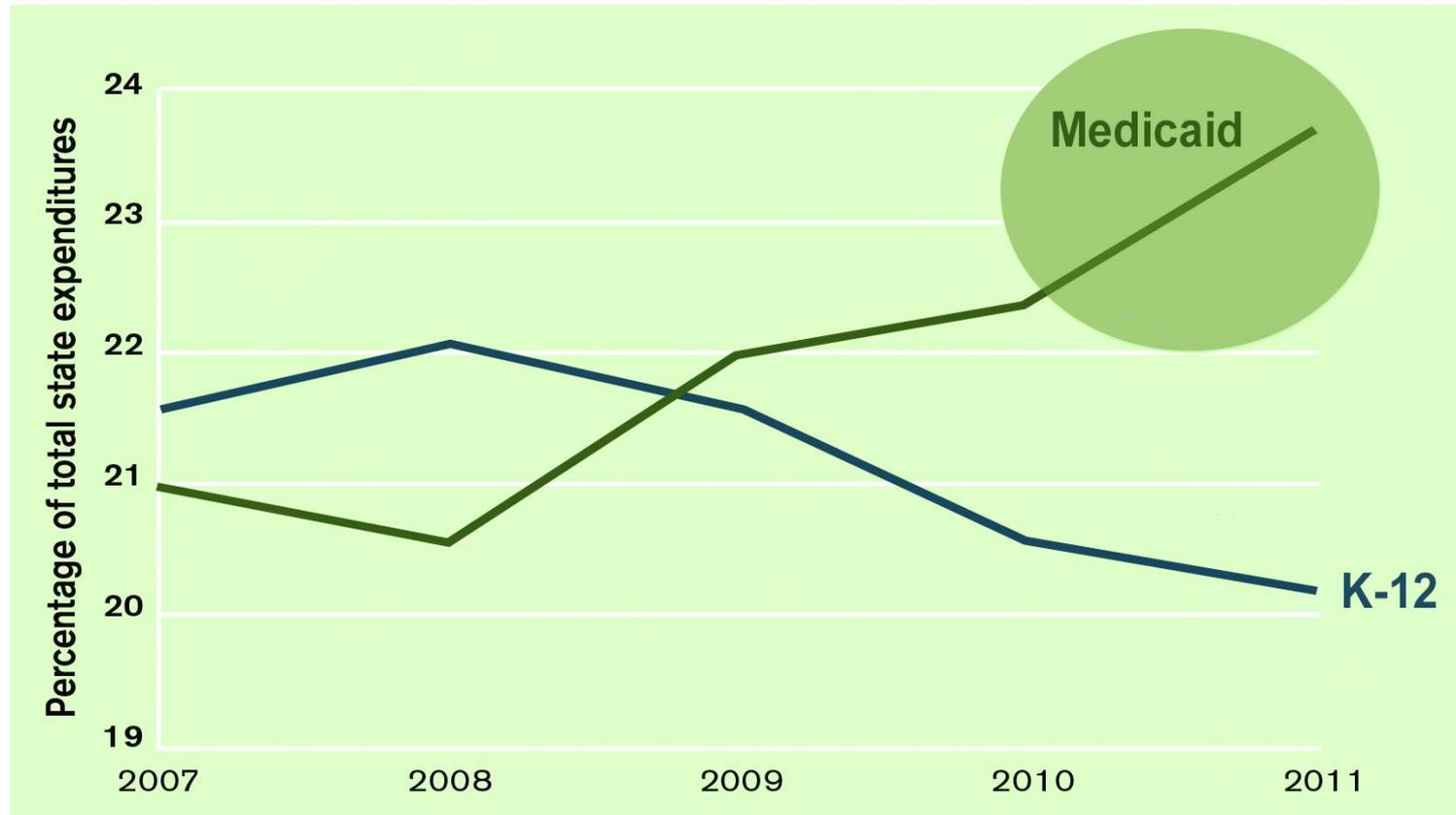
²Financial Outlook for Medicaid 2013- CMS Actuary; O'Leary Marketing Associates LLC

³Medicaid expenditures for LTSS 2012-CMS and Truven Analytic

LTSS =
More than 38%
of federal
Medicaid
expenses in
2012¹

Medicaid has
become the
default LTSS
funding source
in Ohio

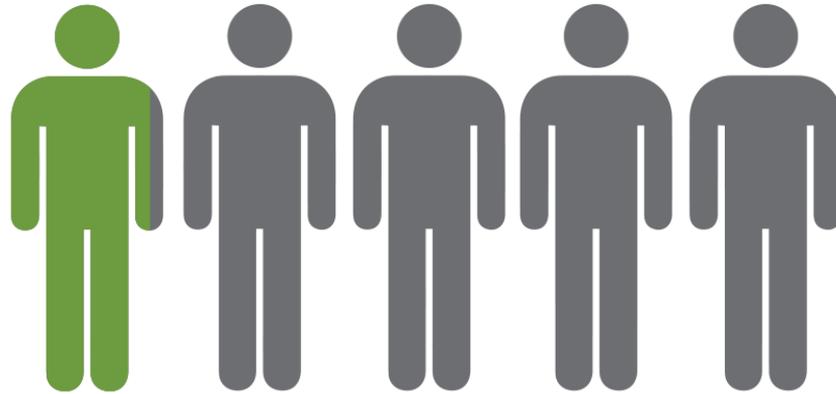
Medicaid is beginning to crowd out other expenditures in state budgets



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

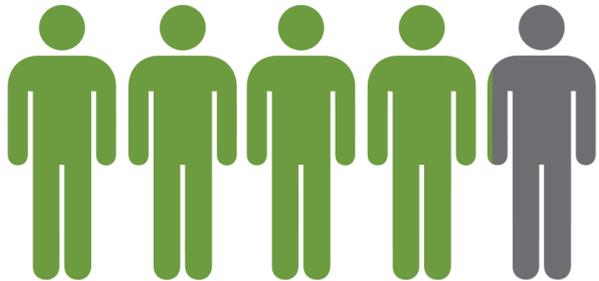


Less than 1 in 5 Boomers have taken any action to prepare for LTSS care.

More Boomers prepare for death than life



17%
Have prepared
for care during life

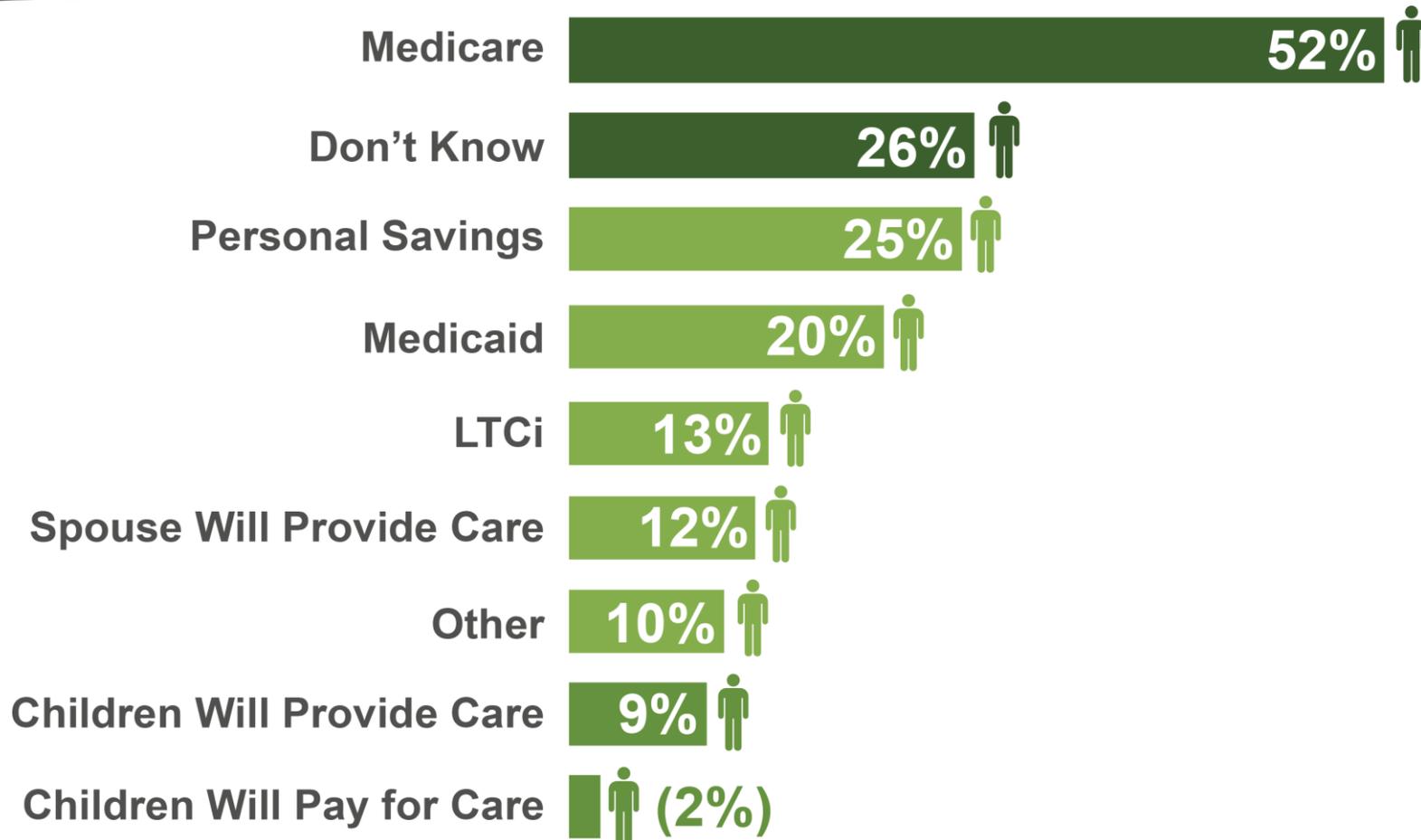


81%
Have prepared
for death

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

Action Taken to Prepare for Life vs. Death

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



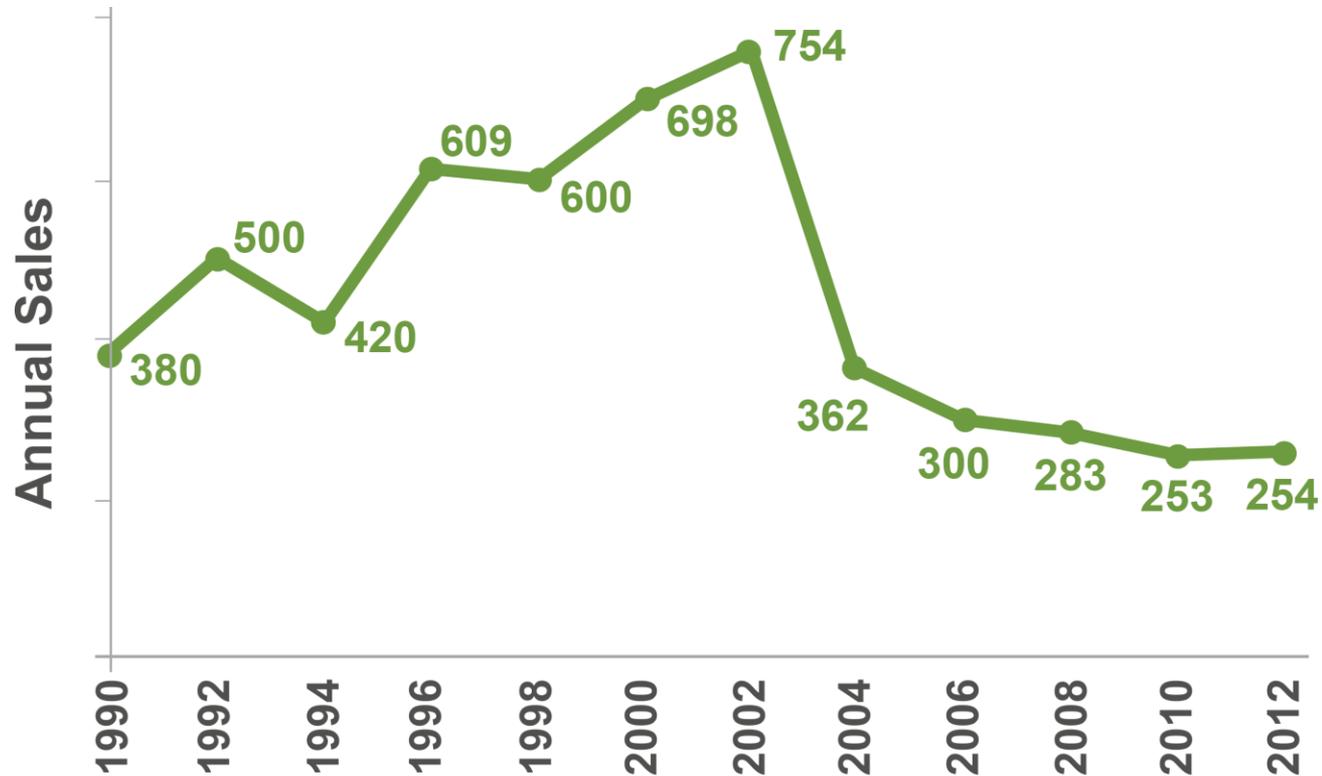
Life,
health,
savings
and other
planning





Absence of Adequate Options to Address LTSS Needs

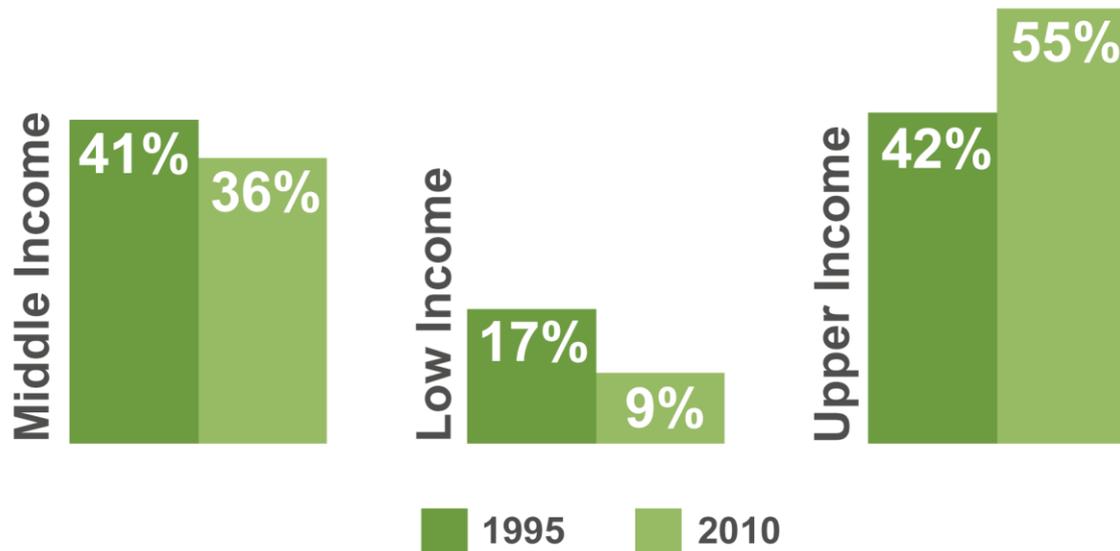
Sales of LTC insurance are declining



Annual Sales of Individual LTC Insurance Decline Since 2002

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



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



Families

LTSS Financing
Balanced Package



Medicaid

Outline possible options



Status Quo



Personal Responsibility



Private Market



Front-End (Public or Private)



Catastrophic (Public or Private)



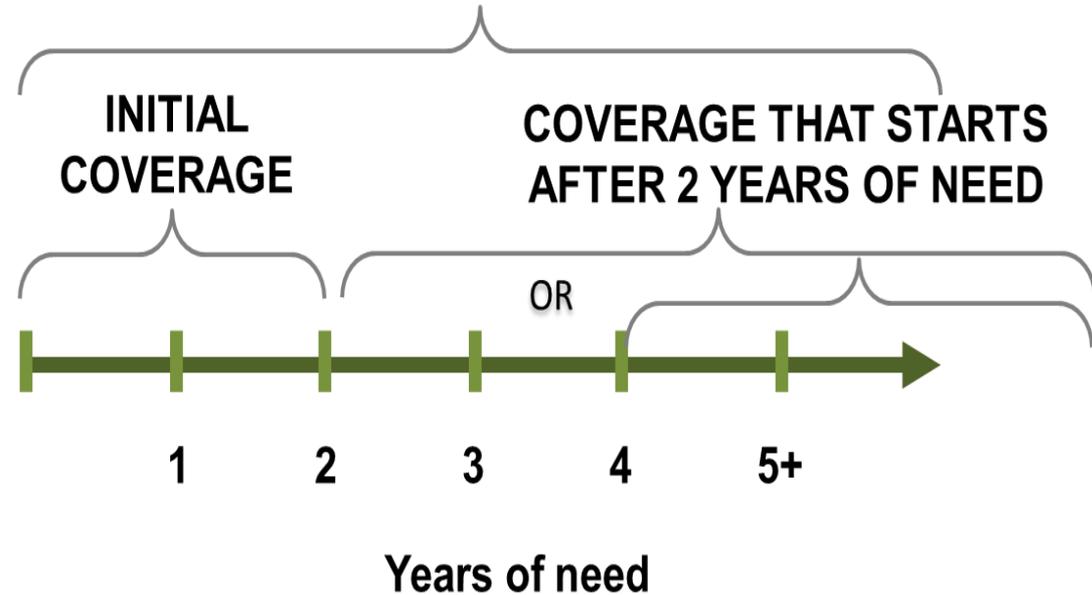
Comprehensive (Public or Private)

Get smarter together about options

Funded economic modeling on 3 new options



FULL DURATION COVERAGE



- 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

In addition to weighing in on LTSS Federal Reform Pathways:

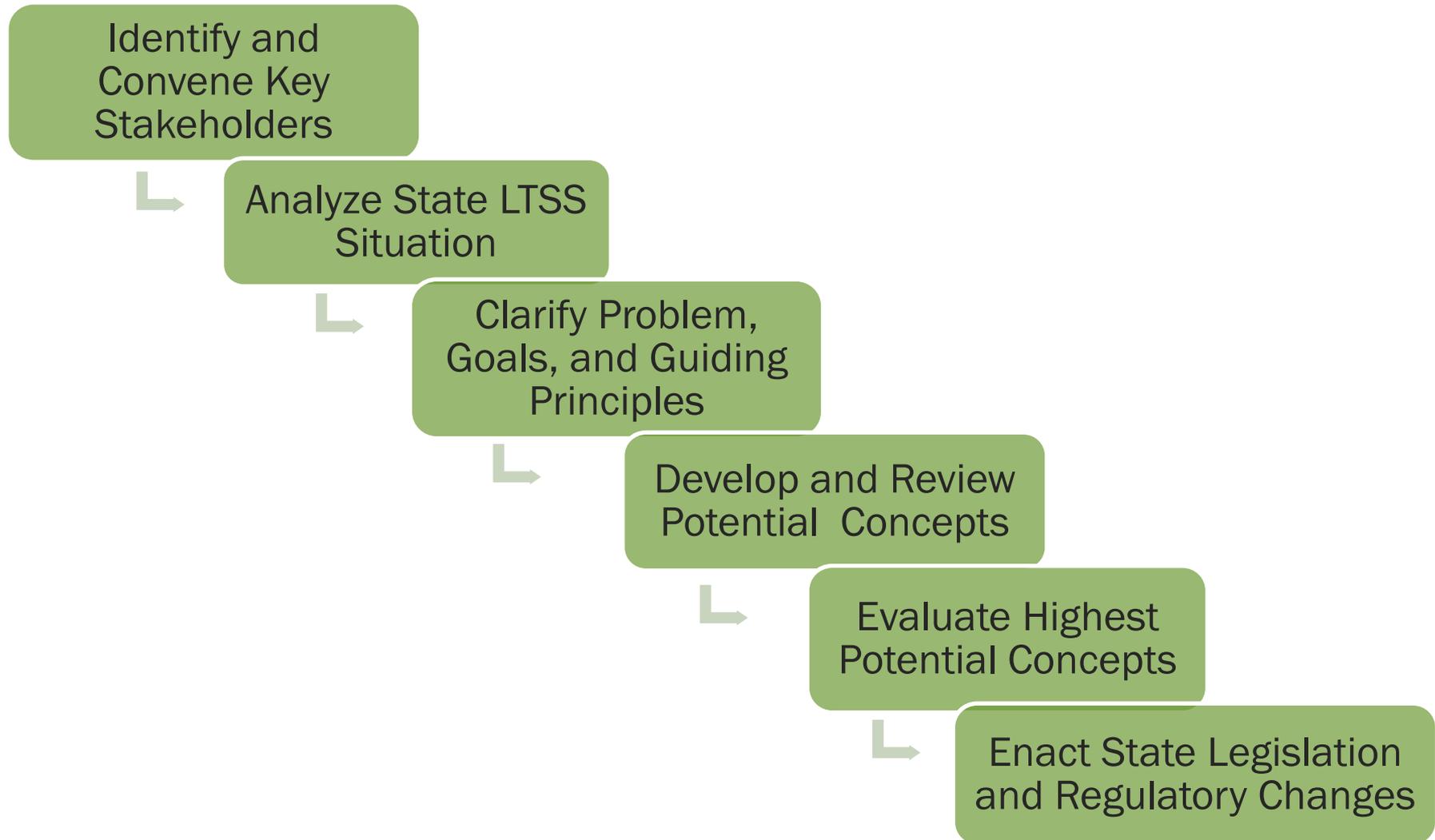
1

Build capacity in states to engage in LTSS reform discussion

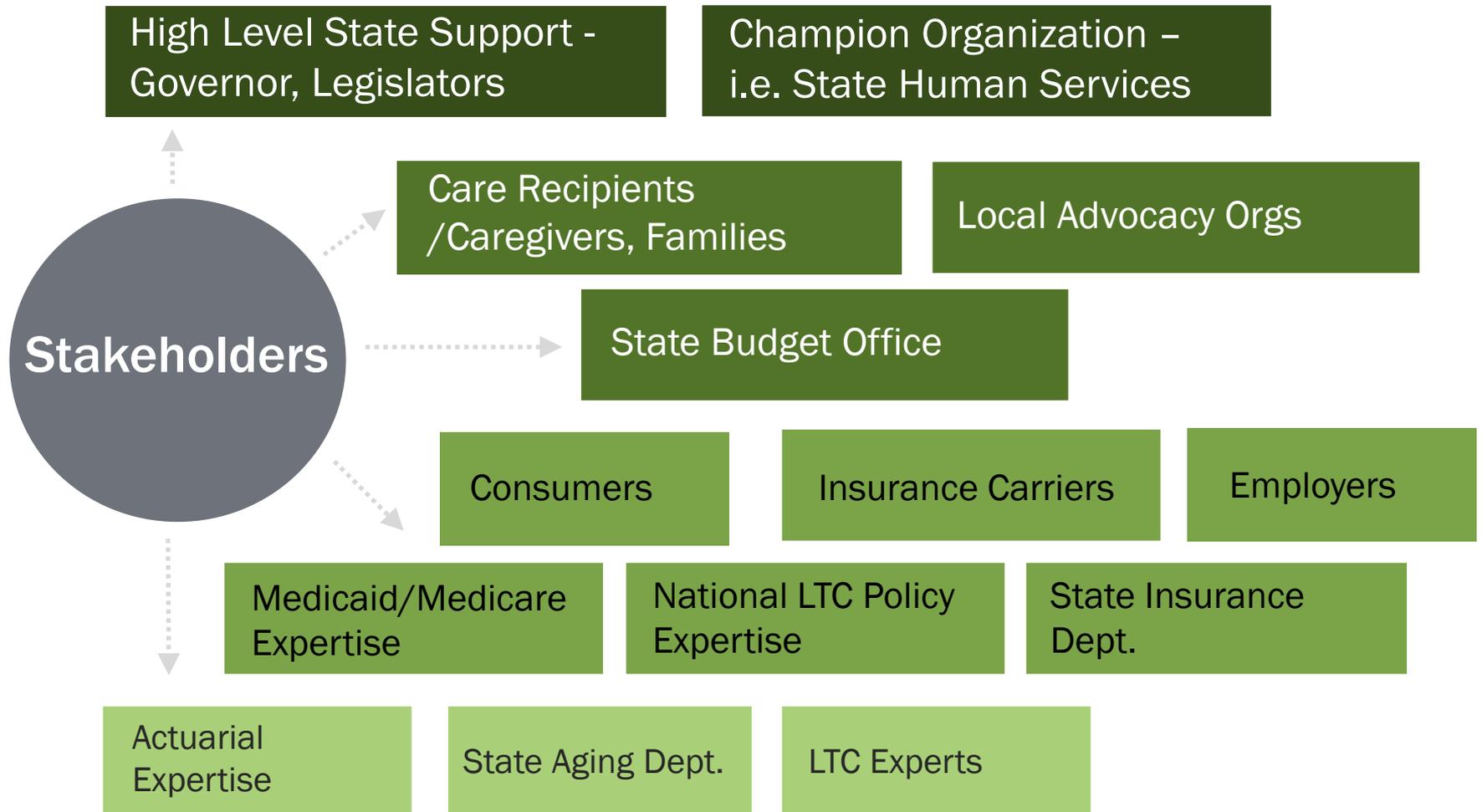
2

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

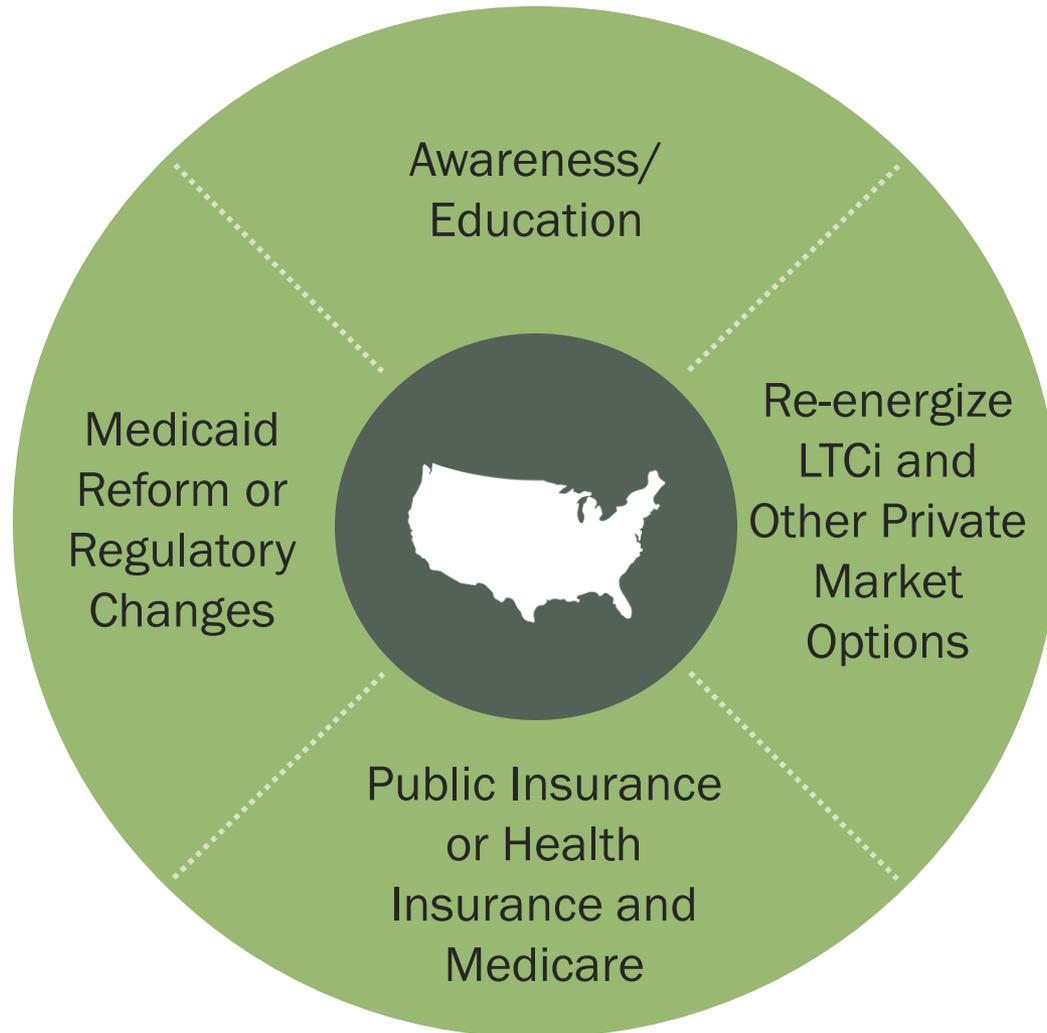
Process map for developing a state approach to LTSS financing



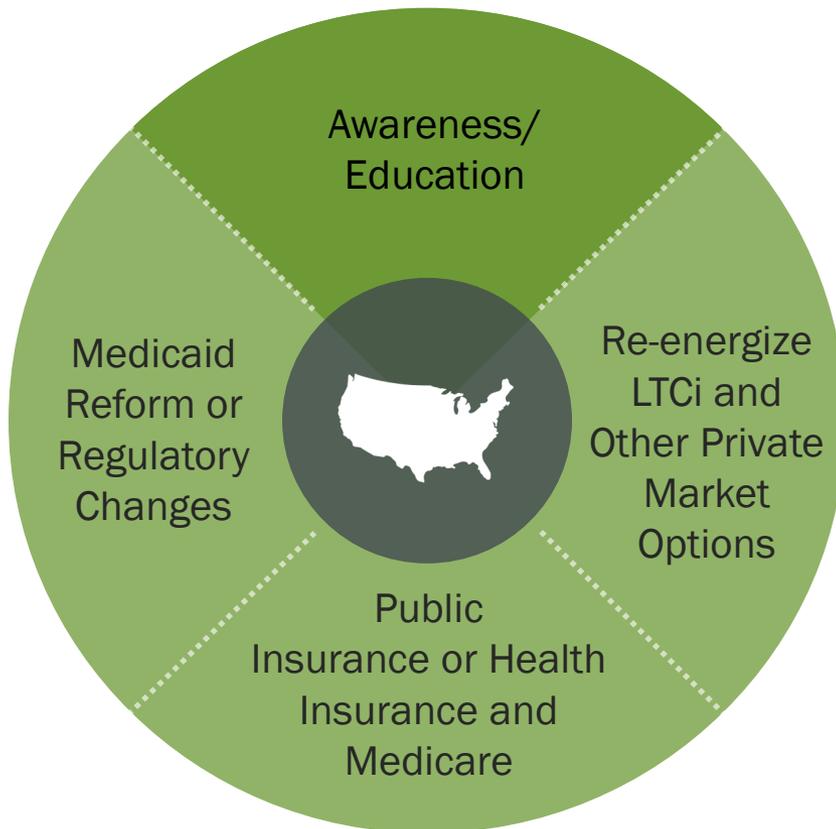
Potential stakeholder involvement



Potential state actions



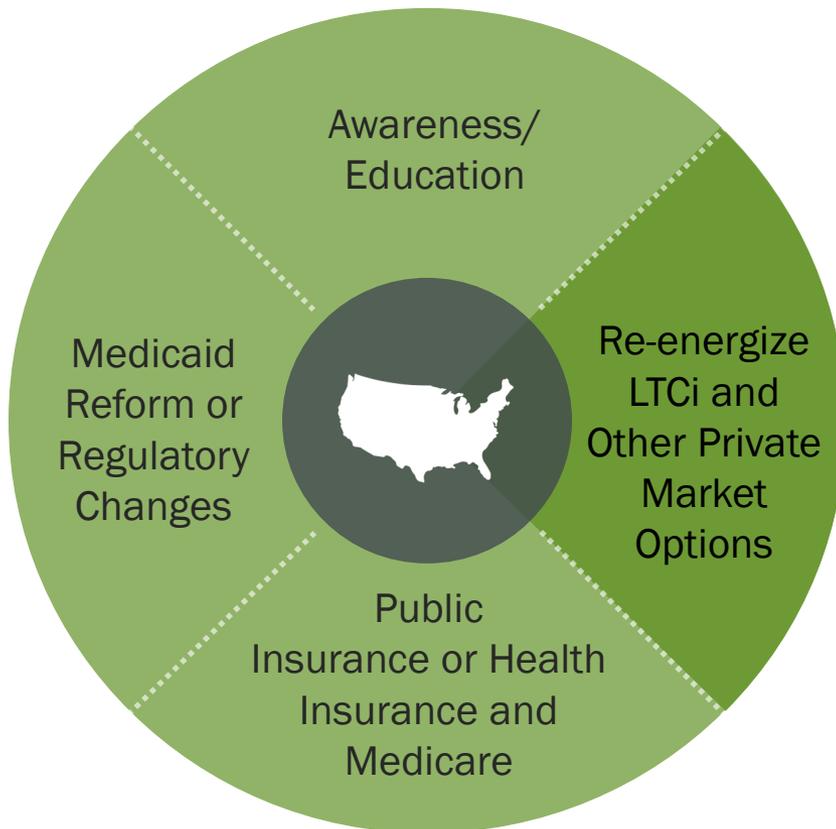
Potential state actions



Awareness/Education

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

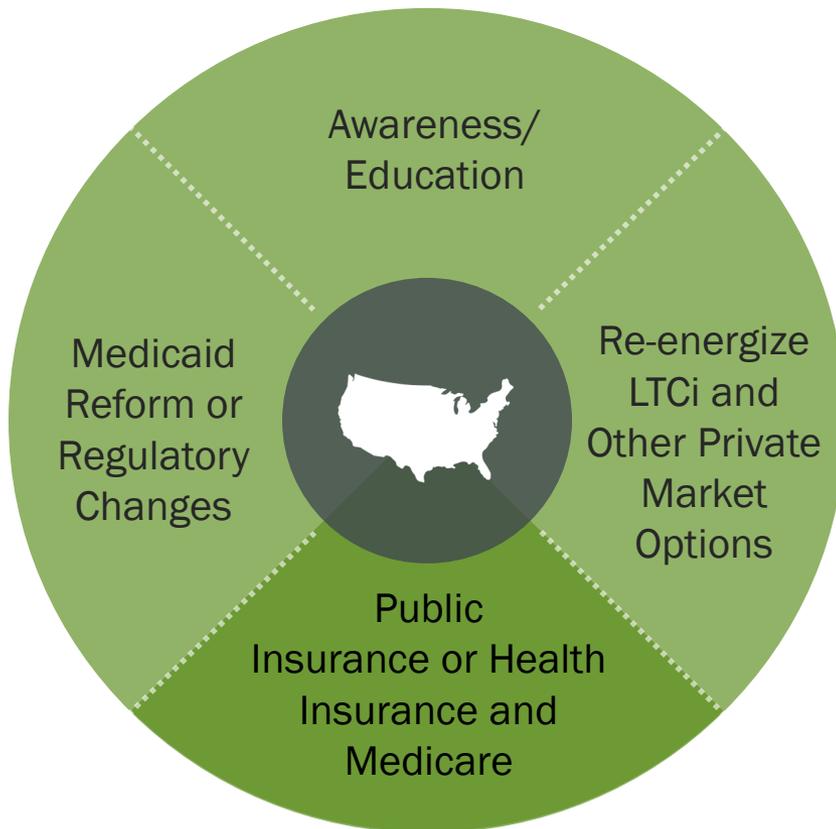
Potential state actions



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

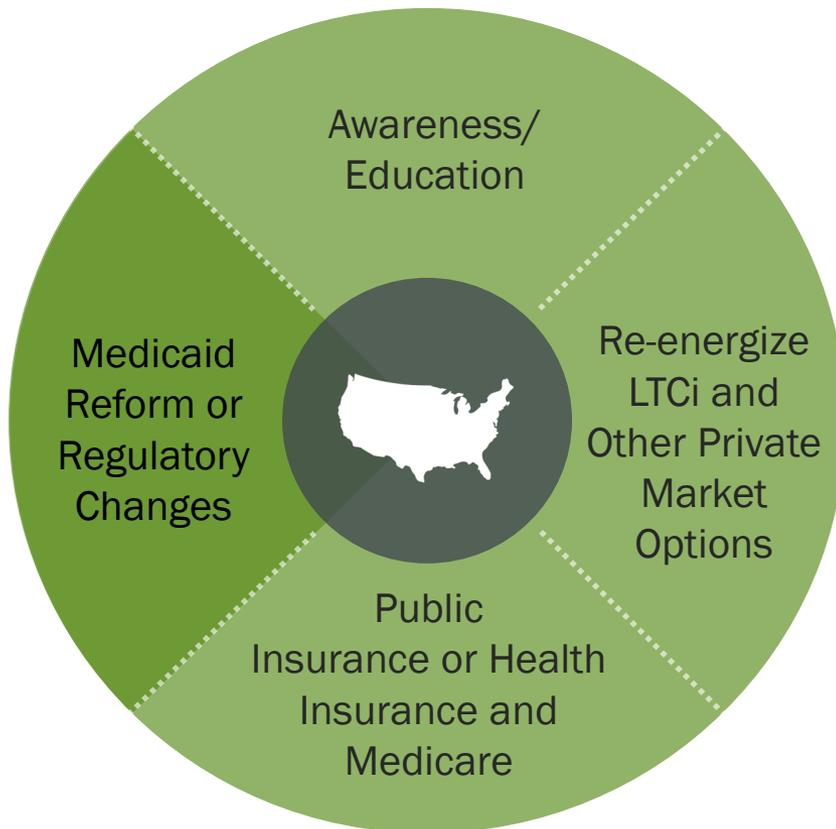
Potential state actions



Public Insurance or Health Insurance and Medicare

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

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

State action discussion framework

2 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

LeadingAge

PATHWAYS

For additional information contact: Aaron Tripp,
atripp@leadingage.org

Or Olivia Mastry, olivia@collectiveactionlab.com