

US Health Care: The Future

Week Four:

Long-Term Care: What Makes It So Different and Difficult

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For
Osher Lifelong Learning Institute
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Overview

- What is it and how it is provided?
- How is it currently financed?
 - Medicaid
 - Private LTC Insurance
- ACA and the Community Living Assistance Services and Supports Act (CLASS)
- Challenge besides Financing

What's Different

- Importance of preferences
- Very little insurance
- Underuse
- Requires more than money

Long-Term Care

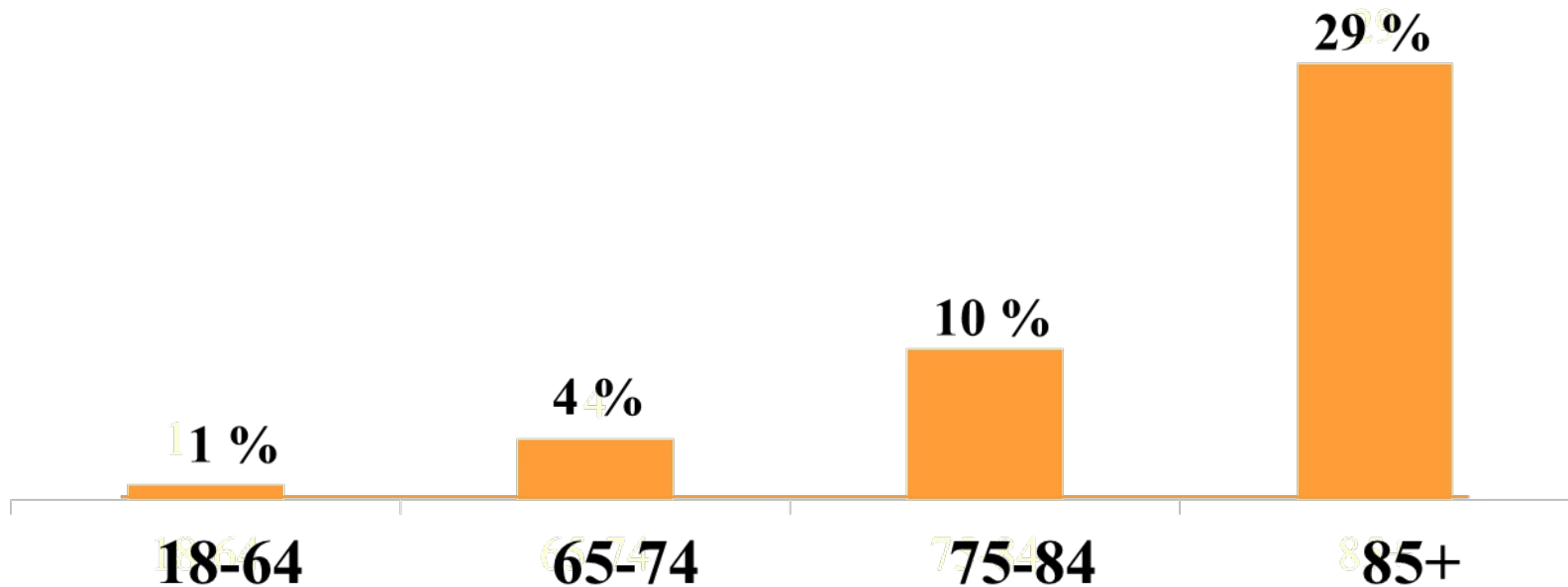
Assistance with everyday activities that one is unable to perform due to the presence of a disability or impairment

- Activities of Daily Living (ADL)
 - Bathing
 - Dressing
 - Mobility
 - Transferring
 - Toileting
 - Eating
 - Instrumental Activities of Daily Living (IADL)
 - Going Places
 - Shopping
 - Cooking
 - Housework
 - Managing Money
- Supervision

What causes functional limitations?

- Developmental disabilities
- Trauma
- Chronic diseases or conditions
- Aging

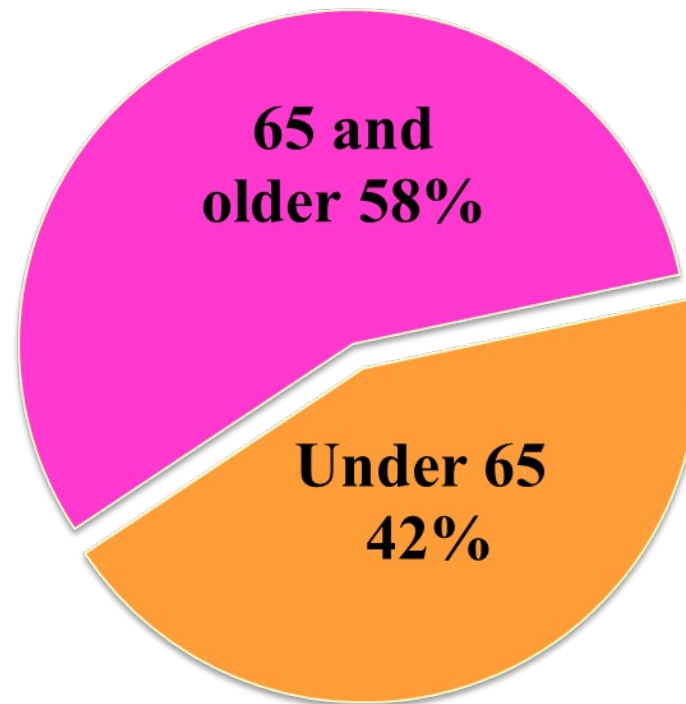
Percent of the adult population that needs LTC rises with age



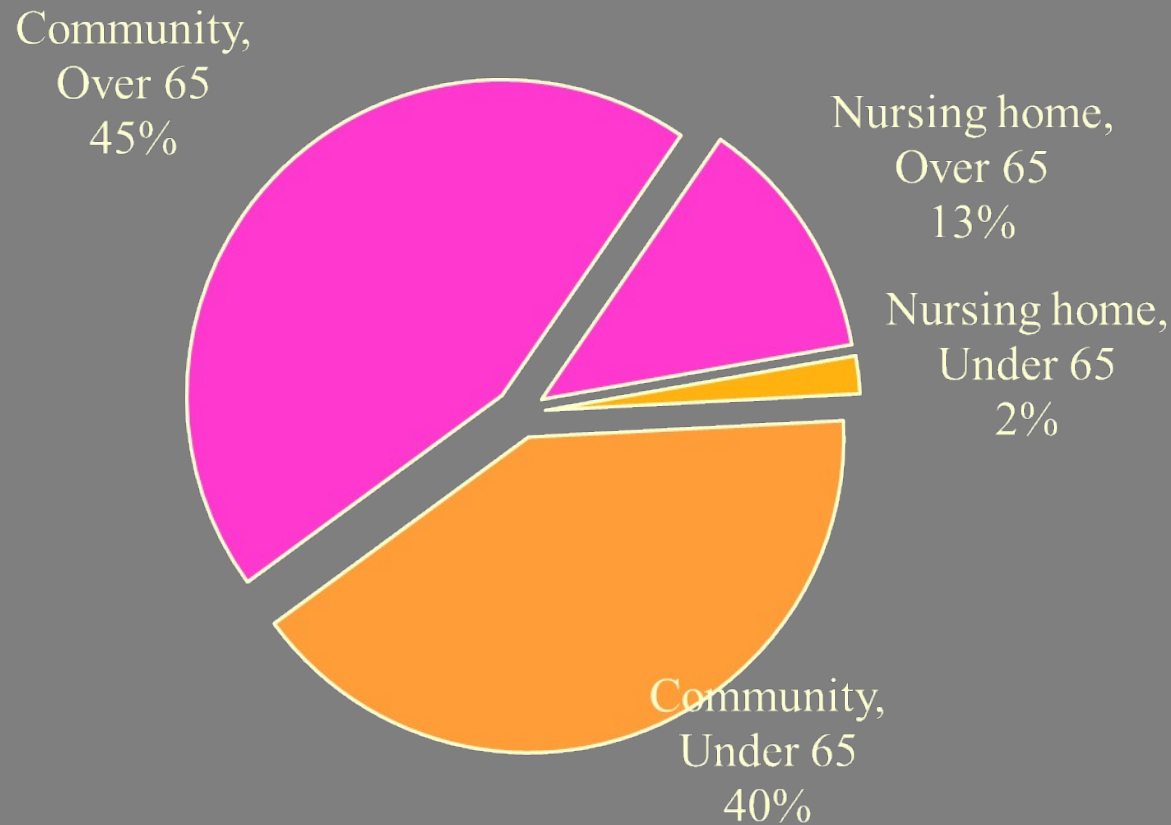
Source: Feder, Komisar, & Friedland (2007).

Note: This and subsequent population charts exclude children.

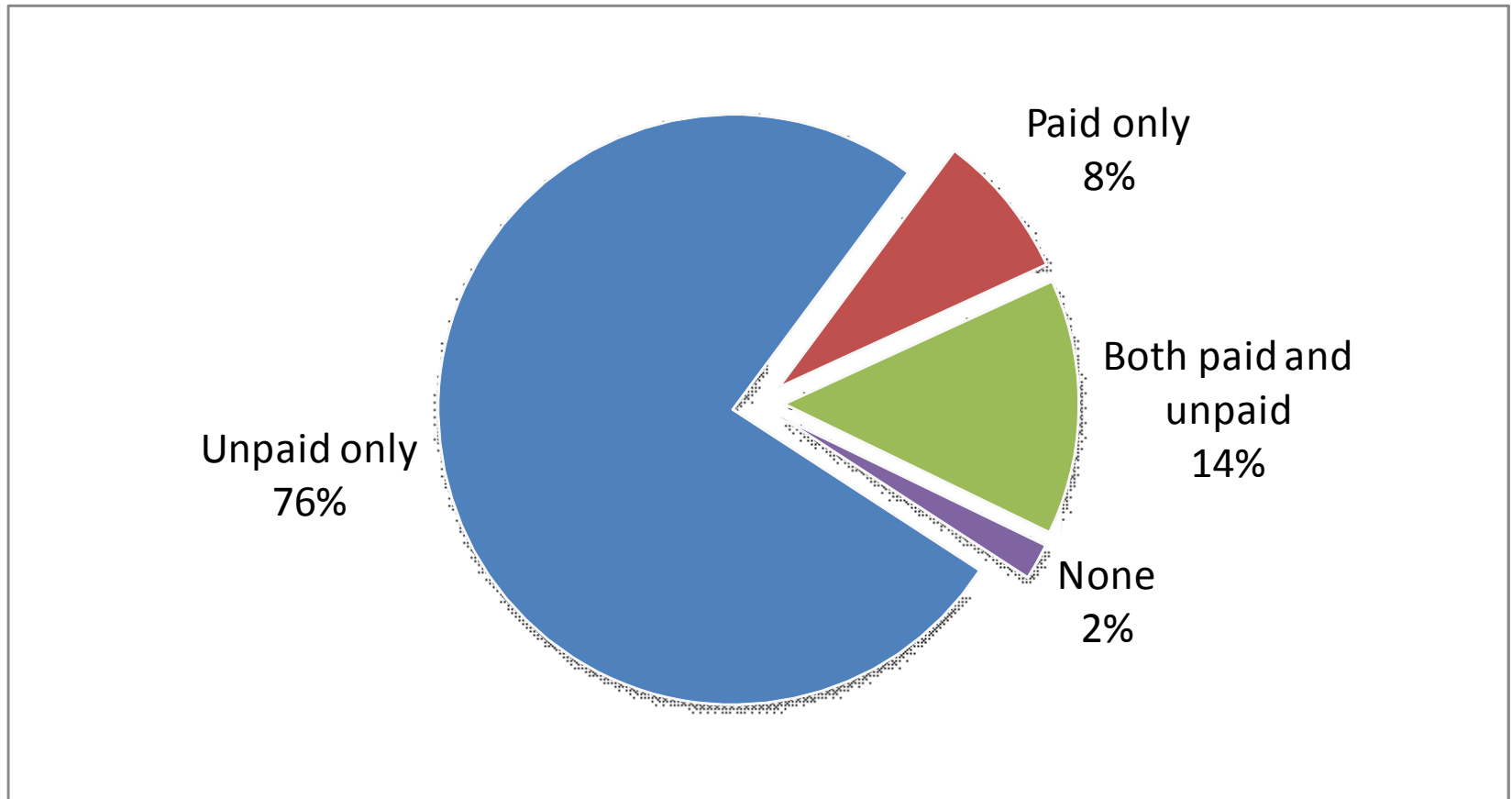
Nonetheless, over two fifths of adults who need LTC are under age 65



Most adults who need LTC live in the community, especially those under 65

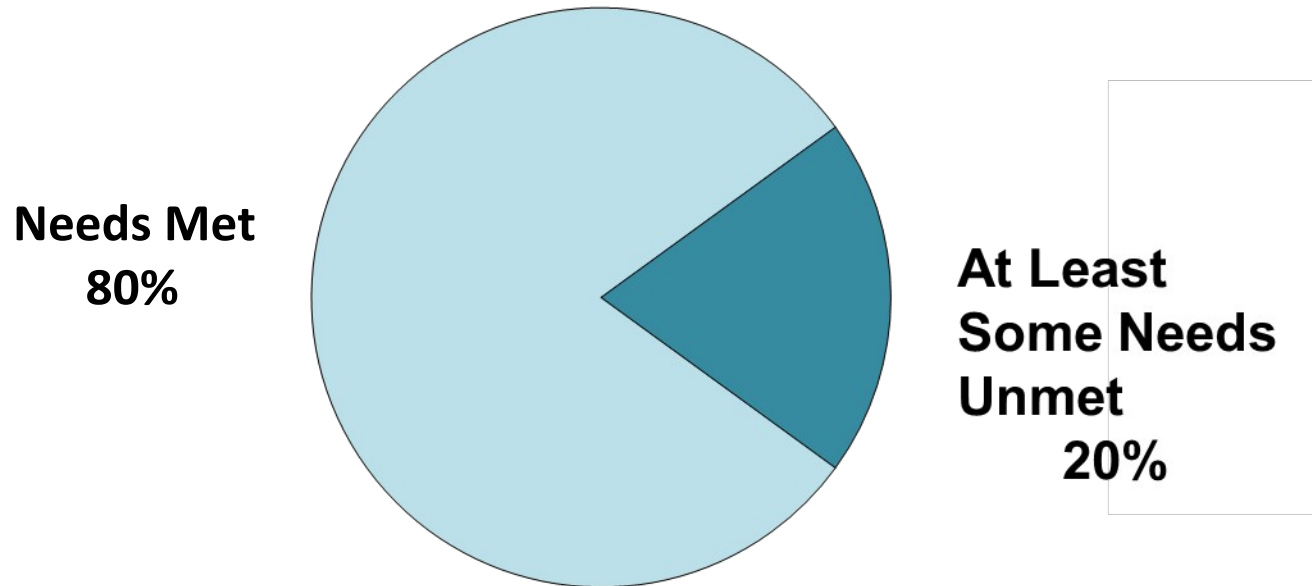


Most adults in the community who need LTC receive unpaid help



Many people go without needed LTC

Among community adults who need LTC



Source: Feder, Komisar & Friedland 2007; based on data from 1994-1997.

How much LTC risk does an individual face?

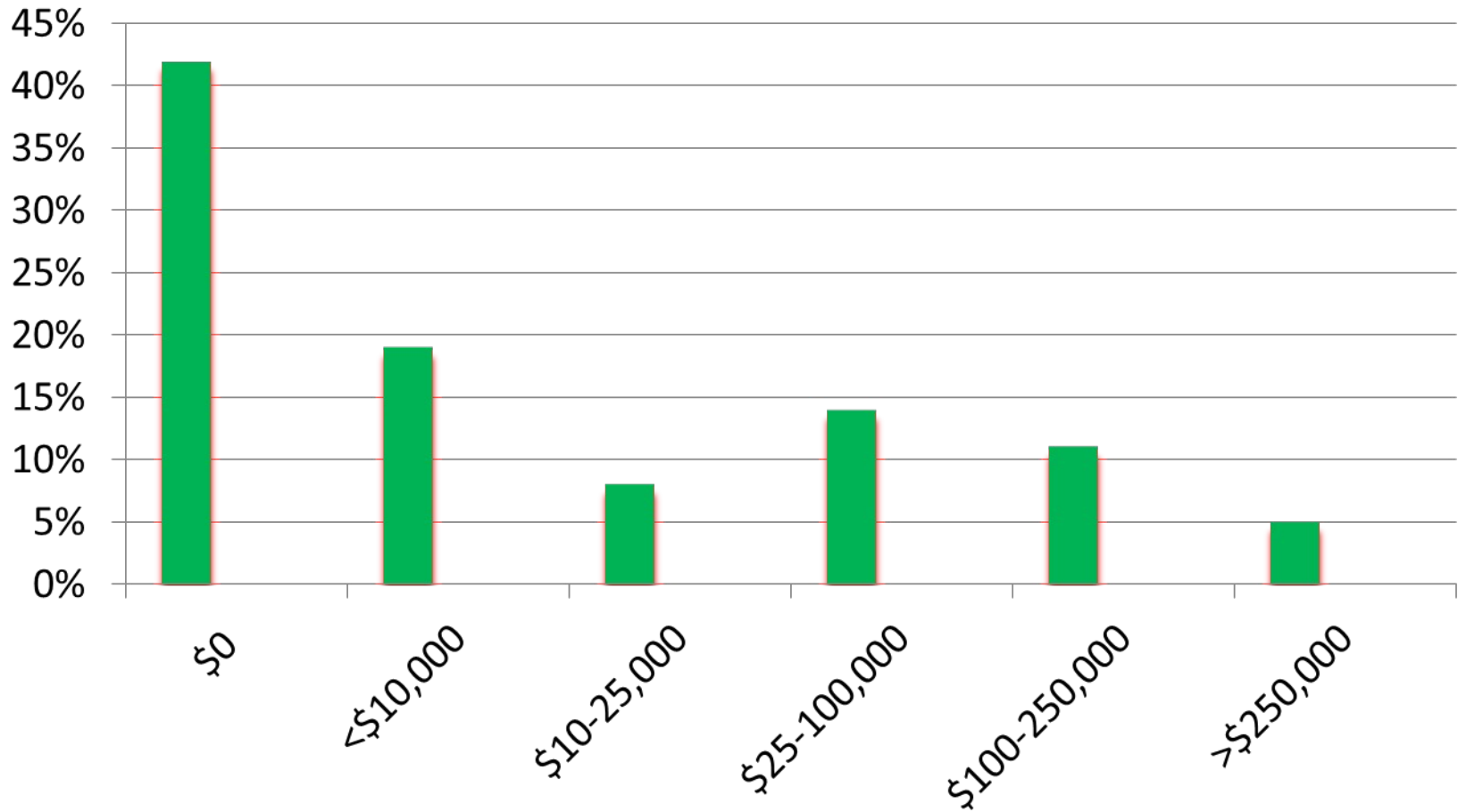
Risk at age 65 of needing LTC before death

Percent who will need some LTC 69%

Average duration, all people turning 65 3 years

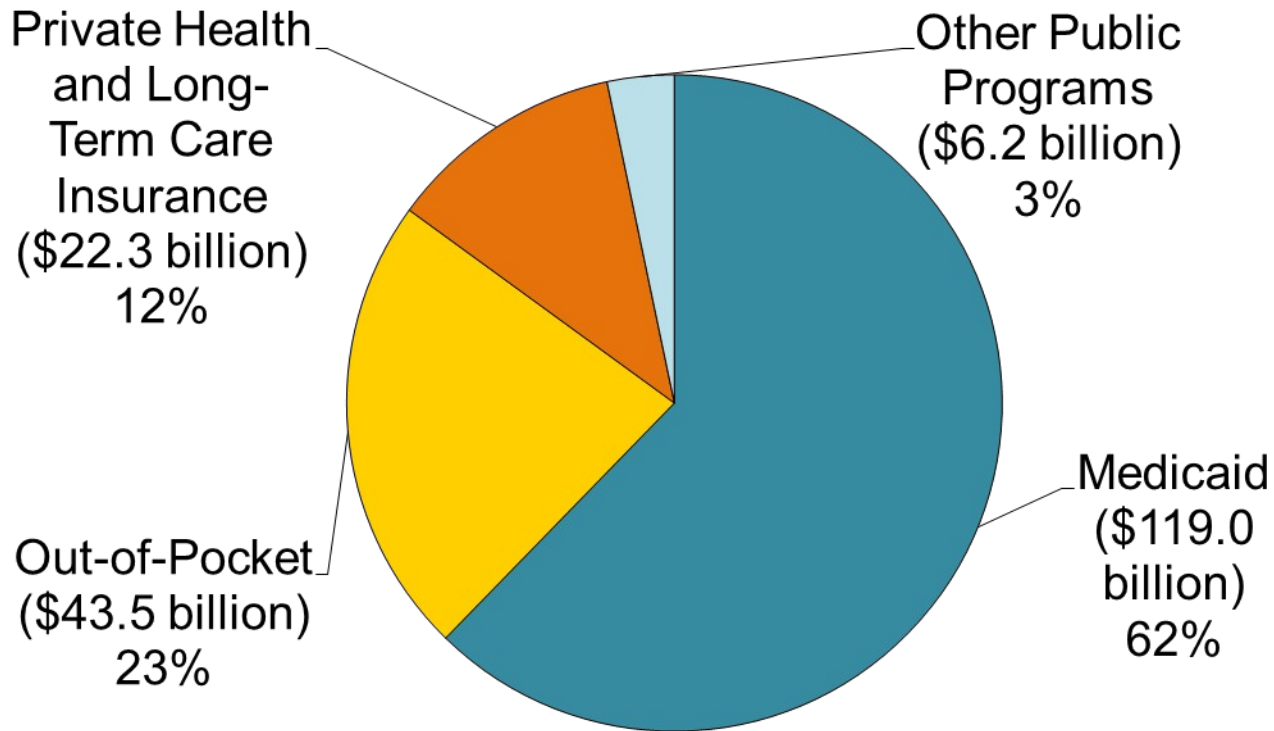
Expected Lifetime LTC Spending By Persons Who Were 65 in 2005

Percent of
Persons



Source: Kemper, Komisar, and Alexih, "Long-term Care over an Uncertain Future," Presentation at Academy Health, June 2005

Medicaid and individuals' out-of-pocket spending are the main payers of LTC



Total in 2008 = \$191.1 billion

Source: O'Shaughnessy 2010.

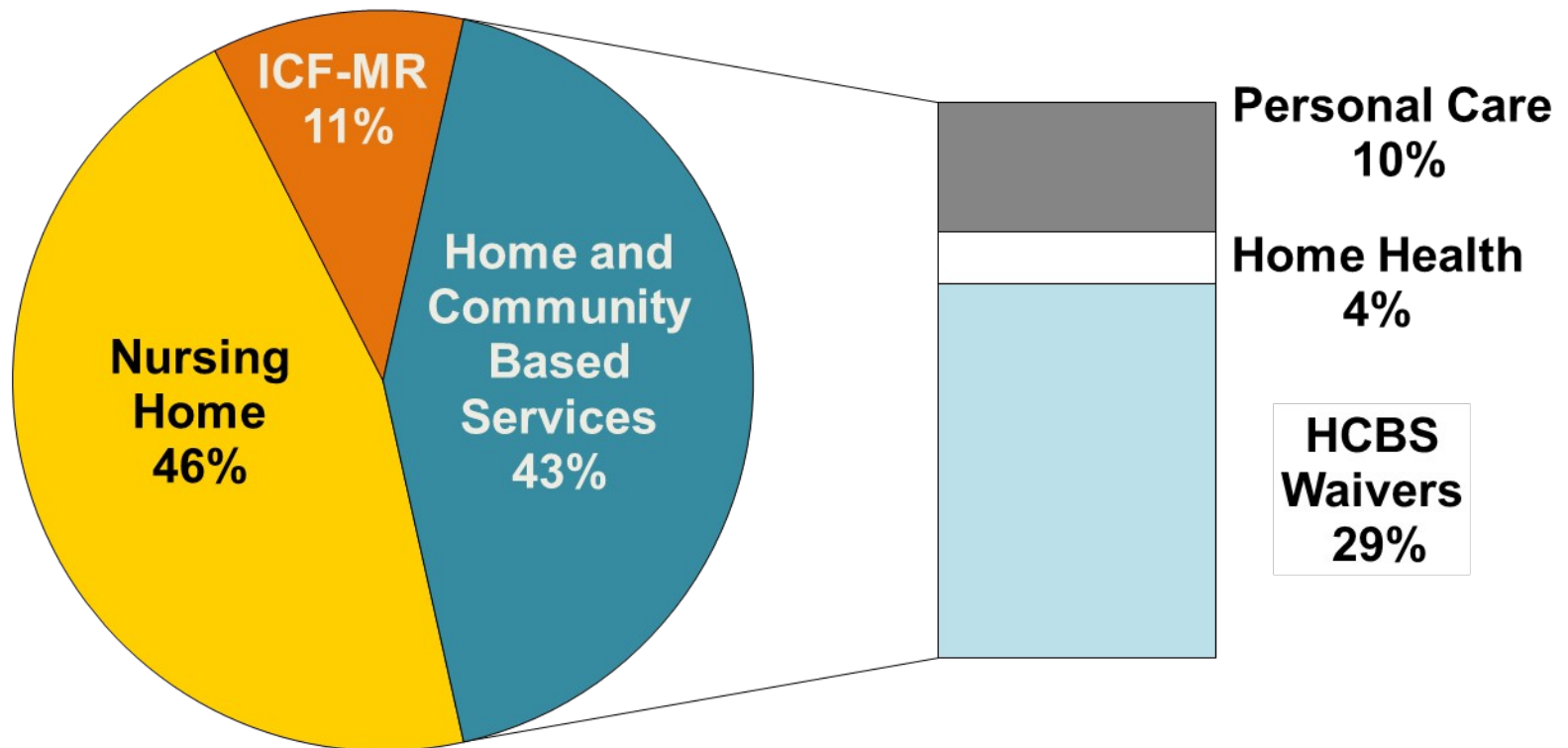
May 7, 2012

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Medicaid

- Insurance after the catastrophe of impoverishment against further catastrophe
- States have strictly controlled number of nursing home beds to limit Medicaid spending
 - Controls have resulted in **over 1 million** fewer beds today than had been projected
- Historically, funded only nursing home care
- Began offering more home care in the 80s with strict controls

Medicaid spending for LTC, by type of service

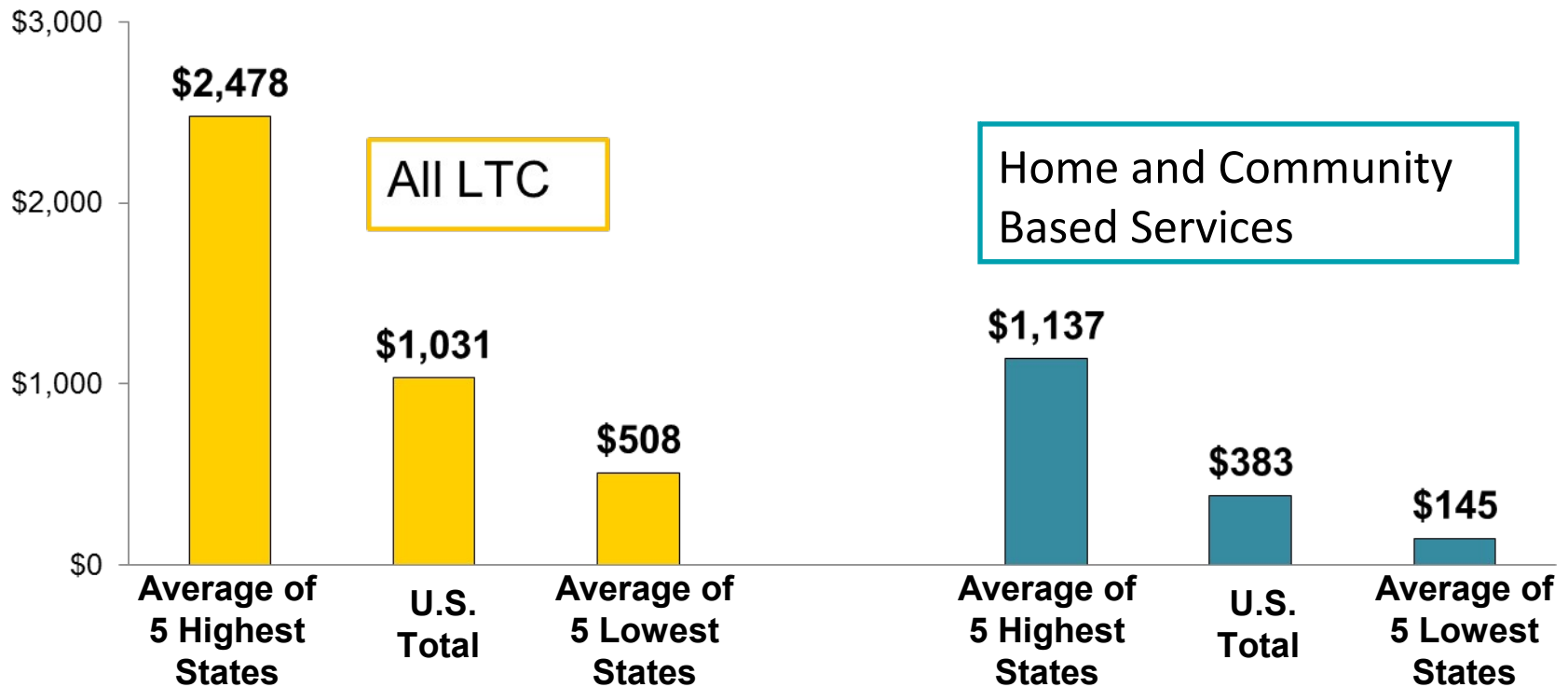


ICF-MR = intermediate care facilities for people with intellectual or developmental disabilities.

Source: Burwell, Sredl & Eiken 2009; data are from fiscal year 2008.

Medicaid LTC programs vary widely among states

Medicaid LTC Spending per State Resident with Income Below 200% of Poverty Level

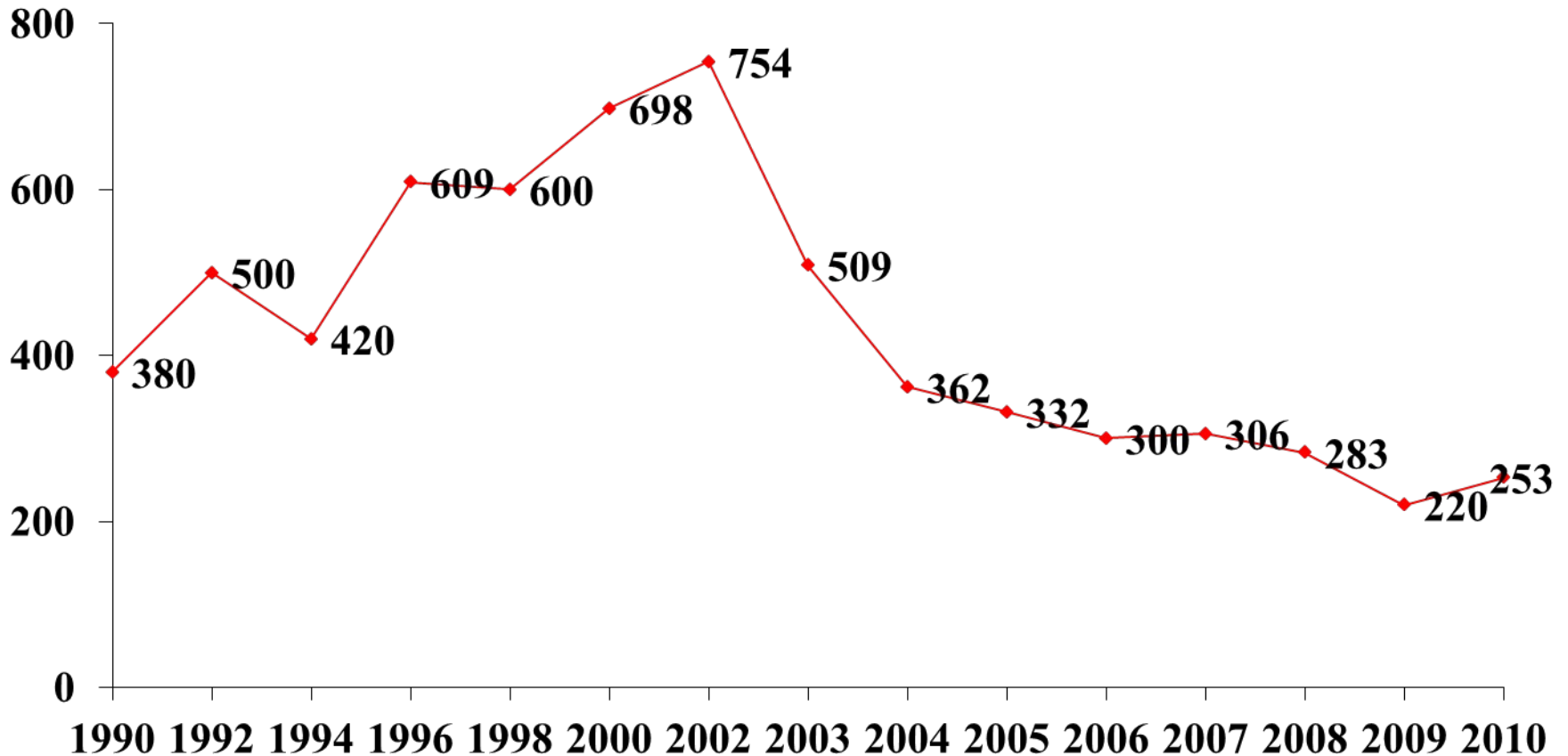


Source: Feder, Komisar & Friedland 2007. Amounts shown are for fiscal year 2005.

Private Insurance

- Policies marketed for about 25 years
- Insurers reluctant due to uncertainty of lifetime risk and concern over consumer demanding services rather than needing services
- Initial policies unduly restricted benefits
- NAIC Model Statute and Regs/ Major insurers entering market improved policy offerings

Annual Sales of Individual LTC Insurance Policies 1990-2010 (thousands)



Note: LifePlans analysis based on AHIP, LIMRA and LifePlans sales surveys, 2010.
Presented by Marc Cohen, National Health Policy Forum Meeting, April 2011

Few people have private long-term care insurance

- About 7 million people have private LTCI
 - About 3% of people age 20+; about 10% of people age 65+
- Most policies pay for home-based & nursing home care; some also cover assisted living & adult day
- Price depends on features and age when first purchased
 - Typically sold as individual policies

Why is the private long-term care insurance market limited?

- “Underwriting” means many people can’t purchase it
 - One study estimated 28% of people age 65-69 would not qualify
- Demand is low
 - Consumer confusion, lack of knowledge
 - Difficult to shop for a policy
 - Expensive
 - Concerns about stability of premiums and insurers, benefit adequacy

Confusion

2006 AARP Survey of Persons 45 and over

- 59 %--Medicare pays for extended nursing home stays
- 52%--Medicare pays for assisted living facilities

Federal efforts to increase the number of purchasers

- **Federal tax incentives**, e.g.,
 - Itemized deduction of medical expenses, deduction for self-employed
 - Benefits exempt from taxation for qualified policies
- **Information:** Own Your Future campaign and National Clearinghouse for Long-Term Care website
- **The Partnership for Long-Term Care program**
 - “Partnership” policyholders can keep more of their assets and become Medicaid eligible after receiving their policy’s benefits
- **Penalties:** Waiting period for Medicaid eligibility after asset transfers increased
- **FEHBP** group offering

Have had little effect on number of purchasers

LTC Insurance Monthly Premiums FEHB Program

Policy has \$200 per day benefit for 3 years with a 90 day waiting period

Type of Inflation Protection		
Age at Purchase	5% Increase each year	Option to Purchase More Coverage in the Future
45	\$139	\$36
55	\$203	\$65
65	\$317	\$129
75	\$524	\$342

Community Living Assistance Services and Supports (CLASS) Act

- Included in ACA
- Would establish a federally-administered **self-financed** insurance program to help pay for LTC

CLASS

Enrollment and Premiums

- Strictly voluntary
- Open to any active worker
- Premiums
 - Depend on age at enrollment, but not other factors—no underwriting
 - Will not increase unless needed to assure program solvency
 - Nominal premiums for employed students and poor

CLASS Benefits

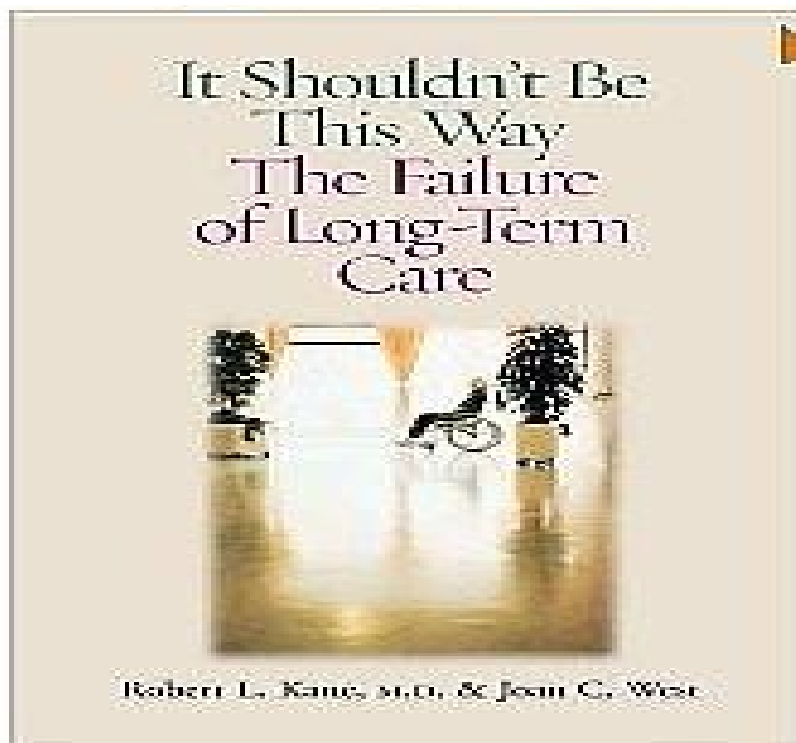
- *Eligibility*
 - *Work*: Must have earnings sufficient for one quarter of Social Security coverage (\$1,120) in 3 out of first 5 years of enrollment
 - *Premiums*: Must have paid for at least 5 years and currently be paying premiums
 - *Functioning*: Must be unable to perform 2 or 3 activities of daily living (TBD), or equivalent
- *Cash Benefit*
 - Varies with level of disability; Average of \$50 per day

Financing

- Concept viable; details matter
 - Work test for eligibility is a concern
- *CBO*: Assuming initial average premium of \$123 a month and average benefit of \$75 a day, CLASS will be self-financing over 75 years
 - Is premium too high to attract many enrollees?
- *CMS Actuary*: “Serious risk that the problem of adverse selection will make the CLASS program unsustainable.”

Financing is only half the problem

- Consumers need help finding reliable qualified caregivers



Questions