

US Health Care Reform

Week Four:

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

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For
Osher Lifelong Learning Institute
November 2010

Overview

- What is it?
- How is it provided?
- How is it currently financed?
 - Medicaid
 - Private LTC Insurance
- PPACA 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)**

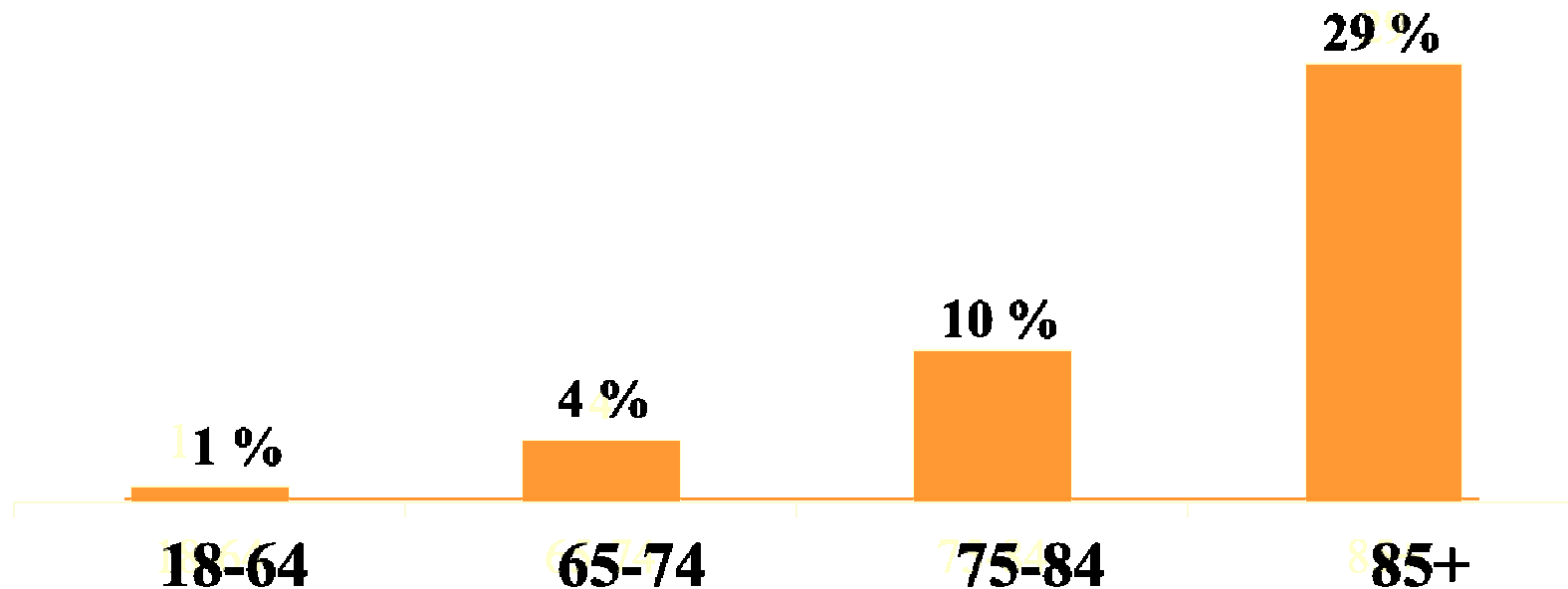
- Going Places
- Shopping
- Cooking
- Housework
- Managing Money

Supervision

What causes functional limitations?

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

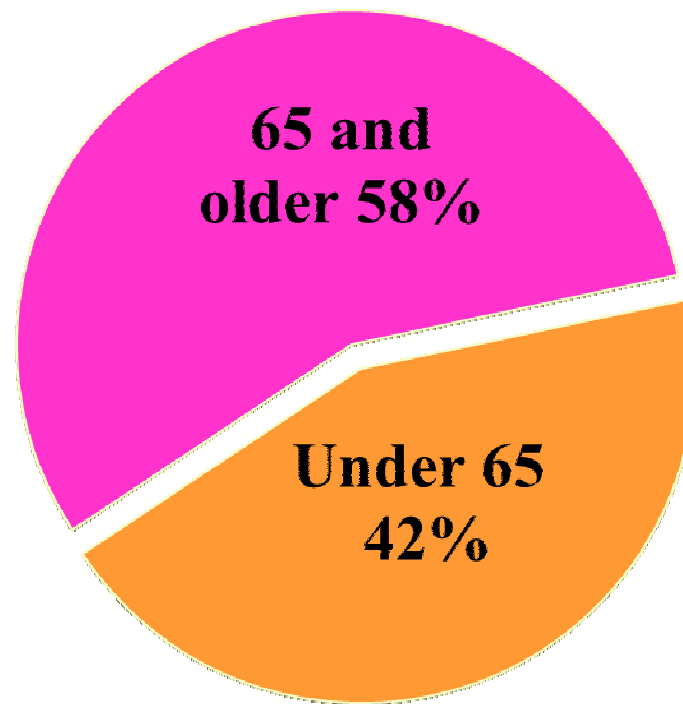
Percent of the adult population that needs LTC rises with age



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

Note: This and subsequent population charts exclude children.

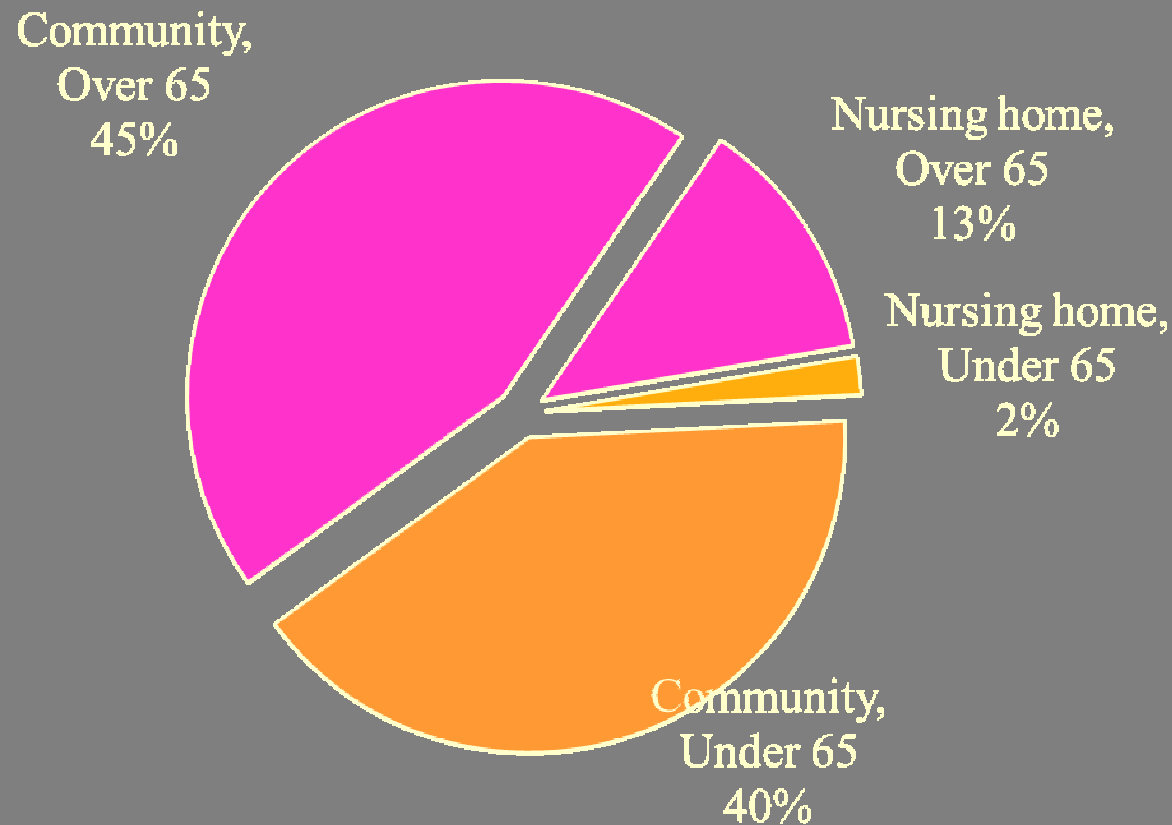
Nonetheless, over two fifths of adults who need LTC are under age 65



LTC Provided in Multiple Settings

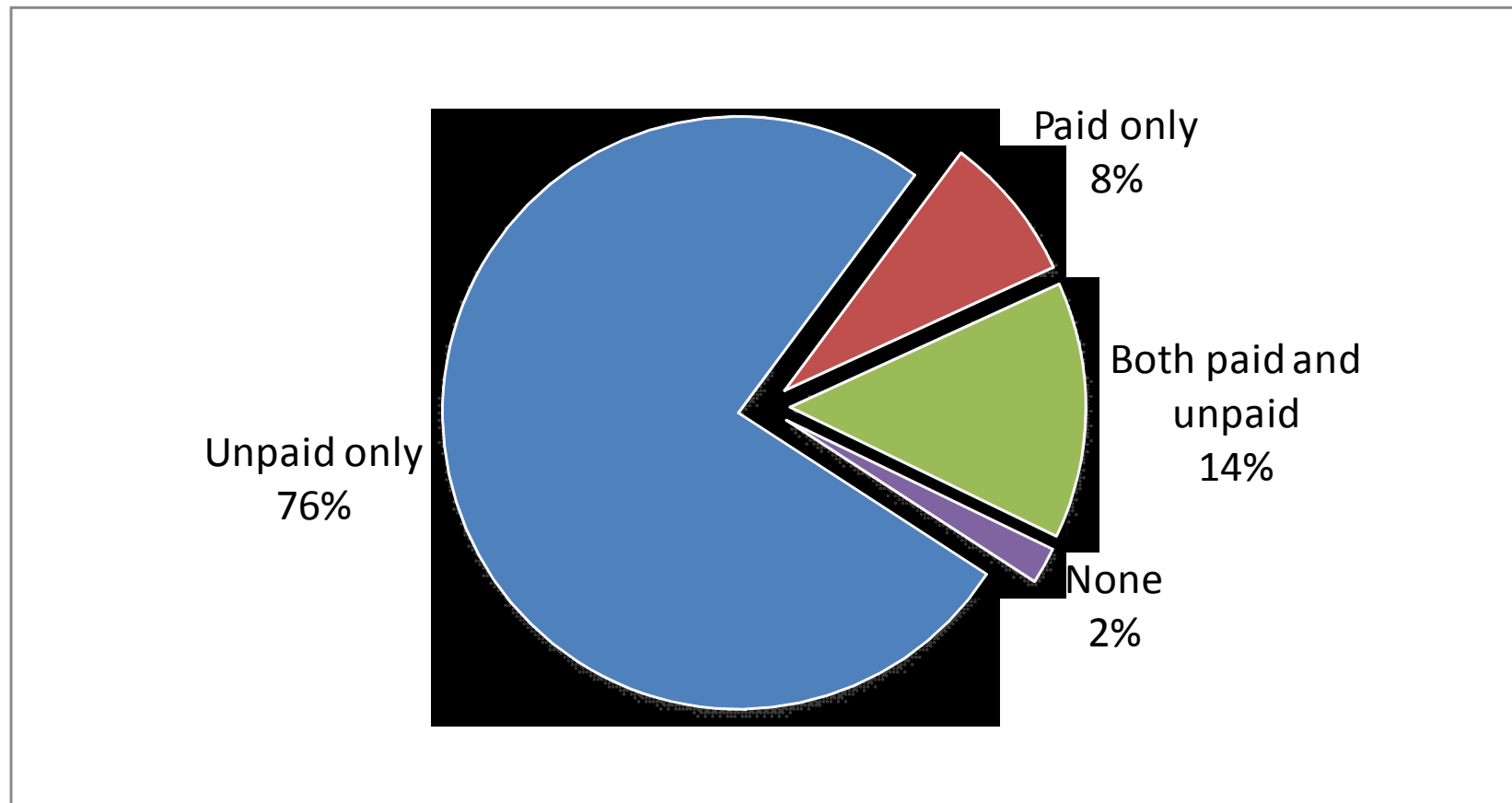
- Nursing Home
- Assisted Living Facility
- Other Group Residential Setting--Retirement Home/ Senior Housing/CCRC/Foster Care Homes
- Personal Residence

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



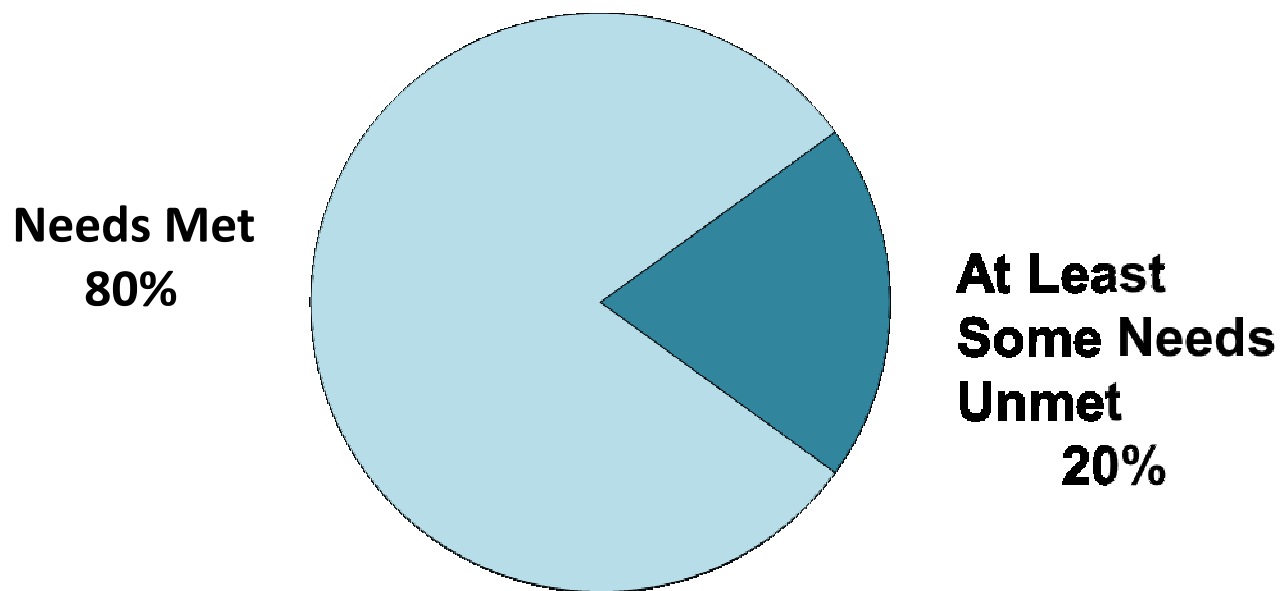
Source: Feder, Komisar, & Friedland (2007).

Most adults in the community who need LTC receive unpaid help



Many people go without needed LTC

Among community adults who need LTC

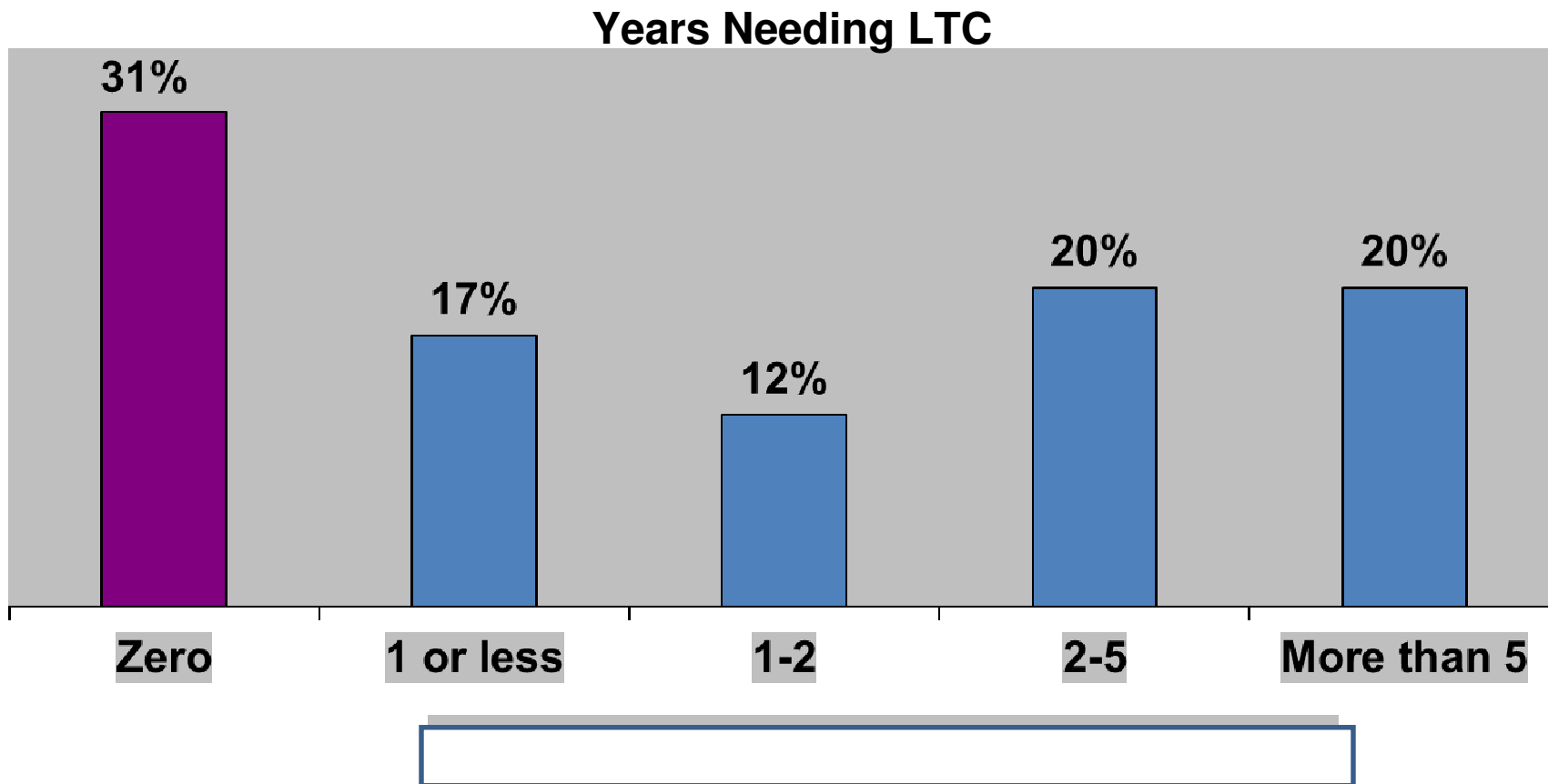


Source: Feder, Komisar & Friedland 2007; based on data from 1994-1997.

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

Length of time needing LTC varies significantly for persons over 65



Source: Kemper, Komisar, & Alecxih (2006).

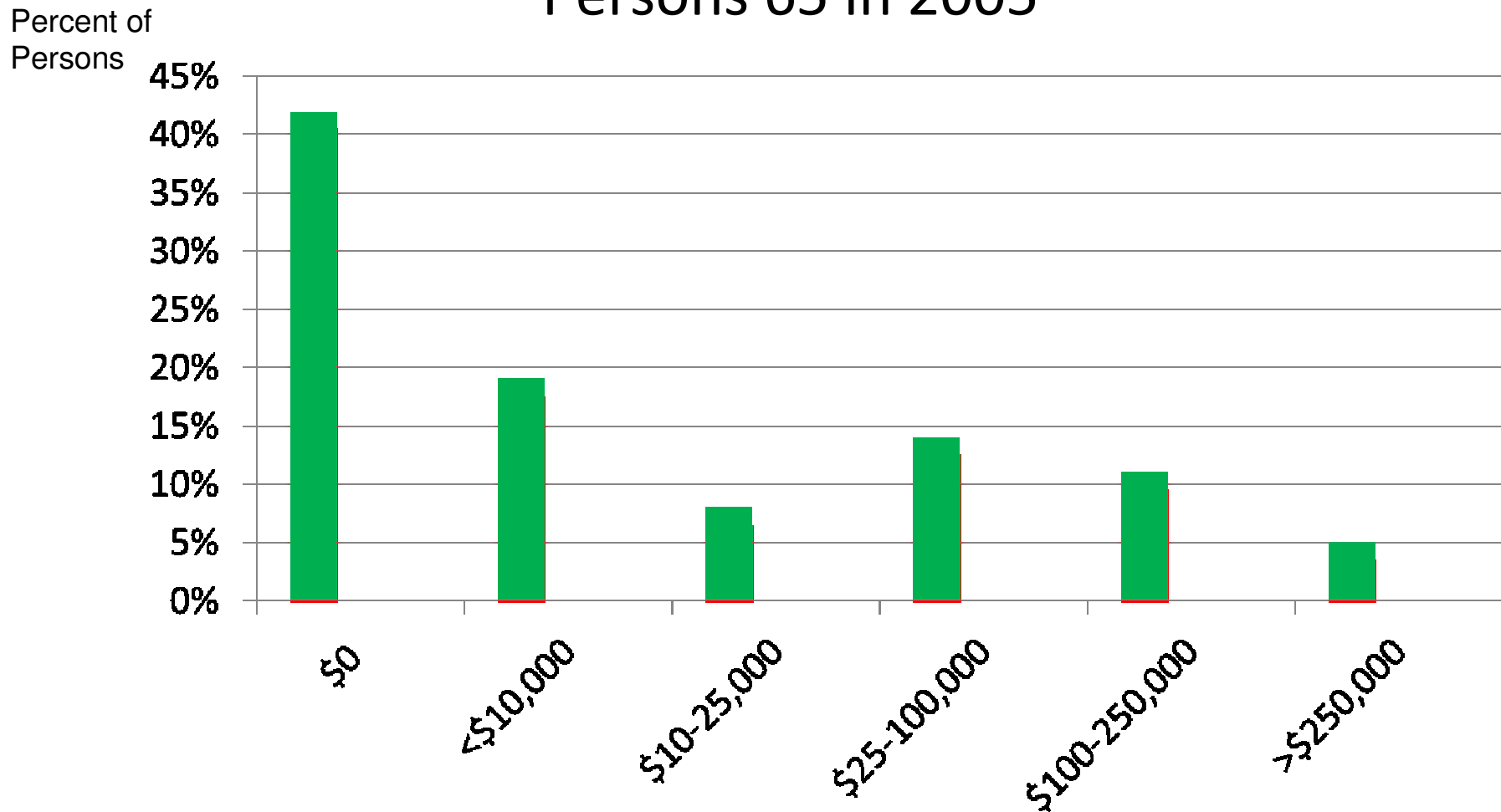
When extensive services are needed, they can be costly

- Nationwide average prices (in 2009)
 - Nursing home (private room): \$79,900 per year
 - Assisted living: \$38,000 per year
 - Home care aide: \$21 per hour (20 hrs/week = \$21,900 per year)
 - Adult day services: \$67 per day
- Prices vary among, and within, locations

Source: The 2009 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs.

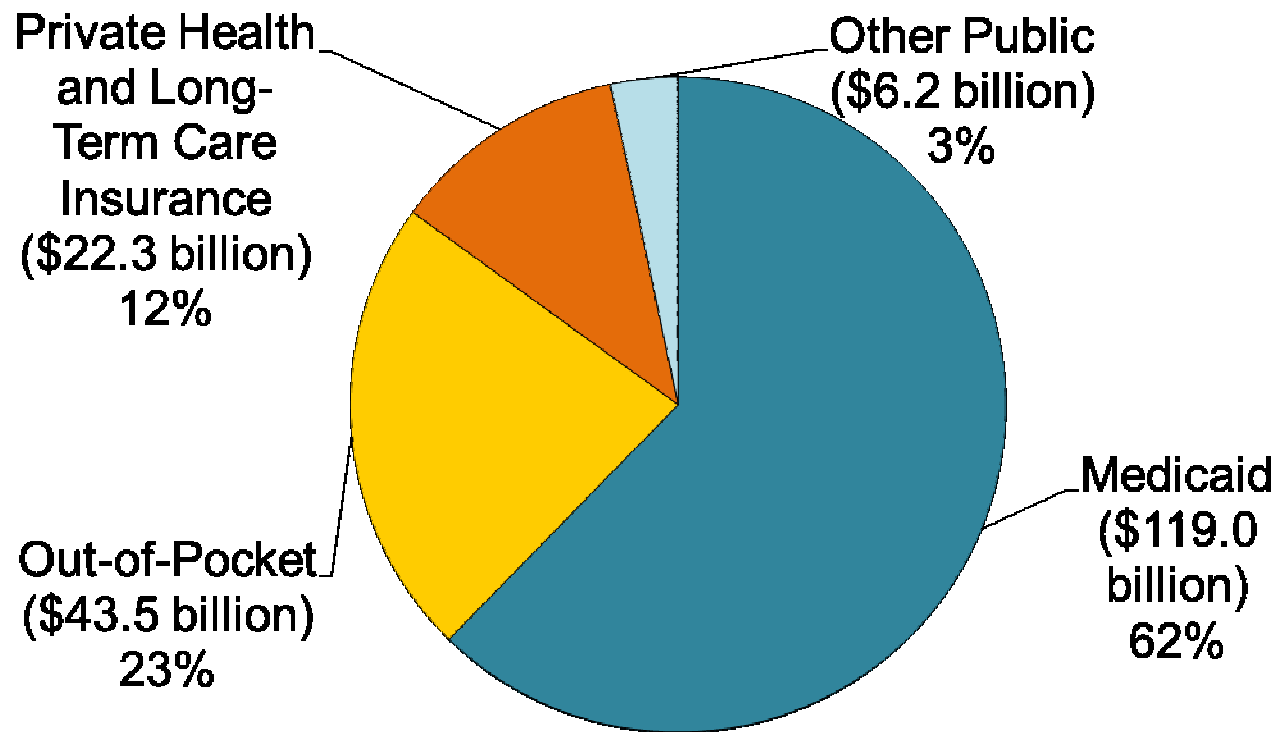
Lifetime LTC Spending

Persons 65 in 2005



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

Medicaid and out-of-pocket are the main payers of LTC



Total in 2008 = \$191.1 billion

Source: O'Shaughnessy 2010.

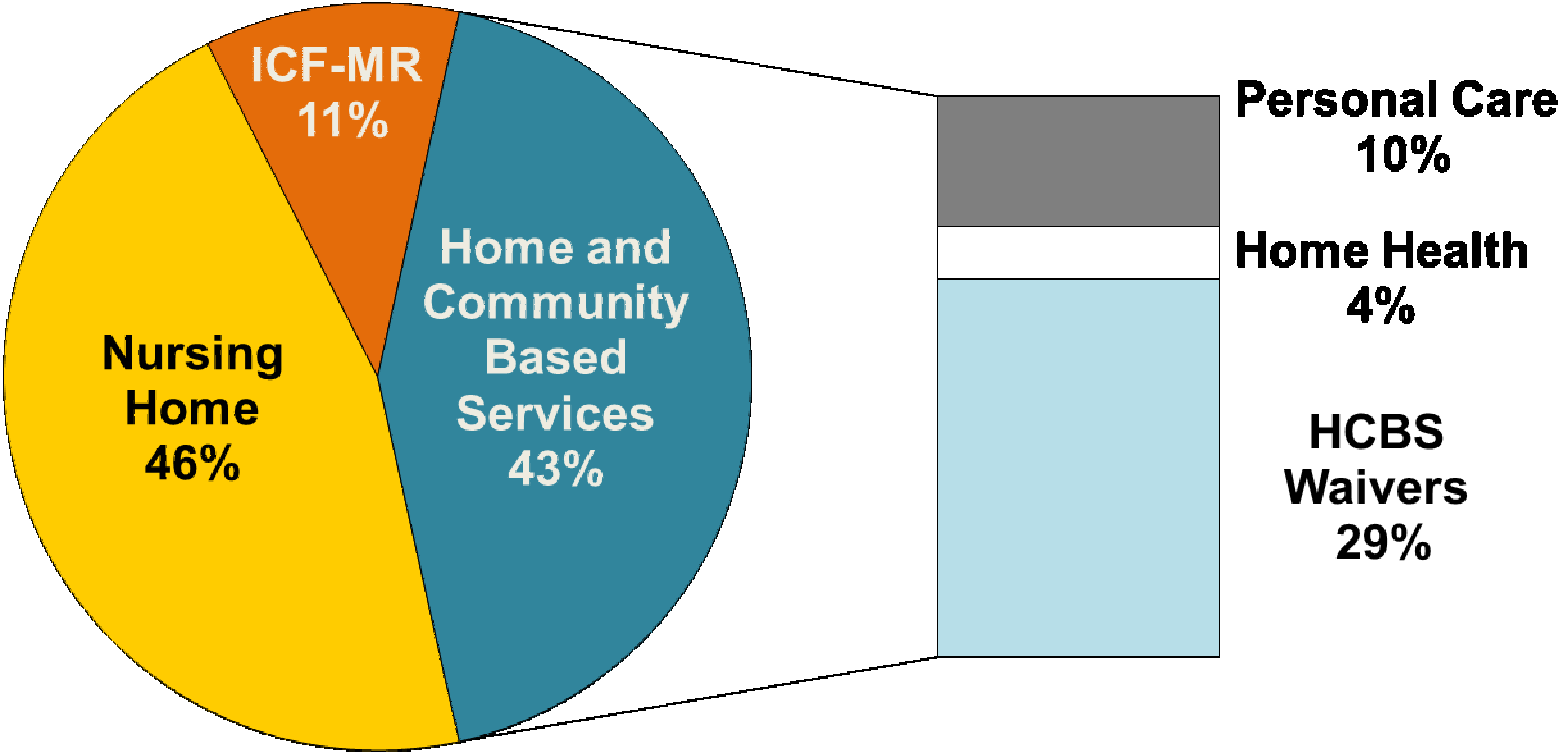
Medicaid

- Insurance after the catastrophe of impoverishment against further catastrophe
- Historically, essentially funded only nursing home care
 - Motivated by fear of woodwork effect
 - Perceived as an “institutional bias”
- States have strictly controlled number of nursing home beds to limit Medicaid spending
 - Controls have resulted in **over 1 million** fewer beds today than projected

Medicaid (Cont.)

- 1981 law created ability to waive entitlement and resulted in states increasing offerings of at-home services
- Widespread variation in benefits available (State, local and possibly case-worker level)

Medicaid spending for LTC, by type of service

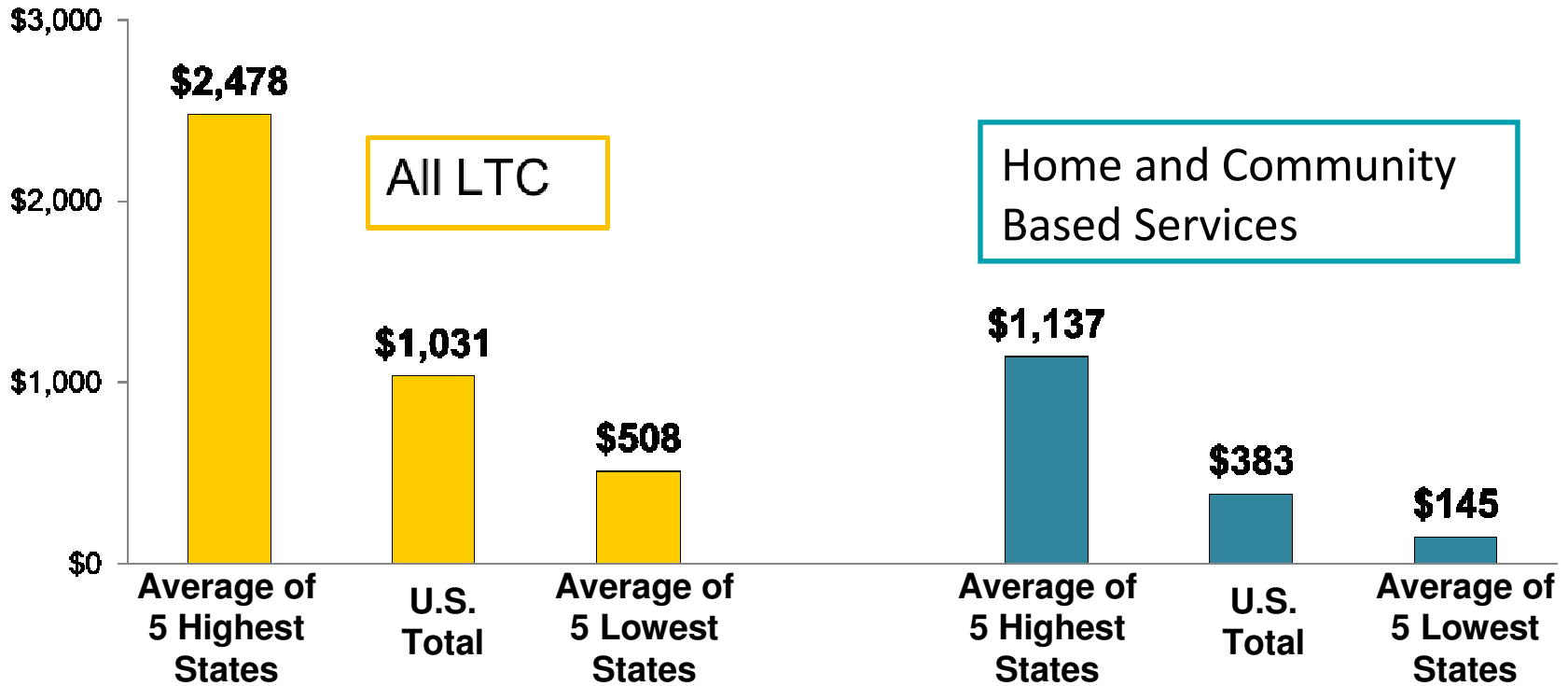


ICF-MR = intermediate care facilities for people with intellectual or developmental disabilities.

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.
November 8, 2010

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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

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
- Demand is low
 - Consumer confusion, lack of knowledge
 - Difficult to navigate individual market
 - Expensive
 - Concerns about stability of premiums and insurer, benefit adequacy

Long-Term Care: What is it?

Long-term care is a range of medical and/or social services designed to help people who have disabilities or chronic care needs.

Services may be short- or long-term and may be provided in a person's home, in the community, or in residential facilities.

---Dept. of Health and Human Services

Confusion

2006 AARP Survey of Persons 45 and over

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

Medicare covers post-acute services (not LTC)

- Home health care benefit
 - Emphasis on skilled nursing and therapy services
 - Provides part-time or intermittent services
 - Must be homebound & need periodic skilled nursing or therapy
- Skilled nursing facility care benefit
 - Covered after a 3-day hospital stay
 - Must need daily skilled nursing or therapy service
 - 100-day maximum

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
- 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 PPACA
- Establishes federally-administered self financed insurance program to help pay for LTC

CLASS Enrollment

- Likely to begin in 2012 or 2013
- Strictly voluntary
- Age 18 or older
- Must be actively employed and have earnings
- Employers may choose to enroll workers, deduct premiums automatically, with employee opt-out
- Alternative enrollment process for people whose employers do not participate

CLASS Premiums

- Program is to be self-financing from premiums and earnings over 75-year horizon
- Premiums will depend on age at enrollment and year but not other factors—no underwriting
- Premiums will not be increased unless needed to assure program solvency
- Premiums continue after initial enrollment
- Nominal premiums for employed students, poor

Eligibility for CLASS Benefits

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

Benefits

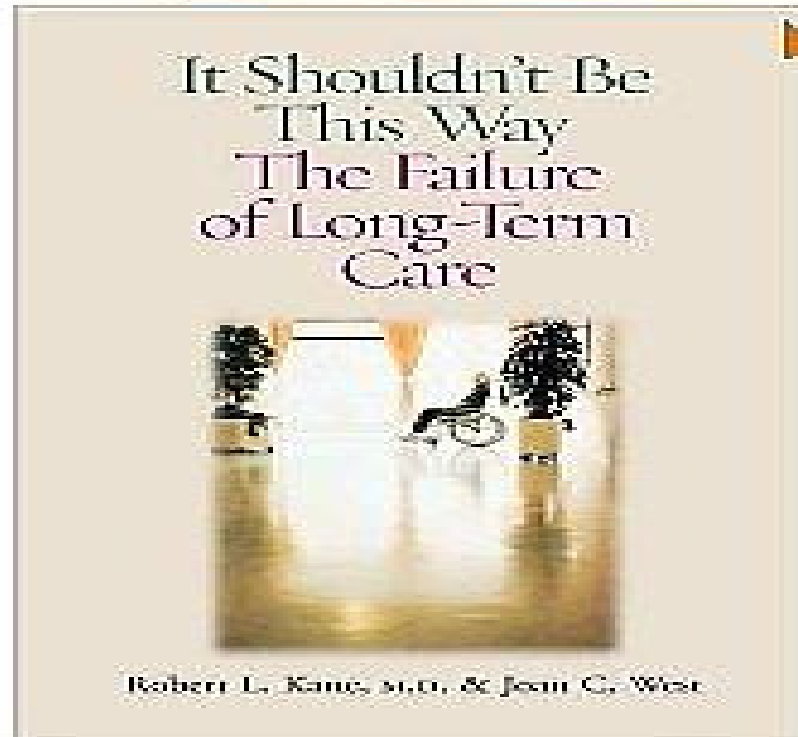
- Daily cash benefit
 - Secretary of HHS to develop benefit plan
 - Scaled to level of functional impairment (2 to 6 levels)
 - Average benefit of at least \$50 a day—inflation indexed
- Advice and assistance counseling

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