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
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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.

18-64: 1%
65-74: 4%
75-84: 10%
85+: 29%

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.

- 65 and older: 58%
- Under 65: 42%

Source: Feder, Komisar, & Friedland (2007)
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

- Community, Over 65: 45%
- Community, Under 65: 40%
- Nursing home, Over 65: 13%
- Nursing home, Under 65: 2%

Source: Feder, Komisar, & Friedland (2007).
Most adults in the community who need LTC receive unpaid help

- Unpaid only: 76%
- Paid only: 8%
- Both paid and unpaid: 14%
- None: 2%

Source: Feder, Komisar & Friedland 2007
Many people go without needed LTC

Among community adults who need LTC

Needs Met 80%

At Least Some Needs Unmet 20%

How much LTC risk does an individual face?

<table>
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<tr>
<th>Risk at age 65 of needing LTC before death</th>
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<tbody>
<tr>
<td>Percent who will need some LTC</td>
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<tr>
<td>Average duration, all people turning 65</td>
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</table>

Source: Kemper, Komisar, & Alecxih (2006)
Length of time needing LTC varies significantly for persons over 65

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

Percent of Persons

Source: Kemper, Komisar, and Alecxih, “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

- **All LTC**
  - Average of 5 Highest States: $2,478
  - U.S. Total: $1,031
  - Average of 5 Lowest States: $508

- **Home and Community Based Services**
  - Average of 5 Highest States: $1,137
  - U.S. Total: $383
  - Average of 5 Lowest States: $145

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
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

<table>
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<tr>
<th>Age at Purchase</th>
<th>Type of Inflation Protection</th>
<th>Option to Purchase More Coverage in the Future</th>
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<tbody>
<tr>
<td>45</td>
<td>$139</td>
<td>$36</td>
</tr>
<tr>
<td>55</td>
<td>$203</td>
<td>$65</td>
</tr>
<tr>
<td>65</td>
<td>$317</td>
<td>$129</td>
</tr>
<tr>
<td>75</td>
<td>$524</td>
<td>$342</td>
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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—infusion 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