

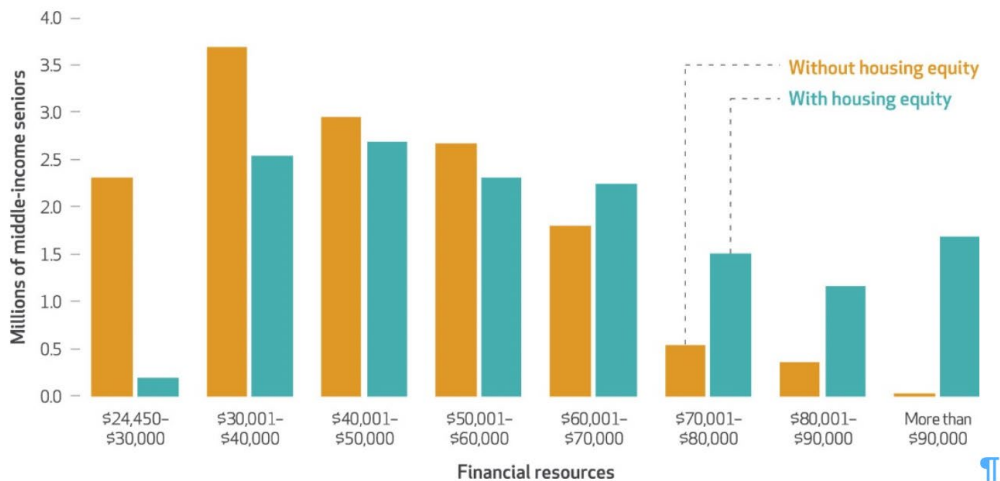
## LONG-TERM CARE FUNDING AND DELIVERY

### Background and Project Overview

Long-term care (LTC) is a pressing issue—the American population is aging rapidly, and 70 percent of adults aged 65 and older will require LTC at some point in their lives. Individuals and families pay 52 percent of LTC costs out of pocket. Medicaid pays for nearly 34 percent of LTC costs, primarily for low-income people or those who have spent down their financial assets to qualify for coverage. Private LTC insurance pays less than 3 percent. Most Americans are under-prepared to self-fund the very high costs of care, and the private LTC insurance market has suffered severe constriction in recent years.

### Projected Financial Resources

#### Middle-Income Older Adults in 2029, by Resource Level



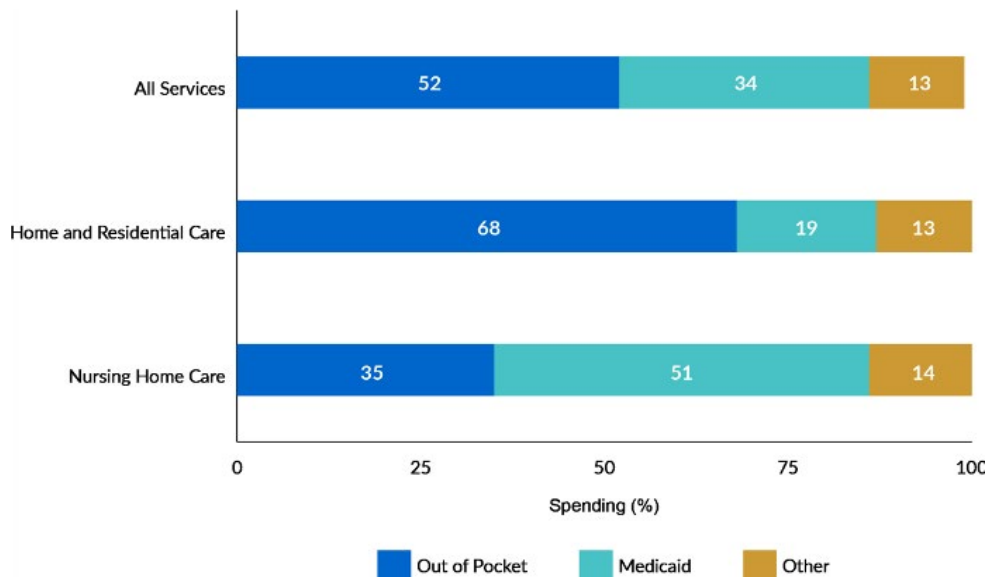
Source: Pearson, C. F., Quinn, C. C., Loganathan, S., Datta, A. R., Burnham Mace, B., Grabowski, D. C. (2019). "The Forgotten Middle: Many Middle-Income Seniors Will Have Insufficient Resources for Housing and Health Care," *Health Affairs*, 38 (5).

With the onset of the coronavirus (COVID-19) outbreak, the market failures and funding gaps in providing LTC stand out in stark relief. Public and private providers and payers face a uniquely daunting challenge of delivering LTC for those at high risk of severe illness and mortality. This new paradigm impacts everything from the provision of care for socially isolated older adults, the delivery of technology solutions as telehealth benefits expand in the wake of the crisis, and the sustainability of an LTC workforce plagued by low wages and few opportunities for professionalization. In the long term, the associated economic downturn will further strain families and individuals' ability to save for supportive housing and care.

## Barriers

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Average Lifetime LTC Spending for Adults Age 65+ by Source



Source: Bipartisan Policy Center (2017). Financing Long-Term Services and Supports: Seeking Bipartisan Solutions in Politically Challenging Times. Washington, D.C.: Bipartisan Policy Center.

## Care Delivery Barriers

The US health system does not reward integrated, coordinated service and care delivery between traditional health care and LTC, which leads to increased overall system costs

New technologies promise to help lower prices and improve quality of care but require funding and coordination to move beyond the pilot phase and achieve scale

Without integrated service delivery through channels of care, there has been little ability to utilize patient/policyholder data to effectively manage estimated costs and improve overall efficiency to the system

To age successfully in the community, Americans need a range of affordable housing options, including accessible rental units, comprehensive continuing care retirement communities, and assisted living with wrap-around services

## Funding Barriers

The Community Living Assistance Services and Supports (CLASS) Act , a voluntary, publicly administered long-term care insurance program, was enacted as part of the Affordable Care Act in 2010, but it was repealed after the Obama administration concluded that it was financially unsustainable

The number of insurance companies offering private LTCI has dwindled from more than 100 in 2002 to about a dozen today, driven mainly by lack of profitability

Limited LTC benefits can now be offered through Medicare Advantage plans, but they are modest in scope, and there are not yet data regarding the effectiveness

Medicaid can be utilized only after meeting strict income and asset limits, meaning middle-class individuals must spend down their savings to qualify

Developing new social insurance programs is difficult at a state or federal level, as is expanding existing systems. Proposals to increase taxes and to require mandatory participation have been seen as mostly politically unviable

The private LTCI industry has suffered from legacy underwriting, persistency, and adverse selection issues from in-force blocks of older policies, which has led to general affordability issues for consumers and high risk of losses for insurers

A lack of general understanding of the products and limited employer offerings has translated into a difficult market for expanding the pool of plan participants

## Recommendations

Throughout our interview and research process, several themes came up repeatedly as potential avenues for addressing LTC funding and delivery challenges. These themes included improving access to personal savings and assets so that Americans can better afford care or private LTCI. In terms of public programs, we identified ways to grow the capacity for Medicare, as well as the importance of state-based LTCI programs in the absence of a federal program. States are an ideal testing ground for different models of coverage and sources of funding. Also, reinvigorating the private LTCI market will play a key role in ensuring broad access to care. Lastly, many interviewees identified the development of new technologies and better data utilization as keys to improving the quality of care and reduction of overall costs. Technology and data, when utilized appropriately, can complement hands-on care and help identify health risks and facilitate preventive measures.

### Personal Savings and Assets

- Allow for early withdrawal of retirement funds (401k, 403b, and IRA) without penalties, beginning at age 45, to purchase LTCI
- Increase Health Savings Account (HSA) contribution and withdrawal limits to accommodate LTCI premiums, or create a new savings vehicle specifically for LTC that is modeled off of HSAs
- Create better tax incentives that ensure LTCI (including all forms of hybrid policies) becomes an integral part of the retirement finance conversation, given that LTC costs are the most significant unmet retirement income security threat for most Americans

### Expand Medicare to cover LTSS

- Test delivery of Medicare Advantage special supplemental benefits (e.g., home-delivered meals, transportation services) to see impacts on overall health-care costs
- Test and expand delivery of LTSS under the value-based insurance design (VBID) model
- Create new Medicare Part E in traditional Medicare to cover LTSS (could be voluntary but would greatly expand risk pool) or new Medicare supplemental insurance plan options that include LTSS

## State-Level Public Insurance Options

- Enhance state-level LTCI program experimentation, exploring back-end “catastrophic” coverage options in addition to variations on the front-end approach currently being rolled out in Washington State

## New Private Insurance Product Design

- Establish a clearinghouse to speed approval process for new products
- As explored by the Minnesota “LifeStage” Protection proposal, create state programs to help research and market test new models
- Further develop and test models, like “LifeStage,” that convert life insurance to LTCI at age 65
- Explore similarities with the Catastrophic Risk Insurance Market and the Catastrophe Bond market to improve predictive modeling but also provide a secondary market opportunity

## Funding Access for New Technologies

- Establish a federal-level small business seed fund for aging-related technology companies, modeled after the Small Business Innovation Research and Small Business Technology Transfer programs
- Create an impact investing fund to support the development of new technologies (could provide low-cost loans or equity from \$100,000 to \$1 million)
- Develop more innovative public-private partnership funding models to help scale existing, proven integrated care delivery programs, such as CAPABLE
- Engage insurers or care providers to create a market pull mechanism, similar to an advance market commitment

## Data Utilization

- Explore new partnerships with existing consumer channels to allow for better integration of patient and payer data, similar to the CVS/Aetna merger
- Improve interoperability to support transitions of care across acute, post-acute, and LTC settings, including care provided in home- and community-based settings