Session 46PD, Crystal Ball Forecast – The Future of LTSS/LTC

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2018 SOA Health Meeting

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046 – Crystal Ball Forecast – The Future of LTSS
June 25, 2018
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- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
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Agenda

Why should we care?

Recap of private LTCI market - Chris

Recap of public Medicaid market - Jenny

Summary of current reform activities - Rhonda

Summary of public policy initiatives – Ben

Audience polls: Economic, Societal, Political, Technology
Why should we care?

- Many will need LTC at some point in their lifetime
- Care is expensive and needed for multiple years
- Burden on families and Medicaid program
- Our country’s aged population is growing rapidly
Private LTCI Recap
LTCI Market Perspective

Overview of stand-alone and combo markets (e.g., coverage basics)

Share statistics on new sales and inforce

Discuss some challenges, such as:

- Older blocks continue to see price increases and unsatisfactory results
- Newer blocks priced using more credible data, but few carriers remain
- Challenging regulatory environment
LTCI – Challenge of Prefunding
Medicaid LTSS Delivery Systems

<table>
<thead>
<tr>
<th>Total Expenditures*</th>
<th>• FY15: $158 billion; ~30% of total Medicaid spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee-for-service</td>
<td>• Traditional service model: Institutional &amp; HCBS Waiver</td>
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<tr>
<td>Managed Care*</td>
<td>• FY15: $29 billion; 19% of LTSS</td>
</tr>
<tr>
<td>PACE</td>
<td>• Programs of All-Inclusive Care for the Elderly</td>
</tr>
</tbody>
</table>

Note: States are not required to report managed care expenditures separately for LTSS. As such, we know these values are understated but do not know by how much.

Medicaid LTSS Recap
# Medicaid Covered Members & Cost

<table>
<thead>
<tr>
<th>FY13-14</th>
<th>Beneficiaries</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>5.2M</td>
<td>$152B</td>
</tr>
<tr>
<td></td>
<td>67% HCBS</td>
<td>53% HCBS</td>
</tr>
<tr>
<td><strong>SPD</strong></td>
<td>3.3M</td>
<td>$93B</td>
</tr>
<tr>
<td></td>
<td>56% HCBS</td>
<td>41% HCBS</td>
</tr>
<tr>
<td><strong>DD</strong></td>
<td>1.5M</td>
<td>$42B</td>
</tr>
<tr>
<td></td>
<td>94% HCBS</td>
<td>75% HCBS</td>
</tr>
</tbody>
</table>

**Sources:**
- [https://www.kff.org/health-reform/state-indicator/expenditures-by-hcbs-waiver-type/](https://www.kff.org/health-reform/state-indicator/expenditures-by-hcbs-waiver-type/)
- [https://www.kff.org/health-reform/state-indicator/participants-by-hcbs-waiver-type/](https://www.kff.org/health-reform/state-indicator/participants-by-hcbs-waiver-type/)

*Note: Other LTSS categories included in the total represent:*  
- High behavioral health needs  
- HIV/AIDS  
- Traumatic brain injury
The need for Medicaid in LTSS

30%+ seniors live in or near poverty

- 20% of Medicare beneficiaries also had Medicaid coverage in 2016
- 62% of nursing home residents had Medicaid coverage in 2016

Medicare doesn’t cover LTSS

- Medicaid covers institutional and community-based care

Nearly half of seniors in the community have an LTSS need

- Cognitive or physical limitations

Median annual cost (2015)

- $90,000 nursing facility care
- $40,000 homemaker / home health services
- $20,000 adult day care

Sources:
Medicaid LTSS over time

Historical bias toward institutional care

- NF = mandatory Medicaid service
- HCBS = optional, expanding
- Mix varies by state (21% to 78%); national average is 50/50

Aging population

- 70% increase in population age 85+ over next 20 years

ACA expanded HCBS options

- Newly funded initiatives

Reform Activities
## LTC Reform Ideas

| **Private Market** | • Standalone LTCi  
|                    | • Combo Products  |
| **SOA Think Tank*** | • 3 Workstreams: Decisions, Services, Financing  
|                    | • New Financing Approach: Focus Group Report  |
| **NAIC***          | • Innovations Subgroup  
|                    | • LTC (B/E) Committee and Subcommittees  |
| **Other Public Policy** | • Current State and Federal Activity  
|                     | • Future State and Federal Influences  |
SOA LTC Think Tank

Care Decisions and Data
- Education; Coordination; Price/Use; Mitigate Need

Service Evolution and Expansion
- Spending(where, how, when); More Caregivers; Better Matching; Improve Access; Delay Need

Paying For Care
- New Financing Concepts/Products (LifeStage and Retirement Plus)
- Developing and Sizing the Market (upcoming SOA report)
NAIC Innovations Subgroup and Others

“Private Market Options...” (July 2017)
• Education piece for regulators, policymakers, consumers, and others

Federal Policy Options (April 2017)
• Effort to “identify and develop actionable, realistic policy options...that could increase the number of affordable” financing options for middle-income Americans

NAIC LTC Oversight Group – Formed in June 2017
• LTC (B/E) Subgroup
  • B Committee = health/product
  • E Committee = financial/solvency
Other NAIC Activity (LTC B/E Committee)

B Committee groups

- Health Actuarial Task Force
  - LTC Actuarial Working Group – Pricing Subgroup/Valuation Subgroup
- Senior Issues Task Force
  - LTC Innovation Subgroup
- Short Duration LTC Policies Subgroup
- Consumer Disclosure, LTC Shoppers Guide, LTC Benefit Adjustment

E Committee Groups

- Financial Analysis Work Group - Surveillance of Troubled Companies
- Valuation Analysis Work Group - new with Life PBR; AG51: LTC Asset Adequacy Reviews
Public Policy Initiatives
Reform Activities around Public LTCI

What is social insurance?

- Social insurance is pooled insurance that is contributory, universal, affordable

Examples of social insurance:

- Social Security
- Medicare Part A
- Medicare Parts B & D
- Paid family and medical leave
- German social insurance for LTC

Medicaid today is not social insurance, but could be reformed to serve similar goals
How Could Social Insurance Help Finance LTC?

Social Insurance Financing Options

- Payroll tax (employee-only or shared contributions)
- Community-rated premiums with general revenue subsidy
  - Like Medicare Parts B & D
  - Could be income-related
  - Earmarked taxes or fees

Complementary Financing Options

- Income tax, Property tax (e.g. for home care), Sales tax, Home equity
# State Initiatives

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington state’s LTC social insurance bill</td>
<td>$100/day for 1 year of LTC in nursing home, home or community-based care</td>
<td>Funded by payroll taxes</td>
</tr>
<tr>
<td>Hawaiʻi’s Kūpuna (Elders) Care Program</td>
<td>LTSS for non-Medicaid eligible residents 60+ to continue living in home or community (instead of Medicaid nursing home care). Services include adult day care, personal care, transportation.</td>
<td>Funded by excise tax on businesses (about 1/3 of which paid by tourists)</td>
</tr>
<tr>
<td>Hawaiʻi’s Kūpuna Caregivers Program</td>
<td>Caregiver relief: hybrid LTSS/PFL program designed to allow caregivers to stay in workforce. $70/day of services for loved one 60+ living at home not covered by Medicaid or private LTCI</td>
<td>Funded by general revenues (not social insurance)</td>
</tr>
<tr>
<td>Maine Universal HomeCare ballot initiative</td>
<td>In-home support and assistance to all Mainers over 65 years of age and people with disabilities</td>
<td>Funded by 1.9% payroll tax on employees and their employers (3.8% total) on earnings above SocSec tax cap as well as 3.8% tax on investment income above the SocSec tax cap (reduced by payroll tax paid)</td>
</tr>
</tbody>
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## Academy Study Panel Analysis

<table>
<thead>
<tr>
<th>Option</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 LTC experts/actuaries developing policy options for state-based LTC social insurance programs</td>
<td></td>
</tr>
<tr>
<td>Front-end social insurance coverage (WA state)</td>
<td></td>
</tr>
<tr>
<td>Back-end catastrophic social insurance (Cohen/Feder)</td>
<td></td>
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<tr>
<td>Comprehensive social insurance (Germany)</td>
<td></td>
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<tr>
<td>Smaller scale options: Hawaii, Maine</td>
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</table>
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Audience Polls - Economic
Poll: Long term care service costs will continue rising in line with recent trends (~4% facility, ~2% home care).
Long term care service costs will continue rising in line with recent trends (~4% facility, ~2% home care).
Poll: The economy will remain relatively stable, with modest up and down turns, keeping Medicaid LTSS eligibility relatively stable over the long term (all else equal).
The economy will remain relatively stable, with modest up and down turns, keeping Medicaid LTSS eligibility relatively stable over the long term (all else equal).
Poll: The middle class will continue to shrink, forcing more individuals to rely on government subsidized coverage for LTSS needs.
The middle class will continue to shrink, forcing more individuals to rely on government subsidized coverage for LTSS needs.
Poll: Medicaid reimbursement rates for LTSS providers will fall further and further behind private reimbursement rates.
Medicaid reimbursement rates for LTSS providers will fall further and further behind private reimbursement rates.
Poll: Federal funding for Medicaid LTSS programs will completely move away from the current FMAP approach (i.e., shift to per capita or block grants)
Federal funding for Medicaid LTSS programs will completely move away from the current FMAP approach (i.e., shift to per capita or block grants)

- 0% Strongly Disagree
- 0% Disagree
- 33% Neutral
- 67% Agree
- 0% Strongly Agree
Poll: State funding for Medicaid LTSS programs will completely move away from fee-for-service and transition to capitation payments for managed LTSS plans
State funding for Medicaid LTSS programs will completely move away from fee-for-service and transition to capitation payments for managed LTSS plans.
Poll: • In the short-term with no significant tax increases, revenue for state Medicaid LTSS will be able to cover program costs under today’s eligibility rules through care management efforts (e.g., shift care to less expensive settings, valued-based paym
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Poll: • In the long-term with no significant tax increases, revenue for state Medicaid LTSS will be able to cover program costs under today’s eligibility rules through care management efforts (e.g., shift care to less expensive settings, valued-based payme
• In the long-term with no significant tax increases, revenue for state Medicaid LTSS will be able to cover program costs under today’s eligibility rules through care management efforts (e.g., shift care to less expensive settings, valued-based payme
Poll: States will integrate financing of acute medical and long-term care costs in the next 10 years to manage individuals’ health more holistically
States will integrate financing of acute medical and long-term care costs in the next 10 years to manage individuals’ health more holistically.
Audience Polls - Societal
Poll: Improvements in acute medical care will increase both healthy and disabled life expectancy
Improvements in acute medical care will increase both healthy and disabled life expectancy
Poll: The need for long-term care related to cognitive impairment issues will decline dramatically in the next 20 years due to medical advancements.
The need for long-term care related to cognitive impairment issues will decline dramatically in the next 20 years due to medical advancements.
Poll: The reliance on family caregivers will continue to decrease as family sizes decrease and family members migrate greater distances
The reliance on family caregivers will continue to decrease as family sizes decrease and family members migrate greater distances.