

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

### **Moderator/Presenter:**

Christopher J. Giese, FSA, MAAA

### **Presenters:**

Rhonda K. Ahrens, FSA, MAAA

Jenny L. Gerstorff, FSA, MAAA

Christopher J. Giese, FSA, MAAA

Benjamin Veghte, Ph.D.

# 2018 SOA Health Meeting

Chris Giese, FSA, MAAA  
Jennifer Gerstorff, FSA, MAAA  
Rhonda Ahrens, FSA, MAAA  
Benjamin Veghte, Ph.D.

**046 – Crystal Ball Forecast – The Future of LTSS**

June 25, 2018



**SOCIETY OF  
ACTUARIES®**



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

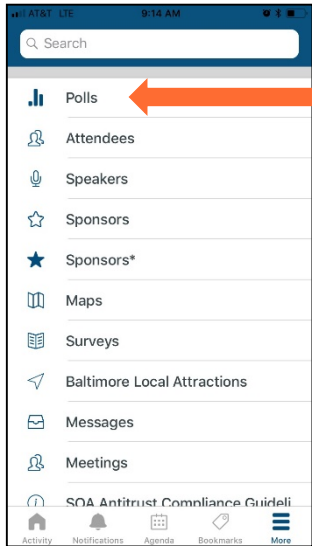
# Presentation Disclaimer

*This presentation is intended to for educational only and is not complete without oral comment. Nothing in this presentation is intended to replace independent professional judgment. The views expressed in this presentation are those of the presenters, and not those of the their employers, the Society of Actuaries, its cosponsors, or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented.*

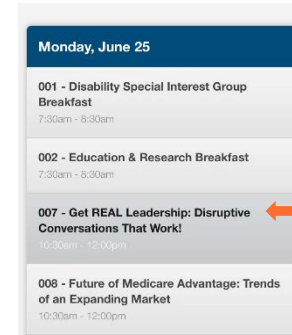
*Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.*

# To Participate, look for Polls in the SOA Event App or visit [health.cnf.io](https://health.cnf.io) in your browser

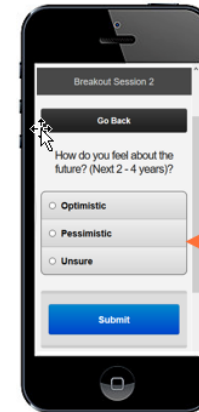
Find The Polls  
Feature Under **More**  
In The Event App



Type [health.cnf.io](https://health.cnf.io) In Your Browser



Choose your session



Respond to  
Polls when  
they appear

# 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





# LTCL Market Perspective

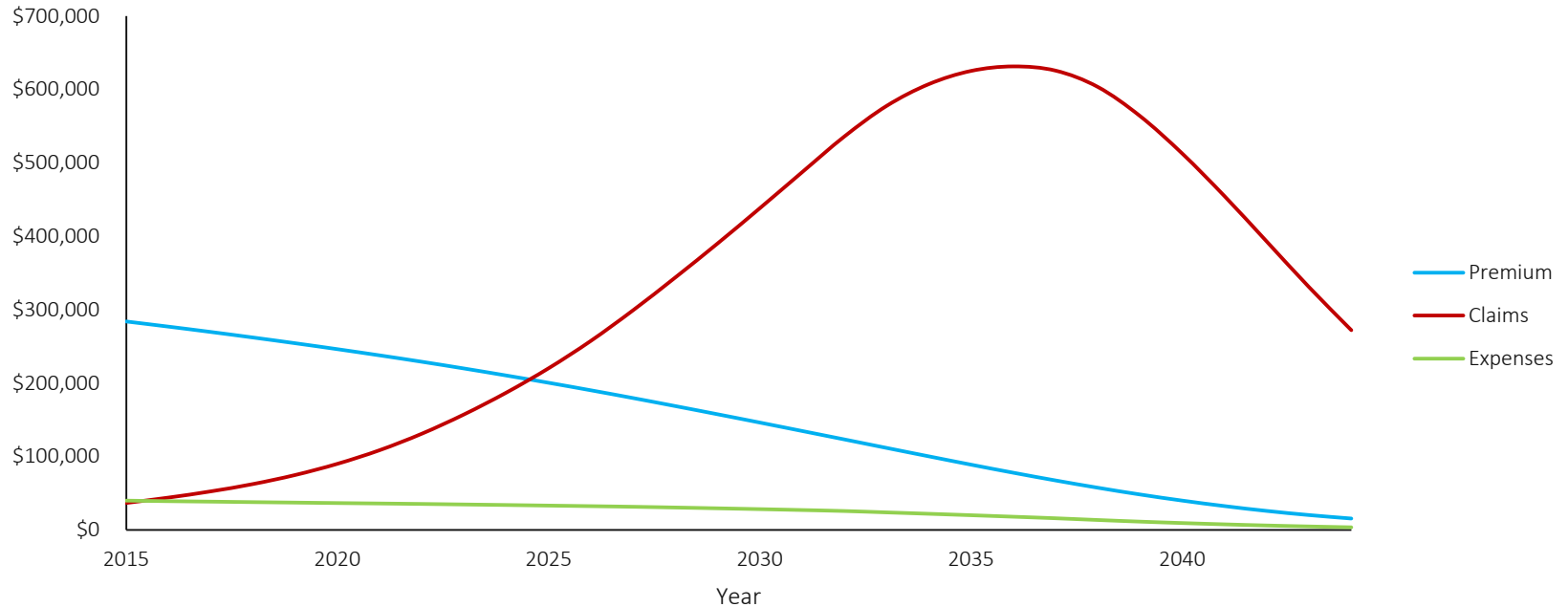
Overview of stand-alone and combo markets (e.g., coverage basics)

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

## Total Expenditures\*

- FY15: \$158 billion; ~30% of total Medicaid spend

## Fee-for-service

- Traditional service model: Institutional & HCBS Waiver

## Managed Care\*

- FY15: \$29 billion; 19% of LTSS

## PACE

- Programs of All-Inclusive Care for the Elderly

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

Sources: <https://www.medicaid.gov/medicaid/ltss/downloads/reports-and-evaluations/ltss expenditures ffy2015 final.pdf>

# Medicaid LTSS Recap



# Medicaid Covered Members & Cost

FY13-14	Beneficiaries	Expenditures
Total	5.2M	\$152B
	67% HCBS	53% HCBS
SPD	3.3M	\$93B
	56% HCBS	41% HCBS
DD	1.5M	\$42B
	94% HCBS	75% HCBS

## Sources:

<https://www.medicaid.gov/medicaid/ltss/downloads/reports-and-evaluations/ltss-beneficiaries-2013.pdf>

<https://www.medicaid.gov/medicaid/ltss/downloads/ltss-expenditures-data-tables-1981-2014.zip>

<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/>

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: <http://files.kff.org/attachment/Fact-Sheet-Medicoids-Role-in-Meeting-Seniors-Long-Term-Services-and-Supports-Needs>  
<https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/>

# 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

Source: <http://files.kff.org/attachment/Fact-Sheet-Medicoids-Role-in-Meeting-Seniors-Long-Term-Services-and-Supports-Needs>

# 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

Washington state's LTC social insurance bill	<p>\$100/day for 1 year of LTC in nursing home, home or community-based care</p> <p>Funded by payroll taxes</p>
Hawai'i's Kūpuna (Elders) <i>Care</i> Program	<p>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.</p> <p>Funded by excise tax on businesses (about 1/3 of which paid by tourists)</p>
Hawai'i's Kūpuna <i>Caregivers</i> Program	<p>Caregiver relief: hybrid LTSS/PFL program designed to allow caregivers to stay in workforce</p> <p>\$70/day of services for loved one 60+ living at home not covered by Medicaid or private LTCI</p> <p>Funded by general revenues (not social insurance)</p>
Maine Universal HomeCare ballot initiative	<p>In-home support and assistance to all Mainers over 65 years of age and people with disabilities</p> <p>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)</p>



# Academy Study Panel Analysis

---

17 LTC experts/actuaries developing policy options for state-based LTC social insurance programs

---

Front-end social insurance coverage (WA state)

---

Back-end catastrophic social insurance (Cohen/Feder)

---

Comprehensive social insurance (Germany)

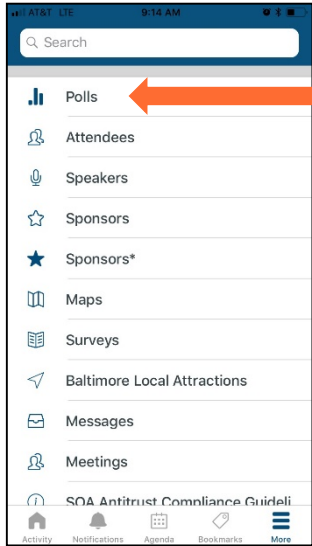
---

Smaller scale options: Hawaii, Maine

---

# To Participate, look for Polls in the SOA Event App or visit [health.cnf.io](https://health.cnf.io) in your browser

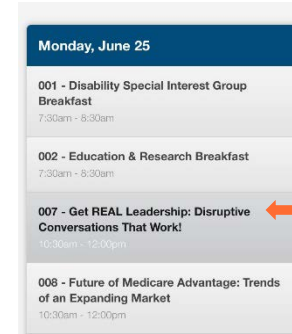
Find The Polls  
Feature Under **More**  
In The Event App



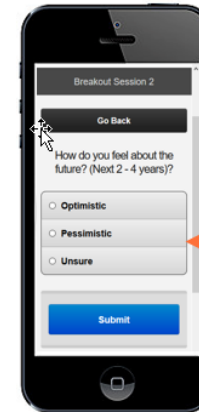
Type [health.cnf.io](https://health.cnf.io) In Your Browser



or



Choose your session



Respond to  
Polls when  
they appear

# Audience Polls - Economic

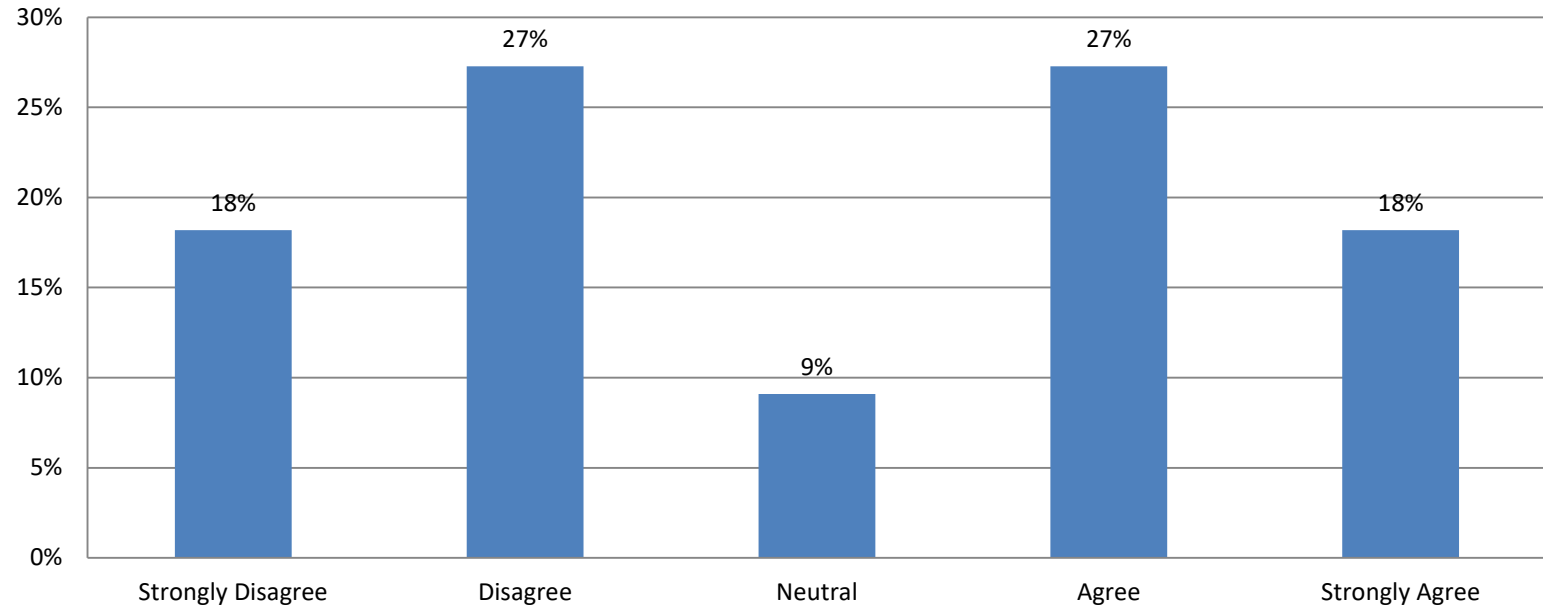


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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).

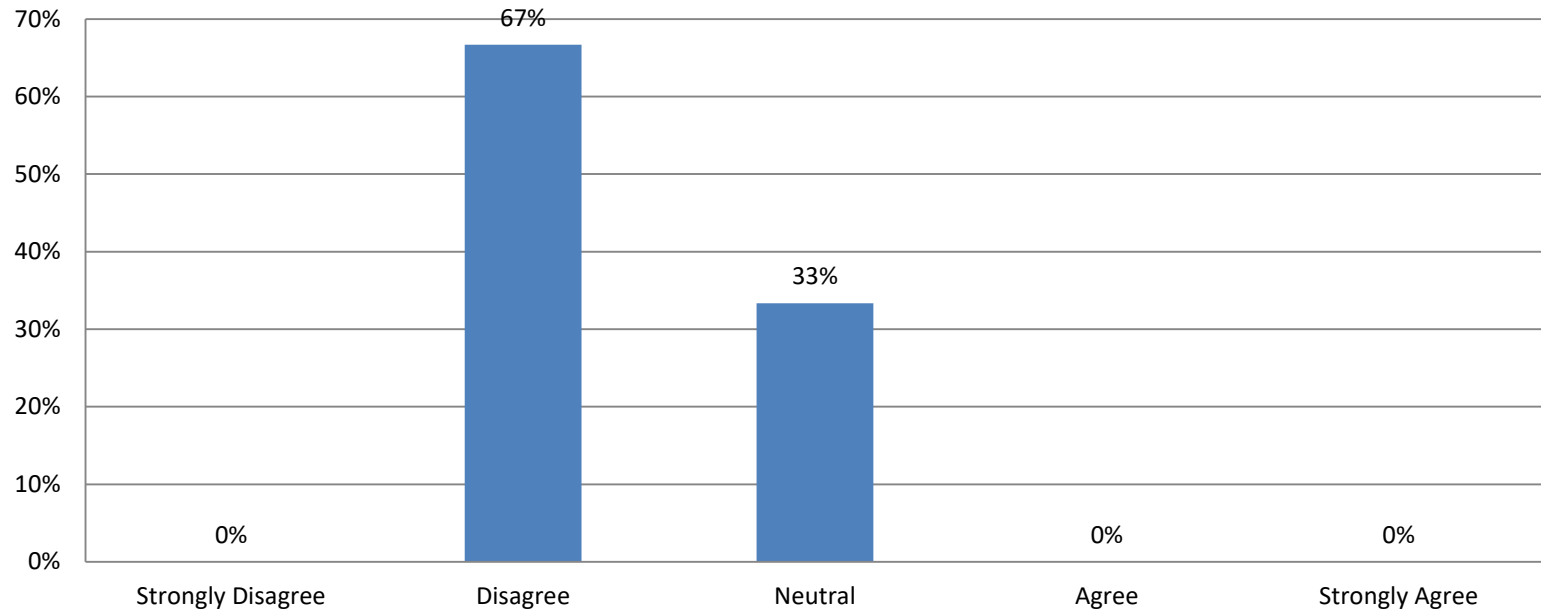


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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).



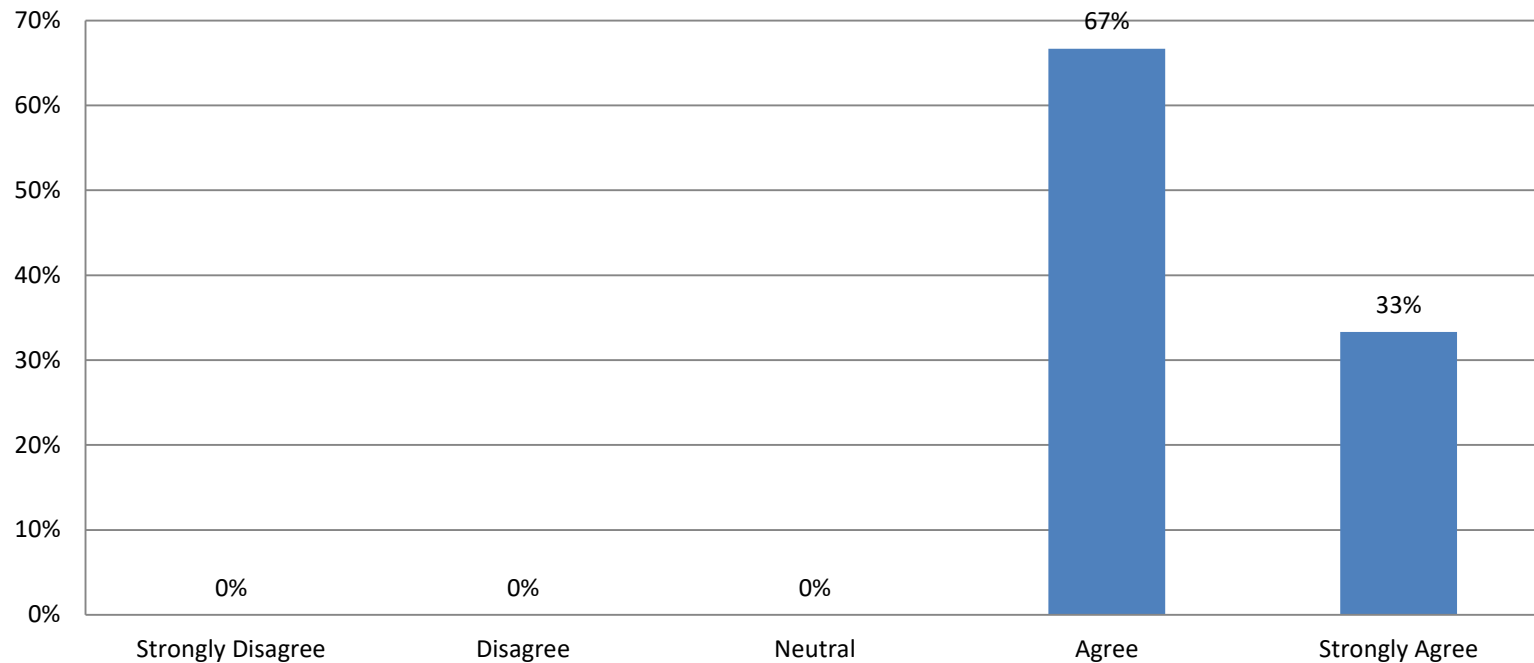
### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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

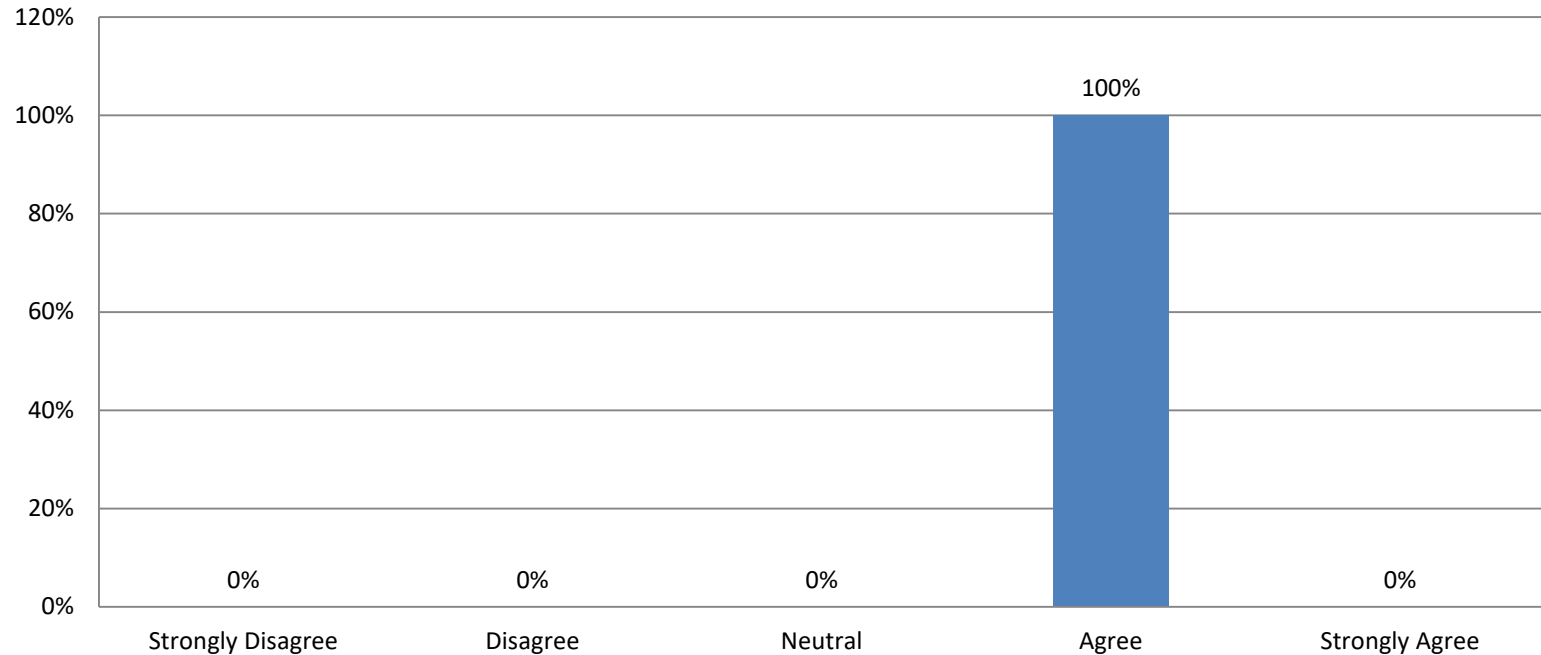


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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

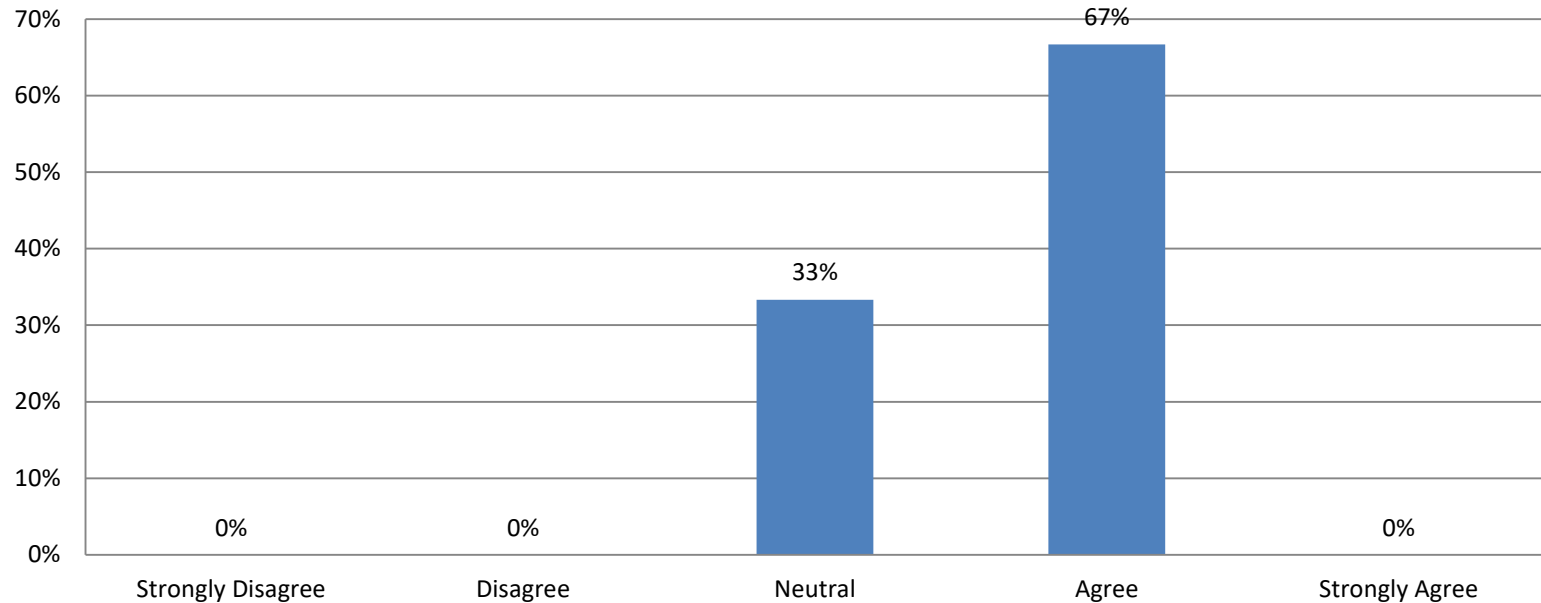


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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)

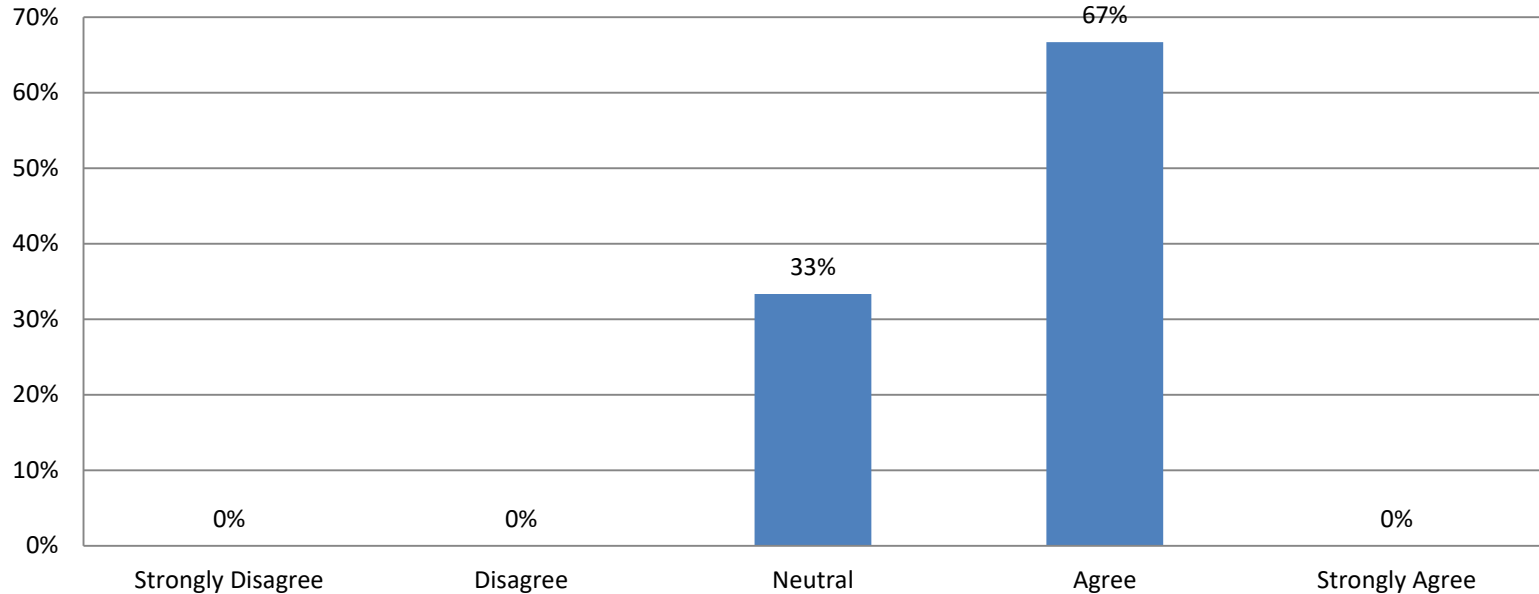


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

**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



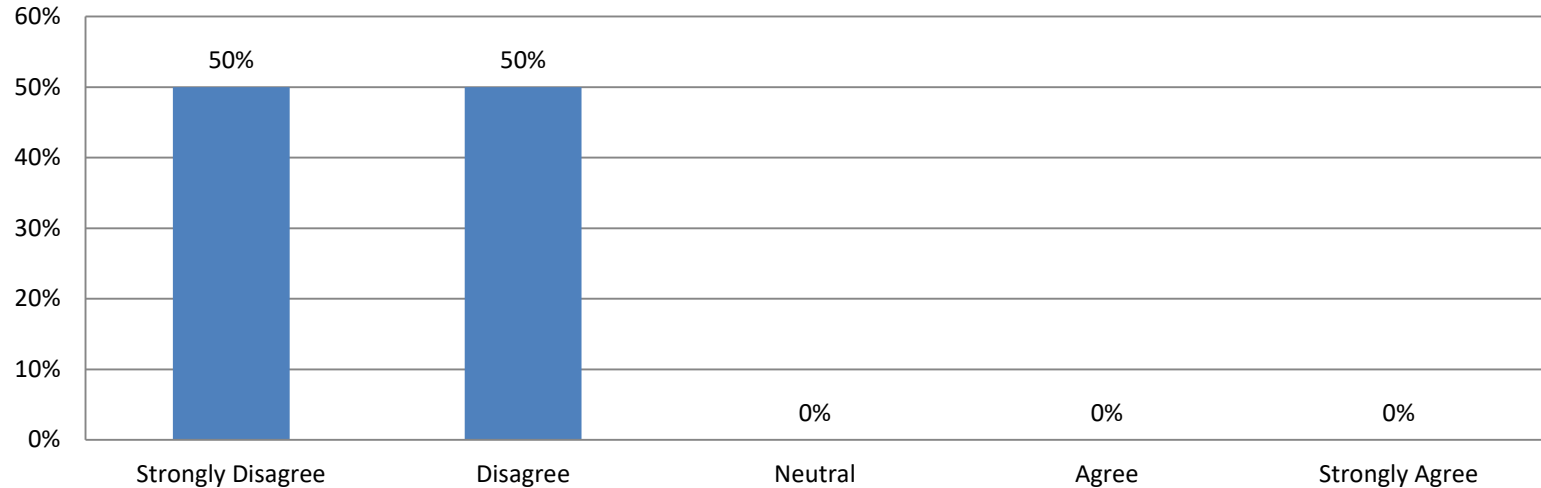
### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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



- 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

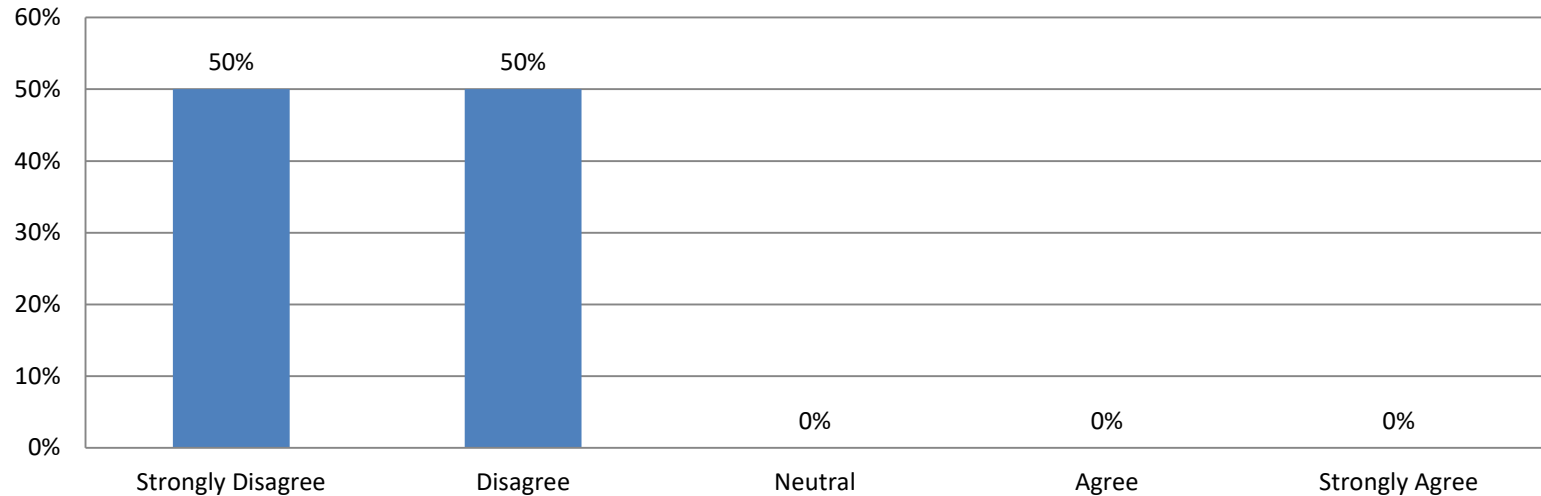


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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

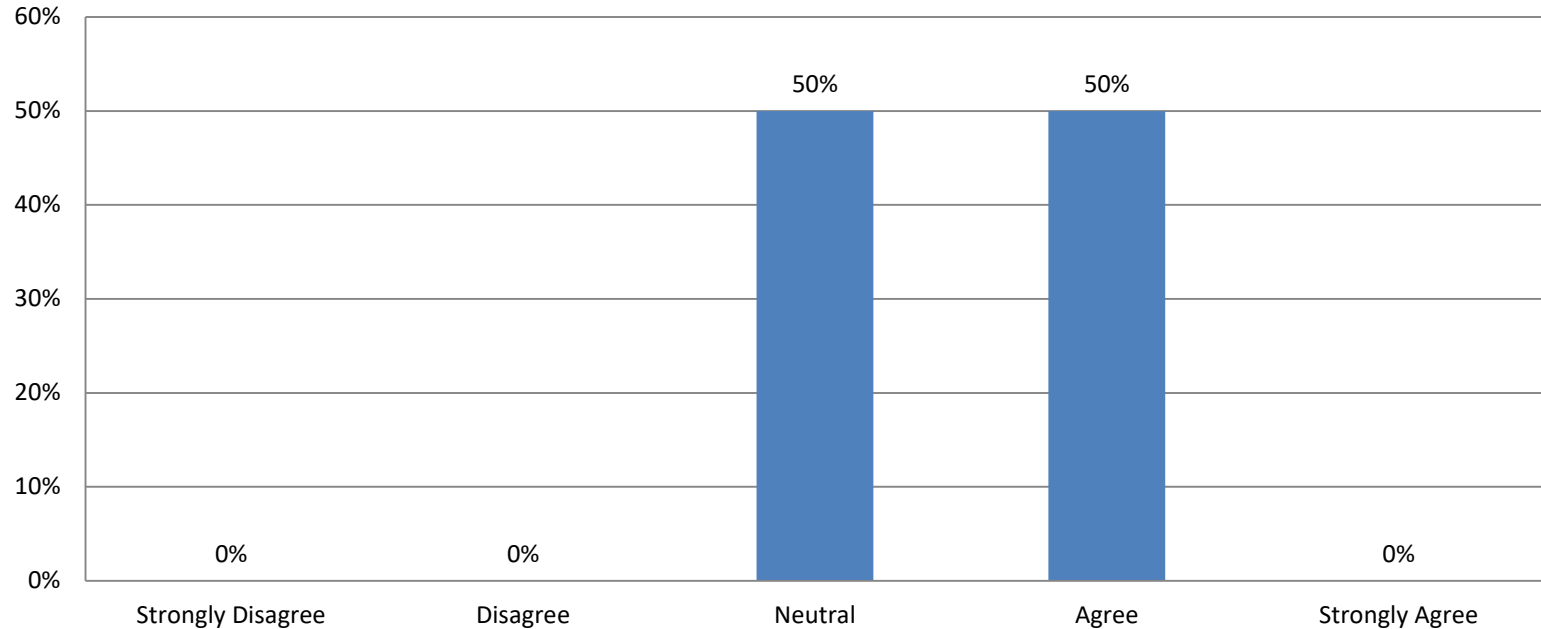


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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

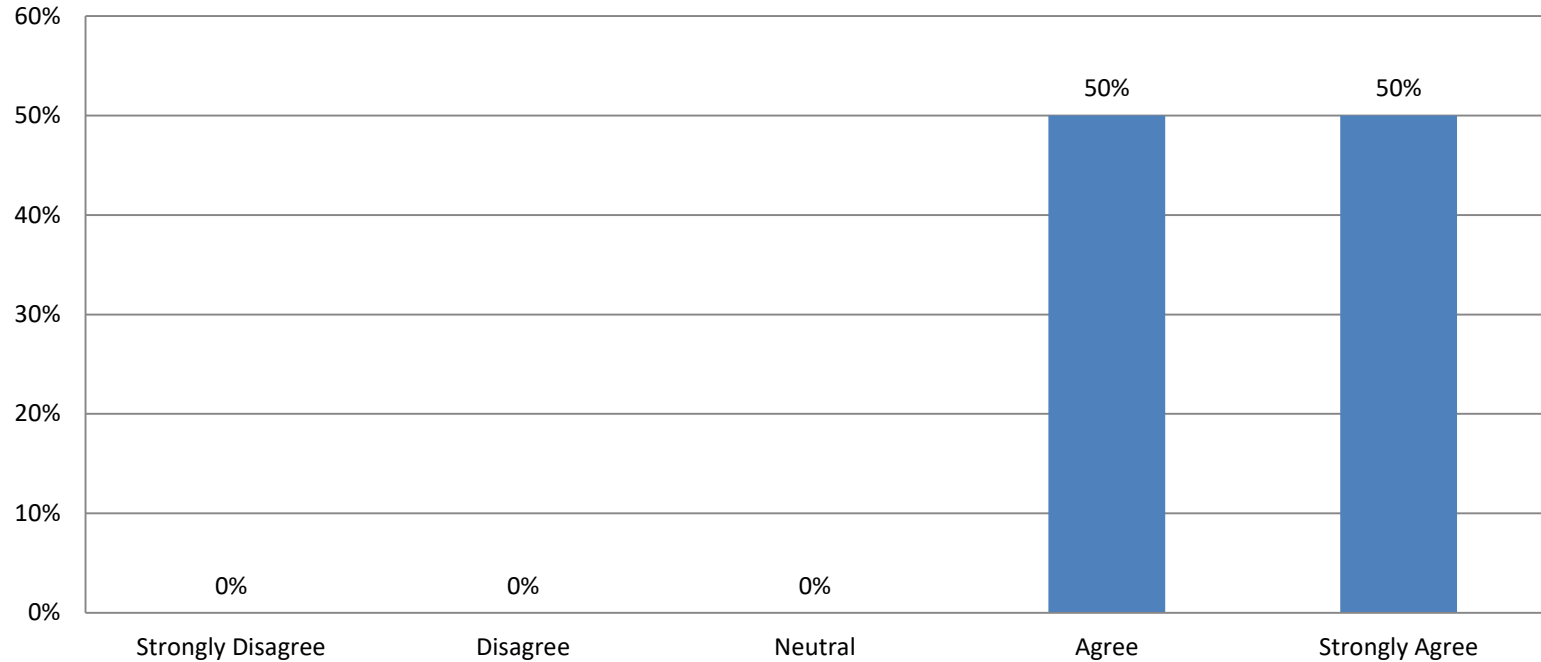


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

**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



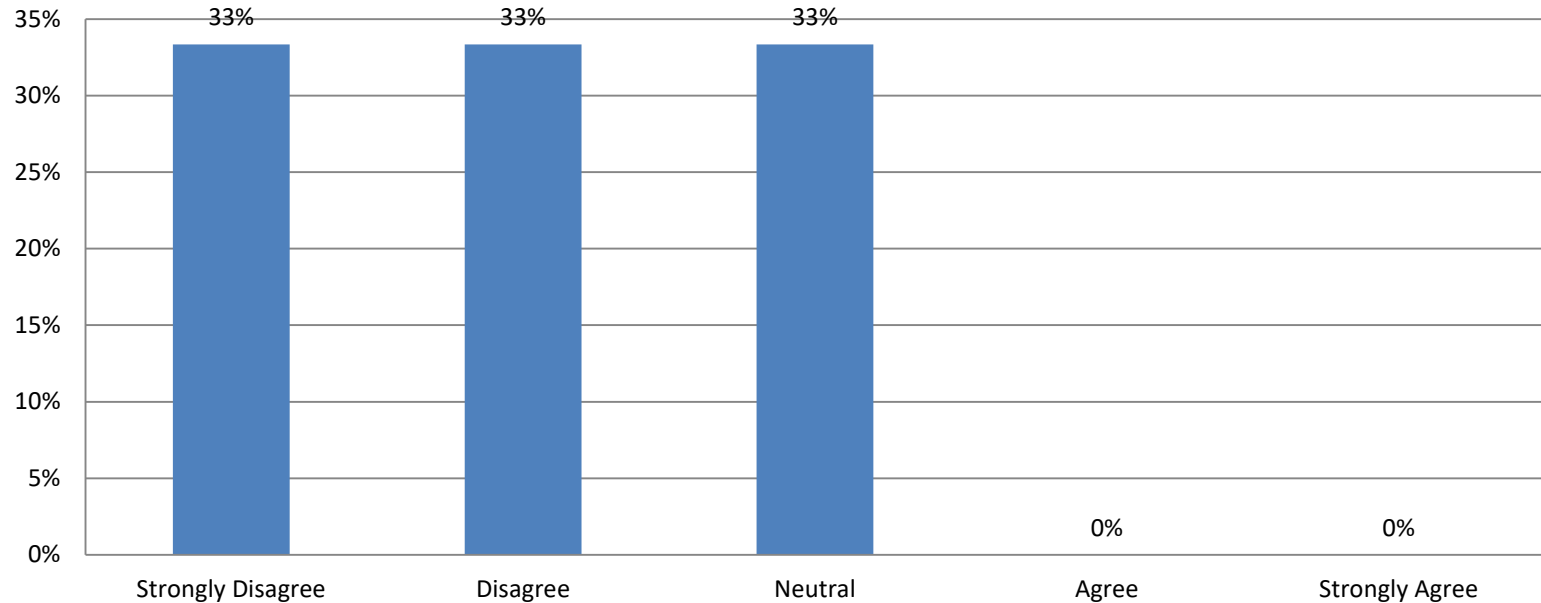


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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

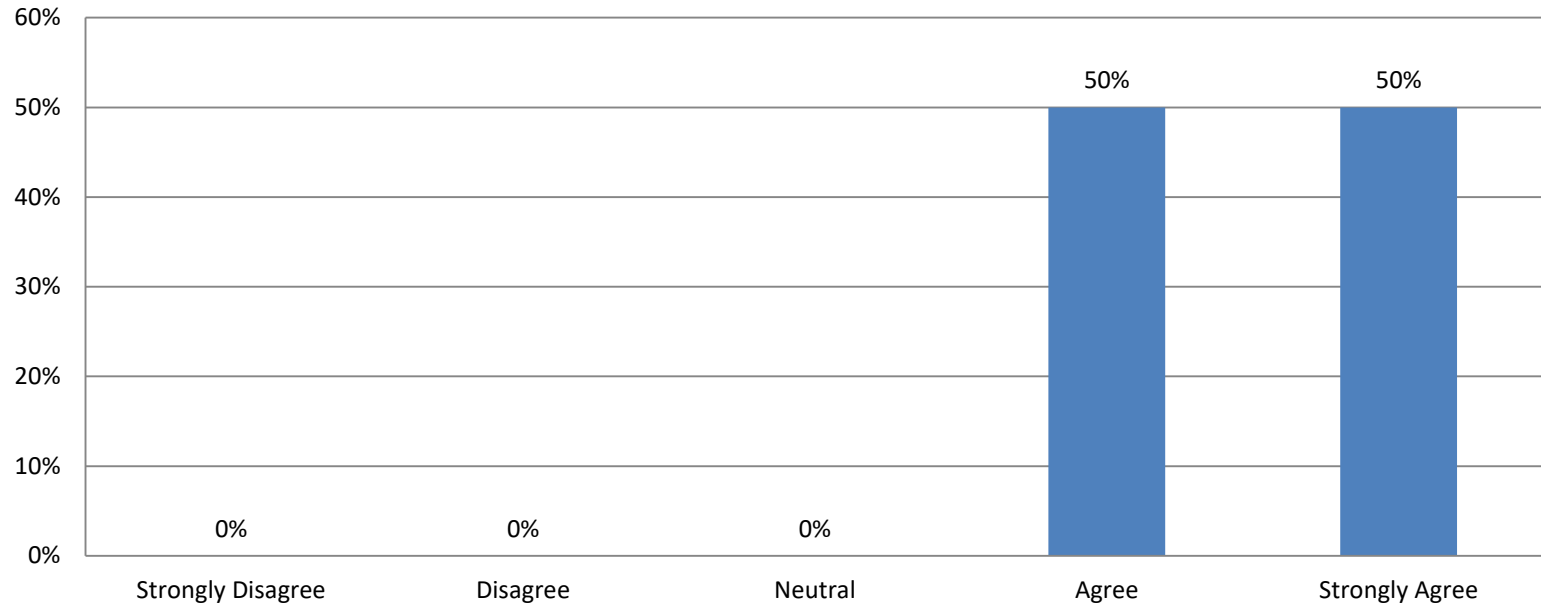


### *Live Content Slide*

*When playing as a slideshow, this slide will display live content*

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





**SOCIETY OF  
ACTUARIES®**