

Long-Term Care in Hawaii: Issues and Options

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RTI International Project for LTCC: First Year

- Review of available published information
- Survey of adult population on long-term care issues
- Conduct stakeholder interviews: Government officials, providers, consumers, researchers
- Develop options for Commission decisionmaking

Introduction

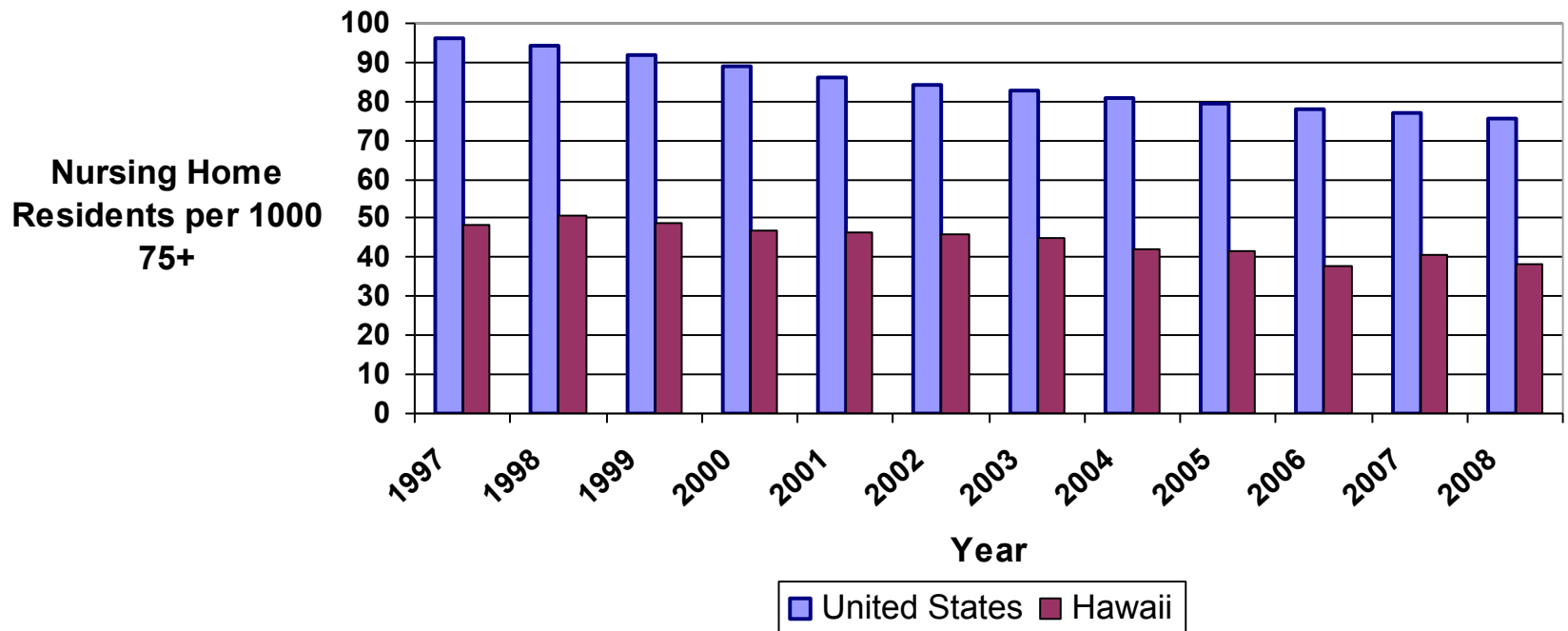
- Long-term care major component of health spending
- Major component of state health and Medicaid spending
- Heavily publicly financed through Medicaid and Medicare
- Aging of the population = higher expenditures
- How should long-term care be organized?
- How should long-term care be financed?

Goals of Long-Term Care Reform

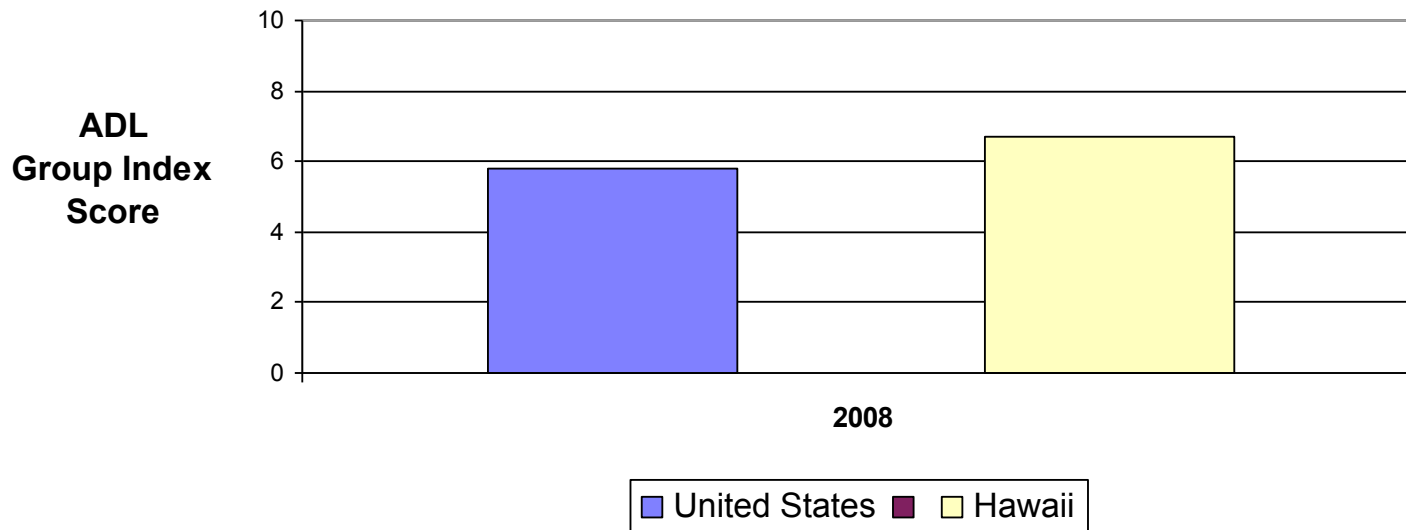
- Treat long-term care as a normal life risk rather than unexpected event
- Protect against catastrophic out-of-pocket costs
- Prevent dependence on welfare
- Increase consumer choice by providing more options for home and community-based services while providing needed institutional care
- Finance care in a way that is affordable for individuals and government

SERVICE DELIVERY

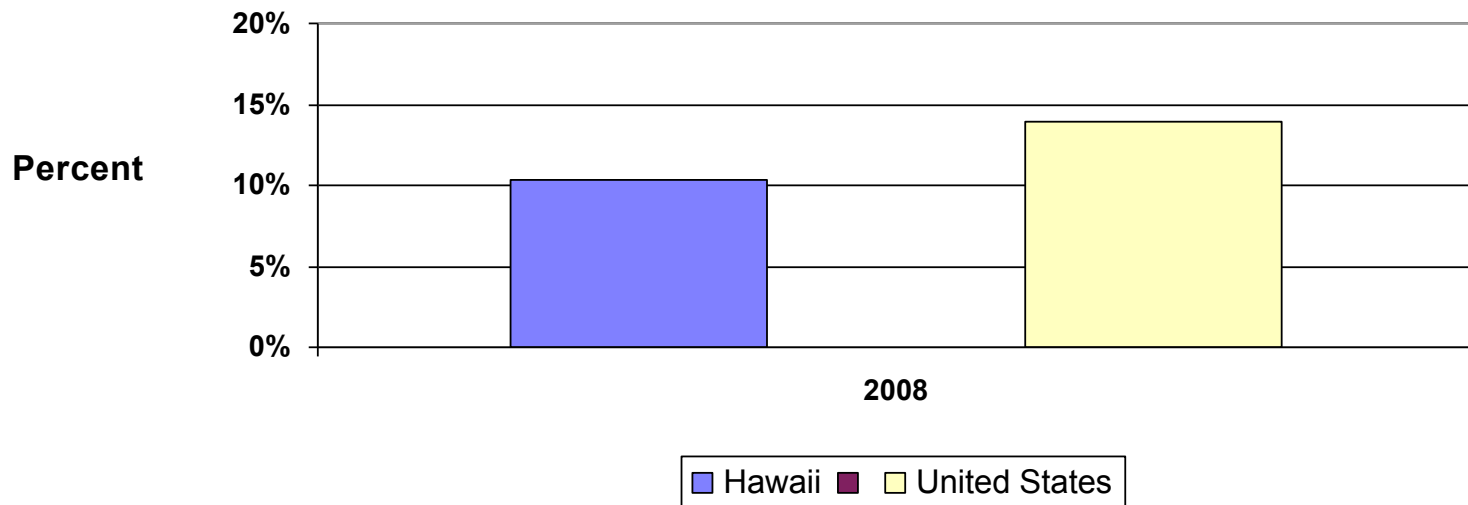
Nursing Home Residents per 1000 People Aged 75 and Older



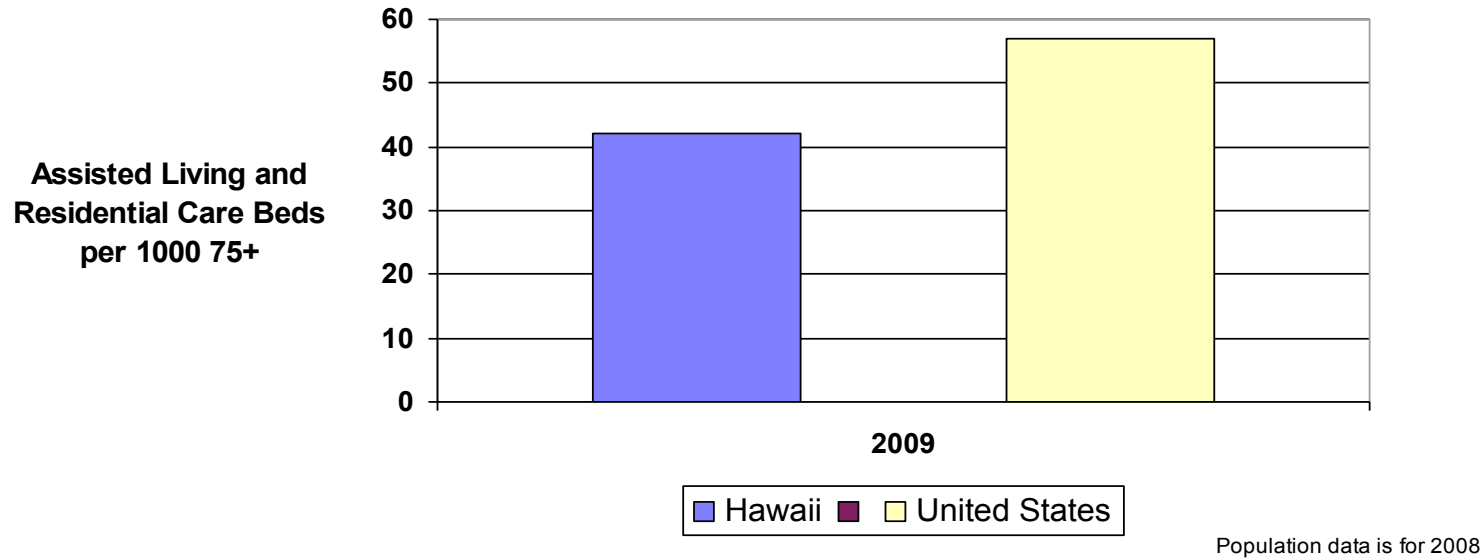
Average Nursing Home ADL Index



Percent of Nursing Home Residents who are Medicare Beneficiaries, 2008



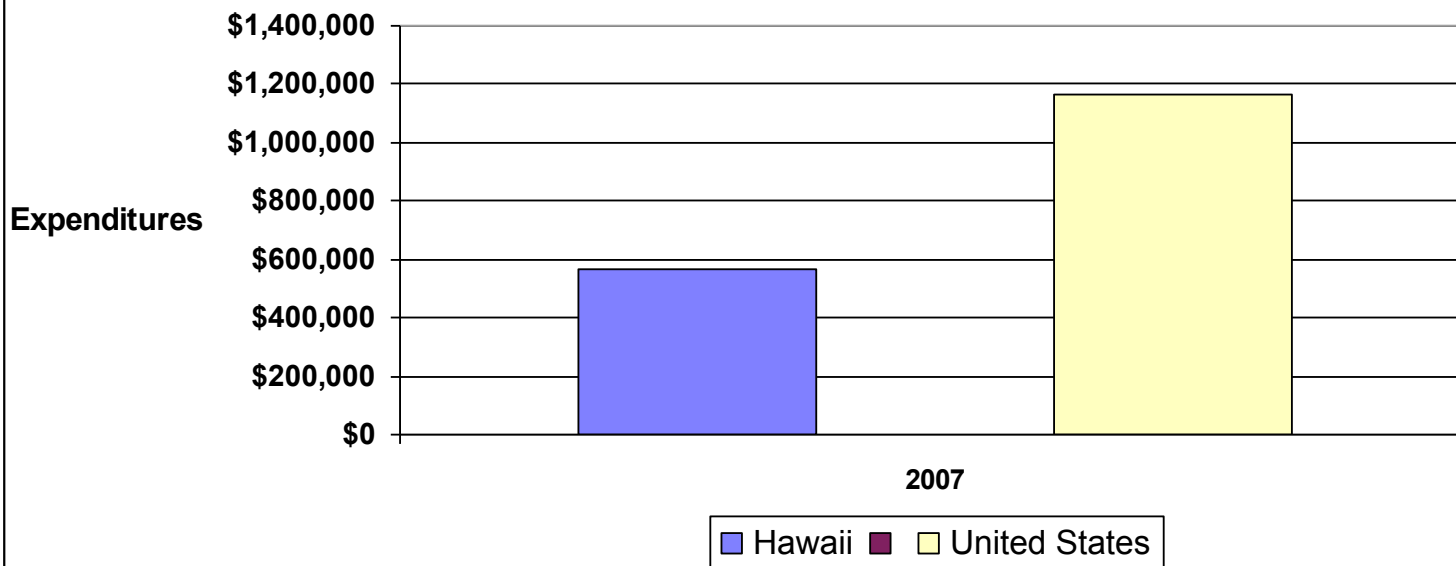
Assisted Living & Residential Care Beds per 1000 Persons 75+



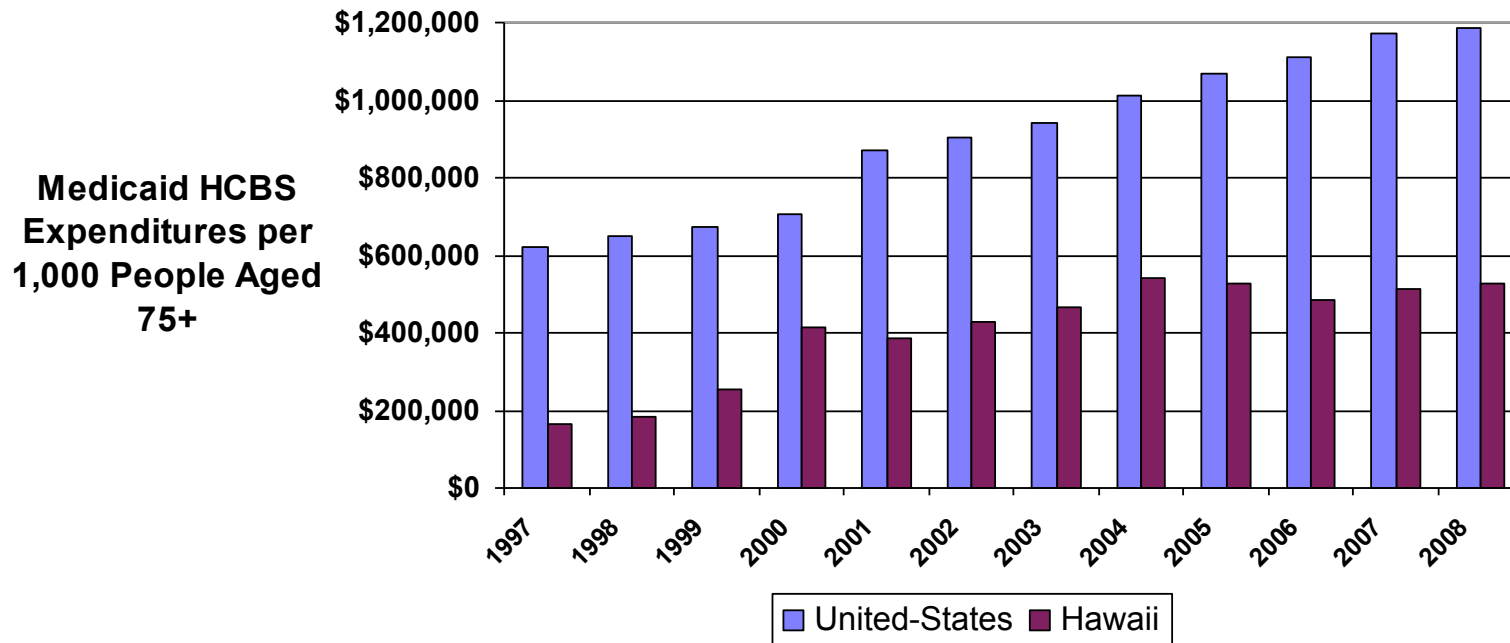
Delivery System Reform

- States implementing LTC reform have focused on delivery rather than financing
- Three main critiques:
 - Not enough home and community-based services; too much emphasis on institutional care
 - Fragmented delivery system makes entry, coordination, and transition difficult
 - Consumers do not have enough control over the services they use

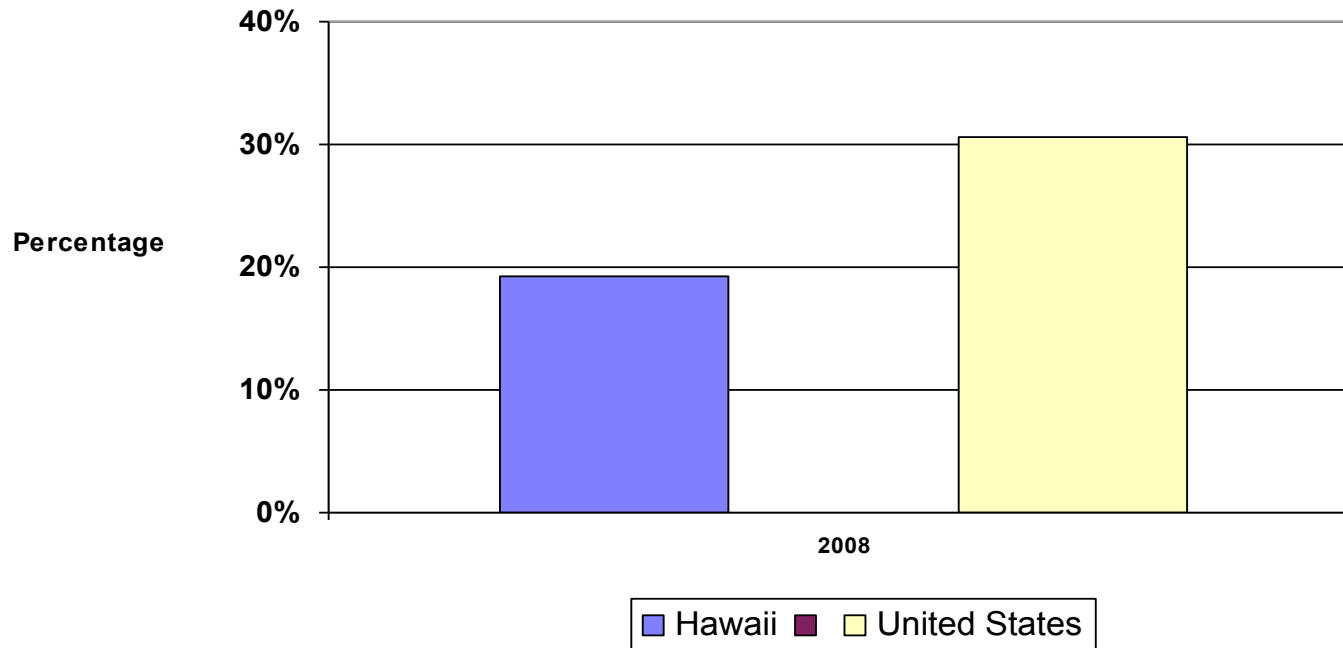
Medicaid and State HCBS Expenditures per 1000 People 75+, 2007



Medicaid HCBS Expenditures per 1,000 People Aged 75 or Older



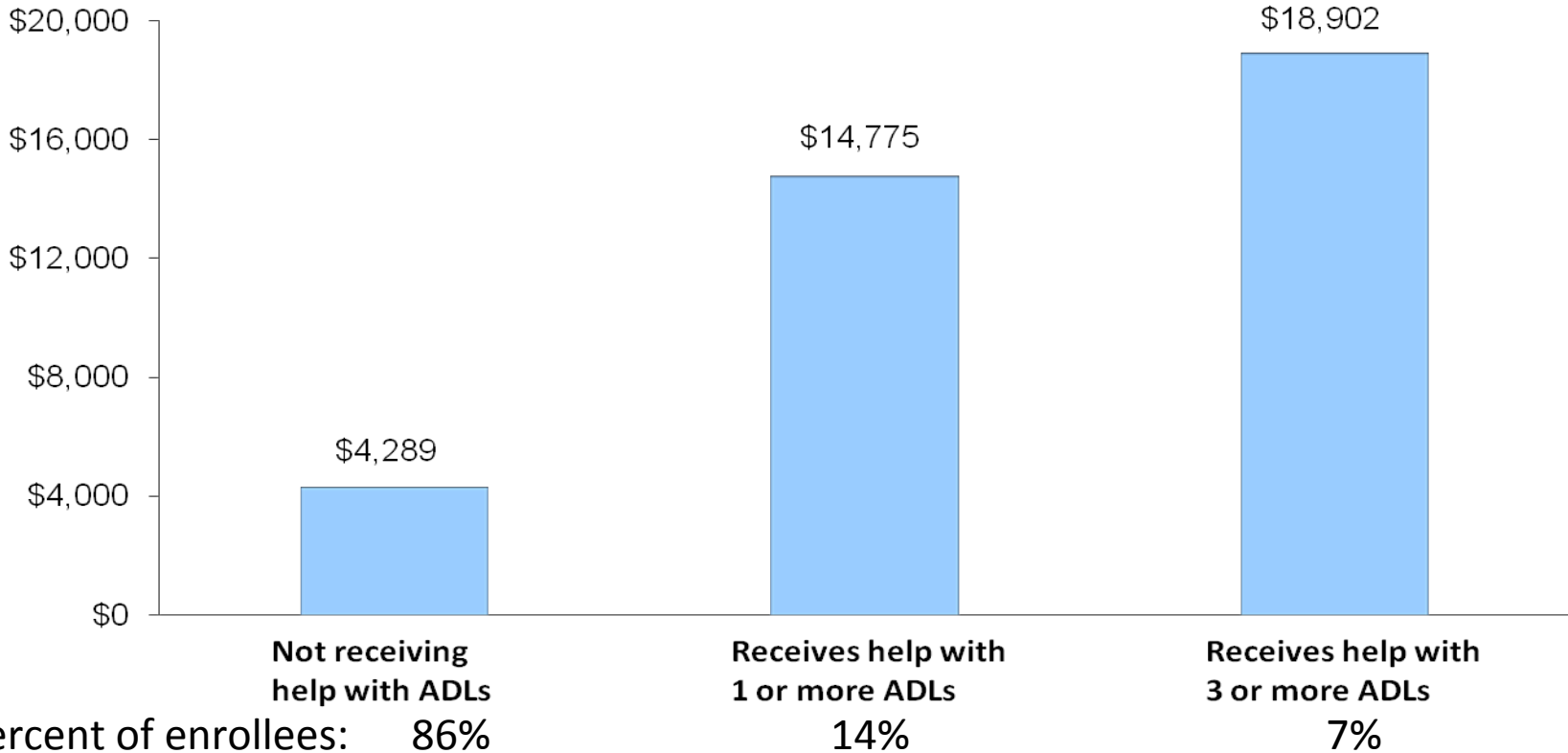
Percentage of Medicaid LTC Expenditures for HCBS 2008



Fragmented Delivery System

- Single point of entry programs, such as Aging and Disability Resource Centers
- Money Follows the Persons: Transition people in institutions back to the community
- Integration of long-term care: Wisconsin's Family Care
- Integration of acute and long-term care: Arizona Long-Term Care System, Minnesota Social Health Options, Texas Care+Plus

Average Medicare Spending per Enrollee Age 65 and Older, by Functional Limitations, 2005



Note: ADLs = activities of daily living. Amounts shown are spending for Medicare Parts A and B only, for enrollees in fee-for-service Medicare who are not residing in nursing homes or other institutions.

SOURCE: Komisar, Tumlinson, Feder & Burke. Long-Term Care in Health Care Reform: Policy Options to Improve Both. The SCAN Foundation. 2009.

Consumer-Directed Home Care

- Most home care provided by agencies, which hire, train, schedule, monitor, and fire employees
- Consumer-directed home care give those responsibilities to consumers or their agents
- Promoted by Centers for Medicare & Medicaid Services, a growing number of states are using this approach
- Studies find quality the same or better as agency-directed services

FINANCING

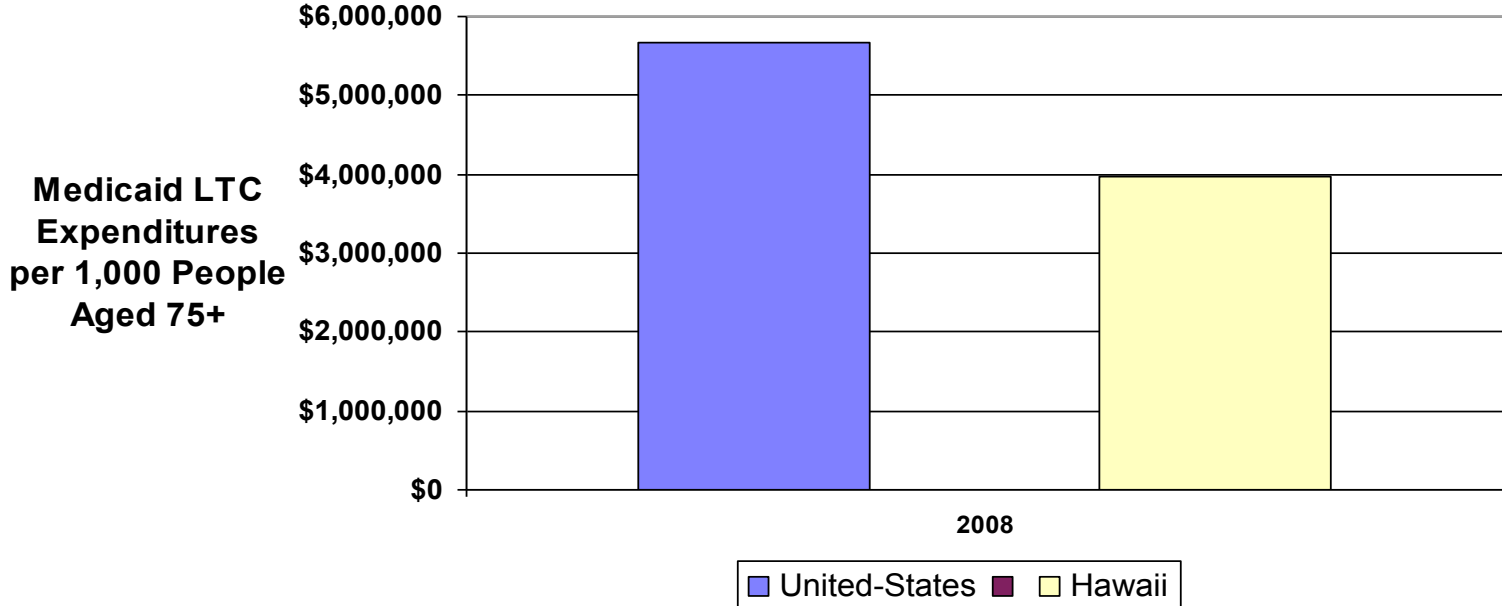
Long-Term Care is Expensive

Type of Care	Hawaii	United States
Year in nursing home care (private room)	\$131,400	\$79,935
Year in assisted living facility	\$54,900	\$37,572
Home health aide (per hour)	\$23	\$21

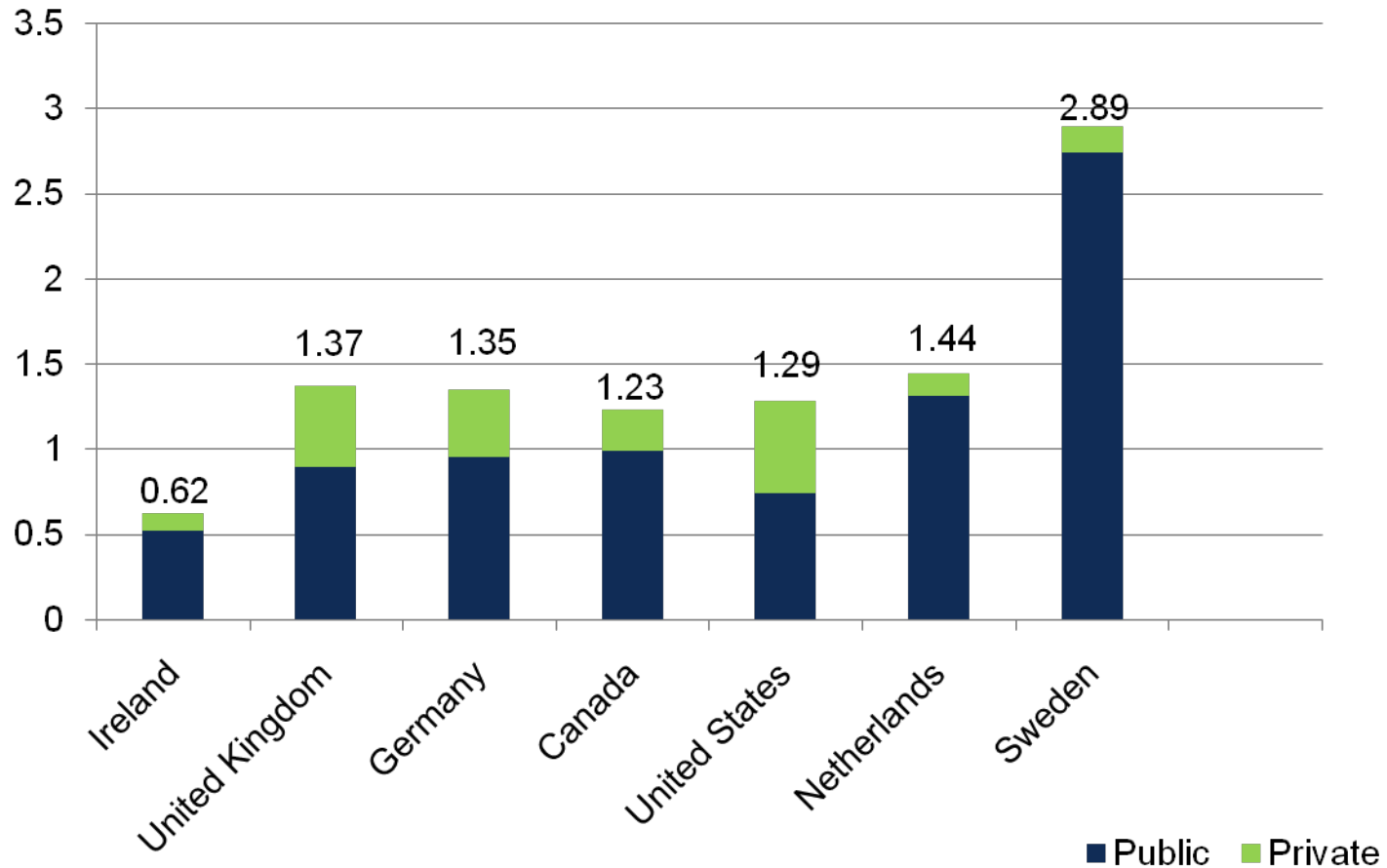
Nursing Facility Resident Payer Sources, 2009

Source of Payment	Hawaii	United States
Medicare	11	14
Medicaid	70	64
Other Payer	19	22
Total	100	100

Medicaid LTC Expenditures per 1,000 People Aged 75 or Older

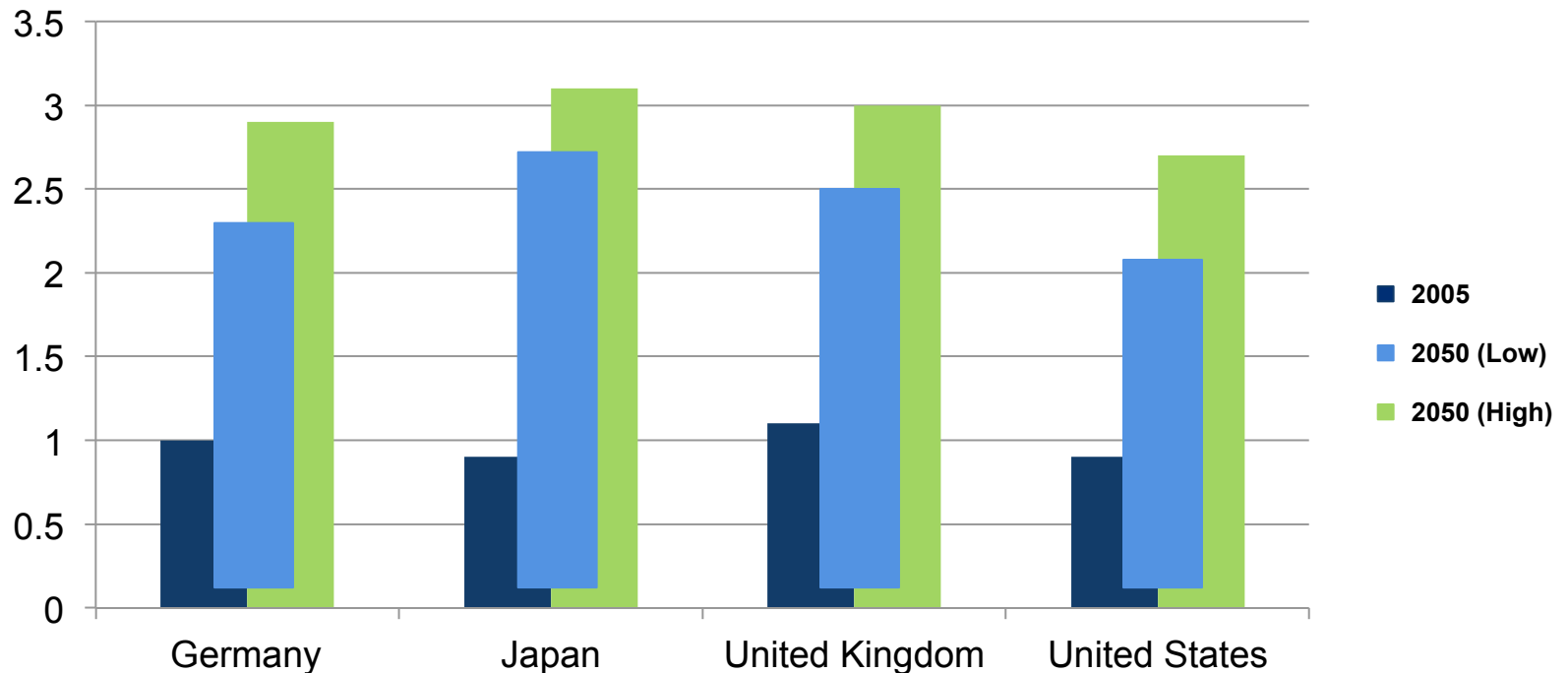


Public and Private Expenditures on LTC for Older People as Percentage of GDP, 2000



Source: OECD, 2005.

Projected Public Long-Term Care Expenditures (All Ages) in Selected Countries, as a Percentage of GDP, 2005 and 2050



Source: OECD, 2006.

Means Testing vs. Universal Financing

- Unlike health care, many countries means test (e.g., United Kingdom, New Zealand)
- Countries with universal coverage (Austria, Germany, Japan, Netherlands, Sweden, Luxembourg)
- Private insurance not a major source of financing
- Public and private insurance sometimes blurred (e.g., Germany)

Private Sector Initiatives: Private Long-Term Care Insurance

PROS

- Consistent with current health insurance system for most people (but not older people)
- Reflects general principle of personal responsibility
- Allows for competition

CONS

- Market has not taken off and proposals to jump start market unlikely to work on broad basis
- Products are too expensive for most people
- People who have medical problems cannot enroll

Private Long-Term Care Insurance

- “The Dream”
- Affordability:
 - Good quality policy: \$2,300 at age 60
 - 10-20 percent can afford
- Thinks Medicare covers it
- Denial of risk
- Medical underwriting

Options to Encourage Private Long-Term Care Insurance

- Tax incentives
- Partnership for LTC
- Employer-sponsored LTC insurance

Tax Incentives for Private Long-Term Care Insurance

- Income tax deductions or credits
- HIPAA and 36 states and DC offer tax incentives
- Incentives are small, not substantially reducing price
- Sentinel effect?
- Only about 40% of federal taxpayers itemize and many older people pay no federal taxes
- Recent study by Stevenson find little effect
- Efficiency vs. equity

Public-Private Partnerships

- Allows higher level of protected assets under Medicaid to people who buy state-approved policy
- Lowering amount of insurance needed
- Connecticut, Indiana, California, and New York
- Market penetration very low—less than 3 percent of older people
- Premiums still high
- Asset protection not draw people
- Not want to be on Medicaid
- Deficit Reduction Act of 2005: 30 States

Promoting Employer-Sponsored LTC Insurance

- Lower premiums due to younger ages and economies of scale—Federal plan: \$950 for a 40 year old
- Idea to have federal and state employees to prime the pump—not worked
- Very small market, but growing, approximately 1,000,000 policies in place
- Federal tax incentives comparable to health insurance
- Employee pay all
- Low market demand—6-7% take-up

Public Sector Options: Expand State Programs for Home Care

- Most states have small state-funded programs for long-term care
- Often associated with U.S. Administration on Aging-funded programs
- Easy to control expenditures through appropriation process, rather than open-ended entitlement
- Requires additional state funds

Public Sector Options: Expand Medicaid

- Expand Medicaid by covering more middle-class people or by expanding coverage of home and community-based services or institutional care
- Technically easy, incremental approach
- Requires additional public spending
- Unless economy improves greatly, financed either by higher taxes or cutting other programs
- Continues reliance on welfare program

Public Insurance for LTC

PROS

- Medicare already provides funding for limited nursing home and home health care
- Creates a level playing field with medical care
- If mandatory, only approach that will achieve universal coverage
- If mandatory, spreads the risk broadly over entire society
- Insurance premiums provide new benefits, which may be more attractive than tax increases
- Reduces two-tiered system between private pay and Medicaid

Public Insurance (cont.)

CONS

- Some oppose increase in role of government and expenditures
- Some oppose mandatory participation
- Voluntary program subject to adverse selection
- More than very modest benefits require premium subsidies to moderate and low-income people
- Provides coverage to some people who can afford to pay for their own care

Community Living Assistance Services and Supports (CLASS) Act

- Voluntary government long-term care insurance program, originally developed by Senator Kennedy
- Part of health reform bills passed by Senate and House and endorsed by President Obama
- No medical underwriting
- Cash benefit of an average of \$50 per day
- Lifetime benefit

CLASS Act (cont.)

- Self-financed by insured, estimated premium over \$100 per month
- No premium subsidy for middle or low-income people
- “Saves” \$72 - \$102 billion over 10 years

CLASS Act (cont.)

- Major issue of adverse selection
 - Automatic enrollment unless opt out
 - 5 year vesting before eligible for benefits
 - Initial enrollment limited to the working population
 - Minimalist definition of “working”
 - Excludes retired elderly who do not work
 - Excludes current population with disabilities who do not work

Conclusions

- Hawaii has fewer services and spends less on long-term care than country as whole
- Long-term care expenditures sure to grow, but are relatively small percentage of total health spending
- Long-term care financing is primarily public or quasi-public sector in almost all developed countries
- Unsubsidized private LTC insurance unlikely to play a major financing role

Conclusions (cont.)

- How should the long-term care system be structured?
- How should we finance the large increase in spending that is coming?
- Who is responsible for long-term care?

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