

Strategic Recommendation Form
LTSS Benefit
DRAFT Submitted November 26, 2019

Instructions for submitting recommendation: To submit your recommendation, 1) please indicate which goal and objective your recommendation addresses; 2) fill out as many of the fields as you can, but it is fine to leave some blank.

Goal #1: We will live where we choose as we age and have the help we and our families need to do so.

Objective 1.1: Californians will have access to the help we need to live in the homes and communities we choose as we age.

Problem Statement: Californians with disabilities or disabling chronic conditions have unmet needs for long-term services and supports, stemming , in part, from a lack of affordable financing options to pay for long term services and support. Meeting the long-term care needs of California’s aging population is an equity issue. Women, populations of color, LGBTQ individuals, individuals with disabilities, and immigrants face compounding and intersecting structural inequities as they age that negatively impact their health and economic security that is well documented in the research and literature. Without affordable financing options to pay for long term services and supports, we perpetuate structural inequities and the harms marginalized groups experience.

As the population ages, California and the nation face an unprecedented crisis related to LTSS financing. Traditionally, unpaid family caregivers provide the bulk of long-term support, but when paid services are needed, most Californians are not financially prepared for the cost. Individuals and their families initially pay for LTSS by utilizing their own resources, even though most people do not have the financial wherewithal to cover these costs on an ongoing basis. Most individuals have not set aside adequate savings when LTSS needs arise.

Individuals are then forced to spend down assets to the poverty level in order to qualify for Medi-Cal LTSS coverage. For moderate-income individuals, spending-down to Medi-Cal eligibility is often not possible or feasible. These individuals must then rely on an under-developed service delivery system to piece together services, supports and housing arrangements to meet their needs.

According to data that Milliman provided during the November 12 LTSS subcommittee meeting of the Master Plan for Aging, Medicaid is the dominant source of payment for LTSS (over 50% of LTSS expenditures nationally). They also noted that out-of-pocket payments by individuals and families accounts for approximately 16% of LTC expenditures nationally and that private payers, including LTC insurance, only account for 10% of expenses.

In California, this number is even lower: according to the 2017 LTSS Scorecard, the out-of-pocket cost of both nursing home and in-home care are out of reach for the vast majority of Californians, with fewer than 5% of Californians having purchased a LTC insurance policy.

The LTC insurance market has seen across-the-board premium hikes on both prospective and retrospective business and tightened underwriting practices. Furthermore, approximately 90% of insurance companies that once offered LTC insurance on a national basis, no longer do so. If current practices continue without change, LTC insurance will continue to be increasingly limited to a high-end niche product with few or no insurance options for the middle-income market. Without viable alternatives for financing LTSS, individuals and their families will continue to be burdened by the high cost of LTSS, while the state and federal government budgets will face ongoing pressure with increased Medicaid (Medi-Cal) expenditures.

Recommendation: Create a social insurance LTSS benefit in California.

Detailed Recommendation:

Actuarial analysis

- The first step in developing a new LTSS program is to determine who will be eligible, what benefits will be offered, and how much it might cost.
- The analysis should also compare the projected administrative costs for different benefit options, which is needed to examine the full cost of options.
- A feasibility study and actuarial analysis that includes benefits, eligibility, financing and services options will provide a framework for a social insurance program that will offer Californians assistance in meeting needs for long-term services and supports. The study and analysis will project cost estimates of alternative LTSS financing options as well as projected savings to state funded programs and services associated with each option, including but not limited to, Medi-Cal services, for example, nursing homes and Community Based Adult Services and the Department of Social Services' In Home Supportive Services program.
- The analysis will determine the benefit level and the needed tax payer contribution, including assessment of vesting period, waiting period, disability trigger, and age limits for beneficiaries.
- The analysis should model a range of age and benefit options, starting with modeling of the most comprehensive model (no age limit, no vesting) to a more targeted model. This approach will enable policymakers to understand the range of costs associated with each benefit option.
- The actuarial analysis should examine the service, eligibility and financing relationships between any new public benefit and existing Medi-Cal HCBS (e.g. In Home Supportive Services, CBAS, MSSP).

Public Campaign

- Create a campaign to raise awareness on the need for a LTSS financing solution and drive public support for a publicly-financed LTSS benefit. The campaign should have short term goals to raise awareness among all Californians, and longer-term goals to focus on raising awareness among younger generations and multicultural communities.

LTSS Benefit Considerations

- Consumer-directed: The benefit should be consumer-directed, enabling the beneficiary to determine the best use of the funds based on their individual needs and preferences.

- Eligibility: Consider eligibility based on both the individual’s need and the family’s need for caregiver support. Include the need for family support in assessment.
- Feasibility: Balance the benefit construct with fiscal considerations, being mindful of what is politically feasible to the public-at-large and policymakers.
- Timeline: The LTSS benefit should be implemented within a 5-year timeframe.
- Target population: Consider an LTSS benefit that includes people with childhood acquired disabilities, with buy-in options for specified populations if the individual can pay in
- Financing source: The LTSS benefit should not be funded with state General Fund dollars. Consider a range of options, including but not limited to the Payroll Tax.
- Benefit Triggers: Include “sensory impairment” as a trigger for the benefit, rather than relying only on ADL/IADL functional impairment so that people with Alzheimer’s Disease and related disorders are not excluded.
- Providers: Consider how providers, including family caregivers, will be vetted and paid under the LTSS benefit program.
- Portability: As Californians experience life changes that result in moving across state lines, how will the benefit move with them? Consider the portability of the LTSS benefit with an eligible individual.
- Governance:-Establish a governance structure for the benefit, including a Trust. Examples include SB 512 (Pan) and the WA State model – the LTSS Trust Commission that will provide oversight for the new program.

Related Issues

- Other states: Leverage the learning from the Washington LTSS Trust Fund
- Related concerns: but may need to be part of a separate package of recommendation to more fully explain. (Left here as a placeholder for CADA discussion purposes)
 1. Improve working disabled programs alongside implementation of the LTSS benefit, thereby enabling people with disabilities to work and pay into the LTSS benefit (i.e., expand, incentivize, market the programs).
 2. Cal ABLE: Create a complementary program through Cal Able to allow people to save for LTSS needs alongside of new payroll tax.

Evidence that supports the recommendation:

- **Equity Issues**
 - How Many Seniors Live In poverty (includes breakdown by race/gender): <http://files.kff.org/attachment/Issue-Brief-How-Many-Seniors-Live-in-Poverty>
 - Black Older Adults two times more likely to be diagnosed with Alzheimer’s: <https://aspe.hhs.gov/report/racial-and-ethnic-disparities-alzheimers-disease-literature-review>
 - Understanding Issues faced by LGBTQ Adults: <http://lgbtmap.org/file/understanding-issues-facing-lgbt-older-adults.pdf>

- Effects of Poverty and Family Stress Over Three Decades on Functional Status of Older African American Women, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2828295/>
- Shortchanged in Retirement Continuing Challenges to Women’s Financial Future,” *National Institute on Retirement Security*, March 2016, retrieved August 28, 2019, https://www.nirsonline.org/wp-content/uploads/2017/06/final_shortchanged_retirement_report_2016.pdf
- CA Commission on Aging on aging women and poverty https://ccoa.ca.gov/docs/Initiatives/AgingWomenAndPoverty/AWIP_Report_corrected.pdf
- **Private LTC insurance market has failed**
 - <https://www.forbes.com/sites/howardgleckman/2017/09/08/the-traditional-long-term-care-insurance-market-crumbles/#14916f433ec3>
- **CLASS ACT failed because pay in was voluntary, any new benefit must be mandatory like Washington State. Note that California’s retirement savings program, CalSavers, is also mandatory.**
 - Howard Gleckman, “Requiem for the CLASS Act,” *Health Affairs* 30, no. 12, (Dec. 2011): 2231–34.
- **There is a high level of unmet need for LTSS among older adults**
 - [AARP’s research on the costs of LTSS in each state can be found here, and CA-specific fact sheet is attached. https://www.aarp.org/ppi/info-2018/state-long-term-services-supports.html?CMP=RDRCT-PPI-CAREGIVING-082018](https://www.aarp.org/ppi/info-2018/state-long-term-services-supports.html?CMP=RDRCT-PPI-CAREGIVING-082018) (national data). For state data, see attached.
 - **AARP research on the cost of caregiving:** <https://www.aarp.org/caregiving/financial-legal/info-2019/out-of-pocket-costs.html>
 - Kaye, S. Graham, C. Dually Eligible Californians unmet need for LTSS. http://www.thescanfoundation.org/media/2019/10/UCSF_LTSS_Results_For_CA_Duals_10_1_2019.pdf
 - <https://www.commonwealthfund.org/publications/issue-briefs/2019/jan/are-older-americans-getting-LTSS-they-need>
- **Most seniors do not have the funds to pay for LTSS and experience financial hardship and debt**
 - <https://www.commonwealthfund.org/publications/issue-briefs/2019/jan/financial-hardship-older-americans-ltss>
 - <https://www.ajmc.com/newsroom/evaluating-hardships-faced-by-elderly-americans-requiring-longterm-care-and-support>
 - Pearson, CF, Quinn, CC, Sai Loganathan, A. Rupa Datta, Beth Burnham Mace, and David Grabowski. “The Forgotten Middle: Many Middle Income Seniors will have Insufficient Resources for Housing and Health Care.” *Health Affairs* (Millwood). Vol 38, No 5.

- <https://www.aarp.org/ppi/info-2018/state-long-term-services-supports.html?CMP=RDRCT-PPI-CAREGIVING-082018> (national data). For state data, see attached.
- **Experts recommend Public/private partnership where states (or individuals) provide front-end benefit and federal govt provide “back end” catastrophic benefit:**
 - Cohen, M, Feder, J, Favrault, M. A new public private partnership: Catastrophic Public and Front End Private LTC Insurance. February 1, 2018. Available at: <https://www.urban.org/research/publication/new-public-private-partnership-catastrophic-public-and-front-end-private-ltc-insurance>

Target Population and Numbers: [Describe groups of Californians impacted by this recommendation with numbers if available]

- All working adults in California could be impacted by a new payroll tax to fund the benefit. This is why a survey of the public’s response to the cost of such a program would be necessary.
- For a new LTSS benefit, it depends on how the benefit is structured.

Examples of local, state or national initiatives that can be used as an example of a best practice: [provide links and sources]

- **Local:**
- **State:**
 - **Washington State** has come the furthest by passing a new social insurance program called the “The Long Term Care Trust Act.”¹ Washington residents will contribute about .58% in a new payroll tax which will collect about \$1 billion a year.² In return, by 2025 Washington residents will receive a lifetime cap of \$36,500 dollars’ worth of LTSS services (in other words, \$100 dollars a day for 365 non-consecutive days).
 - **Hawaii** is trying to provide some LTSS benefits outside of Medicaid. They recently appropriated funds for a new Kupuna Care for the Elderly program, which offers a variety of LTSS services for seniors who are not eligible for Medicaid.³
- **Related National Discussions to Monitor**
 1. The Bipartisan Budget Act of 2018 passed into law provisions that now allow Medicare Advantage (MA) to provide non-medical services that address the social determinants of health.⁴ MA plans are private HMOs that about a third of Medicare beneficiaries opt into for their Medicare coverage. These new “supplemental benefits” are limited only by the requirement that have a

¹ <http://lawfilesexternal.wa.gov/biennium/2019-20/Pdf/Bills/House%20Bills/1087.pdf#page=1>

² <https://www.politico.com/agenda/story/2019/06/25/finance-long-term-health-care-000928>

³ <https://www.payingforseniorcare.com/longtermcare/resources/hi-kupuna-caregivers.html>

⁴ Bipartisan Budget Act of 2018; and Amber Willink and Eva H. DuGoff, “Integrating Medical and Nonmedical Services — The Promise and Pitfalls of the CHRONIC Care Act,” *New England Journal of Medicine* 378, no. 23 (June 7, 2018): 2153–55.

reasonable chance at improving health, and will likely include some LTSS. MA plans will be looking to provide the most cost-effective services which have some evidence that they will save money by preventing more high cost care such as falls or hospitalizations. Early indications show that MA plans are beginning to provide services such as: support to caregivers, social worker call center, and personal care services in the home.⁵

2. The Chairman of the Ways and Means Committee, Richard Neal has recently asked the National Association of Insurance Commissioners (NAIC) to be exploring whether a new supplemental Medicare insurance produce (usually known as Medigap) that would cover some front end, limited LTSS benefits.⁶
3. In 2018 the Energy and Commerce Committee Chairman Frank Pallone circulated a draft bill that would allow the federal government to create an LTSS catastrophic benefit.⁷ The proposed bill thwarts one of the big mistakes of the CLASS Act by making it mandatory, and thus avoiding the adverse selection of a voluntary program that that would render costs unmanageable. The main opposition to any catastrophic plan LTSS is the large expense. This bill has not been scored for cost.

- **Other:**

Action Items:

Executive Branch/State Agencies: [action to be taken by governor or specific state agencies]

- Facilitate CHIS data analysis and dissemination

Legislative Branch:

- Create public private partnerships to encourage development of LTSS services in underserved areas of the state in anticipation of expanded demand for services.
- Pass legislation to create a new LTSS social insurance benefit along with a LTSS Trust Act in CA.
- Map demographics and existing LTSS services by county to help identify visualize gaps in services (see the CAADS CDA grant funded LTC County Data book as an example)
- Create public private partnerships to encourage development of LTSS services in underserved areas of the state in anticipation of expanded demand for services.

Health Plans:

Counties:

Local Communities:

- Ensure that the LTSS services that local residents need are available to purchase by the time that the new trust is implemented.

⁵ <http://www.milliman.com/insight/2019/LTSS-services-in-Medicare-Advantage-Plans/>

⁶ <https://neal.house.gov/press-releases/neal-seeks-information-expanding-long-term-care-services-through-medigap>

⁷ Medicare Long-Term Care Services and Supports Act of 2018. Available at:

<https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/LTSS%20Act%20Section%20by%20Section%20May%202018.pdf>

Philanthropy:

- Create a public campaign to communicate the need for such an LTSS benefit with a special focus on raising awareness among younger generations and multicultural communities

Other:

Evaluation: [How will we know that the implementation of the recommendation is successful?]

- **Short term:** By 2020 an actuarial study and proposed benefit design and financing plan will be completed.
- By 2021 the program is codified in law and a governance structure is stood up
- **Mid-term:** By 2025 a social insurance benefit will be launched (beginning to pay benefits)
- **Long term:** by 2030, the percentage of individuals reporting unmet LTSS needs will decline by 20%, according to the CHIS data.

Person-Centered measure: Individual measures or outcomes that can be used to measure the impact on seniors due to the recommendation.

- Unmet needs for LTSS and adverse consequences of unmet need (available through new CHIS data model)
- % of seniors spending down into Medi-Cal
- Seniors with debt due to LTC spending

Data sources: [What existing data can be used to measure success or progress?]:

- Existing data sources: [specify datasets, variables, and data owner/location]
- Suggestions for data collection to evaluate implementation of this goal when no data sources exist:

Potential Cost/Savings: [insert any research, actuarial analysis or other evidence of the cost of this recommendation or potential savings]

- LTSS at home (Home and community based services) saves money compared to institutional care
 - Newcomer RJ, Ko M, Kang T, Harrington C, Hulett D, Bindman AB. Health care expenditures after initiating long-term services and supports in the community versus in a nursing facility. *Medical Care*. 2016;54(3):221-8.
- The Bipartisan Policy Center showed that by providing 7 days of medically tailored, home delivered meals to Medicare beneficiaries post-hospitalization results in a net savings to Medicare of over \$57 million, primarily by reducing re-hospitalizations.
 - Bipartisan Policy Center. Next Steps in Chronic Care: Expanding Innovative Medicare Benefits. July 2019. Available at: <https://bipartisanpolicy.org/wp-content/uploads/2019/07/Next-Steps-in-Chronic-Care.pdf>
- **Washington State actuarial study shows it will save the Medicaid program** nearly \$470 million a year (\$4 billion in total) by 2052, primarily through preventing or delaying spend down.

- <https://www.leadingage.org/legislation/washington-state-first-out-gate-ltc-financing>
- Urban Institute Study (2016) found that mandatory LTSS programs more likely to reduce Medicaid expenditures than voluntary programs, which had little impact on expenditures due to low likelihood of lower and middle-income individuals enrolling or even purchasing a long-term care insurance policy with a subsidy.
 - Melissa M. Favreault, Howard Gleckman, and Richard W. Johnson. How Much Could Financing Reforms for Long-Term Services and Supports Reduce Medicaid Costs? Urban Institute. February 2016.

Recommendation Source:

LTSS Subcommittee Meeting #2 11/12/2019 and Milliman Meeting 11/13/2019

Prioritization: HIGH

Name of persons submitting recommendation: California Aging & Disability Alliance (CADA)

Date Stamp:

November 26, 2019