

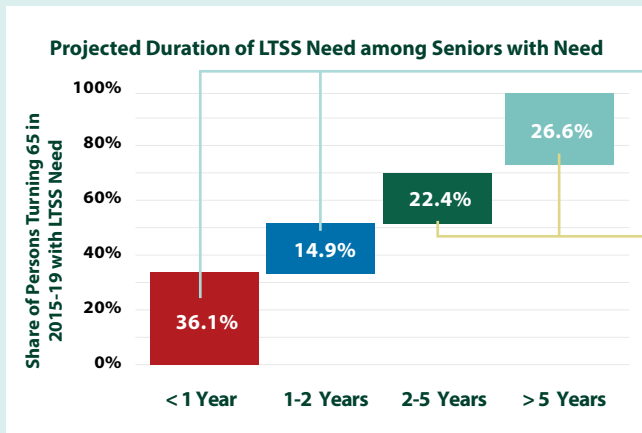
# Core LTSS Decision Points for States

## Program Structure

### Eligible population

Only those who have paid in and vested vs. everyone      Current and future disabled vs. only future disabled

### Timing and duration of coverage



### Who would benefit from alternative coverage durations and start times?

**Front-end coverage:** Everyone with LTSS need receives some benefits  
 Program covering first 2 years of LTSS would cover entire duration of care for the 51% who will need care for less than 2 years  
 For the other 49% it would cover first 2 years of LTSS need

**Back-end (Catastrophic) coverage:** Targets funding to those with greatest/longest LTSS needs  
 Program beginning with 3rd year would cover 49% of those with LTSS needs

**Comprehensive coverage:** Everyone with an LTSS need receives some benefits  
 Would cover entire period of need for everyone with significant LTSS needs  
 Would best serve working-age people with disabilities

## Program Financing

### Potential funding sources

#### Medicare payroll tax base

Earnings without a cap, with higher rate on earnings above \$200,000/individual (\$250,000/couple)

#### Medicare investment tax base

Unearned income of households with modified adjusted gross income above \$200,000/individual (\$250,000/couple)

#### Medicare total tax base

Combination of Medicare payroll and investment tax bases

#### Social Security tax base

Earnings up to an annual cap (\$132,900 in 2019)

#### Dedicated tax on personal income tax base

Earned and unearned income with no cap

**Other sources:** general revenues, sales surtax, provider fees, estate surtax, property surtax

### Tax Rates Required to Fund Some LTSS Programs, for Alternative Tax Bases\*

75-Year Rates Based on a \$100 Daily Benefit

LTSS Program	Social Security Payroll Tax Rate	Income Tax Rate	Medicare Tax Base (if payroll tax only)		Medicare Tax Base (if payroll & investment income tax)		
			Payroll tax rate	Additional rate on earnings above \$200k/\$250k	Payroll tax rate	Additional rate on earnings above \$200k/\$250k	Investment income tax Rate
Front-end coverage** (\$36,500 max benefit)	0.75%	0.58%	0.59%	0.18%	0.56%	0.17%	0.74%
Home care only (\$36,500 max benefit)	1.08%	0.83%	0.85%	0.26%	0.81%	0.25%	1.06%
Home care only (No benefit max)	4.03%	3.11%	3.19%	0.99%	3.02%	0.94%	3.96%
Catastrophic coverage***	0.74%	0.57%	0.58%	0.18%	0.55%	0.17%	0.72%

\*States can fund LTSS benefits from one or multiple revenue sources; doing the latter would lower the rate required to be levied on each individual tax base. \*\*Paying home care/nursing home benefits up to the first \$36,500 of covered expenses \*\*\*Paying home care/nursing home benefits after two years

### Issues to consider in choosing funding source

Size of tax base • Affordability for the insured • Connection with program benefits • Fiscal sustainability • Political sustainability