State Initiatives in Long-Term Care: Where We Have Been and Where We Are Going

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Introduction

- Policy on long-term care largely decided at state level
- Major role of Medicaid and Older Americans Act programs
- States experimenting in financing and delivery with dual eligible demonstration and managed long-term care, which was discussed in federal panel
- Plan of talk:
  - Background on financing
  - Delivery system reform
  - Financing reform, focusing on Hawaii
  - Conclusions

Financing for Long-Term Care, 2010

Source of Financing	Percentage
Medicaid	62.3
Other public	4.6
Out-of-pocket	21.6
Other private	11.6
TOTAL	100.0 ($211 billion)

SOURCE: O'Shaughnessy, 2013.

Medicaid Expenditures for LTC, 1988 and 2010 (in $ billions)

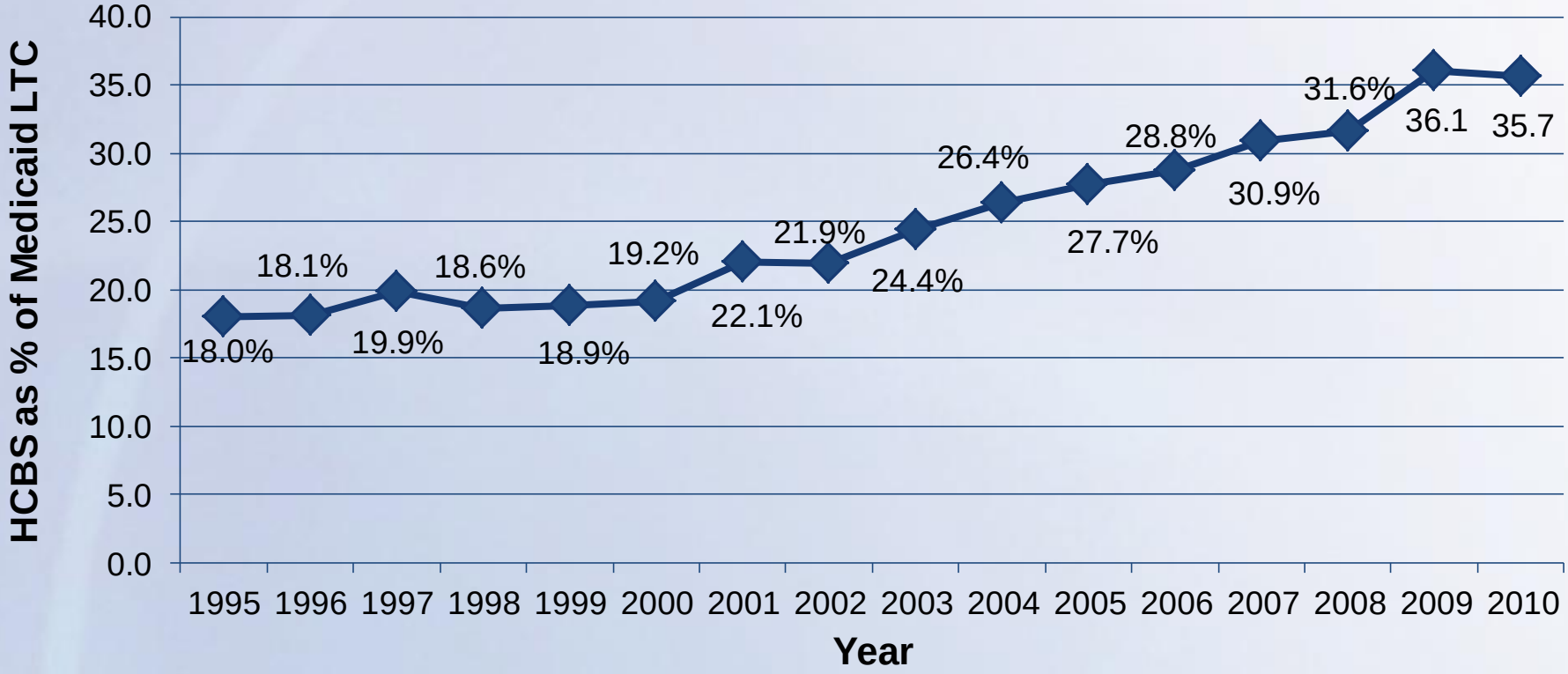
Type of Service	1988	2010
Personal care	1.3	12.5
HCBS waiver	0.6	35.9
Home health	0.5	4.8
Nursing home	12.3	49.8
ICF-MR	5.9	12.9
Total LTC	23.0	125.8
Total Medicaid	51.6	380.2

SOURCE: Truven, various years.

Change Balance of LTSS Delivery System

- Broad bipartisan consensus to change balance
- Rationale for home and community services
- Washington, Minnesota, Oregon, Alaska, California and New Mexico >50% Medicaid LTC for aged and disabled
- Expanded and better trained workforce essential for rebalancing and integration of acute/long-term care

Percentage of Medicaid Long-Term Care Spending for HCBS, for Aged and Disabled, 1995–2010



SOURCE: Truven, various years.

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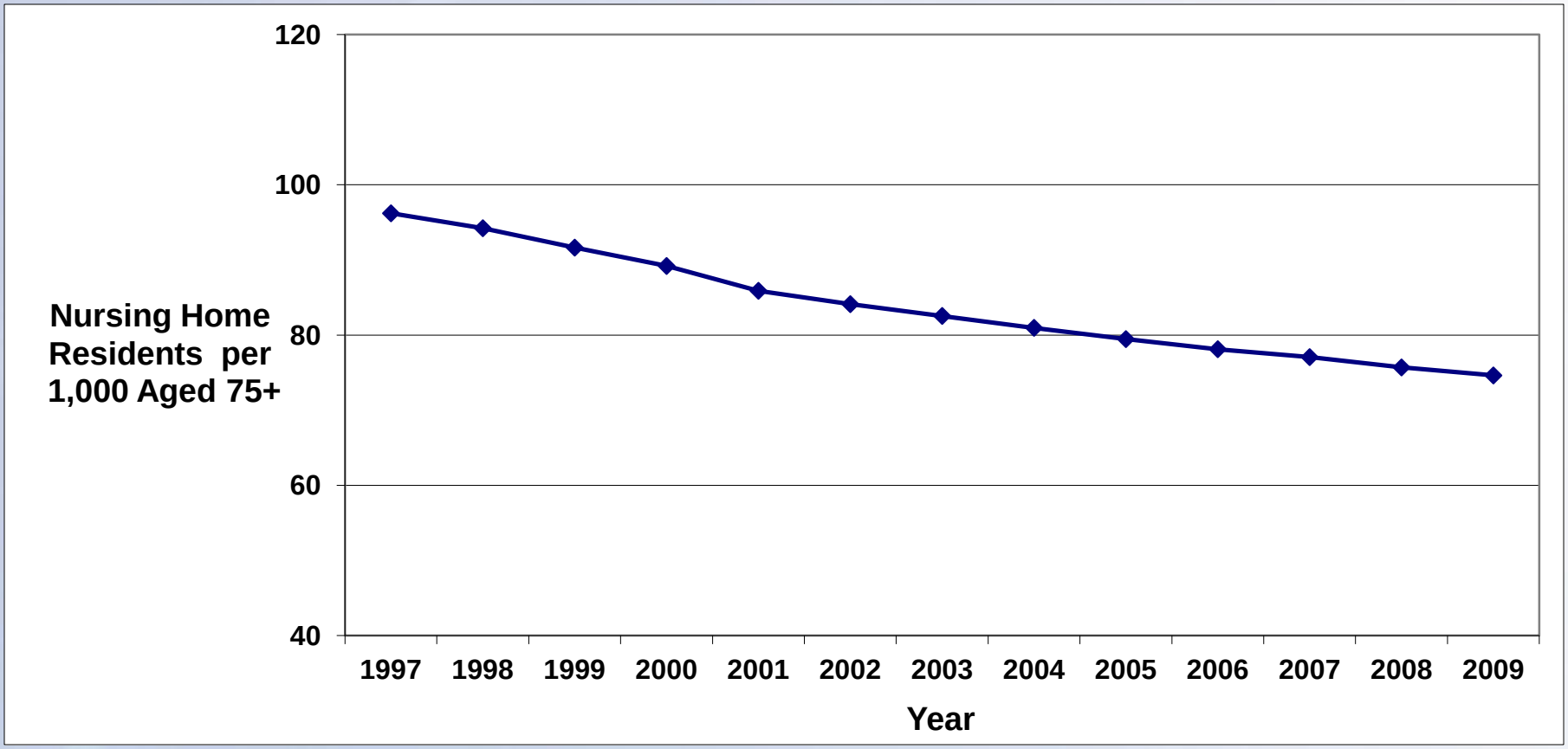
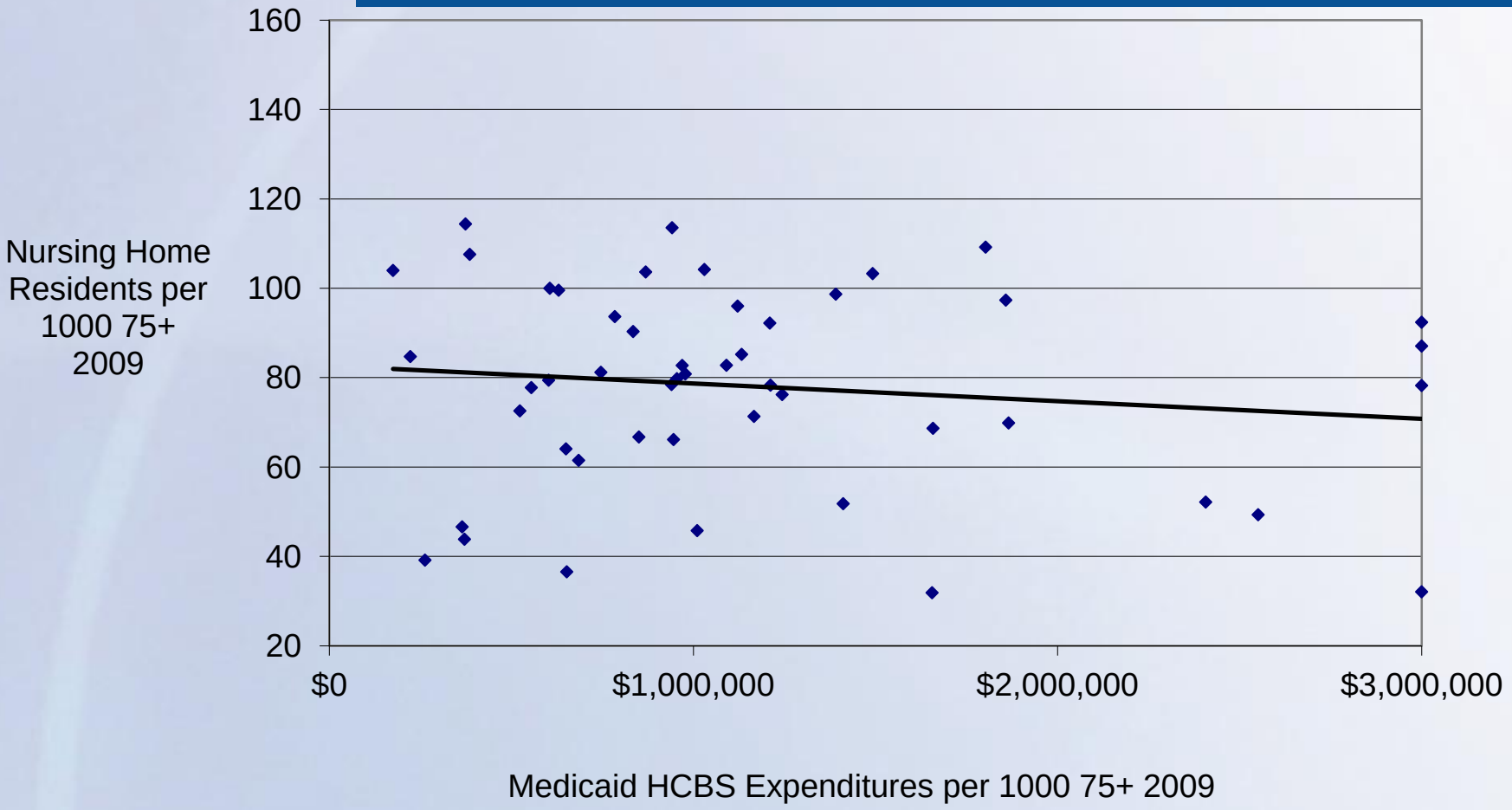
Nursing Home Use, 1997–2009



SOURCE: RTI International analysis of American Health Care Association and U.S. Census Bureau data, various years.

Nursing Home Use and Medicaid Home Care Spending, 2009



SOURCE: RTI International analysis of American Health Care Association, U.S. Census Bureau, and Truven data.

New Paradigm: Consumer Choice and Empowerment

- People want it and partly as cost control strategy
- Aging and Disability Resource Centers
- Participant direction
- Money Follows the Person
- Residential care facilities

Aging and Disability Resource Centers

- Address fragmented financing and delivery system
- Single point of entry and information
- “One Stop Shops”
- “No wrong door”
- Federal grants to all states to support development and operation

Consumer Direction

- Consumers hire, fire, direct, train, and schedule
- Initially advocated by younger people with disabilities and adopted by advocates for older people
- Wisconsin, Oregon, Washington State, Germany, Netherlands, and United Kingdom
- Paid caregivers tend to be family and friends
- Typically paid much less per hour than agency providers
- When agency supply is constrained, increased use may offset savings

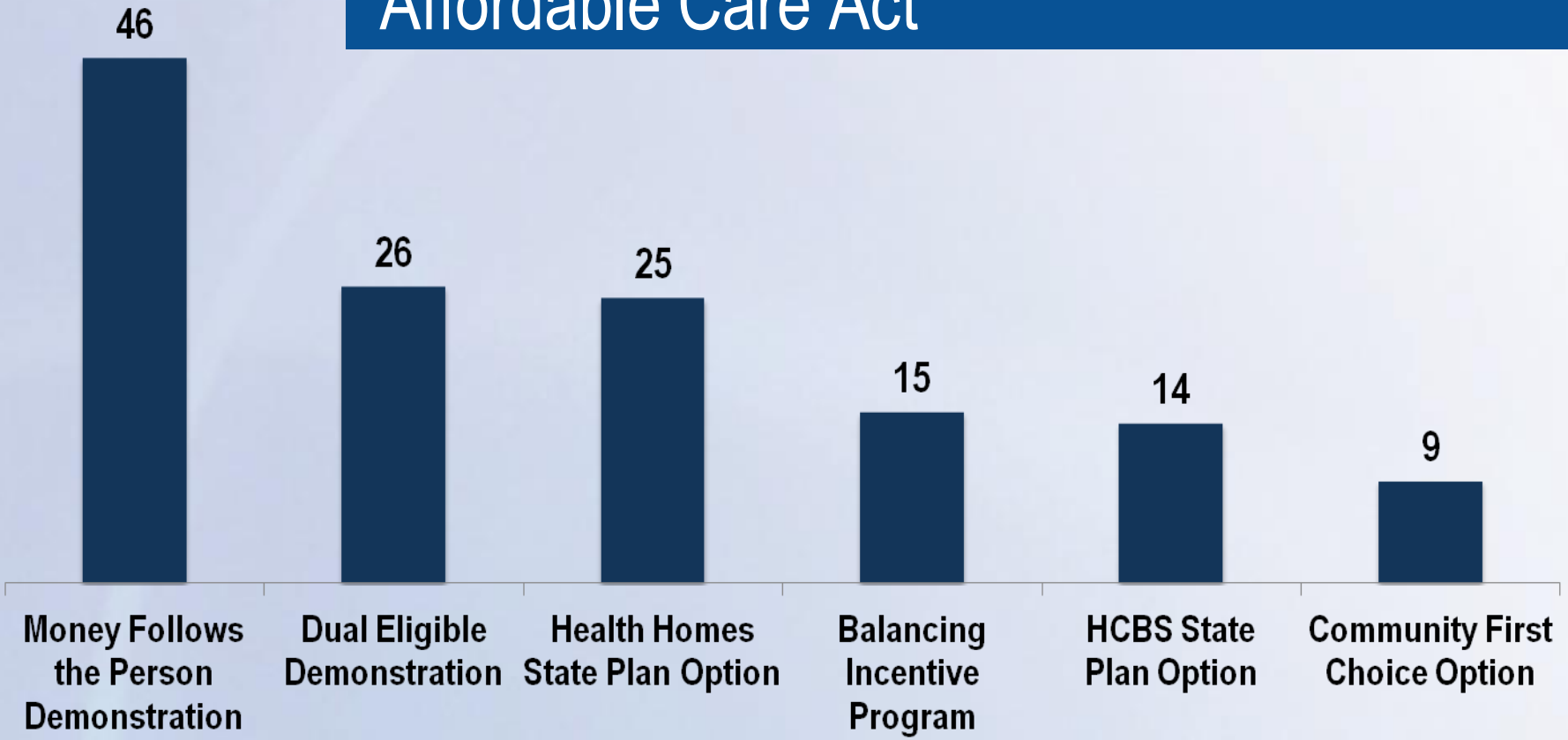
Money Follows the Person

- Different approach:
  - Beyond diversion at admission
  - Move people out of institutions
  - Taking approach from learning disabled reforms
  - People with severe disabilities as well as “light” care
- Advocated by younger people with disabilities
- Large demonstration: 46 states
- Small number of people moved: 25,000
- Housing in the community is a big barrier

Residential Care Facilities

- Residential care facilities straddle institutions and traditional home and community-based services
- Mostly private financing, but some Medicaid
- Regulated at state rather than federal level
- Institutions vs. home and community-based services?
- Aging in place vs. unlicensed nursing homes
- Affordability for lower and middle income population

States' Participation in Six Key Medicaid LTSS Options Provided or Enhanced by the Affordable Care Act



NOTE: Number of states that are participating, used to participate, or have plans to participate in FY 2013 or FY 2014 as of June 2013.
SOURCE: M. O'Malley Watts et al., KCMU, April 2013, available at: http://www.kff.org/medicaid/issue-brief/how-is-the-affordable-care-act-leading-to-changes-in-medicaid-long-term-services-and-supports-ltss-today-state-adoption-of-six-ltss-options/.

State-based Public Long-Term Care Insurance: Hawaii

- Hawaii Long-Term Care Commission recommend actuarial study to establish potential premiums
- Financed by modest mandatory premiums
- No Hawaii general tax revenue
- Mandatory participation for employed adults younger than age 60
- No medical underwriting

Hawaii public long-term care insurance (cont.)

- Have to pay premiums for 10 years before eligible for benefits
- The benefit period limited to 365 days
- The daily benefit would be $70 in cash, indexed to increase 5 percent annually

Hawaii public long-term care insurance (cont.)

- Advantages
  - Would provide additional revenue for long-term services and supports
  - Premiums more affordable than private insurance because all working people would contribute
  - Would provide near universal coverage
- Disadvantages
  - State exposed to substantial financial risk
  - Mandatory premiums are politically difficult taxes

Conclusions

- Medicaid and long-term care are higher on state policy agenda than on federal policy agendas.
- States have made great substantial progress on delivery system reform over last 20 years
- Little progress on financing reform
- Conflict over public vs. private financing
- As with health reform, innovations at state level may pave way for federal reforms

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