The Case for Financing Older America’s Long-Term Care Need
A Risk We All Face

Half of Adults Age 65+ Will Need a High Level of Care at Some Point

Favreault & Dey (2015), Table 1
Women Face Higher Lifetime Risk

50% of Men Age 65+ Will Face High Levels of Need

60% of Women Age 65+ Will Face High Levels of Need

Note: Percentages in picture are approximate. Actual values are 46.7% of men, and 57.5% of women Favreault & Dey (2015), Table 1
Older Adults Risk Many Years of High Need

52% of Adults Age 65+ Have High Need

- Need Lasts <2 Years
- Need Lasts 2-5 Years
- Need Lasts >5 Years

Favreault & Dey (2015), Table 1
And Risk VERY High
LTC Costs Over Lifetime

Favreault & Dey (2015), Table 5
Much of Which is Covered by Families Through Out of Pocket Spending

- **All Services**
  - 52% Out of Pocket
  - 34% Medicaid
  - 13% Other

- **Home & Residential Care**
  - 68% Out of Pocket
  - 19% Medicaid
  - 13% Other

- **Nursing Home Care**
  - 35% Out of Pocket
  - 51% Medicaid
  - 14% Other

Note: The estimated remainder of spending (Other) includes a combination of private LTC insurance and Medicare
Favreault & Dey (2015), Table 3A
And Unpaid Family Caregiving

Nearly 2/3 of Older Adults with LTC Needs Living at Home Receive All Help from Unpaid Family and Friends

Note: Excludes individuals living in nursing homes
Freedman & Spillman (2014), Table 2
Families Are in Crisis

They are the ultimate “accountable care organization”

Frail Older Adult

Family
- Management
- Coordination
- Unpaid Caregiving
- Legal
- Financial

Complex Medical Need
- Doctors
- Post-Acute Care
- Hospital

Long-Term Services & Support Need
- Home Care
- Senior Housing
- Nursing Home
This System Is Inadequate to the Need

Favreault & Dey (2015), Figure 1

2015

2065

6.3 million

15.7 million
New Insurance-Based Options for Financing LTC
Mandatory & Voluntary: Three Approaches to Covering Risk

Years of Need

- Comprehensive Coverage
- Front-End Coverage
- Catastrophic Coverage
Mandatory Option Creates Largest Medicaid & Out-of-Pocket Savings

Favreault & Johnson (2015), Table 15
Impacts of Mandatory Approaches

<table>
<thead>
<tr>
<th></th>
<th>Front-End</th>
<th>Catastrophic</th>
<th>Comprehensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out-of-Pocket Reduction</td>
<td>14%</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>Medicaid Reduction</td>
<td>8%</td>
<td>28%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Favreault & Johnson (2015), Table 15
Emerging Consensus on Policy Direction

AREAS OF CONSENSUS

▪ Voluntary private market solutions for coverage of front end risk

▪ Universal coverage for catastrophic/back-end risk

▪ Strengthening Medicaid coverage of HCBS
Private/Public Partnership

SUMMARY

*Reform the private insurance marketplace to provide lower priced policies of limited duration (ideal for front end risk)*

- Limited duration products (e.g., 2 years)
- Auto-enroll through employer
- Expanded use of retirement accounts to purchase products

<table>
<thead>
<tr>
<th>BPC</th>
<th>Leading Age</th>
<th>The Collaborative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific recommendations to establish a lower cost, limited benefit product</td>
<td>Supports innovations in the private insurance market that emphasize consumer choice and flexibility</td>
<td>Suggests a series of initiatives to revitalize private sector specifically to cover front-end risk</td>
</tr>
</tbody>
</table>
Mandatory Public Catastrophic Coverage

SUMMARY

Protect everyone against the risk of high LTSS need that occurs over long periods of time.

Groups will continue to work on details, including how to define catastrophic risk and how to finance it.

<table>
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<tbody>
<tr>
<td>A public insurance approach for catastrophic expenses is worthy of consideration</td>
<td>Supports concept of universal insurance as having the biggest impact</td>
<td>Recommends a universal catastrophic insurance program</td>
</tr>
</tbody>
</table>