

# Long-Term Care Financing Collaborative

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## Principles for Improving Financing and Delivery of Long-Term Services and Supports

More than 12 million Americans need personal assistance to live independently and with dignity, a number that is expected to double by mid-century.<sup>1</sup> Improving their ability to finance that care will enhance their lives and the lives of their families, who often are the primary providers of their care. It may also postpone, and in some cases prevent, acute medical episodes that place them at risk and increase health costs significantly.

For the past three decades, policymakers have tried to respond to the challenges of financing long-term services and supports (LTSS), but with little success. In 2012, a group of policy experts representing a wide range of interests and ideological views created **The Long-Term Care Financing Collaborative** to re-energize this discussion and build the foundation for new thinking and innovation. Convergence Center for Policy Resolution convenes the Collaborative and facilitates our efforts to build trust, identify solutions, and form alliances for action. The Collaborative's goal is to develop pragmatic, consensus-driven recommendations for a public and private insurance-based financing system that empowers people of all incomes to receive high quality services and supports.

This statement describes the challenges we are addressing and our foundational principles for designing a sustainable and affordable system of long-term services and supports. Our approach is centered on enhancing the independence and choice of those receiving care and supporting the family members and communities that assist them.

The absence of viable private and public systems to protect Americans from the potential costs associated with aging or disability undermines the health and financial security of those with functional or cognitive impairments and their family members. Put simply, the Long-Term Care Financing Collaborative believes the United States can and must do better.

## The Current State of Long-Term Care

Eighty percent of all personal services and supports are provided by family members, at home.<sup>2</sup> Even though community-based services are generally less costly than stays in nursing homes, paid assistance in any setting can be expensive and beyond the reach of most families. As a result, family members often sacrifice their own careers and their own retirement security to provide support for their parents or other relatives.

Profound demographic changes will magnify these risks. About sixty percent of all people needing long-term services and supports (LTSS) are age 65 or older.<sup>3</sup> Forty percent are younger people with disabilities.<sup>4</sup> For many reasons, people of all ages live longer today with chronic illness or injury—a positive outcome but one that creates new challenges. While the number of people needing LTSS is expected to double by mid-century, fewer family members will be available to provide them.<sup>5</sup>

Yet, few Americans have the resources to finance paid assistance, either at home or in a residential care facility, for very long. For instance, only one-third of seniors have sufficient financial assets to pay for even one year of nursing home care.<sup>6</sup> As a result, many once middle-income individuals impoverish themselves paying for medical care and LTSS before eventually becoming eligible for Medicaid—an undesirable solution for them and a costly one for government.

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Even for those with financial resources, personal services and supports are poorly integrated with medical care. This lack of coordination too often results in poor outcomes and high costs.

## Looking into the Future: Foundational Principles for Solutions

The underlying belief of the Collaborative is that consumers, providers, insurers, government, and others can work together to design a sustainable and affordable system that delivers and finances higher quality LTSS. The Collaborative agrees that the current system underfunds the services and supports people need to live a meaningful life. We also agree that any solution should, as much as possible, shift from the current welfare-based model to an insurance-based system. Such a system should meet multiple foundational principles, including:

- Allow older Americans and younger people with functional and/or cognitive impairments to live as independently as possible, and with maximum autonomy and choice in the services they receive and the setting in which they receive them.
- Support those family caregivers who are the bedrock of supports and services for those who require personal assistance. This may include encouraging employment practices that support family caregiving.
- Better integrate health care with person- and family-centered services and supports.
- Address varying LTSS risks, needs, and choices with a mix of private and public solutions.
- Increase access to insurance while improving the safety net.
- Assure that any public program is fiscally sustainable.
- Improve mechanisms for people with sufficient assets and income to save for and insure against LTSS needs and risks.
- Increase public awareness and correct misperceptions about how LTSS are financed both from a government and individual perspective.

More than 12 million Americans need personal assistance to live independently and with dignity, a number that is expected to double by mid-century.<sup>1</sup>

## Next Steps

The Collaborative has been instrumental in helping build a unique research partnership to better understand the actuarial and economic impacts of several long-term care financing options. Later this year, researchers at The Urban Institute and the actuarial firm Milliman will complete their analysis, which will be released publicly. The results of that work will help inform the Collaborative's final consensus statement on the benefits and disadvantages of a range of financing approaches, including:

- Private insurance market reforms, including regulatory and marketing changes as well as government incentives to make private long-term care insurance easier and less costly to buy.
- Insurance against the risk of catastrophic costs: Some people will require services and supports for many years, far beyond their capacity to save. Assessing catastrophic risk has proven to be very difficult, and insurance covering it likely would involve roles for private insurance and the federal government.
- Insurance against the risk of needing some LTSS. Viable options should be available for people to finance costs early in the onset of LTSS needs, and may include some combination of improved private insurance, enhanced savings and assets for those with sufficient resources, coverage linked closely to existing Medicare benefits, or a fully integrated health and personal assistance insurance model.
- A comprehensive insurance program. A new insurance program, provided by the government or through private insurance carriers, which would provide coverage throughout a person's period of need.
- A stronger public safety net. Enhancements to Medicaid, our nation's primary public safety net for the impoverished and people with disabilities who need long term services and supports, to make it more person-centered, and supportive of modern LTSS needs and choices.

The absence of viable private and public systems to protect Americans from the potential costs associated with aging or disability undermines the health and financial security of those with functional or cognitive impairments and their family members.

- Integrated medical and long-term care coverage. Inclusion of services and supports in managed care plans (such as Medicare Advantage) and traditional Medicare. Providing personal assistance may reduce hospitalizations and other costly medical treatment and improve the quality of life for those with chronic conditions.
- Better support for younger people with permanent functional and/or cognitive impairment. An insurance solution for old age may not be appropriate for those who become permanently disabled at younger ages. Any solution for younger people should encourage employment opportunities and allow saving for future needs without jeopardizing access to services and supports.

Consumers, providers, insurers, government, and others can work together to design a sustainable and affordable system that delivers and finances higher quality LTSS.

The Collaborative also recognizes that financing and delivery of services and supports are inextricably linked. We have reached agreement on LTSS recommendations that recognize the role of families and communities in providing services and supports, which is described further in a **separate statement**.

Long-Term Care Financing Collaborative Steering Committee members: Sheila Burke, Stuart Butler, Marc Cohen, Howard Gleckman, Don Redfoot, and Jonathan Westin.

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The Long-Term Care Financing Collaborative is convened by  
Convergence Center for Policy Resolution.  
[www.convergencepolicy.org](http://www.convergencepolicy.org)

## References

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<sup>2</sup> Friedland, Robert B. Caregivers and Long-Term Care Needs in the 21st Century: Will Public Policy Meet the Challenge?, pg. 1. Georgetown University Long-Term Care Financing Project. 2004. <http://caregiverslibrary.org/Portals/0/caregivers%20and%20LTC%20needs%20and%20Public%20Policy.pdf>

<sup>3</sup> Feder, Judy and Harriet L. Komisar. The Importance of Federal Financing to the Nation's Long-Term Care Safety Net, pg. 2. The SCAN Foundation. 2012. [http://www.thescanfoundation.org/sites/default/files/georgetown\\_importance\\_federal\\_financing\\_ltc\\_2.pdf](http://www.thescanfoundation.org/sites/default/files/georgetown_importance_federal_financing_ltc_2.pdf)

<sup>4</sup> Id.

<sup>5</sup> See supra, n. 1.

<sup>6</sup> See supra, n. 3, pg. 3.