Statement for the Record Submitted to the U.S. House of Representatives Energy and Commerce Committee, Subcommittee on Health

Hearing on Long-Term Care Finance Reform
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By
American Health Care Association and the National Center for Assisted Living (AHCA/NCAL)

Introduction

AHCA/NCAL is the nation's largest association representing post-acute and long term care providers. The Association currently represents 1.05 million nursing center beds, 200,000 assisted living center beds, and 4,000 intellectual and developmental disability beds.

Additionally, the majority of AHCA/NCAL members have diversified into other long term services and supports (LTSS) areas including home and community-based services delivered in the home or in congregate settings, adult day care and care coordination services. The Association is pleased that discussions on long term care (LTC) financing once again are part of Congressional deliberations.

Context

Due to demographics alone, LTSS spending for older adults may increase more than two-and-a-half times from 2000 to 2040, and could nearly quadruple between 2000 and 2050 to $379 billion, according to some estimates. The challenges of caring for a substantially larger number of older adults by 2020 — less than four years away — will involve: (1) making sure society develops payment and insurance systems for LTSS that work better than existing ones; (2) taking advantage of advances in medicine and behavioral health to keep older adults as healthy and active as possible; (3) changing the way society organizes community services so that care is more accessible; and (4) altering the cultural view of aging to make sure all ages are integrated into the fabric of community life.

At the crux of the challenge is how to finance LTSS for a growing population. If nothing changes, the Medicaid program will remain the primary payer for all LTC. The impacts of failing to address these challenges and alleviate Medicaid budgetary pressure with solid policy solutions raises questions about how funds might be garnered cover the costs of care, implications of slowed economic growth due to high services costs that preclude other social investments, and the general wellbeing of future generations of workers, which might be worse than that of their predecessors due to service costs and income transfers.

The discussion has significant implications for public policy and for private sectors focused on developing an effective care system for the 21st century. Public policy goals related to an aging society must balance the need to provide adequate services and income transfers with an interest in maintaining the economic and social well-being of the nonelderly.

Little discussion on these issues has occurred since submission of the LTC Commission Report in September 2013. And, the 2013 LTC Commission was the first time Congress established an entity to undertake a comprehensive look at the LTSS needs of older adults and persons with disabilities since the Pepper Commission more than two decades ago. However, while sketching out an array of key areas and policy concepts, the Commission was unable to reach consensus on financing solutions.

Much earlier, as noted above, the U.S. Bipartisan Commission on Comprehensive Health Care was called the Pepper Commission after its congressional sponsor and first chairman, the late Florida Democrat Claude Pepper. The Pepper Commission's final report was released in 1990, and many of its recommendations are reflected in more recent legislation.

The Pepper Commission was charged with finding ways to provide uninsured Americans with insurance coverage and access to health services, and to improve the financing of long-term care. A majority of Commission members recommended five steps to-achieve those goals: 1) require employers to provide health insurance or pay a new payroll tax; 2) establish a federally mandated basic minimum package of health tax to pay for government-provided insurance benefits for all insurance policies; 3) introduce a redesigned and expanded public assistance program similar to Medicaid for all lower income Americans and families lacking employer-provided insurance; 4) place substantial new restrictions on how health insurers write policies and conduct business; and 5) create a new federal entitlement program to pay for most of the long-term care costs of higher income retirees, whose assets or income currently make them ineligible for public assistance through Medicaid. In its final report the Commission estimated that its recommendations would cost taxpayers $68.8 billion per year when fully implemented.

LTSS Finance Reform Considerations

The Association believes serious and thoughtful discussion aimed at defining affordable, viable LTSS finance policy solutions in the short term is critical for a number of interrelated reasons:

- ***As is well documented, the baby boom generation began retiring in 2010, significantly increasing pressure on LTSS funding, services and delivery systems.*** By 2020, less than four years away, the number of people 85 and older will double. People age 85 and older are more likely to need long term care.

- ***The vast majority of Americans have not saved for LTSS needs nor are prepared for early-in-life need for LTSS.*** The need for such services can occur at any point life via accident, congenital or progression conditions that result in the need for LTSS, as well as age-related LTSS. Researchers have documented this phenomenon in an array of studies.

- ***Private financing options are challenging to secure.*** In recent years, traditional private financing options, such as private long-term care insurance (PLTCI), have become unaffordable or are no longer available (e.g., most of the major PLTCI

carriers are no longer issuing new policies). Furthermore, for people with existing policies, many have experienced significant premium increases and their policies only will cover a fraction of their costs. Researchers continue to struggle with strategies to encourage new products to be brought to market.

- ***In future, informal caregiver capacity will decline.*** Recent research indicates that the estimated value of informal caregiving is $470 billion per year. Due to the graying of American and other labor trends, the availability of informal caregiving delivered by spouses, adult children and others in the community will decline in coming years. Such a decline will result in mounting demand for paid LTSS. A recent AARP Public Policy Institute study documents the monetary worth of such critical care and the decline in our society's capacity to continue to delivery such unpaid care.

- ***Lack of private financing options significantly increases Medicaid budgetary pressure.*** For decades, Medicaid has served at the primary source of LTSS financing. The lack of private financing options is particularly challenging because the baby boomers have begun to enter retirement age, and the number of individuals over age 80 (e.g., the age at which the probability of needing LTSS significantly increases) now has begun to rise. Because of the lack of savings and declining informal caregiving capacity, the vast majority of these individuals will turn to Medicaid for assistance. AHCA/NCAL offers a specific example of how the lack of private financing options will impact Medicaid. Forty states operate an LTC Partnership program.[1] The dearth of PLTCI options essentially has frozen participation in LTC Partnership programs because new policies generally are not available for purchase or are far too costly. The National Association of Insurance Commissioners (NAIC) recently requested that the U.S. Department of Health and Human Services resume its collection and dissemination to states on LTC Partnership data to better aid the states in maximizing the potential desired impacts of the Partnership program (e.g., Medicaid savings).

Solutions for LTC financing are elusive and challenging. Today's "long term care system," despite efforts such as Aging and Disability Resource Centers and similar specialized care coordination programs, remains fragmented and confusing for older adults and their families and inefficient, as well as often underfunded, for providers struggling to delivery critical services. In preparation for an LTC financing discussion, AHCA/NCAL crafted a set of reform principles to frame our policy positions.

[1] Under an LTC Partnership program, states offer residents the option to preserve certain amounts and types of assets if they purchase qualifying PLTCI policies. For more information, click here.

PAC/LTC Reform Principles

- *Promote beneficiary access through better private long term care financing options.* Individuals should have stronger incentives and more opportunity to participate in planning for and funding their long term care needs and, in doing so, reduce reliance on public funding. One unexplored option is how life insurance coverage could be converted into a product which covers LTC costs.

- *Meet consumer long term care needs and preferences. Consumers are key stakeholders in long term care policy decision making.* The long term care benefit should be patient/resident-centered, taking into account individual preferences as well as clinical needs and acknowledge the key role that family care givers play.

- *Maximize value and cost-effectiveness.* Reimbursement for post-acute and long term care supports and services should ensure that care is provided in the setting most appropriate to the consumer's needs and preferences. Payment systems should encourage the most appropriate setting and should be designed to foster and support quality.

- *Preserve and improve the public long term care benefit for low-income individuals.* For low-income populations, including the dual eligibles, who are unable to privately finance care, the safety net should be maintained and improved.

- *Better coordinate acute care and long-term care.* Care, especially to dual eligibles, is delivered in a patchwork manner. Overall program costs can be lowered and overall health care quality improved if care were to be delivered in a more integrated and coordinated manner.