Financing of Long-Term Services and Supports

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Health Policy Essentials: The Fundamentals of Long-Term Services and Supports

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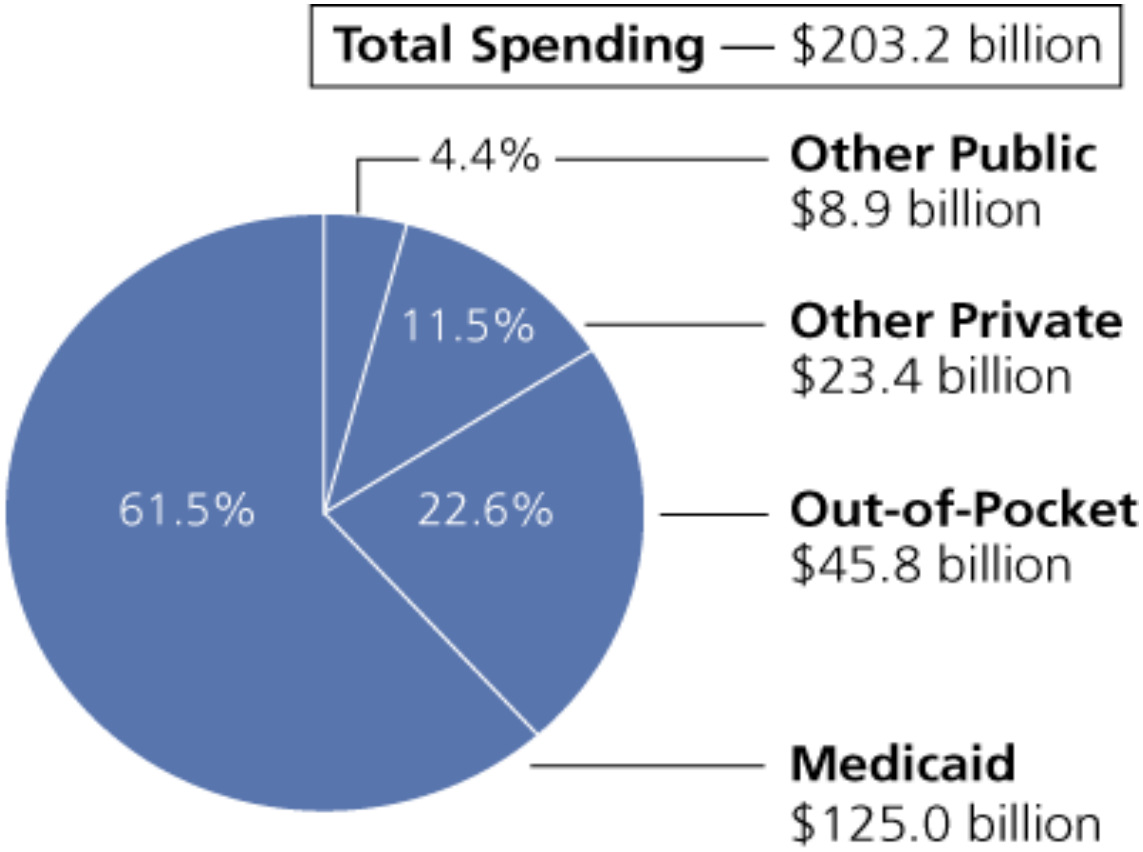
Overview

- Big picture: How as a nation do we pay for long-term services and supports (LTSS)?
  - Mainly: Medicaid and out-of-pocket
  - Small role: private long-term care insurance

- Closer looker at:
  - Medicare (doesn't cover LTSS)
  - Medicaid (role as safety net, wide variation among states)
  - Community Living Assistance Services and Supports (CLASS) program established by the Affordable Care Act

Medicaid and out-of-pocket are the main sources of payment for LTSS

LTSS Expenditures by Source, 2009



Source: O'Shaughnessy 2011.

Medicare does not cover LTSS

- Medicare covers rehabilitative, post-acute services (not LTSS)
  - Limited coverage of skilled nursing facility care following a hospital stay
  - Limited coverage of home health care

- Area of considerable confusion
  - Confusing because nursing homes and home health agencies provide both post-acute services and LTSS
  - Medicare an important revenue source for these providers

Medicare's post-acute benefits

- Home health care benefit
  - Emphasis on skilled nursing and therapy services
  - Provides part-time or intermittent services
  - Must be homebound & need periodic skilled nursing or therapy

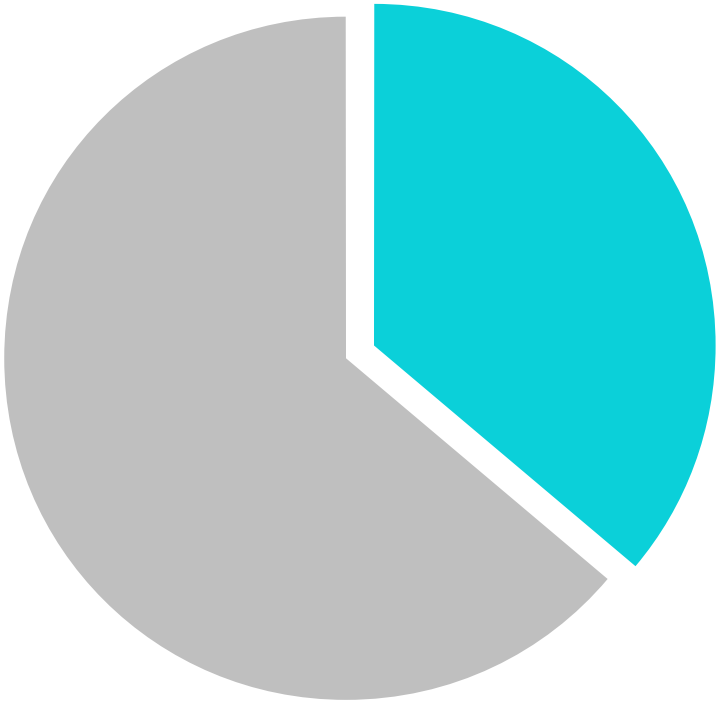
- Skilled nursing facility care benefit
  - Covered after a 3-day hospital stay
  - Must need daily skilled nursing or therapy service
  - 100-day maximum

How LTSS is financed is important

- Lack of insurance means people are at financial risk
- Affects access to care
  - Determines whether and what types of care can be obtained
- Affects demands placed on family caregivers
- Affects supply
  - Nursing home industry is shaped by Medicaid
- Results in fragmented and uncoordinated care

Medicaid

LTSS are a large part of the Medicaid program



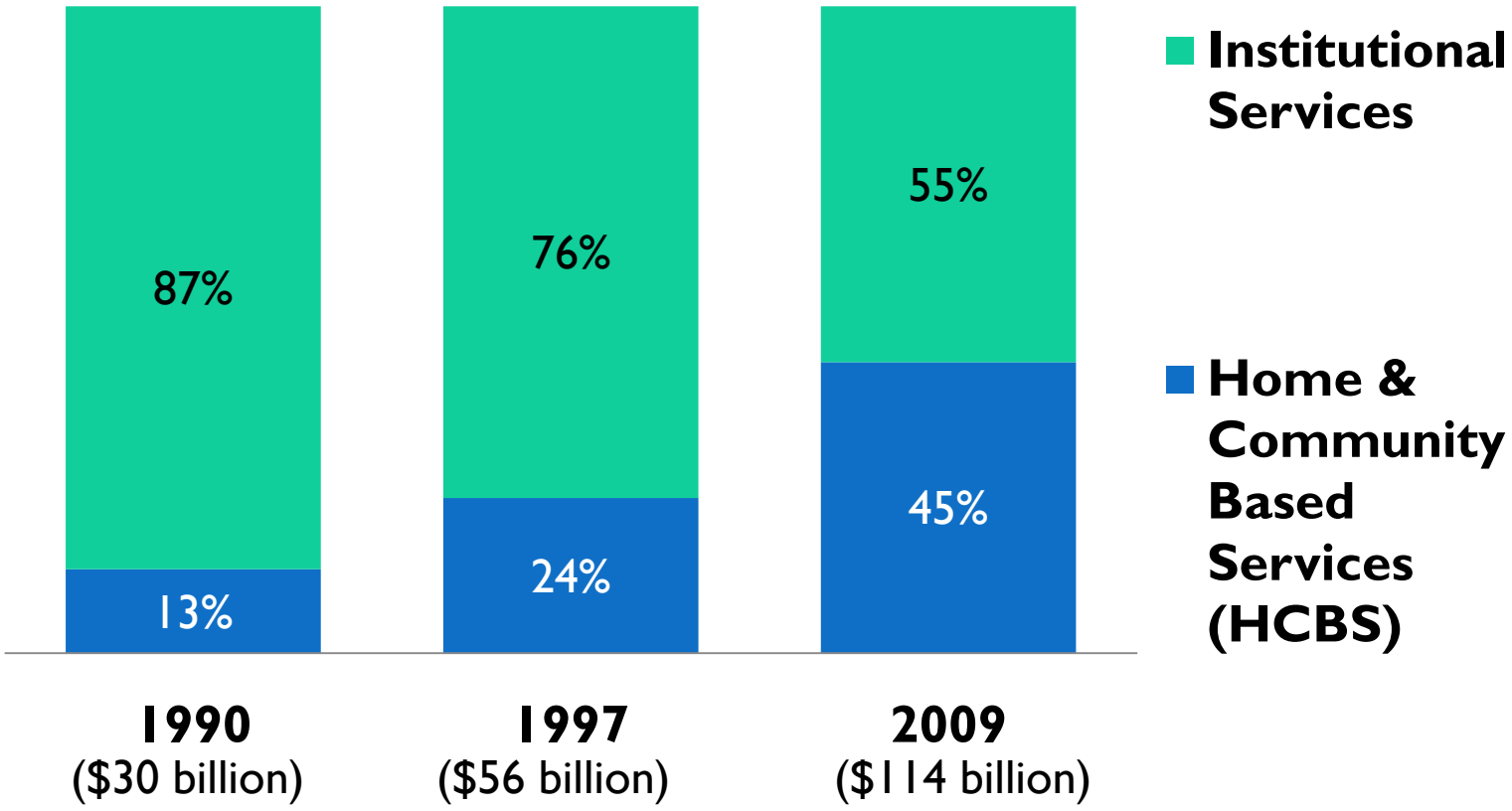
Medicaid spending in 2009 = $346.5 billion

Source: Kaiser Commission on Medicaid and the Uninsured, February 2011.

Medicaid's coverage of LTSS varies widely among states

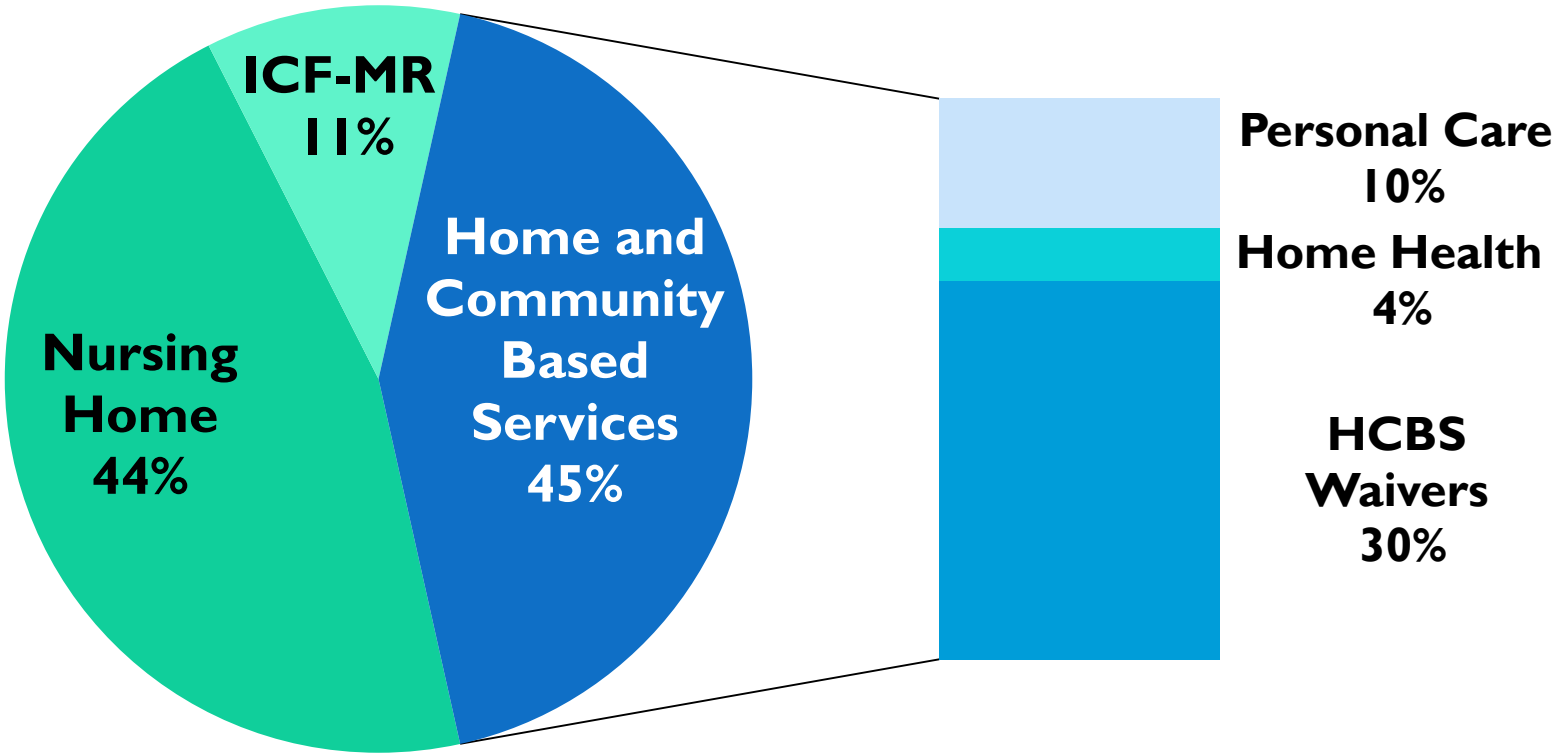
- Benefits differ among states
  - Nursing home services: all states must provide
  - LTSS available at home ("home and community based services" or HCBS) varies widely among states
    - Personal care: optional (30 states)
    - HCBS waivers: optional (all states use to varying degrees)
    - [Home health: all states must provide, but post-acute focus]
- Eligibility rules also differ among states
  - Income and assets criteria; functional criteria
- Whether a person is eligible for Medicaid LTSS and, if so, the type and extent of services received, depends on where the person lives

The HCBS share of Medicaid LTSS spending has been growing



Source: Eiken et al. 2010. Years are fiscal years.

Medicaid spending for LTSS, by type of service



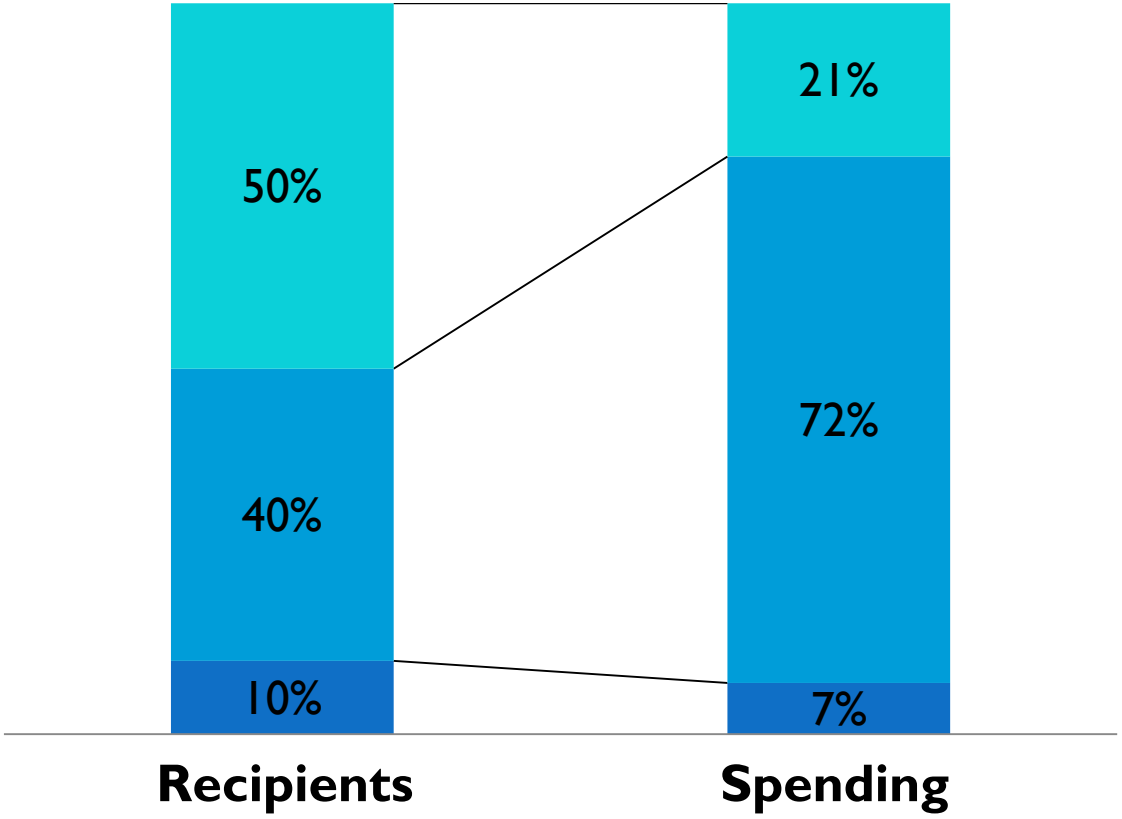
ICF-MR = intermediate care facilities for people with intellectual or developmental disabilities.

Source: Eiken et al. 2010; data are from fiscal year 2009.

Medicaid HCBS waivers

- Account for most Medicaid HCBS spending
  - All states use, but vary greatly in extent and populations served
- Allow states to provide a range of services to individuals who meet state's eligibility criteria for institutional care
- Allow states to control waiver spending
  - Can limit waiver enrollment, offer in specified geographic areas
- Typically designed for target populations
  - Older adults and people with disabilities ("aged and disabled")
  - People with intellectual or developmental disabilities ("MR/DD")
  - Other (e.g., HIV/AIDS, brain injury, mental illness, children)

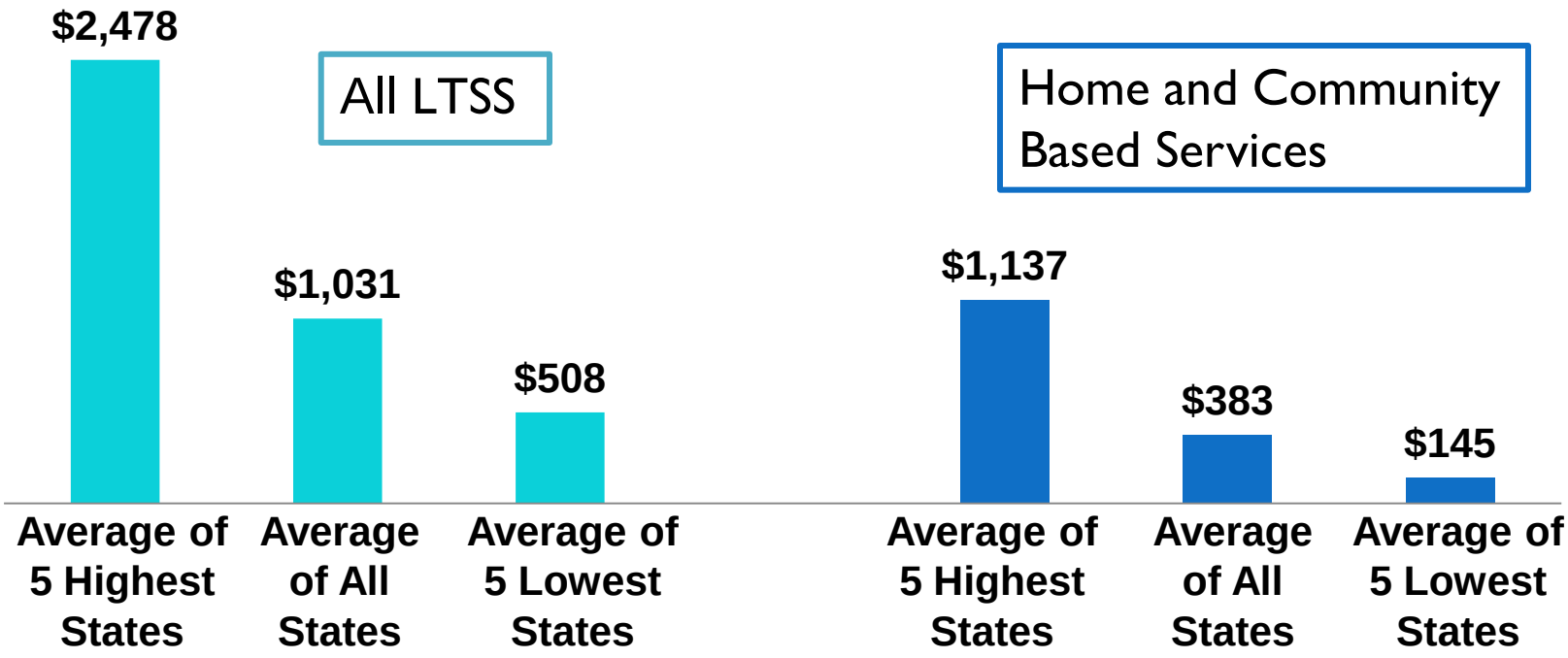
Medicaid HCBS waiver spending varies by target populations



Source: Ng, Harrington & O'Malley 2009; amounts shown are for fiscal year 2007.

Medicaid LTSS programs vary widely among states

Medicaid LTSS spending per state resident with income below 200% of poverty level



Source: Feder, Komisar & Friedland 2007. Amounts shown are for fiscal year 2005.

Medicaid issues, looking forward

- Continued interest in expanding HCBS
  - Better "balance" between institutional services and HCBS
  - Consumer-directed care
  - Health reform law provides new options and financial incentives to states for expanding HCBS
- Constrained by tight state budgets
  - Uncertain to what extent states will act on new options
  - Many states are cutting back on optional services including HCBS

Community Living Assistance Services and Supports (CLASS) Program

Key Features of the CLASS program

- Federally-administered insurance program to help people pay for LTSS
  - Established by Title VIII of the Affordable Care Act
  - Fully funded by premiums
- Voluntary participation
  - Participants pay premiums
- Flexible cash benefit
  - Consumers choose what services and supports to buy
- Numerous specific details of to be developed
  - Including start date (could start in 2012)

Enrollment

- Individuals must be age 18 or older and working to initially enroll
- Premiums
  - Depend on age and year when enroll; no underwriting
  - Low premium for working students and people with income below poverty level
- Two ways to enroll
  - Employers have option of enrolling workers and deducting premiums, with employee opt-out
  - Alternative enrollment process for self-employed and people whose employers do not participate

Benefits

- Eligible for benefits if:
  - Have paid premiums for 5 years ("vested") and current in premiums
  - Substantial functional limitations
- Daily cash benefit to be used for LTSS
  - Amount will vary by level of functional limitation
  - Average of at least $50/day (benefits increase with inflation)
  - May be used for non-medical services and supports (e.g., personal assistance, home modifications, institutional services)
- Advice and assistance counseling, and advocacy services

Implementing the CLASS program

- Law leaves numerous details to be determined
- Concerns about financial soundness
  - Concerns about adverse selection
- HHS is looking into ways to attract broad participation and strengthen program design
  - Increase public awareness, encourage employers and workers to participate
  - Increasing the work requirement for benefit eligibility
  - Stronger penalties for lapsing and re-enrolling
  - Indexing premiums for inflation (similar to benefits)

Sources

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