Issue Brief
The Critical Need for Long-Term Services and Supports Financing Reform

Long-term services and supports (LTSS) refer to assistance provided to people with functional or cognitive limitations to help them perform daily living activities, such as eating, bathing and dressing. Currently, over 12 million Americans need LTSS and 43.7 million family caregivers assist individuals who need LTSS.

While this is an issue impacting millions of American families, few families are prepared for the high costs of LTSS when they or their loved ones need them. LTSS are expensive, with average annual nursing home costs of over $87,600 – far exceeding most families’ resources. Most Americans mistakenly believe that employer-based health insurance or Medicare provides coverage. In fact, most of the costs are paid by Medicaid, which requires individuals to impoverish themselves, has an institutional bias, and will place an unsustainable burden on states. Few Americans have private long-term care insurance. Recently, most insurers exited the market and many significantly increased premiums on current policyholders.

We cannot afford to ignore these issues. The nation is ill-prepared to address the growing crisis and lacks a coordinated, national public-private system for adequately and efficiently delivering high quality LTSS. The status quo is not sustainable and it is urgent that we better understand and address the problems facing the millions of families struggling daily with these concerns.

The National Council on Aging (NCOA) believes that we need to work together on a bipartisan basis to establish a national long-term care insurance financing system that:

- Is actuarially sound;
- Is fully paid for;
- Increases affordable options for working Americans;
- Does not exclude purchasers based on pre-existing health conditions;
- Improves market opportunities for private insurance; and
- Produces significant savings to Medicaid.

- Most Americans have no security against the high costs of LTSS when they or their loved ones need it. For individuals with disabilities and seniors with chronic conditions, LTSS are their primary unmet care need. Only about 5.4% of adults 45 and older (12.4% of adults 65 and older) have private long-term care insurance. Private insurance is unaffordable for most middle-class families. Today, the median income of buyers is $87,500; and four in five buyers have assets in excess of $100,000. In addition, the private market excludes people with disabilities and pre-existing health conditions through underwriting practices which have become stricter in recent years.

- Under our current LTSS system, families must impoverish themselves by spending down their life savings in order to receive the care they need under Medicaid. Medicare does not cover LTSS. Middle class families are forced to become and remain poor to receive the help they need through Medicaid.

- Most LTSS costs are incurred by Medicaid, which is not sustainable. Medicaid currently covers an estimated 62% of the nation’s rapidly growing LTSS costs. There is a great risk that spending on LTSS will squeeze out other state spending priorities, such as education and basic health coverage for low-income individuals.
• The need for LTSS will more than double in the coming decades. Currently, over 12 million Americans need LTSS, and approximately half are under age 65. An estimated 70% of those reaching age 65 will have LTSS needs at some point in their lives. Largely due to the aging of the baby boomer population, the number of those in need will surge from 12 million to 27 people by 2050.

• Those who need LTSS rely primarily on family and friends, but these caregivers face enormous financial, physical and emotional burdens. The economic value of family caregiving is estimated at over $470 billion annually. Family caregivers of persons age 50 and older reported spending an average of more than 10 percent of their annual income on caregiving expenses. Six in 10 caregivers report having to make a workplace accommodation as a result of caregiving, such as cutting back on their working hours, taking a leave of absence, receiving a warning about performance or attendance, or other such impacts. More than a third of caregivers report high emotional stress from the demands of caregiving.

• LTSS financing reform will promote economic growth and productivity. According to a MetLife study, businesses lose up to $33.6 billion in work productivity as a result of the caregiving responsibilities of full-time employees and absenteeism. Lack of access to home and community-based services is a major barrier to employment for younger people with disabilities, as well as employment of seniors who want to continue to work.

• Americans strongly support LTSS reform. According to a recent survey by the AP-NORC Center, about two-thirds of respondents have done little or no planning for LTSS and 82% said it would be extremely or very helpful to provide access to services in the community that help people live independently. In an earlier survey from the Glover Park Group, 94% of respondents stated that reforming the LTSS system was important, including 74% who felt it was very important.

• There are many viable paths forward with potential for bipartisan support. A number of recent resources have recently been released which highlight extensive actuarial modeling work, policy options, and principles to guide reform.
  - Leadership Council of Aging Organizations (LCAO) and the Consortium for Citizens with Disabilities (CCD) (July 2013)
  - Urban Institute (November 2015)
  - Bipartisan Policy Center (February 2016)
  - Long-Term Care Financing Collaborative (February 2016)
  - Leading Age (February 2016)

All of these resources can be accessed at [https://www.ncoa.org/LTSSFinancing](https://www.ncoa.org/LTSSFinancing).

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