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# You Can Run, but You Can't Hide: Policy and Problems in Long-Term Care

Presented by

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# Long-Term Care in the 21<sup>st</sup> Century

- Triumph of chronic disease over acute illnesses
- Aging of the population worldwide
- With more chronic disease, Increased prevalence of disability and use of long-term care
- 1/8 of national health spending
- Major component of state health and Medicaid expenditures
  - 31% of Medicaid spending
  - \$99.3 billion in national Medicaid spending in 2006

# Four Big Issues

- What will happen to demand for long-term care as baby boomers age?
- Who should pay?
- What should be the balance between institutional and home and community services?
- Who will provide the care in the future?

**What will happen to demand for long-term care as the baby boom generation ages?**

# People with Long-Term Care Needs, 2000 (in Millions)

	> 65	< 65	Subtotal
Nursing home residents	1.5	.2	1.6
Community residents	4.5	3.4	7.9
<b>Total</b>	<b>6.0</b>	<b>3.5</b>	<b>9.5</b>

Source: Rogers and Komisar, 2003.

# Disability Rates by Age, 2004/2005

<b>Age</b>	<b>% Disabled</b>
65–74	8.9
75–84	21.9
85+	49.7

Source: Manton, Gu, and Lamb, 2007.

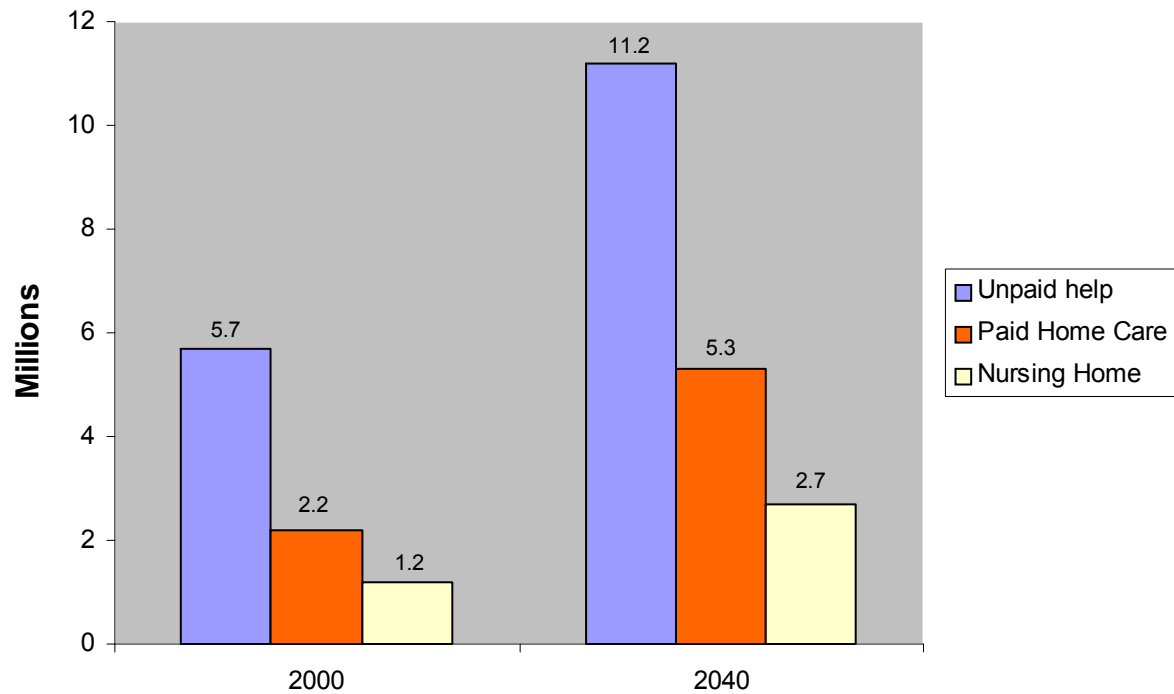
# United States Population, by Age (in Millions)

	<b>2000</b>	<b>2050</b>	<b>% Change</b>
65+	35.1	86.7	147
85+	4.3	20.9	386
<65	247.1	333.1	35
<b>Total</b>	<b>282.1</b>	<b>419.9</b>	<b>49</b>

Source: U.S. Bureau of the Census, 2004.

# Demand for LTC by 65+, 2000 and 2040

Number of Older Adults Receiving Long-Term  
Care Services (in millions)



Source: Johnson, Toohey, and Wiener, 2007

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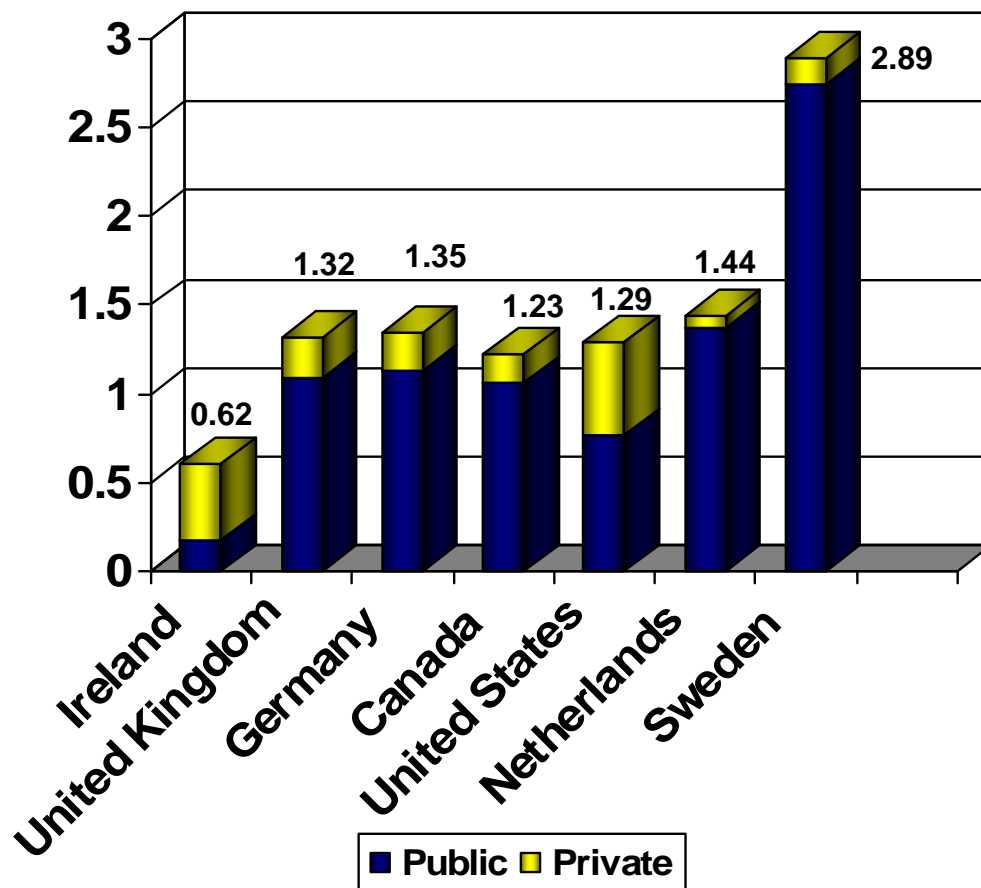
## Role of the Family

- Family is the main source of care for people with disabilities
- Among older people with severe disabilities (Johnson and Wiener, 2006):
  - 91 percent received informal care
  - 41 percent received paid home care
- Estimated economic value of informal family caregiving \$354 billion in 2006 (Gibson and Houser, 2007)

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# **How should long-term care be financed?**

# Public and Private Expenditures on LTC as Percentage of GDP, 2000

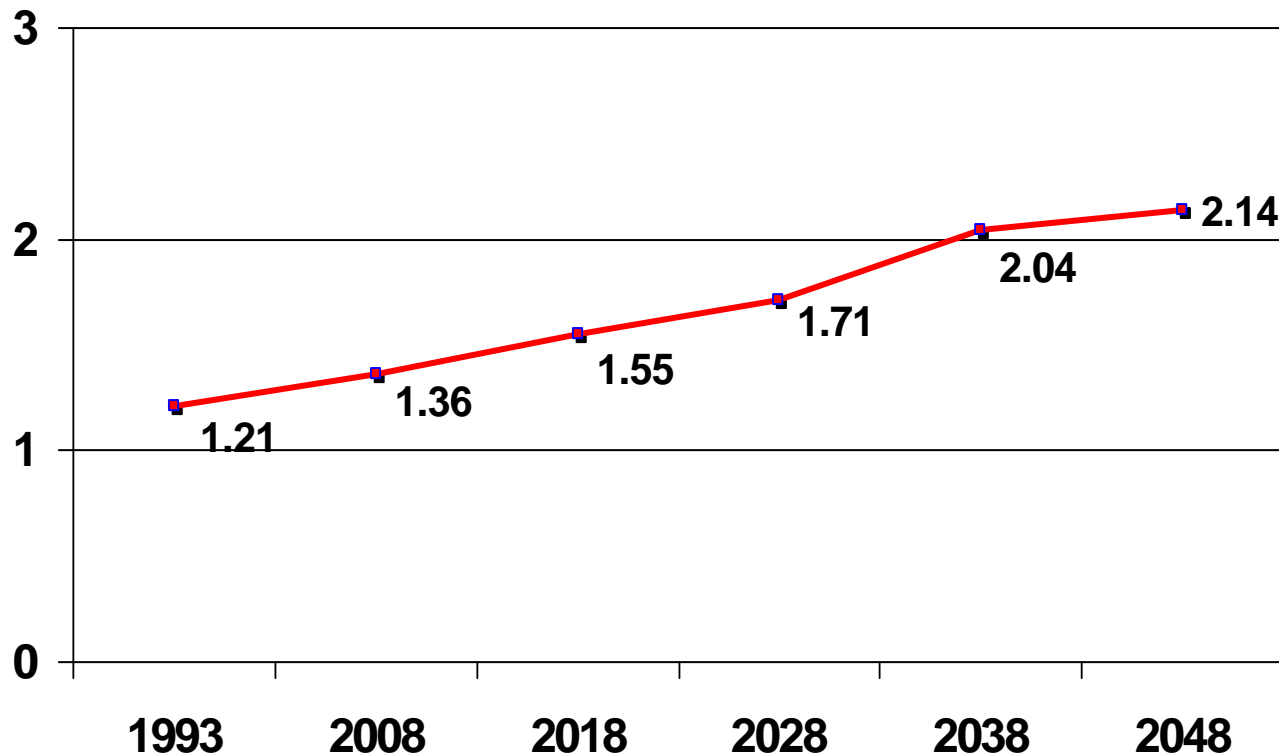


Source: Organisation for Economic Co-operation and Development, 2005.

# Systems of Financing

- Germany: Universal coverage through social insurance
- Japan: Universal coverage through social insurance for age 65 and older (and younger persons with “elderly diseases,” e.g., Alzheimer’s disease)
- England: Mostly means-tested welfare program administered at the local level; some universal coverage for nursing services at home and in institutions

# Future Spending for Long-Term Care for Elderly People as Percent of GDP



Source: Wiener, Illston, and Hanley, 1994.

# Long-Term Care Expenditures for Older People, by Source of Payment, 2004 (in Billions of Dollars)

Payment Source	Institutional		Total
	Care	Home Care	
Medicaid	36.5	10.8	47.3
Medicare	15.9	17.7	33.6
Private insurance	2.4	3.3	5.6
Out-of-pocket	35.7	8.3	44.0
Other	2.0	2.5	4.4
Total	92.4	42.5	134.9

Source: Congressional Budget Office, 2004.

# Private LTC Insurance

- “The Dream”
- Affordability: Cost is \$2,500+ at age 65; median income about \$38,000 (Johnson and Wiener, 2006)
- Purchase at younger ages tough sell
- Tax incentives
- Partnership for long-term care
- Regulation problematic—Inflation protection

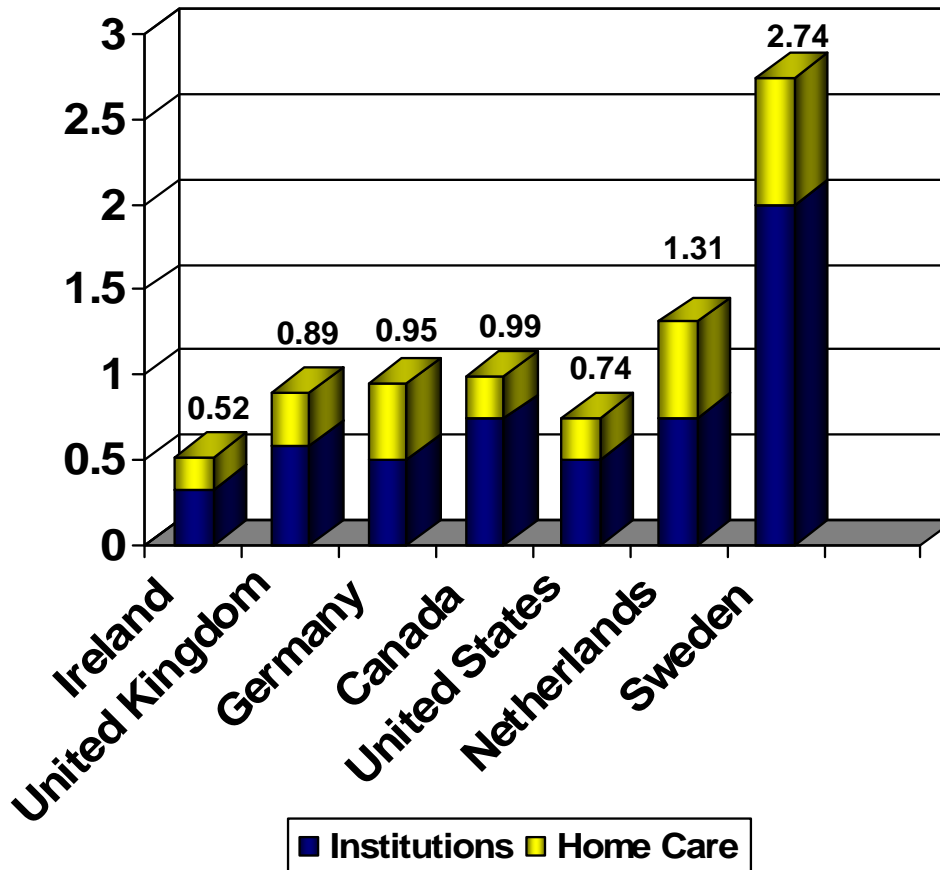
# Medicaid Estate Planning

- Perversion of program intent vs. protecting life savings in an unfair system
- Extensive research uniformly finds transfer of assets to be infrequent and amounts transferred to be small (Bassett, 2004; Lee, Kim and Tannenbaum, 2006; O'Brien, 2005; Norton, 1995; Sloan and Shayne, 1993; U.S. Government Accountability Office, 2005; 2007; Waidmann and Liu, 2006)
- Best estimate: Maximum amount is less than 1 percent of Medicaid nursing homes expenditures (Bassett, 2004; Waidmann and Liu, 2006)

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**What should be the balance between  
nursing homes and home and community-  
based services?**

# Public Spending on LTC in Institutions and Home Care as Percent of GDP, 2000



Source: Organisation for Economic Co-operation and Development, 2005.

# Change Balance of Long-Term Care Delivery System

- Broad bipartisan consensus to change balance
- Rationale for home and community services
  - What people want
  - Better quality care
- Cost savings or cost increasing?
- Funding not up to rhetoric: 29 percent of Medicaid expenditures for long-term care in 2006 for home and community-based services (Burwell, Sredl, and Eiken, 2007)

# New Paradigm: Consumer Choice and Empowerment

- Aging and Disability Resource Centers
- Consumer direction
- Residential care facilities
- Money follows the person
- Support for informal caregivers

# Aging and Disability Resource Centers

- Fragmented financing and delivery system
- Single point of entry and information
- “One Stop Shops”
- AoA and CMS initiative: Grants to 43 states

# Consumer-Directed Home Care

- Consumers hire, fire, direct, and schedule
- WI, OR, MI, WA, cash and counseling, Germany, Netherlands, United Kingdom
- High levels of satisfaction
- Caregivers tend to be friends and family

# Residential Care Facilities

- Economies of scale
- 0.8 to 1.0 million residential beds vs. 1.7 million nursing home beds
- Aging in place vs. unlicensed nursing homes
- Affordability for middle class

# Money Follows the Person (MFP) and Nursing Facility Transition (NFT) Programs

- Different approach:
  - Beyond diversion at admission
  - Move people out of institutions
  - People with severe disabilities as well as light care
- Federal demonstration projects: 31 states

# Support for Informal Caregivers

- National Family Caregiver Support Program (NFCSP)
- Alzheimer's Disease Demonstration Grants to States (ADDGS) Program
- Education, respite, care coordination and referral
- Paid family caregivers under consumer-directed care



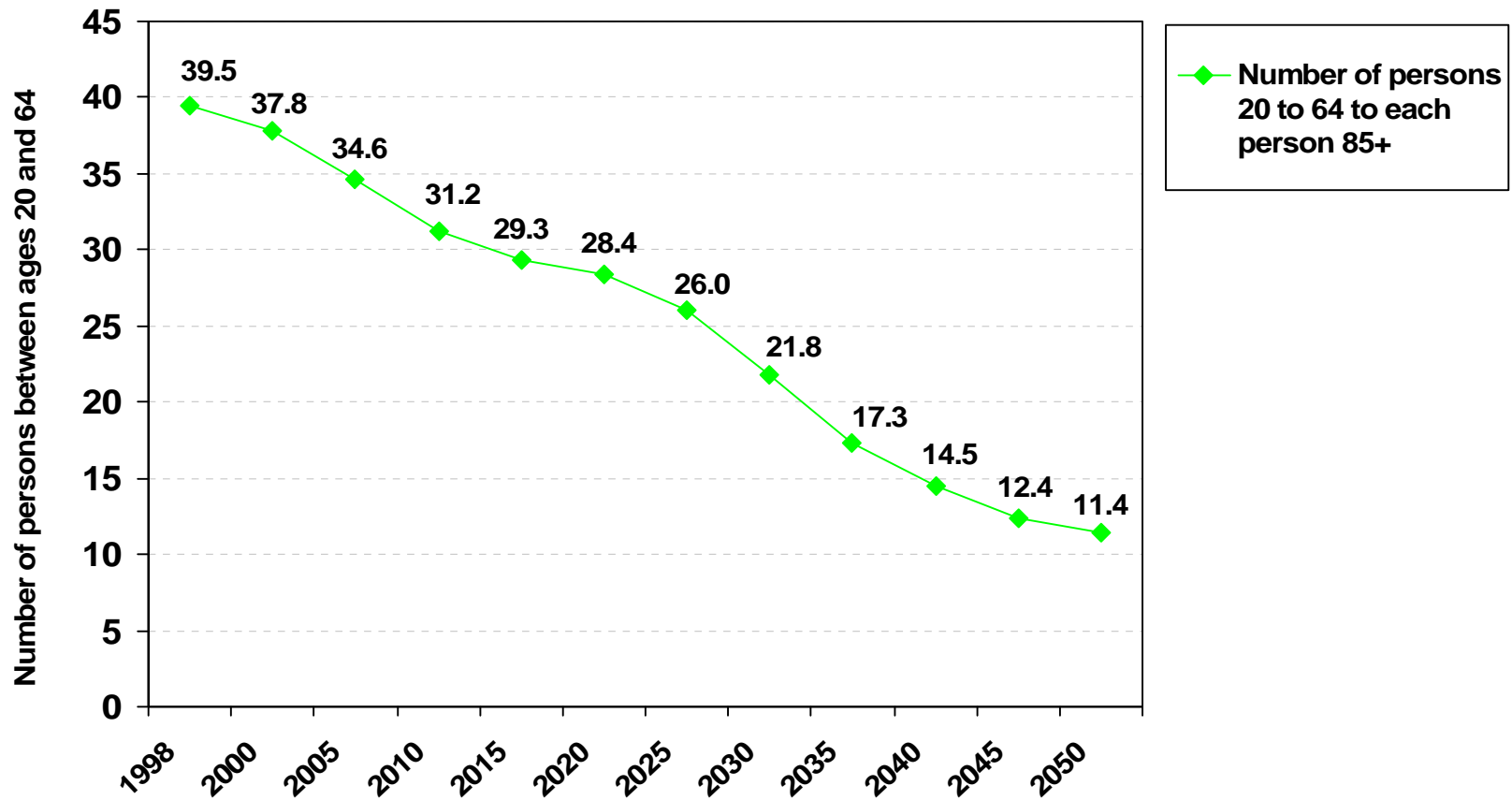
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**Who will care for us?**

# Workforce Shortage

- Institute of Medicine report
- Direct care workers, such as certified nursing assistants, provide most long-term care services
- High turnover and vacancy: Turnover averages 71% per year in nursing homes
- Low level of education and training
- May adversely affect
  - Continuity of care
  - Staffing levels
  - Quality of care

# Changes in the Size of the Elderly Population Relative to the Potential Workforce, 1998 to 2050



Source: Author's analysis of U.S. Census Projections, 2003.

# Workforce Strategies

- Expand recruitment
- Increase wages and fringe benefits
- Organizational culture change

# Conclusions

- Population aging more long-term care
- Broad political consensus for more balanced delivery system
- Private insurance increase, but public financing dominate
- Workforce is the elephant in the room
- Politics of the future
- States, not the feds, are the engine of reform

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