



Why Addressing Long-Term Care is an Urgent Matter

Virtually all demographic trends in the United States point to large future increases in the demand for long-term care services and support. By 2050, an estimated 27 million people will need long-term care support.ⁱ

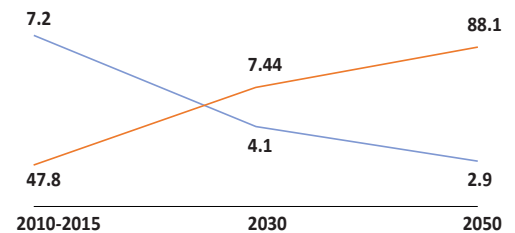
- The population over 65 will almost double by 2050.ⁱⁱ The population age 85 or older is set to double between 2015 and 2032, and triple by 2050. This aging population will outpace the number of working-age family members who can help seniors financially or with unpaid care.ⁱⁱⁱ
- Disability is highly related to age, so the projected growth in the elderly population suggests a large increase in the need for long-term care services. It's projected that more than half of Americans turning 65 today will have a long-term need for constant attendance, averaging \$266,000 per person for about 2 years of serious self-care services.^{iv} Millions of older adults, approximately 14%, will need services for more than 5 years.^v
- New generations of American seniors have fewer caregivers and more complex illnesses, each causing more serious disability.^{vi} Seniors who live longer have longer spells of need and higher financial burden from disability, plus they have less family support.^{vii}

Studies indicate that Medicaid is the dominant source of payment for long-term care costs and its share has increased over the past 20 years, while the individual share has decreased. In 2019, an estimated \$426.1 billion was spent on long-term care services and support.^{viii}

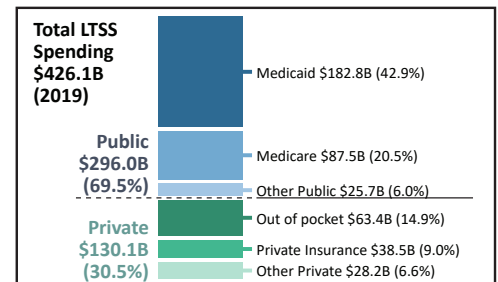
- A typical senior can afford only about 12 months of nursing home care, assisted living care, or extensive home care using their financial wealth.^{ix} Once an individual exhausts their financial assets, they can become eligible for Medicaid, a jointly funded federal-state health care assistance program for low-income individuals.
- It's estimated that 1 in 5 seniors will end up impoverished, using Medicaid to cover their long-term care costs.^x
- Approximately a third of Medicaid outlay goes to provide long-term care services and support.^{xi}

Given current demographics, utilization, and enrollment trends, Medicaid's outlay for long-term care support is expected to overwhelmingly increase. State and federal programs are causing Medicaid costs to skyrocket. Consequently, federal and several state legislatures are exploring options to reduce pressure on the Medicaid system.

Population Aged 65+ (Millions)¹ vs. Caregiver Support Ratio (Number of People Aged 45-64 for Each Person Aged 80+)²



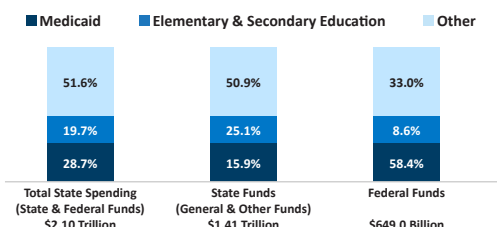
Long-Term Services and Supports (LTSS) Spending, by Payer, 2019 (in billions)



Source: CRS analysis of National Health Expenditure Account (NHEA) data obtained from the Centers for Medicare & Medicaid Services, Office of the Actuary, prepared December 2020.

Notes: This analysis of NHEA data also includes Medicare post-acute care spending in an expanded definition of LTSS spending

Medicaid spending as a share of total, state, and federal funds, actual data FY 2019



SOURCE: KFF estimates based on the NASBO's 2020 State Expenditure Report (data for Actual FY 2019).

KFF

Activity At the States

Most states have been forced in recent years to grapple with budget shortfalls resulting from escalating costs, particularly Medicaid costs. Medicaid is second only to education in terms of state spending, accounting for about 29 percent of total state spending. In addition, Medicaid is the single largest source of public funding for long-term care.

State officials face several major challenges as they try to slow rising Medicaid costs and meet the demands from other state services:

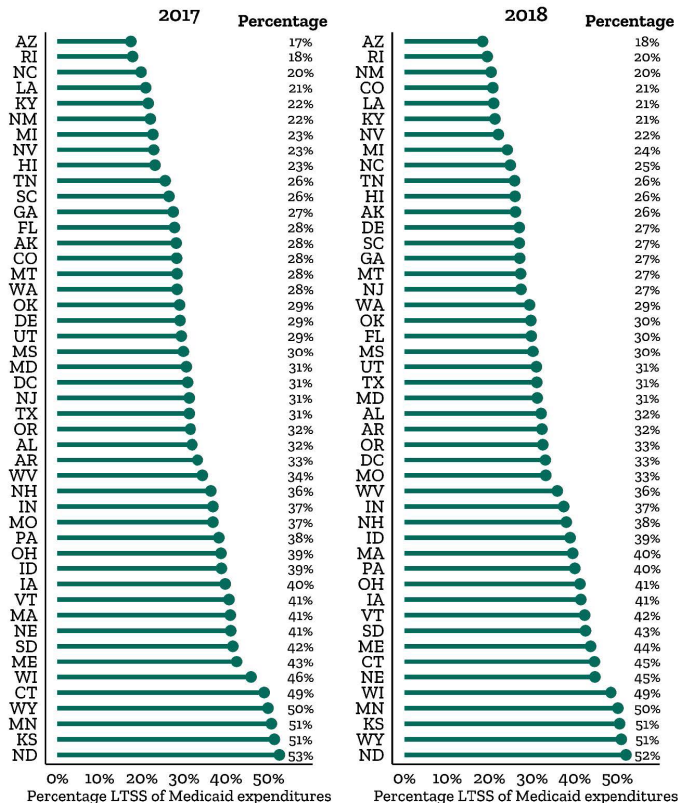
- The number of people who are turning to public services for help has increased.
- Shortages of direct care workers have increased pressure on state governments to provide incentives to attract and retain workers.
- There are more frail, elderly, and disabled people who need assistance.

To help reduce pressure on the Medicaid system in 2019, Washington state established the first publicly financed long-term care program. The Washington Long-Term Care Trust Act requires individuals to have a long-term care insurance policy in place in one of two ways:

- Automatic enrollment through the State of Washington with a new payroll tax of \$5.80 per \$1,000 of earnings, paid by the employee. Deductions to begin with the first paycheck of 2022.^{xii}
- Enrollment in a privately purchased policy before 11/1/2021 with approval from the State of Washington to opt-out of the State LTCA program.

Another twelve states are considering similar legislation.^{xiii} Depending on the form the legislation takes in the states, it could impact the options, or even the availability of, long-term care insurance coverage. If individuals want to avoid the one-size-fits-all state solution, they will want to determine where long-term care fits in their financial plan.

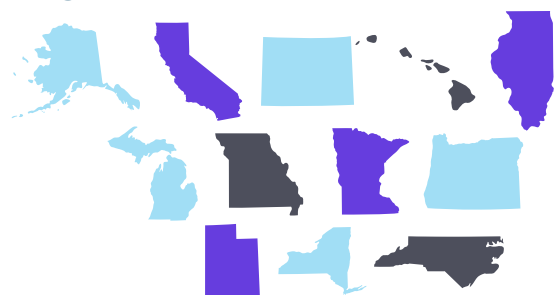
Medicaid LTSS expenditures as a percentage of total Medicaid expenditures, by state, FY 2017 and 2018



Sources: Mathematica's analysis of FY 2017 and 2018 CMS-64 data, state-submitted MLTSS data, and MFP worksheets for proposed budget.

Notes: We excluded California, Illinois, New York, and Virginia from FY 2017 and 2018 because of missing data. U.S. territories are not shown; their Medicaid LTSS expenditures as a percentage of total Medicaid expenditures was 0.1 percent in FY 2017 and 2018. Further details about the data sources, methods, and data limitations are available in Appendices A and B.

States considering publicly-financed LTC Programs





Proposed Federal Legislation

Several reforms and proposals have also emerged recently at the federal level. This section outlines a few of these proposals.

Credit for Caring Act

House H.R.3321 May 2021

Amends the Internal Revenue Code to provide a nonrefundable credit of up to \$5,000 for qualified expenses. This includes lost wages for unpaid time off for eligible family caregivers.

Long-Term Care Affordability Act

Senate S.2425 July 2021

Amends the Internal Revenue Code to provide gross income. It does not include distributions for eligible retirement plans to the extent the aggregate amount of distribution does not exceed the amount paid for long-term care coverage described under either Section 7702B or Section 101(g) insurance contract, whether it be a stand-alone policy, life, or annuity policy.

Social Security Caregiver Credit Act of 2021

Senate S.1955 May 2021

Amends Social Security to provide credit to individuals serving as caregivers of chronically dependent relatives with deemed wages for up to 5 years of service. The amount of social security deemed income that a caregiver would receive can vary depending on whether the individual has outside earned income from employment/self-employment or no outside compensation.

Better Care Better Jobs Act

House H.R.4131 Senate S.2210 June 2021

Amends Social Security to expand access to home and community-based programs. Specifically, this bill establishes programs and provides funding for state Medicaid programs to improve home and community-based services.

Well-Being Insurance for Seniors to be at Home (WISH) Act

House H.R.4289 July 2021

Amends Social Security to establish a federal long-term care insurance trust fund that would pay for catastrophic long-term care expenses for eligible individuals. It also allows private insurance companies to offer coverage for the initial years of disability. This plan would be paid for by an increase in the payroll tax of 0.3% of income for both workers and employers (total 0.6%).

What you can do

Given the demographic trends, along with the proposed state and federal legislation, NOW is the perfect time to address the need for long-term care coverage. DBS has the tools, information and resources you need to get started. Contact us today!





ⁱ Report to Congress from HHS (May 2003)

ⁱⁱ AARP Public Policy Institute: “Across the United States: Profiles of Long-Term Care Services and Supports” (August 2018).

ⁱⁱⁱ Air Houser, Wendy Fox-Grage, and Kathleen Ujvari, “Across the States 2018: Profiles of Long-Term Services and Supports” (AARP, 2018), <https://www.aarp.org/content/dam/aarp/ppi/2018/08/across-the-states-profiles-of-long-term-services-and-supports-full-report.pdf>, p. 3.

^{iv} Melissa Favreault and Judith Dey, “Long-Term Services and Supports for Older Americans: Risks and Financing,” Research Brief, ASPE Issue Briefs (U.S. DHHS, February 2016), <https://aspe.hhs.gov/system/files/pdf/106211/ElderLTCrb-rev.pdf>, pp. 5-6.

^v Issue Brief from HHS Assistant Secretary for Planning and Evaluation (February 2016).

^{vi} “America’s Long-Term Care Crisis: Challenges in Financing and Delivery” (Bipartisan Policy Center Long-Term Care Initiative, April 2014), pp. 15-16

^{vii} Houser, Fox-Grage, and Ujvari, “Across the States 2018: Profiles of Long-Term Services and Supports,” p. 6.

^{viii} Kirsten J. Colello, “Who Pays for Long-Term Services and Support?” In Focus Congressional Research Service (August 5, 2021), <https://crsreports.congress.gov>.

^{ix} Richard W. Johnson and Claire Xiaozhi Wang, “The Financial Burden Of Paid Home Care On Older Adults: Oldest And Sickest Are Least Likely To Have Enough Income,” *Health Affairs* 38, no. 6 (June 1, 2019): 994-1002, <https://doi.org/10.1377/hlthaff.2019.00025>, p. 998.

^x Nils Franco, “Financing Long-Term Services and Supports for the Elderly,” Altarum Issue Brief (July 2020), https://altarum.org/sites/default/files/uploaded-publication-files/Altarum_Program-to-Improve-Eldercare_Issue-Brief_Financing-LTSS.pdf.

^{xi} Colello, “Who Pays for Long-Term Services and Support?” In Focus Congressional Research Service

^{xii} Facing a lawsuit and political opposition, Washington State Governor Jay Inslee delayed implementation of the payroll tax until April, 2022 in order to give the legislature time to address what he called “areas that need adjustment.”

^{xiii} “What’s Next After Washington Cares Fund?” CLTC Presentation on September 29, 2021.

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