ESSENTIAL CRITERIA TO CONSIDER IN LONG-TERM CARE REFORM

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Society of Actuaries Health Meeting; Hollywood, FL; Session 47
June 12, 2017
Agenda

☐ Introduction
☐ Evaluation Criteria for LTC Reform
☐ Other Academy Resources / Papers
☐ Quiz & Wrap-up
☐ Q & A
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Introduction

- Why LTC Reform?
  - The need for LTC financing is on the rise as the baby boomer generation ages
  - Private LTC insurance only accounts for 5% of the LTC financial sources in America today.
  - Financial burden will fall increasingly on individual income and assets and on the Medicaid system.
Introduction

- What is the goal of this Academy LTC criteria?
  - In 2012, the American Academy of Actuaries hosted a roundtable, “A National Conversation on Long-Term Care Financing,” to discuss potential reforms to the LTC system.
  - Building further upon that conversation, the Academy’s LTC Criteria Work Group developed criteria that should be considered in any discussion on reform.
  - Some recent attempts at reforming how long-term care is financed in the United States have failed because they did not adequately consider these seven essential criteria.
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Coverage

- Number of people enrolled with coverage
  - Total count vs. subsets of population
  - Population attributes are critical to understand

- Subsets have varying needs and ability to afford
  - Demographics
  - Health status
    - Current needs
    - Expected future needs
  - Wealth / income
Coverage

- System type: largest driver of level / make-up of coverage
  - Mandatory, Voluntary, Hybrid
- Design elements to address mix by population attributes
  - Mandatory
  - Underwriting
  - Vesting periods
  - Limiting target population (e.g., those with lower needs)
  - Active / passive enrollment
Comprehensiveness of Benefits

- Location of care
  - Current examples: nursing facility, assisted living facility, at home
  - Clear definitions and rules for transitions
  - Address future evolution of new / innovative settings

- Eligibility of care
  - Current examples: inability to perform ADLs or cognitive impairment
  - Variations tied to care setting or benefit levels
Comprehensiveness of Benefits

- Level of care
  - Maximum paid during a period (e.g., daily / monthly)
  - Benefit type (e.g., cash vs. reimbursement)
  - Inflation protection

- Limits of total coverage
  - Deductible (e.g., elimination period / dollar amount)
  - Duration (e.g., pool-of-money / days of service)
  - Interaction with other programs
Understandability and Choice

- Must balance ease of understanding with flexibility
- Recognize that needs of individuals / families vary widely
- Simpler reform designs?
  - Limit user choice
  - Easier to understand and administer
- Complex reform designs?
  - Flexible to users and adapts over time
  - More difficult to understand and administer
Understandability and Choice

- Education
  - LTC needs and costs
  - Benefits provided by system

- Controls
  - Complexity related to risk management and cost containment

- Consumer options
  - Participation in system
  - Level of benefits
  - Place of care
Affordability

- Individual vs. family unit purchaser
  - Multiple wage earners
  - Combined need for care
- Working years vs. retirement
  - Changes over lifetime for income and assets to fund coverage
  - Changes over lifetime for level of LTC needed
- Taxes & Other expenditures
  - Purchaser’s perspective after taxes
  - Remaining funds for LTC after “necessities”
Affordability

- Guarantees / limits
  - Less guarantees create more uncertainty
  - Purchasers must evaluate long-term affordability

- Program required payment structure
  - Changing premiums re-determined annually?
  - Level or scheduled premiums?

- Perceived value of coverage
  - Expected benefits and catastrophic protection versus premiums paid in
Quality of Care

- Quality Measurement and Assessment Framework
  - Both quantitative and qualitative
  - A standardized framework
  - A framework should be set up in anticipation of the ongoing evolution of types of care
  - Quality of measure should cover multiple domains

- Quality Incentives
  - Quality incentives should be considered for all industry and for each individual
Quality of Care

- Quality Incentives (cont’d)
  - List of incentive targets
    - The supply of providers, evidence-based care, appropriate care location, appropriate care transition, consumer transparency, suitability and accountability of the provider of care and prevention

- Quality Awareness
  - Awareness from both patient and provider perspectives
  - Awareness can be achieved through education
  - Education should include information on fall prevention, wellness management, medication management, safety features, services and providers
Cost Control & Risk Management

- A risk evaluation system should be developed prior to program implementation
  - System may depend on project models, sensitivity tests, and stress testing
  - Evaluations of emerging risks used to identify, assess, measure, mitigate, and manage various risks faced by the program

- Cost controls should be established that allow for alignment of interests of all stakeholders
  - Features that limit benefits and unintended utilization
  - Alignment of interest between user and financier
  - No individual should be able to profit from using services
Cost Control & Risk Management

- Performance of the program should be evaluated based on the predefined criteria, and cost controls should be modified as needed
  - Pre-planned feedback mechanism that studies the effectiveness of the reform
  - Ongoing evaluation of the program should be designed around the controls and risk evaluation that were initially developed
  - Various political and economical risk scenarios should be evaluated before implementation
  - Include appropriate margin to the assumptions
  - Clear definition of relevant statistics should be defined
Financial Soundness / Sustainability

- Can consumers be confident that the program will indeed deliver what was promised?
  - Minimize the program’s bankruptcy risks by effectively controlling the costs
  - Pay-as-you-go
  - Partially pre-funded system

- Is the program too complex or too simplistic?
  - Funding systems
  - Product design
Financial Soundness / Sustainability

- Does the financial program make appropriate use of the funds invested?
  - Sound investing of the program fund
  - Public program versus private program
  - Trade-off between risk and return

- Can the designers ensure that the program interacts well with existing private insurance and public programs?
  - How does new program interact with current public/private programs
  - Displace all of part of the existing programs
  - Coverage to persons not currently covered by existing programs
  - Definition of qualifying events
Academy LTC Series

Academy LTC public policy website

- Recent papers
  - Portability
  - Pricing Flexibility
  - Product Design Flexibility
  - Understanding Premium Rate Increases On Private LTC Insurance Policyholders

- Potential future papers
  - Considerations for incorporating LTC within Medicare program
  - Looking at past losses in LTCI
  - LTC / Medicaid intersection
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Wrap-up Quiz

1) LTC provides help with everyday self-care activities, such as eating or getting out of bed, and household activities, such as preparing meals or managing medications.

- True
- False

Source: Kaiser Family Foundation Medicaid and Long-Term Care Quiz
Wrap-up Quiz

2) Who needs long-term care?

- Seniors with conditions like dementia or complications after a stroke
- People with physical disabilities, like cerebral palsy or spinal cord injury
- People with intellectual disabilities, like Down’s syndrome or autism
- All of the above

Source: Kaiser Family Foundation Medicaid and Long-Term Care Quiz
Wrap-up Quiz

3) Who provides most long-term care?

- Unpaid caregivers such as family members
- Doctors
- Nurses
- Home health aides and personal care attendants

Source: Kaiser Family Foundation Medicaid and Long-Term Care Quiz
4) Where is long-term care provided?

- Nursing facilities
- Group homes
- Private houses or apartments
- All of the above

Source: Kaiser Family Foundation Medicaid and Long-Term Care Quiz
5) Who pays the most formal long-term care?

- Medicare
- Medicaid
- Private insurance
- Individuals out-of-pocket
6) What was the typical annual cost of private room nursing facility care nationwide in 2016?

- $37,000
- $54,000
- $79,000
- $92,000
Wrap-up Quiz

7) For an individual turning 65 today, what is chance over his/her lifetime of needing formal, paid LTC?

- 1%
- 25%
- 50%
- 75%
8) For those using formal, paid LTC, how many years on average over his/her lifetime will an individual turning 65 today need care?

- 0 – 1 years
- 1 – 2 years
- 2 – 3 years
- 3+ years
9) How many people are expected to turn 65 today in U.S.?

- 500
- 1,000
- 5,000
- 10,000
So Why Should You Care About LTC Reform?

- Many will need care at some point in their lifetime
- Care is expensive and needed for multiple years
- Burden on families and Medicaid program
- Aged population in U.S. is growing rapidly
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