

We Must Address Long-Term Services and Supports (LTSS)

What problem are we addressing?

- ▶ Our country and its people cannot meet their long-term service and support needs.

Our country's lack of a long-term care financing strategy leaves millions unprotected against the catastrophic costs of Alzheimer's, physical disability and other chronic conditions that often come with longevity or can strike earlier in life. This crisis inordinately impoverishes middle-class Americans, increases health care costs, strains public budgets, limits workplace productivity, derails retirement savings and reduces investment in future generations.

What contributes to this problem?

- ▶ We don't have a long-term care financing system, which puts people at substantial financial risk.

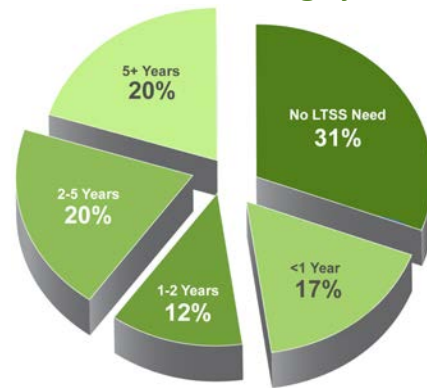
Our country is operating on an outdated premise, where one retires at 65 and dies a few years later, when in reality, we know that by 2050, we will see a 300% increase in people over age 85. Our public policy and private market hasn't kept up with record longevity and accompanying health issues. After age 65, the statistical chances of having a serious car accident is no higher than 18% while the chances of becoming ADL disabled or cognitively impaired is 72% and 44% for women and men respectively.ⁱ Ironically, we have developed public policy, education, shared risk mechanisms, affordable options and tools addressing the first risk, but not the latter. After age 65 Americans have a 70% of needing LTSS,ⁱⁱ some of whom will require just a little care while others will require a lot. This highly likely, yet highly variable need makes LTSS difficult to plan for and protect against on an individual basis.

What is the current need?

- ▶ 12.7 million Americans need LTSSⁱⁱⁱ
- ▶ 80% of LTSS is provided in home and community settings versus in institutions

What is the future need?

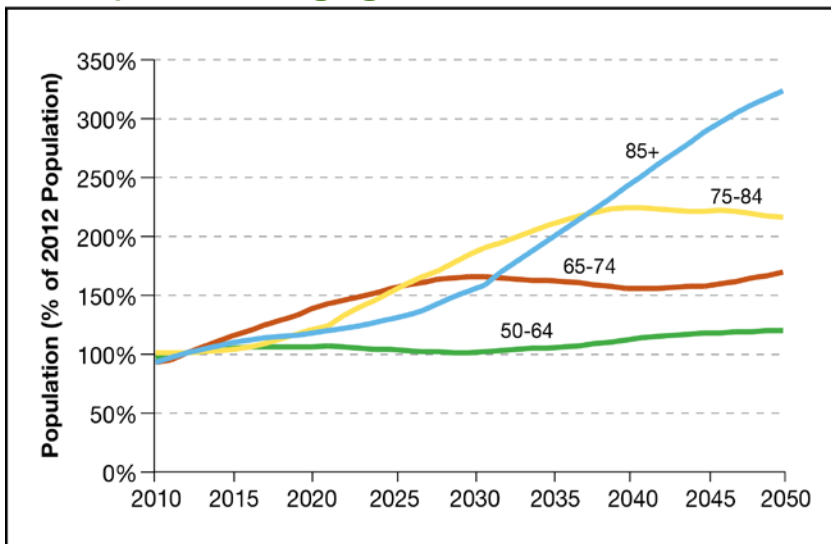
In the future 70% of people over 65 will need some LTSS, but the need is highly variable.^{iv}



What is driving the need?

Our country and state is experiencing demographic and health shifts that increase the risk of catastrophic LTSS costs.

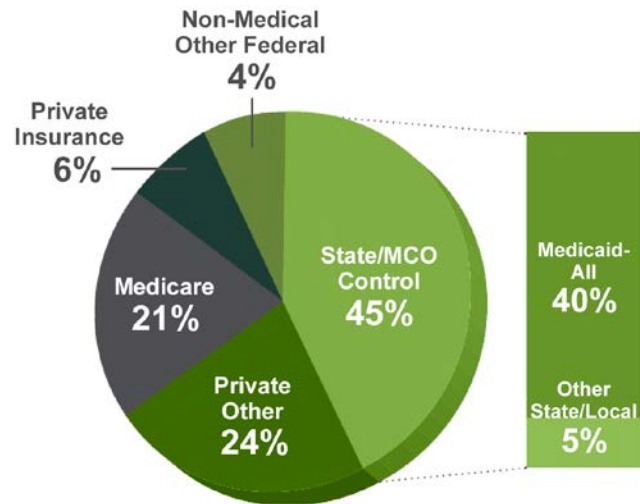
- ▶ Our Population is Aging^v



► **Cost of Care is Challenging for our Residents**

- According to the 2014 Genworth Financial Cost of Care survey, the median costs for a year of paid LTSS care range from ~ \$17,000 to over \$87,000.
- The annualized cost increases for facility care (+4%) continue to exceed national inflation rates.
- For U.S. adults 65+ the cost of one year in a nursing home is 2-3 times their annual household income.

► **Currently 70% of all LTSS Expenditures are Funded through Governmental Sources^{vi}**



This figure does not include the \$450 billion annual value of unpaid family care.

Our country will not have human or financial resources to sustain future need.

► **We will have about 1/3 of the caregivers we have today in 2050**

Ratio of Potential Caregivers to Those Needing Care^{vii}

	1990	2010	2030	2050
U.S. Total	6.6	7.2	4.1	2.9

► **Medicaid has become the single largest component of state spending and as of 2009, began to exceed spending for K-12 education.^{viii}**

	2011	2012	2013
National Ave. % of State Spending	23.8%	23.7%	24.4% (est.)

What should we do about this?

We must take tangible steps that improve options for people. And while not presuming solutions, we know that any solutions for our country must:

- Open the door to new markets, regulatory reforms, innovative tools and public-private partnerships for helping people plan for and achieve financial security that is sustainable for long term care insurers, insureds and state and federal government;
- Protect against catastrophic LTSS risk for which we all ultimately pay;
- Establish controls that help manage increasing pressures on our state and federal budgets;
- Proactively head off top-down, crisis-driven legislation, bad mandates and destructive intergenerational battles for state and federal investments that often lead to costs getting passed on to business and taxpayers.

To move us in this direction, read the Pathways report and join the conversation at

ⁱ 2002 Milliman data cited in American Association for Long-Term Care Insurance (2010) <http://www.aaltci.org/subpages/resources/claimsreport.pdf>

ⁱⁱ See, ii above.

ⁱⁱⁱ S. Kaye, data from 2012 NHIS, 2010 Census, Nursing Home Data Compendium 2010

^{iv} Kemper, Komisar and Alecxih, 2005. Outputs of model using March 1993 and March 1994 CPS data.

^v AARP "Across the States, Profiles of Long Term Services and supports 2012"

^{vi} Manard, B., Analysis of data in National Health Expenditures (2011); U.S. Census Bureau 2007 Economic Census; and National Health Expenditure Accounts Methodology paper, 2011

^{vii} Ratio of # people in most common care giving age (45-64) to those at most risk for needing care (80+); Source: AARP PPI "The aging of the baby boom and the growing care gap: A look at future declines in the availability of family caregivers

^{viii} National Association of State Budget Officers "State Expenditure Report 2011-2013;" Note: Figures are for total state expenditures, including both general fund spending and federal funds. Source: National Association of State Budget Officers (NASBO), State Expenditure Report, 2010