Financial Innovations Lab®

New Approaches to Long-Term Care Access for Middle-Income Households

Executive Summary

Report Background and Overview

Long-term care (LTC) is a pressing issue—the American population is aging rapidly, and roughly half (52 percent) of baby boomers are expected to require a high level of LTC at some point.[1] Long-term care pertains to the assistance people need when they can no longer independently perform certain "activities of daily living" (ADLs). Specifically, it is non-medical assistance that helps support and maintain a person's health and quality of life (bathing, eating, etc.) as well as reduce the need for costly medical services. Most Americans are under-prepared to self-fund the very high costs of care, and the private LTC insurance market has suffered severe constriction in recent years.

Recent studies have found that more than half of middle-income seniors will not be able to afford the care they need, and 15 percent of baby boomers will incur more than $250,000 in long-term care costs.[2] With the onset of the coronavirus (COVID-19) outbreak, the market failures and funding gaps in providing LTC stood out in stark relief. Public and private providers and payers faced a uniquely daunting challenge of delivering LTC for those at high risk of severe illness and mortality. Though the pandemic laid bare the long-term care system's severe vulnerabilities, it also ushered in greater use of technology with telehealth and in-home care.

New Approaches to Long-Term Care Access for Middle-Income Americans summarizes the key findings of a Financial Innovations Lab® the Milken Institute organized in fall 2020. The Lab convened an expert group of stakeholders from government, health care, long-term care delivery, senior housing, insurance, technology, finance, and academia to develop solutions to improve access to quality, affordable long-term care for middle-income households. Based on extensive market research, the Milken Institute analyzed the most significant barriers to meeting the LTC needs of middle-class Americans and identified three of the most promising areas for increased financing and delivery opportunities:

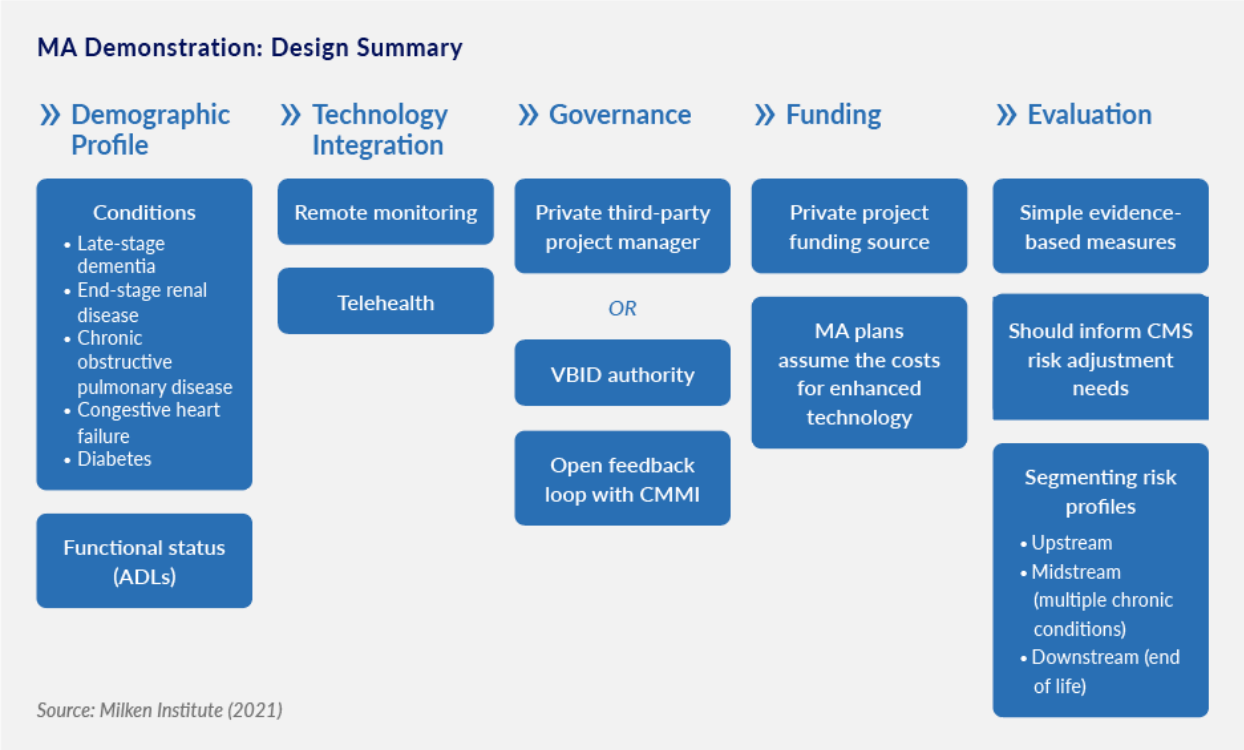
- developing better metrics on the effectiveness of technology solutions for home-based care,
- scaling up promising integrated-care delivery programs, and
- designing complementary and affordable public and private LTC insurance solutions.

Solutions Overview

Lab participants discussed several pathways for improving the financing and delivery of LTC to middle-income households, a cohort whose access to LTC is exceptionally constrained. Through the Lab process, three potential solutions emerged:

Solution 1:

Design a large-scale Medicare Advantage (MA) demonstration project that tests technology solutions (telehealth and remote monitoring) to enhance home-based care

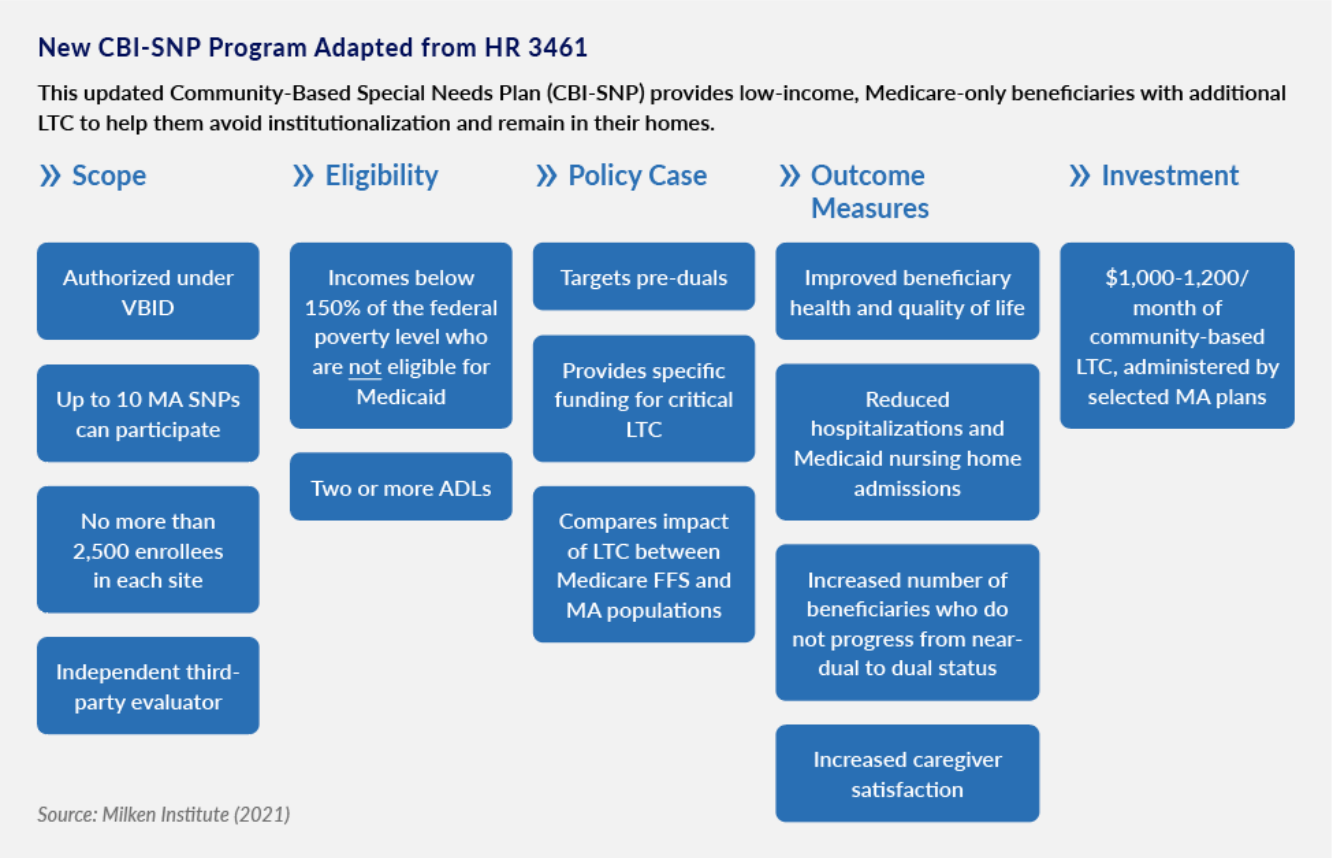


- With counsel from the Center for Medicare & Medicaid Innovation (CMMI) and funding and oversight from independent third-party organizers/evaluators, a large-scale demonstration project would result in credible, standardized, transparent, and valuable data for public and private payers alike.
- A non-governmental third party could oversee the demonstration project, with funding from the private sector (e.g., MA plans and philanthropic entities). Alternatively, the project could be channeled through the Centers for Medicare & Medicaid Services' (CMS) Value-Based Insurance Design (VBID) infrastructure, within which many MA plans already engage.
- Lab participants agreed that targeting individuals with high-cost conditions who reside in the community would be the most beneficial. The top five include late-stage dementia, end-stage renal disease, chronic obstructive pulmonary disease, congestive heart failure, and diabetes.
- The demonstration should utilize integrated data platforms to track health changes, specifically examining the value of remote monitoring and telehealth. Simultaneously, it should harness and standardize data from existing MA test pilots and complement the work of CMMI to inform CMS policy evolution.

- An evaluation framework encompassing the four project goals—reducing Medicare costs, standardizing and harnessing existing data, defining technology interventions acceptable to all stakeholders, and bolstering the case for a home-care LTC benefit—should track a few simple, evidence-based measures that can be standardized. Using the Medicare Advantage VBID model, the evaluation would inform potential CMS risk-adjustment scores. These kinds of coding changes could consider functional assessments and other key social determinants beyond strict clinical measures. Under non-governmental third party oversight, an evaluation framework could also hone in on a range of evolving risk profiles that would likely help plans track the health journeys and associated costs of beneficiaries across three thresholds: upstream (relatively healthy), midstream (the development of multiple chronic conditions), and downstream (progression toward the end of life, the costliest stage of care).

Solution 2a:

Scale-up promising integrated care programs currently in operation, prioritizing access for middle-income beneficiaries—*Special Needs Plans*

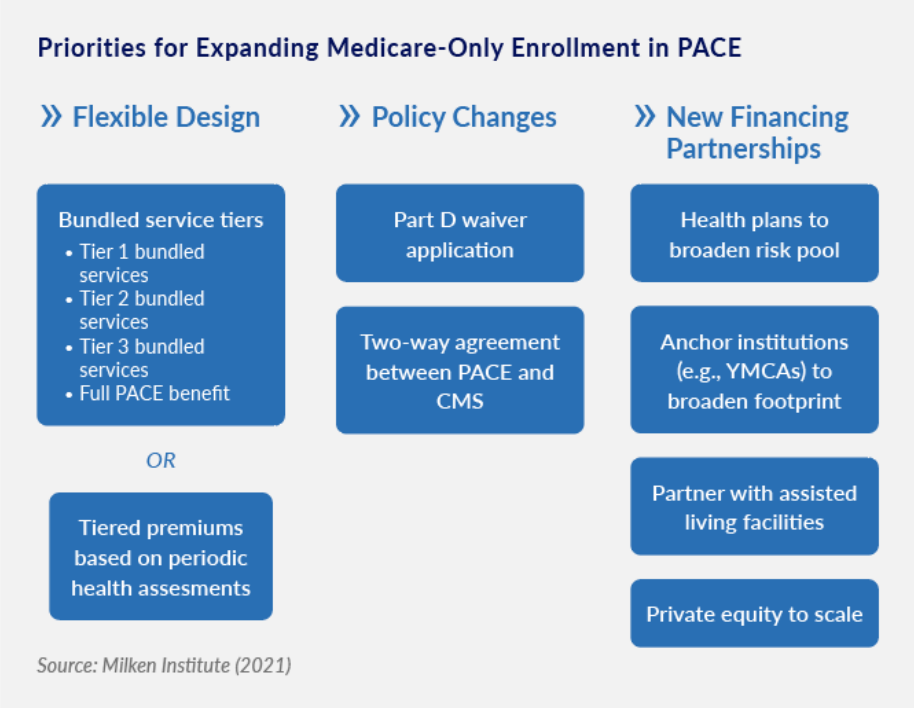


- In 2019 Rep. Linda Sánchez introduced the Community-Based Independence for Seniors Act (HR 3461) to provide a framework to test the cost-saving potential of an LTC benefit for certain Medicare-only enrollees. The act calls for a new, Community-Based Institutional Special Needs Plan (CBI-SNP) demonstration program, but the bill has not moved forward.
- Lab participants recommended several updates to the proposed CBI-SNP concept via authorization by CMS using VBID authority.

- Updates to the program design that enable more robust proof-of-concept include a benefit of $1,000-$1,200 per month (up from $400); a tiered benefit structure based on need; and increasing scale to have 10 CBI-SNPs (up from five) and as many as 2,500 per site (up from 1,000) across diverse geographies and demographic profiles.

Solution 2b:

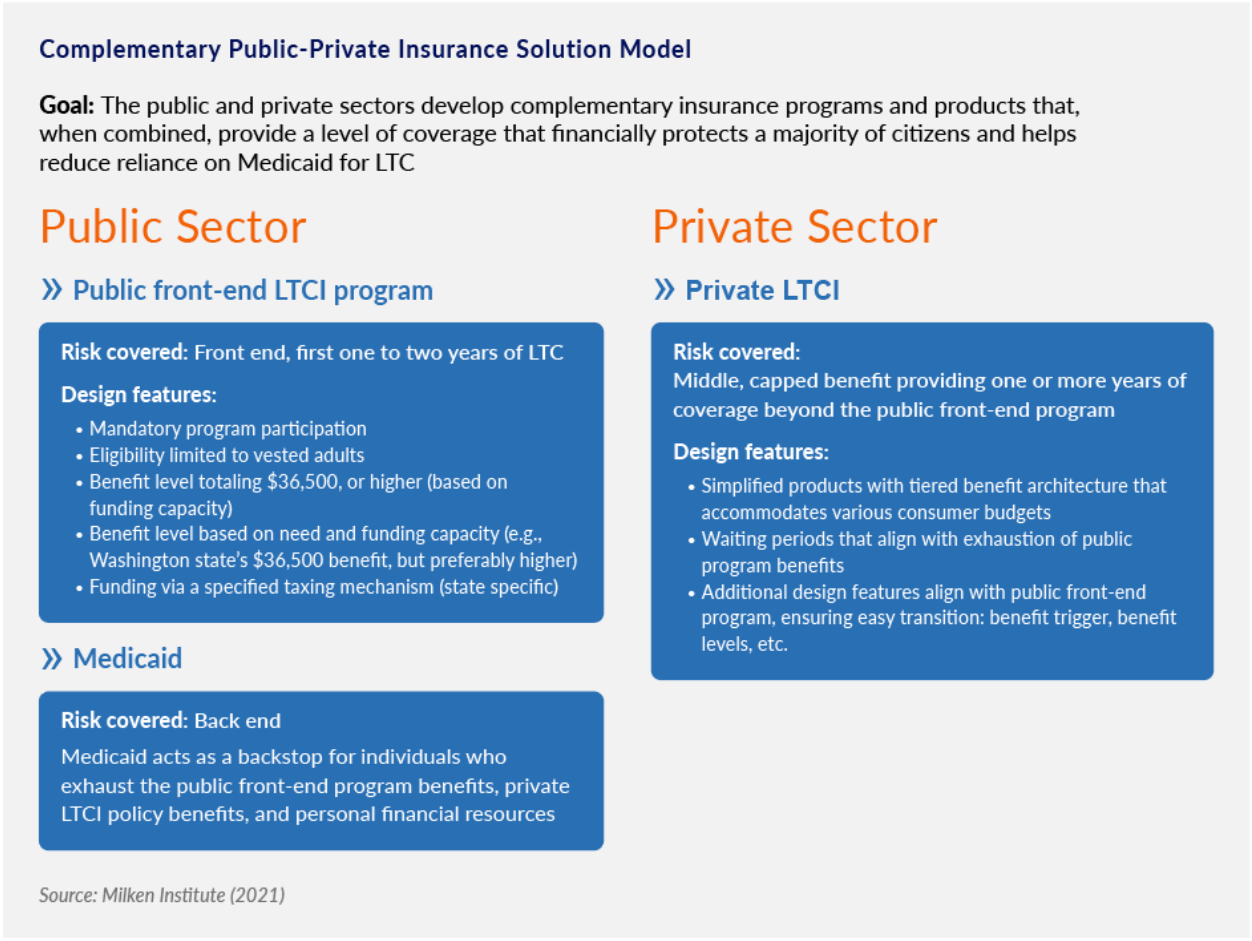
Scale-up promising integrated care programs currently in operation, prioritizing access for middle-income beneficiaries—*Program of All-Inclusive Care for the Elderly*



- The Program of All-Inclusive Care for the Elderly (PACE) provides comprehensive medical and social services to certain frail, elderly participants still living in the community. Most of the participants who are in PACE are dually eligible for both Medicare and Medicaid.
- Central to PACE and its unique value proposition is the interdisciplinary team caring for each patient and the wraparound services provided at a centrally located PACE center. Currently, no alternative need-based menu of services or tiers of services is available. Lab participants saw tiers of bundled services as an opportunity to boost enrollment and help address the obvious financial barrier to entry for Medicare-only enrollees.
- Two key policy changes include resubmitting a Part D waiver to lower out-of-pocket costs and statutory changes to enable two-way agreements. A prospective PACE program, much like Medicare Advantage plans, could go into a state without the required contractual relationship with Medicaid.
- Growth strategy for PACE should include incorporating a digital/virtual care component and new financing partnerships with anchor institutions, assisted living facilities, and private equity to help scale.

Solution 3:

Develop complementary public-private insurance solutions that offer seamless, affordable coverage



- Lab discussions focused on how the public and private sectors could work together to create insurance programs (federal or state level) and products that provide a continuum of coverage for middle-income households. Many participants suggested that the states could design their own LTC programs that address the initial front-end risk and that the private long-term care insurance (LTCI) industry could create affordable products to enhance that coverage, covering the middle tranche of risk. Medicaid would then act as the backstop in the most severe cases. This nuanced approach to risk segmentation, with a front-middle-back architecture, would allow each sector to address discrete tranches of risk.
- As policymakers explore the concept of public front-end programs, they should keep in mind how important it will be to foster collaboration with the private LTCI industry. This collaboration could provide a seamless transition of care that leaves no gaps in coverage. Alignment is essential in the areas of eligibility criteria, approved services and supports, and daily expenditure limits.
- Many LTCI industry Lab participants were optimistic that insurers could design products to wrap around and complement state-level public programs but stressed the need for a basic level of uniformity in programs across states. Lab participants widely agreed that participation in any public LTCI program must be mandatory to be successful.

- Policymakers must find an appropriate balance when determining program eligibility, and this may vary across states. Eligibility should be narrow enough to ensure financial solvency but broad enough to provide access for a significant portion of the population.
- When determining appropriate benefit levels and allowable expenditures, the Lab recommends that policymakers first select their funding mechanisms, next set funding levels, and then build a benefits package to fit that budget.
- States will vary in determining the most appropriate funding sources for their public LTCI programs and will have to assess political feasibility and model out various funding mechanisms. Broader-based taxes, like the payroll tax, can help keep down the rates paid by individuals. Alternatively, states could consider more progressive funding approaches like a millionaire tax or a payroll tax above the Social Security cap.
- When determining a funding mechanism, policymakers must also consider how to ensure their program's financial solvency, how best to make the program equitable, and how it could affect Medicare and Medicaid spending.

Endnotes

1. Melissa Favreault et al., "Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief" (Office of the Assistant Secretary for Planning and Evaluation, last updated February 2016), https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief.

2. Ibid.

View the full report at
milkeninstitute.org/reports/long-term-care-middle-income