

Long-Term Care

Overview— Long-term care represents an ever-increasing portion of state spending on health care. This trend must be addressed as our population grows older. Relatively easy access to publicly funded care has inured people to the risk of potentially catastrophic long-term care costs. Most people are simply oblivious to the problem until they or a family member are stricken with illness, infirmity or chronic disease. More incentives are needed to promote private long-term care financing so that Medicaid can provide a wider range of better services to a smaller number of genuinely needy recipients. In so doing, long-term care providers will have more private payers and be less dependent on public financing, while seniors will be afforded more choices and greater independence.

Background – Long-term care is the personal assistance, whether medical, custodial or both, that people require when they are unable to manage common activities of daily living on their own because of frailty, chronic illness or mental incapacity. Long-term care is one of the greatest demographic and fiscal challenges of our time, and of particular importance for states with rapidly aging populations. Washington residents 65 years of age or older currently account for 11 percent of our state’s population and this is expected to almost double to 20 percent of the population by 2025. The number of Washingtonians age 85-plus is expected to increase by 60 percent by 2025.

Washington has been a national leader in expanding home and community-based options, such as assisted living, adult family homes and in-home care, as alternatives to institutionalized care. In Washington, the percentage of our long-term care budget going for nursing home care has dropped from 82 percent in the 1991-93 biennium to 35 percent in the 2007-09 biennium. Over the same time, spending for community-based and in-home care has increased from 18 percent to 56 percent of state long-term care expenditures. The expenditure trends are driven in large part by a historic change in long-term care caseloads. The number of long-term care clients served in nursing homes has declined from 17,445 in fiscal year 1993 to a forecast 10,735 in FY 2009, while the number served at home and in the community has risen from 19,587 in FY 93 to a forecast 46,491 in FY 09. Nursing homes’ share of the total LTC caseload has declined from 47 percent in FY 93 to just 21 percent in FY 09.

Financing – Long-term care is a major budget driver at the state and national levels. In 2002, \$180 billion was spent on long-term care in the U.S., with nearly two-thirds spent on institutional care. According to the U.S. General Accounting Office, 45 percent of long-term care costs were paid for by Medicaid in 2002, and just 11 percent from private insurance. In Washington, 63 percent of those in nursing homes have Medicaid as their primary source of payment, and this share appears to be increasing. The coming demographic shifts, moreover, especially the explosive growth of the 85-plus population, will have profound consequences nationally and for our own state finances.

Total expenditures for long-term care in Washington have climbed rapidly as the population ages and more persons who might otherwise receive care at home by family and friends to take advantage of publicly funded in-home and assisted living (a phenomenon sometimes called “the wood-work effect”). Although community based care is less expensive than institutional care on a per client basis, that cost differential has narrowed over the years because of increased services provided to community care clients and increased payments to providers. The total number of persons served by state-funded long-term care services has risen from about 37,000 in FY 93 to a forecast 51,226. State general fund expenditures for long-term care have almost doubled from \$743 million in 1995-97 to \$1.45 billion in 2007-09.

Recent Legislation – In 2005, legislation requested by the governor, **HB 1220**, established a joint legislative and executive task force on long-term care financing and chronic care management. The task force was charged with reviewing public and private mechanisms for financing long-term care and making recommendations related to:

- ❖ The composition of a long-term care system adequate to meet to the needs of persons of all ages with functional limitations.
- ❖ Efficient payment models that will effectively sustain public funding of long-term care and maximize the use of financial resources;
- ❖ State laws and regulations that should be revised or eliminated to reduce or contain long-term care costs;
- ❖ The feasibility of private options for enabling individuals to pay for long-term care and tools for implementing them (e.g., personal savings and pensions, long-term care insurance, reverse mortgages);
- ❖ Options that will support long-term care needs of rural communities;
- ❖ Chronic care management and disability prevention interventions that will reduce health care and long-term care costs, improve the health of individuals over their life spans, and encourage patient self-management of chronic care needs.

The task force met for two and a half years and issued its final report in January 2008. However, it failed to produce recommendations on private financing mechanisms to reduce dependence on public financing for long-term care.

In 2008, **HB 2268**, which was based on some of the recommendations of the task force, was signed into law. This legislation expands family caregiver support and respite, creates a falls prevention program, authorizes nursing assistants to administer insulin by injection to people with diabetes in community-based or in-home care settings upon delegation by a registered nurse, and provides behavior support and training in boarding homes and adult family homes.

Provider Payment Rates -- The Legislature provided significant increases in payment rates to long-term care providers for Medicaid-eligible services in the 2007-09 budget. These include:

- **Nursing homes.** \$29.5 million state funds, \$60.7 total funds for vendor rate increases in original biennial budget; \$3.0 million state funds, \$6.1 million total funds for nursing home worker wage increases in 2008 supplemental budget.
- **Boarding homes and adult family homes.** \$14.1 million state funds, \$28.7 million total funds in original biennial budget for vendor rate increases of 6.0%/2.0% for boarding homes, 3.2%/2.0% for adult family homes.