Reimagining the Risk of Long-Term Care

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What Risks Might Insurance for Long-Term Care Address? And How?

- **Risk:** Care Recipient Risk
  - Response: Obtain care supports

- **Risk:** Next Friend Risk
  - Response: Provide Care
  - Additional Response: Arrange/Pay for Care

**Long-Term Care Insurance**
The Structure of Medicaid LTC Policy Shapes Our Conception of LTC Risk, one that Ensures Reliance on Friends & Family

• Medicaid, by design, leaves gaps
  – Means-tested so most Americans have no LTC insurance unless they “spend down”
  – Caregiving did not fit original American concept of social insurance (to ameliorate threats to family wage)
  – Medicalization of LTC sidelines personal care

• A shift from nursing home care to home-based care has increased this reliance
Home & Community-Based Services Comprise Increasing Share of LTC Spending: 1995-2013

Source: Steve Eiken et al., CMS and Truven Health Analytics 2015
Reimagining Private Obligation as Next-Friend Risk

- Over 40M people provide some unpaid informal care; amount and intensity varies widely
- Structure becoming untenable in a changing world
- As a result, costs are high, including financial, emotional, and physical consequences
  - E.g., caregiver for parent who leaves work faces on average $300K in losses (lost income, benefits, etc.)
  - 20-30% with serious health harms (e.g., depression)

Fits model of universal, unanticipated, largely uncontrollable harm
Implications of Understanding Next-Friend Risk

• Redefines the scale of the problem
  – $470B “invisible copayment”

• Insurance?
• Flexibility
• Tradeoffs

Provide Care

Arrange/Pay for Care

Mitigate costs of providing care ($$, health, emotional)

Mitigate costs of outsourcing care
Boundaries of Next-Friend Risk

Must define:

• What relationships count
• Where does insurable harm begin (i.e., When does responsibility create insecurity?)
• The harm
  – Variable opportunity costs and time and $$ spent
  – Contingent on income?
The Case for Insurance Policies that Better Mitigate Next Friend Risk

• To protect against serious lifecycle risk and thus protect conditions of autonomy
• To reduce disparate harm during key work, child-rearing years
  – 66% of informal caregivers are women
  – Low-income households
• To build critical infrastructure development for a future generation of care recipients
• To reshape choices and social narrative of responsibility; paternalistic benefits
Objections and Concerns

- **To state intervention**
  - Privacy
  - Commodification
- **Moral hazard**
- **Fraud or neglect**
- **Cost**
  - Would triple current funding levels

![Pie chart showing funding sources: Informal Care 69%, Medicaid 19%, Out-of-Pocket 7%, Other Private 4%, Other Public 1%. Total = ~690B]
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BACKUP
The Care Recipient Perspective
~10M Americans; Just Over Half Over Age 65

- Age 65+
  - Community Residents: 8.8M (86%)
  - Nursing Home Residents: 1.5M (14%)
- Under 65
  - Under 65
    - 4.2M
  - Age 65+
    - 1.3M

Source: Kaiser Commission on Medicaid and the Uninsured; Health Policy Institute Georgetown, Analysis of data from 2005 NHIS and 2004 National Nursing Home Survey
A Snapshot of Funding for Formal Long-Term Care; Medicaid Top Source

2012 Total = ~220B


Note: Excludes Medicare post-acute care. “Other Private” includes private insurance and other private spending for nursing homes and home health services. “Other Public” includes VA, state and local programs and general assistance spending for nursing homes and home health services, and other federal programs for home health services. “Out-of-Pocket” spending includes deductibles, copayments, & amounts not covered by health insurance.