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States aim to create long-term care programs

Why are states looking to create long-term care programs?

Currently the cost to provide long-term care is very expensive. According to the US Department of Health & Human Services, for **someone who turns age 65 today**, there is almost a 70% chance that they will need some type of long-term care service or support. Long-term care services are usually broken down into six activities of daily living which are:

- Eating
- Dressing
- Bathing
- Toileting
- Transferring
- Continence

Generally, to qualify for Long-Term Care Insurance benefits, someone would need assistance with two of those six activities or have been diagnosed with a cognitive impairment such as dementia or Alzheimer's. On average, women will need care for 3.7 years and men for 2.2 years. The cost of providing this type of care is very expensive and is generally not covered by Medicare. Often people must spend down their lifetime savings, depend on family members or depend on services from Medicaid.

2021 AVERAGE MONTHLY COST OF CARE FOR VARIOUS SERVICES

The following chart outlines the monthly cost of four different types of services, showing the 2021 national average, and the average costs in five states. The bottom row shows the estimated USA National average cost in 20 years assuming only a 3% inflation rate.

LOCATION	HOMEMAKER SERVICES	ADULT DAY HEALTH CARE	ASSISTED LIVING FACILITY	NURSING HOME CARE SEMI-PRIVATE ROOM
US – National Average	$4,957	$1,690	$4,500	$7,908
California	$6,101	$1,842	$5,250	$9,794
Minnesota	$6,673	$2,167	$4,508	$11,601
New York	$5,339	$1,907	$4,580	$12,775
Pennsylvania	$4,957	$1,625	$4,100	$10,403
Washington	$6,547	$2,600	$6,000	$9,429
Estimated US Average in 2043 assuming 3% inflation	$9,498	$3,238	$8,622	$15,153

Source: Genworth Cost of Care Survey

Legislators across the country are looking at these costs, our aging population, and the impact these costs currently have and will have in the future on state Medicaid budgets. They are looking at creating programs that will help pay for long-term care services to assist individuals and reduce the impact on their state budget.

What are states doing?

Washington

In 2019, the state of Washington became the first state to create a Long-Term Services and Supports Program. After the program was implemented, the name was changed to the WA Cares Fund. This plan included a window for individuals to purchase (individual or group) Long-Term Care Insurance and opt out of the state program. It was expected that there would be approximately 105,000 workers exempt from the tax, instead over 478,000 people have been granted an exemption due to the purchase of private Long-Term Care Insurance. Collection of an employee only payroll tax of 0.58% per $100 of earnings was supposed to have started January 1, 2022. Due to several lawsuits and uncertainty, the start of the taxation was delayed until July 1, 2023.

Due to the number of people who are now exempt from paying the tax, many questions about the financial stability of the WA Cares Fund have been asked. Milliman, the actuarial firm working with WA Cares initially pegged the 0.58% tax rate at the bottom of what would be needed to create a stable fund for the next 75 years. They now project that the fund will be solvent for four decades, almost half the original estimate. This likely means that rates will be increased in the future. There has also been talk that the tax could be expanded from employee only paid to include a mandatory employer contribution.

In the enacting legislation, only individuals with qualifying Long-Term Care Insurance would be exempt from paying the tax. It also required individuals to live in the state to receive benefits. The program has since been changed to allow additional exemptions starting, including:

- Individuals who live in a neighboring state but work in Washington;
- Individuals whose spouse is on active duty in the military;
- Individuals with a non-immigrant work visa;
- Veterans with a 70% or more service-connected disability rating.

The delay in the taxation also led to a delay in the start date for benefits from January 1, 2025, until July 1, 2026. For qualifying individuals, the program will provide a lifetime benefit of up to $36,500. While that amount is expected to increase over time, any increases will take additional action by the Washington Legislature. The benefits can be used for professional care in someone's home, an assisted living facility, an adult family home or a nursing home. Benefit providers must be approved by the Washington DSHS, effectively mandating that care be provided in the State of Washington. The program will cover a variety of services that can even be provided by a family member.

California

The **California Long Term Care Insurance Task Force** was established within the California Department of Insurance in 2019. Its mission was to explore the feasibility of developing and implementing a statewide insurance program for long-term care services and support. Reviewing the minutes of the task force and their final report, the task force looked closely at what the State of Washington had done. The task force provided recommendations to the legislature and governor in December 2022. They have commissioned an actuarial study that will develop pricing models for the five recommended plan options. They have also created several subgroups to look at specific issues. One of the key issues they learned from Washington was the impact on enrollment due to having a window for individuals to purchase long-term care coverage. It is expected that The Assembly could enact legislation in 2024, and it is anticipated that once passed, Californians will not be able to purchase individual coverage to "opt-out" of the state program.

New York

In May of 2022, **Senate Bill S9082** the Long Term-Care Trust Act was introduced. This bill would have created a New York State long term care program, like what's been created in Washington. The bill, which was scheduled to take effect December 31, 2022, would have required individuals to have purchased Long-Term Care Insurance prior to the effective date. That specific bill is now dead, but a similar bill is being reintroduced for the 2023 legislative session. It is expected that when it is introduced there will be a requirement that individual Long-Term Care Insurance would have to be purchased prior to the effective date of the law. Currently, New York does not permit long-term care riders on individual life insurance or annuity contracts to qualify as being a long-term care plan.

Minnesota

In 2006, the Minnesota Long-Term Care Partnership began. It was a public-private partnership between the State, private Long-Term Care Insurance companies and residents. By purchasing a qualified insurance policy, a policyholder would be able to preserve more assets if they later need to use medical assistance to pay for long-term care services.

In November 2022, the State of Minnesota issued a request for proposal to **Study Options to Increase Access to Long-Term Care Financing, Services and Support in Minnesota**. The RFPs are still being reviewed, but the state is hoping to have the results of the study back later in 2023.

Pennsylvania

In August 2022, Pennsylvania state Representative Ed Neilson introduced **House Bill 2779**. The bill, known as the Long-Term Care Trust Act, proposes funding long-term care in the state through a payroll tax of 0.58% per $100 in gross wages. The bill was modeled after the WA Cares Fund. The bill included a requirement that to be exempt from the payroll tax, individuals must have purchased long-term care coverage by December 23, 2022. The bill was sent to the House Aging and Older Adult Services Committee but died when the 2021-2022 state legislative ended. It will need to be reintroduced for the next biennial state legislative session that started in January 2023.

Other States

Legislation that would create a state long-term care program has also been introduced in:

- Alaska
- Colorado
- Hawaii
- Illinois
- Michigan
- Missouri
- North Carolina
- Oregon
- Utah

Though it is thought that it will be several years before any of these states implement a program, nothing is ever sure in politics. Interested citizens of those states should keep close eye on the activities in their legislature.

What can employers do?

While Washington was the first state to implement a long-term care plan, other states are expected to follow soon.

1. Employers should stay very aware of what is going on in their state and the states where their employees reside.
2. It is expected that when other states implement a program there will either be a very small or no window at all for individuals to purchase long term care coverage. While all the plans to date are based on employee only payroll taxes, as the cost of delivering care and the need increases in the future, an employer paid element could be implemented.
3. Employers should work closely with their Alera Group account executives to stay on top of what's going on.
4. Employers may want to consider offering programs that will potentially allow employees to opt out of a future long-term care program. Employers can also consider offering long-term care coverage or programs for key employees.

What can individuals do?

Individuals should talk to an Alera Group representative to see what options are available to them. The long-term care market changes rapidly, and each state has their own definition of what would qualify as a long-term care policy. While many states have approved riders on life insurance or annuity contracts, others will require a standalone policy. Individuals who are interested in purchasing coverage should understand what the options are in their state in order to make it part of their total wealth management and long-term planning strategy.

Advantages to Private Plans

Whether a plan is purchased by an individual or through a group setting, private LTC plans can offer many benefits.

- Higher benefit ($36,500 vs $200k-$500k)
- Definite number of premium payments (5 or 10 pay)
- Use out of state (state plans may only allow individuals still living in the state to use the benefit; consider retirees who move out of state)
- More flexibility in providers (state requires providers to be approved)

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