Most Seniors Want to Stay in Their Homes as They Age. Two New State Programs Are Helping Them Afford It

Nearly a decade after federal officials discarded a provision in the Affordable Care Act that would have provided Americans with long-term care insurance benefits, two states —Washington and Hawaii — are experimenting with taxpayer-funded plans to help older residents remain in their homes.

Washington state's ambitious plan, signed into law in May, will employ a new 0.58% payroll tax (or "premium," as policymakers prefer to call it) to fund a $36,500 benefit for individuals to pay for home health care, as well as other services — from installing grab bars in the shower to respite care for family caregivers.

Hawaii's Kupuna Caregivers Program, which was initiated in 2017, is also publicly funded, but state budget allocations limit enrollment and benefits. It provides up to $210 a week for services when family caregivers work outside the home at least 30 hours a week.

Other state policymakers are closely watching both experiments because, as seniors account for a greater proportion of the American population, the need for long-term care will increase. Josephine Kalipeni, director of policy and partnerships for Caring Across Generations, a national group that advocates for long-term care policy improvements, said, "What's most exciting for us and for the country is to have a working model we can learn from.”

The need is great. The number of Americans 65 and older will double to 98 million by 2050, and studies show few have the financial resources to pay for care in old age. More than half of adults 65 and up will require long-term assistance at some point with everyday activities, for an average duration of about two years, according to a 2015 study by the Department of Health and Human Services. Finding a way to help people stay in their homes — and not move to nursing homes — can keep residents happier and save them and the state money. Medicaid programs help cover the costs of 62% of nursing home residents.

Sixteen percent of Americans have private long-term care insurance, according to the American Association for Long-Term Care Insurance. But that is an expensive option, with premiums averaging as much as $3,000 a year in 2019.

Affordability and sustainability are the two main challenges to public long-term care insurance programs. The federal ACA originally included the long-term care provision — sponsored by Sen. Ted Kennedy (D-Mass.), who did not live to see it enacted — called the Community Living Assistance Services and Supports (CLASS) Plan. The voluntary program would have provided benefits of up to $50 a day for home assistance or to help with nursing home care for people who paid into the system. But critics said the program was unlikely to draw healthy people to help pay premiums, and the Obama administration in 2011 said it could not find a way to make it solvent. Congress later repealed the provision.

Initially, Washington state officials considered an alternative plan — shoring up the private long-term care insurance market — but determined that option was neither affordable nor likely to succeed.

Instead, they created a benefit system with a broad definition of covered services, from paying someone to build a wheelchair ramp to helping a caregiver learn how to deal with aggressive or violent patients. They could have shrunk this list to make the program less expensive, but Washington policymakers believed offering a wide menu of services would help keep people out of nursing homes.

The state will begin collecting the payroll tax in 2022, and starting in 2025 residents can collect benefits if they have paid into the system for at least three of the previous six years or five consecutive years within a decade. The details will be set over the next few years, but to qualify for a benefit of up to $100 a day, which will be adjusted for inflation, a person must show they need help with at least three activities of daily living.

The Long-Term Care Trust Act is expected to save $3.9 billion in state Medicaid costs by 2052.

Setting up a new state-run tax and benefit system is complicated. And figuring out how to determine who qualifies and how the money can be spent could take Washington state officials the next five years.

“The challenge is just the enormity of the insurance product itself,” said Bea Rector, director of the home and community services division of the Washington Department of Social and Health Services, one of four agencies involved in implementing the new program. State feasibility studies estimate the Long-Term Care Trust Act will eclipse long-term care benefits paid through the state Medicaid program, which helps about 66,000 people at any time. The number expected to seek the new benefit is estimated at 15,000 in the first year of operation in 2025, growing to 97,000 by 2050.

Jason McGill, Gov. Jay Inslee’s senior health policy adviser, is not concerned about implementation. “We’ve been working on this for five years now,” he said, adding that the Trust Act is a modest benefit that will cover what most people need without breaking the state budget. “It’s not like we just cooked this up. This has been thoroughly thought through.”

Rector said the new state program for paid family leave, which also involves a payroll tax, has laid the groundwork for administering the new long-term care fee.

“We’ve got a long way to go before we start paying benefits,” said McGill, who believes the biggest challenge will be communicating with the public why they’re paying this new tax. Self-employed people can voluntarily join the new program and workers with private long-term care insurance can opt out; otherwise, all public and private employees will be assessed the new tax.

Other states are also grappling with long-term care.

Minnesota is considering allowing people to convert life insurance plans to long-term care insurance.

Last November, Maine voters rejected a ballot proposal to provide free long-term care to residents, funded by a 3.8% income tax on residents making more than $128,400 a year. Instead, the state government is educating people about the necessity of buying long-term care insurance, including an awareness campaign in high schools.

The California Aging and Disability Alliance, an advocacy group, is considering a ballot initiative for a state program to provide long-term services and support, but it is still researching how to pay for and run this program. Michigan and Illinois are also studying proposals.

New York lawmakers have debated a graduated income tax to pay for comprehensive long-term care for its citizens. The Assembly has passed such a bill repeatedly, but the state's Senate has refused to approve it.

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