Microsimulation Analysis of Financing Options for Long-Term Services and Supports

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Overview

Type of Reform: Creating a New Program

Description: To assess alternative LTSS financing options and better understand how policy changes could expand the role of insurance. Compares outcomes under various program designs:

- A front-end public insurance benefit covering up to two-years of care.
- A catastrophic-only (back-end) program with a two-year waiting period.
- A comprehensive insurance program.

Sponsoring Organization and Key Author(s):

Sponsoring Organization:

Nonprofit policy research organization. The Urban Institute conducts research and offers evidence-based policy solutions.

Key Author: Melissa M. Favreault, Howard Gleckman, and Richard W. Johnson.

Impact and Action:

This was an important technical development that allowed several ideas (including ones explored in the Convergence collaborative and other proposals) to be assessed more rigorously and comprehensively than was possible before. The study has helped advance efforts to design workable and combinable LTSS proposals, including on Capitol Hill.

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Program Details

Participation Criteria:

- Report modeled both universal/mandatory and voluntary approaches.
- Adults younger than age 70 eligible to enroll in the new program (no individuals eligible for benefits until age 65).

Conditions for Receiving Benefits Scope of Services:

Individuals ages 65+ who:

Meet one of the following support needs:

- Need support with two or more ADLs.
- Have a severe cognitive impairment expected to last at least 90 days.

Meet one of the following employment requirements:

- Mandatory Approach: 40 quarters of employment covered by Social Security.
- Voluntary Approach: Premiums paid into the program for five years.

Scope of Services

Not specified.

Amount of Services

Not specified; recommends benefits be paid based on a “managed cash” benefit structure, provides individuals with flexibility to use a mix of LTSS that best meet their needs (similar to Medicaid’s Cash and Counseling program).

Participant Financial Responsibility

Eligible individuals are responsible for LTSS expenses (or care) during an initial two-year elimination period.

Elimination Period:

Benefits begin after the individual has met the functional or cognitive criteria for benefit eligibility for at least two years.

Provider Requirements:

Not specified.

Provider Payment Levels:

Not specified.

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Financing & Implementation

Revenue Source(s)

Not specified.

Total Program Costs

None estimated.

Program Administration

Not specified.

Private Sector Role:

Recommends that private LTC insurance be used to finance care during the two-year elimination period.

Views presence of a public insurance program as a catalyst for innovation in a reinvigorated private LTC insurance market.

LeadingAge: A New Vision for Long-Term Services and Supports

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