



Long-Term Care Awareness and Planning: What Do Americans Want?

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Disclaimer



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The views expressed in this presentation are those of the authors and do not necessarily represent the views of the U.S. DHHS or RTI International.

Research Questions



What is the general public's knowledge, experience, and concerns about long-term services and supports?

What are public's preferences for a range of public policy options for long-term care financing reform?

What are individuals' preferences for specific key features of long-term care insurance policies and what are people willing to pay for these features?

US Long-Term Care System While Standing on One Foot

Delivery System

- For-profit providers (especially chains) dominate nursing homes and home care
- Government and voluntary providers play small role
- Most expenditures are for institutional care
- Quality generally thought to be fair to poor

US Long-Term Care System While Standing on One Foot (cont.)

Financing

- Medicaid
 - Jointly federal/state financed program for low-income people or people who become poor because of high cost of social care
 - Main source of financing for long-term care—
2/3 of nursing home residents rely on Medicaid
 - Substantial state flexibility in eligibility, benefits, and reimbursement, creating postcode lottery

US Long-Term Care System While Standing on One Foot (cont.)

- Medicare
 - Universal, national government health insurance for older people and some younger persons with disabilities
 - Primarily medical care
 - Limited short-term nursing home and home health benefits--medically oriented
- Other Funding
 - State-funded programs
 - Private long-term care insurance
 - Out-of-pocket payments

Survey Background

2014 Survey of Long-Term Care Awareness and Planning, sponsored by the Office of the Assistant Secretary for Planning and Evaluation/U.S. Department of Health and Human Services (DHHS)

Designed, cognitively tested, and analyzed by RTI International, with input from ASPE and TEP

Fielded by GfK Custom Research, LLC

Data collected August–September 2014

Two distinct survey components

General survey items,
including long-term care
knowledge and experience,
attitudes and concerns,
preferences on public policy
options for long-term care
financing, and core
sociodemographic
characteristics

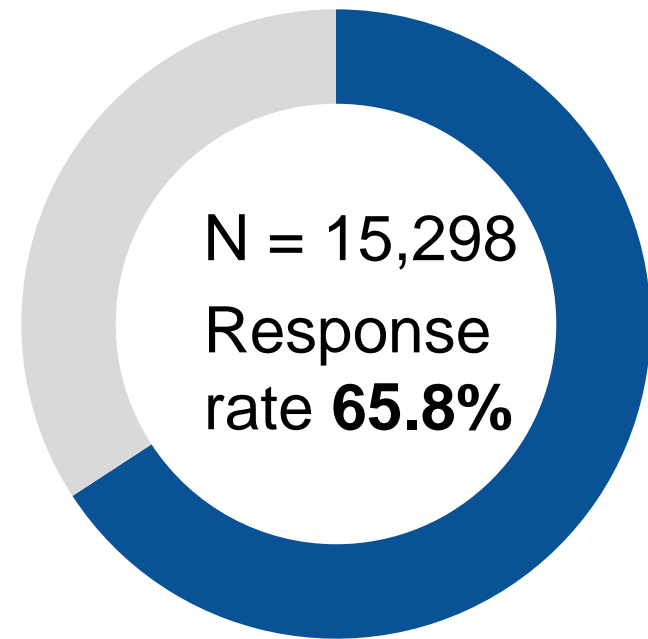
Discrete Choice
Experiment (DCE) involving
choice of long-term care
insurance policies with
different features and prices

Survey Sample

Ongoing Internet panel
maintained by
GfK Custom Research
KnowledgePanel®

Participation in panel
by invitation only

Nationally representative sample
of noninstitutionalized
adults 40–70 years old
residing in the United States

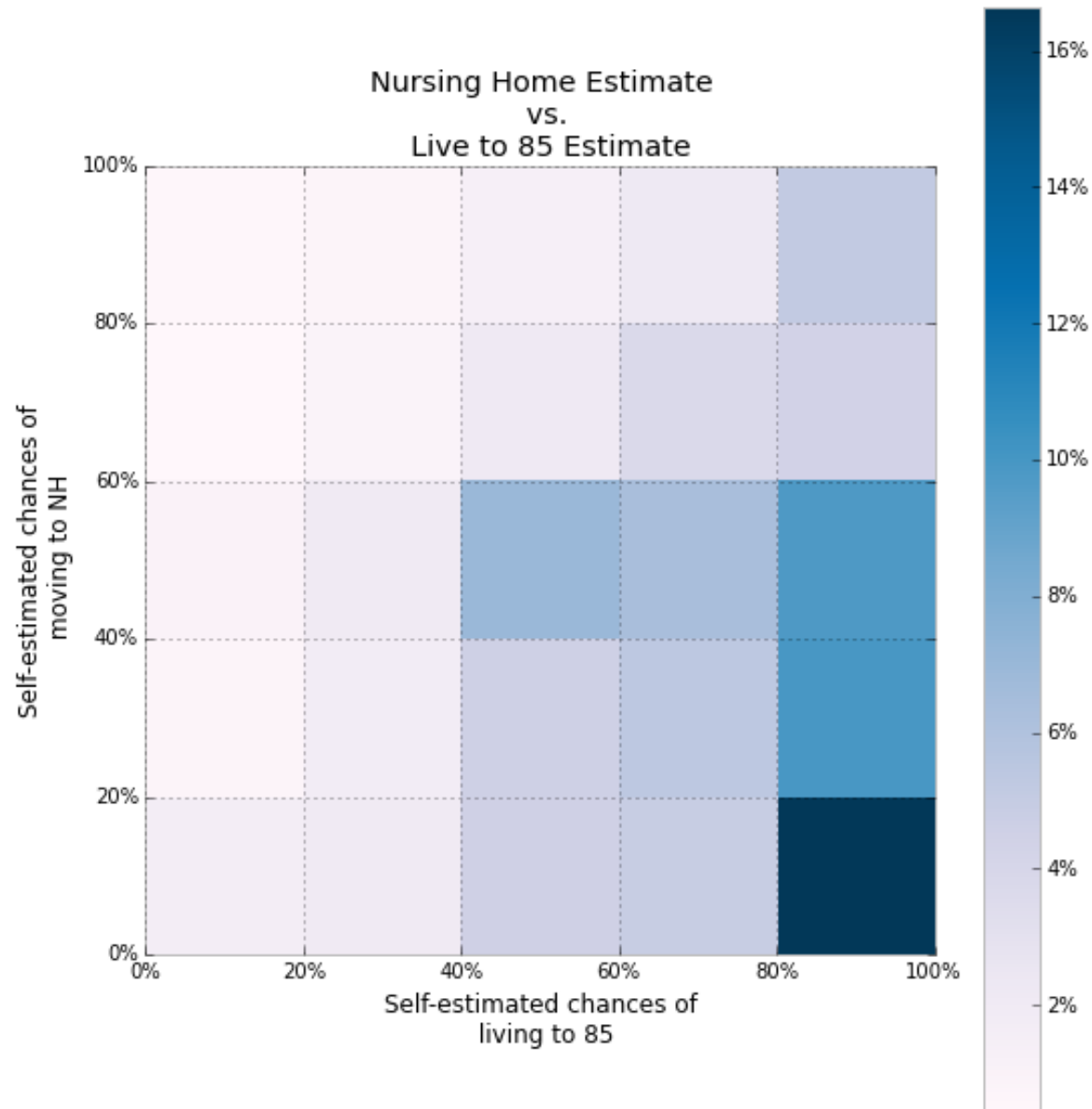


Weighted to represent
general population age 40–70

LTSS Knowledge and Experience

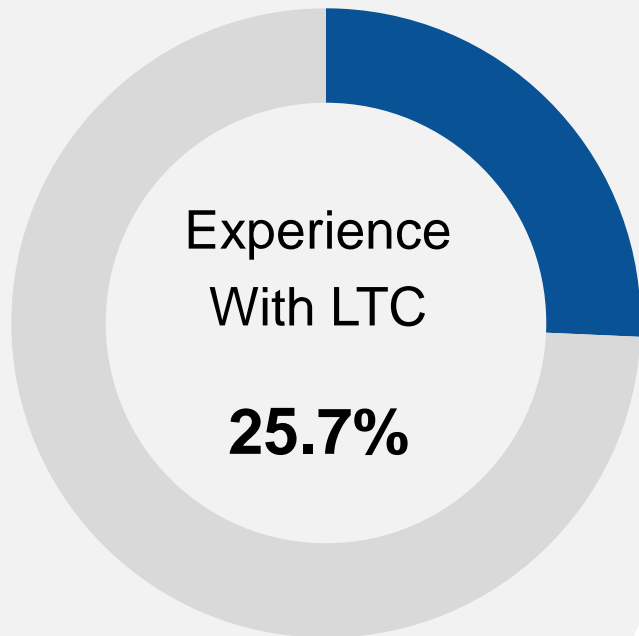


Longevity Risk and Nursing Home Use Expectations



Personal Experience with LTC

Currently providing LTC
To family member/friend



Have you or has someone you know ever:

required LTC because of a disability or illness?	52.8%
received paid in-home care for ADLs?	31.3%
been a resident in a nursing home/assisted living facility?	44.2%

Source: RTI International Analysis of the 2014 Survey of Long-Term Care Planning and Awareness.

Knowledge of LTC Services and Costs

Knowledge of LTC	% Correct
Cost of 1 month of nursing home care	20.2
Cost of 1 hour of home health aide care	15.3
Medicaid is primary government LTC payer	25.3
Average nursing home LOS < 5 years	34.9

Source: RTI International Analysis of the 2014 Survey of Long-Term Care Planning and Awareness.

Familiarity with LTC Insurance Policies

LTC insurance premiums
increase with age

66.7%

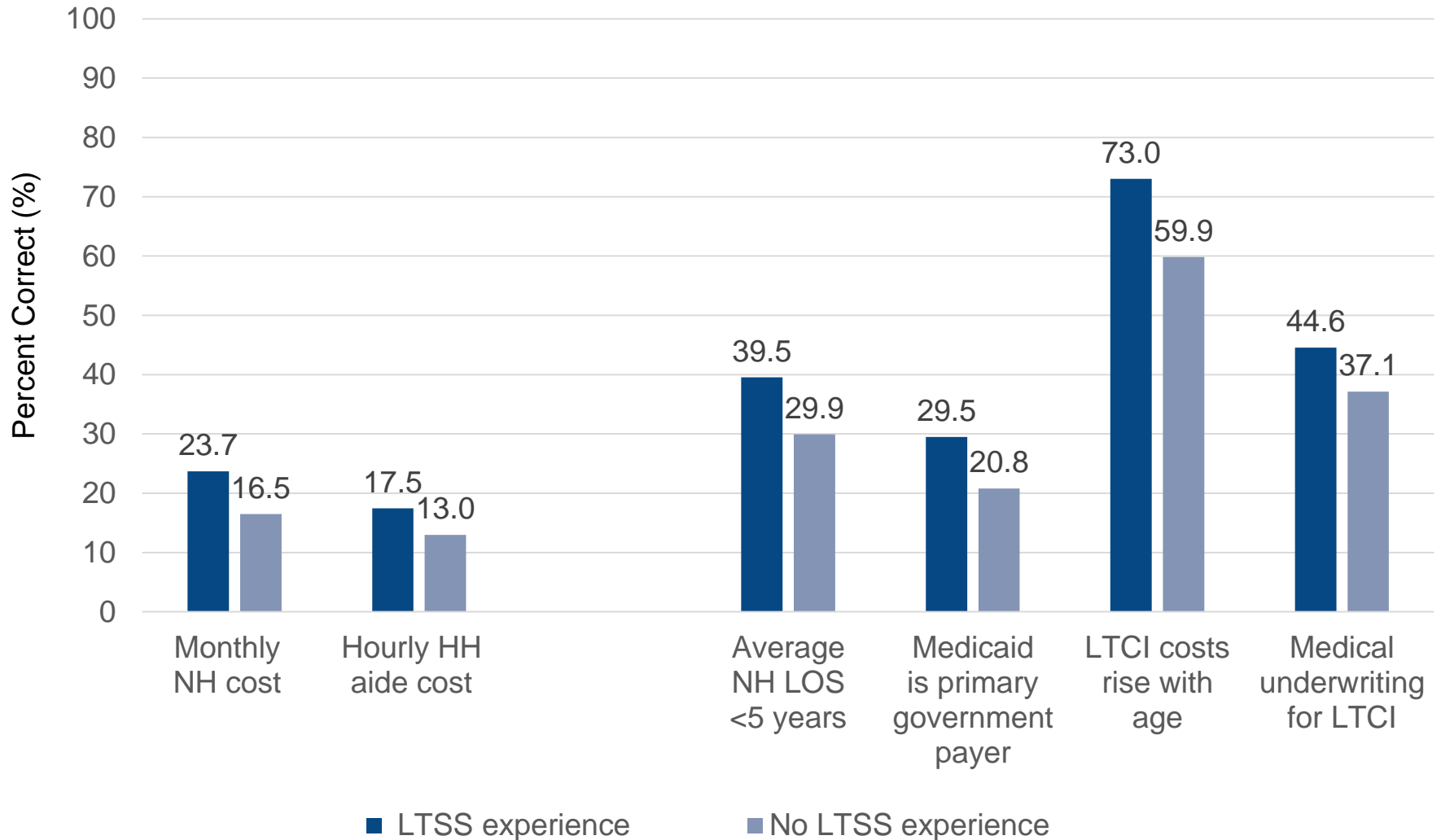
Correct

Good health is generally
required to purchase LTC
insurance policy

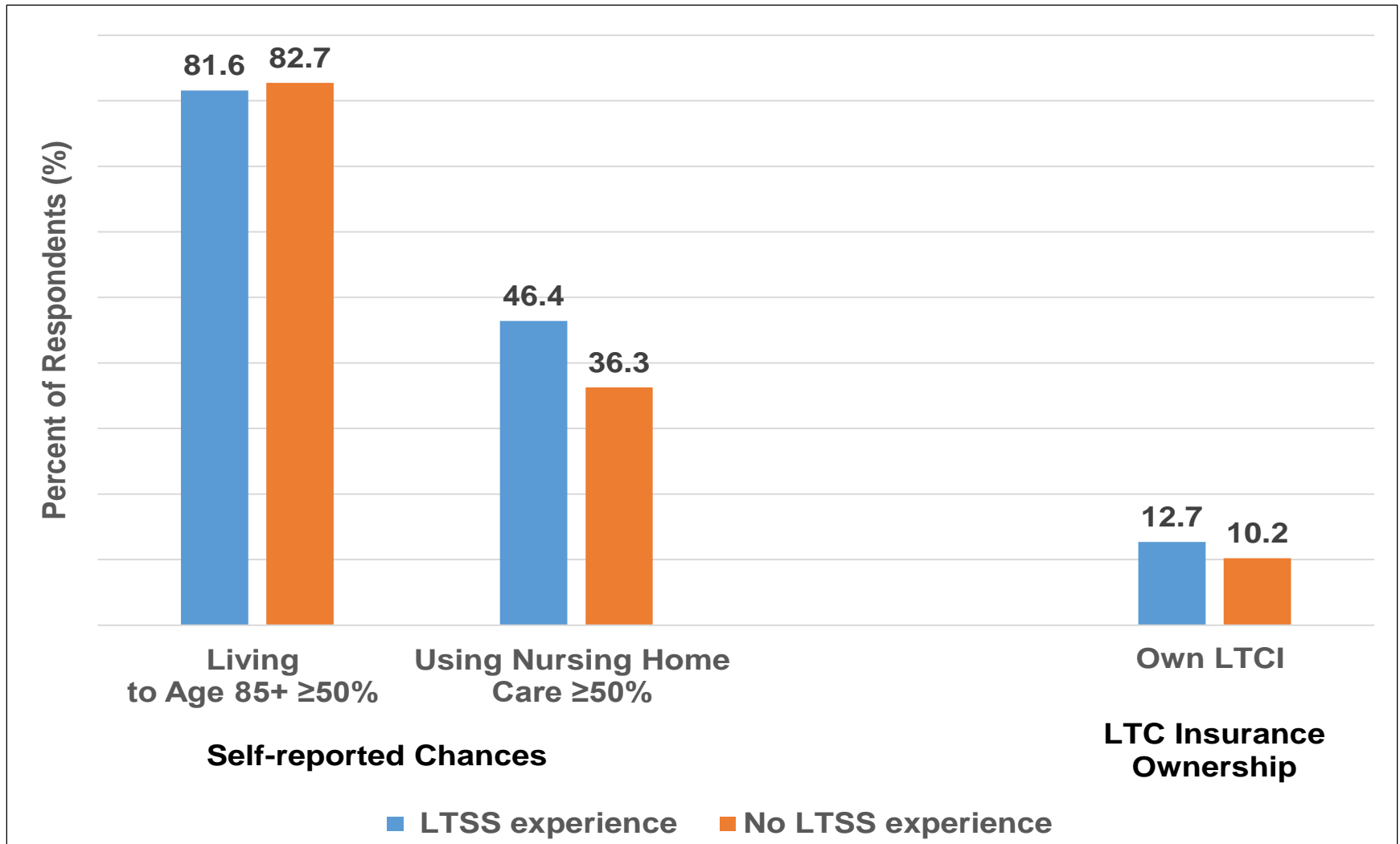
41%

Correct

LTSS/LTCI Knowledge by LTSS Experience



Longevity/Nursing Home Use Risk and LTCI Ownership by LTSS Experience



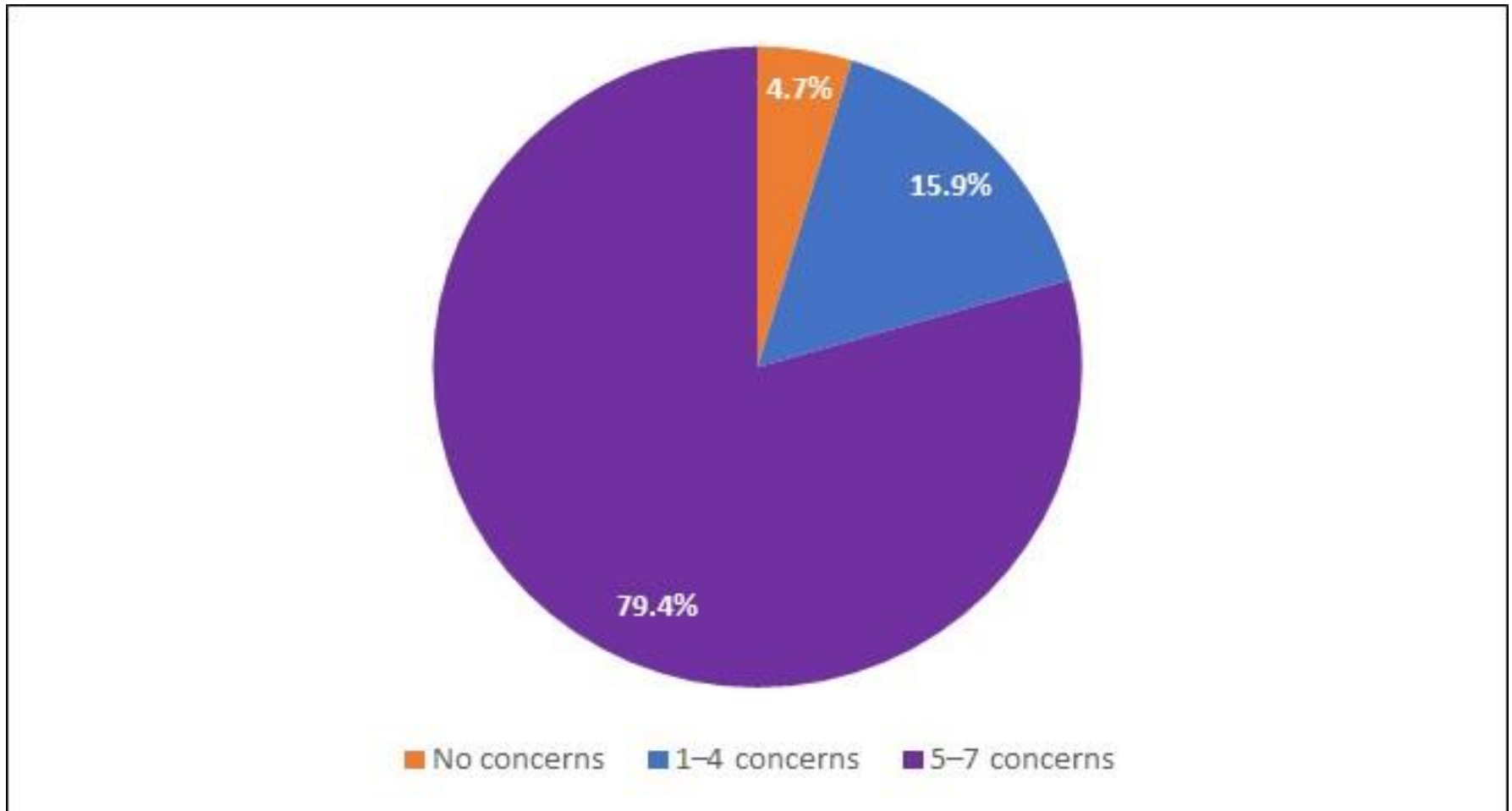
LTSS Concerns and Actions



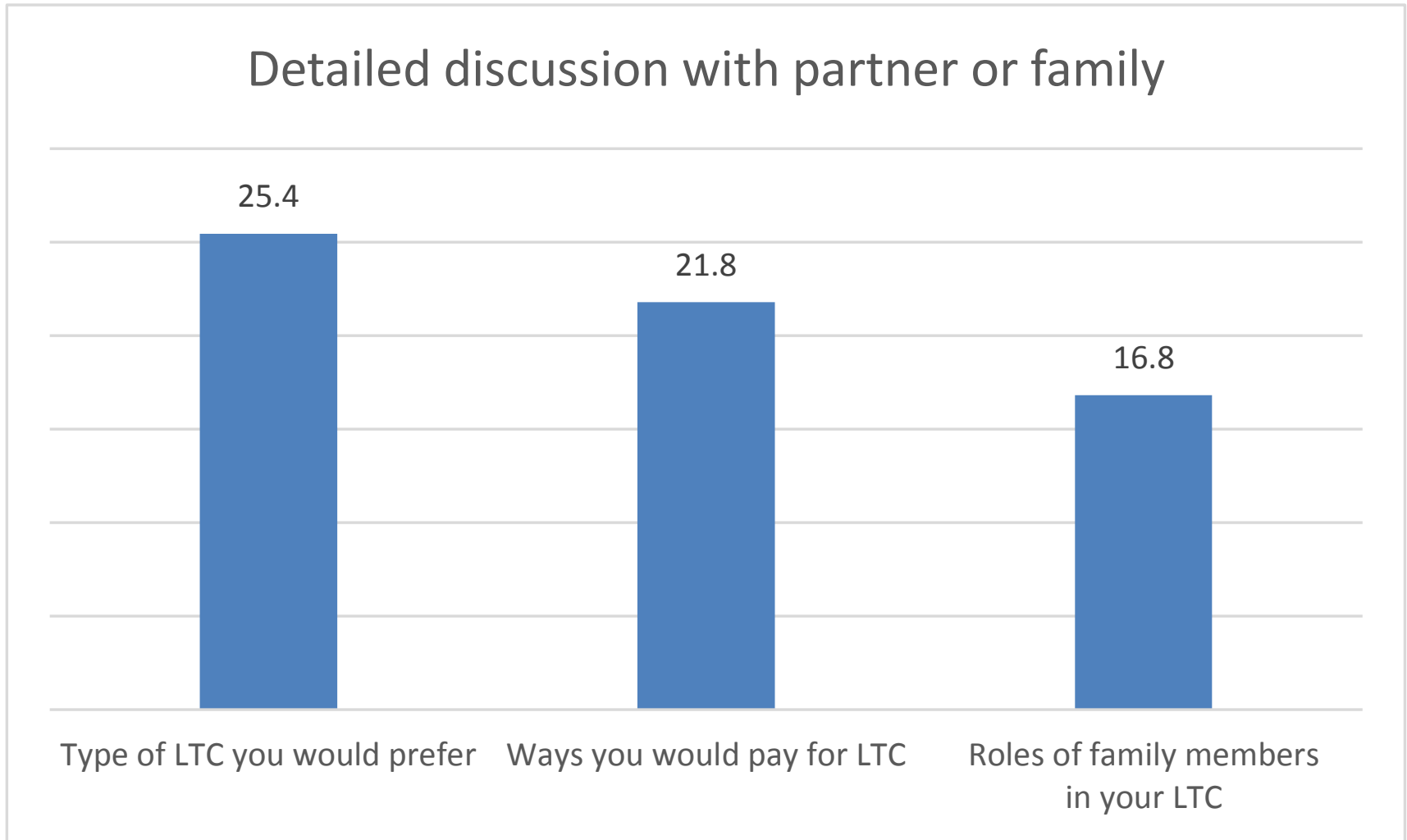
Main Concerns About LTC

Concerns	% Very/Somewhat Concerned
Losing independence	90.6
Being a burden on family	83.5
Losing control/choice over LTC	83.3
Being unable to afford high quality care	82.0
Using up savings/income	81.1
Becoming poor/relying on Medicaid	78.9
Being unable to depend on family/friends	65.3

Number of Concerns About LTC



Talking About LTC



Preferred Actions if Need LTC

If you became disabled, how willing would you be to do the following?	% Very Willing/ Somewhat Willing
Make home modifications	82.3
Rely on spouse/family/friend	75.0
Have family/friend move in	69.7
Attend adult day care	66.1
Hire aide or agency for care	64.0
Move into assisted living facility	62.4
Hire live-in caregiver	57.4
Move in with children/family/friend	48.5
Use value in home to pay for LTC	43.6
Move into nursing home	28.6

Willingness to Use Home Equity Among Homeowners

	Very Willing / Somewhat Willing N = 5,391 Percent (%)
Total	43.6
Children	
None	50.3
None within 10 miles	41.3
One or more within 10 miles	41.9
Marital Status	
Married	42.1
Unmarried	47.7
Household Savings and Assets	
No assets	32.7
Less than \$100,000	42.1
Greater than or equal to \$100,000	46.9

Responsibility for LTSS and Financing Reforms



Attitudes Toward LTC Responsibility

Responsibility for LTC



71.2%

Strongly Agree/Agree

It is important to plan now for LTC services in the future



11.5%

Own private long-term care insurance policy



58.7%

Strongly Agree/Agree

Responsibility of individuals to finance their LTC



17.4%

Strongly Agree/Agree

Responsibility of children/family to finance LTC



37.1%

Strongly Agree/Agree

Responsibility of government to help pay for LTC

Trust of the Government and Insurers

Attitude

I do not trust government to run
an LTC insurance program

51.1%

Strongly Agree/Agree

I do not trust private insurers

32.3%

Strongly Agree/Agree

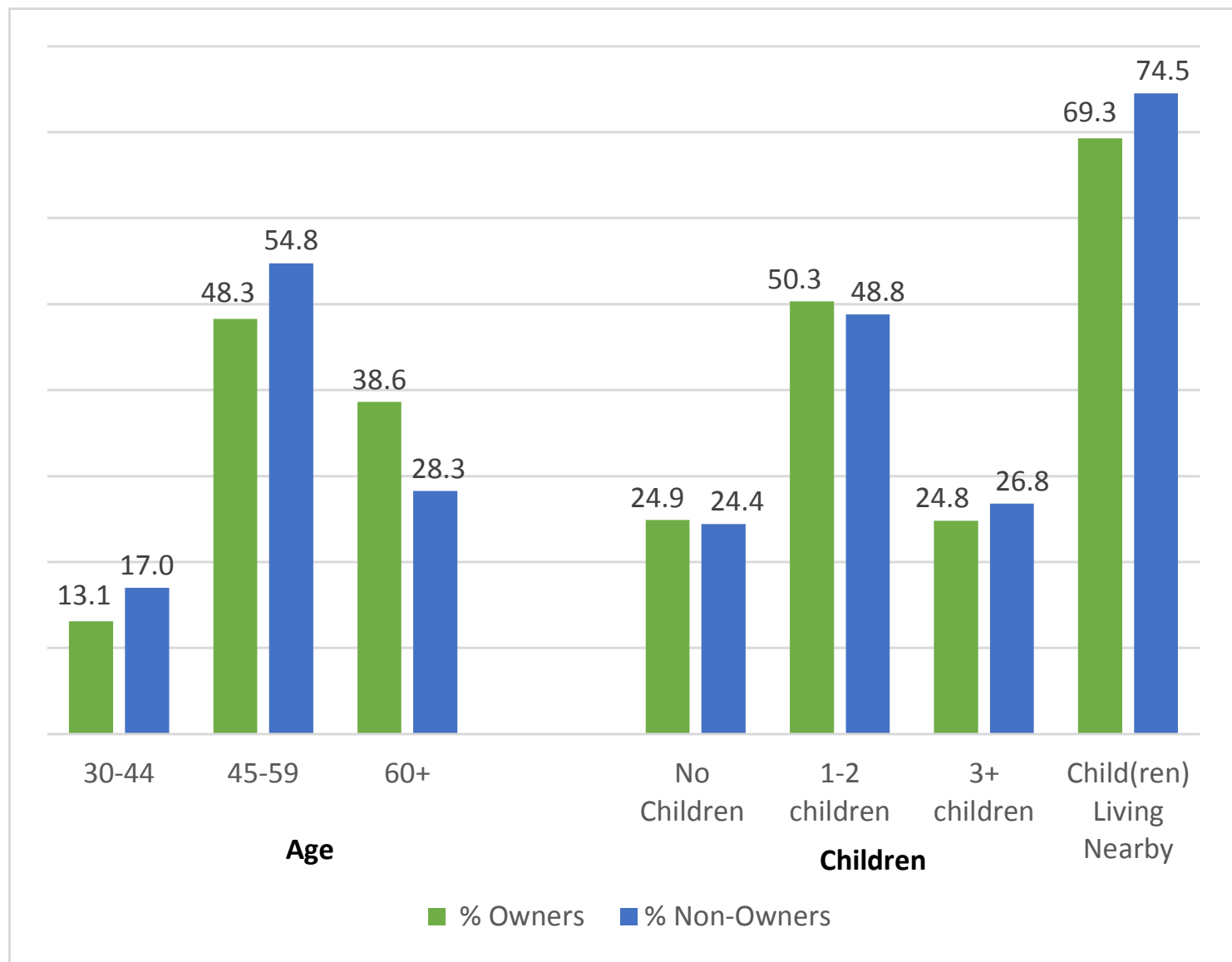
Government Role in LTC Financing

Government Should	% Strongly Agree/ Agree
Allow LTC insurance purchase with IRAs and 401(k)s	69.1
Offer voluntary, public LTC insurance plan	62.9
Promote LTC through tax incentives	62.4
Pay LTC costs when insurance benefits run out	40.9
Establish mandatory, public LTC program	18.4
Require all people to purchase LTC insurance	15.7

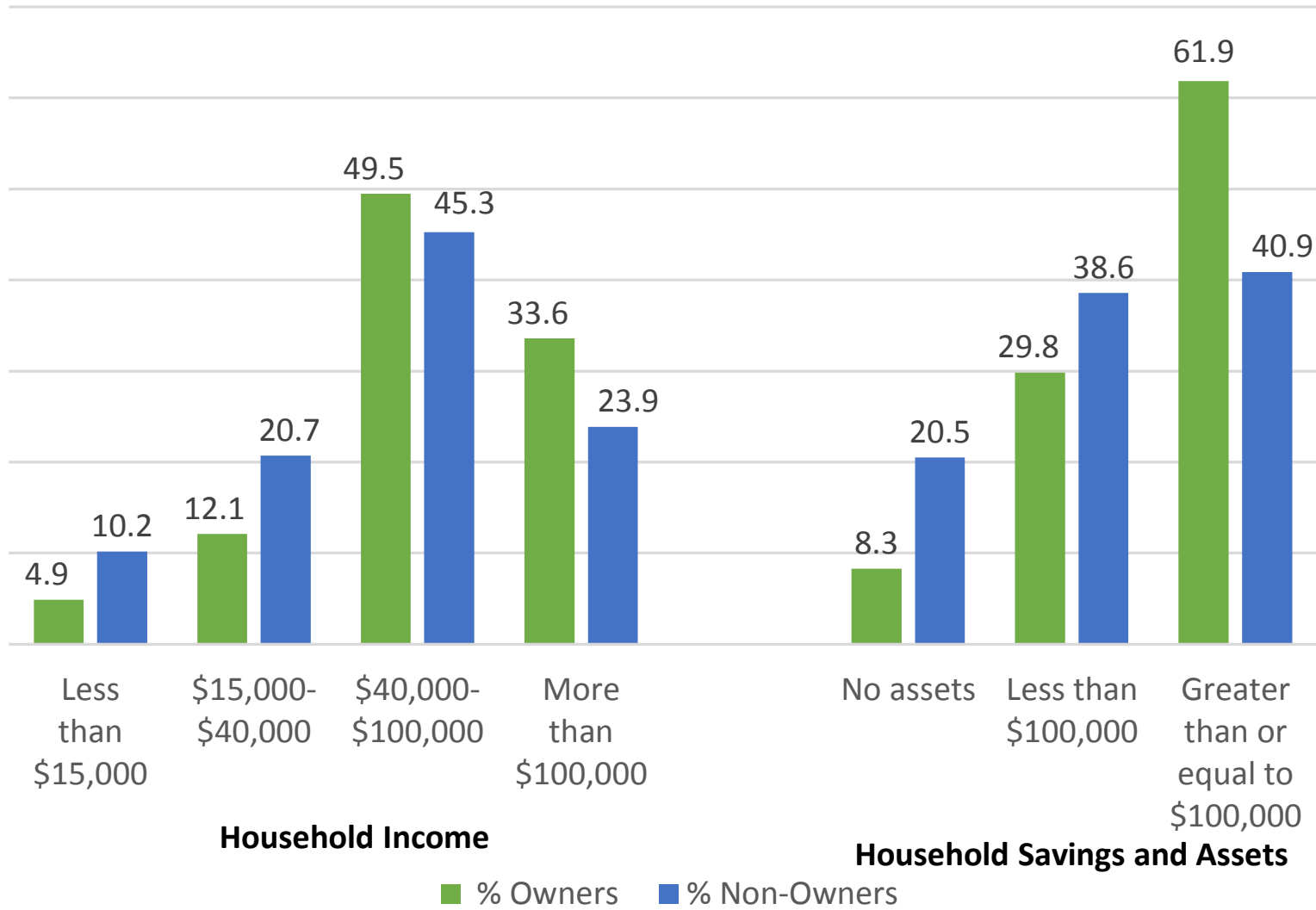
LTC Insurance Ownership



LTC Insurance Ownership by Age and Potential Informal Care by Children



LTC Insurance Ownership by Income and Assets



Long-Term Care Awareness and Planning Survey

Discrete Choice Experiment



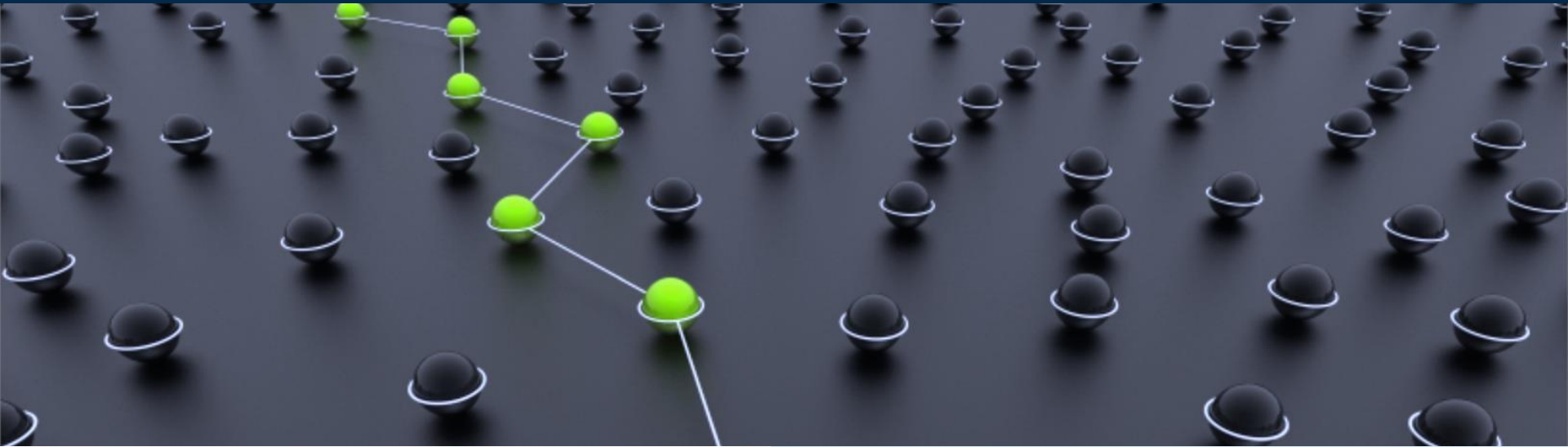
Goals of the DCE Analysis



Gather data on respondents' preferences about long-term care insurance to better understand what factors are more and less important to them

To test these preferences, we developed a series of paired comparisons of alternative long-term care insurance plans

Background and Methods



DCE origins in marketing research:

Given a choice of alternatives, what do people want?

Why?

How much do they want it?

Data analysis:

Conditional logit model (with clustering) of respondents' stated choices for the final results

Overview of the DCE



Form of conjoint analysis

Used to estimate the relative importance that respondents place on the different features of an individual product

Basic premise is that products or services can be characterized by a series of features or “attributes”

Each attribute has a defined set of usually two to four levels or choices



Respondents to the DCE section of the survey completed two types of choice tasks

SET I: Respondents evaluated plans described by six attributes

- daily benefit
- benefit period
- deductible period
- health requirements
- type of insurer (government or private insurer)
- premium cost

Asked to choose between plans A, B, and no insurance plan

SET II: Respondents evaluated plans described by seven attributes—the same six:

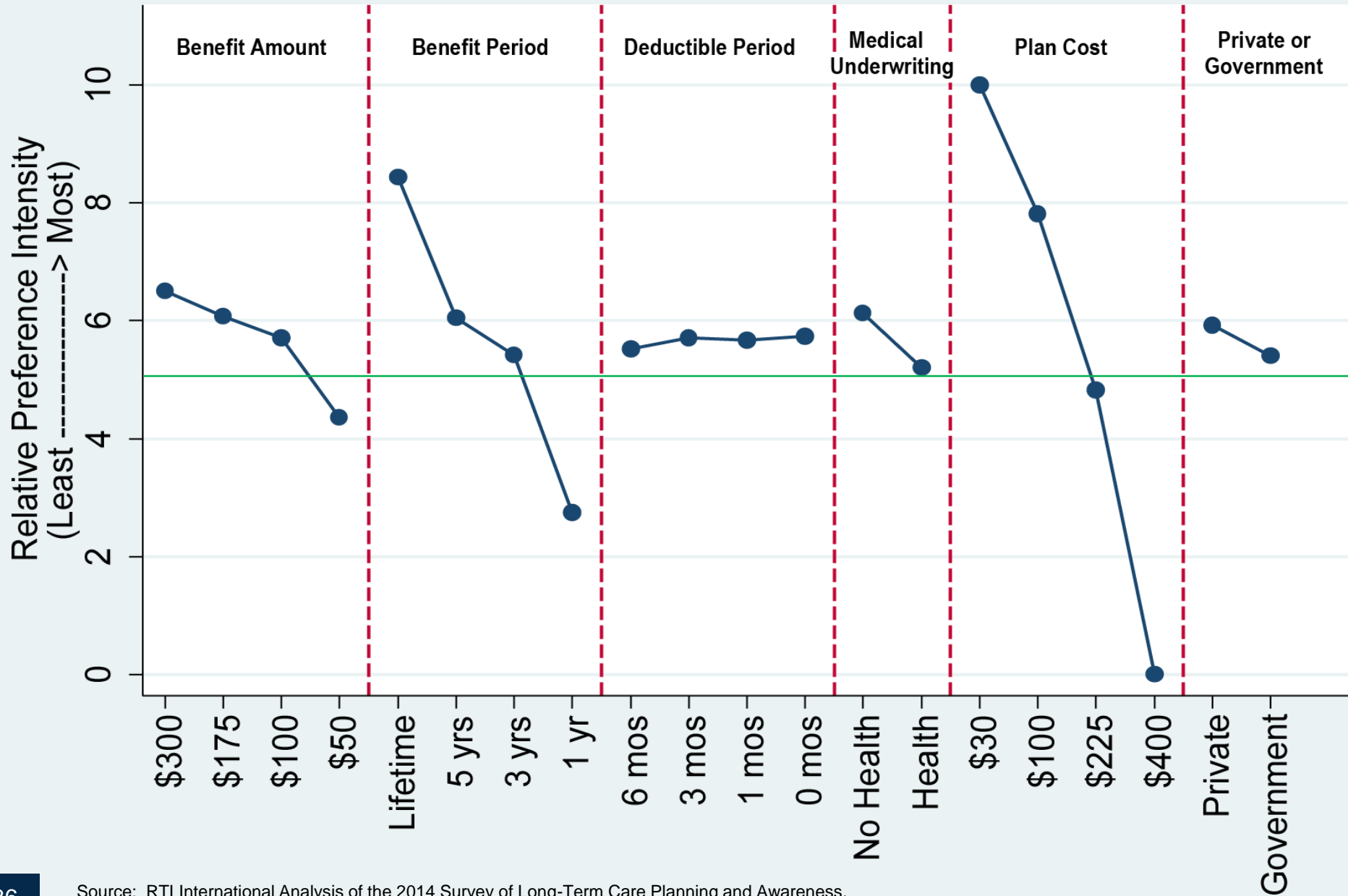
- daily benefit
- benefit period
- deductible period
- health requirements
- type of insurer (government or private insurer)
- premium cost

...plus:

- *mandatory vs. voluntary enrollment*

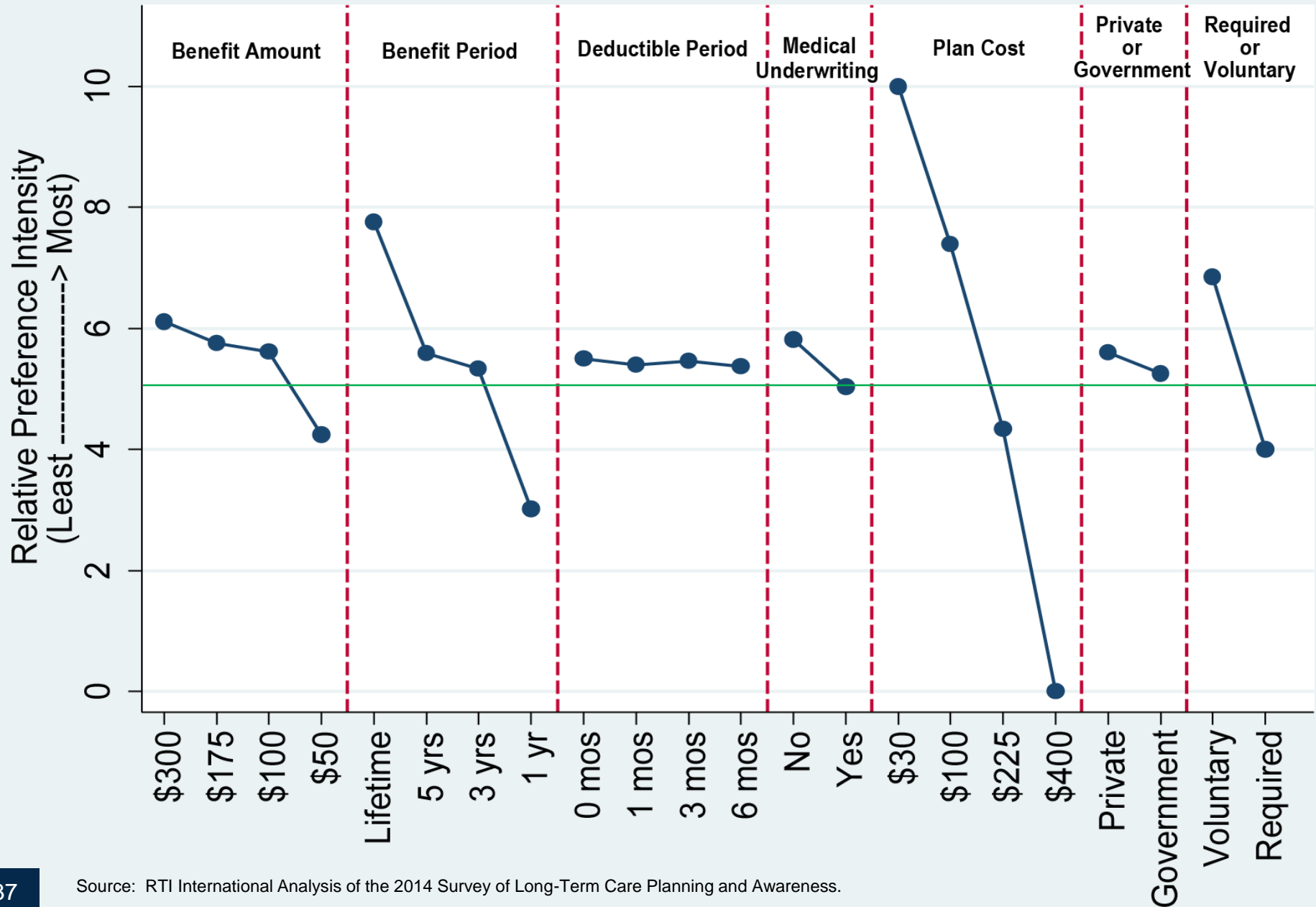
Asked to choose between plans A, B, and no insurance plan

Relative Preferences for LTC Insurance Plan Features: DCE 1



Source: RTI International Analysis of the 2014 Survey of Long-Term Care Planning and Awareness.

Relative Preferences for LTC Insurance Plan Features: DCE 2

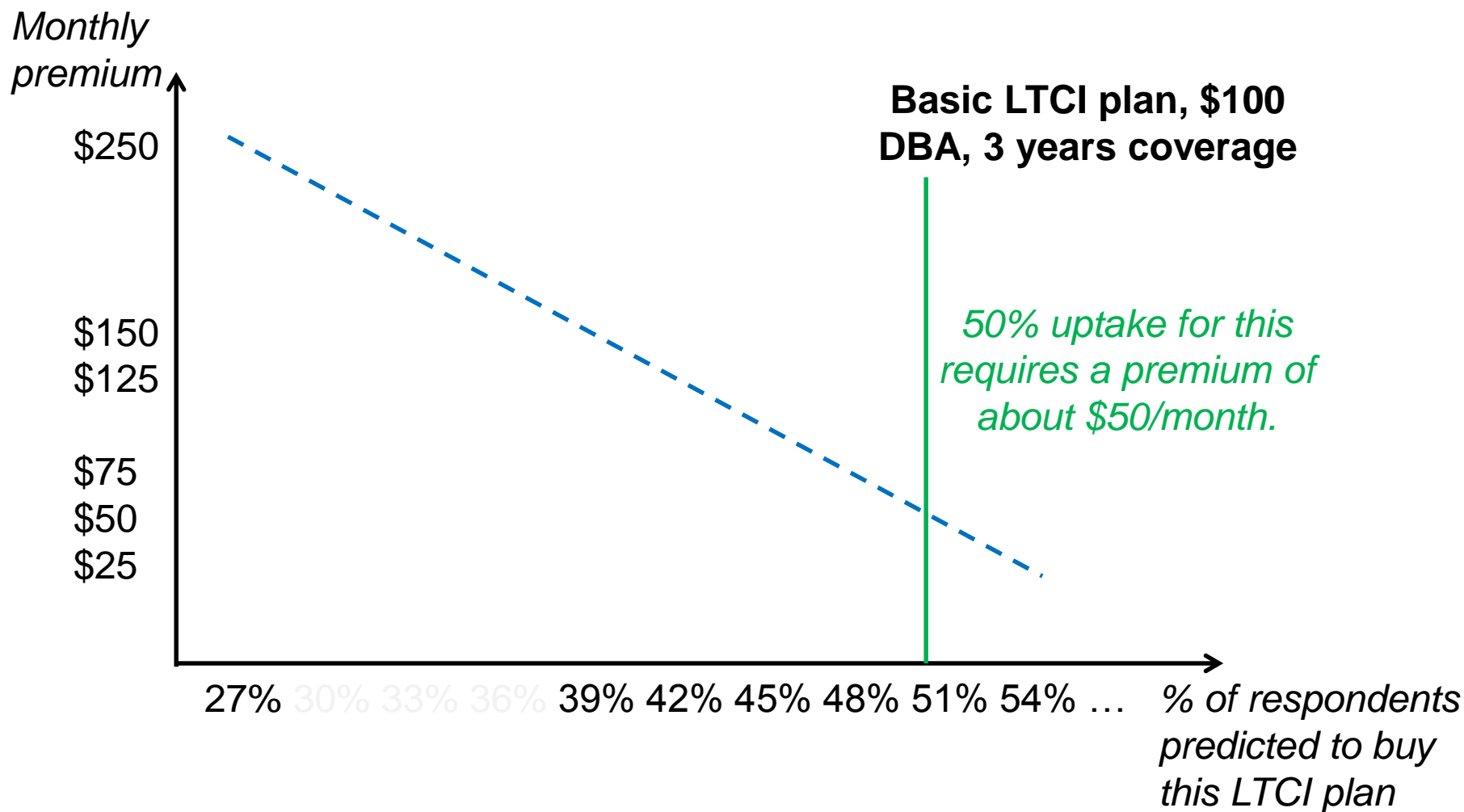


Estimated Potential Market Demand: DCE1

- The preference estimates from the figures enter a statistical model that predicts choice behavior
- Given a choice between alternatives, what do respondents' stated choices tell us about how many would pick each?
- Suppose respondents had only 2 options:

No LTC insurance	Basic LTC insurance
	\$100 daily benefit amount
	3 years of coverage
	No deductible
	Various prices

Estimated Potential Market Demand: DCE1



These estimates are probably an “upper bound” of long-term uptake. Although DCE studies are robust, the “real world” includes many factors not modeled.

Estimated Potential Market Demand: DCE1 (cont.)

Alternative Plans Compared: \$100 DBA and 3 years of coverage	No Plan (%)	Plan (%)
No Plan, Lowest Cost (\$25)	46	54
No Plan, Lower Cost (\$50)	49	51
No Plan, Medium-Low Plan (\$75)	52	48
No Plan, Medium Cost Plan (\$125)	59	42
No Plan, Higher Cost Plan (\$150)	62	38
No Plan, Highest Cost Plan (\$250)	73	27

Estimated Marginal Willingness to Pay for Changes in LTC Insurance Plans

- Economists frequently scale the figure of preference estimates earlier according to respondents' sensitivity to price (marginal value of \$)
- Doing so yields the following estimates of “willingness to pay”
- These represent a dollar estimate of how intensely a given LTC plan feature was valued by respondents

Estimated Marginal Willingness to Pay for Changes in LTC Insurance Plans

Marginal Change	Estimate (DCE 2)
Daily benefit \$300 (vs. \$50)	\$68.85
Daily benefit \$175 (vs. \$50)	\$55.68
Daily benefit \$100 (vs. \$50)	\$51.28
Duration lifetime (vs. 1 year)	\$175.38
Duration 5 years (vs. 1 year)	\$94.83
Duration 3 years (vs. 1 year)	\$85.37

Estimated Marginal Willingness to Pay for Changes in LTC Insurance Plans (Cont.)

Marginal Change	Estimate (DCE 2)
No deductible (vs. 6 months)	-\$0.32 (NS)
1 month deductible (vs. 6 months)	-\$3.54 (NS)
3 month deductible (vs. 6 months)	-\$0.37 (NS)
No health requirements (vs. requirements)	\$27.91
Private insurer (vs. federal government)	\$12.16
Universal plan (vs. voluntary plan)	-\$105.81

Economic Value of LTC Insurance Coverage

Plan features can also be arranged in the statistical model as a hypothetical package for estimating potential societal valuations (e.g., benefit-cost analysis).

Value of basic LTCI plan, \$100 DBA, 3 years coverage:

Participation Type	Government	Private
Voluntary	\$178.13 (171.03, 185.23)	\$185.12 (177.75, 192.48)
Mandatory	\$124.64 (119.07, 130.22)	\$130.12 (124.44, 135.80)

(Additional LTCI features could increase or lower estimated total value, depending on relative preferences.)

DCE summary

- Strongest preferences (in order) for
 - Cost (monthly premium)
 - Benefit period (“lifetime” highly desired)
 - Voluntary enrollment
 - Benefit amount (mostly to avoid to the lowest level)
- Potential demand for a basic LTCI plan only slightly about 50%, even at very low cost
- Preferences may reflect some lack of knowledge about LTC needs (e.g., lifetime benefit)
- Perceived negativity of required enrollment can be offset by improvements in other desired features
- Preference figure shows more & less effective policy levers

Conclusions



Understanding of LTSS system is **low**, especially Medicaid; knowledge of LTC insurance basics is better

Multiple concerns about becoming disabled, chief being losing independence

People willing to use some services, but **prefer free informal care** to services that cost money

Conclusions (cont.)



Many people **do not have firm opinions** on how LTC should be financed, but most people think LTC is an individual, rather than government, responsibility

People favor voluntary initiatives and support policies that promote private LTC insurance, although they also support voluntary public insurance

Little support for **mandatory** public LTC insurance

Conclusions (cont.)



The **most important** LTC insurance features to consumers are plan cost, benefit period, and daily/monthly benefit amounts

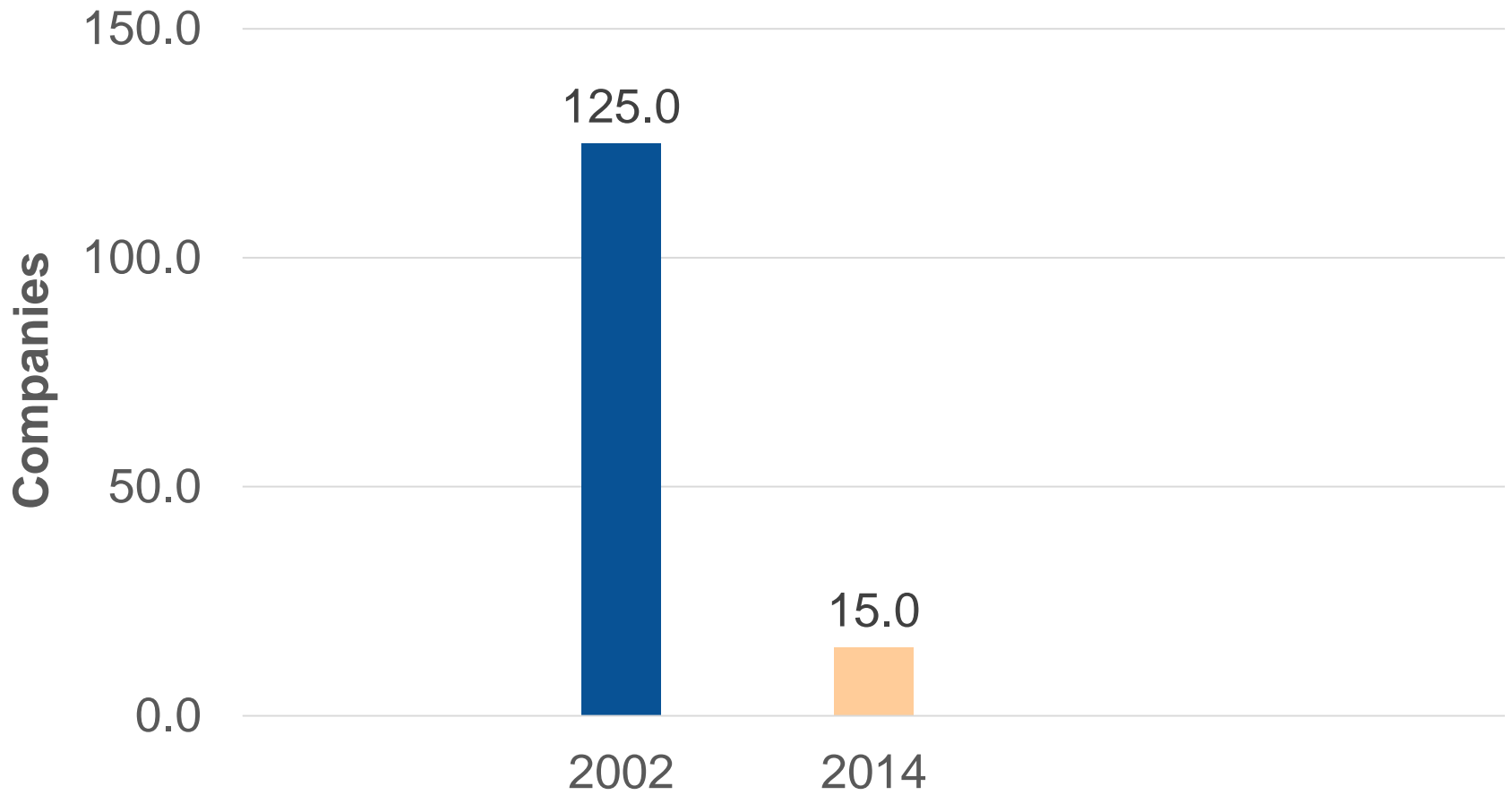
Deductible period, medical underwriting, and whether the insurer is private or government are **less important**

With \$50-100 per month of additional benefits or subsidy **people would be indifferent regarding a mandatory public plan** compared with a voluntary private insurance plan

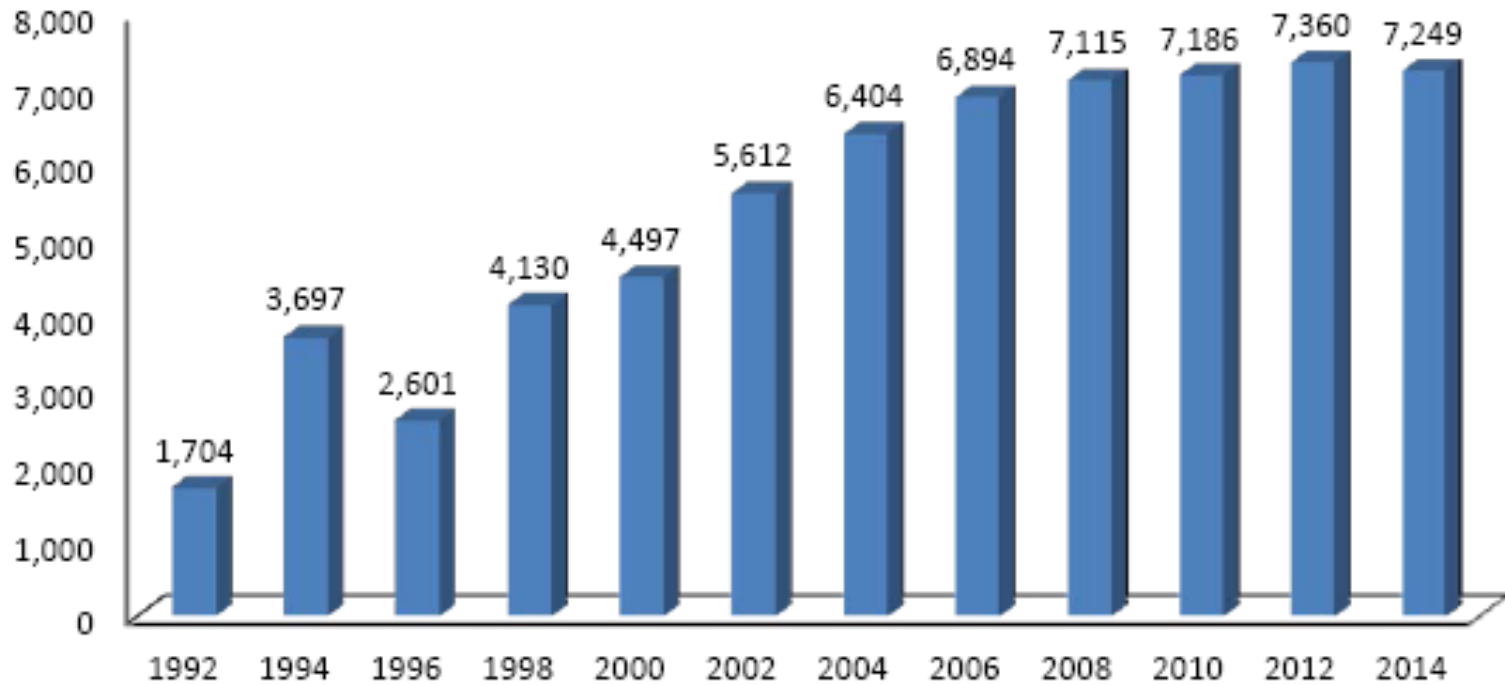
Long-Term Care Financing Reform: Can We Get There From Here?

- Public prefers voluntary private long-term care insurance options, but industry is collapsing
 - Not very many people have private long-term care insurance
 - Number of insurers and number of policies sold have fallen dramatically
 - Premiums have skyrocketed
 - Medical underwriting has substantially tightened

Number of Insurance Companies Selling Long-Term Care Insurance

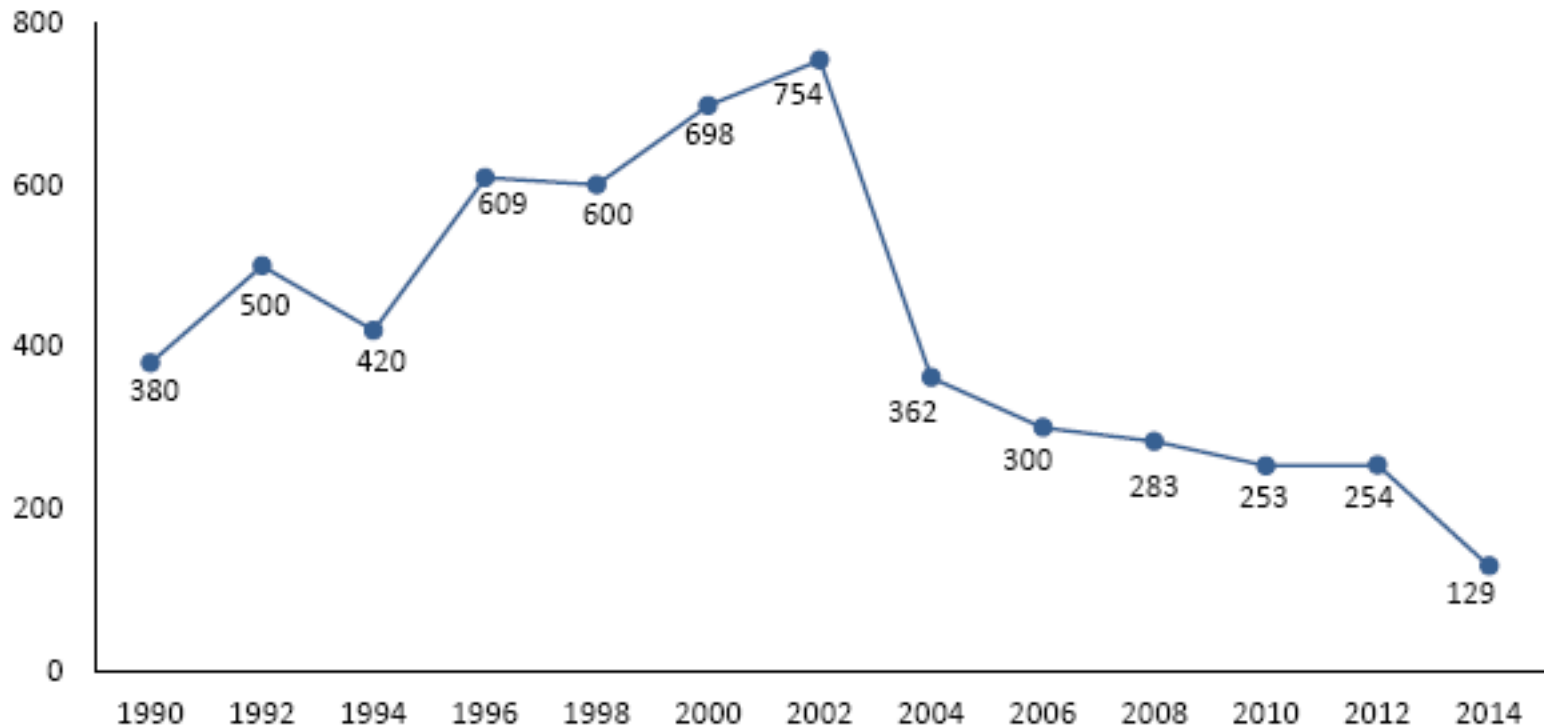


Long-Term Care Insured Lives (Thousands)



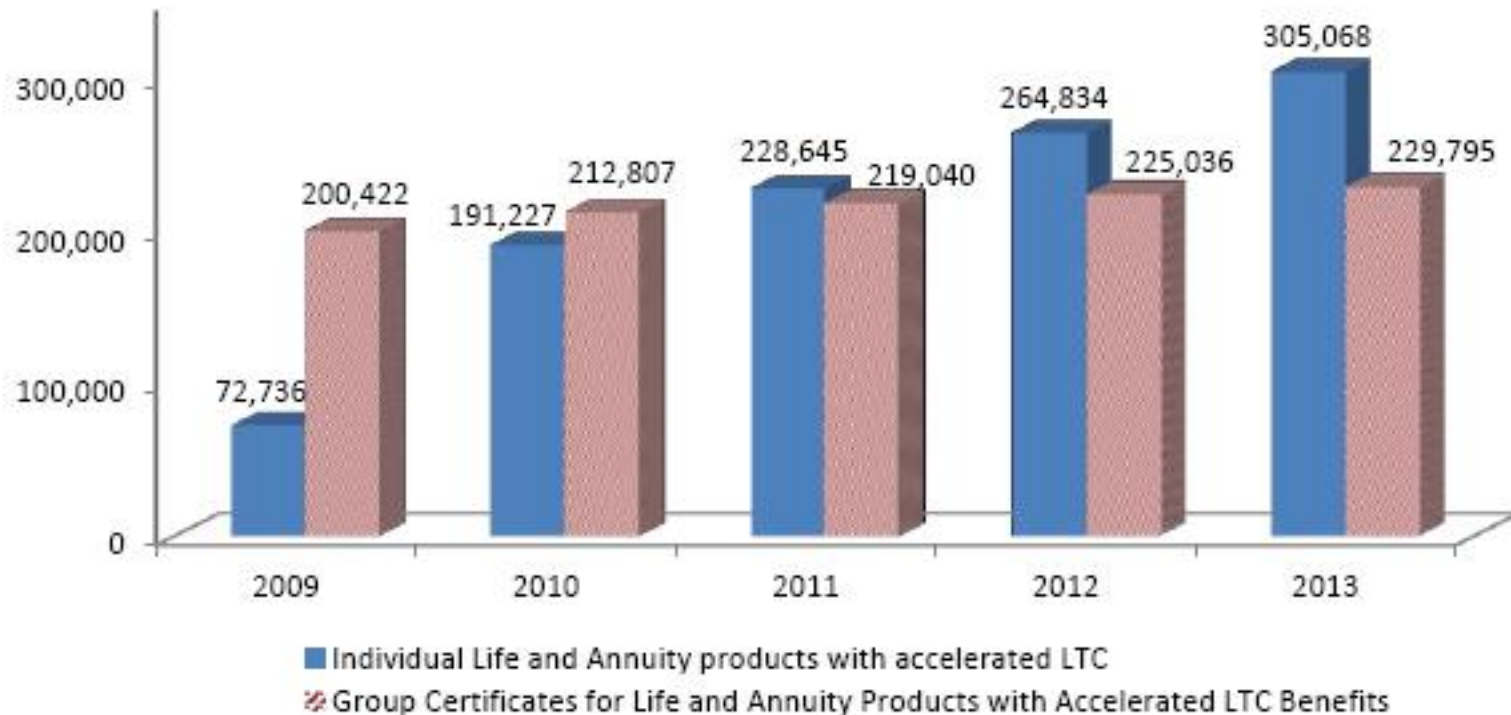
Source: NAIC Experience Reports, 2000-2014.

Individual Market Sales: 1990-2014 (Thousands)



Source: LifePlans Analysis Based on AHIP, LIMRA and LifePlans Sales Surveys, 1990-2015.

Growth of Long-Term Care Insurance Combination Products



Source: LifePlans Analysis of NAIC LTC Experience Exhibit Reports and LIMRA 2009.

Long-Term Care Financing Reform: Can We Get There From Here? (cont.)

- Recent recommendations by private groups—Bipartisan Policy Center, LeadingAge, and Long-Term Care Financing Collaborative—continue to depend heavily on private long-term care insurance
- Until the debate focuses on public sector options, seems unlikely that improvements in financing will occur
- Conundrum: People support reforms that do not work; do not support the reforms that can address the problem

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