



The Great Recession and Long-Term Services and Supports in the United States: Mostly Dodging the Bullet

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Introduction

- Great Recession started in United States and had a substantial effect on the economy
- Assess the effect on social care, especially expenditures
- Bottom line: While not immune, not so bad
- Suggest some possible reasons for the relatively modest effect
- Conclusions and implications for the future

Social Care Funding in United States

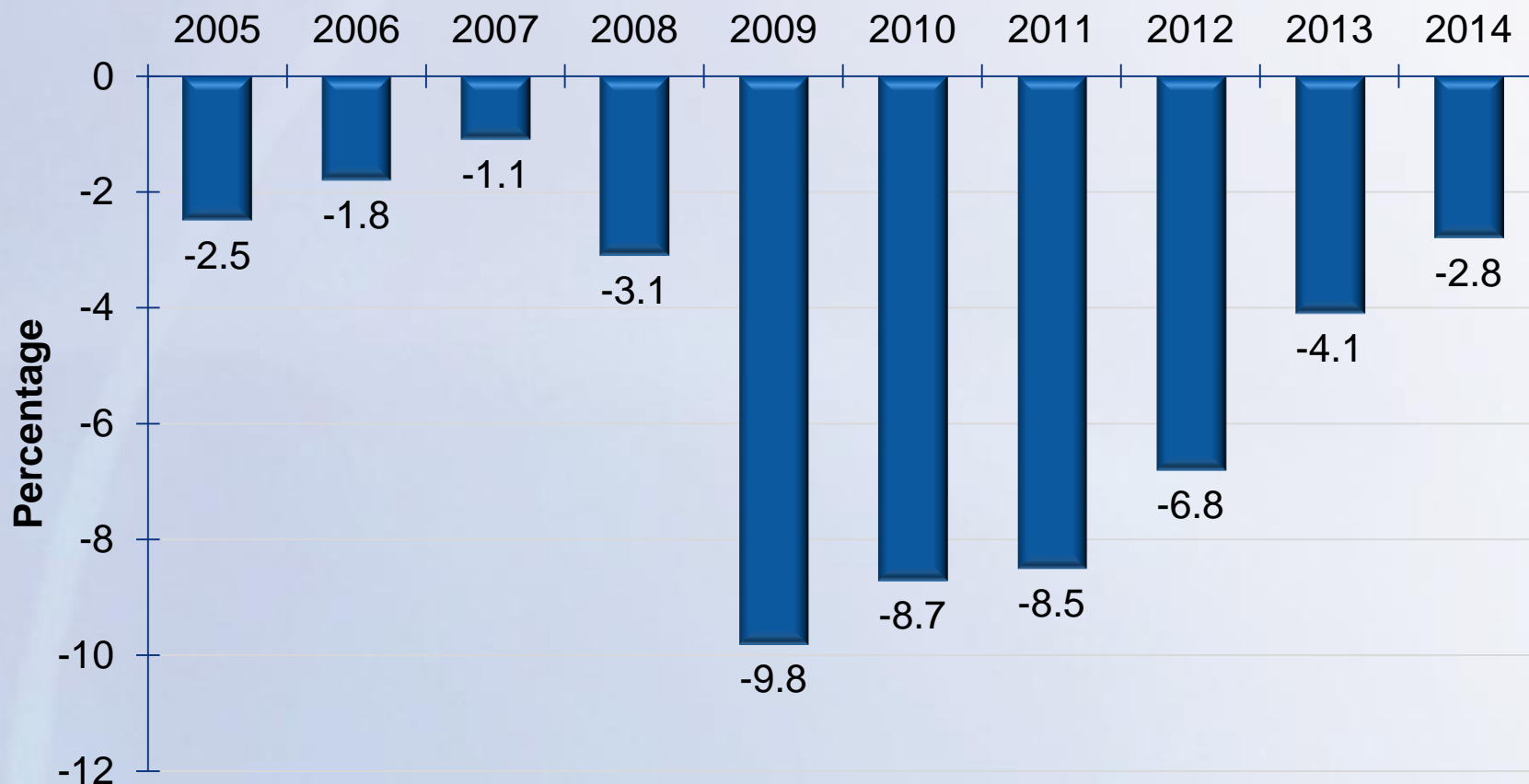
- Funding is mostly means-tested through entitlement programs
- Medicaid, federal-state program for health and social care, is primary source of public funding
- Medicare, public health insurance program for older people and younger people with disabilities, covers limited nursing home and skilled home health

Economic Impact of the Great Recession in the United States

- GDP fell by 0.3% in 2008 and 2.8% in 2009
- New housing construction fell by almost two-thirds between 2006 and 2011
- Unemployment increased from 4.6% in 2007 to 9.6% in 2009
- Total employment fell from 137,170,000 in 2007 to 131,842,000 in 2011

Source: Economic Report of the President, 2014

Federal Budget Deficit as Percentage of GDP, 2005-2014



Source: Economic Report of the President, 2014

Economic Stimulus During Recession: American Recovery and Reinvestment Act (ARRA) of 2009 and Affordable Care Act

- Temporary increase in federal matching rates for Medicaid program from October 2008 to June 2011, \$103 billion in federal fiscal relief
- ARRA not allow cuts in Medicaid eligibility, allowing for cuts in benefits and rates
- Increase Medicaid funds to hospitals that serve disproportionate share of low-income people
- Affordable Care Act includes Medicaid HCBS options with higher federal Medicaid match

Social Care Funding in United States

- Many small programs at national, state and local levels
- Small private long-term care insurance market

Total Medicaid Expenditures, by Year (\$ billions)



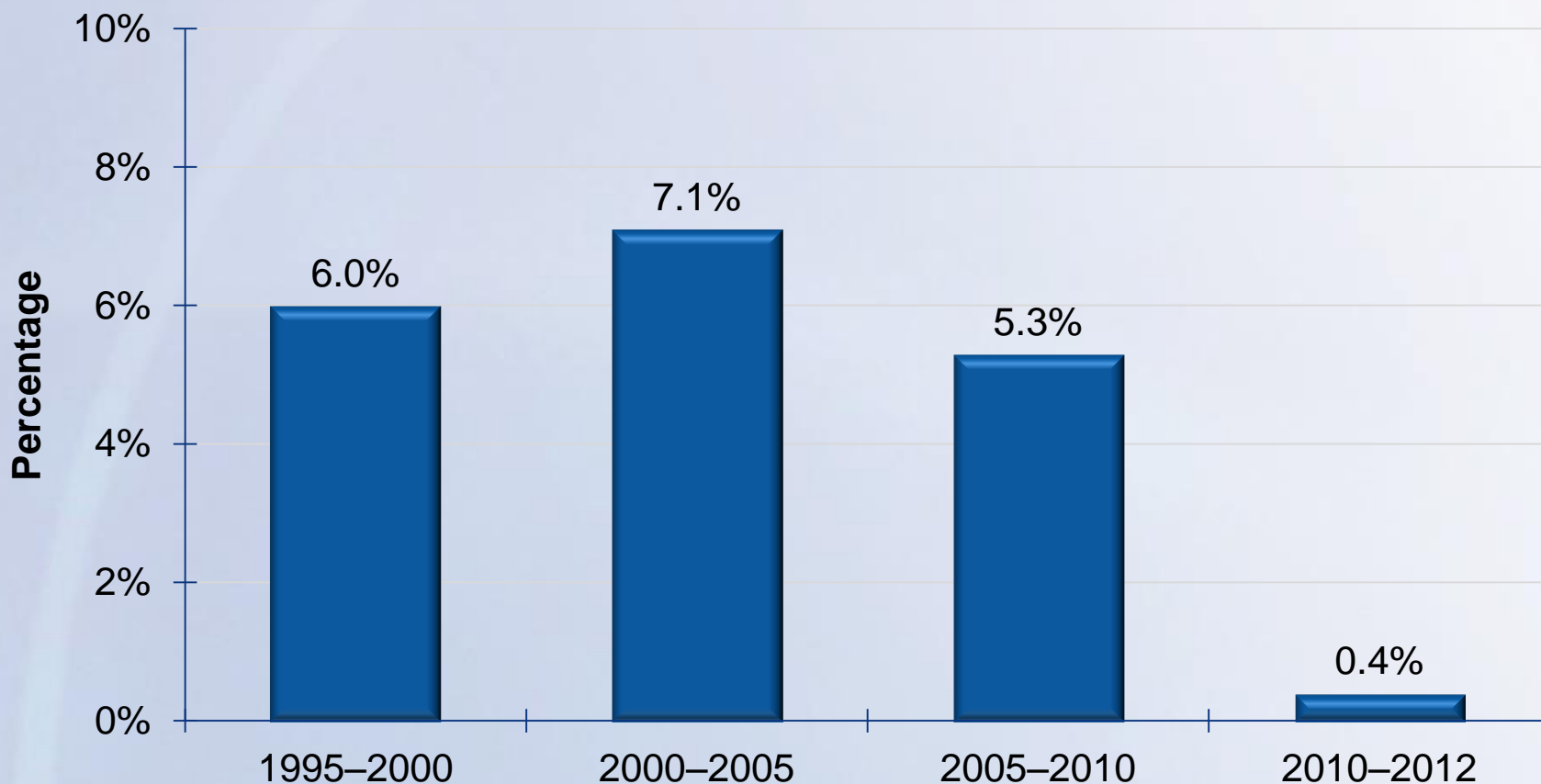
Source: Eiken et al., 2014.

Total Medicaid Social Care Expenditures, by Year (\$ billions)



Source: Eiken et al., 2014.

Average Annual Growth in Medicaid Social Care Expenditures, 1995-2012 (percent)



Source: Eiken et al., 2014.

Total Medicaid Social Care Expenditures, Aged and Younger People with Physical Disabilities (\$ billions)



Source: Eiken et al., 2014.

Total Medicaid Social Care Expenditures, People with Intellectual/Developmental Disabilities (\$ billions)



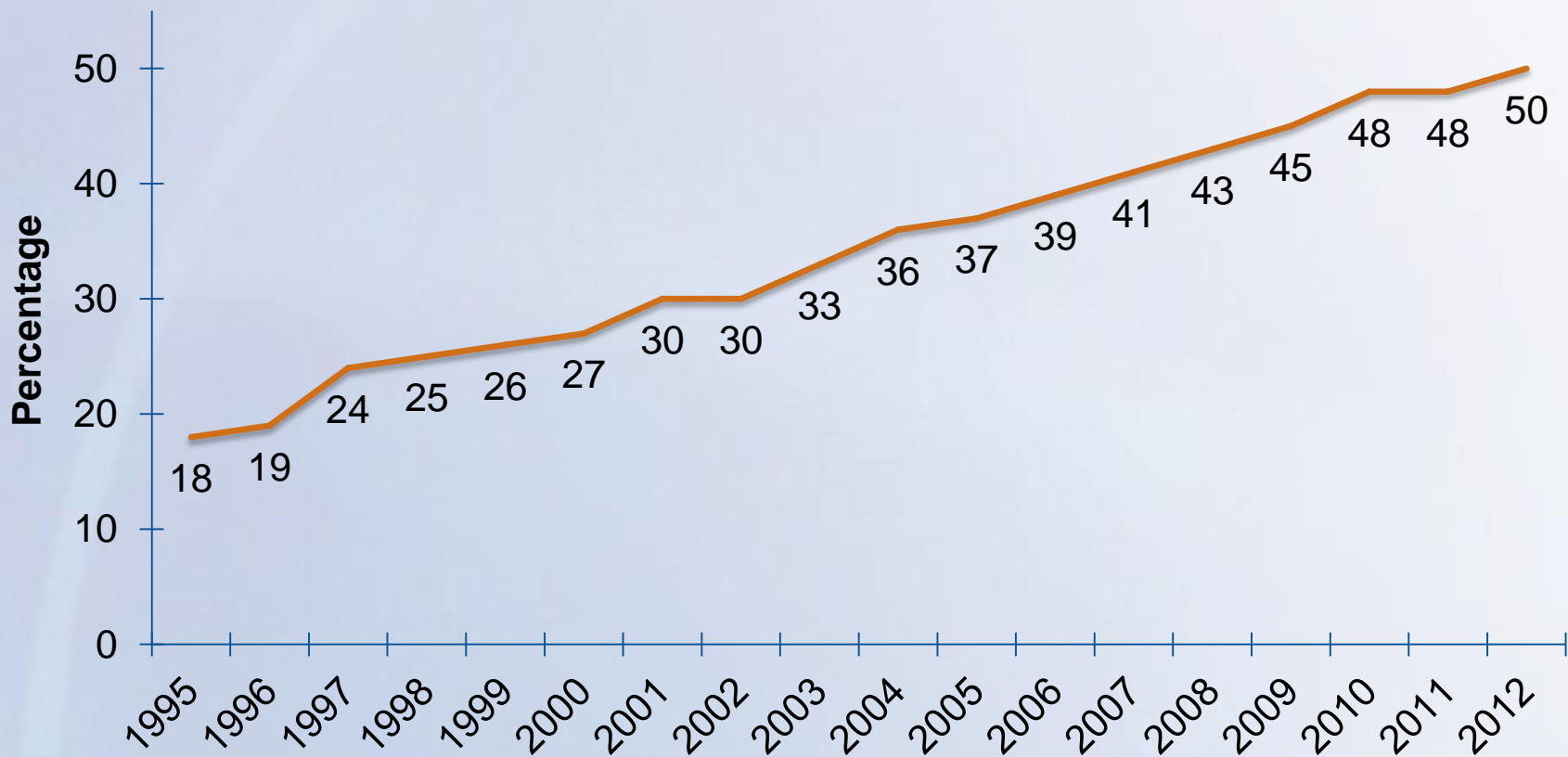
Source: Eiken et al., 2014.

Total Medicaid Social Care Expenditures, People with Serious Mental Illness and Other Disabilities (\$ billions)



Source: Eiken et al., 2014.

Percentage of Medicaid LTC Spending for HCBS, Total for 1995–2010



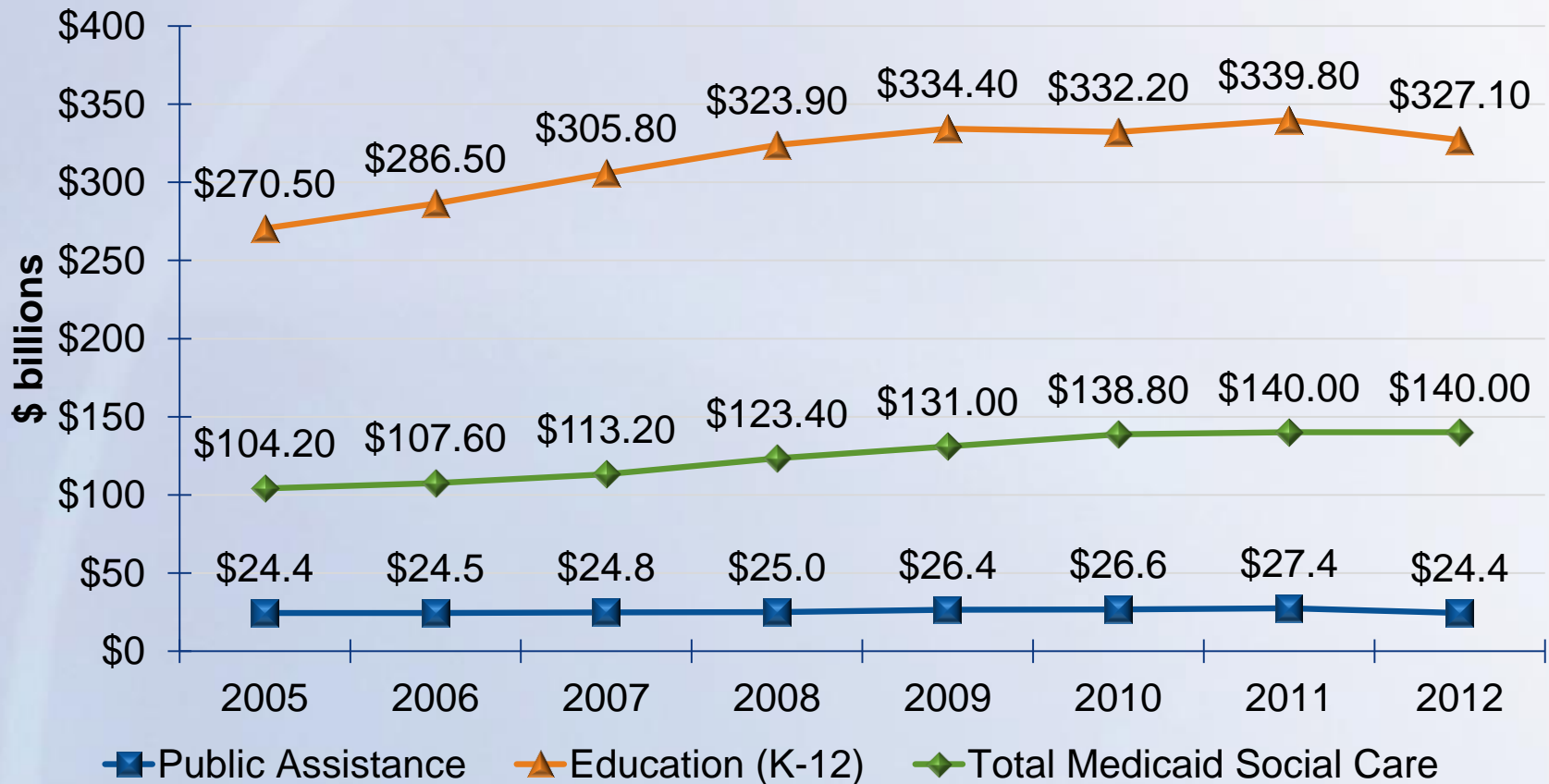
Source: Eiken et al., 2014.

Growth in Medicaid HCBS Participants, 2001-2011 (millions)



Source: Ng et al., 2014.

State Public Assistance, Education and Total Medicaid LTSS Expenditures (\$ billions)



Source: National Association of State Budget Officers, various years; Eiken et al., 2014.

Waiting Lists for Medicaid Home and Community-Based Services Waiver Services



Source: Ng et al., 2014.

Administration for Community Living Appropriations (\$ billions)



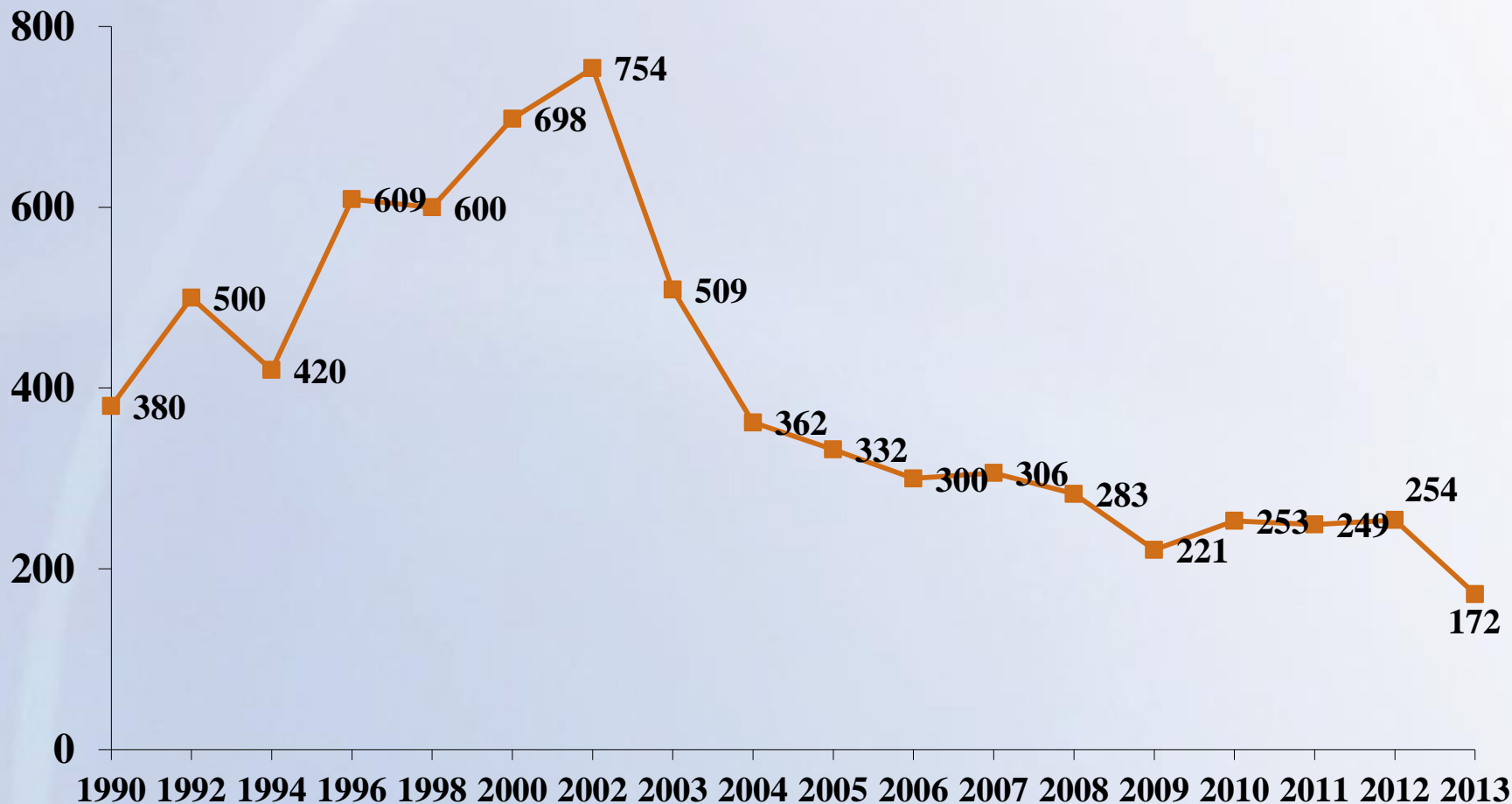
Source: Administration for Community Living, 2015.

Cuts in LTSS Services

- **California** cut Medicaid adult day care in half, but plan to cut personal care not enacted
- **Alabama** cut state program of homemaker for older people
- **Arizona** cut behavioral health services for children and adults ineligible for Medicaid
- **Ohio** eliminated virtually all mental health funding for people not eligible for Medicaid
- **Olmstead** Supreme Court decision give limited right to HCBS

Source: Center for Budget and Policy Priorities

Annual Sales of Individual LTC Insurance Policies



Collapse of Private Long-Term Care Insurance

- Large premiums increases
- Imposition of stricter medical underwriting
- Reduction in benefits
- Reason: Rate of return on reserves much less than anticipated with recession
- Reason: Lapse rates lower than anticipated

Which Way for Social Care in the US?

- Policymakers try to avoid recessions, but they are an inevitable part of the business cycle
- Importance of this analysis is the light it casts on the fate of vulnerable populations in a recession, especially compared to other worthy expenditures
- In US, with exceptions, social care survived the recession pretty well

Which Way for Social Care (cont.)

- Reasons:
 - Medicaid an entitlement program. Requires active intervention to reduce expenditures
 - Non-entitlement (appropriated programs) not fair as well, especially at the state level
 - National government provide financial incentives to maintain Medicaid funding
 - Health reform provided incentives to expand funding
 - Legal protections of social care through *Olmstead*

Which Way for Social Care (cont.)

- 2010 election turn to the right with election of conservative governors, and Republican gaining control of House of Representatives
- 2012 election, turn to the right with election of Republican majority in Senate
- Integration of medical and social care through capitated payments to managed care organizations main policy initiative
 - Easier to control expenditures
 - Demand savings upfront

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