

Policy Alternatives for Long-Term Services and Supports

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An Illustrative Option: LTSS Benefits in a Single-Payer Health Care System

In 2020, the Congressional Budget Office analyzed single-payer health care systems that were based on the Medicare fee-for-service program and estimated the costs of five illustrative options.

One of those options included a benefit for long-term services and supports (LTSS).

- The benefit was expansive and open to anyone with limits to one or more activities of daily living (ADLs) or instrumental activities of daily living (IADLs).
- It entailed no cost sharing.
- It would cover both home- and community-based services (HCBS) and services provided by institutions.

CBO has not analyzed creating a similar universal LTSS benefit without a single-payer health care system.



Estimated Costs

Effects of Covering LTSS on Health Care Spending in 2030

Spending Under CBO's Options With Higher Payment Rates and Lower Cost Sharing (In billions of dollars)

	Without LTSS Coverage (Option 4)	With LTSS Coverage (Option 5)	Difference	Percentage Change
Federal Subsidies for Health Care	5,217	5,816	599	11
National Health Expenditures	6,589	6,922	333	5
Total Out-of-Pocket Spending	394	255	-139	-35

Challenges

Estimating the costs of policy proposals to expand LTSS coverage is difficult because of major gaps in the data.

CBO lacks good data about how many people use LTSS currently and how much is spent on that care. The national health expenditure accounts track national spending for health care but omit several types of spending for LTSS.

To create baseline projections of LTSS spending and users, CBO relied on Medicaid claims and administrative data, national surveys, literature reviews, and consultations with experts.

Another major challenge is the lack of consensus about what it means to use HCBS. Many people receive home health or personal care to a limited extent and are on waiting lists to receive additional services.

Spending on LTSS Benefits and Users Under Current Law, by Setting and Payer, 2020 and 2030

	HCBS		Institutions	
	2020	2030	2020	2030
LTSS Spending Under Current Law (In billions of dollars)				
Medicaid	105	160	68	80
Other Payers	<u>52</u>	<u>81</u>	<u>76</u>	<u>104</u>
Total Spending	158	241	144	184
LTSS Users Under Current Law (In millions)				
Medicaid Beneficiaries	4.9	5.8	0.9	0.9
Other	<u>1.0</u>	<u>1.2</u>	<u>1.0</u>	<u>0.9</u>
Total Users	5.8	6.9	1.9	1.8

Source: *How CBO Analyzes the Costs of Proposals for Single-Payer Health Care Systems That Are Based on Medicare's Fee-for-Service Program*, Working Paper 2020-08, Exhibit 8-1 (Congressional Budget Office, December 2020), www.cbo.gov/publication/56811.

The spending shown here excludes spending to administer the benefits.

Changes in Benefit Spending for Institutional LTSS Under the Illustrative Option

- No change in **per capita spending**. In CBO's estimates, the intensity of care is similar under the option and under current law.
- No change in **prices**. They are a weighted average of prices under current law.
- No change in the **number of users**.
 - Some people might newly use institutional care because of the benefit.
 - Others might newly have access to HCBS and not move into an institution.
- No change in **total spending**.
- An increase in **federal spending** (\$115 billion).

Changes in Benefit Spending for HCBS Under the Illustrative Option

- An increase in **per capita spending** (relative to Medicaid's costs). In CBO's estimates, the intensity of care would increase because of two changes to the coverage:
 - There would be no caps on total spending, per-person spending, or hours of care (5 percent); and
 - All services would be available to all users (70 percent).
- An increase in **prices** (8 percent) from moving to Medicare payment rates.
- An increase in the **number of users** (more than 100 percent).
- An increase in **total spending** (\$330 billion).
- An increase in **federal spending** (\$471 billion).

Comparison of Coverage Under the Illustrative Option and Legislative Proposals in the 116th Congress

	H.R. 2452, Medicare for America Act of 2019	H.R. 1384, Medicare for All Act of 2019	S. 1129, Medicare for All Act of 2019	CBO's Option 5
Type of System	Federal health plan for people otherwise without coverage	Single-payer system	Single-payer system	Single-payer system
Includes Institutional Care	No	Yes	No	Yes
Includes HCBS	Yes	Yes	Yes	Yes
Breadth of HCBS Coverage	Services and supports needed, including all benefits covered by any state's Medicaid program under current law	Benefits covered by Medicaid under current law	Certain benefits covered by Medicaid	Any benefits currently offered to any Medicaid beneficiary by any state's Medicaid program
Eligibility Criteria	One or more ADL or IADL limitations	One or more ADL or IADL limitations	Not specified	One or more ADL or IADL limitations
Payment Rates	Medicare basis	Medicare basis	Medicare basis	Medicare basis
Role for Medicaid	Yes, covers institutional care	No	Yes, covers institutional care	No



Comparison of Coverage Under the Illustrative Option and the Build Back Better Act

	H.R. 5376, Build Back Better Act of 2021	CBO's Option 5
Type of System	Increase in federal share of Medicaid spending	Single-payer system
Includes Institutional Care	No	Yes
Includes HCBS	Yes	Yes
Breadth of HCBS Coverage	Personal care, other services as chosen by states	Any benefits currently offered to any Medicaid beneficiary by any state's Medicaid program
Eligibility Criteria	Current Medicaid criteria, though states may expand	One or more ADL or IADL limitations
Payment Rates	Medicaid	Medicare basis
Role for Medicaid	Same as current law	No

Economic Effects

How Caregivers' Earnings and Employment Would Be Affected Under the Illustrative Option

The total amount of HCBS that people used would increase, and the employment of direct care workers who provide HCBS funded by Medicaid would increase to cover additional services and enrollees.

CBO expects that wage increases would be sufficient to increase the supply of workers to cover those hours once the option was fully implemented. (Wages would also increase in other sectors of the economy employing workers with similar skills.) The total labor supply—including HCBS and other sectors—would increase somewhat.

The earnings of most paid caregivers and many unpaid caregivers would increase.

- Direct care workers would receive higher wages and work more hours.
- Some of those caregivers who are currently unpaid would be paid for the care they provided to family or friends.
- Some people who are currently providing unpaid care, such as a daughter or son with an elderly parent, would return to their primary occupation if paid care became available, thus increasing their earnings.
- Some people who would have provided unpaid care under current law would be less likely to leave their primary occupation when relatives or friends developed the need for HCBS, which would increase their earnings.

How Some People Would Change Their Decisions About Spending and Saving Under the Illustrative Option

Caregivers would use the additional income they received to both spend and save more.

Increasing the scope and amount of HCBS available to Medicaid beneficiaries and increasing the number of people who would be eligible would reduce expected out-of-pocket expenses for LTSS for many people.

The reductions in expected out-of-pocket expenses would cause some people to save less money for future LTSS needs and increase their spending on other goods and services.

How CBO Would Estimate the Economic Effects

To estimate the economic effects of the illustrative option:

- CBO would empirically estimate many of the effects of specific channels through which the option affected individuals and the economy.
- CBO would layer those empirical estimates into a general equilibrium life-cycle model (also called an overlapping-generations model).

The model would estimate the effect of the option on individuals' work and saving decisions.

That approach would capture any general equilibrium effects that might result.