

Pennsylvania State Senate Banking and Insurance Committee

Testimony of the Pennsylvania Department of Aging

Raymond Prushnok, Acting Deputy Secretary

May 5, 2009

Chairman White, Chairman Stack and honorable members of the committee, good morning. Thank you for the opportunity to speak with you about long-term living and the Long-Term Care Partnership in Pennsylvania. Currently an estimated 10 million Americans require assistance from another individual with the basic activities of daily living. This need arises either from a physical disability or cognitive impairment and may or may not be associated with the process of aging. Although one third of these individuals are under the age of 65, the majority are older individuals who are still living in their homes and communities. Because the need for long-term living services is strongly associated with age, the increase in both the number and proportion of the older population will inevitably lead to an increased demand for services.

Aging demographics are of particular importance to Pennsylvania. The Commonwealth currently ranks third nationally in the percentage of our population age 65 and older and fourth in percentage of our constituents age 85 and over. According to the Penn State Data Center, we can expect to see a significant increase in our state's aging population going forward. Their projections indicate that there will be an increase of 1,286,154 people age 60+ during the 30 year time period from 2000 to the year 2030. During that same time period we will see an increase of 123,245 people age 85 and above. It is the age 85 and above group that is of greatest risk of needing long-term living services.

Our aging population can be attributed to two factors. First, the birth rate of the baby boom generation greatly exceeded the rate of any previous generation. Secondly, we are experiencing a significant increase in life expectancy. When the Social Security program began it was expected that those age 65 would live an additional 12 years. Today a person that turns age 65 can expect to live an additional 18 years and when the baby boomers begin in just a few years to reach the age of 65, they can expect to live an additional 20 years.

Despite these positive indicators of increased life span, the sheer increase in the number of older persons is likely to substantially increase the demand for long-term living services. This is particularly true after the year 2035 when the baby boomers reach the age when they are at the highest risk for needing support.

Today, most long-term living services are unpaid and provided by family and friends to adults living in the community. Nearly 80% of adults receiving support at home receive unpaid support. An additional 14% receive a combination of both paid and unpaid support. Although

the amount of time spent providing care can vary from a few hours per week to 40 hours or more, the average is 20 hours of support per week. This type of support is provided on average for nearly 4.5 years and the support includes tasks such as driving the person to appointments, managing bills and finances, performing physically demanding work such as bathing, dressing, toileting, feeding, assisting the person to get out of bed and at least one medical task such as wound care or administration of medications

In terms of paid care, nationally the Medical Assistance program is the primary payer for approximately 43 percent of those using facility-based care. Today, our older population that is at highest risk of needing nursing facility level of care lacks the personal financial resources to pay for their care. Eighty percent of this population has less than \$100,000 in liquid assets and only 27% of those over the age of 65 have sufficient resources to cover 2.5 years of nursing facility care (which costs over \$70,000 a year for a private payer).

What this means for Pennsylvania is that today our aging and long-term living programs account for \$5.3 billion in state funds and roughly 69% of the state's Medicaid budget. The expected demographic changes outlined above will have a dramatic impact on state funding as the boomers age.

It is because of these demographic projections that Governor Rendell has made reform of the long-term living system a priority for his administration. Today, the average cost of a Medicaid nursing facility bed is \$53,000 a year and the cost of one year of long-term living services in the community is roughly \$20,500. We can serve two people in the community for each person we support in a nursing facility. We are putting 86% of our MA dollars into nursing facilities and 14% into home and community-based services. While that's an improvement over 2003 when we were the split was 92/8, we have a long way to go if we are to provide services in the most cost effective manner.

This shift in emphasis to home and community based services is a result of the Governor's efforts to rebalance the long-term living delivery system to provide the appropriate level of support in the appropriate environment. The majority of people served in the community are being served through one of eight Commonwealth home and community-based waiver programs, which provide assistance to people over the age of 60 and adults with physical disabilities. Services through our waivers, and their state-funded counterparts, include many of the same ones that are provided through informal supports - assistance with bathing, dressing and grooming - but they also include things like adult daily living centers and respite care for caregivers.

Ultimately it is the Commonwealth's goal to develop and expand long-term living alternatives to nursing facilities that not only allow people to remain in their homes but also provide cost efficiencies for the Commonwealth. This will require us to ensure that the full range of home and community based services are available in all communities.

The Department realizes that it must also take an active role in encouraging residents to prepare for the possibility that they, may require long-term living services, either by virtue of the aging process or due to an accident or illness. Surveys have indicated that less than 25% of the baby boom population in Pennsylvania have given serious thought to how they would finance these services should the need arise. To address this, the Department of Aging and the Office of Long-term Living, in collaboration with a federal effort led by the Department of Health and Human Services launched an 'Own Your Future Campaign' in 2008. Information was provided to 1.7 million households through a targeted mailing, accompanied by a media marketing campaign and distribution of planning kits via the mail and the internet. The campaign was directed to those between the ages of 45 and 65 and it encouraged people to take steps now to plan for their future long-term living needs. We are pleased to report that we had an unprecedented 20% return on the mailing we sent based on the number of people who subsequently requested a copy of the Own Your Future planning kit.

In those planning kits was information on state and federal programs, along with information on the Long-term Care Partnership Program, which in 2006 Governor Rendell's administration worked hand in hand with the legislature in crafting. While we clearly understand from the experience of existing Partnership states that no immediate savings will be realized in our MA program, we see the Partnership program as a mechanism to potentially slow the growth of our MA budget in coming years.

We also see the Partnership as a way to help middle income residents in the Commonwealth to protect some of their assets and avoid having to spend down their resources into poverty before they are eligible for our long-term living services. Every dollar that they put into their own care is potentially a dollar that we can spend on someone else. It is also a dollar that they can spend to have a decent quality of life and maybe even leave something to their children. In short the Partnership Program is a win/win all around.

As we look at long-term care insurance in general, it is important to recognize that it is not a panacea that will solve all of our long-term living challenges. It is considered a niche market and unless that changes, it will have little impact on our MA budget. And from a consumer perspective, it is not for everyone - particularly in a bad economy. Long-term care insurance can be expensive and it can be difficult to understand. But with sufficient education and outreach, long-term care insurance – particularly Partnership policies - can be a tool in our efforts to prepare for the coming explosion in the demand for long-term living services.