Medicaid – The Key Source of Long Term Services and Supports

Estimates suggest the future number of the older adult population who are unable to perform basic activities of daily living without assistance may as much as double from 2000 through 2040, resulting in a large increase in long term services and supports (LTSS) demand. Due to demographics alone, LTSS spending for older adults may increase by more than 2.5 times between 2000 and 2040, and could nearly quadruple spending between 2000 and 2050 to $379 billion, according to some estimates. Additionally, recent research points to higher than previously estimated numbers of older adults with disabilities who likely will need LTSS, further driving up demand and costs.

Three additional factors further complicate Medicaid’s financial outlook. First, while the number of private long-term care insurance (LTCI) policies in force has grown to approximately seven million, the market remains small in comparison to Medicaid. Recent U.S. Department of Health and Human Services (DHHS) research points to ongoing challenges with public perception of LTCI. Second, three of four major national LTCI companies no longer sell policies; furthermore, monthly premiums have significantly increased, resulting in a notable number of older adults allowing policies to lapse due to such cost increases. Third, the vast majority of Americans rely upon informal, unpaid caregiving for some form of long term service and supports. Valued at approximately $350 billion in a 2007 study, many of these individuals likely will turn to Medicaid in the future as needs change and as societal capacity to deliver such informal care diminishes. The economic downturn and the aforementioned aging demographic will significantly erode informal family caregiving capacity and drive up demand of publicly financed services. Such a decline in informal caregiving represents significant financial exposure for the Medicaid program.

LTC Financing by Payer

Total = $557 Billion


Author’s Note: Older studies were used in the absence of the updated comparative analysis.