ISSUE REVIEW

Iowa Legislative Fiscal Bureau

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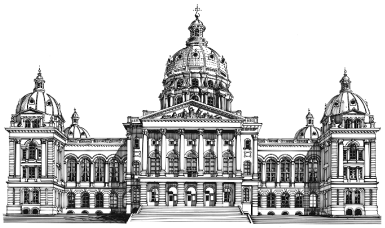

State Capitol
Des Moines, IA 50319
August 12, 1994

The Potential Impact Of Health Care Reform On Elders

ISSUE

The potential impact of health care reform on the elders of Iowa including the current efforts by the Department of Elder Affairs (DEA) to contain costs associated with health care services.

AFFECTED AGENCIES

Department of Elder Affairs

Department of Human Services (DHS)

Department of Public Health (DPH)

Department of Inspection and Appeals (DIA)

CODE AUTHORITY

Chapter 231, Code of Iowa

BACKGROUND

The State of Iowa has an increasing proportion of people over the age of 60. The number over the age of 80 is increasing more rapidly than any age group. Table I is a listing of the percentage of persons in Iowa and how Iowa ranks by elder age group compared to the United States as a whole.

Table I

Age Group	% of Persons in Iowa	National Rank
60 and Older	19.91%	4th
65 and Older	15.35%	3rd
75 and Older	7.17%	2nd
85 and Older	1.99%	1st

In 1965, older Americans obtained nearly universal health care coverage through the Medicare Program. While Medicare still provides important protections, the Program has not

protected seniors from escalating health care costs and a guarantee to access all needed care. The problems facing elders in 1994 can be categorized into 7 areas.

- High overall costs.
- Cost-sharing burden.
- Gaps in benefits.
- Difficulty in finding health care providers.
- Vulnerability of early retirees.
- The burgeoning supplemental insurance market.
- Pharmaceutical costs.

Each area contains elements which are a concern of older persons and need to be addressed by any health care reform legislation.

CURRENT SITUATION

An analysis by 1 of the work groups of the Long Term Care Coordinating Unit of the DEA, DHS, DIA and DPH has determined the 2 federal proposed plans that would serve Iowa seniors best are the Health Security Act (HR 3600/S 1757) and the Single Payer Bill known as Wellstone-McDermont-Conyers (HR 1200/S 40).

The Health Security Act provides new benefits not included in Medicare, such as prescription drug coverage, community-based long-term care services, and health security protections for early retirees. However, the Act has 2 limitations: long-term care nursing home benefits are not included, and while the Act eliminates balance billing, Medicare recipients would still have significant cost-sharing burdens.

The Wellstone-McDermont-Conyers Bill provides the greatest improvements, including:

- Expanding the benefits available to elders, including long-term care, and eliminating cost-sharing.
- Eliminating the differences in reimbursement levels that can encourage some health care providers to reject Medicare beneficiaries as patients.
- Guaranteeing free and full choice of health care providers.
- Providing important health security protections for early retirees.

ALTERNATIVES

An alternative for Iowa is to couple with whatever health care reform legislation is enacted by the federal government. This coupling should be closely examined so the Iowa legislation includes those elements most beneficial to Iowa elders.

The alternative which is currently in place and addresses the needs of elder Iowans and health care reform is the continued expansion of the Integrated Case Management Program for the Frail Elderly (CMPFE) within the DEA. The CMPFE assists older persons who have difficulty with daily activities, to remain in the home or community as long as possible. In FY 1993, 1,092 persons

received case management services. For FY 1995, the CMPFE was appropriated an additional $100,000 for $750,000 total funding for the Program. This funding level provides CMPFE services to 37 county area agencies on aging.

Another alternative relates to a current activity of the DEA. House File 582 (Community-based services for elders), enacted by the 1994 General Assembly, established a pilot program for preadmission screening and assessment in 3 to 6 counties which are also participating in the CMPFE. Six counties have been selected to participate, 3 urban and 3 rural counties.

A Preadmission Screening/Assessment Committee has been formed and had an initial meeting on July 14, 1994. The Committee is composed of personnel from the participating area agencies on aging, departmental staff, service providers, and representatives of other related organizations. The task of the Committee is to oversee the pilot program including the development of the specific standards and procedures, the evaluation process and tools, the letters of agreements, and the training. The Legislature needs to monitor the pilot program, especially as related to addressing the needs of elder Iowans and health care reform.

BUDGET IMPACT

The DEA estimates an additional $2.5 million is necessary to expand the CMPFE to all 99 Iowa counties. However, since a person must qualify for admission to a nursing home to receive CMPFE, the Program also substantially lessens the State's share of the Medicaid budget for nursing facilities. Budget estimates are not available for expanding the preadmission screening and assessment pilot project statewide.

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FACT SHEET

THE COST OF LONG-TERM CARE

An Important Public Policy Issue

Long-term care can be a major expense for many older people and their families. The projected increase in growth of the older population, which has a high risk of chronic illness, generates considerable interest in finding a better way to finance and deliver long-term care services.

Significant public resources are used to pay for the cost of nursing home care, primarily through Medicaid, the federal-state health program for persons with low incomes. Limited public funds pay for home and community long-term care services, which most older people prefer.

Aggregate Costs

Figures from the Health Care Financing Administration indicate that total expenditures for nursing home and home health care (i.e., Medicare home health and Medicaid home health and personal care services) amounted to $69.7 billion in 1991. This amount includes care for people of all ages.

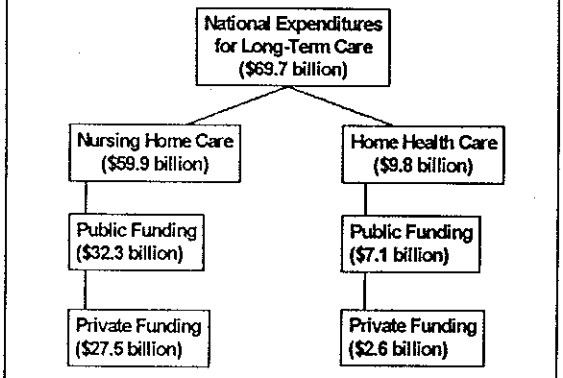
America spent $59.9 billion on nursing home care in 1991. The average annual cost of a nursing home stay was about $30,000.

Total spending for home health care in 1991 was $9.8 billion.

Nursing Home Services

Of the $59.9 billion spent on nursing home care in 1991, nursing home residents and their families paid $25.8 billion. Medicaid's share was $28.4 billion and Medicare spending amounted to about $2.7 billion. Private health insurance paid $600 million, while other private sources and government programs spent $2.3 billion.

Figure 1
Long-Term Care Funding (Calendar Year 1991)



Source: HCFA, Office of the Actuary, April 1993
Prepared by AARP Public Policy Institute

Home and Community Services

Elderly people with disabilities who received formal home health care in 1991 paid about 12 percent ($1.2 billion) of the total cost themselves. Out-of-pocket expenses for formal home care were estimated to average $242 a month in 1993. Persons age 65 and over spent an average of $348 a month while expenditures for persons under 65 years of age averaged $134 a month for home care.

In 1991, Medicare paid $4.4 billion for home health care services. Federal Medicaid spending amounted to $1.4 billion for home health, while state and local governments contributed another $1.3 billion. Funds from private health insurance and other private sources, including money paid out-of-pocket, totaled $2.6 billion.

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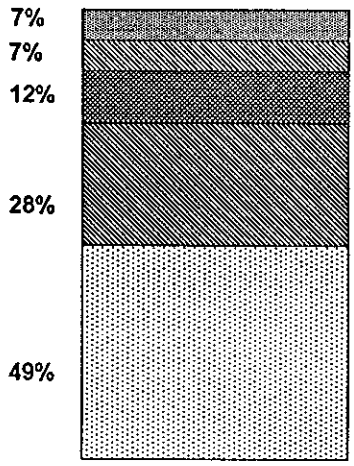
Figure 2

Who Pays for Home Health Care 1991



Source: HCFA, Office of the Actuary, April 1993
Prepared by AARP Public Policy Institute

Note: Numbers may not total properly due to rounding.

Other Costs

Estimated Medicare spending for hospice care in Fiscal Year (FY) 1993 was $964 million, reflecting about 150,000 admissions at an average cost of $101 per hospice day.

The total FY 1993 federal appropriation for the Older Americans Act was $1.2 billion, with $297 million for senior centers/supportive services (a portion of which is allocated for long-term care services), $90 million for home-delivered nutrition services, and $7.1 million for in-home services.

In FY 1993, the estimated total 1991 federal funding level for the Social Services Block Grant was $2.8 billion for all 50 states. States spent an average of 21 percent of their block grant money on services for older people in 1989.

State Spending

States carry substantial responsibility for long-term care. They administer federal and state funds, and regulate nursing homes and home health agencies. State spending for Medicaid long-term care services amounted to $16.9 billion in FY 1992, placing great strain on limited state budgets.

State and local governments spent $12.8 billion dollars on Medicaid nursing home services in 1991, which amounts to about 21.4 percent of all nursing home expenditures. Figures for home health services were only $1.3 billion and 13.3 percent, respectively.

Written by Center on Elderly People Living Alone Staff at AARP's Public Policy Institute
May 1994