

Benefit Design Concepts: Front-end, Back-end, or Comprehensive Coverage

1. Front-end – Benefits payable at or near the beginning of an individual’s eligibility for LTSS

Examples	Questions	Pros	Cons
<ul style="list-style-type: none"> - Washington Trust Act – State program, funded by a 0.58% payroll tax, paying vested workers a \$36,500 benefit (\$100/day for 365 days) that is indexed for inflation. 	<ul style="list-style-type: none"> - Does a front-end benefit reduce spend-down / impoverishment? - Would it help individuals who would otherwise qualify for Medicaid? - Should it exclude individuals who would otherwise qualify for Medicaid? - How would it interact with private LTC insurance? 	<ul style="list-style-type: none"> - Everyone who qualifies and needs LTSS receives a benefit - Less costly than back-end and comprehensive coverage (0.58% payroll tax under WA plan; 0.5% - 1% payroll tax for most program scenarios in DHCS Feasibility Study) - More predictable program costs - Likely less overlap with Medicaid than back-end and comprehensive 	<ul style="list-style-type: none"> - Pays less than back-end and comprehensive - Benefit likely insufficient to cover most LTSS costs (median LTSS costs are over \$100,000, 75th percentile is about \$250,000) - Individuals whose LTSS expenditures exceed public benefit will need to spend down any remaining assets before qualifying for Medicaid

2. Back-end – Benefit payable after an individual is impaired for a specified period of time

Examples	Questions	Pros	Cons
<ul style="list-style-type: none"> - Some have proposed a public benefit covering all LTSS expenses after an individual is physically or cognitively impaired for a certain period of time (likely 2, 3, or 4 years) - Medicaid (payable after an individual’s assets are exhausted) 	<ul style="list-style-type: none"> - Does a back-end benefit reduce spend-down / impoverishment? - Would it help individuals who would otherwise qualify for Medicaid? - Should it exclude individuals who would otherwise qualify for Medicaid? - How would it interact with private LTC insurance? 	<ul style="list-style-type: none"> - Pays more than front-end - More beneficial than front-end for those with high claim costs (90th percentile LTSS costs are close to \$500,000, 99th percentile about \$1 million) - More likely to reduce state Medicaid spending - Easier for private market to design supplemental front-end coverage (front-end risk/liability is easier to predict) 	<ul style="list-style-type: none"> - More expensive than front-end (1.83% - 3.32% payroll tax in scenarios modeled in DHCS Feasibility Study) - Provides a benefit to a smaller number of people (about 50% of LTC claims end within 2 years) - Significant overlap with Medicaid - Potential loss of federal Medicaid contributions - Many will be impoverished during a waiting period - More unpredictable program costs (due to more variable catastrophic liability)

3. Comprehensive – Benefit payable for initial and back-end (catastrophic) LTSS needs

Examples	Questions	Pros	Cons
<ul style="list-style-type: none"> - Denmark, France, Japan, Germany, Netherlands, Singapore - Maine Universal Home Care Initiative – A universal home care proposal, assessing 3.8% payroll tax (1.9% from employee, 1.9% from employer) on income over \$128k, was rejected by a 63-37 margin in 2018 ballot initiative 	<ul style="list-style-type: none"> - Can this be done effectively at the state level? - How would it be funded? - How would it interact with Medicaid and other federal programs? - How would it interact with private LTC insurance? 	<ul style="list-style-type: none"> - Everyone who qualifies and needs LTSS receives a benefit - Cost control – ability to negotiate and/or regulate service prices - Potentially lower administrative costs 	<ul style="list-style-type: none"> - High total program cost - Potential loss of federal Medicaid contributions - Political/popular opposition? - More unpredictable program costs (due to more variable catastrophic liability)