

WORKFORCE CONSIDERATIONS: SUPPLY, DEMAND, AND COSTS

Relevant data points for consideration in designing a statewide long-term care (LTC) insurance program in California

April 2022

QUALIFICATIONS, ASSUMPTIONS AND LIMITING CONDITIONS

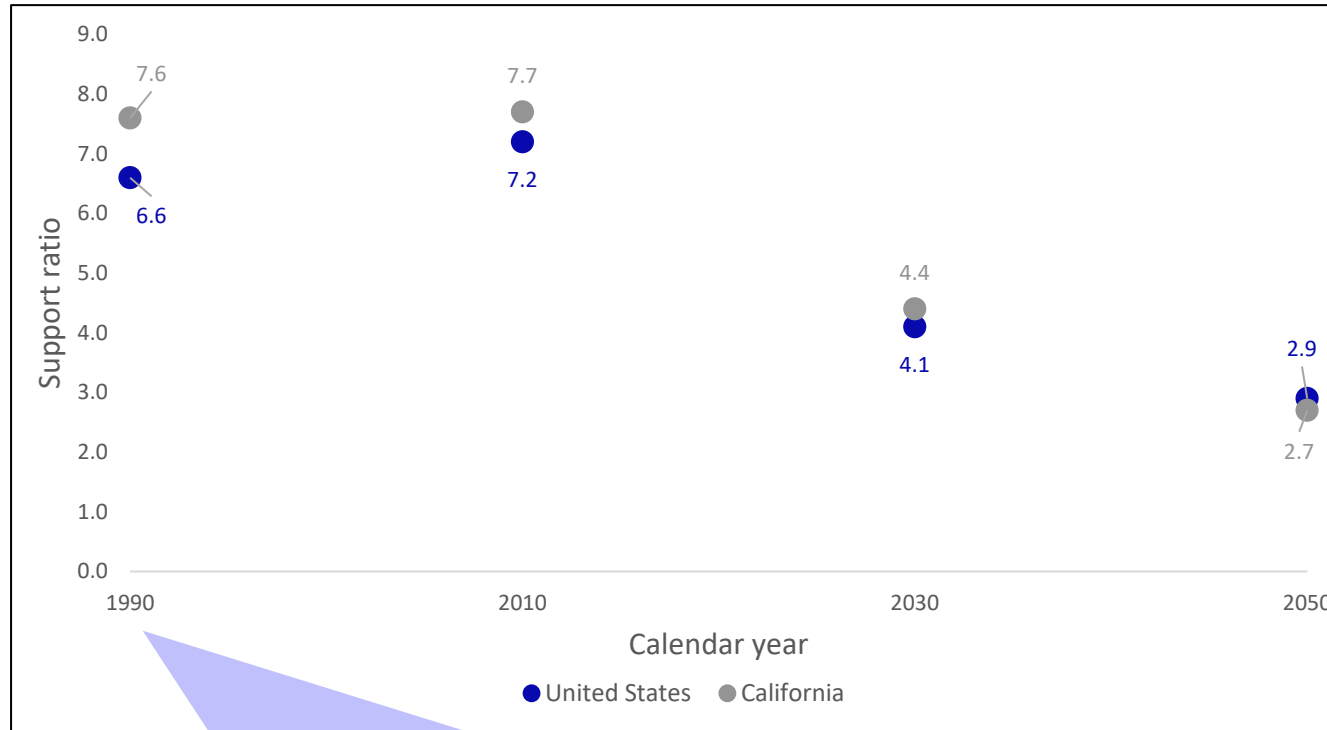
Oliver Wyman was commissioned by the California Department of Insurance to provide support associated with assessing the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports. The primary audience for this report includes stakeholders from the California Department of Insurance, members of the Long-Term Care Insurance Task Force, and members of the general public within the state of California.

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SUPPLY AND DEMAND FOR CALIFORNIA'S LTSS WORKFORCE

Increased demand for long-term services and supports (LTSS) in California has been largely driven by increased prevalence of chronic conditions and longer life expectancy



The **support ratio** is defined as the proportion of **potential caregivers** (i.e., individuals aged 45-64) to **potential care recipients** (i.e., individuals aged 80+)¹

- As of 2018, an estimated 2.3 million California residents were categorized as “frail elderly”, “self-care disabled”, or “independent living disabled”²
- Approximately 1.5 million Californians were aged 80+ in 2020³
- California’s direct care workforce was comprised of nearly 696,000 workers in 2019, outnumbering that of every other occupation in the state⁴
 - More than 1.2 million jobs need to be filled by 2028 to keep up with demand
- Based on a 2019 home care market assessment, **one** caregiver for every **four** clients needing home-based care in California²
- Projected increase in LTSS demand driven by:
 - Increased prevalence of substantial functional limitations and chronic conditions among older adults
 - Longer life expectancy

¹ http://dev.giaging.org/documents/AARP_baby-boom-and-the-growing-care-gap-insight-AARP-ppi-ltc.pdf

² <https://icagroup.org/wp-content/uploads/2019/12/Home-Care-Market-Assessment-California.pdf>

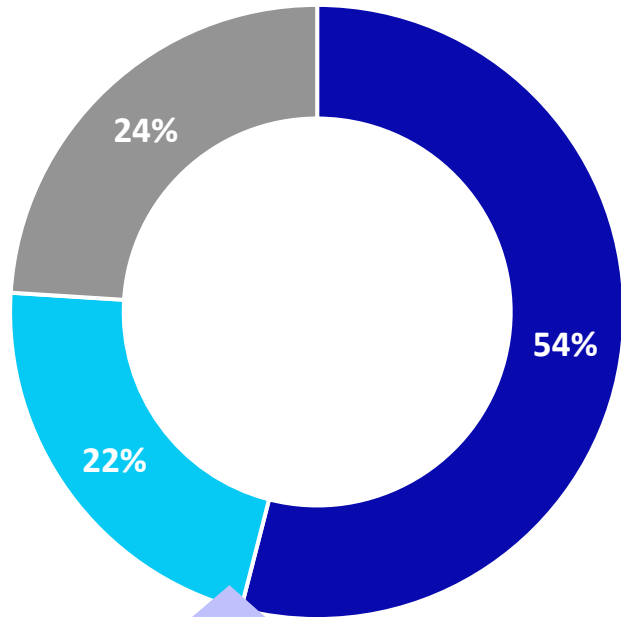
³ <https://letsgethealthy.ca.gov/mpa-data-dashboard-for-aging/>

⁴ <http://phinational.org/news/phi-releases-new-report-on-californias-direct-care-workforce>

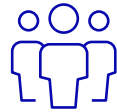
DRIVERS OF LTSS (FORMAL) CARE COSTS

Demand for services, particularly home health care, is increasing and ability to staff skilled labor is strained

Initiatives to address workforce shortages will need to be magnified with the introduction of a statewide LTC program to mitigate the impact of increased demand



2020 costs of care **increased 3-6%** over 2019 and survey participants expect costs to keep rising with 43% expecting costs to **increase by more than 5%**



Shortage of skilled labor

54% of respondents cited “shortage of skilled labor” as the main driver of increased care costs



Other cost of care drivers

Rising minimum wage and business expenses (labor, insurance, supplies, food, etc.) were identified as other key drivers of increased care costs



Everything else

Residual impacts from COVID-19, changes in care recipient demographics, changes to government programs (Medicare/Medicaid), competition from other care settings, and more luxury accommodations/expensive activities for residents were also cited as drivers

Source: Genworth Drivers of the Cost of Care (<https://pro.genworth.com/riiproweb/productinfo/pdf/650501.pdf>)

LTSS WORKFORCE CASE STUDY: GERMANY

Even a well-designed program will struggle to provide high quality, accessible care if not accompanied by long-term LTSS workforce planning and policy



Situation

- High demand – 11.6 million individuals struggle with instrumental activities of daily living, with 36% requiring LTC services
- Constrained supply – 9% of the adult German population provides informal care and over 200,000 German households employ at least one migrant informal caregiver
- Substandard pay and lack of vocational training for caregivers



Action

- Benefits for informal caregivers, including:
 - Up to ten days off work with full wage replacement
 - Insurance (e.g., health and LTC coverage) and Social Security contributions
- Effective April 2022, nationwide minimum wage for care professionals of:
 - €15.40/hour for nurses (about \$16.80)
 - €12.55/hour for nursing assistants (about \$13.70)
- Nationwide nursing training program established



Results

- **Salary growth for care professionals**
- **Improved quality of care through formal training**

Impact on salary growth (2018 to 2021):

Salary growth for
geriatric care
professionals

15.6%

Salary growth for
nurses and nursing
assistants

9.8%

Formal training program participation:

57,000

New participants in
Germany's nursing training
program (2020)

2.1%

Increase in nursing
training entrants
(2019 to 2020)

Sources: In-depth case study information (BMC Public Health, National Academy of Social Insurance); influence on salary growth (<https://www.aarpinternational.org/the-journal/current-edition/journal-articles-blog/2021/12/atj2021-schwanenflugel>); influence on training program (<https://www.bundesgesundheitsministerium.de/konzertierte-aktion-pflege.html>)

