

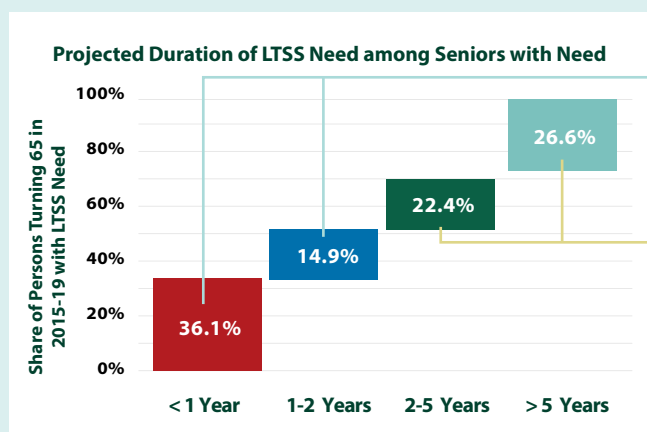
Core LTSS Decision Points for States

Program Structure

Eligible population

Only those who have paid in and vested vs. everyone Current and future disabled vs. only future disabled

Timing and duration of coverage



Who would benefit from alternative coverage durations and start times?

Front-end coverage: Everyone with LTSS need receives some benefits

Program covering first 2 years of LTSS would cover entire duration of care for the 51% who will need care for less than 2 years

For the other 49% it would cover first 2 years of LTSS need

Back-end (Catastrophic) coverage: Targets funding to those with greatest/longest LTSS needs

Program beginning with 3rd year would cover 49% of those with LTSS needs

Comprehensive coverage: Everyone with an LTSS need receives some benefits

Would cover entire period of need for everyone with significant LTSS needs

Would best serve working-age people with disabilities

Program Financing

Potential funding sources

Medicare payroll tax base

Earnings without a cap, with higher rate on earnings above \$200,000/individual (\$250,000/couple)

Medicare investment tax base

Unearned income of households with modified adjusted gross income above \$200,000/individual (\$250,000/couple)

Medicare total tax base

Combination of Medicare payroll and investment tax bases

Social Security tax base

Earnings up to an annual cap (\$132,900 in 2019)

Dedicated tax on personal income tax base

Earned and unearned income with no cap

Other sources:

general revenues, sales surtax, provider fees, estate surtax, property surtax

Tax Rates Required to Fund Some LTSS Programs, for Alternative Tax Bases*

75-Year Rates Based on a \$100 Daily Benefit

LTSS Program	Social Security Payroll Tax Rate	Income Tax Rate	Medicare Tax Base (if payroll tax only)		Medicare Tax Base (if payroll & investment income tax)		
			Payroll tax rate	Additional rate on earnings above \$200k/\$250k	Payroll tax rate	Additional rate on earnings above \$200k/\$250k	Investment income tax Rate
Front-end coverage** (\$36,500 max benefit)	0.75%	0.58%	0.59%	0.18%	0.56%	0.17%	0.74%
Home care only (\$36,500 max benefit)	1.08%	0.83%	0.85%	0.26%	0.81%	0.25%	1.06%
Home care only (No benefit max)	4.03%	3.11%	3.19%	0.99%	3.02%	0.94%	3.96%
Catastrophic coverage***	0.74%	0.57%	0.58%	0.18%	0.55%	0.17%	0.72%

*States can fund LTSS benefits from one or multiple revenue sources; doing the latter would lower the rate required to be levied on each individual tax base. **Paying home care/nursing home benefits up to the first \$36,500 of covered expenses ***Paying home care/nursing home benefits after two years

Issues to consider in choosing funding source

Size of tax base • Affordability for the insured • Connection with program benefits • Fiscal sustainability • Political sustainability