



Designing a State-Based Social Insurance Program for Universal Family Care

2019

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE

Preface

ABOUT THE CHAPTER

This chapter explores state-level social insurance solutions to the growing challenges families face in meeting their care needs across generations while still making ends meet. It is the culminating chapter of this report, elaborating policy options for the design of a Universal Family Care program that would provide early child care and education (ECCE) benefits, paid family and medical leave (PFML), and long-term services and supports (LTSS) through one integrated care insurance fund. It does not offer policy recommendations but instead identifies key decision points for states to consider in crafting a program, elaborates a range of illustrative approaches states could adopt, and analyzes tradeoffs among these approaches. This analysis was developed during a year of deliberations by a Study Panel Working Group of 10 policy experts with a variety of perspectives. It was informed by the work of the broader Universal Family Care Study Panel of 29, and it builds on the analysis of the previous three chapters on ECCE, PFML, and LTSS policy. This chapter can be read independently, but the reader may wish to consult the previous chapters for more in-depth analysis of those policy domains. While addressed primarily to state policymakers, this report may also be of interest to providers, advocacy organizations, and administrators, as well as to any person interested in these issues.

Universal Family Care Working Group

Eddie Armentrout*

Consulting Actuary, Actuarial Research Corporation

Henry Claypool*

Policy Director, Community Living Policy Center, UCSF

Marc Cohen*

Co-Chair and Professor, Gerontology Institute,
University of Massachusetts, Boston

Indivar Dutta-Gupta*▲

Co-Executive Director, Economic Security and Opportunity Initiative,
Georgetown Center on Poverty and Inequality

Kathryn Edwards*

Associate Economist, RAND Corporation;
Professor, Pardee RAND Graduate School

Joan Entmacher*

Senior Fellow, National Academy of Social Insurance

Heidi Hartmann*

President and CEO, Institute for Women's Policy Research;
Economist in Residence, American University; MacArthur Fellow

Michael Miller

Director, Strategic Policy, Community Catalyst

Rebecca Owen*

Consulting Actuary, HealthCare Analytical Solutions, Inc.

Mary Sowers

Executive Director, National Association of State Directors of
Developmental Disabilities Services (NASDDDS)

* Member, National Academy of Social Insurance

▲ Board Member, National Academy of Social Insurance

Project Staff

Benjamin W. Veghte, Study Panel Director

Vice President for Policy
National Academy of Social Insurance
(until June 2018)

Caregiving Policy Consultant
National Academy of Social Insurance
(July 2018 – June 2019)

Alexandra L. Bradley

Lead Policy Analyst, Health and Caregiving
National Academy of Social Insurance
(until November 2018)

Caregiving Policy Consultant
National Academy of Social Insurance
(December 2018 – June 2019)

Suggested Citation

Benjamin W. Veghte, Alexandra L. Bradley, Marc Cohen, and Heidi Hartmann, "Designing a State-Based Social Insurance Program for Universal Family Care," in *Designing Universal Family Care: State-Based Social Insurance Programs for Early Child Care and Education, Paid Family and Medical Leave, and Long-Term Services and Supports*, eds. Benjamin W. Veghte, Alexandra L. Bradley, Marc Cohen, and Heidi Hartmann (Washington, DC: National Academy of Social Insurance, 2019).

TABLE OF CONTENTS

Preface	221
Executive Summary	227
I. Introduction: The Case for Rethinking Our Fragmented, Means-Tested Approach to Care Policy	228
II. Overview of Key UFC Policy Design Elements and Considerations	248
III. Illustrative Approaches to Universal Family Care	258
IV. Integration Considerations	274
V. Implementation Considerations	284
VI. Conclusion	294

EXECUTIVE SUMMARY

Gaps in our care infrastructure make it difficult for many workers to juggle the needs to earn a living and to provide care for family members. Similarly, people needing time off work to recover from an illness or injury, as well as those needing long-term services and supports (LTSS) to cope with a disability (either lifelong or in old age), often find that today's patchwork of programs falls short.

Our early child care and education (ECCE) and LTSS systems are fragmented and means-tested, limited to serving only a fraction of even poor and low-income Americans. The broad middle class has inadequate care options and support. Paid family and medical leave (PFML)—which makes it possible for workers to care for a family member, bond with a new child, or recover from a medical condition without significantly compromising the family finances—is available in only a handful of states. Providers of ECCE and LTSS are poorly compensated, which limits the size and skills of the care workforce and affects the quality and reliability of care. Against this background, an integrated, holistic approach to family care needs over the lifespan merits consideration; such an approach also could address the needs of care workers, who are disproportionately women and people of color and face their own family care challenges.

Universal Family Care (UFC) is a policy designed to strengthen our care infrastructure to meet families' changing care needs over time. It would make an affordable, integrated care system available to all. Everyone would both contribute to and benefit from a single "care insurance fund." National programs

including Social Security and state programs such as PFML have successfully used this social insurance model. In this report, we focus on state-level policy options, although such an approach could be adopted at the federal level as well.

The UFC insurance fund would cover ECCE, PFML, and LTSS needs when they arise, and provide benefits to families through a single access point. In crafting a UFC program, states will need to make design choices on a variety of issues, including the level of comprehensiveness regarding who is covered and for what, the sources of funding, eligibility requirements, benefit adequacy, and qualifying events. To understand tradeoffs in design choices, we present four illustrative UFC designs, each expressed as packages of ECCE, PFML, and LTSS benefits. The choices vary primarily by their benefit generosity and by whether the program is funded solely by contributions or also by additional revenues to achieve universal coverage. Once a state has decided upon a structural design approach, choices remain concerning the degree of internal UFC integration across its ECCE, PFML, and LTSS components, as well as the relationship of UFC benefits to existing ECCE programs and Medicaid LTSS.

As states weigh how to help families cope with managing work and family, encourage greater labor force participation, improve the quality of jobs in the rapidly expanding care sector, and assist families with care costs, UFC holds the potential to address these challenges in a holistic way.

Section I.

**INTRODUCTION:
THE CASE FOR
RETHINKING OUR
FRAGMENTED,
MEANS-TESTED
APPROACH TO
CARE POLICY**

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE

Caring for family members can give us some of the most meaningful and joyful experiences of our lives. But gaps in the current care infrastructure mean that these experiences are often overshadowed by the struggle to both earn a living and provide care for children, parents, or other family members. Similarly, people needing time off work to recover from an illness or injury, as well as those needing long-term services and supports (LTSS) to cope with a disability (either lifelong or in old age), often find that today's patchwork of supports falls short.

Families have always coped with the risk of needing to receive or provide care—whether for children, those coping with illness or injury, or people with functional or cognitive support needs. Yet the share of families with a stay-at-home caregiver has sharply declined in recent decades. Most of today's families with children need all parents' earnings to make ends meet; 64 percent of mothers bring in at least one quarter of family earnings, including 41 percent who bring in half or more.¹ For many families, the care risk has become unmanageable, or manageable only at significant cost in terms of family members' health, well-being, income, and careers.

Purchasing paid services to relieve the burden on family caregivers is expensive and unaffordable for many families. These family care challenges are now being exacerbated by the aging of the Baby Boomers and the growing shortage of family caregivers, as the growth in persons 80 and older far outpaces the growth in potential caregivers ages 45-64.²

Our systems for providing affordable early child care and education (ECCE) and LTSS are fragmented and limited to those with low income, leaving the broad middle class to muddle through with inadequate care options and supports. Paid family and medical leave (PFML)—which makes it possible for workers to care for a loved one, bond with a new child, or recover from a medical condition without significantly compromising the family finances—has been enacted in only seven states (California, Connecticut, Massachusetts, New Jersey, New York, Rhode Island, and Washington) and the District of Columbia.³ At the same time, child care and long-term care jobs are poorly compensated, which limits the size and skills of the care workforce as well as the quality and reliability of care.⁴ To address these challenges, policymakers might consider a comprehensive approach to meeting the caregiving needs of families

¹ Sarah Jane Glynn, "Breadwinning Mothers Continue to be the U.S. Norm," Center for American Progress, May 10, 2019, <https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/>.

² Donald Redfoot, Lynn Feinberg, and Ari Houser, "The Aging of the Baby Boom and the Growing Care Gap: A Look at Future Declines in the Availability of Family Caregivers," AARP Public Policy Institute, August 2013, <https://www.aarp.org/home-family/caregiving/info-08-2013/the-aging-of-the-baby-boom-and-the-growing-care-gap-AARP-ppi-ltc.html>.

³ PFML is currently available in California, New Jersey, New York, and Rhode Island, and is awaiting implementation in Connecticut, the District of Columbia, Massachusetts, and Washington.

⁴ Robert Espinoza, "Workforce Matters: The Direct Care Workforce & State-Based LTSS Social Insurance Programs," PHI, 2019 (Forthcoming); Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, "Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care," Creative Commons, 2017, http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf.



across their lifetimes. The needs of care workers themselves—who are disproportionately women and people of color—and their families should also be considered within such a framework. This concluding chapter of the report analyzes policy options for states interested in Universal Family Care (UFC), a proposal for a new, integrated social insurance program to support families in coping with the risk of needing to provide or receive care across generations. Family members would contribute to a care insurance fund out of their earnings, from their first job onward, and receive ECCE, PFML, or LTSS benefits when they need them.⁵ (Policy options for these three components of UFC were analyzed in depth in the previous chapters and will be examined in the context of UFC in Section III of this chapter.) The chapter will present four policy options for Universal Family Care, and explore the tradeoffs among them.

Universal Family Care is a proposal for a new, integrated social insurance program to support families in coping with the risk of needing to provide or receive care across generations. Family members would contribute to this program from their first job onward and receive ECCE, PFML, or LTSS benefits when they need them.

UFC is a policy designed to strengthen our care infrastructure to meet the growing and changing needs for care supports of families across the income spectrum. The goal is to create an affordable, integrated care system

⁵ In social insurance, “contributions” are taxes earmarked for a specific program. The vehicle is typically a payroll or income tax. [Theodore R. Marmor, Jerry L. Mashaw, and John Pakutka, *Social Insurance, America’s Neglected Heritage and Contested Future* (Los Angeles: Sage, 2014)].

available to all families, replacing today's fragmented, means-tested patchwork of programs. Everyone would contribute into one care insurance fund, and everyone would be eligible to benefit from the risk protections provided by the fund. UFC would build on proven social insurance approaches utilized in national programs like Social Security and Medicare Part A (Hospital Insurance) and state programs like PFML (enacted in seven states and the District of Columbia) and LTSS (enacted in Washington State in 2019). As in Medicare, contributions would be made out of all earnings, and benefits would be portable across jobs.

This chapter begins with an analysis of deficits in our current policy approaches and how UFC could address them. It then explores key decision points for states considering reimagining their care infrastructure, presents and evaluates four illustrative approaches to UFC design, and concludes with a discussion of key issues in program integration (both internally and in relation to existing programs) and implementation.

The Status Quo Is Costly to Those in Need of Care, Family Caregivers, and the Economy

Today, most families pay for care when it is needed, often when they can least afford it. For instance, families often need child care supports relatively early in their careers—

when work histories are often shorter and earnings lower—and LTSS when people are retired and perhaps living on a fixed income. Lack of access to paid family and medical leave can be costly as well—a person may lose wages or even have to quit their job to take time off for a serious medical condition, pregnancy, surgery, or injury, or to provide care to a loved one experiencing one or more of these health issues.

Early child care and education—particularly high-quality, center-based programs—is well beyond the means of many families.⁶ On average, families with a four-year-old in a legally operating child care facility can expect to pay roughly \$9,000 annually for center-based care or around \$8,300 for home-based care.⁷ For a toddler (age 1-3), the annual cost of center-based care rises to around \$10,000, and for an infant (age 0-1) to roughly \$11,600. These figures vary widely across states, and they do not take into account additional expenses for extra services such as extended or flexible hours. The average cost of ECCE represents 10 percent of the average earnings of married co-parent households with minor children and over one-third (37 percent) of the earnings of the average single parent.⁸ Based on standards established by the U.S. Department of Health and Human Services, child care should take up no more than seven percent of a family's income to be considered affordable. By this measure, high-quality ECCE is unaffordable for many American families.⁹

⁶ Elise Gould and Tanyell Cooke, "High-Quality Child Care Is Out of Reach for Working Families," Issue Brief #404, Economic Policy Institute, 2015, <https://www.epi.org/files/2015/child-care-is-out-of-reach.pdf>.

⁷ Child Care Aware of America, "The U.S. and the High Cost of Child Care: 2018 Report," 2018, <http://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/>.

⁸ Ibid.

⁹ Office of Child Care (OCC), Administration for Children and Families (ACF), Department of Health and Human Services (HHS), "Child Care and Development Fund (CCDF) Program," 2016, <https://www.federalregister.gov/documents/2016/09/30/2016-22986/child-care-and-development-fund-ccdf-program>.



A lack of paid leave is costly for workers needing to provide care to their aging parents, children, or other family members, or to take time off to receive care themselves. The federal Family and Medical Leave Act of 1993 (FMLA) gives many U.S. workers the right to *unpaid*, job-protected time off to provide or receive care. But because of restrictive eligibility requirements, roughly 40 percent of workers are excluded entirely from FMLA coverage, and those who are covered often cannot afford time away from work without any compensation.¹⁰ No national policy provides or mandates that workers receive paid family or medical leave, although seven states

(California, Connecticut, New Jersey, Rhode Island, New York, Washington, Massachusetts) and the District of Columbia have enacted their own PFML programs.¹¹ Only 39 percent of civilian workers have short-term disability insurance (paid medical leave),¹² and only 17 percent have paid leave for caregiving, through an employer-provided benefit.¹³

Long-term services and supports most often are needed for less than two years, but they are expensive. Among the roughly half of Americans 65 and older who will have significant LTSS needs, the average total cost will be \$266,000 in today's dollars, and

¹⁰ Jacob Alex Klerman, Kelly Daley, and Alyssa Pozniak, "Family and Medical Leave in 2012: Technical Report," Cambridge, MA: Abt Associates, Revised April 2014, <http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf>.

¹¹ Ibid.

¹² Bureau of Labor Statistics, "Table 16. Insurance Benefits: Access, Participation, and Take-Up Rates, Civilian Workers, March 2018," U.S. Department of Labor, 2019, <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/civilian/table16a.htm>. "Civilian workers" are defined by the Bureau of Labor Statistics as all private industry and state and local government workers. Federal government, military, and agricultural workers are excluded.

¹³ Bureau of Labor Statistics, "Table 32. Leave Benefits: Access, Civilian Workers, March 2018," U.S. Department of Labor, 2019, <https://www.bls.gov/ncs/ebs/benefits/2018/ownership/civilian/table32a.htm>.

a little more than half of that will have to be paid out of pocket.¹⁴ Some younger people with disabilities have lifelong LTSS needs and expenses. The affluent can pay for LTSS out of their income and savings; a few people (only about seven percent of adults 50 or older) have private long-term care insurance.¹⁵ Those in the broad middle class either forgo paid care (relying on family members to be available to provide care), pay for it out of limited income and savings until they deplete their assets and qualify for Medicaid, or simply forgo needed care altogether. If a person goes on Medicaid, they must contribute most of their income to their LTSS costs, and they may be forced to enter a nursing facility instead of staying at home because they cannot access Medicaid's limited home and community-based services benefits.

Because of the gaps in our care infrastructure, many family caregivers have to muddle through with inadequate supports. Caregiving has historically been an undervalued activity,¹⁶ typically carried out by women, and this has had many negative effects on individual and family well-being. Family caregivers face a range of risks to their personal well-being, from social isolation to damage to their immediate and long-term financial

security, careers, and health.¹⁷ Professional care workers face substantial challenges as well, including low wages, limited potential for professional growth, exclusions from traditional employment benefits, difficult working conditions, and often long hours and unpredictable scheduling.¹⁸

Universal Family Care Takes a Holistic, Integrated Approach

UFC encompasses ECCE, PFML, and LTSS benefits, but it is more than the sum of these parts. It is not based on the administrative logic of combining these programs, but rather takes a holistic approach to families' care experiences, which change over time. While ECCE, PFML, and LTSS are typically siloed in public debate and social policy, families often experience them as overlapping and interrelated. For instance, a parent may be coping with their own medical needs while also caring for a child or aging family member with long-term care needs.

UFC encompasses ECCE, PFML, and LTSS benefits, but it is more than the sum of these parts.

¹⁴ Melissa Favreault and Judith Dey, "Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, Washington, D.C., February 2016, <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>.

¹⁵ Life Insurance and Market Research Association (LIMRA), "Combination Products Giving Life Back to Long-term Care Market," 2017, https://www.limra.com/Posts/PR/Industry_Trends_Blog/Combination_Products_Giving_Life_Back_to_Long-term_Care_Market.aspx.

¹⁶ Paula England, "Emerging Theories of Care Work," *Annual Review of Sociology*, Vol. 31, August 2005, <https://doi.org/10.1146/annurev.soc.31.041304.122317>.

¹⁷ National Academies of Sciences, Engineering, and Medicine, *Families Caring for an Aging America* (Washington, DC: The National Academies Press, 2016).

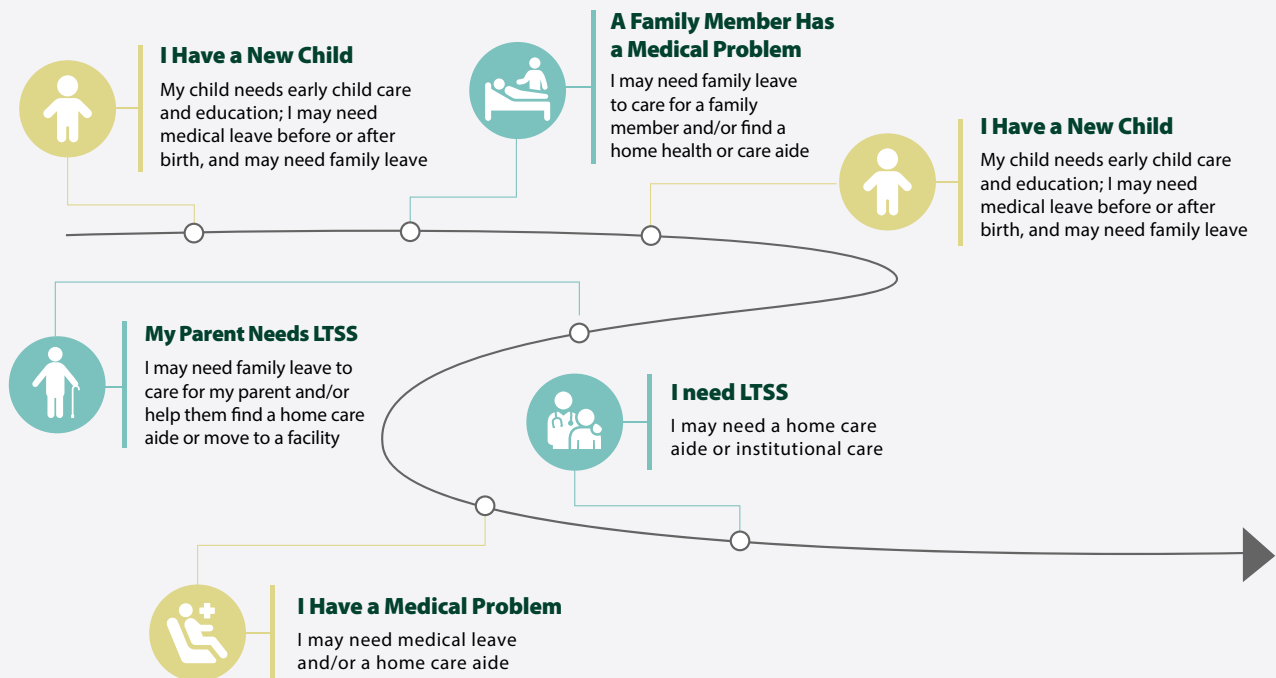
¹⁸ Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, "Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care," Creative Commons, 2017, http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf.

The **Sandwich Generation** is made up of people providing both elder and child care at the same time. Roughly one in six working adults (nearly 25 million people) is providing care for a family member over 65, and more than one in four of these people (27.5 percent) care for children as well. A majority of these family caregivers are middle-aged, but nearly a quarter are millennials (age 15-34).¹⁹ Some adults leave the workforce entirely because they cannot manage the competing demands of work and caregiving.

UFC is a holistic program, providing a one-stop shop—a single user access point (discussed in depth in Section IV)—for a broad range of family

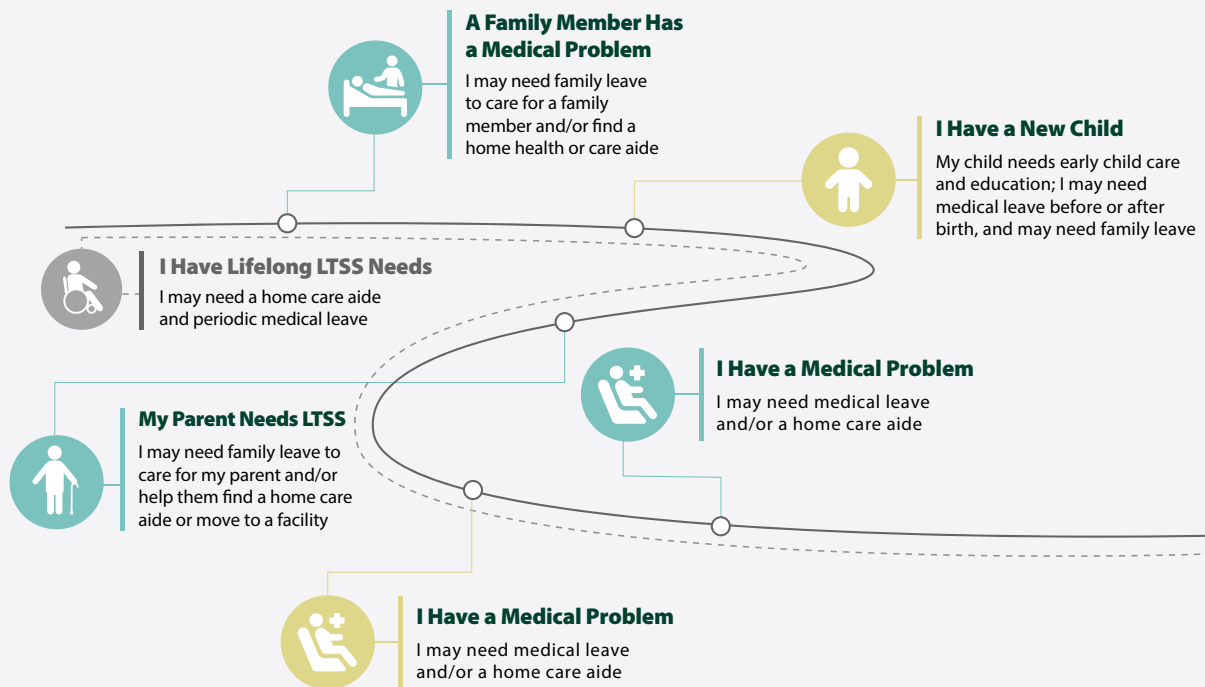
care supports over the life course. While the timing and duration of each family’s care needs differ, Figure 1 represents a common scenario.

FIGURE 1: Care Needs Across the Life Course: A Typical Scenario



¹⁹ U.S. Department of Labor, *Navigating the Demands of Work and Eldercare* (Washington, DC, 2016), http://digitalcommons.ilr.cornell.edu/key_workplace/1602.

FIGURE 2: Care Needs Across the Life Course: A Scenario with Lifelong LTSS Need



At various points across the life course, an individual may need early care and education for a child; time off from work to recover from an injury, surgery, or other medical condition; time off to care for a family member with a serious health problem; LTSS for a spouse, parent, or family member with a disability; and/or LTSS for their own functional and/or cognitive impairment in old age. And for some people, an ongoing and permanent need for LTSS is added to the scenario from the onset of a disability (Figure 2).

The holistic approach of UFC also takes into account the fact that a family's needs for different kinds of care are interrelated. Care involves a nexus of people and relationships: the person needing care or support, the

family caregiver(s), the care worker(s), the person managing the care, and family members who receive less time and attention from the primary caregiver or care worker as a result of the care they provide. Addressing the needs of one person can reduce some of the pressure on the others. A parent is relieved when a child has access to affordable

Care involves a nexus of people and relationships: the person needing care or support, the family caregiver(s), the care worker(s), the person managing the care, and family members who receive less time and attention from the primary caregiver or care worker as a result of the care they provide.



day care. A child's welfare is improved when a parent can afford to take time off work to bond with a new baby or provide care when the child is sick. A family caregiver of a person with LTSS needs is supported when that person has access to paid care.

A parent is relieved when a child has access to affordable day care. A child's welfare is improved when a parent can afford to take time off work to bond with a new baby or provide care when the child is sick. A family caregiver of a person with LTSS needs is supported when that person has access to paid care.



Esmerelda is a young Sandwich Generation caregiver who lives at home with both her mother, who has schizophrenia, and her two-year-old daughter.

“I’m home full time with basically two toddlers, and it’s overwhelming. My family doesn’t see caregiving as work because there’s no money coming in. If I had some income, I could hire someone to take care of my mom. I could get back on my feet and go back to school.”

She does not manage her own or her family members’ care needs in isolation, but rather must cope with the intersecting challenges of caring for two other dependents, while also trying to establish a footing in the labor market. A program that streamlines supports for child care, elder care, and paid family leave in one program would enable Esmerelda to secure the quality care they need and get a job or even start a career. It would free her from the endless loop of providing care, filling out forms, and meeting activity requirements for public assistance.

The Advantages of Addressing a Broad Range of Caregiving Needs in One Integrated Program

While discrete programs that address one type of care are helpful, an integrated approach encompassing the entirety of the care nexus would be far more effective in supporting families. Today, the provision of and payment for care is highly fragmented. Different care needs are targeted by a range of programs, each with differing age-based, financial, and clinical and functional eligibility criteria. And each type of care need is further fragmented within itself. Young children may be eligible for different ECCE programs simultaneously or successively. In Medicaid, home and community-based services (HCBS) are treated very differently from institutional care. Even within HCBS, people with intellectual and developmental disabilities are often served by different waiver programs than are older adults—even when they are in the same family—creating a labyrinth of bureaucratic confusion. Eligibility for ECCE and LTSS can change quickly with shifts in family income (and for Medicaid LTSS, assets). All of this fragmentation has unintended consequences and often obliges families needing care to navigate and overcome multiple bureaucratic hurdles.

While discrete programs that address one type of care are helpful, an integrated approach encompassing the entirety of the care nexus would be far more effective in supporting families.



Leah works full-time as a marketing manager. She is the 30-year-old mother of a two-year-old son, and is currently pregnant. She is also a part-time caregiver for her 78-year-old father, who has serious health issues. She worries that care for her dad has taken her away from her son.

“I’ve been spending less time with him and missing out on those moments I would love to catch ... I’m the only child of immigrant parents, so care is all on me. Caring for my dad has brought on a lot of stress and frustration. Having someone to step in, even just to walk with him or offer him advice, would strengthen our relationship and make a world of difference.”

A one-stop approach would ease this burden. Universal Family Care would enable all families to access care supports from one program rather than through a series of means-tested, bureaucratic processes. Family members would contribute to UFC from their first job onward and sign up for benefits the first time they need care. From then on,

when family care needs arise, they could re-engage the program in a less burdensome way, much like Americans deal with Social Security or traditional Medicare. (Recall that Social Security, like Universal Family Care, covers multiple risks in one overarching program: the financial risks of disability, retirement, and death of a breadwinner. Medicare also covers various types of health care risks and benefits in one program: the need for physician care, hospital care, prescription drugs, and others.)

A one-stop approach would ease this bureaucratic burden. Universal Family Care would enable all families to access care supports from one program rather than through a series of means-tested, application processes.

Creating one integrated program in place of a balkanized set of programs would also streamline program administration, and this could result in efficiencies and savings. There is a core set of functions in all care benefit programs: collecting contributions, managing program finances, determining eligibility, certifying providers, tracking claims, making payments, and ensuring program integrity, to name a few. Administrative costs are almost always lower when one integrated program handles these core functions.

In addition, an integrated program can enable a state to address several facets of a problem, not just one part of it. Just as legislating

universal pre-K does not work in practice unless accompanied by policies to ensure the supply of well-trained pre-K teachers, providing LTSS benefits does not guarantee that people’s needs will be met effectively without establishing and enforcing job quality standards and investing in workforce training. And trained care workers will be unable to provide reliable care unless they have access to ECCE, PFML, and LTSS for their own family members.

In sum, from the perspective of both families’ care experiences and public administration, there are synergies in addressing the multifaceted and longitudinal care nexus holistically. In the following sections of this chapter, we discuss how such an integrated policy could be designed.

Why Adopt a Universal Social Insurance Approach?

Programs targeting low-income people, like most of today’s ECCE and LTSS programs (see discussion in Chapters 1 and 3), can provide critical assistance to their beneficiaries. However, a universal, social insurance approach has advantages.²⁰

Social insurance programs address the needs of not only those with low income, but also the broad middle class. The rationale for such a universal approach is that the need or “risk” being insured against is a normal part of social or biological life for everyone, not just those with low income. Social insurance programs are typically funded by contributions (dedicated taxes) from workers

²⁰ Social insurance programs can be structured to be universal only for those who have contributed or can include additional provisions rendering them universal for all residents. These issues are discussed in Sections III and IV.



and/or their employers, rather than from general revenues. For several reasons—contributors are also beneficiaries, benefits are seen as “earned,” and people across the income spectrum benefit—there tends to be broad buy-in among citizens²¹ and social cohesion is fostered. As a result, universal social insurance programs have, empirically, been able to generate far greater revenue than programs targeting those with low income, both in aggregate and per enrollee or beneficiary.²²

Because social insurance programs typically have dedicated contributory financing held in a trust fund and so do not have to compete with other programs for limited general revenues, they tend to be fiscally and politically stable. This is an important consideration for a program like Universal Family Care, which is designed to enable

families to make long-term decisions about family formation, child care, and elder care.²³ Another advantage of a social insurance approach is that families can qualify for care supports without having to file extensive paperwork to prove that they have low income and assets.²⁴ This also means that there are few “income cliffs” (which create perverse work or earnings incentives) or “asset cliffs” (which give rise to complex and inefficient “spend down” strategies).

A middle ground, known as *targeted universalism*, seeks to meet the objectives of targeted programs while maintaining the advantages of universal ones.²⁵ Funding is broad-based and often contributory, but progressive elements are built into the benefit design and/or funding mechanism. In simple terms, everyone contributes and benefits, but those with higher income pay

²¹ Theda Skocpol, “Targeting Within Universalism: Politically Viable Policies to Combat Poverty in the United States,” in Paul E. Peterson and Christopher Jencks, eds., *The Urban Underclass* (Washington, DC: Brookings Institution, 1991); Theodore R. Marmor, “Beneath the Surface. Social Insurance and American Health Care: Principles and Paradoxes,” *Journal of Health Policy, Politics, and Law*, Vol. 43, No. 6, December 2018, DOI 10.1215/03616878-7104419; Robert Greenstein acknowledges that universalistic approaches engage the political support of broader constituencies but notes that targeted programs, if designed well, can also endure and grow over time, giving as examples Medicaid, the Earned Income Tax Credit, and the Supplemental Nutrition Assistance Program (Food Stamps). Robert Greenstein, “Universal and Targeted Approaches to Relieving Poverty: An Alternative View,” in Paul E. Peterson and Christopher Jencks, eds., *The Urban Underclass* (Washington, DC: Brookings Institution, 1991).

²² This is true, for example, of both Social Security compared to Supplemental Security Income, and Medicare compared to Medicaid. “Fast Facts and Figures about Social Security, 2018,” Social Security Administration, September 2018, https://www.ssa.gov/policy/docs/chartbooks/fast_facts/index.html; Kaiser Family Foundation, “Medicaid Spending per Enrollee,” <https://www.kff.org/medicaid/state-indicator/medicaid-spending-per-enrollee/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>; Kaiser Family Foundation, “Medicare Spending per Enrollee,” <https://www.kff.org/medicare/state-indicator/per-enrollee-spending-by-residence/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>; Centers for Medicare and Medicaid Services, “NHE Fact Sheet,” <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>.

²³ For an in-depth discussion of the conceptual foundations of social insurance, see Theodore R. Marmor, “Beneath the Surface. Social Insurance and American Health Care: Principles and Paradoxes,” *Journal of Health Policy, Politics, and Law*, Vol. 43, No. 6, December 2018, DOI 10.1215/03616878-7104419.

²⁴ While eligibility is not means-tested in universal programs, benefit levels are, in some cases, related to income. For example, ECCE benefits can be structured in relation to family income, and paid leave benefits are a percentage of prior income.

²⁵ Theda Skocpol, “Targeting Within Universalism: Politically Viable Policies to Combat Poverty in the United States,” in Paul E. Peterson and Christopher Jencks, eds., *The Urban Underclass* (Washington, DC: Brookings Institution, 1991).



more, and those with greater need receive more. In such an approach, a program can be well-resourced and politically sustainable, but also do the most good for those most in need of support.

Targeted universalism seeks to meet the objectives of targeted programs while maintaining the advantages of universal ones. Funding is broad-based and often contributory, but progressive elements are built into the benefit design and/or funding mechanism.

A social insurance approach to UFC would be considered targeted universalism if its financing and/or benefits were, on the whole, progressive. An example of progressive social insurance financing is the Medicare Part A (Hospital Insurance) tax base, which requires a higher contribution on earnings above a certain level and includes investment income. Similarly, Medicare Parts B and D are funded by contributions based on income level, supplemented by general revenues (which themselves are progressively financed). In most ECCE program designs, the benefit would equal the cost of care minus seven percent of household income, so that lower-income families would receive greater benefits than higher-income families. Most PFML program designs utilize a benefit formula with bend points and a benefit maximum; that is, they replace a higher share of wages for low-income workers than for middle- or high-income workers, rendering the benefit

formula progressive (see Chapter 2, Table 1, pp. 94-99). And because people with lower income at age 65 have, on average, greater need for LTSS than do higher-income individuals, they tend to receive more LTSS benefits.²⁶

If one compares a social insurance approach to a private insurance approach, the former tends to be more affordable for the consumer than the latter, for several reasons. First, social insurance pools risk—and spreads the cost of coverage—across the entire workforce or population. This means that low-risk and high-risk individuals are all in the same risk pool, lowering per-person costs compared to a voluntary private insurance approach, which is vulnerable to adverse selection. Second, social insurance programs typically calculate contributions as a percentage of income, while private insurance bases premiums on the severity of a person’s risk of needing care. And third, in social insurance there are limited or no marketing, sales, or underwriting expenses.

Why UFC Could Be Pursued at the State Level

Universal Family Care could be introduced at the state or federal level. Doing so at the federal level could make integration with

existing programs easier and also avoid complications in covering those who live in one state and work in another, or who move from one state to another. However, the states are the focus of this report, both because the challenges to state-level UFC adoption are navigable (see Sections IV and V), and because the states have a key role to play in social policy innovation.

States led the way in creating social insurance protections in Workers’ Compensation, Unemployment Insurance, and Paid Family and Medical Leave.²⁷ Washington State recently passed the nation’s first LTSS social insurance program. Moreover, state and local governments have decades of experience administering ECCE and LTSS programs. They already perform functions such as defining and assessing benefit eligibility, certifying qualified providers, and reimbursing providers. States have a wealth of knowledge and experience that can easily be built on as a Universal Family Care program is designed and implemented. Finally, a UFC social insurance program with dedicated financing would fund much of a state’s paid LTSS needs, relieving pressure on its Medicaid budget, which is funded by general revenues.²⁸ Thus, there is no reason to believe that states must “sit on their hands”

²⁶ Melissa Favreault and Judith Dey, “Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief,” Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, February 2016, <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>.

²⁷ Four states—California, New Jersey, New York and Rhode Island—operate PFML social insurance programs, and four more jurisdictions—Connecticut, the District of Columbia, Massachusetts, and Washington—have recently enacted PFML programs that are currently awaiting implementation. For in-depth descriptions of these programs, see Chapter 2.

²⁸ Universal Family Care would reduce Medicaid spending over the long term. A back-end or comprehensive (with no time limit on benefits) LTSS program would reduce Medicaid LTSS spending by 32 or 35 percent, respectively, by 2070, compared to currently projected spending. Melissa M. Favreault, Howard Gleckman, and Richard W. Johnson, “How Much Could Financing Reforms for Long-Term Services and Supports Reduce Medicaid Costs?,” The Urban Institute, February 2016, https://www.thescanfoundation.org/sites/default/files/how_much_could_financing_reforms_for_ltss_reduce_medicaid_costs_feb_2016.pdf.

and wait in the absence of federal solutions; in fact, they have particularly relevant capacities to successfully put forward such an approach.

How Much Would a UFC Program Cost?

In-depth modeling of the cost and impact of UFC policy at the state and federal levels will be undertaken in late 2019 using the

illustrative UFC policy packages discussed in Section III of this chapter. For this report, we have developed preliminary estimates of the social insurance contribution or tax rate which might be required to fund a sample UFC program, using a range of possible tax bases (Table 1). These are ballpark estimates at the national level for a set of program components for which dollar cost estimates are publicly available today.

TABLE 1: Estimated Tax Rate Required to Fund a Universal Family Care Program, for Different Tax Bases

Universal Family Care Program	Social Security Payroll Tax Base	Income Tax Base	Medicare Tax Base				
			(Payroll Only)		(Payroll & Investment)		
			Payroll	Additional rate on earnings above \$200k/\$250k	Payroll	Additional rate on earnings above \$200k/\$250k	Investment income
LTSS: Front-end coverage PFML: FAMILY Act ECCE: NAS Illustrative Package	2.02%	1.48%	1.55%	0.66%	1.44%	0.61%	2.56%

Source: Edward Armentrout, Actuarial Research Corporation (ARC) based on cost estimates from ARC, IMPAQ International/Institute for Women’s Policy Research, and the National Academies of Sciences, Engineering, and Medicine.²⁹

²⁹ Estimates are national, based on national costs and tax bases; individual states will vary. Total UFC program costs are in constant 2016 dollars, based on the sum of separate cost estimates for each component of the program. The financing estimates here are illustrative for the purpose of quantifying the possible cost of a UFC program. They are the best available estimates and fall within the range of program designs described in Chapters 1, 2, and 3 of this report. For LTSS, a 75-year cost estimate produced by ARC for the front-end coverage option described in Chapter 3 of this report is used. For ECCE and PFML, single-year estimates are used. For ECCE, the cost estimate is from the Illustrative Package elaborated in: National Academies of Sciences, Engineering, and Medicine, “Transforming the Financing of Early Care and Education,” 2018, <https://doi.org/10.17226/24984>. For PFML, the cost estimate is for The Family and Medical Insurance Leave Act from Table 3 in: IMPAQ International and Institute for Women’s Policy Research, “Estimating Usage and Costs of Alternative Policies to Provide Paid Family and Medical Leave in the United States,” Issue Brief—Worker Leave Analysis and Simulation Series, January 2017, <https://www.dol.gov/asp/evaluation/completed-studies/IMPAQ-Family-Leave-Insurance.pdf>.

Based on these preliminary estimates, the contribution level required to fund benefits could, in most program designs, be around 1.5 percent of earnings for most workers, with a higher rate on individual earnings above \$200,000 (or \$250,000 for couples). If contributions were structured as a flat rate on all earnings, the rate could be about two percent.

To elaborate on one option shown in the table: If the UFC package used above (middle-of-the-road in benefit cost and adequacy) were funded from the tax base of the Medicare payroll tax, the contribution rates required could be 1.55 percent of earnings plus an additional 0.66 percent of earnings above \$200,000 (individual)/\$250,000 (couple). With this contribution structure, a family with the median household income of \$61,372 would pay an annual contribution of \$951 (about \$79/month).³⁰ But if this family needs a home health aide, the median annual cost is around \$50,000, and if they need child care, the average annual cost for children under four is nearly \$10,000.³¹ And while the UFC program would not cover all these expenses, it would pay a substantial portion. (The ECCE benefit would pay costs in excess of seven percent of household income, and a front-end LTSS benefit would likely pay a maximum lifetime amount of around \$36,500 in today's dollars.) The advantage of the social insurance principle is clear: Workers pay in

small amounts out of every paycheck across their careers, and in times of need, they are able to draw on the program to receive valuable care supports.

The advantage of the social insurance principle is clear: Workers pay in small amounts out of every paycheck across their careers, and in times of need, they are able to draw on the program to receive valuable care supports.

How Would a UFC Program Affect Families, Workers, and the Economy?

Leaving the status quo care infrastructure intact—that is, “doing nothing”—could be the most economically and socially costly option available to policymakers. Our current arrangements leave workers and their families largely to fend for themselves when care needs arise. This has pernicious effects on child development, adult labor force participation, family economic security, health, and quality of life.

High-quality ECCE programs can have lasting effects on a child's long-term educational achievement,³² socio-emotional development,³³ lifetime earnings, and

³⁰ Median household income was \$61,372 in 2017. U.S. Census Bureau, “Income and Poverty in the United States: 2017,” September 12, 2018, <https://www.census.gov/library/publications/2018/demo/p60-263.html>.

³¹ The median annual cost of a home health aide was \$50,336 in 2018. Genworth, “Cost of Care Survey 2018,” <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>; Child Care Aware of America, “The US and the High Cost of Child Care: 2018 Report,” 2018, <http://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/>.

³² For a review of the literature on the impact of early childhood education, see: Sneha Elango, Jorge Luis García, James J. Heckman, and Andrés Hojman, “Early Childhood Education,” 2015, <https://heckmanequation.org/assets/2017/01/FINALMoffitt-ECE-Paper2015.pdf>.

³³ James J. Heckman, “Schools, Skills, and Synapses,” *Economic Inquiry*, Vol. 46, No. 3, 2008, http://jenni.uchicago.edu/papers/Heckman_2008_EI_v46_n3.pdf.



Leaving the status quo care infrastructure intact—that is, “doing nothing”—could be the most economically and socially costly option available to policymakers.

likelihood of incarceration.³⁴ Estimates of the return on investment in high-quality ECCE programs range from \$4 to \$16 for every dollar spent.³⁵ In the District of Columbia, the introduction of universal pre-K resulted in sizeable increases in labor force participation among disadvantaged mothers (and others).³⁶

Together, UFC’s ECCE and PFML benefits could make it easier for younger adults to start a family without falling off the career ladder. In 2018, the birthrate in the United States fell to a 32-year low, despite a prolonged period of economic recovery and growth. While the causes of this decline are multiple, the high cost of child care along with the need of most families for the income of all working-age adults to make ends meet could be a factor.³⁷ Access to affordable child care and paid leave could tip the balance in some couples’ decisions about whether and how many children to have.

³⁴ Arthur Rolnick, “Investing in Early Childhood Development Is Smart Economic Development,” *The Science of Early Brain Development: A Foundation for the Success of Our Children and the State Economy: First Edition*, Wisconsin Family Impact Seminars, 2014, https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s_wifis32report.pdf.

³⁵ Ibid.

³⁶ Rashid Malik, “The Effects of Universal Preschool in Washington, D.C.: Children’s Learning and Mothers’ Earnings,” Center for American Progress, 2018, <https://www.americanprogress.org/issues/early-childhood/reports/2018/09/26/458208/effects-universal-preschool-washington-d-c/>.

³⁷ Brady E. Hamilton, Joyce A. Martin, Michelle J.K. Osterman, and Lauren M. Rossen, “Births: Provisional Data for 2018,” National Center for Health Statistics, May 2019, <https://www.cdc.gov/nchs/data/vsrr/vsrr-007-508.pdf>.

With regard to LTSS, nearly 70 percent of the cost of the home and community-based care of those turning 65 today will be paid out of pocket by families³⁸—often at a time when they are least able to afford it. A social insurance mechanism would spread this cost out over the lifespan, making it much easier for those needing LTSS to stay at home and avoid or delay institutionalization. New research suggests that in the coming years, for middle-class seniors, public LTSS supports such as those UFC would provide could be the difference between being able to afford to age in place and impoverishing themselves or spending down their assets to qualify for Medicaid—which could also mean having to go into a nursing home prematurely.³⁹

For middle-class seniors, public LTSS supports such as those UFC would provide could be the difference between being able to afford to age in place and impoverishing themselves or spending down their assets to qualify for Medicaid—which could also mean having to go into a nursing home prematurely.

While improving ECCE, PFML, or LTSS policies individually would take significant pressure off families facing caregiving challenges, Universal Family Care would go further. Because it takes a holistic approach to the interdependent family care nexus, it would provide families with supports that give them more freedom to choose how to cope with their care challenges in ways that fit their needs, preferences, and constraints across generations. This could improve their well-being in terms of work and earnings, health, and quality of life. It could do so both when people are providing care and when they are receiving it. Specifically, UFC holds promise to:

- Reduce families' vast unmet need for affordable care supports;
- Increase labor force participation and wages among people providing care as well as some of those receiving care (e.g., people with disabilities, people with temporary but serious illnesses or injuries);
- Empower families to address their care needs in an integrated fashion through whichever combination of ECCE, PFML, and LTSS makes the most sense for them;
- Provide peace of mind to families long before care is needed, compared to the status quo where many dread the prospect of high child care or long-term care costs;

³⁸ Melissa Favreault and Judith Dey, "Long-Term Services and Supports for Older Americans: Risks and Financing Research Brief," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, February 2016, <https://aspe.hhs.gov/basic-report/long-term-services-and-supports-older-americans-risks-and-financing-research-brief>.

³⁹ Caroline F. Pearson, Charlene C. Quinn, Sai Loganathan, A. Rupa Datta, Beth Burnham Mace, and David C. Grabowski, "The Forgotten Middle: Many Middle-Income Seniors Will Have Insufficient Resources for Housing and Health Care," *Health Affairs*, Vol. 38, No. 5, April 24, 2019, <https://doi.org/10.1377/hlthaff.2018.05233>. See Chapter 3 of this report for a full discussion of Medicaid LTSS.



- Facilitate quality care as well as quality jobs in this fast-growing sector of the labor force by infusing funds into our care systems;
- Reduce poverty and financial shocks in families needing health care and caregiving; and
- Increase transparency, quality, and accountability in ECCE and LTSS service provision by fostering a beneficiary community that spans the income spectrum, as exists for other universal contributory programs like Medicare.⁴⁰

⁴⁰ The extent to which UFC would achieve many of these plausible outcomes will be explored in further research. As noted above, microsimulation modeling of the cost and impact of various UFC designs will be conducted in late 2019. Further research will be conducted as well on issues such as workforce implications, challenges to achieving universal coverage, strategies for covering 1099 income, integration with existing programs, and administrative implementation.

Section II.

**OVERVIEW
OF KEY UFC POLICY
DESIGN ELEMENTS
AND CONSIDERATIONS**

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE



The policy vision of Universal Family Care is a new, integrated social insurance program to support families in coping with the risk of needing to provide or receive care across the lifespan, to which everyone contributes and from which everyone is eligible to benefit. This vision can be operationalized in a variety of ways. States seeking to adopt Universal Family Care will ultimately choose a policy design that best matches their goals, preferences, and constraints.

Key decision points in UFC policy design include:

- A choice between two high-level structural design approaches—contributory (a self-funded program, where only contributors may receive benefits) or comprehensive (a program

with additional funding sources beyond contributions, where coverage is extended beyond contributors);

- A choice of financing approaches; and
- Three program “dials”—eligibility requirements, benefit generosity, and qualifying events—that can be calibrated to meet a state’s needs.

These dials can be turned up or down, making the program more or less expansive (in terms of people covered and/or benefits) and correspondingly more or less expensive. Each of the decision points explained in this section will constitute a building block for the construction of the four illustrative UFC policy constellations discussed in Section III.

FIGURE 3: Contributory Social Insurance Approach



Structural Design

There are two basic program structures: a contributory and a comprehensive approach.

Contributory approach. In the contributory social insurance design, payroll contributions (paid by the employee, the employer, or both) are pooled into a dedicated insurance fund that covers those who have contributed (Figure 3).

While covering a large majority of the population, a purely contributory program (without any additional provisions) will leave out those who do not (for various reasons) contribute to it. This includes people who are outside the formal paid labor force (because they have a disability or family caregiving responsibilities, or for some other reason), as well as those who retired before the program began and so could not contribute to it. Also excluded are those who have contributed to the program, but not long enough to meet

the eligibility requirements (discussed below). Examples of a contributory social insurance design are Social Security, Medicare Part A (Hospital Insurance), Washington State’s new LTSS program, and most state PFML programs. A key feature of a contributory social insurance design is that the program’s revenue is held in trust. The trust fund generally must balance income and outgo. For example, the Social Security Trust Funds do not have authority to draw on general revenues to make up for any current funding shortfall, nor can they borrow from the General Fund or the public.⁴¹ Similarly, existing state PFML programs are self-funded: States monitor projected program income and outgo, and they generally ensure that sufficient trust fund balances are maintained to cover at least three to six months of benefit payments and administrative costs; to keep the programs in balance over time, states may adjust up or down the payroll contribution rate or the taxable maximum, or in some cases, the maximum weekly benefit.⁴²

⁴¹ Congressional Research Service, “Social Security: The Trust Funds,” May 8, 2019, <https://fas.org/sgp/crs/misc/RL33028.pdf>.

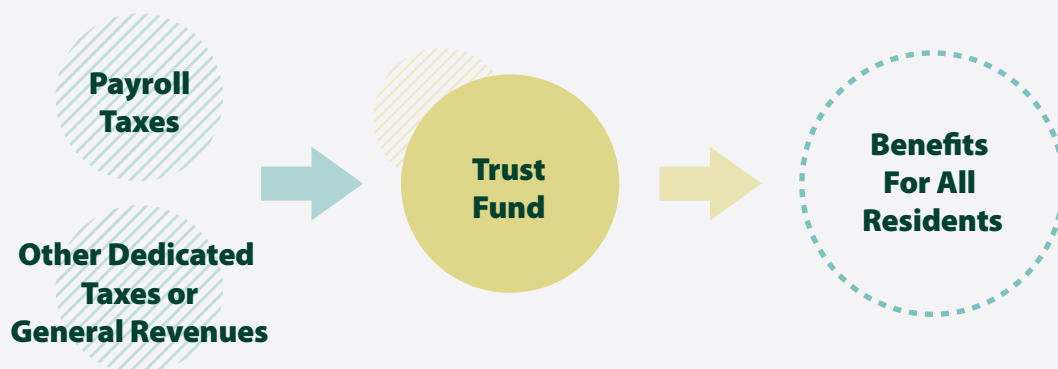
⁴² Department of Legislative Services, “Report of the Task Force to Study Family and Medical Leave Insurance,” December 1, 2017, <http://dls.maryland.gov/pubs/prod/HHS/2017-Report-of-the-Task-Force-to-Study-Family-and-Medical-Leave-Insurance.pdf>; for one state’s PFML trust fund forecast and management process see: State of California Employment Development Department, “Disability Insurance (DI) Fund Forecast,” May 2019, https://www.edd.ca.gov/About_EDD/pdf/edddiforecastmay19.pdf.

The advantage of this contributory trust-fund approach for a new UFC program is that it would cordon off the program from the rest of the budget. This would mean both that UFC would be insulated from competition with other programs for funding and that the program's spending would not negatively affect the rest of the state's budget. (In fact, UFC might result in savings in some existing programs like Medicaid and so relieve pressure on the budget.) In other words, a contributory UFC program would bring in new revenue to fund its benefits, and it could only spend what it takes in. At the same time, because the program would not have to compete with other state programs for limited revenue in annual appropriations battles, contributors would have some degree of confidence that they could count on UFC's LTSS benefits in their long-term LTSS planning. On the other hand,

a disadvantage of the contributory trust-fund approach is that in times of greater need the trust fund might not have sufficient resources to cover projected benefits. In that case, either benefits would have to be cut or the payroll tax rate increased. However, such situations could be avoided through actuarial forecasting and planning, whereby the tax rate is set to cover projected expenditure over a longer time horizon.

Comprehensive approach. In a comprehensive program design, all residents of the state are eligible for benefits from the program, regardless of whether or how much they have contributed to it. The comprehensive design is generally anchored in contributory social insurance but also includes funding from other dedicated taxes or general revenues, which are used to cover those who have not contributed (Figure 4).

FIGURE 4: Comprehensive Approach



For each of these two basic approaches, we will present (in Section III) a “core” version with modest benefits, and a more generous “expanded” version. This will yield four structural design options: Core Contributory, Expanded Contributory, Core Comprehensive, and Expanded Comprehensive.

Financing

There are two issues related to financing: choice of funding source(s), and—for LTSS benefits—use of a prefunded or pay-as-you-go approach.

Funding Sources

Potential sources of revenue include (but are not limited to):

- **Payroll contributions.** Workers and/or their employers contribute a share of their earnings to the UFC Trust Fund. Earnings from self-employment or contract work can be subject to contributions at the same rate as regular employment

earnings. Payroll contributions can be purely proportional, where the same rate is paid on all earnings; they can be regressive, where the same rate is paid on all earnings up to a cap, with no contributions due on earnings above the cap; or they can be progressive, where a higher rate is levied on earnings above a certain threshold. (The latter is the payroll contribution approach in Medicare, where earnings above \$200,000 per person or \$250,000 per couple are taxed at a higher rate.)

Payroll contributions can be purely proportional, where the same rate is paid on all earnings; they can be regressive, where the same rate is paid on all earnings up to a cap, with no contributions due on earnings above the cap; or they can be progressive, where a higher rate is levied on earnings above a certain threshold.



■ **Taxes on investment income.** A tax may be levied on unearned (investment) income, typically only for individuals or households with income above certain levels. An example is the Medicare Net Investment Income Tax, which levies a tax on investment income of those with modified adjusted gross income (MAGI) above \$200,000 (for individuals) or \$250,000 (for couples) (thresholds not indexed for inflation).

■ **Premiums.** While social insurance programs do not typically charge premiums, a UFC program might allow or require those who have not contributed to the system for the minimum period of time to qualify for coverage by paying premiums. This might include both those who have not had enough paid employment and those who retired before they could meet contribution requirements. Premium amounts would not vary according to the risk a person presented (as in private insurance) but would be community rated (with all paying the same). As a variation, a higher rate could be charged on those with higher incomes, and exemptions or subsidies could be provided to those with low incomes. Examples of this approach: Some people with insufficient work histories to qualify for Medicare Part A pay community-rated premiums for Part A coverage; all Medicare beneficiaries pay premiums to cover part of the cost of Parts B and D.

■ **General revenues.** A state could supplement social insurance contributions and/or premiums with general revenues, as in Medicare. The additional funding could

make it easier to provide more expansive coverage or benefits. However, general revenue funding is subject to annual appropriations battles and highly vulnerable to cuts. Funding a UFC program entirely from general revenues would constitute social assistance, not social insurance.

■ **Income surtax.** States could levy a surtax on their income tax base and dedicate the revenue to the new UFC program. However, income tax bases differ by state, and seven states have no income tax.⁴³

■ **Other dedicated taxes.** A state could supplement social insurance contributions and/or premiums with other dedicated taxes as well. A state could earmark a portion of the revenue from another source (e.g., sales tax, estate tax, property tax, corporate tax, or excise tax), or levy a surtax on one of these revenue sources for UFC. This would arguably be less vulnerable to annual appropriations battles than general revenue funding, but dedicated tax revenue could still be unpredictable, particularly if the tax were based on sales of a specific type of commodity or on property value.

Prefunding vs. PAYGO

As discussed in Chapter 3, there are two basic approaches to funding benefits:

■ In a *prefunded* system, current contributions are invested to pay for future needs. Typically, participants must contribute to the system for a minimum number of years before they are eligible for benefits.

⁴³ The states without an income tax are Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. New Hampshire and Tennessee have a tax only on investment income, not earnings.



- In a *pay-as-you-go* (PAYGO) system, current contributions pay for the benefits of those who need them now. Usually in PAYGO, participants are eligible for benefits very soon after the program is established. (The implications of these two choices are examined in Chapter 3, pp. 171-73 and pp. 185-88.)

Whether a contributory or comprehensive structure is chosen for a UFC program, PAYGO will generally be used for ECCE and PFML benefits. In a contributory program, LTSS benefits will usually be prefunded. In a comprehensive program, a PAYGO or hybrid approach could be used for LTSS. In a hybrid system, contributions could be used to fund benefits for those who have contributed, and other funding sources (such as a dedicated tax or general revenues) would pay for those who need benefits but have not met the contribution requirements.

Eligibility Requirements

A contributory UFC program would generally have work and/or earnings requirements. That is, to be eligible for benefits, an individual must have worked and paid into the program for a minimum period of time. However, the requirement is typically quite different for ECCE, PFML, and LTSS benefits, and a UFC program could have different rules for each.

- ECCE benefits would have no contribution requirement (even in a contributory program), following the National Academies of Sciences' consensus report recommendation that children's access to ECCE not be contingent on the employment status of their parents.⁴⁴
- In existing state PFML social insurance programs, workers must have earned a

⁴⁴ La Rue Allen and Emily P. Backes (eds.), "Transforming the Financing of Early Care and Education," Committee on Financing Early Care and Education with a Highly Qualified Workforce, 2018, <https://www.nap.edu/catalog/24984/transforming-the-financing-of-early-care-and-education>.

certain amount of money and/or worked a certain number of hours or weeks over roughly the previous year (for detailed information, see Table 1 in Chapter 2).

- In LTSS social insurance programs, the required contribution period is usually much longer. In Washington State’s new program, workers must contribute for a total of 10 years (without any interruption lasting five or more consecutive years), or three of the past six years.

A comprehensive UFC program, designed to cover all state residents, would not have eligibility requirements beyond state residency of some duration. However, a state taking this approach would need to decide how immigration status would affect eligibility. A program could, for example, cover all lawful permanent residents (both U.S. citizens and noncitizens) or even include undocumented immigrants. The fact that immigrants provide a large portion of ECCE and LTSS services is an argument for including them in coverage. Nearly one fifth (18 percent) of the ECCE workforce and nearly one quarter (23.5 percent) of long-term care workers are foreign born.⁴⁵

Benefits

Policy options

For each of the three components of UFC, the previous chapters outlined a core menu of policy options.

⁴⁵ Leah Zallman, Karen E. Finnegan, David U. Himmelstein, Sharon Touw, and Steffie Woolhandler, “Care for America’s Elderly and Disabled People Relies on Immigrant Labor,” *Health Affairs*, Vol. 38, No. 6, June 2019, <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.05514>; Maki Park, Margie McHugh, Jeanne Batalova, and Jie Zong, “Immigrant and Refugee Workers in the Early Childhood Field: Taking a Closer Look,” Migration Policy Institute, April 2015, <https://www.migrationpolicy.org/research/immigrant-and-refugee-workers-early-childhood-field-taking-closer-look>.

ECCE

1. **Comprehensive universal early child care and education.** This approach places ECCE on par with primary and secondary school education by entitling all children access to publicly funded early care and education.
2. **Employment-based, contributory early child care and education.** This entitles all children to early care and education if their parent(s)/guardian(s) are sufficiently attached to the labor force.
3. **Universal early child care and education subsidy.** This entitles all families to a subsidy to cover a portion of the cost of early care and education for their children.

PFML

1. **Universal, contributory social insurance program, exclusive state fund.** Throughout their careers, all workers contribute to a state social insurance fund—out of which all benefits are paid—in return for an earned benefit should a PFML need arise.
2. **Contributory social insurance program with regulated private options.** Employers are required to offer a certain level and type of coverage and to comply with specified anti-discrimination and other consumer protections. Employers are free to choose between utilizing the state fund, self-insuring, or purchasing a private plan for coverage.

3. Employer mandate. Employers are obligated to provide paid leave benefits directly to their workers, either by self-insuring or by purchasing private coverage.

LTSS

1. Front-end coverage. Benefits begin to be paid as soon as someone becomes disabled (or after a brief waiting period of, for example, 30 or 90 days), but they last only for a limited time (such as a year or two) or only up to a total dollar amount.

2. Back-end (catastrophic) coverage. Benefits begin only after someone has been disabled for an extended period (such as two or three years).

3. Comprehensive coverage. Benefits are paid during the entire period of need.

Cross-cutting the three benefit types, there are two key aspects of benefit design to consider: the structure of the benefit and its generosity.

Benefit structure. The design of a UFC program's benefits can best be thought of as a spectrum that runs from a cash benefit to service reimbursement.⁴⁶

■ **Cash benefit.** An amount is paid directly to a beneficiary, which they can use to pay for the services and providers they choose.

■ **Service reimbursement (in-kind benefit).** An amount is paid to a provider for services delivered to the beneficiary. Typically, to receive benefits from the

program, a provider must be a covered provider—they must register with a state agency and meet certain requirements for qualifications, care quality, and reporting.

In either case, benefits could cover all or a portion of the cost of care. While these two approaches may seem fundamentally distinct, benefits for ECCE or LTSS could be designed to fall anywhere along the spectrum between them.⁴⁷ (PFML, by its nature, must be a cash benefit.) For instance, a voucher (subsidy) might be given to a beneficiary (a cash benefit), but they could only be permitted to spend it on a covered provider (as in reimbursement).

Registering and monitoring providers—and reimbursing for costs incurred—places a greater administrative burden on the state, but it also gives the state a greater opportunity to improve the quality of care and care jobs. A pure cash benefit gives beneficiaries more autonomy in choosing services and providers, but the state has less control over how the money is spent. A program's benefit design will have substantial implications for the program's utility for beneficiaries, cost, and public buy-in. Given the differences in ECCE, PFML, and LTSS, different benefit designs for each may be appropriate. These issues are discussed in depth in the previous chapters.

Adequacy of benefits. Benefit levels will be a strong driver of both a UFC program's effectiveness in addressing families' care needs and the cost of the program. States could also choose to make benefits progressive—that is, provide greater benefits to those with greater need—in various ways.

⁴⁶ A third type of benefit is direct public provision, as in the case of state-run pre-K education.

⁴⁷ For an in-depth discussion of this issue, see the Chapter 3, pp. 213-15.

For instance, for ECCE, beneficiaries could be required to pay only up to a certain percentage of their household income on services (e.g., the seven percent deemed affordable by the Department of Health and Human Services), with the program covering the remainder of costs. In many PFML designs, those with lower incomes have a higher percentage of their wages replaced during leave. For LTSS, those with higher incomes could receive a lower benefit or be required to pay a greater portion of care costs.

Qualifying Events

A qualifying event is something that must occur for a beneficiary to be eligible for benefits. Each component of a UFC program will have different qualifying events, since each addresses a different need.

Early Child Care and Education. Benefits are available for any child below the current age of universal access to formal education in the state (which varies by state from four-year-old preschool to first grade).

Paid Family and Medical Leave. Most PFML programs in the United States have some or all of these qualifying events:

- A person has a child, adopts a child, or receives a foster child in placement.
- A person requires care for a serious health-related need (including those

related to a physical or mental illness, injury, disability, or medical condition) or services and supports related to incidence(s) of domestic violence, sexual assault or abuse, and/or stalking.

- A family member needs substantial or ongoing functional support for a physical or mental illness, injury, disability, or medical condition, or support for a safety concern such as domestic violence, sexual assault or abuse, and/or stalking.
- A family member is deployed on active military service or has been notified of an impending military deployment abroad.

Long-Term Services and Supports. States will have two primary decision points:

- What level of functional limitation is required? The need for an institutional level of care, as for Medicaid LTSS benefits in most states? The less stringent criteria used by some state Medicaid programs? The HIPAA benefit triggers used in most private long term care insurance plans—loss of functional capacity in two or more activities of daily living and/or severe cognitive impairment? Or something else?
- Will persons of all ages with LTSS needs be eligible, or only those above a certain age?

Section III.

**ILLUSTRATIVE
APPROACHES
TO UNIVERSAL
FAMILY CARE**

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE



In crafting a Universal Family Care program, states will need to make design choices with regard to the high-level structural approach (contributory vs. comprehensive), funding source(s), and the program “dials” of eligibility requirements, benefit adequacy, and qualifying events. Each state will make these choices within the context of its unique needs, preferences, and constraints.

To clarify and facilitate these choices, we present here four illustrative approaches to UFC design, each expressed as packages of ECCE, PFML, and LTSS benefits. The policy components specified in the benefit packages below are shorthand descriptions of ECCE, PFML, and LTSS policies elaborated in full in the previous chapters; they are presented here in brief in order to offer a quick overview and comparison of the four illustrative approaches. In practice, UFC will be an integrated care insurance program that is more than the sum of its ECCE, PFML, and LTSS parts. In Section IV, we will discuss alternative approaches to achieving UFC program integration across these three benefit domains.

The four UFC approaches include two versions of the contributory model and two versions of the comprehensive model. In each case, we present a core version and a more generous—and costly—expanded version. We offer these four illustrative approaches not as policy recommendations, but to demonstrate how UFC can be designed in practice and what tradeoffs different design choices entail.

Across these policy packages, there are tradeoffs involved in turning the dials up or down for various design elements. As eligibility is dialed up closer to universality, the program becomes more widely available but also more costly (assuming a fixed level of benefits per beneficiary). As benefits become more generous, they provide more support for more families—making care more affordable for them—but this, too, makes the program more expensive. Funding approaches include a payroll contribution (whether proportional or progressive) or a payroll contribution supplemented by general revenues or other earmarked taxes of some sort. A program fully funded by payroll contributions would have dedicated—and likely more stable—funding,

but it would, barring additional provisions, leave out some people. Finally, all the choices in program design—particularly with regard to benefit structure—will also have substantial impact on the administrative simplicity or complexity of the program.

In sum, decisions about how these various dials and decision points are calibrated can have a significant impact on the degree to which the program achieves and balances its myriad goals. Those goals will vary for different states, political ideologies, and individual policymakers, but they are likely to include most or all of the following: universality of coverage, adequacy of benefits, fiscal sustainability, political sustainability, and administrative simplicity.

In this section, then, we will present:

- A general discussion of the contributory approach;
- The two contributory models (core and expanded);
- A discussion of the comprehensive approach; and
- The two comprehensive models (core and expanded).

Below we elaborate four illustrative approaches to UFC design: two contributory packages, followed by two comprehensive packages. Table 2 begins this discussion with an overview of key features of these four approaches.

TABLE 2: Key Features of Illustrative Approaches to Universal Family Care

		Contributory UFC		Comprehensive UFC	
		Core	Expanded	Core	Expanded
Funding: Payroll contributions levied on:		All earned income	Medicare payroll tax base (higher rate on earnings > \$200k/\$250k)	Medicare total tax base (including investment income), plus retiree premiums	Medicare total tax base plus retiree premiums and general revenues
Program Structure					
ECCE	Universal subsidy	X	X		
	Comprehensive			X	
	Comprehensive (w/ no parental contribution)				X
PFML	Universal contributory	X	X	X	X
	Job protection	X	X	X	X
	Stipend for family caregiver				X
LTSS	Front end coverage	X			
	Back end coverage		X		
	Comprehensive			X	X



The Contributory Approach: General Comments

The contributory approach most closely matches classic social insurance. This model has a long track record at the national level (e.g., Social Security) and is the design approach for all existing state PFML programs⁴⁸ as well as the new LTSS program in Washington State. Such programs provide earned benefits, where workers contribute to the program throughout their careers and in return receive coverage. Payroll contributions are traditionally paid jointly by workers and their employers, though many existing state PFML programs, as well as the Washington State LTSS program, are funded entirely by worker contributions.

A drawback of this approach is that people who do not contribute for at least a certain period of time do not qualify for benefits. This includes people who have not sufficiently participated in

paid employment (because they are disabled, left the workforce to provide unpaid care labor for a child and/or family member, or for some other reason) as well as those who retired before or shortly after the program was established. To give some examples of contribution requirements: In most existing state PFML programs, people must have worked a certain period of time or achieved a certain amount of earnings over roughly the previous year.⁴⁹ The FAMILY Act, a proposal for a federal PFML program, has a much stricter requirement: It bases benefit eligibility on the work history requirements of Social Security Disability Insurance, which can be expressed in simplified terms as 10 years of work and contribution history, five of which occurred in the last 10 years (with younger workers needing considerably fewer credits to qualify).⁵⁰ Washington State's new LTSS program requires ten years of work, with no more than five years' interruption (or three of the past six years).

⁴⁸ The only exception is Hawaii's program, but it is not a PFML program; it provides paid medical leave only. See Chapter 2 for more detail on existing PFML programs.

⁴⁹ These periods/amounts vary by state. See Table 1 in Chapter 2 for existing state program provisions.

⁵⁰ Social Security Administration, "How You Earn Credits," 2019, <https://www.ssa.gov/pubs/EN-05-10072.pdf>.

Note that, in the two contributory models presented here, there is no contribution requirement for ECCE—benefits are available to all children under school age, regardless of their parents’ work history. Note also that it is inherent in the logic of PFML programs to make benefits available only to those engaged in paid employment, i.e., to replace earnings only for those who had earnings during the preceding period. (However, a *comprehensive* UFC program could be designed to provide a stipend to family caregivers whether they are formally employed or not. An example of such a program is the Veterans Administration’s Caregiver Support Program, which provides stipends to primary family caregivers providing personal care services to an eligible veteran.⁵¹)

How many people would be left out of a contributory program because they do not meet the work/contribution requirements?

This would, of course, depend on what those requirements were, and precise data for most eligibility requirements is lacking. A universal PFML program based on the FAMILY Act’s strict eligibility criteria would likely cover around three-quarters of workers.⁵² Most existing state PFML programs, which have a lower eligibility hurdle, cover a larger share of workers. A study of one contributory LTSS program proposal estimated 96 percent of all adults would enroll in the program, but did not project how many would meet the work requirements.⁵³

Those who do not qualify for a contributory UFC program’s LTSS benefits could apply for Medicaid LTSS, which has generous benefits but is fragmented and means-tested and lacks guaranteed access to home care.⁵⁴ For those who do not qualify for PFML because they are not engaged in paid employment, there is no national backstop program.

⁵¹ “VA Caregiver Support,” U.S. Department of Veterans Affairs, <https://www.caregiver.va.gov/>, accessed May 5, 2019.

⁵² “Facts and Figures about Social Security, 2018” Social Security Administration, https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2018/fast_facts18.html, accessed May 6, 2019.

⁵³ Melissa Favreault, Howard Gleckman, and Richard W. Johnson, “How Much Could Financing Reforms for Long-Term Services and Supports Reduce Medicaid Costs?” The Urban Institute, February 2016, <https://www.urban.org/sites/default/files/publication/77476/2000603-How-Much-Could-Financing-Reforms-for-Long-Term-Services-and-Supports-Reduce-Medicaid-Costs.pdf>.

⁵⁴ For a detailed discussion of Medicaid LTSS, see Chapter 3, pp. 160-64.



Illustrative Approaches to Universal Family Care 1A: Core Contributory



This is a classic social insurance approach. PFML and LTSS benefits are available to those who have worked and contributed for a certain period of time, but not to those who have not. ECCE benefits are available to all children under school age. Benefits are modest but sufficient for many people.

Financing:

- Exclusive source: a proportional (flat-rate) payroll contribution on all earned income
- Partially prefunded (for LTSS benefits)

ECCE coverage (see Chapter 1, Universal subsidy, pp. 50-53)

- **Eligibility and qualifying events.** Available to all children below the age of formal entry into public education.

- **Benefits.** Subsidy—an amount is paid directly to a qualified ECCE provider on behalf of an eligible family. The amount of the subsidy could be the same for all children or higher for lower-income families.

PFML coverage (see Chapter 2, Exclusive state fund, pp. 109-10)

- **Eligibility.** Must have worked and contributed for at least 820 hours in four out of the five quarters before applying for paid leave.
- **Qualifying event.** Need to take time off work to care for a seriously ill family member, or for one's own illness or injury, or to bond with a new child (including fostered and adopted children).
- **Benefits.** From 50 to 80 percent of earnings (higher for lower-paid workers).⁵⁵ An individual can take up to 12 weeks at a time and up to 16 weeks in a year.⁵⁶

⁵⁵ For workers paid 50 percent or less of the state average weekly wage (AWW), the weekly benefit is 80 percent of the worker's AWW. For workers paid more than 50 percent of the state AWW, the weekly benefit rate is 80 percent of the worker's AWW up to 50 percent of the state AWW, plus 50 percent of the worker's AWW that is more than the state AWW. The maximum weekly benefit is 64 percent of the state AWW.

⁵⁶ If a worker experiences a pregnancy-related serious health condition that results in incapacity, they can take up to 14 weeks at a time and up to 18 weeks in a year.

LTSS coverage (see Chapter 3, Front-end coverage, pp. 173-76)

- **Eligibility.** To be eligible, workers must contribute for a total of 10 years (without any interruption lasting five or more consecutive years), or three of the past six years. As a result, those who do not participate in the paid workforce, have retired, or are near retirement would not be eligible for benefits. This means that people of all ages who currently have disabilities would not be eligible for benefits until and unless they were able to accumulate a sufficient work history.
- **Qualifying event.** HIPAA criteria (widely used in private long-term care insurance): inability to perform at least two activities of daily living (ADLs) without substantial assistance and/or severe cognitive impairment. Waiting period: Benefits begin 30 days after meeting these criteria.
- **Benefits.** \$100/day, up to a total lifetime amount of \$36,500. (This lasts at least one year but can last longer if a lower daily benefit is claimed or benefits are not claimed for every day.) Amount increased annually by three percent to account for rising costs.

Policy Assessment of Approach IA: Core Contributory UFC

Universality of coverage: This package would vastly expand the share of the population with access to paid care supports. However, because of the work/contribution requirements (except for ECCE), it would fall short of universal coverage.

Adequacy of benefits: Overall benefits are modest but adequate for many. The ECCE

benefits are modest but sufficient to render ECCE affordable for the majority of households. The PFML benefits are comparable to existing state programs and adequate. For LTSS, everyone with a significant need would receive some benefits during the initial period of need; those with longer periods of need would have to pay out of pocket after benefits expire until they qualify for Medicaid LTSS benefits, unless they have private LTC insurance. (Those on Medicaid at the onset of LTSS need would be eligible for the UFC LTSS benefits as well; for a discussion of benefit integration with Medicaid, see Chapter 3, pp. 195-96.)

Fiscal sustainability: Program cost is modest compared to the other three illustrative approaches. The tax base (all earnings) is very broad, and the prefunded approach to LTSS benefits enhances the UFC program's overall fiscal sustainability, since it gives the program time to accumulate assets before paying out those benefits.

Political sustainability: This approach would likely garner wide support. First, like all UFC program designs, it provides benefits to a broad population, without means-testing. Second, benefits are "earned," which resonates positively in the U.S. political culture. Third, it does not put any demands on state general revenues.

Administrative simplicity: A contributory social insurance approach to UFC could draw on administrative practices in a number of other contributory social insurance programs at the federal and state level (e.g., Social Security, Unemployment Insurance, Medicare, etc.). PFML contributions and benefits would be straightforward to administer in this program design, as it is similar to the exclusive state fund approach to PFML discussed in Chapter 2. However, the administration of

ECCE and LTSS benefits would require the development of some new capabilities. If a higher ECCE benefit is to be paid to lower-income families, income will have to be determined and confirmed. States would also need to approve and monitor child care and education providers for their eligibility to receive service reimbursement. To alleviate that administrative complexity, states could use the same provider list they already have in place for other programs, such as the Child Care and Development Block Grant. For LTSS, states would need to conduct assessments of claimants to determine if they satisfy the HIPAA criteria; this would require modification of existing processes, given that state Medicaid programs use different qualifying triggers.



Illustrative Approaches to Universal Family Care 1B: Expanded Contributory



This is a more expansive package than the Core Contributory. It includes all of the features of the Core Contributory package plus some additional benefits and expanded eligibility. An important difference is that LTSS coverage is back-end instead of front-end.

Financing:

- Exclusive source: payroll contribution on all earnings, with a higher rate on earnings above \$200,000/individual or \$250,000/couple) (the Medicare payroll tax base). Thus, this financing is more progressive than that of the Core Contributory package.

- Partially prefunded (the LTSS component)

ECCE coverage (see Chapter 2, Universal subsidy, pp. 50-53)

Same as in the Core Contributory package.

PFML coverage (see Chapter 2, Exclusive state fund, pp. 109-10)

Same as in the Core Contributory package, except:

- Benefit levels are higher. Benefits replace from 50 to 90 percent of earnings (higher for lower-paid workers).⁵⁷ An individual can take up to 12 weeks of family leave and 20 weeks of medical leave at a time, and up to 20 weeks total in a year.

LTSS coverage (see Chapter 3, Back-end coverage, pp. 173-76)

- **Eligibility.** The work and contribution requirement is less stringent than in the

⁵⁷ For workers paid 50 percent or less of the state average weekly wage (AWW), the weekly benefit is 90 percent of the worker's AWW. For workers paid more than 50 percent of the state AWW, the weekly benefit rate is 90 percent of the worker's AWW up to 50 percent of the state AWW, plus 50 percent of the worker's AWW that is more than the state AWW. The maximum weekly benefit is 90 percent of the state AWW.

Core Contributory package (a total of six years, or two out of the last four), making it easier for those nearing retirement when the program is enacted to become eligible. In addition, those over 65 who retired before qualifying can opt into the UFC LTSS benefits by paying premiums, as in Medicare Part A (Hospital Insurance) today.

- **Qualifying event.** As in the Core Contributory package, the HIPAA criteria (widely used in private long-term care insurance): inability to perform at least two activities of daily living (ADLs) without substantial assistance and/or severe cognitive impairment.
- **Benefits.** \$100/day, indexed at three percent per year. Coverage is “back-end”: There is no lifetime limit on total benefits, but benefits begin only after a person has met the HIPAA criteria for two years. In other words, beneficiaries must finance their own LTSS for the first two years, making this coverage targeted to those with “catastrophic” needs and costs.

Policy Assessment of Approach IB: Expanded Contributory UFC

Universality of coverage: This package would achieve modestly broader coverage than the Core Contributory package because more people are able to meet the shorter LTSS work and contribution requirement.

Adequacy of benefits: As in the Core Contributory package, ECCE benefits are modest but could be sufficient to make ECCE affordable for a majority of households. The back-end LTSS coverage would, on average, pay roughly twice as much in total lifetime benefits to those who qualify for benefits as the front-end benefit in the Core Contributory package, because there is no cap on the duration of benefits. But families would have to pay for their own LTSS for the first two years, and many would not need care long enough to qualify for benefits.

Fiscal sustainability: With its broad tax base and partial prefunding of the LTSS benefit, this package should be fiscally sustainable. However, the costs of the back-end LTSS coverage, with its unlimited duration of benefits, will be less predictable than front-end coverage, especially as life expectancy and the need for LTSS increase over the years.

Political sustainability: Like the Core Contributory approach, this expanded package should garner broad support because benefits are earned and general revenues are not drawn on. In addition, the back-end LTSS benefit creates a market for front-end private long-term care insurance products, which promises to not only neutralize potential political opposition from the insurance industry but also potentially win its support.

Administrative simplicity: The administrative issues here are the same as for the Core Contributory package.



Comprehensive Approach: General Comments

A comprehensive program would be built on a foundation of social insurance, but with additional funding to cover those who have not contributed to the system. It would cover anyone who had a care need (qualifying event), whether or not they had contributed and regardless of how long, and would provide generous benefits. It is based on the belief that those who have not contributed at a particular point in their lives may do so in the future, and seeks to offer LTSS coverage to older adults and people with disabilities even if they retired before they could contribute or have not

participated for a sufficient period of time in the paid workforce.

The costs of such a program would be higher than the two approaches discussed thus far, but the percentage of the population covered would be higher as well, and the degree to which the program allows families to affordably meet their care needs would be equal to or greater than the preceding approaches. Funding to supplement payroll contributions could come from a dedicated tax of some sort or general revenues. An alternative approach would be to levy a payroll tax rate higher than that required to cover the cost of coverage for those who meet the work and/or contribution requirements.

Illustrative Approaches to Universal Family Care 2A: Core Comprehensive



This approach is anchored in social insurance but aims to cover not just all workers but all residents. Eligibility is not tied to work or contributions to the system.

Financing:

- Payroll contributions on all earnings, with a higher rate on earnings above \$200,000/individual or \$250,000/couple (the Medicare payroll tax base)
- A tax on investment income of those with income higher than the above thresholds (the Medicare Net Investment Income tax base). This feature makes the financing of this program more progressive than the others previously discussed.
- The rates levied would be modestly higher than needed to cover the contributing population in order to finance coverage of those without paid employment.
- LTSS benefits would be funded on a pay-as-you-go (PAYGO) basis, rather than prefunding.

- Those 65 or older who have not contributed to the program for at least 10 years would pay premiums (at the same rate as the social insurance contribution from workers) to help fund their coverage.

ECCE coverage (see Chapter 1, Comprehensive universal, pp. 43-45):

As with the contributory packages, all children are eligible. In addition:

- Parents pay only up to seven percent of household income for care; the program pays all additional costs.
- Local school systems use state funds for both school-based and other qualified programs (or funding is divided between school systems and collaboratives of community-based programs that function as part of the public system).

PFML coverage (see Chapter 2, Exclusive state fund, pp. 109-10):

Same as in the Expanded Contributory package, with the addition of:

- Stipends for primary family caregivers not in the workforce (calculated similarly to the VA Primary Family Caregiver Stipend).

LTSS coverage (see Chapter 3, Comprehensive coverage, pp. 173-76):

- **Eligibility.** Everyone is covered, including those already retired (if they opt in and pay premiums) and those of any age who already need LTSS.
- **Qualifying event.** The HIPAA criteria (widely used in private long-term care insurance): inability to perform at least two activities of daily living (ADLs) without substantial assistance and/or severe cognitive impairment. Waiting period: Benefits begin 30 days after meeting these criteria.
- **Benefits.** \$100/day, indexed at three percent per year. Benefits begin 30 days after meeting the HIPAA criteria and last as long as needed.

Policy Assessment of Approach 2A: Core Comprehensive

Universality of coverage. Comprehensive UFC achieves near universal coverage. It covers not only those who are working but also those outside the paid labor force. It immediately covers people of all ages with disabilities.

Adequacy of benefits. The benefits of this UFC package are far more generous than those of the two contributory packages.

LTSS benefits begin with the onset of LTSS need and last as long as the need persists. This would be enormously helpful to people with lifelong disabilities. The availability of stipends for primary family caregivers is another feature that could be critical to many families with disabilities.

Fiscal sustainability. Overall, this comprehensive package would be more costly than the two contributory packages because of the greater population coverage and the unlimited duration of LTSS benefits. This unlimited duration and the PAYGO approach to LTSS would also render actuarial modeling of the package's cost less certain. However, collection of LTSS premiums from older adults would contribute to the fiscal sustainability of the program. The costs of expanding access to comprehensive ECCE for children under the age of entry into the formal education system would be substantial and initially somewhat unpredictable, although some states have experience in this regard on which the new program could draw.

Political sustainability. Political support for universal public education has, by and large, stood the test of time, and there is a strong case for extending this system to ECCE, given its benefits for children, families, and society at large. Seniors are a strong political constituency; allowing them to opt into LTSS coverage is likely to garner their powerful support.

Administrative simplicity. It will be administratively challenging to cover people who are outside the paid labor market, including family caregivers.

Illustrative Approaches to Universal Family Care 2B: Expanded Comprehensive



This approach includes all of the features of the Core Comprehensive package but has more generous benefits—notably free ECCE.

Financing:

All the funding sources of the Core Comprehensive, plus:

- General revenues would be drawn on to help fund the cost of covering those not in the workforce.

ECCE coverage (see Chapter 1, Comprehensive Universal program, pp. 43-45):

ECCE is handled quite differently than in the other packages. Instead of offering subsidies to help parents pay for ECCE, the state would provide ECCE free-of-charge, without requiring any family contributions, like public primary and secondary education.

PFML coverage (see Chapter , Exclusive state fund, pp. 109-10):

Same as in the Core Comprehensive package.

LTSS Coverage (see Chapter 3, Comprehensive coverage, pp. 173-76):

Same as in the Core Comprehensive package, except:

- After two years of receiving benefits, the daily benefit amount would be increased by 25 percent; after four years, by another 25 percent. This is designed to cover the increase in need for LTSS services that typically occurs over time.

Policy Assessment of Approach 2B: Expanded Comprehensive

Universality of coverage: Same as in the Core Comprehensive package.

Adequacy of benefits: This is the most generous UFC benefit package of the four discussed here. ECCE would be free, and LTSS benefits would increase over duration of need.

Fiscal sustainability: This is the most costly of the four UFC designs presented here, and it shares many of the fiscal sustainability challenges of the Core Comprehensive approach. However, the diversity of revenue sources, reducing the amount of revenue needed from each source, is likely to enhance fiscal sustainability.

Political sustainability: A comprehensive, generous UFC design will foster a broad base of loyal constituents. The high cost of the program could make it a political target, however. Moreover, the partial reliance on general revenue funding could subject the program to budget cuts in periods of state fiscal crisis.

Administrative simplicity: The administrative challenges in this package would be similar to those in the Core Comprehensive package—but somewhat more modest, because offering free ECCE to all, instead of income-related subsidies, would be administratively less complex.

Comparing the Four Packages: Tradeoffs

Each of these four stylized policy approaches to Universal Family Care makes a series of tradeoffs among universality of coverage, adequacy of benefits, fiscal and political sustainability, and administrative simplicity—see Table 3.

TABLE 3: Illustrative Approaches to Universal Family Care: Policy Assessment

Structural Design		Universality of Coverage	Benefit Adequacy	Funding Source: Payroll Tax on:	Fiscal Sustainability	Political Sustainability	Admin. Simplicity
Contributory	Core (1A)	All who contribute for a certain period of time	Low	Earnings (no cap)	High	High	High
	Expanded (1B)		Medium	Medicare Payroll Tax Base	High	High	High
Comprehensive	Core (2A)	Near universal	Medium	Total Medicare Tax Base plus retiree premiums	Medium	High	Low
	Expanded (2B)		High	Total Medicare Tax Base plus retiree premiums and general revenues	Low	Medium	Low



A contributory social insurance program would go far in mitigating most families' care risks and give them peace of mind about their future care needs. It could be of moderate cost or more expensive, depending on what benefits a state offered. Because it would be self-funded through a dedicated payroll tax, the program's cost would be politically less challenging than programs competing for funding with other state budget priorities. As a result, it would likely have high political sustainability (akin to Social Security and Medicare).

A comprehensive UFC program would cover virtually everyone with moderate or generous benefits, depending on a state's program design. It would be more expensive than the contributory approach, but with dedicated funding for most of its benefits, it would be politically more sustainable than purely general-revenue funded programs (which compete for resources in appropriation battles year after year). Medicare Part B and Part D are examples of programs that

derive some of their political resiliency from being at least partially contributory (their political sustainability also benefits greatly from having seniors, a politically powerful constituency, as their main beneficiaries).

Both of these structural design approaches have a big advantage over the status quo: They pool resources and risk across most or all of the population, and across the life course, rather than leaving those needing care to cope with the financial cost of that need when it arises.

The illustrative packages discussed in this section have been presented to demonstrate four plausible ways ECCE, PFML, and LTSS policies could be integrated into a holistic UFC program, and to discuss the tradeoffs that must be considered when making design choices. Based on their own unique needs, preferences, and constraints, states can develop other UFC policy constellations as well.

Section IV.

INTEGRATION CONSIDERATIONS

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE



UFC is designed to be a highly integrated program—a “one-stop shop” for families seeking care supports, a single place where they can access benefits for ECCE, PFML, and LTSS. Yet, such a program is not without policy design challenges. Two of the most prominent are how these three distinct benefit types will be integrated into a unified program and how the new program will relate to existing ECCE programs and Medicaid LTSS.

Integration Within Universal Family Care

The first integration question policymakers must answer is this: How closely integrated will UFC’s ECCE, PFML, and LTSS components be, with regard to funding, benefits, and administration? They might choose a highly integrated, moderately integrated, or loosely integrated approach. These approaches are distinguished by whether key program functions reside within a single agency and

whether funding streams are managed by a single or multiple agencies.

Note that some of the policy options for standalone ECCE, PFML, and LTSS programs discussed in the preceding chapters cannot be integrated into a UFC program. Specifically, PFML designs with an employer mandate or private opt-outs—private insurance or employer self-insurance—are not consistent with an integrated UFC program predicated on one insurance contribution (perhaps supplemented by other revenues) funding three types of benefits. (For this reason, those policy options were not included in this chapter.)

Highly Integrated Approach

There is a core set of functions in all care benefit programs: collecting contributions, managing the trust fund, determining

eligibility, certifying providers, tracking claims, making payments, and ensuring program integrity, to name a few. Administration would be more streamlined and efficient (likely resulting in lower administrative costs) if the core competencies necessary to perform these program functions resided in a single state agency rather than across multiple agencies.

In the most integrated form of UFC, a single UFC Care Insurance Fund would fund ECCE, PFML, and LTSS benefits. A single agency would collect contributions (and/or other revenue) into this trust fund, manage the fund, determine eligibility, track claims, make payments, and monitor program integrity. Only the certification of providers would need to be conducted by the state agencies with expertise in different areas, namely those already responsible for certifying providers for a state's existing ECCE and LTSS benefits.

This approach would also streamline the user experience by enabling families to access a range of care supports from one program rather than three. Families would have a single access point—one “door” to knock on, whether that be the physical door of the administrative home of UFC, a web app (discussed in Section VI), or a hotline. Family members would contribute to UFC from their first job onward and sign up for benefits the first time they needed care supports. From then on, when family care needs arose, they could re-engage the program using their UFC membership number (akin to a Social Security number), rather than having to start from scratch each time in applying to a separate program.

A highly integrated program would yield a whole that is greater than the sum of its parts. With an integrated program interface—for instance, through a web app—family members could apply for and track the status of their own and their family members' ECCE, PFML, and LTSS benefits in one place. For example, someone caring for an elderly parent could help their parent apply for LTSS benefits and at the same time apply for their own PFML benefits (perhaps to help the parent transition to acceptance of a home health aide), tracking the status of both benefits in one web app. Additionally, beneficiaries could access ancillary care supports that transcend any one of the three major benefit types (if a state chose to provide them). For example, a highly integrated UFC program would be better positioned to offer a care advisor (a toll-free number) to help families find information and resources to cope with their care needs (which often involve more than one major benefit type) or guidance about long-term care planning.

A highly integrated program would yield a whole that is greater than the sum of its parts.

However, a single, integrated UFC program would need to balance the short-term horizon of ECCE and PFML benefit administration with the long-term solvency horizon of LTSS benefit administration. For PFML benefits, most existing state programs use a one-year time horizon, adjusting payroll



tax rates from year to year as needed to pay benefits. For LTSS benefits, on the other hand, a 75-year time horizon helps ensure the stability of payroll contribution rates over the long term; this is the actuarial approach taken in the new Washington State LTSS program, for example. However, a highly integrated UFC approach, with one trust fund, could accommodate these distinct horizons by either partially prefunding expected LTSS benefits or by projecting expenses and contribution rates for all three types of benefits over a medium (25- or 50-year) or long-term (75-year) horizon.

Moderately Integrated Approach

In a moderately integrated program, there would still be one overarching administrative umbrella, but more of the functions—such as program integrity enforcement—would

be conducted by the state agencies already responsible for existing ECCE and LTSS benefits. There would still be one revenue stream, but it would be allocated to two or three funds. PFML benefits would be administered with a dedicated trust fund (as they are now in most states), either separately from or combined with the financial administration of the ECCE benefits. LTSS benefits would be financially administered through a separate, dedicated LTSS fund, to better accommodate the 75-year horizon of LTSS actuarial planning. Payroll contribution rates for the LTSS trust fund could be set for a 75-year time frame and periodically adjusted to maintain long-term solvency, while rates for the PFML and ECCE trust funds (or a combined fund) could be adjusted from year to year to maintain one-year solvency. A model for this moderately integrated approach is the Social Security system, which

has one overarching administration and one payroll contribution but allocates part of that contribution to an Old Age and Survivors Trust Fund and part to a Disability Trust Fund.

An advantage of having separate trust funds within UFC is that this could foster greater fiscal accountability within each trust fund. A disadvantage is that it could create an opposition in public discourse between ECCE, PFML, and/or LTSS benefits. This has been the case in recent years within Social Security, where opponents of the program have seized on differences in the solvency projections of the old-age and disability trust funds to pit the needs of people with disabilities against those of the elderly. For care supports, creating such a political vulnerability makes even less sense, given that families can experience multiple needs at a single point in time.

Loosely Integrated Approach

A loosely integrated UFC program would be like a moderately integrated one in that a state would have one revenue stream allocated into three separate trust funds, each of which would be separately managed. However, administration would be more decentralized than in the moderate approach. Not only would the state agencies currently responsible for child care benefits and Medicaid manage certification of service providers and approval of beneficiary qualifying events for the ECCE and LTSS benefits within UFC, but they might also determine coverage eligibility (satisfaction of work and contribution periods), track claims, make payments, and monitor program integrity.

To fulfill the promise of UFC, the program should have a non-bureaucratic, easily

navigable user experience. A family member applying for benefits should be able to apply to one and the same program whether ECCE, PFML, or LTSS supports are needed. The degree of internal program integration is likely to affect that user experience. That said, certain factors or constraints in a state may mitigate against a high degree of UFC program integration. These will be discussed below.

Integration of UFC with Existing Programs

Every state has existing ECCE and LTSS benefits. From the perspective of state administrators, integration with these existing programs is an important issue, for a significant amount of state and—more importantly—federal funding is at stake. Finally, several states have existing PFML programs; their integration into UFC entails distinct challenges.

Integration with Existing ECCE Programs

There is a range of ECCE programs currently in place—Head Start and Early Head Start, the Child Care and Development Block Grant (CCDBG) program, and state-run preschool programs in most states—and states will need to plan carefully to integrate UFC's ECCE benefits with them. With the exception of a handful of universal preschool programs, these existing ECCE programs are serving only a fraction of the children who are eligible, primarily due to insufficient funding. A new infusion of ECCE funding from a state UFC program would (depending on program design) allow states to serve all children in the designated age group, not just a small percentage of those in need. UFC could achieve universal ECCE coverage most cost-effectively

by structuring benefits in such a way as to leverage and complement existing funding.⁵⁸

States must determine how beneficiaries and/or service providers will be able to “blend,” “braid,” and “layer” funding from the new UFC program with that of existing programs in order to efficiently expand access to affordable care. “Blending” refers to combining funds from different sources into one pot without allocating and tracking expenditures by funding source. “Braiding” refers to coordinating different funding sources, allocating revenues and tracking expenditures by funding source.⁵⁹ “Layering” refers to supplementing one source of funding (e.g. federal funding for a specific component of ECCE) with one or more others (e.g., new ECCE funding through UFC) in such a

way that if one source of funding is rescinded, the other layers remain functional.⁶⁰

States may seek to align any quality standards and requirements of the new UFC program’s ECCE benefits with those of existing federal programs, so as to facilitate the blending and braiding of funding. To this end, states would benefit from collaborating directly with federal program administrators from the outset of any effort to introduce universal ECCE through UFC. This could also help streamline administration and render the program more navigable for families.

All but seven states now have state-funded preschool programs.⁶¹ These programs are extremely heterogeneous in their design

⁵⁸ La Rue Allen and Emily P. Backes (eds.), “Transforming the Financing of Early Care and Education,” Committee on Financing Early Care and Education with a Highly Qualified Workforce, 2018, <https://www.nap.edu/catalog/24984/transforming-the-financing-of-early-care-and-education>.

⁵⁹ Child Care State Capacity Building Center, “Layering or Blending and Braiding Multiple Funding Streams,” accessed January 28, 2019, <https://childcareta.acf.hhs.gov/systemsbuilding/systems-guides/financing-strategically/maximizing-impact-public-funding/blending-braiding-funding>.

⁶⁰ Manuela Fonseca, “Braiding, Blending, and Layering Funding Sources to Increase Access to Quality Preschool,” PDGTA State Technical Assistance Report, 2017, <https://pdg.grads360.org/services/PDCService.svc/GetPDCDocumentFile?fileId=26705>.

⁶¹ Allison H. Friedman-Krauss, W. Steven Barnett, G.G. Weisenfeld, Richard Kasmin, Nicole DiCrecchio, and Michelle Horowitz, *The State of Preschool 2017: State of Preschool Yearbook*, National Institute for Early Education Research (NIEER), Rutgers Graduate School of Education, 2018, http://nieer.org/wp-content/uploads/2018/04/YB2017_Executive-Summary.pdf.



and objectives.⁶² Most prioritize low-income children, with eligibility based not only on age but on a state-specified income level. Since each state's preschool design is a product of its own constraints and preferences, it is likely that the ECCE benefits in a new UFC program would build on the existing preschool program architecture while making coverage universal. However, some states may find it easier to replace their existing preschool programs with a new, universal ECCE benefit design under the umbrella of UFC.

Integration with Existing PFML Programs

Seven states and the District of Columbia already have an existing PFML program, and they will need to decide whether to integrate it completely into the new UFC program (for example, through one central system of collecting contributions, tracking eligibility, and administering claims) or leave it as a discrete component of a loosely integrated UFC program. Two complications arise here.

First, some states allow some employers who meet certain conditions to opt out of the PFML program if they provide paid leave that meets the statutory requirements—by purchasing insurance or paying for it themselves (self-insurance). This includes New York and, to a lesser extent, New Jersey, California, Washington, Massachusetts, and Connecticut. The extreme case is Hawaii, where the entire paid medical leave system is based on an employer mandate—employers must provide paid leave either through private insurance or self-insurance. If a state wants to incorporate PFML into an integrated UFC program, it must

eliminate such private opt-outs. UFC is a social insurance program in which one contribution by a worker and/or their employer funds (in whole or in part) all three care benefits (ECCE, PFML, and LTSS). Neither an employer mandate nor a PFML system with private opt-outs is compatible with this. All of every UFC contribution by a worker and/or their employer needs to be pooled to fund all three care risks: ECCE, PFML, and LTSS.

Second, in some states, the existing PFML program includes an employer contribution. In the District of Columbia, the PFML program is entirely employer funded; in Washington State, employers share the cost with employees; and in New York and New Jersey, employers share the cost of the temporary disability insurance (paid medical leave) component of the PFML system. Integration of these states' PFML systems into a new state UFC program would be easiest if the UFC program had the same financing approach as the state's existing PFML system. This is by no means necessary, however. A state could also simply keep the existing PFML program's benefit structure but fund it in a new way, out of the UFC revenue stream (also a payroll contribution with or without supplemental funding).

All states, whether they have an existing paid leave program or not, will need to decide how the new UFC program's PFML benefits will interact with existing employer plans. While most do not, some employers offer some paid family leave and/or temporary disability insurance coverage to their employees, even in the states without any statutory requirement to do so. A new state UFC program could allow

⁶² Ajay Chaudry, "The Promise of Preschool Education: Challenges for Policy and Governance," in *The Current State of Scientific Knowledge on Pre-Kindergarten Effect* (The Brookings Institution and Duke University Center for Child and Family Policy, 2017).



employers to provide “top-up coverage”—that is, a plan that would supplement the PFML benefits of the state UFC program. Such coverage might last longer than state benefits or cover a higher percentage of lost earnings.

Integration with Medicaid LTSS

By law, Medicaid is the secondary payer—it pays benefits only for Medicaid-covered services not (or not fully) covered by private insurance or a new social insurance benefit like UFC. Hence for LTSS beneficiaries in a UFC program who have sufficiently low income and assets to qualify for Medicaid LTSS, UFC would pay first, then Medicaid would pay any covered expenses not paid by UFC.

On one hand, this would result in a reduction in Medicaid spending, which the state partially funds, and therefore bring about savings for the state. (For example, actuaries estimate that when the new LTSS social insurance program created by Washington State’s Long-Term Care Trust Act is fully mature in 2052, it will achieve \$470 million (in 2018 dollars) in federal and state Medicaid savings that year.⁶³ The savings are equal to the amount of UFC LTSS benefits expected to be received by people who would qualify for Medicaid.) But on the other hand, because Medicaid is partially funded by the federal government (at least half, and more for poorer states), this could also mean that states would lose federal dollars. There are two possible solutions to this problem:

⁶³ Milliman, “2018 Feasibility Study of Policy Options to Finance Long-Term Services and Supports in the State of Washington,” Prepared for Washington Department of Social and Health Services (DSHS), ESSB 6032, Section 206(34), September 24, 2018, https://apps.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=WA%20LTSS%20202018%20Feasibility%20Study_83c07ada-0ba4-4797-8798-3fec9e582043.pdf.

- A state could seek a federal waiver allowing the new UFC program to operate as the secondary payer to Medicaid. However, as discussed in Chapter 3, it is unclear whether such a waiver would conform with Medicaid's Third-Party Liability regulations. Moreover, such a provision would need to be structured in a way that required benefit coordination with Medicaid only for beneficiaries already on Medicaid, rather than requiring all new UFC LTSS beneficiaries to prove that they are not eligible for Medicaid. The latter would place a heavy bureaucratic burden on the new program.
- Alternatively, a state could seek a waiver to retain projected federal matching dollars as some state spending on LTSS shifts from Medicaid to the new UFC program, on the grounds that the new program promotes the objectives of Medicaid and would be budget-neutral for the federal government.⁶⁴ With such a rationale, Massachusetts was able to secure a waiver in the late 1990s and has renewed that waiver twice since then. Washington State's recently enacted Long-Term Care Trust Act similarly instructs its state Department of Social and Health Services to request any necessary waivers in this regard.⁶⁵

Washington State presents a unique integration situation. It has a universal PFML program and is the only state with a universal LTSS program. It thus already has two of the three building blocks of UFC. Furthermore, in

2019, the state passed one of the country's most comprehensive ECCE policy frameworks, the Washington Child Care Access Now Act. It would cap family child care expenses at seven percent of family income for families meeting the income eligibility thresholds for subsidized child care, subject to available funding. It also establishes the goal of achieving universal child care access for all Washington families by 2025.⁶⁶ As a result, the step from its current care policy infrastructure to UFC would be the smallest of any state in the country. Introducing UFC would enable the state to achieve its goal of universal ECCE coverage. To get from the state's current care support systems to UFC, it would need to align—or pool—its funding approaches for ECCE, PFML, and LTSS benefits. Currently, its ECCE benefits are funded by general revenues, its PFML program is funded by both employers and employees, and its LTSS program is funded solely by employees. The state would also need to pursue some level of administrative and user-interface integration of the three care support systems.

Washington State presents a unique integration situation. It has a universal PFML program and is the only state with a universal LTSS program. Furthermore, in 2019 the state passed one of the country's most comprehensive ECCE policy frameworks.

⁶⁴ Government Publishing Office, *Electronic Code of Federal Regulations*, December 20, 2018, <https://www.ecfr.gov/cgi-bin/text-id.x?SID=25d5f81f5390085e084f2454df1ef87d&mc=true&node=sp42.4.433.d&rgn=div6>.

⁶⁵ State of Washington Legislature, H-1732.1, 2019, <http://lawfilesexxt.leg.wa.gov/biennium/2019-20/Pdf/Bills/House%20Bills/1087-S2.pdf>.

⁶⁶ State of Washington Legislature, SB-5436, 2019, <http://lawfilesexxt.leg.wa.gov/biennium/2019-20/Pdf/Bills/Senate%20Bills/5436.pdf>.



A Final Challenge: All Who Contribute Must be Eligible for Benefits

A final challenge faces new UFC programs: Since all workers will be contributing to the program, all must have access to benefits when they have a qualifying care need. No one should be denied UFC benefits because they qualify for another program due to their low income. For instance, a family should not be denied UFC ECCE benefits because they are eligible for Head Start/Early Head Start; people should not be denied UFC LTSS benefits because their income and assets are so low they qualify for Medicaid LTSS. If this occurred, they would be paying an insurance contribution to a program whose benefits they are effectively not eligible to receive. This would be highly regressive social policy, as those with low income would be paying

for benefits for the middle class but getting nothing themselves. It is possible, however, to structure UFC benefits so that they layer on top of existing programs, and so that existing funding is leveraged. Policymakers should plan carefully to ensure that UFC is not reinforcing existing inequality in access to care supports and that low-income beneficiaries, in particular, are better off in UFC—on a net basis after considering contributions and benefits—than in the status quo.

See the previous chapters for more in-depth discussion of integration issues. As a state proceeds to adopt a new UFC program, it should seek advice from policy experts in these domains, legal experts, and administrators of existing state and federal programs.

Section V.

IMPLEMENTATION CONSIDERATIONS

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE



There are a variety of issues states will need to consider before and during implementation of a UFC program.

Pre-Implementation Phase

Trust Fund Board

A state could establish a Trust Fund Board representing care recipients, care workers, care providers, family caregivers, and state administrators, among others. Such a board could oversee implementation of the program and, after implementation, review its operations at periodic intervals. It could advise the state on measures to help ensure that the program not only serves beneficiaries well but also takes into account the needs of care workers and care providers. These measures could relate to provider standards, workforce investment and training, services covered, inflation adjustment, or any other program challenges that arise over time.

Administrative Design

A state will need to decide where the new UFC program will be housed—whether in an existing agency or agencies or in a new agency dedicated to UFC.

Administrative structures vary across states, but in most states the different types of benefits provided by UFC are administered by distinct entities. For example, in Washington State, ECCE benefits are administered by the Department of Children, Youth, and Families (DCYF); the PFML program by the Employment Security Department (ESD); and Medicaid LTSS benefits through the Department of Social and Health Services (DSHS). In addition, the state's new LTSS social insurance program (not restricted by Medicaid's Single State Agency Rule⁶⁷) is administered across three agencies. ESD collects worker contributions and deposits them into the program's trust

⁶⁷ Government Publishing Office, *Electronic Code of Federal Regulations*, 42 CFR §431.10 - Single State Agency, May 13, 2019, <https://www.law.cornell.edu/cfr/text/42/431.10>.



fund. DSHS determines benefit eligibility and pays out benefits. The Health Care Authority tracks claims (how much of a person's total lifetime benefit amount they have received), monitors program integrity, and establishes rules for coordination of benefits with Medicaid, Medicare, and private LTSS insurance. All three agencies are instructed to collaborate to realize program efficiencies and provide beneficiaries with a well-coordinated experience.⁶⁸

A state adopting a highly or even moderately integrated model for UFC will need to assign responsibility for overseeing the program to a core entity. This could be a unit within an existing state agency, a new agency dedicated to UFC, or a combination of existing agencies. It would likely be responsible for (at a minimum) managing

the trust fund(s), determining benefit eligibility, tracking claims, making payments to providers, and creating and maintaining a beneficiary user interface (a web app and hotline for learning about the program and applying for benefits).

In a loosely integrated UFC program, administration would be more decentralized. The agencies currently responsible for Medicaid and child care benefits would not only manage certification of service providers and approval of beneficiary qualifying events for the ECCE and LTSS benefits within UFC, but also might determine benefit eligibility (satisfaction of work and contribution periods), track claims, make payments, and monitor program integrity. To take the example of Washington State, a UFC entity could be

⁶⁸ State of Washington Legislature, H-1732.1, 2019, <http://lawfilesex.t.leg.wa.gov/biennium/2019-20/Pdf/Bills/House%20Bills/1087-52.pdf>.

established within ESD that collects worker contributions, manages the trust funds, creates a public-facing user interface, and administers PFML benefits, while DSHS and DCYF could manage virtually all aspects of ECCE and LTSS benefits.

Creating a new agency to administer all three components of Universal Family Care in an integrated fashion would bring certain efficiencies. But at the same time, this approach would create redundancies in relation to existing administrative structures, particularly with the agencies administering child care and Medicaid LTSS programs.

Raising Awareness and Promoting Enrollment through Education and Outreach

The experiences of existing PFML programs and the Affordable Care Act have shown how important education and outreach are in the early years of a new social program. Between the time a program is enacted and when it goes into effect, it is critical that resources be committed to informing residents about its benefits. If not, many residents (particularly those with limited education or English proficiency) who contribute to the program directly or indirectly may fail to claim benefits for which they are eligible. It is particularly important that outreach extend across cultural and

linguistic barriers and into all geographic areas of a state, and be carried out through a broad range of channels and media.

Building Up the Provider Workforce

Direct care workers (home health aides, personal care aides, and nursing assistants⁶⁹) already make up the second largest occupational group in the United States (with 4.3 million workers) and one of the fastest growing. (The number of home health aides is projected to increase by 47 percent between 2016 and 2026, and the number of personal care aides by 39 percent.⁷⁰) But the care workforce will need to continue growing rapidly in the coming years to meet the needs of an aging society, characterized by greater numbers of elders and fewer family caregivers. And with passage of a UFC program, the demand for care workers would likely increase even more, as states seek to provide their residents access to affordable, quality ECCE and LTSS.

Jobs for direct care and child care workers are generally characterized by low compensation and other indicators of low-quality employment.⁷¹ This is a problem for a number of reasons: It undervalues the important work of caring for our loved ones, threatens the economic security of millions of workers, leads to high turnover in the care workforce, undermines recruitment into the field, and threatens the quality of care provided.

⁶⁹ PHI, "Who Are Direct Care Workers?," 2011, <https://phinational.org/wp-content/uploads/legacy/clearinghouse/NCDCW%20Fact%20Sheet-1.pdf>.

⁷⁰ Bureau of Labor Statistics, "Employment Projections: Occupational Separations and Openings, Projected 2016-2026," <https://www.bls.gov/emp/tables/occupational-separations-and-openings.htm>.

⁷¹ Robert Espinoza, "Workforce Matters: The Direct Care Workforce & State-Based LTSS Social Insurance Programs," PHI, 2019 (Forthcoming); Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, "Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care," Creative Commons, 2017, http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf.



Consequently, UFC legislation would be incomplete if it enacted care benefits but failed to include provisions to strengthen the care workforce, incentivize improvements in job quality, and stimulate job growth. There are a variety of measures states can take to build the care economy, such as ensuring care workers have minimum wage, benefit, and labor protections, and making investments in workforce development and ongoing education, training, and career pathways.⁷² An advantage of such measures is that, because care work is not outsourceable and is needed throughout a state, they could bolster job growth across the state and thereby strengthen the state and local economies, particularly in rural areas that are often underserved by ECCE and LTSS providers.

⁷² Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, "Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care," Creative Commons, 2017, http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf.

Covering Workers Who Live and Work in Different States

A state enacting UFC will need to decide whether coverage of individuals is to be based on whether they *work* in the state or *reside* in the state. How do current ECCE, PFML, and LTSS programs deal with this issue?

- In all state ECCE programs, which are funded by general revenue, residency is the basis for benefits.
- In all existing state PFML programs, coverage is tied to the state of employment.

- To be eligible for Washington State’s new LTSS social insurance program, a person must have fulfilled the contribution requirements by *working* in the state for a number of years and also must be *residing* in the state at the time of receiving care.⁷³

A principle that can guide a state in deciding this issue is fairness in terms of who pays for the program and who benefits from it, and this will differ for contributory and comprehensive UFC models.

- In a contributory social insurance design, which is funded by contributions from employees and/or employers (not all residents), basing eligibility on state of employment appears to be the most equitable approach. Those who contribute are covered, whether they live in or out of the state; those who do not contribute are not covered, whether living in or out of the state. This option also reduces confusion for businesses, as they do not need to treat employees in the same workplace differently based on where they live. And employers are already accustomed to this model for other existing programs at the state level, such as Unemployment Insurance, Workers’ Compensation, and paid leave programs.
- In a comprehensive UFC design, funding comes not just from worker contributions but also from dedicated taxes or general revenues paid by all residents of the state. Therefore, all residents should be eligible for benefits. In addition, the state would

need to provide coverage to those living outside the state but working in it and contributing to the UFC system.

Regardless of which approach a state chooses, it will have to consider how a UFC program will affect workers and employers involved in employment across state lines. There is precedent for coordination between states on issues such as wage and claim record-sharing, taxation agreements, and even coordinated policy efforts (e.g., in-state tuition reciprocity between Wisconsin and Minnesota⁷⁴).

Coordination among states in developing UFC policies and administering programs could reduce the administrative burden on state agencies, employers, and employees alike.

Covering Self-Employment

Policymakers will need to determine whether and how a new UFC program covers nonstandard employment arrangements—that is, earnings from a source other than W2 wages, such as self-employment or independent contract work. Henceforth we will refer to all such work as *self-employment*. Some social insurance programs, such as Workers’ Compensation, have not traditionally covered self-employment work and income, because there is no identifiable employer. Other social insurance programs, like Social Security and Medicare, do cover the self-employed, but require them to pay both the employee and employer contributions, which can be a significant burden on low- or even many middle-income workers.

⁷³ Workers become eligible for benefits after a contribution period of a total of 10 years (without any interruption lasting five or more consecutive years) or three of the past six years. (State of Washington Legislature, H-1732.1, 2019, <http://lawfilesexternal.wa.gov/biennium/2019-20/Pdf/Bills/House%20Bills/1087-S2.pdf>.)

⁷⁴ See: Minnesota Office of Higher Education, 2017, <https://www.ohe.state.mn.us/mPg.cfm?pageID=121>.



In introducing a UFC program, a state should give careful consideration to how it will treat self-employment income. If such income is not subject to contributions and not counted in determining a person's eligibility, two problems arise:

- Some people spend most of their lives self-employed; they would not meet the program's work and contribution requirements and would not be eligible for benefits.
- Some people spend much of their lives self-employed, either part-time or full-time, but have enough regular employment to be eligible for UFC benefits. They qualify for the same benefits as those who were in regular employment all their lives, but they pay contributions on only part of their lifetime income, while the latter pay contributions on 100 percent of theirs.

For these reasons, automatically including all self-employment would best meet the goals of universal coverage and equitable funding.

A compromise approach is automatically including the self-employed but allowing them to opt out. But this also has problems:

- Some of those self-employed who opted out would have done so without fully understanding the risks and costs of needing ECCE, PFML, or LTSS, and could have significant unmet need when care risks transpired.
- Some people who opted out would qualify for benefits based on a period of regular employment, but (as described above) they would not pay contributions on a large part of their income (their self-employment earnings).
- Those who were more likely to need ECCE, PFML, or LTSS benefits would be more likely to stay in the UFC program, and those less likely to have such a need would be more likely to opt out (in what is called adverse selection). This would weaken the program's finances.

If a state received contributions on self-employment income and also required employer contributions, how would the employer portion be collected for the self-employed? A state might simply make up that money from another source, such as general revenues. Another solution could be to have employers contribute a percentage of all payments made to independent contractors to the UFC fund. Massachusetts' new PFML program will require such payments, for example, but only for businesses where self-employed workers make up more than half of the workforce. Workers in these businesses will be covered automatically and be required to pay the employee contribution.⁷⁵

Implementation Phase

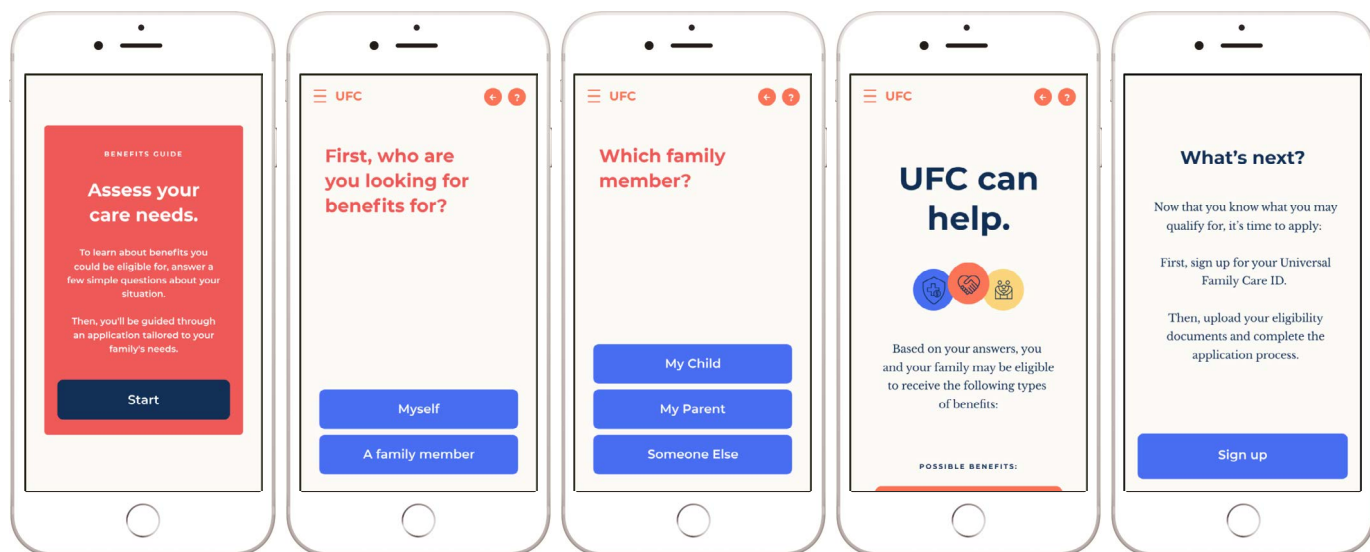
Integrated User Experience

To maximize take-up for UFC benefits and to ease the bureaucratic burden on family caregivers, policymakers will want to design

the program's user experience to be accessible. Ease of access to program information and simplicity of interaction with program administration are critical to ensuring that all people who pay into the system can feasibly benefit from it. One way to achieve this would be through a user-friendly web app, an example of which is presented in Figure 5.

When a family member first seeks to claim benefits from the UFC program, they should be able to obtain general information about benefits they may be eligible for, answer a few simple questions about their care situation, and then be guided through a preliminary application tailored to the family's care needs. Based on their answers to the questions, the claimant should be able to determine more specifically what types of benefits they may be eligible for. They would then need to apply formally for benefits—ideally, this could be done by simply uploading the required eligibility documentation.

FIGURE 5: An Integrated User Experience Grounded in Family Needs



⁷⁵ Sherry Leiwant, Molly Weston Williamson, and Julie Kashen, "Paid Family and Medical Leave & Self-Employment," Brief 1 of *Constructing 21st Century Rights for a Changing Workforce: A Policy Brief Series, A Better Balance*, 2018, <https://www.abetterbalance.org/resources/report-constructing-21st-century-rights-for-a-changing-workforce-a-policy-brief-series/>.



In addition, applicants should be able to learn about benefits other family members involved in the care situation may be eligible for. For example, a person seeking to claim paid family leave to care for a parent with dementia should be told about the potential availability of benefits for a home care aide for the parent. Those using the web app should also be able to access a list of ECCE or LTSS providers in their area. In short, the web app should be a one-stop shop grounded in the family's holistic, integrated care experience.

Once a beneficiary signs up for benefits the first time, from that point forward, as subsequent family care needs arise, they should be able to re-engage the program through the web app in a non-bureaucratic way.

Quality Assurance

A state may want to use a new UFC program to take measures to improve the quality of ECCE and LTSS. One way to do this would be to include funding for training of care workers and/or development grants for providers. Another would be to mandate quality standards through provider credentialing. See Chapters 1 and 3 for a detailed discussion of these issues.

Ancillary Supports and Services

A UFC program can serve as a “chassis” to which ancillary services and supports beyond traditional ECCE, PFML, and LTSS benefits can be added. For example, many family caregivers feel alone in facing their

family's care challenges and find themselves having to make key decisions about the care of a child or an aging parent without adequate information or guidance. A UFC program could offer a care advisor (a toll-free number) to help families find information and resources to cope with their care needs (which often involve more than one major benefit type). The program could also offer guidance about long-term care planning. Finally, a state could consider negotiating discounts for UFC beneficiaries with private service providers like ride-share companies or meal delivery services.

Ongoing Program Administration

The administration of a UFC program will involve a variety of ongoing activities. To mention a few considerations:

- Enrollment in the program would be automatic for all workers.
- If the program has any work history requirement to become eligible for benefits, or any waiting period after a qualifying event before benefits are payable, this will need to be tracked.
- Both program participants and service providers must be able to quickly and

easily receive information about an individual's benefit eligibility status; program participants could access this information through a web app (discussed above).

- A state must either manage the program's finances directly or contract out management and sustainability monitoring of the Trust Fund.
- A state will need to establish procedures for monitoring and ensuring program integrity. Here, states can likely draw on agency expertise in administering existing ECCE and LTSS programs. In approaching program integrity, states will want to balance concerns for quality with respect for the autonomy of families and care recipients.
- A state may want to conduct periodic program evaluation to assess the effectiveness of the program's design in meeting its stated objectives.

For more detailed discussion of the issues involved in implementing ECCE, PFML, and LTSS benefit systems, see the preceding chapters of this report.

Section VI.

CONCLUSION



Families have always coped with the risk of needing to receive or provide care—whether care for children, people with disabilities, older adults with functional or cognitive impairments, family members with a serious illness or injury, or one’s own health needs. But the share of families with a stay-at-home caregiver has sharply declined in recent decades, as most families now need earnings from all working-age adults in the household to make ends meet. At the same time, the number of older people needing LTSS is growing with the aging of the Baby Boomers. Paid care services—whether for children, elders, or people with disabilities—are expensive and unaffordable for many families.

Today, support for families is highly fragmented and largely limited to those with very low income and assets. The vast majority of people with care needs are not eligible for public ECCE or LTSS benefits, and most Americans do not live in a state that has a

PFML program. For those who are eligible, eligibility can change quickly with changes in family income and assets.

Universal Family Care would enable all families to access care supports, not just those with low incomes. They would do so through a one-stop shop with straightforward eligibility requirements, rather than a series of bureaucratic applications for different means-tested programs. UFC would provide ECCE, PFML, and LTSS benefits, but would be more than the sum of these parts. Family members would contribute to UFC from their first job onward and sign up for benefits the first time they need care. From then on, when family care needs arise, they could re-engage the program in a less burdensome way, as with Social Security or traditional Medicare.

A state’s decision to bolster its care infrastructure through UFC will highlight the need to develop its care workforce as well. In

rolling out a UFC program, states will benefit from workforce investments. The mechanism of provider credentialing through UFC can be leveraged to ensure the new employment created by the program results in quality jobs providing quality care to our children, seniors, and people with disabilities.

The policy vision of UFC can be achieved in a variety of ways. This report has outlined two high-level structural approaches—contributory and comprehensive—and presented illustrative benefit packages for core and expanded versions of each. A state seeking to adopt UFC will ultimately choose a policy design that best matches its own unique goals, preferences, and constraints. In so doing, it will calibrate the program dials of eligibility requirements, qualifying events, and benefit generosity. The common denominator in all approaches to UFC is that everyone contributes into one care insurance fund (or funds), and all contributors benefit

from the risk protections provided. Some states may choose to go further and extend coverage to all residents—even those who have not been able to work and contribute—by supplementing contributory funding with other dedicated taxes or general revenues.

If a UFC program were funded—as is Medicare—by a payroll tax on all earnings, with a higher rate on earnings above \$200,000 (\$250,000 for a married couple), a preliminary estimate of the contribution rate required from the typical household to fund a middle-of-the-road package is about \$79 a month (more detailed modeling will be conducted in late 2019). In return for paying this amount throughout their working lives, when a family was faced with the need for costly child care or LTSS, the family would receive benefits worth up to tens of thousands of dollars, as well as partial wage replacement when a family member needed to take time off from work to provide



or receive care. In other words, as in all social insurance, workers would pay in small amounts out of each paycheck and receive substantial help in times of need.

Many states are now weighing how to better equip families to cope with the challenges of managing work and family. We face a series of challenges: most families need the income of all working-age adults to make ends meet, yet the care infrastructure to enable family caregivers to work is fragmented and limited; female labor force participation is much lower in the U.S. than its peer nations; our birthrate is at a 32-year low; care jobs are poorly compensated, often resulting in low-quality care; and the next generation of seniors is ill-prepared to pay for their expected LTSS costs. UFC holds the potential to address these challenges in a holistic way: to make high-quality early care and education available to all children, thereby providing a solid foundation for our country's next generation; to empower family caregivers to flexibly manage work and care in ways they consider most efficient and beneficial; to facilitate the growth of quality jobs for the care workforce; to provide peace of mind to an aging population regarding the ability to age in place; and to make it easier for younger people with LTSS needs to work if they are able to do so.

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE