



# 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**

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*2019*

NATIONAL  
ACADEMY  
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**William J. Arnone**  
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## *Preface*

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# ABOUT THE REPORT

This report explores strategies that states could pursue to better support families in meeting evolving care needs over the lifespan. The first three chapters of the report explore the challenges families face in the realms of early child care and education (ECCE), paid family and medical leave (PFML), and long-term services and supports (LTSS). For each care domain, the panel identifies policy options along with the tradeoffs associated with specific policy choices; this is done within the context of assuring universal access, affordability, and financial stability through well-defined financing mechanisms. The concluding chapter explores how an integrated approach to care policy might be designed—one offering families a single point of access to ECCE, PFML, and LTSS benefits—under an umbrella program called Universal Family Care. Each chapter outlines challenges that states would need to navigate regarding how a new social insurance program would relate to existing federal and state care programs. Each chapter also addresses implementation considerations.

This analysis was developed over a year of deliberations by a Study Panel of 29 experts in care policy from a variety of perspectives. The report does not include recommendations but instead identifies the building blocks and tradeoffs associated with a range of options in the design of a state-based social insurance program. While there are other approaches for improving care supports, this report focuses specifically on social insurance solutions. As well, while there is nothing that precludes such approaches from being adopted at the national level, the focus of this analysis is on the potential for state action. Although addressed primarily to state policymakers, our analysis should be of interest to providers, advocacy organizations, insurers, administrators, and federal policymakers, as well as to any person interested in these issues.





# TABLE OF CONTENTS

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**Table of Contents** ..... **vii**

**Executive Summary** ..... **ix**

**Introduction** ..... **1**

**Chapter 1: Early Child Care and Education** ..... **5**

**Chapter 2: Paid Family and Medical Leave** ..... **67**

**Chapter 3: Long-Term Services and Supports**..... **135**

**Chapter 4: Universal Family Care** ..... **219**



# EXECUTIVE SUMMARY

The dynamics of work and family life have shifted over the past several decades, but public policy has not kept pace with working families' changing needs. As households increasingly rely on the income of all working-age adults to make ends meet, many families now lack a stay-at-home caregiver. Moreover, our disparate programs are not well-designed or integrated to address the reality that family caregiving needs—including those related to early child care and education (ECCE), paid family and medical leave (PFML), and long-term services and supports (LTSS)—overlap and change over the life course.

A patchwork of federal programs exists to help poor and low-income families pay the costs of early child care and education. These programs are chronically underfunded, however, and fail to serve a significant share of even the fraction of families with sufficiently low income to qualify.

In the absence of a national PFML policy, four states—California, New Jersey, New York, and Rhode Island—have implemented PFML social insurance programs, and four more jurisdictions—the District of Columbia, Washington, Massachusetts, and Connecticut—have recently enacted bills that currently await implementation. In the vast majority of states, however, most workers—when they need time away from work to care for a loved one and/or cope with a health problem of their own—lack access to paid leave. If they take leave to recover from an illness or care for a loved one, they risk significant wage or even job loss.

Long-term services and supports (LTSS) needs are growing, and for a variety of reasons families are becoming less able to meet them. One in two of those turning 65 today will need LTSS. Around 40 percent of those needing LTSS today are under 65; many will require lifelong services and supports. LTSS can be costly for both those needing care and family caregivers.

Each chapter in this report analyzes these care policy challenges and presents policy options for states to consider in addressing them. All options are based on an underlying presumption of universality, that is, care supports that are not means-tested. Thus, the report is focused on state-based, social insurance approaches. The first chapter presents three approaches states could take to provide universal access to early child care and education: (1) comprehensive universal ECCE, which would place ECCE more on par with primary and secondary school education by entitling all children to publicly funded ECCE; (2) employment-based, contributory ECCE, which would entitle all children to ECCE if their parent(s)/guardian(s) are sufficiently attached to the labor force; and (3) a universal ECCE subsidy, which would entitle all families to a subsidy to cover a portion of the cost of ECCE for their children.

The second chapter presents three policy options for states interested in developing a PFML program: (1) The first is a universal, contributory social insurance program with an exclusive state fund; where, all workers would contribute to a state social insurance fund

out of which all benefits would be paid; (2) a contributory social insurance program with regulated opt-outs, where employers would be required to offer a certain level and type of coverage and to comply with specified anti-discrimination and other consumer protections, but would be free to choose between utilizing the state fund, self-insuring, or purchasing a private plan for coverage; and (3) an employer mandate, where employers would be obligated to provide paid leave benefits directly to their workers, either by self-insuring or by purchasing private coverage.

The third chapter analyzes four key decision points for states considering introducing an LTSS social insurance program, such as the one Washington State introduced in 2019. A primary consideration relates to program structure, i.e., who will be eligible for the program's benefits, how will generational transition issues be addressed, and will front-end, back-end (catastrophic), or temporally unlimited coverage be offered? The second design choice is the financing approach: Will the program be funded through payroll contributions, an income tax, or some other dedicated revenue source? And will it be financed on a pay-as-you-go or prefunded basis? The third decision point concerns program integration. How will the new program mesh with Medicaid LTSS and private long-term care insurance? Finally, what implementation challenges must be navigated? How will the program

be administered, revenues collected and managed, eligibility determined, and program integrity ensured?

The concluding chapter of the report explores what an integrated approach to supporting families in meeting their care needs might look like. We refer to this approach as Universal Family Care (UFC), and present several options for how this might be structured, should a state decide to move in this direction. In this approach, all workers would contribute to a care insurance fund which would pay out ECCE, PFML, and LTSS benefits when these needs arise. The fund would provide these benefits through a single, integrated access point for families. In crafting a UFC program, states would need to make design choices about a variety of issues including 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 would 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.

# INTRODUCTION

Families have always coped with the risk of needing to receive or provide care—whether care for children, people with disabilities, or parents or grandparents with functional or cognitive support needs. But in the wake of decades of wage stagnation and changes in family structure, the share of families with a stay-at-home caregiver has sharply declined.<sup>1</sup> Most of today’s families 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.<sup>2</sup> With regard to care for older adults, demographic factors compound the challenge: over the coming decades, growth in the population 80 and older will far outpace growth in potential caregivers ages 45-64.<sup>3</sup> To meet the needs of today’s families, a paradigm shift is needed—one that better enables family caregivers to balance work and family responsibilities.

As the need for family care supports has grown, our care infrastructure has not kept pace. Our systems for providing affordable early child care and education (ECCE) and

long-term services and supports (LTSS)—the services and supports needed by some older adults and people with disabilities to perform routine daily activities such as bathing, dressing, preparing meals, and administering medications—are fragmented. As well, because they are targeted at the poor, they leave the broad middle class largely on their own. 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—is broadly available in only four states: Rhode Island, California, New Jersey, and New York.<sup>4</sup> At the same time, jobs in child care and long-term care are poorly compensated, which limits the size and skills of the care workforce, compromising the quality and reliability of care and resulting in many needs being unmet.<sup>5</sup>

The costs associated with early and long-term care needs are beyond the means of many families. On average, families can expect to pay roughly \$9,000 annually for center-based care for a four-year-old, nearly \$10,000

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<sup>1</sup> Liana Fox, Wen-Jui Han, Christopher J. Ruhm, and Jane Waldfogel, “Time for Children: Trends in the Employment Patterns of Parents, 1967-2009,” *Demography*, Vol. 49, No. 4, 2013, <https://ideas.repec.org/a/spr/demogr/v50y2013i1p25-49.html>.

<sup>2</sup> 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/>.

<sup>3</sup> 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>.

<sup>4</sup> In the near future, PFML will also be available in Connecticut, the District of Columbia, Massachusetts, and Washington State.

<sup>5</sup> 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](http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf).

for a toddler (age 1-3), and roughly \$11,600 for an infant (age 0-1).<sup>6</sup> These figures vary widely across states, and they do not take into account additional expenses for extra services such as extended or flexible hours. LTSS most often is needed for less than two years, but it is expensive. Among the roughly half of Americans 65 and older who will have significant LTSS needs, the average cost will be \$266,000 in today's dollars, and a little more than half of that will have to be paid out of pocket.<sup>7</sup> The affluent can pay for LTSS from their income and savings; a few people (only about 7 percent of adults 50 or older) have private long-term care insurance.<sup>8</sup> The vast majority of the population, those in the broad middle class, either forgo paid care (relying on family members), pay for it out of limited income and savings until they deplete their assets and qualify for Medicaid, or simply go without needed care altogether.

For many families, care needs can become unmanageable, or manageable only at significant cost to family members' health, well-being, income, and careers. Improvements to our care infrastructure could go far in easing these strains. Access to paid leave could make it easier for a working parent to take care of a newborn or sick child or help an aging parent cope with the aftermath of a fall or medical emergency—without being forced to leave the workforce. Similarly, if affordable child care, elder care, and supports for people

with disabilities were universally available, family caregivers across the income spectrum could continue to work and advance in their careers, bolstering both their own families' economic security and the nation's economy. Public care supports would not replace family members' care for one another, but they could give family caregivers more flexibility to manage care and career responsibilities.

Social insurance is a policy approach designed to achieve universal, affordable coverage for risks that are often expensive and sometimes infrequent. Typically, when financed by workers (and/or their employers), there is a statutorily defined share of each paycheck that is contributed throughout their careers in return for a benefit in times of need. Everyone contributes, and everyone is eligible to benefit, without a means test. Social Security and Medicare Part A (Hospital Insurance) are examples of this. This report fleshes out the design of different options for social insurance approaches to child care, paid leave, and long-term care benefits.

A social insurance approach to care supports is designed to make them affordable to everyone across the income spectrum. Like Social Security, PFML is a wage replacement benefit, and seeks to replace enough wages to make leave-taking affordable. Like Medicare Part A, ECCE and LTSS are service benefits; social insurance approaches to ECCE

<sup>6</sup> 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/>.

<sup>7</sup> 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>.

<sup>8</sup> 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](https://www.limra.com/Posts/PR/Industry_Trends_Blog/Combination_Products_Giving_Life_Back_to_Long-term_Care_Market.aspx).



and LTSS are designed to make child care and long-term care more affordable for all. Social insurance programs are designed to achieve affordability by including the entire workforce under the coverage umbrella and collecting modest contributions from each paycheck for the duration of a worker's career. This model contrasts dramatically with the status quo for child care and elder care, where a family faces tens of thousands of dollars of ECCE and LTSS costs, typically over a period of only a few years, and often at a time when they are least able to afford it, because too often, when the need arises, breadwinners must reduce their work hours or leave the workforce entirely.

The concluding chapter of this report explores an integrated approach to care supports: Universal Family Care (UFC). UFC would provide ECCE, PFML, and LTSS benefits through one integrated program with a joint funding mechanism and a single access point for families. UFC represents one way to achieve the goal of modernizing our care infrastructure, making it possible for family caregivers to handle both work and care responsibilities. The vision of UFC can be operationalized in a variety of ways, and this chapter details a range of approaches that states could take, if they chose to move in this comprehensive fashion. States seeking to adopt UFC will ultimately choose a policy design that best matches their unique constellation of goals, preferences, and

constraints. Much of the information provided in our analysis of UFC policy options is also relevant for federal policymakers who may seek a national approach to these issues, which could be similar to the UFC program put forward here for states to consider.

Any effort to expand access to family care supports must include a workforce strategy. Child care and long-term care jobs are poorly compensated, which limits the size and skills of the care workforce and reduces the quality and reliability of care. While this report highlights the need to improve the quality and supply of care jobs, both in the ECCE and LTSS fields, it is beyond the scope of this report to go into depth on this issue. Excellent research has been conducted on this elsewhere, and we refer the reader to that literature.<sup>9</sup>

We focus on state efforts because, to some degree, states have acted as “laboratories of democracy and social policy” and are likely to continue to do so. States led the way in creating social insurance protections in Workers’ Compensation, Unemployment Insurance, and Paid Family and Medical Leave, and 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

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<sup>9</sup> For example, see 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](http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf); Robert Espinoza, “Workforce Matters: The Direct Care Workforce and State-Based LTSS Social Insurance Programs,” PHI, 2019 (Forthcoming); Joanne Spetz, Robyn I. Stone, Susan A. Chapman, and Natasha Bryant, “Home And Community-Based Workforce for Patients with Serious Illness Requires Support to Meet Growing Needs,” *Health Affairs*, Vol. 38, No. 6, June 2019, <https://doi.org/10.1377/hlthaff.2019.00021>.

providers, and reimbursing providers. States have a wealth of knowledge and experience that can easily serve as a foundation for a Universal Family Care program. 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. Thus, there is no reason that, absent federal solutions, states must "sit on their hands" and wait; in fact, they already have valuable experience on which to base such an approach.