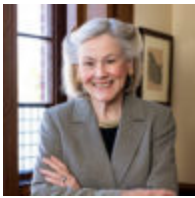


Washington State's Innovative Long-Term Care Program Could Be Killed by Ballot Initiative

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Social insurance can't work with participation on a voluntary basis.

Providing long-term care is one of the biggest challenges facing an aging society. According to our calculations, about one-quarter of retirees are likely to experience the type of severe long-term care needs that most people dread (high-intensity care for more than three years) and over half will have moderate or low needs – only about 20 percent will escape scot-free. The median private nursing home room cost of \$100,000 per year exceeds the annual income of over 90 percent of the elderly, and the supply of home healthcare workers is very tight. Medicaid provides support for those with very limited assets and income, and a few people – about 5 percent – buy long-term care insurance, but the vast majority of older Americans face the risk of large outlays on care as they age. The nation needs a social insurance program – like Social Security – to ensure that people have some resources to cover the costs of care.

Recognizing the need for collective action, the state of Washington in 2019 enacted WA Cares – a state-level program to provide qualifying Washington residents up to \$36,500 (adjusted for inflation) to cover the costs of home health aides, wheelchairs, assisted living, or even to pay an hourly wage to a family caregiver. The program is not designed to meet all needs but rather to provide seniors or their caregivers with some support so that they can remain in their homes or to pay for short institutional stays.

The program is financed by a payroll tax of 0.58 percent levied on most employees, unless they attest that they had private insurance with benefits comparable to the state plan prior to November 2021 or fall into certain categories, listed below. The state began collecting the tax in 2023. Opponents of the program – I have no idea who they might be and why – are

currently trying to kill the program by making the payroll tax contribution voluntary instead of mandatory.

A program financed with voluntary contributions will almost certainly go into a death spiral for a number of reasons. First, it will be very difficult to convince younger workers to contribute towards a program they are unlikely to need for decades or that they think they might not need at all. To the extent that workers wait until their 50s or early 60s to begin contributing, the required contributions would eventually have to go up dramatically. The flip side of the same story is that people who choose to contribute are likely to be those with the greatest needs. Even if they started to contribute early, the costs for this less healthy group will be higher than for the population of Washington as a whole. As people opposed to the payroll tax contribution pull out and the covered population becomes less healthy, the program will collapse. A similar dynamic led to the demise of an earlier voluntary long-term care insurance program enacted at the federal level (the CLASS Act) before it was even implemented.

Establishing any new program is fraught with difficulties and the Washington legislature has discovered kinks that it promptly ironed out. The state's goal is to ensure that all workers who contribute to WA Cares have a plausible path to qualifying for benefits. To this end, it created exemptions for certain groups, including those who commute to work in Washington from a different state, military spouses, and those with non-immigrant visas. It also created a pro-rated benefit for near-retirees (those born before 1968), who might not have been able to satisfy the 10-year vesting pathway. Most importantly, it made benefits portable, so workers who leave the state can continue participating and claim benefits elsewhere in the U.S. or even abroad.

At this point, Washington's long-term care program is in operation and will provide support that is particularly valuable to the state's middle-class families. In its first year, the program has accumulated more than \$1 billion in reserves. The first benefits will be paid in July 2026. This initiative is modest, but it is extremely important as a proof of concept. We will learn an immense amount from WA Cares about establishing a social insurance program for long-term care, which will be invaluable when the federal government eventually addresses this gaping policy hole. It would be crazy to kill it.