Population Aging: Is Illinois Ready?

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Demographic Overview

- As Baby Boomers move into retirement, the population age 65 and over will skyrocket
  - Nationally, 12.4% in 2000; projected to become 19.7% by 2030
  - In Illinois, 12.1% in 2000; projected to become 18% by 2030
  - Seniors age 85+ will triple by 2050 nationwide (nursing home impact)
In 2000, the support ratio was 21, meaning there was one older person for every 5 working-age persons.

By 2030, the support ratio is expected to reach 36, with 1 older person for every 3 working-age persons.

In addition to Social Security and pension systems, it will greatly impact State Medicaid, Prescription Drug, and Aging Programs.
Factors Influencing Future Finances of Medical Programs for the Elderly

- 1) High cost and higher demand of Medicaid/Long Term Care programs
- 2) Increased demand for programs run by the Department on Aging
- 3) Loss of revenue due to senior tax breaks, etc.
- 4) Questionable future condition of the Illinois budget and economy
Why Will the Aging Population Impact State Medicaid Budgets?

- Medicaid is the health-care program that provides health services to low-income persons, but it also covers the cost of long-term care for low-income seniors.
- Medicaid is funded jointly with federal and state dollars. States receive a federal match on Medicaid dollars spent with some states receiving a greater match than others. Currently, Illinois has a 50% match.
- With more federal dollars devoted to Social Security and Medicare budgets, will the federal match decrease? Impact on state budgets?
Medicaid in Illinois: Where are we now?

- In FY2005, Illinois spent approximately $11 billion on Medicaid including federal matching funds (Kaiser Family Foundation)
- 25% of Illinois’ seniors are enrolled in Medicaid
- The elderly make up 16.4% of Illinois’ Medicaid population (FY2004)
- 2.4 billion Illinois Medicaid dollars went toward long-term care services involving the elderly (Kaiser Family Foundation)
Illinois Medicaid Budget, FY 2005 (in thousands)

- Long Term Care Services, $2,400,000, 22%
- Other Medicaid, $8,607,000, 78%

*Numbers attributed to Kaiser Family Foundation*
Long Term Care (in thousands)

- Home Health and Personal Care, $937,000
- Nursing Facilities, $1,400,000
- Mental Health Facilities, $56,000

*Numbers attributed to Kaiser Family Foundation*
Long Term Care Trends

Between FY 1996 and FY 2006:

- The average monthly caseload of Medicaid nursing home patients declined
- Long-term care liabilities have increased

Why?

- More seniors have been incorporated into the Community Care Program
- Nursing home care costs have increased
  - MetLife cited on average a 3% increase in nursing home costs from 2006 to 2007 nationwide

*"Private and Semi-Private Nursing Home Room Rates Increase 3% in 2007"
MetLife Mature Market News October 30, 2007
Cost of Nursing Homes

- From 1996 through 2006, Illinois long-term care liabilities increased $433 million or 37.5%
- Private nursing home care averaged $156 per day in Illinois, not including medication or rehabilitation (Genworth Financial)
- Totals $56,940 per year
- Long term care charges for Medicaid enrollees stood at $105.10 per day in FY06, of which Medicaid paid only $80.72
- Medicaid pays less, others pay more
Impact of Long Term Care Costs

- Many nursing home residents do not start out as Medicaid enrollees, but steep costs cause them to quickly spend their resources.
- In Illinois, it is estimated that more than 50% of senior nursing care residents are currently reliant on Medicaid.
- Two-thirds of nursing home residents will end up on Medicaid.
Department on Aging

- FY 2006 budget was $421 million, up from $195 million in FY 1997
  - Appropriations for FY2008 were $539 million; a large increase in the community care program

- Two major programs:
  - Community Care Program
  - Illinois Cares Rx
Community Care Program in Illinois

- State program providing in-home and community-based services to the elderly.
- Operated by the Department on Aging and funded mainly through the General Revenue Fund and a federal Medicaid waiver.
- Expenditures have increased from $141 million in FY 1997 to $341 million in FY 2007.
- Appropriations in FY08 were up to $374 million.
- Potentially saves the state and federal governments around $116.5 million a month by helping seniors remain in their homes instead of entering long term care facilities.
Average monthly caseload has steadily increased from 35,803 in FY 1999 to 45,782 in FY 2007.

Cost of Community Care vs. Medicaid Nursing Homes

- 1999: $1,814
- 2007: $3,115

*2007 Community Care Statistics are attributed to the IL Department on Aging
Illinois Cares Rx

- Program established to help with the costs of Medicare Part D plans (premium, deductible, copay)

- As cost of Medicare Part D increases, so will Illinois Cares Rx spending
  - Deductible was $265 in 2007, to reach $445 by 2013
  - Premium was $356 in 2007, to reach $696 in 2013
  - Donut Hole Gap in Medicare Part D to jump from $3,051 in 2007 to $5,066 in 2013
Expenditures Continue to Grow…

- Medicaid/Long Term Care Increases
- Department on Aging Programs
  - Community Care Program
  - Illinois Cares Rx
But Some Revenues Decrease

- Illinois provides relief to many seniors on reduced and fixed incomes
  - Income Tax Exemptions ($899 million in 2005)
  - Property Tax Relief
    - Senior Citizens Assessment Freeze Homestead Exemption (Equalized Assessed Valuations reduced $4.2 billion in 2005)
    - Senior Citizens Homestead Exemption (Equalized Assessed Valuations reduced $2 billion in 2005)
    - Senior Citizens Real Estate Tax Deferral Program
  - Driver’s and Vehicle License Reductions ($8.6 million)
  - Recreational License and Fee Breaks
Let’s Not Forget Our Current Financial Condition

- According to the Comptroller’s Report on Illinois’ Fiscal Condition released in February:
  - State’s 5 retirement systems most poorly funded in U.S.
  - Liability of State’s Medicaid plan grew 28% between 2003 and 2007
  - State budget out of balance
    - $2 billion backlog on Medicaid and other health bills (preliminary unaudited)
    - GAAP deficit was $3.6 billion at the end of 2007 (prelim unaud.
  - K-12 education not at the foundation level
  - Less funding for higher education
  - Recession?
What Might Save Us?

- Increased life expectancy and improving health of older people
- Financial outlook of seniors is improving
- Baby boomers expected to have better educations, better health, higher incomes and higher standards of living
- New medical improvements
- Later retirement
- Personal financial preparedness
- Government preparedness
For more information

- [www.ioc.state.il.us](http://www.ioc.state.il.us)
  - Fiscal Focus Issues
  - Financial Report issued to G.A.
  - [polosja@mail.ioc.state.il.us](mailto:polosja@mail.ioc.state.il.us)

Unless otherwise stated, numbers and facts are attributed to “Population Aging: Are Governments Ready?” *Fiscal Focus* July 2007