

A New Option for Long-Term Care Costs

An estimated 70% of Americans will need long-term care at some point in their lives, but they haven't planned for it or saved for it.

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Kelly Haggett figures that a mandatory surcharge added to Washington state's payroll tax cost her about \$500 last year. But she doesn't really mind.

"On a scale of 1 to 10 of my annoyance with taxes in general, this one is about a 2," she said. "I see the benefits."

The small surcharge on wages provides the funding for Washington Cares, the nation's [first state-operated program for long-term care insurance](#). It was set to begin distributing benefits July 1.

If Haggett, 67, a systems administrator who lives in Auburn, Washington, needs help with daily activities as she ages — bathing, dressing, grocery shopping, managing medications — she'll be able to use the benefit she has accrued through WA Cares, as the program is known.

About 3.7 million workers participated last year, paying an additional 0.58% in payroll taxes. Those who contribute for 10 years will qualify for a lifetime benefit of \$36,500. The amount will rise with inflation: A 36-year-old now earning about \$50,000 a year who contributes \$291 a year for a decade will have [a projected \\$98,000 benefit](#) if she needs assistance at age 75.

Both the WA Cares mandatory premiums and eventual benefits are modest. But for older adults and people with disabilities, they can help pay for a variety of services: home care, transportation, adult day programs, home modifications like ramps and grab bars, compensation for family members who assist them, or assisted living facilities and nursing homes.

Haggett had looked into private long-term care insurance to cover those needs, but she balked. "It's crazy expensive," she said. And since premiums can rise, and frequently have, "you're basically saying, I'll pay whatever, whenever."

Haggett knows that WA Cares can't cover all her long-term care costs. In fact, because she was already in her 60s when payroll deductions began in 2023, and because she is planning to retire in two years, she'll receive only half the lifetime benefit.

But “if I required care and it would protect my wife from having to spend our savings, \$18,250 is not meaningless,” she said.

Washington has been working toward implementing WA Cares for a decade; the program has survived two statewide votes aimed at overturning or weakening it. Now, other states will be paying attention.

‘Most People Have Nothing’

An estimated 70% of Americans will need long-term care at some point in their lives, but “they haven’t planned for it or saved for it,” said Cathleen MacCaul, advocacy director for AARP Washington State, which supported the legislation that created WA Cares.

“People are under the misconception that Medicare will pay for this,” MacCaul said. In fact, while Medicare pays for healthcare, it rarely covers long-term care, either at home or in facilities.

Medicaid does cover long-term care, but it involves such strict limits on income and assets that “most middle-class people are left out, or they have to impoverish themselves” by spending nearly all their assets to qualify, said Richard Frank, director of the Center on Health Policy at the Brookings Institution. Those who are eligible often face lengthy waiting lists for care at home.

“Long-term care is the largest area of unprotected health risk in the United States,” Frank said. “Most people have nothing.”

Previous efforts to establish public long-term care protections have foundered. In 2010, the Affordable Care Act included [the CLASS Act](#), a legacy of Sen. Ted Kennedy that would have created a voluntary long-term care insurance program. The Obama administration eventually deemed it unworkable, and “it never saw the light of day,” Frank said.

The private market has also contracted. Most of the largest companies selling long-term care insurance — Genworth, John Hancock, MetLife — have exited the market. The return on their investments plummeted when interest rates fell after the Great Recession, and the number of insured people who abandoned their policies — a profitable development for insurers — was far below projections.

“The psychology of the industry was: Holy smokes, we’re losing money! We’re getting out,” said Claude Thau, who directs the annual Milliman Long-Term Care Insurance Survey. As the losses mounted and premiums spiked, consumers such as Haggett stopped buying policies. Moreover, Thau estimated, 1 in 6 applicants are unable to get coverage for health reasons.

Thus, fewer than 35,000 Americans bought stand-alone policies in 2024, compared with about 235,000 in 2010, according to a [report from LIMRA](#), a trade association. The average 60-year-old purchaser would, at age 80, receive a projected maximum benefit of \$369 a day, Milliman reported. But the average annual premium on new stand-alone policies in 2024 — \$3,265 — can seem daunting to someone close to retirement.

As the purchase of stand-alone policies has dropped, insurance companies have turned to policies bundling some long-term care benefits with life insurance or annuities. Those sales figures are climbing. Still, the association notes, only 3% of Americans age 50 or older have any long-term care insurance.

‘A Five-Alarm Fire’

That has prompted a recent spate of proposals to find public ways to protect Americans from ruinous costs that can continue for years. “This is a five-alarm fire,” said [a letter](#) sent in May by U.S. Sen. Ron Wyden of Oregon and 16 fellow Senate Democrats to their colleagues.

The letter, more a statement of purpose than a specific legislative plan, proposed a “home care guarantee” for Medicare beneficiaries, among other efforts. Proponents expect to issue a more detailed report in the fall and to introduce a bill early next year.

A [Brookings report](#) also proposed providing subsidized long-term care at home through Medicare, with beneficiaries making contributions according to their ability to pay. Like most of these programs, it would kick in when people need help with activities related to daily living or require supervision because of cognitive decline. The authors estimate that 8.2 million Americans will be eligible, far more than those who qualify for home-based care under Medicaid.

In the House, Rep. Tom Suozzi, a Democrat from New York, and Rep. John Moolenaar, a Republican from Michigan, have [introduced legislation](#) to create a catastrophic-insurance program for older people with disabilities. It would require them to pay for care out-of-pocket or with private insurance for the first several years before they would receive a monthly federal benefit.

Enacting federal initiatives in the current political climate seems unlikely, proponents acknowledge. The Trump administration’s plan to cut billions of dollars from Medicaid “has moved the needle backward on the accessibility of long-term care,” said Taylor Harvey, a spokesperson for the Senate Finance Committee.

So [other states](#) “are looking at what Washington is doing with a lot of interest,” said Norma Coe, who is an economist at the University of Pennsylvania and is tracking long-term care programs. Legislators have introduced bills in Illinois, Hawai’i, and West Virginia; other states have task forces studying the issue.

“Long-term care is one of those conversations around every dinner table,” said Bea Rector, assistant secretary for the Department of Social and Health Services’ Home and Community Living Administration.

“Families step in,” she explained. Sometimes they can continue providing care, “but sometimes more formal care has to be put in place. That’s when people see the value of programs like this.”

Steven Russakoff knows the challenges of elder care, having provided years of support for his father, who died two years ago, and for his mother, who is now living in a nursing facility. “It’s

brutal, it's exhausting, and it's extraordinarily expensive," he said. The family has liquidated virtually all his parents' assets to pay for their care.

Russakoff, who is 56 and lives in Shoreline, Washington, initially disliked WA Cares. He could handle the additional deductions (about \$250 a year) from his paycheck as a director of university dining services, but he felt forced into a program he couldn't use if he left the state to retire.

But WA Cares has already been amended several times and [has become portable](#) for many participants who move away, making him a convert. "It's a good idea," Russakoff concluded. "A necessary evil."

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