



NISKANEN C E N T E R

THE EVERGREEN MODEL FOR LONG-TERM CARE

A state-level strategy for a persistent social policy problem

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Introduction

The biggest breakthrough in the search for solutions to America’s long-term care challenge has come not in Washington, D.C., but in Washington State. After decades of failed efforts on Capitol Hill, the Evergreen State has succeeded in establishing the nation’s first social insurance program for long-term care. While the Washington State Cares Fund (or simply WA Cares), was established by state law back in 2019, its future only became secure last November when voters rejected a ballot initiative that, if passed, would have fatally undermined the program.¹ Having cleared that hurdle by a surprisingly comfortable margin of 55 to 45 percent, WA Cares now has a clear path toward full implementation next year.²

In establishing a new state-based model for addressing one of the country’s most pressing social policy challenges, WA Cares also has important implications for the broader effort of developing the kind of robust system of social insurance that facilitates a free and thriving society. Indeed, as my Niskanen Center colleagues have argued, a universal system of social insurance is an important precondition for personal and economic freedom properly understood.³

This paper explains the long-term care status quo, situates WA Cares within long-term care’s policy history, details the key policy design choices and tradeoffs behind the program, and identifies lessons learned from the lawmaking and implementation process that can be applied elsewhere.

More than anything, WA Cares’ passage and electoral survival is significant because it has succeeded where so many other plans have failed. While nearly every other similarly situated country has created a national long-term care program, the U.S.—despite numerous attempts—has never managed to pull it off, leaving Medicaid as the default primary payer. While WA Cares is much smaller in scope than the expansive, national plans previously proposed, it is an opportunity to demonstrate that a social insurance program for long-term care can work in the U.S. and help mitigate a problem that is overwhelming a rapidly increasing number of individuals and families as well as government budgets. The WA Cares experience has also effectively charted a detailed roadmap—complete with hazards to avoid—that can inform similar efforts in other states and, perhaps eventually, even the country as a whole. Moreover, with Donald Trump and Republican congressional majorities back in power, a state-level strategy may be the only realistic avenue for making meaningful progress on long-term care in the foreseeable future.

The problem with long-term care in the United States

The long-term care (LTC) status quo in the U.S. has far reaching societal implications, though they are not always easy to see. While the most obvious piece of the LTC puzzle is the cohort of individuals requiring assistance, there are also significant implications for family members of those individuals, the paid and unpaid providers of the care, and for society as a whole, most notably because LTC has major budgetary implications for state governments. Properly contextualizing WA Cares requires understanding this status quo and the troubled policy history of attempts to create a national program similar to those in other industrialized countries.

1. Christopher J. Giese letter to Luke Masselink, 21 Dec. 2023, <https://leg.wa.gov/media/uxgf2e12/masselink19-fully-voluntary-modeling.pdf>.

2. “November 5, 2024 General Election Results: Initiative Measure No. 2124,” Washington Secretary of State, 26 Nov. 2024.

3. Brink Lindsey and Samuel Hammond, “Faster Growth, Fairer Growth: Policies for a High Road, High Performance Economy,” Niskanen Center, Fall 2020, <https://www.niskanencenter.org/faster-growth-fairer-growth-policies-for-a-high-road-high-performance-economy/>. See also, Andrea Louise Campbell, *Trapped in America’s Safety Net: One Family’s Struggle* (Chicago: University of Chicago Press, 2014), 124-5.

The long-term care status quo

Old age is the new normal in the United States. A person born today has a life expectancy of 82; a century ago, it was just 56.⁴ While this remarkable development is to be celebrated, an aging society brings challenges, too. Chief among these is an increased need for LTC. LTC encompasses the services and supports that over 14 million Americans require to complete basic “activities of daily living” like eating and dressing.⁵ It spans a wide variety of needs and services, ranging from situations in which an individual with modest limitations requires occasional assistance from a family member to the other extreme of individuals requiring round-the-clock help in a nursing home.

Already, LTC is a daunting policy challenge in the U.S., and it will only become more difficult in the coming years and decades because it is so closely associated with aging. About two-thirds of LTC recipients are over the age of 65 and four out of five dollars spent on LTC go to assist elders.⁶ Projecting forward, the U.S., like most other industrialized countries, is an increasingly aging society due to a combination of longer lifespans, the aging of the massive Baby Boom generation, and declining birth rates.⁷ By 2050, the number of adults over 65 will double and those over 85 will triple.⁸ Individuals reaching the age of 65 can now expect, on average, to reach their 85th birthday. And of those reaching 65, 70 percent will require at least some LTC at some point in their lives.⁹ At the societal level, by 2050, the 14 million people currently requiring LTC will grow to 27 million, according to one projection.¹⁰ For men, the average length of need is 1.5 years; for women, 2.5 years.¹¹ The key takeaway here is that we will have a lot more people, taking up a greater share of the overall population, who will need long-term supports and services.

Another central piece of the LTC challenge is that it is expensive. Costs vary considerably, but it can run \$75,000 a year to have full-time assistance from a home health aide, while a bed in a nursing home costs about \$104,000 annually for a shared room, or about \$117,000 for a private room.¹²

However, the amount of LTC expenses any given individual might incur is unpredictable. On average, a person turning 65 can expect to need \$138,000 in LTC.¹³ But the Center for Retirement Research at Boston College has demonstrated how variable individual experiences can be. Their findings show that 17% of those reaching 65 won't require any LTC at all, while another 24% will require less than a year. Meanwhile, 32% will fall into a broad middle category of requiring between one and three years of care. The final 28% of adults turning 65 will need over three years of care.¹⁴ In sum, then, an average adult reaching 65 and looking to the future can

4. Marc A. Cohen and Judith Feder, “Financing Long-Term Services and Supports: Challenges, Goals, and Needed Reforms,” *Journal of Aging and Social Policy* 30, no. 3-4 (2018), 209.

5. Edem Hado and Harriet Komisar, “Fact Sheet: Long-Term Services and Supports,” AARP Public Policy Institute, Aug. 2019. For an overview of America's LTC challenge, see: Robert Saldin, “[How to Fix Long-Term Care: The Threat to America's Middle Class and Principles for Sustainable Reform](#),” Niskanen Center, August 2021.

6. Hado and Komisar, “Fact Sheet: Long-Term Services and Supports.”

7. U.S. Census Bureau, “[By 2030, All Baby Boomers Will Be Age 65 or Older](#),” 10 Dec. 2019.

8. Tara O'Neill Hayes and Sara Kurtovic, “The Ballooning Costs of Long-Term Care,” American Action Forum, 18 Feb. 2020.

9. Favreault and Dey, *Long-Term Services and Supports for Older Americans*.

10. O'Neill Hayes and Kurtovic, “Ballooning Costs.”

11. Melissa Favreault and Judith Dey, *Long-Term Services and Supports for Older Americans: Risks and Financing*, Office of the Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, rev. Feb. 2016.

12. Genworth, “[Cost of Care Survey](#),” 2023.

13. Cohen and Feder, “Financing Long-Term Services and Supports”; Favreault and Dey, “Long-Term Services and Supports for Older Americans.”

14. Anek Belbase, Anqi Chen, and Alicia H. Munnell, “What Level of Long-Term Services and Supports Do Retirees Need?” Center for Retirement Research at Boston College, 21:10 (June 2021). See also, Richard W. Johnson, “[What is the Lifetime Risk of Needing and Receiving Long-Term Services and Supports?](#),” ASPE, Department of Health and Human Services, 3 Apr. 2019. Another critical variable is the level of need.

anticipate that he or she has a roughly equal chance of eventually falling into one of three categories of LTC need. Some will face none at all or only incur relatively modest costs over a short time horizon. Others, even if they have “severe” LTC needs (defined as ongoing problems with two or more activities of daily living), will require assistance but only for a period better measured in months than years, which serves to put a limit on costs. The third cohort, however, will face an extended period of substantial need and will incur genuinely catastrophic costs far exceeding what the vast majority of Americans can possibly afford.

A fundamental challenge with LTC is that most people cannot predict which of these cohorts they will fall into. Many will skate by without incurring overwhelming costs; indeed, a sizable chunk will not have any. But a significant percentage will need more than \$250,000 in supports and services as they age, and very few people have those kinds of resources.

Insurance, of course, is a traditional response to situations like this in which costs are unpredictable but with a tail risk that is extraordinarily high. By spreading that risk across a large population, those who otherwise would have faced catastrophic expenses are insulated. And indeed private LTC insurance plans exist. Unfortunately, the market is severely challenged. Due to technical problems and a lack of awareness on the part of the public, private offerings are expensive to the point that experts question their value and many who apply for plans are denied coverage in the underwriting process.¹⁵ But for those able to qualify for coverage, a typical plan for a 55 year-old might have a monthly premium of around \$200 and a daily benefit of about \$130 for five years.¹⁶ For savvy consumers, Medicaid’s existence and structure may also render private insurance less desirable by imposing “an implicit tax.” From this perspective, paying for private insurance creates an additional funding source that one has to exhaust before qualifying for public coverage through Medicaid.¹⁷ Only 3-4 percent of Americans over 50 have a private plan and the market is sufficiently challenging that many insurers have opted to quit offering policies altogether.¹⁸

Financing LTC in the U.S., then, is left to a hodgepodge of public and private sources. LTC is already one of the biggest drivers of healthcare expenditures in the U.S. — accounting, according to one analysis, for \$361 billion in annual spending that amounts to, according to another study, over 9% of all health expenditures.¹⁹ Critically, these data dramatically underestimate the “real” cost of LTC because a large amount of it is performed by family members at no charge. The value of that free care is estimated to be \$470 billion each year, which boosts the annual cost for LTC in America to over \$700 billion.²⁰

15. Howard Gleckman, “Should You Buy Long-Term Care Insurance? Maybe Not,” *Forbes*, 28 Sept. 2012; Alexander Sammon, “The Collapse of Long-Term Care Insurance,” *The American Prospect*, 20 Oct. 2020; Aly Yale, “Should You Buy Long-Term Care Insurance? Here’s What Experts Say,” *CBS News*, 25 Sept. 2023.

16. National Council on Aging, “How Much Does Long-Term Care Insurance Cost and Is It Worth It?” 27 Aug. 2024; Sammon, “The Collapse of Long-Term Care Insurance.”

17. Jeffrey R. Brown and Amy Finkelstein, “The Private Market for Long-Term Care Insurance in the U.S.: A Review of the Evidence,” *Journal of Risk and Insurance* 76:1 (Mar. 2009), 5-29.

18. Jordan Rau and JoNel Aleccia, “Why Long-Term Care Insurance Falls Short for So Many,” *KFF Health News*, 22 Nov. 2023; Jeffrey R. Brown and Amy Finkelstein, “Insuring Long-Term Care in the United States,” *Journal of Economic Perspectives* 25:4 (Fall 2011), 129; Benjamin W. Veghte et al., *Designing Universal Family Care* (Washington: National Academy of Social Insurance, 2019), 167; Sammon, “The Collapse of Long-Term Care Insurance;” Ezekiel J. Emanuel, *Which Country Has the World’s Best Health Care?* (New York: Public Affairs, 2020), 29.

19. Celli Horstman, Evan D. Gumas, and Gretchen Jacobson, “[U.S. and Global Approaches to Financing Long-Term Care: Understanding the Patchwork](#),” The Commonwealth Fund, Issue Briefs, 16 Feb. 2023; Hado and Komisar, “Fact Sheet: Long-Term Services and Supports;” Carol V. O’Shaughnessy, “[National Spending for Long-Term Services and Supports \(LTSS\), 2012](#),” National Health Policy Forum, 27 Mar. 2014.

20. Hado and Komisar, “Fact Sheet: Long-Term Services and Supports;” Susan C. Reinhard et al., “Valuing the Invaluable: 2019 Update,” *Insight on the Issues* (AARP Policy Institute: Nov. 2019).

In what comes as a counterintuitive surprise to many, Medicare does not pay for LTC.²¹ And while Medicaid does, qualifying for the means-tested program requires spending down one's assets to the point of impoverishment. As a practical matter, then, many individuals and families are left in the position of relying on free, informal care from family members or paying out-of-pocket for LTC services and supports until they are poor enough to qualify for Medicaid.

This LTC status quo leaves the American middle class especially vulnerable. Notably, this conception of "middle class" captures an enormous swath of society, encompassing everyone from those just above the poverty line to those still sitting on six-figure retirement accounts decades after leaving the workforce. Roughly half of households aged 55 or over have retirement savings, though the average is just \$109,000, a sum that can quickly be exhausted by even average LTC expenses.²²

To be sure, Medicaid is ready to swoop in once one's savings are exhausted, though at that point the financial burden is not alleviated so much as it is shifted from the individual and family to government ledgers. State budgets, in particular, are hit hard. Medicaid is the key player in LTC financing, accounting for 52% of national costs, which accounts for about one-third of the program's total expenditures.²³ At the state level, Medicaid is typically the second largest line item in the budget; only K-12 education costs more.²⁴ With LTC spending set to continue its rapid growth, Medicaid's piece of the budget pie will also expand. This dynamic should set off alarm bells across the political spectrum. For those focused on balanced budgets, the LTC status quo presents a serious fiscal challenge in state capitols. And for those focused on other state-level public sector services, the LTC status quo puts these other funding priorities at risk of being crowded out. Reforming LTC in a way that eases the burden on Medicaid would provide significant relief to state budgets. Lawmakers could use those savings for anything from shoring up other vital state services to funding tax cuts.

The caregiving crunch is a final key consideration in America's LTC status quo. As noted earlier, the services and supports required by those with LTC needs is provided by a mix of paid professionals and informal caregivers, usually family members. Around 41 million unpaid caregivers, mostly women, provide 34 billion hours of care annually.²⁵ It is often physically and emotionally draining, and it frequently interferes with caregivers' employment or ability to relocate for a better position. This scenario carries obvious career implications for informal caregivers, but it also exacts a societal cost by constraining many professionals in their prime working years.²⁶ Professional caregivers, meanwhile, have historically suffered from low pay and challenging working conditions. At least partially as a result, there is currently a shortage of such professionals in many parts of the country, and, looking forward, considerable concern about maintaining a workforce sufficient to meet the coming need.²⁷

21. Gleckman, "Americans Are Baffled by Long-Term Care Financing but Want Medicare to Pay for It," *Forbes*, 31 May 2017.

22. U.S. Government Accountability Office, "Most Households Approaching Retirement Have Low Savings," 2015.

23. Horstman, Gumas, and Jacobson, "U.S. and Global Approaches to Financing Long-Term Care: Understanding the Patchwork," Centers for Medicare and Medicaid Services, "Medicaid Long Term Services and Supports Annual Expenditures Report Federal Fiscal Year 2020," 9 June 2023.

24. National Association of State Budget Officers, "2024 State Expenditure Report: Fiscal Years 2022-2024," 19.

25. Reinhard et al., "Valuing the Invaluable: 2019 Update."

26. Sandra Levitsky, *Caring for Our Own: Why There is No Political Demand for New American Social Welfare Rights* (Oxford University Press, 2014); Rachel Garfield et al., "Work Among Medicaid Adults: Implications of Economic Downturn and Work Requirement," Kaiser Family Foundation Issue Brief, 11 Feb. 2021; Barbara Lyons and Jane Andrews, "Caring for Medicare Beneficiaries at Home: Experiences and Priorities of Family Caregivers," Commonwealth Fund, 25 Oct. 2023.

27. Ann Oldenburg, "Nationwide Caregiver Shortage Felt by Older Adults," AARP, 10 Nov. 2022.

The key takeaway here is that we have a rapidly aging society that is going to need far more services and supports in the coming years and decades, and that increased level of need is a challenge because LTC is so costly and reliant on an unstable labor source. The status quo presents daunting challenges for individuals requiring long-term services and supports, their families, and government budgets while also imposing significant constraints on our society's dynamism and vitality. Peer countries have responded by creating national LTC programs. As we shall see, however, numerous attempts on Capitol Hill to follow suit have been unsuccessful.

A policy history marked by failure

When lawmakers in Washington State decided to embark on the process that produced WA Cares, they were wading into territory that had stymied Congress and given LTC a reputation in health policy circles as an intractable problem. Several times over several decades, Congress seriously explored the possibility of creating a national program; twice it even managed to enact one, though both episodes ended in embarrassing repeals. Notable episodes in LTC's policy history include the Medicare Catastrophic Coverage Act of 1988 (repealed, 1989); the Pepper Commission's report ("dead on arrival," 1990); the LTC component in the Clinton health reform effort (collapsed, 1994); and, most recently and infamously, the Affordable Care Act's fatally flawed CLASS program (abandoned by the Obama administration, 2011; repealed, 2013).²⁸

The trouble with addressing LTC has never really been about policy design. Plenty of other countries, dating back to the 1960s, have established national LTC programs. Rather, the problem has been one of politics. And a central piece of that has been the public's misunderstanding and lack of awareness of LTC. Many experts emphasize that Americans are unusually culturally resistant to grappling with issues surrounding aging.²⁹ Public opinion research also reveals widespread ignorance. For instance, one recent study found that 56% of Americans erroneously think that Medicare will cover their LTC needs.³⁰ This misunderstanding and lack of awareness in the general public has undercut reformers' ability to galvanize support behind a national program. Additionally, LTC reform efforts have also sometimes suffered from infighting among proponents.³¹ And finally, America's political institutions have made the path to LTC reform more challenging than it is elsewhere. The separation of powers and the Senate filibuster, for instance, raise the bar for enacting sweeping social legislation, especially in an era of intense partisan polarization.

This legacy of failure has left many in the broader health policy orbit soured on LTC, which came to be viewed as a policy area that should be avoided because it was intractable and, worse, could risk undermining other priorities. Indeed, in the 1990s, some blamed the LTC component and its advocates for the failure of Clinton's entire health reform effort, and, more than 15 years later, many supporters of the Obama initiative saw CLASS' devotees as recklessly risking the larger and far more important health reform agenda for

28. On long-term care's policy history, see Robert P. Saldin, *When Bad Policy Makes Good Politics: Running the Numbers on Health Reform* (New York: Oxford University Press, 2017), Chapter 3. For more on the MCCA: Richard Himmelfarb, *Catastrophic Politics: The Rise and Fall of the Medicare Catastrophic Coverage Act of 1988* (University Park: Pennsylvania State University Press, 1995). On the Pepper Commission: John D. Rockefeller, IV, "The Pepper Commission Report on Comprehensive Health Care," *New England Journal of Medicine* 323 (1990): 1005-1007. On the Clinton reform's LTC component: Joshua M. Wiener et al., "What Happened to Long-Term Care in the Health Reform Debates of 1993-1994? Lessons for the Future," *The Milbank Quarterly* 79, no. 2 (2001). On the CLASS Act: Saldin, *When Bad Policy Makes Good Politics*.

29. Jeffrey Kluger, "Why Americans Are Uniquely Afraid to Grow Old," *TIME*, 23 Feb. 2023; Veghte interview, 28 May 2024.

30. Diane Omdahl, "Warning: Medicare Does Not Pay For Long-Term Care," *Forbes* 14 Jan. 2020; Center for a Secure Retirement, "A Growing Urgency: Retirement Care Realities for Middle-Income Boomers," 16 Dec. 2020. Earlier studies showed similar misunderstanding: "Long-Term Care in America: Expectations and Reality," The Associated Press-NORC Center for Public Affairs Research, May 2014; Gleckman, "Denial Ain't Just A River in Egypt: Americans (Still) Unprepared for Care Needs in Old Age," *Forbes*, 21 May 2014.

31. Saldin, *When Bad Policy Makes Good Politics*, 62-65, 95.

their comparatively insignificant pet program.³² The CLASS Act's unworkable policy design was, in fact, an attempt to circumnavigate the political hurdles noted above. Correctly recognizing that mandatory participation—a key element in social insurance—was too big a political lift for a LTC program, CLASS' designers decided to make participation optional. The gambit paid off initially and allowed CLASS to be included in the comprehensive health reform package. But sacrificing a sound policy design eventually proved to be their program's undoing.³³ More than a decade later, the unfortunate legacy of the CLASS saga still looms over and colors many LTC discussions.

Meanwhile, many in the LTC community have an ingrained sense of marginalization and feel ignored within the broader progressive health policy world. An illustrative example that captured the dynamic occurred the day the Obama administration announced it was abandoning its efforts to implement CLASS. Nancy-Ann DeParle, the White House's point person for health reform, went out of her way to emphasize CLASS' lack of importance: If health reform was a car, she said, CLASS "isn't even a hood ornament. It's like the windshield wiper on the back window...maybe not even that."³⁴

The program

The key players behind WA Cares included representatives from aging groups like AARP and area agencies on aging; SEIU 775, the labor union for home care and nursing home workers in Washington; other providers; and policy experts and legislators.

Objectives

The process that led to WA Cares had its origins in the 2015 legislative session, when a law was passed to commission a feasibility and actuarial study. That study, released in January 2017, found that there was a broad consensus among stakeholders concerning the fundamental problems they wanted to address:

- the state's rapidly aging demographics;
- the lack of public awareness concerning LTC;
- the failure of the private LTC insurance market;
- the pressure LTC put on Medicaid in the state budget.³⁵

There was a similar consensus around the parameters for a new program aimed at addressing these problems. The following goals were identified:

- **reduce reliance on Medicaid:** There were two aspects to this objective. One was grounded in wanting "to see more people made aware of the need to plan, and supported in their efforts to do so" to ensure "that as few people as possible" are forced to endure the often grim process of "impoverishing themselves because of" LTC costs. The other was geared toward relieving the state's budgetary pressure

32. Saldin, *When Bad Policy Makes Good Politics*, 55-58, 60-62, 90-92, 107-108.

33. Kathleen Sebelius, "The CLASS Program," *Huffington Post*, 14 Oct. 2011; H.R. 8 - 112th Congress (2011-2013): American Taxpayer Relief Act of 2012.

34. Major Garrett, "CLASS Act? The Obama Administration Has Put a Stake in the Heart of an Important Health Provision: What It Says about the White House and Washington," *National Journal*, 20 Oct. 2011.

35. Milliman, "Feasibility Study of Policy Options to Finance Long-Term Services and Supports in the State of Washington," 13 Jan. 2017, 1-2, A-4.

by “reducing reliance on Medicaid [coverage] for those who could reasonably afford alternatives.”³⁶ In other words, limiting dependence on Medicaid was desirable both for improving Washingtonians’ quality of life and for saving money in the state budget.

- offer affordable LTC insurance coverage: Insurance coverage of some sort—be it public, private, or a combination of the two—was identified as the most effective and desirable way for people to prevent or delay the spend-down process to qualify for Medicaid.
- target “front-end” coverage: An important distinction between ideas for reforming LTC is whether they target “front-end” or “back-end” costs. Front-end coverage pays for the expenses one encounters first and are capped at a certain level whereas back-end coverage operates like deductible-based insurance, kicking in after costs exceed a particular threshold. There is a case to be made for each approach. Programs providing front-end coverage are useful to anyone needing any amount of paid LTC. From a political perspective, such an approach might be easier to sell because a large number of people will benefit from it. However, while more people qualify for coverage under this model, the burden of early care tends to be more modest. By contrast, back-end coverage is geared toward the catastrophic costs that fall mostly on the relatively few who need years of institutional assistance. And it is these cases—which are far from rare—that exact the greatest toll on individuals, families, and government budgets. Policy designers in Washington State chose the front-end approach.
- ensure financial viability: Any LTC care program was to be self-financed. That is, the money generated by the program would cover all program expenses; no state general funds would be necessary.³⁷

This basic framework informed the legislature’s work on LTC in the next two legislative sessions.

Key components and policy design decisions

Set against the daunting backdrop of LTC policy, WA Cares looks modest. Relative to national programs elsewhere and to many of those that have been proposed for the U.S., WA Cares offers a much smaller benefit that will do little to ease the financial burden for those facing the kind of catastrophic back-end costs that are associated with multiyear stays in skilled nursing facilities. Yet the policymaking environment in which WA Cares was crafted was not one in which the realistic choice was between different types of generous programs like those found in Europe and Asia. Rather, the choice was between a modest state-level program or no program at all. In this constrained policymaking environment, WA Cares was crafted with an aim of doing some good for a significant swath of program participants without being so costly as to alienate the public. The program adhered to best practices for social insurance programs, and it has repeatedly been deemed actuarially sound over the standard 75-year period.³⁸

36. Milliman, “Feasibility Study,” A-4.

37. Milliman, “Feasibility Study,” 1-2.

38. Milliman, “Feasibility Study,” 3. A subsequent Milliman evaluation in October 2018 updated the initial study: Milliman, “2018 Feasibility Study of Policy Options to Finance Long-Term Services and Supports in the State of Washington: Update to Original Study,” 1 Oct. 2018. Further Milliman reports evaluated WA Cares specifically and have generally projected a self-sustaining program over 75 years: Milliman, “2020 Long-Term Services and Supports Trust Actuarial Study,” 15 Oct. 2020; Milliman, “2022 WA Cares Fund Actuarial Study,” 22 Oct. 2022, 3; Milliman, “WA Cares Fund Actuarial Valuation as of June 30, 2024,” 10 Dec. 2024, 2. Projecting 75 years into the future is difficult and inevitably involves a degree of uncertainty. The Milliman reports, therefore, do qualify their positive assessments of WA Cares in a manner common to actuarial evaluations of this sort. In its 2022 report, for instance, Milliman noted that the WA Cares trust fund “is projected to be depleted for certain scenarios” but “under most [scenarios] the trust fund balance is positive” (3).

The core components of WA Cares are:

- mandatory worker participation;
- automatic 0.58% payroll tax for employees;
- after 10 years of paying into the program, contributors can access benefits if they require assistance with three or more activities of daily living;
- maximum lifetime benefit of \$36,500 (adjusted for inflation).³⁹

The thought process behind these core components can be better understood with reference to several key questions policymakers faced. Each question and the answer policy designers arrived at points to their perceived need to balance policy considerations with political realities.

Who participates? When it comes to social insurance there is really no way of getting around mandatory participation. Without everyone (or at least nearly everyone) contributing, programs like WA Cares are subject to adverse selection, the process by which those less likely to qualify for benefits opt out and set the stage for a “death spiral” whereby adjustments geared toward generating more money to make up for the opt-outs (by raising premiums) serve to make the program less appealing, thereby further shrinking the participant pool; that spurs more opting-out which necessitates further adjustments; and so on until the program becomes unsustainable.⁴⁰ WA Cares’ designers, however, also understood that mandating participation was a significant political lift and would require caution when it came to setting the premium level.

What is the premium and what is the benefit? In a self-financing social insurance program, premiums (the money coming in) and benefits (the money going out) are inevitably linked. One can start with the benefit or the premium, but establishing one directly impacts the other. For WA Cares, there was a clear policy rationale behind the benefit level, though the balance between the two owed as much to political calculations about what would be an acceptable premium to Washingtonians. Setting the initial benefit level at \$36,500 did make sense on its own terms insofar as that is roughly the average cost for the first year of LTC. Of course, WA Cares could have been designed to cover, say, two years of such care; or the benefit level might have been set higher under the rationale that the program should cover a full year of care even for those cases with above average costs. However, making the benefit more generous carried risks. Policy designers knew through focus groups and their own knowledge of the state that there would be sensitivity to a higher price tag. They determined that 1% was a death zone threshold in terms of perception and that their premium needed to be well below that. At 0.58%, a median worker earning about \$84,000 a year would pay less than \$500 in annual premiums.⁴¹

What does it take to qualify for benefits? The standards to qualify for benefits can have significant actuarial implications for a program like WA Cares. Loose standards increase costs by permitting more people to draw benefits. Yet if standards are too tight, some intended recipients get shut out. Under WA Cares, benefit eligibility requires paying into the program for at least 10 years and then receiving an evaluation confirming the need for assistance with at least three activities of daily living. Actuarial modeling informed these choices, but setting the benefit threshold at three activities of daily living also reflected another instance of sensitivity to public perceptions and erring on the side of caution. Private LTC insurers are required to

39. HB 1087; WA Cares Fund, “[How the Fund Works.](#)”

40. For a discussion of this problem in the CLASS program, see: Saldin, *When Bad Policy Makes Good Politics*, 9-10, 65; for an evaluation of an optional version of WA Cares, see: Giese letter to Masselink.

41. Washington State Employment Security Department, “Washington’s Average Wage Increased to \$84,167 in 2022,” 28 July 2024.

set their benefit triggers at just two activities of daily living, and early discussions in the WA Cares process explored the pros and cons of using two or three.⁴² In ultimately requiring three, WA Cares made it harder to qualify for benefits, but also restrained program costs.

This was the framework for WA Cares that was taken to the statehouse in Olympia. Bills were introduced and received hearings in both chambers during the 2017–2018 session but failed to advance. In the following session, however, the Long-Term Services and Supports Trust Act moved quickly, passing the Senate 26–22 and the House 55–41. Governor Jay Inslee signed it into law on May 13, 2019.⁴³

Implementation troubles: Oversights, missteps, delays, and fixes

Implementing WA Cares proved to be far more challenging than getting it passed. The trouble began when attention naturally moved from the basic concept to the specific details and the special cases that inevitably arise in a social program. These difficulties necessitated additional legislation in 2021, 2022 (twice), and 2024 to fix essential components of the original 2019 law. The challenges were also sufficient to force legislators in 2022 to adopt a last-minute 18-month delay for initiating the payroll tax.⁴⁴ Fortunately for WA Cares, critical changes were made and the program got back on track. Yet the missteps took a toll.

Many of the problems WA Cares encountered were foreseeable and should have been dealt with during the initial lawmaking process. The failure to do so was an unforced error that played out in the public sphere, cast doubt on the program’s viability, gave ammunition to the program’s detractors, and facilitated the effort to kill WA Cares via ballot initiative last fall.⁴⁵ In a delicate policy space that is littered with failed plans and rife with misunderstanding, supporters of WA Cares are quite fortunate the program was able to survive these oversights and mistakes.

While many questions emerged that had to be addressed,⁴⁶ perhaps the three most significant issues were:

What about people who already have LTC coverage?

The sensible concern here is that someone who has responsibly planned for their future needs by purchasing private LTC coverage should not be compelled to essentially duplicate that coverage with WA Cares. And because so few people have private coverage, exempting these individuals from WA Cares would presumably do little to undercut the program’s viability and the rationale behind mandatory participation. However, the 2021 legislative fix to address this matter undercut that animating spirit and created an opportunity for

42. Joshua Rodriguez, “What are the Triggers for Long-Term Care Insurance Benefits?,” *CBS News*, 18 June 2024; Milliman, “Feasibility Study,” 4, 14, 32, 42, A-6.

43. HB 1087, Chapter 363, Laws of 2019, 66th Legislature, 2019 Regular Session. The companion bill in the Senate was SB 5331.

44. The delay was one part of one of the 2022 bills: “Long-Term Services and Supports Trust Program—Delay and Qualified Individuals,” Substitute House Bill 1732, 27 Jan. 2022. The delay also pushed back the schedule for beginning benefit payments.

45. See, for instance: Melissa Santos, “What’s Next for Beleaguered WA Long-Term Care Program,” *Cascade PBS*, 20 Jan. 2022; Santos, “Why Some Plan to Opt-Out of New WA Long-Term Care Insurance,” *Cascade PBS*, 31 Aug. 2021.

46. For instance, what about out-of-state residents who work in Washington? This is a common and well-known situation in several areas, including the Portland, Oregon, metropolitan area, which includes Vancouver, Washington; Spokane, and Coeur d’Alene, Idaho; the small communities along the Columbia River corridor; and in the college towns of Pullman, Washington and Moscow, Idaho. Such workers were granted an exemption as part of 2022 legislative fixes. Other exemptions were also put in place for those unlikely to use the benefit, such as partners of active-duty military service members. Another important matter concerned contributors to WA Cares who ended up falling short of the 10-year vesting requirement. Such cases might involve people who plan to retire before contributing for a full decade. Others might face a significant health event during their time of employment. The 2022 legislative fixes authorized paths for prorated benefits and “early access” to benefits. “Long-Term Services and Supports Trust Program—Voluntary Exemptions,” 67th Legislature, 2022 Regular Session, 27 Jan. 2022; “Long-Term Services and Supports Trust Program—Delay and Qualified Individuals,” Substitute House Bill 1732, 27 Jan. 2022.

gaming the system. The legislature established a six-month period in which anyone could purchase a private plan and then be granted a permanent exemption from WA Cares.⁴⁷ Perhaps unsurprisingly, the opportunity to avoid paying into WA Cares proved to be quite popular, especially for those with high incomes. In fact, the demand was so great that it exceeded private insurers' ability to process the influx of applications. Ultimately, 450,000 Washingtonians, far more than anticipated, availed themselves of the one-time chance to obtain a permanent exemption.⁴⁸ Importantly, there was no "recertification" mechanism to prevent people from gaming the system by purchasing a private plan, securing their WA Cares exemption, and then promptly dropping their newly acquired coverage. It was a prominent and embarrassing episode for WA Cares that raised doubts about the program's appeal and stability.

Who qualifies as a caregiver?

To the uninitiated, the most baffling element of the WA Cares story is the longstanding dispute among WA Cares supporters surrounding the definition of "caregiver." While the saga played out largely behind the scenes, this seemingly arcane matter was deemed sufficiently critical that it threatened to unravel the coalition behind the program. Indeed, the longstanding dispute peaked in late May 2024—just five months before the election that would determine WA Cares' fate—when some key supporters threatened to withdraw their support and sit out the campaign against the ballot initiative. One could scarcely imagine a less propitious way to kick off an election season with existential stakes.

Defining who counts as a caregiver under WA Cares was so divisive because it put pressure on the motivating factor that inspired the two core interests behind WA Cares: the aging groups, most notably AARP, and SEIU 775, the legendary union representing professional caregivers. For the aging groups, the essence of reforming LTC is about helping its membership, older Americans. With regard to LTC this means finding ways to bring relief to individuals and their family members facing these aging-related challenges that have been ignored for too long. SEIU, meanwhile, is first and foremost focused on its membership of current (and prospective) professional caregivers. Its role is consistent with the traditional focus of organized labor which, in this case, is understood as transforming caregiving from the invisible, disempowered, impoverished workforce it has traditionally been to a middle-class profession and seeking ways to entrench and expand opportunities for SEIU members in the LTC sector.

Tensions emerged over the status of the unpaid, informal caregivers who have, as previously discussed, always been a major source of LTC labor in the U.S. The aging groups wanted such informal caregivers to be eligible to be paid under WA Cares. From their perspective, this is no small matter. On the contrary, it would be one of the most impactful ways of helping older Americans, the overwhelming majority of whom want to remain at home receiving whatever care they require from people they know and are comfortable with—like their spouse or children—for as long as possible. The financial toll these situations can take on the caregivers is a real problem that many face, and the possibility of providing some basic compensation to caregivers in these scenarios would make it easier for them to take time away from work or make other arrangements necessary to perform these services. For the aging groups, this common scenario was precisely what WA Cares was supposed to address. Meanwhile, SEIU insisted that those wishing to be paid like

47. Substitute House Bill 1323, "Long-Term Services and Supports Trust Program—Various Provisions," Chapter 113, Laws of 2021, 67th Legislature, 20221 Regular Session, 21 Apr. 2021. The original 2019 law left it to administrative discretion to "establish rules and procedures for benefit coordination when the eligible beneficiary is also [carrying] private long-term care coverage." HB 1087, 6.

48. Austin Jenkins, "Want to Op-Out of Washington's New Long-Term Care Tax? Good Luck Getting a Private Policy in Time," *KUOW: Puget Sound Public Radio*, 30 Aug. 2021; Santos, "Why Some Plan to Opt-Out of New WA Long-Term Care Insurance;" Santos, "What's Next for Beleaguered WA Long-Term Care Program."

workers should also be subject to the expectations of workers, namely, joining the union and undertaking appropriate professional training. Caregiving, from their perspective, is a profession and should be treated as such. It requires certain skills and proficiencies; not just anyone walking in off the street can do it. The aging groups, however, thought that perspective ignored the realities of LTC in America as it actually exists and situations families are compelled to respond to. Forcing, say, a 75-year-old who has been caring for his or her partner for years to join a union and go through onerous training before they are eligible for some modest relief via WA Cares was a nonstarter. For its part, SEIU saw such arrangements as workarounds that created a large, untrained, unprofessional competing source of labor that undermined their efforts to establish an honorable profession and the stable workforce that we will need in the coming years and decades.

This disagreement was present from early in the WA Cares process. Crises, including that in the late spring of 2024 have been averted by agreements to create at least some space for informal arrangements, but the issue has never been fully resolved. Working out such details is now largely a matter for the Long-Term Services and Supports Trust Commission that is empowered to oversee WA Cares and is composed of legislators and representatives of various groups, including those that were behind the program's initial design. For many WA Cares supporters who are not firmly associated with one camp or the other, this is a thorny challenge in which both sides have some merit. The simmering dispute is similar to previous instances of internal tensions within coalitions supporting various health reforms.⁴⁹ Such internal disputes are natural and, at least on some level, unavoidable. Yet the interests of stakeholder groups that often play a prominent role in formulating and publicly supporting reform efforts are not always aligned with those of the general public, and they can seriously threaten the very programs that brought them together.

What about people who pay into the program but move to another state?

Unlike Sunbelt states such as Florida or Arizona, Washington does not have a reputation as a retirement mecca. For Washington workers considering a move to a different state for a new job or in retirement, a major objection to WA Cares was that it would only pay for LTC services administered in Washington. This notable restriction had the effect of further ensuring the program's solvency because some number of people would spend many years paying into the program but would leave prior to being able to draw benefits. Additionally, restricting benefits to Washington residents spared administrators from the complicated and burdensome task of ensuring WA Cares' rules were followed in 49 other states. Yet it also undercut the program's public support and credibility. As the process to kill WA Cares via ballot initiative progressed, the legislature created a pathway for continued participation if Washingtonians moved elsewhere and made benefits "portable" to other states.⁵⁰ While the change took one of the more prominent objections to WA Cares off the table, it did raise a new wrinkle for the program's long-term future. While this aspect of the adjustment received little attention, a significant increase in the number of people eligible to draw benefits will inevitably affect actuarial assessments of the program's solvency.⁵¹

49. Such tensions, for instance, were prominent feature in the coalition of advocacy groups behind CLASS.

50. "Long-Term Services and Supports Trust Program—Out-of-State Participation and Discrimination," Substitute House Bill 2467, 68th Legislature, 2024 Regular Session, 15 Mar. 2024.

51. Milliman estimated that the portability adjustment would require an increased premium of 0.09% or making other, offsetting adjustments, though the report cautioned that there is considerable uncertainty here: "The levels of participation and adverse selection have a large influence on the cost of portable benefits, and different assumptions would yield different projected premiums and benefit payments. [Our assumptions are] illustrative [and] are not intended to represent a 'most likely outcome' of these unknown parameters." Milliman, "WA Cares Fund Actuarial Valuation as of June 30, 2024," 10 Dec. 2024.

Hindsight may be 20/20, and breaking new ground on social policy is not easy. Yet it is nonetheless surprising that several rather obvious problems went unrecognized or were ignored and left to fester in ways that did real damage to the program's public perception. In addition to the explanations offered above, another factor may have been that WA Cares had a relatively easy path through the Democratic-dominated legislature, which may have left key elements of the program under-scrutinized during the lawmaking process. In any event, the missteps could well have proved fatal to WA Cares. In many other states with less margin for error, they almost certainly would have.

Lessons learned from the WA Cares experience

1. *Crafting a viable social insurance program for LTC is not particularly challenging.* Because of its policy history at the national level, LTC has a reputation as a third rail. But the difficulty with LTC reform is rooted in politics, not policy. While it is understandable that the two get conflated, distinguishing between them is important. Politically, the issue of LTC has never gained sufficient traction to establish a national program. That is not, however, because *designing* such a program is difficult. On the contrary, the basic elements of social insurance are well known and time tested, and there are many examples of functional LTC programs in other countries.
2. *LTC is not inevitably a third rail, especially at the state level.* At least in some states, responsibly designed social insurance for LTC can win support from lawmakers and the public. The WA Cares experience—complete with its recent endorsement from the voters—should be seen as an encouraging example of how LTC can be addressed at the state level. While a national program will likely be an uphill climb for the foreseeable future, many states are well positioned to act.
3. *A modest, less costly program is more politically viable and can do some real good for people and for government budgets.* In a policy area littered with failed efforts, WA Cares' designers wisely erred on the side of caution. Yet it is important to note that even at the relatively modest \$36,500 benefit level, WA Cares still promises to meaningfully improve the status quo for Washingtonians. For most of the roughly one-third of people who will need less than a year of LTC, WA Cares will be enough to cover their costs. For the middle third requiring between one and three years, WA Cares will pay for a significant portion of their expenses. And even for the third group that will eventually face the kind of extensive needs and catastrophic costs that many dread, WA Cares will significantly improve on the status quo by serving as a critical bridge from crisis to stability. Individuals and families will effectively be given months to catch their breath, consider options, and devise a longer-term plan without needing to worry about bills piling up immediately. For government budgets, WA Cares should also bring significant relief. Estimates for WA Cares suggest that annual Medicaid savings will be \$70 million in 2027 and go up rapidly from there to \$90 million in 2035 and to \$360 million by 2050.⁵²
4. *A modest, less costly program doesn't limit future possibilities.* Because the political hurdles in our system at the national level make it relatively difficult to enact major policy change, policy communities can easily lapse into a perception that we only have this one shot to fix a given problem; if it doesn't happen now, we won't get another bite at the apple for a decade or more. That assessment can, in turn, encourage Hail Mary-style policymaking. Yet it is not always accurate, particularly at the state level, where partisan majorities are often more decisive and stable than they have been on Capitol Hill since 1994. Moreover, the one-shot mindset underestimates the possibilities for a more

52. Milliman, "WA Cares Fund Potential Savings for the Medicaid Program," 3 Jan. 2025, 3.

incremental approach in which initial steps can demonstrate proof of concept, build confidence, and boost support for doing more later. This incremental approach has its virtues, particularly in a challenging policy area like LTC and when there are non-gimmicky, properly designed interventions readily at hand. If WA Cares proves to be a success upon full implementation, a wide range of LTC reforms remain possible. In fact, the success of WA Cares could encourage further reform efforts. Possibilities include:

- Creating programs like WA Cares in other states.
- Partnering with private insurers to create policies to supplement WA Cares coverage. The existence of WA Cares should serve to raise awareness of LTC, thereby making the market more viable for private insurers and potentially less costly for consumers.
- Creating a federal catastrophic back-end program to provide coverage where a program like WA Cares offers little.
- Creating a federal program that either complements the WA Cares model by offering back-end catastrophic coverage or offers a comprehensive solution that eliminates the need for state-based front-end programs altogether. Indeed, two ideas for national programs are currently in the mix. Most notably, Rep. Tom Suozzi (D-NY) is championing the WISH Act, which would focus on back-end catastrophic coverage. The idea has generated some momentum, and he recently picked up a Republican co-sponsor in John Moolenaar (MI). The other idea, versions of which have kicked around for decades, is to expand Medicare to include a LTC program as Part E. It is currently being carried by Rep. Frank Pallone (D-NJ).

5. *Be aware of potential pitfalls.* Other states hoping to create similar programs can look to WA Cares for guidance both on best practices to embrace and pitfalls to avoid. Prominent lessons for avoiding landmines include:

- Minimize opt-out opportunities and gaming of the system: As noted, one of the key missteps in the WA Cares experience was allowing an opt-out free-for-all for anyone who purchased private LTC insurance. The well-intended idea was to avoid punishing people for responsible, forward-looking behavior, but it had the effect of incentivizing Washingtonians, particularly higher earners, to game the system by purchasing a private plan, obtaining their WA Cares waiver, and then dropping their coverage and never having to pay into WA Cares or carry other coverage.
- Distinguish between professional and informal caregivers: The unfortunate dispute over the status of informal caregivers threatened to upend the coalition behind WA Cares at the most sensitive moment and could have proved disastrous. SEIU is correct in noting that the paid LTC workforce deserves more compensation, recognition, and dignity than it has traditionally been afforded. Moreover, given the coming demographic wave that will greatly expand the demand for paid LTC workers, there is a real need to make this line of work more attractive. Yet there also needs to be some mechanism for distinguishing between career professionals and those who find themselves in the very common situation of providing informal care for a loved one. Requirements for informal caregivers to join a union or go through extensive trainings are not realistic expectations for many dealing with the realities of LTC today and whose only interest is in assisting a family member. One would hope that with the new influx of funds for LTC services that WA Cares will create—as well as the wide range of situations and levels of need—there will be sufficient resources to continue improving work conditions for trained profession-

als while also recognizing the existence of informal caregivers and easing the burden on them.

- Factor in portability across state lines: While there are administrative complications and actuarial implications for permitting portability across state lines, prohibiting it raises serious questions about fairness and undercuts potential support for programs like WA Cares. While Washington legislators eventually fixed this problem, other states should bake it into the cake from the beginning.
- Avoid an insular policy design process: Constructive criticism has an important role to play in policy design, especially insofar as it can identify weak points or omissions that can easily go unnoticed by passionate advocates. It is possible that a more rigorous path through the law-making process might have exposed some aspects of WA Cares that later generated controversy and required legislative fixes. Notably, there has been more of this give-and-take spirit in the Long-Term Services and Supports Trust Commission that monitors and helps implement WA Cares. In addition to legislators who sponsored the program's legislation and the interest group advocates who supported it, the Commission has several legislators who have voted against WA Cares but joined the Commission as constructive critics seeking to improve the program.

Conclusion

No one thinks addressing long-term care state-by-state is optimal. For many reasons, some of which became apparent during WA Cares' implementation, long-term care is a policy area better suited to a national solution. Yet the political prospects for moving serious reform forward at the national level appear poor. The Democratic Party, presumably the more likely of our parties to push for reform, just suffered a tough electoral loss that sees them out of power in Congress and the White House. And while regaining control of the House of Representatives in 2026 and the presidency in 2028 are realistic (if challenging) goals, the Senate poses a truly daunting hurdle. Indeed, it will be a difficult task for Democrats to simply regain a bare majority in that chamber, let alone the 60-vote supermajority that was required to pass the Affordable Care Act.

It is important to emphasize that this assessment of political realities need not preclude work toward a national program. This kind of lawmaking often requires a long game. Moreover, "windows of opportunity" for major policy advances can open unexpectedly and there is always a chance that a galvanizing event will draw attention to and rally support behind reform. Indeed, one mildly encouraging political development for reformers concerns ideological changes within the Republican Party. There are some indications that the GOP's shift toward populism and a working-class base could make it more open to pro-family public policy solutions.⁵³ To the extent that these inclinations continue to develop, that could eventually yield a new openness to thinking about issues like long-term care. But more important than considerations of political expediency, the reality is that the nation is the proper level for addressing the long-term care challenge in a comprehensive and morally satisfactory manner. As notable as WA Cares is, and as much appeal as its model holds for other states, there is no substitute for a national program. And yet, for the reasons laid out here, a backup plan seems more than sensible.

WA Cares demonstrates what a politically viable state-based program looks like and the good it can do. It is also a welcome addition to the larger project of shoring up America's system of social protections. As my Niskanen Center colleagues have emphasized, programs like WA Cares are important not only because they are able to address problems for which the free market is poorly suited, but also because they provide a foun-

53. Robert Saldin, "The Long-Term Care Challenge," *National Affairs*, Winter 2022.

dition of social protection, stability, and confidence that is essential for a free and dynamic society to flourish.

The lessons learned from the WA Cares experience—from policy design, to navigating the political process, to implementation—can help inform similar efforts in other states, and perhaps in time, even at the national level. To be sure, WA Cares has limitations. Yet there is reason to be optimistic that it will bring some relief to individuals and families across the state of Washington as well as to the budget in Olympia. Given long-term care’s policy history in the U.S., that is a notable achievement.