

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)

Support Ratio

- 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, 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

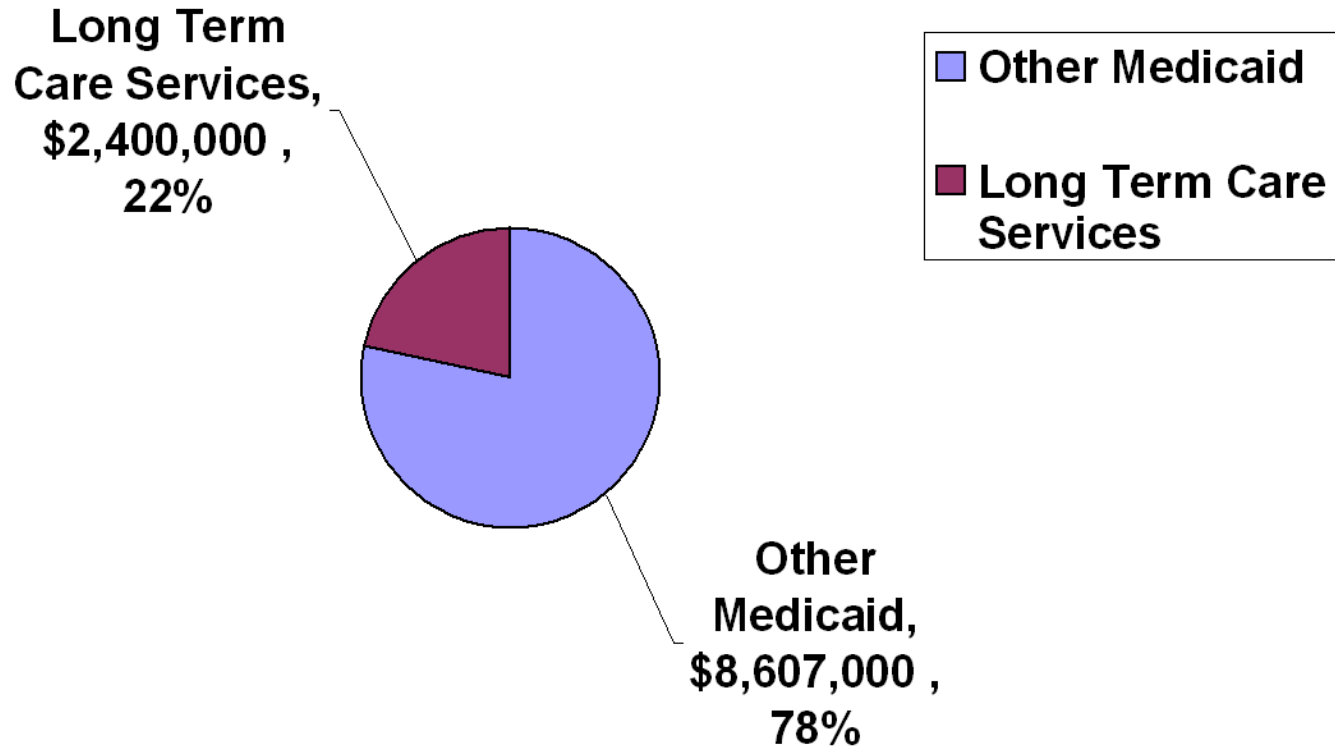
Why Will the Aging Population Impact State Medicaid Budgets?

- 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?

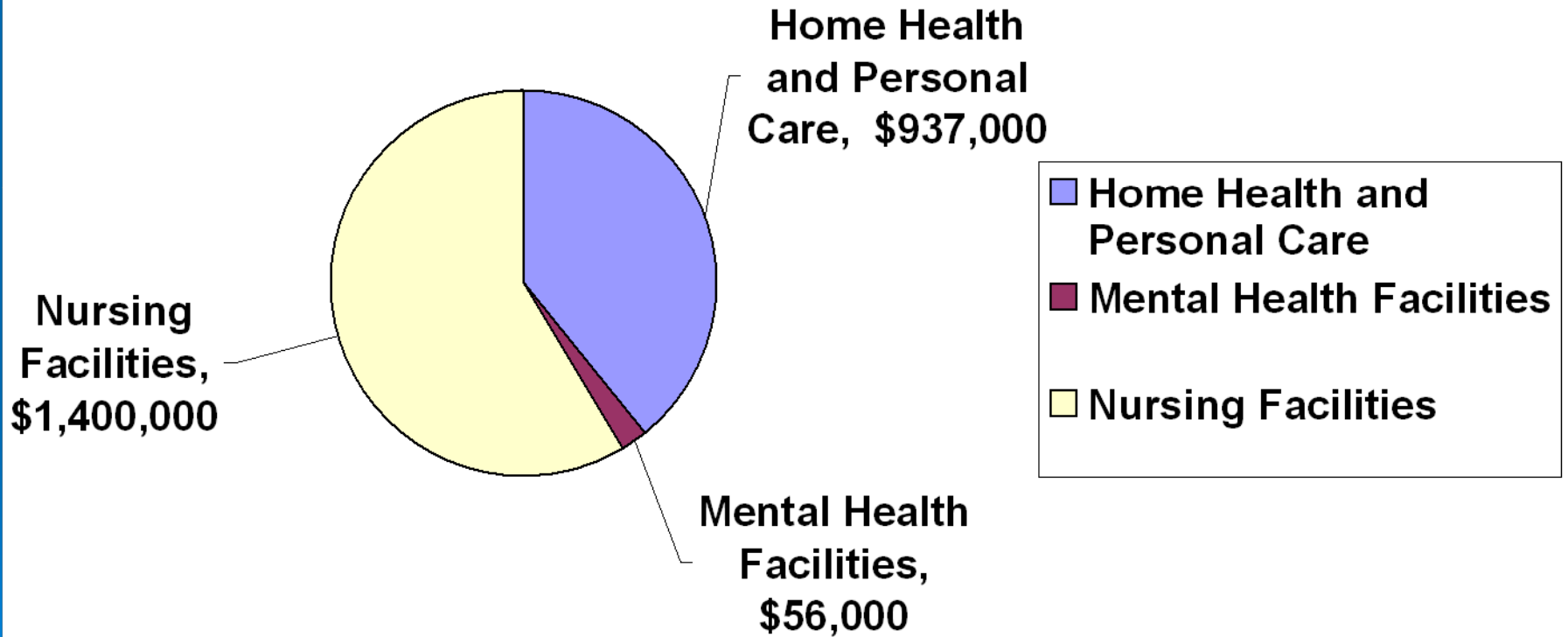
- In FY2005, Illinois spent approximately \$11 billion on Medicaid including federal matching funds (Kaiser Family Foundation)
- 25% of Illinois' seniors are enrolled in Medicaid
- The elderly make up 16.4% of Illinois' Medicaid population (FY2004)
- 2.4 billion Illinois Medicaid dollars went toward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

Illinois Medicaid Budget, FY 2005 (in thousands)



*Numbers attributed to Kaiser Family Foundation

Long Term Care (in thousands)



*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

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

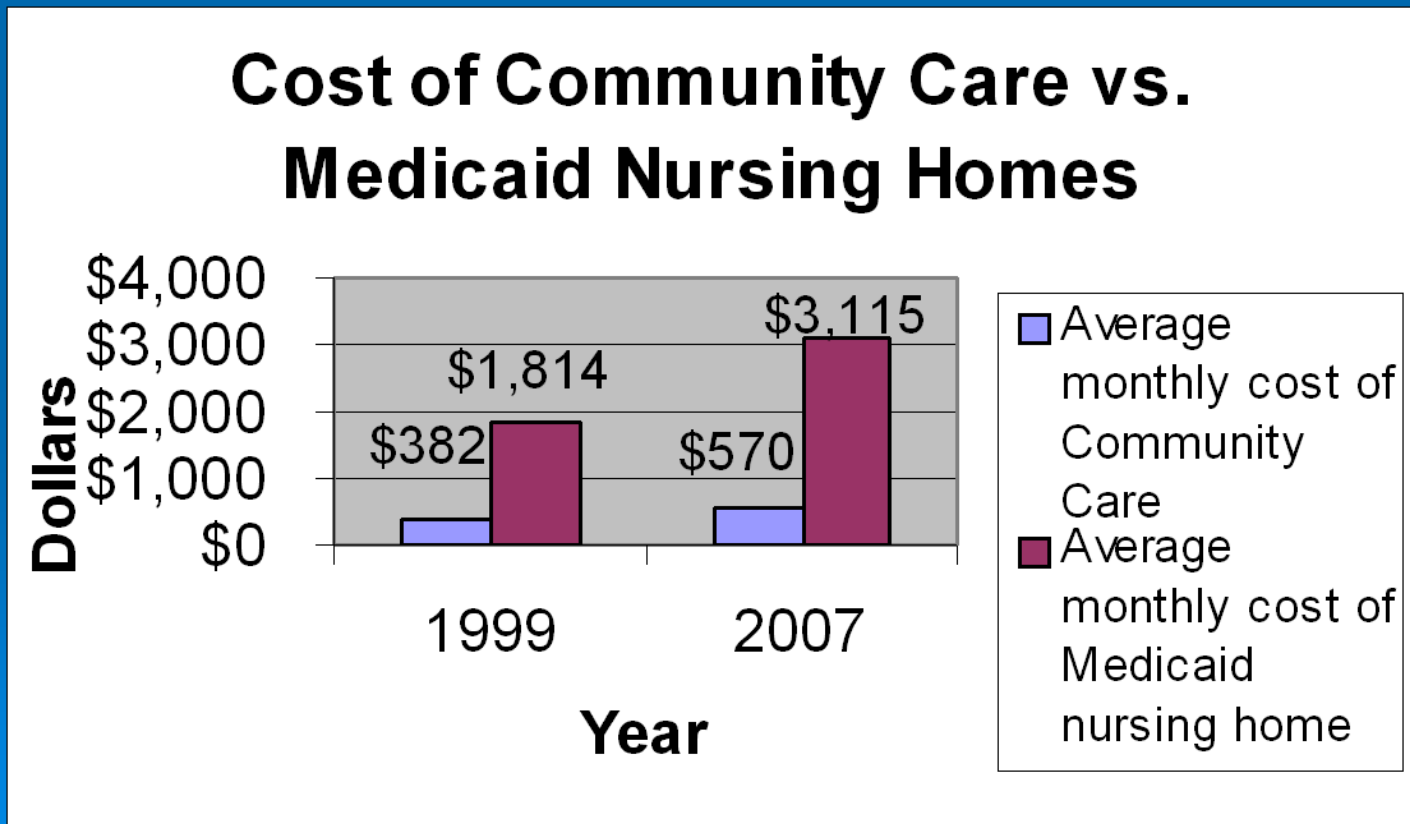
- FY 2006 budget was \$421 million, up from \$195 million in FY 1997
 - Appropriations for FY2008 were \$539 million; a large increase in the community care program
- Two major programs:
 - Community Care Program
 - Illinois Cares Rx

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

Community Care Stats

- Average monthly caseload has steadily increased from 35,803 in FY 1999 to 45,782 in FY 2007



*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, co-pay)
- 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
 - Fiscal Focus Issues
 - Financial Report issued to G.A.
 - polosja@mail.ioc.state.il.us

Unless otherwise stated, numbers and facts are attributed to
“Population Aging: Are Governments Ready?” [Fiscal Focus](#) July
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