



ATI Advisory

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# Federal Strategies Enabling State Long-Term Services and Supports (LTSS) Reforms



# About this Work

This brief explores how the federal government can play a more intentional and enabling role in supporting state-led innovation in long-term services and supports (LTSS). As middle-income older adults—often referred to as the “forgotten middle”—increasingly face affordability gaps in accessing care, states are stepping up with creative policy solutions, from targeted service programs to public insurance models. Yet these efforts often face structural and financial barriers that federal policy is uniquely positioned to address.

Developed through in-depth policy research, expert interviews, and a roundtable discussion, this report introduces a new framework for thinking about the federal role in state-driven LTSS reform—not as a director of change, but as a partner and catalyst. It outlines common state strategies for LTSS reform, identifies federal tools that can be used to help them advance, and provides illustrative examples of how federal actions can align with and accelerate state reform. This work is intended to inform both state and federal policymakers, offering a roadmap for collaboration and action in building a more sustainable and inclusive LTSS system to support all older adults as they age.

State leaders can use it to better understand the range of options available for LTSS reform and to make the case for federal investment in state solutions. For federal policymakers, it offers a roadmap to enabling and scaling state-driven models through strategic support and policy alignment. Ultimately, the tool aims to start critical conversations among policymakers that will guide innovation, promote sustainable reform, and improve access to LTSS.

## ACKNOWLEDGMENTS

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# Executive Summary

Across the country, middle-income older adults are increasingly finding themselves without access to the long-term services and supports (LTSS) system. They earn too much to qualify for Medicaid but not enough to afford private care—leaving them to navigate aging, chronic conditions, or caregiving needs with few reliable options. As a result, many delay seeking necessary support or rely heavily on loved ones for unpaid care until a health crisis forces them into institutional care or to spend down their savings into Medicaid eligibility.

This population—sometimes called the “forgotten middle”—is growing. By 2034, adults aged 65 and older will outnumber children in the United States (U.S).<sup>1</sup>

More than half of these individuals will need some form of LTSS over their lifetime and, without policy intervention, most middle-income individuals will be unable to afford it.<sup>ii</sup> This gap in LTSS affordability and access poses a growing concern for states. LTSS account for more than a third of total Medicaid spending, and states face the dual challenge of meeting rising demand for care while maintaining the sustainability and financial integrity of their long-term care systems.

Historically, the federal government has developed national, top-down policy proposals and solutions by setting standards, creating benefit structures, and directing funding to states and other entities.<sup>1</sup> As states manage current and brace for continuing aging demographic shifts, there is renewed impetus for and momentum around states taking a more direct role in driving LTSS financing reforms. While recognizing that the federal role in these efforts remains essential, this brief proposes new ways that the federal government can better support state-driven innovation, serving as a strategic enabler that offers resources, flexibility, and coordination to help states lead.

This brief draws on policy research, expert interviews, and a roundtable discussion with federal and state officials and other national LTSS experts. It reviews three components of a framework in which the federal government could support state-driven LTSS innovations: (1) examples of state-led LTSS reform strategies, (2) federal policy levers that can align with and scale those efforts, and (3) illustrative federal proposals that show how these strategies could be applied in practice. Specifically, this framework introduces four types of federal actions that can support and scale state LTSS reforms supporting the “forgotten middle” older adults.<sup>2</sup>

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**“Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.”**

-Milton Friedman

1 As part of its broader LTSS financing initiative, The SCAN Foundation, in partnership with the Leading Age LTSS Center @UMass Boston and ATI Advisory, developed a Compendium of Federal Long-Term Services and Supports (LTSS) Financing Policy Options. (April 2025). <https://www.ltsscenter.org/long-term-care-financing-compendium/>

2 While this brief does not focus on dual integration, that topic remains a critical area of federal-state partnership. The examples presented here are intended to highlight strategies that specifically support non-Medicaid middle-income populations and state-led LTSS reform efforts.

- 1 Developing new financing and authorities.** Federal policymakers can create new federal funding opportunities or program authorities that explicitly build on or incentivize state reform. For example, as outlined in one of the illustrative scenarios within this brief, Congress could authorize a national catastrophic back-end LTSS insurance program that complements state social insurance models that provide “front-end” LTSS benefits.
- 2 Enhancing and adapting existing federal programs and authorities.** Federal agencies can clarify, adjust, and expand existing federal programs to create more pathways and opportunities for state innovation. For instance, the Center for Medicare and Medicaid Services (CMS) could use Section 1115 Demonstration authority to enable states to integrate public LTSS insurance programs within Medicaid, including offering federal matching funds and streamlined administrative requirements.
- 3 Providing technical assistance and infrastructure support.** Federal agencies can designate resources for states that provide technical assistance and infrastructure support—such as planning resources, data access, and subject matter expertise—which can help them design, implement, and evaluate new programs. As one example, CMS and partner agencies could publish a comprehensive LTSS playbook that outlines state strategies and emerging pathways to expand access to LTSS for middle-income individuals.
- 4 Offering direct incentives and flexibilities to individuals and their families,** including financial planning tools and tax benefits, to improve affordability and promote early engagement with care. The federal government could, for example, offer federal tax credits, intended to pair with state tax credits, for individuals or their families to help offset the costs of LTSS.

This issue brief outlines practical ideas for state leaders to support LTSS program design, while giving federal policymakers clear pathways to scale and sustain promising state efforts through federal partnerships.

States are motivated to engage in LTSS reform and address the needs of the forgotten middle population. Together, these strategies provide a roadmap to improve LTSS affordability, sustainability, and access for the middle-income populations too often left behind.

For specific examples of how the federal government could support states in providing LTSS access to middle-income individuals, creating state-based LTSS social insurance programs, and strengthening care navigation, see [Illustrative Federal Support Strategies for State Scenarios](#), on page 14. Potential strategies are organized by level of effort and federal support lever type.

# Why Now: The Case for Action Outside of Medicaid

Over half of individuals aged 65 and older will need some form of LTSS during their lives—but can they afford it?<sup>iii</sup> For a rapidly growing middle-income segment of the population, often referred to as the “forgotten middle,” the answer is increasingly “no”. These individuals are generally considered to be those who earn between 138% and 400% of the federal poverty level (FPL), likely making them ineligible for Medicaid but lacking the disposable income required to cover private LTSS costs.<sup>iv</sup> Often, these individuals go without needed care or rely on limited unpaid caregiving from loved ones. In these scenarios, individuals may risk deteriorating health or functional decline until a health crisis forces them to spend down their resources to access public benefits for care.<sup>v</sup> This not only jeopardizes individual well-being and quality of life but also places strain on state Medicaid programs and fiscal budgets.

At the same time, converging national trends and demographic shifts increase the urgency of LTSS reform:

- **Aging Demographics:** The U.S. population is aging rapidly, with older adults projected to outnumber children for the first time by 2034. By this time, the 65 and older population is expected to reach 77 million—approximately 40% higher than 2020—leading to higher demand for LTSS across settings and increased pressure on already limited LTSS systems.<sup>vi</sup> More than half of these individuals will need some form of LTSS over their lifetime, and without policy intervention, most middle-income individuals will be unable to afford it.<sup>vii</sup>
- **Workforce Limitations and Caregiver Burdens:** The LTSS system relies on two critical groups: family caregivers and the direct care workforce, both of which face mounting strain. As population demographics shift, the number of family or other non-professional caregivers is shrinking and fewer loved ones are able to provide unpaid care.<sup>viii</sup> Separately, LTSS systems already face a critical shortage of direct care workers, due in part to low wages, high turnover, and physically and emotionally demanding job conditions. Combined, these pressures and worsening shortages will increasingly limit accessibility to quality care.<sup>ix</sup>
- **Growing Cost of LTSS:** The average annual cost of one home health aide for 44-hours-per-week is approximately \$70,000, which far exceeds the means of most middle-income households.<sup>x</sup> Further, LTSS expenditures will continue to rise with costs consistently outpacing inflation, meaning that, over time, services will become increasingly unaffordable to middle-income populations.<sup>xi</sup>
- **Medicaid Cost Sustainability:** States already experience challenges in meeting rising Medicaid LTSS expenditures, which account for more than a third of total Medicaid spending.<sup>xii</sup> As more people age into need and spend down into Medicaid eligibility, this places significant financial pressure on states, which must manage increasing demand within constrained budgets and may result in limits on service availability, eligibility, or other shifts in policy.

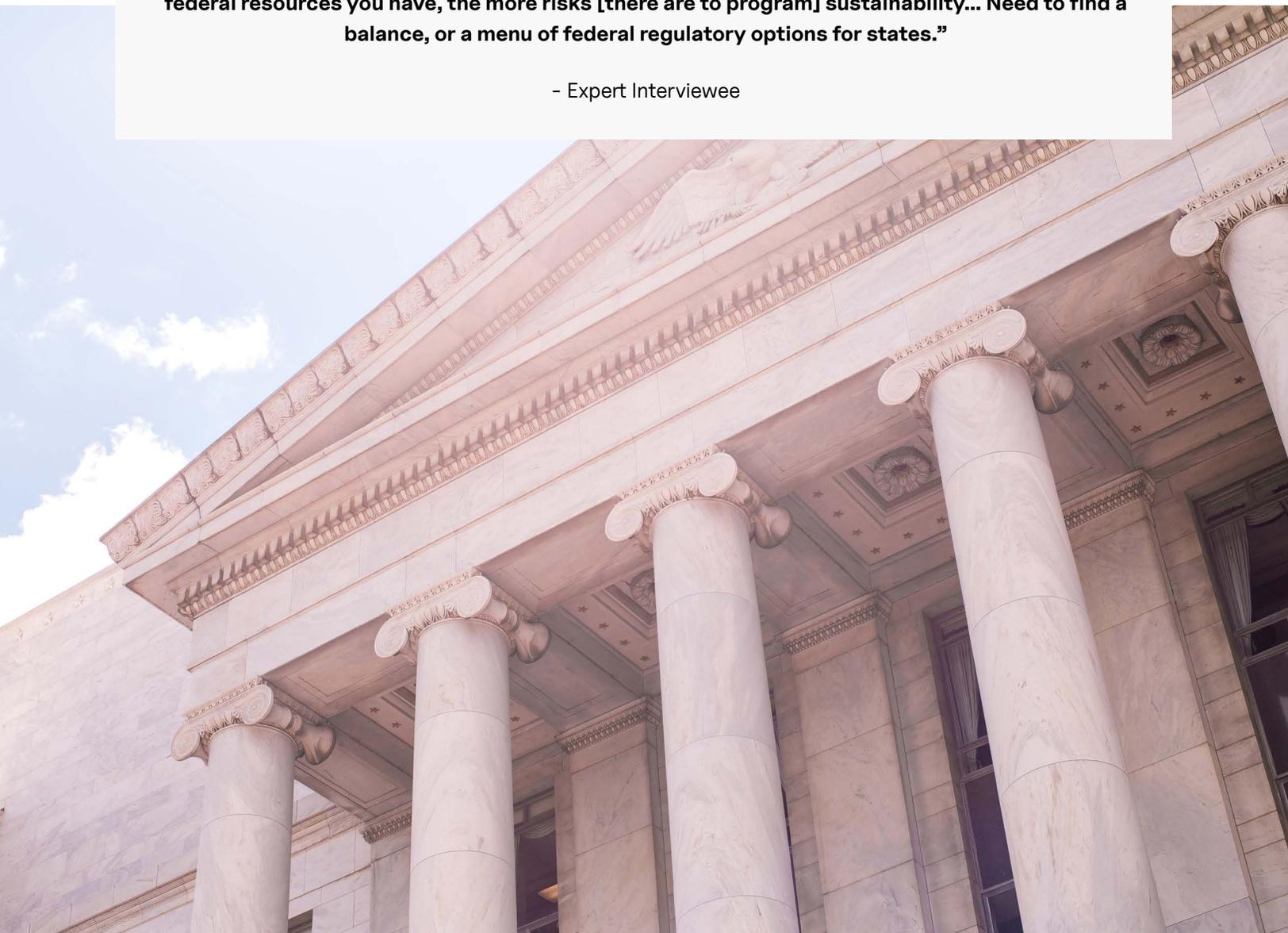
Amid these challenges, states increasingly experience pressure to push forward the next generation of LTSS reform. Further, states are often positioned to operationalize such reforms—they have extensive experience delivering LTSS through Medicaid, are adept at testing innovative delivery approaches to increase quality or contain costs, and have a strong understanding of the local landscape of provider networks, delivery systems, and population needs. Many states have already begun exploring innovative approaches to expanding LTSS access, strengthening caregiver supports, or developing new financing strategies outside of federal programs.

However, given the scale, major expense, and complexity of LTSS, states cannot always advance or sustain these efforts alone. An engaged federal partner is critical to helping states meet this moment and enable them to turn innovative concepts into long-term, system-level solutions.

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**“If you want meaningful change for people, the more local you make it, the better. Still, the fewer federal resources you have, the more risks [there are to program] sustainability... Need to find a balance, or a menu of federal regulatory options for states.”**

- Expert Interviewee



# A New Opportunity for the Federal Role in Empowering State Reform

Federal leadership in healthcare reform has traditionally followed a top-down approach by setting standards, directing funding, creating waivers, and overseeing state action. Various federal entities have developed LTSS reform proposals, legislation, reports and research during the last several decades, and continuing federal involvement is critical to ensuring LTSS accessibility nationwide.<sup>xiii</sup> However, given the significant burden state LTSS programs are facing, coupled with states' experiences with testing innovative solutions to address systemic and local challenges, there is a growing recognition that states can take a more direct role in driving LTSS reforms. As states advance initiatives to fill LTSS affordability gaps, federal policymakers can continue to support older adults and people with disabilities by enabling states to take these steps. A model of shared leadership may be both pragmatic and necessary to advance LTSS affordability solutions in the coming decade, particularly as the U.S. experiences unprecedented shifts in fiscal and programmatic capacity at the federal level.

Notably, momentum is already building within states to consider LTSS reform and make meaningful change in LTSS affordability. Some are launching state-based social insurance models, some are providing LTSS to non-Medicaid populations, and others are investing in systems to make LTSS navigation less complex. However, these state efforts can be stymied by key barriers.

## CURRENT BARRIERS TO STATE-LEVEL LTSS INNOVATION

- **Lack of Upfront Resources:** States often have the will and vision, but lack necessary upfront funding or capacity to design, test, and evaluate new initiatives, particularly for populations not traditionally served by Medicaid.
- **Fragmented Federal Oversight:** State reforms often require coordination within and across federal agencies, such as CMS, which can be complex to navigate and create administrative burdens for states.
- **Misaligned Incentives:** Known as the “wrong pocket” problem, state investments in LTSS often generate savings for Medicare and other federal programs, resulting in state expenditures without a meaningful state-recognized return on investment.<sup>xiv</sup> Without formal shared savings models or other redistribution mechanisms, states lack the ability to capture the savings generated by their LTSS investments, therefore reducing the incentive to initiate LTSS reforms.
- **Intersection with Complex Medicaid Regulations:** States often consider leveraging existing Medicaid infrastructure and federal matching opportunities when building new state-based LTSS programs that serve, among others, Medicaid-eligible and near-eligible populations. However, doing so can trigger Medicaid-specific regulatory requirements—such as clinical and administrative documentation, medical necessity determinations, and formal appeals processes—that may not be necessary for the new program. While these regulations serve important purposes within Medicaid, applying them to a broader state program can create administrative burden, increase costs, and limit program flexibility. States often weigh these trade-offs when deciding whether to align with Medicaid or operate new programs independently.

Recognizing these challenges, the following sections explore how federal policy can strategically support state-driven LTSS reform. These sections outline categories of common state-led LTSS approaches, present federal levers to support and scale them, and offer illustrative proposals showing how these strategies could be applied in practice.

Together, these sections offer policymakers a practical framework for action grounded in real-world examples and cross-sector insights. This work is grounded in policy research, expert interviews, and a roundtable discussion with federal and state officials and other national LTSS experts. This brief is designed as a resource to support both state and federal policymakers. State leaders can use it to better understand the range of options available for LTSS reform and to make the case for federal investment in state solutions. For federal policymakers, it offers a roadmap to enabling and scaling state-driven models through strategic support and policy alignment. Ultimately, the tool aims to start critical conversations among policymakers that will guide innovation, promote sustainable reform, and improve access to LTSS.

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**“We’ve always imagined that the federal government would drive top down LTSS financing reform. But state-level policy innovation is showing us an important consideration for the federal policymakers, which is how to ensure that we fully capture the value that states are creating.”**

- Expert Interviewee



# Categories of State LTSS Initiatives

Across the country, states are taking steps to address the unmet LTSS needs of middle-income older adults. While these efforts vary in scope, design, and target population, they share common goals to increase access to LTSS, reduce instances of health or functional decline, and bend cost curves impacting state budgets.

This brief describes categories and examples of state-driven LTSS reforms in **Table 1** that target non-Medicaid populations, highlighting the diversity of state actions to expand and improve the LTSS system.<sup>3</sup> Following this section is a deeper dive on how the federal government can support and amplify these efforts, and inform the types of federal supports best suited to support them.

**Table 1: State Innovation Strategies (Targeting Non-Medicaid Populations)**

State Initiative Type	Definition	State Example
 <p><b>Social Insurance Programs</b></p>	<p>Public LTSS insurance programs that offer a defined benefit to individuals who meet contribution and eligibility requirements. Programs are likely mandatory and are funded through a payroll deduction or tax.</p>	<p><b>Washington (WA) Cares Fund</b> is the first state-based LTSS insurance program in the U.S. and will begin paying out benefits in July 2026. Funded by a 0.58% payroll tax, it offers a capped \$36,500 LTSS benefit to those who contribute for at least 10 years and require assistance with 3+ Activities of Daily Living/Instrumental Activities of Daily Living (ADLs/IADLs).<sup>xv</sup></p>
 <p><b>Provision of LTSS</b></p>	<p>Programs that provide LTSS to residents who are not financially eligible for Medicaid but meet other state-determined functional and/or financial criteria.</p>	<p><b>Oregon Project Independence (OPI)</b> offers up to 20 hours a month of in-home assistance to help individuals with LTSS who do not receive Medicaid. The program is funded partially by the federal government through a Section 1115 Demonstration, and participants contribute on a sliding fee scale.<sup>xvi</sup></p>
 <p><b>Community Transition Supports</b></p>	<p>Programs that help individuals transitioning from institutional (e.g., nursing homes) to community-based settings; supports include care management and referrals, limited home and community based services (HCBS), and other services.</p>	<p><b>Minnesota’s Return to the Community</b> program is similar to the federal Money Follows the Person (MFP) program, but is targeted toward middle-income individuals not eligible for Medicaid. The program offers up to five years of transition support.<sup>xvii</sup></p>

<sup>3</sup> The strategies highlighted in this brief focus on initiatives that serve individuals who are not traditionally eligible for Medicaid. However, programs operating within Medicaid are not excluded—state innovations that may leverage Medicaid to expand limited LTSS access to non-Medicaid populations are included.

State Initiative Type	Definition	State Example
 <p><b>Paid Family Caregiving</b></p>	<p>Programs that compensate family or non-professional caregivers for providing HCBS to qualifying individuals.</p>	<p><b><u>North Dakota’s Service Payments for the Elderly and Disabled (SPED)</u></b> compensates live-in non-professional caregivers (such as adult children) for providing services to individuals who meet specific functional criteria and demonstrate their inability to pay for care. The program is state-funded and limited. SPED also offers other limited HCBS.<sup>xviii</sup></p>
 <p><b>Unpaid Caregiver Supports</b></p>	<p>Programs that support caregivers through education, respite, and other services that impact caregiver wellbeing.</p>	<p><b><u>Minnesota’s Essential Community Supports (ECS)</u></b> offers limited services to older adults who are not eligible for Medicaid (but have limited assets) and have an LTSS need that does not meet nursing facility level of care. The program offers a limited monthly budget of approximately \$600 for adult day care, caregiver training, caregiver education, home-delivered meals, homemaker services, personal emergency response system, and service coordination, which support both the older adult and their unpaid caregiver.<sup>xix</sup></p>
 <p><b>Private Market Incentives</b></p>	<p>Programs or policies that encourage individual adoption of private long-term care insurance or otherwise incentivize preparedness in saving or paying for LTSS.</p>	<p><b><u>State Long-Term Care Partnership</u></b> programs allow individuals who purchase qualifying long-term care insurance to protect assets when applying for Medicaid. State-administered and federally enabled, the program incentivizes private insurance coverage by offering dollar-for-dollar asset protection, easing financial pressure on Medicaid.<sup>xx</sup></p>
 <p><b>Care Navigation and Public Information</b></p>	<p>Initiatives that improve consumer education, decision-support, system navigation, and proactive planning for meeting LTSS needs.</p>	<p><b><u>Virginia Easy Access</u></b> is a statewide online portal that connects older adults, individuals with disabilities, and caregivers to LTSS resources. It includes an integrated services directory, benefits screener, and planning tools designed to make care navigation more accessible, especially for those not yet engaged in Medicaid.<sup>xxi</sup></p>

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# Federal Support Levers

While the federal support and enablement framework proposed in this brief presents an expanding perspective for LTSS reform, it is not without precedent. Elements of this type of federal-state relationship for LTSS reform exist within current initiatives related to the Older Americans Act (OAA), Medicaid, and Medicaid-Medicare integration. Some of these efforts rely on leveraging federal financing, authority, and infrastructure—for example, states can use Medicaid waiver authorities to broaden access to Medicaid LTSS for lower middle-income individuals—while others—like the now-concluded Financial Alignment Initiative that tested innovations for dually eligible beneficiaries—require new authority to enable new federal funding opportunities or operational authorities. These examples illustrate that when the federal government aligns funding, guidance, and incentives with state-driven innovations, it can create the conditions required for scalable and cost-effective reforms.

Building on this precedent, a renewed and expanded federal commitment to supporting state-driven LTSS reform can empower states to unlock and advance innovation. The support strategies described below vary in feasibility and scope— with some more likely to be achievable in the near term than others, depending on the level of effort required. For example, technical assistance programs could be implemented within existing agency resources and authority, while the creation of a new federal funding pathway for states may require congressional action. This brief groups federal support levers into four broad categories, offering a flexible framework for how federal policy can enable, align with, and scale state-driven LTSS solutions.

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## 1 Developing New Funding Pathways or Authorities

Additional funding mechanisms or administrative authorities that are newly authorized by Congress. Examples of levers include robust infrastructure grants, Medicare and/or Medicaid shared savings models, or new legislation that would create new regulatory flexibilities for states.

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## 2 Enhancing Existing Financing and Authorities

Enhanced or expanded scopes of existing federal programs to support and scale state-driven LTSS innovation, allowing states to build on familiar platforms, which may enable faster implementation and operational efficiencies. Examples of levers include expanding eligibility pathways for Medicaid LTSS, new demonstration opportunities from the Center for Medicare and Medicaid Innovation (CMMI), boosting existing state funding through OAA, or strengthening incentives for existing programs.

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## 3 Technical Assistance and Other Supports for States

Non-financial supports that build state capacity, capabilities, and expertise are needed to design and implement LTSS reforms. Examples of levers include federally-funded learning collaboratives, actuarial modeling support

for state insurance designs, access to national data sets on LTSS utilization and outcomes, and development of policy guidance to help states in leveraging existing programs.

#### 4 Incentives, Tools, and Other Supports for Individuals

Federal policies that support individuals and their families directly through financial incentives, tax advantages, and education to prepare for, navigate, and afford LTSS. Examples of levers would build on or complement state incentives, such as tax credits and tax-advantaged savings vehicles, or the development of tools that support families in understanding LTSS costs and potential savings pathways to prepare for LTSS.



# Illustrative Federal Support Strategies for State Scenarios

To bring this framework to life, this section presents three illustrative examples that pair specific types of state-driven LTSS reforms with corresponding federal support strategies. Each scenario is based on a hypothetical state initiative and includes a tiered set of possible federal supports to demonstrate varying ways in which the federal government could catalyze, scale, and sustain state innovations.

Each scenario organizes federal strategies by level of effort, reflecting the reality that some supports are more feasible than others in the near term. These strategies are designed to be complementary, with the ability for strategies to build on one another, offering an incremental glide path from early-stage assistance to substantial and sustained federal support. This tiered approach also reflects the reality that states are at different points in LTSS reform efforts and may require varying levels of federal engagement over time. Levels of effort in these scenarios are defined as:

-  **Low:** Strategies that current federal agencies can implement within existing roles, budgets, or authorities.
-  **Medium:** Strategies that may require regulatory changes or targeted funding increases. While certain funding increases may require Congressional authorization, medium level of effort strategies generally do not necessitate significant Congressional action.
-  **High:** Strategies that involve structural reforms to LTSS financing and demand substantial political and fiscal investment, such as statutory changes.

Importantly, these scenarios are not policy recommendations, but rather proof of concept illustrations that highlight the range of possible federal support strategies that could accelerate meaningful reform.

**Note:** Some of the federal programs and authorities referenced in the scenarios that follow are currently under review and may be significantly modified or eliminated as part of forthcoming federal budget and policy decisions. These examples are included to illustrate the range of federal levers available under existing structures, while recognizing that the tools and authorities available to states may evolve based on shifting federal priorities.

**Table 2: Example Federal Supports for State Scenarios**

Example Federal Supports for State Scenarios	
<p><b>State Scenario: Providing Access to LTSS for Middle-Income Individuals</b></p> <p>A state launches a program to offer limited HCBS to middle-income older adults who are not enrolled in Medicaid, targeting individuals with moderate to high functional need who would benefit from early intervention. Program goals include delaying institutionalization and reducing unpaid caregiver strain.</p>	
Level of Effort, Federal Support Lever Type	Example Federal Support Strategy
<p><b>Low,</b> Technical assistance and other supports for states</p>	<p>CMS and other federal partners develop and publish a comprehensive playbook with strategies to accelerate the adoption of creative, evidence-based solutions at the state level. The <b>playbook outlines existing state strategies</b> and emerging pathways to expand access to LTSS for middle-income individuals, such as:</p> <ul style="list-style-type: none"> <li>→ <i>Guidance on Medicaid-based options to increase access to and eligibility for Medicaid LTSS</i>, such as creating limited benefit programs (e.g., OPI and TSOA described in the <a href="#">Categories of State LTSS Initiatives</a>), increasing income thresholds, and increasing or removing asset limits.</li> <li>→ <i>Actionable evidence-based and cost-effective practices and programs</i>, elevating examples of initiatives that offer LTSS, improve LTSS navigation, prevent health and functional decline, and other target outcomes.</li> <li>→ <i>Other strategies and opportunities</i>, such as braided funding strategies across different state programs or ways to leverage managed care plan relationships.</li> </ul>
<p><b>Medium,</b> Develop new funding pathways or authorities</p>	<p>Congress could authorize funding for <b>planning and implementation grants that provide critical early-stage resources to help states</b> move beyond ideation and to designing, testing, and assessing new programs. Funds would support activities such as needs assessments, program design, stakeholder engagement, and the development of data and evaluation infrastructure. Grant recipients would be expected to report back learnings and data, enabling national cross-state learning. Using this data, federal partners will disseminate findings, identify scalable models, and build the case for long-term reform.</p> <p>Promising programs that emerge from planning grants could be adapted for expansion as a CMMI model. Alternatively, current models that already include LTSS-adjacent components, such as the Guiding an Improved Dementia Experience (GUIDE) program, could be expanded to include more limited LTSS.</p>
<p><b>High,</b> Develop new funding pathways or authorities</p>	<p>To prevent unnecessary spenddown to Medicaid LTSS, Congress could create a new authority that would establish a <b>Medicaid Spenddown Prevention Program, which would provide federal matching funds to states that offer limited HCBS benefits</b> to middle-income individuals who are at risk of spending down into Medicaid. The program could feature a graduated benefit design that scales based on functional and financial need. By offering partial coverage of preliminary LTSS to lower middle-income individuals, states could reduce the downstream demand for high-intensity Medicaid-financed care, such as nursing home placement, while improving quality of life for older adults and their caregivers.</p>

**State Scenario: Supporting State-Based LTSS Social Insurance Programs**

A state adopts a mandatory social insurance program designed to help residents plan for and afford long-term care needs. Funded through a payroll deduction, residents are eligible for a capped benefit when they have a qualifying LTSS need. The program aims to promote earlier LTSS planning and reduce long-term Medicaid dependency by covering front-end LTSS needs.

<p><b>Level of Effort,</b> Federal Support Lever Type</p>	<p>Example Federal Support Strategy</p>
<p> <b>Low,</b> Technical assistance and other supports for states</p>	<p>The federal government establishes a <b>learning collaborative focused on LTSS social insurance models</b>, anchored by lessons from Washington State’s WA Cares Fund. Participants would include state and federal policymakers as well as technical experts, including actuaries and LTSS policy advisors. The collaborative would include structured peer learning, limited technical assistance from advisors, and a centralized hub of resources. States would benefit from shared tools and templates, including draft legislation, implementation playbooks, and stakeholder engagement materials. By coordinating structured knowledge-sharing and technical guidance, this initiative would help states avoid costly missteps, assess feasibility more efficiently, and better understand the policy and operational considerations of implementing a social insurance approach.</p>
<p> <b>Medium,</b> Enhancing existing financing and authorities</p>	<p>CMS issues formal guidance on and identifies <b>pathways for states to receive federal shared savings for federal financial participation in LTSS</b> provided through state-based social insurance programs. This could be accomplished in multiple ways, ranging from Section 1115 Demonstrations that only require CMS approval to entirely new funding pathways authorized by Congress.</p> <p>For example, through Section 1115 Demonstrations, CMS could enable states to obtain Medicaid federal matching funds for certain social insurance program expenditures for lower-to-middle income individuals and approve regulatory exceptions for certain service delivery requirements to maximize a state’s operational flexibility. CMS guidance for this new approach could clarify CMS’ approval parameters, eligibility and benefit criteria, and operational expectations. CMS could also develop a templated Section 1115 Demonstration application and approval language, similar to those developed for other initiatives, such as services for reentry populations.</p>
<p> <b>High,</b> Develop new funding pathways or authorities</p>	<p>Congress <b>creates a national catastrophic back-end LTSS insurance program</b> that complements state social insurance models, which provide “front-end” LTSS benefits. This federal program would activate after individuals exhaust state and/or private coverage, offering protection against high-cost, prolonged care needs. The program would use a broad, national risk pool and offer income-based premium subsidies to make participation accessible for all income levels. By covering high-cost, long-duration needs, this federal program would allow states to focus their efforts on shorter-duration, benefit-capped programs to address more immediate “first-dollar” needs. Designing such a program would require careful consideration of existing Medicaid financing mechanisms, private insurance displacement, unpaid caregiver roles, and the overall state-federal fiscal partnership. However, it could create a more stable LTSS financing strategy that meets increasing LTSS demand and relieves mounting pressure on state Medicaid programs.</p>

**State Scenario: Strengthening Care Navigation Systems**

A state seeks to modernize, simplify, and unify its care navigation and No Wrong Door (NWD) information system by integrating digital tools, statewide information portals, and local navigation hubs. The goal is to ensure that all individuals with aging or LTSS needs can understand their options, connect to services, and plan for future care.

<p><b>Level of Effort,</b> Federal Support Lever Type</p>	<p>Example Federal Support Strategy</p>
<p> <b>Low,</b> Technical assistance and other supports for states</p>	<p>The federal government offers targeted <b>technical assistance to help states modernize and innovate their existing care navigation infrastructure.</b> Supports include guidance on existing federal funding mechanisms, best practices and exemplary state models, model operational workflows, multi-agency coordination strategies, and other actionable guidance and tools. This may also include more hands-on supports, including technical assistance in helping states identify opportunities to braid funding, strengthen partnerships across health, aging and disability networks, and improve service delivery within existing state programs.</p> <p>This strategy offers a low-cost, high-impact lever to improve access, reduce LTSS system fragmentation, and simplify navigation—especially for those independently seeking care outside of the Medicaid system.</p>
<p> <b>Medium,</b> Incentives, Tools, and Other Supports for Individuals</p>	<p>The federal government establishes a <b>national LTSS website that serves as an entry to all state NWD information systems</b> and provides self-service navigation tools to individuals seeking LTSS. The web-based platform could incorporate AI-powered tools to help individuals identify their LTSS options and next steps based on income, age, care needs, and available social supports. Akin to the Healthcare.gov model, states can opt into the platform and would receive grant funding to enhance and align their own NWD system tools, informational materials, and application processes. Participating states could host state-specific content and referral tools on the federal site, offering users a seamless experience across state and federal programs, or continue hosting their own NWD web systems where the federal website could redirect individuals. This hybrid approach helps address critical gaps in LTSS information and navigation, while also providing states with autonomy and flexibility to manage their own NWD systems.</p>
<p> <b>High,</b> Develop new funding pathways or authorities</p>	<p>Congress <b>restructures OAA Title III funding to support a national standard for care navigation systems.</b> OAA Title III funding is the main funding stream for Area Agencies on Aging (AAAs) and often considered insufficient for AAAs to effectively deliver on the wide range of functions they manage.<sup>xvii</sup> This restructuring would include increased Title III funding on an ongoing basis, provide time-limited infrastructure grants to help states modernize and align local systems, and modified funding formulas to incentivize states to integrate and coordinate disparate care navigation initiatives, such as AAAs, Aging and Disability Resource Centers (ADRC), and State Health Insurance Assistance Programs (SHIPs). As a complement to funding changes, federal guidance could be developed to assist states in understanding best practices in system modernization, developing an implementation approach, and monitoring ongoing operations.</p>

# Conclusion

The growing unaffordability of LTSS for middle-income individuals presents both a challenge and an opportunity for state and federal leaders. States are already taking steps to advance reform and demonstrate creativity and leadership in these efforts. However, the scale of the challenge—combined with rising costs, workforce shortages, and a rapidly aging population—necessitates meaningful federal partnership.

This brief outlines a compelling path forward through strategic federal enablement that provides new financing flexibilities, enhances existing programs, offers robust technical assistance, or supports individuals directly in state-directed initiatives. Collectively, these strategies can empower states to build more accessible and sustainable LTSS systems that help increase access to care, prevent or delay expensive institutional care, advance a modern LTSS that effectively meets future demands, and support aging with dignity across income levels.



# Endnotes

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### **About the LeadingAge LTSS Center**

The LeadingAge LTSS Center @UMass Boston conducts research to help our nation address the challenges and seize the opportunities associated with our nation's growing older adult demographic group. The LTSS Center combines the resources of a major research university with the expertise and experience of applied researchers working with providers of long-term services and supports (LTSS).

This joint venture of LeadingAge – a national organization representing 6,000 non-profit aging services providers – and the University of Massachusetts, Boston translates research into policy and practice to improve quality of care and quality of life for the most vulnerable older Americans. As an independent entity, the LTSS Center conducts applied research for the benefit of government agencies and other policymakers, providers and the general public. It builds on UMass Boston's partnership with Community Catalyst, a national consumer health advocacy organization. For more information, visit [ltsscenter.org](http://ltsscenter.org).

### **About The SCAN Foundation**

The SCAN Foundation envisions a society where all of us can age well with purpose. We pursue this vision by igniting bold and equitable changes in how older adults age in both home and community. We work at the diverse intersections of aging with partnerships that expand across the aging, healthcare, disability, policy, social entrepreneur, racial justice, and social justice sectors. With deep roots across the state of California, our work aims to influence national transformation of the systems and supports that enable all older adults to age well at home with purpose. For more information, visit [thescanfoundation.org](http://thescanfoundation.org).

### **About ATI Advisory**

ATI Advisory is a healthcare research and advisory services firm dedicated to system reform that improves health outcomes and makes care better for everyone. ATI guides public and private leaders in solving the most complex problems in healthcare through objective research, deep expertise, and bringing ideas to action. For more information, visit [atiadvisory.com](http://atiadvisory.com).

