

Public Support For Policies That Would Help People With Chronic Conditions

Americans overwhelmingly support policies related to chronic care—until they are asked to pay for them.

by Mae Thamer, Wenke Hwang, and Gerard F. Anderson

ABSTRACT: According to a national public opinion survey, Americans strongly support government solutions to help people with chronic conditions and their caregivers. Such solutions include a Medicare prescription drug benefit, a tax credit for caregivers, a tax break for people who purchase private long-term care insurance, and public long-term care insurance. A majority is willing to support several of these initiatives by paying higher taxes, but our survey suggests that other initiatives may not have sufficient support to offset their incremental costs. In addition, support for these proposals varies systematically by individual characteristics, which suggests that there are different constituencies for each proposal.

A NUMBER OF PROPOSED HEALTH CARE REFORMS would have a major impact on millions of Americans with chronic conditions and their caregivers. In this paper we compare public support for four initiatives that have received considerable policy attention in recent years: a Medicare prescription drug benefit, creation of public long-term care insurance, a tax break for unpaid caregivers, and a tax break for persons who purchase private long-term care insurance.

To assess the level of support for each of these policies, we conducted a nationally representative survey of Americans regarding their knowledge, attitudes, and perceptions of chronic conditions. One survey component asked respondents about their level of support for each policy and their willingness to pay higher taxes to enact it. We then compared willingness to pay with cost estimates of enacting each initiative. The objectives of this paper are to (1) examine the overall level of support for each policy; (2) compare the public's willingness to pay higher taxes to enact each policy; and (3) compare the public's willingness to pay with the estimated cost of each program. We also attempt to determine the sociodemographic

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characteristics of persons who are more likely to support each policy.

■ **Survey methods.** A telephone survey consisting of fifty-one questions, requiring approximately fifteen minutes to answer, was administered to a national random sample of 1,663 adults between March and November 2000.¹ Results were weighted according to age, sex, race, and level of education and income so that the sample would be representative of the U.S. public. All reported survey results have a sampling error of ± 3 percent. Respondents were asked a series of questions in the following three areas: (1) support for four specific policy initiatives; (2) willingness to pay \$250 for each supported initiative; and (3) willingness to pay \$500 for each.²

■ **Demographic characteristics.** The demographic characteristics of the survey respondents are as follows: 53.3 percent were female; 43 percent were ages 18–44; 35.2 percent, ages 45–64; and 21.8 percent, age 65 or older; 78.6 percent were white; 62.8 percent had some college education; and 33.2 percent had annual incomes above \$50,000. One-third (33.6 percent) had a chronic condition themselves, 11.4 percent were caring for someone with a chronic condition, 14.1 percent both had a chronic condition and were caregivers, and 40.9 percent neither had a chronic condition nor were caregivers.

Current Legislative Status And Cost Estimates

■ **A new Medicare prescription drug benefit.** Under current law, the Medicare program does not cover prescription drugs provided outside of the hospital. To estimate the costs of developing a Medicare prescription drug benefit, the Congressional Budget Office (CBO) assumed a base case for a benefit that would provide coverage for all outpatient drug costs of Medicare enrollees, whereby the federal government would pay 50 percent of premiums, beneficiaries would pay 50 percent coinsurance, and stop-loss protection would be provided after \$4,000 in out-of-pocket spending.³ This base case would cost the federal government an estimated \$31.6 billion in 2004. Using various options that change beneficiaries' cost sharing, the stop-loss amount, the cap, and combinations of these, the CBO estimated a range of \$21.4 billion–\$42.0 billion in annual costs to cover the costs of a Medicare drug benefit.

■ **Government-funded long-term care insurance.** Long-term care—which includes skilled nursing facility (SNF) and other facility-based care, home health care, home and community-based waiver services, and personal care—is now financed through a wide mix of public and private sources. Public financing, which funds 62 percent of all services, comes from Medicaid, Medicare, state programs, the Department of Veterans Affairs (VA), and the Administration on Aging. Private financing includes private insurance, philanthropy, and out-of-pocket payments. The CBO estimated that more than \$120 billion was spent on long-term care for the elderly alone in 1999.⁴ In our analysis we assume that all \$120 billion would be paid by public sources or an increment of \$46 billion in public spending ($\$120 \text{ billion} \times 0.38$).

■ **Tax break for unpaid caregivers.** An initiative put forth by the Clinton ad-

ministration in 1998 would support families with long-term care needs through a \$1,000 tax credit.⁵ This initiative would compensate families for a wide range of formal and informal care for people of all ages who have three or more limitations in activities of daily living (ADLs) or a comparable cognitive impairment. This means-tested tax credit was estimated to cost \$5.5 billion over five years by President Clinton's 1998 Long-Term Care Initiative.

■ **Tax break for purchasers of long-term care insurance.** The Health Care Insurance Act of 2001 (S.B. 24) seeks to provide a tax credit for qualified long-term care premiums. Although there are no current estimates for the cost of a tax break for persons who purchase long-term care insurance, given the approximately 6 percent of the adult population who purchase such insurance (twelve million persons) and assuming a tax credit of \$1,000–\$3,000, such an initiative would cost \$12–\$36 billion a year.⁶ This is without assuming any increase in the number of subscribers because of the tax credit.

Support For Policy Initiatives And Willingness To Pay

According to our survey results, Americans overwhelmingly support policy initiatives that would help persons with chronic conditions (Exhibit 1). Between one-half and three-quarters of survey respondents “strongly” supported each of these four initiatives. These are the data that are usually reported in the media and used to influence public policy. However, when issues of financing these initiatives are introduced, the results and relative rankings can change.

Willingness to pay has been widely used as a way to measure the demand for benefits in health and health care.⁷ It has also been used in other public policy areas such as clean air and water, less congestion on roads, and other services for which a private market does not exist.⁸

Once the possibility of higher taxes was introduced in our survey, the level of support for all four options declined (Exhibit 2).⁹ Of respondents who had reported strong support for a specific policy, 9–13 percent were unwilling to pay a minimum of \$250 in additional taxes for that policy. Still, a majority of respon-

EXHIBIT 1 Americans' Support For Policy Initiatives Related To Chronic Conditions, 2000

| Policy initiative | Strongly support | Somewhat support |
|---|------------------|------------------|
| Drug benefit for Medicare beneficiaries | 72% | 22% |
| Government-funded long-term care insurance | 68 | 24 |
| Tax break for persons who provide unpaid care | 63 | 29 |
| Tax break for persons who purchase long-term care insurance | 50 | 35 |

SOURCE: Johns Hopkins University/Robert Wood Johnson Foundation/Harris Interactive Survey on Chronic Illness in the United States, November 2000.

NOTE: Each respondent was asked the following question: “I’m going to read you a list of proposed health reforms that might be passed by Congress. For each, please indicate if you would strongly support it, somewhat support it, somewhat oppose it, or strongly oppose it.”

EXHIBIT 2
Americans' Willingness To Pay For Four Policy Initiatives Related To Chronic Conditions, 2000

| Policy initiative | Do not strongly support ^a | Strongly support but will not pay any higher taxes | Strongly support but will only pay \$250 in higher taxes | Strongly support and will pay \$500 in higher taxes |
|---|--------------------------------------|--|--|---|
| Drug benefit for Medicare beneficiaries | 27.6% | 10.3% | 19.4% | 42.8% |
| Government-funded long-term care insurance | 31.7 | 8.6 | 17.6 | 42.1 |
| Tax break for persons who provide unpaid care | 36.8 | 12.1 | 16.5 | 34.6 |
| Tax break for persons who purchase long-term care insurance | 49.9 | 12.9 | 13.5 | 23.7 |

SOURCE: Johns Hopkins University/Robert Wood Johnson Foundation/Harris Interactive Survey on Chronic Illness in the United States, November 2000.

^aThose responding somewhat support, somewhat oppose, or strongly oppose.

dents were willing to pay an additional \$250 in taxes for prescription drugs, government-funded long-term care insurance, and a caregivers' tax credit. On the other hand, while half of respondents strongly supported a tax break for the purchase of private long-term care insurance, only 37 percent were willing to pay an additional \$250 or more in taxes to finance this policy. None of the four proposals obtained a majority of supporters if it involved an additional \$500 in taxes.

Cost Versus Level Of Support

■ **Medicare drug benefit.** Almost two-thirds of respondents were willing to pay \$250 or more to support a new Medicare prescription drug benefit, the equivalent of \$25 billion annually. According to the CBO, the estimated cost to taxpayers of adding this benefit to Medicare, using different cost-sharing mechanisms, is in the range of \$21 billion to \$42 billion annually.¹⁰

■ **Long-term care insurance.** Almost 60 percent of respondents expressed the willingness to pay \$250 or more to support government-funded long-term care insurance. Given this level of support, approximately \$25 billion could be available for this benefit expansion. However, according to the CBO estimates, government costs for providing long-term care insurance for the elderly alone in 1999 were more than \$120 billion. Because the public sector now supports 62 percent of the cost for the elderly, the incremental cost of providing long-term care insurance for the elderly would be at least \$46 billion, and even greater if demand for long-term care services increases. Given this estimate, the public does not appear to be willing to fully fund the incremental cost of public long-term care insurance.

■ **Caregiver tax break.** More than half of respondents said that they would be willing to pay at least \$250 to support a tax break for persons who provide unpaid care to family members or friends. Assuming a tax base of 100 million U.S. taxpayers

“Persons age sixty-five and older were least likely to support public long-term care insurance and a Medicare drug benefit.”

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each paying \$250, \$25 billion would be available to support such a tax break. The proposal introduced in 1998 estimated spending \$5.5 billion over five years for such an initiative.¹¹ The public, therefore, appears to be willing to pay a far greater amount to support caregivers than what this initiative would cost.

■ **Tax break for long-term care insurance purchasers.** Finally, only 37 percent of respondents would be willing to pay \$250 in additional taxes to support a tax break for persons who purchase long-term care insurance. As stated before, this proposal would cost an estimated \$12 billion–\$36 billion.¹² Our survey suggests that only a scant majority of Americans strongly support this option, before any higher taxes to support this option are discussed. Once the possibility of higher taxes is introduced, support erodes considerably.

Characteristics Of Supporters For Each Policy Initiative

To determine the characteristics of the U.S. population that support each specific health policy, we conducted logistic regressions for each policy using three models. The three models differed in the dependent variable selected: Model 1 examined the likelihood of supporting versus not supporting each policy; Model 2 examined the likelihood of supporting each policy by indicating willingness to pay a minimum of \$250 versus not supporting each policy by paying extra taxes; and Model 3 examined the likelihood of being willing to pay \$500 to support each policy versus not supporting that policy at all. Model 1 identifies general public support, Model 2 identifies the public’s willingness to pay, and Model 3 shows the greatest support for the policy. In all three models the independent variables were sex, age, race, educational status, and association with chronic conditions.¹³

■ **Strongest supporters.** In general, women, blacks, and caregivers were the strongest supporters of each of the four policies. Educational level did not appear to be correlated with support of any policy. Age as a predictor depended on the specific policy. Persons ages 45–64 were the strongest supporters of a tax break for purchasers of private long-term care insurance and for caregivers.

■ **Least likely to support.** Surprisingly, persons age sixty-five and older were least likely to support government-funded long-term care insurance and a new Medicare drug benefit. Although this result may appear to be counterintuitive, a 1998 survey reported the following similar findings: Only 58 percent of persons age sixty-five and older favored a proposal to improve Medicare by covering prescription drugs, compared with 71 percent of persons under age sixty-five; and only 64 percent of elderly respondents supported Medicare coverage of long-term nursing home care, compared with 70 percent of persons under age sixty-five.¹⁴

■ **Possible explanations.** There are several possible explanations for the

counterintuitive result found in both surveys. First, 73 percent of Medicare beneficiaries already have prescription drug coverage.¹⁵ Second, according to the 1998 survey, the elderly were somewhat more likely than their younger counterparts were to rate keeping taxes down as a “very important” issue (70 percent versus 66 percent) and therefore may be less amenable to any changes in Medicare that might require additional taxes. Third, the elderly were much more likely than their younger counterparts were to report that Medicare is doing a “good job” in serving health care consumers (74 percent versus 44 percent), and therefore the elderly may be less likely to desire major changes in the program. Similarly, persons under age sixty-five were more likely to report that Medicare’s benefits are “less generous” than are those of most private health insurance plans (35 percent versus 21 percent of elderly respondents). Some or all of these factors could explain this unexpected finding.

Since the time of the survey (March–November 2000), the economy and the government’s budgetary situation have deteriorated, and the policy agenda has been radically revised. Public support for specific alternatives may have shifted during this period. We also recognize that public opinion is only one factor that influences public policy. Finally, we note that public opinion can change rapidly, as demonstrated by the Medicare Catastrophic Coverage Act passage and its repeal only a year later.

ALTHOUGH NUMEROUS SURVEYS have asked Americans about their support for a number of health-related policies, this is the first survey to focus on the public’s willingness to pay for specific proposals related to caring for people with chronic conditions. There appears to be support for prescription drug coverage at the level now being discussed in Congress, a willingness to fund tax credits for persons who provide unpaid care at a higher level than the proposed cost, and an unwillingness to pay for an expansion of government-funded or private long-term care insurance at the proposed cost.

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This analysis was funded by Partnership for Solutions, a national program of the Robert Wood Johnson Foundation.

NOTES

1. The survey was conducted by Harris Interactive. Participating households were identified using random-digit-dialing procedures for U.S. telephone numbers. Efforts were made to increase the response rate and to encourage participation. Specially trained interviewers called back people who had initially refused to participate and offered them a financial incentive (\$15) for their participation. The adult with the most recent birthday in the household was identified and asked to participate. Eligibility was limited to English and Spanish speakers. A total of 2,970 persons were contacted, and 1,663 completed the survey. The response rate of 56 percent was calculated as the percentage of eligible households for which an interview was completed.
2. Each respondent was read the following: “I’m going to read you a list of proposed health reforms that might be passed by Congress. For each, please indicate if you would strongly support it, somewhat support it, somewhat oppose it, or strongly oppose it.” Only those respondents who reported strong support for each initiative were further queried, “How willing are you to support [each specific initiative] if it meant a \$250 increase in your taxes? Would you be very willing, somewhat willing, or not at all willing?”

- Only those respondents who reported being somewhat or very willing to pay \$250 were further queried, "How willing are you to support [each specific initiative] if it meant a \$500 increase in your taxes?"
3. Dan Crippen, director, Congressional Budget Office, testimony before the House Ways and Means Committee, 27 March 2001.
 4. S. Hagen, *Projections of Expenditures for Long-Term Care Services for the Elderly* (Washington: CBO, 1999).
 5. Office of the Press Secretary, "President Clinton and Vice President Gore Unveil Historic Long-Term Care Initiative to Support Family Caregivers and Help Address Growing Long-Term Care Needs," 4 January 1998.
 6. R. Friedland and L. Shirey, *Defining Common Ground: Long-Term Care Financing Reform in 2001* (Washington: Georgetown University, Center on an Aging Society, 2001).
 7. See, for example, A. Diener, B. O'Brien, and A. Gafni, "Health Care Contingent Valuation Studies: A Review of Classification of the Literature," *Health Economics* 7, no. 4 (1998): 313–326; and M. Ryan et al., "Eliciting Public Preferences for Healthcare: A Systematic Review of Techniques," *Health Technology Assessment* 5, no. 5 (2001): 1–186.
 8. Willingness to pay is a survey-based method to determine monetary valuation of interventions that cannot be examined in the marketplace. Formal methodological analysis and validity testing of willingness to pay has not been fully established. The limited published literature has shown some evidence that an open-ended form of monetary valuation and dichotomous choice survey questions may overestimate actual willingness to pay. See B. Liljas and K. Blumenschein, "On Hypothetical Bias and Calibration in Cost-Benefit Studies," *Health Policy* 52, no. 1 (2000): 53–70; and K. Blumenschein et al., "Hypothetical versus Real Willingness to Pay in the Health Care Sector: Results from a Field Experiment," *Health Economics* 20, no. 3 (2001): 441–457. To reduce such potential bias, we used stated values for each policy option and asked respondents the level of their support. The survey questions were asked in a hierarchical fashion—that is, only the respondents who said that they supported the policy option were asked the \$250 willingness-to-pay question, and so forth. This approach may reduce the impact of willingness-to-pay responses that clearly are not possible.
 9. Given the recent focus on a tax cut, respondents might have felt differently and reported higher levels of financial support if the survey had discussed a reduced tax cut in return for benefits versus a tax increase in return for benefits. Willingness-to-pay questionnaires have been shown to be sensitive to how the questions are worded and whether a reduction or an increase is proposed.
 10. Crippen testimony, 27 March 2001.
 11. Office of the Press Secretary, "President Clinton and Vice President Gore Unveil Historic Long-Term Care Initiative."
 12. Hagen, *Projections of Expenditures*.
 13. In the survey, a special screener was developed to identify respondents with a chronic condition or who were caregivers for someone with a chronic condition, or both. Respondents were asked if they had a condition that has lasted or was expected to last twelve months or more and if it placed limitations on any one of the following: (1) age-appropriate task performance, including school attendance for children and work for adults; (2) basic self-care; or (3) independent-living skills necessary for community residence; or if the condition required ongoing medical intervention. If a respondent answered yes to any of these questions, they were deemed to have a chronic condition. The respondent was also queried as to whether he or she currently or in the past year acted as a caregiver. This was defined as anyone who provides unpaid help or arranges for paid or unpaid help for a relative or friend because they have a chronic illness or because they are getting older. For complete regression results, contact the authors at ganderso@jhsph.edu.
 14. Henry J. Kaiser Family Foundation/Harvard School of Public Health, National Survey on Medicare, conducted by Princeton Survey Research Associates of 1,909 adults, 14 August–20 September 1998.
 15. Henry J. Kaiser Family Foundation, *Medicare Chartbook*, 2d ed. (Menlo Park, Calif.: Kaiser Family Foundation, Fall 2001), 59, Figure 46.