

Project Number: BRCI 03-009

Project Title: Enhancements to the AHCA long-term care microsimulation model

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**Background/Rationale:**

The AHCA long-term care microsimulation model is a computerized policy analysis and development tool. The model starts with a database that has been constructed to be representative of the population of the United States in 1996. Through the application of econometrically estimated statistical equations, changes are simulated over a 50-year study period in the following categories: demographics, health, disability, income, assets, health service utilization, and health care financing.

**Objectives:**

This project will enhance the modules of the model that simulate income and assets by conducting new research on the relationships between health and disability status on the one hand, and earned income and asset accumulation on the other. In addition, this project will attempt to develop a normative theoretical model to explain the purchase of long-term care insurance.

**Methods:**

Data from the Survey of Income and Program Participation (SIPP) will be extracted and analyzed to supplement existing analytic files drawn from the Medical Expenditure Panel Survey (MEPS), the Medicare Current Beneficiary Survey (MCBS), and the Health and Retirement Survey (HRS). Analysis will be retrospective. Statistical equations estimated from these survey data will be applied in the microsimulation model. Econometric models will be estimated that relate earned income and assets accumulated to individual characteristics including demographics, marital status, number of dependents, health status, disability status, and income or assets from the previous period. These estimated models will be incorporated into the existing microsimulation model structure and then adjusted so that forecasts produced by the newly enhanced model are comparable to widely accepted projections from other sources. Subsequent work will apply the enhanced model to the analysis of long-term care financing policy alternatives.

**Findings/Results:**

We find that proposals currently pending before Congress to create an above-the-line tax deduction for private long-term care insurance premiums would do less to alleviate projected pressure on state Medicaid budgets than alternative proposals that feature refundable tax credits targeted to those with low incomes.

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