Research

Assessing Biden's "Caring Economy" Proposal

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Executive Summary

- Presidential candidate Joe Biden released the third part of his "Build Back Better" initiative, which primarily aims to improve caregiving options for working parents and primary caregivers of elderly individuals in need of long-term care.
- The resources in Biden's plan do not match the scale of the long-term care challenge: The annual cost of unpaid long-term care currently stands at an estimated $674 billion, and while the proposed 1.5 million new workers may be adequate, Biden's proposal dedicates just $450 billion *over 10 years* to cover the health care needs he seeks to address, a sum likely trillions short of what would be needed.
- Biden's childcare plan involves various avenues to address supply, access, and affordability, but the money allocated will almost certainly not be enough to cover his proposed expenses and could drive up costs.

Introduction

Last week, presumptive Democratic presidential nominee Joe Biden released a plan "for Mobilizing American Talent and Heart to Create a 21st Century Caregiving and Education Workforce." This proposal focuses on improving childcare and care for the elderly, specifically those with long-term care needs, as well as other health care workforce needs. The policies outlined are projected by the Biden campaign to cost $775 billion over 10 years; $450 billion will cover the various health care costs and the remaining $325 billion will cover the costs of expanding childcare options. In order to pay for these policies, Biden plans to roll back tax breaks for real estate investors with incomes over $400,000 and better enforce tax compliance for high-income earners.

These proposals primarily seek to increase the supply of health care workers and childcare providers and facilities, but they drastically underestimate the cost required to do so while simultaneously increasing the cost beyond what is necessary to meet the needs.

Improving the Public Health Infrastructure and Health Care Workforce Needs

Biden's plan calls for adding over a million new health care workers to address shortages in care, along with funding innovative care options. The plan is ambitious in terms of the number of people it aims to put to work and the number of challenges it aims to tackle, but it is severely lacking in details as to how any of these plans will be executed or even the specific outcomes the proposals seek to achieve. The proposal also significantly underestimates the cost of the primary issue it aims to solve—long-term care needs—likely by more than $1 trillion.

The Plan

Biden's plan calls for adding 1.5 million new health care workers, including 150,000 community health workers to work in the neediest communities and another 100,000 in a newly created Public Health Jobs Corps. Biden defines the neediest communities as those with the highest rates of chronic conditions and largest racial disparities. The Public Health Jobs Corps would be dedicated to identifying communities at risk of contracting and spreading infectious diseases and strengthening the public health infrastructure, of which Biden includes efforts to address the opioid epidemic and social determinants of health. The plan also calls for providing tens of thousands of workers to care for veterans and those served by the Indian Health Service. The more than 1 million remaining workers would be dedicated to eliminating the existing Medicaid waitlist for people needing home or community-based health care services. Finally, Biden's proposal would establish a long-term services and supports innovation fund to implement cost-effective measures for providing care.

The Need for Long-Term Care

Previous research from the American Action Forum (AAF) details the growing long-term care crisis the United States is facing. An estimated 14 million people in the United States currently need long-term support services.[1] According to the Department of Health and Human Services, 7 in 10 seniors reaching 65 years old are now expected to need some type of long-term care (LTC) before the end of their life.[2] By 2030, 24 million Americans will need LTC, but the supply of caregivers is shrinking rapidly relative to the demand. The number of people aged 45-64—the typical age of a caregiver—for each person aged 80 or older will be reduced to three by 2050 (down from seven currently).[3] The amount and

complexity of care needed per person will also increase, as a result of the increasing number of chronic conditions per person.

Unfortunately, private insurance for LTC is hard to find, public insurance programs offer limited coverage or have restricted eligibility, and most people have not saved sufficiently for the cost of such care. An estimated $849 billion worth of LTC was provided in 2018, nearly 80 percent of which ($674 billion) was provided by unpaid family caregivers, typically in their 40s and 50s, often with children who also need their attention.[4] It is estimated that 26 million unpaid caregivers provided care for an average of nearly 18 hours per week in 2017; lost lifetime earnings as a result of caregiving rather than working are estimated at $300,000.[5]

Medicaid pays for the largest share of LTC costs (roughly 60 percent), as the benefits it covers are much more comprehensive than those covered by Medicare. Medicaid's benefits include LTC services in nursing homes, intermediate care facilities, and at-home care, including custodial (non-medical) care provided by non-licensed caregivers. The most widely used of Medicaid's several LTC programs is the Home and Community Based Services (HCBS) Waiver, which allows states to expand financial eligibility while simultaneously capping enrollment (unlike traditional Medicaid rules, which require states to cover all individuals who qualify). Common benefits include additional therapy services, meal preparation, and housekeeping; some states also cover nutrition counseling and aid at the beneficiary's work site.[6] In 2018, roughly 4.3 million people received care through an HCBS waiver program at a cost of $92 billion; another 707,000 individuals were on state waiting lists, as of 2017.[7],[8] Biden claims the waitlist has now reached 800,000, growing by roughly 100,000 in three years. The existence of the waitlists reflects the lack of funding and insufficient supply of caregivers; its rate of growth reflects the ever-increasing number of seniors in need of care. Biden's proposal calls for giving states the option of turning their existing waiver program into a new state-plan option with an enhanced federal funding match rate.

Assessing the Proposal

Biden's plan to hire 1.5 million health care workers *may* suffice to cover projected long-term care needs. Based on estimates of the current amount of unpaid care provided (roughly 26 million people provided an average of nearly 18 hours of care per week), this care represents the equivalent of 225,000 full-time workers.[9] Moving forward, the need will continue to grow. Medicare enrollment is expected to increase 25.6 percent by 2030.[10] Assuming the same proportion of the elderly needing care as is needed now, and using Medicare enrollment as a proxy for the elderly population, the existing workforce of 4.5 million paid long-term care workers, plus the 225,000 full-time equivalent unpaid workers,

would need to grow by more than 2.3 percent annually to keep pace with demand.[11] This growth requires adding 1.2 million more workers by 2030. As discussed, however, it is expected that care needs will also increase per person needing care, and thus the number of caregivers will need to increase further, suggesting the 1.5 million new workers Biden plans to hire may suffice, *if* they are all dedicated to the provision of long-term care. But his plan calls for a quarter million of the newly hired health care workers to be dedicated to public health efforts and tens of thousands to care for veterans and those served by the Indian Health Service.

The cost of caring for the millions of seniors who will need care over the next decade will dwarf the budget allocated under this proposal. The cost of employing 1.5 million health care workers full-time at an hourly wage of $22 (less than the wage of the typical unpaid caregiver but more than the average wage of home health aides) is $33 billion for a single year, but the cost of care is much more than the cost of the labor of the care provider.[12] Many people will need full-time care and ready access to medical equipment, which will necessitate moving into long-term care facilities; such a facility can cost around $100,000 per year currently. While most seniors prefer to age at home, for many it will not be an option; simply providing more home health care workers will not solve the entirety of the long-term care crisis. AAF previously estimated that the cost of various types of long-term care over the next decade will increase between 20 percent for home health aides and up to 47 percent for assisted living facilities, based on current trends. Given these projections, the total cost of LTC needed in 2030 could reach between $1.3 trillion and $2.5 trillion.[13]

Based on these estimates, Biden's estimated cost of $450 billion, which is also intended to fund innovative new treatment options, is woefully unrealistic. Further, it is unclear whether the plan envisions these LTC workers being hired by the government or the private sector; if the idea is for the private sector to hire them, there are no details as to how the government would facilitate that uptake and cover those costs.

Addressing the Childcare Crisis

Biden has acknowledged the longstanding problem of accessible and affordable childcare and that it has been exacerbated by the COVID-19 pandemic. To address persistent problems and new challenges, he plans to tackle the childcare crisis in a number of different ways including providing federally backed universal pre-k, tax credits to families to help pay for childcare, creating rigorous quality standards, renovating or building new childcare facilities, and increasing pay for childcare workers.

The Problem

While there was already a childcare shortage in many areas of the United States, the pandemic has only worsened the challenges. Statewide lockdowns caused many childcare centers to close, some permanently, and as parents return to work they will face a capacity crunch due to both these closures and other regulations restricting the capacity of operating centers.

As many as 50 percent of childcare facilities could permanently close as a result of the pandemic. Those facilities that were able to stay open or are able to reopen are operating on very thin margins and are at risk of going out of business.[14] In addition to lost revenue that occurred during periods of lockdown, childcare centers will almost certainly need to contend with future costs, including increased sanitation measures and personal protective equipment. Furthermore, many states are mandating that care centers and schools limit the number of children present in a room to reduce the spread of the virus. This measure, while important for public health, presents yet another challenge for childcare providers who will earn less revenue when operating at reduced capacity. Previous AAF analysis found that if not addressed in some form, childcare could keep as many as 30.6 million people out of the workforce and hamper economic recovery.

On the bright side, it appears the childcare sector may be recovering, albeit slowly, and with a long way to go before reaching pre-pandemic levels of available care. Between May and June of 2020, the childcare sector saw an increase in payrolls of 80,000 bringing June payrolls to 780,300 up from 700,300 in May; yet in June of 2019, there were more than 230,000 childcare employees on payroll .[15] Fewer employees means fewer operational childcare options and more childcare "deserts."[16] Childcare deserts are far more likely in low-income communities and among communities of color who make up a large share of childcare workers and already struggle with access.

Universal Pre-K and Rising Childcare Costs

In order to support those communities and working families, Biden is proposing universal pre-k. Providing universal pre-k is not a new idea. Many Democrats have proposed similar plans before, including former presidential candidate Elizabeth Warren whose universal childcare plan was estimated to cost between $707 billion and $1.7 trillion over the next 10 years.[17] Biden does not promise to cover the cost of all childcare but limits his proposal to covering 3- and 4-year-olds, which could have to address care for around 9.2 million families who do not have access to formal care.[18] Just using the average cost of center care ($215 a week), an upper-bound estimate of providing universal pre-k under Biden's plan would be $102 billion for the first year alone, and this figure is almost certain to rise.

Other elements of supporting working families would include providing tax credits to help

families address rising costs. Under Biden's plan, low- and middle-income families could claim up to an $8,000 tax credit (or $16,000 for two or more children under 13). The benefit would allow families who make under $125,000 to receive 50 percent of what they spend on childcare, with the max being $8,000 per child. Families making up to $400,000 could receive some portion of the benefit, but not the full 50 percent.

For children up to 5 years old, Biden would implement the Childcare for Working Families Act, which would help low- and middle-income families with the cost of childcare and ensure that they pay no more than 7 percent of their household income.

Last, Biden would bolster an existing program, the Child Care and Development Block Grant, which drives childcare subsidies around the country. Previous coronavirus legislation allocated $3.5 billion, all of which has already been used to provide financial support for struggling care providers. An open letter signed by several economists called on the government to provide immediate financial support for struggling childcare providers to the tune of at least $50 billion. Joe Biden has not publicly stated the exact amount his plan would provide. The childcare sector has already been seeing rapidly rising costs, and making families reliant on government money to pay for childcare will only drive up long-term costs even more and limit family choices when it comes to care by prioritizing one specific kind of care.

Meeting Demand

Before the pandemic, many communities were struggling to find childcare options, with 43 percent of parents reporting that they had difficulty locating care.[19] New analysis by the Center for American Progress has mapped out childcare accessibility in the United States and found that Latino communities were more likely to be in childcare deserts than White communities.[20] Biden's plan would build new centers through direct government investment and incentivizing employers with 50 percent tax credits on childcare facility construction.[21] Biden's plan would create a new childcare construction tax credit to encourage businesses to build childcare facilities at places of work. This tax credit would give employers 50 percent of the first $1 million in construction costs. There is seemingly no limit on who or how many entities can take advantage of this generous benefit, but the Biden team expects the construction tax credit paired with direct investments "will lead to tens of thousands of new childcare facilities across the country."[22] Biden's plan also pays specific attention to military families, stating that it will fully fund installation-based care and draw more attention to the existing resources military families can access through the Department of Defense.

Benefits and Earnings of Childcare Workers

With new care centers and financial support for parents, Biden would understandably want to increase the size of the childcare workforce. To do this he plans to increase earnings to incentivize more individuals to enter the occupation. Median annual pay for childcare workers currently stands at $24,230.[23] His plan would increase childcare-worker earnings to be equal to those of elementary school teachers, assuming similar qualifications and experience. In addition to increasing pay, Biden would give childcare workers (and early childhood educators) with 12 weeks of federally funded paid family and medical leave. If implemented at current employment and median wage ($11.65), the policy could affect 780,000 childcare workers and cost $4.3 billion over a single year. Raising the hourly wage to early childhood educators' median wage ($14.70) would increase the cost to $5.5 billion over one year. Assuming that the childcare workforce returns to pre-pandemic 2019 levels, this plan could cost between $5.6 billion (at $11.65 median wage) and $7.1 billion ($14.70 median wage) over a single year. Over the next 10 years, over the next 10 years this childcare plan could cost between $40.3 billion and $70.1 billion, depending on wage changes and assuming the number of childcare workers remains constant at the June 2020 level. The take-up rate for this program is unknown, but given the rest of Biden's childcare plan and goals, the size of the childcare workforce is expected to increase.

In addition to paid leave and increased earnings, Biden's plan would provide states with funding to continue upskilling the workforce and to hire coaches to aid early childhood educators in "delivering high-quality learning experiences."[24] It is not clear what this program would entail or how much money Biden intends to use for it.

Conclusion

Ensuring adequate and affordable childcare and care for the elderly is a challenge in need of serious solutions, and Biden's latest proposal seeks to provide some. Biden's plan calls for hiring 1.5 million new health care workers, which is close to estimated needs for long-term care providers over the next decade; Biden's plan to pay for that care may be more than $1 trillion short, however. Biden also promises to increase the supply of childcare through a variety of avenues, although the full cost of these programs is unclear, but injecting more federal money into the childcare sector would likely drive up total long-term costs. Biden's proposal makes several promises to as many demographic groups as possible, but in attempting to address all care needs for all persons, as well as raise wages, benefits, and supply, he is unable to deliver a well-targeted and cost-effective plan.

[1] https://www.aarp.org/content/dam/aarp/ppi/2019/08/long-term-services-and-supports.doi.10.

26419-2Fppi.00079.001.pdf

[2] https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html

[3] https://www.aarp.org/content/dam/aarp/ppi/2018/08/across-the-states-profiles-of-long-term-services-and-supports-full-report.pdf

[4] https://www.americanactionforum.org/research/the-ballooning-costs-of-long-term-care/

[5] https://www.caregiver.org/selected-long-term-care-statistics

[6] https://www.kff.org/report-section/key-state-policy-choices-about-medicaid-home-and-community-based-services-issue-brief/

[7] https://www.kff.org/report-section/medicaid-home-and-community-based-services-enrollment-and-spending-issue-brief/

[8] https://www.kff.org/medicaid/issue-brief/key-questions-about-medicaid-home-and-community-based-services-waiver-waiting-lists/

[9] Assuming 40 hours of work per week, 52 weeks per year.

[10] https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf

[11] https://www.kff.org/coronavirus-covid-19/issue-brief/covid-19-and-workers-at-risk-examining-the-long-term-care-workforce/

[12] The current hourly wage for home health aides is $12.18, according to the Bureau of Labor Statistics, but this low wage is cited as a primary driver of the insufficient supply of caregivers and high rate of turnover. A higher wage is likely needed to retain workers.

[13] https://www.americanactionforum.org/research/the-ballooning-costs-of-long-term-care/

[14] https://www.forbes.com/sites/tommybeer/2020/07/14/40-of-us-child-care-centers-say-theyll-close-permanently-without-public-assistance/#61168db6ad6f

[15] https://www.bls.gov/news.release/empsit.t17.htm

[16] Areas with children under five that have no or too few childcare providers

[17] https://www.warren.senate.gov/imo/media/doc/Moody's%20Analysis_Child_Care_Act.pdf

[18] https://www2.census.gov/programs-surveys/demo/tables/families/2019/cps-2019/tabf1-all.xls

[19] https://www.americanprogress.org/issues/early-childhood/reports/2019/03/28/467488/child-care-crisis-keeping-women-workforce/

[20] https://www.washingtonpost.com/nation/2020/06/22/middle-income-rural-families-disproportionately-grapple-with-child-care-deserts-new-analysis-shows/

[21] https://www.acf.hhs.gov/sites/default/files/occ/what_is_the_early_head_start_cc_partnership_final_4_508.pdf?nocache=1365689128

[22] https://medium.com/@JoeBiden/the-biden-plan-for-mobilizing-american-talent-and-heart-to-create-a-21st-century-caregiving-and-af5ba2a2dfeb

[23] https://www.bls.gov/ooh/personal-care-and-service/childcare-workers.htm

[24] https://medium.com/@JoeBiden/the-biden-plan-for-mobilizing-american-talent-and-heart-to-create-a-21st-century-caregiving-and-af5ba2a2dfeb