

InvestmentNews

June 21, 2009

LTC on the back burner under Obama health plan

Written by Darla Mercado

Legislative movement is afoot to address the long term care crisis, but recent efforts may be thwarted as the Obama administration grapples with health care reform, according to public-policy experts.

“We won't see anything to move in the direction of more funding for long term care,” said Dallas L. Salisbury, president and chief executive of the Employee Benefit Research Institute in Washington. “With the government's fiscal situation and the unsustainability that the president has stated is present for Medicare and Medicaid, if anything, there will be a reduction [in spending].”

But while President Obama has been trying to expand health care coverage to the uninsured, members of the Senate also have been pitching ideas to address the onslaught of LTC problems that likely will come up as baby boomers age.

NEW PROPOSALS

Recent proposals include an effort from Sens. Maria Cantwell, D-Wash., a member of the Senate Finance Committee, and Herb

Kohl, D-Wis., chairman of the Senate Special Committee on Aging, co-sponsors of the Home and Community Balanced Incentives Act.

Meanwhile, Sen. Edward M. Kennedy, D-Mass., has proposed a public-funding option for long term care in his health care reform bill, the Affordable Health Choices Act.

Both proposals were introduced this month.

The initiatives center on increasing the number of public dollars for long term care and keeping elder care within the home as long as possible.

The Kohl-Cantwell bill seeks a temporary increase in federal contributions to Medicaid programs as an incentive for states to restructure their programs to provide the elderly with services at their homes. The Kennedy bill creates an LTC taxpayer-funded program that pays out a minimum of \$50 a day in LTC benefits to participants after a five-year vesting period.

Although both proposals are still nascent, policy experts think that the bills are a sign

of a sea change in how the government will approach LTC policy reform.

“It's inevitable that long term care's delivery and financing issues are going to be addressed by Congress,” said Howard Gleckman, a senior research associate at the Urban Institute in Washington. “If you look at the cost of Medicaid going forward, as baby boomers age, the cost becomes unsustainable.”

In 2007, the most recent year for which hard data are available, public funding for nursing-home care was \$81.6 billion and hit \$46.4 billion for home health care, according to the Centers for Medicare and Medicaid Services in Baltimore.

Those public expenditures are forecasted to go up to \$161.8 billion for nursing-home care and \$119 billion in home health care by 2018.

HOME CARE

Policymakers' concentration on home care makes sense from the perspective of comfort and cost, said Devon M. Herrick, a senior fellow at the National Center for Policy Analysis in Dallas.

Acute care at home allows the elderly to get basic help, and it can also aid in identifying and treating health conditions before people require more-aggressive intervention in a nursing-home setting, he and other experts said.

Women especially would benefit because they are at a greater risk for being in a nursing home, as they often care for and then outlive their ailing spouses, Mr. Herrick said.

But the biggest problem by far has been the inability to pay for that level of reform. Mr. Kennedy's bill has an estimated cost of \$1 trillion over 10 years, according to the Congressional Budget Office.

As a result, Mr. Herrick expects more states to implement pilot programs to address the LTC crisis, such as Cash and Counseling, a program that allows Medicaid participants to manage a budget and choose their care services. Fifteen states participate in the program.

“If you control the money, you get better service,” Mr. Herrick said. “This is likely what you'll see more of, as opposed to a sweeping overhaul.”

Another cheaper alternative to a social insurance model, such as the one in the Kennedy proposal, would be to create a system that encouraged Americans to buy private LTC coverage through Medicare using carriers vetted by the government, Mr. Gleckman said.

The program would work like Medigap insurance, insuring what Medicare wouldn't pay for, and it would provide Americans with a basic LTC plan.

“That would cost the government nothing unless there were some low-income subsidies,” Mr. Gleckman said. “If you do it right, individuals pay the full premium for the cost of the program, and if you can design it so that low-income individuals get a subsidy, it can be less expensive than Medicaid benefits.”

POSSIBLE INCENTIVE

On the financial planning side, some financial advisers and attorneys said that extra help from the government could provide individuals an incentive to purchase LTC coverage, providing a boon to consumers and the industry alike.

“A lot of people will say that if they can't afford \$200 a day for coverage, then maybe it's not worth getting at all,” said Harry S. Margolis, an elder-law attorney at Margolis & Bloom in Boston. “But if you have \$50 a day to begin with, then maybe you can afford another \$100 of coverage — so you're likely to purchase it.”

However, Mr. Margolis said, insurers have hampered their own involvement in the LTC-funding solution, as they have their own problems to work through, including drastic premium hikes on existing customers.

He said that long term care ought to be addressed through Medicare, as the system

will cover skilled nursing that is medically necessary but not care that will help participants with dressing and bathing.

“If you have a stroke, the immediate aftermath is covered by Medicare, but LTC needs later won't be,” Mr. Margolis said. “It doesn't make a lot of sense.”

Rather, publicly funded long term care, along with individually purchased coverage for a supplement, might work, Mr. Margolis said.

Still, others argue that while LTC funding is a key reform point, the Obama administration must ensure that the changes don't bloat the entitlement system and that the private sector has the chance to solve the problem.

“There's always some starry-eyed hope for the government to fix the problem. Let's have the government ease up on people as an incentive; give me a tax credit when I pay my long term care premium.” said Bob Foland, an adviser at The IRA Specialists in Centennial, Colo.

“Insurance companies have minimalist plans that do the kind of thing that Kennedy is talking about,” he said. “But I would want to see some sort of incentive to get businesses and the private sector to solve the problem.”