Long Term Care Epiphany

By Stephen A. Moses - June 1, 2022

When I first studied the long term care issue in 1982, I sized it up quickly. People were living longer and dying slower, usually in welfare-financed nursing homes. The reason was easy to discern. Well-intentioned politicians made institutional long term care available to anyone who couldn't afford it otherwise. They called the program Medicaid and over time it caused virtually all of the problems long term care faces today.

By making nursing home care virtually free, Medicaid locked institutional bias into the long term care system, crowded out private home care financing, and trapped the World War II generation in sterile, under-funded nursing facilities.

By reimbursing nursing homes less than the cost of providing the care, Medicaid guaranteed that America's long term care service delivery system would have a shortage of qualified caregivers and suffer from serious access and quality problems.

By providing care of dubious quality, Medicaid incentivized plaintiffs' lawyers to launch giant tort liability lawsuits, extract massive financial penalties, and further undercut providers' ability to offer quality care.

By compelling impoverished citizens to spend down what little income and savings they possessed in order to qualify for long term care benefits, Medicaid discouraged accumulation and growth of savings among the poor, reducing their incentives to improve their stations in life.

By allowing affluent people to access subsidized long term care benefits late in life, Medicaid encouraged accumulation and growth of savings among the rich who could pass their estates to their heirs whether they were stricken by high long term care expenditures or not.

Medicaid discriminated against the poor and favored the affluent by allowing people and families with extra "key" money to buy their way into the better nursing facilities, and by allowing planners to help affluent clients avoid the program's reputedly poor care.

By making public financing of expensive long term care available after the insurable event occurred, Medicaid discouraged early and responsible long term care planning and crowded out the market for private long term care insurance.

All these pieces in the long term care puzzle were clear to me from the beginning. A solution immediately revealed itself. We had to get people to worry about and plan for long term care earlier in life so they would not end up decades later in need of catastrophically expensive care with relying on Medicaid their path of least resistance.

One way to do that was to force everyone to pay extra taxes to fund a new program that would, somehow, be better than Medicaid. But using government compulsion repulsed me and besides the other programs of that kind we already had, Social Security and Medicare, were slipping toward inevitable insolvency.

So I recommended a kind of long term care social contract. We would continue allowing people with substantial income and assets to qualify for Medicaid long term care benefits, but if they chose that route their largest resource, their homes, would be liened and recovery of the cost of their care mandatory from their estates.

We got most of the long term care social contract into federal law with the Omnibus Budget Reconciliation Act of 1993, but alas states didn't implement it fully, the federal government didn't enforce it, and the media didn't publicize it. So the public remained blithely unaware and continued to ignore long term care until they needed it, relying on Medicaid by default.

So here I am in 2022, 40 years later, with a flash of insight, my Long Term Care Epiphany. To fix long term care once and for all, we have to move its risk and cost forward to a time in life when people are still young, healthy and affluent enough to qualify and afford responsible long term care planning.

But how can we get their attention to this critical issue when they have so many other things pressing on their minds and their pocketbooks? Who worries about long-term care when there are car, home and credit card payments to make, plus retirement and college savings? Answer, almost no one.

Recent research has helped in this regard, however, by showing that the long term care financing problem is not as big as we feared it was. For example: "An American turning 65 today will incur $138,000 in future LTSS costs, which could be financed by setting aside $70,000 today." That does not sound so daunting. (Melissa Favreault and Judith Dey. 2016. "Long-Term Services and Supports for Older Americans: Risks and Financing." ASPE Issue Brief. Revised February, p. 1).

If we're not going to use the government to force people into another one-size-fits-all government program like the WA Cares Fund or the WISH Act, what can we do? We can learn from the critical mistake WA Cares made. Instead of starting with a bad government program and allowing people to opt out of it, begin with the opt out as the way to avoid government compulsion.

Give people options to show they have met their individual responsibility to cover the long term care risk they bring into the risk pool. They can pony up $70,000 today earmarked for future long term care or show they have a plan in place to cover $138,000 of long term care costs later. How? Count the ways.

Long term care insurance could cover that risk. Earmarking a portion of home equity for long term care would also work. A new kind of individual retirement account dedicated to long term care would be a third way. Or maybe a "deferred reverse estate annuity mortgage," that is, a legally binding and officially recorded lien on one's estate set aside for long term care.

There are probably many other ways people could formally and legally prove they have satisfied their individual share of long term care risk and cost. All that would be needed is a private company or agency to certify that whatever the individual proposes actually does cover his or her share of the liability.

Ah, but what if someone says, "No, I won't do my part?" Then and only then the government could step in by garnisheeing wages, reducing grants or withholding tax refunds to create a dedicated long term care account on the recalcitrant citizen's behalf.

Covering each individual's contribution to the long term care risk pool will not fully offset the total long term care risk across society. Some people incur far more than the average risk and cost. But by transferring so much of the long term care risk to the private sector, the residual burden on public financing would be vastly reduced and manageable.

With most people already covered for their share of the long term care risk, very few will remain dependent on public programs later on. So Medicaid, or whatever replaces it, could be a high quality provider of long term care services across the full spectrum of care paying private market rates thus raising the access to and quality of long term care for everyone.

Maybe long term care is not the overwhelming challenge it has always been considered to be. Maybe all we have to do is reconceptualize the issue, remove the perverse incentives that discourage long term care planning, and enforce long term care responsibility on the front end instead of rewarding irresponsibility on the back end as now.

Stephen A. Moses

425-891-3640 smoses@centerltc.com

Stephen A. Moses is president of the Center for Long-Term Care (www.centerltc.com). The Center promotes universal access to top-quality long term care by encouraging private

financing as an alternative to Medicaid dependency for most Americans. Previously, Mr. Moses was president of the Center for Long Term Care Financing (1998-2005), director of research for LTC, Inc., (1989-98), a senior analyst for the Inspector General of the U.S. Department of Health and Human Services (1987-89), a
Medicaid state representative for the Health Care Financing Administration (1978-87), a HHS Departmental Management Intern (1975-78), and a Peace Corps Volunteer in Venezuela (1968-1970). He is widely recognized as an expert and innovator in the field of long term care.

He completed the "2008 National Long Term Care Consciousness Tour" traveling for a year and 28,028 miles while living in an Airstream trailer dubbed the "Silver Bullet of Long Term Care." The LTC Tour promoted responsible long term care planning and rational long term care public policy.

Moses can be reached at the Center for Long-Term Care Reform, 2212 Queen Anne Avenue North, #110, Seattle, WA 98109