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Long-term care's problems are bad and getting worse — but fixable

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The long-term care business is hurting: labor shortages, wage pressures, vax mandates, too much Medicaid, too little private pay, value-based reimbursement, MedPAC vs. Medicare and so on and on.

What should be done? Every analyst, politician and bureaucrat has a favorite solution, but none has taken hold. The problems remain, and they're getting worse.

Let's analyze the situation. What do all of long-term care's economic woes have in common? Answer: they persist in a market dominated by government financing and regulation.

What do all of the analysts', politicians' and bureaucrats' proposed solutions have in common? Answer: They propose more government funding and regulation, usually in the form of a new compulsory social insurance program for long-term care.

But if government dominates long-term care already and long-term care is facing so many problems and challenges, shouldn't we first ask, "how did we get into this mess?" before reflexively adding even more government involvement?

For example, these questions beg for answers:

1. Why does institutional care still predominate when consumers prefer home care?
2. Why do so many people rely on underfunded public programs, and so few pay privately? Why has private-pay declined to 7.1% of nursing home revenue (5.9% in urban areas)? Why are assisted living facilities accepting more Medicaid residents despite such low reimbursement rates? Why are out-of-pocket expenditures only 11% of home health costs?
3. Why is the public still asleep about long-term care risk and cost if both are great and spend-down is (allegedly) wiping out savings all across the country?
4. How is it that once people need expensive long-term care, they quickly become eligible for Medicaid?
5. Why are huge potential sources of private LTC financing, such as home equity and private insurance, only minor contributors to operators' revenue?

"Medicaid and Long-Term Care" answers all those questions. In a nutshell, generous financial eligibility rules, which allow people to qualify for Medicaid long-term care benefits after they need care while retaining most wealth, have desensitized the public to LTC risk. So, most people fail to plan ahead and become dependent on Medicaid if and when they are stricken by expensive extended care needs. As Medicaid is limited in its ability to provide a full continuum of care, institutional bias and home care waiting lists persist. Assisted living follows nursing homes' primrose path of accepting low Medicaid rates in lieu of empty units.

That Medicaid crowds out private financing of long-term care is no surprise to anyone close to the Medicaid LTC eligibility process. State Medicaid eligibility workers, nursing home intake staff and elder law attorneys understand how once prosperous people quickly become "impoverished" and eligible for publicly financed care. But getting academics, policymakers and politicians to recognize this problem, much less fix it, is difficult and politically sensitive. "How to Fix Long-Term Care Financing" explains why and what to do about it.

As bad as the excessive dependency on Medicaid is now, two major new threats are imminent:

1. A policy consensus has formed in favor of increasing government financing by means of new compulsory, payroll-financed state and/or national social insurance entitlement programs. The foundering WA Cares Fund program in Washington State is one example promoted as a national model. The WISH Act, recently introduced in Congress, is another. The academic literature is rife with similar proposals.

2. More government regulation is being proposed that would increase Medicaid dependency

and undercut operators' private census and financing even further. For example, MACPAC has recommended that Congress make Medicaid estate recoveries voluntary. That would remove the last remaining prop under private LTC revenue.

The American Health Care Association and Leading Age are powerful trade associations that represent providers' political interests. But these large organizations are limited in what they can say, do and propose without offending other interest groups. Political sensitivity restricts their advocacy to a broad range of socially acceptable positions.

Long-term care providers need media voices unconstrained by political sensitivity to raise objections forthrightly to the powers-that-be about problems caused by government financing and regulation. For example…

Who dares raise the call to close Medicaid LTC eligibility loopholes, make home equity a giant new source of private LTC financing, strengthen estate recovery rules to recapture wealth lost to Medicaid exemptions and persuade more people to plan early to save, invest or insure so they can pay privately for long-term care when they need it?

Will you?

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