GUEST COLUMNS

Trappings of LTC system leave operators trapped

STEPHEN A. MOSES

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Long-term care operators are trapped in a public financing system that pays too little, expects too much, rewards cronyism, discourages creativity, punishes profit making and disserves aging Americans.

A nursing home expert complained to me that Medicaid expects Ritz Carlton care, but pays Motel 6 rates. Medicare partially balances Medicaid losses, but MedPAC would take that help away too.

Operators get along by going along with whatever government authorities demand. That works until it doesn't when exigencies create demands that are impossible to meet even with heroic efforts, as during the pandemic.

New ideas and creative caregiving approaches hit a brick wall of inadequate

funding, bureaucratic red tape, political indifference and ideological bias.

No one thrives in the publicly financed long-term care system we have now, least of all the aging Americans so poorly served by it.

Analysts and politicians sneer at profit-making, the engine that drives all human endeavor, but they repeatedly propose more rent-seeking government dependency which caused the current problems.

Every one of their social insurance plans, from the Pepper Commission in 1990 through the recent WA Cares debacle, has succumbed to overwhelming voter opposition.

With profligate monetary and fiscal policy finally running its course and the resultant consumer price inflation igniting voters' ire, government plans to take more control of health and long-term care financing are less likely than ever to succeed.

But we must not let the status quo continue to deteriorate unaddressed. So try this thought experiment instead. Imagine a free market LTC system. How would that work?

In a free market, prices are set by supply and demand, not by government decree or pressure. So prices would reflect the kind, amount and quality of care options for which people are willing and able to pay.

Most people prefer home- and community-based care, so there would be more of that sooner. Commercially available home care options would replace the long waiting lists for poorly compensated Medicaid waiver programs that dominate now.

Nursing homes would continue to provide essential skilled nursing services, but at rates that reflect the market value of those services unencumbered by the need to provide long-term custodial care for Medicaid recipients simultaneously.

Who and what will take care of those long-term custodial care patients? Markets have already shown some ways. Many consumers pay out of pocket for

assisted living when they could have entered nursing homes on Medicaid at public expense. Private pay adult day care and congregate care facilities have proliferated based on consumer demand.

Profit-seeking entrepreneurs would revolutionize the LTC system with heretofore unimagined options if we would just get the government out of their way and let it happen.

Where would people get the money to pay the likely higher market-based rates for these new products and services? Ironically, money is the least of our problems. Without the government picking up most of the cost, consumers would take the risk of long-term care seriously, plan earlier, and save, invest or insure to pay for it.

Home equity, if not protected by Medicaid's huge exemption (up to $955,000), represents $9.2 trillion of wealth held by older people, that should, could, and would flow quickly into the long-term care financing market.

Released by reverse mortgages or other commercial or private methods of home equity conversion, this wealth would ensure access to high-quality, market-priced long-term care for millions of people in the venues they prefer.

With home equity at risk, the public would have a much more compelling reason to think about long-term care before they're too old, too sick or too broke to afford and qualify for private long-term care insurance.

What about the poor who have no money to spend on private, market-based long-term care? First, we'll have many fewer of them without the perversely counterproductive public policies that now discourage responsible long-term care planning and reward reckless negligence.

But second, private philanthropy would emerge from the shadow of public welfare's monopoly to play again the critical role it used to perform. Private charities discern individual need and merit before providing help instead of bestowing benefits based on the notoriously elastic bureaucratic rules of government programs.

And third, if all else fails, there could be a role for a limited public program

designed to avoid the problems pervasive in the current system. Public assistance should be a last resort instead of the universal safety net its advocates demand for it now.

If these ideas resonate with you, get in touch. Let's do something about it.

Stephen Moses is president of the Center for Long-Term Care Reform (www.centerltc.com) and author of Medicaid and Long-Term Care. Reach him at smoses@centerltc.com.

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