

## **What About Long-Term Care?**

**By**

**Mark R. Meiners, Ph.D.**

**George Mason University**

As we prepare for our aging population's health care financing needs will long-term care (LTC) be next for Congressional attention? LTC involves a broad array of supportive medical, personal, and social services needed by people unable to meet basic living needs due to illness or disability. Much of it is provided informally by family and friends. LTC is a major cause of catastrophic expenditures for seniors and it involves many of the same challenges faced in the Medicare reform / prescription drug benefit debate.

But LTC has long been the stepchild in our periodic flirtations with health care reform, playing a weak "third fiddle" to concerns about the uninsured and catastrophic expenditures on prescription drugs. The states have been left to struggle with the issue of long-term financing as part of their responsibilities in funding and administering the means-tested Medicaid program.

Fortunately with LTC there is a model insurance program that is working in four states (CA, CT, IN, and NY) to take on these challenges. It is fiscally conservative, helps middle-income people avoid impoverishment, serves as an alternative to Medicaid estate planning, promotes better quality insurance products, supports consumer protection efforts, enhances public awareness regarding long-term care needs and options, and helps maintain public support for the Medicaid as a safety net program.

The Partnership for Long-Term Care, undertaken with grant support from the Robert Wood Johnson Foundation, is a collaboration between state governments and private insurers that offers a unique incentive. Consumers who purchase a state-certified private LTC insurance policy will get help from Medicaid without being impoverished. Normally when a long-term

care insurance policy runs out, policyholders risk having to spend virtually all their savings before qualifying for Medicaid. In contrast, when a Partnership policy is exhausted, the policyholder is eligible for coverage under Medicaid without having to deplete all their savings. The basic message of the Partnership emphasizes product quality -- everyone should have some coverage, if necessary, trading lifetime less comprehensive coverage for shorter high quality benefits -- and then be able to access Medicaid's benefits without being impoverished if those benefits are not enough.

It is an important message. Recent estimates suggest that 85 percent of Americans over age 45 (82 million people) have neither public nor private insurance coverage for LTC. There is clearly much to be done. It is especially important for middle income families to have coverage since they represent the largest segment of the population and are most at risk of ending up impoverished and on Medicaid if they need LTC and have not prepared financially for that risk.

The special strength of the Partnership LTC insurance is that it makes purchases of insurance covering the equivalent of 1 to 3 years of benefits (e.g., anywhere from about \$50,000 to \$300,000 depending on the location) more meaningful by those in the middle to modest income group. Without the special asset protection, shorter, more affordable, coverage (when it exists at all) can still leave the purchaser at risk of impoverishment from catastrophic expenses. Faced with this possibility, people too often go without long-term care insurance, even though they need and could afford some protection.

So why don't more states have Partnership programs? Restrictive legislative language passed by Congress in 1993 (OBRA '93) limits state authority under Medicaid to offer Partnerships. As many as 14 states passed enabling legislation to create programs modeled on the Partnership but all these efforts are effectively stifled by OBRA '93. Without the repeal of

the OBRA '93 restrictions, it has difficult to stimulate the multi-state interest necessary to justify the commitment of resources by insurers to help the Partnership expand. Recognizing this problem the National Governor's Association (NGA) has called for elimination of barriers to public/private insurance partnerships. The NGA understands that states need and want the opportunity to explore options like the Partnership because they are faced with significant budget concerns about their Medicaid long-term care responsibilities.

The Partnership for Long-Term Care has enjoyed more than ten years of persistent, patient, support from states, insurers, agents, consumers, and the Robert Wood Johnson Foundation – the kind of support that comes when there is agreement that the problem needs to be solved, the program is promising, and everyone's collaboration is needed. The Partnership is now at the stage where refinements are being made to increase its market impact. Continuing such efforts will be important as new generations of insurance products emerge on the market. Overturning the OBRA '93 restrictions should be a no-brainer for Congress.