



# **Financing Long Term Care: Structuring a Policy Debate**

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**The Deficit Reduction Act of 2005 imposes new limits on eligibility for Medicaid long term care services and promotes strategies that seek to capture private sources of funding.**

- Increase look-back for asset transfers to 5 years**
- Change start of penalty period from the asset transfer to the date of potential eligibility**
- Cap level of home equity that is protected**
- Authorize LTC Partnership programs nationwide**

# **We have a national policy of taxing an individual's estate according to the type and level of care needed before death.**

## **➤ No health care**

- No impact on estate**

## **➤ Extensive acute care**

- Medicare covers majority of cost**
- Estate is protected**

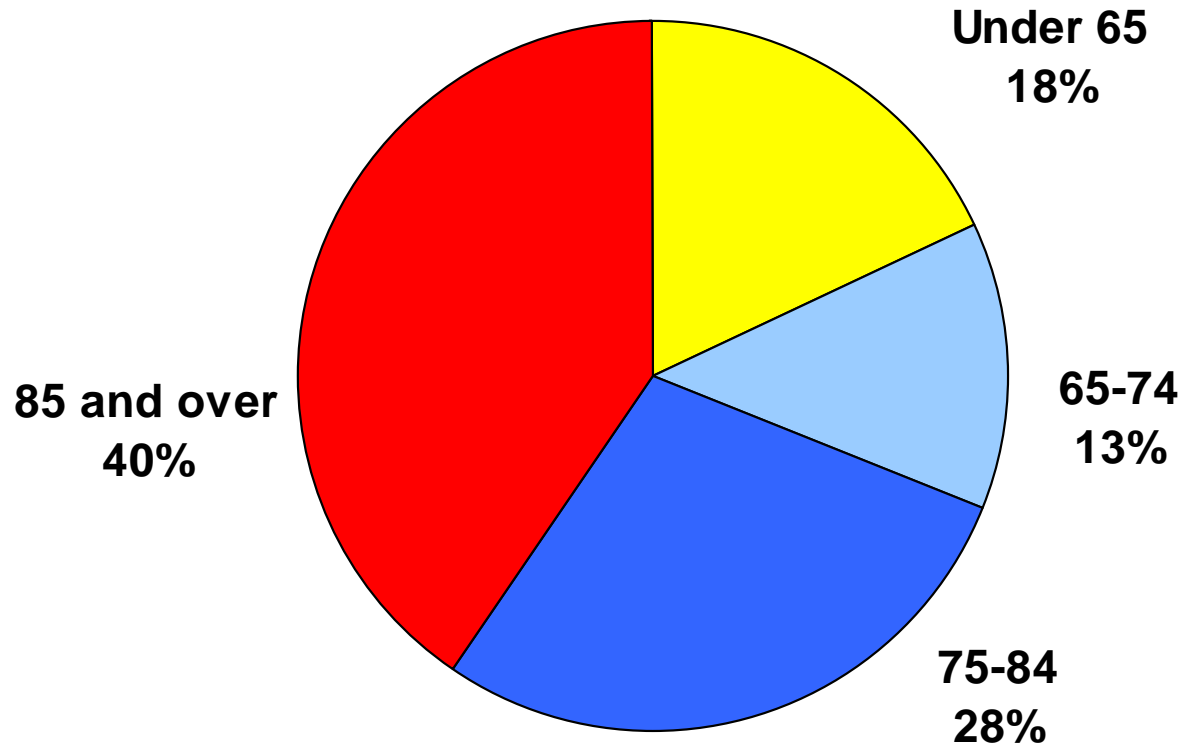
## **➤ Extensive long term care**

- Medicare covers small minority of cost**
- Estate is unprotected**

# **Initial observations about the long term care policy debate:**

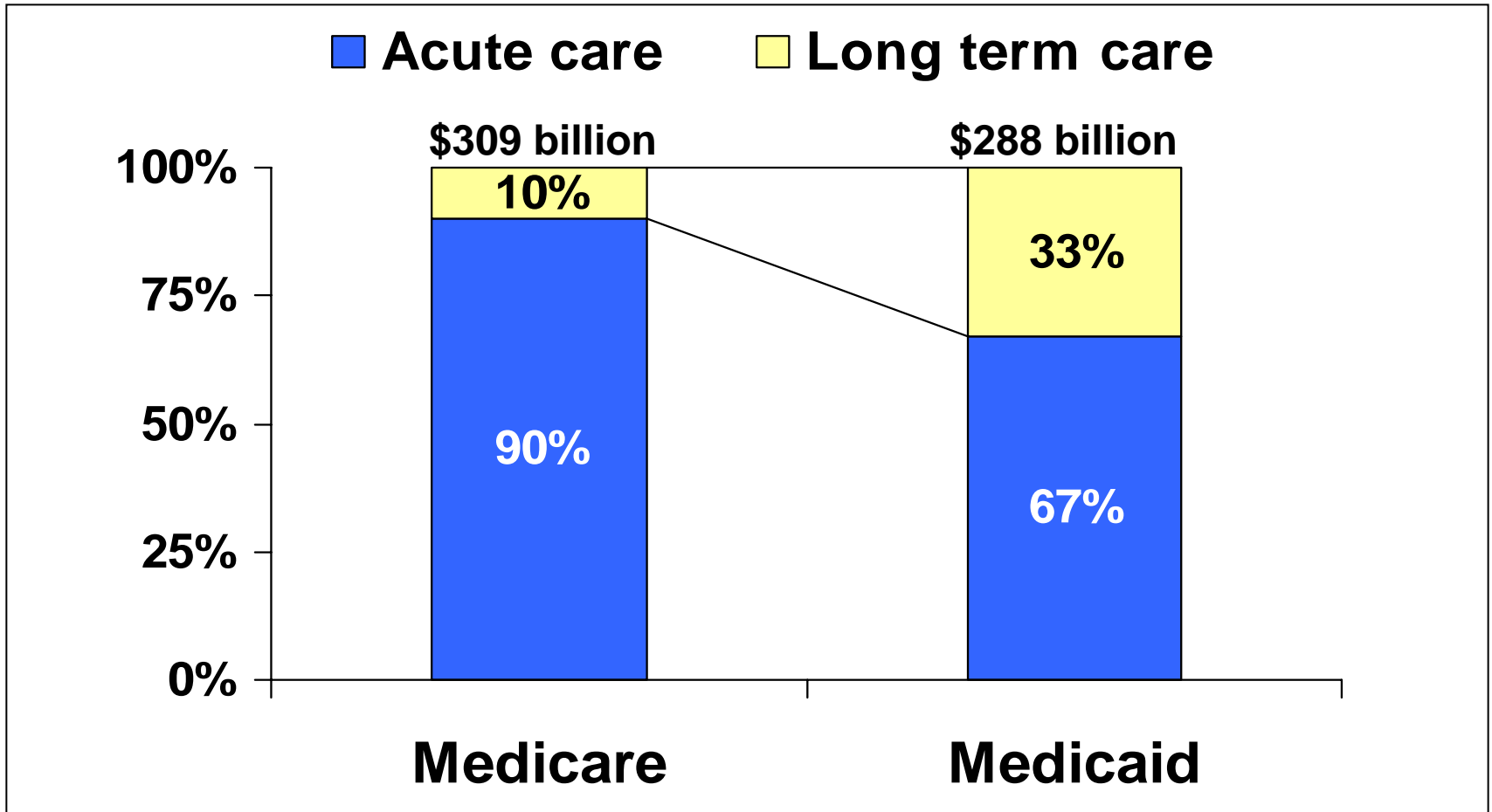
- **Understanding the timing of the policy challenge is critical.**
- **Debating policy options should precede policy implementation.**
- **Financing long term care for the baby boom generation has national significance.**

**Seniors age 85 and older drive 40 percent of New York's Medicaid spending on nursing facilities. Disabled enrollees under 65 drive more spending than seniors ages 65-74.**



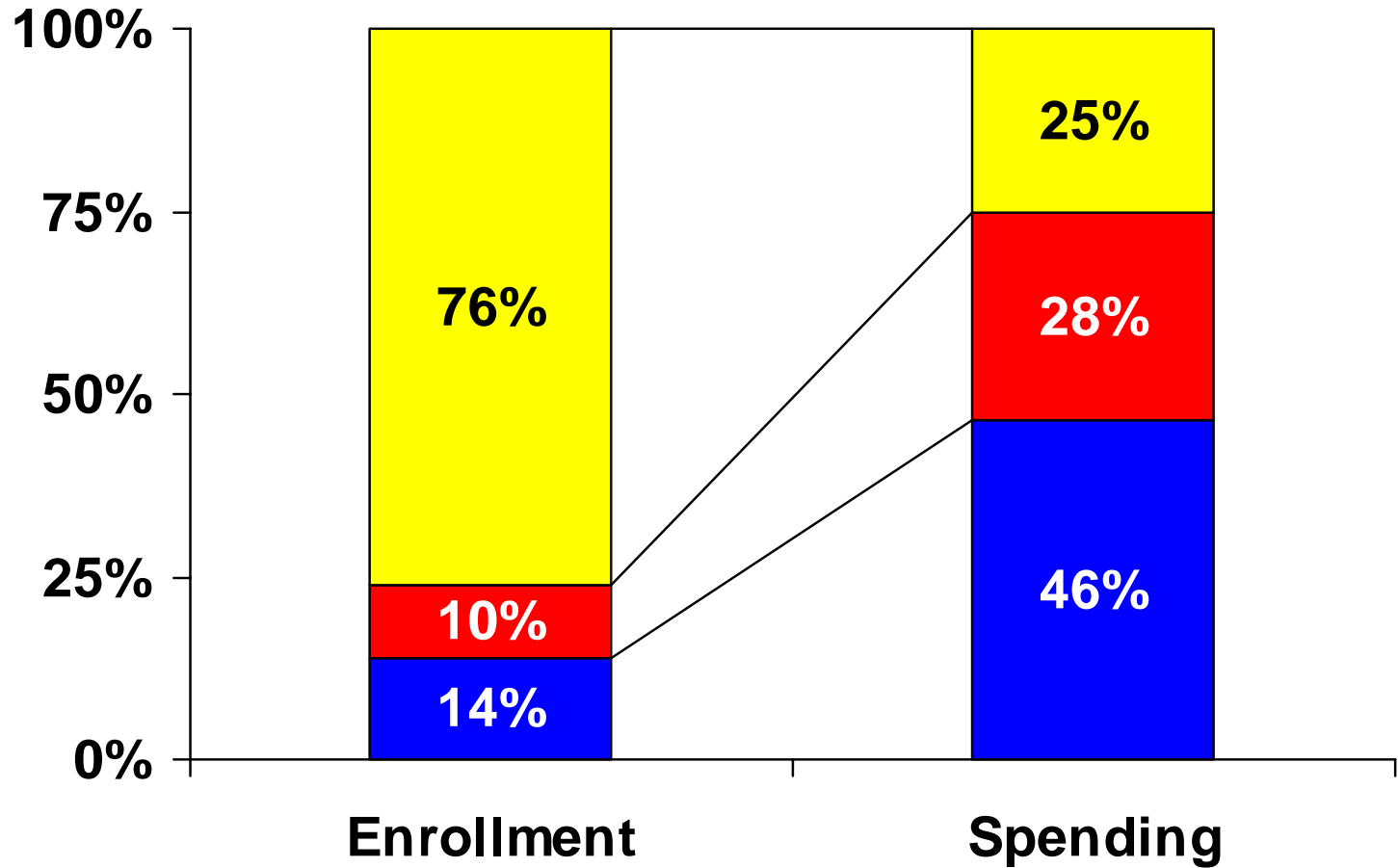
**\$6.0 billion in 2002**

# Long term care services account for a larger share of Medicaid than Medicare spending.

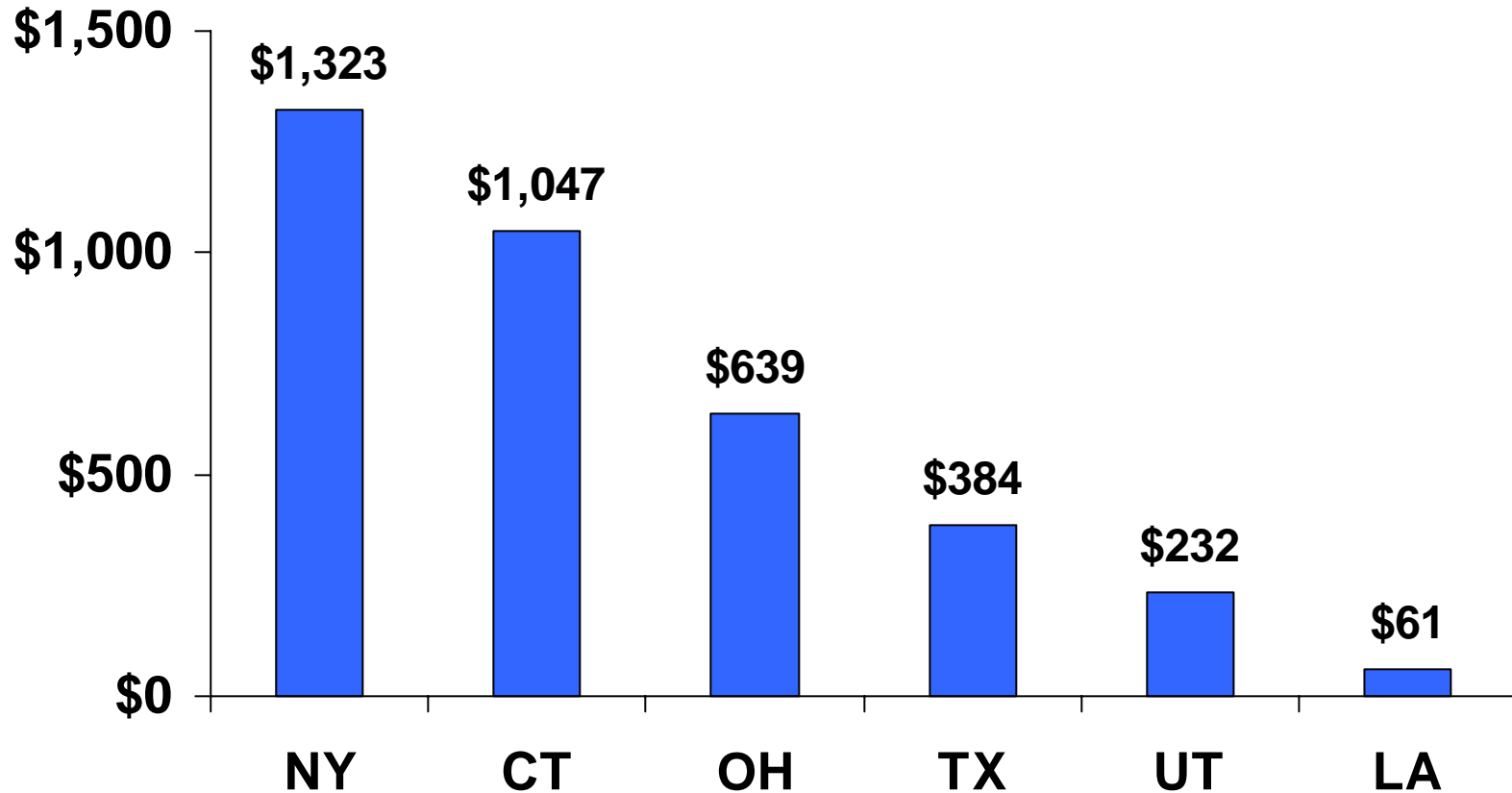


# Duals account for about one of every seven Medicaid enrollees and nearly half of Medicaid spending in New York.

■ Duals ■ Non-dual disabled / elderly ■ Children and adults

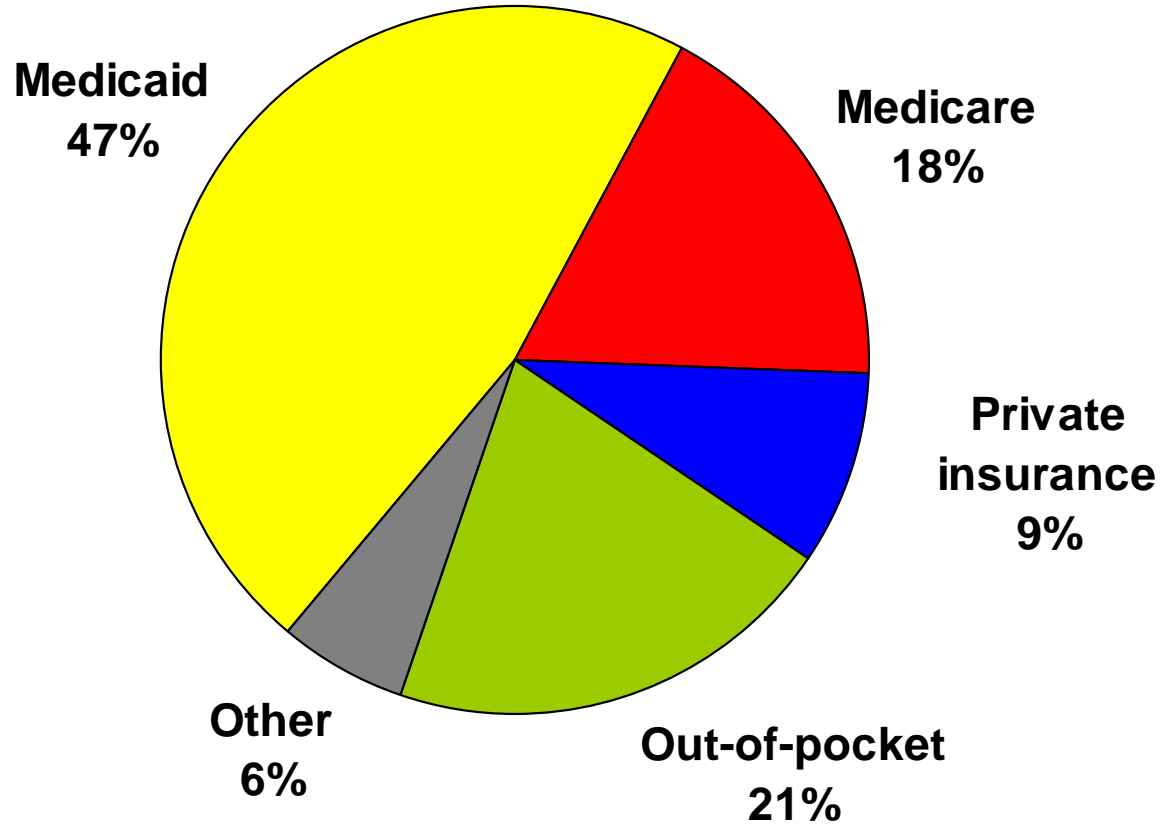


# States' commitment to funding Medicaid long term care services varies considerably.



State (and local) Medicaid spending on LTC per elderly resident, FFY 2001

# Private insurance accounts for a small share of spending on long term care services nationally.



**\$182 billion in 2003**

**Private long term care insurance is a good option only if the policyholder satisfies several criteria.**

- **Live to be at least 80**
- **Retain ability to pay premiums after age 80**
- **Meet deductibles and co-payments while needing LTC**

# **Experience from LTC Partnership demonstrations raises questions about the reach and impact of this approach.**

- **Policies have not sold well.**
  - **172 K policies in effect (NY, CT, IN, CA)**
  - **Policies sold in 2004 ranged from 4 K (IN) to 10 K (CA)**
- **Most policyholders have significant resources.**
  - **More than \$350K in assets (CT, IN, CA)**
  - **At least \$60 K in annual income (CT, IN, CA)**
- **The financial impact on Medicaid is unclear.**
  - **Less than 1 % of policyholders have accessed LTC benefits**
  - **GAO cites “insufficient data” to measure impact**

# Options for the long term care policy debate:

➤ **Private insurance**

➤ **Welfare / Medicaid**

➤ **Social insurance**