SaukValley.com

Getting older, going broke: Who’s going to pay for long-term care?

Teresa Wiltz

July 29, 2019

Long-term care insurance is, for most of us, prohibitively expensive. Employer-based health insurance doesn’t cover daily, extended care. Medicare pays for only a short stay in a nursing home or a limited amount of care at home.

Ninety percent of Americans don’t have long-term care insurance – even though half of all people 65 and over will need such care at some point. Without it, seniors can go bankrupt paying for assisted living, nursing home care or home health care.

“This is a slow-moving train wreck,” said Howard Gleckman, senior fellow at the Urban-Brookings Tax Policy Center at the Urban Institute, a nonpartisan think tank based in Washington, D.C.

“At some point, we will have a catastrophe.”

States are starting to take notice.

This summer, Washington state created the first public long-term care insurance plan, which will be funded through payroll taxes.

In 2017, Hawaii began providing up to $70 a day to residents who work while also taking care of elderly family members at home. Hawaii pays for the program, Kupuna Caregivers, out of its general budget.

The state estimates 154,000 residents are the unpaid caregivers of elderly family members. Kupuna Caregivers currently helps 134 Hawaiians pay for transportation, adult day care, personal care services and home-delivered meals.

Another Hawaii program, Kupuna Care, provides services to seniors in need of help with daily activities. This year, lawmakers passed a series of elder care bills, adding $11.2 million to the $9.7 million appropriated in the state’s budget.

A handful of other states, including Arizona, California, Michigan and Minnesota, also are exploring public long-term care options for people who otherwise might have to spend down their assets to qualify for Medicaid.

And there’s been some action on the federal level, too. In May, U.S. Rep. Frank Pallone, a Democrat from New Jersey, released a proposal to create a Medicare long-term care benefit. The proposal would establish a public benefit within Medicare, regardless of income.

The moves come as Americans are having fewer children and living longer — in many instances, living longer with chronic conditions such as dementia. Fewer children means fewer family caregivers. Many people aren’t saving enough to pay for long-term care, and the supply of paid caregivers is shrinking.

Long-term care is expensive. In Washington state, the average nursing home costs between $70,000 and $80,000 a year, and nationally the cost of a private room tops $90,000.

U.S. Department of Health and Human Services data shows hiring a home health aide costs about $20 an hour, which adds up quickly for round-the-clock care.

Meanwhile, the cost of long-term insurance is often out of reach. A couple in their early 60s can expect to spend as much as $5,600 a year, according to the American Association for Long-Term Care Insurance.

Still, it’s possible to economize and get some long-term care coverage, said Jesse Slome, the group’s executive director. Most people won’t need years and years of long-term care, he said. A long-term insurance policy that covers two years of care would cost less than $200 a month.

Medicaid also offers long-term care coverage, but only after families spend down all their resources to qualify for it. And even that less-than-ideal solution puts a financial strain on states.

“We were looking at the explosion of Medicaid costs as baby boomers age,” said Washington state Rep. Laurie Jinkins, the Democratic sponsor of her state’s measure.

“There was no way our budget could sustain it.”

Democrats included a publicly administered long-term care benefit, Community Living Assistance Services and Supports (CLASS) program, which would have provided benefits of up to $50 a day for home care, in the federal Affordable Care Act. The cost of premiums wasn’t specified by the law, but students and people below the poverty line would have paid $5 a month.

But Health and Human Services Secretary Kathleen Sebelius pulled the plan after concluding it wasn’t financially sustainable. By law, participation had to be voluntary, and federal officials worried that not enough people would enroll.

As Slome sees it, that doesn’t bode well for a national long-term care solution anytime soon.

“Will upper-middle class and affluent people have solutions at their disposal? Yes. Will everybody else? Probably not,” Slome said. “Be nice to your kids because you may be moving into a spare bedroom.”

Elaine Ryan, vice president of state advocacy and strategic integration at AARP, said it’s essential for states to act.

“We have to think of ways to help that middle-class family,” Ryan said. “Imagine spending a lifetime trying to accumulate wealth, and then the last three years of your life trying to get rid of it so you can get Medicaid.”

Minnesota is considering two private-sector options to address the problem. One would be to require insurers’ supplemental Medicare policies to include limited home chore benefits. That approach would cost beneficiaries about $8 a month, according to Lynn Blewett, who directs the State Health Access Data Assistance Center at the University of Minnesota.

The other would be to allow the sale of term life insurance policies that convert to a long-term care product once the beneficiary reaches retirement age. Fred Andersen, chief life actuary with the Minnesota Department of Commerce, said this might attract middle-income parents who would want financial protection for their young children when they are in their 30s and 40s but would value the long-term care protection for themselves once they reached 65.

In October, Michigan officials will begin studying what the state can do to help residents pay for long-term care. Illinois lawmakers this year also ordered a study to calculate how many seniors are likely to need long-term care; the possible financial impact on their families; the availability of caregivers and the tax implications of a state-run long-term care program.

The Arizona Senate passed a bill in April that would create a pilot program providing grants of up to $1,000 a year to reimburse caregivers taking care of disabled family members at home. The program would be paid for out of a $1.5 million a year fund included in the state budget. The measure is now working its way through the House. (A proposed caregiver tax credit failed in the Senate.)

And in California, where the population over 65 is projected to nearly double to 8.6 million in the next decade, lawmakers recently approved a $1 million study to weigh the costs of different long-term care plans.

More than 77,000 people in Washington state rely on Medicaid for long-term care at an annual cost of $2.1 billion, according to Mary Clogston, senior policy analyst with the Washington House Democratic Caucus.

The population eligible for Medicaid long-term care insurance is projected to increase by 91% by 2040, Clogston said. Currently, spending on long-term care accounts for 6% of the state’s Medicaid budget, she said.

To address the problem, Washington’s new state-operated plan will pay lifetime benefits of up to $36,500 to help people pay for in-home care (provided by a professional or a family member), assisted living, or a nursing home. It will be funded through a payroll tax of 0.58% for all workers. (Self-employed people can opt in.) But the state won’t begin making payroll deductions until 2022, and benefits won’t kick in until 2025.

“People hear that and think that’s not very much,” Jinkins said. But she said the plan was based on what the average Washingtonian needs.

“Some people will need much more,” she said. “And others will need much less.”

Eligible residents must be 18 and have paid either three years’ premiums in the past six years or a total of 10 years’ premiums including at least five without interruption.

But critics question the long-term feasibility of the program because participation isn't mandatory for everyone — those covered by other long-term insurance can opt out. And some conservatives say it creates the wrong incentives.

"This is another program where you're giving money to the government, which will then decide if you're qualified to get it back," said Charles Silver, an adjunct scholar with the Cato Institute, a libertarian think tank based in D.C. "We're creating more programs that discourage people from doing the sensible thing — saving for your older life."