



# Railing Against the Welfare State Gets Us Nowhere

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"What a drag it is getting old," goes a famous [Rolling Stones lyric](#). Mick Jagger was singing about his era's desperate housewives—but the line is equally true of whole populations.

[Michael Tanner of the Cato Institute](#) makes this observation in a column about the deleterious effects of the welfare state:

[T]he modern welfare state is much more than programs for the poor. It includes middle-class welfare, such as Social Security and Medicare, which are the real drivers of our future national insolvency. We think of Medicaid as health care for the poor, but as much as two-thirds of Medicaid spending goes to pay for long-term care such as [nursing](#) homes for the elderly, much of it for middle-class people sheltering assets.

Sounds kind of devious, doesn't it?

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The [U.S. government's Medicare website](#) officially keeps its head in the sand: "About half of all nursing home residents pay nursing home costs out of their own savings. After these savings and other resources are spent, many people who stay in nursing homes for long periods eventually become eligible for Medicaid."

"Eventually become eligible": Ha! As everyone and, well, his grandmother knows, there are ways of skipping the "eventually" part. For example, [Medicaid Consultants explains](#) how to avoid the "nursing home spend down" with an irrevocable trust through which assets are transferred to, say, one's [children](#) at least five years before a stint in long-term care.

Increasingly, this is considered [routine estate planning](#).

Like Tanner, one could characterize such behavior as bilking the government.

[\[Dr. Neal Halfon: Bend the Trajectory of Health to Lower Healthcare Costs\]](#)

But listen to how Medicaid Consultants justifies the practice of sheltering your Something before you're left with Nothing:

Basically, this means that no matter how much or how little seniors have, they can have absolutely nothing left. Only then will Medicaid pick up and cover the nursing home costs. What does this mean for the healthy spouse? It means that years of hard work and intelligent saving and spending has left them with nothing! They have no choice but to watch their assets diminish to the point of non-existence, and there is nothing that can be done about it. After years of planning for retirement and investing wisely, the healthy spouse will be left with no assets or resources, while the sick spouse remains helpless.

With just a little touch-up, this argument sounds a lot like the [Republican case](#) against the "death tax": Requiring the exhaustion of out-of-pocket costs before Medicaid eligibility kicks in amounts to a kind of double-taxation. Don't we pay into such programs for our entire working lives? Is it fair to be required to spend your life savings—savings that you intend to pass onto your spouse or children—before enjoying such benefits?

[\[See a collection of political cartoons on the economy.\]](#)

Just imagine how much more of this will go on over the next 40 years, with America's 90-and-over population [set to quadruple](#).

It seems to me it's a complicated issue. Care for the elderly is incredibly expensive. It's a drain on the federal budget, as well as, according to one study, [on adults over 50](#), especially women, who take care of their [parents](#). They're forced to leave their jobs early, leaving money (wages, pensions, and Social Security benefits) on the table. And their own health suffers as a result.

Railing about the welfare state feels satisfying at first, but in the end it's no help whatsoever.