

The Dilemma of Funding Long Term Care



The baby boomer generation is aging, and the nation faces a

financial crisis: how will we fund the [long term care \(LTC\)](#) that up to 24 million Americans will come to need in the next few decades?

Currently, we spend \$350 billion annually on long term care, which can include ongoing assistance in the home setting or extensive time in a healthcare or nursing facility. For now, people rely mostly on private insurance and private savings; for those without long-term care plans, it's easy to deplete life savings paying for LTC, leading them to qualify for Medicaid. The costs of long-term care are catastrophic to those who end up needing it, but less than 10% of people buy private long-term care insurance. Insurers are leaving the market, premiums are rising for consumers, and healthy people aren't choosing to buy in to expensive long-term care insurance plans.

Medicaid is nearly buckling from the strain of how many people, driven to poverty by their care needs, turn to the government for support. Pooling risk through insurance is the best way to fund this care, but with insurers and the insured both unhappy, something needs to change. The system is unsustainable.

Think tanks, nonprofits, government leaders, policy advisors and the insurance industry are coming together to grapple with the dilemma of how to finance the growing demand for LTC in the future.

Expert opinions

[California Healthline](#) gathered opinions on this issue from various stakeholders and experts.

Hugh Slayden, Consultant to the California State Senate Committee on Insurance, explained that insurers didn't plan for the rapid increase in Americans needing LTC. In order to cover costs, they have to raise premiums for consumers who didn't prepare for unexpected price hikes. Both sides struggle financially, and neither wins; consumers can end up paying up to 80% higher premiums, and insurance companies leave the market when it's no longer profitable.

Joanne Handy, CEO of LeadingAge California, said that 70% of people 65 and older will need long-term care. Medicaid is truly meant for impoverished people, but the pattern is that people exhaust their savings paying for long-term care and then qualify for Medicaid. "Medicaid is not going to be sustainable for people for whom it is really meant – for impoverished people," she said, "if it becomes the default long-term care policy for this country."

Other experts echo Handy's sentiments. Howard Gleckman, Senior Fellow at the Urban Institute, was part of a long-term care financing collaborative that worked to figure out the best way to make sure everyone's needs are met as demographics change and Medicaid continues to be overstressed. After consulting multiple stakeholders, the consensus was that instituting a universal public catastrophe insurance program would be necessary. Since LTC insurance is too expensive for most healthy people to voluntarily sign up, making this "back-end" catastrophic insurance program mandatory is the only way to fund this care for the growing number of Americans who will need



it. The program could be funded either by premiums, an income tax increase, or a payroll tax. Only those who truly couldn't afford this would use Medicaid.

"All points in the system – the caregivers, private insurance market, Medicaid – are under duress," said Donald Redfoot, Consultant and Former Policy Strategic Advisor for AARP Public Policy Institute. "The projections are that the demand will only grow." People need to understand the reality of old age, he argued, and we as a nation need to collectively prepare for this reality.

According to Gleckman (from the Urban Institute), there will be an enormous increase in demand for LTC services within the next 15-20 years. It's crucial that we have the policies and systems in place to absorb the pressure that's currently being absorbed by Medicaid, the biggest government payer of long-term care. Compensating family members for caring for their loved ones, promoting care in the home instead of in hospitals and nursing homes, and instituting a universal public catastrophe insurance program will all help ensure that America's disabled and elderly citizens receive the care they need.

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