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POLITICIANS AVOID LTC QUIET GIANT

By **ROBERT A. ROSENBLATT**

Long-term care (LTC) is the quiet giant huddling at the corner of the room, and all the politicians are carefully avoiding seeing it. Proposals and discussions abound on the best way to bring basic health insurance coverage to the 46 million Americans who don't have any, but nobody wants to consider the growth of the population needing nursing care and the huge bills that will come with that care.

Today, with the focus on states developing their own healthcare plans, there's a great deal of chatter about whether to require an individual mandate, how much to tax business, and what sort of penalties to impose on people who don't voluntarily buy a policy. Yet nobody is asking what the United States should do about families unlucky enough to have someone needing nursing home care. Should states or the federal government provide some extra financial help with skilled nursing costs before elders and their families run out of money? To date, the answer has been, "Tough luck. You're on your own until you are poor enough for the welfare program called Medicaid."

It doesn't help that about 70% of federal and state spending on LTC continue to flow to nursing homes and related institutions rather than home and community-based care alternatives that may be less costly. Also, LTC insurance remains a promising but problematic product that is not for everyone, says "Comparing Long-Term Care Insurance Policies: Bewildering Choices for Consumers," a 2006 report from the AARP Public Policy Institute, available online at www.aarp.org/research/longtermcare/insurance/2006_13_ltc.html.

In the last year, Congress has decided to pull its helping hand even farther away by making it harder for people to qualify for Medicaid when they are in nursing facilities. Members of Congress want Americans to buy long-term care insurance and spare the taxpayers from picking up the tab in U.S. nursing homes, now about \$70,000 a year. Meanwhile, affordable assisted living options are also few and far between.

GOOD NEWS, BAD NEWS

LTC presents a good-news, bad-news situation for the boomers, the 78 million Americans born from 1946 through 1964. The good news is that older people are healthier today than their counterparts in earlier generations. Research at Duke University and elsewhere has shown that disability levels have declined with each successive survey of those 65 or older. A person age 85 in 2006 is likely to enjoy much better health and self-sufficiency than an 85-year-old in 1986, 1966 or 1946.

According to the report *Older Americans 2004*—a compilation of the latest available numbers compiled by the Federal Forum on Interagency Statistics—in 1985, among every 1,000 Americans ages 65 and over, 54 were in nursing homes. By 1999, the figure had declined to 43 per 1,000. For those age 85-plus, the number of those admitted to nursing homes per 1,000 declined from 220 in 1985 to 183 in 1999.

However, a typical nursing home resident today is a widow age 85 or more with multiple physical problems. If she has children, they are apt to live in another state. The situation is paradoxical: Older Americans are much less likely to find themselves in a nursing home these days, but those who do go there are weaker, frailer and much less able to carry out for themselves the basic functions necessary in everyday life.

The bad news is that even if health continues to improve for the majority, the large number of aging boomers means that millions more people will still end up in nursing home beds. Who will pay for their care? How much of the cost will fall to individual and family responsibility? And how much will taxpayers help?

BLISSFUL IGNORANCE

Right now, most Americans live in blissful ignorance, assuming that Medicare will pay for nursing homes when they are 65 or older. But they are shocked to find out that Medicare pays only for short-term care that is medically necessary plus very limited rehabilitation assistance. Medicare never has paid for custodial care—care for someone in a nursing home bed who lacks an acute, remediable illness. Patients must finance their care until they spend down their life savings (using all their assets but a small allowable sum). Only then do they become eligible for Medicaid, the poverty program that provides de facto long-term care coverage for many middle-class elders.

For the first time, federal legislation will take effect this year that counts the value of one's home as an asset. The new rule says that if a person in long-term care has more than \$500,000 in home equity, the individual cannot be eligible for Medicaid even if his or her other assets are at or below the meager permitted level, which can be as low as \$2,000. States have the option of setting the home equity standard at \$750,000.

As a result of this change, many people will need to borrow against their homes, take out a new mortgage or a reverse mortgage, and use the cash to pay for LTC. Only when people have reduced their home equity below \$500,000 can they qualify for Medicaid. In states such as California, which has enjoyed real estate booms, significant numbers of homes are worth more than \$500,000, especially in urban areas.

The new law has a significant loophole: If an adult child lives in the house, then the \$500,000 equity rule does not apply. This loophole will give rise to people trying to get around the rule by claiming to live in their elderly parents' home. Some advocates for elders are wondering whether states will send inspectors to check on who is actually living in the house.

People who are thinking about the future and the prospect of nursing home bills for themselves or loved ones might do well to ask the politicians who are campaigning as healthcare reformers, "So, what are you going to do about the skyrocketing costs of long-term care?" ♦

Robert A. Rosenblatt is a writer and editor based in Washington, D.C.