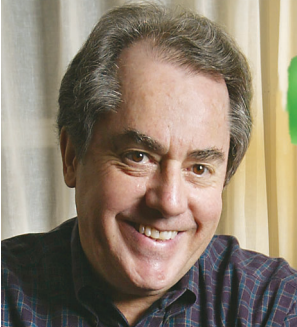


EXECUTIVE DECISIONS

with **Stephen A. Moses**



Stephen A. Moses is president of the Center for Long-Term Care Financing, Seattle. His *Realist's Guide to Medicaid and Long-Term Care* should be required reading for any long-term care provider. He spoke recently about the challenges facing long-term care financing today — and offers his views on how to deal with them.

More than enough assets to solve LTC financing

Q How did the nation's long-term care system get so tangled up in your opinion?

A Long-term care today is plagued by bankruptcies, inadequate revenue, a dearth of capital, staff shortages, access and quality problems, huge tort liability, unaffordable liability insurance, too few full-pay private payers and too many low-pay Medicaid recipients.

The problem began in 1965, when Medicaid and Medicare began paying for most nursing home and home health expenses. Conventional wisdom that publicly financed care requires impoverishment to the point of destitution is demonstrably false. Virtually anyone, almost regardless of income or assets, can qualify for government help quickly, without spending down.

Q Are we facing an intractable issue, or do you think it can be fixed?

A If we stop doing what we've always done and start administering the program in more rational ways, the long-term care system will right itself rapidly. There are nearly \$2 trillion worth of home equity held by seniors that could go to offset the cost of long-term

care. This is more than enough money to solve the long-term care financing crisis now and in the future.

Q If home equity is a huge, mostly untapped resource, how do we get more seniors to use it?

A Federal law should require that homeowners consume their home equity by paying for long-term care through a reverse annuity mortgage before they become eligible for assistance from Medicaid. Reverse mortgages do not force people out of their homes when their equity runs out. Lenders bear the risk and borrowers are assured use of the home as long as they are able to remain in it.

This development would prevent Medicaid from being "inheritance insurance" for baby boomer heirs as it is now. It would wake the boomers up to the risk and cost of long-term care. With home equity genuinely at risk, most people would plan early to save, invest or insure for long-term care.

Reprinted from **McKnight's Long-Term Care News** magazine, October 2004 by permission. Copyright © 2004 by McKnight's Long-Term Care News, Northfield, IL 60093-1216.