

Government must encourage personal responsibility, prohibit easy access to Medicaid



Government and easy access to Medicaid illustration by Greg Groesch / The Washington Times
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COMMENTARY

By Steve Moses and Brian Blase
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OPINION:

Facts matter. To solve the nation's looming long-term care financing crisis, policymakers must deal with one key fact. Most people do not consume their life savings paying for this care.

People believe this fallacy of impoverishment because so many older adults end up on the Medicaid welfare program, often in nursing homes. But the truth is that most people can easily access Medicaid when they need long-term care, or LTC. There are income and asset tests to gain eligibility for

Medicaid, but for most people, the income test is irrelevant, and the asset test is easily satisfied.

On the income test, in most states, Medicaid subtracts applicants' monthly health and LTC expenses from income before applying the "low income" standard, so only older Americans with a very high income fail this test. In other states, higher-income people can use sophisticated income diversion trusts to qualify.

On the asset test, most old people's wealth is exempt. This includes most home equity, individual retirement accounts, a business, one vehicle, prepaid burial expenses, home furnishings and other belongings. Medicaid applicants can reduce nonexempt wealth by purchasing a new car or having their home remodeled. There is an army of elder law attorneys who specialize in helping clients arrange their assets to qualify for Medicaid. These lawyers are often hired by heirs to preserve their inheritances.

The data proves this story. Americans spent \$530 billion on LTC in 2021, but little was from people spending down their life savings. In fact, only about 12% were out-of-pocket expenditures, or people spending their income or savings.

Medicaid and Medicare paid 60%, private health insurance covered 9%, and other third-party payers defrayed 19%.

What's more, half of reported out-of-pocket expenditures are Social Security benefits that people already on Medicaid must contribute toward the cost of their care. In sum, only about \$6 of every \$100 spent on LTC could have been derived from people's savings.

The easy availability of Medicaid to pay for LTC creates a moral hazard that discourages responsible LTC planning early in life. Why save, invest or insure for LTC when you don't know if you'll need it and, if you do, the government pays anyway?

It also perpetuates a long-standing bias toward low-quality nursing care caused by Medicaid's meager payment rates, which is the root of why nursing homes can't find enough high-quality staff to take care of residents.

A new Paragon Institute report written by one of us (Steve Moses) argues that the solution is simple: Make Medicaid harder to access. Doing so would lead to a surge of private financing flowing into the LTC service delivery system, improving access, quality and staffing.

Older Americans hold \$36.7 trillion in retirement assets, \$12.7 trillion in home equity, \$21.8 trillion in life insurance, and trillions more in property uncounted by Medicaid. Rather than sheltering those assets to qualify for welfare, imagine if that wealth were tapped for LTC. Recent research shows that investing \$70,000 at age 65 would fund the average person's expected LTC need.

Making it more difficult to shelter assets and qualify for Medicaid would place younger people on notice: They need to prepare for LTC. For most

people, LTC risk should be a personal responsibility, like life insurance or homeowners insurance. Policymakers should let them carve out portions of savings they're already accumulating for other reasons to cover potential LTC needs.

If people do not need LTC, the remaining wealth will pass to their heirs unencumbered. If they do need LTC, they will have funds to purchase access to high-quality care in the private market, which for many would be excellent in-home care.

Medicaid, relieved of its dominant LTC financing role, would provide more appropriate care at higher rates, supporting a desperately needed paid caregiver workforce and saving and improving the country's LTC safety net for those most in need.

Well-intentioned government policy tried to help people but ended up trapping generations in nursing homes on welfare. The government must now solve the problem it created by encouraging personal responsibility and prohibiting easy access to Medicaid while preserving wealth. This will naturally lead our nation's consumers and providers to solve the LTC system challenges.

• *Steve Moses is president of the Center for Long-Term Care Reform and author of "Long-Term Care: The Solution," recently published by the Paragon Health Institute. Brian Blase, who served as a special assistant to former President Donald Trump at the National Economic Council, is president of the institute.*