"What is called 'social' planning are in fact government orders over-riding the plans and mutual accommodations of millions of people subject to those orders."
—Thomas Sowell, *Intellectuals and Society*

"Why the transfer of...decisions from the individuals and organizations directly involved—often depicted collectively and impersonally as 'the market'—to third parties who pay no price for being wrong should be expected to produce better results for society at large is a question seldom asked, much less answered."
—Thomas Sowell, *Intellectuals and Society*

The LTC intelligentsia agrees on long-term care’s problems and solutions. To wit, more and more people need long term care. Current public programs are inadequate. Private LTCI failed. Providing “free” care stresses families financially and emotionally. So, obviously, we need government to take a bigger role in long term care, preferably
with a new, compulsory, payroll-funded, social insurance entitlement program. Or, to keep it simple, just shoehorn long term care into Medicare. That’s the InLTCgentsia’s diagnosis and prescription in a nutshell.

Their remedy relies on government central planners, guided by their own sophisticated expert advice, to design, introduce, pass, implement and defend legislation impacting every individual and family in the country. How do these planners and their advisors know what millions of individuals and families who comprise the market for long term care need and want? In the absence of price data reflecting actual preferences, “polls” must suffice. People say they want more home care, fewer nursing homes, higher quality, lower costs, more control and choices. Will a big new government program deliver those benefits? At what cost? With what unintended consequences?

To answer those questions, don’t we first need to ask and answer why America’s long term care system doesn’t deliver those desired benefits already? Is it for lack of government funding? No. Medicaid, Medicare, the VA and other smaller government programs pay for most long-term care in the United States.\(^2\) Is it for lack of government regulation? No. Long term care is the second most regulated industry in the nation, after nuclear power.\(^3\) So what does explain the dysfunctionality of our long term care services and financing?

Could the answer possibly be—the same government funding and regulation that dominate long term care already? Medicaid is by far the biggest source of funding for long term care and a huge drain on state and federal budgets. Its coverage rules cause institutional bias. Its eligibility rules crowd out private financing sources.\(^4\) Its low reimbursements hamper quality. Its availability after people need care creates a moral hazard that discourages early planning and traps many on public assistance late in life. If the public funding program we already have is the principal cause of what ails long term care, why should we expect a bigger, more expensive and intrusive program to improve the situation?
Try this thought experiment instead. What if there were no Medicaid program to pay for catastrophic long term care costs? How would consumers behave? Odds are people would worry about the 25 percent probability of having a severe need for long term care in the future. They would save, invest, or search for private insurance to spread the risk. Unprepared people who were stricken would use their home equity to fund care as most elderly own homes. Spending their own money for long term care, patients and families would seek home- and community-based care instead of nursing homes. With private asset spenddown, including potentially $8 trillion of home equity, flowing through the long term care services industry, access and quality of care would improve for everyone. Potential profits would supercharge entrepreneurs to discover and offer new and better care options.

What I’ve just described would solve the middle market problem. We don’t need to worry about the wealthy; they can take care of themselves. But, what about the poor? Having removed the perverse incentives that discourage responsible long term care planning, many fewer people will end up needing long term care but unable to pay. There will be no more incentive to hire attorneys to manipulate government eligibility rules in order to self-impoverish artificially. The relatively small numbers of genuinely needy people who remain could be served by private charity and/or a vastly scaled down public assistance program funded by a fraction of the savings from ending the Medicaid LTC program.

So let’s pose Thomas Sowell’s “seldom asked, much less answered” question from the quotation above. Whom should we entrust? The InLTCgentsia “who pay no price for being wrong” or the millions of consumers, providers, and insurers who comprise the market for long term care? Why should we be subject to “government orders overriding the plans and mutual accommodations of millions of people?” When those millions vote with their own money for the kind of long term care they prefer, we will all receive better services in preferred settings. That is the answer.
References:


Stephen A. Moses

425-891-3640 smoses@centerltc.com

Stephen A. Moses is president of the Center for Long-Term Care (www.centerltc.com). The Center promotes universal access to top-quality long term care by encouraging private financing as an alternative to Medicaid dependency for most Americans. Previously, Mr. Moses was president of the Center for Long Term Care Financing (1998-2005), director of research for LTC, Inc., (1989-98), a senior analyst for the Inspector General of the U.S. Department of Health and Human Services (1987-89), a Medicaid state representative for the Health Care Financing Administration (1978-87), a HHS Departmental Management Intern (1975-78), and a Peace Corps Volunteer in Venezuela (1968-1970). He is widely recognized as an expert and innovator in
the field of long term care.

He completed the "2008 National Long Term Care Consciousness Tour" traveling for a year and 28,028 miles while living in an Airstream trailer dubbed the "Silver Bullet of Long Term Care." The LTC Tour promoted responsible long term care planning and rational long term care public policy.

Moses can be reached at the Center for Long-Term Care Reform, 2212 Queen Anne Avenue North, #110, Seattle, WA 98109