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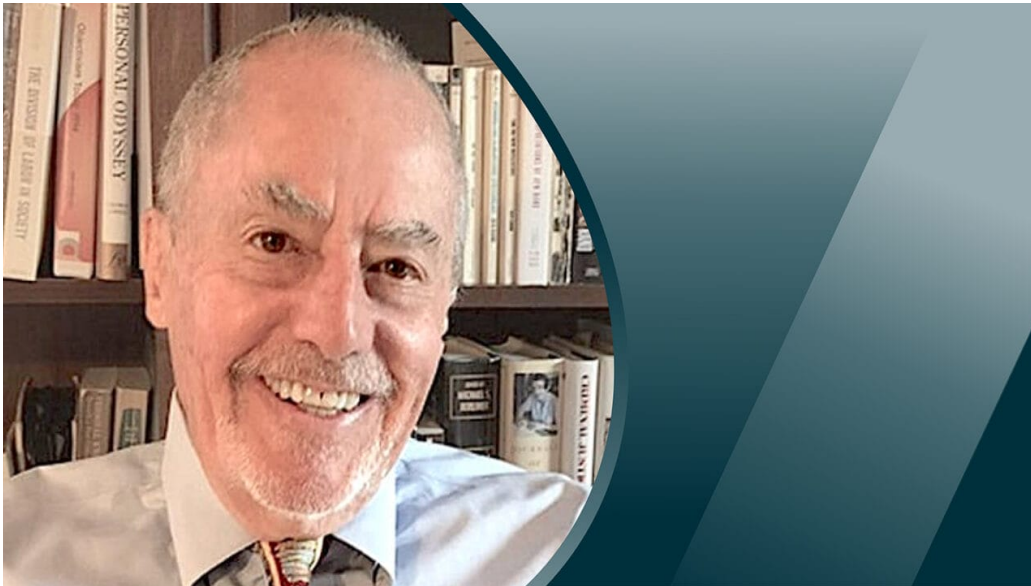
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GUEST COLUMNS

The federal Medicaid bait and switch



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It was supposed to work like this. When people need long-term care, they pay privately until they're impoverished. Then and only then Medicaid helps. To avoid that outcome, people were urged to save or insure for long-term care. Back then, let's say 1970, private-pay skilled nursing revenue was 50%.

But it didn't work out like that. Federal Medicaid rules allowed people with high

private medical expenses to qualify for LTC assistance. Anyone with income below nursing home cost qualified. That meant nursing homes carried many residents on Medicaid at rates below the cost of care. Even mandatory patient private contributions came to facilities at the Medicaid rate.

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On top of that, federal Medicaid mandated asset exemptions that enabled higher net worth people to qualify. The home equity exemption was unlimited until 2006 and it remains over \$1 million in some states. California axed asset limits entirely effective January 1, 2024. A big Medicaid planning bar specializes in impoverishing affluent clients artificially.

For decades, federal Medicaid tried to control the cost of long-term care by imposing asset transfer restrictions, liens and estate recoveries. But state Medicaid programs didn't implement the rules fully; federal Medicaid didn't enforce them; and the media didn't cover them. Consumers' behavior remained unchanged, ignoring long-term care until they needed it.

So where does this leave the profession today? SNF private revenue is down to only 7%. Any incentive people had to pay privately or own insurance is gone. Primary reliance on Medicaid at meager rates undercuts access and quality, causes the caregiver shortage, and has skilled facilities across the country, especially in rural areas, on the brink of collapse.

Private pay revenue migrated to assisted living and home care. But those venues are gradually following nursing homes down Medicaid's primrose path. Many years of rebalancing from institutional to home and community-based care in the hope of saving money, has only caused combined Medicaid long-term care costs to increase relentlessly.

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None of this mattered much for the past twenty years. Bulging budget deficits and artificially low interest rates enabled politicians to ignore surging Medicaid expenditures. Providers were helpless, caught between the rock of inadequate

reimbursement and the hard place of mandatory quality. Forthcoming staffing mandates are only the final straw, adding insult to injury.

But all this is about to change. Profligate government spending finally unleashed inflation, making everything, including long-term care, cost more. Rising interest rates make servicing the national debt prohibitively expensive. Soon federal and state governments will no longer be able to defer these problems. Budget realities will compel change. LTC providers will suffer most.

Last October, I explained the relationship between Medicaid financing and the long-term care system's many failings in a paper titled "[Long-Term Care: The Problem](#)" published by the [Paragon Health Institute](#). On Oct. 3, 2023, Paragon published my proposed remedy "[Long-Term Care: The Solution](#)."

In a nutshell, we will have to return Medicaid long-term care to its roots. Switch back. Eliminate the "loopholes" that allow affluent people to qualify for benefits while preserving wealth. Is this too draconian? It needn't be. New research shows long-term care risk is not as huge as once thought and that Americans own enough wealth to cover long-term care if it were unleashed and mobilized.

How to unleash trillions of dollars in home equity, retirement savings and life insurance lying fallow now and mobilize them to supercharge LTC service delivery is the new paper's topic. How to do that without unsettling young people and families who have more immediate goals and responsibilities they currently put ahead of LTC planning is the paper's proposal.

I invite *McKnight's* readers to review "[Long-Term Care: The Problem](#)" and "[Long-Term Care: The Solution](#)," consider their analysis and recommendations, and share your comments and criticism with the author.

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