

What's Wrong With Long-Term Care?

Stephen Moses

America's long-term care (LTC) system is broken. The Biden administration pushes more government money and regulation on the industry. In a new paper on LTC for the [Paragon Health Institute](#), "[Long-Term Care: The Problem](#)," I show that the federal government created this problem. So more of the same won't help.

LTC includes supportive services for people who cannot dress, wash, transfer, use the toilet, eat, or turn in bed without assistance. Age or disability (physical or cognitive) can impair the ability to perform those daily activities that are usually lost in that order.

LTC need due to age is huge and growing. Seventy percent of people who reach age 65 will develop severe LTC needs and 48 percent will receive paid care. Paid care spikes around age 85. The 85+ population will more than double by 2040.

LTC is expensive whether provided in a nursing home (\$260 per day for a semi-private room), assisted living (\$4,500 per month), or at home (\$27 per hour for a home health aide). Government already funds nearly three fourths of total LTC spending. Medicaid — means-tested welfare — pays the most (42.1 percent), and Medicare pays another 18 percent. Only 28 percent of total LTC spending comes from private sources; less than half of that is from patients' pockets.

What's wrong? What isn't? Costs are high — \$475 billion in 2020. Access and quality are dubious. Nursing homes still prevail over home care for the elderly despite their strong preference to stay home. Provider reimbursements are often less than cost. Caregiver shortages are severe and worsening. Family caregivers who provide "free" care (worth \$522 billion annually) face severe financial and emotional strains. The whole LTC house of cards risks collapse in 2031 when boomers start turning 85 just as Social Security and Medicare, which prop up Medicaid LTC financing face insolvency.

What caused LTC's plight? Since 1965, Medicaid has paid for most LTC, especially when catastrophic costs occur. Here's the most essential part: Contrary to the common belief that eligibility for Medicaid LTC benefits requires spending down into impoverishment, average Americans do qualify without depleting their wealth significantly. Why is that fact the fulcrum that levers LTC into its many dysfunctions?

Most people do not know who or what pays for LTC. The majority think wrongly that Medicare does. But because Medicaid will pay if and when expensive LTC costs occur later in life, most people are lulled into complacency. At a time in their lives when they might otherwise have worried about LTC enough to plan and prepare for it, they let that opportunity pass. In the end, most people do not incur high LTC costs, but those who do largely end up on Medicaid, subject to its institutional bias and sub-par care.

Consequently, too much LTC funding comes from Medicaid for too many people at

rates too low to ensure access to quality care in the kind of home and community-based settings consumers prefer, leaving most people unable to afford private care, with market rates 50 percent higher than what Medicaid pays due to government cost shifting, resulting in too little revenue flowing through the LTC system to support wages sufficient to attract enough caregivers, leaving families and friends with the financially and emotionally exhausting job of providing care neither the government nor the market provides, and the public with no incentive to worry about LTC or to save, invest or insure against a risk government has concealed by well-intentioned but counterproductive Medicaid policies.

The only solution to this compendium of complications is to eliminate the moral hazard created when people can ignore the risk and cost of LTC until they need it and transfer the liability to taxpayers. To do that, we must: change Medicaid financial eligibility rules so they no longer desensitize the public to LTC risk and cost; front load the need to plan, save, invest or insure for LTC so most people deal with it when they're still young, healthy and affluent enough to manage such financial decisions; and remove Medicaid as an eventual LTC safety net for people who fail to plan but retain wealth.

Stephen Moses, author of "Long-Term Care: The Problem" for Paragon Health Institute.