

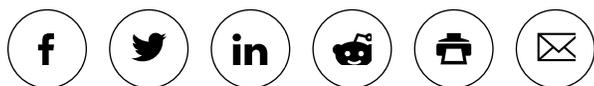
DISCOVER OUR BRANDS



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President Biden, tear down this wall

[Stephen A. Moses](#)



Stephen Moses

“Socialism in general has a record of failure so blatant that only an intellectual could ignore or evade it.” Thomas Sowell

“It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay no price for being wrong.” Thomas Sowell

When President Reagan urged Mikhail Gorbachev to “tear down this wall” he referred to the Iron Curtain specifically. But generally, he meant free your people and stop centrally planning your economy. Trust the free market to distribute goods and services more fairly and productively than economic elites will or can.

Why was Reagan’s exhortation sound advice? What does it have to do with long-term care?

America’s long-term care system is slowly collapsing for the same reason the Soviet Union did. It can be saved and improved by applying the same principles the Soviets shirked.

Central planning failed in the Soviet Union and Eastern Europe for the same reason it has failed everywhere it has been tried. Central planners lack the knowledge they would need to manage a factory, much less an economy. Capitalism works because it provides that knowledge in the form of

prices. Free markets allow consumers to vote with their own money for the goods and services they want and in what quantity and quality.

Without the price data markets produce, central planners are helpless to avoid waste, shortages, excesses and malinvestment. People get what “experts” choose to provide, not what consumers want.

Do you see the parallel with long-term care services and financing in the United States?

[Government funds 70.3%](#) of all long-term care. It does so through programs like Medicaid, Medicare, the VA and others that decide who will get what care, in which venues, and under what circumstances.

Private payment for long-term care by consumers who choose the care they want and need, where and from whom to receive it, and how to plan and pay for it has nearly disappeared.

For example, nursing homes’ private revenue mix declined from 12% in 2012 to 6.4% in the first quarter of 2021, whereas Medicaid’s share of nursing home revenue has increased to 49.3%, according to the National Investment Center.

[Home health care financing](#) is similar. Only 11% of home health costs were paid out of pocket in 2019, while Medicaid and Medicare paid 70.7%, according to the Centers for Medicare and Medicaid Services.

Because of this heavy reliance on centrally planned government financing, America’s long-term care system does not produce the price data investors would need to allocate resources in the most productive and beneficial way. The most important choice long-term care consumers make in America is whether or not to spend their own money for private home care or assisted living in order to avoid the trap public LTC financing has set for them by default, *i.e.*, mostly nursing home care inadequately financed by Medicaid.

Unfortunately, that trap does not spring shut until long after it’s too late for people to plan responsibly to pay privately for the long-term care they’re highly likely to need in the future. That’s why so many well-meaning middle class people ignore long-term care until they need it and end up relying on public welfare to fund their narrowly limited care options.

How could President Biden tear down this Iron Curtain of public long-term care financing?

Step one is to remove the perverse incentives that discourage consumers from planning early and responsibly for the very high LTC risk they all face. So, eliminate the eligibility loopholes that allow middle- and upper-middle-class people to qualify easily for Medicaid LTC benefits after they already need care. For example, remove or radically reduce the home equity exemption that prevents [\\$7.5 trillion](#) of home equity held by seniors from being used to purchase the care they

want in the venues they prefer.

Encourage home equity conversion, by reverse mortgages or other means, to fund private long-term care. Unleashing this enormous new source of private financing would ensure that long-term care companies and entrepreneurs have the market data they need to aim their investments toward the care people really want and away from the institutional bias public financing created.

Step two is to put the Medicaid estate planning bar out of business. Systematically identify, analyze and prohibit the methods and financial products elder law attorneys use to qualify their affluent clients for Medicaid LTC benefits. Stop their discriminatory practice of using “key money” to buy well-heeled clients access to the best long-term care facilities at the exclusion of poor people who lack the funds to pay privately for a time.

Widely publicize the news that people can no longer ignore the risk and cost of long-term care, wait to see if they ever need it, and if they do, transfer the cost to taxpayers, thus preserving their wealth in exchange for a nominal legal fee.

To the extent income and asset exemptions remain, such as financial protections for spouses or disabled children, enforce and strengthen Medicaid estate recovery after such protection is no longer needed. Bottom line, eliminate perverse incentives and moral hazards that discourage responsible LTC planning and lead to Medicaid dependency.

Step three is to educate the public that long-term care is a “pay now or pay later” proposition. With home equity at risk, consumers will finally see why private long-term care insurance, paying a premium now to avoid a potentially devastating cost later, is the preferred choice to make. Without Medicaid **crowding out** most of the demand for private LTC insurance, that product will become a viable alternative for many more people than now, especially homeowners seeking to protect their biggest asset.

In time, between employing home equity and revitalizing private insurance, long-term care will become a mostly private, far more profitable and efficient market for operators. Consumers will choose the care and venue they prefer.

Those vital decisions will no longer be in the hands of politicians, bureaucrats and intellectuals “*who pay no price for being wrong.*”

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