

WE CAN MAKE IT AFFORDABLE TO CARE . . .

A framework for financing Long Term Care in America The American Association of Homes and Services for the Aging (AAHSA) The Oklahoma Association of Homes and Services for the Aging (OKAHSA)

It was former first lady Rosalynn Carter who said . . . “There are only four kinds of people in this world, those who have been caregivers, those who are currently caregivers, those who will be caregivers, and those who will need caregivers.”

I. Why We Must Work Together to Reform LTC Financing.

1. The age wave is unprecedented:
About 10 million Americans need LTC today (40% are under the age of 65).
By 2020, 12 million people will need long term care (LTC is an array of services, from home care to assisted living, not just nursing home care).
2. Americans want more choice:
Our current Medicaid system limits choice. To pay for the choice (often at lower cost), we have to have new ways to pay for care.
3. The costs are unsustainable:
Medicare, Medicaid and Social Security costs will nearly double as a share of the economy by 2035 (GAO). Today, LTC alone costs federal and state governments 116.8 billion every year. We have been able to sustain these costs because of low depression era birth rates and a large postwar workforce. No more. Tension now exists between governments regarding who will pay and the percentage of costs they will pay. It is often referred to as a “burden”.
4. America’s savings rate is deplorable:
Increasing future Medicaid utilization.
5. Business productivity is suffering:
According to the MetLife Mature Market Institute, businesses lose as much as 33.6 billion in annual revenues because of their employees’ need to care for loved ones.
6. Americans are clueless as to what care costs:
In 2006, according to an AARP study, only 8% of Americans over 45 could estimate the average monthly cost of what care costs within 20% of its actual cost. Nearly a third of boomers think that they will use Medicare to pay for LTC costs.
7. Long Term Care insurance isn’t the whole answer:
Will older Americans purchase LTC insurance? Chances are they will not. Only one in five can afford the policy needed to meet their LTC needs. And, even if everyone purchased the best private coverage he or she could afford, Medicaid costs still would triple by 2045.

8. A worker shortage:
The next four decades will see a need for many more care professionals. Who will pay their salaries? We need to change the financing system to attract professionals to LTC.
9. Americans want change:
According to a 2007 national poll by Genworth and the Mellman Group, voters want LTC/aging services to be part of national health care reform.

II. We Can Accomplish LTC Financing Reform Together (A framework).

1. America needs a national insurance trust:
When we are well, we would pay regular premiums, just as we do now for car or health insurance.
2. Everyone should be included, as nearly as possible:
When we need help, we could receive cash benefits to hire an aide, pay a family member who misses work to help us, or pay for other services. Such a plan would give more of us more choice over our lives. All who can, pay. All who need, receive.
3. For the price of a cup of coffee a day . . . \$.73¢ (a small cup) would provide benefits of up to \$27,000 for one year. \$1.68 (a medium cup) would provide benefits of up to \$27,000 for 3 years. \$2.87 (a large cup) would provide lifetime benefits of up to \$27,000 per year.
4. A study by the Moran Group, a nationally known economics consulting firm, modeled a national LTC insurance program and found it to be actuarially sound.
5. Medicaid and LTC insurance programs would still be needed to provide services for Americans whose care needs are extremely expensive.
6. The insurance trust would be administered by a publicly chartered entity with responsibility for investing and managing funds, which are not to be part of the federal budget. The funds must be protected to fulfill the promise to those in need.
7. Similar national LTC insurance plans are already working in Europe and Japan.
8. The plan is a framework:
There are many details to be worked out and variables to be determined.

III. What Can We Do Now?

1. Think about your LTC and start saving and planning.

2. Talk it up! Call your member of congress and tell them we need a national LTC insurance trust now.
3. Invite an AAHSA/OKAHSAs representative to visit with your group about the LTC solution.

Isn't "making it affordable to care" what we are all working to achieve? We can do it . . . together.

Thank you.

Bill Pierce, Ph.D.
President – Baptist Village Communities
Oklahoma City, Oklahoma