



## **Rx: Health Care FYI #37**

**Subject:** *Lowering Long-Term Care Costs*  
**From:** *Rep. Tim Murphy (PA-18)*

**The problem:** Federal and out-of-pocket long-term care spending is expected to grow from \$194 billion in 2005 to over \$419 billion in 2015.<sup>1</sup> Long-term care planning must be transformed to ensure seniors will continue to receive services they want and can afford.

### **What is long term care?**

- Health and social services provided through in-home care or at nursing homes to those who cannot care for themselves due to a physical, mental disability or chronic condition for an extended period of time.

### **Who pays for long term care?**

- In 2004, Medicaid paid \$95.7 billion, or almost half of all long-term care expenditures. Of this amount, \$21.9 billion was allocated to those with mental handicaps or developmental disorders through Home and Community Based waivers.<sup>2</sup>
- Through Medicare, taxpayers paid another \$37.4 billion or 19.2 percent of total expenditures.<sup>3</sup>
- Out-of-pocket spending was \$36.9 billion or 19 percent of total long-term care spending. That is equal to about \$5,000 per senior with impairments<sup>4</sup>
- Private insurance financed \$13.2 billion or 7 percent of long-term care spending.<sup>5</sup>
- Almost 60 percent of seniors over 65 and older receiving care at home or in the community rely exclusively on unpaid caregivers (primarily spouses and children).<sup>6</sup> The Congressional Budget Office estimates the economic value of this care at \$76.5 billion annually.<sup>7</sup>

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<sup>1</sup> CRS analysis of National Health Expenditure Data, Centers for Medicare and Medicaid Services (CMS). April 11, 2006.

<sup>2</sup> Tritz, Karen. Long Term Care: Trends in Public and Private Spending. CRS. April 2006.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> O'Shaughnessy, Carol. Et. al. Long-Term Care: What Direction for Public Policy? CRS. January 18, 2005.

<sup>7</sup> Holtz-Eakin. Douglas. Testimony before the Subcommittee on Health. Committee on Ways and Means. U.S. House of Representatives. CBO. April 10, 2005.

### **The federal government's role:**

- Medicaid: After depleting their income and assets paying for nursing home care, seniors become eligible for long-term care coverage. In the past, many higher-income seniors unnecessarily cost taxpayers millions by using Medicaid for long-term care. The Deficit Reduction Act banned anyone with more than \$500,000 in home equity from Medicaid eligibility altogether. States have the authority to increase this threshold to \$750,000.
- Medicare: Covers the first 100 days of skilled nursing care before transferring costs to Medicaid. However, many people require long-term care before they turn 65, and thus would not yet be eligible under Medicare.
- Home and community-based care: The Secretary of the Department of Health and Human Services (HHS) can waive Medicaid regulations to allow states to provide home and community-based services primarily for people with mental retardation and developmental disabilities. However, the waiver process still has waiting lists for specialized in-home and community based care.
- Services to family caregivers: The Older Americans Act and the Social Services Block Grants provide over \$165 billion annually to assist states with family care giver programs. However, there are no uniform quality standards and often no health care training for family caregivers.
- Long-term care insurance: Taxpayers who itemize get a deduction for long-term care insurance premiums but the amount must equal more than 7.5 percent of their incomes when combined with all other medical expenses.

### **Recommendations:**

- Providing incentives to encourage reverse home mortgages (loans) would help to lower federal long-term care costs while allowing seniors to stay at home longer for their long-term care needs. Over 81 percent of seniors age 62 and older own their own homes and 74 percent have no mortgages.<sup>8</sup>
- State Medicaid programs should take advantage of “cash and counseling” programs established in the Deficit Reduction Act to allow beneficiaries to directly hire caregivers or modify their homes such as with ramps for wheelchair access without a waiver.
- Uniform safety standards should be established for both private and family care providers to ensure that seniors receive medically appropriate care.
- Providing tax incentives either to employees or employers for the purchase of long-term care insurance when workers first enter the marketplace would decrease both the family's out-of-pocket costs and Medicare and Medicaid costs for long-term care.

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<sup>8</sup> The National Council on Aging. Use Your Home to Stay at Home Program Study Shows That Reverse Mortgages Can Help Many with Long-Term Care Expenses. April 15, 2004.