

EBRI/ERF Policy Forum

Public-Sector Entitlements

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(presented by Sen. Harriette Chandler)

States Need Relief

- Medicaid is now primary payer of LTC
- Big financial burden for state and federal governments
- Aging baby boomers will exacerbate problem
- LTC costs consume about 2/3rd's of a typical state's Medicaid budget

The Need for Long Term Care

- One of two women and one of three men who reach the age of 65 will use a nursing home at some point during their lives
- 40% of nursing home residents are between 18 and 64 years of age
- Seven in ten individuals will need home health care

The Cost of Long Term Care

- On average, one year in a nursing home costs approximately \$50,000 or \$4,500/month
- Cost depends on care needed and region
 - Nursing home cost per day:
 - Connecticut: \$223
 - Colorado: \$133
 - Arkansas \$79
- In 1997, the average “home care” visit cost \$79

Who Pays for Long Term Care

- **Medicare:** Nationally, pays for less than 5% of nursing home costs
- **Private-Pay:** 32% of long term care costs are paid by private-pay means
- **Medicaid:** Pays approximately 63% of all long term care costs. (After nearly all assets are gone)

LTC Partnerships

- An alternative to “spending down” life savings by forming a partnership between Medicaid and LTC Insurers
- Provide access to affordable private LTC insurance for moderate-income consumers who may not have been able to afford private coverage before

Partnership Policies

- Consumers who purchase receive a predetermined level of benefit
- When services are still needed after private plan benefits are exhausted, Medicaid will be available
 - Without the requirement to spend down assets

LTC Partnerships

- **Are currently offered in 4 states**
 - California, Connecticut, Indiana & New York
- **Result: increased policy sales**
- **Bad News: Tax Act of 1993 prevents other states from launching favorable LTC partnership programs**
- **At least 19 states are prepared to enact partnership programs if federal law is changed**

LTC Partnerships

- **Important part of the solution**
- **Build strong foundation for retirement planning**
- **Allow Americans to have greater control over their futures**