EBRI/ERF Policy Forum
Public-Sector Entitlements

Sandy Praeger
Kansas Insurance Commissioner

(presented by Sen. Harriette Chandler)

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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