Long-Term Care: A Public Responsibility

Public intervention and public financing are essential to insuring people against long-term care risk.

by Judith Feder

Robyn Stone's paper focuses policymakers' attention on the kind of insurance benefits people who need long-term care ought to get. That is an important policy question, and Stone's consideration of cash payments—a disability approach—rather than payments for a defined set of services—a health insurance approach—is a valuable contribution to the policy debate. But to produce action, that debate must address an even more fundamental challenge: achieving consensus that government should assure that people who need long-term care get insurance in the first place. Misconceptions and skepticism stand in the way of that guarantee.

Risk of long-term care need. First is the misconception that the need for long-term care is both inevitable and manageable. In fact, the need for long-term care is far from a necessary concomitant of aging. Rather, people of all ages face some risk that they will need long-term care. Although this risk increases as people age, about half of those who need long-term care are under age sixty-five. And the extent and the costliness of people's needs vary considerably among older as well as among younger persons with disabilities. When people actually do need long-term care, managing its burdens is far from easy. Family support imposes sacrifices in employment, health status, and quality of life and cannot always meet needs. Also, the purchase of extensive long-term care entails costs that exceed most individuals' and families' ability to pay. Given the reality that long-term care is an unpredictable need for an unmanageable expense, insurance makes sense.

Public versus individual responsibility. Second, even when risk is acknowledged, there is widespread skepticism regarding the need for societal rather than individual responsibility to cope with it. Why not just save in case you need it, or rely on private insurance? Reliance on savings alone is inefficient and will not work; given the unpredictability and variability of the need for long-term care, people will either save too much or too little to cover expenses. Private insurance is also limited as a means to spread long-term care risk. It is not available to those who already have long-term care needs; is not even advocated as a means of protecting young persons against risks; and is acknowledged as unaffordable or insufficient to protect the substantial segment of elderly persons, now and in the future, with low and modest incomes. Public intervention and public financing are essential to assure that people are insured against long-term care risk.

Current public policy falls far short of assuring insurance protection. Medicare, which provides health insurance to many who need long-term care, covers very little long-term care. Medicaid is our long-term care safety net. But Medicaid protections differ considerably from what we think of as “insurance.” Medicaid provides invaluable coverage of long-term care expenses, but only after people have exhausted virtually all of their own resources. As a result, Medicaid does not protect against financial catastrophe; it finances services only after catastrophe strikes. Mean-
meaningful insurance protection for long-term care requires more expansive public protections.

Historically, critics have questioned the legitimacy of such protections as inappropriately providing “estate preservation.” That objection has always seemed peculiar, given acceptance of Medicare’s “estate preservation” for older (and some disabled) persons who need medical care. Indeed, as Robert Kuttner has argued, recent repeal of the estate tax now makes Medicaid long-term care requirements for the “spending down” of resources perhaps the only estate tax that still exists. In light of this new tax policy, objections to better long-term care insurance protection have become even less defensible.

Government’s ability to distribute benefits. A third area of skepticism toward a government role questions government’s capacity to provide benefits appropriately, equitably, and efficiently. Key issues include government’s ability to target benefits to persons who need (rather than just want) service, to provide benefits in a sufficiently flexible form to promote quality of life, and to balance the desire to support family care with the reluctance to replace it.

Stone’s paper illustrates that we have some choices here as well as some experience. State governments and private insurers have become more sophisticated in managing benefit distribution. “Crowding out” of private (especially employer-sponsored) insurance by public insurance is not the problem here that it is in efforts to expand public financing for health insurance (since private long-term care insurance barely exists). Indeed, the private expenditures for which public financing might substitute are primarily out of pocket and widely recognized as “catastrophic.” Further, evidence suggests that the availability of insurance benefits does not eliminate family care, and deciding how much to alleviate family burdens or, as Stone suggests, even to encourage family care by paying for it is a matter of policy choice and, of course, willingness to make resources available.

Spreading financial risk. That brings us to the final and perhaps most daunting challenge in pursuing public responsibility for long-term care: reluctance to gather and redistribute resources to spread the risk of long-term care financing. Current policy concentrates burdens on those who need long-term care. Policies to more effectively spread risk can take a variety of forms, but all will require additional public resources. Indeed, an aging society will require additional public resources even to sustain the limited protection that Medicaid now provides.

Fears about an aging society have raised questions about the availability of resources to meet existing commitments to Social Security, Medicare, and Medicaid, let alone an expanded commitment to spread the risk of long-term care. However, the future holds not only the prospect of an aging society but also of a growing economy. Future political choice—not the nature of people’s needs or the limits to our policy skills—will determine how we distribute the benefits of economic growth to spread rather than concentrate risks, or, more specifically, whether and how we live up to our public responsibilities in long-term care.

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