Mark Warshawsky, one of the 15 persons appointed to the Long-Term Care Commission, offered his vision of the issues the Commission should consider as part of a panel discussion titled “Long-term care; markets or mandates?” The presentation took place on May 31, 2013 at the American Enterprise Institute in Washington, D.C.

The other panelists were Howard Gleckman, Urban Institute; Dr. Joshua Weiner, RTI International; Matt Salo, Executive Director of the National Association of Medicaid Directors; and Stephen Moses, Center for Long-Term Care Reform. All the panelists thought that the provision of long-term care services and supports needs to be improved but disagreed on how to do so.

Mr. Warshawsky, a pension expert, is the director of retirement research at the consulting firm Towers Watson and was the Assistant Secretary for Economic Policy at the Treasury Department from 2004-2006. Sen. Mitch McConnell (R-Ky) appointed him to the Commission.

He reported that the Commission has not yet met even though its recommendations are due in September. He also wondered whether the Commission can be truly bipartisan, as nine members were appointed by Democrats and six by Republicans, and suggested any recommendation should be by consensus rather than by simple majority.

Mr. Warshawsky proposed the Commission should consider, among other issues, the impact of public benefits on private insurance. He cited studies suggesting Medicaid crowds out long-term care insurance, the many internet cites offering Medicaid planning, and a study by economists at the Chicago Federal Reserve that the wealthy benefit from Medicaid as much as the poor. He also questioned why homes are excluded in determining Medicaid eligibility.

Finally, he suggested as possible solutions more managed care and a Medicaid carve-out for a life care annuity to allow persons to use their insurance death benefits as well as long-term care.

Howard Gleckman and Joshua Weiner argued that long-term care insurance will not play a major role in helping pay for long-term care services and supports. Mr. Gleckman pointed out that long-term care insurance policies have declined by two-thirds in the past 10 years, and that the benefits are growing smaller while premiums are rising. He observed
that some policies are offering $50 a day benefits, similar to the amount the defunct CLASS program had intended to provide. Dr. Weiner thought Medicaid asset transfers do not significantly affect Medicaid costs. Moreover, tax incentives for long-term care insurance may not save Medicaid because the persons most likely to utilize them would not otherwise qualify for Medicaid.

Mr. Salo noted that while the elderly constitute a minority of Medicaid beneficiaries, most of the $420 billion in the program is spent on long-term care. Medicaid cannot continue to pay for services in the future. State government budgets, which contribute about half of the funding, cannot sustain the expenditure, so the private marketplace needs to pay a role. Managed care has enormous potential if done right and if integrated and coordinated with health care.

Lastly, Mr. Moses identified Medicaid asset planning as a significant problem. He said he has traveled the country talking with eligibility case workers who tell him how the rich can use financial advisors and Medicaid planners to qualify for benefits. Among other techniques used, he cited use of the “two Mercedes rule” where a person buys a Mercedes and gives it away without penalty, and then buys another Mercedes to keep because an automobile is an exempt asset. He expressed displeasure that income is rarely used as a barrier to eligibility, as medically needy states pay for care that exceeds income while other states use Miller trusts to shelter income. He also complained that Medicaid expansion to home and community-based services further crowds out private options to pay for long-term care.