

Setting the Record Straight on Long-Term Care Policy

Steve Moses

Editor's Note: This column was co-authored by Brian Blase.

The budget debates in Washington largely ignore the growing and biggest part of the budget—health care entitlement programs. Within the next few years, rising interest payments on the massive federal debt and higher general interest rates and inflation will necessitate reforms. Policymakers should enter that debate grounded in the facts. Several recent high-profile media stories are deeply problematic because they propagate false or one-sided narratives about long-term care (LTC), an issue of growing importance as baby boomers reach age 80 and family size declines.

The New York Times' recent series [Dying Broke](#) perpetuates the false claim that LTC wipes out the savings of most middle-class Americans who need extended care, leaving them reliant on Medicaid. And a recent AP [story](#) stokes fear about Medicaid estate recovery, particularly states coming after the homes of people who have used Medicaid for their LTC.

The most important fact for policymakers: middle class and affluent people may easily access Medicaid for their LTC needs, without having to deplete their assets first. It is the poor and underprivileged who typically lose everything due to Medicaid's spend down rules.

Income rarely obstructs eligibility for Medicaid LTC. States either subtract medical and LTC expenditures from income before applying a much-vaunted low-income standard or they allow applicants to divert excess income into trusts. Therefore, income below the cost of a nursing home, generally at least \$8,000 per month, is usually not disqualifying for Medicaid.

Sizeable assets also rarely prevent eligibility. Large assets are exempt from Medicaid eligibility determinations, including most home equity, a business, IRAs, a vehicle, prepaid burial funds, home furnishings, and personal belongings. People can take liquid wealth, purchase exempt assets, and apply to Medicaid. On top of easy eligibility requirements, elder lawyers can artificially impoverish wealthier applicants using special trusts, annuities, and other complicated strategies.

Recommended

Government data shows that most people don't spend down significantly to pay for LTC.

Americans spent \$571 billion on LTC in 2022, with most of that paid by the government. Out-of-pocket expenditures amounted to only 12.5% of all LTC spending. Moreover, nearly half of out-of-pocket expenditures were Social Security benefits that people on Medicaid must contribute to offset the cost of their care. Thus, only 6% of total LTC spending comes from patients' personal savings.

The conventional wisdom featured in *Dying Broke* — that Medicaid is only for the poor and that middle-class people must exhaust their assets to qualify for Medicaid — is a myth. As soon as LTC expenses start to pinch, affluent people — or more often their heirs concerned about preserving their inheritance— learn how to qualify for Medicaid.

On the other hand, Medicaid spend down rules crush the poor. LTC costs quickly consume their sparse savings. With no way to pay privately for even a short period to access the best Medicaid facilities, they bear the brunt of the program's worst access and quality problems.

The AP story generated uproar as it provided two examples of adult children whose parents used Medicaid to finance their LTC and who were notified by the state that a lien was placed on their parent's home. According to the AP story, some states will put a lien on the homes of people who have used Medicaid for LTC. This is a necessary part of the Medicaid estate recovery process since nearly everyone can qualify for Medicaid to pay their LTC expenses.

However, the reality is that most states do not use liens and lack effective programs to recover such costs, leaving taxpayers to foot the bill. Thus, the estate recovery program does not effectively encourage people to plan for potential LTC expenses.

The ability of relatively affluent people to ignore LTC risk and cost until they need it, and then switch the liability to Medicaid when expensive care becomes necessary, enables their denial. These individuals don't plan, save, invest, or insure for LTC and end up taking advantage of Medicaid. Ironically, LTC's many problems are rooted in too little, not too much, asset spend down.

Policymakers should eliminate Medicaid eligibility policies that favor the prosperous and harm the poor and instead incentivize early planning for future LTC risk. [New research](#) shows the average American could cover future LTC cost by setting aside \$70,000 at or before age 65. Policymakers should let people use funds they've already accumulated in home equity, retirement savings and life insurance if LTC is needed.

Such policies would unleash the substantial wealth lying fallow in the American economy. More private financing that pays LTC providers better rates would help attract skilled caregivers, improve nursing home quality, and lead to more and better home-based care.

Steve Moses is president of the [Center for Long-Term Care Reform](#) and the author of [Paragon Health Institute's Long-Term Care: The Problem](#) and [Long-Term Care: The Solution](#).

[Brian Blase](#), who served as a special assistant to President Trump for economic policy, is the president of [Paragon](#).