



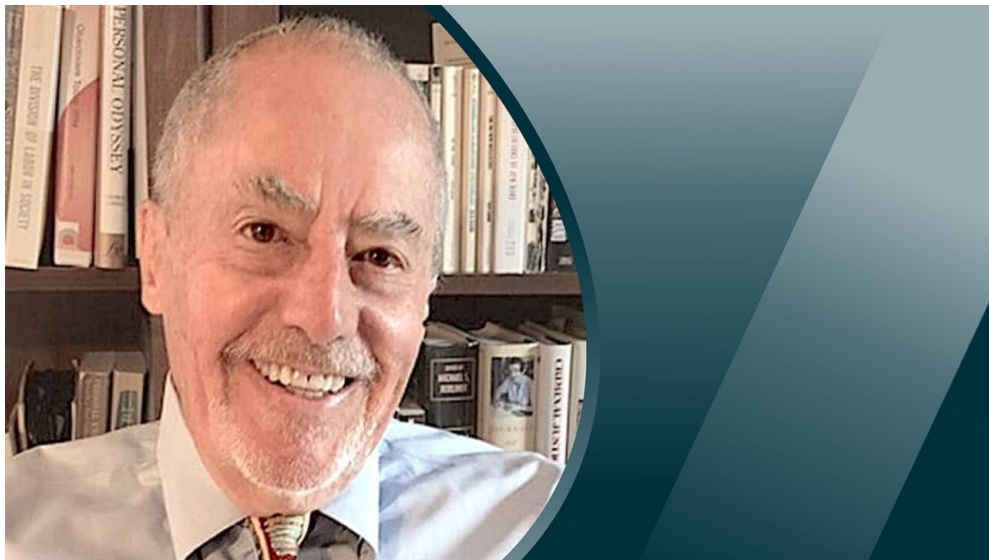
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GUEST COLUMNS

## The Medicaid LTC snafu



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APRIL 15, 2024

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Long-term care operators were sold a pig in a poke. When Medicaid started paying for nursing home care after 1965, it looked like a pretty good deal. The new revenue stream vastly expanded severely limited payments from private payers. At the beginning, Medicaid reimbursement was generous and regulation, minimal. The industry expanded rapidly and corporatized.

But over time, long-term private payers at market rates dwindled to almost nothing, while Medicaid reimbursements declined to barely, if even, cover

costs. LTC operators were left to depend on a much smaller number of short-term Medicare patients at higher rates to cover the shortfall. The financial fix nursing homes find themselves in now is the result.

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Maybe all that was inevitable and unpredictable. But here's another dimension of the Medicaid issue that went unconsidered early on and remains mostly ignored today. I'm not only referring to Medicaid eligibility loopholes that allow affluent people to divest or shelter wealth and qualify for LTC benefits while dodging spend down. There is a subtler problem with income eligibility.

Most states deduct private medical and LTC expenses from applicants' income before applying the much-vaunted "low income" standard. Other "income cap" states permit income diversion trusts that achieve the same result. Bottom line: the rule of thumb is that anyone with income below the cost of a nursing home, easily \$8,000 or \$9,000 per month, qualifies.

Oh well, say some, that excused income still goes to pay for their long-term care. That's because Medicaid recipients must contribute almost all of their income to offset the cost of their care to Medicaid. Never mind that most of that income comes from Social Security benefits that are scheduled to be cut 23% when the trust fund runs out in 2034. There's a bigger problem.

Nursing homes receive all that income at Medicaid reimbursement rates, often below the cost of the care provided. In other words, Medicaid eliminated nursing homes' principal funding source by making it easy for people with wealth to qualify. Then, to add insult to injury, the program converted vast potential private revenue into a deficient government income source.

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How should it work instead? If Medicaid is going to cover anyone and everyone with high incomes and unlimited exempt assets, then it should at least allow long-term care providers to receive the available excess income at market rates. Let Medicaid make up the difference between what recipients can afford to pay out of pocket and the actual cost of the care.

Would that cost Medicaid more? Of course, but imagine what it would do for

LTC providers' ability to attract and retain caregivers and to provide quality care. Most of the deficiencies I described in "[Long-Term Care: The Problem](#)" ([Paragon Health Institute](#), 2022) would disappear if all long-term care were funded at market rates.

Where could Medicaid find the money to make up the difference between the rates it pays now and market rates that are 50% higher on average? That's the question I answered in "[Long-Term Care: The Solution](#)" ([Paragon Health Institute](#), 2023).

It is long past time to end the LTC Medicaid snafu.

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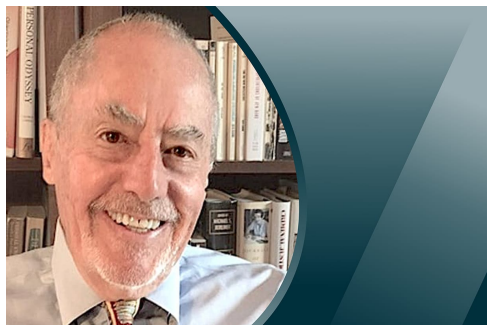
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