

**LONG-TERM CARE:
OPTIONS IN AN ERA OF HEALTH REFORM**

Exhibit Packet

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Exhibit 1: Principal Private Long-Term Care Financing Options

Option	Pros	Cons
Reverse mortgages	<ul style="list-style-type: none"> Older people have substantial home equity, although older people with disabilities have much less 	<ul style="list-style-type: none"> Various restrictions, fees, and interest payments reduce the amount of money available for long-term care Older people may resist using home equity for long-term care costs Recent drop in home prices may reduce demand by older people and lenders
Employer-sponsored long-term care insurance policies	<ul style="list-style-type: none"> Reduces premium costs and medical underwriting Encourages private responsibility 	<ul style="list-style-type: none"> Employer and employee market take-up has been low Policies still relatively expensive Selling to younger people means predicting what will happen far into the future More employers may offer policies, but few help pay for them
Tax incentives for private long-term care insurance	<ul style="list-style-type: none"> Reduces net cost of policies, making them more affordable Encourages individual responsibility 	<ul style="list-style-type: none"> Results in loss of federal revenue May be inefficient, providing benefits mostly to people who would have purchased policies without the incentive Tax deductions are regressive, providing greater benefits to upper-income persons Most people would receive relatively small tax benefits, not solving affordability problem
Public-private partnership, whereby people who purchase state-approved long-term care policies can become eligible for Medicaid while retaining much higher level of financial assets	<ul style="list-style-type: none"> Brings together public and private sectors Makes policies more affordable to middle class 	<ul style="list-style-type: none"> Previous partnerships have had limited market penetration Asset protection and easier access to Medicaid may not motivate many purchasers Inflation protection provided in the Deficit Reduction Act is weak
Hybrids of long-term care insurance with other types of insurance (e.g., disability insurance)	<ul style="list-style-type: none"> Allow people to buy one policy to protect against two or more risks 	<ul style="list-style-type: none"> Products are complicated and difficult to understand Offer only small premium savings by combining products

Exhibit 2: Principal Public Sector Long-Term Care Financing Options

Option	Pros	Cons
Increase funding for Older Americans Act and similar programs	<ul style="list-style-type: none"> • Provides funding for people not eligible for Medicaid, but not high income • Focuses on home and community-based services • Could provide funding to build infrastructure through Aging Network 	<ul style="list-style-type: none"> • Might increase fragmentation of financing system • Funding for appropriated programs less likely to increase over time than entitlement programs • Would require additional government spending
Liberalization of the Medicaid program	<ul style="list-style-type: none"> • Easy to implement because it builds on existing system, which dominates long-term care financing • Targets people in greatest financial need 	<ul style="list-style-type: none"> • Does not prevent people from incurring catastrophic out-of-pocket costs • Higher Medicaid spending may squeeze other priorities at state level • States will resist additional mandates • Increases number of people dependent on public means-tested system • Would require additional government funding
Liberalize Medicare nursing home and home health benefits	<ul style="list-style-type: none"> • Builds on already existing program • Administrative structures already in place • Provides near universal coverage for older people and some younger persons with disabilities 	<ul style="list-style-type: none"> • Would require substantially greater government funding • Medical model would likely dominate • Program could be rigid and bureaucratic • Limited range of services • Does not make use of state expertise
Social insurance for long-term care	<ul style="list-style-type: none"> • Treats needs of people with disabilities the same as acute care • Provides universal coverage • Recognizes that vast majority of people cannot afford long-term care • Spreads risk over largest possible group 	<ul style="list-style-type: none"> • Would require substantially greater government funding • Some funding would support services to upper-income and wealthy individuals • Program could be rigid and bureaucratic

Exhibit 3: Options to Reform the Long-Term Care Delivery System

Strategy	Pros	Cons
<p>Increase funding for grants to strengthen state long-term care infrastructure</p>	<ul style="list-style-type: none"> • Helps states develop innovative programs • Low cost • Voluntary to the states 	<ul style="list-style-type: none"> • Existing infrastructure grants have had difficulty going to statewide implementation • Sustainability of projects after funding stops a problem • With exceptions, existing infrastructure grants have been small, limiting impact • In current fiscal environment, grants requiring state matching funds may have limited take-up
<p>Modify regulations or legislative requirements that impede state provision of Medicaid home and community-based services</p>	<ul style="list-style-type: none"> • Modifies existing programs that are already in place • Regulatory change could be implemented relatively quickly • Removes barriers to HCBS • Depending on changes, could be low cost 	<ul style="list-style-type: none"> • States already have great flexibility in HCBS, so further changes may not affect state policy • Some regulations require legislative changes • Some regulations that states find objectionable are designed to prevent maximization of federal Medicaid funds or to protect beneficiaries
<p>Provide more federal financial support for home and community-based services through Medicaid, Older Americans Act, and veterans benefits</p>	<ul style="list-style-type: none"> • Directly provides funds for home and community-based services or financial incentive for states to expand services 	<ul style="list-style-type: none"> • States will resist any additional mandates • Depending on how designed, funds to increase Medicaid match for home care could mostly increase federal costs for existing services rather encourage new services
<p>Fund demonstration projects of innovative chronic care models that integrate acute and long-term care</p>	<ul style="list-style-type: none"> • Addresses fragmentation of the financing and delivery systems • Recognizes the multiple needs of people with disabilities • Offers possibilities for efficiencies 	<ul style="list-style-type: none"> • Past efforts to integrate Medicaid and Medicare have encountered great difficulties • Could result in overmedicalization of long-term care because of dominance of hospitals and physicians • Long-term care to acute care • Evaluations of past demonstrations integrating acute and long-term care have found modest gains

Exhibit 4: Options to Improve the Long-Term Care Workforce

Strategy	Pros	Cons
Recruitment initiatives, such as worker registries, marketing campaigns, establishment of backup systems, and recruitment of nontraditional workers	<ul style="list-style-type: none"> • May expand target population for recruitment • Meets immediate needs of consumers and providers • May reduce provider recruitment costs • Relatively low cost • Economic recession may make it easier to recruit workers in near term 	<ul style="list-style-type: none"> • Does not address fundamental issues of why recruitment is difficult (e.g., wages, benefits, and organizational culture) • Effectiveness of initiatives is uncertain • Nontraditional workers may not be good “fit” for long-term care jobs
Increase training programs and career ladders	<ul style="list-style-type: none"> • Helps make direct care work more of a career • Improves ability of workers to provide high-quality care to consumers • Higher levels of competency may promote greater self-worth among workers and increased job satisfaction 	<ul style="list-style-type: none"> • Increased training without higher wages may not retain workers • High exit rates from long-term care means that trained personnel may not stay in the field • Little research establishing what training is effective • Depending on what is required, cost could be significant
Increase wages and fringe benefits by mandating minimum wages or wage-pass-throughs in Medicare and Medicaid payment rates	<ul style="list-style-type: none"> • Economic theory predicts that higher wages and fringe benefits will attract more workers • Higher wages and fringe benefits likely to reduce turnover • Increases financial well-being of low-wage workers 	<ul style="list-style-type: none"> • Higher wages and fringe benefits will increase costs to providers and Medicare and Medicaid • Research on the effect of higher wages and fringe benefits on turnover and quality of care is limited • Wage pass-throughs may not result in higher wages for workers • In short term, providers may be able to recruit workers without higher wages and benefits because of the recession
Change the organizational culture of long-term care providers by providing grants to states or providers to develop these initiatives	<ul style="list-style-type: none"> • Systematically alters culture of care to focus on meeting consumer needs and empowering workers • Addresses many critiques of nursing homes 	<ul style="list-style-type: none"> • Limited research on impact on quality and workers • Replicability unclear • May result in higher costs • Limited federal and state policy levers to promote behavioral change in providers

Exhibit 5: Strategies to Improve Quality of Care and Quality of Life in Long-Term Care

Strategy	Pros	Cons
Mandatory Approaches that are External to Providers		
Strengthen the regulatory process	<ul style="list-style-type: none"> • Builds on large existing system of quality assurance for nursing facilities and home health agencies • Great deal of data available • Main approach used in many other countries • Addresses weak enforcement for nursing facilities • Addresses limited monitoring of home and community-based services 	<ul style="list-style-type: none"> • Many regulations address paperwork and structural requirements rather than outcomes • Nursing home regulations inconsistently interpreted and applied across geographic areas <ul style="list-style-type: none"> ▪ May stifle innovation ▪ Little knowledge base on which to establish regulations for home and community-based services
Increase staffing levels and training requirements in nursing homes	<ul style="list-style-type: none"> • Current staffing in nursing facilities below recommended levels • Training requirements for direct care workforce minimal or absent 	<ul style="list-style-type: none"> • Organization and management of services may be as important as staffing levels • Increased staffing expensive to implement, requiring high Medicare and Medicaid payments • Little research on effects of training on quality of care
Voluntary Approaches that are External to Providers		
Provide consumers with more information	<ul style="list-style-type: none"> • Builds on existing CMS websites, which already provide a great deal of information on nursing home and home health quality • Makes market work better by encouraging competition on quality • Provides motivation for provider improvement • Low-cost initiative 	<ul style="list-style-type: none"> • Little research evidence on the effectiveness of this approach • Structural aspects of market may reduce possibility of competition on quality • Consumers may not use information to make choices because it is too complicated or choices are made during “crises” • Current data are focused on quality of care rather than quality of life

Continued

**Exhibit 5: Strategies to Improve Quality of Care and Quality of Life in Long-Term Care
(Continued)**

Strategy	Pros	Cons
Voluntary Approaches that are External to Providers (Continued)		
Strengthen consumer advocacy	<ul style="list-style-type: none"> • Provides a counterbalance to nursing home industry • Gives voice to views of consumers • Ombudsman program provides resolution to individual complaints 	<ul style="list-style-type: none"> • No research on effectiveness • Volunteers often lack technical expertise • Fear of retaliation by providers against consumers may limit complaints
Reform the payment systems for Medicare and Medicaid	<ul style="list-style-type: none"> • Could prevent states from underpaying nursing homes and other providers for Medicaid beneficiaries • Government controls amount and method of most payment systems • Providers depend heavily on government financing, making them sensitive to government reimbursement system 	<ul style="list-style-type: none"> • Higher rates increase government costs • Research shows modest relationship between cost and quality • Little research evidence on the effectiveness of pay-for-performance in long-term care
Voluntary Strategies that are Internal to Providers		
Develop and implement practice guidelines	<ul style="list-style-type: none"> • Low-tech aspects of long-term care make guidelines potentially very useful • Many guidelines already exist 	<ul style="list-style-type: none"> • Some guidelines raise costs • Accurate reporting on use of guidelines may expose providers to surveyor sanctions • Limited federal and state government policy levers
Change the organizational culture of long-term care providers	<ul style="list-style-type: none"> • Systematically changes culture of care to focus on consumer needs and empowering workers • Addresses many critiques of nursing homes 	<ul style="list-style-type: none"> • Limited research on impact on quality • Replicability unclear • May result in higher costs • Limited federal and state policy levers

Exhibit 6: The Beginning Elements of a Reform Agenda

Proposal	Description
Educate the American people on long-term care	<ul style="list-style-type: none"> Public education campaign to increase public understanding of the long-term care financing and delivery system
National Commission on Long-Term Care	<ul style="list-style-type: none"> High-level, bipartisan commission, including appointees by the President, the House and Senate, to recommend a strategy for long-term care reform
Increase federal funding for state long-term care infrastructure initiatives	<ul style="list-style-type: none"> Substantially increase funding for existing or new grants to states to help states establish infrastructure, such as Aging and Disability Resource Centers, Alzheimer’s disease programs, participant-directed home care programs, quality assurance systems for home and community-based services, and nursing facility transition programs
Liberalize Medicaid spend down for beneficiaries receiving home and community-based services	<ul style="list-style-type: none"> Allow states to establish higher Medicaid income and asset spend down limits for people receiving home and community-based services
Increase funding for Administration on Aging programs	<ul style="list-style-type: none"> Increase funding for infrastructure development and for home and community-based services
Increase support for a variety of relatively low-cost initiatives related to quality of care	<ul style="list-style-type: none"> Increase funding for the Administration on Aging Ombudsman program Increase research funding on quality of care of home and community-based services Amend Medicaid to more clearly require states to establish standards for and monitor the quality of Medicaid home and community-based services Establishing Medicaid pay-for-performance demonstrations for nursing homes Continue financial support for integrated data systems that cut across provider settings, such as the CARE tool
Establish grant program to states, providers, and consumers to improve direct care workforce	<ul style="list-style-type: none"> Establish grant program to promote training programs, organizational change, worker registries, and other workforce initiatives
Research and development	<ul style="list-style-type: none"> Increase funding for long-term care research and policy analysis. Conduct demonstrations of innovative approaches to long-term care, including ways to coordinate and integrate with acute care.