CITIZENS FOR LONG TERM CARE

Written Testimony of Hon. David Durenberger,
Chairman of Citizens For Long Term Care

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Good morning and thank you Chairman Breaux and Members of the Committee. I greatly enjoyed my years of service on this Committee and I am honored to be asked to testify.

Thank you for holding this hearing today, but more importantly, thank you for your continued leadership on long term care issues. Your attention and that of your colleagues and the staff of the Aging Committee have shown a great dedication to long term care issues. Advocates for those in need throughout the country owe you a great debt.

As Chairman of Citizens for Long Term Care, I have been privileged to represent more than 60 national organizations representing seniors, people with disabilities, long term care providers, labor unions, insurers and other professionals and paraprofessionals. Last year, this diverse group of organizations coalesced behind the development of a national framework for reforming long term care financing. Among its recommendations was the strong assertion that long term care is an insurable event that requires an insurance financing solution as opposed to the current welfare-oriented approach.

New CLTC Analysis on Long Term Care and Entitlement Reform

Today, we are releasing an analysis that provides a new perspective on how policymakers should view long term care within the context of national entitlement program reform. In short, it concludes that, as this nation's population ages, it has become increasingly clear that the nation needs a national financial security policy for health, income, and long term care as much as it needs a national energy policy or national defense policy.

The fiscal challenges federal and state legislators now face with the growing financial, delivery system, and personnel challenges inherent in long term care are simply overwhelming. The inevitable aging of the 77 million Baby Boomers makes it critical that we include long term care financing reform within any national financial security policy debate. Today's report makes the case for including long term care financing reform in the upcoming Social Security and Medicare reform debates, and doing so without delay.

The major findings of the new report include:

- **Long term care spending for Americans is growing rapidly.** In 2000, expenditures on chronically ill Americans of all ages from both public and private sources totaled $137 billion, and represented 11 percent of total U.S. health care expenditures. By 2050, long term care costs for the elderly alone could reach as high as $379 billion.

- **Long term care costs are threatening Medicaid and family budgets.** At an average cost of over $50,000 per year for nursing home care, long term care expenditures are literally threatening the fiscal well-being of states. In FY 2002, 40 states faced budget shortfalls as a result of rising Medicaid costs, particularly those related to long term care, prescription drugs, and slow economic growth. Afflicted families are all-too-frequently forced to impoverish themselves in order to get the care they need.

- **Long term care financing reform must be integrated into the emerging Social Security and Medicare reform debates.** Without such reform, the expense of long term care can be expected to continue to bankrupt families, drain state budgets, and undermine the success of Medicare and Social Security reform. While addressing long term care may seem to be a daunting task in a time of limited resources, failing to do so will threaten any effort to rationally address the health and financial security of society's most vulnerable members

- **A two-pronged policy approach to addressing the long term care challenge is necessary.** In order to help individuals access the services and care they need, a combination of additional cash benefits provided through social insurance and a refocusing of the Medicare program on chronic illness is necessary. A limited cash benefit would help prevent the permanent impoverishment of people with disabilities that is associated with the current Medicaid system, promote family caregivers while helping to ease the caregiver crisis, and help people to stay in their homes longer. It would also provide a more seamless integration with private insurance while creating efficiencies in the system. A Medicare program that better addresses chronic illness could prevent or delay the onset of conditions that require a more intensive and expensive level of care.

- **Integrating long term care financing into Medicare and Social Security reform can make better use of existing funds.** Coordinating income and health security programs will assure a more efficient use of funds to support families and individuals, encourage family members to serve as caregivers, improve quality and outcomes, and create better utilization of personal resources to ensure that people with disabilities or chronic conditions receive the health and social services that they need. While the growing demand for long term care services will assure that even these financing reforms will not reduce the total dollars spent on long term care, these reforms will ensure a more rational, efficient, and outcomes-oriented system that best serves the needs of people with disabilities of all ages.

History of Retirement Security Teaches Valuable Lessons

In the past when the health and income security of seniors and people with disabilities were threatened society responded with the development of Social Security in the mid-1930s and Medicare and Medicaid in the mid-1960s. However, these programs were designed and built on what we knew in the early and mid-20th century. By the end of the 1970s, policymakers were well aware of the need for change to the programs' responsibilities. As we embark on the early stages of the 21st century, we must acknowledge the growing need to reexamine the responsibilities of our national financial security system.

In 1982, President Ronald Reagan proposed a "New Federalism" as his effort to clarify inter-governmental responsibility for financial security. The heart of his proposal, endorsed by the National Governors Association, would have made the federal government responsible for financing supportive services for the elderly and for people with long term disabilities. State government would take responsibility for the financial commitment for non-disabled, low-income individuals–those eligible for short-term public assistance or welfare.

In 1990, under the direction of Senator Rockefeller the Pepper Commission made a similar recommendation for long term care financing on the premise that Americans' need for long term care was growing to the point where the Medicaid state/federal financing system could not survive very far into the 21st century. It would need to be replaced by an insurance system backed by national policy changes.

As a member of the U.S. Senate's Committee on Finance, I participated in both of these efforts. I am well aware of the politics of health and financial security policy and I am convinced that President Reagan and the National Governors Association were right in 1982, that the Democratic and Republican House and Senate leadership on the Pepper Commission were right in 1990, and that the many national long term care associations who make up CLTC are also right today. America needs to integrate long term care financing into its national financial security policy now and the best way to achieve this is through Social Security and Medicare reform.

Conclusion

While the usual skeptics will say that politics will not permit the long overdue discussion about long term care within the context of broader entitlement reform, it is important to note that there is a growing consensus amongst a broad array of interests about the need to act. Certainly defining the need for long term care financing reform, the pending crisis, or the common ground on moving from welfare to an insurance system need not involve partisan politics.

As the cornerstone programs for financial security for people with disabilities, the Medicare and Social Security reform debates will address the key issues in long term care financing: health and income security. Considerable resources in Social Security and Medicare are already helping to finance long term care. But 40 percent of the $137 billion spent on long term care annually is still flowing through a broken down federal-state Medicaid financing program, which is faltering miserably. It will sink even further or perhaps entirely under the weight of demographic demands within the next decade if changes are not made.

The combination of demographics and cost increases that are driving calls for Medicare, Medicaid, and Social Security modernization require we look for new solutions to address the future needs of people with disabilities and our aging population. We cannot expect our elected officials to undertake the bruising political battles associated with Medicare and Social Security reform only to have to address the same issues again several years later in the form of long term care financing reform. If Congress reforms Social Security and Medicare without addressing long term care financing, they will have missed a unique opportunity to fully address the health and financial security of society's most vulnerable members.

The important analysis we are releasing today represents the consensus of nearly every association with a stake in improving access to and quality of long term care services and supports in America. Despite the differences between the many associations, they share the belief that long term care financing must be reformed before the current situation becomes even more critical. To that end, they recognize the inherent reasonableness and rationality of integrating this issue within any entitlement reform discussion. We hope the work that CLTC has produced helps generate much needed interest and understanding in this regard. I thank you for the opportunity to testify, and will be happy to answer any questions you may have.