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Statement Before the
Special Committee on Aging
United States Senate

Hearing on Long-Term Care Financing: Blueprints for Reform
June 20, 2002

Senators Breaux, Craig, and other members of the Committee, thank you for calling this hearing on long-term care and the elements that should make up a blueprint for reform.

I will not spend much of my time outlining the problem, as that can be done well by others. As I know from previous experience, the hard part is putting forth a solution – not a magic bullet – but a real and workable approach to attack the issue of long-term care coverage.

While we in Congress deliberate over fiscally irresponsible tax cuts for the next decade, Americans throughout the country are sorting through the really difficult choices. Choices like whether and when to sell homes, raid savings and retirement accounts, or slip below the poverty line to qualify for government help to meet desperate long-term care needs. Exhausting personal resources then precludes a return to the community, even when physical conditions allow it. States are struggling with the deleterious mandate that they sell-off the property of Medicaid beneficiaries.

Government coverage for nursing home care operates primarily -- and most substantially -- through the Medicaid program, the safety net for the poor. Despite what many Americans believe or hope, Medicare is not designed or financed to cover long-term care needs. Medicare is, in fact, the universal health care program for the elderly, which covers all health care needs, save prescription drugs and long-term care.

Accessing the Medicaid program, by definition, requires impoverishment. We also have serious issues with quality. And we are faced with a system which encourages care in an institution rather than in the home.

Today, I plan to introduce a targeted long-term care package – a first step in the direction of long-term care reform. This first step is about protecting assets, expanding home care, and modestly expanding Medicare to address the need for adult day health care.

It's been more than a decade since the Bipartisan Commission on Comprehensive Health Care, known as the Pepper Commission, sent its "Call to Action" to Congress. Bipartisan Commission recommendations became the basis for the Long Term Care Family Security Act -- it embodied three basic ideas.

Home and community-based care should be available and affordable. Those who need nursing home care for short periods would have their resources preserved intact to return home.

And no one should have to fear impoverishment if they must end their lives in a nursing home. Woven throughout the recommendations is the requirement that people would contribute to the costs of care, subject to their ability to pay.

I want to briefly talk about each of these ideas, describe why more needs to be done, and offer a first step that can and should be taken.

First, a strong home care benefit was included in the Pepper Commission recommendations, because people who need long-term care want to stay at home. It's just that simple. Individuals with three or more impairments would be eligible for home care services. This expansion did not cap the hours of service but did include individual budgets. The trick is to encourage informal caregiving rather than displace it, and researchers believe that a strong home care benefit would bolster such care.

Today, the home care benefit offers skilled care and possibly home health aides on a part-time or intermittent basis. Beneficiaries also must be confined to the home, despite the fact that many could leave the home with assistance. Twenty-four hour care is not covered, nor is personal care, if that's the only care a person needs. We can do better.

A first step to improve home care, in my view, is a modernization of the benefit which allows for increased mobility out of the home. Let us not forget that the next step must be to change the home care benefit fundamentally to allow those in need to remain in the home and to fix the bias towards institutionalizing the elderly.

Second, Commission Members recommended coverage of short stays in nursing homes regardless of income. Most people who enter nursing homes return home, and public insurance for a three month stay provides the protection to do so. At present, nursing home residents with any savings simply do not qualify for Medicaid-financed nursing home care. Under certain limited conditions, Medicare will pay some nursing home costs for Medicare beneficiaries who require skilled nursing or rehabilitation services.

We can begin to provide options to nursing home care under the Medicare benefit, such as the payment for adult day health care. Doing so would provide a measure of respite and will reduce the bias towards institutionalizing those who can -- with the right circumstances -- stay at home. The next step will be full coverage of a short-stay in a nursing home without the condition of poverty.

And third, the Pepper Commission recommended a measure of asset protection against nursing home care for the one in four Americans who will need to stay longer than three months. After all, nursing home care has the dubious distinction of wiping out the financial assets of many of those in need. Homes would be excluded from the asset test for eligibility and asset limits would be raised to $30,000 for individuals and $60,000 for couples, so that almost all the elderly will have their life savings protected.

The goal of asset protection, as presented by the Pepper Commission, sounds strikingly similar to recent efforts to abolish the tax on wealth. Indeed, long-term care financing remains the last bastion of taxes on estates -- not huge million dollar estates, but the savings of average Americans.

Giving states relief from the mandate that they must pursue and sell-off the estates of Medicaid beneficiaries is another first step. In the short-term, we can provide states with the option of whether or not to do so. In the future, we must address the spending down to poverty.

Are the Commissions' recommendations relevant today? The numbers show that they are more relevant today then they were a decade ago. Compared to the early 90s, the population of Americans over age 65 increased by 12 percent. And most importantly, the number of those with the highest chance of needing long-term care -- those 85 years and older -- has also increased since 1990. People are living longer. More elderly live alone today. And more and more women – the natural caregivers – are working outside of the home. We all know that baby boomers will soon reach age 65, but they are dealing with their parents long-term care troubles now. The average cost of a month in a nursing home has gone from $2,500 a month in 1990 to $4,600 a month today. Clearly, more needs to be done, not less.

There are few issues that are as challenging as providing a solution for the long-term care problem. I learned this lesson from chairing the Pepper Commission. The recommendations received significant bipartisan support but died in Congress. Later, recession led to a debate about how to provide health care coverage to millions of uninsured Americans. Today, the rising cost of prescription drugs -- and the fact that everyone needs medications -- calls out for prescription drug coverage.

The former staff director for the Pepper Commission has said, "On offense long-term care is a weak political issue; on defense, it's a powerhouse." If true reform is to be done, which it absolutely needs to be, we need to design a better offense. Reforming the long-term care system must return to the agenda. The needs are just too great.

I'll close with a final thought. A long-term fix cannot be done without Government. We cannot ignore that Government is already involved. We need the Federal dollar, and we need Federal leadership. The Pepper Commission concluded that federal action is essential to change the nation's fundamentally flawed approach to long-term care financing.

As we wrote in the "Call to Action," all Americans would benefit from a new public program, for it provides everyone peace of mind in the face of long-term care needs. I thank you for the opportunity to testify, and I pledge to work with you to find real, workable solutions.

Demographic Changes and Increases Since the Pepper Commission Recommendations

Beneficiaries & Their Caregivers	1990	2000	Percent Change
Persons age 65 or older[1]	31.2 million	35 million	12% increase
Persons age 85 or older[1]	3.1 million	4.2 million	38% increase
Persons living alone[2]	22.9 million	26.7 million	17% increase
Percent of females in the labor force[3]	57.5%	60.2%	4.7% increase

Costs	1990	2000	Percent Change
Total annual US expenditures in nursing home care[4]	$52.7 billion	$90.0 billion[5]	70.7% increase
Total out of pocket payments for nursing home care[4]	$19.7 billion	$23.9 billion[5]	21.3% increase
Average cost of one month of nursing home care	$2,500	$4,600[6]	84% increase

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[1]US Census Bureau, Census 2000 Summary File 1: 1990 Census Population, *General Population Characteristics,* United States, (1990, CP-1-1)

[2] US Census Bureau, Current Population Reports, Series P20-537, "American Families and Living Arrangements" March 2000 and earlier reports.

[3]Bureau of Labor Statistics, "Employment Status of the Civilian Noninstitutionalized Population 16 Years and Older by Sex, 1970 to Date." Annual Averages- Household Data.

[4] National Center for Health Statistics, Health, United States, 2001 with Urban and Rural Health Chartbook. GPO 017-022-01509-9. September 2001.

[5]1999 Estimate

[6]American Association of Retired Persons, *The Costs of Long-Term Care: Public Perceptions Versus Reality*, 2001.