

Office of the Assistant Secretary of Planning and Evaluation: Long-Term Care Reverse Mortgage

This project features the development of special reverse mortgages for persons likely to need long-term care within a year. The mortgages will be cheaper than those on the market today and targeted at home values of \$175,000 and less.

Lead Agency:

Office of the Assistant Secretary of Planning and Evaluation
U.S. Department of Health and Human Services

Agency Mission:

The Assistant Secretary for Planning and Evaluation advises the Secretary of the Department of Health and Human Services on policy development in health, disability and aging, human services, and science and data policy, and provides advice and analysis on economic policy. The Office of the Assistant Secretary for Planning and Evaluation (OASPE) leads special initiatives, coordinates the Department's evaluation, research and demonstration activities, and manages cross-Department planning activities such as strategic planning, legislative planning and review of regulations. Integral to this role, OASPE conducts research and evaluation studies, develops policy analyses, and estimates the cost and benefits of policy alternatives under consideration by the Department or Congress.

Principal Investigator:

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Partner Agency:

U.S. Administration on Aging
U.S. Department of Housing and Urban Development

General Description:

Long-Term Care Reverse Mortgage

As the population ages and more and more people need long-term care, it is critical to understand the potential of different financing options. Reverse equity mortgages have been around for some time, but they have yet to play a significant role in financing long-term care. Home equity is considered an asset for Medicaid eligibility, and states have

begun to explore helping older adults tap into this equity in order finance long-term care while remaining at home.

This project will investigate the potential for reverse equity mortgages to assume a greater role in financing long-term care in three states: Minnesota, New Jersey, and Georgia. The Office of the Assistant Secretary for Planning and Evaluation, in conjunction with the U.S. Department of Housing and Urban Development, the U.S. Administration on Aging, and state leaders is developing special reverse mortgages structured specifically for use by persons likely to need long-term care within a year's time. These reverse mortgages will be less expensive than current products and be targeted at home values of \$175,000.

Before expanding such reverse mortgages to a larger number of states, it is critical to understand whether consumers are interested in such arrangements, and how effective this financial tool is at keeping elders in the community. Staff from the aging networks will serve as reverse mortgages counselors, and assist consumers in determining whether their situation is appropriate for a reverse mortgage. The reverse mortgages resources will then be used in combination with public case management and public services to serve older persons in their homes for as long as possible. The reverse mortgage funds have the flexibility to provide those services which are not otherwise available, and are expected to extend the time an individual can receive less-costly care in a setting they prefer—home.

Excellence: What makes this project exceptional?

This project is an exception in its use of an existing asset to finance long-term care. Many long-term care financing proposals require a new funding source while this one taps an existing source in a way that maximizes consumer direction. It also expands this potential funding source to people with lower home equity who are more likely to utilize costly Medicaid services.

Significance: How is this research relevant to older persons, populations and/or an aging society?

This project is significant because it features the conversion of previously unavailable (for most homeowners) assets for the purpose of financing long-term care. Many older persons want to remain in their homes but have no way to pay for the care they require. This project has the potential to release billions of dollars for long-term care financing while facilitating continued residence at home. Without this project these resources are unlikely to be converted for this purpose, particularly given the high cost of existing reverse mortgages and a mortgage structure that does not favor frail older persons.

Effectiveness: What is the impact and/or application of this research to older persons?

This project has the potential for immediate effectiveness upon completion because it includes a financing approach that has been demonstrated in three states. Other states can

readily replicate the approach and thereby expand this option to a large number of vulnerable elders in need of long-term care.

Innovativeness: Why is this research exciting or newsworthy?

This project is innovative in its use of an existing asset to financing consumer directed care in a new way. Budget constraints will limit the ability of Medicaid to fund all of the long-term care that the baby boomers will need. This research supports another financing option that facilitates the ability of older adults to purchase their own care, remain in their own homes while making use of public services when appropriate.