

Testimony of Judy Feder, Ph.D.

Before the

Special Committee on Aging, U.S. Senate

On

**The Future of Long-Term Care Policy: Continuing the
Conversation**

December 18, 2013

Judy Feder is a professor at the Georgetown University McCourt School of Public Policy and an Urban Institute Fellow. During the summer of 2013, she served as a member of the Congressional Commission on Long-term Care. This testimony, a commentary on her service, was posted on the Urban Institute's Metrotrends blog, <http://blog.metrotrends.org/2013/10/long-term-services-supports-path/>

The blogpost was co-authored with four other commissioners (Laphonza Butler, Henry Claypool, Judith Stein, and Lynnae Rutledge) who joined her in offering the alternative report that is submitted with this testimony and available at <http://mspp.georgetown.edu/document/1242802199302/LTCC+Alternative+Report+09.23.13.pdf>

The views expressed are those of the author and should not be attributed to Georgetown University or the Urban Institute, its trustees, or its funders.

Chairman Nelson, Ranking Member Collins and members of the committee, I am pleased to testify before you today on a path forward for long-term services and supports. I have spent my career examining the challenges to assuring affordable health and long-term care services to people who need them—most recently as a member of the Congressional Commission on Long-term Care. And I can tell you, there is much work to be done. Although policymakers are grappling with the challenges of assuring Americans affordable access to quality health care, they have yet to seriously tackle the equally important issue of long-term services and supports.

Despite the continued political battle, even critics of the Affordable Care Act recognize the need for insurance to assure access to health care and protection against financial catastrophe. But there's much less acceptance of the need for insurance when it comes to another health-related risk, one for which virtually all Americans are uninsured: the risk of needing expensive, extensive help with basic daily tasks—like dressing, bathing, or eating—generally referred to as Long-Term Services and Supports (LTSS). On the financing that is critical to building an effecting long-term care system, the recently concluded Long-term Care Commission stopped short of recommendations. But five of us commissioners felt compelled to step up, with an alternative report explaining, as charged, why and how Congress should accomplish this goal. I request that you include the alternative report, submitted with my testimony, in the record.

About 12 million people have LTSS needs today, roughly 5 million of whom are under the age of 65. The vast majority of these individuals count on their families for help. But families can only do so much, and when people need paid care—whether at home, or in an assisted living facility or nursing home—its costs soon exceed most families' resources.

That's where insurance ought to kick in. But it doesn't.¹ Private health insurance does not cover LTSS. And few Americans have private LTSS insurance which typically costs a lot, offers limited value, and is subject to premium increases that can cause purchasers to lose coverage they've paid into for years. On the public side, Medicare—which older people and some younger people with disabilities rely on for health insurance—does not cover LTSS. The federal-state Medicaid program does serve as a valuable last resort for people who need LTSS, but its protections (especially home care) vary considerably from state to state and become available only when people are or have become impoverished taking care of themselves.

The absence of private or public LTSS insurance is a market and a policy failure. The need for extensive, expensive LTSS is precisely the kind of catastrophic, unpredictable, risk for which we typically rely on insurance to spread costs. These costs are obviously unpredictable for people under the age of 65, only two percent of whom need LTSS. But they're also unpredictable after age 65.² An estimated three in ten people aged 65 today are likely to die without needing any LTSS, while two in ten will likely need care for five or more years. And, in financial terms, half the people turning age 65 will have no private out-of-pocket spending for LTSS, while a small percentage are projected to spend hundreds of thousands of dollars out-of-pocket.

¹ Judy Feder and Harriet Komisar, "The Importance of Federal Financing to the Nation's Long-term Care Safety Net," Georgetown University, February 2012. http://www.thescanfoundation.org/sites/thescanfoundation.org/files/Georgetown_Importance_Federal_Financing_LT_C_2.pdf

²Peter Kemper, Harriet Komisar and Lisa Alexih, "Long-term Care Over an Uncertain Future: What Can Current Retirees Expect?" *Inquiry* 42: 335-350 (Winter 2005/2006). <http://alisprotect.com/UncertainFuture.pdf>

If, as is often claimed, we want people to be financially “prepared” to manage this unpredictable, catastrophic risk, we need to establish a reliable insurance mechanism, whether public or private, to which they can contribute. It’s easy for experts to agree on the need for a public-private partnership in establishing this mechanism. What’s hard is agreeing on precisely what role each sector should play.

To effectively spread risk and reach the broadest possible population, public social insurance must be at the core of future policy. Private insurance can play a complementary role, but even its proponents recognize that building future policy around a private market will, at best, leave eight in ten Americans uninsured. Public insurance can be designed in different ways. It can offer relatively comprehensive and defined benefits, like, or even through, Medicare; or it can offer basic or cash benefits in a new program. And it can be funded in different ways—in part through taxes, like a surcharge on the income tax, and in part, through savings from what Medicaid would otherwise have to spend. Regardless of its specifics, a public or social insurance program will protect all of us at risk and require all of us to contribute.

Public insurance will not eliminate personal or family responsibility. Rather it will make shouldering that responsibility manageable and affordable—through private insurance, private resources, and family care. And no social insurance mechanism is likely to eliminate the need for an adequate public safety net — whether within it or through a continued (albeit much smaller) Medicaid program.

The enactment and implementation of the ACA demonstrates that it will not be easy to enact public LTSS insurance. But let's not kid ourselves: without it, our policies will continue to fail people, young and old, now and in the future, who need care. Building an effective LTSS insurance system with public protection at its core is the only way to enable Americans to prepare for the risks we all face. Building it is our responsibility.