

## "Planning for Eldercare" November 14, 2007

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# The Problem with Government Long Term Care

### **Public Misconception Provides a False Sense of Security**

Surveys by organizations that support long term care planning, such as the AARP, consistently reveal that a majority of the American public thinks the government will provide long term care services when the time comes for needing those services.

A recent national survey by the AARP, of people 45 years and older, discloses that 59% of respondents think Medicare will pay for extended nursing home costs and 52% believe Medicare will cover assisted living costs. In reality, Medicare coverage for nursing homes is very short-term (the average is 27 days) and Medicare does not cover the cost of assisted living at all.

Another recent survey by America's Health Insurance Plans --AHIP -- also supports these findings. If we add on another 25% or 30% of respondents who simply don't know how their long term care costs will be covered or who erroneously believe they have insurance for long term care, about 80% of the American public is laboring under a false sense of security. These people think they are covered for long term care when they are not.

Cost-of-care reports released by the government also appear to support the myth that the government provides the bulk of care. Quoting a recent Government Accounting Office study for Congress:

"Presently, the majority of long term care services -- about 80 percent -- is paid for by governmental programs with private pay and long term care insurance making up the difference. In June 2007, according to the Centers for Medicare & Medicaid Services (CMS), which oversees nursing facility care, 65 percent of all nursing home residents relied on Medicaid and an additional 14 percent depended on Medicare for their care and services."

It is no wonder that the public is confused. How can some sources claim that government provides little long term care if the government itself claims payment for 80% of long term care costs? The answer lies in the fact that the majority of long term care services in this country are provided free of charge by family members, friends or volunteers.

In order to put things into perspective, the National Care Planning Council did a study that estimates the number of yearly hours provided for long term care by various private and government care providers. **The cost was left out. Based on this study, the National Care Planning Council estimates that only 16% of all long term care services are provided by the government.** The other 84% is provided free of charge or paid for out-of-pocket by private funds. And, the vast majority of these care hours are provided in the home or in assisted living and not in nursing care facilities.

Here is a table of the NCPC's findings. More details can be found on its website at

[www.longtermcarelink.net](http://www.longtermcarelink.net).

<b>Percent of Elderly One-on-One, Yearly Care Hours From Selected Care Systems</b>	
Medicare-Paid Hospice Care, One-on-One Hours	0.01%
Medicare-Paid Nursing Home, One-on-One Hours	1.0%
Other Nursing Home (VA, etc.) One-on-One Hours	1.2%
Insurance-Paid Nursing Home, One-on-One Hours	1.5%
Home Health Agency (Medicare), One-on-One Hours	2.0%
Medicaid-Paid Home and Community Waivers, One-on-One Hours	2.9%
Private Pay Nursing Home, One-on-One Hours	5.2%
Community Living With Care (Assisted Living), One-on-One Hours	5.8%
Medicaid-Paid Nursing Home, One-on-One Hours	9.1%
Home Care-(Private-Pay and Free) One-on-One Hours	71.3%
<b>Total Government-Paid, One-on-One Care Hours</b>	<b>16%</b>
<b>Total Free and Private-Pay Care, One-on-One Hours</b>	<b>84%</b>
<i>Courtesy of the National Care Planning Council -- <a href="http://www.longtermcarelink.net">www.longtermcarelink.net</a></i>	

Because many family caregivers are in the workplace and have difficulty providing help for loved ones, Americans should realize that planning for long term care is an important issue when planning for retirement. The government does not provide the amount of care the public thinks it does.

### **Government Programs Stifle Innovation and Limit Freedom of Choice**

Medicare and Medicaid contract directly with private providers who are certified to provide care on behalf of these agencies. These eldercare companies are reimbursed directly for the services they provide. Payments to providers from Medicare are based on performance of certain predetermined activities defined by Medicare. Each type of activity has a different reimbursement rate depending on the level of care required and the cost of care in the geographic area. Unlike Medicare, Medicaid typically provides an average per capita payment for each Medicaid recipient receiving long term care in a facility or in a community setting.

Both Medicare and Medicaid require evidence of certain services provided by doctors, nurses and aides and detailed logs of these completed services must be kept. Any services rendered by a Medicare or Medicaid approved provider that are not preauthorized by regulation are generally not covered.

There are a number of new models for nursing care and for community-based care that have proven successful in improving the health, functionality and mobility of long term care recipients. Unfortunately, these innovative efforts are typically not reimbursed by Medicare or Medicaid because they are not predetermined services. Because close to 80% of all nursing home residents rely on Medicare or Medicaid reimbursement for their care, certified providers are forced to offer the prescribed government services for all their residents. This high dependency on government funding means facilities must conform to government mandates or go out of business.

In turn, the reliance on government-mandated reimbursement essentially stifles any efforts to provide better and potentially more effective alternative care in nursing homes or in other community settings.

The rigid reimbursement model from Medicare and Medicaid also limits freedom of choice for care recipients. Government long term care beneficiaries must choose a government-certified provider for their care. Government programs also favor nursing home care over other settings such as assisted living or home care. There are reasons for this bias and we will discuss these limitations in a future article. However, the result of a nursing home bias is that care recipients generally have little choice but to receive their care in a nursing home.

Government program directors are aware of the shortcomings in the system and an effort is being made to improve delivery and offer more choice, but it appears to be moving glacially slow. The fault really lies with the reimbursement model for care services and that needs to be changed in order to encourage innovation and provide more choice in care settings. We will discuss this issue in our next article.