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Getting Going

Be Prepared: Government Funding For Nursing-Home Care May Be Cut

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A lengthy stay in a nursing home, especially for those relying on help from Medicaid, could become even more expensive under rules proposed to save the government health program money.

Medicaid, a joint federal and state program for the needy, pays almost half of the country's long-term-care bills. But the Bush administration's budget plan, now being addressed by Congress, proposes cutting the Medicaid budget, which is \$329 billion this year, by at least \$10 billion over five years.

A commission convened in May by the Department of Health and Human Services, which oversees Medicaid, last week came up with specific proposals for tightening Medicaid's use for long-term care. The same proposals were made in President Bush's budget plan and in recommendations by the National Governors Association.

"There's a political earthquake going on now with Medicaid and long-term care," says Stephen Moses, president of the Center for Long-Term Care Reform Inc. in Seattle. "In the future, Medicaid will no longer be a resource for middle- and upper-class people."

Part of the proposed cuts could come from tightening loopholes that let some older people qualify for aid by sheltering their assets. Patients generally are eligible for Medicaid to help pay for long-term care after using up all but \$2,000 of their cash and investments. They also get to keep their house and car. So, instead of spending the next generation's inheritance on long-term care, some parents transfer assets -- including, in some cases, their house -- to their kids before entering a nursing home. There are restrictions on the amount of time that must elapse between the asset transfer and Medicaid eligibility, but these are rather weak.

Under the proposals, however, state regulators would tighten these restrictions, counting as belonging to the patient any assets given away within five years of his applying for Medicaid. Such a change could save the government \$1.5 billion over five years, according

to the HHS commission report.

The proposed change could make it even tougher for older parents to leave their assets intact for their boomer children, while at the same time getting government help with long-term-care costs. Last year, the cost per patient for long-term care averaged \$72,240, including nursing homes, assisted-living facilities and home care, according to General Electric Co.'s Genworth Financial unit in Richmond, Va., a large long-term-care insurer.

Congress is also considering measures aimed at softening the blow. Separate bills being considered in the Senate and House propose expanding nationwide the so-called Partnership for Long-Term Care, a public-private long-term-care insurance program that's currently available in four states: California, Connecticut, Indiana and New York.

Under the partnership program, a person buys a private long-term-care policy that has been approved by state officials. If the person later enters long-term care and exhausts the private policy's coverage, he can still apply for Medicaid to help cover any additional costs. The benefit from the partnership program is that it sets a higher floor for how much the patient can keep as personal assets and still be eligible for Medicaid. That floor is equal to the amount of coverage the patient purchased in their private policy. For example, a policy worth \$50,000, when used up, would allow that patient to retain \$50,000 in personal assets, plus his house and car, and still qualify for Medicaid coverage.

The partnership program won't solve the larger problem of how long-term care is financed, with many older people already too poor to buy coverage, or too sick to get it. But for someone who is middle-age or part of the middle class, a long-term-care policy with a government guarantee not to wind up penniless might be worth a look. In the states with these programs, the long-term-care insurance market grew 23% faster from 1993 (when the programs were started) to 2001 than in states without them, says Mark Meiners, a health policy professor at George Mason University in Fairfax, Va., who helped develop the partnership program. So far, of the 180,000 policies purchased since 1992, only 89 have been exhausted, a recent study found.

Unfortunately, the sticker shock can be just as bad with partnership-approved policies as with traditional long-term-care insurance, for which premiums average about \$1,000 a year for three to six years of care for a 55-year-old married person. The price goes up as a person ages, and adding extras -- such as inflation protection -- can push the price higher still.

But there's still a way to cut costs with partnership-sponsored insurance. Because the policies allow a person to know upfront how much of his own savings he would get to keep, it's less risky to buy a shorter-term, and consequently cheaper, policy -- maybe two to three years' worth of coverage, versus lifetime benefits. If a person could afford premiums for, say, only a year's worth of coverage, he probably has fewer assets to protect anyway, Mr. Meiners says.

There's no assurance that Congress will agree in the current session on the details of

Medicaid cuts, or to expand the long-term-care-insurance program. Even so, the intensifying focus on Medicaid's costs should be a red flag to anyone counting on government aid for long-term care.

Jonathan Clements is on vacation.

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