

Long Term and Post-Acute Care Financing Reform Proposal Highlights

Overview

As the first baby boomer turns 65, the cost of long term care (LTC) and post-acute care continues to increase dramatically. Age-related health issues (i.e., hip replacements and heart bypass surgeries), coupled with the need for long term care, will create enormous financial pressure on both federal and state budgets. Without a viable solution, the system will bankrupt itself.

The current system lacks a robust market for private financing that could replace this public funding. It also provides few incentives for individuals to plan for their future LTC costs. This looming financing crisis is coupled with a complex care system: This system lacks a single, unified method for maximizing patient preferences and program value by ensuring that patients are treated in the most clinically appropriate, high quality setting.

The Solution: A New Model for Financing and Delivery

Three of the leading organizations representing LTC providers -- the Alliance for Quality Nursing Home Care (the Alliance), the American Health Care Association (AHCA), and the National Center for Assisted Living (NCAL) -- have developed a workable, relevant policy proposal that meet the needs of patients *and* addresses the threatening financing crisis. The Alliance, AHCA and NCAL propose a new model for both financing and delivering of long term care and post-acute care that is sustainable, patient-centered, and cost-effective. The proposal replaces the current patchwork financing with a voluntary federal system. It also increases private LTC financing, and streamlines the post-acute care and long term care delivery systems.

The LTC proposal will provide new incentives for individuals to save and plan for future long term care expenses by providing federal financing for catastrophic long term care coverage for those individuals who make a significant personal planning commitment to their future long term care costs. It will create a unified post-acute care and long term care benefit for aged dual eligible beneficiaries (those 65 or older). It will also reform and rationalize Medicare's post-acute care benefits, to create a site-neutral payment system across all post-acute care providers.

Highlights of Proposal:

- **A New Federal Catastrophic LTC Program**
The proposal provides for a catastrophic LTC program for Medicare-eligible individuals age 65 or older who, upon eligibility for Medicare or earlier, have certified the arrangement of private LTC financing through pre-approved, federally-

endorsed LTC financing vehicles.

- **Individual Contributions for LTC Program**

In order to participate in the new federal LTC program, individuals will be required to finance \$100,000 of LTC (in 2007 dollars) – but this amount will be adjusted on a sliding-scale basis according to beneficiaries' income. Low-income individuals will be exempt from the private financing obligation.

- **Benefits Under the Proposal**

Individuals will qualify for federal benefits by either meeting their private financing obligation or being certified as low-income and by having a need for long term care. Benefits will include:

- 1) Cash benefits to pay for community-based services
- 2) Skilled nursing facility (SNF) or assisted living facility (ALF) services
- 3) Enrollment in a Medicare Advantage plan that provides the LTC benefit and arranges for services

A narrower set of benefit options will be available to those who do not participate in the program.

- **New Financial Products**

New financial products – including improved reverse mortgages; federally-endorsed LTC insurance products with a nationally uniform regulatory structure; and new LTC savings accounts – will help individuals plan for future LTC costs and meet their private financing obligation.

- **Consumer Education Campaigns**

HHS will also conduct far sweeping education and media campaigns to promote both the new federal LTC program and its personal responsibility component. The Secretary of Health and Human Services, the Social Security Administration, state Medicaid programs and other government agencies will coordinate these campaigns.

- **Federal Government Compensated by States**

States will make payments to the federal government for the costs of LTC services. The amount of each state's payment will approximately equal its own expenditures if it were to continue to pay for LTC through Medicaid on behalf of dual eligibles.

- **New Patient Assessment Tools**

A post-acute care patient assessment tool will replace, over time, the existing site-specific tools and will assist in determining patient placement, care plan development, continued stay and discharge decision-making, development of quality indicators, and payment calculation.

- **New Medicare Post-Acute Payment System**

CMS will implement a new Medicare post-acute payment system based primarily on the condition, needs and characteristics of the patient, in a post-acute care setting of his/her choice.

