



Center for Health Policy
Research and Ethics

Medicare/Medicaid Intergration Program

The Interaction of Medicaid and the Long-Term Care Insurance Market: A Commentary

Mark R. Meiners, Ph.D.

George Mason University

Center for Health Policy, Research & Ethics

American Enterprise Institute for Public Policy Research Seminar,
Washington D.C., February 17, 2005

Behavioral Modeling Questions

- Is Medicaid an appealing alternative to private resources?
- Do people with limited resources divest more often than high income people?
- Are insurance products appealing to those with limited resources?
- Will more Medicaid increase taxes?

Key Points and Insights

- Medicaid benefit package is limited, variable, and unreliable
- Nonetheless, Medicaid crowds out LTC insurance unlike with other “very limited” public insurance programs (p.9)

Key Points and Insights

- Medicaid benefit provides catastrophic LTC protection and serves as an alternative to private LTC insurance; limiting demand
- Medicaid overlap with LTC insurance is a “implicit” self tax

Key modeling results

- Medicaid's implicit tax raises the "net load" / price of LTC insurance
- Modeling consistent with market evidence, e.g. Effect is higher on lower resource end of the market and balances gross load disparities between men and women

Key Study Conclusions

- **State and Federal market demand stimulants won't work (But Partnership insurance incentive increases willingness to pay by 30 percent!)**
- **Must reduce Medicaid's implicit tax to stimulate private market**

Long Term Care Financing Sources

- Medicare.
- Medicaid.
- State and other programs.
- Out-of-pocket expenditure.
- Private insurance.

Partnership for Long-Term Care

- Merge private insurance with Medicaid.
- Require high-quality insurance products.
- Encourage short-term comprehensive coverage.
- Alter Medicaid eligibility rules as incentive (asset protection).
- Four States operational (CA., CT., IN., NY)

Partnership Features

- **Inflation Protected Quality**
- **Balance cost/quality trade-off**
- **Consumer education campaigns.**
- **Uniform reporting for insurers.**
- **Asset Protection models:**
 - Dollar for dollar
 - Total assets
 - Combo of these

Asset Protection Incentive - \$dollar-for-dollar\$

Assets Insurance Spend-down Protection

\$100k	\$100k	none	\$100k
\$200k	\$150k	\$50k	\$150k
\$500k	\$300k	\$200k	\$300k

Arguments for Long Term Care Insurance Partnership

- **Efficient subsidy.**
- **Helps avoid Medicaid gaming.**
- **Helps avoid impoverishment.**
- **Improves important working relationships.**
- **Improves consumer confidence.**
- **Mitigates means testing concerns.**

Simple Messages

- Partnership increases the value and decreases the cost.
- Partnership doubles the size of the potential market.
- Provides a straight-forward criteria for helping consumers purchase protection.

OBRA 1993

- Initial language grandfathered but forbid replication.
- Amended language incorporated in estate recovery provisions.
- Language requires:
 - Estate recovery for partnership participants
 - Required definition of “Estate”

Long Term Care Financing Reform Options—Overview

- Social Insurance – e.g., Medicare expansion.
- Means tested – e.g., Medicaid improvements.
- Public-private partnership – e.g., private financing options linked with public program reforms.