II. FOUNDATION RESPONSE

Supporting States' Efforts To Provide Long-Term Care Insurance

by Stephen A. Somers and Jeffrey C. Merrill

The Robert Wood Johnson (RWJ) Foundation's Program to Promote Long-Term Care Insurance has helped raise fundamental questions about how long-term care should be financed in this country. In so doing, it has generated and benefited from formal critiques, such as the recent review by the General Accounting Office (GAO).[1] The foundation began the program in 1987, based on the belief that neither the public nor private sector alone can provide older persons with affordable and comprehensive insurance against the potentially catastrophic costs of chronic care. As Nelda McCall and her colleagues outlined above, eight states received RWJ planning grants; to date, two of those states—Connecticut and New York—have received multimillion dollar implementation grants to develop state-level partnerships with private insurers. These partnerships have generally taken the form of front-end private insurance coverage with back-end or wraparound public coverage through Medicaid.

The foundation's goals at the outset were multiple: (1) to demonstrate that public/private partnerships for financing long-term care were both feasible and necessary; (2) to design state initiatives building on states' existing roles with regard to Medicaid and private insurance (in part, because the federal government would not be in a fiscal position to underwrite a new social insurance program in the foreseeable future); (3) to give older Americans the opportunity to protect themselves against the "pauperization" currently required to become eligible for Medicaid; (4) to prevent states from being the passive victims of the often preventable spend-down process wherein Medicaid has little control over the nature and cost of services recipients use before becoming eligible; and (5) to improve the inadequate knowledge base about the costs of long-term care, how to create a partnership to share the cost burden, and how to construct a case management and home and community-based service infrastructure—all, perhaps, in preparation for a future national program.

The level of information about long-term care financing has risen greatly since the program started in 1987. The Brookings Institution published *Who Will Pay?*; Congress produced the Pepper Commission reports; and countless other analyses have surfaced, including some cited in the GAO report.[2] But, the debate remains highly polarized, and we

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still know little about how to respond to the crisis of long-term care financing.

The knowledge we do have is largely derived from demonstration programs that have become part of the long-term care landscape (for example, channeling, social health maintenance organizations, and On Lok). The RWJ Program to Promote Long-Term Care Insurance, while often portrayed as something more definitive, is also a demonstration program intended to increase the knowledge base, not necessarily to find the ultimate answers. As such, without even entering an implementation phase, it has made important contributions. Efforts to design a private/public insurance product have yielded useful findings on benefit structures, pricing, service use, and costs, and they have pointed to the need for far more information for consumers, insurers, and the public sector alike. Most important, these efforts have shown that the public and private sectors *can* work together to address a major social problem.

The GAO report acknowledges the underlying value of these inquiries but raises questions about the program's capacity to protect consumers from unworthy private insurance products or to control Medicaid costs over the long run. While we understand these concerns, we note that the purpose of demonstrations is to address and test just such issues. In doing so, it could help determine whether this approach is feasible and, if so, how it might be altered to overcome the kinds of problems GAO raises.

Consumer protection. Consumer protection has always been a high priority of the RWJ program; National Association of Insurance Commissioners (NAIC) standards were always considered, at a minimum, to be the starting point. More recently expressed congressional concern about this aspect of the demonstrations, coupled with the states' own recognition of the need to protect their citizens, have raised the projects' standards well beyond those proffered by NAIC. Indeed, had GAO had the opportunity to conduct its analysis further into the projects' designs, it would have found that the RWJ sites will help establish new, higher standards for consumer information and counseling, regulation of insurance underwriting practices and loss ratios, and overall consumer protection.

Medicaid costs. Unfortunately, given the poor quality of most available long-term care data, the argument can almost be reduced to "your simulation model against mine." One deficiency of the GAO report, as well as many other national analyses of these issues, is use of aggregate data to reach generalized conclusions. In contrast, the foundation's projects are using state-specific data to assess the potential cost of state-specific product designs. The project directors have had to convince state decisionmakers—both executive and legislative—to enter into these

partnerships with private insurers at the risk of increasing their own Medicaid costs should the wrong people buy the protection or should insurers be unable to honor their commitments. Yet, despite these risks, the states are convinced that their proposed programs would reduce Medicaid expenditures or, at worst, be cost-neutral. If these states, which are directly vulnerable, have this kind of confidence in their estimates, we should give as much credence to them as to the assortment of studies drawing upon less relevant, nationally aggregated data, particularly when it comes to assessing the viability of state-specific demonstration programs.

Conclusion

The state partnership products are sharpened by the concerns of their own constituents and the critiques leveled at them, whether by GAO or others. In response to questions about affordability, states have designed products that will enable a sizable proportion of their elderly citizens to afford insurance to protect them from both impoverishment and abusive insurance practices, while avoiding or delaying Medicaid expenditures. In response to criticisms about risking Medicaid budgets to protect the assets of the rich (a criticism that applies to just one of the eight states' designs), they have opted to limit the number of policies sold or the amount of assets that can be protected during the demonstration period.

These critiques and the resulting refinements are intrinsic to the design phase of any innovation, particularly one as complex as this program. These are demonstrations, not necessarily permanent programs, and should be viewed as such. At a time when there is little more than hope and rhetoric surrounding a fully public solution, such demonstrations can help us learn about what is feasible and develop the necessary service infrastructure, regardless of the ultimate approach we choose.

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NOTES

1. U.S. General Accounting Office, *Long-Term Care Insurance: Proposals to Link Private Insurance and Medicaid Need Close Scrutiny*, GAO/HRD-90-154 (Washington, D.C.: U.S. GAO, September 1990).
2. A.M. Rivlin and J.M. Weiner, *Caring for the Disabled Elderly: Who Will Pay?* (Washington, D.C.: The Brookings Institution, 1988); and U.S. Bipartisan Commission on Comprehensive Health Care (Pepper Commission), *A Call for Action* (Washington, D.C.: U.S. Government Printing Office, September 1990).