

**Testimony of Alice M. Rivlin\***

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**U.S. House of Representatives Committee on Energy and Commerce  
Subcommittee on Health Hearing: *Examining the Financing and Delivery of Long-Term Care in the U.S.*  
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Chairman Pitts, Ranking Member Green: I am happy to be back before this Subcommittee, which is never afraid to take on complex issues of great importance to millions of Americans. I have worked on long-term services and supports (LTSS) for a long time and have recently had the privilege of co-chairing the Long-Term Care Initiative at the Bipartisan Policy Center (along with former Senators Bill Frist and Tom Daschle and former Governor and Secretary of Health and Human Services, Tommy Thompson). Our February 2016 report, [\*Initial Recommendations to Improve the Financing of Long-Term Care\*](#), appended to my testimony, outlines a set of doable, practical changes in both public and private programs that could improve the availability and affordability of long-term services and supports.

I don't need to remind this committee that Americans are living longer, and many of us will need help with the ordinary activities of daily living and suffer cognitive impairments that make it dangerous for us to cope alone. The number of people needing LTSS is rising and expected to double in the next 35 years or so.

Responsibility for LTSS is shared among seniors and people with disabilities themselves, family, friends, and volunteer care-givers; communities, state, and federal government. This shared-responsibility system is severely stressed, and will become increasingly unable to cope as the numbers needing care increase. Growing burdens fall on families, often daughters and daughters-in-law, who must manage daily conflicts between earning a living, caring for children, and meeting the needs of elderly or disabled relatives. Growth in Medicaid, the largest payer of long-term services and supports at about \$123 billion per year, stresses state and federal budgets as spending for older Americans and individuals with disabilities competes with budgets for education and other investments in young people.

Many efforts to find a comprehensive solution to long-term care financing have failed—evidenced by passage and subsequent repeal of the Community Living Assistance Services and Supports (CLASS) Act and failure of the federal Long-term Care Commission to reach consensus on financing recommendations. Recently, however, a growing consensus has emerged around a set of incremental steps, which, if taken together could greatly improve the availability and affordability of long-term services and supports to America's most vulnerable populations and take some of the burden off families and Medicaid in a fiscally responsible way. In recent weeks, The Bipartisan Policy Center and The Long-term Care Collaborative have offered similar sets of recommendations, as has LeadingAge, a key provider association.

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\* The views expressed in this statement are my own and do not necessarily reflect those of staff members, officers, or trustees of the Brookings Institution or The Bipartisan Policy Center.

While policymakers failed to agree on big legislative solutions, amazing progress has been made at the community level in finding new ways of keeping older Americans and people with disabilities out of institutions and in the community where they are happier and less isolated and can be served more effectively and cheaper. There has been an explosion of assisted living facilities, continuing care communities, senior villages, senior centers, senior daycare, and use of home health aides of various sorts. Growth in home and community-based services (HCBS) has been rapid, while the population served by traditional nursing homes has been virtually flat. Medicaid, with the support of both parties in Congress, has moved to increase the availability of home and community-based services.

The group working on the Bipartisan Policy Center's Long-Term Care Initiative addressed the question: Is there a set of practical policies that could command bipartisan support that would improve the care of older Americans with disabilities, take significant pressure off families and Medicaid, and not break the bank? We came up with four proposals.

**Make private long-term care insurance more affordable and available.** Long term care ought to be an insurable risk. If more people bought Long-Term Care Insurance (LTCI) in their earning years, there would be less pressure on their savings and family resources and Medicaid when they became disabled. But both demand and supply of LTCI are weak and falling. Potential customers are reluctant to buy because it is costly and the need seems remote and hard to think about. Carriers find it difficult to price a product that will be used far in the future and fear losing money if customers live and use services for a long time. Many insurance companies have stopped offering LTCI.

Our report recommends developing a new type of private insurance product: "retirement long-term care insurance," which would cover long-term care for a limited period (2-4 years) after a substantial deductible or waiting period and would have coinsurance. The insurance would provide inflation protection, which helps to ensure benefits keep pace with the rising costs of care, and a non-forfeiture benefit, which allows lapsed policyholders to access a limited benefit. Employers would be encouraged to offer such policies as a default option as part of a retirement plan. These policies, if offered through employers and public and private insurance exchanges, could cut premiums in half according estimates done by Milliman, LLC, for the Bipartisan Policy Center and other organizations. Penalty-free withdrawals would be allowed from retirement plans, such as 401(k) plans and IRAs, beginning at age 45, exclusively for the purchase of retirement LTCI.

**Design a federal long-term care insurance option for those with catastrophic costs.** Part of the reluctance of carriers to offer LTCI relates to the difficulty of predicting costs far in the future and the fact that a few policy holders may have extremely high costs for a very long time. A public program, covering truly catastrophic long-term care spending, could overcome this reluctance and reduce the cost of private LTCI. Catastrophic insurance, combined with retirement LTCI from the private market, could substantially relieve families and Medicaid. The cost of this program should be fully offset so as not to add to the deficit.

**Streamline Medicaid home and community-based care options to encourage more effective care in lower-cost settings.** While Congress has been proactive in encouraging state Medicaid programs to shift care settings from institutions to home and community-based care, states continue to face a daunting federal waiver process and multiple state options. Securing waivers requires complex negotiations between states and the federal government, and each of the existing state options have disincentives.

Home and community-based options should be simplified into a single streamlined state plan amendment process.

**Ensure that working people with disabilities in need of long-term services and supports do not lose access to their long-term services and supports as earnings increase.** Individuals with modest employment incomes risk losing access to services that permit them to remain on the job. Existing Medicaid “buy-in” programs are often costly. Building on the “Achieving a Better Life Experience,” or “ABLE” Act, states could be given the option to offer a lower-cost, Medicaid buy-in for long-term services and supports designed to “wrap around” private health insurance or Medicare. Under this option, working individuals with disabilities would pay an income-related, sliding-scale premium.

Mr. Chairman and members of the Committee, thank you again for the opportunity to share my thoughts on this issue. It is one of America’s big challenges, but it’s an even bigger opportunity for a constructive bipartisan policy process. I look forward to continued dialogue and will keep you apprised of forthcoming recommendations by BPC’s Long-Term Care Initiative in 2016 and 2017.