LONG-TERM CARE INSURANCE:

Public- and Private-Sector Responses

By Herbert P. Weiss, M.A., N.H.A.

Over 20 years ago, on July 30, 1965, President Lyndon Johnson signed legislation to enact Title 18 of the Social Security Amendments of 1965. This legislation, known as Medicare, provided financing for a large portion of both hospital and physician expenses for those over 65. The elderly were now protected from fiscal bankruptcy due to acute illness.

Today, however, more and more long-term care services are needed by an older population with increased chronic disabilities; such services are not covered by Medicare. This lack of coverage and the resulting drain on the elderly's budget can clearly be seen in the results of a 1986 study financed by the National Center for Health Service Research. In this study, "it was found that 42% of the elderly's total out-of-pocket expenses are for nursing home care and that for those aged who spent more than $2,000 out-of-pocket, 81% of their additional expenses were for nursing home care" (Statement of the Health Insurance Association of America 1986).

Both the Reagan administration and Congress are acutely aware of the issue of financing long-term care. But public policymakers find themselves in a "Catch-22" situation. They see an increasing Medicaid enrollment that will exponentially increase their limited budget, but recognize the importance of promoting access to needed nursing home care. Currently, long-term care insurance purchased through the private sector is being seen as a way to protect both the financial stability of the elderly and state Medicaid budgets.

President Ronald Reagan placed the issue of catastrophic insurance on the administration's policy agenda during his February 1986 State of the Union address. In his speech, he directed Otis Bowen, M.D., secretary of the Department of Health and Human Services, to recommend ways of providing affordable long-term care insurance to the elderly, whose life savings would be threatened by catastrophic illness.

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Committee Recommendations

In response, Secretary Bowen formed the Private/Public Sector Advisory Committee on Catastrophic Illness, composed of representatives of Congress, consumer groups, third-party payers, and provider associations. On August 19, 1986, the committee presented its recommendations to Secretary Bowen. In the area of catastrophic long-term health care expenses, the committee's report noted that the following options deserved careful consideration: educating the public about long-term care protection, with state and local governments taking a major role in this education; encouraging the development of private insurance policies for long-term care at skilled- and intermediate-care facilities; promoting tax-preferential IRAs and other savings arrangements to stimulate the purchase of long-term care insurance; improving data on the cost and utilization of long-term care services; encouraging practical research and demonstration projects; removing legislative barriers preventing employers from providing long-term care insurance; and expanding the scope of skilled-nursing and home health services under Medicare to include a broader range of nursing and other health services (Report to the Secretary of Health and Human Services 1986). The report made one point very clear, however—Bowen's committee was not willing to propose massive changes to the current method of financing long-term care.

Congressional Efforts

Congress, in its efforts to find a viable way to finance long-term care, established a task force to study the issue and introduced related legislation. In April of 1986, under Section 9601 of the Consolidated Omnibus Budget Reconciliation Act of 1985, the Task Force on Long-Term Health Care Policies was created to evaluate current issues relating to private long-term care insurance. The task force report and its recommendations will be released in October of 1987 to Secretary Bowen, the Committee on Energy and Commerce of the House of Representatives, and the Committee on Labor and Human Resources of the Senate.

Many bills were introduced during the 99th Congress (1985–86)

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to provide the elderly with assistance in financing long-term care, or to promote dialogue on the subject. These bills offered such options as home equity conversion; medical-expense deductions; special tax credits, deductions, and exemptions for care givers; individual health savings accounts; coordination of the Medicare and Medicaid programs; Medicare and Medicaid demonstration projects; Medicare coverage expansion; and the establishment of research, training, information, and support programs. No legislation to finance long-term care, however, was enacted during the 99th Congress.

Geza Kadar, assistant Washington counsel of the Health Insurance Association of America, provides his perception of Congress's failure to act on this issue: "The House Ways and Means Committee and the Senate Finance Committee, which have jurisdiction over changes in Medicare, did not look seriously at any bill that would have added nursing home care to the Medicare benefit structure. If anything, they were struggling desperately to try to find ways that would be politically acceptable to reduce existing promises and benefits for Medicare."

Future Trends

During the 100th Congress, more attention will be directed to the issue of financing long-term care. Political forces operating under the influence of Gramm-Rudman, however, will continue to seek reductions in Medicare benefits rather than expand the program. The Task Force on Long-Term Care Policies will have presented its report to Secretary Bowen, and this will be a major influence shaping the administration's response to financing long-term care. The administration's belief that the only realistic way to confront costly catastrophic care is through long-term care insurance offered by private companies will in all probability find its way into the task force report.

Several legislative staffers on Capitol Hill have expressed their concern, however, that the long-term care policies currently on the market can only be afforded by a small percentage of the population, leaving both the lower and middle class with no protection. They strongly believe that federal programs will become a necessity to plug the gap left by private long-term care insurance policies.

In summary, the financing of long-term care insurance is still considered by most in the insurance industry to be a new frontier. The American public, especially its younger members, will have to be educated about the fact that with old age comes a high probability of being inflicted with chronic diseases, which increases the need for costly long-term care services. Marketing long-term care insurance to corporations as a new employee benefit, and to a younger age group, may be the only realistic way to lower the current high premiums.

Once the insurance industry has had a chance to further develop, refine, and market long-term care insurance, public policymakers will be able to assess realistically who will and who will not be able to afford it. In the era of Gramm-Rudman, it still may be necessary for the government to develop, fund, and legislate programs to finance long-term care services.

REFERENCES

Report to the Secretary of Health and Human Services from the Private/Public Advisory Committee on Catastrophic Illness. Washington, D.C., August 19, 1986.

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The Great Debate Over Total Quality Management

In this special section, *The Journal of Long-Term Care Administration* takes a critical look at Total Quality Management in the long-term care setting.

BY HERBERT P. WEISS, NHA, GUEST EDITOR

Dear Members of ACHCA:

According to an October 1995 article in *USA Today*, the quality revolution touting the principles of Total Quality Management (TQM) to corporate America may be running out of steam. Enthusiasm and interest for this hot management tool, developed by the late W. Edwards Deming and Joseph Juran to revamp Japan's floundering industry after World War II, is waning. The disillusionment about TQM may be reflected by a decrease in companies participating in the prestigious Malcom Baldrige National Quality Awards. But TQM supporters counter this argument by saying that the number of entries in the Baldrige Awards competition is dropping because the contest's standards are on the rise. The Baldrige Awards are given to companies that have achieved quality improvements through following TQM principles.

In recent years the popularity of TQM has spread to the health care sector by anecdotal stories in trade journals and through the endorsement of national health care associations. Today a growing number of nursing home administrators believe that TQM may not be an essential management tool but only a fad. They charge that TQM was never even designed for a service industry and is not appropriate for nursing facilities.

In the following articles and commentaries, nursing home administrators, college professors and a TQM consultant debate the pros and cons of using TQM to enhance quality in nursing facilities. This special section is designed to assist you in rethinking how TQM applies to your facility.

—Herbert P. Weiss, NHA, is a health care consultant and writer based in Providence, RI. He is a member of the Journal's Editorial Advisory Board, the editor of the ACHCA Rhode Island Chapter newsletter, and his Capitol Report column is a regular feature in ACHCA's newsletter, the Long-Term Care Administrator.