

Long-Term Care Financing

access to coverage under Medicaid. Relatively affluent individuals/families may be able to afford coverage offered through private insurance. While higher income limits allow for Medicaid to be more of a middle-income program in some states, often middle income and working near-poor remain uncovered, unless or until they spend down their assets to qualify for Medicaid.

A fundamental question to be considered in a reformed private insurance marketplace would be whether LTC coverage should be voluntary or mandatory? A voluntary system without adequate underwriting opens it up to potential for a greater percentage of adverse selection – those individuals who anticipate high or immediate LTC needs are more likely to purchase coverage, leading to a higher average cost of coverage, which will affect demand further among those that do not have immediate need for coverage. The effectiveness of required coverage would depend on the structure of the penalties and enforcement, as well as how affordable the reformed system makes LTC.

Affordability

If LTC rates are perceived to be too high, consumers will not purchase coverage given competing financial priorities. Private insurance, for example, is expensive, though individuals do have the option of different plan designs that can affect the affordability of coverage. There are a number of approaches to address affordability – for example, creating subsidies or tax incentives for certain populations to make LTC coverage more affordable, encouraging further incentives to allow more informal care at home, or designing the coverage with an opt-out structure.

Coverage Options

Private insurance can cover a wide variety of services – assisted living, home health care, nursing home care, and even adult day care. But the comprehensiveness and affordability

of a long-term care policy depends on several factors, including what services it covers, the average daily benefit amount, the duration