Session 1A: Long-Term Care
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Papers Presented:

"Is Long-Term Care Social Insurance Affordable in Developed Countries?"

by Doug Andrews

"The Relationship Between Cognitive Impairment and Mortality Rates among Long-Term Care Insurance Applicants"

by Marc Cohen, Xiaomei Shi and Jessica Miller

"The CLASS Act and the Future of Long-Term Care Financing"

by Stephen Moses

It's a privilege to have this opportunity to provide a brief discussion of these three excellent papers dealing with key foundational aspects of long-term care, especially in view of a wave of nearly 10,000 Americans now turning 65 every day; and similar trends of increases in senior citizens in many other nations. A basic premise underlying these remarks assumes the key clients in an LTC framework are the senior citizens, their family members and their care givers.

Long-term care has a distinguished cultural and ethical foundation that goes back thousands of years. This is based on society's overall respect for the wisdom and experience of the aged, as expressed in the fifth of the Ten Commandments, "Honor your father and mother, so that you can live a long life." Today, the elderly are also living longer, and a major challenge to each of our related professions—actuarial, medical, statistical, etc.—is how we can best "honor" the elderly in suitable combinations of balance, pragmatism and cost-effectiveness.

Here are a few observations on the papers themselves, as well as some new, recently emerging and largely unforeseen trends in the United States and Europe materially affecting the LTC environment and outlook. The papers each deal thoughtfully with the basic actuarial design issues of fairness, financial soundness, and flexibility and freedom of choice. The Andrews paper outlines an overall well-defined philosophy of how affordably a national government plan might feasibly provide LTC, even home health care, to all its citizens, at least on a "minimum safety net" basis. The Cohen/Shi/Miller paper, in a very practical way, analyzes the experience of hundreds of thousands of LTC applicants for valid relationships of many different impairments to their mortality experience; the paper is a valuable tool for pricing and valuing LTC coverages under both public and private programs. The Moses paper documents some political impacts on the early LTC coverages (which began under U.S. Medicaid in the 1960s), up to the already-emerging impacts and potential collapse of the U.S. 2010 LTC-related Community Living Assistance Services and Support (CLASS) Act and other related U.S. programs. These include a series of problems, particularly cost overruns encountered not just nationally, but also outlined in another Moses monograph for the LTC/Medicaid state programs in Rhode Island. Produced jointly with the Ocean State Policy Research Institute, it is well worth reviewing on your own.

Now for some recent, unforeseen changes in the political arena, relating to LTC and the scaling back of some other entitlement-based government benefits. First, the chief actuary for Medicare has provided a clear-cut “profile in professional courage” by publicly disagreeing with financial projections and estimates put forward by the Medicare trustees. Since then, we have seen U.S. voters make sweeping changes in the Congressional balance of power(the greatest in several decades), in large measure in response to already high levels of overall taxation and unprecedented levels of government spending and debt, as well as out of great concern about how much of the government promises and benefits will actually be delivered to the elderly, when most needed. At the same time, a series of peaceful efforts have been launched for 100 percent legislative repeal of the entire 2010-enacted U.S. health care package, including the CLASS Act. Also, federal lawsuits have been filed by at least 25 states, to have all or part of this legislation declared unconstitutional—this sort of repeal effort last occurred in the 1930s, in connection with New Deal legislation.

Totally unrelated to these U.S. events, civil unrest unexpectedly took place in several major European cities, in protest of government cutbacks in so-called “free” benefits long provided to various groups. Without doubt, these new challenges will demand much effort from each of us, working together to design viable, improved solutions for LTC and related programs.

Finally, a word about the insurance (yes, insurance) term “moral hazard.” The prominent U.S. economist Thomas Sowell, in an August 2010 article, observed, “Government handouts give citizens added incentive to act less prudently.” (Mr. Moses might well have added “more selfishly.”) The Moses paper/video listed a number of these problems relating to self-dealing, manipulative human behavior, namely, diverting excess assets (especially homesteads) into a reserved, exempt status; avoidance of estate asset recoveries; lavish, prepaid funerals; artificial impoverishments; and creative financial Medicaid-related planning and maneuvering. Much of this “gaming of the system” could be avoided, if laws and regulations allowed more sensible incentives and flexibility for family members (e.g., tax-deferred set-asides). This would greatly enhance the sensitivity and dignity of the people these elder care types of benefits were originally designed to help.

Interestingly, moral hazards of this kind go back thousands of years. Two thousand years ago, and 1,400 years after the Fifth Commandment was written, we find a brief, scathing commentary in the Gospels, directed to those who cheated parents out of their proper care, by placing large sums of money in restricted “Corban gift” accounts, duly certified as “religious only,” and no longer available for parents. Then, barely 200 years ago, Ebenezer Scrooge spoke his own (paraphrased) version of total human selfishness: “If prisons and workhouses aren’t adequate, dying will serve to decrease the surplus population." For us today, we're already starting to hear concern about the possibility of government involvement, down the road, in how much treatment large numbers of seniors might be able to obtain, if they are already nearing the "end of life." As professionals, we can continue courageously (like the Medicare actuary) to "honor the elderly," preserve and protect their dignity, and above all, "Do our primary clients no harm."