

**DRAFT****PRESIDENTIAL DECISION MEMO****DRAFT**ISSUE

Should the health care reform proposal include a ~~\$2.7 billion~~ investment in long-term care of ~~\$2.7 billion~~ <sup>\$2.7 billion</sup> ~~in 1994~~ <sup>in 1994</sup> ~~when fully implemented.~~ <sup>when fully implemented.</sup>

PROPOSED APPROACH

The long term care work group recommends a ~~\$2.7~~<sup>7.4</sup> billion dollar program, ~~\$2.7~~ billion of which would be offset by premium payments, phased in over five years, to provide home and community based/personal assistance services to people of all ages with significant disabilities. Under the proposed long term care program, the federal government would substantially increase its commitment to funding these services at a greatly enhanced match rate. The total federal contribution would be capped to control costs. States would have wide flexibility to design and implement community based services systems appropriate to their needs and characteristics. The federal government would prescribe uniform eligibility criteria and require states to develop consumer oriented services and quality assurance arrangements.

In addition to ~~the~~<sup>a</sup> major new ~~social insurance~~<sup>program</sup> program for home and community based services, this proposal includes some liberalization of Medicaid nursing home requirements; work incentives for individuals with disabilities; and regulation, consumer education and tax incentives for private long term care insurance.

Alternatively, a similar program could be established, limiting eligibility to individuals with incomes at or below 100% of poverty. Under this proposal, there would be a separate program, with different eligibility parameters, for individuals with mental retardation/developmental disabilities. This program would also include the nursing home liberalizations, work incentives, and long term care insurance modifications, for a total cost of ~~\$8.3 billion~~<sup>\$8.3 billion</sup> ~~when fully implemented in 1994 when~~ <sup>fully implemented</sup>

RATIONALE

The population in need of long-term care is large and growing. Over 12 million Americans need long term care, or help with activities of daily living (ADLs) and instrumental activities of daily living (IADLs). While the majority of this population is elderly, two out of five are under age 65. Five million people in the U.S. have severe disabilities -- over half of them live at home or in community settings.

We rely heavily on families and other "informal caregivers." The long term care debate is a highly personal dilemma for the estimated seven million spouses, children and other family members and friends who are providing long term care assistance

to an aging family member. While not providing direct care, another nine million spouses and children have a disabled elderly spouse or parent and face critical long term care decisions. Many more relatives and friends provide unpaid assistance to nonelderly people with disabilities. There is widespread consensus that our present system places too heavy a burden on families to provide long term care services.

The vast majority of long-term care expenditures cover institutional care, yet most people prefer home and community based services. We spend huge sums of money on long term care services -- an estimated \$108 billion in 1993--the great majority of which goes to institutional forms of care. Yet poll after poll indicates that home and community based services, including community residential alternatives, are the overwhelming preference of all people with disabilities. In fact, some younger people with disabilities are demanding the abolition of institutional placements for children and working age adults.

*MANY* ~~States lack the resources necessary to meet the need for~~  
There is not enough money to pay for home and community based services. Funding for home and community services does not begin to cover today's needs and with the aging of the population will become increasingly inadequate without a new funding source. Public funding of long term care is largely through a welfare based program-- Medicaid. The result is two-fold: first, people can only get services if they are very poor or use up all their resources paying for care; second, because Medicaid leaves tremendous discretion to the states regarding the funding of home and community based services, access to these services is highly varied across states. In some states even very poor people with very severe disabilities cannot obtain publicly funded assistance.

#### IMPACT

The long term care plan is expected to provide immediate assistance to about ~~3~~ million people with severe disabilities living in the community and ~~2~~ million in nursing homes *and other institutions*. It will provide greatly needed support to people of all ages and all income groups including older people with severe physical disabilities as well as those with Alzheimers disease and other forms of dementia, children and adults with mental retardation and other developmental disabilities, working age adults with physical disabilities, technology dependent children, and people with severe and persistent mental illness.

Because the program will expand with the growth of the population in need, there will be a consistent and reliable funding source for home and community based services in all states for the very first time. Along with the addition of a drug benefit to the Medicare program, these new benefits should significantly reduce the out of pocket burden now experienced by many elderly persons in paying for their health and long term care needs.

Finally the steps we are taking to improve the long term care insurance industry will raise the confidence of all Americans that high quality long term care insurance products are available and will pay off when the need arises.

#### POLITICAL CONSIDERATIONS

Advocacy groups representing the elderly and people with disabilities are active and vocal in expressing their view that the status quo in long term care services will not suffice in a world of increased and complex demands for services.

Early in the health care reform process, the elderly and their advocates lobbied heavily for long term care reform to be "kept on the table." These groups were given every reason to believe that long term care issues will be included in the task force's final proposal: while they have been told that there are no final decisions, they have certainly been advised publicly by White House and task force officials and work group personnel that the proposal will include a meaningful first step at major long term care reform.

In addition, groups representing working age individuals with disabilities are anticipating reform that will help them obtain the assistance they need to work and live independent lives in home and community based settings. In numerous meetings with task force staff and Departmental officials, representatives of these groups have reiterated their request for the President to make good on his campaign promise to establish a personal assistance advisory commission. To date, the response has been that health care reform will offer significant relief toward the same ends -- providing more personal assistance services to greater numbers of individuals with disabilities.

The plan put forth by the work group is perceived to be the minimum effort required to garner the support of the elderly and the disability community for the health care reform proposal. We believe it will be regarded as a highly creditable first step toward comprehensive reform, even though specific design elements of the plan may be somewhat controversial e.g., the budget cap, targeting the program on the most severely disabled.

Constituencies for the elderly and the younger people with disabilities will be pleased that long term care is at long last receiving some much needed attention and they will support the emphasis on home and community based services. States will be supportive of the enhanced federal financial contribution.

While some groups will argue that we must also address the cost burdens associated with nursing homes, the flexibility of the new home and community based program to support alternative living arrangements like assisted living and community supported living arrangements will be lauded.