

## **Cracks in Long-Term Care System Starting to Appear**

*By Kevin R. Worthley*

For the last decade, it has been readily apparent that the amount and financing of future long-term care could be sorely inadequate with the retirement of the large demographic population named the “baby boomers”. Various news items may indicate that the cracks are already starting to show in the system and could be symptoms of a relative crisis situation for seniors and their families in the near future.

A study released by BlueCross/BlueShield last month projected a severe shortage of available hospital beds in RI within the next 15 years. This problem could arise due to both a higher number of patients (including a significant number of elderly baby boomers) and a shortage of facilities. A question I might then raise, (since those elderly patients needing custodial care frequently require hospitalization first before admittance to a custodial care facility), is; if there aren't enough hospital beds, will there also not be enough custodial care (nursing home) beds for our elderly as well?

On June 3<sup>rd</sup> of last year, the *Wall Street Journal* reported that malpractice suits against nursing homes by patients' families were on the rise. The proliferation of these lawsuits is apparently due to a rise of inadequate or incompetent care given to some patients. The article also described how nursing home costs have risen dramatically and how some insurance companies have ceased issuing liability policies to nursing institutions to avoid the losses generated by all the litigation. As a result, premiums for liability policies are probably increasing dramatically, (insurance companies really hate losing money), which adds to the expenses of providing care and the financial problems many nursing homes already have, as 80% of these costs are paid by a financially-strapped Medicare/Medicaid system.

One may wonder as to how this litigation arose and what it might mean for seniors? My thought is that this is a symptom of a seriously growing problem, namely that due to the inadequacy of funding through Medicare/Medicaid and the dependence of homes on those programs for 80% of their funding, as well as the inadequate number of qualified nurses and caregivers, nursing homes have had to cut back on patient attention and care. Recently, state governors and the President met to discuss the Administration's proposal to shift more Medicaid funding to the states. Realizing the large possible impact of the baby boomer demographic on the Medicaid program and its underfunded condition, the President apparently wants the states to pick up more of the tab. Clearly, state governments are more than a little displeased with this idea, since their budgets are also deep in the red.

If nursing homes depend so much on limited Medicare/Medicaid resources, a solution to more financing might be to have patients or their families contribute more in the form of private payments or long-term care insurance. Unfortunately, in our society, seniors are already financially strapped as it is, even before needing assisted living or custodial care. Between having large prescription drug and medical expenses, higher cost of living expenses, and less retirement benefits from the government or their former employer, many seniors do not have adequate retirement incomes, much less the money for custodial care in their later years. Long-term care insurance might be the other answer, but this brings me to my next bit of news.

According to an April 2004 article in the AARP Bulletin, many insurance companies are asking for, and getting, substantial premium rate increases on the long-term care policies they have issued. While these policies state that no one policyholder can have their premium increased, insurance companies can request that an insurance “class” premium rate increase be approved by the State Insurance Division. In many cases, increases of 40-50% are being granted, which puts more strain on seniors’ finances and may cause others to “roll the dice” and not even consider long-term care insurance. These rate increase requests are the result of insurance companies finding that their underwriting analysis were faulty and, as we know, insurance companies hate losing money, so they appeal to the Insurance Division for rate increases. With fewer insurance companies willing to underwrite long-term care, it may be that the Insurance Division needs to keep these companies in the marketplace to serve a growing need for insurance by seniors. And so goes the merry-go-round.

So as costs rise, care declines, and all parties, (seniors and their families, nursing homes, insurance companies, and the State governments), all point fingers at each other, the problem worsens. In addition, this may place more of a burden on younger families who decide, for financial, practical or emotional reasons, that caring for an elder parent or relative at home instead of a facility, is the only solution. For you, the reader, a solution may be to become more aware of the problems and take measures to protect yourself. This may mean knowing that long term care insurance premiums will rise and planning for this, arranging your finances to be able to afford the best care at a better facility or just knowing that the cracks in the system are showing and the dam holding back the flood of senior needs and costs could start breaking down sooner than we realize.

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