



SOCIETY OF ACTUARIES

Article from:

Long-Term Care News

December 2009 – Issue 24

LTC Bullet: Baucus Means Bupkus for LTC

by Stephen A. Moses



Stephen A. Moses is president of the Center for Long-Term Care Reform. He can be reached at smoses@centerltc.com.

[Editor's Note: This article is reprinted with the permission of the author.]

Tuesday, September 22, 2009

Seattle—

LTC Comment: High hopes the Baucus health reform bill might help LTCI won't be realized. Our analysis and prediction after the ***news.***

LTC BULLET: BAUCUS MEANS BUPKUS FOR LTC

LTC Comment: The long wait for Senator Max Baucus (D, MT) to unveil his Senate Finance Committee's health reform proposal is over. Debate in the committee begins today. It promises to be an entertaining spectacle, if you like political bloodbaths.

Amendments to Baucus already introduced? 564 and counting. There are so many ideological and policy cross-currents in the country's current health reform conversation that it's very hard to see how anything of consequence gets passed. That is the main reason I don't think very much will happen, good or bad, for long-term care financing.

It looks like the CLASS Act has fallen by the wayside as one of its advocates laments here (http://www.mcknights.com/CLASS-Act-might-be-left-out-of-final-healthcare-reform-bill/article/149384/?DCMP=EMC-MCK_Daily). CLASS would have created another multi-billion dollar slush fund, I mean "trust fund," for politicians to rob. That's one bullet dodged, at least for now.

On the positive side, Baucus includes the long-elusive proposal to include LTC insurance in "cafeteria" plans. Jesse Slome of AALTCI (www.aaltci.org) explains the benefits of that idea here (http://www.healthleadersmedia.com/content/239265/topic/WS_HLM2_LED/Baucus-Bill-Calls-Attention-to-LongTerm-Care-Insurance.html). But AHIP says it would reduce federal tax revenues by

\$3.6 billion over 10 years here (http://www.ahiphewire.org/HealthInsurance/News/Default.aspx?doc_id=406402&utm_source=9/21/2009&utm_medium=email&utm_campaign=HiWire_Newsletter&uid=TRACK_USER). Is it a real proposal or just a sop to insurers now to be dropped later to reduce costs? You decide.

On the other hand, that flexible spending proposal sure isn't "above-the-line" tax deductibility, the LTCI industry's real holy grail. Nobody's dreaming that dream anymore. (I do know exactly how to make real LTCI tax deductibility a reality by paying for it with Medicaid savings and improvements, but that's a story for another Bullet.)

Looking at the bigger picture, the best thing LTC providers and insurers have going for them in this health reform fight is gridlock. Their most hopeful outcome is to dodge big negatives, not to win small positives. Here are some of the cross-currents to watch.

LTC providers breathed a sigh of relief last week when the Baucus bill backed away from billions of dollars of cuts to the nursing home industry. But how long will LTC providers sustain their optimism (See <http://www.mcknights.com/Bill-protects-nursing-home-market-basket/article/150179/>) with Medicare and Medicaid on the chopping block as sacrificial lambs offered up to support bigger health reform?

How about that plan to fund health reform with cuts to Medicare and Medicaid? Last time I checked, Medicare had an \$89 trillion infinite-horizon unfunded liability and Medicaid was bankrupting state budgets. Governors and state Medicaid directors are screaming "hold your horses" on that one (<http://www.kaiserhealthnews.org/Daily-Reports/2009/September/18/Governors.aspx>) and elsewhere.

If the most likely outcome for health reform is to hit a wall of political gridlock and emerge as minor incremental changes, these "flaws" of the

Baucus proposal (see <http://fixhealthcarepolicy.com/research/seven-fatal-flaws-of-baucus-bill/>), as articulated by Nina Owcharenko of the Heritage Foundation, will be its downfall.

Seven Fatal Flaws [by Nina Owcharenko of the Heritage Foundation]

1) Middle Class Tax Hike: The Baucus bill would impose a new sales tax on drugs and medical devices and a new federal excise tax on insurance plans that exceed \$8,000 for an individual and \$21,000 for a family. These taxes will ultimately be passed down to the consumer, putting many middle class families on the receiving end of a tax hike.

2) An Individual Mandate: In 2013, almost everyone would be required to purchase health insurance that complies with new federal standards. Those making more than three times the poverty level would face a tax penalty of \$950 (maxing out at \$3,800 per family) and \$750 (maxing out at \$1,500 per family) for those below 300 percent poverty. This penalty could apply to individuals with incomes as low as \$10,831 a year.

3) No Privacy: In order to enforce the tax penalty provisions, the government would be forced to collect detailed health insurance information on Americans, reducing patient privacy and adding significant administrative costs to employers and insurers.

4) A Pay-or-Play Employer Mandate: Employers with more than 50 employees that don't offer health coverage would have to pay a penalty for each employee who qualifies for new federal subsidies under the bill. Inevitably, low-income workers will be hurt the most as employers would simply downsize or cut wages.

5) A Thinly Disguised Public Option: The Baucus bill invites indefinite federal control of a "co-op" by providing an unnecessary \$6 billion in federal funding for startup loans and grants and it gives broad latitude to the HHS Secretary to regulate co-ops and promote them. The co-op created in this bill is literally an acronym for a new government-run health plan.

6) Medicaid Expansion: Under the Baucus bill, millions of Americans would end up on Medicaid. The current Medicaid program is unsustainable



and poorly serves the needy and indigent now. Taxpayers will pick up the new costs of Medicaid, and states will have little flexibility for real reform.

7) Medicare: The Baucus bill establishes value-based purchasing, requiring compliance with government guidelines on the delivery of medical services. Hospitals and physicians who don't comply would get lower Medicare payments. This approach could bias or compromise doctors' decisions and contradict U.S. law on the federal interference in the practice of medicine.

The President needs to lead by meeting with key leaders of both parties and seek bipartisan reform around two key themes: 1) instead of a one-size-fits-all federal solution, Congress should let the states take the lead on reform, and 2) reform the tax treatment of health insurance to give all taxpayers tax relief for purchasing private insurance and extend assistance (through spending offsets) to low-income families to purchase private insurance instead of expanding government care.

If you still harbor any doubt that LTC reform is dead for now, read this piece (<http://www.kaiserhealthnews.org/Columns/2009/September/091409Gleckman.aspx>) by an advocate of more government financing and an enemy of private LTC financing alternatives. Even he's discouraged.

Finally, if you really want to know what's happening, pull back from the microscope of current affairs and take a telescopic look at the larger historical trend. That's what I did last November when groundless optimism seemed to point toward massive health and LTC reform. ■