Future of Long-Term Care Funding and Retirement Security for the Individual: Relative Roles of Social Insurance, Private Insurance, Personal Payment and Public Assistance

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Abstract

The paper summarizes and evaluates the CLASS Act's essential provisions and concludes that it appears a very expensive program due to four factors, voluntary participation, no medical understanding, lifetime benefit, and self-sustainability of costs. The author describes a gathering perfect storm in long-term care caused by confluence of declining private insurance offerings and reduced Medicaid funding with soon-to-be rising numbers of users of such care. The paper proposes and discusses a "Social Security/Long-Term Care (SS/LTC) plan," based on the "trade-off principle." SS/LTC would provide basic long-term care which would be supplemented by private long-term-care insurance and individual payments, while keeping Medicaid as a safety net for the poor, forming a four-pillar funding model for long-term care.

Introduction

While some may believe or contend that "65 is the new 30" or "90 is the new 50," the first wave of baby boomers turning 65 in 2011 nonetheless underscores the importance of funding long-term care. Already a growing concern for their parents, as baby boomers begin to reach older ages some, or many of them, are becoming more concerned about needing and funding long-term care. Even if the increasing likelihood of long-term care needs may be slight and the increasing percentage of people with needs for such care may be small, the magnitude of older people needing long-term care in the ensuing two decades will become significantly larger, by historical and contemporary standards, simply because of the sheer size of the baby-boom cohort, some 76 million strong.

A perfect storm on long-term care funding seems to be gathering. Just as need for long-term care awaits some baby boomers as they age, both private and public funding for it is becoming less available. How to avert a Katrina of long-term care must be on the agenda of policymakers as well as in the minds of individuals. This paper addresses how to pay for long-term care through social insurance, private insurance, personal payment, and public assistance (welfare), and how these issues affect the retirement security of the individual.

In the context of using insurance as a means to pay for long-term care, the paper begins by addressing a current law designed to help pay for such a contingency. The law is the CLASS Act (Community Living Assistance Services and Supports), Title VIII of the Patient Protection and Affordable Care Act (PPACA) of 2010. Section I summaries the essential provisions of the CLASS Act.

Because the CLASS Act is promoted and adopted as a privately funded insurance plan, Section II briefly analyzes it as an insurance product.

As the CLASS Act took effect on January 1, 2011, major developments in the private long-term care market and in the public policy arena have occurred to make the discussion of long-term care funding much more timely and significant. Section III sketches the changing direction for long-term care funding in the business and government sectors.

Given that both the private long-term care insurance market and Medicaid funding seem scarcer, the CLASS product might be a welcome new mechanism for covering this contingency. Section IV briefly considers the cost of the CLASS product to workers.

Because the basic concern is whether people are able and willing to pay for long-term care, the paper then examines the issue of what resources might be made available to consumers to help pay for such a contingency. Section V proposes a method to pay for long-term care by deploying the sources of funding currently in use differently, relying more on insurance, both social and private, and less on personal payments and public assistance. The proposed method, Social Security/Long-Term Care (SS/LTC) plan, diverts some of the Social Security benefits received by older people to pay for their own long-term care in the generational sense, thus using the nomenclature of an intragenerational transfer model of social insurance.

The proposed SS/LTC has met with a number of objections and reservations, which are analyzed in Section VI.

While the proposal discussed is designed to help the elderly population pay for long-term care, it would not help the non-elderly. Because nearly half of the population needing long-term care, and nearly 15 percent of nursing home residents are under age 65, how to pay for long-term care for the non-elderly remains an important issue. Section VII broaches the possibility of extending the SS/LTC model to cover the non-elderly.

While the idea of SS/LTC is discussed at some length at the conceptual level, there are relevant issues to consider in the implementation of it. Sections VIII and IX list some of these relevant issues and estimates needed for the implementation of the SS/LTC program.

Finally, Section X contains the concluding remarks.

I. Summary of the CLASS Act

The CLASS Act was designed as a means to create a nationwide voluntary private insurance program for long-term care services and supports to be funded solely by premium payments from enrollees without employer contributions (though nothing in the law prohibiting employer contributing) or government subsidies. With the exception of full-time students (under age 22 and actively employed), enrollment is limited to workers at least 18 years of age. Therefore, children, retirees and people with disabilities who do not work, and nonworking spouses or domestic partners are not eligible to enroll.

The program requires no medical underwriting. Workers will be automatically enrolled if their employers choose to participate in the program (though there is a question as to whether employers are required to enroll their employees automatically). But the program permits workers to opt out when they are automatically enrolled by an employer that has chosen to join the program. Workers whose employers choose not to participate in the program, and self-employed workers who want to join the program, would be enrolled by another mechanism to be determined.

Enrollees must pay premiums for at least five years (must have worked during three of those five years) before becoming eligible for benefits. Once in the program, enrollees continue to pay premiums even during the time they are on claim. Both the premiums to be paid and the benefit levels to be received (though some say the benefit levels are essentially prescribed in the law as $50 a day) shall be determined by the Secretary of Health and Human Services.

The premiums for the program would vary by age of the individual (regardless of health status, as there is no medical underwriting) at the time of enrollment and also by the premium rates effective in the year of enrollment. The benefit levels are to be differentiated by the severity of disability. However, by statute, the benefits provided can be "not less than an average of $50 per day, indexed to the consumer price index." Both the premium rate and benefit amount shall be established at levels to meet the statutory requirement that the program be solvent for the ensuing 75 years. Therefore, the premium rate may be raised from time to time to meet the requirement of self-sustainability if expenses of the program exceed its income. However, the law exempts from rate increases those enrollers who are 65 years of age or older if they have paid into the program for more than 20 years. In addition, the law stipulates that full-time students (under age 22) and individuals whose earnings are below the federal poverty level pay only a nominal premium of $5.00 per month.

The program pays lifetime cash benefit to people with functional limitation. Functional limitation would be measured by two or three "activities of daily living" (such as eating, toileting, transferring, bathing, dressing, and continence) or cognitive impairment, either of which should be medically certified to last more than 90 days. The cash benefits are intended for the purchase of nonmedical services and supports to enable individuals to remain living in the community, although they may also be used to pay for institutional care such as a nursing home or assisted living.

The program will be administered by those employers who choose to participate in the program (to the extent of payroll deduction of premiums). They would deal with procedures for enrollment, disenrollment (opt-out), and reenrollment (opt-in after disenrollment), collecting premium payments through payroll deductions, and submitting them to the treasury, and related aspects.

The federal government is also involved in administering the program with regard to safekeeping collected premiums in a "Life Independence Account," which functions like the trust funds for Social Security and for Medicare; that is, determining eligibility for benefits, disbursing benefit payments, collecting and verifying receipts of expended benefits by participants, certifying continuing benefit eligibility, among others.

Under the law, the Secretary of Health and Human Services has until October 1, 2012 to designate a CLASS Independence Plan (to be selected from three actuarially sound benefit plans) with stipulations relating to premium amounts, benefit levels and amounts, requirements for enrollment, disenrollment, and re-enrollment, and all other necessary details. The designated plan will be offered for public comment for a period of time. Therefore, while the law takes effect on January 1, 2011, the earliest date for enrollment to begin would be no earlier than January 1, 2013. Given the requirement of premium payment for five years, the earliest date for any participant to receive benefits would be January 1, 2018.

II. CLASS as an Insurance Product

The most significant issue facing the CLASS program is adverse selection. Without medical underwriting (i.e., as guaranteed issue), it would most likely attract participation from those with the higher likelihood of using long-term care. Without employer contributions or government subsidies, it follows that those with lower risks would have to be charged higher than actuarially correct premiums to pay for the expenses incurred by those higher risk policyholders.

To overcome adverse selection, the law requires that benefit eligibility cannot be established with less than five years of premium payment, with three of those years spent actively working. However, the "actively-at-work" requirement seems modest in that it requires only enough earnings to qualify for one quarter of Social Security coverage in a year, which was $2,100 in annual earnings in 2010. The requirement of five years of premium payment is often referred to as the "vesting" period. However, it is not in the context of vesting often associated with eligibility for pension receipt.

In short, absence of medical underwriting and allowance of voluntary participation would make the CLASS program an expensive proposition. Added to the costs is the promise of lifetime benefit.

Moreover, the CLASS program is required by law to be completely self-sustaining with premium payments (and the investment income from reserves that are invested) on a 75-year basis. The premiums may be increased to meet this requirement. It follows therefore that to the extent that the program suffers from adverse selection, the premiums would need to be raised to sustain the program for the ensuring evaluation period. This in turn would cause even more unfavorable comparisons of premiums to benefits for those with lower risks, which would then result in greater degree of adverse selection.

In sum, four outstanding features of the CLASS program: voluntary participation, no medical underwriting, lifetime benefits, and self-sustainability, are likely to result in a very expensive insurance program.

III. Current Business and Government Environments for Long-Term Care Funding

In recent months, several developments in the private and public sectors have had important implications for long-term care funding in general and for the CLASS Act in particular.

In October 2010, MetLife, the largest life insurer in the United States, announced it would discontinue selling long-term care insurance policies beginning in 2011, citing ongoing financial challenges facing the long-term care insurance industry. This announcement followed on the heels of the announcements by Blue Cross-Blue Shield of Alabama and Equitable Life and Casualty Company to cease offering long-term care insurance policies. More recently, in February 2011, Berkshire Life Insurance Company, a subsidiary of Guardian Life Insurance Company of America, decided to stop selling long-term care insurance policies by the end of 2011. And, John Hancock Insurance Company, one of the largest long-term care insurers, is also withdrawing from the group market.

Financial challenges facing the private LTC industry include low interest rates, which lower the earnings of insurance reserve funds; lower lapse rates, which had been expected to be several percentage points but are now at one percent or less; the recent steep rise in premiums, which discourages potential buyers; higher usage of benefits, brought about home and community-based care, which people not only prefer, but also which newer policies provide, among other factors.

As the business environment has turned more restrictive toward private long-term care insurance, the government policy is decidedly becoming unfavorable toward public funding of long-term care. Medicaid, the dominant payer for long-term care, would receive no federal funds from the stimulus program beginning July 1, 2011. Further, Medicaid programs across the country are expected to be cut in the next several years as nearly all state governments are facing high budget deficits. Medicaid ranks either first or second among state spending categories. Moreover, the National Commission on Fiscal Responsibility and Reform, co-chaired by Erskine Bowles and Alan Simpson, included recommendations to cut Medicare and Medicaid. Meanwhile, a Debt Reduction Task Force of the Bipartisan Policy Center unveiled a deficit reduction plan proposed by Pete Domenici, former chairman of Senate Budget Committee and Alice Rivlin, former director of White House Office of Management and Budget. The proposed cuts in Medicare and Medicaid under their plan would, as well, have significant implications for reduced funding for long-term care. Finally, the National Commission on Fiscal Responsibility and Reform also recommended a "reform or repeal of the CLASS Act" in its report released December 1, 2010.

In short, recent changes in the business and the government environments tend to narrow the range of available funding mechanisms for long-term care. This in turn raises the urgency of considering CLASS along with other possibilities.

IV. The Cost of the CLASS Product

The estimated premium for the CLASS product ranges from $110 to $240 a month (though few believe that CLASS is workable with this range of estimated premiums). While workers whose earnings are at or below the federal poverty level (FPL) and full-time students (up to age 22) who work would pay only a nominal premium of $5 a month, everyone else who earns above the FPL would be required to pay the prescribed premium. For a person whose income was one-third above the FPL in 2009, $110 and $240 monthly premiums would represent 9 percent and 20 percent, respectively, of that person's gross monthly income of $1,200 (133 percent of FPL in 2009). Even for those whose income was three times the FPL, $110 and $240 would account for 4 percent and 8.9 percent, respectively, of that person's gross monthly income of $2,708 (300 percent of FPL in 2009).

According to government statistics, in 2009, two-thirds (65.7 percent, to be exact) of wage earners had net compensation less than or equal to $39, 054. Let's use the round number of $40,000 for illustration. Monthly premiums of $110 and $240 would represent 3.3 percent and 7.2 percent, respectively of that person's gross monthly earning of $3,333.

While evaluating these percentages, it would help to bear in mind that they are higher, in a number of cases, than the payroll tax of 6.2 percent that workers are required to pay for Social Security. Whether workers would be able or willing to voluntarily join the CLASS program appears to be an open question.

While doubts might be cast as to whether the CLASS program would be embraced by workers as an "insurance" product, as it is so named, it could be argued that the program offers an opportunity for workers to join others with similar needs for protection against long-term care expenses. The CLASS program could work out to be like a "benefit society" or "mutual aid society."

V. The Proposed Social Security/Long-Term Care Plan

The current method of paying for long-term care relies heavily on personal payment and public welfare (Medicaid) and relatively less on social insurance (Medicare) and private insurance. This method is akin to sitting on a stool with only two legs, which is inherently unstable.

Given the instability of the current method, and because the uncertain need for long-term care is a risk best protected by insurance, it is possible to propose a "four-pillar funding model." Under this model, the first pillar would be social insurance that would provide a basic long-term care protection. That basic protection would be supplemented by the second pillar, private insurance, and the third pillar, personal payment. The fourth pillar would be public welfare that would serve as a safety net for the poor. By design, social insurance and private insurance would pay for the bulk of the costs of long-term care, supplemented by personal payments. Medicaid then would be used for the truly poor, which is its original purpose.

Regardless of funding models, however, the prospect for new public and private dollars for long-term care appears dim, as discussed in Section III. Because new public and private sources of money for long-term care seem scarce, existing resources need to be used more efficiently by trading resources dedicated for one purpose for another purpose. That could be called the "trade-off principle."

The "trade-off principle" could generate money to pay for social insurance and private insurance. The trade-off principle may be carried out in both the public and private sectors. Applying it in the public sector, we could divert, say, 5 percent of a retiree's Social Security cash benefits (not payroll taxes) to fund a social insurance program that would provide basic long-term care. I call this a Social Security/Long-Term Care (SS/LTC) Plan. With this plan, retirees themselves are trading some income protection for some long-term care protection. The trade-off would enhance a retiree's total economic security. Low-income beneficiaries, though covered by the program, will be exempt from the trade-off. This program could pay for one year of nursing home care or two years of home care.

Because the social insurance program would provide the basic coverage, private long-term care insurance would cost less than it does now and thus become more affordable to more people. The visibility of the SS/LTC plan could, in addition, serve as a catalyst to increase awareness of the need to prepare for long-term care. And people would finance additional care out of pocket.

Under the four-pillar funding model, the SS/LTC plan (social insurance) is designed to be supplemented by private insurance and by personal payment, with public welfare as the safety net.

As noted earlier, private dollars for long-term care are also scarce. As a result, there appears to be a need for using the trade-off principle in the private sector as well. Applying it, we may be able to enhance the ability and willingness of individuals to purchase private long-term care insurance by linking the purchase to: life insurance or annuity products; savings vehicles such as individual retirement accounts (IRAs); retirement benefit programs such as 401(k) plans,

occupational pensions from employers (including Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF)); government employee retirement programs at federal, state, and local levels; and home equity conversion plans (e.g., reverse mortgages).

The trade-off made possible through these linkages may be illustrated by a life insurance policy that prepays its death benefit for long-term care services. Under this arrangement, the life insurance policyholder is trading off some or all of the death benefit for long-term care purposes.

The trade-off principle is already being used in the private sector. For example, a person can buy an insurance policy that combines life insurance and long-term care, which pays for long-term care expenses, if needed, by commensurately reducing life insurance benefits upon death. Although available, this type of combination policy is not wildly popular. However, the tax treatment of an annuity/long-term care combination product was clarified by the Pension Protection Act of 2006. This law took effect in January 2010.

In short, this proposed funding model can accommodate a number of implementation strategies advanced in many discussions: to create a social insurance program; to encourage the partnership program; to promote purchase of private insurance; to increase personal savings; and to return public assistance (Medicaid) to its original purpose of aiding the poor (rather than as a default mechanism for the nonpoor to use for long-term care by means of creative estate planning).

This funding model is not fiscally controversial because it would not require additional taxes. This is also a method to simultaneously implement individual responsibility (through private insurance and personal payment) and collective solidarity (via social insurance and public welfare).

VI. Objections and Reservations

However, many objections to and reservations about SS/LTC have been voiced. Some consider it unnecessary, others view it as undesirable, and still others think it is unworkable. We analyze these viewpoints in turn.

Unnecessary: Because cost-containment is an indispensable component of health care reform, some have argued that the achievement of a more efficient acute health care system would free up sufficient resources to allow funding of long-term care. More specifically, there are those who believe that a single-payer system with strict government control of costs would generate a sufficient amount of money to provide all health care services including long-term care. They therefore believe that SS/LTC is unnecessary.

However, even if one agrees with this argument, how much and over what period of time these savings may be expected are important questions. Are these savings to be dedicated in advance to fund long-term care? Can long-term care needs be met by cost-containment savings that may arise only gradually and piecemeal? Savings from containing costs may be substantial eventually, but how are the long-term care costs to be met in the interim? How would current expenditures be reallocated to cover long-term care? With savings from cost-containment, some may opt for paying a smaller national total for health care and long-term care. How are these attitudinal differences to be resolved?

Undesirable: Many consider the suggested trade-off as a cut in Social Security benefits or a tax on them. Such benefits are already too low for many people, they argue, and Social Security payments should be raised, not reduced. Others assert that there are more than sufficient funds available in the United States today to pay for both adequate retirement incomes and long-term care and that we should pursue a "struggle" to win these benefits for the broadest possible portion of our population. Although they concede that in the end we may not succeed and may be driven to compromise measures such as SS/LTC, it is a poor strategy, they believe, to propose any distressing compromise at the outset of "our fight." There is, from a different ideological perspective, the contention that SS/LTC represents yet another entitlement program. Maintaining that any public measure to assist in long-term care expenses should be in the form of public assistance or welfare, some people join in believing that SS/LTC is undesirable.

The interpretation that the plan calls for a cut in Social Security is an important issue. While it is true that the receipt of cash benefit is lowered, it is not lost or taken away from the beneficiary. *Rather, it is in exchange for another form of benefit.* It should be recognized that by accepting a smaller cash benefit under Social Security, one receives protection for long-term care, thereby gaining a higher level of overall economic security. Moreover, low-income Social Security recipients would be exempt from the trade-off.

On the other hand, it should be recognized that SS/LTC does extract more from recipients of higher Social Security benefits than those receiving lower benefits. It results from the proportional nature of the trade-off. The maximum monthly Social Security retirement benefit for a worker retiring at age 66 in 2010 was estimated at approximately $2,300 for a maximum worker, defined as a worker who has had earnings at the maximum taxable ceiling for every year

since age 22. The average monthly Social Security retirement benefit was estimated at about $1,170. Therefore, under the 5 percent trade-off proposal, the dollar amount of benefits to be traded off would be $115 for the maximum earner, nearly twice as much as for the average earner, at $59. The difference is large.

Some may therefore argue that the proposal is too progressive, taking away too much from higher earners. If this is a genuine concern, then it is possible to mediate this issue by proposing taking smaller percentages from those beneficiaries who receive higher retirement benefits than those receiving less, as long as the principle of universal participation is implemented.

Arguments for mandatory participation in the SS/LTC proposal notwithstanding, it is possible to consider a policy of mandatory program that permits option-out.

Unworkable: Some people feel that there may not be any incentive for the poor and the rich to agree to SS/LTC. The poor can use Medicaid and the rich can self-insure; as a result, neither would want the plan. Further, those who contemplate divestment or transfer of assets in order to qualify for Medicaid would not be interested in this proposal, either.

However, Medicaid's fiscal prospect appears dim. Cutbacks in Medicaid restrict supply, and choices regarding nursing homes are severely restricted. Medicaid may not long continue as a major funding source for long-term care. Serious questions ought to be raised by anyone contemplating its use. In any event, it is not a sound public policy for Medicaid to serve in a role other than as a safety net.

As to the rich, they are currently paying for their own long-term care and part (perhaps much) of the long-term care costs of the poor. The SS/LTC plan would most likely reduce the burden on the rich by requiring all but the poorest among the elderly to contribute to the risk pool for long-term care.

Resistance to private long-term care insurance is strong, however. It is widely known that currently and historically only a small minority of the elderly can afford private long-term care insurance policies. It is also common knowledge that the quality of private long-term care insurance policies, though improving recently, is still questionable in some cases.

However, it is not commonly realized that one of the basic reasons for the high-cost and low-quality product is the fact that risk pooling has thus far been exceedingly limited. Consequently, insurers have needed to develop very large reserves by charging high-risk premiums per policy because of the relatively large variances in a smaller pool of the insured.

It is important to note that if the risk pool is enlarged, then the premium or the quality of these insurance products may be expected to improve for the insured. A hypothesis that accompanies the proposed SS/LTC is that the plan will have the salubrious effect of stimulating the development of better private long-term care insurance policies.

VII. How About the Non-elderly Needing Long-Term Care?

Despite all its salubrious features, the SS/LTC plan, as described above, would provide basic long-term care coverage for retired Social Security participants only. What about those non-elderly who may need long-term care?

The SS/LTC plan could be extended to cover them as well. The extension could be accomplished by requiring all workers covered by Social Security to divert a small portion (say 5 percent) of their payroll tax to the SS/LTC plan. When they retire, their Social Security benefits would be reduced commensurably, by 5 percent.

VIII. Relevant Issues

The preceding was intended to establish SS/LTC as a concept deserving of consideration and support. To move it beyond a concept, however, we need to know a good deal more about many issues, among which are the following:

- Who would be eligible for benefits and what would be the benefit triggers?
- What would be the daily level of payment and the elimination period?
- What types of services and what levels of those benefits would be covered?
- How much coverage can be provided for various levels of Social Security benefit transfer under SS/LTC?
- Would it be mandatory or voluntary and what are the implications of each approach?
- Would it pay benefits regardless of living arrangements (nursing home, assisted living, continuing care retirement community, or one's own home through home and community-based care)?
- Would the benefit be paid to service providers or to disabled persons themselves, and what are the implications of each approach?
- How would the benefit paid under SS/LTC be coordinated with payment from private long-term care insurance policies?
- What might be the distributional effects of SS/LTC on different groups of people by income, race and ethnicity?
- How would SS/LTC deal with the geographical differences in the costs of long-term care services?
- How would SS/LTC deal with those already using long-term care at the effective date of SS/LTC?
- How should the "capped" entitlement of SS/LTC be managed, since its revenue is limited to the transfer of, say, 5 percent of Social Security benefits each year?
- Would the extent of long-term care coverage that could be afforded be the same from one cohort of births to the next?
- What might be various prototypes of SS/LTC that could be designed?
- Would the general public support the trade-off principle?

IX. Needed Estimates

The proposed SS/LTC suggests that Social Security, except low-income ones, forsake a small portion of the Social Security benefits in order to fund a basic level of long-term care coverage in a social insurance program. SS/LTC also proposes that this basic coverage be supplemented by private long-term care insurance and private payments.

To implement this funding option, a number of formulations are possible with regard to the level of funding, eligibility rules and the benefit structure. Set forth below are some of the possibilities, which may be regarded as alternative scenarios for implementing SS/LTC.

Level of Funding (from the trade-off)

- What dollar amount would be available for the basic coverage of long-term care from the trade-off?
  - 3 percent trade-off
  - 4 percent trade-off
  - 5 percent trade-off

Eligibility Rules (indicators of demonstrated need for services)

- Two or more ADLs (activities of daily living)
- Three or more ADLs
- Cognitive functioning limitations

Benefit Structure (one year of nursing home stay or two years of home care)

- Percent of customary and reasonable charges covered:
  - At 100 percent
  - At 85 percent
  - At 75 percent
- Waiting period:
  - No waiting period
  - 30-day waiting period
  - 60-day waiting period
  - 90-day waiting period
- Form of payment:
  - Service
  - Reimbursement
  - Cash payment

Other Sources of Funding (to supplement the amount from the trade-off if we want to enlarge SS/LTC beyond one year of nursing home stay or two years of home care)

- From personal funds
- From federal-state financed Medicaid program (the portion of Medicaid currently used by older people for long-term care)

Voluntary Participation (SS/LTC by once-in-a-lifetime election)

- At age 65
- At age 62
- At age 55

Private Long-Term Care Insurance (as a supplement to SS/LTC)

- Stand-alone long-term care insurance policies
- Combination long-term care insurance policies
- As a rider to life insurance policy
- As a rider to an annuity contract

Forms of Supplementation From Private Long-Term Care Policies

- To pay for services not covered by SS/LTC
- To pay for a higher level of services than SS/LTC
- To pay for needs beyond the time period covered by SS/LTC

X. Concluding Remarks

Solving the conundrum of long-term care funding might require a combination of social insurance, private insurance, personal payment, and public assistance. Such a combination may serve several useful objectives.

Insurance as a financial vehicle for risk-spreading is ideal for the contingency of long-term care. Employing both social insurance and private insurance, therefore, would maximize the contribution of insurance to the needed funding. Use of private insurance and personal payment would empower people to discharge their individual responsibility. Use of social insurance and public welfare would enable society to express the spirit of collective solidarity.

Notation

Selected passages in Sections V through IX are based on (at times verbatim) several papers the author has published on the proposed SS/LTC program since 1989, notably, "Funding Long-Term Care: Applications of the Trade-Off Principle in Both Public and Private Sectors." *Journal of Aging and Health*, 15(1), 15-44. 2003; "Funding Long-term Care in the United States: The Role of Private Insurance." *The Geneva Papers on Risk and Insurance*, pp. 656-666. Oct. 2001; "Financing Long-Term Care: An Intragenerational Social Insurance Model," *The Geneva Papers on Risk and Insurance*, pp. 490-495. Oct. 1994; and "A 'Three-Legged Stool': A New Way to Fund Long-Term Care?" *Care in the Long Term: In Search of Community and Security*, Institute of Medicine (Washington, DC: National Academy Press 1993), pp. 54-70.

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