

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

Yung-Ping Chen

2011 Enterprise Risk Management Symposium
Society of Actuaries
March 14-16, 2011

Copyright 2011 by the Society of Actuaries.

All rights reserved by the Society of Actuaries. Permission is granted to make brief excerpts for a published review. Permission is also granted to make limited numbers of copies of items in this monograph for personal, internal, classroom or other instructional use, on condition that the foregoing copyright notice is used so as to give reasonable notice of the Society's copyright. This consent for free limited copying without prior consent of the Society does not extend to making copies for general distribution, for advertising or promotional purposes, for inclusion in new collective works or for resale.

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.