



The Daily Dish

Buttigieg Weighs in on Long-Term Care Services

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Eakinomics: Buttigieg Weighs in on Long-Term Care Services

The demand for long-term care services is high and rising, while to date a patchwork of methods has been used to finance these costs. So it is interesting to see South Bend mayor and presidential candidate Pete Buttigieg offer a [proposal](#) for federal long-term care insurance.

Long-term care (LTC) is the assistance with tasks the care-recipient cannot perform independently or safely. LTC providers help the care-recipient with Activities of Daily Living (ADLs), which are necessary activities like dressing, eating, using the bathroom, and bathing. These providers may also assist with Instrumental Activities of Daily Living (IADLs) such as grocery shopping, meal preparation, house cleaning, and financial management.

LTC is expected to be expensive. In its [report](#) *Key Design Components and Considerations for Establishing a Single-Payer Health Care System*, the Congressional Budget Office reported drolly, “Public spending would increase substantially relative to current spending if everyone received [long-term services and supports] benefits” but did not put a price tag on anything. It did note, however, that single-payer systems in Canada and the United Kingdom did not cover LTC.

There are three potential ways to finance long-term care. The first, which remains the norm, is for care to be “donated” — typically by a family member. The second is to have care delivered by the private sector and paid for by government programs, largely Medicaid. Medicaid pays the cost of long-term care for low-income seniors — a combination of those who have spent down their savings while living in an expensive nursing home and higher-income financially savvy seniors who have shielded assets in a way that qualifies them for Medicaid. The final possibility is private care financed by private insurance policies. Unfortunately, the private market has not proven to be very robust.

The only previous attempt to provide LTC was the Community Living Assistance Services and Supports (CLASS) Act, included in the Affordable Care Act. Because the actuaries could not ensure the solvency throughout a 75-year period, the CLASS Act could never be launched and has now been repealed.

What is new and different about the Buttigieg proposal? According to Axios, “The cornerstone of Buttigieg’s plan is a stipend to help people cover their long-term care costs — \$90 per day, which the campaign says ‘would kick in after an income-related waiting period.’” So, in contrast to an open-ended CLASS Act or a single-payer system, this is a defined-contribution approach that would cap the annual cost at roughly \$33,000 per beneficiary. That’s a relief (sort of) for those worried about the unsustainable federal fiscal outlook.

But what would it buy the beneficiary? According to the AARP [report](#), *Across the States*: “In 2017, the median annual cost of a nursing facility was \$97,455 for a private room and \$87,600 for a shared room. The base price

for assisted living was \$45,000. The median cost for a home health aide to provide care at home was \$22 per hour for 30 hours a week, for an annual price of \$33,540. Adult day services cost \$70 per day; for an individual utilizing adult day services 5 days a week, the annual cost was \$18,200.” It certainly appears that the benefit is designed to cover the cost of a home health aide. The individual would be at risk for the costs of any additional care that might be needed.

The proposal addresses an important concern for a key portion of the electorate. That’s smart politics. But it simultaneously stands in stark contrast to the bloated over-promises of the progressive wing. That may also prove to be smart political positioning. The only remaining question is whether it would retain its minimalist, defined-contribution character if it successfully transverse the legislative process.