

State governments have the greatest incentive to offer True Group Long-Term Care



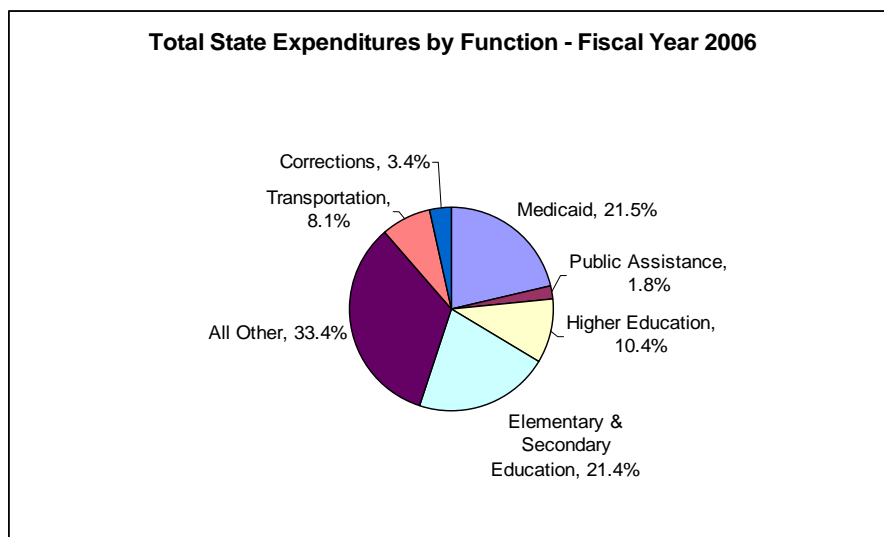
The middle-class population usually chooses not to afford voluntary private LTCI premiums, and they are not situated to pay for long-term care out of pocket.

According to the State Expenditure Report distributed by the National Association of State Budget Officers, Medicaid spending by states was second only to spending on education in fiscal year 2006 (see chart below). Although Medicaid is commonly thought of as health care for the poor, a large portion of Medicaid funds are used for long-term care. In fact, Medicaid is the largest payer of long-term care services in the United States. With the aging crisis upon us, the future potential Medicaid liability associated with paying for LTC services is growing every day.

So where can savings for the Medicaid budget come from? Little can be done to eliminate Medicaid expenses from the low-income and disabled populations, and in fact, many states are expanding this element. The Medicaid LTC costs for the middle class, however, could be re-directed significantly from the public to the private sector. The middle-class population usually chooses not to afford voluntary private LTCI premiums, and they are not

situated to pay for long-term care out of pocket. Hence, many middle-class Americans who need long-term care may end up spending down their assets in order to qualify for Medicaid coverage. The Medicaid system needs this population to privatize their financing mechanism for LTC.

The majority of state and local government employees are in the middle class, and these government workers constitute 15 percent of the entire workforce. Hence, an opportunity exists for state governments to lead the way in decreasing the burden on Medicaid by establishing an employment-based system of long-term care, with costs shared between the employee and employer. Using a system of vesting and self-funding can bring the cost down for the employers who offer these benefits.



Source: National Association of State Budget Officers. State Expenditure Report 2006

This monthly publication by Jon Shreve focuses on how to cost-effectively deliver true group long-term care benefits to employees. Shreve is a coauthor of the book True Group Long-Term Care.

Jonathan L. Shreve, FSA, MAAA
 Principal & Consulting Actuary
 Direct: 303 299.9400
 Jon.Shreve@milliman.com