

The Future of Long-Term Care and Medicaid

Small Business Roundtable

Washington County Commissioners Meeting Room

100 West Washington Street, Hagerstown, MD

2nd Floor, Room 227

July 10, 2006

1:00 – 4:00

BACKGROUND and BIOGRAPHIES

Background

Long-term care is one of the most significant demographic and fiscal challenges of this century and of particular importance because of our rapidly aging population. In 2000, there were an estimated 9.5 million people with long-term care needs in the U.S., including six million elderly and 3.5 non-elderly. These numbers are projected to grow dramatically in the coming years, especially after 2030 when the baby boom generation begins to reach 85. The senior population—12.4% in 2000—is predicted to rise to 20.6% by 2050.

Seniors can remember that long-term care for their grandfathers and grandmothers used to be provided by their parents in their homes. They may have helped care for their grandparents or other elderly relatives. As we enter the 21st century, the provision and financing of long-term care is significantly different. Medicaid paid for by federal and state taxpayers has become a primary way of financing long-term care for elderly people in nursing homes. Medicaid's mission is to provide a safety net for those who truly need it. Of the 40% or more of those who need long-term care during their lives, about two-thirds of all recipients of long-term care must depend on Medicaid.

The current mix of financing for long-term care, in which a significant share of financing comes from government programs, adds to the pressures that the federal budget will experience with the aging of the baby-boom generation. Entitlement spending is the largest proportion of the federal budget. Entitlement spending has been increasing at faster rates than discretionary federal spending and GDP.

Medicaid is a huge entitlement. Medicaid has been the entitlement program with the fastest rate of increase. Expenditures are topping \$300 billion and rising 8% annually. In total, Medicaid's expenditures for long-term care for elderly people since 1992 have grown at an average annual rate of about 5 percent. The Congressional Budget Office estimates that in 2004, Medicaid's payments for institutional care for seniors, including both state and federal expenditures, totaled about \$36.5 billion or about 77% of all Medicaid long-term care spending. Accounting for about 40 percent of total expenditures on nursing facilities, Medicaid's payments cover the care of more than half of all elderly nursing home residents.

The cost of long-term care is high and increasing, averaging \$70,912 annually for a private room; \$25.32 per hour for a visit by a home health aide; and an average annual base rate of \$32,294 for the services of an assisted living facility. Since 1990, the price of nursing home care has increased at an average annual rate of 5.8 percent—almost double the overall inflation rate.

Congress recently made changes to the Medicaid program as part of the Deficit Reduction Act. The Deficit Reduction Act is projected to save taxpayers \$39 billion over the next five years. The Medicaid changes have caused concern about the future of Medicaid and long-term care for many senior citizens.

DENNIS SMITH

Director of the Center for Medicaid and State Operations (CMSO), part of the Centers for Medicare & Medicaid Services (CMS)

Dennis Smith was appointed to this position on July 29, 2001. Mr. Smith has been charged with fostering increased cooperation with states and promoting greater flexibility that will allow states to develop innovative approaches to meet health care needs. Mr. Smith provides leadership in the development and implementation of national policies governing Medicaid, and the Center also serves as the focal point for all CMS interactions with States and local governments.

Prior to his appointment as Director of CMSO, Mr. Smith served on the Bush-Cheney transition team as chief liaison to the U.S. Department of Health and Human Services. Previously he served as the Director of the Department of Medical Assistance Services for the Commonwealth of Virginia. Mr. Smith has a Master's Degree in public administration from George Mason University.

S. ANTHONY (“TONY”) McCANN

Secretary of Maryland’s Department of Health & Mental Hygiene

S. Anthony McCann was appointed Secretary of the Maryland Department of Health and Mental Hygiene (DHMH) by Governor Robert L. Ehrlich, Jr., effective October 1, 2004.

Mr. McCann served as Assistant Secretary at the U.S. Department of Health and Human Services from 1986 to 1989 and executed a \$400 billion budget for a staff of 117,000. As Assistant Secretary for Management at the U.S. Department of Veterans Affairs from 1989 to 1993, he oversaw a \$30 billion budget for a staff of 240,000 while advising the Secretary on medical care and research, housing, and educational assistance. His Congressional experience includes an appointment as the Clerk and Staff Director of the subcommittee of the House Appropriations Committee that funds most of the federal government’s programs in health, education and labor. He also served as Commissioner on the President’s Task Force to Improve Health Care Delivery for Our Nation’s

Veterans. Secretary McCann is also a member of the Oversight Committee on Quality of Care in Nursing Homes and Assisted Living Facilities.

A lifelong Montgomery County native, Mr. McCann earned his Bachelor of Arts from Lake Forest College in Illinois in 1966 and his Master of Arts from Syracuse University in 1969. Additionally, he has been a member of the faculty of Georgetown University since 1993 where he teaches Liberal Studies and Budget and Public Policy.

GRACE-MARIE TURNER

President of the Galen Institute and Member of the President's Medicaid Commission

Grace-Marie Turner is the president of the Galen Institute, a public policy research organization that promotes an informed debate over free-market ideas for health reform. She speaks and writes extensively about incentives to promote a more competitive, consumer-driven marketplace in the health sector. The Galen Institute has been instrumental in promoting consumer-friendly health policy initiatives that transfer power over health care decisions from bureaucracies to individuals.

Ms. Turner was appointed to serve on the President's Medicaid Commission, charged by Congress with making recommendations to modernize and improve this program that serves the poor, the disabled, and the elderly. She also serves as a member of the National Advisory Council of Healthcare Research and Quality. Ms. Turner is the founder and facilitator of the Health Policy Consensus Group, which serves as a forum for analysts from market-oriented think tanks around the country to analyze and develop health policy recommendations. Additionally, she is the editor of *Empowering Health Care Consumers through Tax Reform*.

STEPHEN MOSES

President of the Center for Long-Term Care Reform

Stephen Moses is the president of the Center for Long-Term Care Reform in Seattle. The Center promotes universal access to top-quality long-term care by encouraging private financing as an alternative to Medicaid dependency for most Americans. Previously, Mr. Moses was president of the Center for Long-Term Care Financing (1998-2005), Director of Research for LTC, Inc., (1989-98), a senior analyst for the Inspector General of the U.S. Department of Health and Human Services (1987-89), a Medicaid state representative for the Health Care Financing Administration (1978-87), and an HHS Departmental Management Intern (1975-78). He is widely recognized as an expert and innovator in the field of long-term care.

JAMES C. MITCHELL

Administrator of Moran Manor Health Care Center

Dr. Mitchell has 25 years experience as a Nursing Home Administrator. He is licensed in Maryland, Pennsylvania, West Virginia, and Tennessee. He is currently the Administrator at Moran Manor Health Care Center which was recently presented the Delmarva Foundation Award of Excellence, an award recognizing quality health care that is only given to the top 5% of nursing homes nationwide. Dr. Mitchell also has two years service on the Board of Directors of the Health Facilities Association of Maryland (HFAM).

Dr. Mitchell has a Doctor of Science in Health Care Administration from Rocheville University. He also received an MBA from Trinity College and University.

GREGORY J. STANGEL, II

Stangel & Stangel Financial Services

Mr. Stangel is a co-owner of Stangel & Stangel Financial Services, Inc. Before this position, he worked at Jackson National Life Insurance Company in Santa Monica, CA. He holds a Series 7 and Series 63 securities licenses and Life & Health insurance license for the states of Maryland, West Virginia and Ohio.

He attended Hofstra University in Hempsted, New York and Frostburg State University in Frostburg, Maryland, where he received a B.S. in English. Mr. Stangel also obtained a Masters in English at California State University at Northridge.