

Long-Term Care and the Pandemic

Presented to GoldenCareUSA agents and staff

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Covid Impact: Earthquake, life as we've known it changed radically, huge opportunities, giant risks, long-term care and LTC financing are more interesting, challenging, and fun than ever in my 38 years following the field. The opportunity to do well by doing good selling LTCI has never been greater. You producers, distributors and the carriers you represent to consumers are critical to our country's surviving this crisis and prospering in the future.

3 Themes: I'll discuss three major themes or contexts of the Covid-19 pandemic:

1. Health and long-term care
2. The Economy
3. Politics

LTC Clippings since last month, December 2020, are the source for most of what follows. *LTC Clippings* is a publication we produce, sponsored by GoldenCareUSA.

We send an average of two clippings per day by email to subscribers. Each clipping gives the title, a link to the source, a representative quote and a couple sentences of my analysis to put the information in context.

The purpose of *LTC Clippings* is to inform agents of news, data, reports, articles, etc. that they need to know before they're blind-sided by prospects or clients who've read something the agents haven't seen yet.

I'll make today's presentation and all the links to original stories it covers available in our next *LTC Bullet* to be published on Friday. The same day it will be posted on The Moses LTC Blog at www.centerltc.com. You can find it there.

My point: if you received the *LTC Clippings* you would know all of what I'll say today already.

If you're blown away and you want to subscribe, check out our "[Membership Levels and Benefits](#)" link and our "[Join and Contribute Online](#)" link. Both links will be live in the *LTC Bullet* on the blog.

Health and LTC Context

Acknowledge sources: Experts like Claude Thau, Sally Leimbach and Margie Barrie. Watch for two forthcoming white papers by Margie Barrie: "The Impact of Covid-19 on Long-Term Care" and "The Medicare White Paper"

- Long-term care is in the news—that's a big change for better *and* worse

- On the bad side, people are dying in LTC facilities:
 - Even though just 1 percent of the U.S. population resides in a long-term-care facility, LTC deaths represent nearly four in 10 COVID-19 deaths. (Source – Christine Benz, Morningstar, December 8, 2020.)
 - I covered the causes, consequences and solutions in my June 1, 2020 op-ed in the *WSJ*: [Nursing Homes, Coronavirus and Medicaid](#)
- On January 1, 2021, the *New York Times* published heart wrenching stories about people who have been trapped in nursing homes watching friends and fellow residents sicken and die around them
 - [1/1/2021, “Because of You Guys, I’m Stuck in My Room’,” by Kristin Lin, New York Times](#)
- LTC providers have been devastated:
 - “The dual factors of sharply declining occupancy [down from 85% in Feb to 74% in Sept.] coupled with the high cost of personal protective equipment, COVID-19 testing, and hazard pay for workers is placing the skilled nursing sector under unsustainable financial strain.”
12/4/2020, “[NIC Points to Unprecedented Challenges for Skilled Nursing as Occupancy Remains Low](#),” by Patrick Connole, *Provider*
 - “Two-thirds of nursing homes say they won’t make it another year given the current operating pace due to increased COVID costs. ... Staffing has been the top cost in response to COVID with nine out of 10 nursing homes hiring additional staff and/or paying staff overtime.”
12/16/2020, “[State of Nursing Home Industry: Facing Financial Crisis and Staffing Challenges](#)” by Beth Martino, AHCA/NCAL
 - “The COVID-19 pandemic [will contribute] to substantial eldercare cost hikes, especially for assisted living and in-home care. ... Over the course of a single year, assisted living community rates increased by 6.15% to an annual national median cost of \$51,600.” (And pre-Covid)
12/3/2020, “[COVID-19 linked to ‘substantial cost increases’ in assisted living: survey](#),” by Kimberly Bonvissuto, *McKnight’s Senior Living*
 - “The United States spent a collective \$172.2 billion on care at nursing homes and continuing care retirement communities (CCRCs) in 2019...; that’s a gain of 3.3% [from] 2018. But that increase pales in comparison to the 7.7% jump in spending on home health services during that time, from \$105.4 billion in 2018 to \$113.5 billion in 2019.” Again, all pre-Covid so expect much more coming.
 - 12/16/2020, “[Spending Growth on Nursing Home Care Falls Far Behind Home Health, Hospitals](#),” by Alex Spanko, *Skilled Nursing News*
 - Shortage of health care workers: “Notwithstanding sign-on bonuses, competitive salaries and benefits packages, recruiting [caregivers] is a challenge, [one home health provider] said. ‘Before the pandemic, I used to get 10 applicants a week for our open positions. Now I’m getting one or two.’”
12/14/2020, “[Help wanted: More home healthcare workers due to COVID-19](#),” by Joe Jancsurak, *McKnight’s Senior Living*

People aren’t exactly lining up for minimum-wage jobs in Covid’s bullseye with higher unemployment benefits readily available. Go figure.

- Covid had a crazy impact on health care costs beyond long-term care:
 - Hospital costs down 36% due to elimination of noncritical services such as elective surgeries
 - Dental care down 65%. When was the last time you saw a dentist?
 - Flu cases lower than normal so far this year; measures taken to avoid COVID-19 are likely the reason
 - 12/11/2020, [“Flu cases lower than normal so far this year, COVID-19 likely the reason,”](#) by Brian P. Dunleavy, UPI
 - 12/16/2020, [“COVID-19 Shocks The US Health Sector: A Review Of Early Economic Impacts,”](#) by George Miller, Corwin Rhyan, Ani Turner, and Katherine Hempstead, *Health Affairs*
- How is the public reacting to all this? People want to stay home and they want to keep their parents at home:
 - “The number of COVID-19 cases and deaths for home- and community-based services programs pales in comparison with those for nursing homes ... After [researchers] compared positive COVID-19 cases and deaths in three Medicaid [home care] programs to results for nursing home and assisted living residents for March through July, they found that only 3% of older [home care] adults were infected, and only 1% died from COVID-19. Meanwhile, nursing home and assisted living residents showed a 37% positivity rate and an 11% death rate.”
 - 12/10/2020, [“Study shows far fewer COVID-19 cases at home than in nursing homes, assisted living,”](#) by Joe Jancsurak , *McKnight’s Senior Living*
 - “61% of Americans now report that they would rather die than live in a nursing home. ... Americans prefer to stay in their home for long-term care (71%), and most would like to have the option of relying on a family member if they needed long-term care (68%) but would not expect them to [provide such care] if they were unable to pay them (69%).”
 - 12/9/2020, [“More than 6 in 10 Americans now say they would rather die than live in nursing home: survey,”](#) by Amy Novotney, *McKnight’s Senior Living*
 - “The vast majority of Americans (87%) believe it’s more important than ever for people to stay at home for long-term care, as well as have a plan for long-term care (85%) and have long-term care insurance (81%) as COVID-19 has raised concerns about the safety of nursing homes.”
 - 12/16/2020, [“Americans Worry More Now About Their Long-Term Care Plans and Prioritize Staying At Home,”](#) by Nationwide Retirement Institute, *Advisor Magazine*
- There will be more cost and more cost increase awareness
 - Nursing home, assisted living and home care costs will rise further, especially for home care
 - LTCI prices are rising, especially for hybrids
 - According to Margie Barrie: “Virtually all carriers have increased their premium rates and most have limited the application age to 70.”
 - The impact on traditional LTCI products has been more limited, but stricter underwriting requirements keep coming: Applications may be postponed if someone has been outside the country within the past month;

- or in contact with somebody who tested positive; or if quarantined, even with no diagnosis or symptoms.
 - Simultaneously Medicare is pushing more costs onto consumers. To ensure that Medicare remains financially viable, a number of major changes have been introduced over the last several years:
 - So called “Value Based Care” means fewer services being provided to beneficiaries.
 - People are being sent home sooner from the hospital and nursing home.
 - Medicare has changed the payment process. Hospitals will now control the distribution of payments for all parts of the long term care continuum.
 - For details, read Margie’s forthcoming “The Medicare White Paper.”
- Sensitivity to risk is very high: the unpredictability of life and health is on everyone’s mind
 - “A majority of today’s workers and retirees range from feeling cautious to pessimistic about the economic outlook for 2021, with nearly 75% concerned about how the global pandemic may impact their retirement savings”
1/5/2021, “[2021 Economic Outlook Fraught With Uncertainty](#),” by Principal Financial Group, *Advisor Today*
 - People are more **aware** of their own and their parents’ vulnerability
 - Will we have more pandemics, different ones, worse ones?
 - “Although almost every household with an income of \$100,000 or more reports saving for retirement, only half of them (49%) say they believe they will ever be able to retire.”
12/8/2020, “[Half of Americans with incomes over \\$100,000 think they’ll never be able to retire](#),” by Amy Novotney, *McKnight’s Senior Living*
 - “According to an analysis of applicants for traditional long-term care insurance in 2019, decline rates ranged from 19.4 percent for individuals applying between ages 40 to 49 to 53.6 percent after age 75. ‘Couples comprise the majority of traditional long-term care insurance applicants,’ explains Claude Thau, National Brokerage Director at USA-BGA ... ‘The likelihood that at least one spouse will be declined ranges from 35.0 percent for spouses between ages 40 and 49 to 78.5 percent for couples age 75 or older.’” That’s pre-Covid too so likely getting worse.
12/10/2020, “[Long-Term Care Insurance Decline Rates Reported](#),” by Jesse Slome, *American Association for Long-Term Care Insurance*
 - Insurability is declining as urgency for consumers is increasing: Insurance companies are wary to take on applicants who have had the virus or been exposed to it. Intelligent people who realize this are more inclined to purchase LTCI while they still can prove that Covid-19 has not yet compromised their health history.
- New and different products are available and catching hold
 - Hybrids provide a wide range of benefits
 - Traditional products still offer the biggest leverage against LTC risk
 - But carriers face increasing costs and consumers confront higher premiums and/or reduced benefits due to the government’s artificially low interest rates.
12/18/2020, “[COVID-19 Drove Up Group Term Life Death Claims: SOA Survey](#),” by Allison Bell, *ThinkAdvisor*

- In the meantime, Suze Orman says people “must have LTCI”
 - Virtual marketing and sales via face-to-face electronic connections make LTCI easier and less expensive to sell, eliminating drive time for example
 - People will be back at work after the vaccine, so their future financial outlook will become more stable.
- Bottom line: there’s never been a better time to sell LTCI

Now let’s examine the situation from the standpoint of the ...

Economic Context

Characterized by irresponsible fiscal and monetary policy

- Consider the national debt. According to the “[Debt clock](#)” for 2008 (Obama’s first term) [\\$9.6 trillion](#); 2016 (Trump elected) [\\$19.2 trillion](#); 2021, (now) [\\$27.8 trillion](#); 2025 (end of Biden term) [\\$48.9 trillion](#) projected. See a trend?
- So-called “stimulus” to confront the economic downturn caused by the pandemic has resulted in these huge deficits and rampant money printing by the Federal Reserve to monetize the skyrocketing debt.
 - All this new money had to go somewhere. It didn’t inflate consumer prices so much because of low demand suppressed by high unemployment.
 - So instead, we’ve seen rapid inflation in equities and real estate.
 - Ironically, in this economic crisis stock markets are at all-time highs.
 - Home prices rose 8.4% in the year that ended in October, up from a 7% annual rate the prior month to a 14-year high: [U.S. Home-Price Growth Accelerated in October](#)
 - People working from home with shorter or no commutes are looking for larger homes in suburbia offering more space, better home offices and a place to provide home care if needed for themselves or their parents.
- The result is that we have more upper-middle-class people, exactly the demographic cohort most likely to consider and buy LTCI
 - They have more wealth to protect and more money for premiums.
 - People going back to work after the vaccines kick in means a bigger worksite market
 - On the negative side, inequality is exacerbated: elderly poor get poorer even as the rich get richer
 - There will be more elderly debt: “Adults age 70 and older have increased their debt since the Great Recession — largely due to mortgage payments — and this hampers their ability to overcome ‘negative events’ as they age ...” Substitute “a long-term care crisis” for “negative events” and you can see what this means.
 - The elderly poor get poorer even as the rich get richer due to irresponsible monetary policies that inflate stock and real estate values. What this means in terms of long-term care is that more people will depend on Medicaid when Medicaid is least able to support them. The good news is that the well-to-do will have more wealth to protect and more money to pay premiums for LTC insurance. So the current mess in LTC services and financing will worsen. Medicaid will

continue to deteriorate and private LTCI will become more desirable and salable than ever before.

- 12/29/2020, “[What's Hurting the Financial Security of Older Americans?](#),” by Ginger Szala, *ThinkAdvisor*
- Bottom line: there’s never been a better time to sell LTCI

Now let’s look at the political context. As I prepared this presentation before the Georgia Senate run-off elections, it was impossible to predict what the future might hold politically. Would the Democrats win control of the Senate taking the trifecta of President, House *and* Senate? That would free them to pursue their left wing’s most radical progressive wish list. Or would the Republicans hold control of the Senate and remain a bulwark of opposition to the goals of Bernie Sanders, Elizabeth Warren, and Alexandria Ocasio-Cortez.

It was a cliff-hanger, but now we know ...

It appears the Democrats have taken both Georgia Senate races and so will control both houses of Congress as well as the Presidency. Vice President Kamala Harris will cast the deciding vote in case of a 50/50 tie on key issues. We’ll likely see more progressive measures pass, more spending approved, more money printing to cover it, and higher national debt than otherwise. Only time will tell what the long-term results of such policies will be.

Political Context

Biden Administration

As we’ve seen from the economic context, there isn’t much concern for financial responsibility any more in either party. We have to ask ...

Will [Modern Monetary Theory](#), the idea that the government can print and spend unlimited amounts of money without consequences, will MMT prevail allowing progressives to pursue their whole bucket list of goals including “free” long-term care provided by Medicare? That would finally wipe out private LTC insurance.

Actually, the Biden Administration’s LTC wish list is much less ambitious.

According to the “Biden-Harris Plan to Make Nursing Homes and Long-term Care Facilities Safe” the Biden Administration’s whole focus is on [regulation and enforcement](#). For example, they want to ...

- Promote safety and care
- Ensure appropriate oversight of facilities to protect patient safety and wellbeing
- Provide oversight for how taxpayer and resident funds are spent and provide avenues for bringing complaints
- Increase access to home and community-based services for the number of older Americans and people with disabilities able to receive home and community-based services (HCBS).

- All nice sounding ideas, but what they mean is more inspections, more fines and financial penalties, not more money and support. In a phrase “The beatings will continue until morale improves.”

[The Biden Plan For Older Americans](#) addresses long-term care by promising to ...

- Protect Medicare as we know it.
 - “The Congressional Budget Office (CBO) now projects that the trust fund will be [exhausted in 2024](#) , a little more than three years from now, which is the nearest the fund has come to exhaustion in the 55 years of its existence.
 - 12/15/2020, “[The Coming Crisis For The Medicare Trust Fund](#) ,” by David Muhlestein, *Health Affairs*
- The Biden Plan will protect Medicaid funding and make sure the program gives those on Medicaid who need long-term care the flexibility to choose home- and community-based care.
 - Heavier than ever reliance on Medicaid, a bankrupt welfare program, is a mistake. Making Medicaid LTC more attractive by offering more home care does not save money and further reduces consumers’ perception of LTC risk.
 - Consider Medicaid’s well-known deficiencies ...
 - Access and quality problems, notoriously low reimbursement rates, discrimination, institutional bias, loss of independence and control, but add to these some new defects ...
 - Managed long-term care through Medicaid is increasing, adding another layer of compensation and control between the patient and provider. “Over half of states contract with managed care organizations to provide [LTC] services. [GAO] examined 6 states, each of which reported finding significant problems with the quality of care provided through these contracts. In some cases, the problems led to patient injury or neglect.” 12/16/2020, “[Medicaid Long-Term Services and Supports: Access and Quality Problems in Managed Care Demand Improved Oversight](#)”
 - On top of that: “The true Medicaid improper-payment rate now exceeds 25 percent, meaning that more than one in every four dollars spent in the Medicaid program — or more than \$100 billion in federal spending each year — is in violation of program rules. It [turns out](#) that millions of Medicaid enrollees are ineligible for the program — in most cases because they earn too much income, but in others because they are not lawful residents.” 12/9/2020, “[Improper Medicaid Payments Have Soared since Obamacare](#) ,” by Brian Blase and Hayden Dublois, *National Review*
- The Biden Plan promises a \$5,000 tax credit for informal caregivers, but that’s
 - Not above the line LTCI tax deductibility
 - Not cafeteria plan eligibility for LTCI
- Biden will increase the generosity of [tax benefits](#) for older Americans who choose to buy long-term care insurance and pay for it using their savings for retirement.
 - Let people use retirement funds for LTCI premiums. (Good)
- Biden made an unpromising first political appointment: California’s Attorney General, Xavier Becerra, is going to run DHHS

○ He was a big supporter of the CLASS Act and all of ObamaCare
12/8/2020, "[Biden nominates defender of long-term care causes and a virus expert to health team](#)," by Alicia Lasek, *McKnight's LTC News*

Biden wants to lower the Medicare age to 60

- What happened to "Medicare for All?" "Medicare at 60" is "Medicare For...Gotten."
- "Hospitals fear adding millions of people to Medicare will cost them billions of dollars in revenue."
- 11/11/2020, "[Biden Plan to Lower Medicare Eligibility Age to 60 Faces Hostility From Hospitals](#)," by Phil Galewitz, *Kaiser Health News*
- Medicare at 60 is just one more way for government to say "don't worry" just before bottom falls out of the trust fund.

I'm going to close by explaining biggest risk to private long-term care insurance: LTC intelligentsia has formed a consensus around compulsory social insurance

Their analysis goes like this:

Long-term care is in crisis;
Especially now in the pandemic;
The middle class is unprotected;
LTCI failed;
Big government programs aren't coming;
Medicaid requires impoverishment;
So our best hope is what Washington State is doing:
Compulsory social insurance funded by mandatory taxes on workers and with a back-end focus;
But "[Keystone Kops](#)" and "[Trust Fall](#)."

I'll explain why this analysis and recommendation is wrong and doomed to fail disastrously in "Why LTCI Fails," my article in the February *Broker World*. Watch for it.

Bottom line: Given what's happening in health and long-term care, in the U.S. economy, and politically, there's never been a better time to sell LTCI.